

## **REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF UBI BANCA S.P.A.**

in accordance with Art.123-bis of the Consolidated Finance Law

## **REPORT OF THE SUPERVISORY BOARD TO THE SHAREHOLDERS' MEETING**

in compliance with Art. 153, paragraph 1 of Legislative Decree No. 58 of 24th February 1998 and Art. 38, paragraph 1, letter h) of the Articles of Association

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- Proposal for setting remuneration and incentive policies for members of the Supervisory Board and members of the Management Board in accordance with the regulations and legislation in force
- Remuneration schemes based on financial instruments: proposal to pay a portion of the short-term (annual) variable component of remuneration for "Identified Staff" in financial instruments and a proposal to authorise the purchase of treasury shares to service the incentive scheme
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*(This English version is a courtesy translation from the Italian original document  
which remains the definitive version)*

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in accordance with Art.123-bis of the  
Consolidated Finance Law

Website: [www.ubibanca.it](http://www.ubibanca.it)

Fiscal year: 2017

Date: 8<sup>th</sup> February 2018



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## Glossary

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the Italian Banking Association, Ania (national insurance association), Assogestioni (national association of asset management companies), Assonime (association of joint stock companies) and Confindustria (Confederation of Italian Industry).

**Civil Code/C.C.:** the Italian Civil Code.

**Regulations concerning risk assets and conflicts of interest with connected parties:** Bank of Italy Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update of 12<sup>th</sup> December 2011.

**Supervisory Regulations:** the regulations issued by the Bank of Italy in carrying out its regulatory functions, addressed to banks and banking groups, contained in Circular No. 285 of 17<sup>th</sup> December 2013.

**Issuer/Company/Bank/UBI Banca:** Unione di Banche Italiane Società per azioni.

**Financial/Fiscal year:** the financial/fiscal year to which this report relates.

**Consob Issuers' Regulations/Issuers' Regulations:** the regulations issued by the Consob (*Commissione Nazionale per le Società e la Borsa* - Italian securities market authority) with Resolution No. 11971 of 1999 (as subsequently amended) for issuers.

**Consob Markets Regulations:** the regulations issued by the Consob (Italian securities market authority) with Resolution No. 20249 of 2017 (as subsequently amended) for markets.

**Consob related-party regulations:** the regulations issued by the Consob with Resolution No. 17221 of 12<sup>th</sup> March 2010 (as subsequently amended) concerning transactions with related parties.

**Report:** the Report on Corporate Governance and the ownership structure pursuant to Art. 123-*bis* of the Consolidated Finance Law.

**Report on Remuneration:** the report on remuneration prepared in accordance with Art. 123-*ter* of the Consolidated Finance Law and Art. 84-*quater* of the Consob Issuers' Regulations, available in accordance with the law at the registered address of the Bank, on the website of Borsa Italiana S.p.A., on the website of the issuer ([www.ubibanca.it](http://www.ubibanca.it)) and on the registered storage facility named "1info" ([www.1info.it](http://www.1info.it)).

**Consolidated Finance Law:** Legislative Decree No. 58 of 24<sup>th</sup> February 1998, as subsequently amended.

**Consolidated Banking Law:** Legislative Decree No. 385 of 1<sup>st</sup> September 1993, as subsequently amended.

## Introduction

This Report - which is available on the Bank's website ([www.ubibanca.it](http://www.ubibanca.it), Corporate Governance section) and on the registered storage facility named "linfo" ([www.linfo.it](http://www.linfo.it)) - has been prepared in accordance with Art. 123-bis of the Consolidated Finance Law and is also intended to fulfil the public disclosure obligations for banks relating to organisational structure and corporate governance pursuant to the Supervisory regulations concerning corporate governance (Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013 - Title IV, Chapter 1, Section VII) - (Attachment 1 - compliance table).

\* \* \*

## SINGLE BANK

The merger of seven network banks into UBI Banca was completed in the first quarter of 2017, as part of the adoption of the Single Bank model by the UBI Banca Group.

As already stated in the 2016 Report, the seven network banks were incorporated in two stages:

- the first stage involved Banca Popolare Commercio Industria S.p.A. and Banca Regionale Europea S.p.A.; the merger deeds were signed on 15<sup>th</sup> November 2016 and it became effective against third parties from 21<sup>st</sup> November 2016 (with effect for accounting and tax purposes from 1<sup>st</sup> January 2016);
- the second stage involved Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Banco di Brescia S.p.A. and Banca di Valle Camonica S.p.A., with the signing of four merger deeds on 2<sup>nd</sup> February 2017 (one for each Network Bank, exception being made for the signing of a single merger deed for BBS and BVC), which took effect with regard to third parties from 20<sup>th</sup> February 2017 (with effect for accounting and tax purposes from 1<sup>st</sup> January 2017).

\* \* \*

## PROJECT TO MERGE THE BRIDGE BANKS INTO UBI BANCA

On 10<sup>th</sup> May 2017 UBI Banca completed the purchase of 100% of the share capital of Nuova Banca delle Marche ("**NBM**") (which held, amongst other things, at the date, of 94.65% of CARILO - Cassa di Risparmio di Loreto ("**CRL**"), Nuova Banca dell'Etruria e del Lazio ("**NBEL**") (which held, amongst other things, 100% of Banca Federico del Vecchio, ("**BFDV**") and Nuova Cassa di Risparmio di Chieti ("**NCRC**").

The Management Board and the Supervisory Boards of UBI Banca, within their respective remits, approved the merger project relating to the integration of NBM, NBEL, NCRC, CRL and BFDV into the Parent UBI Banca. This merger, too, was part of the adoption of the Single Bank model.

In the light of the many activities performed as part of the overall project for the merger of the network banks, an opportunity to implement the project in three stages was identified:

- the first involved the merger of Banca Adriatica (formerly NBM) and CRL; the merger deeds were signed on 16<sup>th</sup> October 2017 and it became effective against third parties from 23<sup>rd</sup> October 2017 (with effect for accounting and tax purposes from 1<sup>st</sup> October 2017);
- the second involved the merger of Banca Tirrenica (formerly NBEL) and BFDV; the merger deeds were signed on 14<sup>th</sup> November 2017 and it became effective against third parties from 27<sup>th</sup> November 2017 (with effect for accounting and tax purposes from 1<sup>st</sup> October 2017);
- the third involves Banca Teatina (formerly NCRC) and is planned for the current month of February.

\* \* \*

## DEVELOPMENTS IN GOVERNANCE

As already announced to the market in a press release of 12<sup>th</sup> December 2017, the Supervisory Board of UBI Banca has approved the bank governance revision guidelines proposed by the “Governance Commission”, an internal committee of the Supervisory Board created in June 2017.

The UBI Group was formed in 2007 on the basis of three key cornerstones, its co-operative form, its federal model of organisation and its two tier governance system.

Over the last three years the Group has implemented an important programme of corporate change by progressively modifying these cornerstones (co-operative form and federal organisation), while maintaining the virtuous component of the ties with the local communities in which it has its roots and with the various stakeholders:

- transformation into a joint stock company and reduction of the number of board members from 34 to 22;
- merger into UBI Banca of the seven local banks, in accordance with the “Single Bank Project” (Shareholders’ Meeting held in October 2016) and of four of the five banks acquired in May 2017 (October and November 2017);
- progressive simplification of the Group’s ownership structure, significantly reducing the number of both subsidiaries and board members by over 70% since 2007.

It therefore became appropriate to also assess the third key cornerstone, the two tier governance system employed by the Group since 2007, in order to verify whether it responds to the needs of the new company form and organisational structure.

The Governance Commission is chaired by the Chairman of the Supervisory Board, *Ing.* Andrea Moltrasio, and is composed of the Senior Deputy Chairman, *prof.* Mario Cera, the two Deputy Chairmen, *Dott.* Pietro Gussalli Beretta and the notary Armando Santus, and the Chairman of the Internal Control Committee, *prof.* Giovanni Fiori. It looked into the theoretical and legal aspects of the relative general and sector regulations and also examined the most representative experiences at both national and international level, with a focus on those solutions most appropriate for the UBI Group.

The guidelines approved involve the adoption of a single tier governance system which would be:

- more easily recognisable in consideration of its widespread use internationally;
- more efficient from an organisational viewpoint;
- able to maintain a strong focus on the control function, located within the board, with its consequent participation in strategic decision-making (as currently performed by the Supervisory Board) and in the management of the Bank.

This would take the following concrete form:

- a Board of Directors composed of 15 members;
- a “Management Control Committee” internal to the Board composed of five members;
- two thirds of the board members are independent;
- the procedures for appointing board members remain as at present: board members are drawn from the first two lists with percentage limits for the definition of the number of minority board members up to a maximum of three.

The guidelines have been communicated to the Management Board which must draw up a proposal to amend the Articles of Association to be approved by the Supervisory Board. The Plan, together with the Articles of Association, will be submitted to the competent authorities for their assessment and subsequently submitted to an Extraordinary Shareholders’ Meeting for approval.

The Supervisory Board considers that the process described above, inclusive of subsequent revision of policies and internal procedures, can be completed before the 2019 Shareholders’ Meeting where board members will be appointed for the next three-year mandate.



The information given in this report refers to the current Articles of Association.

## 1) Profile of the Issuer

The Bank is listed on the *Mercato Telematico Azionario* (electronic stock exchange) organised and managed by Borsa Italiana S.p.a.

The purpose of this report is to provide shareholders and the market with an analysis of the system of corporate governance adopted by the Bank. The system is based on the measures and principles contained:

- in the regulations governing listed issuers set out in the Consolidated Finance Law and in the related rules to implement them adopted by the Consob (Italian securities market authority);
- in the banking regulations contained in the Consolidated Banking Law and its implementing measures;
- in the Corporate Governance Code.

UBI Banca has adopted a two tier system of management and supervision.

The main distinguishing features of the two tier system lie in the distinction between:

- the policy, strategic supervision and control functions, assigned to the Supervisory Board, which combines some of powers assigned by traditional systems to Shareholders' Meetings (approval of financial statements, appointment of the members of the management body and determination of the relative fees) 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, to which it can submit prior guidelines, on the business and/or financial plans and budgets of the Bank and the Group and also on strategic operations indicated in the Articles of Association (Art. 38);
- the corporate management functions, assigned to the Management Board, which has exclusive authority to perform all ordinary and extraordinary operations necessary to the pursuit of the company objects, in compliance with the general guidelines and strategic policies approved by the Supervisory Board (Art. 28).

This division of functions makes it possible to identify distinct features of the operational life of the Bank and assigns them to the corporate bodies just mentioned which, with their respective roles and responsibilities, give rise to a corporate governance model characterised by continuous dialogue and inter-functional co-operation.

Responsibilities are delegated from the highest governance body to the various organisational levels on the basis of the organisation chart in the General Company Regulations, which identifies missions and responsibilities for every organisational unit in relation to each aspect of management.

From the point of view of the supervisory regulations UBI Banca falls within the category of banks of greater size or operational complexity because it is a listed company.

The total number of the members of the collegiate bodies was decided in order to ensure adequate representation of shareholders and stakeholders and it also complies with Supervisory Regulations which state that the total number of members of the Management Board and the Supervisory Board should not be greater than 22 for banks of larger dimensions or greater organisational complexity that have adopted a two tier governance model.

The table below reports the total number of members of the collegiate bodies of UBI Banca currently in office:

Supervisory Board	15 members
Management Board	7 members

On the basis of the provisions of the supervisory regulations, the strategic supervisory function is focused on the Supervisory Board.

Detailed information about the Supervisory Board and the Management Board is given in sections 4 and 12 of this Report.

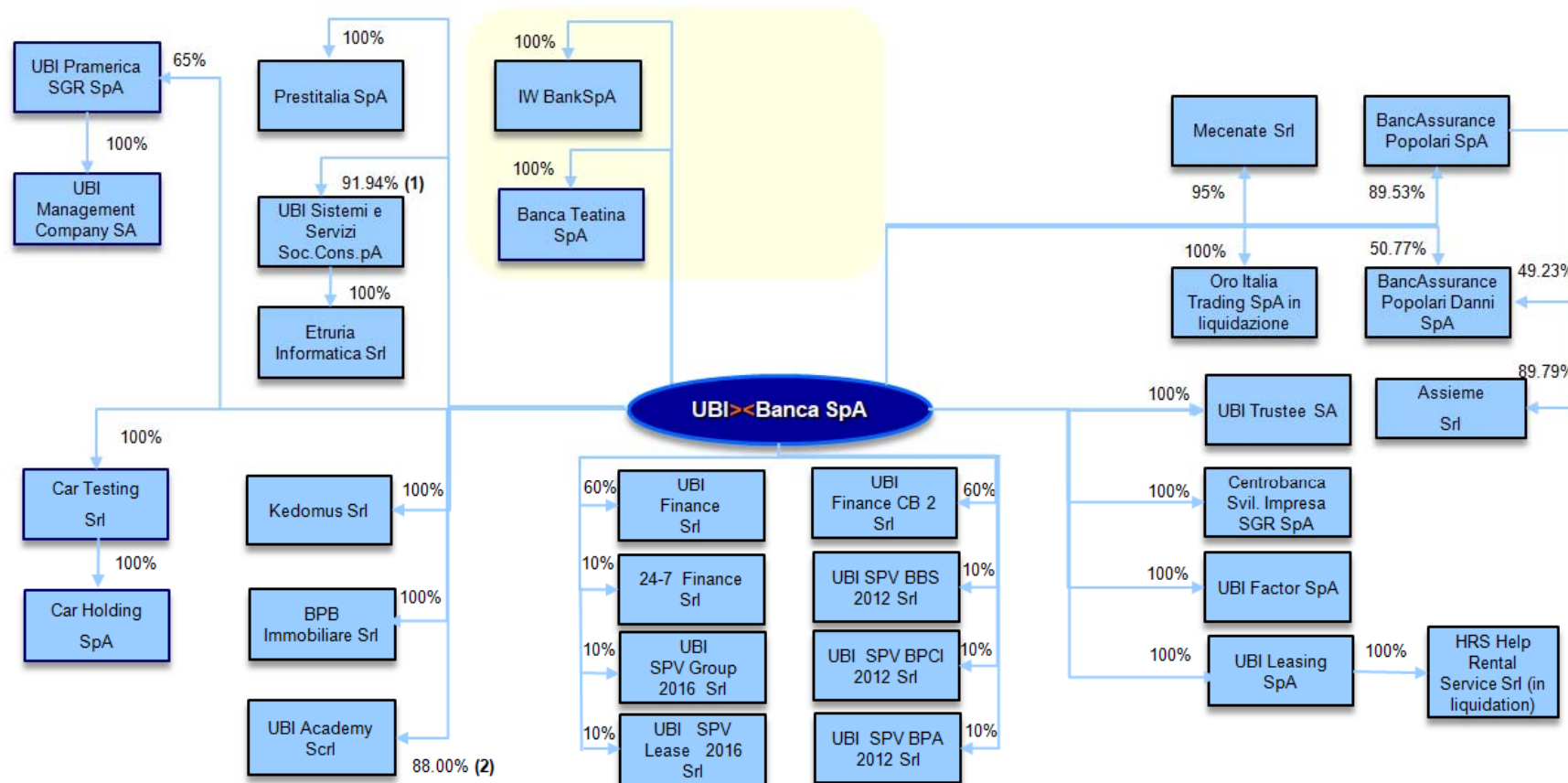
As a significant supervised entity, UBI Banca is under the direct supervision of the European Central Bank, which has specific tasks relating to the prudential supervision of credit institutions as part of the Single Supervisory Mechanism, including specific checks on the presence of solid principles of corporate governance.

UBI Banca is the Parent of the Unione di Banche Italiane Group with a listed Parent, which sets strategic policies and performs functions of co-ordination and control over all the organisational units and companies in the Group.

In implementing its management and co-ordination activities in compliance with specific regulations laid down by the Supervisory Authority and exercised in compliance with civil law, UBI Banca sets the strategic objectives of the UBI Group. Moreover, without prejudice to the Articles of Association and operational independence of each company in the Group, it also defines the strategic lines of development for each of them, just as they are called upon on the one hand to achieve those objectives in terms of a single business plan and on the other to benefit from the overall results of the management and co-ordination activities. Furthermore, it also issues directives to them needed to implement instructions given by the Bank of Italy in the interest of the stability of the Group itself. The companies belonging to the Group are required to comply with the aforementioned provisions.

The chart that follows illustrates the composition of the UBI Group as at 31<sup>st</sup> December 2017:

## UBI Banca Group of Companies as at 31<sup>st</sup> December 2017



(1) The Group also holds 6.62% divided as follows: IW Bank (4.31%), UBI Pramerica (1.44%), UBI Factor (0.72%), Bancassurance Popolari (0.07%), Prestitalia (0.07%), UBI Academy (0.01%).

(2) The Group also holds the remaining 12.00% divided as follows: UBISS (3%), IW Bank (3%), UBI Pramerica (1.5%), UBI Factor (1.5%), UBI Leasing (1.5%), Prestitalia (1.5%).

## Social and environmental responsibility

UBI Banca pursues its business mission while at the same time maintaining that strong sense of social responsibility that is typical of banks which are deeply rooted in their local communities.

This philosophy is strengthened by the adoption of specific instruments which include the Charter of Values, Code of Ethics and the Sustainability Report. Since the Annual Report for 2017, the latter is the same document as the Consolidated non-financial statement pursuant to Legislative Decree 254/2016.

The Management Board approves the consolidated declaration of a non-financial nature pursuant to Legislative Decree No. 254/2016 and submits it to the Supervisory Board which, as part of the functions attributed to it by law, supervises compliance with the provisions of the law applicable to preparation of that document.

As a separate document, the Consolidated declaration of a non-financial nature forms an integral part of the Consolidated management report.

Committees have been created within the Supervisory Board which oversee specific issues. One of these is the Appointments Committee which:

- oversees the update of corporate governance rules and principles of conduct which may be adopted by the Bank and its subsidiaries, even with regard to developments on the matter at national and transnational level;
- assesses the adequacy of commitments made on issues of corporate social responsibility;
- supervises matters of sustainability connected with running a company and with the development of interactions with stakeholders.

Environmental and social aspects of operations – and the related risks and opportunities – fall specifically within the responsibilities overseen by the Appointments Committee and by the entire Board as part of the Reputational Risk Policy and reporting to stakeholders (Non-Financial Declaration/sustainability report).

Ethical, social and environmental aspects of operations are co-ordinated by the CSR Manager, who is responsible for the Corporate Social Responsibility Function formed as part of the Financial Reporting, Accounting Principles and Controls Service. This service reports to the Chief Financial Officer, who is on the staff of the Chief Executive Officer.

The only official process for direct communication between stakeholders and the highest governing body consists of ordinary and Extraordinary Shareholders' Meetings, regulated by the Articles of Association.. These may be convened by shareholders themselves in compliance with the provisions of the Articles of Association. Shareholders may also ask for matters to be added to the agendas of Shareholders' Meetings as well as to submit motions for approval on matters already on the agenda.

Nevertheless, when important events occur in the life of the Group, stakeholders (both shareholders and others) are involved in opportunities for discussion with the participation of the Chairs of the Supervisory Board and the Management Board as well as the Chief Executive Officer, but, however, without prejudice to regulations governing inside information.

Consultation with the other stakeholders is delegated to the various corporate units within the areas for which each is responsible and the Supervisory Board is informed of the results and areas of difficulty that were found by means of internal reporting processes (including the Consolidated non-financial statement pursuant to Legislative Decree 254/2016 - Sustainability Report).

## **2) Information on the ownership structure (pursuant to Art. 123-bis, paragraph 1 of the Consolidated Finance Law) as of the of 8<sup>th</sup> February 2018**

### **a) Structure of the share capital (pursuant to Art. 123-bis, paragraph 1, letter a) of the Consolidated Finance Law)**

As at 31<sup>st</sup> December 2017, and also at the date when this Report was approved, the subscribed and paid-up share capital of the Bank amounted to €2,843,177,160.24, divided into 1,144,285,146 shares with no nominal value, as specified in Summary Table no. 1 attached to this Report.

The ordinary shares of UBI Banca are admitted for trading on the *Mercato Telematico Azionario* (electronic stock exchange) managed by Borsa Italiana S.p.A.

\* \* \*

As a result of the merger of Banca Popolare di Ancona S.p.A. ("BPA"), Banca Carime S.p.A. ("Carime") and Banca di Valle Camonica S.p.A. ("BVC") into UBI Banca (effective against third parties since 20<sup>th</sup> February 2017), a total of 937,399 ordinary shares of UBI Banca with no nominal value stated and normal dividend entitlement were issued at the service of share exchange operations (exchange ratios: 6.0815 UBI Banca shares for 1 BPA share, 0.1651 UBI Banca shares for 1 Carime share and 7.2848 UBI Banca shares for 1 BVC share), with a consequent increase to the share capital of €2,343,497.50.

Following these merger operations, the share capital of UBI Banca changed to 2,443,094,485.00 (977,237,794 shares with no nominal value stated), as filed with the Bergamo Company Registrar on 28<sup>th</sup> February 2017.

On 7<sup>th</sup> April 2017, the Shareholders' Meeting approved a proposal to confer an authorisation on the Management Board to increase the share capital by a maximum amount of €400 million, inclusive of any share premiums.

Having obtained the required authorisations from the European Central Bank, in June 2017 the Management Board resolved, in implementation of an authorisation received from the Shareholders' Meeting and subject to the prior approval of the Supervisory Board, to proceed to the issuance of a maximum of 167,006,712 ordinary shares of UBI Banca, with no nominal value stated and normal dividend entitlement, to be offered as an option to shareholders of UBI Banca with the right to them, at a ratio of six new shares for every 35 shares held, at a subscription price of € 2.395 for each new share, to be recognised entirely as share capital, for a maximum amount of € 399,981,075.24.

Having obtained all the required authorisations for the share offer, the operation started in June 2017, with 99.31% of the shares offered subscribed at the end of the rights offer period.

Following the further subscription of shares as a consequence of carrying out the procedure to offer the unexercised rights on the stock exchange pursuant to Art. 2441, paragraph 3 of the Civil Code, over 99.99% of the shares offered to increase the share capital were taken up.

The remaining shares offered were taken up due to the underwriting agreement covering the entire increase in the share capital and the operation was thus concluded in accordance with the resolution passed (issue of 167,006,712 shares for an amount of €399,981,075.24).

Following the increase to the share capital described above, the share capital changed to €2,843,075,560.24 (1,144,244,506 ordinary shares with no nominal value stated).

As a result of the merger of Cassa di Risparmio di Loreto S.p.A. ("CRL") into UBI Banca (together with that of its direct parent company, Banca Adriatica S.p.A., also into UBI Banca S.p.A. with effect against third parties from 23<sup>rd</sup> October 2017), the 40,640 UBI Banca shares with no nominal value stated and normal dividend entitlement were issued at the service of share exchange operations: (exchange ratio: 0.635 UBI Banca shares for one CRL share), with a consequent increase in the share capital of €101,600.00.

As a result of this merger the share capital of UBI Banca Spa changed to €2,843,177,160.24 (divided into 1,144,285,146 shares with no nominal value stated) and it has not changed as at 31<sup>st</sup> December 2017 or at the date of this report.

As reported in the UBI Banca interim financial report of 30<sup>th</sup> September 2017, on the basis of an update of reports received from financial intermediaries, there were approximately 145,000 shareholders of UBI Banca when the dividend for 2016 was paid.

Information on current incentive schemes based on financial instruments, relating to the short-term (annual) incentive schemes launched from 2013 to 2017 and the 2017-2019/20 long-term incentive scheme is given in the related documentation, available on the website of the issuer ([www.ubibanca.it](http://www.ubibanca.it), Shareholders' section) and in the Report on Remuneration.

Sub-section i) below of this section may be consulted in relation to treasury shares.

#### **b) Restrictions on transfer of securities (pursuant to Art. 123-bis, paragraph 1, letter b) of the Consolidated Finance Law)**

No restrictions on the transfer of shares exist, since the shares are transferable in accordance with the law (article 7 of the Articles of Association).

#### **c) Significant investments in the share capital (pursuant to Art. 123-bis, paragraph 1, letter c) of the Consolidated Finance Law)**

On the basis of communications made in accordance with Art. 120 of the Consolidated Finance Law the following investors had investments in the share capital greater than 3%:

- Fondazione Cassa di Risparmio di Cuneo: 5,910% (declared on 29/06/2017);
- Silchester International Investors LLP: 5,123% (declared on 04/11/2015)<sup>(1)</sup>;
- Fondazione Banca del Monte di Lombardia 4,959% (declared on 07/12/2017).

<sup>(1)</sup> We report that Silchester attended the Shareholders' Meeting held on 7<sup>th</sup> April 2017 with shares accounting for 7.258% of UBI Banca's share capital and that this information relates to the period prior to the increase in the share capital completed in July 2017.

It should be noted that the percentage interests reported above do not take account of possible changes to shareholdings that are not subject to disclosure obligations in accordance with the applicable regulations. Shareholders (investment management companies) that have taken advantage of the exemption pursuant to Art. 119-bis of the Issuers' Regulations have not been taken into consideration.

With regard to investments in financial instruments and aggregate investments, we report that on 16<sup>th</sup> November 2017, in accordance with Art. 119 of the Issuers' Regulations, Edoardo Mercadante disclosed that, through the subsidiary management company, Parvus Asset Management Europe Ltd, he indirectly held an overall long position with settlement in cash accounting for 5.091% of the share capital composed as follows:

- (a) 0.431%: an equity swap contract with maturity date 03/05/2018;
- (b) 0.020%: an equity swap contract with maturity date 03/07/2018;
- (c) 0.004%: an equity swap contract with maturity date 07/08/2018;
- (d) 4,604%: an equity swap contract with maturity date 27/03/2019;
- (e) 0.032%: an equity swap contract with maturity date 05/07/2019.

Further information is given in Summary Table no. 1 attached to this Report.



**d) Instruments which grant special rights (pursuant to Art. 123-bis, paragraph 1, letter d) of the Consolidated Finance Law)**

No shares exist which confer special controlling rights over UBI Banca.

The issuer's Articles of Association do not include provisions for shares with doubled votes pursuant to Art. 127-*quinquies* of the Consolidated Finance Law, or for shares with multiple votes.

**e) Employee shareholdings: mechanism for exercising voting rights (pursuant to Art. 123-bis, paragraph 1, letter e) of the Consolidated Finance Law)**

No mechanisms exist for the exercise of voting rights which regard employee shareholdings.

**f) Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1, letter f) of the Consolidated Finance Law)**

At the date of this report there are no restrictions on voting rights.

In accordance with Art. 10 of the Articles of Association, until 26<sup>th</sup> March 2017 no party with the right to vote could exercise it, for any reason, with a quantity of shares greater than 5% of the share capital with voting rights.

For this purpose, votes were considered that are cast in relation to shares possessed directly and indirectly, through subsidiary companies, trust companies or nominees and those cast in any other case in which the right to vote is attributed, for any reason, to a party other than the owner of the shares; shares held by Italian or foreign collective investment undertakings were never counted for the purposes of this limit. In cases of violation of the provisions, any shareholders' resolution that is passed may be annulled in accordance with article 2377 of the Civil Code, if the required majority would not have been reached without that violation. Shares for which the right to vote could be exercised were not counted for the purposes of the proper convening of Shareholders' Meetings.

**g) Shareholders' agreements known to UBI Banca in accordance with Art. 122 of the Consolidated Finance Act (pursuant to Art. 123-bis, paragraph 1, letter g) of the Consolidated Finance Law)**

On the basis of the information disclosed pursuant to Art. 122 of the Consolidated Finance Law and the recommendations published on the Consob website ([www.consob.it](http://www.consob.it)), we report the following agreements between shareholders.

On **1<sup>st</sup> February 2016** UBI Banca received a communication concerning the constitution on 27<sup>th</sup> January 2016 of a shareholders' Pact for UBI shareholders entitled "**Patto dei Mille**" (the "**Pact**") together with an extract from this Pact (published in the daily newspaper MF on 2<sup>nd</sup> February 2016) which has been published on the website of the Bank as required by the regulations.

The Bank also received the relative "Essential Information" pursuant to Art. 130 of the Consob Issuers' Regulations which it published on the corporate website of the Bank, again in accordance with the legislation and regulations in force.

The Pact governs prior consultation between the holders of the Syndicated Shares (Art. 122, paragraph 5, letter a of the Consolidated Finance Act), the exercise of voting rights attaching to the Syndicated Shares (Art. 122, paragraph 1 of the Consolidated Finance Act) and some limits on the circulation of these shares (Art. 122, paragraph 5, letter b of the Consolidated Finance Law).

There is no limit on the life of the Pact.

Holders of the syndicated shares have the right to withdraw from the Pact with notice of three months. Withdrawal is communicated by means of registered letter sent to the President.

Lastly, on 18<sup>th</sup> July 2017 it was communicated that 91 shareholders had adhered to the said Pact, binding 31,784,276 ordinary shares to the Pact accounting for 2.778% of the total voting

rights representing the share capital of UBI Banca and that no disclosure obligations were thus applicable to the Pact pursuant to Art. 122, paragraph 5-*ter* of the Consolidated Finance Law.

On **18<sup>th</sup> February 2016** UBI Banca received a communication concerning the constitution on 17<sup>th</sup> February 2016 of a shareholders' Pact for UBI shareholders entitled "**Sindacato Azionisti UBI Banca Spa**" (the "**Syndicate Pact**") together with an abstract of this Syndicate Pact (published in the daily newspaper *Il Giornale* on 18<sup>th</sup> February 2016) which has been published on the website of the Bank as required by the regulations.

The Bank received the relative "Essential Information" pursuant to Art. 130 of the Consob Issuers' Regulations which it published on the corporate website of the Bank, again in accordance with the legislation and regulations in force.

The Syndicate Pact governs the submission of a list for the appointment of the Supervisory Board of UBI Banca and the exercise of the voting rights assigned to the syndicated shares (Art. 122, paragraph 1 of the Consolidated Finance Law) for the appointment of that Board, the exercise of voting rights in Extraordinary Shareholders' Meetings of UBI Banca (Art. 122, paragraph 1 of the Consolidated Finance Act), the obligation of prior consultation between the holders of the Syndicated Shares (Art. 122, paragraph 5, letter a of the Consolidated Finance Act) and also some limits on the circulation of those shares (Art. 122, paragraph 5, letter b of the Consolidated Finance Act).

The life of the Syndicate Pact is set until 10<sup>th</sup> February 2019.

The Syndicate Pact is tacitly renewed on its expiration for a period of three years, from one three-year period to the next, unless the owners of the syndicated shares exercise their right to withdraw from the Pact by the last day of the third month prior to its expiration. If only some of the owners withdraw, the Syndicate Pact is renewed for the other owners of the syndicated shares, providing shares which represent at least 5% of the share capital of the Bank with voting rights remain bound by the pact.

On 15<sup>th</sup> September 2017 it was announced that a total of 149,087,616 ordinary shares ("Syndicated Shares") had been brought to the Syndicate by 179 shareholders in the Syndicate ("Participants") accounting for 13.03% of the total voting rights representing the UBI share capital.

Of the Participants:

- Fondazione Banca del Monte di Lombardia syndicated 40,048,558 shares (3.5% of the shares with voting rights and 26.86% of those syndicated) and holds a further 17,163,669 shares (1.5% of the shares with voting rights);
- Upifra S.A. syndicated 9,000,000 shares (0.786% of the shares with voting rights and 6.04% of the syndicated shares) and holds a further 2,726,202 shares (0.238% of the shares with voting rights).

On **4<sup>th</sup> March 2016** UBI Banca received a communication concerning the formation on 3<sup>rd</sup> March 2016 of an "**Agreement**" having the status of a shareholders' voting pact pursuant to Art. 122, paragraph 1 of the Consolidated Finance Act for the formation, filing and vote of a list, and of its candidates, as well as of the first two candidates for the roles of Chairman and Senior Deputy Chairman, for the appointment of the Supervisory Board of UBI Banca between:

- UBI Banca S.p.A. Shareholders' Syndicate;
- *Patto dei Mille* (Pact of the Thousand);
- Fondazione Cassa di Risparmio di Cuneo.

The full text of the agreement signed by the parties (which also constitutes the "Essential Information" pursuant to Art. 130 of the Consob Issuers' Regulations) and a copy of the extract pursuant to Art. 129 of the same Consob Issuers' Regulations, published in the daily newspaper *Il Giornale* on 5<sup>th</sup> March 2016, were sent to the Bank. These documents have been published on the website of the Bank.

The agreement is between an overall group of 256 shareholders representing 153,674,628 shares accounting for 17.04% of the share capital with voting rights of UBI Banca.

Of those parties who adhered to the agreement the following, listed in order of the percentage held, own more than 1% of the share capital of UBI Banca:

- Fondazione Cassa di Risparmio di Cuneo, which holds 20,110,215 shares (2.23% of the UBI Banca shares with voting rights);
- Fondazione Banca del Monte di Lombardia which holds 14,411,631 shares (1.598% of the UBI Banca shares with voting rights) all pledged to the Sindacato Azionisti UBI Banca S.p.A.;



- Upifra S.A., which holds 9,710,178 shares (1.077% % of the UBI Banca shares with voting rights) of which 9,000,000 shares pledged to the Sindacato Azionisti UBI Banca S.p.A. and 710,178 shares not pledged.

The duration of the Agreement was set until the end of the proceedings of the Shareholders' Meeting of 2<sup>nd</sup> April 2016 of UBI Banca.

On **17<sup>th</sup> March 2017** UBI Banca received a communication concerning the formation on 16<sup>th</sup> March 2017 of an **“Agreement concerning the exercise of voting rights at the UBI Banca S.p.A Shareholders' Meeting convened for 7<sup>th</sup> April 2017 pursuant to Art. 122, paragraph 1 of Legislative Decree No. 58/1998”**.

In particular the following adherents to the shareholders' pacts:

- UBI Banca S.p.A. Shareholders' Syndicate;
- *Patto dei Mille* (Pact of the Thousand).

An agreement having the status of a shareholders' voting pact was formed on 16<sup>th</sup> March 2017, in accordance with Art. 122, paragraph one of the Consolidated Finance Law No. 58/1998 for the presentation of a candidature and for the vote for the appointment of a member of the Supervisory Board of UBI Banca S.p.A. on the occasion of the Shareholders' Meeting convened for 7<sup>th</sup> April 2017.

The agreement is between an overall group of 269 shareholders representing 162,759,567 shares accounting for 16.655% of the share capital of UBI Banca.

Of those parties who adhered to the agreement the following, listed in order of the percentage held, own more than 1% of the share capital of UBI Banca:

- Fondazione Banca del Monte di Lombardia which holds 50,843,077 shares (5.2% of UBI Banca shares), while 34,170,500 shares have been pledged to the Sindacato Azionisti UBI Banca Spa and it has waived its right to vote on 2,028,077 shares;
- Upifra S.A. holds 9,810,178 shares (1.004% of UBI Banca shares) while 9,000,000 of those shares have been pledged to the Sindacato Azionisti UBI Banca Spa.

The candidate that was presented and voted on following the agreement is *Dott. Ferruccio Dardanello*, born in Mondovì on 29<sup>th</sup> June 1944.

The duration of the agreement was set at until the end of the proceedings of the Shareholders' Meeting of 7<sup>th</sup> April 2017 of UBI Banca.

We also report that the adherents to the above pacts have declared that they have filed the information communicated to the Bank with the Business Register and notified Consob and the Bank of Italy.

For further information about the pacts described above see [www.consob.it](http://www.consob.it) and the Shareholders/Shareholders' Agreements section of the website of the issuer ([www.ubibanca.it](http://www.ubibanca.it)).

Without any claim to completeness, the further information known to the Bank in relation to UBI shareholders associations is given below:

- a letter was received concerning the constitution on 24<sup>th</sup> January 2011 of an association named **“Tradizione in UBI Banca”**, located in Cuneo;
- UBI Banca received a letter on 21<sup>st</sup> November 2011 entitled “Communication pursuant to Art. 20, paragraph 2 of the Consolidated Banking Act and to Art. 122 of the Consolidated Finance Law in relation to the establishment of the association named **“FuturoUBI”**, located in Milan on 22<sup>nd</sup> September 2011. In that letter, the association declared that “while it does not consider the association as qualifying as a shareholders' agreement pursuant to the above legislation, it has nevertheless fulfilled public disclosure obligations by publishing its Articles of Association on the website [www.futuroubi.it](http://www.futuroubi.it)”.
- in a letter of 19<sup>th</sup> June 2012, the constitution of an association called **“Amici della Banca Regionale Europea e del Gruppo UBI”**, located at Cuneo was notified;
- a communication was received concerning the constitution on 29<sup>th</sup> October 2012 of an association called **“Insieme per UBI Banca”**, located in Milan;
- in a letter of 27<sup>th</sup> February 2013 the constitution of an association called **“Associazione Soci UBI Centro-Sud”**, located in Rome was notified;
- in a letter of 28<sup>th</sup> February 2013 the constitution of an association called **“Associazione Soci Lombardi UBI Banca”** also known as **“ASSOLUBI”**, located in Brescia was notified;

- on 15<sup>th</sup> March 2013 the constitution on 7<sup>th</sup> October 2011 of the “**Associazione Azionisti Banche Popolari 2011**” was notified.

On 26<sup>th</sup> July 2013 an application for admission to registered shareholder status (under the previous co-operative company governance rules) was received from an association called “**UBI Banca Popolare!**” located in Bergamo and constituted on 8<sup>th</sup> May 2013.

The Bank has also received notifications from the “**Associazione Azionisti UBI Banca**”, located in Bergamo.

The Bank also learned from:

- a press release of the constitution on 10<sup>th</sup> November 2011 of the “Associazione dei cittadini e dipendenti soci di UBI Banca” located in Brescia;
- from news in the press of the constitution of the “**Associazione Prealpina Azionisti di UBI Banca**”.

**h) Clauses of change of control [pursuant to Art. 123-bis, paragraph 1, letter h) of the Consolidated Finance Law] and provisions in the Articles of Association concerning public tender offers to purchase [pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1]**

The shareholders' agreement currently in force signed on 29<sup>th</sup> July 2016 by UBI Banca and the Prudential USA concerning the joint venture, UBI Pramerica SGR Spa (“SGR”) grants rights to purchase to the parties (call options) if certain predetermined events occur.

More specifically, in the event of a “change of control” of UBI Banca (this being understood as any operation whereby i) an entity directly or indirectly purchases more than 30% of the share capital with voting rights of UBI Banca; ii) UBI Banca merges or performs another extraordinary operation with another legal entity and as a consequence UBI Banca ceases to exist or the legal entity, party to the operation, holds more than 30% of the share capital with voting rights subsequent to the operation; iii) the sale, rent, transfer or other analogous operation by which UBI Banca transfers all or a substantial part of its business to another legal entity), Prudential USA has the right to make a communication to UBI Banca which allows the latter to exercise a call option on the entire investment held by Prudential USA in the SGR.

If that option is not exercised, Prudential USA has, as an alternative, the right i) to purchase the entire interest held in the SGR by the UBI Banca Group, or an interest which allows it to hold 65% of the share capital of the SGR; ii) to give a mandate to an investment bank to sell the entire share capital of the SGR to a third party.

The Articles of Association of UBI Banca make no provision with regard to Art. 104, paragraph 1-ter of the Consolidated Finance Law for exceptions to the passivity rule pursuant to Art. 104, paragraphs 1 and 1-bis of the same Consolidated Finance Law. It is also noted that the Articles of Association of the Issuer do not allow the application of neutralisation rules considered by Art. 104-bis, paragraphs 2 and 3 of the Consolidated Finance Law.

**i) Authorisations to increase the share capital and authorisations to purchase treasury shares [pursuant to Art. 123-bis, paragraph 1, letter m) of the Consolidated Finance Law]**

No authorisations exist as at the date of this report for increases in the share capital or for the issue of convertible debt instruments.

On 7<sup>th</sup> April 2017, the Shareholders' Meeting approved a proposal to confer an authorisation on the Management Board to increase the share capital by a maximum amount of €400 million, inclusive of any share premiums. In June 2017 the Management Board, subject to obtaining the required authorisations from the European Central Bank and the approval of the Supervisory Board, implemented the authorisation received from the Shareholders' Meeting for a maximum amount of €399,981,075.24. For further information see section 2, letter a) of the Report.

At the date of this report UBI Banca holds a total of 2,984,880 treasury shares (being 0.26% of the share capital) of which: (i) 1,807,220 shares purchased on 8<sup>th</sup> April 2016 following the exercise of the right of withdrawal at the time of the transformation of UBI Banca into a joint stock company; and (ii) the remaining 1,177,660 shares purchased in implementation of the authorisations granted by the Shareholders' Meeting for the purpose of the incentive schemes for UBI Group employees and/or a productivity bonus (the "Company Bonus").<sup>1</sup>

On 7<sup>th</sup> April 2017 the Shareholders' Meeting resolved to authorise the Management Board to proceed with one or more transactions, to be carried out within 18 months of the date of the Shareholders' Meeting authorisation in accordance with the procedures specified in paragraph 1, letter b), of Art. 114-*bis* of the Issuers' Regulations and in compliance with the limits set by law for treasury shares, to purchase own shares at a price that is not 10% higher or lower than the reference price of the UBI Banca share quoted in the market session prior to each individual purchase transaction for:

- a. a maximum value amounting to approximately €3.5 million to cover the short-term incentive scheme for Identified Staff, the number of shares to be set as a ratio of the amount required on the basis of the bonuses earned as a function of the performance levels achieved and the reference price recorded by the UBI Banca share at the time when they are granted;
- b. a maximum value amounting to approximately €16.4 million to cover the long-term incentive scheme for Identified Staff, the number of shares to be set as a ratio of (i) the amount required on the basis of the amount invested by the participants and the achievement of the objectives of the scheme and (ii) the reference price of the UBI Banca share at the time of the investment;
- c. a maximum value amounting to approximately €18 million to cover the 2017 productivity bonus (or Company Bonus) for all employees, the number of shares to be set as a ratio of the amount required on the basis of the number of applications from employees and the reference price recorded by the UBI Banca share at the end of the period during which they can choose to apply.

On 4<sup>th</sup> April 2017 UBI Banca, in implementation of a shareholder resolution dated 7<sup>th</sup> April 2017, started a programme to purchase treasury shares at the service of the long-term incentive scheme for Identified Staff of the Group. At the date of this report, a total of 150,000 ordinary UBI Banca shares have been purchased at the service of the long-term incentive scheme.

For further information about the above programme for the purchase of treasury shares, see the press releases on the Investor Relations/Press Releases section of the issuer's website at [www.ubibanca.it](http://www.ubibanca.it).

## **1) Management and co-ordination activities (pursuant to Art. 2497 *et seq.* of the Italian Civil Code)**

The issuer is not subject to management and co-ordination activities within the meaning of article 2497 *et seq.* of the Italian Civil Code.

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<sup>1</sup> Attention is drawn to the acquisition by UBI Banca, in implementation of the authorisations granted by the Shareholders' Meeting for the purpose of the incentive schemes for UBI Group employees and/or a productivity bonus (the "Company Bonus"), of a total of 2,197,000 UBI Banca shares of which a total of 1,019,340 shares have been assigned on the date of publishing this report as follows:

- 216,808 treasury shares to 39 staff in 2014 under the 2011 incentive scheme;
- 51,363 treasury shares to 15 staff in 2015 under the 2012 incentive schemes;
- 208,636 treasury shares to 63 staff in 2016 under the 2011 and 2013 incentive schemes;
- 197,094 treasury shares to 62 staff in 2017 under the 2012 and 2014 incentive schemes;
- 345,439 treasury shares to 791 staff in 2016 under the 2015 productivity bonus.

As concerns possible further information:

- information required by Art. 123-*bis*, paragraph 1, letter i) of the Consolidated Banking Law is given in the section of this report on the remuneration of board members;
- information required by Art. 123-*bis*, paragraph 1, letter l) of the Consolidated Banking Act is given in the section of this report on the Supervisory Board and Shareholders' Meetings.

### **3) Compliance [pursuant to Art. 123-*bis*, paragraph 2, letter a) of the Consolidated Finance Law]**

UBI Banca has adopted the Corporate Governance Code (available on the website of the Corporate Governance Committee at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>), a document the provisions of which have been drawn up with reference to listed companies that have adopted a traditional governance model. Article 10 of the Code states that if a single or two tier system of administration and control is adopted "*the preceding articles apply only insofar as they are compatible, by adapting the individual provisions to the particular system adopted, in compliance with the objectives of good corporate governance, transparent reporting and the protection of investors and the market pursued by the Corporate Governance Code and in the light of the application criteria set in this article*".

The objective of this report is to furnish details of the manner in which the Code itself is applied in the Bank, with an account also given of those principles subject to full compliance and those with which the Bank has decided not to comply with (sometimes only partially) on a "comply or explain" basis. This is partly because the Bank must consider its status as a bank which, as such, demands strict compliance with regulations contained in the Consolidated Banking Act and with sector regulations.

\* \* \*

Neither the issuer nor its strategic subsidiaries are subject to foreign laws that influence the corporate governance structure of the issuer.

Details of the corporate governance structure are given in the various sections of this report.

## **4) Supervisory Board**

### **4.1. Appointment and replacement (pursuant to Art. 123-*bis*, paragraph 1, letter l) of the Consolidated Finance Law)**

The Supervisory Board is composed of 15 members, including a Chairman and a Senior Deputy Chairman, appointed by a Shareholders' Meeting in compliance with Art. 37 of the Articles of Association. The Supervisory Board may appoint one or two Deputy Chairmen from among its members. The members of the Supervisory Board shall remain in office for three financial years and they shall retire from office on the date of the Shareholders' Meeting convened in compliance with paragraph two of Art. 2364-*bis* of the Italian Civil Code.

The members of the Supervisory Board must be in possession of the requirements of integrity, professionalism and independence prescribed by the regulations currently in force. All members of the Supervisory Board must not yet have reached 75 years of age at the time of appointment and they must have acquired overall experience – through holding the office in Italy or abroad – of at least three years as Chairman or at least five years of working in:

- senior management and/or strategic supervision
- management

or

- control in
- banks, finance companies, asset management companies or insurance companies;
- independent public authorities;
- companies which carry out manufacturing and/or trade in goods or services;
- companies with shares traded on an Italian or foreign regulated market.

Candidates can also be elected who have not acquired that career experience provided they:

- are or have been tenured university professors for at least five years in the subjects of law, economics, mathematics, statistics, or management engineering;
- are or have been members of the professional associations of accountants, notaries or lawyers for at least ten years.

Persons who have occupied the position of Chairman or Senior Deputy Chairman for the three preceding terms of office may not be appointed to the relative position.

At least three members of the Supervisory Board must be chosen from amongst persons enrolled in the register of external statutory auditors who have exercised statutory auditing activities for a period of not less than three years.

Furthermore, the composition of the Supervisory Board must ensure, in compliance with the provisions of Law No. 120 of 12<sup>th</sup> July 2011, that a balance is maintained between genders for the period provided for by that law and at least the majority of the members of the Supervisory Board must not have occupied the position of member of the Supervisory Board and/or member of the Management Board of the Bank continuously for the three previous terms of office.

While mandatory regulations of the law, the Supervisory Authority (pursuant to Art. 36, paragraph 9 of the Articles of Association) or other regulations must be complied with, 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, cannot hold office as a member of the Supervisory Board.

Members of the Supervisory Board are elected by a Shareholders' Meeting on the basis of lists submitted by shareholders in accordance with the provisions of the law and the Articles of Associations.

For the purpose of the election of members of the Supervisory Board, one or more Shareholders who represent at least 1% of the share capital, or a different percentage established by the regulations in force, may present one list of candidates ordered consecutively by number, containing between a minimum of 2 (two) and a maximum of 15 names.

Consob resolution 20273 of 24<sup>th</sup> January 2018 sets the percentage of the share capital required to present lists of candidates for election to the Supervisory Board at 1%.

Each Shareholder may participate in the presentation of one list only: if this rule is not observed, the Shareholder's signature is not counted as valid for any list.

Each candidate may be included in one list only on penalty of ineligibility.

Lists presented that fail to observe the procedures indicated in Art. 37 of the Articles of Association are considered as not presented.

Each Shareholder may vote for one list only.

The election of the Supervisory Board shall be performed as follows:

- a) if one or more lists are submitted, the first two which received the greatest number of votes cast by the Shareholders and which are not connected within the meaning of the regulations in force are considered;



- b.1) if the list which received the second greatest number of votes received less than 15% of votes cast in the Shareholders' Meeting, then 14 members of the Supervisory Board are taken from the list that obtained the majority of the votes and one member of the Supervisory Board is taken from the list which received the second greatest number of votes;
- b.2) if the list which received the second greatest number of votes, received at least 15% and less than 30% of the votes cast in the Shareholders' Meeting, then thirteen members of the Supervisory Board shall be taken from the list which received the majority of the votes and two members of the Supervisory Board shall be taken from the list which received the second greatest number of votes;
- b.3) if the list which received the second greatest number of votes, received at least 30% of the votes cast in the Shareholders' Meeting, then twelve members of the Supervisory Board shall be taken from the list which received the majority of the votes and three members of the Supervisory Board shall be taken from the list which received the second greatest number of votes.

If, after identifying the candidates to be taken from the two lists which received the majority of the votes on the basis of the order in which they are indicated on the lists to which they belong, the gender proportions required under Law No. 120 of 12<sup>th</sup> July 2011 or the additional proportion specified in paragraph 8 of article 36 of the Articles of Association are not complied with, then those members of the Supervisory Board taken last from the aforementioned lists whose appointment would violate the said legislation and regulations are considered not elected.

In this event the number of those Board Members indicated on the same list to which they belong shall be appointed which allows compliance with the composition requirements for the Supervisory Board in accordance with Law No. 120 of 12<sup>th</sup> July 2011 and with the Articles of Association, again proceeding in the order in which those persons are indicated on the list to which they belong. In particular, in this circumstance, the candidates to be appointed belonging to the gender that is less represented on the basis of the results of the vote or which allow compliance with the additional proportion specified in paragraph 8 of article 36 of the Articles of Association shall be taken from each list in proportion to the total number of candidates elected on each list according to the results of the voting. In this event, if the minority list has not complied with the gender proportions established by Law No. 120 of 12<sup>th</sup> July 2011, or do not allow compliance with the additional proportion specified in paragraph 8 of article 36 of the Articles of Association the candidates to be appointed shall be taken from the list that obtained the greatest number of votes only.

If only one list is validly proposed and this obtained the majority required for an ordinary Shareholders' Meeting, then all 15 members of the Supervisory Board shall be taken from that list.

The Shareholders' Meeting shall proceed by a relative majority vote to appoint those members of the Supervisory Board, who for any reason whatsoever could not be elected by means of the procedures mentioned in the preceding paragraphs or if no list at all is submitted, again in compliance with the requirements for the composition of the Supervisory Board pursuant to Law No. 120 of 12<sup>th</sup> July 2011 and to the Articles of Association; in the event of a tied vote the candidate more senior by age is elected.

If two or more lists obtain an equal number of votes, those lists must be voted on again until they no longer receive an equal number of votes.

The positions of Chairman and Senior Deputy Chairman of the Board are reserved to the first and second members respectively on the list that obtains a majority of votes, or on the only list presented or to the members appointed as such by the Shareholders' Meeting if no list is presented at all.

If, during the course of the financial year, the Board lacks one or more members, where it is a case of replacing members elected in the majority list, the first candidate not elected on that list shall be appointed who guarantees compliance with the requirements for the composition of the Supervisory Board provided for by Law No. 120 of 12<sup>th</sup> July 2011 and the Articles of

Association. In the absence of such a candidate, the appointment shall be by a relative majority vote with no list obligation.

If the positions of Chairman of the Supervisory Board and/or the Senior Deputy Chairman of the Supervisory Board should become vacant, an Ordinary Shareholders' Meeting shall proceed without delay to restore the membership of the Board and to appoint a Chairman and/or a Senior Deputy Chairman not by using in this case the replacement procedure just mentioned.

If, however, Board Members belonging to the minority list must be replaced the following procedure is employed:

- if only one board member has been appointed from the minority list, then the first candidate not elected on the list from which the member to be replaced was drawn shall be appointed, or, in the absence of such a candidate, the first candidate on any other minority lists there may be shall be taken on the basis of the number of votes received in descending order. Should this not be possible or, if application of the above criterion means that the requirements for the composition of the Supervisory Board pursuant to Law No. 120 of 12<sup>th</sup> July 2011 and the Articles of Association are not met, then the Shareholders' Meeting shall make the replacement in compliance with the principle of the necessary representation of minorities;
- if further board members have been drawn from the minority list, their replacements shall be taken from the list from which the members to be replaced were drawn or in the absence of such a candidate from any other minority lists there may be, identified on the basis of the number of votes received in descending order and which have received the majorities of votes cast by the Shareholders' Meeting provided for in Art. 37, paragraph 11 of the Articles of Association; in the absence of such candidates, the board members to be replaced shall be drawn from the majority list or, if application of the above criteria means that the requirements for the composition of the Supervisory Board pursuant to Law No. 120 of 12<sup>th</sup> July 2011 and the Articles of Association are not met, the Shareholders' Meeting shall proceed to decide by relative majority vote.

The replacement candidates, in accordance with the provisions of article 37 of the Articles of Association, must confirm that they accept their appointment and also make declarations that no cause for ineligibility and incompatibility exists and that they possess the requirements prescribed by law and by these Articles of Association for the office.

A member of the Supervisory Board called upon to replace a previous member remains in office until the original term of office of the replaced member expires.

If for any reason the positions of the majority of the members originally appointed become vacant, then the entire Supervisory Board is considered as removed from office from the date of the appointment of new members. A Shareholders' Meeting is convened without delay to appoint a new Supervisory Board.

For further information about the succession plan adopted by the issuer see section 8 of this report.

#### **4.2. Composition and role (pursuant to Art. 123-bis, paragraph 2, letters d) and d-bis of the Consolidated Finance Law)**

The Supervisory Board, within the scope of its responsibilities, performs policy, strategic supervision and control functions. Without prejudice to the responsibilities assigned by law and regulations to its internal committees, the functions of the Supervisory Board are set out in Art. 38 of the Articles of Association, on the basis of which the same Board:

- a) on the basis of proposals from the Appointments Committee, shall appoint and remove all or part of the members of the Management Board and its Chairman and Deputy Chairman, in compliance with the provisions of article 21, paragraph two of the Articles of Association, determining their remuneration, in compliance with Art. 13, paragraph two, letter b) of the Articles of Association, after consulting with the Remuneration

Committee. It also determines, after consulting with the Remuneration Committee and in compliance with Art. 13, paragraph two, letter b) of the Articles of Association, the remuneration of the members of the Management Board vested with special functions, duties or powers or assigned to committees. Without prejudice to the provisions of article 23, paragraph two of the Articles of Association, and in any case without effect for the replacement of members of the Management Board who have vacated their positions, the Supervisory Board appoints the members of the Management Board in the first meeting following its own appointment by a Shareholders' Meeting;

- b) on the basis of proposals from the Management Board, shall set the general plans and strategic policies of the Bank and of the Group and shall also be able to make recommendations to the management;
- c) approves the separate financial statements and the consolidated financial statements prepared by the Management Board;
- d) authorises the Management Board to exercise the authority to increase share capital or to issue convertible bonds that may have been granted by a Shareholders' Meeting pursuant to article 2443 and/or to article 2420-ter of the Italian Civil Code;
- e) with regard to its control function, performs supervisory functions in compliance with Art. 149, paragraphs one and three of the Consolidated Finance Law;
- f) initiates liability actions against members of the Management Board;
- g) presents the statement to the Bank of Italy pursuant to Art. 70, paragraph 7, of the Consolidated Banking Act;
- h) reports in writing to the Shareholders' Meeting called pursuant to article 2364-bis of the Italian Civil Code on the supervisory activity performed, on omissions and irregularities observed as well as, in any other ordinary or Extraordinary Shareholders' Meeting called, on matters considered to fall within its authority;
- i) informs the Bank of Italy without delay of all events or facts it may learn of in the performance of its duties, which might constitute a management irregularity or an infringement of banking regulations;
- l) expresses a binding opinion concerning the person in charge of drawing up the corporate accounting documents set forth in Art. 154-bis of the Consolidated Finance Law;
- m) on the basis of proposals submitted by the Management Board, to which it may formulate possible policies, decides on business and/or financial plans and budgets for the Bank and the Group prepared by the Management Board and on the strategic operations listed here below, but nevertheless without prejudice to the responsibility of the Management Board for its actions and while the aforementioned decision of the Supervisory Board shall not be necessary for the operations considered in points (iii), (iv), (v) and (vi), where these are operations for which the main elements have already been defined in business plans already approved by the Supervisory Board itself:
  - (i) transactions on the share capital, the issuance of convertible bonds and bonds cum warrants in shares of the Bank, mergers and demergers;
  - (ii) amendments to the Articles of Association, for which purpose it may make specific recommendations to the Management Board;
  - (iii) purchases by the Bank and by its subsidiaries of controlling interests in companies and transactions involving a reduction in directly or indirectly held investments in subsidiaries;
  - (iv) purchases or disposals by the Bank and its subsidiaries of companies, business *en bloc*, business units, spin-offs, and investments or disinvestments which involve commitments where the amount for each transaction is greater than 4% of the supervisory capital eligible for the purposes of calculating the consolidated core tier one capital or affects the core tier one ratio by more than 50 basis points as stated in the latest report to the Bank of Italy in accordance with the regulations in force;
  - (v) purchases or disposals by the Bank and its subsidiaries of investments in companies that are not controlled, the amount of which for each transaction is greater than 1% of the supervisory capital eligible for calculating the consolidated core tier one capital as stated in the latest report to the Bank of Italy in accordance with the regulations in force, or which are significant from an institutional viewpoint or that of the sector nationally;
  - (vi) stipulation of strategically important trade, co-operation and corporate agreements, with account taken of the activities and/or volumes involved and/or of the nature of



the partners and in relation to programmes and objectives contained in the Business Plan approved;

- n) sets, on the basis of proposals from the Management Board, strategic guidelines and policies for the management and control of risks, constantly verifying that they are adequate and implemented by the Management Board;
- o) on the basis of proposals from the Management Board, sets policies for the management of compliance risk and makes decisions for the creation of a regulatory compliance function;
- p) formulates its considerations concerning the basic elements of the general architecture of the internal control system; assesses, with regard to those aspects that concern it, the efficiency and adequacy of the internal control system, with particular regard to risk management, to the functioning of the internal audit and the accounting reporting system; it also verifies that the strategic management control activities carried out by the Bank on Group member companies are properly performed; on the basis of a proposal from the Risk Committee and in consultation with the Internal Control Committee, it appoints and removes the heads of compliance, risk management and internal audit functions;
- q) approves and periodically verifies the corporate governance, organisational and administrative structure and the accounting and reporting systems of the Bank, determined by the Management Board;
- r) approves corporate regulations concerning its functioning and, in co-operation with the Management Board, approves reporting systems between corporate bodies as well as those with the internal control system;
- s) approves remuneration policies for employees or associate workers not linked to the Bank by regular employee contracts;
- t) decides, on the basis of a proposal by the Chairman of the Supervisory Board, drafted in compliance with article 39, paragraph two letter h) of the Articles of Association, sets policies and takes decisions on projects for cultural and charitable initiatives and for the image of the Bank and the Group, with special reference to the enhancement of historical and artistic heritage, while it verifies that initiatives planned coincide with the objectives set; supervises the public disclosure process and the Bank's communication process; ensures, through the Chairman of the Supervisory Board, that there is effective discussion with the management function and with the managers of the principal corporate functions and verifies on an ongoing basis the decisions that they take;
- u) decides on mergers and demergers pursuant to articles 2505 and 2505-bis of the Italian Civil Code;
- v) exercises any other power provided by legislation in force or by the Articles of Association.

The Supervisory Board also has exclusive authority, in compliance with Article 2436 of the Italian Civil Code, for resolutions concerning:

- a) the opening and closing of secondary offices;
- b) the decrease in the share capital in the event of a Shareholder's withdrawal;
- c) amendments to the Articles of Association to comply with legislation and regulations, subject to consultation with the Management Board.

The Supervisory Board and its members exercise powers granted under article 151-*bis* of the Consolidated Finance Law, in accordance with the terms and conditions stated therein. For the purpose of a more effective and functional exercise of powers to acquire information pursuant to Art. 151-*bis*, paragraph one of the Consolidated Finance Law, normally the relative requests are addressed to the Chairman of the Management Board and to the Chief Executive Officer via the Chairman of the Supervisory Board. The information is distributed to all members of the Supervisory Board.

\* \* \*

The UBI Banca Shareholders' Meeting of 2<sup>nd</sup> April 2016 first appointed the Supervisory Board for 2016-2017-2018, composed of 15 members in compliance with Art. 36 of the Articles of Association, and then proceeded to appoint *Ing. Andrea Moltrasio* as Chairman and *Prof. Avv.*

Mario Cera as Senior Deputy Chairman in accordance with the provisions of the Articles of Association.

In particular, according to the procedures set out in Art 37 of the Articles of Association, two lists were presented:

**- List deposited on 7<sup>th</sup> March 2016 and presented - in implementation of the Agreement between UBI Banca S.p.A. Shareholders' Syndicate, Patto dei Mille and the Fondazione Cassa di Risparmio di Cuneo - by:**

- Fondazione Cassa di Risparmio di Cuneo
- Fondazione Banca del Monte di Lombardia
- Alberto Folonari
- La Scuola S.p.A.
- Quattro Luglio srl
- Angelo Radici
- Emilio Zanetti
- Pecuvio Rondini
- Scame srl
- Miro Radici Family & Companies S.p.A.

the owners of a total of 50,940,841 shares accounting for 5.65% of the share capital of UBI Banca which contained the following candidates:

1. Andrea MOLTRASIO
2. Mario CERA
3. Armando SANTUS
4. Gian Luigi GOLA
5. Pietro GUSSALLI BERETTA
6. Pierpaolo CAMADINI
7. Letizia BELLINI CAVALLETTI
8. Lorenzo Renato GUERINI
9. Giuseppe LUCCHINI
10. Francesca BAZOLI
11. Sergio PIVATO
12. Alessandra DEL BOCA
13. Luciana GATTINONI
14. Simona PEZZOLO DE ROSSI
15. Antonella BARDONI

**- List deposited on 8<sup>th</sup> March 2016 by 33 Funds managed by asset management companies** (*Società di Gestione del Risparmio* - SGR) **and Italian and foreign institutional investors** (Aberdeen Asset Management PLC fund manager: Abbey Life Assurance Company, HBOS International Investment, Aberdeen Investment Funds UK ICVC II- Aberdeen European Equity Enhanced Index Fund, Scottish Widows Overseas Growth Investment Funds ICVC, Scottish Widows Overseas Growth Investment Funds ICVC-Global Growth Fund, Scottish Widows Investment Solutions Funds ICVC - European (ex UK) Equity Fund and State Street Trustees Limited ATF Aberdeen Capital Trust; Aletti Gestielle SGR S.p.A. fund manager: Gestielle Obiettivo Italia, Gestielle Cedola Italy Opportunity, Gestielle Absolute Return, Gestielle Cedola Multiasset, Gestielle Cedola Multiasset II, Gestielle Cedola Dual Brand, Gestielle Cedola Multi Target II, Gestielle Dual Brand Equity 30 and Volterra Absolute Return; Arca SGR S.p.A. manager of the Arca Azioni Italia fund; Eurizon Capital SGR S.p.A. manager of the Eurizon Azioni Italia fund; Eurizon Capital S.A. fund manager: EEF Equity Italy LTE, EEF Equity Financial LTE, Rossini Lux Fund – Azionario Euro, EEF Equity Italy and Eurizon Investment SICAV PB Equity EUR; Fideuram Asset Management (Ireland) fund manager: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav manager of the Interfund Equity Italy fund; Generali Investments Europe S.p.A. SGR manager of the GIE Alto Azionario fund; Legal & General Investment Management Limited – Legal & General Assurance (Pensions Management) Limited; Mediolanum Gestione Fondi SGR SpA manager of the Mediolanum Flessibile Italia fund; Mediolanum International Funds - Challenge funds - Challenge Italian Equity; Pioneer Investment Management SGRpA manager of the Pioneer Italia Azionario Crescita fund and Pioneer Asset Management S.A. (manager of the Pioneer Fund Italian Equity)

fund, the owners of a total of 10,938,272 shares accounting for 1.21% of the share capital of UBI Banca which contained the following candidates:

1. Giovanni FIORI
2. Paola GIANNOTTI
3. Patrizia GIANGUALANO

All three candidates on this list have declared irrevocably that they do not intend to take up the position of Chairman or Senior Deputy Chairman if their list receives the majority of the votes.

The “Lista SGR e Investitori Istituzionali” (Asset Management Companies and Institutional Investors) list received the majority of the votes cast in the Shareholders’ Meeting, accounting for 51.11% (222,870,130 shares) while the list presented in implementation of the “Agreement between UBI Banca S.p.A. Shareholders’ Syndicate, Patto dei Mille and the Fondazione Cassa di Risparmio di Cuneo” received 48.48% of the votes cast in the Shareholders’ Meeting (211,420,591 shares).

All the shareholders that presented the “SGR e Investitori istituzionali” list also declared that there are no forms of connecting relationships and/or significant links (also in accordance with Communication No. DEM/9017893 of 26<sup>th</sup> February 2009) with shareholders who on the basis of communications of significant shareholdings (pursuant to Art. 120 of the Consolidated Finance Law) or the publication of shareholders’ agreements (in accordance with Art. 122 of the Consolidated Finance Law) to be found on the corporate website of UBI and the Consob website hold, even jointly, a controlling or majority shareholding pursuant to Art. 147-ter paragraph 3 and Art. 148 paragraph 2 of the Consolidated Finance Law, Art. 144-*quinquies* of the Issuers Regulations and more generally the Articles of Association and the regulations in force.

All three candidates in the “Lista SGR e Investitori Istituzionali” list were thus elected on the basis of the list vote (having declared irrevocably that they did not intend to take up the position of Chairman or Senior Deputy Chairman when they stood as candidates), as well as the first three candidates in the list submitted in implementation of the “Agreement between UBI Banca S.p.A. Shareholders’ Syndicate, Patto dei Mille and the Fondazione Cassa di Risparmio di Cuneo”.

Consequently, in accordance with the Articles of Association, the board members who could not be appointed on the basis of the list vote were appointed by relative majority vote.

Therefore on the basis of a proposal submitted by the Fondazione Banca del Monte di Lombardia, which holds 14,411,631 shares, the following nine candidates were appointed for 2016-2017-2018 by relative majority vote (with the vote of 209,602,099 shares, representing 99.23% of the share capital present at the Shareholders’ Meeting):

1. Gian Luigi Gola
2. Pietro Gussalli Beretta
3. Pierpaolo Camadini
4. Letizia Bellini Cavalletti
5. Lorenzo Renato Guerini
6. Giuseppe Lucchini
7. Francesca Bazoli
8. Sergio Pivato
9. Alessandra Del Boca

who were part of the list presented in implementation of the Agreement between UBI Banca S.p.A. Shareholders’ Syndicate, Patto dei Mille and the Fondazione Cassa di Risparmio di Cuneo; also on the basis of a proposal by the Fondazione Banca del Monte di Lombardia *Ing. Andrea Moltrasio* was appointed as Chairman of the Supervisory Board and *Prof. Avv. Mario Cera* was appointed as Senior Deputy Chairman of the Supervisory Board.

At the meeting held on 14<sup>th</sup> April 2016 the Supervisory Board appointed *Dott. Pietro Gussalli Beretta* and *Notary Dott. Armando Santus* as Deputy Chairmen.

Following the resignation of *Dott.* Gianluigi Gola from the Supervisory Board in December 2016, the Shareholders' Meeting held on 7<sup>th</sup> April 2017 appointed *Dott.* Ferruccio Dardanello as a member of the Supervisory Board.

In this regard it should be noted that the member of the Supervisory Board who resigned had been appointed by the Shareholders' Meeting held on 2<sup>nd</sup> April 2016 approved with a relative majority (as reported above) and therefore the replacement procedures pursuant to article 37.17 part one and 37.19 of the Articles of Association regulating cases in which places are vacated by a board member elected in a list did not apply.

*Dott.* Dardanello was thus appointed as a board member by relative majority vote without the obligation for a list provided for by the Articles of Association themselves (with approximately 92.4% of the share capital present voting in favour and 6.1% abstaining).

The candidature of *Dott.* Dardanello, filed on 17<sup>th</sup> March 2017, was presented by the shareholders Mar.Bea Srl (3,350,000 UBI Banca shares) and Fondazione Banca del Monte di Lombardia (50,843,077 UBI Banca shares), in implementation of the agreement stipulated between Sindacato Azionisti UBI Banca S.p.A. (UBI Banca S.p.A. Shareholders' Syndicate) and Patto dei Mille (Pact of the Thousand) on 16<sup>th</sup> March 2017.

The board member elected remains in office until the expiry of the term of office of the current Supervisory Board and that is until the Shareholders' Meeting that will be held in accordance with article 2364-*bis* of the Italian Civil Code, after the end of the financial year 2018.

At the date of this report the members of the Supervisory Board are thus as follows:

1	Andrea Moltrasio	Chairman
2	Mario Cera	Senior Deputy Chairman
3	Pietro Gussalli Beretta	Deputy Chairman
4	Armando Santus	Deputy Chairman
5	Francesca Bazoli	Board Member
6	Letizia Bellini Cavalletti	Board Member
7	Pierpaolo Camadini	Board Member
8	Ferruccio Dardanello	Board Member
9	Alessandra Del Boca	Board Member
10	Giovanni Fiori	Board Member
11	Patrizia Michela Giangualano	Board Member
12	Paola Giannotti	Board Member
13	Lorenzo Renato Guerini	Board Member
14	Giuseppe Lucchini	Board Member
15	Sergio Pivato	Board Member

The curricula vitae of the members of the Supervisory Board are available on the website of UBI Banca.

Attachment A) lists the offices held (if it is the case) by all members of the Supervisory Board in companies listed on regulated markets, including foreign regulated markets, and in finance, banking, insurance or large companies.

More detailed information on the composition of the Supervisory Board is given in Summary Table no. 2 attached to this Report.

\* \* \*

Special regulations govern the functioning of the Supervisory Board concerning:

- its calendar of meetings;
- its agenda for meetings and how it is convened;
- prior delivery to members of the Supervisory Board of documents relating to items on the agenda;
- minutes and records of decision-making processes;

- disclosures concerning the decisions taken;
- internal committees of the Supervisory Board.

A special section of those regulations deals with reporting systems.

As concerns the prior delivery to members of the Supervisory Board of material relating to items on the agenda, the aforementioned regulations underline the fundamental requirement for members of the Supervisory Board to be able to act in an informed manner. They state that following proper notice to convene, the Chairman of the Supervisory Board shall take steps to deliver adequate documentation, with levels of detail and in a manner consistent with the importance and complexity of the items placed on the agenda, in good time with regard to the date set for the board meeting (normally at least two days before). The Chairman decides on the material to be sent from time to time, on the basis of the items placed on the agenda, taking into account the purposes of the advance information. It is made available through an online workspace accessible by board members using special customised identification software to grant full access to the documents, in compliance with the Bank's regulations for proper management of confidential information.

The time limit set by the regulations is normally complied with and usually where possible documents arrive even earlier, except in special cases due to the nature of the resolutions to be considered. The Chairman decides on the material to be sent from time to time, on the basis of the items placed on the agenda, taking into account the purposes of the advance information. It is made available through an online workspace accessible by board members using special customised identification software to grant full access to the documents, in compliance with the Bank's regulations for proper management of confidential information.

During the year over 80% of documents were made available more than three days in advance. When, in specific cases, it was not possible to provide the preliminary information within the above time limit, the Chairman arranged for adequate and detailed information to be provided during the Board meetings themselves. The documentation provided at Board meetings is stored electronically in a repository that ensures the traceability and accountability of the archive and each board member can use the dedicated web portal to consult the documents relating to all the meetings of the Supervisory Board and the committees of which he or she is a member.

At the invitation of the Chairman of the Supervisory Board, subject to the agreement of the Chief Executive Officer, the senior managers responsible for the corporate functions attend board meetings to provide information on matters on the agenda that are within their remit. The following attended meetings of the Supervisory Board, depending on the items to be discussed: the Chief Operating Officer, Chief Commercial Officer, Chief Wealth & Welfare Officer, Chief General Counsel, Chief Information Officer, Chief Lending Officer, Chief Financial Officer, Chief Risk Officer, Chief of Compliance, Chief Audit Executive and the Anti-Money Laundering Officer, as well as other senior managers whose attendance was considered appropriate by the Chairman in order to assist with studying the matters discussed during Board meetings in greater depth.

\* \* \*

The Supervisory Board must meet at least every 60 days. The location of the meetings alternates between the cities of Bergamo and Brescia and a meeting is held around once a year in the city of Milan.

It is convened by registered letter, telegram, fax, email or other means which leaves a record of the receipt of the notification.

Notices to convene meetings shall contain a list of the items on the agenda and these are sent at least four days prior to the date set for the meeting, except in urgent circumstances, when the time limit may be reduced to one day.

The meetings shall be deemed as validly convened when they are attended by the majority of the Board Members in office.

The meetings shall be deemed as validly convened when they are attended by the majority of the board members in office.



The Supervisory Board passes resolutions with the vote in favour of at least two thirds of its members for proposals to amend the Articles of Association.

The members of the Supervisory Board shall report all interests which, either directly or through third parties, they may have in a determined transaction of the Bank or the Group, stating the nature, the terms, origin and extent. The relative resolution of the Supervisory Board must give adequate reasons, explaining the reasons and the interest of the Bank in the transaction, without prejudice to other provisions of the law or regulations which may apply.

Remote participation in meetings of the Supervisory Board is permitted subject to the limitations and conditions contained in the last paragraph of article 25 of the Articles of Association.

The Supervisory Board may appoint a secretary who need not be a member of the Board and may be permanent. In this regard, we report that the Manager of the Supervisory Board Support Unit, *Ing.* Lorenzo Brambilla of Civesio, has been appointed to the position of Secretary for the current term of office.

During year the Supervisory Board met 26 times and the average length of meetings was around four hours and thirty minutes.

We also report that the Supervisory Board has planned its meetings for 2018 with 16 meetings programmed of which two already held.

The Internal Control Committee has had ongoing meetings with the independent auditors, Deloitte & Touche S.p.A. and reported on these to the Supervisory Board.

Details of further engagements of Deloitte & Touche and other companies in its network are given in a special report attached to the consolidated and separate annual reports.

\* \* \*

The members of the Supervisory Board must meet the suitability requirements required by legislation, regulations and the Articles of Association.

In particular, following its appointment and in accordance with the relevant regulations in force<sup>2</sup>, the Supervisory Board fully ascertained that the requirements for integrity, professionalism, independence and overall suitability for the position were met by all its members. This was subsequently repeated, most recently on 10<sup>th</sup> October 2017.

In this context, as well as in compliance with Bank of Italy provisions on corporate governance, an analysis of the lending relationships between each board member and the Group was carried out with the assistance of the Appointments Committee when independence requirements were verified. There was also an assessment of the position of the board members concerned within the UBI Banca S.p.A. Shareholders' Syndicate.

In this regard it should be noted that all the members of the Supervisory Board - on the basis of a declaration made by each of them and the information available to the Bank - satisfy the requirements of independence pursuant to Art. 148, paragraph 3 of the Consolidated Finance Law and the Bank of Italy supervisory regulations in force.

With reference to the principles and criteria referred to in Art. 3, section 1 of the Corporate Governance Code, the board members Andrea Moltrasio, Mario Cera, Pietro Gussalli Beretta and Sergio Pivato are not independent due to previous positions held over time within the UBI Banca Group.

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<sup>2</sup> Following the meeting of the Supervisory Board on 14<sup>th</sup> April 2016, the Company announced the outcome of the assessment carried out in relation to the members appointed to the Supervisory Board by the Shareholders' Meeting of 2<sup>nd</sup> April 2016 in a press release to the market pursuant to Art. 144-*novies*, paragraph 1-*bis* of the Issuers' Regulations. The same press release was issued following the meeting of 12<sup>th</sup> May 2017, with regard to the outcome of the assessment concerning the appointment of *Dott.* Dardanella as a Member of the Supervisory Board by the Shareholders' Meeting of 7<sup>th</sup> April 2017.

## **Diversity in the composition of the Supervisory Board**

In February 2016, in view of the appointment of a new Supervisory Board, the outgoing Supervisory Board prepared a report on the qualitative and quantitative composition considered optimal for the same Board; the results of this analysis have been published and distributed to the shareholders. The document takes into account the outcomes of the end of term of office board evaluation.

In particular, the report highlighted the need for the governing bodies of the Bank to contain a range of complementary skills and expertise on general management, risk management and compliance, legal and corporate affairs, human resources, marketing and sales, finance, accounting and financial reporting, organisation and IT processes, internal audit and compliance, acquired through experience of senior management in the banking, financial, industrial and service sectors, or through practice in the professions or in university teaching in order to ensure, now and also in the future, the presence of a balanced combination of profiles and experience on the Board. It also emphasised the need to preserve the requirements for diversity already present, also assessing in this context the value of age and gender diversification (without prejudice to the constraints of the Articles of Association).

Following its appointment on 2<sup>nd</sup> April 2016 by the Shareholders' Meeting, in April 2016 the Supervisory Board proceeded - in the context of the process to verify the necessary qualities of integrity, professionalism and independence required by the legislation in force - to verify that the actual composition resulting from the appointment process complies with the quantitative and qualitative composition identified in the above report. In this regard the Supervisory Board, following a detailed analysis of the professional skills of its various members, evaluated and verified that the composition of the Supervisory Board complies with the qualitative and quantitative composition deemed to be best for the achievement of the objective of performing the functions assigned to it in a correct manner. This assessment was therefore repeated in April 2017 following the appointment by the Shareholders' Meeting of 7<sup>th</sup> April 2017 of a new board member to replace the one who had resigned.

Having taken into consideration the existence of a detailed document on its qualitative and quantitative composition that also includes diversity guidelines, the Supervisory Board did not assess that it was not currently necessary to draw up and adopt a specific diversity policy in relation to the composition of the administration and management bodies, considering that the aforementioned document comprehensively met the necessary requirements.

With regard to the diversity of the membership of the current Supervisory Board, it is noted that there are five board members of the less represented gender, amounting to a third of the total membership.

In terms of age, having noted that the Articles of Association set the age limit for members of the Supervisory Board at 75 years old, we report that: 7% of board members are under 50, 47% of them are between 50 and 60, 26% between 60 and 70 and 20% are over 70 years old.

Almost all the board members have a legal or financial professional background and 27% of them are university lecturers.

The Supervisory Board includes members with entrepreneurial profiles (approximately 27%) and managerial profiles (approximately 20%).

### **Self-assessment process**

The assessment process is set out in the "UBI Banca Group Governing Bodies Self-Assessment Process" internal regulation, drawn up in order to implement the supervisory regulations (Part One – Title IV – Chapter 1), which formalises the annual self-assessment process of the corporate bodies, based on their three-year term of office, setting out the requirements of the Supervisory Authority across the UBI Banca Group using criteria of proportionality. The document also includes guidelines for the organisation of training activities for members of Governing Bodies.

The self-assessment for the year in question was performed with the consultancy support of Korn Ferry, which had already assisted the Company with the process carried out for 2016 in relation to the first year of the mandate. The consultant was chosen subject to a positive assessment of its independence and for this reason a check was made to verify that it does not perform other services for the Company or the Group, except for providing support for the self-assessment process of some of the subsidiaries.

The self-assessment process was carried out with the active contribution of the Appointments Committee, both for the selection of the external consultant and for the preliminary examination of the outcomes of the process to be submitted to Supervisory Board for its analysis.

The follow-up self-evaluation carried out by the Supervisory Board for the second year of its mandate at its meeting of 1<sup>st</sup> February 2018, with the support of individual questionnaires provided by the consultant, was performed with reference, amongst other things, to the following parameters: the board's understanding of its own scope, role and responsibilities; possession of the appropriate skill set to perform its mandate; understanding and alignment of the Board about the responsibilities of its role; efficient and effective interactions among board members and between the board members and management, procedures for implementing the mandate, training and support.

On the basis of the results of the questionnaires it was found that the Board operates appropriately and consistently with its mandate.

The overall structure of the work performed by the Supervisory Board and its internal committees, in terms of the organisation, clarity and efficacy of the presentations and the timeliness of the receipt of information remains a key element for the appropriate performance of the functions assigned to the Supervisory Board and its internal committees. Relationships among board members and between the board members and management were also found to be efficient and effective and the contribution made by the individual committees to the activities of the Board was positive. Initiatives to implement some of the points for improvement that emerged from the assessment have already started.

In terms of carrying out the mandate the self-assessment has, amongst other things, included an evaluation of the activities performed in relation to the identification, management and measurement of risks, as well as the adequacy of the organisational structure of UBI Banca for attaining medium to long-term objectives and the definition and monitoring of strategies.

In accordance with the Corporate Governance Code the independent board members (in terms of both the Consolidated Finance Law and the Corporate Governance Code) must meet at least once a year in the absence of the other board members. On the date when this Report was approved, the independent board members had not felt the need to hold the said meeting, amongst other things because of the composition of the Supervisory Board.

The Shareholders' Meeting has not authorised exceptions to the prohibition on competition pursuant to Art. 2390 of the Civil Code; the Supervisory Board carries out careful assessments to ensure that there are no situations of potential competition by its members, amongst other things pursuant to Art. 36 of Law No. 214/2011, the conversion with amendments of Decree Law 201 of 6<sup>th</sup> December 2011.

#### Induction Programme

The Chairman, both at Supervisory Board meetings and by means of specific induction sessions, ensures that the board members increase their knowledge of the regulatory and self-regulatory framework and of the situation and dynamics of the Bank and the Group, in order to ensure that they have a full and adequate awareness of the banking business, the economic and financial system, the system of controls and the methods for managing and monitoring risk.

During the year information sessions for members of the Supervisory and Management Boards have been held on the "European Central Bank Guidance to banks on non-performing loans", "Managing the conflicts of interest of board members of banks", "Succession Planning", "The new IFRS 9 financial reporting standard", "Non-financial reporting pursuant to Legislative Decree No. 254/2016", "Investment plan for IT and development areas", "Budget guidelines" and "Insurance Business; Solvency II; Insurance Distribution Directive and the PRIIPs regulation". Ad hoc information sessions were also held to meet specific needs.

The appointment of a Lead Independent Director is not envisaged because the conditions provided for in the Code do not exist.

Information on the Internal regulations on the accumulation of positions is given in section 12.2 of this Report.



### 4.3. Chairman of the Supervisory Board

The Chairman of the Supervisory Board convenes (on his own initiative and, in any event, in the cases prescribed by Law or the Articles of Association) and chairs and co-ordinates the meetings of the Supervisory Board itself, setting the agendas, taking account of the proposals formulated by the Senior Deputy Chairman and the other Deputy Chairmen, if appointed, and ensuring that adequate information on the items placed on the agenda are provided to all the members of the Supervisory Board.

The duties of the Chairman of the Supervisory Board are listed in article 39 of the Articles of Association.

## 5) Internal Committees of the Supervisory Board (pursuant to Art. 123-bis, paragraph 2, letter d) of the Consolidated Finance Law)

While it acknowledges the principle of collegiate responsibility in the performance of its duties, the Supervisory Board - in relation to its responsibilities, its composition and the characteristics of its members - decided to establish internal committees as follows:

- specific committees with proposal-making, consultative and fact-finding functions in compliance with Bank of Italy regulations, the recommendations of the Corporate Governance Code and Supervisory Authority instructions. These committees were established to allow the Supervisory Board to work more efficiently and effectively, and they are composed - as recommended by the Corporate Governance Code - of not less than three members as follows:
  - Appointments Committee                      5 members
  - Remuneration Committee                      3 members
  - Internal Control Committee                      5 members
  - Risk Committee                                      5 members
- a Related and Connected Parties Committee composed of three members, in compliance with the provisions of: (i) "Regulations for UBI Banca related-party transactions" adopted in implementation of Art. 2391-bis of the Italian Civil Code and Consob requirements with respect to related parties adopted with Resolution No. 17221/2010 and subsequent amendments; (ii) "Regulations for operations with parties connected to the UBI Banca Group", adopted in implementation of Title V, Chapter 5 of Bank of Italy Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> amendment of 12<sup>th</sup> December 2011, "New regulations for the prudential supervision of banks", containing measures concerning "risk assets and conflicts of interest with connected parties".

The meetings of these committees are properly minuted. In the performance of their functions the committees may have access to the information and corporate functions necessary for the performance of their duties and make use of external consultants under the terms and conditions set by the Supervisory Board.

The committees are governed by special regulations which determine their responsibilities and functioning.

The regulations governing the committees are published in the Corporate Governance/Supervisory Board section of the Bank's website.

Concerning the composition of the committees, it is noted that all the internal committees include the board members drawn from the "Lista SGR e Investitori Istituzionali" list and two of them are chaired by board members from the same list.

## 6) Appointments Committee

The Appointments Committee is composed of the following Supervisory Board members:

- Andrea Moltrasio - Chairman of the Supervisory Board
- Mario Cera - Senior Deputy Chairman of the Supervisory Board
- Letizia Bellini Cavalletti (in office since 2<sup>nd</sup> February 2017 to replace Gianluigi Gola who resigned on 22<sup>nd</sup> December 2016)
- Pietro Gussalli Beretta
- Giovanni Fiori

*Compliance of the composition of the Appointments Committee with the provisions of the Corporate Governance Code.*

In accordance with Art. 41.6 of the Articles of Association, the Chairman of the Supervisory Board, with the functions of Chairman, and the Senior Deputy Chairman are ex officio members of the Appointments Committee; as stated in paragraph 4.2, they are not independent pursuant to Art. 3 of the Corporate Governance Code.

Also, in view of his professional characteristics, *Dott.* Pietro Gussalli Beretta was identified as an additional member; he is also not independent pursuant to the same Art. 3 of the Corporate Governance Code (since he has held senior positions in the UBI Banca Group during the last three years).

The other members of the committee are in possession of the requirements of independence required by the Corporate Governance Code.

The Supervisory Board thus resolved, on the basis of the Articles of Association and in order to benefit from the professional experience of the members appointed to the Appointments Committee, that it was appropriate not to comply, for this specific point only, with the requirements of Art. 3 of the Corporate Governance Code, which require the majority of the members of the Appointments Committee to be independent.

The Committee is governed by special regulations – published on the Bank’s website in the Corporate Governance/ Supervisory Board section – which determine its responsibilities and its functioning. The Appointments Committee must have adequate resources available to it for carrying out its functions and be able to make use of outside experts, bringing in, where necessary, the competent corporate functions.

The Appointments Committee, in carrying out its proposal-making functions, as applicable:

- a) carries out fact-finding functions to establish official qualitative and quantitative career profiles for appointments to the Supervisory Board. It proposes the candidates to the Supervisory Board to the position of Deputy Chairman of the Supervisory Board where this is to be appointed;
- b) carries out fact-finding functions to establish qualitative and quantitative career profiles for appointments to the Management Board. It proposes candidates for appointment by the Supervisory Board to the position of Member of the Management Board at the Bank, inclusive of candidates to the positions of Chairman and Deputy Chairman of the Management Board;
- c) it puts forward a name for the formulation of a non-binding proposal to be submitted by the Supervisory Board to the Management Board for the appointment of the Chief Executive Officer;
- d) it assesses, including during the functioning of the bodies, the adequacy of the succession plans at senior management level for the Management Board and for Senior Management as well as career profiles and requirements for senior managers in office and potential succession candidates;
- e) it defines processes to assess the work of the Management Board and Senior Management;
- f) it carries out support functions for the purposes of the self-assessment of the Supervisory Board and the Management Board, and also for setting the criteria for carrying out the self-assessment process by the governing bodies of Group banks;
- g) it supports the Management Board and the Supervisory Board in verification of the conditions provided for in article 26 of the Consolidated Banking Law;

- h) it supports the Risk Committee in the formulation of proposals to Supervisory Board to appoint and remove the heads of the Internal Control Committee, in compliance also with the responsibilities of the Internal Control Committee;
- i) it formulates opinions and proposals on the corporate governance and regulatory policies of the Bank and the Group which fall within the exclusive scope of the remit of the Supervisory Board;
- j) it oversees the update of corporate governance rules and principles of conduct which may be adopted by the Bank and its subsidiaries, even with regard to developments on the matter at national and transnational level;
- k) it assesses the adequacy of commitments made on issues of corporate social responsibility;
- l) it supervises matters of sustainability connected with running a company and with the development of interactions with stakeholders.

The Appointments Committee met 14 times during the year. The average length of the meetings was approximately one hour and they were all properly minuted.

In particular, during the year the Appointments Committee provided support for the Supervisory Board during the process to verify the suitability requirements for board members pursuant to legislation and regulations in force, with particular reference to the annual verification that they meet the independence requirement. It also investigated the specific situations of certain board members.

During the year the Committee also carried out activities within its remit in relation to:

- fact-finding activities for the preparation and publication by the Supervisory Board of the “Qualitative and quantitative composition document” for the purpose of the election by the Shareholders’ Meeting of 7<sup>th</sup> April 2017 of a new board member to replace the one who had resigned;
- fact finding and formulating proposals for the selection of the independent advisor for the self-assessment of the corporate bodies and the preliminary examination of the outcomes of the process to be submitted to Supervisory Board for its evaluation;
- fact finding for updating succession plans, particularly in relation to the selection of the independent outside company to be used and the preliminary examination of the plan submitted to Supervisory Board for its approval;
- providing support to the Supervisory Board in relation to the composition of sub-committees;
- supporting the Supervisory Board in relation to social responsibility and sustainability issues, with specific attention to the charitable donations required by the Articles of Association, with fact finding to define the relevant regulations and the annual activity plan, and examination of the evidence of the Sustainability Report;
- relevant legislative and regulatory changes concerning the requirements for the board members of banks.

In performing its duties, the Appointments Committee makes use of the resources and corporate units of the Bank. In particular the Appointments Committee performs its functions and activities using means and resources made available by the Company at the request of the same Committee.

During the year the Committee had access to the information and Company functions that were necessary for the performance of its duties. The Committee made particular use of the unit reporting to the Chief General Counsel and the Supervisory Board Support Area.

The Committee reports to the Supervisory Board on the activities performed at the first subsequent meeting.

The Appointments Committee has met once so far in 2018.

## 7) Remuneration Committee

The Remuneration Committee is composed of the following members of the Supervisory Board:

- Alessandra Del Boca, as Chairwoman
- Ferruccio Dardanella
- Patrizia Michela Gianguialano.

The Supervisory Board appointed *Dott.* Dardanella as a member of the Remuneration Committee, by a decision passed on 12<sup>th</sup> September 2017, replacing *prof. Avv.* Cera, who resigned from his position on the Committee due to professional commitments.

All the members of the Remuneration Committee are independent board members, in accordance with the Corporate Governance Code.

As provided for by the regulations for its proceedings, on invitation of the Chairman, the chiefs of the human resources, risk management, compliance and internal audit functions, as well as other senior managers of internal units and functions of the Bank whose presence was considered useful by the Committee itself participated in meetings of the Committee for specific items on the agenda involving their respective areas of responsibility. Furthermore, the Compliance Function normally attends all the meetings of the Committee.

The Committee provides advisory, proposal-making and fact-finding activities for the Supervisory Board, involving the competent corporate functions. In this context, the Committee carries out those duties assigned to it by the provisions of the Supervisory Authority with regard to the remuneration and incentive policies and practices of banks and banking groups.

In detail, the Committee formulates proposals and opinions:

- for decisions that the Supervisory Board will submit for approval to a shareholders meeting;
- for the remuneration of Governing Bodies;
- for setting Remuneration Policies.

The Committee also formulates opinions for the purpose of verifying whether the following are compliant with remuneration and incentive policies approved by the Supervisory Board:

- possible remuneration and/or incentive schemes based on financial instruments;
- the remuneration of subsidiaries.

The Committee has in any event the duty to make proposals for the remuneration of the General Manager (if appointed) and the Senior Deputy General Manager as well as for any specific remuneration paid to them and for the remuneration of additional personnel for which the methods of remuneration and incentivisation are decided by the Supervisory Board in accordance with the supervisory regulations as interpreted in UBI Group's remuneration and incentive policies. It also provides consultation in relation to determining the criteria for the remuneration of all Key Personnel.

It informs the Supervisory Board appropriately in its verifications on at least an annual basis concerning the proper implementation of remuneration and incentive policies.

The Committee also:

- collaborates with other internal committees of the Supervisory Board, co-ordinating in particular with the Risk Committee, which is responsible for ensuring that the incentives underlying remuneration and incentive schemes are consistent with the RAF;
- ensures, in accordance with regulations in force, that the competent corporate functions are involved in the process of drawing up and monitoring remuneration and incentive policies and practices;
- gives an opinion, assisted by information received from the competent corporate functions, on the achievement of the performance objectives to which incentive schemes are linked and on the satisfaction of other conditions set for the payout of remuneration;
- periodically assesses the appropriateness, overall consistency and concrete implementation of the general policy pursued for the remuneration of senior managers and Key Personnel of the UBI Banca Group;

- directly oversees the remuneration of the managers of corporate supervisory functions in close co-operation with the Supervisory Board;
- makes adequate reports on its activities to corporate bodies, including Shareholders' Meetings;
- gives advance assessments to the Supervisory Board on any individual agreements regarding employment termination benefits, in the context of criteria set by Shareholders, relating to "Identified Staff" (key management personnel).

The Remuneration Committee met 19 times during the year, concentrating mainly on the areas described below. The average length of the meetings was approximately an hour and thirty minutes and they were all properly minuted.

Of particular note is the active support that the Committee has provided for the Business Plan, designing and implementing a new incentive scheme for the period 2017-2019/2020. Its objectives are to bring the interests of management increasingly into line with those of shareholders in the long-term, increase the performance-based variable component of remuneration (rather than the fixed component) and support the creation of long-term value.

The Committee has also monitored the development of the relevant legislation and regulations and, in particular, the new provisions contained in the update to the joint Consob and Bank of Italy Regulations on the remuneration and incentive policies and practices of asset management companies, which are relevant to the UBI Group with regard to its subsidiary undertaking, UBI Pramerica SGR S.p.A.. In relation to changes to the regulatory framework, the Committee has revised the regulations for its proceedings and submitted the new text for the approval of the Supervisory Board.

The Remuneration Committee has also carried out:

- activities on behalf of the Supervisory Board for the proposal for setting remuneration and incentive policies for members of the Supervisory and Management Boards to be submitted to the Shareholders' Meeting;
- activities on behalf of the Supervisory Board for the approval of Incentive and Remuneration Policies that regard employees and associate workers not bound to companies by employee contracts;
- activities on behalf of the Supervisory Board for the subsequent proposal to the Shareholders' Meeting of schemes based on financial instruments in relation to the 2017 Short-term and 2017-2019/20 Long-term incentive schemes for Identified Staff and the Productivity bonus (or Company Bonus) for the year, by the grant of financial instruments;
- activities on behalf of the Supervisory Board for the approval of the Remuneration Report submitted to a Shareholders' Meeting for approval;
- activities on behalf of the Supervisory Board for defining the criteria for determining remuneration in the event of the early termination of an employment relationship or position, submitted to a Shareholders' Meeting for approval;
- activities on behalf of the Supervisory Board to increase the ratio between fixed and variable remuneration from 1:1 to 2:1 for those employed by the subsidiary undertaking UBI Pramerica SGR subject to the approval of the Shareholders' Meeting;
- activities on behalf of the Supervisory Board to define the classification criteria for Identified Staff (senior managers with strategic responsibilities) and for the approval of the relative short-term and medium to long-term incentives model to support the Business Plan;
- verification that remuneration changes for specific management positions categorised as "Top Management" and "Highest Management Levels of the Control Functions" comply with remuneration and incentive policies;
- verification of the trigger conditions and performance objectives for the 2016 incentive scheme; examination of the 2017 Merit Plan;
- specific evaluation of the incentive schemes of the subsidiary undertakings UBI Pramerica SGR and IW Bank, in relation to the particular areas in which they operate;
- examination of the Report on the verifications conducted by the internal audit function on remuneration and incentive practices;



- verification of compliance with the Remuneration and initiative incentive policies to support the project to amalgamate the Bridge Banks into UBI Banca;
- activities concerning sustainability issues with reference to the Human Resources of the Group.

The activities of the Committee during the year were supported by an external consultant from Ernst and Young, who has already been assessed and found to be free from situations that would compromise their independence.

During the year the Committee had access to the information and Company functions that were necessary for the performance of its duties.

The Remuneration Committee performs its functions and activities using means and resources made available by the Company at the request of the same Committee.

During the year the Committee did not formulate proposals for the Board that related to its own remuneration.

Members of the Committee abstain from participating at meetings of the same Committee at which proposals to the Board relating to their own remuneration are formulated.

The Committee reports to the Supervisory Board on the activities performed at the first subsequent meeting.

The Remuneration Committee has met three times so far in 2018. The meetings were mainly devoted to in-depth analyses for the annual update of the Remuneration and Incentive Policies.

Further information on Remuneration and incentive policies is given in Section I of the Report on Remuneration published pursuant to Art. 123-ter of the Consolidated Finance Law.

## **8) Remuneration and Succession Planning**

Information concerning remuneration policies is given in Section I of the Remuneration Report prepared in accordance with Art. 123-ter of the Consolidated Finance Law, which may be consulted.

### **Supervisory Board**

Shareholders set the remuneration of Supervisory Board members in addition to total remuneration for individuals with certain specific responsibilities, powers and functions. This amount is subsequently allocated by setting the remuneration of the Chairman, the Senior Deputy Chairman, the Deputy Chairmen, if appointed, and other members of the Supervisory Board with certain specific responsibilities, powers and functions pursuant to the Articles of Association or in accordance with Supervisory Board decisions requiring, amongst other things, participation in committees and the potential assignment of the functions of Supervisory Body pursuant to Legislative Decree 231/2001.

The determination of remuneration is based on an approach that is designed to attract the best expertise and skills and is at the same time designed to pursue the objective of containing governance costs. Account is also taken of the time necessary and the overall expertise required of Board Members in general and more specifically of the Articles of Association-related duties required of members of the Supervisory Board assigned particular responsibilities, powers and functions, as well as of members of committees, with consideration given in this respect also to Supervisory Authority recommendations. The assessment was made on the basis of a benchmark analysis carried out with the support of an independent advisor.

## Management Board

Pursuant to the Articles of Association, the Supervisory Board sets, after consulting with the Remuneration Committee, the remuneration of the Management Board and of its members vested with special offices, duties or powers.

As provided for by Remuneration Policies for members of the Management Board, the maximum total fee payable to each member of the Management Board, with the exception of those relating to the “special assignments” of the Chairman, the Deputy Chairman of the Board and the Chief Executive Officer, for membership of the Management Board and where relevant the Governing Bodies of Group banks and companies, is equal to the amount due for the position of member of the Management Board (currently €120,000 per year), plus 2/3 (and therefore a potential maximum amount of €200,000 per year).

Any exemptions for exceptional reasons are in any event subject to the prior approval of the Supervisory Board, following consultation with the Remuneration Committee.

If the Chairman of the Management Board takes up positions in other UBI Group banks or companies, he may receive total further remuneration of not more than 30% of the remuneration set for the position of Chairman of the Supervisory Board.

The Chief Executive Officer and members of the Management Board classified as senior management of UBI Banca, included within the “Material Risk Takers” perimeter, are eligible for forms of variable remuneration linked to results.

No attendance payments exist. There are no guaranteed bonuses for members of the Management Board (without prejudice to exceptions allowed by legislation and regulations, limited to the first year of employment, for board members classified as senior management). No member of the Management Board may unilaterally waive their right to part or all of their remuneration.

\* \* \*

Further information on the remuneration and incentive policies in place in the UBI Banca Group is given in Section I of the Report on Remuneration published pursuant to Art. 123-ter of the Consolidated Finance Law.

Information about the remuneration paid during the year to members of the Supervisory Board and the Management Board for any reason and in any form is given in Section II of the Report on Remuneration published pursuant to Art. 123-ter of the Consolidated Finance Law.

### **Indemnities for Board Members in the event of resignation, dismissal or termination of contract following a public tender offer to purchase [pursuant to Art. 123-bis, paragraph 1, letter i) of the Consolidated Finance Law]**

The criteria for determining extraordinary remuneration, in addition to what is required by law or under the national trade union agreement, in the event of the early termination of the employment relationship or of the position held, including the limits set in terms of years of fixed remuneration and the maximum amount resulting from their application, are set by the Shareholders' Meeting.

No special payments (golden parachutes) are generally provided for the early termination of an employment relationship or the office held.

Any individual agreements, on an exceptional basis, will be managed in the context of the criteria set by a Shareholders' Meeting, up to a maximum of 24 months of fixed individual remuneration, subject to deferment and retention conditions for the component paid in financial instruments and to ex post adjustment mechanisms (malus and clawback) and they must reflect performance achieved over time.

This is without prejudice to payments and disbursements that are required by law or under the national trade union agreement, or on the basis of transactions performed within the

context and limits of these regulations and in order to avoid objectively justified litigation risks.

The said payments and disbursements do not form part of the pay mix and will be set in relation to the specific circumstances and in strict compliance with the regulations in force from time to time, while they will comply with prevailing provisions of the law and supervisory regulations. Further information is given in the Remuneration Report.

## **Succession Planning**

In 2011 UBI Banca put a structured process in place entitled “senior leadership succession”, designed to select and assess managers within the Group for consideration by the Appointments Committee, the Supervisory Board and the Management Board as potential candidates for senior executive positions and for those of Chief Executive Officer and General Manager (if appointed) in particular.

In September 2016 a decision was taken to update the succession plan taking into account, amongst other things, the revision of the organisational model for the Group following the implementation of the Single Bank Project. In this regard, the a leading independent specialised firm was engaged to assist in the preparation of a succession plan for senior management by assessing the profile of all the most senior positions including the activities performed as above.

During the year, on conclusion of the above activity, the Supervisory Board, during the year, approved an update to the succession plan for the Top Management Level, which had been examined beforehand by the Appointments Committee.

The Plan defines formal procedures for the replacement of Top Management and includes description of the process to update the succession plan and the long-term and emergency plans to be followed to trigger it, with the activities to be carried out by the Boards and their internal committees within their respective remits.

The Supervisory Board considered that the plan in question meets the requirement to ensure continuity in the company and prevent repercussions on operations and reputation both over the long-term and in the event of sudden senior management vacancies.

Over 50 managers are involved in the review. Each manager is assessed individually through in-depth interviews, together with the acquisition of a very full set of references, conducted by external specialist firms. The assessment therefore provides an indication of strengths and areas for improvement. Each manager receives feedback on their strengths to be consolidated and areas for improvement to be developed. This feedback forms part of individual development plans designed to strengthen managerial quality at UBI Banca.

## **9) Internal Control Committee**

The Internal Control Committee is composed of the following Supervisory Board members:

- Giovanni Fiori, as Chairman (\*)
- Pierpaolo Camadini
- Patrizia Giangualano
- Renato Guerini (\*)
- Sergio Pivato (\*)

(\*) Enrolled in the Register of Statutory Accounting Auditors

All the members of the Committee including the Chairman are independent board members in accordance with the Corporate Governance Code and Art. 148 of the Consolidated Finance Law.

The activities of the Committee are governed by special regulations – published on the Bank’s



website in the Corporate Governance/Supervisory Board section – which determine its responsibilities and functioning. According to the contents of those, the purpose of the Committee is to support the Supervisory Board with fact-finding, advisory and proposal-making functions in those areas overseen by the Board in its capacity as the supervisory body in accordance with regulatory requirements as may be in force from time to time, in order to increase its effectiveness.

The Committee's duties also include supporting the Supervisory Board with its supervisory functions pursuant to Art. 149, paragraphs one and three, of the Consolidated Finance Law, having regard to the internal control system and other activities connected with the functions of the Supervisory Body and the following activities in particular:

- it oversees the functioning of the internal control system as a whole and ascertains the effectiveness of the units and functions involved in the system itself and that they are properly co-ordinated, initiating corrective action for shortcomings and irregularities where they are found;
- assessment of the basic elements of the general architecture of the internal control system (powers, responsibilities, resources, information and management of conflicts of interest);
- it oversees the completeness, adequacy, functionality and reliability of the RAF;
- it oversees the process for calculating internal capital (inclusive of the ICAAP and ILAAP processes) and the completeness, adequacy, functionality and reliability of internal risk measurement systems for calculating capital requirements and that they comply with regulatory requirements;
- it provides an opinion on the appointment and removal of the heads of the compliance, risk management and internal audit functions and the senior officer responsible for preparing the corporate accounting documents pursuant to article 154-*bis* of The Consolidated Finance Law, by submitting its assessment of the candidates to the Risk Committee;
- it examines periodic reports on the activities carried out by control functions and also the results of the self-assessment of internal Group adequacy in terms of the principles of the Supervisory Review and Evaluation Process (SREP) of the competent supervisory authorities;
- verification of the proper performance of strategic control and management activities by the Parent in relation to Group companies;
- it oversees compliance with laws, regulations and the Articles of Association, the proper performance of management activities and the adequacy of the Bank's organisational structure and its accounting systems;
- communication to the Bank of Italy of events or facts which might constitute a management irregularity or an infringement of banking regulations pursuant to article 52 of the Consolidated Banking Act. Should the Committee become aware in the course of its activities of circumstances that may be relevant pursuant to article 52 of the Consolidated Banking Act, it shall inform the Supervisory Board and Management Board of the shortcomings and irregularities found, and it shall request corrective action to be taken and monitor its effectiveness over time;
- verification and study of the causes and remedies for management irregularities, performance problems and shortcomings in organisational structures and accounting systems, with particular attention paid to regulations concerning conflicts of interest and infringements of rules governing the provision of investment services;
- examination of the Group's policy on whistleblowing and performance of the activities assigned to it by this policy, including regular assessments of the reports received;
- assessment of proposals formulated by the independent auditors for their engagement, examining their professionalism and experience to ensure these qualities are adequate for the size and operational complexity of the Bank;
- assessment of reports for Shareholders' Meetings called in accordance with article 2364-*bis* of the Italian Civil Code, and also for any other Shareholders' Meetings, ordinary or extraordinary, on its supervisory activities carried out, on omissions and on irregularities observed.

Furthermore, the Committee performs its internal control and audit functions in accordance with Art. 19 of Legislative Decree No. 39 of 27<sup>th</sup> January 2010.

The Committee supports the Supervisory Board with its duties connected with assessing the adequacy and functionality of the accounting and tax systems, inclusive of IT systems, in order to ensure accurate recording of corporate events and facts.

The members of the Internal Control Committee are also members of the Supervisory Body of UBI Banca pursuant to Legislative Decree No. 231/2001, which met five times in 2017. Detailed information relating to the Supervisory Body and model of organisation, management and control pursuant to Legislative Decree No. 231/2001 is given in section 15.3 of this report.

The Committee normally performs its duties using the information provided to the Supervisory Board in compliance with the relevant regulations and information provided by corporate internal control units and functions and the results of activities carried out by the Supervisory Body pursuant to Legislative Decree No. 231/2001. In this context the Committee had access during the year to the information and Company functions that were necessary for the performance of its duties. In order to acquire constant information on the principal management events, at least one member of the Committee attends meetings of the Management Board and reports to the Committee and through its Chairman to the Supervisory Board on matters of major importance that are dealt with.

Furthermore, in order to carry out its activities to support the Supervisory Board in exercising the supervisory duties assigned to by supervisory regulations, the Committee co-ordinates with the Risk Committee. More specifically, the regulations require that the Committee and the Risk Committee exchange all information of mutual interest. This co-ordination was also ensured because three members of the Internal Control Committee are also members of the Risk Committee.

The Committee, by employing the services of the appropriate organisational units of the Bank, can proceed to inspections and controls at any time and exchange information with the control bodies of the companies of the Group with regard to the management and control systems and to corporate activity. In particular, the Committee, when it considers it necessary, asks the Internal Audit Function to perform checks on specific areas. In accordance with Art. 43 of the Articles of Association, it also activates the Internal Audit Function in response to extraordinary requests for inspections and/or investigations made by the Chief Executive Officer. The Committee reports on the activities and investigations it has carried out, including the tasks assigned to the Internal Audit Function, at meetings of the Supervisory Board.

The Internal Control Committee performs its functions and activities using means and resources made available by the Company at the request of the same Committee.

In particular, the Internal Control Committee may identify and make use of external consultants, at the Bank's expense.

The Internal Control Committee met 18 times in during the year (the average length of each meeting was approximately two hours). All the meetings were properly minuted. The members (each for the period of their membership) were present at the following number of meetings: *prof. G. Fiori*, 18 meetings; *Dott.ssa P. Giangualano*, 15 meetings; *Dott. R. Guerini*, 18 meetings; *prof. S. Pivato*, 17 meetings; *Avv. P. Camadini*, 14 meetings. Members who were unable to attend a meeting gave reasons for their absence.

The Chief Audit Executive, the Chief of the Compliance Function and the Chief Risk Officer attend the meetings of the Committee on a regular basis. The regulations of the Committee provide that *"if it is apparent from the matters on the agenda for discussion that this is advisable, the Chairman of the Supervisory Board may participate in the work of the Committee at his request or by invitation of the Chairman"*. This provision was not applied during the year.

In relation to the matters discussed under specific items on the agenda, and at the request of the Chairman of the committee, representatives of UBI Banca and other Group companies, as well as outside professionals attending as consultants and representatives of the independent auditors have attended meetings as needed during the year.

The Committee reports periodically to the Supervisory Board on its activities. The Chairman of the committee also notifies the Supervisory Board (normally as part of the examination of the quarterly reports made by the corporate control functions and also from time to time in relation to investigations made in relation to specific matters) of areas that have been observed requiring improvement or attention, requesting the adoption of appropriate measures to strengthen internal controls and assessing their effectiveness over time, by providing relevant information to support the work of the Supervisory Board.

During the year the Internal Control Committee focused mainly on the following activities:

- the most important issues concerning the internal control system of the Bank, for the purpose of evaluating the adequacy of the same, as follows:
- the main legislative and regulatory changes in areas relevant to the general architecture of the Group's system of internal controls, including the update of the policies and regulations relating to control such as for example, the Internal Control System Policy, the Compliance Risk Management Policy and the Group regulations for Compliance Risk Management;
- issues concerning the system of powers, the definition and attribution of responsibilities, the management of resources (with particular regard to remuneration and incentive schemes);
- the management of conflicts of interest, with a particular focus on projects relating to Related and Connected parties, as well as the formulation of a policy on the conflicts of interest of board members;
- the organisation and structure of the Bank, with a particular focus on the changes to the units of the Corporate Control Functions and the subsidiary undertakings, including reference to changes in the number of Group companies. In this context, continuous monitoring was performed in relation to the completion of the Single Bank Project in the first quarter of 2017, including the merger of the seven network banks into UBI Banca and the acquisition and merger of the "Good Banks" (Banca Adriatica, Banca Tirrenica e Banca Teatina S.p.A), to be completed with the merger of Banca Teatina S.p.A. in the first quarter of 2018;
- reporting lines, with particular regard to the reports made by the organisational units responsible for controls. In this context, there was a particular focus on aspects of co-ordination of the corporate control functions, including the use of a progress chart incorporating the most significant findings, for the benefit of the corporate bodies;
- issues relating to the IT system, with specific reference to the checks carried out by the Chief Information Officer on the adequacy of the Business Continuity Plan of the Group, the updating of the Data Governance policy and the development of the IT Governance Transformation Project;
- assessment of the adequacy of the organisational structure and accounting systems of the Bank, taking into account information provided by the independent auditors and reports made by the Chief Financial Officer;
- matters concerning anti-money laundering, transparency, usury and compound interest, with a particular focus on specific projects being developed by the Bank to constantly enhance and improve controls in the transparency and anti-money laundering areas, including reference to the integration of the New Banks;
- the performance of activities connected with the management of *whistleblowing* reports made by staff using the procedure provided for this and the examination of the periodic report made by the Chief Audit Executive, in his capacity as the person in charge of internal disclosure services;
- on the supervision of the adequacy of the system for managing and monitoring risk and of the compliance of the ICAAP process with the regulatory requirements, with reference to both the requirements for the Group to submit periodic reports to the Bank of Italy and the ICAAP and ILAAP processes;
- the evaluation of the activities plan of the corporate control functions and of their periodic reports on the activities carried out (Internal Audit, Compliance, Corporate Anti-Money Laundering Officer, Complaints and Risk Management), also with reference to those that concern the assessment of the internal control and risk management system. In this context both the reporting framework and projects concerning the evolution of organisational models, tools and processes involving the Compliance function have been examined and investigated;

- on the policy-setting and co-ordination activities of the Parent, with particular attention to its subsidiaries, including specific investigations into those affected by particular corporate ownership transactions or significant issues;
- the provision of investment services, with reference also made to the examination of the Annual Report in accordance with the joint Consob and Bank of Italy Regulations;
- on aspects affected by legislation concerning external statutory audits of annual separate and consolidated financial statements, including specific meetings with the “Senior officer responsible for the preparation of corporate accounting documents” and with representatives of independent auditors, whose independence has been subject to constant and attentive monitoring by the Committee, including the issuing of stringent instructions and guidelines concerning the engagement of the Group’s independent auditors to provide advisory services;
- periodic reporting and specific reporting on the results of analyses conducted by the Internal Audit Function;
- relations with the Supervisory Authority, with specific regard to inspections carried out by them and requests for self-analysis concerning specific transactions;
- an examination of the underlying causes of the main damaging events in the Group;
- the verification of applications for the appointment of a member to the Supervisory Board;
- changes to the Internal Audit, in terms of the structure, staff numbers on projects in progress on the operational tools of the function, also in order to monitor its independence, adequacy, efficiency and effectiveness.

We report that, at the date of this report, the Internal Control Committee has set the dates of its meetings for 2018, currently planning to hold 15 meetings, one of which has already been held.

The Committee reports to the Supervisory Board on the activities performed at the first subsequent meeting.

## 10) Risk Committee

The Risk Committee is composed of the following members of the Supervisory Board:

- Paola Giannotti - as Chairwoman;
- Francesca Bazoli;
- Patrizia Michela Giangualano;
- Sergio Pivato (in office since 2<sup>nd</sup> February 2017 to replace Gianluigi Gola who resigned on 22<sup>nd</sup> December 2016);
- Lorenzo Renato Guerini.

All the members of the Committee including the Chairman are independent board members in accordance with the Corporate Governance Code and Art. 148 of the Consolidated Finance Law, in possession of adequate experience of accounting and finance or risk management

As provided for by the regulations for its proceedings, on invitation of the Chairman, the chiefs of the risk management, internal audit, administration, credit and human resources functions, as well as other senior managers of internal units and functions of the Bank whose presence is considered useful by the Committee itself were invited to participate in meetings of the Committee for specific items on the agenda involving their respective areas of responsibility. As provided for by the regulations for its proceedings, the Committee may also make use of outside consultants selected by it having assessed in advance whether such consultants might place themselves in a situation that compromises the independence of their judgement.

The purpose of the Committee, which is governed by special regulations (published in the Corporate Governance/Supervisory Board section of the Bank’s website) which determine its duties and how it functions, is to support the Supervisory Board by performing assessments, furnishing advice and submitting proposals in those areas overseen by the Board as a strategic supervisory body in accordance with supervisory provisions as applicable at the time

(in particular Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013) relating to risk and the internal control system inclusive of determination of the Risk Appetite Framework (RAF) and risk management policies, the approval of the proposed separate and consolidated financial reports and the examination of the half-year financial report and, if they have been prepared, the quarterly financial reports. Without prejudice to the responsibilities of the Remuneration Committee, the Committee helps to ensure that remuneration policy reflects and promotes sound and effective risk management.

More specifically the Committee:

- having first consulted with the Internal Control Committee and received advice from the Appointments Committee, makes proposals for the appointment and removal of the heads of the compliance, risk management and internal audit functions; having first consulted with the Internal Control Committee, submits an advisory opinion to the Supervisory Board concerning that Board's own opinion on the appointment and the removal of the senior officer responsible for preparing the corporate accounting documents pursuant to article 154-*bis* of the Consolidated Finance Law;
- carries out a prior examination of programmes and activities (including an audit plan) and annual reports prepared by corporate control functions for submission to the Supervisory Board;
- submits assessments and opinions to the Supervisory Board on compliance with the standard principles of the internal control system and corporate organisation and with the requirements that must be observed by corporate control functions, bringing any weaknesses there may be to the attention of the Supervisory Board together with the consequent corrective action to be taken. For this purpose it assesses proposals made by the Management Board;
- assists, by means of assessments and opinions, with Group policy-setting for the outsourcing of corporate control functions;
- verifies that corporate control functions comply properly with Supervisory Board recommendations and guidelines and it assists the latter in the preparation of the co-ordination document required by Circular No. 285 of 17<sup>th</sup> December 2013, Title IV, Chapter 3;
- assesses the proper use of accounting policies for the preparation of separate and consolidated financial reports and to this end it co-ordinates with the Senior Officer responsible for the preparation of corporate accounting documents and with the Internal Control Committee.

The Committee also performs functions to support the Supervisory Board, with particular reference to duties concerning risk management and control, on the following: i) the setting and approval of strategic guidelines and risk management policies; ii) monitoring the proper implementation of strategies, risk governance policies and the RAF; iii) the assessment of periodic reports; iv) the assessment of internal capital adequacy and liquidity assessment processes; v) the assessment of documents that the Group prepares and submits to the competent authorities relating to changes to validated internal systems; vi) the assessment of the process for the development and the validation of internal systems used to measure risks not used for regulatory purposes; (vii) the assessment of the second level credit risk management process; (viii) the assessment of non-viability risk in the context of the "Recovery plan"; ix) setting policies and defining assessment processes for corporate activities. In this context, amongst other things, the Committee supports the Supervisory Board in ensuring that the strategic plan, the RAF, the "Internal Capital Adequacy Assessment Process" (ICAAP), the "Internal Liquidity Adequacy Assessment Process" (ILAAP), the budget and the internal control system are all compatible with each other.

With regard to the approval of accounting policies and proposed separate and consolidated financial reports and the examination of the half-yearly and quarterly financial reports, if prepared, the Committee supports the Supervisory Board with fact-finding, advisory and proposal-making functions in carrying out its duties as defined by the regulations in force from time to time, furnishing an opinion on the relative matters in order to allow the Board itself to make decisions in a knowledgeable and informed manner. The Committee periodically, and normally at least once each quarter, conducts an examination with the Senior officer responsible for preparing the corporate accounting documents, consulting also with the independent auditors, and in particular it examines Group accounting matters and those of



individual companies and looks into issues connected with supervisory regulations and the related supervisory reporting process.

While the responsibilities of the Remuneration Committee remain, the Committee checks that the mechanisms underlying incentive schemes operating within the remuneration and incentive system of the Bank and the Group are consistent with the RAF. The Committee supports the Supervisory Board – co-ordinating with the Remuneration Committee – in defining the process for the identification of key personnel (“material risk takers”) and takes part in the identification and exclusion process for the definition of the relative perimeter. The Committee supports the Supervisory Board in the assessment of strategies and implementation plans for the management of non-performing loans, ensuring that they are consistent with the RAF and the strategic plan.

The Committee met 16 times during the year. The average length of each meeting was approximately three hours and forty minutes. The members of the Risk Committee also attended a joint meeting with the Internal Control Committee to examine the updating of the Internal Control System Policy and other matters of common interest.

Given the above, the Committee mainly examined and investigated the following issues during the year:

- updating policy and related implementation regulations and documents setting operational limits for the management of risks including financial, credit, operational, IT, reputational and equity risks;
- updating the “Risk Appetite Statement”;
- updating the internal regulations concerning i) the Internal Validation framework, ii) the second level credit control process, iii) the ICAAP, ILAAP and Disclosure processes, iv) processes to develop, change and extend the IRB credit risk management systems, v) the UBI SREP Dashboard process for management reporting of self-assessment on the basis of the main areas of SREP analysis, vi) regulation of funds transfer pricing, vii) data entry process for the measurement of credit and data quality risk, viii) Group regulations for the Risk Control Function;
- highlights of the ICAAP and ILAAP processes, together with the reports made by the Internal Audit Function;
- quarterly risk report and pillar 3 Disclosures;
- quarterly self-assessment report for the main areas of SREP analysis (UBI SREP Dashboard);
- reports on second level credit control activities;
- quarterly reputational risk reporting;
- analysis of potential reputational and operational risk profiles connected to marketing, communication, publicity and sponsorship activities;
- examination, in the context of reputational risk, of the Compliance action plan for assessing the regulatory system;
- analysis of potential reputational risk profiles relating to potentially prejudicial facts;
- examination of the IT system architecture and controls framework for managing operational and IT risks;
- documentation relating to requirements for reporting to the Supervisory Authority as a result of the authorisation to adopt internal models for calculating capital requirements for credit risks and operational risks;
- examination of the application package for applications to authorise the extension and change of the internal models for the calculation of capital requirements for credit risks and monitoring of changes in the validation process;
- revision of the roll-out plan for advanced approaches such as AIRB/IRB and AMA;
- reports on the activities of the Risk Control, Compliance and Internal Validation functions in 2016;
- activity plans for the Risk Control, Compliance, Audit and Internal Validation functions in 2017;
- activity plan relating to second level credit control activities;
- verification of the consistency of the growth objectives in the 2017-2020 Business Plan with the Group’s Risk Appetite Framework;
- outcomes of the 2017 Stress Test / 2017 SSM Liquidity Exercise;
- verification of the consistency of the Risk Appetite Framework with the mechanisms underlying incentive schemes operating within the remuneration and incentive system;



- examination of the policy framework for conflicts of interest and fit and proper requirements for board members;
- examination of the new Compliance methodology;
- examination of the Recovery Plan and the associated non-viability risk management framework.

Finally, the following were analysed and examined with regard to accounting and financial reporting policies:

- disclosure of the main aspects of financial statements and periodic financial reports;
- information on the methodological and procedural approach of the impairment test recognised on goodwill and shareholdings and their results;
- information on the most significant IT and accounting aspects of the New Bank acquisition project, including the accounting treatment of extraordinary impacts;
- loan loss rate, deteriorated loans and receivables and the trends of the related coverage rates, with a particular focus on the most significant positions and on impairment losses on loans, calculated either singly or collectively, including comparisons between Group companies and comparisons with the main market competitors;
- preliminary examination of the “*Non-performing Loan Strategy*” document;
- the state of UBI Group’s tax litigation;
- the accounting effects of the introduction of new regulations and tax legislation;
- periodical examination of activities connected with the IFRS 9 project and associated deliverables;
- updates to the Group Accounting and Reporting Manual with a specific focus on methodologies in the context of IFRS 9;
- periodical examination of activities connected with the Strategic Planning project and associated deliverables;
- performance of the main project initiatives that affect the Administration and Tax Obligations area, the Management Control area and the updates relating to the migration of the New Banks to the target IT system.

During the year the Committee had access to the information and Company functions that were necessary for the performance of its duties.

The Risk Committee performs its functions and activities using means and resources made available by the Company at the request of the same Committee.

The Risk Committee has met three times so far in 2018.  
Sixteen meetings have been scheduled for the current year.

The Committee reports to the Supervisory Board on the activities performed at the first subsequent meeting.

## **11) Related and Connected Parties Committee**

The Related and Connected Parties Committee is been composed of the following board members:

- Armando Santus, as Chairman;
- Letizia Bellini Cavalletti;
- Paola Giannotti.

The Related and Connected Parties Committee is composed of 3 permanent members, including the Chairman, appointed by the body with responsibility for strategic supervision from among its members in possession of the requirements of independence set by legislation and regulations in force and those determined on the basis of the principles contained in the Corporate Governance Code, or those applicable for each company in the UBI Group, in compliance with the provisions of the law and the Articles of Association in force.

The composition of the Related and Connected Parties Committee reflects an adequate level of expertise and professionalism in relation to the activities performed by the UBI Group and the

independence of judgement appropriate to their positions. Possession of the requirements of independence by the members of the Committee is certified by the Body with the Strategic Supervision Function when they are appointed and periodically every six months.

As provided for by the regulations governing UBI Banca related-party transactions, the following persons may be called upon to participate in meetings of the Committee, in relation to the subject dealt with: the Chairman of the Management Board, the Chief Executive Officer, the Chairman of the Supervisory Board, the chiefs of the corporate functions of the Bank and its Subsidiaries in relation to the details of the Related-Party Transaction, the chiefs of the Internal Audit function, external advisors appointed to assist the Bank or one of its Subsidiaries in the negotiations concerning the UBI Banca Related-Party Transaction on which the Committee must express a prior opinion and any other person whose presence is deemed useful by the Committee in formulating its opinion.

As provided for by the regulations governing UBI Banca related-party transactions, the following persons may be called upon to participate in meetings of the Committee, in relation to the subject dealt with: Senior Officers and any other persons whose presence is deemed useful by the Committee in formulating its opinion.

The Related and Connected Parties Committee is required to perform the tasks allocated to it:

- (i) by the "Regulations for UBI Banca Spa Related Party Transactions" adopted in implementation of Art. 2391-*bis* of the Italian Civil Code and Consob requirements with respect to related parties adopted with Resolution No. 17221/2010 and subsequent amendments;
- (ii) by the "Regulations for transactions with parties connected to the UBI Group", adopted in implementation of Title V, Chapter 5 of Bank of Italy Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> amendment of 12<sup>th</sup> December 2011, and subsequent updates, "New regulations for the prudential supervision of banks", containing measures concerning "risk assets and conflicts of interest with connected parties".

The procedures of the Related and Connected Parties Committee are governed by the regulations mentioned above, available in the Corporate Governance/Supervisory Board section of the Bank's website.

The "Regulations for UBI Banca Spa related-party transactions" govern rules relating to the identification, approval and implementation of related-party transactions performed by Unione di Banche Italiane Spa, either directly or through its subsidiaries, in order to ensure their substantive and procedural fairness.

The Supervisory Board oversees compliance of the Regulations with the principles recommended in the Consob Regulation and also observance of the procedural and substantive rules contained in them and it reports in this respect to shareholders in accordance with Art. 153 of the Consolidated Finance Law. To achieve this, the Management Board provides the Supervisory Board, at least every quarter, with a list of all the related-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations.

The "Regulations for operations with parties connected to the UBI Banca Group" govern procedures for maintaining the integrity of decision-making processes in transactions with connected parties performed by Unione di Banche Italiane Spa, and by the members (banking or non-banking) of the banking group controlled by it.

The corporate bodies of UBI Banca Group member companies that perform a strategic supervisory function supervise the proper application of the provisions of these regulations by the respective companies on a separate company basis, with the support of the relevant functions. To achieve this, each of these bodies updates, at least every quarter, the list of all the connected-party transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations.

Also in order to allow the Parent to constantly comply with the consolidated limit on risk assets, the Supervisory Board of UBI Banca oversees compliance of the Regulations with the principles recommended in the Supervisory Provisions and also observance, at consolidated level, of the procedural and substantive rules contained in them and it reports to shareholders in accordance with Art. 153 of the Consolidated Finance Law. To achieve this the corporate bodies that perform a strategic supervisory function for the other UBI Banca Group member companies send the Supervisory Board of the Parent the lists of all the connected-party

transactions completed in the preceding quarter, including those not subject to a prior opinion from the Committee in accordance with these regulations, on a quarterly basis.

The Related and Connected Parties Committee met 15 times during the year (the average length of the meetings was over one hour), concentrating mainly on the following areas of its remit:

- examination and reading of the report on the periodic updating of activities in progress and of the main results achieved in relation to the Related and Connected Parties Stabilisation Project, as a single oversight unit with responsibility for optimising the proper management of operational conflicts of interest with Related and Connected Parties by the Corporate Affairs, Compliance and Organisation Area units;
- in relation to the Group “Bank of Italy Connected Parties Rulebook”, which came into force on 3<sup>rd</sup> July 2017, a continuous and high standard of monitoring of the issue, with a particular focus on, amongst other things, project activities for the implementation of new regulations regarding the precise definition of the market conditions for transactions and the adoption of the regulations by all the Group member companies involved;
- examination of the profile of new connected parties, with reference to the New Banks acquired in May 2017, as stated in periodic reporting;
- examination of issues relating to the role of the Committee in Significant Transactions pursuant to Art. 136 of Legislative Decree No. 385/1993;
- examination of transactions of minor importance with related and/or connected parties;
- examination and reading of the information provided on transactions with related and/or connected parties subject to Art. 136 of the Consolidated Banking Law;
- examination and acknowledgement of the periodic receipt of the list of all transactions with related and connected parties, including those not subject to a prior opinion from the Related and Connected Parties Committee;
- examination and reading of the report on the activities carried out by the Related and Connected Parties Committee (included in the Corporate governance report) and the periodic financial report on transactions with related and connected parties in the annual and interim management reports;
- opinion concerning the updating of the “Regulation governing transactions with parties related to UBI Banca” and the “Regulations to govern transactions with parties connected to the UBI Banca Group”, designed to enable strengthened and innovative controls;
- opinion concerning decisions to approve loans for leasing contracts and proposals for donations and sponsorships to related and connected parties;
- opinion concerning relationships between the Purchase Department of UBI Sistemi e Servizi, in the name of and on behalf of UBI Banca, and suppliers that are related and/or connected parties;
- preliminary examination of the policy on conflicts of interest that may arise for board members.

In the context of the aforementioned activities, the Related and Connected Parties Committee examined eight transactions during the year, giving a favourable, reasoned and non-binding opinion in relation to each of them.

The Related and Connected Parties Committee carried out its activities in accordance with the principle of the circulation of information and on the basis of involving the units of the Corporate Affairs Group, Compliance and Organisation.

The Related and Connected Parties Committee has already met once in 2018.

The Related and Connected Parties Committee reports to the Supervisory Board on the activities performed at the first subsequent meeting.

The Related and Connected Parties Committee performs its functions and activities using means and resources made available by the Company at the request of the same Committee and as established by the Regulations for Related-Party Transactions (as defined below).

## 12) Management Board

### 12.1. Appointment and replacement (pursuant to Art. 123-bis, paragraph 1, letter l) of the Consolidated Finance Law)

The Management Board is composed of seven members, inclusive of a Chairman, a Deputy Chairman and a Chief Executive Officer; the members of the Management Board are appointed by the Supervisory Board, on the basis of a proposal from the Appointments Committee, according to a criterion which, in compliance with Law No. 120 of 12<sup>th</sup> July 2011, ensures a balance between genders for the period provided for by that law.

Without prejudice to legal obligations, two members of the Management Board are selected from among the senior management of the Bank. The board member nominated as the Chief Executive Officer in accordance with article 33 of the Articles of Association is not counted in that number even if he is a senior manager of the Bank at the time of his appointment or is appointed to that position subsequently.

The members of the Management Board shall remain in office for three financial years. Their term of office shall expire on the date of the Supervisory Board meeting convened to approve the financial statements relating to their last year in office. They remain in office in any event until a new Management Board is appointed in accordance with article 38, letter a) of the Articles of Association and they may be re-appointed. Members of the Management Board who also hold positions as senior managers of the Bank shall vacate their office as Board Members immediately, the moment they leave their positions as senior managers, no matter what the reason.

If the positions of one or more members of the Management Board become vacant, the Supervisory Board replaces them without delay, again on the basis of a proposal submitted by the Appointments Committee in compliance with the proportions established by Law No. 120 of 12<sup>th</sup> July 2011 for the purposes of ensuring balance between genders. The term of office of members appointed in this manner shall expire at the same time as that of those in office when they were appointed.

If for any reason positions of the majority of the members originally appointed by the Supervisory Board become vacant, then the entire Management Board is considered as removed from office from the date of the appointment of new members. The latter remain in office for the remaining term of office that the original board would have served.

The Chief Risk Officer attends meetings of the Management Board in a consultative capacity only, unless supervisory regulations provide otherwise.

Persons who are ineligible or debarred within the meaning of Art. 2382 of the Italian Civil Code, or who do not satisfy the requirements of integrity, professionalism or any other requirement contained in the relevant legislation and regulations, also with regard to the limits on the accumulation of positions imposed by internal regulations, may not be appointed as members of the Management Board. However, at least one member of the Management Board must possess the requirements of independence set forth in Art. 148, paragraph three of the Consolidated Finance Law.

Nevertheless, members of the Management Board must not yet have reached 70 years of age at the time of appointment and they must have acquired overall experience – through holding the office in Italy or abroad – of at least three years as Chairman or at least five years of working in:

- senior management and/or strategic supervision

or

management

in

- banks, finance companies, asset management companies or insurance companies;

- independent public authorities;

- companies which carry out manufacturing and/or trade in goods or services;
- companies with shares traded on an Italian or foreign regulated market.

Candidates can also be elected who have not acquired that career experience provided they are or have been members of the professional associations of accountants, notaries or lawyers for at least ten years.

The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office.

The members of the Management Board are actively involved in the management of the Bank in compliance with policies approved by the Supervisory Board and submitted to it by the Management Board itself, which as specifically required by the Articles of Association performs its main activities exclusively on a collegial basis with no powers to delegate authority.

## **12.2. Composition (pursuant to Art. 123-bis, paragraph 2, letters d) and d-bis of the Consolidated Finance Law)**

On 14<sup>th</sup> April 2016 the Supervisory Board appointed the following members of the Management Board for the three-year period 2016/2017/2018 and also proceeded to appoint *Dott.sa* Letizia Maria Brichetto Arnaboldi as Chairwoman and *Dott.* Flavio Pizzini as Deputy Chairman, designating *Dott.* Victor Massiah as Chief Executive Officer, who was then appointed by the Management Board at their meeting on 15<sup>th</sup> April 2016.

The Management Board is currently composed of the seven members, in office for three financial years, in accordance with Art. 21 of the Articles of Association:

Maria Letizia Brichetto Arnaboldi	as Chairwoman
Flavio Pizzini	Deputy Chairman
Victor Massiah	Chief Executive Officer
Silvia Fidanza	Board Member
Oswaldo Ranica	Board Member
Elvio Sonnino	Board Member
Elisabetta Stegher	Board Member

The curriculum of the members of the Management Board in office are available on the website of UBI Banca, while attachment A) lists the positions held by all the board members in companies listed in regulated markets, including foreign markets, and in financial, banking, insurance or large companies.

More detailed information on the composition of the Management Board is given in Summary Table no. 3 attached to this Report.

As a general rule and with the exception of resolutions that must be passed by a qualified majority, the attendance of more than half the members in office is required for meetings of the Management Board to be valid.

The provisions of the "Internal regulations on the limits to the accumulation of positions by company personnel" adopted by the Bank in June 2009, subsequently modified by decisions taken by the Supervisory Board on 18<sup>th</sup> July 2012, and implemented by the banks in the Group, apply to the Management Board.

The Shareholders' Meeting has not authorised exceptions to the prohibition on competition pursuant to Art. 2390 of the Civil Code; the Management Board carries out careful assessments to ensure that there are no situations of potential competition by its members, amongst other things pursuant to Art. 36 of Law No. 214/2011, the conversion with amendments of Decree Law 201 of 6<sup>th</sup> December 2011.



The internal regulations apply to members of the Management Board and the Supervisory Board of the Bank, to the board members and statutory auditors of the banks in the Group, without prejudice to compliance with mandatory legislation and regulations and the provisions of the Supervisory Authority, including regulations concerning the limits on the accumulation of positions by members of the supervisory bodies of listed issuers and companies with publicly distributed financial instruments, which the Group's regulations extend to cover all the statutory auditors of all the banks in the Group.

Those regulations state that not only are board members not permitted to accept more than five appointments in issuer companies that are not UBI Group members, but also they may not accept other appointments as board members in companies in the UBI Group and external to it, above a maximum limit of a total of six points, resulting from the application of a system of calculation that assigns weights to different types of position dependent on the class of company.

With regard to Groups of companies, for persons belonging to subsidiaries who also perform the same function in the Parent, the regulations allow a reduction by fifty percent of the weighting for the position occupied in the subsidiary company, in consideration of the synergies resulting from a knowledge of the facts and conditions that concern the entire group to which they belong and which therefore reduce, other conditions remaining the same, the commitment involved compared to that required for activities performed in other similar, but independent companies. Similarly, the regulations allow a reduction of thirty percent in the weighting for positions occupied by members of the Management Board of UBI Banca in companies in which the UBI Group holds a strategic investment, or in associates. There are also specific rules for the directors and statutory auditors designated by authorities and partners of the UBI Group by virtue of shareholders' agreements and those who hold posts in the Parent company and subsidiaries of a group other than the UBI Group, for which positions held in the subsidiaries of the said outside group are exempt.

At the date of this report, an analysis of the accumulation of positions held by members of the Management Board of UBI Banca found a situation compliant with the contents of the internal regulations.

#### Self-assessment process

In March 2016, in view of the appointment of a new Management Board, the outgoing Management Board, in the context of the Board evaluation performed at the end of its term of office, focused particular attention on the assessments made in order to identify the qualitative and quantitative composition considered optimal for the same Board; the results of this analysis have been forwarded to the Supervisory Board.

In particular, the report highlighted the need for the members of the Management Board, in consideration of the complexity of the background context and the size of the Group, to be in possession of adequate experience acquired nationally or internationally, and therefore have a knowledge of business management the dynamics of the economy and finance, and systems of corporate governance, organisation, company management and management control. It also emphasised the need to preserve the requirements for diversity already present, assessing the value of age and gender diversification in this context (without prejudice to the constraints of the Articles of Association).

Following the appointment of the new Management Board by the Supervisory Board, the Management Board proceeded, in May 2016 - in the context of the process to verify the necessary qualities of integrity, professionalism and independence required by the legislation in force - to verify that the actual composition resulting from the appointment process complies with the quantitative and qualitative composition identified by the outgoing Management Board; in this regard the Management Board, following a detailed analysis of the professional skills of its various members, evaluated and verified that the composition of the Management Board complies with the qualitative and quantitative composition deemed to be best for the achievement of the objective of performing the functions assigned to it in a correct manner.



This verification was once again carried out as part of the annual self-assessment process for the Management Board, which took place in January 2017 with the consultancy support of Korn Ferry, which together with the detailed diversity provisions contained in the Articles of Association, meet the regulatory requirements.

With regard to the diversity of the membership of the current Management Board, it is noted that there are three board members of the less represented gender, including the Chairwoman, amounting to more than a third of the total membership. In terms of age, having noted that the Articles of Association set the age limit for members of the Management Board at 70 years old, we report that: 14% of board members are under 50, 43% of them are between 50 and 60 and 43% are over 60 years old. Most of the board members have a financial professional background. The Board includes members with managerial and entrepreneurial profiles.

The assessment process is set out in the “UBI Banca Group Governing Body Self-Assessment Process” internal regulations, drawn up in order to implement the Supervisory regulations concerning corporate governance (Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013 – Part One – Title IV – Chapter 1), which formalises the annual self-assessment process of the corporate bodies, based on their three-year term of office, setting out the requirements of the Supervisory Authority across the UBI Banca Group using criteria of proportionality. The document also includes guidelines for the organisation of training activities for members of Governing Bodies.

The follow-up self-evaluation carried out for the second year of the Board’s mandate (2017) at its meeting of 30<sup>th</sup> January 2018, again with the consultancy support of Korn Ferry, included the following areas of analysis: 1) the mandate of the Board; 2) the composition of the Board; 3) the contribution made by the board members; 4) internal dynamics; 5) implementation of the mandate and 6) secretarial and training support. On the basis of the questionnaire results it was found that the Board operates appropriately and consistently with its mandate. Some opportunities to improve the functioning of the Board were found within the various sections of the self-assessment questionnaire.

The main strengths identified by the self-assessment were:

- good alignment between board members on the effectiveness of the Board in relation to (i) shared role and purpose; (ii) involvement in the definition and development of corporate strategy and (iii) level of risk appetite;
- the board members feel involved and recognise one another as able to make a valid contribution to the Board as a result, amongst other things, of the facilitation provided by the Chairwoman and the level of information and support provided by management;
- the board members have a relationship of mutual trust and work easily together.
- the work of the Chairwoman and the contribution made by management are both much appreciated and are factors that work together to boost the quality of decisions and the functioning of the Board, even when under a great deal of pressure;
- the secretarial support and level of information and training are considered adequate for the assistance of the Board in the performance of its responsibilities.

The self-assessment identified the areas for improvement:

- there are points for improvement in relation to the succession strategy for the Board in order to ensure that the skills mix is in line with strategy;
- the skill set required for board members is broad and on average well covered. Within the range of skills a need to achieve further improvement in terms of strategic vision, human resources and digitisation was identified;
- the performance of the mandate section includes comments on the advisability of certain changes in relation to: (i) the presence of robust succession plans for the Executive Team and their reports, (ii) activities to audit the performance of the Board and prepare specific action plans and (iii) improvement of the operating procedures for the relationship between the Management Board and the Supervisory Board for increased simplification and more effective decision-making.

### Induction Programme

Partly in the light of the results of the self-assessment, the Chairwoman, both at meetings of the Management Board and by means of specific induction sessions, ensures that the board members increase their knowledge of the regulatory and self-regulatory framework and of the situation and dynamics of the Bank and the Group, in order to ensure that they have a full and adequate awareness of the banking business, the economic and financial system, the system of controls and methods for managing and monitoring risk.

During the year information sessions for members of the Management and Supervisory Boards have been held on the “European Central Bank Guidance to banks on non-performing loans”, “Managing the conflicts of interest of board members of banks”, “Succession Planning”, “The new IFRS 9 financial reporting standard”, “Non-financial reporting pursuant to Legislative Decree No. 254/2016”, “Investment plan for IT and development areas”, “Budget guidelines” and “Insurance Business; Solvency II; Insurance Distribution Directive and the PRIIPs regulation”.

The Chairwoman of the Management Board may, having taken account of the topics covered and the evidence that has arisen, arrange for the documentation examined during training sessions to be filed with the minutes of the Management Board.

### **12.3. Role of the Management Board (pursuant to Art. 123-bis, paragraph 2, letters d) and d-bis of the Consolidated Finance Law)**

The Management Board shall meet at least once a month, as well as each time the Chairman thinks it fit to call a meeting or when a request is submitted by at least half of the members in office.

Meetings are held alternating between the city of Bergamo and the city of Brescia and around once a year in the city of Milan.

The Management Board met 33 times during the year and the average length of meetings was approximately five hours.

Remote participation in meetings of the Management Board is admissible by means of appropriate audio-video conference and/or teleconference systems on condition that all those with the right may participate and be identified and that they are able to follow the meeting and intervene in the matters dealt with in real time as well as receive, transmit or view documents, examining them and deciding on resolutions simultaneously with other members. In these cases, the meeting of the Management Board shall be considered as being held in the place where the person chairing the meeting and the secretary are located.

The resolutions of the Management Board are taken by open ballot, with the vote in favour of the majority of members present, unless a resolution must be passed by means of a qualified quorum (Art. 27.2 of the articles of Association).

In compliance with Borsa Italiana regulations, in January UBI Banca announced its calendar of corporate events for 2018, to the market (and published it on its website), with the dates of board meetings for the approval of operating and financial results.

We also report that the Management Board has planned its meetings for 2018 and arranged meetings relating to the examination of the operating and financial results for the period, with 23 meetings planned, of which three have already been held.

At least one member of the Internal Control Committee shall attend meetings of the Management Board in compliance with regulations in force.

The Chairman, after consulting with the Chief Executive Officer or on his request, may invite senior managers of the Group and/or external consultants to meetings to report on specific matters, or officers of Group member companies to report on matters in subsidiaries.

The functions of the Management Board are given in Art. 28 of the Articles of Association, according to which the Management Board is responsible for managing the Bank in compliance with the general guidelines and strategic policies approved by the Supervisory Board, with account taken of the proposals made in relation to this by the Management Board itself. To achieve this, it performs all the operations necessary, useful or in any case advisable to implement the company objects, whether of an ordinary or extraordinary operating nature.

In addition to those matters that cannot be delegated by law and to those pursuant to the last paragraph of article 27, the Management Board has exclusive responsibility for the following:

- a) the formulation of the strategic policies and plans of the Bank and the Group, on the basis of proposals from the Chief Executive Officer, to be submitted to Supervisory Board for approval with account also taken of recommendations concerning them made by the Supervisory Board;
- b) granting and revoking the powers of the Chief Executive Officer. The selection of the member of the Management Board to whom powers are granted must be performed on the basis of a non-binding proposal from the Supervisory Board, decided in turn, subject to a proposal by the Appointments Committee. If this proposal has not been made by the Appointments Committee with the quorum required by the relative regulations, the proposal submitted by the Supervisory Board to the Management Board shall be decided with the vote in favour of at least two thirds of the members of the Supervisory Board. The revocation of the powers is decided by the Management Board with the vote in favour of all the members of the Management Board, except for the person concerned, after consultation with the Supervisory Board;
- c) the formulation, on the basis of proposals from the Chief Executive Officer, of the business and/or financial plans and the budgets of the Bank and the Group to be submitted to the Supervisory Board for approval pursuant to Art. 2409-terdecies of the Italian Civil Code;
- d) setting of risk management guidelines and policies including those relating to non-compliance with internal regulations and controls, to be submitted to the approval of the Supervisory Board
- e) conferring, modifying or revoking authorisations and powers and assigning specific functions or authorisations to one or more Board Members;
- f) the possible appointment and removal of the General Manager and other members of General Management, defining their functions and responsibilities and also the appointment of the senior management of the Company and the companies in the Group;
- g) the appointment to the position of member of the Board of Directors and of the Board of Statutory Auditors of the companies belonging to the Group;
- h) proposals concerning the acquisition or disposal of controlling investments in companies and the acquisition or disposal of non-controlling investments where the amount is greater than 0.01% of the regulatory capital eligible for calculating the consolidated core tier one capital as stated in the latest report to the Bank of Italy in accordance with the regulations in force;
- i) opening and closing down of branches and agencies;
- l) determination of the organisational, administrative and accounting structure of the Bank, to be submitted to the Supervisory Board for approval, and, without prejudice to the exclusive powers of the Supervisory Board pursuant to article 41 of the Articles of Association, setting up committees or commissions with advisory, investigative, controlling or co-ordinating functions, without prejudice to Art. 33, paragraph two of the Articles of Association;
- m) the approval and amendment of the regulations of the Bank and the Group, with exception made for the responsibilities and powers of the Supervisory Board pursuant to article 38, paragraph one, letter r) of the Articles of Association;
- n) determination of the criteria for the co-ordination and management of Group member companies and also the criteria for implementing instructions issued by the Bank of Italy;
- o) subject to the compulsory opinion of the Supervisory Board, appointing and removing the Manager in charge of drawing up the accounting documents, pursuant to Art. 154-bis of the Consolidated Finance Law and determining the remuneration for this. In addition to the requirements of integrity prescribed by the current regulations in force for persons performing administrative and management functions, the Senior Officer Responsible for preparing financial reporting documents officer must also possess requirements of professionalism with specific administrative and accounting expertise in the banking,

- finance, investment or insurance fields. This expertise, to be verified by the Management Board, must have been acquired through experience in positions of appropriate levels of responsibility for a reasonable period of time and in comparable companies;
- p) the appointment and removal, in agreement with the Supervisory Board, of the Anti-Money Laundering Officer;
  - o) the preparation of separate financial statements and consolidated financial statements proposed for approval;
  - r) the exercise of powers to increase the share capital granted pursuant to Art. 2443 of the Italian Civil Code and also to issue convertible bonds pursuant to Art. 2420-ter of the Italian Civil Code, subject to authorisation by the Supervisory Board;
  - q) obligations of the Management Board pursuant to articles 2446 and 2447 of the Italian Civil Code;
  - r) formulation of merger or demerger plans;
  - u) proposals for strategic transactions pursuant to Art. 38, paragraph one, letter m) of the Articles of Association to submit to the Supervisory Board for approval;
  - v) definition of criteria to identify related-party transactions for which responsibility will lie with the board itself.

The Management Board carries out periodic evaluations of the performance of operations, especially in the light of information provided by the Chief Executive Officer, which may coincide with the presentation of the income statement figures of the Bank and the Group, and periodic comparisons of results with budget figures.

Special Regulations govern the functioning of the Management Board.

The Regulations consist of:

- a general part (Introduction, Operating Rules, Information Flows) including the Operating Rules (largely drawn from the Articles of Association) and the general characteristics of information flows.
- a special part (*Attachments*) consisting of a detailed analysis of the information flows from the Units to the Management Board and from the Management Board to the Supervisory Board.

The Bank is required to regulate the information flows between the corporate bodies and state the specific responsibilities of each body pursuant to Bank of Italy Circular No. 285 concerning corporate governance.

A working “General Agenda” for the Board was introduced in which items to be dealt with by the Board are programmed on the basis of regulatory deadlines, requests from the authorities, or time limits set by the Board itself. The “General Agenda” is managed by Management Board Support using a database and input to the process is based on the results of previous Management Board meetings and minutes. Information contained in the “General Agenda” helps with the formulation of the actual agendas of specific Management Board meetings: in the run-up to Management Committee Meetings, each Chief receives the section of the “Agenda” that regards them, with deadlines underlined for the current and subsequent month, in order to enable efficient programming of the issues to be submitted to the Board.

In this manner the “General Agenda” also makes it possible to programme and improve feedback on recommendations made by the Board to Management, showing the actions undertaken and the results achieved, as emerged during the self-assessment process.

A Progress Chart provides information on actions requested by the Governing Bodies and by control functions (Internal Audit, Compliance and Risk, the Anti-Money Laundering & Claims Area), with the relative deadline set by the Board also on the basis of recommendations made by the Supervisory Body or by the aforementioned functions. It is managed in parallel with the “General Agenda”.

As concerns the prior delivery of material relating to items on the agenda to board members, the aforementioned regulations underline the fundamental requirement for members of the Management Board to be able to act in an informed manner. They state that following proper notice to convene, the Chairman of the Management Board shall take steps to send adequate documentation, with levels of detail and in a manner consistent with the importance and

complexity of the items placed on the agenda, in good time with regard to the date set for the board meeting and in any event by the second working day before the date set for the meeting.

The material sent shall be decided from time to time by the Chairwoman on the basis of the items placed on the agenda, with account taken of the purposes of the advance information and it is made available through a digital environment accessible by board members using special customised identification software, which guarantees the full usability of the documents, in compliance with the Bank's regulations for proper management of confidential information.

The time limit set by the regulations is normally complied with and usually where possible documents arrive even earlier, except in special cases due to the nature of the resolutions to be considered. During 2017 over 80% of documents were made available more than three days in advance.

Where it was not possible in specific cases to provide preliminary information by the aforementioned deadline, the Chairman took steps to provide adequate and precise detailed information during the Board meetings themselves. The documentation provided at Board meetings is stored electronically in a repository that ensures the traceability and accountability of the archive and each board member can use the dedicated web portal to consult the documents relating to all the meetings of the Management Board.

In compliance with the Articles of Association, after first consulting with the Remuneration Committee, the Supervisory Board sets the remuneration of the Management Board and of its members to whom special offices, duties or powers have been assigned.

The relative amounts are reported in detail in the Remuneration Report prepared in accordance with Art. 123-ter of the Consolidated Finance Law, which may be consulted.

## **12.4. Executive officers**

### *Chief Executive Officer and General Manager*

The Management Board appointed *Dott.* Victor Massiah as Chief Executive Officer, with prime responsibility for the management of the Bank and as General Manager.

The Management Board, in compliance with the Articles of Association, has conferred the following powers on the Chief Executive Officer:

- to supervise the management of the Bank and of the Group;
- to supervise the strategic co-ordination and the operational control of the Bank and the Group;
- to supervise the implementation of the organisational, administrative and accounting structure decided by the Management Board and approved by the Supervisory Board;
- to determine working directives for the General Management;
- to oversee the integration of the Group;
- to submit proposals to the Management Board for the formulation of the general programmes and strategic policies of the Bank and the Group and to draw up the business and/or financial plans and budgets of the Bank and the Group to be submitted for the approval of the Supervisory Board and to supervise implementation through the general management;
- to propose budgetary policy and policies on the optimisation of the use and enhancement of human resources and to submit financial statements and periodic financial reports to the Management Board for approval;
- to propose appointments to the senior operational and executive management of the Bank and Group member companies to the Management Board, in agreement with the Chairman and Deputy Chairman of the Management Board and after consultation with the General Manager (where the two positions are not filled by the same person and if appointed);
- to promote integrated risk management;
- to make extraordinary requests for inspections and investigations to the internal control function through the Internal Control Committee.

In accordance with the Articles of Association, the Chief Executive Officer reports quarterly to the Management Board on foreseeable developments and on the most important transactions



performed by the Bank and its subsidiaries. The Chief Executive Officer reports monthly to the Management Board on the results of the Bank and the main subsidiaries of the Group as a whole.

On 15<sup>th</sup> April 2016, the Management Board assigned duties to the Chief Executive Officer pursuant to Art. 35 of the Articles of Association, concerning internal control systems.

Finally, the Management Board, consistent with the organisational and management responsibilities assigned to the Chief Executive Officer, granted him specific operating powers, within set limits.

## **12.5. Chairwoman of the Management Board**

The duties of the Chairwoman of the Management Board are listed in article 30 of the Articles of Association. More specifically, the Chairman of the Management Board, who acts as the Bank's legally authorised representative and authorised signatory, performs the tasks that are typically carried out by the Chairman of a company's management body, which he performs by liaising with the other Article of Association regulated bodies where appropriate.

## **12.6. Other Executive Board Members**

The Management Board consists mainly of executive members, consistent with the function of strategic supervision assigned to the Supervisory Board (see the details provided in Summary Table No. 3).

The members of the Management Board are actively involved in the management of the Bank in compliance with policies approved by the Supervisory Board and submitted to it by the Management Board itself, which as specifically required by the Articles of Association performs the activities reserved to it on a collegial basis.

In addition to the Chief Executive Officer, the Articles of Association (article 30) also assign powers and functions to the Chairman and the Deputy Chairman which underline their involvement in the management of the Bank.

The management commitments and responsibilities of the Board Members apply not only to the sphere of the Management Board, but also at Group level by appointments to positions in the management bodies of the subsidiaries of UBI Banca, which actively helps to ensure that the various member companies of the UBI Group comply with instructions issued by the Parent in the exercise of its management and co-ordination activities.

## **12.7. Independent board members**

In accordance with the Articles of Association, at least one member of the Management Board must possess the requirements of independence pursuant to Art. 148, paragraph 3 of the Consolidated Finance Law, in compliance with Art. 147-*quater* of the Consolidated Finance Act.

The Management Board verified the independence of the individual board members when they were appointed and then verifies this annually; the last verification of this carried out by the Management Board on 3<sup>rd</sup> October 2017 established that the board member *Dott.ssa* Silvia Fidanza met the above requirements. In this context, in compliance with, amongst other things, the supervisory regulations concerning corporate governance, an analysis of the lending relationships between each board member and the Group was carried out.

The members of the Management Board are not required to meet the requisites of independence in the Corporate Governance Code, due, amongst other things, to the decision made by UBI Banca to form internal committees within the Supervisory Board provided for by that Code for which those requisites are required.



### **13) Board of Arbitrators**

The Board of Arbitrators is composed of a Chairman, two full members and two alternate members elected by a Shareholders' Meeting. The arbitrators remain in office for three years and may be re-elected.

They provide their services free of charge, except for the reimbursement of expenses. Justifiable grounds must be given for their removal.

If a Full Arbitrator vacates his position during his three-year period of office, he is replaced by the most senior alternate member by age. If the Chairman of the Arbitrators vacates his position, the chairmanship is taken by the most senior Full Arbitrator by age for the remainder of the three-year period. If as a result of replacements, the number of the remaining alternate members falls to one, then a Shareholders' Meeting shall elect the Arbitrator required to make up the total number.

The election of the arbitrators takes place on the basis of individual candidates submitted by Shareholders and/or by the Supervisory Board, where the maximum number is that of the number of Arbitrators to be elected. The candidature, signed by the person or persons submitting it, must indicate the name of the candidate to the office of Arbitrator, with no distinction made between full and alternate, and it must be deposited at the registered offices within the time limit set by the regulations in force for the submission of lists of candidates for election to the Supervisory Board. It must be accompanied: (i) by information on the identity of the Shareholder or Shareholders submitting it, with an indication of the number of shares and therefore the percentage totally held, to be certified when the candidature is deposited according to the procedures set by the regulations in force; (ii) by exhaustive information on the personal and professional characteristics of the candidate and (iii) by the declaration with which the candidate accepts their candidature. The signature of each Shareholder submitting a list must be duly authenticated in accordance with the law by employees of either the Bank or its subsidiaries specifically authorised by the Management Board. Candidatures submitted that fail to observe the procedures reported above are considered as not submitted. If no candidatures are submitted within the time limit set, the Shareholders' Meeting votes on candidatures submitted during the meeting by the Shareholders present. Each person with the right to vote may vote for a maximum number of candidates equal to that of the Arbitrators to be elected. The candidates are ranked in decreasing order on the basis of the number of votes obtained. The first three candidates voted are elected as Full Arbitrators and the next two candidates voted are elected as Alternate Arbitrators. In the event of a tied vote between candidates, the Shareholders' Meeting votes by ballot in order to establish the rank order. The candidate who receives the majority of the votes is elected Chairman.

Appeal may be made to the Board of Arbitrators to settle any disputes that may arise between the Bank and/or Shareholders over the interpretation or application of the Articles of Association and over any other resolutions or decisions taken by the governing bodies of the Bank concerning its business. It decides as a friendly arbiter by absolute majority vote.

Without prejudice to the legislation and regulations currently in force, application to the Board of Arbitrators is not compulsory. Its decisions are not binding on the parties and do not constitute a hindrance to taking disputes before the courts or any other any authority with jurisdiction for settlement.

The Board of Arbitrators regulates its own proceedings as it deems appropriate without being bound by procedural formalities.

The Management Board and the General Manager, if appointed, or an employee designated by him are required to provide the arbitrators with all the information that they may request concerning disputes to be settled.

The service address of the Board of Arbitrators for all purposes shall be the registered address of the Bank.

On 25<sup>th</sup> April 2015 a Shareholders' Meeting appointed the following Board of Arbitrators for the three-year period 2015-2017:

*Prof. Rodolfo Luzzana* - Chairman  
*Avv. Giampiero Donati* - Full Arbitrator  
*Avv. Attilio Rota* - Full Arbitrator  
*Avv. Giuseppe Onofri* - Alternate arbitrator  
*Avv. Pierluigi Tirale* - Alternate arbitrator

## 14) General Management

At its meeting on 15<sup>th</sup> April 2016 the Management Board resolved to appoint *Dott. Victor Massiah*, the Chief Executive Officer, to the position of General Manager until a further decision is made in relation to this by the Board itself.

The Management Board appointed *Dott. Elvio Sonnino* as Senior Deputy General Manager *Dott. Frederik Geertman* and *Dott.ssa Rossella Leidi* Deputy General Managers who have been assigned various responsibilities in the Group.

## 15) Internal control and risk management system

### Introduction

During 2017 the Supervisory Board, assisted by the Internal Control Committee, the other internal committees for the areas in which they operate and the control functions, assessed and oversaw, within the scope of its remit, the adequacy, completeness, functionality and reliability of the organisational, administrative and accounting structure, with particular reference to the internal control and risk management system, including those that may become relevant in relation to the medium to long-term sustainability of the activities of UBI Group. The Supervisory Board, after prior consultation with the Internal Control Committee, evaluates the adequacy of the internal control system on the basis of reports made by Internal Audit, which also take into account the assessments made by the other corporate control functions.

### Internal controls

The UBI Banca Group, in compliance with Bank of Italy provisions and in line with the principles required by the Corporate Governance Code and the Articles of Association, defines its internal control system as the set of rules, procedures and organisational units designed, in accordance with sound and prudent management, to ensure the achievement of the following aims:

- verifying that company strategies and policies are implemented;
- containment of risk within the limits set in the reference framework for determining the risk appetite of the Bank (Risk Appetite Framework - RAF);
- safeguarding the value of assets and protecting against losses;
- effectiveness and efficiency of company processes;
- reliability and security of company records and IT procedures;
- preventing the risk of the Bank being involved, even involuntarily, in illicit activities (with particular reference to those associated with money laundering, usury and the financing of terrorism);
- compliance of operations with the law and supervisory regulations and also with internal policies, regulations and procedures (*Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013: Title IV, Chapter 3 "The system of internal controls", Section I, Par. 6 "General Principles"*).

The process of defining and managing the internal control system and verifying its completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability form part of the responsibilities of the corporate bodies which fulfil strategic supervision,

control and management functions, supported by the control functions. In order to accomplish this, the Supervisory Board makes use of the Internal Control Committee and the Risk Committee which it forms directly itself (the composition, powers and functioning of the Internal Control Committee and Risk Committee have already been examined in this report in the section specifically on internal board committees).

### **UBI Banca Group Internal Control System Policy**

In the context of the amendments required by the Supervisory regulations for banks concerning the “Internal Control System” (Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013, Title IV, Chapter 3 “The Internal Control System”), on 13<sup>th</sup> November 2017 the Supervisory Board approved an update of the “UBI Banca Group Internal Control System Policy” (updated from the first version approved in July 2014) which is the reference document for the definition and implementation of all the components of the Group’s internal control system.

In particular, the UBI Banca Group Internal Control System Policy:

- is essential knowledge for the corporate bodies, making them fully aware of the current position of the Bank;
- ensures effective management of corporate risks and the relationships between them;
- guides changes in the Bank’s strategies and policies;
- makes it possible to adapt the organisational context in which the Group operates in a consistent manner;
- oversees the functionality of management systems and compliance with prudential supervision obligations;
- promotes the development of a positive culture in relation to risk, legality and corporate values.

In the light of these statements, it follows that the UBI Banca Group Internal Control System:

- is of strategic importance and, more generally, that the “control culture” has widespread approval, with a prominent position in the UBI Group’s hierarchy of values, and does not concern solely the corporate control functions, but also the entire business organisation of the Bank and the UBI Group member companies (e.g. corporate bodies, units, management hierarchy and staff);
- it represents a key part of the corporate governance system of the Bank and UBI Group member companies and assumes a role of fundamental importance in the identification, mitigation and management of significant risks, contributing to the protection of shareholders’ investments and the assets of the entire UBI Group as well as protecting its customers and the integrity of the markets in which it operates.

The guiding principles of UBI Banca Group’s internal control system are characterised by a scope of application that extends to all Group member companies. They are key to the definition and implementation of all the components of the internal control system. In this context the application of the internal control system by all the Group member companies is an important factor enabling the achievement of a single business model.

The principles described accordingly highlight the importance of:

- an integrated vision designed to achieve high levels of effectiveness and efficiency, at the same time avoiding overlaps and/or potential gaps in governance control, risk management and the valuation processes and methods used for corporate activities, including those used for accounting purposes;
- consistency in the organisational process of the Bank and the Group which, based on the Group’s mission, identifies values, defines objectives, immediately pinpoints risks that hinder their achievement and implements appropriate corrective measures;
- compliance with the general organisational principles that ensure the formalisation of the functions assigned to staff, the unambiguous identification of tasks and responsibilities and the separation of the operating and control functions for the prevention of conflicts of interest;
- compliance with legislation and regulations, even before they become compulsory, as a distinguishing feature and key factor of success for enhancing customer relations and, ultimately, creating value for all stakeholders;
- reinforcement of the capacity of the Bank to manage corporate risk in compliance with the RAF, ensuring sound and prudent management and financial stability.

With reference to the implementation of the internal control system, it should be noted that control activity is not the exclusive responsibility of the corporate control functions or bodies, but involves the entire business organisation (bodies, units, management hierarchy and staff) in developing and applying logical and systematic methods to identify, measure, communicate and manage the intrinsic risks of transactions, according to their different levels of responsibility.

Given the above, the internal control system of the Group is divided, in compliance with the provisions of the supervisory instructions, into the following levels of control:

- *line controls (first level controls)*: designed to ensure the proper performance of operations. These controls are carried out by the operating units themselves (e.g. hierarchical, systematic and sample controls), and may also be carried out by units with control duties only who report to the managers responsible for the operating units (or they are carried out as part of back office activities) and, where possible, they are incorporated into IT procedures. With this approach the operating units are the first with responsibility in the risk management process, indeed, in the course of day-to-day operations these units are called upon to identify, measure or evaluate, monitor, mitigate and report the risks resulting from ordinary business activities in accordance with the risk management process. These units also have to comply with the operating limits assigned to them in accordance with the risk targets and the procedures that constitute the risk management process. Line controls consist of first line controls (controls implemented by the organisational units performing the operating activities) and second line controls (controls implemented by units/roles other than those responsible for first line controls);
- *risk and compliance controls (second level controls)*: designed to ensure compliance with the operating limits assigned to the various functions, the correct implementation of the risk management process and the compliance of business operations with regulations, including self-regulation. In compliance with regulatory requirements, the functions responsible for second level controls are separate from the operational functions. In detail these functions are:
  - the risk control function (Risk Management);
  - the regulatory compliance function (Compliance);
  - other corporate control functions (Anti-Money Laundering functions and Validation functions).

The second level control activities are also similar to those of the Senior Officer Responsible for the preparation of corporate accounting documents.

- *internal audit (third level controls)* - assigned to the Internal Audit Function: designed to identify violations of the procedures and regulations and periodically evaluate the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and IT system (ICT audit), with a frequency set on the basis of the nature and intensity of risks.

The first two types of control (first and second level), not only satisfy the requirements for reporting to the corporate body responsible for control, but are also closely related on a practical level to the daily exercise of their responsibilities in relation to internal controls by the management function.

More specifically, those responsible for second level controls are required to continuously identify, prevent and measure risk situations by adopting appropriate valuation models and to assist in the formulation of risk assumption and management policies with regard, amongst other things, to the maximum limits on exposure to them. Adequate reporting is provided to the Supervisory Board and the Management Board on current and future exposure to risk which also includes a special progress chart useful, amongst other things, for monitoring and assessing the system of internal controls.

With specific reference to second level corporate control functions, the current organisation chart includes the presence of a Chief Risk Officer (CRO), a position held by *Dott. Mauro Senati* (a direct report to the Management Board), bringing together in one sphere the Credit Risk Management Area, the Capital & Liquidity Risk Management Area, the Risk Governance Area, which also oversees the Internal Validation function, the Anti-Money Laundering & Claims Area and, a direct report to the CRO, the Data Risk Management Service as a specific unit to manage data governance under the CRO.

The same organisation chart includes a Compliance Area, currently headed by *Ing. Maria Martinelli*, reporting directly to the Management Board, divided into Banking Services Compliance, Investment and Financial Services Compliance, Governance and other Support Compliance, ICT Operations Compliance and Controls Data Protection Officer and Methodologies, Monitoring and Reporting Compliance.

The roles and units mentioned are assigned the following functions with respect to the General regulations of the Bank:

- The Chief Risk Officer: is responsible for implementation of governance policies and the risk management system, performing the control function and providing the corporate bodies with an overview of the various risks (credit, market, operational, liquidity, reputational, money laundering etc.). He co-ordinates the process of defining and managing the Risk Appetite Framework (RAF) in order to ensure that the risk appetite reported in the RAF and the risk-taking policies and procedures adopted by the Group are consistent with the prudent person approach. Again with regard to the process of defining and managing the RAF, amongst other things he proposes the risk capacity and risk tolerance levels and also validates the risk appetite proposed by the Chief Financial Officer in order to ensure that they are consistent with the RAF and with adequate levels of prudence within current and future risk targets. He proposes the allocation of internal capital by type of risk, consistently with the process of assessing internal capital. Together with the Chief Financial Officer, he proposes the risk appetite to the Chief Executive Officer, with a view to its subsequent approval by the governing bodies, and verifies that the risk appetite is consistent with the requirements of the Group and the expectations of the Supervisory Authorities. He also co-ordinates the preparation of the risk appetite document. He also proposes the risk limits and co-ordinates the consolidation process for the risk appetite document for purposes including the internal authorisation procedure, while also verifying the overall adequacy of the RAF. He ensures the measurement and control of the Group's exposure to different types of risk. In this respect he ensures the supervision and implementation of activities concerning risk management, partly by means of activities carried out by its own units. He supports the governing bodies and senior management in the creation and maintenance of an effective and efficient Internal Control System and the formulation of risk and limits management policy proposals. He provides independent information to the governing body responsible for strategic supervision, partly by attending Internal Control Committee and Risk Committee meetings, sending reports and intervening directly. He works with the Chief Executive Officer, in agreement with the Chief Financial Officer, to draw up/update the Recovery plan, proposing possible changes and updates on at least an annual basis and notifying the parties responsible. He is responsible for the development, validation and maintenance of the risk measurement and control systems; In relation to the IFRS 9 financial reporting standard, he is responsible for defining, developing and maintaining stage allocation models and motors in the context of assets, for calculating Expected Credit Loss and for developing and maintaining choices of methodology for the benchmark text for the accounting classification of financial assets. He is responsible for providing prior opinions on the compliance of transactions of major significance with the RAF and carry out second level verifications of credit exposures. He supervises the process for evaluating capital adequacy in relation to the risks taken (ICAAP), the public disclosure process, the process for evaluating liquidity adequacy (ILAAP) and in general the risk evaluation process for the purposes of the Supervisory Review and Evaluation Process (SREP) used by the Supervisory Authority. In the context of the planning process, he is responsible for producing forward estimates of expected loss by customer segment to support loan loss and capital allocation projections, forward estimates of capital requirements and indicators of individual company and consolidated structural balance and liquidity ratios and the verification of their adequacy in relation to the risk appetite and the Group policies and procedures for the assumption of credit risk. He is also responsible for forecasting estimates for the elements for which he is responsible. He oversees the Group rating process. In the framework of the overall risk management process, he ensures oversight of the second level controls connected with data quality that fall within its remit and holds the position of Process Owner for the risk measurement and anti-money laundering systems. He is responsible for defining and applying the IT risk analysis methodology together with the related process of evaluation and data processing. He works alongside and co-ordinates with the other control functions for the purpose of



developing a shared view on operational and methodological aspects and the actions to be taken if significant or critical events occur in order to identify possible synergies and avoid potential overlaps and duplications of activity. He contributes to the spread and development of an internal control culture within the Group. He also helps to ensure compliance with the relevant regulatory recommendations, overseeing them in a structured and precise manner on the basis of consolidated procedures and shared compliance methodologies. He supervises the activities of the units reporting to him in the context of preventing money laundering and the financing of terrorism and also with regard to the management and monitoring of complaints and Alternative Dispute Resolution (ADR) with the exception of appeals to out-of-court bodies to settle disputes of a decisive nature. He participates in the process of defining remuneration and incentive policies and the relative regulations to implement them with the objective of containing the long and short-term risk of each legal entity and the Group overall. The Chief Risk Officer, under the overall supervision of senior management and within the fields for which he has specific responsibility, performs the co-ordination function for Group member companies;

- **Compliance:** it is responsible for circulating the directives provided for in the “UBI Banca Group Policies for the management of compliance risk” issued by the Supervisory Board on the basis of a proposal from the Management Board of the Parent, overseeing their implementation and reporting on this to those same bodies. It is the compliance processes owner and ensures that compliance risk is managed efficiently and effectively, in accordance with a risk-based approach, verifying for that purpose that processes, internal procedures and the entire organisational and regulatory system and the IT infrastructure for monitoring all operations are consistent with the objective of preventing the violation of any regulation applicable to the Bank and the Group member companies, whether they are of a generic external nature (laws and regulations issued by Italian supervisory authorities such as the Bank of Italy, Consob (Italian securities market authority), or IVASS (Insurance Supervisory Authority)), and at the international level (EBA, ESMA, European Directives, etc.) or a self-regulatory nature (codes of conduct, policies, internal regulations etc.). Within these areas of responsibility it communicates independently with the management and supervisory bodies by sending reports and intervening directly, as appropriate. It uses “trace back to unit” to ensure oversight of compliance risk, by supervising and managing operating activities associated with the performance of compliance processes, running across the Bank and the Group, supervising their methodological aspects, the adequacy of the contents, the performance of the checks for which it is responsible, also assisted for that purpose by the assistance of the specialist skills available there (legal, organisational, risk management, technological, human resources, internal audit function etc.) as well as the contributions of the various roles specified in the compliance model. It centralises for oversight purposes the analysis of potential non-compliance reports received from the operating structure of the Bank, notified by the other second and third level control functions or identified using the controls it performs itself (e.g. tests for effectiveness, analyses of complaints received), and oversees/monitors their resolution. It works alongside and co-ordinates with the other control functions for the purpose of sharing operational and methodological aspects and the actions to be taken if significant and/or critical events occur, in accordance with the areas of responsibility assigned to them, in order to identify possible synergies and avoid potential overlaps and duplications of activity. To achieve this, it manages the structural exchange of information flows with the other control functions to ensure that their specific responsibilities are properly performed, in accordance with the rules set out in the model of the internal control system adopted by the UBI Group, and co-ordinates with them about methodological aspects in order to ensure the consistency of the risk assessments performed and also for the annual activity plan.

It employs a preventive approach to ensure substantial compliance with regulations by corporate processes and therefore appropriate conduct by all personnel, ensuring that the interests of clients and investors are protected and it co-operates in the policy to establish relations of trust with all stakeholders. With this in view it co-operates in activities to train staff on the measures applicable to the activities they perform, in order to promote a corporate culture based on principles of honesty, integrity and observance of both the spirit and letter of regulations. It performs a policy-setting, co-ordination and control role for the subsidiaries, forming direct relationships with local compliance managers and contacts, where present, and with their General Management teams. It provides a service for the



subsidiaries of the Group that have conferred the appropriate powers upon it, ensuring the oversight of risk and non-compliance with regulations.

Having stated the above, we report that during this year activities for the implementation of compliance organisational model revision project that started in 2016 have continued.

In particular, the project plans to roll out a new model of organisation, tools and operating processes for the Compliance Area, with streams focused on specific activities, in order to align with current best practice, the views of the European Supervisory Authority (SSM – Single Supervisory Mechanism) and the input of regulators.

These changes have led to a revision of the compliance organisational model carried out by changing the organisational structure of the Compliance Area that was implemented with effect from 3<sup>rd</sup> April 2017.

In particular, this intervention involved optimising the activities of the Area, which, in view of the continued specialisation of the Units in compliance with supervised regulations (banking, investment & financial services, ICT operations e Governance & Support) introduced a process stage structure with the creation of a new Compliance Controls Unit focused on ex post second level and efficiency controls which are thus segregated from ex ante analysis and validity assessment that continue to be performed by other organisational units.

The changes made to the organisational model of the Compliance Function also involved an increase to its qualitative and quantitative sizing with a 2017/2018 timeframe and the consequent revision of the activities and skills of the Area's resources, identifying specific change management actions.

Having taken into account the fact that compliance risk management policies are part of the increasing focus on issues of governance and internal control and on the basis that effective organisational structure and governance constitute essential conditions for the prevention and mitigation of corporate risk factors and thus guarantee the sustainability of the business in accordance with principles of sound and prudent management, during the first quarter of 2017 the corporate bodies approved the updated Compliance Risk Management Policy and the Group regulations for Compliance Risk Management.

The update to the Policy related in particular to the following aspects:

- extension of the regulatory scope of the Compliance Function in view of regulatory requirements establishing the need to oversee compliance risk management “with regard to all corporate activities”;
- introduction, for all the corporate functions with compliance duties, of a duty of consistency with Group methods, taking account of the provision that: “the function is responsible for at least defining compliance risk measurement methodologies and identifying the relative procedures”;
- revision of compliance risk management processes in line with the development of the new methodology;
- modification of the co-ordination procedures for all the roles involved in the compliance risk management processes in line with the new methodology;

The Regulations form an additional part of the regulatory framework for the Compliance Function, with specific reference to the compliance process provided for in the Compliance Risk Management Policies, intended to insure the sound and prudent management of business activities by:

- setting out the main roles and responsibilities assigned to the staff involved in the macro process level of the compliance risk management process;
- representation of the main stages of the compliance risk management macro process;
- description of the main relationships and reporting lines between the Group units involved.

Compared with the previous version, the updated Regulations generally go into greater depth about the stages of the compliance risk management process (at the fifth level of the classification of processes), in line with the Policy. They integrate the Rulebook setting out detailed processes (soon to be published) and the Methodological Manual into the framework that regulates the functioning of compliance.

To complete the above activities, the structure of the Compliance Reporting Framework was changed so that it will be presented more effectively to the governing bodies and Top Management with concise, full, immediate reports using a risk-based approach.

Finally, in the context of all the changes for compliance with the General Data Protection Regulation (GDPR - EU Regulation No. 2016/679) which will be applicable from 25<sup>th</sup> May 2018, a new Data Protection Officer Service was established within the Compliance Area and on the Area staff on 27<sup>th</sup> November 2017, to address and support all the projects for compliance with the GDPR. Once it is fully operational it will mainly perform the following activities:

- provide the Data Controller, Internal Data Protection Officers and Data Processors with information and advice concerning the duties that generally arise from other provisions relating to data protection;
- handle requests from data subjects relating to data protection;
- participate in working groups evaluating the data protection impacts of regulatory and/or operational changes to the business;
- continuously monitor the proper application of data protection regulations;
- enhance staff awareness and training;
- co-ordinate the Internal Data Protection Officers and prepare an annual report on the activities carried out to be submitted to the Data Controller;
- engage in operational data protection processes;
- maintain the Register of personal data processing operations;
- interface with the Supervisory Authorities about issues associated with data processing.

With reference to the co-ordination between those involved in the internal control and risk management systems, the Supervisory Board, the Management Board and Senior Management also currently benefit from an integrated outline issued by the Chief Risk Officer of risks considered significant that, identified by the second level control functions responsible for monitoring them and provided using an integrated reporting tool - the SREP Dashboard - in the context of the Report's broader purpose of representing a self-assessment of the situation of UBI Group in relation to the recommendations of the EBA guidelines on the "Supervisory Review and Evaluation Process" (SREP) and those in the annual "SREP Decisions" on the UBI Group. The SREP Dashboard is also a tool for summarising co-ordination activities among the second level control functions.

The purpose of internal auditing (third level), which is performed by the Internal Audit Function detailed in sub-section 15.2 below, is to make an independent assessment, in support of the Supervisory Board and Management Board, intended on the one hand to check, with a view to third level checks, including on-site inspections, that its functioning and changes in risks are in accordance with the rules, and on the other to evaluate the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the internal control system, reporting to the aforementioned corporate bodies on potential improvements that could be made, with particular reference to risk management policies and tools for risk measurement and control.

The "principal characteristics of the risk and internal control management systems in relation to financial reporting" pursuant to Art. 123-bis paragraph 2, letter b) of the Consolidated Finance Law are illustrated in attachment 2 to this report.

### **Regulations for the Risk Appetite Framework of the UBI Banca Group**

Again as part of the changes required by Supervisory regulations for banks on the question of the "internal control system" (Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013: Title IV, Chapter 3 "The system of internal controls"), on 1<sup>st</sup> July 2014 the Supervisory Board approved

“Regulations for the Risk Appetite Framework of the UBI Banca Group” which define the principles and rules of the process for the management of the Risk Appetite Framework, describing the following:

- the main roles and responsibilities assigned to the main macro units involved in activities to define, implement and monitor the RAF;
- the RAF formation and approval macro processes, consistent with the Group budget and with the definition of risk-return, monitoring, reporting and internal audit objectives;
- the main lines of reporting between the group macro units involved, on the basis of a management model consistent with the operations and complexity of the UBI Group and developed in observance of the principal proportionality defined on the basis of the size of the exposure and the materiality of the risks.

In relation to the Risk Appetite Framework, the UBI Group has adopted a risk management framework consistent with definition of Group regulations and strategies which have developed over the years consistent in turn with developments in the regulatory framework. The main parts of the current framework regard the following:

- definition of risk appetite;
- definition of risk management policies;
- interpretation and management of the RAF in UBI Group companies;
- monitoring of current and future risks.

### **Group policy on internal systems for reporting violations or “whistleblowing”**

The Group has a Group policy on internal systems for reporting violations or “whistleblowing”, effective from 1<sup>st</sup> January 2016. The objective is to provide staff in the companies of the banking Group with guidelines to follow for reporting actions and facts which may constitute a violation of the regulations governing banking and financial activities during the performance of their professional duties in order to contribute to the uncovering and prevention of risks and situations harmful to companies to which they belong and, as a consequence, in the interests of the entire UBI Group and, more generally, all its stakeholders.

Reports by staff are facilitated and incentivised through the adoption by the UBI Group of measures which guarantee the reserved and confidential nature of the information given, the protection of the personal data of the person making the report and of the person reported and also the protection of the whistleblower from being the victim of possible retaliatory, discriminatory or in any case unfair treatment as a consequence of making the report.

## **15.1 Executive board member responsible for the internal control and risk management system**

On 15<sup>th</sup> April 2016, the Management Board, in compliance with the Articles of Association, conferred the following powers relating to internal controls on the Chief Executive Officer, *Dott. Victor Massiah*:

- promotion of integrated risk management;
- the power to make extraordinary requests for inspections and investigations to the internal control function through the Internal Control Committee.

Also, in accordance with Art. 35-*bis* of the Articles of Association, the Management Board has assigned duties to the Chief Executive Officer, exclusively in support of the Management Board, with organisational, proposal-making and reporting functions on internal control matters, to be performed in close co-operation and agreement with the General Manager, if appointed, in observance of the responsibilities of the Supervisory Board on those matters and decisions made by it, for which he may also make use of the support of the second level corporate control functions.

For this purpose, in relation to Internal Audit activities and the integration of what is stated in the three-monthly reports, the Chief Executive Officer receives periodic reports concerning the auditing activities that are in progress or have been completed in the period in question, and also meets the Chief Audit Executive on a periodic basis to discuss specific aspects, including the results of these reports.

Further information on the activities performed is given in sections 15.2 and 15.6 of this Report.

## **15.2 Office responsible for the internal audit function**

The mission of the Internal Audit is set out in the “Audit Mandate”, a document that, in compliance with the provisions of the International Standards for the Professional Practice of Internal Auditing, formalises internal auditing activities and clarifies their spheres of competence, tasks, independence, authority, responsibilities and interactions with other corporate functions as well as defining the procedures for the periodic approval and revision of the Mandate itself by the Supervisory Board.

Chief of the Internal Audit Function is appointed by and reports to the Supervisory Board and has direct access to all the information required for its work and has no responsibility for any operational unit.

The position of Chief of the Internal Audit Function is assigned to *Dott. Stefano Maria Tortelotti*, who was appointed by the Supervisory Board at its meeting of 11<sup>th</sup> July 2013, subject to the prior opinion in favour of the Internal Control Committee.

In March 2015 the Internal Audit Function obtained Quality Certification from a leading consulting firm in terms of the “general compliance” (which corresponds to the highest rating on the scale of values applied) of the effective application of the organisational design of internal audit activities and the procedures defined for carrying these out with professional internal auditing practice standards and the Ethical Code of the Profession in force at the time of carrying out the activities.

In application of the supervisory regulations concerning the remuneration and incentive policies and practices of banks and banking groups, the Remuneration Committee, after prior consultation with the Internal Control Committee within the scope of its remit, has provided advisory functions and made recommendations with regard to the remuneration of the Chief of the Internal Audit Function and directly oversees the correct application of the rules relating to his remuneration. In compliance with supervisory regulations and the Articles of Association, the Supervisory Board also verifies that the Chief Audit Executive has adequate resources to fulfil his duties.

The Internal Audit Function conducts auditing activities on UBI Banca and on subsidiaries which have delegated internal auditing to the Bank, and more generally on all the companies in the group as the Parent. In short, the Internal Audit Function acts on a third level basis, providing an opinion that is independent from the second level operational and control stage, concerning the overall reliability and effectiveness of the internal control and risk management system, and also considers the ability of that system to identify errors and irregularities, operating on the basis of an activity plan extending over a number of years.

Using a process-oriented and risk-driven approach, Internal Audit defines control priorities from a long-term perspective and draws up the annual audit activity plan on the basis, amongst other things, of the most significant changes affecting the operating environment of the Bank. The activities plan is submitted annually to the management and control bodies of the subsidiaries and, at a consolidated level, by the management and control bodies of the Parent. To perform the activities provided for in this plan the Internal Audit Function makes use of internal resources and also of external consultants for work of an extraordinary nature, whose work has also been guaranteed for 2017 by the provision of a specific budget.

The performance of the various audit activities makes it possible to appraise the capacity of the first and second level specialist control units to supervise risks in an adequate manner, and thereby makes it possible to evaluate the principal corporate processes, in part with a view to contributing to an increase in the degree of reliability and, as a consequence, the overall internal control system.

During the year, in compliance with the policies set and the relative regulations, the Internal Audit Function audited the proper functioning of risks and changes in them and it assessed

the general functioning of the UBI Group internal control system reporting to corporate bodies and to senior management on potential improvements that could be made to risk management policies and to measurement instruments and procedures.

In consideration of the need to support the Supervisory Board in the performance of its duties under legislation and regulations, and also to assist the Management Board, Internal Audit, as well as overseeing the aspects of control that are specifically required under the regulations, focused particular attention on the following areas: the Single Bank Business Plan and Transformation Plan, the project to integrate the New Banks (Banca Adriatica, Banca Tirrenica e Banca Teatina), product development and management, the Risk Appetite Framework e Recovery Plan, management of conflicts of interest, credit processes, model risk, logical and physical security, IT risk management, Digital Banking, management of regulatory compliance processes and monitoring of primary legislation and the reliability of IT systems, including accounting records systems.

In addition to the specific report submitted following the conclusion of the analysis to senior management and, as applicable, the Audit Contact of the company concerned, the results of auditing activities have been the object of regular reports to the Boards of Directors and Boards of Statutory Auditors of the subsidiaries, presented on a cumulative basis to the Internal Control Committee and the Management and Supervisory Boards of the Parent. This reporting also provides a summary of the main situations that have emerged from the audit activities and the state of progress of the actions taken to remedy them. In the event of particularly significant circumstances appropriate information is immediately provided and sent to the management and supervisory bodies and the executive board member responsible for the internal control system.

Finally we report that in the third quarter of 2017 the organisational structure of the internal audit function was revised to reflect the changes to the organisational and commercial structure of the Group, with the implementation of the Single Bank Project and the acquisition of the New Banks. In this context, the organisation chart for the function shows the specific structure for the operational co-ordination of the inspection activities of the Supervisory Authority in relation to the Group and the oversight of the periodic monitoring of the implemented action plan to remove the findings resulting from these activities.

### **15.3 The organisational model pursuant to Legislative Decree No. 231/2001**

UBI Banca has adopted its own “model of organisation, management and control” (hereinafter the “Model”), which complies with Legislative Decree No. 231/2001 and the relative legislation and regulations that apply and is based on principles that are already rooted in its governance culture and on the recommendations contained in the guidelines of the major trade and professional associations.

The Model is presented in the "Document describing the organisational, management and control model of UBI Banca" approved by the Management Board and Supervisory Board of UBI Banca. It is divided into two parts which contain the following:

- in the general part a description of:
  - o the legislative framework;
  - o the reality of the company (system of governance and organisational structure of UBI Banca);
  - o the structure of the Model and the methodology chosen to define and update it;
  - o identification and appointment of the supervisory body of UBI Banca, with specification of the relative powers, tasks and reporting systems;
  - o the functioning of the disciplinary system and the relative penalties;
  - o the training and communication plan to be adopted to ensure that people have a knowledge of the measures and regulations of Model 231/2001;
  - o the criteria for updating Model 231/2001;
- in the special part, a description of:



1. the types of crime (and administrative violations) relevant for the purposes of the administrative liability of entities which the Bank had decided to take into consideration in view of the nature of its business;
2. sensitive processes/activities and the relative control procedures.

The types of violations (crimes and administrative violations) covered by the special part of the UBI Banca Model are as follows:

- crimes against the Public Administration;
- crimes consisting of forgery of coins, public credit notes, duty stamps, identification instruments and distinctive signs;
- corporate crimes, including the crime of corruption between natural persons (Art. 2635 of the Italian Civil Code);
- crimes of terrorism and subversion of democratic law;
- crimes against the person of individuals;
- the crime of market manipulation and those covered by “market abuse” regulations;
- transnational crimes;
- crimes relating to health and safety at the workplace;
- crimes consisting of the receipt, laundering and use of money, goods or benefits of illicit origin and self-laundering;
- computer crimes and illicit processing of data;
- crimes relating to organised crime;
- crimes against industry and commerce;
- crimes concerning the violation of copyright;
- environmental crimes;
- the crime of employing citizens of third party countries whose stay documents are irregular.

In application of changes in legislation and of supervisory regulations that require functional compatibility between control bodies and the Supervisory Body, the Governing Bodies of UBI Banca decided to appoint the members of the Internal Control Committee to perform the function of the Supervisory Body.

The Supervisory Body reports to the Governing Bodies on the adoption and effective implementation of the Model, on the oversight of its functioning and on the supervision of updates to it. It employs two separate lines of reporting to achieve this. The first is on a continuous basis directly to the Chief Executive Officer and the General Manager and the second consists of periodic reporting to the Management Board and the Supervisory Board.

UBI Banca, as the Parent, informs subsidiaries of the policies it has set in relation to trends in the development of the relevant regulations, suggesting the general criteria which subsidiaries may follow.

*An abstract of the UBI Banca Model entitled "Summary of the document describing the organisational, management and control model of UBI Banca" is available on the website of the Bank.*

## 15.4 Independent Auditors

On 30<sup>th</sup> April 2011, on the basis of a reasoned proposal submitted by the Supervisory Board, and having received a favourable opinion from the Internal Control and Audit Committee, a Shareholders' Meeting appointed the independent auditors DELOITTE & TOUCHE Spa, with registered address at 25 Via Tortona, Milan. They have been engaged to perform the statutory audits of the separate company financial statements of UBI Banca and the consolidated financial statements of the UBI Banca Group, to verify that the corporate accounts are properly kept and that operating events are accurately recorded in those accounts, and also to perform a limited audit of the condensed interim consolidated financial statements of the UBI Banca Group for the years running from 2012 until 2020, setting the fees and the criteria for adjusting them during the period of the appointment.

Deloitte & Touche Spa is enrolled with the Milan Company Registrar under No 03049560166,



Milan R.E.A. (Administrative and Economic Reg.) No 1720239 and is a member of ASSIREVI (Italian association of auditors).

### **15.5 Senior officer responsible for the preparation of corporate accounting documents**

In a meeting held on 30<sup>th</sup> April 2007, the Management Board appointed *dr.ssa* Elisabetta Stegher, with the favourable opinion of the Supervisory Board. She is the current Chief Financial Officer and Senior Officer Responsible for the preparation of corporate accounting documents pursuant to article 154-*bis* of the Consolidated Finance Law, in possession of the requirements of professionalism required by the Articles of Association which, in addition to the requirements of integrity prescribed by the current regulations in force for persons performing administrative and management functions, also require qualities of professionalism with specific administrative and accounting expertise in the banking, finance, investment or insurance fields.

The following responsibilities are conferred on that senior officer;

- to certify that market disclosures together with the related financial reports, including interim reports, are reliably based on the records contained in corporate documents and accounting records;
- to put adequate administrative and accounting procedures in place for the preparation of financial reports and all other financial disclosures;
- to certify – jointly with the Chief Executive Officer, by means of a specific report, attached to the separate financial statements, to the consolidated financial statements and to interim financial reports – the adequacy and effective application in the relative period of the procedures just mentioned and that the disclosures correspond to the records contained in the corporate accounting documents and records and provide a true and fair view of the capital, operating and financial position of UBI Banca and the Group.

The Senior Officer Responsible is also required to make special reports to the Chief Executive Officer, the Management Board, the Supervisory Board, the Risk Committee and the Internal Control Committee. The periodic reports must allow these bodies and officers to assess the adequacy and effective application of the administrative and accounting procedures of the Group and to verify that the powers and means conferred on this Senior Officer are appropriate.

The certifications signed by the Chief Executive Officer and the Senior Officer Responsible in accordance with Art. 154-*bis* of the Consolidated Finance Law are included in the Annual Report (one for the consolidated report and one for the separate company report) and they are disclosed to the public according to the provisions laid down by Consob regulations (Attachment 3c-*ter* of the Issuers' Regulations).

For the purposes of concrete implementation of the aforementioned legislation, the Senior Officer Responsible must be able to:

- gain direct access to all the information needed to produce accounting data. The Officer may access all sources of corporate information without the need for authorisation;
- rely on internal channels of communication which ensure accurate and proper access to intercompany information;
- define her own office and organisational unit independently, with regard to both personnel and technical means (material resources, hardware, software, etc.);
- define the administrative and accounting procedures of the Bank autonomously, also being able to benefit from the co-operation of all the offices involved in the supply of significant information;
- have powers to propose, evaluate, or veto all “sensitive” procedures within the Bank and the Group;
- participate in board meetings in which matters concerning the functions of the officer are discussed;
- make use of external consultants, where particular requirements of the Bank make this necessary;

- establish reporting systems with other roles responsible for control (independent auditors, Internal Control Officer, Chief Risk Officer, Compliance Officer, etc.) and reports and information flows which ensure constant mapping of risk and processes and adequate monitoring of the proper functioning of procedures, partly by means of specific co-ordination sessions held with the corporate control functions including operational and methodological issues.

With regard to the provisions introduced by Law No. 262/2005, a System of Administrative and Financial Governance has been created for subsidiaries of UBI Banca which, amongst other things, regulates internal controls for financial reports produced for listed issuers.

This “system” provides proper management of the various risks connected with financial reporting and it also confers adequate powers and means on the Senior Officer Responsible through a hierarchical system of certifications.

That same certification obligation applies to the executive officers of Group companies subject to full consolidation.

Certifications issued by subsidiaries are brought to the attention of the Board of Directors in the meeting that approves the proposed annual or half-yearly financial report and they are sent to the Bank prior to the meeting of the Management Board which approves the separate Annual Report of the Bank and the consolidated Annual Report or the half-yearly financial report.

The System of Administrative and Financial Governance of UBI Group also includes a specific specialist staff unit under the Senior Officer Responsible, for the overall co-ordination of the UBI Group’s activities, and the definition and performance of assessments in support of certifications.

## **15.6 Co-ordination between those involved in the internal control and risk management system**

Within the UBI Banca Group, in compliance with the provisions of the supervisory provisions and in direct continuity with actions taken in the recent past, a *model of co-ordination and co-operation between the corporate bodies and the control functions is in operation*, divided in relation to the following three components:

- processes and methods;
- co-ordination tools;
- reporting lines.

On 15<sup>th</sup> June 2017 the Supervisory Board, having examined the 2016 Internal Audit report, in accordance with the provisions of criterion 7.C.1 of the Code, expressed the opinion that the report was adequate, amongst other things in relation to the co-ordination procedures for all those involved in the internal control and risk management system.

The “model of co-ordination” adopted by the Group is completed through the co-ordination provided by the Parent at Group level, in the context of its own management and co-ordination activities.

As concerns co-ordination tools, they provide for the definition of tools intended to promote an immediate practicality that are simple to operate and organise so as to promote active co-operation and liaison between the control functions and between them and the corporate bodies, without prejudice to the responsibilities assigned by law and without altering, even in substance, the primary responsibility of the corporate bodies for the internal control system.

In particular, the following tools have been defined at Group level:

- co-ordination activities between the control functions;
- integrated progress chart of the Corporate Control Functions, consisting of a Top Issue Report (TIR) and a Flash Report;
- the Internal Control System Calendar (ICS Calendar);
- committees with consultative, informative and proposal-making roles in the context of the matters within their remit.

The co-ordination activities typically include periodic meetings of the chiefs of the corporate control functions and the Senior Officer Responsible and exchanges of information between them, normally on a monthly basis.

At the end of each meeting the Chief Audit Executive provides a memorandum outlining the matters discussed and the subsequent evidence, which is used, amongst other things, to provide a quarterly summary that the Chief Audit Executive presents to the Internal Control Committee, in the presence of the Chief Executive Officer, the Chiefs of Corporate Control Functions and the Senior Officer Responsible.

In compliance with regulatory requirements, matters discussed at meetings particularly concern the co-ordination of annual inspection programmes (without prejudice to the powers and duties of the respective Control Functions), significant findings resulting from control activities and the monitoring of the state of progress of the related mitigation actions in order to identify possible synergies and to avoid potential overlaps and duplications of activity, while maintaining compliance with the principles of autonomy and independence that characterise the Control Functions. Furthermore, that co-ordination regards, amongst other things, agreement on methodological aspects in order to encourage a common language in terms of the classification of processes, procedures for assessing risks and controls and the scales of importance used.

Among various tools designed to improve forms of co-ordination, while also ensuring the diffusion of a shared language for risk management and the structure of risk monitoring, a project to create an integrated progress chart for the corporate control functions was implemented during the year. It led to the creation of two documents focused on bringing together the most significant findings (the TIR and Flash Report) providing a summary of all the issues contained in control function reports, which are significant in terms of their impact on the achievement of corporate goals. These impacts (sanction-related, administrative, economic, financial, reputational, etc.) are viewed in terms of their potential, in order to prevent them.

The TIR is prepared on the basis of reports provided by single Control Functions, which remain responsible for the contents proposed, in order to guarantee their autonomy and independence. In this context, the TIR does not replace summary and detailed reports prepared by the respective Control Functions in compliance with the provisions of regulations. It is issued at least every six months and submitted, subject to prior reporting to the Internal Control Committee and to the Risk Committee, to the board sessions following those of the Management Board at which the consolidated half-yearly report and consolidated annual results are approved.

The Flash Report, presented together with the individual reports of the Control Functions, provides evidence of new findings that have arisen since the TIR for the previous period (incoming/outgoing findings). It has at least a half-yearly frequency, and is submitted at the time of the board sessions at which the interim financial report and the consolidated annual results are approved, subject to prior reporting to the Internal Control Committee and the Risk Committee (possibly in joint session).

These reports are governed by specific documentation describing the roles, timings, procedures and means for their production.

The Internal Control System Calendar (ICS Calendar) identifies, in accordance with the diary of meetings of the Governing Bodies, the deadlines for the corporate control functions and the Senior Officer Responsible to hold regular discussions of subjects connected with the internal control system (e.g. the activity plan, periodic reports etc.).

A series of co-ordination activities connected with the internal control system take place as part of the usual activities of committees with consultative, informational and proposal-making roles in the context of the matters within the remit of the Parent and, when they are present, the subsidiaries.

The UBI Banca committees with consultative, informative and proposal-making roles in the context of the matters within their remit are the:

- Management Committee;
- Credit Committee;
- Asset and Liability Committee (ALCO);
- Finance Committee;
- Risk Management Committee;
- Operational Risk Committee.

## 16) Interests of Board Members and related-party transactions

Transactions with senior officers of the Bank, with senior officers of Group member companies and with companies controlled by them – all of whom may qualify as related parties – are conducted under normal market conditions and, for those transactions relating to senior officers of banks, the provisions of Article 136 of the Consolidated Banking Act are carefully complied with.

Special IT procedures have been introduced in this respect which, on the basis of declarations issued by senior officers of companies, make it possible to identify in advance the potential assumption of a direct or indirect obligation of a senior officer and consequently subject the transaction to the procedures required by the aforementioned Art. 136 of the Consolidated Banking Act.

The Bank pays particular attention when performing transactions with related parties to ensure they are carried out properly both in form and substance.

Consob Resolution No. 17221 of 12<sup>th</sup> March 2010 as subsequently amended has approved regulations in this connection.

The aforementioned regulations govern procedures for the approval of transactions entered into by listed companies and issuers with a broad shareholder base with parties that could create a conflict of interest. Such parties include major and controlling shareholders, members of administrative and controlling bodies and senior management and their immediate family members.

The key points of the regulations are:

- a) they strengthen the role of independent board members at all stages of the decision-making process concerning related-party transactions;
- b) a regime of transparency;
- c) the introduction of detailed corporate governance regulations containing rules designed to ensure substantial and procedural integrity in related-party transactions (a special regime for companies which adopt a two tier system of governance).

The regulations in question apply, within the context of the UBI Group, to UBI Banca as an issuer of listed shares.

In relation to the above, the competent bodies of the Bank have approved a set of regulations concerning related-party transactions, within the set time limits. Internal processes have also been developed to ensure compliance with the new rules (the “**RPT Regulations**”)

The RPT Regulations approved in their current version by the Management Board (on 17<sup>th</sup> January 2017) and the Supervisory Board (on 24<sup>th</sup> January 2017), subject to the prior opinion in favour of the Related and Connected Parties Committee and the Internal Control Committee, update and replace the regulations approved on 12<sup>th</sup> November 2010 and subsequently amended on 1<sup>st</sup> March 2016. The RPT Regulations are available on the website of the Bank (Corporate Governance/Supervisory Board section)

In implementation of Art. 53, paragraphs 4 *et seq.* of the Consolidated Banking Act and Inter-Ministerial Credit Committee Resolution No. 277 of 29<sup>th</sup> July 2008, on 12<sup>th</sup> December 2011 the Bank of Italy issued new regulatory measures regarding risk assets and conflicts of interest concerning parties connected to banks or banking groups. (including, amongst others, officers of UBI Banca and all the banks in the UBI Group, the officers of UBI Leasing and Prestitalia, and parties connected to those officers according to the definition given in the rules).

The main purpose of the regulations is to contain the risk that the closeness of some “connected parties” to the decision-making centres of the Bank might compromise the objectivity and impartiality of decisions concerning the grant of loans to, or other transactions that in any way relate to, those parties; to oversee these risks, UBI Group, in compliance with Bank of Italy provisions:

- monitors and ensures compliance with the specific prudential limits set by the supervisory regulations concerning risk assets undertaken towards connected parties by the Parent and Subsidiaries; in this regard a specific “Policy concerning internal controls on risk assets and conflicts of interest with related parties” has been approved, according to the

procedures set out in the Bank of Italy provisions referred to above, and is attached to this Report (Attachment 3);

- employs special decision-making procedures that guarantee the integrity of decision-making processes in connected-party transactions, preventing any abuses that may be intrinsic to transactions with the said parties where there is a potential conflict of interest; these procedures have been implemented by special regulations, applicable to all the Group member companies and available on the website of the Bank (Corporate Governance Section/Supervisory Board). These Regulations were approved by the Supervisory Board (on 17<sup>th</sup> January 2017) and the Management Board (on 24<sup>th</sup> January 2017), subject to the prior opinion in favour of the Related and Connected Parties Committee together with an opinion from the Internal Control Committee and update and replace the regulations approved on 8<sup>th</sup> March 2016.

Furthermore, since 30<sup>th</sup> June 2017 the Bank has also applied the connected parties regulations to Identified Staff (Material Risk Takers), ensuring transparency and oversight in the transactions concluded with the said persons.

Another change in the new RPT and connected parties regulations, designed to hold the Bank to the highest standards in conflict-of-interest management, relates to the introduction, in attachments A and B to the said regulations, of detailed guidelines intended to define more precise objectives for the assessment of market equivalent or standard conditions for the most significant types of operations performed by the UBI Group.

Generally, in a similar manner to the provisions laid down for the Management Board by Art. 2391 of the Italian Civil Code, the Articles of Association also require the members of the Supervisory Board to report all interests which, either directly or through third parties, they may have in a determined transaction of the Bank or the UBI Group, stating the nature, the terms, origin and extent. The relative resolution of the Supervisory Board must give adequate reasons, explaining the interest of the Bank in the transaction, without prejudice to other provisions of the law or regulations which may apply.

In compliance with the provisions of Art. 18, paragraph 1 of the Regulations adopted by the Bank of Italy and Consob with the provision of 29<sup>th</sup> October 2007, UBI Banca has approved an internal “policy for the management of personal transactions” has been adopted which provides detailed regulation of obligations concerning personal transactions in financial instruments performed by Significant Persons, as identified in the aforementioned regulations.

## **17) Treatment of corporate information**

In order to ensure the appropriate management of confidential and inside information (as defined in EU Regulation No. 596/2014), on 6<sup>th</sup> December 2016 the Management Board approved the procedure for the management of inside information, (including the stage when the information is generated, by defining measures that protect the confidentiality of the said information) and its disclosure to the public and the register of persons with access to inside information pursuant to the aforementioned Art. 18 of the EU Regulation No. 596/2014.

More specifically, these procedures govern how inside information that relates directly or indirectly to the Bank or its subsidiaries is managed, by establishing the tasks and responsibilities of each unit in the Group companies in order to enable the Bank to fulfil disclosure obligations required by law.

The Bank will update these procedures to take account of regulatory developments that may occur from time to time, including those of a secondary nature.



## 18) Relations with shareholders

UBI Banca pays particular attention to the continuous management of relations with shareholders, institutional investors and the national and international financial community and it guarantees systematic disclosure of reliable, exhaustive and timely information on the UBI Group's activities, results and strategies.

For this purpose the “Corporate Affairs Service” (Manager *Avv. Alessio Lavieri*) for retail shareholders is provided together with the “Investor Relations Area” (Manager *dott.ssa Laura Ferraris*), which is responsible for relations with operators, analysts and institutional investors.

Information of significant importance to shareholders the market in general is also provided in the shareholders and Investor Relations section of the corporate website of the UBI Group ([www.ubibanca.it](http://www.ubibanca.it)).

The “Corporate Affairs Service”, as part of the Corporate Affairs and Relations with Authorities Area oversees relations with retail shareholders and co-ordinates preparations for the Shareholders' Meetings of the Bank, managing all the related activities.

The Investor Relations Area reports directly to the Chief Executive Officer. It is responsible for interactions with the Italian and foreign financial markets. The UBI Group share is currently followed by 22 brokerage houses. During 2017, 55 price sensitive press releases were issued (and later translated into English) and approximately 455 institutional investors (equity and debt) were met in one-on-one or group meetings, for a total of approximately 1,400 contacts over the year, while participation in international conferences with public presentations has made it possible to convey information to a wider audience.

In April 2017, in a year characterised by a significant increase in the share price, indicating that Investor Relations activities were appreciated by institutional markets, UBI Banca was recognised by Institutional Investor in the All Europe Executive Team ranking for “Best Small and Mid Cap IR Companies”. Finally, within its remit, the Investor Relations Area manages and supervises the Bank's corporate website, [www.ubibanca.it](http://www.ubibanca.it), as a whole, with direct responsibility for the Investor Relations Sections.

## 19) Shareholders' Meetings (pursuant to Art. 123-bis, paragraph 2, letter c) of the Consolidated Finance Law)

Shareholders' Meetings are either ordinary or extraordinary.

The relative laws and regulations apply for the validity of a Shareholders' Meeting that has been convened and also for the validity of the relative resolutions, except for the provisions of article 19, paragraph one of the Articles of Association on the question of the individual remuneration of key personnel and article 37 of the Articles of Association on the question of the election of the Supervisory Board.

In accordance with the Articles of Association, an Ordinary Shareholders' Meeting:

- a) appoints and removes members of the Supervisory Board and sets the fees of the members of the Supervisory Board, as well as an additional total sum for the remuneration for those assigned particular offices, powers or functions, which is allocated in accordance with article 36. It elects the Chairman and the Senior Deputy Chairman of the Supervisory Board according to the procedures set out in article 37. Proper grounds must be given for the removal of members of the Supervisory Board;
- b) approves:
  - remuneration and incentive policies for members of the Supervisory Board and members of the Management Board;
  - remuneration and/or incentive schemes based on financial instruments;
  - criteria and limits for the determination of remuneration to be agreed in the event of

- the early termination of an employment relationship or early retirement from corporate office, inclusive therein of the limits set to said remuneration in terms of years of fixed remuneration and the maximum amount resulting from their application;
- on the basis of a proposal from the Supervisory Board, a higher ratio than that of 1:1 between the individual variable and the fixed remuneration of key personnel, but nevertheless not higher than the maximum limit set by the regulations in force from time to time”;
- c) decides on the liability of the members of the Supervisory Board and, pursuant to Art. 2393 and Art. 2409-*decies* of the Italian Civil Code, on the liability of the members of the Management Board, without prejudice to the concurrent liability of the Supervisory Board;
- d) decides on the distribution of profits, subject to the presentation of the financial statements and of the consolidated financial statements approved pursuant to Art. 2409-*terdecies* of the Italian Civil Code;
- e) appoints and dismisses the external statutory auditors responsible for auditing the accounts;
- f) approves the separate financial statements if the Supervisory Board fails to approve them or if this is requested by at least two thirds of the members of the Supervisory Board;
- g) approves and amends the regulations for Shareholders' Meetings;
- h) appoints the Board of Arbitrators;
- i) decides on the other matters that fall within its competence either by law or by the Articles of Association.

An Extraordinary Shareholders' Meeting makes amendments to the Articles of Association, decides the appointment, removal, replacement and powers of receivers and all other matters for which it is responsible by law.

If the Shareholders' Meeting, whether in ordinary or extraordinary session, is called upon to consider a proposal formulated by the competent bodies of the Bank concerning a transaction with related parties, where the Committee formed in compliance with the Related Parties Regulation has expressed an opinion against the transaction and if the Shareholders' Meeting has approved that proposal with the quorum for resolutions required by the Articles of Association, the transaction may not be performed if a number of non-related party shareholders representing at least 5% of the share capital is present in the Shareholders' Meeting and the majority of those non-related party shareholders have voted against the transaction.

For resolutions to be passed upon request of the Banking Supervisory Authority in relation to amendments to legal regulations, both ordinary and extraordinary Shareholders' Meetings shall pass resolutions by an absolute majority vote. In these cases, the provisions of article 40, paragraph five of the Articles of Association apply for resolutions for which the Supervisory Board is responsible.

Shareholders' meetings are held in all the cases provided for by law and by the Articles of Association and they are convened by the Management Board, or, pursuant to Art. 151-*bis* of Consolidated Finance Law, by the Supervisory Board or by at least two of its members, without prejudice to the other powers to convene provided by law.

Ordinary shareholders meetings are convened in any event at least once a year within 120 days of the end of each financial year to pass resolutions on matters for which it holds responsibility by Law or in accordance with the Articles of Association.

Ordinary and Extraordinary Shareholders' Meetings may be convened by Shareholders who represent at least one twentieth of the share capital and shall be held without delay following the presentation of the request, giving the grounds and the agenda.

In compliance with the procedures, according to the terms and within the time limits set by law, Shareholders who, even jointly, represent at least one fortieth of the share capital, may make an application in writing for additions to be made to the agenda to be dealt with in the Shareholders' Meeting, as it results from the notice convening the Shareholders' Meeting, with the indication in the request of the additional items proposed by them and they may also

submit proposals for resolutions on matters already on the agenda. Legitimation to exercise the right is given by filing a copy of the communication issued by the intermediary in accordance with the law and regulations in force.

A Shareholders' Meeting is also validly held when remote connection systems are used that ensure the identification of Shareholders with a legitimate right to participate, the possibility for them to take part in the proceedings of the meetings and to vote on deliberations and, if expressly provided for by the notice of call, the possibility to take part in the discussion of the items dealt with. However, the Chairman and the Secretary must be present in the place indicated in the notice of call where it is considered that the meeting is taking place. The Management Board, in agreement with the Chairman of the Supervisory Board, identifies, from time to time, the locations connected by means of remote systems for each call, taking account in particular of the composition of the Shareholders. The regulations for Shareholders' Meetings establish the criteria and procedures for holding Shareholders' Meetings by means of the use of remote connection systems.

Those with the right to vote for whom the Bank has received a communication from the authorised intermediary certifying their legitimate right may take part in Shareholders' Meetings.

Each ordinary share gives the right to one vote.

Those with the right to vote may have themselves represented in Shareholders' Meetings in compliance with the provisions of the law. Notification of the proxy may be performed electronically by means of electronic mail according to the procedures contained in the notice to convene or using other procedures chosen from among those provided for by the laws and also the regulations in force.

The Management Board has the right, reporting this information in the notice to convene, to designate one or more parties to whom those with the right to vote may grant, following the procedures provided for by the applicable legislation and regulations, a proxy with voting instructions on all or some of the items on the agenda. The proxy is valid solely with regard to those proposals for which voting instructions have been given.

Without prejudice to the provisions of article 2372, sub-section 2, of the Italian Civil Code, the proxy may be granted for a single meeting only, effective also for subsequent calls, but may not be granted without specifying the name of the representative.

Voting by mail is not permitted.

Members of the Management Board and similarly members of the Supervisory Board may not vote on resolutions concerning their areas of responsibility

Shareholders' Meetings shall be held, alternately, in the city or province of Bergamo and in the city or province of Brescia.

As concerns proceedings in Shareholders' Meetings, the Bank has (by means of a shareholders' resolution) adopted Regulations, designed to govern the ordered and efficient functioning of these meetings and in particular to regulate the procedures for Shareholders to speak and reply.

These Regulations have been published on the Bank's website in the shareholders' section.

The Shareholders' Meeting met once during the year, on 7<sup>th</sup> April 2017 in ordinary and extraordinary session (all the members of the Management and Supervisory Boards in office were present). At the Shareholders' Meeting the Board reported on the activities performed and planned and endeavoured to provide shareholders with adequate disclosure of the necessary information so that they could take the decisions for which the Shareholders' Meeting is responsible with full knowledge of the facts.

\* \* \*

At world level, despite the continuing uncertainties over American economic policies and global geopolitical tensions, the year showed a positive trend on all the main financial centres, as a result of solid economic growth and the monetary strategies of the central banks which have helped to reduce risks to financial stability.

The Italian stock exchange was the best performing in Europe, sustained by the progressive strengthening of the economic recovery and the solutions found for banks in difficulty, but fell in the last quarter. Despite the positive impact of the approval of the new electoral law and the upgrade of the sovereign rating by S&P, recent months have been negatively affected by uncertainties about the banking sector due to the possible impacts of the publication by the European Central Bank of an addendum to the guidance on NPLs which penalised the European stock markets and in particular the Italian one. The UBI Banca share ended the trading day on 29<sup>th</sup> December 2017 at 3.681 euro (+48.1% compared with twelve months before). The minimum and maximum prices for the year were €2.451 and €4.634 respectively. The stock market capitalisation of UBI Banca at the end of the year (based on the official price) had risen to €4.2 billion compared to €2.4 billion in December 2016 (€2.5 billion before the application of an adjustment factor as a consequence of the increase in the share capital), which placed UBI Banca in third place amongst listed Italian commercial banking groups that are part of the FTSE/Mib index (and in fourth place amongst all the Italian banking groups included in the index).

At the European level, the UBI Banca Group was among the first 45 institutions by stock market capitalisation in the classification drawn up by the Italian Banking Association in the European Banking Report, which includes 14 major European countries plus Switzerland.

## **20) Additional corporate governance practices (pursuant to Art. 123-bis, paragraph 2, letter a) of the Consolidated Finance Law)**

The issuer does not apply any additional corporate governance practices other than those required by law or regulations and described in this Report.

## **21) Changes occurring since the end of the year**

No further changes to the corporate governance structure of the company have occurred in addition to those reported in the specific sections.

## **22) Considerations on the letter of 13<sup>th</sup> December 2017 from the Chairman of the Corporate Governance Committee**

Together with a report on its own activities, the Corporate Governance Committee issues an annual report on the application of the Corporate Governance Code, in order to monitor the extent to which it has been implemented by the issuers that have declared their compliance with it.

This document was sent to all the listed companies together with a letter dated 13<sup>th</sup> December 2017 from the Chairman of the Corporate Governance Committee to provide evidence of the monitoring performed and highlight the key findings, inviting the management bodies of listed companies to take account of it in the context of future evaluations of the effectiveness of their organisational model and their active compliance with the recommendations contained in the Code and to include the considerations made in the Report on Corporate Governance together with any initiatives they have undertaken in relation to aspects mentioned in the letter.

On 8<sup>th</sup> February 2018 the recommendations made in the letter were brought to the attention of the Management Board, which recognised the overall adequacy of the Bank in terms of the

recommendations made and arranged for it to be sent to the Supervisory Board at its next meeting.

As concerns the three principal areas that the Corporate Governance Committee identified with a view to urging greater adherence to the recommendations of the Corporate Governance Code, we note the following:

- **quality of information provided before board meetings:** ensure the full transparency on the timeliness, completeness and usability of information provided before board meeting, precisely indicating to what extent the time limits identified as appropriate for sending documentation have been met (*see sections 4.2 and 12.3 of this Report*).
- **aspects relating to the clarity and completeness of remuneration policies:** assign more weight within the policies to long-term variable components, introduce clawback clauses and define criteria and procedures for the grant of any end of term of office indemnities (see section 8 of this Report and the Report on Remuneration prepared in accordance with Art. 123-bis of the Consolidated Finance Law, which may be consulted).
- **establishment and functions of an Appointments Committee:** all issuers, including those characterised by a more concentrated ownership structure, are advised to set up an Appointments Committee and, if there is a joint committee for appointments and remuneration, distinguish between the functions of this Committee clearly, issuing separate reports on the activities carried out (*see section 6 of this Report*).

The Corporate Governance Committee also identified some **further areas** of governance where **qualitative improvements could be made**, notwithstanding the issuers' good level of compliance with the Code's recommendations.

- **succession planning for Executive Directors:** it underlined the importance of succession planning for Executive Directors, in order to ensure continuity and stability of management and increase the transparency of the plans adopted (*see section 8 of this Report*);
- **quality of Independent Directors:** it underlined the importance of strengthening independence assessments and providing adequate explanations in the event of failure to apply or applying them on the basis that the Director is substantially independent, which should constitute limited exceptions (*see sections 4.2 and 12.7 of this Report*);
- **content of the board review:** it underlined the importance of having structured procedures for board review activities and recommended that Boards of Directors should include the functioning of their own board amongst their assessments, with a particular focus on the contribution made by the board to strategic planning and the monitoring of the performance of operations and the adequacy of their internal control and risk management system (*see sections 4.2, 12.2 and 15 of this Report*).



## Attachment A

**Positions held by the members Supervisory Board of UBI Banca** in other companies listed in regulated markets including foreign markets(\*), in financial, banking, insurance or large companies.

Name	Position held in the issuer	Positions held in other listed companies or in banking, financial, insurance or large companies
Andrea MOLTRASIO	Chairman of the Supervisory Board	<b>Chairman of the Board of Directors:</b> - Icro Didonè Spa <b>Director:</b> - Icro Coatings Spa - Italian Banking Association - BergamoScienza Association
Mario CERA	Senior Deputy Chairman of the Supervisory Board	= =
Pietro GUSSALLI BERETTA	Deputy Chairman of the Supervisory Board	<b>Chairman of the Management Board and Chief Executive Officer:</b> - Beretta Holding Spa <b>Chairman of the Board of Directors:</b> - Benelli U.S.A. Corp. - Humbert CTTS s.a.s. - Beretta-Benelli Iberica S.A. <b>Deputy Chairman of the Board of Directors:</b> - Beretta U.S.A. Corp. <b>Deputy Chairman of the Board of Directors and Executive Director:</b> - Fabbrica d'Armi Pietro Beretta Spa - Benelli Armi Spa <b>Chief Executive Officer:</b> - Arce Gestioni Spa <b>Director:</b> - Lucchini RS Spa - Upifra S.A.
Armando SANTUS	Deputy Chairman of the Supervisory Board	= =
Francesca BAZOLI	Member of the Supervisory Board	<b>Director:</b> - Editoriale Bresciana Spa - Panaria Group Spa (*)
Letizia BELLINI CAVALLETTI	Member of the Supervisory Board	= =
Pierpaolo CAMADINI	Member of the Supervisory Board	<b>Director:</b> - Finanziaria di Valle Camonica Spa - Gold Line Spa - Editoriale Bresciana Spa - ANSA – Agenzia Nazionale Stampa Associata Soc. Coop.
DARDANELLO FERRUCCIO	Member of the Supervisory Board	<b>Chairman:</b> - Unioncamere Piemonte (regional chamber of commerce) - CCIAA della provincia di Cuneo (provincial chamber of commerce) - Azienda Speciale Centro Estero Alpi del Mare - The Mondovi Band - <b>Chairman of the Board of Directors:</b> - Granda Lavoro S.C.R.L. - Agroqualità Spa <b>Deputy Chairman:</b> - QUAS (supplementary healthcare fund for middle managers in the Italian tertiary sector) <b>Director:</b> - CEIP (the Piemonte Agency for Investments, Export and Tourism) - Fondazione Castello di Mombasiglio S.C.R.L. - Confindustria (the Italian General Confederation of Enterprises, Professions and Self-Employment) <b>Sole Director:</b> - Eurocin EEIG <b>Member of the Executive Committee:</b> - Unioncamere (the National Union of Chambers of Commerce)

Name	Position held in the issuer	Positions held in other listed companies or in banking, financial, insurance or large companies
Alessandra DEL BOCA	Member of the Supervisory Board	= =
Giovanni FIORI	Member of the Supervisory Board	<b>Chairman of the Board of Statutory Auditors:</b> <ul style="list-style-type: none"> <li>- Italconsult Spa</li> <li>- Gamenet Group Spa</li> <li>- Askanews Spa</li> <li>- Cinecittà Studio Spa</li> <li>- Pfizer Italia Holding Spa</li> </ul> <b>Chairman of the Board of Directors</b> <ul style="list-style-type: none"> <li>- Elettra 1938 Spa</li> </ul>
Patrizia Michela GIANGUALANO	Member of the Supervisory Board	= =
Paola GIANNOTTI	Member of the Supervisory Board	<b>Director</b> <ul style="list-style-type: none"> <li>- Terna Spa</li> <li>- EPS Equita PEP SPAC Spa</li> </ul>
Lorenzo Renato GUERINI	Member of the Supervisory Board	<b>Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- 035 Investimenti Spa</li> <li>- Quenza Srl</li> </ul>
Giuseppe LUCCHINI	Member of the Supervisory Board	<b>Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- Sinpar Spa</li> <li>- Lucchini RS Spa</li> <li>- Gilpar Spa</li> </ul> <b>Deputy Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- Lucchini Mamè Forge Spa</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>- Beretta Holding Spa</li> </ul>
Sergio PIVATO	Member of the Supervisory Board	<b>Chairman of the Board of Statutory Auditors:</b> <ul style="list-style-type: none"> <li>- SMA Spa</li> <li>- E-Novia Spa</li> </ul> <b>Full Statutory Auditor:</b> <ul style="list-style-type: none"> <li>- Auchan Spa</li> </ul>

**Positions held by the members of the Management Board of UBI Banca** in other companies listed in regulated markets including foreign markets (\*), in financial, banking, insurance or large companies.

(\*\*) Companies belonging to the UBI Banca Group

Name	Position held in the issuer	Positions held in other listed companies or in banking, financial, insurance or large companies
BRICHETTO ARNABOLDI Letizia Maria	Chairwoman of the Management Board	<b>Chairwoman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- Fondazione E4Impact</li> </ul> <b>Chief Executive Officer:</b> <ul style="list-style-type: none"> <li>- Securfin Holdings Srl</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>- AON Italia srl</li> </ul>
Flavio PIZZINI	Deputy Chairman of the Management Board	<b>Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- Borghesi Buroni Foundation</li> </ul> <b>Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- UBI Sistemi e Servizi Scpa (**)</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>- Immobiliare Due Febbraio Srl</li> <li>- Lambriana Foundation</li> </ul> <b>Chairman of the Board of Statutory Auditors:</b> <ul style="list-style-type: none"> <li>- Impresa Tecnoeditoriale Lombarda Srl</li> <li>- Housing Sociale Foundation</li> <li>- EBIS Foundation</li> <li>- Brevivet Spa</li> </ul>

Name	Position held in the issuer	Positions held in other listed companies or in banking, financial, insurance or large companies
		<ul style="list-style-type: none"> <li>- Achille e Giulia Boroli Foundation</li> </ul> <b>Sole Statutory Auditor</b> <ul style="list-style-type: none"> <li>- Novaradio Srl</li> </ul> <b>Receiver:</b> <ul style="list-style-type: none"> <li>- Bosa Srl in liquidation</li> </ul> <b>Member of the Board of Statutory Auditors:</b> <ul style="list-style-type: none"> <li>- Fondazione E4Impact</li> </ul>
Victor MASSIAH	Chief Executive Officer/General Manager	<b>Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- Associazione per lo Sviluppo degli Studi di Banca e Borsa (Association for bank and stock market studies)</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>- Italian Banking Association</li> <li>- Interbank Deposit Protection Fund.</li> <li>- Voluntary Scheme</li> </ul>
Silvia FIDANZA	Member of the Management Board	<b>Chairman of the Supervisory Board:</b> <ul style="list-style-type: none"> <li>- Befado S.p. z.o.o. (Polonia)</li> </ul>
RANICA OSVALDO	Member of the Management Board	<b>Chairman:</b> <ul style="list-style-type: none"> <li>- Italian Banking Association - Regional Commission for Lombardy</li> <li>- Banca Teatina Spa (**)</li> </ul> <b>Deputy Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- UBI Leasing SpA (**)</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>- Fondazione Unione di Banche Italiane per Varese Onlus</li> </ul>
Elvio SONNINO	Member of the Management Board / Senior Deputy General Manager	<b>Deputy Chairman of the Board of Directors:</b> <ul style="list-style-type: none"> <li>- IW Bank Spa (**)</li> </ul> <b>Executive Officer:</b> <ul style="list-style-type: none"> <li>UBI Sistemi e Servizi SCpA (**)</li> </ul> <b>Director:</b> <ul style="list-style-type: none"> <li>- UBI Academy S.C.R.L. (**)</li> <li>- Italian Banking Association</li> </ul>
Elisabetta STEGHER	Member of the Management Board/Chief Financial Officer	= =

## SUMMARY TABLES

**TABLE 1. INFORMATION ON THE OWNERSHIP STRUCTURE (as at 31<sup>st</sup> December 2017) and at the date of this report)**

### STRUCTURE OF THE SHARE CAPITAL

	Number of shares	percentage of share capital	Listed (indicate markets) / unlisted	Rights and obligations (*)
Ordinary shares	1,144,285,146	100 %	Milan – FTSE MIB	Each share gives the right to one vote. The rights and obligations of shareholders are those provided for by Art. 2346 et seq. of the Civil Code.
Shares with multiple voting rights	==	==	==	
Shares with limited voting rights	= =	= =	= =	
Shares with no voting rights	= =	= =	= =	
Other	==	==	==	

(\*) In accordance with the provisions of Art. 10 of the Articles of Association, up to 26<sup>th</sup> March 2017 no party with the right to vote could exercise it, for any reason, with a quantity of shares greater than 5% of the share capital with voting right (shares held by Italian or foreign collective investment undertakings excluded from the count for the purposes of this limit).

### SIGNIFICANT INVESTMENTS IN THE SHARE CAPITAL(\*)

Declarant	Direct shareholder	Percentage (%) of ordinary share capital	Percentage (%) of voting share capital
Fondazione Cassa di Risparmio di Cuneo (declared on 29 <sup>th</sup> June 2017)	Yes	5.910%	5.910%
Silchester International Investor LLP (declared on 4 <sup>th</sup> November 2015) (1)	No	5.123%	5.123%
(Declared on 7 <sup>th</sup> December 2017)	Yes	4.959%	4.959%

(\*) Source: communications performed pursuant to article 120 of the Consolidated Finance Law.

*(1) We report that Silchester attended the annual general meeting held on 7<sup>th</sup> April 2017 with shares accounting for 7.258% of UBI Banca's share capital and that this information relates to the period prior to the increase in the share capital completed in July 2017.*

It should be noted that the percentage interests shown in the table above do not take account of possible changes in the shareholdings that are not subject to disclosure obligations in accordance with the applicable regulations. Those shareholders (investment management companies) who have taken advantage of the exemption pursuant to Art. 119-bis of the Issuers' Regulations have not been considered.

With regard to investments in financial instruments and aggregate investments, we report that on 16th November 2017, in accordance with Art. 119 of the Issuers' Regulations, Edoardo Mercadante disclosed that, through the subsidiary management company, Parvus Asset Management Europe Ltd, he indirectly held an overall long position with settlement in cash accounting for 5.091% of the share capital composed as follows:

- (a) 0.431%: an equity swap contract with maturity date 03/05/2018;
- (b) 0.020%: an equity swap contract with maturity date 03/07/2018;
- (c) 0.004%: an equity swap contract with maturity date 07/08/2018;
- (d) 4.604%: an equity swap contract with maturity date 27/03/2019;
- (e) 0.032%: an equity swap contract with maturity date 05/07/2019.

**TABLE 2: SUPERVISORY BOARD AND COMMITTEES (1)**

Supervisory Board											Appoint- ments Committee		Remuneration Committee		Internal Control Committee		Risk Committee		Related and Connected Parties Committee	
Position	Members	Year of birth	Date first appointed	In office since	In office until	List (*)	Independent as per Corporate Governance Code	Supervisory Board (****)	Manage- ment Board (****)	No. of appointm ents (**)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)
<b>Chairman</b>	Andrea MOLTRASIO	1956	from 1/04/2007 to 24/04/2010  since 20/04/2013	2/04/2016	AGM 2019	M		26/26		4	P	14/14								
<b>Senior Deputy Chairman</b>	Mario CERA	1953	20/04/2013	2/04/2016	AGM 2019	M		26/26		= =	M	14/14	M	13/14 (3)						
<b>Deputy Chairman</b>	Pietro GUSSALLI BERETTA	1962	from 1/04/2007 to 20/04/2013	2/04/2016 (Appointed DC on 14/4/2016)	AGM 2019	M		21/26		10	M	12/14								
<b>Deputy Chairman</b>	Armando SANTUS	1969	28/04/2012	2/04/2016 (Appointed DC on 14/4/2016)	AGM 2019	M	X	24/26		= =								P	15/15	
<b>Board Member</b>	Francesca BAZOLI	1968	2/04/2016	2/04/2016	AGM 2019	M	X	26/26		2						M	16/16			
<b>Board Member</b>	Letizia BELLINI CAVALLETTI	1962	20/04/2013	2/04/2016	AGM 2019	M	X	26/26		= =	M	12/12 (4)						M	15/15	
<b>Board Member</b>	Pierpaolo CAMADINI	1963	20/04/2013	2/04/2016	AGM 2019	M	X	24/26	15/33 (§)	4					M	14/18				
<b>Board Member</b>	FERRUCCIO DARDANELLO (2)	1944	7/04/2017	7/04/2017	AGM 2019	(*1)	X	16/19		12			M	5/5 (5)						
<b>Board Member</b>	Alessandra DEL BOCA	1947	20/04/2013	2/04/2016	AGM 2019	M	X	26/26		= =			C	19/19						
<b>Board Member</b>	GIOVANNI FIORI(*)	1961	2/04/2016	2/04/2016	AGM 2019	m	X	25/26	2/33 (§)	6	M	12/14			C	18/18				
<b>Board Member</b>	Patrizia Michela GIANGUALANO	1959	2/04/2016	2/04/2016	AGM 2019	m	X	26/26	15/33 (§)	= =			M	19/19	M	15/18	M	15/16		



**continued TABLE 2: SUPERVISORY BOARD AND COMMITTEES**

Supervisory Board											Appoint-ments Committee		Remuneration Committee		Internal Control Committee		Risk Committee		Related and Connected Parties Committee	
Position	Members	Year of birth	Date first appointed	In office since	In office until	List (*)	Independent as per Corporate Governance Code	Supervisory Board (****)	Managem-ent Board (****)	No. of appointm-ents (**)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)
<b>Board Member</b>	Paola GIANNOTTI	1962	2/04/2016	2/04/2016	AGM 2019	m	X	24/26		2							C	16/16	M	15/15
<b>Board Member</b>	Lorenzo Renato GUERINI (*)	1949	20/04/2013	2/04/2016	AGM 2019	M	X	26/26	14/33§)	2					M	18/18	M	16/16		
<b>Board Member</b>	Giuseppe LUCCHINI	1952	from 1/04/2007 to 20/04/2013	2/04/2016	AGM 2019	M	X	18/26		5										
<b>Board Member</b>	Sergio PIVATO (*)	1945	1/04/2007	2/04/2016	AGM 2019	M		25/26	7/33§)	3					M	17/18	M	10/14 (4)		

<b>Number of meetings held during 2017</b>	Supervisory Board: 26	Appointments Committee: 14	Remuneration Committee: 19	Internal Control Committee: 18 (#)	Risk Committee: 16	Related and Connected Parties Committee: 15
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(#) The members of the Internal Control Committee are also members of the Supervisory Body of UBI Banca pursuant to Legislative Decree No. 231/01, which met five times in 2017.

**NOTES**

- 1) SUPERVISORY BOARD: appointed by the Shareholders' Meeting of 2<sup>nd</sup> April 2016 for the three-year period 2016/2017/2018 - COMMITTEES: appointed by the Supervisory Board on 13<sup>th</sup> April 2016
- 2) Board Member appointed by the Shareholders' Meeting on 7<sup>th</sup> April 2017)
- 3) Member until 11/09/2017
- 4) Member since 02/02/2017
- 5) Member since 12/09/2017

(\*) Enrolled in the Register of External Statutory Auditors

(§) As a member of the Internal Control Committee

(\*) Board members indicated with the letter “M” were in the list that received the second highest number of votes at the Shareholders' Meeting of 2nd April 2016. Board Members Moltrasio, Cera and Santus were appointed by the list vote mechanism set out in the Articles of Association, while the remaining board members were appointed by a decision of the Shareholders' Meeting taken by a majority vote, again on 2nd April 2016.  
Board members indicated with the letter “m” were drawn from the list that obtained the majority of the votes at the Shareholders' Meeting of 2nd April 2016.

- (\*) Board Member appointed by the Shareholders' Meeting on 7<sup>th</sup> April 2017 by a majority vote to replace a board member who had resigned; the candidature was presented by the Mar.Bea Srl and Fondazione Banca del Monte di Lombardia shareholders in implementation of the agreement stipulated between Sindacato Azionisti UBI Banca S.p.A. (UBI Banca S.p.A. Shareholders' Syndicate) and Patto dei Mille (Pact of the Thousand).
- (\*\*) Number of directorships or appointments as statutory auditor (or equivalent positions) held in other companies listed on regulated markets including foreign markets, in financial, banking or insurance
- (\*\*\*) This column shows the position of the member of the Supervisory Board within the Committee ("C" Chairman; "M" Member).
- (\*\*\*\*) This column shows the number of meetings attended by the member in relation to the total number of meetings he/she could have attended.

**TABLE 3 MANAGEMENT BOARD (1)**

Position	Members	Year of birth	Date first appointed	In office since	In office until	Independent (in accordance with Art. 147- <i>quater</i> of the Consolidated Finance Law) (**)	Executive	Attendance at meetings of the Management Board (***)	Number of other positions (****)
<b>Chairwoman</b>	LETIZIA MARIA BRICHETTO ARNABOLDI	1949	14/4/2016	14/4/2016	(*)		X	30/33	3
<b>Deputy Chairman</b>	Flavio PIZZINI	1955	2/04/2007	14/4/2016	(*)		X	33/33	12
<b>Chief Executive Officer/General Manager</b>	VICTOR MASSIAH (2)	1959	appointed Chief Executive Officer on 27/11/2008 with effect from 1/12/2008)	14/04/2016 (appointed Chief Executive Officer on 15/4/2016)	(*)		X	33/33	4
<b>Board Member</b>	Silvia FIDANZA	1974	23/04/2013	14/4/2016	(*)	X		31/33	1
<b>Board Member</b>	OSVALDO RANICA	1952	14/4/2016	14/4/2016	(*)		X	33/33	4
<b>Board Member /Senior Deputy General Manager</b>	Elvio SONNINO	1960	23/04/2013	14/4/2016	(*)		X	33/33	4
<b>Board Member/Chief Financial Officer</b>	Elisabetta STEGHER	1967	14/4/2016	14/4/2016	(*)		X	30/33	=

33 meetings of the Management Board were held in 2017.

#### NOTES

(1) Appointed by the Supervisory Board on 14<sup>th</sup> April 2016

(2) The Chief Executive Officer to whom duties concerning internal controls have been assigned pursuant to Art. 35-*bis* of the Articles of Association.

\* The members of the Management Board remain in office for three financial years (2016-2017-2018) and their term of office expires on the date of the Supervisory Board meeting convened to approve the financial statements relating to their last year in office. THEY REMAIN IN OFFICE IN ANY EVENT UNTIL A NEW MANAGEMENT BOARD IS APPOINTED IN ACCORDANCE WITH ARTICLE 38, LETTER A) OF THE ARTICLES OF ASSOCIATION AND THEY MAY BE RE-APPOINTED.

\*\* The members of the Management Board are not required to meet the requisites of independence in the Corporate Governance Code, due, amongst other things, to the decision made by UBI Banca to form internal committees within the Supervisory Board provided for by that Code for which those requisites are required.

\*\*\* This column shows the number of meetings attended by the member in relation to the total number of meetings he or she could have attended.

\*\*\*\* Number of directorships or appointments as statutory auditor held in other companies listed on regulated markets including foreign markets, in financial, banking or insurance companies or companies of significant dimensions. This report contains full details of the appointments (Attachment A).

**TABLE 4 – Composition of governing bodies by diversity indicators**

COMPOSITION OF GOVERNING BODIES BY DIVERSITY INDICATORS						
	2017			2016		
	Supervisory Board	Management Board	Total	Supervisory Board	Management Board	Total
<b>Gender</b>						
Men	66.7%	57.1%	63.6%	66.7%	57.1%	63.6%
Women	33.3%	42.9%	36.4%	33.3%	42.9%	36.4%
<b>Educational qualifications</b>						
Senior high school graduate	0.0%	14.3%	4.5%	0.0%	14.3%	4.5%
First degree	100.0%	85.7%	95.5%	100.0%	85.7%	95.5%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Age</b>						
under 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 to 50	6.6%	14.2%	9.0%	13.3%	28.6%	18.2%
50 to 60	46.7%	42.9%	45.5%	53.3%	28.6%	45.5%
Over 60	46.7%	42.9%	45.5%	33.3%	42.9%	36.4%
<b>Average age</b>	61	58		58	57	

## Attachment 1

<b><u>COMPLIANCE TABLE</u></b>	
<b>PUBLIC DISCLOSURE OBLIGATIONS FOR BANKS RELATING TO ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE PURSUANT TO THE SUPERVISORY REGULATIONS (Bank of Italy Circular No. 285 - Title IV, Chapter 1, Section VII)</b>	<b>CONTENTS OF THIS REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE</b>
Information on general aspects of organisational structure and corporate governance	Chapters 1, 2, 4 and 12
Indication of the category in which the Bank is placed as a result of the assessment process pursuant to section I, paragraph 4.1 of the “supervisory regulations”	Section 1
Total number of members of the collegiate bodies in office and reasons for any extra members with respect to the limits set in the application guidelines contained in section IV of the “Supervisory Regulations”	Section 1
Distribution of the members of the collegial bodies by age, gender and length of time in office	Tables 2, 3 and 4
Number of Board Members in possession of the requirements of independence	Chapters 4 and 12
Number of board members representing minorities	Chapter 4 and Table 2
Number and type of positions held by each senior officer of the Bank in other companies and entities	Attachment A
Number and names of internal board committees, their functions and responsibilities	Chapters 5, 6, 7, 9, 10 and 11
Succession policies in place, number and type of positions concerned	Section 8



## Attachment 2

### **Principal characteristics of the existing risk and internal control management systems in relation to the financial reporting process.**

#### **1) Introduction**

The existing risk and internal control management system in relation to the financial reporting process of the UBI Banca Group consists of a set of corporate rules and procedures adopted by various operational units, designed to ensure the reliability, accuracy and promptness of financial reporting.

In this respect of Law No. 262 of 28<sup>th</sup> December 2005 (and subsequent amendments) “Measures for the protection of savings and to regulate financial markets”, inserted Art. 154-*bis* into the Consolidated Finance Law which introduced the role of the Senior Officer Responsible for the preparation of corporate accounting documents (hereinafter the “Senior Officer Responsible”) into the corporate organisation of listed companies in Italy, who is held responsible for the preparation of corporate accounting documents.

The UBI Group responded to the legislation designed to strengthen the system of internal controls in relation to the financial reports produced by listed issuers by adopting an organisational and methodological system (administrative and financial model of governance), which, in a context of integrated compliance, makes it possible to continuously regulate activities concerning the adequacy and effective application of the management of financial reporting risk and consequently to be able to make an accurate assessment of the internal control system in question.

The model developed was approved by the Management Board and the Supervisory Board on 15<sup>th</sup> January 2008 and 6<sup>th</sup> February 2008 respectively and then officially implemented in a specific set of regulations, issued with Group Communication No. 166 of 8<sup>th</sup> August 2008. This Group Communication also includes the “Methodological manual for compliance risk assessment pursuant to Law No. 262/2005”, the most recent update of which was approved by the Management Board on 15<sup>th</sup> December 2015, with the aim of further maximising the effectiveness of audit activity conducted by the Senior Officer Responsible on the areas considered most critical on the basis of the degree of risk assigned to the various significant processes pursuant to Law No. 262/2005 (a “risk-driven” process).

The model adopted, the efficacy of which is the subject of constant monitoring, is based on the main reference frameworks recognised nationally and internationally for the development of adequate systems of internal controls for financial reporting, the COSO Framework<sup>1</sup> and the COBIT Framework<sup>2</sup>, and it involves different areas described in detail in the section that follows.

#### **2) Description of the main characteristics of risk and internal control management system in relation to financial reporting processes.**

The system of controls for financial reporting is based on three fundamental pillars:

- the existence of an adequate internal control system at company level designed to reduce the risk of errors and improper conduct for the purposes of accounting and financial reporting, by verifying on an ongoing basis that adequate systems of governance and

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<sup>1</sup> COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a private voluntary organisation for the improvement of the quality of financial reporting through the use of ethical principles in business, internal controls and an adequate system of corporate governance.

<sup>2</sup> COBIT (Control Objectives for IT and related technology Framework) was drawn up by the IT Governance Institute, a United States body which has the objective of defining and improving corporate standards in the IT sector. More specifically, the UBI Group has adopted the Framework IT Control Objectives for Sarbanes Oxley, defined specifically to control financial information.

standards of conduct and adequate risk management processes are in place and that there are effective organisational structures, clear reporting systems and adequate IT and communication systems. Verification at company level, conducted by the Parent Audit Governance & Methodologies Area, is performed by using a special tool known as “Company Level Control (CLC) Assessment”, which is based on the qualitative assessment of a series of risk factors considered essential for the soundness and reliability of an administrative and financial governance system;

- the development, maintenance and formalisation of adequate processes to control the production of accounts and financial reports and subsequent verification annually that they are adequate and actually applied. This includes administrative and accounting procedures that guarantee reasonable certainty of the reliability of financial reporting, whether it relates to financial reporting processes in the strict sense of the term or to business and support processes considered nevertheless significant for the purposes of financial reporting;
- the development of controls on the management of technological infrastructures and software applications which regard financial and administrative processes and subsequent verification annually that they are adequate and actually applied.

The adequacy and effective application of administrative and accounting procedures, forming part of the broader system of financial reporting controls, is also subject to specific verification by an external independent consultant, who reports on the activities carried out in a special report issued for each Group company included as part of the investigation pursuant to Law No. 262/2005, defined annually on the basis of significant quantitative or qualitative indicators.

#### a) Stages of the risk and internal control management system in relation to financial reporting processes

With regard to the development, maintenance and formalisation of adequate processes of control over the production of accounts and financial reports and the development of controls over the management of technological infrastructures, the framework adopted involves the following stages of analysis and investigation:

- identification of the **relevant scope of application** consisting of the companies in the UBI Group, the items on the financial statements and the processes considered significant on the basis of both quantitative parameters, in relation to operating and capital amounts in the consolidated financial statements, and qualitative parameters, in relation to the complexity of the business and the type or implicit risks. The method adopted by the UBI Group for the definition of the relevant scope of application requires the identification of significant variables derived, in consecutive order, from:
  - selection of the significant companies;
  - selection of the significant items in the financial statements at Group level;
  - selection of the significant items in the financial statements at single company level;
  - tracing the significant items in the financial statements to significant processes/contexts;
- definition of the area of investigation for the year in question, approved annually by the Management Board, by planning annual audit activities over the course of the whole year, in application of the risk-driven Model referred to above, involving the assignment of a risk ranking to processes. On the basis of that Model, differentiated analysis approaches are defined, while always ensuring an appropriate level of supervision of the most significant processes, partly on the basis of qualitative elements inferred from:
  - anomalies found in previous analyses;
  - level of stability of the processes;
  - the analysis of anomalies found by other monitoring functions;
- formalisation of the relevant processes and risks connected with financial reporting and related supervisory controls prioritised on the basis of an analysis of external regulations, self-regulation and interviews of the relative process owners. This activity is designed to assess and document the processes identified as significant for the purposes of Law No. 262/2005 and also the risks connected with financial reporting and the relative controls set

in place to oversee them. The production of these documents constitutes a preliminary condition for the subsequent verification of the adequacy of the internal control system;

- definition of the regular frequency of assessment processes, on the basis of the degree of risk assigned to the process, giving priority to processes that are considered to be at high risk but in any event ensuring, over the three-year period, that all significant process are assessed, even if they are considered to be at low risk;
- risk measurement and the adequacy of the controls. The objective of that activity is to verify the adequacy and effective application of the administrative and accounting procedures employed in the preparation of financial statements and in all other financial reporting, as well as how efficiently the controls have been designed and implemented. The activity consists of the following steps:
  - verification of the adequacy of the administrative and accounting procedures employed in the preparation of financial statements and in all other financial reporting. activity, known as “**risk and control assessment**”, is carried out by monitoring the risks associated with financial reporting procedures intrinsic to the life cycle of financial data, attributable to observance of “financial assertions” which international standards define as the requirements which financial reports must meet for compliance with legal obligations. “Financial assertions” therefore perform the function of an operational tool which guides the identification and assessment of the principal controls, the absence or ineffectiveness of which can prejudice the achievement of veracity and accuracy in the representation of the capital, operating and financial position of the Group;
  - valuation of the key controls for mitigation of financial reporting risks, identified and defined at the “risk and control assessment” stage. This activity, known as “**test of design**”, is intended to define the requirements of the key controls for mitigation of the risks of failure to comply with “financial assertions”. This activity may bring to light concerns which require the preparation of appropriate corrective action plans;
  - verification of the effective and continuous application of controls. This stage, which consists of “**effectiveness tests**”, is designed to assess the effective application, in the accounting period, of administrative and accounting procedures employed in the preparation of financial statements and in all other financial reporting. In this stage, verification is performed of the implementation of the controls provided for by the system of documentation put in place during the stage when processes and procedures were formulated and introduced. This activity may bring to light concerns which require the preparation of appropriate corrective action plans;
- definition and monitoring of corrective action to be undertaken as a result of the verifications performed. The methodology involves the initiation, on the basis of the corrective action plans just mentioned, of a structured course of action which by means of specific monitoring action, leads to effective reinforcement of controls by the involvement and empowerment of the relative process owners and the consequent modification of the related internal system of regulations. The corrective action plans are communicated by means of a special report to the Management Board and the Boards of Directors of subsidiaries responsible for the consequent decisions;
- a brief assessment, on completion of the stages described above, of the overall degree of adequacy of the internal control system put in place to oversee financial reports produced relating to the reporting period for oversight activities. The final assessment, which considers the significance of any points found requiring attention, is formalised in a special report, drawn up for each significant company in the Group and submitted to the attention of the Management Board of the Parent and the Boards of Directors of subsidiaries;
- a “Cascade-like certification system” is put in place with the issue of certifications, the content of which is substantially similar to that required by law, by the Governing Bodies of Group companies subject to full consolidation, addressed to the Chief Executive Officer and the Senior Officer Responsible of the Parent.

## b) Roles and functions involved

The operational stages described above are conducted by the specialist structure within the Bank, in staff units under the Senior Officer Responsible, and also with the support of various other corporate roles involved for various reasons in compliance with the specific requirements of Law No. 262/2005.

The following are involved:

- the Chief Operating Officer through the units reporting to him. the Organisation Area of UBI and of UBI Sistemi e Servizi Scpa are involved in the organisation and maintenance of document systems, designed to meet the requirements of assessing the adequacy and effectiveness of procedures that impact financial reporting;
- the other internal control functions (relating in particular to the Chief Audit Executive e Chief Risk Officer), in order to create organisational synergies and consistency in assessment across the various units concerned.

The roles and responsibilities of the stakeholders involved in the specific activities required by Law No 262/2005, as well as the relations between the Senior Officer Responsible and the various company personnel involved, with particular reference to the exchange of information between them, are defined by the specific Organisational Regulation which serves as follows:

- to clearly state the tasks and operational responsibilities of the Senior Officer Responsible and those of the other persons involved in the processes/activities for compliance with Law No 262/2005;
- to define the necessary reporting to the Senior Officer Responsible, and identify the units responsible for providing them, and their frequency and deadlines;
- to provide for the Senior Officer Responsible to have a functional role within the corporate governance of the Group.

The interactions of the Senior Officer Responsible with the other control functions are also regulated by the “UBI Banca Group Internal Control System Policy” approved by the Supervisory Board on the basis of proposals submitted by the Management Board on 1<sup>st</sup> July 2014. It formalises the co-ordination activity that normally takes the form of periodic meetings of the chiefs of the corporate control functions and the Senior Officer Responsible with the aim of promoting the constant exchange of information. This co-ordination also relates to the sharing of operational aspects (e.g. activity programmes), methodological aspects (e.g. procedures for assessing risks and controls) and any actions to be taken. Information on these co-ordination activities is reported periodically to the competent Governing Bodies at meetings which are also attended by the Senior Officer Responsible.

The administrative and financial governance model also employs the aforementioned cascade-like certification system whereby in addition to the competent bodies of the individual Group companies subject to full consolidation and first line staff of UBI Banca, provide the Chief Executive Officer and the Senior Officer Responsible of the Parent with special internal certifications.

## Attachment 3

### **Policy on internal controls to manage risk assets and conflicts of interest with regard to connected parties.**

#### 1 Introduction

#### 2 Identification of sectors of activity and types of economic relationships

Criteria for the identification of sectors of activity and types of economic relationships

Mechanisms for the identification of sectors of activity and types of economic relationships

#### 3 Risk appetite

Consolidated and individual quantitative limits

Management of credit quality

#### 4 Guidelines for the establishment and governance of organisational processes to identify and collect information on connected parties and to identify and quantify transactions with them at all stages of the relationship

Introduction

Organisational roles

IT systems e Procedures

#### 5 Guidelines for the establishment and governance of control processes for the correct measurement and management of risks assumed, and monitoring the design and implementation of internal policies

#### 6 Powers and responsibilities

Attachment 1 – Glossary

## 1 Introduction

### External regulatory framework

The Bank of Italy published guidelines on “Risk assets and conflicts of interest with regard to connected parties”<sup>1</sup> which require authorised banks in Italy to adopt appropriate organisational structures and internal control systems.

Connected counterparty risk arises from the fact that “the closeness of persons to the decision-making centres of a bank might compromise the objectivity and impartiality of decisions concerning the grant of loans to, and other transactions with, those persons, which may result in possible distortions in the resource allocation process, the exposure of the Bank to inadequately measured or monitored risks, and potential harm to depositors and shareholders”<sup>2</sup>.

Supervisory regulations identify two types of controls against such risk:

- limits on Own Funds designed to contain risk asset exposures<sup>3</sup> to connected parties, differentiated according to their specific type<sup>4</sup>;
- procedures that ensure the integrity of decision-making processes in transactions with connected parties, safeguarding resource allocation and protecting third parties from expropriation practices<sup>(5)</sup>.

In this context, connected parties are defined in general terms as:

- related parties;
- parties connected with them<sup>6</sup>.

Furthermore, in order to take account of potential risks of conflicts of interest caused by counterparties that do not, strictly speaking, fall under the definition of connected parties but whose work could in any case have a significant impact on the risk profile of individual banks or companies (“Material Risk Takers” or “Identified Staff”<sup>7</sup>), the legislation states that each banking group must adopt (in line with provisions on connected counterparties) appropriate processes to manage transactions in which such parties could have a direct or indirect interest, personally or otherwise.

Specifically, internal procedures must require the relevant personnel to declare their interests in individual transactions and for the management of such relationships to be assigned to a hierarchically superior level.

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<sup>1</sup> Cf. “New regulations for the prudential supervision of banks” Circular No. 285 of 17<sup>th</sup> December 2013 - 12<sup>th</sup> update of 15<sup>th</sup> September 2015 - Part One - Title IV - Chapter 1 - Section III, Par. 2.2. sub (i) which makes reference on the subject of managing risk assets and conflicts of interest with regard to connected parties to the “New regulations for the prudential supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 Title V - Chapter 5 - 9<sup>th</sup> update.

<sup>2</sup> Cf. “New regulations for the prudential supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update Title V - Chapter 5 – Section I.

<sup>3</sup> Risk assets are considered net exposures as defined for the purposes of the regulations on concentration of risk, Circular No. 263 of 27<sup>th</sup> December 2006, Title V, Chapter 1, Section II, Par. 2 and the “Instructions for compiling reports on own funds and capital ratios” (Circular No 155 of 18<sup>th</sup> December 1991 and subsequent updates), Section 5.

<sup>4</sup> Cfr. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 Section II Limits on risk assets.

<sup>5</sup> Cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update – Title V – Chapter 5 Section III Decision-making procedures.

<sup>6</sup> Cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 Section I paragraph 3.

<sup>7</sup> Cf. Par. 4 “Group remuneration and incentives policies” currently in force.



For those transactions in which counterparties are involved that fall within the “Material Risk Taker” or “Key Personnel” category and at the same time are classified as connected parties according to the definition contained in the “Regulations governing transactions with Connected Parties of the UBI Group” the decision-making procedure laid down in those regulations is applied.

#### Internal regulatory framework

In order to implement the regulations on controls<sup>8</sup>, the UBI Group has adopted a “Policy on internal controls on risk assets and conflicts of interest with regard to connected parties”. This sets out the guidelines and rules for the adoption – by the Group as a whole and the individual banks and companies within it – of adequate organisational structures, internal control systems and specific policies to monitor these risks in the two areas defined above (prudential limits and decision-making processes).

The purpose of the guidelines and rules is to give the UBI Group effective control mechanisms and to identify the responsibilities of company bodies, the duties of the corporate functions and reporting regarding the prevention, correct management, mitigation and monitoring of potential conflicts of interest resulting from all relationships with connected parties, with a particular focus on recording them and monitoring changes in exposures to and transactions with them.

Regarding the definition of “connected parties”, the UBI Group has a Rule Book and “Regulations for transactions with UBI Group connected parties” in which it sets out, in detail, the scope of what is meant by related parties and connected parties.

Finally, in order to take account of potential risks of conflicts of interest caused by counterparties that do not, strictly speaking, fall under the definition of connected parties but whose work could in any case have a significant impact on the bank’s risk profile (e.g. “Material Risk Takers” or “Identified Staff”) the UBI Group has adopted (in line with provisions on connected counterparties) appropriate processes to manage transactions in which such parties could have a direct or indirect interest, personally or otherwise. Specifically, internal procedures must require the relevant personnel to declare their interests in individual transactions and for the management of such relationships to be assigned to a hierarchically superior level.

As concerns the definition of significant personnel, those who fall within the “Material Risk Taker” or “Identified Staff” perimeter are classified in this area, as defined in the document “UBI Group remuneration and incentive policies” currently in force, approved by the Supervisory Board. With regard to the aforementioned persons, the guidelines, systems and criteria set out in this document must also be properly applied following the minimum standards set forth in supervisory documents<sup>9</sup>.

The actual practical implementation of the legislation and regulations, and of the guidelines set forth in the policy, must be adapted to the characteristics and strategies of the Group as a whole and of each bank and company within the Group, in accordance with the principle of proportionality, while ensuring precise compliance with the supervisory regulations.

In this context, the Parent approves and reviews internal policies on risk assets and conflicts of interest with regard to connected parties at least once every three years. The relative

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<sup>8</sup> Cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 Section IV.

<sup>9</sup> The regulations (cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 Section IV) require that banks and banking groups’ own rules must at least require personnel to declare their interests in transactions and for the management of such relationships (e.g. granting credit, entering credit litigation) to be assigned to a hierarchically superior level.

decisions are adopted following the procedures set forth in legislation and regulations<sup>10</sup> and the various documents setting out internal control policies are communicated to shareholders via a specific report and kept available in case requested by the Bank of Italy.

The governing bodies of Group entities must have a knowledge of the risk profile and the risk management policies set by the senior management of the Parent. To this end, they must implement the contents of internal policies, company regulations and, in general, legislation and regulations, and they must contribute to its implementation, each according to their responsibilities, consistent with the reality of their companies and with the risk management strategies and policies decided by the senior management of the Parent.

#### Content and structure of the policy

In accordance with the regulations on internal controls on risk assets and conflicts of interest with regard to connected parties, the policy comprises the following sections<sup>11</sup>:

- identification of sectors of activity and types of economic relationships, which, in line with the Group's operating characteristics and strategies, sets out the rules and guidelines for identifying the sectors of activity and types of economic relationships where conflicts of interest could arise;
- risk appetite, which establishes the maximum total acceptable risk asset exposure to all connected parties considered an acceptable and the related organisational structures to effectively monitor compliance – ex ante and ex post – with this limit;
- guidelines for the establishment and governance of organisational processes to identify and collect information on connected parties and to identify and quantify transactions with them at all stages of the relationship, which sets out specific and separate rules and guidelines for organisational roles and IT systems;
- guidelines for the establishment and governance of organisational control processes for the correct measurement and management of risks assumed, and monitoring the design and implementation of internal policies;
- powers and responsibilities, which sets out the principles that the Management Board must follow when enforcing the risk assumption limits defined in this policy.

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<sup>10</sup> Cf. "New Regulations for the Prudential Supervision of banks" Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 Section III. "The bank's management body, supervisory body and independent directors must be closely involved in drafting, amending and substantially adding to the procedures, and the main corporate functions affected must also have an input. More precisely:

- procedures are approved by the body responsible for strategic supervision;
- the independent directors and the body with the supervisory function provide a detailed and reasoned opinion on the overall suitability of the procedures to meet the objectives of the current policy; the opinions of the independent directors (*identified at UBI Banca as the Related and Connected Parties Committee*) and supervisory body are binding for the decision of the body responsible for strategic supervision;
- the relevant internal units perform a thorough investigation, each in their own areas of responsibility, to check that the proposed solutions meet the various requirements of this policy.

The procedure described above is also followed for proposals, to be submitted to the shareholders' meeting, to amend the articles of association if it is necessary to alter these provisions."

<sup>11</sup> Cf. "New Regulations for the Prudential Supervision of banks" Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 Section IV.

## 2 Identification of sectors of activity and types of economic relationships

### Criteria for the identification of sectors of activity and types of economic relationships

With reference to the sectors of activity and types of economic relationships, transactions with connected parties can cover any transaction involving the assumption of risk asset exposures<sup>12</sup>, transfers of resources, services or obligations, regardless of whether or not consideration is due in return.

The Group has a Rule Book and “Regulations on transactions with UBI Group connected parties” which set out in detail:

- the definition of connected-party transactions;
- the distinctions between connected parties according to their greater or lesser significance and the size of the amount, and the identification of the quantitative and qualitative parameters used to classify the various types of transactions (e.g. quantitative indicators include the relevance indicator of the amount of the transaction and the own funds<sup>13</sup> and the relevance indicator of the asset; qualitative indicators include organisational rules that determine which bodies take decisions over specific transactions);
- cases of exclusion<sup>14</sup>.

### Mechanisms for the identification of sectors of activity and types of economic relationships

Under the criteria set out in the preceding paragraph, the notion of transactions with connected parties could potentially cover all transactions and all kinds of economic relationships pertaining to sectors of activity – including those that do not imply risk asset exposures – that could give rise to conflicts of interest and can be carried out both by the Parent and by the individual banks and companies in the Group.

In this sense, given the variety and high number of transactions that fall within the scope of connected-party transactions, in order to monitor this risk thoroughly the Group must adopt procedures<sup>15</sup>, processes, mechanisms and internal policies to ensure that any operator who enters into contact with a potential connected party – following a request to carry out any kind of transaction and prior to its execution – checks whether the counterparty is designated as a

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<sup>12</sup> Risk assets are considered net exposures as defined for the purposes of the regulations on concentration of risk, Circular No. 263 of 27<sup>th</sup> December 2006, 9<sup>th</sup> update, Title V, Chapter 1, Section II, Par. 2 and the “Instructions for compiling reports on own funds and capital ratios” (Circular No 155 of 18<sup>th</sup> December 1991 and subsequent updates), Section 5.

<sup>13</sup> For the relevance indicator of the amount, the amount may be the sum paid to/from the counterparty if cash was used, the fair value if financial instruments were used, or the maximum amount disburseable in the case of loans. Qualitative/organisational rules set by the Supervisory Board on the basis of the provisions of the articles of association or other legislation and regulations (the Civil Code, the supervisory code etc.) are deemed to be more significant.

<sup>14</sup> In accordance with supervisory regulations (cf. Circular No. 263 del 27<sup>th</sup> December 2006 - 9<sup>th</sup> update Title V – Chapter 5 – Section I) the following are not considered to be connected-party transactions:

- transactions between members of a banking group if they are connected by a relationship of total control, including jointly;
- fees paid to the senior officers, providing these are in line with the supervisory provisions on incentive and remuneration schemes in banks;
- transactions to be performed on the basis of instructions for the purposes of stability issued by the Bank of Italy, or on the basis of instructions issued by the Parent of the Group to carry out instructions issued by the Bank of Italy in the interests of the stability of the Group;
- furthermore, intragroup transfers of funds or of collateral carried out as part of procedures to manage liquidity risk at consolidated level are not considered to be connected-party transactions. Transactions connected with covered bonds, securitisations and similar are considered as comprised within intragroup transfers carried out as part of the system to manage consolidated liquidity risk.

<sup>15</sup> This activity also covers updating existing procedures, processes and mechanisms that widen the definition of connected parties (e.g. “identified staff”).

connected party in the Group database and, if the counterparty is a connected party, check whether the transaction is covered by one of the exclusions.

The guidelines for the identification process are set out in section four.

In order to more accurately identify the areas where the guidelines are to be implemented in practice, the transactions that could generate conflicts of interest in relation to the Group's operations and strategies can be split into ordinary banking activities (in the narrow sense) and extraordinary transactions (in the broad sense).

The ordinary operations defined as UBI Group banking activities (in the narrow sense) include, for example:

- granting credit<sup>16</sup>;
- funding activities;
- investment and ancillary services for financial and non-financial assets<sup>17</sup>;
- advisory services and assistance for customers and other counterparties;
- collection, payment and fund transfer services;
- opening typical banking relationships (e.g. current accounts, etc.) and applying and changing their economic conditions;
- operations relating to remuneration and incentives systems;
- ordinary activities relating to managing the acquisition and disposal of goods and services.

The extraordinary operations defined as UBI Group banking activities (in the broad sense) include, for example:

- extraordinary activities relating to managing purchases and disposals of goods and services, including the purchase, sale and leasing of real property.
- extraordinary transactions (e.g. buying equities, corporate transactions such as mergers, demergers by acquisition or demergers in the strict non-proportional sense, increases in share capital, etc.).

While this list is merely for illustrative purposes and cannot be considered an exhaustive illustration of the preceding paragraph, the internal regulations governing each of the areas indicated must be supplemented and amended in order to transpose the provisions of the supervisory regulations and the criteria and guidelines set out in this policy and the regulation on transactions with connected parties.

In particular, the processes, procedures and IT systems that govern management of individual transactions/relationships with connected parties at all stages of the relationship (e.g. initial decision, management, monitoring, etc.) must be identified and made official in the internal regulations on the subject.

### **3 Risk appetite**

#### Consolidated and individual quantitative limits

The UBI Group and each bank and company in the Group intend to comply with the prudential limits on risk asset exposures to connected parties set forth in supervisory

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<sup>16</sup> See the specific instructions on conflicts of interest between granting credit and investing in equities, as set out in the regulation on what shares banks may hold.

<sup>17</sup> See the specific instructions on conflicts of interest in investment and ancillary services, as set out in the joint Bank of Italy-Consob regulation.

regulations<sup>18</sup>. To that end, they have adopted mechanisms designed to ensure ongoing compliance with said limits. Risk assets are weighted using factors that take account of the risks connected with the nature of the counterparty and any forms of credit protection there may be. The weighting factors and conditions for the admissibility of techniques to mitigate risk are stable in the context of risk concentration regulations<sup>19</sup>.

The consolidated regulatory limits are reported in the table below.

<b>Prudential limits on risk asset exposures to connected parties</b> (The limits related to the consolidated regulatory capital)			
Senior managers	Investors with control or able to exercise considerable influence	Other investors and parties who are not investors	Parties subject to control or considerable influence
5%	Non-financial related parties		
	5%	7.50%	15%
	Other related parties		
	7.50%	10%	20%

At the individual level, each bank belonging to the UBI Group may have risk asset exposures to connected parties totalling less than 20% of its individual own funds, regardless of the financial or non-financial nature of the connected party.

In order to calculate the individual limit, banks belonging to a banking group consider their risk asset exposures to all connected parties across the group.

#### Risk appetite – maximum limit of all exposures to all connected parties

In accordance with the supervisory regulations, UBI Group establishes its risk appetite on an annual basis, which is made official via a specific internal regulation applying to the units responsible.

Given the specific nature of the matter considered, in accordance with the provisions of the document entitled “RAF - Risk Appetite Framework” the UBI Group sets risk appetite<sup>20</sup> towards connected parties in terms of:

- the maximum authorised credit towards all connected parties as a ratio of the total authorised credit to ordinary customers and of that drawn on by institutional customers;
- an early warning threshold and an absorbed capital limit at consolidated level with respect to the total consolidated available financial resources, first and second tier<sup>21</sup>.

<sup>18</sup> Cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update -Title V – Chapter 5 Section I and II. The “connected parties” perimeter is defined by virtue of the relationships they hold with UBI Banca and with other banks or Supervised Intermediaries belonging to the UBI Group. Nevertheless, companies belonging to the UBI Group not defined as banks or supervised intermediaries also contribute to the definition of risk asset exposures to connected parties. Supervised Intermediaries are defined as follows: Italian and foreign investment companies and asset management companies, electronic money institutions (EMIs), financial intermediaries enrolled in the register according to article 106 of the Consolidated Banking Law (2), the payment institutions which form part of the a banking Group and have individual own funds of greater than 2% of the consolidated regulatory capital of the Group to which they belong.

<sup>19</sup> Cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update -Title V – Chapter 5 Section II.

<sup>20</sup> Cf. “Attachment 1 – glossary” in this document.

<sup>21</sup> For the definition of Available Financial Resources, see “RAF - Risk appetite framework”. The values attributed to the Available Financial Assets are not to be added to the amounts given in the “Credit risk management policy”, of which they are simply a component.

The values can be summarised as follows:

Description of levels		Value
Authorised credit limit (nominal amount)	Total authorised credit for connected parties / total authorised credit*  * Authorised credit = credit authorised for ordinary customers + credit drawn on by institutional customers	≤ 2.75%
Early warning threshold for allocated capital	Internal capital absorbed / available financial resources (1 <sup>st</sup> and 2 <sup>nd</sup> tier)	≤ 1.75%
Allocated capital limit	Internal capital absorbed / available financial resources (1 <sup>st</sup> and 2 <sup>nd</sup> tier)	≤ 2.0%

Final levels of authorised credit and internal capital absorbed are measured on a quarterly basis, at the same time as supervisory reports are produced.

The Management Board is responsible for verifying the figure set out in this document and must report to the Supervisory Board regarding maintaining the indicator within below the established value.

Lastly, the Group assesses legal, reputational and conflict-of-interest risks related to dealing with connected parties, where relevant to business operations, as part of the Internal Capital Adequacy Assessment Process (ICAAP); specifically, if prudential limits are exceeded, as well as the initiatives described in the recovery schedule it also takes account of excesses in the process to determine total internal capital.

#### Qualitative controls

In order to ensure proper management and adequate monitoring of risk assets, the Group has adopted suitable controls which cover the following subjects:

- procedures to accurately identify connected parties, to record their details in Group IT software, taking account of overlaps with IFRS connected parties, regulations on connected parties pursuant to Consob resolution 17221/2010 and Art. 136 of the Consolidated Banking Law regarding the proper storage of information and its amendment in the event of changes in connected parties;
- rules to determine the amount of exposure subject to limit checks in the event of the existence of risk mitigation guarantees (e.g. personal guarantees, guarantees with security, etc.);
- rules to identify cases in which the assumption of additional risk assets should be accompanied by specific risk attenuation techniques provided by persons independent from the connected parties and whose value is not positively correlated with the creditworthiness of the borrower. The identification of such cases must be general in scope and refer to the amount of risk assets as a ratio of own funds, transaction frequency and the nature of the relationship between the connected party and the bank/company or banking group;



- processes to ensure effective management of limits on risk exposure to connected parties, to be evaluated both ex ante (when a new loan is under consideration or being amended) and ex post (during the monitoring phase);
- rules on first level and second level monitoring and on periodic reporting, clearly identifying the organisational structures responsible. Regulations must also be drawn up on processes regarding prompt notification of the bodies responsible in the event that the defined limits are exceeded;
- the establishment of a process to ensure that risk asset exposures to connected counterparties are restored to within the limits if they are exceeded<sup>22</sup> according to the rules set out in legislation and regulations<sup>23</sup>.

#### **4 Guidelines for the establishment and governance of organisational processes to identify and acquire information on connected parties and to identify and quantify transactions with them at all stages of the relationship**

##### Introduction

In order to comply with supervisory regulations on identifying and recording information about parties and identifying and quantifying transactions, the UBI Group has devised and adopted specific organisational processes to:

- identify connected parties, to record their complete details in Group IT applications, taking account of overlaps with IFRS connected parties, regulations on connected parties pursuant to Consob resolution 17221/2010 and Art. 136 of the Consolidated Banking Law regarding the correct storage of information and its amendment in the event of changes;
- identify and quantify transactions with connected parties at all stages of the relationship, from the time that the transaction is requested and prior to its execution.

The rules and guidelines that the Group intends to follow in terms of organisational roles and IT systems and procedures are set out below.

##### Organisational roles

The responsibility for identifying existing relationships between counterparties – and between counterparties and the bank, or between the Parent and the Group companies – where the counterparty can be defined as a related or connected party, lies with the corporate function assigned to monitor business groups in order to assess major risks, as defined in the supervisory regulations.

To this end, the function responsible for identifying the counterparty as a connected party and the connected relationships must use all information available both internally (e.g. company databases and archives) and externally (the “*Centrale rischi*” central credit register, the “*Centrale bilanci*” central register of financial statements, etc), integrating and comparing them in order to ensure it has a complete overview of the business groups.

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<sup>22</sup> For example, if it became a connected party after the relationship was established.

<sup>23</sup> Cf. “New Regulations for the Prudential Supervision of banks” Circular No. 263 of 27<sup>th</sup> December 2006 - 9<sup>th</sup> update - Title V – Chapter 5 - Section II: “the Parent will prepare, within 45 days of the limit being exceeded, a recovery plan put forward by the management body and approved by the body responsible for strategic oversight, having consulted the body responsible for control. The recovery plan is sent to the Bank of Italy within 20 days of its approval, together with the documents containing the resolutions of the corporate bodies.”

The activities relating to identifying a counterparty as a connected party must be carried out on an ongoing basis and ensure that information is up to date.

The function must also adopt suitable procedures for collecting, conserving and updating information on connected parties, and must make these procedures official by way of a specific internal regulation.

Lastly, particular attention is required in cases of relationships with business groups that use complex corporate structures or do not ensure total transparency with regard to their ownership and organisation structures (e.g. if they include offshore companies or use company vehicles or legal schemes that can obstruct the reconstruction of ownership or control structures).

#### IT systems and procedures

The Group has adopted IT systems that are in use across the entire banking group and accessible to all units, which make it possible to:

- record information about connected parties from the moment they are defined as such pursuant to the “Regulation on transactions with UBI Group connected parties”;
- provide all banks and companies in the Group with up-to-date information about Group connected parties;
- record changes to them;
- monitor – ex ante and ex post – the total amount of and changes in the associated risk assets, also considering the current value of any existing risk mitigation techniques.

Specifically, the Parent uses IT systems that make it possible to verify, at all times, compliance with the consolidated and individual limits on risk asset exposures to connected parties.

### **5 Guidelines for the establishment and governance of control processes for the correct measurement and management of risks assumed, and monitoring the design and implementation of internal policies;**

In order to ensure that it has a system of controls that are in line with legislation and regulations, the UBI Group designs and adopts appropriate multi-level organisational control processes in accordance with the Group governance policy.

Three different levels of control units are responsible for ensuring correct measurement and management of risk exposures to connected parties and good design and implementation of internal policies, each according to the responsibilities assigned to them under corporate procedures, as indicated the relevant internal Group documentation, which must be updated and expanded to take account of the supervisory regulations and the rules and guidelines set forth in the policy.

Group controls are structured as follows:

- first level controls (i.e. line controls), designed to ensure the proper performance of the activities relating to their mission at different hierarchical levels. These are carried out by the unit managers (hierarchical controls), incorporated into procedures (procedural controls) or performed as part of back-office and/or staff activities; they are integrated into the processes to which they belong/pertain;
- second level controls, performed by specialist functions tasked with the ongoing identification, prevention and measurement of business risks, and providing periodic and specific reports, as a necessary basis for monitoring and assessing the system of internal controls;

- third level controls, performed by the internal audit function and leading to an objective judgment on the setup and functioning of the internal control system or parts thereof and, in particular, on the adequacy of risk controls assigned to specialist functions.

Specifically, the legislation and regulations require that:

- the risk management function is responsible for measuring the risks – including market risks – underlying relationships with connected parties, checking compliance with the limits attributed to the various structures and operating units, and monitoring each of their compliance with the risk appetite levels set out in internal policies;
- the compliance function verifies the ongoing existence and robustness of procedures and systems capable of ensuring compliance with all external and internal regulatory obligations;
- the internal audit function checks that internal policies are being followed, immediately reporting any failures to the supervisory body and the bank's senior management; it also provides periodic reports to corporate bodies regarding the overall exposure of the bank or banking group to risks deriving from transactions with connected parties and other conflicts of interest, where necessary proposing amendments to internal policies and organisational and control structures to improve monitoring of such risks;
- the independent board members of the Parent provide assessments, support and proposals on organisational matters and the performance of internal controls on all activities involving the assumption and management of risk exposures to connected parties and also perform general checks on the compliance of the activities with strategic and management guidelines. The Supervisory Board assigns the functions described in this paragraph to the current Consob Related Parties Committee, which is to be renamed the Related and Connected Parties Committee.

The processes, mechanisms and IT systems relative to the controls at every level – both procedural and hierarchical/functional – are identified and described for each business sector, naming the units responsible, and made official in the internal regulations governing the management and performance of the operations.

## **6 Powers and responsibilities**

The Supervisory Board is responsible for defining and adopting Group-wide strategies on risk exposures to connected counterparties and approving the Management Board's proposed methods for identifying and assessing risk, qualitative risk management indicators and quantitative information.

The Parent approves and reviews internal policies on risk assets and conflicts of interest with regard to connected parties at least once every three years. The documents setting out internal control policies are communicated to shareholders via a specific report and kept available in case requested by the Bank of Italy.

The Supervisory Board is responsible for amending and updating the policy, while the Management Board is responsible for the practical implementation of the individual rules and regulations.

Without prejudice to the boundaries set out above, the Management Board is responsible for the practical implementation of rules and limits established in internal regulations.

In order to ensure the very fullest information, any proposals to amend this policy document submitted to the Supervisory Board for its approval must be accompanied by the documents referred to above, noting any changes necessary for the practical implementation of the new version of the policy document.

In the event of changes to the regulations implementing the rules and policy guidelines adopted by the Management Board, the new version of the regulations must be submitted to the Supervisory Board for information purposes; the new provisions will take effect 15 days after the Management Board sends the document to the Supervisory Board.

The Management Board is responsible for the full implementation of this policy.

#### Attachment 1 – Glossary

Limit: the maximum/minimum value of a quantifiable risk indicator, which is established by the Supervisory Board and binding on the actions of the Management Board. Generally speaking, if the policy does not provide any further specific rules, in the event that this limit is exceeded then the Supervisory Board must be promptly informed and an automatic ban enforced on assuming new risk positions or increasing existing risk positions. The Management Board may only take corrective action with the prior approval of the Supervisory Board or, in urgent cases, of its Chairman.

Early warning threshold: the maximum/minimum value of a quantifiable risk indicator, which is established by the Supervisory Board and, if exceeded, must be reported to the Supervisory Board or its Chairman by the Management Board, which retains complete operating independence.

**REPORT OF THE SUPERVISORY  
BOARD TO THE SHAREHOLDERS'  
MEETING**

**in compliance with Art. 153,  
paragraph 1 of Legislative Decree  
No. 58 of 24<sup>th</sup> February 1998  
and Art. 38, paragraph 1, letter h) of  
the Articles of Association**

Dear Shareholders,

This report has been prepared in accordance with Art. 153 of Legislative Decree No. 58 of 24th February 1998 (Consolidated Finance Law) and Art. 38, paragraph 1, letter h), of the Articles of Association, in compliance with which, the Board is required to report to shareholders on the supervisory activities performed, on omissions and reprehensible actions observed, and in relation to matters within the scope of its responsibilities relating to the financial year ended 31st December 2017.

In the foreword, the report provides both a summary of the composition of the Supervisory Board and all activities related to verification of possession of the requirements established by law, by supervisory regulations, and by the articles of association as well as a summary description of certain aspects that characterised 2017, and in particular:

- developments in governance
- the acquisition and integration of the New Banks
- the increase in share capital
- implementation of the 2017-2020 Plan
- the specific capital requirements called for by the European Central Bank
- the remuneration and incentive policies.

There is also an emphasis on the charitable donations process in relation to changes in the organisational structure of the UBI Group.

There is a specific section, as well, on non-financial disclosures in accordance with Legislative Decree no. 254 of 30<sup>th</sup> December 2016.

We then provide information that specifically concerns the supervisory activities carried out in 2017 in accordance with Art. 149, paragraph 1, of the Consolidated Finance Law and with the Articles of Association, the execution of which takes particular account of relevant Consob recommendations and of Communication no. 1025564 of 6th April 2001 and subsequent updates.

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Under the current dual-board system of governance adopted by UBI Banca, the Supervisory Board fulfils the functions of strategic supervision and control. The Supervisory Board combines some of the powers assigned by traditional systems to shareholders (e.g. approval of financial statements, appointment of the members of the management body, and determination of the relative fees) and to boards of statutory auditors and assumes certain “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 Company and the Group and also on strategic operations indicated in the Articles of Association;

The corporate management functions are assigned to the Management Board, which has exclusive authority to perform all ordinary and extraordinary operations necessary to the pursuit of the company objects, in compliance with the general guidelines and strategic policies approved by the Supervisory Board.

The Supervisory Board, appointed by the shareholders on 2nd April 2016, is composed of 15 members, including a Chairman and a Senior Deputy Chairman, appointed by the shareholders in compliance with the Articles of Association, and two Deputy Chairmen chosen by the Supervisory Board itself from among its members. Following the resignation of a board member on 22<sup>nd</sup> December 2016, the shareholders, in a meeting held on 7<sup>th</sup> April 2017, appointed a new board member to replace the outgoing member.

Following its appointment and in accordance with the relevant regulations in force, the Supervisory Board successfully ascertained that the requirements for integrity, professionalism and independence were met by all its members and that, on the whole, they were qualified for their roles, while also verifying the composition of the board in qualitative and quantitative terms.

In this context, in compliance with the Bank of Italy regulations concerning corporate governance, an analysis of the lending relationships between each board member and the Group was carried out when independence requirements were verified, as well as the position of the board members concerned within Sindacato Azionisti UBI Banca S.p.A.



In this regard it should be noted that all the members of the Supervisory Board - on the basis of a declaration made by each of them and the information available to the Bank - satisfy the requirements of independence pursuant to Art. 148, paragraph 3 of the Consolidated Finance Law and the Bank of Italy supervisory regulations concerning corporate governance in force (Circular No 285 of 17<sup>th</sup> December 2013).

With regard to the requirements set by the Corporate Governance Code and also in consideration of the specific nature of the Supervisory Board under a two tier governance system, 11 members of the Supervisory Board out of 15 were found to be independent with regard also to the requirements of the aforementioned code. With regard to the application principles and criteria as defined by Art. 3.C.1 of the Corporate Governance Code, board members Andrea Moltrasio, Mario Cera, Pietro Gussalli Beretta, and Sergio Pivato do not qualify as independent given previous roles held within the UBI Banca Group.

The Supervisory Board conducts an annual self-assessment of its functioning in accordance with the process established in the related rules approved by the board itself. The follow-up self-assessment conducted by the Supervisory Board during its meeting of 1<sup>st</sup> February 2018 for the second year of its term confirmed that the board operates in an appropriate manner that is consistent with its mandate.

While it acknowledges the principle of collegial responsibility in performance of its duties, the Supervisory Board – in relation to its responsibilities, its composition and the characteristics of its members – decided to establish specific internal committees which have policy-formulation, consultative and fact-finding functions as envisaged under the regulations for the supervision of banks issued by the Bank of Italy.

It should also be noted that the Board has assigned the supervisory functions specified under Art. 19 (regarding internal control and audit committees) of Legislative Decree No. 39 of 27<sup>th</sup> January 2010 to its Internal Control Committee. The Board has also granted this committee the functions of a Supervisory Body in accordance with Legislative Decree 231/01 concerning the administrative liability of entities.

As concerns the composition and functioning of the Supervisory Board, including information on the issue of diversity, as well as the organisation of the board's committees, see the report on the corporate governance and ownership structure of the Bank.

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## **Developments in governance**

As reported to the market in a press release dated 12<sup>th</sup> December 2017, the UBI Banca Supervisory Board approved the guidelines for revising the Bank's governance drafted by the Governance Commission, a body established within the Supervisory Board in June 2017.

The UBI Group was formed in 2007 on the basis of three key cornerstones, its co-operative form, its federal model of organisation and its two tier governance system.

Over the last three years the Group has implemented an important programme of corporate change by progressively modifying these cornerstones (co-operative form and federal organisation), while maintaining the virtuous component of the ties with the local communities in which it has its roots and with the various stakeholders:

- transformation into a *società per azioni* (joint-stock company) and reduction of the number of board members from 32 to 22;
- merger of the seven local banks into UBI Banca in line with the Single Bank project (Shareholders' Meeting of October 2016) and subsequent merger of the three banks acquired in May 2017 and of the two related subsidiaries;
- continued simplification of the Group's consolidated companies with a major reduction, of more than 70%, in subsidiaries and in the number of directors, a process which began in 2007.

It therefore became appropriate to also assess the third key cornerstone, the two tier governance system employed by the Group since 2007, in order to verify whether it responds to the needs of the new company form and organisational structure.

In light of the various assessments conducted, the approved guidelines call for the adoption of a single-tiered model of governance, which is:

- more familiar and widely used internationally;
- more efficient in terms of organisation;
- able to maintain a strong focus on the control function, located within the board, with its consequent participation in strategic decision-making (as currently performed by the Supervisory Board) and in the management of the bank.

The guidelines have been communicated to the Management Board which must draw up a proposal to amend the articles of association to be approved by the Supervisory Board. The project and the new Articles of Association will then be submitted to the competent authorities for their assessment before being presented to the Shareholders for approval at an extraordinary meeting.

The Supervisory Board believes that the process described above, together with the subsequent revision of internal policies and procedures, will be completed by the time of the 2019 Shareholders' Meeting held to appoint the board members for the next three-year term.

### **Acquisition and integration of the New Banks**

As reported in the previous report presented to the shareholders on 7<sup>th</sup> April 2017 (and available on the UBI Banca website [www.ubibanca.it](http://www.ubibanca.it)), on 11<sup>th</sup> January 2017 the Supervisory Board, on the basis of a proposal by the Management Board, decided to approve and submit a binding offer to the Resolution Fund to purchase 100% of the share capital of Nuova Banca delle Marche (in possession, to-date, of 94.65% of Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (in possession, amongst other things, of 100% of Banca Federico del Vecchio), and Nuova Cassa di Risparmio di Chieti (collectively the "New Banks" originally referred to as the "Target Bridge Institutions"), constituting three of the four Bridge Banks formed following intervention by the Resolution Fund in November 2015 for which a business, financial and operating rationale was identified, intended for the potential creation of value for the UBI Banca Group.

Once the necessary authorisations by the competent authorities were obtained and the suspensive conditions were met, the operation was closed on 10<sup>th</sup> May 2017 – preceded on the same date by the without-recourse purchase, by the Atlante II Fund, of €2.2 billion gross in non-performing loans of the New Banks – with the banks themselves becoming a part of the UBI Banca Group.

The project to integrate the New Banks, in terms of both information systems and business model, called for the merger of the three acquired banks—Nuova Banca delle Marche (renamed Banca Adriatica), Nuova Banca dell'Etruria e del Lazio (renamed Banca Tirrenica), and Nuova Cassa di Risparmio di Chieti (renamed Banca Teatina)—and of the two banks controlled by these acquired banks (Cassa di Risparmio di Loreto, or "CARILO", and Banca Federico del Vecchio) into the Parent in accordance with the Single Bank model adopted by the UBI Banca Group.

Subject to authorisation by the Bank of Italy / ECB as required by applicable law, at its meeting of 12<sup>th</sup> September, the UBI Banca Supervisory Board approved the Merger Plan of the five banks in accordance with Articles 2505 and 2505-*bis* of the civil code and Art. 38.1, letter u), of the Articles of Association. Also on 12<sup>th</sup> September, the Merger Plan was approved by the competent governing bodies of the companies to be merged. Registration of the resolutions of the merged and surviving companies with their respective company registrars took place on 13<sup>th</sup> September.

Given the many activities required – particularly of an ICT nature – execution of the entire merger of the New Banks was organised into three stages, which were completed in February 2018. Within this context, the merger of Banca Adriatica and of Cassa di Risparmio di Loreto (CARILO) was completed on 23<sup>rd</sup> October 2017; the merger of Banca Tirrenica and Banca Federico del Vecchio was completed on 27<sup>th</sup> November 2017; and the merger of Banca Teatina was completed on 26<sup>th</sup> February.

The Supervisory Board oversaw the merger process in terms of both the migration of the information systems and the extension of the Group's procedures of internal controls to the New Banks.

## **The share capital increase**

On 7<sup>th</sup> April 2017, a Shareholders' Meeting, held in extraordinary session, approved a proposal to confer an authorisation on the Management Board to increase the share capital by a maximum amount of €400 million.

Upon obtaining authorisation from the Supervisory Board, the Management Board first resolved, on 6<sup>th</sup> June, to begin execution of the mandate received from the Shareholders and, at a subsequent meeting on 8<sup>th</sup> June, established the definitive conditions for the increase in share capital as well as the calendar for the Option Rights Offering of the new shares. More specifically, the share capital increase was to involve the issuance of 167,006,712 ordinary shares of UBI Banca, with no nominal amount stated, of the same class of the UBI Banca ordinary shares already outstanding and with normal dividend entitlement, to be offered as an option to shareholders of UBI Banca with the right to them, at a ratio of six newly issued shares for every 35 shares held, at a subscription price of €2.395 for each new share, to be recognised entirely as share capital, for a maximum amount of €399,981,075.24.

Once the necessary authorisations were obtained, the Option Rights Offering period began on 12<sup>th</sup> June, at the end of which (27<sup>th</sup> June 2017) 967,529,640 option rights were exercised for the subscription of 165,862,224 shares, equal to 99.31% of the total shares offered and for a total issue price of €397,240,026.48. Subscription of the shares took place on 27<sup>th</sup> June 2017, with the same value date. The remaining 6,676,180 rights not exercised during the subscription period, which gave the right to subscribe 1,144,488 shares, corresponding to 0.69% of the total shares offered, for a value of €2,741,048.76, were offered on the stock market, in accordance with Art. 2441, paragraph 3, of the Italian civil code. The offering was held on the trading day of 30<sup>th</sup> June 2017 and resulted in the sale of all rights.

The exercising of 6,675,830 rights purchased on the stock market led to the subscription of 1,144,428 shares, which took place on 5<sup>th</sup> July 2017 with the same value date.

As such, upon completion of the procedures defined under Art. 2441 of the Italian civil code, a total of 167,006,652 ordinary shares, equal to over 99.99% of the newly issued shares for a value of €399,980,931.54, were subscribed.

In accordance with the terms of the underwriting agreement signed by Credit Suisse, Banca IMI, Banco Santander and Mediobanca, in their capacity as underwriters, to cover the entire increase in share capital, the remaining 60 shares resulting from the 350 unexercised rights for a value of €143.70, were subscribed on 7<sup>th</sup> July.

The entire amount of the capital increase (i.e. €399,981.075.24) was allocated to share capital.

## **Implementation of the 2017-2020 Business Plan (update to take account of the acquisition of the New Banks)**

In the first half of 2017, the complex Single Bank Project, based on the merger of seven subsidiary network banks into UBI Banca, was completed ahead of its original schedule. For details, see the previous report presented to the shareholders on 7<sup>th</sup> April 2017. Subsequently, in accordance with the Single Bank model adopted by the UBI Group, the first mergers of the New Banks, as mentioned above, were carried out.

In May 2017, the Business Plan was then updated to include the newly acquired banks.

Implementation of the plan called for the adoption of a new distribution model, which redesigned both the territory network, with the goal of harmonising local distribution, and certain aspects of the internal organisation of the branches to rationalise roles and introduce new, dedicated positions and/or teams.

With the abandonment of the federal model, the merger of the Network Banks into the Parent, and the acquisition and subsequent merger of the New Banks, the UBI Banca organisational structure was also generally revised in line with the forecasts of the 2019-2020 Business Plan and its subsequent update in May 2017.

Following the entrance within the scope of consolidation of the companies BancAssurance Popolari Spa and BancAssurance Popolari Danni Spa (the former Etruria Group), the Management Board, on 5<sup>th</sup> September 2017, and the Supervisory Board, on the following 12<sup>th</sup>

September, approved a supplementary Business Plan dedicated specifically to insurance business.

### **The specific capital requirements called for by the European Central Bank – Outcome of 2017 SREP**

On 28th December 2016, upon completion of the Supervisory Review and Evaluation Process (SREP), UBI Banca received a communication from the European Central Bank (ECB) specifying the consolidated capital requirements to be met for 2018:

- a new minimum phased-in CET1 requirement of 8.625%, as compared to the 7.5% set for 2017;
- a Total SREP Capital Requirement of at least 10.25%. If the capital conservation buffer of 1.875% is added, this then gives a minimum requirement in terms of the regulatory total capital ratio of 12.125% (11% in 2017).

The requirements for 2018 also take account of the inclusion of the three banks acquired in May 2017.

As at 31st December 2017, having posted a phased-in CET1 ratio of 11.56% and a phased-in Total Capital Ratio of 14.13%, the UBI Group is positioned well above the minimum requirements.

### **Remuneration and incentives policies**

At the meeting of 6th March 2018, as proposed by the Management Board and having heard the opinion of the Remuneration Committee, the Supervisory Board approved the update to the remuneration and incentives policies of the UBI Group for 2018 and related update to the scope of application of “Identified Staff”.

The remuneration and incentives policies of the UBI Group – as presented to the shareholders in Section 1 of the Remuneration Report – envisage a long-term incentive scheme with a duration and objectives that are in line and support the Business Plan and a voluntary co-investment in UBI shares by the beneficiary managers with the goal of increasingly aligning the interests of management with those of the shareholders over the long term and of reinforcing the variable, performance-based component of remuneration. The scheme concerns all Identified Staff on the basis of the key position occupied in policy terms over the governance of the Group and their impact on the main business areas. Any bonus earned is to be paid in shares in the Bank.

Based on the proposals of the Management Board and the observations of the Remuneration Committee, the Supervisory Board has also moved to submit the following for shareholder approval (for more information, see the related reports):

- schemes based on financial instruments: 2017 short-term incentive scheme; 2017-2019/2020 long-term incentive scheme;
- the criteria and limits for the determination of remuneration to be agreed in the event of the early termination of an employment relationship or early retirement from corporate office;
- increasing the limit in the ratio of variable to fixed remuneration to no more than 2:1, which, in line with previous years, will concern only positions of responsibility within the Investments and Commercial areas of UBI Pramerica S.p.A., so as to ensure flexible, competitive, merit-based management that meets the specific needs of both the Italian and European marketplace.

The Supervisory Board verified the outcome of the work of the Internal Audit function regarding the consistency of remuneration and incentives practice with the policies approved by the Bank and with applicable laws and regulations related to 2017 as required by prevailing supervisory provisions. These audits have pointed to the operational compliance of remuneration practices established by the policies approved by the governing bodies and the adoption of control mechanisms properly aimed at covering the main risks inherent in the activities conducted.

## **Regulation for the management of UBI Banca's charitable donations**

The revision of UBI Banca's organisational model, which accompanied the implementation of the Single Bank, also involved the process to manage activities connected with the Group's charitable donations.

In November 2016, the Supervisory Board laid down specific guidelines on this matter which regarded the centralised management of the articles of association-related fund (pursuant to Art. 44.3 of UBI Banca's Articles of Association) and criteria for distributing the availability of funds among the Macro Geographical Areas (MGAs). The "Regulation for the process to manage UBI Banca's charitable donations" was drawn up on the basis of these guidelines, the final version of which was approved by the Supervisory Board on 14<sup>th</sup> February 2017, after prior examination by the Management Board. The approval of that regulation constituted the preparatory stage for a 2017 annual plan of intervention by UBI Banca, approved by the Supervisory Board on 7<sup>th</sup> March after preliminary assessment by the Appointments Committee.

On the basis of the new organisational model, charitable donations made by the Group will be carried out as follows:

- for the more far-ranging (inter-regional) interventions, mainly by the Supervisory Board;
- for those of a more specifically local nature, by the individual MGAs concerned, or by the "historical" foundations supported for many years by the former network banks, through their endowments, which may be added to by donations from the Group.

With a view to ensuring more effective relations with local communities, five Local Operational Teams have been planned initially, where each MGA Manager will be accompanied by a specifically designated Member of the Supervisory Board with experience in the local area concerned. This system is currently being updated in order to take account of the new scope of the organisation to encompass seven MGAs.

The Supervisory Board constantly monitors disbursements by way of periodic reports.

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## **Non-financial disclosures in accordance with Legislative Decree no. 254 of 30th December 2016.**

Finally, Legislative Decree no. 254 of 30<sup>th</sup> December 2016, implementing Directive 2014/95/EU of the European Parliament and of the Council, which amends Directive 2013/34/EU, is of relevance. This decree, which went into effect on 1st January 2017, introduces the obligation for certain large enterprises and corporate groups to disclose non-financial information in relation to financial reports and declarations beginning with the 2017 financial year.

These *non-financial disclosures* must, at minimum, include information of an environmental and social nature as well as concerning employees, respect for human rights, and the combatting of corruption to the extent necessary in order to understand company performance, the context in which the company operates, and the impact of its activities. For first-time application of these provisions, the Bank may provide just a summary, qualitative comparison to past years.

For implementation of these provisions, the UBI Banca Supervisory Board has approved specific policies for the preparation and publication of the consolidated, non-financial disclosure (NFD) for the UBI Banca Group in accordance with Legislative Decree 254/2016.

Within the scope of the functions assigned by law to the Supervisory Board, the Board has overseen observance of the law with regard to the preparation of the consolidated non-financial disclosure required by Legislative Decree no. 254/2016, which was approved by the Management Board of UBI Banca S.p.A. on 19th February 2018 as an supplemental, integral part of the consolidated Management Report and was submitted to the Supervisory Board as required by law.

The NFD covers the material, non-financial (environmental and social) issues identified by way of a materiality analysis of the issues specified under Legislative Decree no. 254/2016 and



within the GRI Standards reporting framework adopted, taking account of the main risks related to these issues and the relevant policies adopted by the Group. The NFD also attests to UBI Banca's commitment to conducting a general revision and integration of company regulations in 2018 as concerns the policies adopted by the Group as instructed by the Board in the plan for implementing Legislative Decree 254/2016.

The NFD includes a general section describing the Group, its strategies, and the model of governance adopted in accordance with the GRI Standards General Disclosure, which is followed by coverage of the individual material issues, each of which is given a dedicated section introduced by management's approach to the issues (e.g. policies, organisational mechanisms, and responsibilities).

The company has appointed the auditing firm Deloitte & Touche S.p.A. to fill the role required under Article 3, paragraph 10, of the aforementioned decree and under Art. 5 of the CONSOB regulations implementing the decree. On 2<sup>nd</sup> March 2018, this firm prepared a report declaring compliance with Art. 3 and 4 of the decree based on an audit conducted. The Supervisory Board has no observations to report concerning the consolidated, non-financial disclosure of UBI Banca S.p.A. as at 31<sup>st</sup> December 2017.

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In accordance with **Consob Communication no.1025564** of 6<sup>th</sup> April 2001 as amended, provided below is specific information concerning the supervisory work conducted by the Supervisory Board in 2017 following the format specified in the aforementioned communication.

1. The Board, by way of members of the Internal Control Committee both jointly and separately, has attended all meetings of the Management Board.

The Supervisory Board supervised compliance with the law, the Articles of Association and proper management practices and acquired information on the activities of the Bank and its subsidiaries and also on major capital, financial and operating transactions.

Transactions of significance with respect to operations and capital concluded by the Bank and its subsidiaries during the year were performed in compliance with law, the Articles of Association and exclusively and fully in the interests of the respective company. On the basis of information obtained by the Management Board pursuant to Art. 150 of the Consolidated Finance Law, those transactions were neither manifestly imprudent, risky, in conflict of interest, contrary to Shareholder resolutions or such as to compromise the integrity of the Bank's assets.

A full and exhaustive review of transactions of greater significance during the year is contained in the Management Report for the 2017 Consolidated Financial Statements, particularly as concerns the following transactions, as listed in for the foreword to this report, as concerns:

- the acquisition and integration of the New Banks;
- the increase in share capital;
- implementation of the Business Plan.

Also of note, within the scope of the events of 2017, is the completion of the sale of 100% of the share capital of UBI Banca International SA, based on Luxembourg, to EFG International AG, an international organisation based on Zurich and specialised in asset management and private banking. The operation forms part of a programme to progressively focus on UBI Banca's core banking business in order to concentrate available resources on the further development of high value-added services for the Group.

- 2./3. The Consob approved a regulation regarding related-party transactions with Resolution No. 17221 of 12<sup>th</sup> March 2010 and subsequent amendments.

The requirement relates to the procedures to be followed for the approval of transactions concluded by listed companies with parties that could create a conflict of interest.

In implementation of article 53, paragraphs 4 et seq. of the Consolidated Banking Law and Inter-Ministerial Credit Committee Resolution No. 277 of 29<sup>th</sup> July 2008, the



Bank of Italy also, on 12/12/2011, issued the ninth update of the New regulations for the prudential supervision of banks regarding risk assets and conflicts of interest concerning parties related to banks or banking groups. The purpose of these measures was to limit the risk that the proximity of certain “related parties” to a bank’s decision-making powers could compromise the objectivity and impartiality of decisions concerning the granting of financing or other transactions.

In implementation of the aforementioned measures, the “Regulations for UBI Banca related-party transactions” and “Regulations for operations with parties connected to the UBI Banca Group” were issued. It should be noted that both regulations, published on the Bank’s website in the section “Corporate Governance”, were updated in January 2017 to take account of the changes to the organisation, of past experience, and of the desire to adopt more prudent measures for managing conflicts of interest.

In accordance with the provisions currently in force, a Related Parties Committee was established internal to the Supervisory Board, called upon to express opinions on transactions to be conducted with the various types of related and connected parties. The Supervisory Board oversees compliance with applicable laws and regulations and reports to the Shareholders in accordance with article 153 of Legislative Decree No. 58 of 24<sup>th</sup> February 1998 (the Consolidated Finance Law).

- Related parties

The Supervisory Board periodically reviewed lists of all the related party transactions concluded in the preceding quarters, contained in quarterly reports received from the Management Board. They included those not subject to a prior opinion from the committee in accordance with the regulation adopted, with specification of the related party, the type of transaction and the amount and, if the transaction was not subject to prior examination by the committee, the underlying grounds for the exemption.

With regard to transactions between companies in the Group and all of its related parties, no atypical and/or unusual transactions were performed during the year (as defined by Consob Communication No. DEM/1025564 of 6-4-2001 and subsequent amendments). Furthermore, no transactions of that type were even performed with counterparties that were not related parties.

Normal commercial and financial intragroup and related party transactions have been properly disclosed by the Management Board in Part H of the notes to the UBI Banca separate and consolidated financial statements.

The Management Report provides information pursuant to article 5, paragraph 8 of Consob Regulation No. 17221 of 12<sup>th</sup> March 2010.

The information provided by the Management Board in its report has been found to be sufficient.

- Connected parties

During the year, as concerns transactions with “connected parties”, the Supervisory Board has periodically examined the list – as provided by the Management Board – of all transactions executed within the Group, including those not subject to the prior opinion of the committee in accordance with the rules. The information included in the periodic reports included the profile of new connected parties related to the New Banks acquired in May 2017.

Specific information in this regard is provided in the Management Report.

In 2017, the UBI Banca Group always remained within the limits specified under supervisory regulations.

The Report on Corporate Governance and the Ownership Structure describes the main contents of the monitoring, reporting and decision-making regulations adopted for the performance of related party transactions by the Bank.

The transactions with senior managers of the bank, with senior managers of Group member companies, and with companies controlled by said parties are conducted under normal market conditions and the provisions of article 136 of the Consolidated Banking Law are carefully complied with for those transactions. The Supervisory Board has overseen the adequacy of the system put in place to assure compliance with Art. 136 of the Consolidated Banking Law.

All the transactions performed by Group companies with their related and connected parties were carried out in compliance with correct principles both in substance and form under conditions analogous to those applied for transactions with independent parties and are considered as being consistent with and responding to the interests of the company. They were performed in accordance with the organisational structure adopted.

It should be noted, in particular, that the UBI Banca Related and Connected Parties Committee:

- dealt, on multiple occasions, with the issue of its own role in significant transactions in accordance with Art. 136 of Legislative Decree no. 385/1993 by way of a structured process of analysis;
- constantly and closely monitored the issue of “Bank of Italy Connected Parties”, especially by verifying project activities aimed at adoption of the Group’s related rule book – which went into effect on 3<sup>rd</sup> July 2017 – by all group companies involved and at implementing the new rules concerning the detailed definition of the market conditions for the transactions;
- carried out its own activities concerning the circulation of information and based on the involvement of the Corporate Affairs, Compliance, and Organisation units of the Group.

4. On 30<sup>th</sup> April 2011, the Shareholders, as duly proposed by the Supervisory Board and based on the favourable opinion of the Internal Control Committee, approved the engagement of the auditing firm Deloitte & Touche S.p.A. for the statutory audits of the UBI Banca separate and consolidated financial statements and corporate accounts for the financial years from 2012 to 2020 and for the audit of the proper recognition of transactions in said accounts, as well as for the limited audit of the half-year interim consolidated financial statements of the UBI Group, while also establishing the related fees to be paid in accordance with the proposal of the Supervisory Board and in compliance with article 13 of Legislative Decree 39/2010. The independent statutory auditor, Deloitte & Touche S.p.A, with which the Supervisory Board had ongoing meetings, either directly or through internal committees, issued its reports on the 2017 separate and consolidated financial statements on 2<sup>nd</sup> March 2018. They contained the unqualified opinion with respect to the conformity of the accounting records and the consistency of the management report with the financial statements.

- 5./6. In 2017, the Supervisory Board received no expressly qualified reports from the shareholders such as those envisaged under Article 2408 of the Italian civil code. It should be noted that reports received concerned complaints to the Supervisory Authority by customers concerning typical banking services provided. The strategic orientation of the Group, which sees the management of disputes as an essential means of pursuing the goal of ongoing improvement in the level of customer satisfaction, has been further consolidated. In 2017, work continued on consolidation of a constructive, proactive approach to the management of complaints as drivers of a process that, by acting on the phases of planning, provision and improvement of products, services and operating processes, and thanks to an efficient interaction between the unit responsible for handling disputes and the other areas of the company, makes it possible to improve the level of service provided as well as the offering model, while contributing to their constant development and/or to the implementation of corrective measures.

On the question of the proceedings opened by the Consob with a letter dated 30<sup>th</sup> April 2014, in accordance with Art. 195 of the Consolidated Finance Law (concerning possible infringement of Art. 149 of the Consolidated Finance Law relating to aspects of the disclosures made in corporate governance reports published from 2009 until 2013), on the conclusion of which, in October 2015, the supervisory authority decided to impose administrative fines in an amount equal to or close in percentage terms to the minimum penalty allowed on those members of the Supervisory Board who were in office in the year 2009 or who were appointed to the board in subsequent years,

but were members of the Management Board in 2009. UBI Banca, as jointly liable, and the individuals concerned, lodged separate appeals against the Consob decision. With ruling No. 879/2017 of 17<sup>th</sup> May 2017, published on the 19<sup>th</sup> June 2017, the Brescia Court of Appeal annulled the Consob fine, finding under a variety of aspects that no objective evidence existed of the infringement.

On 14<sup>th</sup> November 2017, UBI Banca received the notice of appeal by Consob of ruling no. 879/2017 to the Supreme Court of Cassation, and a counter-appeal was filed in a timely manner.

As concerns the investigations commenced in 2014 by the Public Prosecutor's Office of Bergamo, we report that on 17<sup>th</sup> November 2016 the Public Prosecutor issued and notified a "Notice of conclusion of the preliminary investigations – Concomitant notification of investigation and right to defence – articles 369, 369 *bis* and 415 *bis* of the Italian Code of Criminal Procedure" to current senior officers, amongst others, of the Bank in which the crime of "Hindrance of the Public Supervisory Authorities in the exercise of their duties" (article 2638 of the Italian Civil Code and article 170 *bis* of the Consolidated Finance Law) and "Illicit influence on a shareholders meeting" (article 2636 of the Italian Civil Code) in relation to the meeting held in April 2013, has been alleged against various recipients on various grounds. At the same time, the Public Prosecutor also issued and notified a notice of the conclusion of preliminary investigations to UBI Banca which alleges the existence of the "administrative" liability of the entity within the meaning of Legislative Decree No. 231/2001, in relation to the crime of "Hindrance of the Public Supervisory Authorities in the exercise of their duties" (article 2638 of the Italian Civil Code) and "illicit influence on a shareholders meeting" (article 2636 of the Italian Civil Code).

As part of the proceedings in question, on 1<sup>st</sup> August 2017 UBI Banca received a notification of committal for trial and consequent notification of the date set for the preliminary hearing on 10<sup>th</sup> November for the administrative violations provided for by article 25 *ter*, letter q) and letter s), of Legislative Decree no. 231/01. The Public Prosecutor's Office of Bergamo asked in particular for committal for trial for the administrative violations mentioned in relation to the offences pursuant to articles 2636 and 2638 of the Italian Civil Code for which charges have been brought against, amongst others, certain senior officers currently in office, who also received notice of preliminary hearing set for 10<sup>th</sup> November 2017. The preliminary hearing is currently under way, and hearings are scheduled through March 2018.

With regard to the members of the Supervisory Board, the notification of committal for trial was submitted immediately by the parties concerned to the board. Having examined the issue without the participation of those concerned, the Supervisory Board deemed that, based on the documentation provided, which pointed to no new information, and taking due account of the ruling of the Brescia appeals court annulling the fines assessed by Consob, there is no longer any reason to take action against said members. A similar decision was made by the Management Board for the same reasons concerning the members of the board involved in the matter.

In any event, the Supervisory Authority has been duly notified.

For the sake of full disclosure, it should be noted that, on 2<sup>nd</sup> October 2017, the Public Prosecutor's Office of Bergamo formalised the request for no further action for claims of alleged fraud, failure to comply with regulations regarding the duties of senior officers of banks, and the infringement of tax law, which had originally been filed against certain officers of UBI Leasing (among others) and which are no longer included in the notification of committal for trial. The Preliminary Investigations Judge issued a ruling on the request for no further action on 4<sup>th</sup> January 2018.

In relation to the criminal proceedings initiated by the Public Prosecutor's Office of Milan, on 20<sup>th</sup> July 2017 the *Guardia di Finanza* (finance police) notified the Bank that it was a suspect in investigations, with the closure at the same time of the preliminary investigations in which the Public Prosecutor alleged liability of the members of IW Bank's Board of Directors and its Board of Statutory Auditors in the period running from May 2008 to May 2014 for the offence of hindrance of the public supervisory authorities in the exercise of their duties (pursuant to Art. 2638 of the Italian civil code) and in particular to have failed to make full reports to the Bank of Italy on alleged shortcomings regarding anti-money laundering controls and

procedures. Therefore, on 26<sup>th</sup> October 2017, the judge for the preliminary hearing in the Court of Milan notified the former senior officers of the subsidiary of the date of the preliminary hearing set for 12<sup>th</sup> April 2018 following the notification of committal for trial filed with the Public Prosecutor on 17<sup>th</sup> October 2017.

Because of these former senior officers is now a member of the Supervisory Board, the board, having been informed by the party concerned in a timely manner and in the absence of said party, examined the issue and did not see the need to implement measures and found no factors, based on the documentation available, adversely affecting the integrity of the senior officer concerned.

In this case, too, the Supervisory Authority has been duly notified.

For the sake of full disclosure, it should also be noted that, on 30<sup>th</sup> May 2017, a search was carried out, ordered by the Public Prosecutor's Office of Brescia, in various offices of the Bank as part of the investigations concerning allegations of acting as an accomplice in the crime of hindrance of the public supervisory authorities in the exercise of their duties (Art. 2638 of the Italian Civil Code) by certain employees, in relation to reports on suspect transactions concerning anti-money laundering and the obligation to make adequate checks on customers. These investigations are still in progress at the date of publishing this report.

7. The fees shown below were paid by the Group to the independent statutory auditors, Deloitte & Touche S.p.A., for the financial year 2017, in accordance with the law.

<b>Type of service</b> (figures in thousands of euro)	<b>Deloitte &amp; Touche SpA</b>	
	<b>UBI Banca SpA</b>	<b>Other UBI Banca Group companies</b>
Audit of the accounts	2,468	1,708
Certification services	1,444	114
Other services	-	2
<b>Total</b>	<b>3,912</b>	<b>1,824</b>

The fees shown include any index-based charges and do not include out-of-pocket expenses, security fees or VAT.

8. The fees reported below were paid to companies belonging to the network of the independent statutory auditors, Deloitte & Touche S.p.A., for financial year 2017, in accordance with the law.

<b>Type of service</b> (figures in thousands of euro)	<b>Companies belonging to the same network of Deloitte &amp; Touche SpA</b>	
	<b>UBI Banca SpA</b>	<b>Other UBI Banca Group companies</b>
Audit of the accounts	-	-
Certification services	-	-
Other services	164	-
<i>Support activities for updating the internal rating system for the measurement of credit risk</i>	-	-
<b>Total</b>	<b>164</b>	<b>-</b>

The fees shown include any index-based charges and do not include out-of-pocket expenses, security fees or VAT. Details of these fees are also given in an attachment to the financial reports as required by Art. 149-duodecies of the Issuers' Regulations.

The independent statutory auditors, Deloitte & Touche SpA, furnished the Internal Control Committee – which, in accordance with Art. 41 of the Articles of Association, performs supervisory functions pursuant to Art. 19 of Legislative Decree No. 39/2010 – with annual confirmation of its independence pursuant to article 17 of Legislative Decree No. 39/2010. The issue is being constantly monitored by the Internal Control Committee within the scope of the committee's responsibilities of overseeing the independence of auditors, particularly as concerns the performance of non-auditing services, which, as shown in the table above, were minimal.

9. The Supervisory Board also examined the Management Board's proposed fees to be paid to the Boards of Directors and Statutory Auditors of Group companies that had been requested to set remuneration at the next Shareholders' Meetings. In agreement with the Remuneration Committee in that regard, the Supervisory Board verified the consistency of the Management Board's proposals with Group remuneration policies. The board also verified consistency of the positioning of remuneration for newly hired personnel within the category of "Identified Staff" with the Group's remuneration policies.
10. The Supervisory Board met 26 times in 2017. The Chief Executive Officer and the Senior Officer Responsible for the preparation of corporate accounting documents (the "Senior Officer Responsible") were invited to attend meetings where operating and financial results were reviewed and, within the scope of their responsibilities, and, in compliance with Art 29 of the Articles of Association, the Chief Executive Officer reported on activities performed and on transactions of major operating, financial and capital importance carried out by the Parent and its subsidiaries.  
While observing the principle of collegial responsibility in the performance of its duties, the Supervisory Board - in relation to its responsibilities, its composition and the characteristics of its members - in compliance with supervisory instructions, with the provisions of the Articles of Association and with the recommendations contained in the Corporate Governance Code of Borsa Italiana, decided to create specific committees with the functions of submitting proposals and advice and performing assessments: an Appointments Committee, a Remuneration Committee, an Internal Control Committee and a Risks Committee. In addition, in accordance with the provisions of Consob regulations concerning related parties and in implementing the new prudential supervisory provisions, a Related and Connected Parties Committee has been established.  
These Committees performed their activities as provided for by the Articles of Association and their respective regulations, reporting on their work to the Supervisory Board in the first possible meeting. The Report on Corporate Governance and Ownership Structure may be consulted for details of the issues addressed by these Committees.  
In 2017, the Appointments Committee met 14 times; the Remuneration Committee, 19 times; the Internal Control Committee, 18 times; the Risks Committee, 16 times, and the Related Parties Committee met 15 times.  
In order to provide constant reporting on operating events and as required by Art. 41 of the Articles of Association, at least one member of the Internal Control Committee attended meetings of the Management Board in compliance with regulations in force. The Management Board met 33 times in 2017.
11. Within the scope of its responsibilities, the Supervisory Board acquired information on and oversaw the adequacy of the administrative structure of the Bank and compliance with the law and proper principles of management through channels which included the Internal Control Committee and the Risks Committee. This was performed by making direct observations, by acquiring information from the Senior Accounting Officer Responsible for preparing the corporate accounting documents and by holding periodic meetings with the those functions in the Bank involved in the system of internal controls and with the independent auditors, during the course of regular exchanges of information. Based on these meetings, we feel that the principles of proper management have been consistently applied and respected.



12. The Supervisory Board acquired information through channels which included the Internal Control Committee and it oversaw, within the scope of its responsibilities, the adequacy of the organisational structure of the Bank, the functioning of which is governed by the regulations approved by the Board.
- Alongside the organisational changes to the distribution model that accompanied completion of the Single Bank and the incorporation of the New Banks, the organisation of UBI Banca underwent further changes with the goal of strengthening controls. One such change was the further strengthening of credit management.
- In particular, the Supervisory Board monitored developments in the organisation of the internal control functions. Within this context, on 27<sup>th</sup> November 2017 the new position of Data Protection Officer was established within the Compliance Area, within the scope of the overall set of actions to implement the European General Data Protection Regulation (or “GDPR”, i.e. Regulation 2016/679), in order to guide and support all efforts to implement the GDPR. Steps were also taken to strengthen controls over the compliance of both mechanisms and resources.
- The Supervisory Board, by way of the Internal Control Committee, has also monitored the internal audits concerning the function’s structure, workforce involved in ongoing projects, and operating mechanisms in order to monitor autonomy, adequacy, efficacy and efficiency.
- The trends of long-term planning and related factors for 2017 in terms of allocating effort throughout the Group by type of activity are in line with the Group’s control needs.
13. The assessment of the adequacy of the system of internal controls is conducted annually by the Board based on the opinion of the Internal Control Committee and on the internal audit reports prepared, while also taking account of the observations of the company’s other control functions. The Supervisory Board oversees issues concerning the overall system of internal controls and does so, in part, by way of the board’s internal committees.
- After completing this assessment and examining the internal audit report, and based on the observations of the Internal Control Committee, the Supervisory Board verified the overall adequacy of the organisation and functioning of the system of first, second and third-level internal controls and of the Group’s risk management process. The Board also verified the measures to correct the deficiencies and irregularities that emerged and the proper targeting of the areas of weakness encountered. Within this context, the Board confirmed the importance of respecting the established timetables for completing the projects under way in consideration, in part, of the changing landscape related to the Business Plan, completion of the Single Bank project, and the acquisition of the bridge banks, which characterised the Group in recent times.
- When assessing the overall system of internal controls, the Supervisory Board was supported, in particular, by the Board’s internal committee, the Internal Control Committee.
- The following are the fact-finding activities conducted by the Internal Control Committee concerning the most significant issues related to the Bank’s system of internal controls aimed at assessing the adequacy of said system:
- the main legislative and regulatory changes in areas relevant to the overall architecture of the Group’s internal control system, including updating company policies and regulations concerning internal controls, such as the policies for the system of internal controls, the policies for managing compliance risk, and the Group’s regulations for mitigating compliance risk;
  - issues related to the system of powers, the definition and assignment of responsibilities, and the management of resources (especially as concerns the remuneration and incentive systems);
  - the management of conflicts of interest, with a particular emphasis on projects concerning related/connected parties and on the definition of policies concerning conflicts of interest for senior officers;
  - organisational and structural aspects of the Bank, with a particular focus on changes concerning control functions of the company and its subsidiaries, including in relation to the changes in the Group’s consolidated companies. This included the constant monitoring of completion of the Single Bank Project in the



first quarter of 2017, which resulted in the merger of the seven Network Banks into UBI Banca and the acquisition and merger of the “Good Banks” (i.e. Nuova Banca Marche, Nuova Banca Etruria, and Nuova Carichieti), which was completed in the first quarter of 2018 with the merger of Nuova Carichieti;

- the flow of information, with a particular emphasis on reporting by the various control functions. Particular emphasis was placed on the aspects of coordinating the control functions, including with regard to the implementation of an integrated progress-charts service concerning the most important information of benefit to the governing bodies;
- issues related to the information system, with a particular emphasis on the controls conducted by the Chief Information Officer concerning the adequacy of the Group’s Business Continuity Plan, updates to the data governance policies, and development of the IT Governance Development Project;
- assessment of the adequacy of the organisational structure and accounting systems of the Bank, taking into account information provided by the independent auditors and reports made by the Chief Financial Officer;
- issues related to money laundering, transparency, usury, and anatocism, with a particular emphasis on specific projects being pursued by the Bank in order to continue strengthening and improving controls over transparency and money laundering, including in relation to the integration of the New Banks;
- developments in efforts related to the management of whistleblowing by personnel using the dedicated procedures, as well as examination of the periodic report prepared by the Chief Audit Executive, who is responsible for the in-house whistleblowing system.

With the support of the Internal Control Committee, the Supervisory Board also monitored the assessment of the originating causes of the main compromising events within the Group. Within this context, after examining the document prepared by the Internal Audits unit regarding the results of the special investigations into potentially compromising events in relation to reputational risk for UBI Banca, the Supervisory Board found the investigations to be thorough in relation to the various potentially compromising events for the Bank, and the related report pointed to no significant deficiencies in the organisation or in conduct. The operational imprecisions and the limited cases of procedural malfunctions encountered have been reported to the competent units for mitigation efforts, most of which have already been implemented and will be the subject of close monitoring as would be expected.

It should also be noted that, in implementation of the provisions concerning the system of internal controls, the information system, and business continuity issued by the Bank of Italy (Prudent Supervision of Banks – Circular no. 263 of 27<sup>th</sup> December 2006 – 15<sup>th</sup> update; subsequently included in Circular no. 285 of 17<sup>th</sup> December 2013, 11<sup>th</sup> update of 21<sup>st</sup> July 2015), UBI Banca adopted the policies of the system of internal controls of the UBI Banca Group, which serve as the framework for the system of internal controls of the UBI Banca Group as they establish the guiding principles, roles, duties and responsibilities of the corporate bodies and the control functions of the Parent and of the subsidiaries, as well as the related coordination methods.

In particular, in order to ensure mutually beneficial interaction in performing the various duties, the control functions and the Senior Officer Responsible ensure systematic coordination in the manner deemed most appropriate and, typically, by way of periodic meetings and the exchange of information. This coordination also concerns the sharing of aspects of operations and methodologies in order to identify potential synergies and to avoid potential overlap.

On the whole, risk management is well controlled through the definition and periodic monitoring by the Supervisory Board, with the support of the Risks Committee, of the indicators within the risk appetite framework.

In addition, as established by prevailing law and supervisory measures, the Supervisory Board has approved a recovery plan for the Group, which envisages the preventive definition of measures and procedures aimed at restoring the Group’s financial position in the event of any significant deterioration.

With the support of its internal committees, the Supervisory Board has examined the periodic reports of the second and third-level internal control functions, including on the basis of the presentations provided by the heads of the various units, and has assessed the main points of focus that have emerged and the needs for strengthening the levels of control, while monitoring related developments.

The Supervisory Board has also promoted coordination among the internal control functions, which, in 2017, was implemented by way of the adoption of new tools and applications for the purposes of more effective reporting to the governing bodies.

By examining the periodic reports of the Corporate Anti-Money Laundering Officer, the Supervisory Board also monitored the adaptation of operations to the new provisions of Legislative Decree 90/2017 in implementation of the Fourth Directive.

In addition, the Supervisory Board is a recipient of the annual report of the Supervisory Body pursuant to Legislative Decree 231/2001 for the year 2017.

The Board has also examined the outcome of the inspections of the Bank and its subsidiaries called for by the Supervisory Authority and has assessed the related plans for improvement.

The document “Report on the Corporate Governance and Ownership Structure of UBI Banca Spa” may be consulted for a description of the architecture, rules and organisational units of the system of internal controls. It also gives specific information required under article 123-bis, paragraph 2(b) of the Consolidated Finance Law (Legislative Decree No. 58/1998) concerning the risk management and internal control systems that govern the financial reporting process.

14. The Supervisory Board assessed and oversaw the adequacy and efficiency of the administration and accounting system and its reliability in recording operating events faithfully, partly by means of internal committees of the Board. This was performed by holding specific meetings with the functions in the Bank involved in the internal control system and with the independent auditors, by acquiring adequate reports from other corporate bodies of the bank and from the heads of the respective functions, by examining corporate documents and by analysing the results of the work performed by those persons. Within the scope of evaluating the system of internal controls and based in part on the information provided by the Risks Committee, the Internal Control Committee has evaluated the adequacy of the systems of accounting and administration and has found them to be generally appropriate to the size and characteristics of the Group's business.

The adequacy and effective application of administrative and accounting procedures, forming part of the broader system of financial reporting controls, is also subject to specific verification by an external independent consultant, who reports on the activities carried out in a special report issued for each Group company included as part of the investigation pursuant to Law No. 262/2005, defined annually on the basis of significant quantitative or qualitative indicators.

The Supervisory Board received the additional report pursuant to Art. 11 of Regulation (EU) no. 537/2014 from the Internal Control Committee in its role as the committee for accounting audits. That report found that during the statutory accounting audit of the separate financial statements for UBI Banca and the consolidated financial statements for the UBI Group for the year ended 31<sup>st</sup> December 2017 no significant shortcomings in the system of internal accounting controls in relation to the financial reporting process had been found. The audit activities found no cases of actual or presumed non-compliance with laws and regulations or with the provisions of the Articles of Association.

Upon completion of its activities, the independent auditors issued a report that contained no observations of note.

The Chief Executive Officer and the Senior Officer Responsible for preparing the corporate accounting documents have issued a declaration pursuant to Art. 154-*bis* of the Consolidated Finance Law concerning the information contained in the separate and consolidated financial statements for 2017.

15. The Supervisory Board worked, both directly and through its internal committees and the corporate functions involved in the system of internal controls, to ensure that the conduct of subsidiaries was consistent with the objectives set by the Parent. No shortcomings were found concerning the adequacy of instructions given by the Parent to its subsidiaries pursuant to Art. 114, paragraph 2 of the Consolidated Finance Law nor on the reporting performed by subsidiaries to the Parent in order to comply with disclosure obligations required by law.
16. No significant issues requiring specific investigation emerged from the periodic meetings and exchanges of information that occurred through the Risks Committee and Internal Control Committee with the independent statutory auditors, Deloitte & Touche S.p.A., pursuant to paragraphs 3 and 5 of Art. 150 of the Consolidated Finance Law.

The Risks Committee and the Internal Control Committee also held meetings between the end of 2017 and the first months of 2018 with the independent auditors and with the Senior Officer Responsible in preparation for approval by the Supervisory Board of the separate and consolidated financial statements as at and for the year ended 31st December 2017.
17. UBI Banca Spa complies with the Corporate Governance Code for listed companies of Borsa Italiana and it has prepared a Report on the Corporate Governance and Ownership Structure of UBI Banca Spa which is attached to the Annual Report. That report was prepared in compliance with Art 123 *bis* of the Consolidated Finance Law and its purpose is to furnish shareholders and the market with an analysis of the system of corporate governance adopted by UBI Banca Spa. It gives details of the procedures by which the Code itself has been complied with by the Bank and also provides an account of those principles with which the Bank has complied in full and those that it has chosen not to observe, even only partly, on the basis of the principle of either “comply or explain”, including in relation to the necessary respect of the specific characteristics of banks, which must strictly comply with the provisions of the Consolidated Banking Law and applicable supervisory provisions.

In this regard, it should be noted that, in accordance with Art 41.6 of the Articles of Association, the Chairman and the Senior Deputy Chairman of the Supervisory Board are members of the Appointments Committee by rights. The former serves as chairman of the committee and neither qualify as independent as defined by Art. 3 of the Corporate Governance Code.

Also, in view of his professional characteristics, Pietro Gussalli Beretta was identified as an additional member; he is also not independent pursuant to the same Art. 3 of the Corporate Governance Code (since he has held senior positions in the UBI Banca Group during the last three years).

The Supervisory Board thus resolved, on the basis of the Articles of Association and in order to benefit from the professional experience of the members appointed to the Appointments Committee, that it was appropriate not to comply, for this specific point only, with the requirements of Art. 3 of the Corporate Governance Code of Borsa Italiana, which require the majority of the members of the Appointments Committee to be independent. The other members of the committee are in possession of the requirements of independence required by the Corporate Governance Code.
18. In conclusion, we would refer the reader back to the information provided above for details of the supervisory activities carried out by the Supervisory Board. We can also confirm that no omissions, reprehensible actions or irregularities requiring mention to Shareholders emerged, other than as reported under points 5 and 6 above.

For a full description of the disputes and audits involving the Group during the year, see the Management Report for the 2017 Consolidated Financial Statements.

Furthermore, the Supervisory Board did not use its powers to convene a Shareholders' Meeting or a meeting of the Management Board.

\* \* \*

Financial year 2017 closed with a net loss of €12,023,174.77. In normalised terms, i.e. net of the overall negative effects of operations related to implementation of the Business Plan and other factors (contributions to the banking funds, the impairment of assets, adjustments to the value of investments, income on the sale of investments/properties), net profit came to €178.2 million.

On 8th February 2018, the Management Board approved the draft separate and consolidated financial statements for the year ended 31st December 2017, which, together with the related Management Report, were then provided to the Supervisory Board.

Finally, the Supervisory Board informs the shareholders that in a meeting held on 6th March 2018, having verified that they complied with the provisions of the law and having taken note of the documentation and information provided, it has unanimously approved the following:

- the consolidated and separate financial statements as at and for the year ended 31st December 2017 of Unione di Banche Italiane SpA, composed of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes to the financial statements;
- the proposal to cover the loss for the year by charging it to the share premium reserve in the amount of €12,023,174.77;
- the proposal to distribute a dividend of €0.11 on each of the ordinary shares outstanding, excluding treasury shares held, for a total maximum dividend of €125,543,029.26, taking said amount from the extraordinary reserve.

6<sup>th</sup> March 2018

The Supervisory Board

### *Appointment of the Board of Arbitrators*

*Dear Shareholders,*

*On the date of this Shareholders' Meeting, the term of office of the Board of Arbitrators expires having completed its three-year term and you are therefore called upon in this meeting to appoint new members for the three-year term 2018-2020.*

*As is known, in accordance with Art 43 of the Articles of Association, the Board of Arbitrators is composed of a Chairman, two full members and two alternate members elected by a Shareholders Meeting.*

*The arbitrators remain in office for three years and may be re-elected. They provide their services free of charge, except for the reimbursement of expenses.*

*The outgoing Board of Arbitrators was composed as follows:*

<i>Prof. Rodolfo Luzzana</i>	<i>Chairman</i>
<i>Avv. Giampiero Donati</i>	<i>Full arbitrator</i>
<i>Avv. Attilio Rota</i>	<i>Full arbitrator</i>
<i>Avv. Giuseppe Onofri</i>	<i>Alternate arbitrator</i>
<i>Avv. Pierluigi Tirale</i>	<i>Alternate arbitrator</i>

*With regard to the renewal of this Board, as is known, in accordance with Art. 43 of the Articles of Association, the election of the Board of Arbitrators takes place on the basis of individual candidatures submitted by Shareholders and/or by the Supervisory Board, where the maximum number is that of the number of Arbitrators to be elected.*

*The candidature, signed by the person or persons submitting it, must indicate the name of the candidate to the office of Arbitrator, with no distinction made between full and alternate, and it must be deposited at the registered offices within the time limit set by the regulations in force for the submission of lists of candidates for election to the Supervisory Board (and that is by the twenty fifth day prior to the Shareholders' Meeting and therefore not later than 12<sup>th</sup> March 2018). It must be accompanied: (i) by information on the identity of the Shareholder or Shareholders submitting it, with an indication of the number of shares and therefore the percentage totally held, to be certified when the candidature is deposited according to the procedures set by the regulations in force; (ii) by exhaustive information on the personal and professional characteristics of the candidate and (iii) by the declaration with which the candidate accepts their candidature.*

*The signature of each Shareholder submitting a list must be duly authenticated in accordance with the law by employees of either the Bank or its subsidiaries specifically authorised by the Management Board.*

*In this respect, if a shareholder wishes to authenticate their signature by means of UBI Banca employees, he/she may contact the Corporate Affairs Office (Tel. 035 3922155 / 030 2473727 - email: [affari.societari@ubibanca.it](mailto:affari.societari@ubibanca.it)).*

*In order to facilitate procedures for the submission of candidatures, the following is available on UBI Banca's corporate website "www.ubibanca.it – Shareholders Section – Shareholders' Meetings – April 2018 Shareholders' Meeting":*

- a facsimile of the letter accompanying the candidatures containing the list of documentation that must accompany them;*
- a facsimile for the declaration by candidates that they accept their candidature.*

*The aforementioned candidature proposals are presented using one of the following procedures:*

- delivery to the "Corporate Affairs Service" of the Bank at 8, Piazza Vittorio Veneto, Bergamo by 5.00 p.m. on 12<sup>th</sup> March 2018;*
- by sending them by certified electronic mail to the following address "soci.comunicazioni@pecgruppoubi.it", attaching the documents in pdf format with a digital signature not later than 12<sup>th</sup> March 2018.*

*The above candidatures received by the "Corporate Affairs Service" will be progressively registered and numbered on the basis of the day and time of receipt.*

*Candidatures submitted that fail to observe the procedures reported above are considered as not submitted.*

*If no candidatures are submitted within the time limit set above, the Shareholders' Meeting shall vote on candidatures submitted during the meeting by the Shareholders present. Each person with the right to vote may vote for a maximum number of candidates equal to that of the Arbitrators to be elected.*

*The candidates shall be ranked in decreasing order on the basis of the number of votes obtained. The first three candidates voted shall be elected as Full Arbitrators and the next two candidates voted shall be elected as Alternate Arbitrators. In the event of a tied vote between candidates, the Shareholders' Meeting shall vote by ballot in order to establish the rank order. The candidate who receives the majority of the votes shall be elected Chairman.*

*The candidatures received for appointment as Arbitrators and the relative curricula vitae shall be made available to the public at least 21 days before the Shareholders' Meeting (i.e. not later than 16<sup>th</sup> March 2018) at the registered offices and on a storage facility named "Info" (www.info.it) and they shall also be published on the corporate website of the Bank (www.ubibanca.it – Shareholders Section – Shareholders' Meetings – April 2018 Shareholders' Meeting).*

*\* \* \**

*With regard to the above, the Supervisory Board has resolved to submit a proposal to the Shareholders' Meeting for the three-year period 2018-2019-2020 to maintain the same outgoing arbitrators in office and it therefore submits the following candidates:*

	<b>SURNAME</b>	<b>FIRST NAME</b>	<b>OFFICE</b>	<b>BORN AT</b>	<b>DATE-OF-BIRTH</b>
1	DONATI	GIAMPIERO	ARBITRATOR	BERGAMO	05/10/1936
2	LUZZANA	RODOLFO	ARBITRATOR	SCHIO (VICENZA)	17/03/1938
3	ONOFRI	GIUSEPPE	ARBITRATOR	BRESCIA	23/10/1934
4	ROTA	ATTILIO	ARBITRATOR	BERGAMO	05/12/1935
5	TIRALE	PIERLUIGI	ARBITRATOR	BRESCIA	07/06/1942



*and in this respect it will deposit the candidatures as listed above, within the time limits set, together with the required documentation.*

*In compliance with the provisions of Art. 43, paragraph 3 of the Articles of Association, candidates are listed in alphabetical order with no distinction made between full arbitrator or alternate arbitrator.*

*6<sup>th</sup> March 2018*

*THE SUPERVISORY BOARD*

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***Remuneration Report***  
***2018 Shareholders' Meeting***

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*(This English version is a courtesy translation from the Italian original document  
which remains the definitive version)*

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## Introduction

The aim of this report is to inform the public in accordance with the legislation in force and it is organised on that basis.

The first section illustrates the Group Remuneration and incentive policies for 2018, providing a reference framework for the main decision-making processes, characteristics and procedures used to ensure that remuneration is linked to results, the main performance indicators employed, the reasons behind the choice of variable remuneration schemes and the other non-monetary schemes.

The second section is divided into two parts. The first contains the results of implementing the 2017 remuneration policies, information on wage agreements concerning the start and end of employment relationships, as well as the contents of the main items of wages in the quantitative tables.

The second reports aggregate quantitative information by area of activity and category of personnel: remuneration by name for the members of the management and supervisory bodies, the Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers of UBI Banca with key management responsibilities.

Shareholders vote to approve or reject the first section of the report. That vote is not binding and the result of the vote is disclosed to the public in accordance with Art. 125-*quater*, paragraph 2 of Legislative Decree No. 58 of 24<sup>th</sup> February 1998.

## Section I - Group Remuneration and incentive policies for 2018

### I. Main developments compared with 2017

The merger of the seven historical banks of the Group into the “Single Bank” was completed in 2017, as was the acquisition of Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio, and Nuova Cassa di Risparmio di Chieti (the “Target Bridge Institutions”), with the consequent change in the Group’s organisation and update to the 2017-2019/2020 Business Plan.

The policies have been formulated on the basis of Bank of Italy Circular No. 285 – seventh update of 18<sup>th</sup> November 2014, which implemented the Directive of the European Parliament 2013/36/EU (CRD IV). Other developments occurring in 2017 also involved legislation and regulations, including publication of the ECB guidelines on the management of non-performing loans (NPLs), Directive 2014/65/EU of the European Parliament and of the Council related to markets in financial instruments (MiFID II), and on requirements concerning proper conduct with customers, as well as changes to the joint CONSOB–Bank of Italy regulation transposing Directive 2014/91/EU (UCITS V) and concerning the organisation and controls of intermediaries that provide investment and collective asset management services.

With a view to continuous improvement, in light of best practices and market trends, with account taken of these developments, changes have been introduced for 2018 and some refinements have been made to previous policies as follows:

- the selection of “Material Risk Takers” (MRTs) or “Identified Staff” (IS) based on applicable laws and regulations and in-house parameters has been updated to include 254 positions compared with 208 in the previous year, as a result of the acquisition of the new banks and changes in the organisation; this includes the “Risk Takers” identified at the company level in accordance with legislation for the asset-management industry (i.e. UCITS V) and for the insurance industry (the “IVASS Regulations”). (*chapter VI*)
- the benchmarking peer group of eight publicly listed Italian banks that are most comparable to the Group in terms of size, territory, complexity, and regulatory context has been adapted; specifically, Monte dei Paschi di Siena, which was not included in 2017, has replaced Credito Valtellinese. However, the wage-positioning peer group has remained unchanged. (*chapter III*)
- the pay mix of the UBI Chief Executive Office has been updated, which compared with 2017 calls for a short-term component equal to 60% of the fixed remuneration and a long-term portion based on the 2017-2019/2020 Business Plan equal to 40% in line with the 1:1 limit of variable to fixed remuneration. In fact in 2017 the short-term variable component was exceptionally set to a maximum of 20% taking account of the overlap of the two long-term incentive schemes (for 2015-2017 and 2017-2019/2020) with a theoretical effect on the long-term variable component of up to 80% of fixed remuneration, which remains in line with the 1:1 limit. (*chapter VII*)
- the target levels of the 2017-2019/2020 long-term incentive scheme have been adjusted in response to the updates to the Business Plan following the acquisition of the three Bridge Banks to include an increase in the expected levels for the strengthening of the (CET1) capital ratio and of sustainable profits (ROTE). (*chapter VIII*)
- the newly defined “Identified Staff”, including those from the three new banks, have been included in the current long-term incentive scheme supporting the 2017-2019/2020 Business Plan in order to promote the integration of the Group for achievement of the targets of the Business Plan and the alignment of the interests of management with those of all stakeholders. Managers participate in the scheme by purchasing shares of UBI Banca with their own funds according pre-established limits. These procedures, accompanied by payment mechanisms with financial instruments, aims to promote management engagement and to expand their equity investment, which has grown constantly over the last five years in terms of share numbers and value. (*chapter VIII*)

- the 2015-2017 long-term incentive scheme has come to an end. For the results of the scheme, see Section II herein.
- bonus payments in the form of welfare services have also been introduced in the 2018 short-term incentive scheme in accordance with the provisions of applicable tax and supervisory regulations. *(chapter VIII)*
- there is a section related to the remuneration policies of the subsidiaries subject to provisions different from the banking industry, particularly with regard to the insurance and asset-management industries. *(chapter V)*
- the duties of the Remuneration Committee have been expanded because, in light of the new regulatory requirements that apply to the asset-management industry (under the joint CONSOB-Bank of Italy Regulations), UBI Pramerica SGR makes use of the Parent's Remuneration Committee. *(chapter V)*
- the number of positions belonging to the asset-management company for which the ratio of variable to fixed remuneration may reach 2:1 has been set to eleven, seven of which are included within the "Identified Staff" perimeter, consisting of the main positions of the Investments Area, to which four positions with the Commercial Area have been added. *(chapter VI)*
- for the "Identified Staff" in Asset-Management, the threshold of materiality of bonuses has been set to €80,000 in line with market practice. *(chapter VIII)*.

## **II. Principles and aims**

Remuneration and incentive policies are a key tool that serves to support the medium and long-term strategies of the Group.

They are devised to create value and to pursue sustainable growth for shareholders, for employees, for our customers and for all stakeholders. The Group believes in corporate social responsibility in conducting its business and recognises the quality of the professional contributions of all with a view towards fair and sustainable remuneration.

The purpose of the policies is to attract, motivate and retain staff, creating a sense of identity and developing a culture linked to performance and merit.

The key principles, in line with the usual practices for the management and development of resources, are:

- rewarding merit,
- fairness,
- competitiveness,
- attention to risk and compliance,
- prudence,

These principles are applied throughout the organisation and reflected at the level of each business area in relation to all personnel including the staff of the external distribution networks, without affecting the specific characteristics of their remuneration.

### **Rewarding merit**

Merit is rewarded by means of the recognition of the results, skill sets, behaviours, and values applied in practice of each individual, measured on several levels using structured analysis and evaluation processes.

Incentive schemes are a key lever for recognising merit and the effort made to bring variable remuneration into line with the results that have actually been achieved is constant.

The policies aim to recognise individual merit, and at the same time they consolidate team spirit and a sense of belonging, relating the objectives and results of each employee to their own business unit and company and to the Group.



## ***Fairness***

Fairness is defined as the principle of consistency in the remuneration of comparable roles and responsibilities, offering the same development and career opportunities to everybody.

This principle is guaranteed by using tools to analyse and assess the positions in the organisation that enable the evaluation on a regular basis of internal remuneration levels and their relative consistency as a function of the complexity and strategic function of the role within the Group.

At the same time the degree to which the functions of each role are adequately performed is continuously monitored, using tools for the assessment of performance, skills and potential to ensure that the most deserving staff are assigned to the highest remuneration brackets.

This principle is also applicable in structured processes based on management tools present within the Group. These include the process (Merit Plan), usually on an annual basis, for the purpose of formulating staff award proposals, connected with professional development programmes and regulated by the Parent by means of guidelines issued to each Group member company.

## ***Competitiveness***

Competitiveness is defined as continuous comparison with best practices and national and international market trends and analysis of the comparative remuneration of each role in relation to the relative benchmarks.

The attention paid to market trends stems from the conviction that by including comparisons with the external context it is possible to improve the ability of the Group to attract, motivate and retain staff.

More specifically, for the purpose of analysing wage positioning, a peer group has been identified to serve as a benchmark, consisting of seven banks, while setting aside the specific characteristics of businesses such as asset management, for which targeted market surveys are performed.

The objective is to position Group remuneration in line with the market, partly with a view to retention, with the aim of assigning the highest pay bands of the remuneration benchmarks to the highest performing staff, those with the most potential, and those who are in strategic positions and at market risk.

## ***Attention to risk and compliance***

The Group is attentive to risk and constantly seeks compliance with regulatory requirements, to ensure the sustainable growth of the Bank over time.

The Risk Appetite Framework (RAF) contained in the document “UBI Banca Group RAF - Risk appetite – Risk Appetite Statement 2018<sup>1</sup>”, is an important point of reference for policies.

It determines the preliminary trigger conditions (“gates”) of the incentive schemes and defines conditions and limits, so that the total amount of variable remuneration does not limit levels of capitalisation and is adequate for the risks taken, providing for significant reductions and the possible elimination of the variable components of remuneration in the event of below forecast or negative performance levels.

Attention to risk is also a parameter used in the methodology employed to identify “Key Personnel”, in compliance with the criteria given in Regulation (EU) 604/2014.

The economic and financial indicators are completed, particularly for the employees of the commercial network, by other corrective parameters such as customer satisfaction, the quality of work and the results of audits, which are critical for the management of compliant behaviours, to protect customers from potential conflicts of interest and oversee the sustainability of results in the medium to long-term.

Objectives have also been set for the management and reduction of non-performing loans (NPLs) in line with applicable European guidelines.

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<sup>1</sup> That internal document sets out strategic Group guidelines in relation to the measurement of current and future capital adequacy and its risk-taking and risk management policies.

## **Prudence**

Prudence is the fundamental criterion of banking and is crucial to the introduction of rules and processes that prevent behaviour and phenomena that conflict with the interests of the Bank or that lead to excessive risk taking (“moral hazard”).

The remuneration and incentive schemes of the Group are defined in accordance with policies for the prudent management of risk and comply with the provisions defined in the context of the process of prudential monitoring.

They are also designed to generate motivations and behaviours based on moderation and ethical conduct in business, on transparency and integrity in relations within the business and with clients and on dialogue and relationships of trust with all our stakeholders.

## **III. Regulatory context and market practices**

The Group updates its policies and practices continually on the basis of the regulatory context, which has again been subject to changes in 2017 at both the Italian and European levels.

The policies were formulated on the basis of (i) Bank of Italy Circular No. 285 – seventh update of 18<sup>th</sup> November 2014, which implemented the Directive of the European Parliament 2013/36/EU (CRD IV), (ii) Delegated Regulation of the European Commission No. 604 of 4<sup>th</sup> March 2014 for the technical standards designed to identify “Material Risk Takers” (MRTs) or “Identified Staff” (IS) and (iii) the recommendations given in the EBA guidelines dated 21<sup>st</sup> December 2015, which are awaiting transposition into the 285/2013 Circular .

They have also taken into consideration the following developments:

- the issuance, on 28<sup>th</sup> April 2017, of the Joint Bank of Italy and CONSOB Regulation to implement Directive 2014/91/EU (“UCITS V”) on the organisation and controls of intermediaries that provide investment and collective asset management services;
- ISVAP Regulation 39/2011, which establishes principles concerning remuneration policies for insurance companies and the new scheme of IVASS Regulation 2/2017, consultation for which was completed on 17<sup>th</sup> October 2017 and for which the final text has yet to be published;
- the ECB guidelines on the management of non-performing loans (NPLs) published on 20<sup>th</sup> March 2017;
- Directive 2014/65/EU of the European Parliament and of the Council concerning markets in financial instruments (MiFID II) concerning requirements in terms of proper conduct with customers, which went into effect in January 2018;
- Directive 97/2016/EU of the European Parliament, i.e. the Insurance Distribution Directive (IDD), concerning product governance and inducements, which went into effect in 2018.

In developing the policies, account was taken of the guidelines and procedures adopted by the other national and international banking groups with the objective of achieving consistency with the best practices and market trends.

Two peer groups have been established for the market comparison: the first for the benchmarking of wage positioning; the second, which is made up solely of publicly listed banks for stock-performance benchmarking.<sup>2</sup> The latter is used to calculate short-term incentive schemes for senior management (i.e. the Chief Executive Officer and the Senior Deputy Chairman) and the 2017-2019/2020 long-term incentive scheme based on details reported in the section on that topic (chapter VIII).

<sup>2</sup> For that reason Banca National del Lavoro, unlisted, has been excluded and Banca Popolare di Sondrio and Mediobanca have been added.

#### Peer Group - wage benchmark

Banca Nazionale del Lavoro
Banca Popolare dell'Emilia Romagna
Banco Bpm
Credito Emiliano
Intesa San Paolo
Monte dei Paschi di Siena
Unicredit

#### Peer Group - UBI share performance

Banca Popolare dell'Emilia Romagna
Banca Popolare di Sondrio
Banco Bpm
Credito Emiliano
Intesa San Paolo
Mediobanca
Monte dei Paschi di Siena
Unicredit

The remuneration trends of the overall banking market in Italy and international best practices are monitored with the support by our specialist advisory firms, in order to take consistent and competitive decisions and to motivate and retain the key resources of the Group.

## IV. Governance process and principal protagonists

Governance systems and rules have been defined with the aim of ensuring clarity, transparency and effectiveness in the definition and management of the Group's remuneration and incentive policies. This is also done by regulation of the main internal processes on the subject, approved by the competent Governing Bodies of the Group.

The main protagonists in the process are:

- the UBI Shareholders' Meeting,
- the Supervisory Board,
- the Remuneration Committee,
- the Risk Committee,
- the Management Board,
- the Shareholders' Meetings of the Italian subsidiary banks,
- the Boards of Directors and Boards of Statutory Auditors of banks and companies subsidiaries,
- *Corporate Strategy*,
- Human Resources<sup>3</sup>, Risk Management, Compliance and Internal Audit, as corporate control functions.

UBI Shareholders' not only determines the total remuneration for the members of the Supervisory Board, they also approve the remuneration policies of the Supervisory and Management Boards, the incentive component based on financial instruments, and the criteria and limits for determining remuneration in the event of the early termination of employment relationships or of offices held, as well as increasing the ratio of variable to fixed remuneration up to a maximum of 2:1 for the "Identified Staff" positions.

The Supervisory Board, on the basis of a proposal from the Management Board within the scope of its responsibilities<sup>4</sup>, and after prior consultation with the Remuneration Committee, which involves the competent corporate functions, and with the Risk Committee for verification of compliance with the "Risk Appetite Framework" sets and reviews the remuneration and incentive policies of the Group on at least an annual basis and approves the Report on Remuneration, Section I of which is subject to a non-binding vote by a UBI Shareholders' Meeting.

<sup>3</sup> For the sole purposes of remuneration regulations in accordance with the provisions of Bank of Italy Supervisory Regulations on remuneration policies and practices.

<sup>4</sup> Policies for the remuneration of Governing Bodies do not fall within the remit of the Management Board.

The policies are then submitted for approval by the Shareholders of the banks and by the boards of directors of the companies, except for the incentive component based on financial instruments, which is subject to approval by the UBI Shareholders' Meeting. Information is provided to the above bodies by means of the Annual Report on Group Remuneration.

The Management Board, having incorporated any general recommendations made by the Remuneration Committee, proposes (with support from the competent functions) Remuneration and incentive policies which are submitted to the Supervisory Board for its approval after prior consultation with the Remuneration Committee. That same Management Board and the Boards of Directors of the banks and subsidiaries, in accordance with the policies set, approve the relative means to implement them and, with the support of Human Resources and the other competent functions, direct choices concerning the management and remuneration of staff.

The Management Board, having taken account of any proposals from the Remuneration Committee, determines the remuneration of Senior Management and Personnel belonging to the Material Risk Taker perimeter at UBI and indicates the amount of the remuneration for Senior Management and Personnel belonging to the Material Risk Taker perimeter of subsidiary companies to be submitted to their respective Boards of Directors.

The foregoing is submitted to the Supervisory Board for verification of compliance and consistency, after prior consultation with the Remuneration Committee.

With the exception of matters reserved to a Shareholders' Meeting, the Management Board submits any exceptions to the policies for an opinion from the Remuneration Committee and for the consequent resolutions of the Supervisory Board.

The corporate control functions are involved *ex ante*, working together to ensure the adequacy and regulatory compliance of the policies and practices adopted, and they carry out *ex post* monitoring of their proper functioning and application.

The Remuneration Committee is composed<sup>5</sup> of the following members of the Supervisory Board:

- Alessandra Del Boca, as the Chairperson;
- Ferruccio Dardanello;
- Patrizia Michela Giangualano.

*Dott.* Dardanello was appointed to the Remuneration Committee by the Supervisory Board with a resolution dated 12<sup>th</sup> September 2017 in order to replace *avv. prof.* Cera, who resigned from the committee due to other professional commitments.

The Remuneration Committee is composed entirely of independent board members in compliance with the Corporate Governance Code. The composition of the Remuneration Committee reflects an adequate level of experience and expertise in relation to bank governance, finance and remuneration policies.

The Remuneration Committee met 19 times during the financial year, with an average meeting duration of one and a half hours.

The committee's activities are reported in detail in the Report on Corporate Governance and the Ownership Structure of the 2017 Annual Report.

The Remuneration Committee is governed by specific regulations – published on the Bank's website in the section Corporate Governance / Supervisory Board – which determine its responsibilities and its functioning.

## **V. Remuneration policies of the subsidiaries**

UBI Banca coordinates subsidiaries in order to ensure consistency in remuneration systems based on the principles defined herein, while respecting the specific needs of their respective industries and collaborating in the preparation of documents concerning the company

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<sup>5</sup> Its term of office expires at the time of the 2019 Annual General Meeting.

remuneration and incentives policies drafted by the various subsidiaries in accordance with applicable laws and regulations.

### ***Asset management companies***

The Group includes companies that operate in the asset management industry (i.e. UBI Pramerica and UBI Management Company SA) in Italy and Luxembourg, both of which are subject to the UCITS V Directive, although in observance of broader consolidated banking legislation.

UBI Pramerica SGR makes use of the Parent's Remuneration Committee, the duties of which have been expanded in light of the new regulatory requirements that apply to the asset-management industry (under the joint CONSOB-Bank of Italy Regulations).

The identification of company Risk Takers is approved by the company's Board of Directors in line with the approach defined and approved by the boards of the Parent based on their impact on the company's risks.

The "Identified Staff" at this asset management company, identified based on the criteria of Regulation 604/2014, are of importance to the Group for their senior management positions. Consequently, on a prudent, consolidated basis, their variable remuneration includes connections with risks taken on and with the financial performance and standing of the Group itself.

### ***Insurance companies***

The insurance companies, Bancassurance Popolari S.p.A. and Bancassurance Popolari Danni S.p.A., although not within the "scope of the Banking Group" *per se*, adopt the remuneration and incentives policies of the UBI Banca Group in accordance with the banking industry's regulatory framework, which contains stricter provisions than those required under ISVAP Regulation 39/2011 or under the scheme of the IVASS Regulation of 2/2017, the final text of which has yet to be released.

The identification of company Risk Takers is done by the specific functions of the insurance company based on an approach defined and approved by the boards of the Parent and on their impact on the risks of the company, while also taking account of the principle of proportionality referred to in IVASS regulations, in relation to the profile of company risk determined by the nature and complexity of the risks inherent to the business performed.

The insurance companies operate through bank distribution networks, the remuneration of which is based on the commission and fee mechanisms typical of the insurance market as established by the companies themselves, which differ by insurance type and type of risks taken on.

In line with the requirements of the Insurance Distribution Directive (IDD), the insurance companies do not offer the distributors of insurance products with compensation that would motivate them to view the distribution of insurance products in a manner that would go against their duty to act in the best interests of the customer.

## ***VI. Persons concerned, comparative remuneration and pay mix***

### ***To whom it applies***

Four categories of personnel to which these Group Remuneration Policies apply have been identified:

1. the "Material Risk Takers" (MRT) or "Identified Staff" (IS) specified by the Group in accordance with Delegated Regulation (EU) no. 604 and specific in-house parameters;
2. the "Identified Staff" selected by the company in the area of Asset Management, taking account of the changes to the joint regulations of CONSOB and the Bank of Italy implementing Directive 2014/91/EU (UCITS V), and of Insurance, based on the principles established under IVASS Regulation 2/2017, the consultation of which was completed in October 2017;
3. "Other Group Personnel";

4. “Associate Workers” not linked to the Group by a regular employee contract.

Overall, the scope of “Identified Staff” in 2018 encompassed 254 positions, accounting for about 1.2% of the entire workforce.<sup>6</sup> In detail, these consisted of:

- 48 “Members of the Governing Bodies”, who do not receive variable remuneration for these positions;
- 22 in the category of “Top Identified Staff”, which included the Chief Executive Officer and the General Manager of UBI, when appointed, the highest levels of the functions of the Parent (with the exclusion of the Control Functions), and the senior management of the main legal entities in the Group;
- 168 in the “Other Identified Staff of the Group” category, inclusive of 18 with Control Functions and 14 Financial Advisors with no regular employee contract, whose activities may have significant impacts on the risk profile of the Bank or cover top-tier control functions at the Parent;
- ten positions within UBI Pramerica and six positions at the insurance companies, which are all Identified Staff solely for company purposes.

Identification of this perimeter has been performed on the basis of legislation and regulations in force, including those of the specific industry, and in application of specific internal Group methods approved by the competent Governing Bodies.

### **Comparative remuneration**

The Group sets itself the objective of positioning itself at remuneration levels that are in line with the market, partly with a view to retention and taking results into account, with the aim of assigning the highest pay brackets of the remuneration benchmarks to the highest performing staff, those with the most potential, and those who are in strategic positions and at market risk.

*Comparative remuneration is monitored by comparison with the peer group and the general market, as well as by paying attention to the specific characteristics of each business and role. Through this comparison, the Group intends to improve the competitiveness of remuneration and thus its capacity to attract, motivate and retain staff.*

Differentiated and competitive remuneration packages have been defined on the basis of the category of personnel, in terms of fixed and variable components and benefits.

### **Pay mix**

The Group aims to achieve a balanced ratio between fixed and variable components of remuneration, with balanced levels of pay mix.

Variable remuneration does not exceed the fixed component, except for eleven positions in the asset management company for which, due to sector specificities, the ratio of variable to fixed remuneration can be increased up to a maximum of 2:1.

The table below shows the average target pay mix, calculated as a percentage of total remuneration, taking into account the fixed and variable long and short-term components, divided between the various categories of Material Risk Takers identified<sup>7</sup>.

“Material Risk Takers” Perimeter	Number	Fixed remuneration	Variable short-term	Variable long-term
“Governing bodies”	48	100%	-	-
“UBI CEO”	1	50%	30%	20%
“Top”	21	63%	25%	12%
“Other IS”	170	70%	21%	9%

<sup>6</sup> That perimeter will be subject to periodic revisions during the year, approved by the competent Governing Bodies.

<sup>7</sup> The fourteen financial advisors are excluded from the calculation of the pay mix in consideration of the specific nature of their remuneration, by nature entirely variable on the basis of the type of their employment contract.



The ratio between the variable and fixed component for the control functions does not exceed the limit of one third.

## **VII. Remuneration Policies for Governing Bodies**

The remuneration of the Governing Bodies of the Group is defined in compliance with the current regulatory framework and in accordance with the Articles of Association, based on best practice, Italian guidelines and prospective European policies.

The purpose of the policies is to attract the best skill sets; they are based on principles of both fair remuneration for similar roles and differentiation between roles on the basis of the levels of responsibility and risk involved. They also take account of the professional skills required, the time and commitment employed, and market competitiveness.

In detail, the fees of members of the Governing bodies of the UBI Banca Group are structured with a cap set by that of the Chairperson of the Management Board which is set at the same level as that of the Chairperson of the Supervisory Board, and is lower than the fixed remuneration of the Chief Executive Officer.

No “attendance token” payments exist for meetings of the Governing Bodies.

Members of the Governing Bodies classified as senior management may receive forms of remuneration linked to results, while all the other members of the Governing Bodies of the Group receive no variable remuneration.

No member of the Governing Bodies may unilaterally decide to waive their right to part or all of their remuneration and no guaranteed bonuses<sup>8</sup> or leaving bonuses exist.

### **1. Supervisory Board**

The board members’ fees approved by the Shareholders’ Meeting on the basis of a proposal from the Supervisory Board, for the period of office, are decided by the Supervisory Board on the basis of a proposal from the Remuneration Committee and related to their period of tenure in the role.

The members of the Supervisory Board receive remuneration for the specific positions held, as part of the total amount of remuneration resolved by the Shareholders’ Meeting.

### **2. Management Board**

If the Chairperson of the Management Board takes up positions in other Group banks or companies, he may receive total further remuneration of not more than 30% of the remuneration set for the position of Chairperson of the Supervisory Board.

The fee of the Chairperson of the Management Board is set at the same level as that of the Chairperson of the Supervisory Board.

The maximum total fee payable to each member of the Management Board, with the exception of those relating to the “special assignments” of the Chairperson, the Deputy Chairperson of the Board and the Chief Executive Officer, for membership of the Management Board and where relevant the Governing Bodies of the Group banks and companies, is equal to the amount due for the position of member of the Management Board plus 2/3.

Any exemptions for exceptional reasons are in any event subject to the prior approval of the Supervisory Board, following consultation with the Remuneration Committee.

The Chief Executive Officer and members of the Management Board classified as senior management of UBI Banca, included within the “Material Risk Takers” perimeter, are eligible for forms of variable remuneration linked to results.

### **3. Chief Executive Officer**

The remuneration package of the UBI Chief Executive Officer is comprised of fixed and variable components, for which the ratio is set up to a maximum of 1:1.

<sup>8</sup> Without prejudice to exceptions allowed by legislation and regulations, limited to the first year of employment, for board members classified as senior management.

The fixed components include remuneration due for the position of Chief Executive Officer and for the position of Member of the Management Board in addition to fixed remuneration in relation to his position as a Senior Manager of the Group.

In order to safeguard the Bank's professional and business assets, the fixed remuneration contract contains a non-competition agreement, remunerated by means of a continuous indemnity item, to which a pension plan is added. The non-competition agreement seeks to protect the Group from the risks of competition particularly by way of a ban on taking on roles at other banks in Italy that are similar to those that were held within the Group and on working, directly or indirectly, in the banking industry in the same territory for a period of twelve months following termination of employment, while establishing penalties to be paid by the Chief Executive Officer in the event of violations of this non-competition agreement.

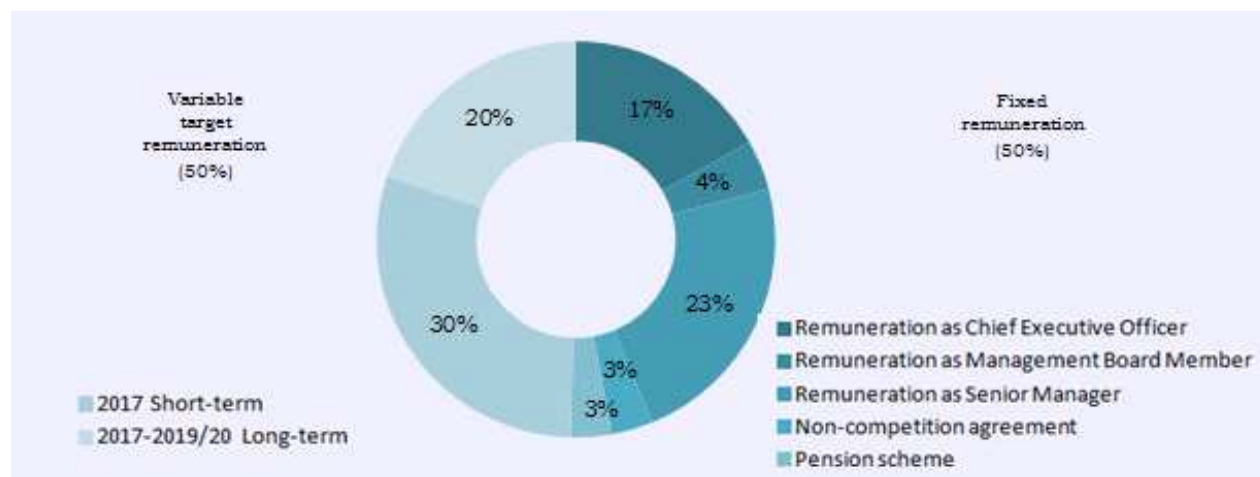
Similar to the previous year, total fixed remuneration paid in 2017 to the Chief Executive Officer was 31 times the median remuneration paid to the remaining UBI Group personnel.

The variable component is based on performance and is measured both annually ("short-term") and on a multi-year basis ("long-term"). For 2018 specifically, 60% of performance is measured on short-term aspects, while 40% is long term.

While capital and liquidity stability at Group level ("gates") and risk-adjusted profitability indicators linked to the overall management of the "bonus pool" must be satisfied, the annual performance of the Chief Executive Officer is measured on the basis of economic and financial profitability indicators, including "RORAC" and "PCOBT", implementation of the company's NPL strategy, customer satisfaction, and qualitative indicators of managerial effectiveness.

The incentive schemes for the Chief Executive Officer involve correlation with the performance of the UBI share, compared with listed banks in the relative benchmark ("TSR"), as described above (chapter III).

The incentive schemes, particularly in relation to financial instruments, promote equity investments by management. More specifically, the Chief Executive Office holds shares in UBI Banca equal to roughly 180% of fixed remuneration.



#### 4. *Boards of Directors of Group companies*

For those who are not members of the Management Board of the Parent and are members of the Boards of Group companies, on the basis of principles of proportionality, the cap on remuneration is equal to the amount due for the position of Member of the Management Board plus 1/3. In this case too, any exemptions for exceptional reasons are in any event subject to the prior approval of the Supervisory Board, following consultation with the Remuneration Committee.

The remuneration for positions held in the Group banks and companies is decided, with account taken of the activities of the subsidiary and also of the overall competencies required for the position, and they are consistent, in accordance with principle of proportionality, with those of the Supervisory Board and Management Board.

The fixed fee set for the positions of Chairperson and Deputy Chairperson includes remuneration for attendance at meetings of the Board of Directors and the Executive Committee, if created. The fee paid to the Chairperson may not exceed the fixed remuneration paid to the top and senior management (Managing Director or General Manager).

Payments due to senior managers employed by businesses within the Group for positions held on the boards of Group companies are paid back to the company concerned. Provision has, however, been made, given the extensive commitment and responsibilities taken, for the payment to those concerned of a special allowance limited to a maximum sum of €20,000, related to the positions occupied and subject to specific regulations, as a separate part of fixed remuneration. The payment of this allowance ceases at the time when the position is no longer held. The sum is calculated on the basis of the amount of the cumulative remuneration due to the senior manager/employee for the positions held, up to the above maximum amount set and in accordance with principle of proportionality, which takes account of the importance, type of activity and risk of the company in question.

## **5. Boards of Statutory Auditors**

The remuneration paid to Boards of Statutory Auditors is set at fixed levels, including the remuneration to be paid to members of the Board of Statutory Auditors if they are acting as a Supervisory Body pursuant to Legislative Decree No. 231/2001, on the basis of the activities of the subsidiary and according to the principle of proportionality.

An increase of approximately 50% of remuneration is payable for the positions of Chairpersons.

## **VIII. Remuneration and incentive policies for staff and associate workers**

The remuneration package made available to staff by the Group is targeted at the achievement of medium to long-term objectives, and balanced depending on the relevant category, on the basis of the following components:

- fixed remuneration;
- variable remuneration based on performance measurement, with a time horizon that distinguishes between short-term (annual) objectives and, for “Identified Staff”, long-term objectives;
- other retention and attraction tools, which depending on the type, are classified as either fixed or variable remuneration;
- benefits, normally associated with the fixed component of remuneration<sup>9</sup>.

A ban is placed on personal hedges or insurance strategies applied to remuneration or other aspects which might alter or impair the effects of alignment with the risk involved in these policies.

It is possible to pay portions of remuneration in financial instruments and also in welfare goods and services.

### **1. Fixed remuneration**

The fixed component of remuneration is structured in an amount that allows the variable component to contract appreciably or fall to zero in relation to the results adjusted for risks that have actually been achieved.

It includes remuneration earned for positions in the Governing Bodies, possible allowances for roles associated with specific positions within the organisation chart, retention tools, contributions to supplementary pension funds, insurance and health policies as provided for in contractual agreements, and any allowances associated with geographical mobility.

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<sup>9</sup> Except for possible pension benefits paid on a discretionary basis, not normally provided, which would be classified as variable remuneration and, with regard to Identified Staff, would be subject to the rules laid down in the legislation and regulations in force.

It is defined on the basis of the position occupied and on the basis of the principles of rewarding merit, which include the following:

- the objectives and responsibilities assigned to the role, including the levels of exposure to risk;
- remuneration benchmarks, with particular attention to professional skills at greatest market risk, to business and to the operating context;
- the proper performance by the person of the functions of the role, in terms of performance and skill levels;
- the growth potential for the job skills that are most important and most difficult to find on the labour market;
- the experience acquired and career path followed.

There is a periodic assessment process for positions aimed at comparing positions within the organisation and on the external market, which assigns a value (grade) to each role, representing the complexity of the position.

Periodic monitoring processes are also in place for measuring adequate job function performance, potential and experience, by means of specific staff management and assessment tools, as follows:

- professional assessment;
- performance in terms of the main objectives of the incentive schemes;
- *assessment of managerial performance*<sup>10</sup>;
- assessment of potential<sup>11</sup>;
- assessment of technical knowledge.

These principles are applied as part of the Merit Plan process.

## **2. Performance-based variable remuneration**

The variable component of remuneration is based on performance measurement, on both an annual and long-term basis.

The objective is to involve and motivate staff to pursue medium and long-term policies and also to reward team and individual contributions.

A bonus pool mechanism has been put in place to ensure a more direct correlation between results and rewards. Access to it is gradual on the basis of the satisfaction of preliminary trigger conditions (“gates”) by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group, single legal entity and business unit.

The measurement is related to income statement and balance sheet indicators adjusted for risk, internal and external customer satisfaction levels, strategic projects and assessments of the effectiveness of their behaviour.

Performance-based variable remuneration consists of:

- short-term annual incentive schemes;
- long-term multi-year incentive schemes;
- the company productivity bonus (or alternatively, a result bonus, in accordance with the national trade union agreement in force from time to time);
- commercial “contests” and other possible extraordinary project initiatives, in the forms admissible according to the provisions of the law and regulations in force from time to time.

The methods for paying bonuses may be both monetary and in other specific forms, including in relation to the Group’s “welfare” system, an increasingly common practice that makes it

<sup>10</sup> Through the use of management appraisal tools, a structured assessment method involving individual interviews.

<sup>11</sup> Through the use of assessment tools, a structured assessment method involving group meetings.

possible to take advantage of goods and services in the areas of education, healthcare, and recreation.

### *Bonus pool*

Each year, if the capital stability, liquidity and risk-adjusted profit conditions are met, a budget is allocated to a bonus pool to be used for the incentives schemes, as part of the Group budgeting process.

This budget is allocated at Group, company and business unit level, taking into consideration the expected profitability, the number and type of personnel, the relative theoretical bonus levels, the type of business or context and the capacity to remunerate capital.

If significant revisions to the budget are made during the year in question, the “bonus pool” may be subject to changes by the Supervisory Board, after prior consultation with the Remuneration Committee, on the basis of a proposal from the Management Board.

At the final figure stage, on the basis of the performance in relation to the budget approved each year by the Management and Supervisory Boards (calculated at Group level using the RORAC indicator and at the level of the individual legal entity and business unit using *normalised net profit adjusted for the “delta” between allocated and absorbed capital*<sup>12</sup> and adjusted on the basis of specific business and customer satisfaction indicators, the bonus pool may be increased, without prejudice to the adjusted return on capital and liquidity, up to a predetermined maximum, or reduced as far as zero (malus), both at the overall level and at the level of each legal entity, in accordance with the criteria set out in the specific implementation regulations. An example of how this works is given below, on the basis of which the bonus pool may vary once given RORAC results relative to budget have been taken into consideration.

Group RORAC (% achievement of target)	Change in bonus pool
> 100%	Up to 125%
≥ 75% and ≤ 100%	Up to 100%
> 0% and < 75%	Up to 75%
≤ 0%	0%

The bonus pool may also be reduced to zero in the event of failure to achieve the trigger conditions ( “gates”) or in case the financial statements show a loss on normalised amounts.

If the available budget allocation is overrun, a criterion has been set for the bonuses to be redistributed, down to the level of the budget allocated.

In order to also be able to manage unforeseeable and non-determinable exogenous variables, the Management Board may reserve a reduced portion of the budgeted bonus pool, up to a maximum of 15%, to action based on qualitative assessments of performance, subject for verification to the approval of the Supervisory Board, after prior consultation with the Remuneration Committee.

Furthermore, on the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and taking account of recommendations formulated by the Management Board, supported by the relative competent units, the Supervisory Board may increase or reduce the level of the bonus pool available at total, single legal entity and business unit level, in order to take account of extraordinary events unforeseen at the time of budget for example, but not limited to, mergers, capital increases and extraordinary accounting normalisations.

### *Entry conditions (“gates”)*

The incentive schemes are triggered upon satisfaction of the conditions (“gates”) set at the Group level to ensure capital and liquidity stability as defined in the document “RAF UBI

<sup>12</sup> For the asset management company with a low capital absorption and for insurance companies, the indicator used is normalised net profit.



Banca Group - Risk appetite – 2018 Risk Appetite Statement”. The indicators and the relative thresholds are as follows:

- Common Equity Tier 1 (“CET 1”) > 11%<sup>13</sup>;
- Net Stable Funding Ratio (“NSFR”) ≥ 100%;
- Liquidity Coverage Ratio (“LCR”) ≥ 120%;
- Leverage Ratio (“LR”) > 3,75%<sup>14</sup>.

The values for these indicators were verified at the end of the period, as at 31/12/2018 for the short-term incentive scheme, and they are updated as at 31/12 at the end of each year of the scheme, consistent with the Risk Appetite Framework, for long-term incentive schemes.

Incentive schemes are not triggered if the financial statements show a normalised loss except, in the presence of unforeseeable or non-determinable events and variables to be assessed case by case, including those of an exogenous nature, for the possibility of granting a portion, up to a maximum of 15% of the total bonus pool, to be submitted to the Supervisory Board for approval, on the basis of a proposal from the Remuneration Committee.

### *Short-term incentive schemes*

The short-term incentive schemes are intended to achieve the annual objectives, and support value generation over time by Group companies, rewarding the achievement of risk-adjusted objectives, while maintaining adequate capital levels and liquidity and ensuring that incentives are not in conflict with the interests of the Bank, its shareholders and its customers.

The 2018 indicators used to measure performance are as follows:

- RORAC<sup>15</sup>, at Group level;
- Adjusted Normalised Net Profit<sup>16</sup> at the level of individual companies and for specific business units.

These are accompanied by adjustments linked to the level of customer satisfaction and to specific business results which may increase or reduce the bonus pool available when final figures are published.

At the individual and business-unit level, the parameters used for incentive schemes are mainly quantitative and measurable, providing for qualitative aspects for performance measurement and normally also related to levels of customer satisfaction.

Remuneration policies are designed to have an increasing focus on sustainability indicators and seek, over the course of the current Business Plan, to correlate performances also with the achievement of indicators reported in the new Non-Financial Annual Report published beginning in 2018.

The indicators, particularly for staff who sell banking, financial and insurance products, do not involve direct links with single services or products, but relate more generally to areas or sectors of activity and are defined with the intention to pursue and safeguard proper relationships with customers and comply with regulations and legislation in force, with particular reference to compliance with the obligations concerning behaviour and conflicts of interest, and those pursuant to the MiFID II Directive.

The calculation methods are designed to allow graduated payment of bonuses, depending on the degree to which objectives are attained and also to prevent conduct that places the Bank at risk.

There are also specific objectives for the management and reduction of non-performing loans (NPLs) in relation to the strategies approved.

<sup>13</sup> These thresholds are the same as those for “Risk Tolerance”, plus 0.625% (the “early warning threshold”). If the final figure lies between the Risk Tolerance threshold and the 0.625% increase, triggering of incentive schemes is subject to assessment by the Supervisory Board, following consultation with the Risk Committee and the Remuneration Committee, with account taken of the results of the alert process laid down under the “Recovery Plan” and of recommendations formulated by the Management Board.

<sup>14</sup> The “early warning threshold” for the “LR” indicator is 0.25% and if the final figure lies between the Risk Tolerance level (3.5%) and the 0.25% increase, the process to be followed is the same as that already indicated in the previous footnote.

<sup>15</sup> That indicator is also applied for the Parent, the company UBI Servizi e Sistemi and the company UBI Academy.

<sup>16</sup> Normalised net profit, adjusted for the cost delta between absorbed capital and allocated capital. If capital absorption is low (asset management) or where that indicator is not available (insurance), it is replaced with the normalised net profit indicator.



Bonuses are related to the complexity of the role and the results achieved at individual, team, business unit, company and Group level.

There are no guaranteed bonuses, without prejudice to exceptions allowed by legislation and regulations limited to the first year of employment.

Access to bonuses is withdrawn if company regulations or instructions are violated, as ascertained by the imposition of disciplinary penalties, or following adverse findings made by the Internal Audit Function, as set out in the corporate implementation Regulations.

#### *Incentive scheme for “Identified Staff”*

“Identified Staff”, with the sole exception of the control functions, for which there are no indicators linked to financial and operating objectives, are subject to further indicators in addition to the Group and company objectives referred to above, as follows:

- normalised PCOBT;
- core revenues;
- customer satisfaction.

Exclusively for the most senior positions at the Parent<sup>17</sup>, a share of the bonus may be adjusted on the basis of the position of the UBI share compared with the listed banks used for the benchmark.

In line with the principles expressed in the legislation and regulations, for the whole of the “Identified Staff” perimeter (except for the asset management positions) the structure of the bonus payout is such that 50% of the bonus is converted into ordinary shares of UBI Banca, subject to retention clauses that align the incentives with the Bank's long-term interests.

With specific reference to asset management positions, a portion of the financial instruments is converted, either in part or totally depending on the role, into mutual investment funds of the company itself, in compliance with regulations specific to that sector (“UCITS V”).

The percentage of the deferment of bonuses and the relative timing vary, as a function of the role, the target variable and the category to which they belong, and specifically:

- for the Chief Executive Officer of UBI Banca, 60% is deferred for five years, in consideration of the size of the theoretical variable target, which is over €500,000;
- for positions belonging to the Top perimeter, 50% of the bonus is deferred for three years;
- for “Other Identified Staff”<sup>18</sup>, 40% of the bonus is deferred for three years.

An equal percentage is applied for the quota in financial instruments for both the deferred and up-front variable components.

There is a two-year retention period for financial instruments that are paid up-front, while there is a one year period for the deferred components.

In order to ensure capital and liquidity stability over time, consistent with the long-term strategic objectives of the bank or company, the deferred portion is paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio<sup>19</sup>) and liquidity stability (Net Stable Funding Ratio<sup>20</sup>) are maintained at the end of the relative period, consistent with the “Risk Appetite Framework” defined in internal policies. The deferred portion of the bonus will not be paid if these conditions are not met (a “malus”).

No interest or dividends are paid on deferred portions of the bonus.

Examples of the payout procedures for “Identified Staff”, differentiated on the basis of the type of role, are given below.

In detail, the Chief Executive Officer of UBI Banca receives 40% upfront and 60% deferred, more specifically:

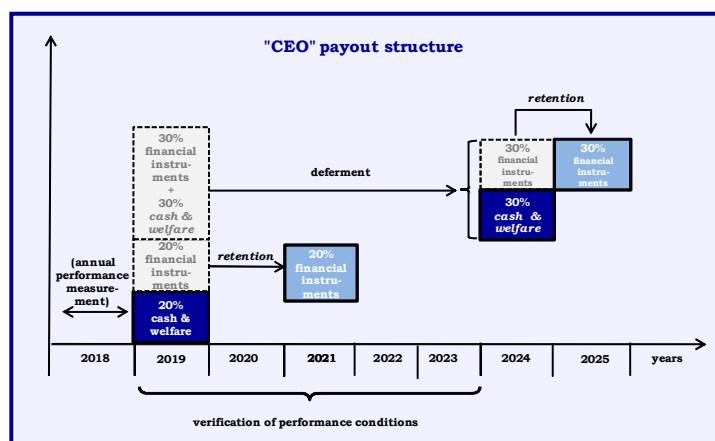
<sup>17</sup> Chief Executive Officer, General Manager, if appointed, and Senior Deputy General Manager of UBI.

<sup>18</sup> With the exception of the risk takers identified within the insurance companies, for whom the bonus-payment structure does not call for the use of financial instruments or deferment, in accordance with the principle of proportionality specified under legislation “insignificant” insurance companies.

<sup>19</sup> Risk Tolerance + early warning threshold level.

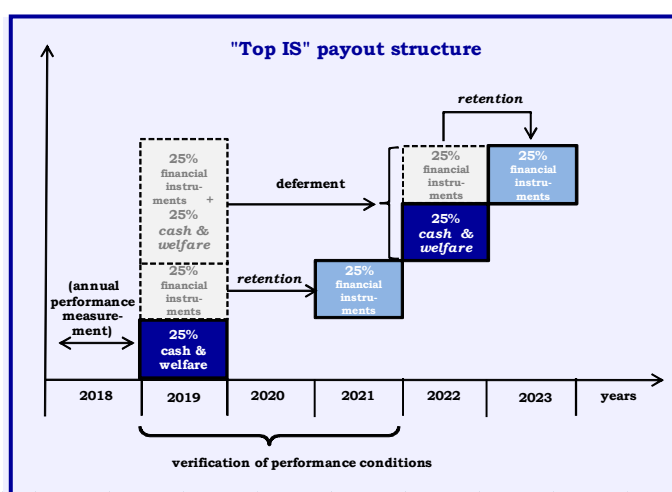
<sup>20</sup> Risk Appetite level

- 20% is paid up front in cash and welfare at the end of the performance measurement period;
- 20% is paid up-front in financial instruments at the end of the performance measurement period and is subject to a further two-year retention period;
- 30% in cash and welfare is deferred for five years and subject to further performance monitoring conditions;
- 30% in financial instruments is deferred for five years subject to further performance monitoring conditions and is subject to a further one-year retention period.



For the Top perimeter, 50% is received upfront and 50% is deferred, more specifically:

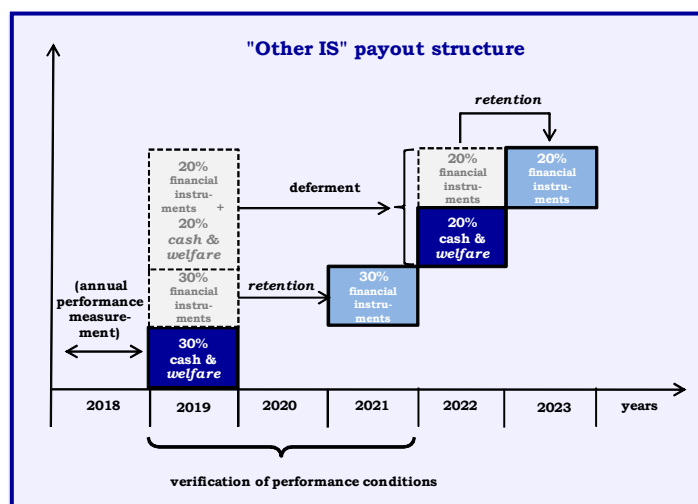
- 25% is paid up front in cash and welfare at the end of the performance measurement period;
- 25% is paid upfront in financial instruments at the end of the performance measurement period and is subject to a further two-year retention period;
- 25% in cash and welfare is deferred for three years and subject to further performance monitoring conditions;
- 25% in financial instruments is deferred for three years subject to further performance monitoring conditions and is subject to a further one-year retention period.



"Other Identified Staff" receive 60% upfront and the remaining 40% is deferred, as follows:

- 30% is paid up-front in cash and welfare at the end of the performance measurement period;
- 30% is paid up-front in financial instruments at the end of the performance measurement period and is subject to a further two-year retention period;

- 20% in cash and welfare is deferred for three years and subject to further performance monitoring conditions;
- 20% in financial instruments is deferred for three years subject to further performance monitoring conditions and is subject to a further one-year retention period.



The payment mechanisms set out above are always applied, in accordance with the relevant perimeter, if the variable amount earned by the individual exceeds €50,000 or 15% of individual fixed remuneration.<sup>21</sup>

If the bonus earned is equal to or below that threshold and if the bonus earned individually is less than 15% of fixed remuneration, the payment is made entirely upfront, 50% being paid in cash and welfare at the time when the conditions are met and the remaining 50% as financial instruments with a two-year retention period.

Unless expressly indicated otherwise, participants in the incentive schemes who terminate their employment contracts before the bonus payment dates set out for each model, partly with a view to retention, will lose all rights to bonuses earned.

The beneficiaries of the incentive schemes who fall within the perimeter of "Identified Staff" are required to sign specific in-house regulations and agree not to make use of personal hedging strategies or insurance on remuneration or other aspects that could alter or compromise the effects of alignment with the risk envisaged by the policies.

#### *Long-term incentive schemes (2017-2019/20 Business Plan).*

The incentive schemes are triggered by the Supervisory Board, after receiving an opinion from the Remuneration Committee and with account taken of recommendations formulated by the Management Board, while the share-based component must be approved by a Shareholders' Meeting.

For 2017-2019/2020, a long-term incentive scheme is in effect with the goal of supporting achievement of the objectives of the Business Plan and of aligning the interests of management with those of all stakeholders with a view to creating value over the short and the long term.

This scheme is intended, amongst other things, to make remuneration target levels more competitive, attributing greater value to the variable component and directing the pay mix towards performance, amongst other things by encouraging the loyalty of key personnel.

The beneficiaries of this plan are the "Identified Staff", with the exception of the Control functions and certain specific positions, taking account of the related pay mix and levels of responsibility.

In 2018, newly named members of "Identified Staff" are also to be involved, with the exceptions mentioned above.

<sup>21</sup> In consideration of the specific markets involved and the composition of the current remuneration package, for asset management positions, payment is made up front in cash if the individual bonus earned is less than €80,000, and for financial advisors of IWBanck, payment is made up front in cash if it is less than €50,000 and less than 33% of fixed remuneration.

An additional amount is to be added to the bonus pool created for the short-term incentive scheme in order to finance the plan.

The participation of managers in the scheme takes place exclusively by means of investments they make, up to a predetermined maximum and consistent with the defined pay mix levels, by purchasing shares of UBI Banca with their own funds.

Without prejudice to the preliminary access conditions (the “gates”), specific performance objectives are linked to the creation of value, to strengthening capital ratios, to sustainable profitability over time envisaged by the Group Business Plan, and also to the performance of the share compared with a benchmark peer group of publicly listed banks.

The target levels of the 2017-2019/2020 long-term incentive scheme have been updated in response to the updates to the Business Plan following the acquisition of the three Bridge Banks to include an increase in the expected levels for the strengthening of the capital ratios (CET1) and of sustainable profits (ROTE).

Performance measurement is calculated on the basis of a performance matrix with two indicators, the results of which are recorded at Group level as at 31/12/2019 and 31/12/2020:

- *Common Equity Tier 1 (CET 1) Ratio*;
- *Return On Tangible Equity (“ROTE”)*.

A percentage of the bonus is earned on the basis of the degree to which objectives are achieved, calculated on the basis of the investment made by the manager in question.

The bonus is calculated, up to a maximum of 40%, on the basis of achieving objectives as at 31/12/2019, according to the chart shown below.

2017-2019 Performance matrix				
		ROTE		
		≥6.8% and <8%	≥8% and <10.7%	≥10.7%
CET1 Ratio	≥12.3%	20%	30%	40%
	≥11.7% and <12.3%	10%	20%	30%
	≥11.2% and <11.7%	-	10%	20%

The remaining 40% of the bonus is calculated on the basis of achieving objectives as at 31/12/2020 according to the chart shown below.

2017-2020 Performance matrix				
		ROTE		
		≥7.9% and <9.1%	≥9.1% and <12%	≥12%
CET1 Ratio	≥13.5%	20%	30%	40%
	≥12.7% and <13.5%	10%	20%	30%
	≥11.6% and <12.7%	-	10%	20%

An adjustment is made to the bonus earned in each matrix equal to +/- 25% as a function of the performance of the UBI share with respect to relative benchmark (“TSR”), as follows:

- if the performance of the UBI share is above the upper quartile (“Q3”), the bonus earned is increased by 25%;
- if the performance of the UBI share is below the lower quartile (“Q1”), the bonus earned is reduced by 25%;
- if the performance of the UBI share lies between the upper quartile (“Q3”) and the lower quartile (“Q1”), the bonus remains unchanged.

Examples are given in the chart below.

UBI share performance adjustment	
TSR	Impact
> Q3	+25%
Q1 and < Q3	-
< Q1	-25%

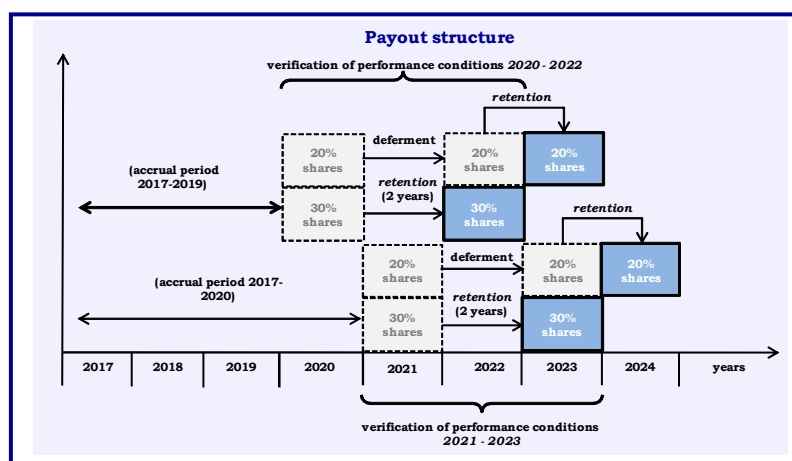
In case of extraordinary events or unforeseen events at the time of budget occur such as for example, but not limited to, mergers, capital increases, extraordinary accounting normalisations, on the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and taking account of recommendations formulated by the Management Board, the Supervisory Board, in collaboration with the relative competent units, may assess the possibility of reviewing the thresholds and the objectives identified and increase or reduce the bonuses earned with account taken of indicators linked to the Business Plan and in view of more general performances achieved during the period, for example with reference to compliance with the “2017-2020 Policy on Dividends”.

The bonuses are paid in UBI shares (performance shares), which are considered the most appropriate instruments for aligning the interests of shareholders with those of management.

The bonuses are paid according to the following payout procedures:

- 60% is paid up-front in UBI shares at the end of the performance measurement period (accrual), with a two-year retention period;
- 40% is paid in UBI shares, deferred by two years and with a one-year retention period. This quota is awarded before the end of the deferment period, but subject to a further year of retention to verify that the conditions for the payment effectively exist.

Examples of the payout procedures are given below for bonuses earned as at 31/12/2019 and 31/12/2020.



In order to ensure capital and liquidity stability over time, consistent with long-term strategic objectives, the deferred portion is paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio<sup>22</sup>) and liquidity stability (Net Stable Funding Ratio<sup>23</sup>) are maintained at the end of the relative period, consistent with the “Risk Appetite Framework” defined in internal policies. The deferred portion of the bonus will not be paid if these conditions are not met (a “malus”).

<sup>22</sup> Risk Tolerance + early warning threshold level.

<sup>23</sup> Risk Appetite level

### *The Company Productivity Bonus or Result Bonus*

There may be a company bonus as part of variable remuneration or alternatively a result bonus, as defined by the national trade union agreement, the conditions and criteria for which are set annually in the context of supplementary trade union negotiations.

### *Commercial “contests” and other possible extraordinary project initiatives*

It is possible to hold specific commercial “contests” aimed at orienting the distribution network to support business plans and targets and specific initiatives to support extraordinary projects. These initiatives are developed as part of the variable components of the remuneration in line with targets set during budget preparation, ensuring the prevention of conflicts of interest and behaviours that may lead to moral hazard.

These initiatives are marginal and supplementary compared with the true incentive schemes, with particular reference to the objectives, costs, impacts on staff motivation, and effects at the level of risk assumption, as they do not have direct connections to the individual investment products/services.

### *Clawback clause*

The variable component of remuneration is subject to clawback mechanisms for the repayment of bonuses that have already been received.

Clawback has a particular impact on incentives earned by and/or paid to staff who have caused or played a role in:

- behaviours leading to a significant loss for the Bank;
- violations of the obligations under article 26 or, when the subject is an interested party, article 53, subsections 4 and following of the Consolidated Banking Act or obligations relating to remuneration and incentives;
- violations of the provisions of the Consolidated Finance Law with regard to obligations under article 6, paragraphs 2-septies, 2-octies and 2-novies, or article 13, or obligations concerning remuneration and incentives according to Art. 190-bis;
- fraudulent behaviour or gross negligence that could damage the Bank.

These provisions are independent of any compensation or disciplinary issues.

The above involves the termination of any bonuses currently vesting and of payments of deferred components earned in previous years and not yet granted (a “malus”).

The clawback may take place for bonuses paid up to a maximum period of five years prior to the date on which the charge of misconduct indicated above was brought.

## **3. Other retention and attraction tools**

Other tools for attracting and retaining staff include awards such as promotions, pay increases for the fixed component related to career paths and professional development and managed as part of the Merit Plan, usually on an annual basis.

It is also possible to grant indemnities associated with specific positions within the governance and control structures that are functionally linked to the role occupied, as part of the fixed component of remuneration.

Finally, there are tools for the attraction and retention of professionals in demand within the labour market. These include the use of:

- job-security agreements, for which the amount is agreed or granted during the same employment relationship by means of fixed remuneration periodic or continuous indemnity items (only in exceptional circumstances can this occur at the time of termination of the employment relationship, in accordance with criteria set out by the Shareholders’ Meeting) to retain professionals in high demand within the labour market and to protect the financial profiles of the Bank;



- schemes to enhance the commercial contribution made by personnel from the external market, making it possible to provide economic rewards (e.g. for the acquisition of new customers or assets);
- lastly, the Bank may make use of specific non-competition agreements, when they are required or advisable for the protection of commercial and customer goodwill. The necessary payments will be agreed within the limits set in article 2125 of the Italian Civil Code and in line with Bank of Italy Supervisory Regulations, legal interpretations and market practices, with specific reference to Identified Staff in compliance with the criteria and limits approved by the Shareholders' Meeting.

#### **4. Benefits**

In addition to what is already required under the National Trade Union Agreement, wage packets paid to staff may include the grant of benefits awarded on the basis of internal fairness and external competitiveness, consistent with the need to meet the demands of the various categories of employees and in compliance with tax and social security legislation.

In particular, supplementary collective pension<sup>24</sup>, health and insurance plans, that are specially regulated, infancy welfare and canteen services, sports and recreational activities and discounts on products and services provided by the Bank and its subsidiaries are provided to protect the health and welfare of staff.

The provision of company cars for business and personal use and guest accommodation to meet requirements for tasks, geographical mobility and personnel management in the Group has been established and regulated.

#### **5. Post-employment benefits**

The criteria for determining extraordinary remuneration, in addition to what is required by law or under the national trade union agreement, in the event of the early termination of the employment relationship or of the position held, including the limits set in terms of years of fixed remuneration and the maximum amount resulting from their application, are set by the Shareholders' Meeting.

No special payments (golden parachutes) are generally provided for the early termination of an employment relationship or the office held.

Any individual agreements, on an exceptional basis, will be managed in the context of the criteria set by a Shareholders' Meeting, up to a maximum of 24 months of fixed individual remuneration, subject to deferment and retention conditions for the component paid in financial instruments and to ex post adjustment mechanisms (malus and clawback) and they must reflect performance achieved over time.

This is without prejudice to payments and disbursements that are required by law or under the national trade union agreement, or on the basis of transactions performed within the context and limits of these regulations and in order to avoid objectively justified litigation risks.

These payments and disbursements do not fall within the pay mix and are to be determined based on the specific cases concerned and taking account of the motivations underlying termination of employment, of the position in the organisation, of performance over time, and of proper conduct, as well as in strict adherence to applicable regulations, without prejudice to compliance with the laws and supervisory regulations currently in force.

A structured approval process is followed for decisions regarding Identified Staff. More specifically, the Management Board submits the measures adopted and the relative reasons, within the bounds of the criteria and limits approved by a Shareholders' Meeting, to the Supervisory Board for appropriate verification of compliance, after prior consultation with the Remuneration Committee.

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<sup>24</sup> Normally, pension benefits are not paid on a discretionary basis. Should they be paid then the rules set by the legislation and regulations in force will apply.

## **6. Associate workers not linked to the Group by regular employee contracts**

While taking account of specific features of the specific business concerned, the forms of remuneration applicable to associate workers not linked to the Group by regular employee contracts are inspired by the criteria and guidelines established in this document and aim to promote responsible conduct by the businesses and the proper treatment of customers as required by the principles specified under Directive 2014/65/EU (MiFID II).

Financial advisors and financial agents are particularly important within the scope of associate workers not bound by regular employee contracts for remuneration and incentive policies.

Financial advisors work in the company IW Bank, while financial agents, who specialise in salary and pension-backed loans, work in the company Prestitalia.

The remuneration of Financial Advisors, which is usually entirely variable on the basis of the nature of their employment contract, can be divided into the following:

- a recurring component, commissions, that constitute the more stable and regular element of remuneration and are the real fee for the financial advisory activity;
- a “non-recurring” component, which typically has an incentive value because it is subject, for example, to the achievement of specific results, such as increasing total net inflows of funds.

The non-recurring component is subject to triggering of the bonus pool (“gates”) at Group and company level and “correction factors”, taking into account operational risk indicators, that promote proper behaviour and the link with the legal and reputational risks to which the Bank is exposed, in addition to compliance with the rules for protecting customers and gaining their loyalty.

The following are typically considered with regard to the “non-recurring” component:

- collective incentive schemes, designed to stimulate the activity of all advisors and to reward excellence on the basis of specific objectives;
- individual incentive schemes which, on the basis of individual agreements, reward the achievement of performance targets, inclusive of any extraordinary and non-repeatable inflows of funds, and in any case not attributable to building the portfolio at the entry stage;
- multi-year retention schemes which, in the context of a retention bonus, involve the achievement of determined length of service targets and the maintenance of predetermined portfolio levels and a scheme for the payment of increased provisions.

When a new Financial Advisor is recruited by the Bank, activity to acquire new assets – up to a predetermined maximum period needed to build a reference portfolio – is considered as a “recurring” component of remuneration.

For those financial advisors who may be included within the “Identified Staff” perimeter, the more stringent rules set for “Other Identified Staff of the Group” apply, and remuneration is composed of a “recurring” and a “non-recurring” component, once the period needed to build a basic portfolio has ended (set at 24 months), in the event of recruitment from outside the Group.

The remuneration of Financial Agents, which is also entirely variable due to the nature of their employment contract, is composed exclusively of “recurring” components which are commissions.

In order to reduce and guard against significant risks, the consultancy contracts entered into provide for specific reports and control procedures, to ensure compliance with the provisions of the law and the internal regulations in force, inclusive of the clawback mechanisms applied to all other personnel.

## Attachments

### 1. Description of the indicators used

**Common Equity Tier 1 (“CET1”) Ratio** - In terms of capital, this indicator represents the highest quality core capital (composed of the total ordinary shares issued by the Bank that satisfy the regulatory classification criteria, share premium reserves, retained profits, valuation reserves and other reserves recognised) net of the deductions required by the regulations as a ratio to Risk Weighted Assets (RWA).

**Customer Satisfaction** is surveyed as part of the Consultation Project; appropriate adjustments to take market trends into account may be made at the time when final performances are calculated, in order to mitigate for any possible distortions associated with particular external events.

**The Leverage Ratio (“LR”)** – Leverage calculated as the ratio of the Tier I capital (capital measurement) to the total exposure of the Group (exposure measurement), which includes all the assets and off-balance sheet items not deducted to calculate the capital measurement according to the provisions of the CRR - Art. 429 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26/06/2013 as amended by the Delegated Act (EU) No. 62/2015.

**Liquidity Coverage Ratio (“LCR”)** - Indicator designed to ensure that a Bank maintains sufficient high quality liquid assets available which can be converted into cash to meet liquidity commitments over a period of 30 days in a stress scenario defined by the Supervisory Authority. It is defined as the ratio of the stock of “available high-quality liquid assets” and the sum of “net cash outflows over a time horizon of 30 days, estimated over a period of stress of 30 calendar days”.

**Net Stable Funding Ratio (“NSFR”)** - Indicator of structural balance designed to monitor and contain risk associated with the transformation of maturities. It is the ratio of funding (liabilities) to weighted lending (assets), which takes account of the stability of the liabilities and the degree of liquidity of the assets.

**Total Shareholder Return (TSR)** – The increase in the value of the share, calculated as a percentage difference between the daily average in December 2018 (for the annual incentives scheme) or 2019-2020 (for the long-term incentive scheme) and the daily average in December 2017 for the annual incentive scheme or December 2016 for the 2017-2020 long-term scheme, including the value of any dividends paid (excluding the possibility that they could be reinvested). They are compared with banks in the benchmark listed on regulated markets, on the basis of the quartile ranking of the UBI Group. The method involves normalisations in the event of exceptional circumstances (e.g. increases in share capital).

**Return On Risk-Adjusted Capital (RORAC)** - The profitability in percentage terms of capital at risk calculated as the ratio of NOPAT (net operating profit after tax) to the average allocated (budgeted) capital or average absorbed (actual) capital.

**NOPAT** is obtained by adjusting the consolidated net profit (attributable to the Group and to non-controlling interests) - net of non-recurring extraordinary items and the cost attaching to incentive schemes - to notional interest (net of taxes) calculated using the following formula:

at the time of budgeting/final figures: (average adjusted tangible equity<sup>25</sup> - average capital allocated/absorbed) x average yield of three-year BTPs expected for the year budgeted.

The capital allocated/absorbed is calculated as the sum of the following:

- a) the total Risk Weighted Assets (RWA for credit risk, RWA for market risk and RWA for operational risk) multiplied by the Group’s Target Common Equity Tier 1 Ratio (assuming no AT1 issuances: Common Equity Tier 1 Target = Tier 1 Target);
- b) 100% of the shortfall of provisions to expected losses (“fully-loaded shortfall”);

<sup>25</sup> Adjusted tangible equity: equity recognised + expected self financing + non-controlling interests – available-for-sale and cash flow hedge valuation reserves – intangible assets.

- c) hedge funds, any equity investments, subordinated assets in deferred tax assets deducted from own funds;
- d) value of the AFS reserve for government securities if negative + the value of the AFS reserve for other debt securities and equity securities if negative;
- e) the value of the capital allocated in compliance with Pillar II, to cover the banking book AFS portfolio<sup>26</sup>.

*Return On Tangible Equity ("ROTE")* - This is an indicator of the operating profitability of the bank and is calculated as the ratio of net profit to tangible equity (the latter is calculated as the difference between equity excluding profit/loss and intangible assets).

*Core Revenue* refers to the income indicator, excluding of the finance result: net interest income (excluding the effects of PPA<sup>27</sup>) + net fee and commission income (using normalised data).

*Profit on continuing operations before tax (POCBT)* is considered net of extraordinary and non-recurring items.

*Normalised net profit (NNP)* is considered net of non-recurring extraordinary items and the cost relating to incentive schemes.

*Normalised net profit, adjusted for the cost of capital "delta"* - Calculated as the algebraic sum of the net profit in the income statement - net of non-recurring extraordinary items and the cost relating to incentive schemes - and of the (positive or negative) difference between the absorbed and allocated capital, measured on the basis of the cost of capital.

All the accounting and financial data (including any related normalisations) are shown in the financial statements and/or by information provided by the Senior Officer Responsible, the Corporate Strategy Area and the Risk Management Area.

For Finance, the objectives take account of the "Policy to Manage Financial Risks" and the related regulation for its implementation; particular use is made of risk-adjusted indicators (RORAC).

Specific quantitative and qualitative objectives are normally used for incentive schemes in addition to or in place of the indicators shown above, identified in accordance with the activities for which each position is responsible.

<sup>26</sup> The part of the capital which includes the VaR stress and the stop loss capital buffer is deducted from the value of Group capital allocated, with account taken of the portion attributable to the CET1 capital in relation to the composition of 2016 budgeted available financial resources (AFR) and the tax relief is considered that would arise in the event of an effective loss (tax rate: IRES+IRAP).

<sup>27</sup> "Purchase Price Allocation" - in the context of the "purchase method" accounting treatment, this is the recognition in the accounts of acquirer on the acquisition date of the fair value of the net assets of the companies acquired, even if not previously recognised in the books of those companies, and any surplus (or deficit) arising between the cost of purchase and the fair value of the net assets acquired, recognised in the books of the acquirer as goodwill.

## 2. Description of terms, initials and acronyms

*Bonus pool*: total allocated budget for incentive schemes.

*Cap*: maximum achievable level for an objective.

*Cash*: cash component of variable remuneration.

*Clawback*: mechanism that provides for the repayment of a bonus that has already been paid out.

*CRD IV*: Capital Requirements Directive IV - Directive 2013/36/EU of the European Parliament in force since 1<sup>st</sup> January 2014 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

*EBA*: European Banking Authority supervising the banking sector.

*ESMA*: European Securities and Markets Authority - the European authority for financial instruments and markets, supervising the securities market.

*“Gate”*: condition required to trigger incentive schemes, related to Group capital stability and liquidity indicators.

*Golden parachute*: special payments, in addition to what is required by law or under the national trade union agreement, relating to the early termination of an employment relationship or of an office held.

*LTIS*: Long-Term Incentive Scheme.

*Malus*: ex post adjustment mechanisms on the basis of which the bonus pool and/or the bonuses earned may be reduced, even to zero.

*MiFID II*: The Markets in Financial Instruments Directive is the European Directive for the protection of investors and the efficiency and integrity of the financial markets.

*MRT*: Material Risk Takers or Identified Staff, defined in Commission Delegated Regulation (EU) No. 604/2014, which supplements CRD IV and provides the qualitative and quantitative criteria for the identification of members of staff whose activities have a material impact on the Bank's risk profile. Within the UBI Group, MRTs have been divided into three groups, with different treatments, in accordance with principles of proportionality, with particular regard to procedures for the payment of the bonuses earned.

*NPL*: Non-performing loans, the management of which is subject to the guidelines published by the European Central Bank (ECB) on 20<sup>th</sup> March 2017.

*Pay mix*: the various components of remuneration (fixed and variable) as a percentage of total remuneration.

*Pay out*: structure and procedures for the payment of bonuses.

*Peer group*: sample of banks used for reference to serve as a remuneration benchmark.

*Performance share*: UBI Banca shares linked to performance intended for the payment of a portion of the bonuses earned by Identified Staff, pursuant to legislation and regulations in force.

*Accrual period*: performance measurement period.

*Retention period*: period during which shares earned by individuals on the basis of performance must be kept and cannot be sold.

*IS*: Identified Staff or Material Risk Takers. See “MRT” above.

*RAF*: Risk Appetite Framework, the reference framework for determining the risk appetite of UBI Group.

*Up-front*: procedure for the payment of bonuses linked to the relative performance and not subject to deferral conditions.

### 3. Positions within the “Identified Staff” perimeter

The total figures<sup>28</sup> divided on the basis of legislation and regulations currently in force (Banking Group including asset management and insurance), internal criteria, and the various categories of “Identified Staff” are given below. The positions are set out in detail in the implementation regulations approved by the Supervisory Board, on the basis of a proposal from the Remuneration Committee.

Criteria for the identification of “Identified Staff”		Governing bodies and company officers	“Top” perimeter	“Other IS” perimeter	Total number
EBA - Regulation 604/2014	3.1 / 3.2 - Management bodies in their management function and in their supervisory function	48			48
	3.3 - Member of senior management		9	1	10
	3.4 - Control Functions Manager			6	6
	3.5/3.6 - Significant Business Unit		10	5	15
	3.7 - Control Functions Senior Manager			11	11
	3.8 - Significant Units Senior Manager		1	67	68
	3.9 - Legal affairs, Finance, Taxation, Budgeting, Human Resources, IT and Economic Analysis		1	21	22
	3.10 - Manager of a Risk Category other than credit and market risk			4	4
	3.11 - Credit Manager		1	16	17
	3.12/13 - Financial Risks Manager			5	5
	3.14 - New Products Manager			2	2
	4.1 - Remuneration > €500,000			6	6
	4.2 - 0.3% of Group with higher remuneration			16	16
	Other Risk Takers (internal criteria)			8	8
	Other Risk Takers Asset Management (pursuant to UCITS V)			10	10
	Other Risk Takers Insurance Sector (pursuant to IVASS)			6	6
<b>Total</b>		<b>48</b>	<b>22</b>	<b>184</b>	<b>254</b>

<sup>28</sup> That perimeter may be subject to revisions during the year approved by the competent Governing Bodies.



## Section II - Implementation of 2017 Remuneration and Incentive Policies

### I. Part one

#### 1. The main policy changes made in 2017

With a view to continuous improvement, and in light of best practices and market trends, with account taken of changes to the relative regulatory framework and recent corporate ownership modifications in the Group, changes have been introduced for 2017 and some refinements have been made to previous policies from 2016. In detail:

- the perimeter of Material Risk Takers (MRT) or “Identified Staff” (IS) was updated based on developments in the organisation of the Group and in accordance with applicable laws and internal regulations. Initially, 197 positions were selected, and this number was increased to 2018 during the year, taking account of the acquisition of the New Banks<sup>29</sup> and the other changes to the organisation during the year. This perimeter has been divided into the following specific categories: 44 “Members of Corporate Bodies”; 23 in the category “Top Identified Staff” (“Top IS”); and 141 in the category “Other Identified Staff” (“Other IS”), which included nine positions that are deemed relevant solely to the Group’s asset management company (UBI Pramerica SGR S.p.A.) in accordance with industry laws and regulations (UCITS V);
- the mechanisms for increasing or decreasing the allocations to the incentive schemes (the “bonus pool”) have been refined to include a performance scale;
- a new scheme has been introduced for the period 2017-2019/20 to support the Business Plan and to supplement the current long-term incentive scheme (“LTIS”) on a three-year basis (2015-2017). Its objectives are to achieve Business Plan targets and to bring the interests of management increasingly into line with those of all stakeholders in the long term and to increase the performance-based variable component of remuneration. Beneficiaries of the scheme are all “Identified Staff” on the basis of the key position occupied in policy terms over the governance of the Group and their impact on the main business areas.<sup>30</sup> The participation of managers in the scheme takes place exclusively by means investments they make by purchasing shares of UBI Banca with their own funds according pre-established limits. In return for positive performance linked to Business Plan objectives, the Bank pays up to a theoretical maximum of 40% of the variable component of the individual gross annual remuneration for the Chief Executive Officer, between 20% and 30% for the remaining members of “Top Management”, and up to 15% for “Other Identified Staff” for each year of the Plan. With account taken of the new Plan and compliance with the limit of a 1:1 ratio between the variable and fixed component of remuneration, for 2017 the variable remuneration of the Chief Executive Officer was based mainly on long-term objectives, for a total of 80% (40% based on the 2015-2017 Business Plan and 40% based on the 2017-2019/2020 Business Plan), with the remaining 20% being based on annual objectives;
- the performance levels set for the 2017-2019/20 long-term incentive scheme were aligned during the year to the profit and capital ratios and to the creation of value as specified in the update to the UBI Business Plan following inclusion of the three bridge banks, as described under Section I herein;
- the peer group used to calculate Total Shareholder Return (TSR), included within the scope of the short-term and long-term incentive schemes was adapted during the year in order to appropriately adjust the sample population to take account of the merger between Banco Popolare and Banca Popolare di Milano, and it has now been defined as described under Section I herein;

<sup>29</sup> Former Bridge Banks: Banca Adriatica, Banca Tirrenica, Banca Teatina and subsidiaries.

<sup>30</sup> Except for board members and financial advisers with no employee contract of employment, Corporate Control Functions to whom economic and financial indicators are not directly linked and asset management company positions that report directly to senior management, with account taken of the current pay mix and the specific applicable regulations.

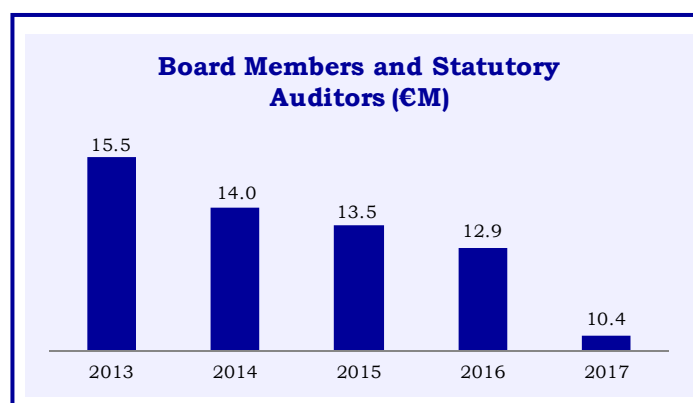
- the number of positions for which the ratio of variable to fixed remuneration may reach 2:1 has increased from five to six, comprising the main positions in the Investments Area of the Group's asset management company;
- it has been decided to pay portions of incentive schemes for "Identified Staff" in the asset management company by using the mutual investment funds of the company itself, in compliance with regulations specific to that sector ("UCITS V").

## 2. The main 2017 results

Details are given below of expenses relating to the various categories of personnel and in particular to Directors and Statutory Auditors, employees, other personnel with consulting contracts and Financial Advisors.

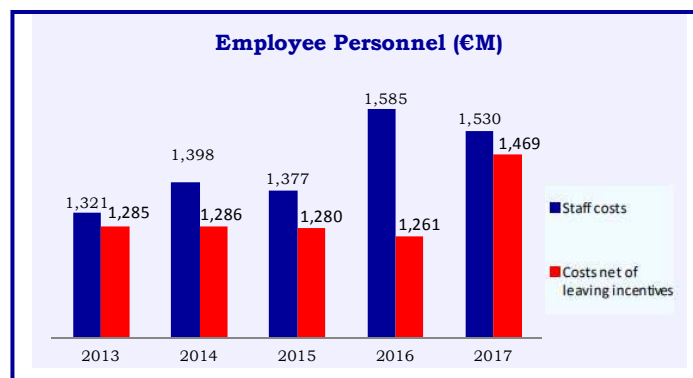
### *Expenses for Directors and Statutory Auditors*

Expenses incurred for the remuneration of Directors and Statutory Auditors amounted to approximately €10.4 million, (down compared with the €12.9 million reported in the previous year) accounting for a little less than 0.7% of total staff costs. The progressive reduction in recent years is the consequence of board renewals and a decrease in the number of members of UBI Banca's Supervisory Board at the same time, in addition to the result of a decision taken by the Supervisory Board on 4<sup>th</sup> March 2014, following a proposal submitted by the Management Board, which made it possible to reduce costs for the remuneration of the Management Bodies of subsidiaries that were renewed from that date onwards and to achieve objectives set to reduce total governance expenses. In 2017, the companies' boards of directors were further reduced due to the merger of the Network Banks and of the New Banks into UBI. If all the actions taken since 2013 are taken into consideration, governance expenses have been reduced overall by approximately 41%, to give a total of around €7 million compared to 2012.



### *Expenses for employees*

Total expenses incurred for employee personnel came to approximately €1,530 million. This includes expenses related to: (i) the employees of the New Banks, who have been included beginning in 2017; and (ii) the redundancy plans called for within the scope of the business plan that began in 2016.



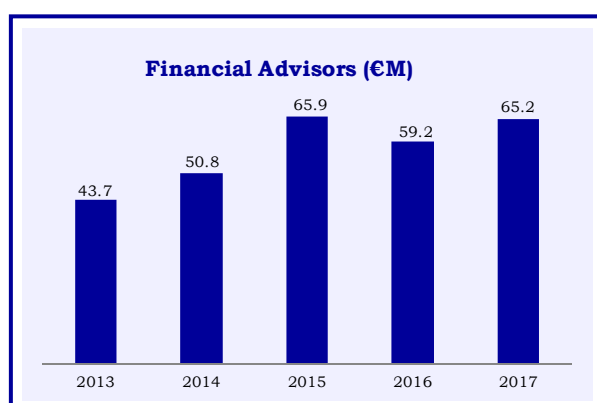
### *Expenses for consulting contracts – Other Personnel in service*

Expenses incurred for consulting contracts with Other Personnel in Service came to approximately €1.4 million, gradually declining compared to previous years.



### *Expenses for Financial Advisors*

With specific regard to Financial Advisors not bound by regular employee contracts at IWBanK Spa, expenses totalled roughly €65.2 million, an increase over the previous year. Approximately 8% of the costs is attributable to “Identified Staff” in this category.



With regard to the non-recurring component related to 2016, the Board of Directors of the subsidiary IWBanK Spa, despite the negative status of its financials – but given the positive status of capital stability, liquidity and profitability at the Group level and taking account of achievement by Financial Advisors of their individual targets and their respect of the objectives of professionalism in relations with customers as required by contract – and with the favourable opinion of the Supervisory Board and having heard the opinion of the Remuneration Committee, nonetheless decided to pay, based on the final figures, to just nine Financial Advisors a total of €273,500, 23% of which to one individual within the “Identified Staff”, with a view to preserving the relationship of trust with the individuals concerned and to safeguarding the assets that they manage.

### *Positions with remuneration of over €1 million*

Within the Group, there is just one position with remuneration of between €1 million and €1.5 million, i.e. the UBI Chief Executive Officer.

### *Action taken on fixed remuneration of ordinary employees*

As part of the process for the periodic review of remuneration, known as the “Merit Plan”, action was taken in 2017 to reward merit, with the exclusion of changes required by automatic contract clauses in force, involving approximately 7.4% of personnel, with a total impact of approximately 0.2% on total wages paid. The employees of the New Banks were not the beneficiaries of any initiatives.

### *Estimate of the results of 2017 incentive schemes*

On the basis of the first available evidence, the trigger conditions (“gates”) were satisfied and the performance of the return on risk adjusted capital (RORAC) indicator was positive.

The first projections positioned the aforementioned “RORAC” indicator at levels below 75% of the budget forecast. The results determined a decrease in the total theoretical budget allocation up to a maximum of 75% of that which had been set in the budget, to give an amount of approximately €16.3 million, excluding the “Identified Staff” of the Parent, UBI Sistemi e Servizi and UBI Academy and with a reduction of any bonuses earned by the Identified Staff of the companies.

The 2017 performance of RORAC was influenced by extraordinary factors that were unexpected and unforeseeable at the time of the budget (and in application of operating practice defined by the UBI Group, they were not subject to accounting normalisation) due to the following: (i) to an additional amount paid to the Interbank Deposit Protection Fund (the “IDPF”) compared with the amount estimated at the time of the budget based on final figures for the previous year; (ii) to greater collective provisions made for performing counterparties due to the failure to apply new credit risk measurement models with regard to which the European Central Bank has not yet completed its approval procedures; and (iii) to the introduction of two new synthetic securitisations for a part of the loan portfolio.

In consideration of the extraordinary nature of the aforementioned operations not directly attributable to the ordinary operating performance of personnel, on the basis of a proposal from the Management Board and having received an opinion from the Remuneration Committee and the Risk committee, the Supervisory Board decided, exclusively for the purposes of the incentive scheme and based on the principles of fairness, to approve the neutralisation of the aforementioned events.

Those neutralisations brought the performance of Group RORAC to above 75% of the budget forecast with the consequent confirmation of the budgeted amount allocated and triggering of the incentive scheme for Identified Staff, while targets set at individual and role level would still need to be achieved. With account taken of initial forecasts of the results of the incentive schemes, the total cost is estimated at up to a maximum of €19.5 million, which is nevertheless lower than the €21.7 million budgeted, as shown in the table below.

Group RORAC (% achievement of objective)	Theoretical bonus pool	Estimate of total expense
> 100%	Up to 125%	
≥ 75% and ≤ 100%	Up to 100% (€21.7M)	€19.5M
> 0% and < 75%	Up to 75%	
≤ 0%	0	

With regard to individual companies, again on the basis of the initial projections, subject to changes at the final verification stage for the qualitative and quantitative indicators, six out of eight Group companies will have access to incentive schemes, although with different budget expense availability based on results achieved. Approximately 77% of “Identified Staff” would receive a bonus, details of which, subject to revision on the basis of the final figures, are given in the second part of this report. The employees of the New Banks were not beneficiaries of incentive schemes in 2017.

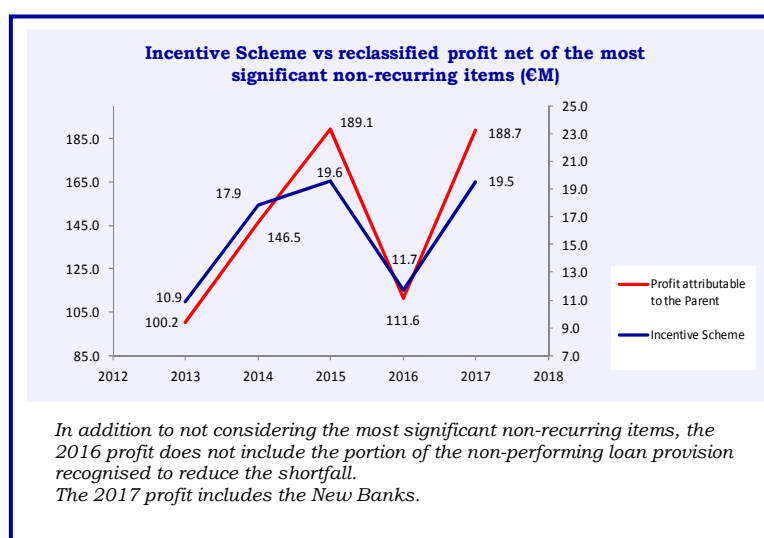
### *Incentive schemes in previous years*

With regard to the 2016 incentive scheme, final figures show that expenses totalled €11.7 million, as compared to an outlay related to the “Single Bank” project of roughly €1.3 million, thereby confirming the total of €13 million for the variable component allocated to the financial statements for the year.

As concerns deferred components of the 2012 and 2013 Incentive Schemes, in 2017 34,242 UBI Banca shares vested and were paid to 15 staff and approximately €143,000 gross was paid to six staff within the “Identified Staff” perimeter, because the deferment and retention conditions for the three-year periods 2013-2015 and 2014-2016 had been met.

Again in 2017, with reference to the 2014 incentive scheme, once the two-year retention period was over, 162,852 UBI Banca shares were granted from the up-front component earned by 47 staff within the “Identified Staff” perimeter.

The chart below shows the total cost of incentives schemes for Employee Personnel over the last five years.



### *2015-2017 long-term incentive scheme*

In 2017, the performance-measurement period for the 2015-2017 long-term incentive scheme came to an end. Given the Group’s average RORAC performance (actuals vs. budget) for the period, no bonus was earned by “Identified Staff” that were beneficiaries of the Plan.

### *2017-2019/20 long-term incentive scheme*

Upon completion of the subscription period, participation in the 2017-2019/2020 long-term incentive scheme for the Group’s “Identified Staff”, in support of the Business Plan presented on 10th May 2017, reached 98% of all eligible participants, who subscribed a total of some 400,000 shares for a total value of €1.6 million.

The treasury shares needed are currently being purchased on the market in accordance with the resolution passed at the 2017 Shareholders’ Meeting.

### *Other variable items*

In 2017, with the exception of the employees of the New Banks, the Company Bonus related to 2016 was disbursed, the amounts of which were set in accordance with the financial performance of each company concerned for a total expense of roughly €17 million and, like last year, the bonus was paid in the form of welfare services.

For 2017, there was also a special allocation of €1.5 million aimed at acknowledging and promoting the extra effort of the units and employees most committed to executing the merger of the bridge banks into UBI. In compliance with the trigger conditions in terms of Group capital and liquidity stability (the “gates”), that budget allocation, in consideration of the

extraordinary purposes, takes the form of company “generosity” and the bonuses paid in 2018 will take the form of “welfare” with no possibility of conversion into cash.

### **3. Treatment for start and end of employment relationships**

A recruitment bonus was paid in 2017 limited to the first year and in compliance with Supervisory Regulations on remuneration and incentives, amounting to €400,000 gross for two members hired within the “Identified Staff” perimeter.

During the year, there were also nine terminations of members of “Identified Staff” in 2017. In detail:

- two employees voluntarily resigned: the Chief of Investments and the Commercial Chief of UBI Pramerica. These employees were granted severance pay (thirteenth monthly salary and post-employment benefits up to the date of termination) totalling roughly €47 thousand gross. In compliance with internal company regulations, the persons concerned lost their right to receive portions of bonuses relating to incentive schemes for the year and that had been earned in previous years and had not yet been paid;
- six employees terminated their employment in order to access the Credit Solidarity Fund pursuant to the Interministerial Decree no. 83486 of 28<sup>th</sup> July 2014 in implementation of the related agreements signed with the trade unions, including: two General Managers of Group companies; one UBI Area Manager; two local managers; and one Service Manager. Thus far, they have been paid a total of approximately €1,080,000 gross for end of the employment relationship and approximately €125,000 gross for bringing supplementary pension contributions up to date. These employees will also be paid the portions of bonuses earned under the incentive schemes in accordance with the prevailing provisions of the Group’s Remuneration and Incentives Policies. Finally, the two General Managers were paid a total of €175,000 as a severance incentive to supplement their post-employment benefits;
- one local manager consensually terminated employment within the scope of the redundancy plan established under the Trade Union Memorandum of Intent signed on 11<sup>th</sup> December 2016 and supplemented on 6<sup>th</sup> February 2017, which included granting a monetary incentive of roughly €91,000 in addition to the amounts due as post-employment benefits totalling roughly €117,000.

For the Chief Executive Officer, there is a remuneration agreement with a specific periodic indemnity item related to the non-competition obligation. For details, see the related paragraph of Section I of this report.

Furthermore, one member of staff in the Identified Staff category has entered into a job security agreement which, in the event of termination of the employment relationship on the initiative of the company, will be owed an indemnity equal to 24 months salary, payment of which will be made in compliance with the Supervisory Regulations in force and according to the procedures laid down in Group Remuneration and Incentive Policies at the time of the end of the relationship.

Within the scope of the plans to gradually regain efficiency and productivity, on 26<sup>th</sup> July 2017 the UBI Group signed an agreement with all of the trade unions which supplements the Trade Union Memorandum of Intent of 11<sup>th</sup> December 2016. This included the acceptance of approximately 621 applications for adherence to the “solidarity fund” (the remaining quota with respect to the redundancies already defined resulting from the implementation of the Single Bank Project) submitted under the redundancy plan contained in the aforementioned December Memorandum of Intent, which involved voluntary redundancies for at least 1,300 employees. These additional redundancies are planned to take place by 31st March 2018 (185 had already been completed as at 30th September 2017), ahead of schedule with regard to the Business Plan targets (the relative expenses had already been totally recognised in 2016). On 26<sup>th</sup> October 2017, the agreement related to activation of an incentivised redundancy plan was signed that enables a total of some 400 employees of the Group (74 of which related to the New Banks) who will meet the related pension requirements by 31st December 2024 to voluntarily access their pension benefits or the industry’s solidarity fund. These redundancies are expected to be completed by January 2018, and they will result in additional costs for a



gross total of €50 million, which were recognised on the consolidated income statement for 2017, while synergies are expected to be in line with the forecasts of the Business Plan.

#### **4. Incentive schemes based on financial instruments**

Information on incentive schemes based on financial instruments, pursuant to 114-bis of the Consolidated Finance Law is contained in the proposal submitted to the Shareholders' Meeting to pay parts of the variable component of the remuneration for Key Personnel in the form of financial instruments through the grant of ordinary shares of the Parent, UBI Banca.

#### **5. Items of remuneration**

Reference is made to the tables in part two to report below on the main items of remuneration. With regard to the tables included in item 1) Quantitative information by area of activity and category of personnel, the following is reported:

- fixed remuneration, defined as a remuneration annualised as at 31st December 2017, payment of which is guaranteed. This includes financial items specified by contract (salary, normal increases, various indemnities, amounts above trade union rates, staff retention agreements during the employment relationship, significant contributions to pension funds made by the company, etc.) and any other sum, however it may be guaranteed, in addition to that provided for by the national trade union contract; extraordinary items are excluded;
- performance-related variable remuneration and 2017 incentive schemes in particular, estimated on an accruals basis on figures that are not final and not yet paid. This figure is subject to changes when the final accounts are published;
- the procedures for the payment of "Identified Staff", on the basis of the results of the incentive schemes mentioned in the preceding point, divided between up-front payments in cash and in shares (payment of which is not subject to deferral conditions) and deferred quotas in cash and shares;
- the amounts of deferred remuneration over previous years, that have not yet been granted on the basis of the deferral procedures.

The following information is given in table 1 on the tables contained in item 2) Quantitative information on management and supervisory bodies and on the Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers of UBI Banca:

- fixed remuneration for the position (column 1);
- remuneration for attendance on committees (column 2);
- variable non-equity remuneration (cash) divided into "bonuses and other incentives", which include 2017 incentive scheme payments estimated on an accruals basis on figures that are not final and not yet paid relating to the up-front component, company bonuses and any "share of profits", which nevertheless are not envisaged (column 3);
- non-monetary benefits which include insurance policies, pension funds and any other benefits such as cars, guest accommodation, according to the taxable income criterion (column 4);
- other remuneration, such as job-security and non-competition agreements paid during the employment relationship, provisions made for deferred remuneration, length of service bonuses and other residual items (column 5);
- the total for the above items (column 6);
- the fair value of remuneration in shares (column 7);
- end of term of office or of employment relationship indemnities (column 8) defined in 2017.

Table 2 (as required under Consob Resolution No. 18049 of 23<sup>rd</sup> December 2011) is not included, since there are currently no stock option plans within the Group.

Table 3A contains information relating to schemes based on financial instruments other than stock options. More specifically, it shows:

- the relative incentive scheme (column 1);
- the number of shares accrued in 2012, 2013, 2014, 2015, 2016 and 2017 that have yet to be paid because they are subject to retention and deferral mechanisms and the relative vesting period (columns 2 and 3);
- the fair value for the year (column 12).

Table 3B, as above, contains information relating to monetary incentive schemes (column 3C). Amounts have also been entered in column 4 for “other bonuses” in which bonuses for the year not explicitly included in schemes defined beforehand are reported.

## II. Part two

Part two contains the following:

1. quantitative information by area of activity and category of personnel, with a distinction between the fixed component of remuneration and the variable performance-related component;
2. quantitative information by name is given for the management and supervisory functions and also for the Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers of UBI Banca. Because there is no total remuneration for other key management personnel that is greater than the highest remuneration paid to the Chief Executive Officer of UBI, aggregate information is given, with the number of persons given in place of the names;
3. finally, the last table of this document gives shares held in UBI Banca and its subsidiaries by members of the management and supervisory bodies and by the Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers and other key management personnel of UBI Banca<sup>31</sup>.

### 1. Quantitative information by area of activity and category of employee personnel

#### Fixed remuneration

The table below gives the total fixed remuneration at the Group level by type of personnel and general area of activity, which, for 2017, also includes the employees of the New Banks acquired by the Group.

**Group fixed remuneration** <sup>(1)</sup>  
(employee personnel as at 31/12)

Figures in thousands of euro	CRR Art.450 cluster	Group		UBI Banca <sup>(2)</sup>		Banks <sup>(3)</sup>		Other Companies <sup>(4)</sup>	
		Number of persons	31.12.2017	Number of persons	31.12.2017	Number of persons	31.12.2017	Number of persons	31.12.2017
UBI Chief Executive Officer		1	1,486	1	1,486	-	-	-	-
UBI Senior Deputy General Manager <sup>(5)</sup>	Senior Management	1	798	1	798	-	-	-	-
Other Executive Board Members and General Managers		7	1,861	-	-	2	605	5	1,256
UBI Deputy General Managers		2	1,089	2	1,089	-	-	-	-
Managers of main lines of business	Material risk-takers	112	18,802	86	14,967	4	557	22	3,278
Managers of highest level of control functions		20	3,638	18	3,397	-	-	2	241
Other senior managers	-	244	31,833	197	25,719	10	1,442	37	4,672
Other employees	-	21,026	980,585	17,611	824,465	775	33,485	2,640	122,635
<b>TOTAL</b>		<b>21,413</b>	<b>1,040,092</b>	<b>17,916</b>	<b>871,921</b>	<b>791</b>	<b>36,089</b>	<b>2,706</b>	<b>132,082</b>

(1) Company costs and other expense items not considered a part of fixed remuneration are excluded (e.g. overtime, travelling allowances and expense refunds, etc.).

(2) In accordance with the provisions of the merger project for the “New Banks”, Banca Tirrenica Spa, Banca Adriatica Spa, Banca Federico del Vecchio Spa and CARILO-Cassa di Risparmio di Loreto Spa have been merged into UBI.

(3) Banca Teatina Spa, IW Bank Spa.

(4) UBI Sistemi e Servizi SCpA, UBI Leasing Spa, UBI Factor Spa, UBI Pramerica SGR Spa, Prestitalia Spa, BPB Immobiliare Srl, Kedomus Srl, UBI Academy Srl, UBI Management Company Sa, UBI Trustee Sa, Assieme Srl, Bancassurance Popolari Danni Spa, Bancassurance Popolari Spa, Etruria Informatica Srl and Oro Italia Trading Spa.

(5) Part of the cost is borne by the company in which he occupies the position of acting General Manager.

<sup>31</sup> Pursuant to Art. 84 *quater* of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments.

The table below gives the total fixed remuneration by type of personnel and general area of activity specifically for the Parent, UBI Banca.

**UBI Banca fixed remuneration<sup>(1)</sup>**  
(employee personnel as at 31/12)

Figures in thousands of euro	General Management		Business <sup>(2)</sup>		Lending		Other Functions <sup>(3)</sup>	
	Number of persons	31.12.2017	Number of persons	31.12.2017	Number of persons	31.12.2017	Number of persons	31.12.2017
UBI Chief Executive Officer	1	1,486	-	-	-	-	-	-
UBI Senior Deputy General Manager UBI <sup>(4)</sup>	1	798	-	-	-	-	-	-
UBI Deputy General Managers	2	1,089	-	-	-	-	-	-
Other Executive Board Members and General Manager	-	-	-	-	-	-	-	-
Managers of main lines of business	-	-	64	10,654	6	1,200	16	3,113
Managers of highest level of control functions	-	-	-	-	-	-	18	3,397
Other senior managers	-	-	122	16,358	17	2,137	58	7,224
Other employees	-	-	15,412	713,632	756	38,765	1,443	72,068
<b>TOTAL</b>	<b>4</b>	<b>3,373</b>	<b>15,598</b>	<b>740,644</b>	<b>779</b>	<b>42,102</b>	<b>1,535</b>	<b>85,802</b>

(1) Company costs and other expense items not considered a part of fixed remuneration are excluded (e.g. overtime, travelling allowances and expense refunds, etc.).

(2) Chief Wealth and Welfare Officer and Chief Commercial Officer. In accordance with the provisions of the merger project for the "New Banks", Banca Tirrenica Spa, Banca Adriatica Spa, Banca Federico del Vecchio Spa and CARILO-Cassa di Risparmio di Loreto Spa have been merged into UBI.

(3) Chief Financial Officer, Chief General Counsel, Chief Audit Executive, Chief Risk Officer, Chief Operating Officer, Support to the Supervisory Board Compliance, Investor Relations and Communication.

(4) Part of the cost is borne by the company in which he occupies the position of acting General Manager.

## 2017 incentive scheme – “Identified Staff” estimates

The table below gives an estimate for “Identified Staff”, calculated on the basis of preliminary figures and subject to possible changes, in terms of the number of beneficiaries (less than 77% of the category) and the amounts connected with performance-related incentive schemes divided by type of personnel and areas of activity.

**2017 Incentive Scheme Estimate<sup>(1)</sup>**  
(employee personnel)

Figures in thousands of euro	Group		UBI Banca		Banks		Other companies <sup>(2)</sup>	
	Number of beneficiaries	31.12.2017	Number of beneficiaries	31.12.2017	Number of beneficiaries	31.12.2017	Number of beneficiaries	31.12.2017
UBI Chief Executive Officer	-	-	-	-	-	-	-	-
UBI Senior Deputy General Manager	1	50	1	50	-	-	-	-
UBI Deputy General Managers	2	65	2	65	-	-	-	-
Other Executive Board Members and General Managers	6	372	-	-	-	-	6	372
Managers of main lines of business	82	1,688	64	845	-	-	18	843
Managers of highest level of control functions	20	815	18	748	-	-	2	67
<b>TOTAL</b>	<b>111</b>	<b>2,990</b>	<b>85</b>	<b>1,708</b>	<b>-</b>	<b>-</b>	<b>26</b>	<b>1,282</b>

(1) Company costs are excluded.

(2) UBI Sistemi e Servizi SCpA, UBI Leasing Spa, UBI Factor Spa, UBI Pramerica SGR Spa, Prestitalia Spa, UBI Academy Srl

The payment procedures for bonuses earned by “Identified Staff” are given below. The first table shows payments in financial instruments and deferment, and the second table shows up-front payments, because they are less than €50,000 gross and less than 15% of fixed remuneration, or “up-front cash”, because they are less than €50,000 gross and less than 33% of fixed remuneration and related to Asset Management positions or Financial Advisors at IWBanck.

### 2017 Incentive Scheme Estimate<sup>(1)</sup>: upfront and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Upfront portion		Deferred portion	
		2018 Cash (Top IS 25% - Other IS 30%)	2020 Shares (Top IS 25% - Other IS 30%)	2021 Cash (Top IS 25% - Other IS 20%)	2022 Shares (Top IS 25% - Other IS 20%)
UBI Chief Executive Officer	-	-	-	-	-
UBI Senior Deputy General Manager	-	-	-	-	-
UBI Deputy General Managers	-	-	-	-	-
Executive Board Members and General Managers of the Group	4	90	90	86	86
UBI Managers of main lines of business	5	84	84	56	56
Managers of main lines of business of the Group	7	195	195	130	130
UBI Managers of highest level of control functions	12	197	197	131	131
Managers of highest level of control functions Group member companies	-	-	-	-	-
<b>TOTAL</b>	<b>28</b>	<b>566</b>	<b>566</b>	<b>403</b>	<b>403</b>

(1) Company costs are excluded

### 2017 Incentive Scheme Estimate<sup>(1)</sup>: upfront bonuses

Figures in thousands of euro	Number of beneficiaries	Upfront portion	
		2018 Cash (Top and Other IS 50%)	2020 Shares (Top and Other IS 50%)
UBI Chief Executive Officer	-	-	-
UBI Senior Deputy General Manager	1	25.0	25.0
UBI Deputy General Managers	2	32.5	32.5
Executive Board Members and General Managers of the Group	2	10.0	10.0
UBI Managers of main lines of business	59	282.5	282.5
Managers of main lines of business of the Group	11	138.0	55.0
UBI Managers of highest level of control functions	6	46.0	46.0
Managers of highest level of control functions Group member companies	2	67.0	-
<b>TOTAL</b>	<b>83</b>	<b>601.0</b>	<b>451.0</b>

(1) Company costs are excluded

The table below gives a summary of deferred remuneration in previous years and the dates when it will be due for payment in the future, once the necessary stability, liquidity and risk-adjusted profit conditions have been verified.

### Prior year deferred remuneration: "Identified Staff"<sup>(1)</sup>

Figures in thousands of euro	2013 scheme		2014 scheme			2015 scheme			2016 Scheme		
	Number of beneficiaries	Shares (2018)	Number of beneficiaries	Cash (2018)	Shares (2019)	Number of beneficiaries	Cash (UBI CEO 2021 - Top and Core 2019 - Other IS 2018)	Shares (UBI CEO 2022 - Top, Core and Other IS 2020)	Number of beneficiaries	Cash (2020)	Shares (2021)
UBI Chief Executive Officer	-	-	1	177	177	1	136	136	-	-	-
UBI Senior Deputy General Manager	1	19	1	58	58	1	56	56	-	-	-
UBI Deputy General Managers	1	13	3	100	100	2	73	73	-	-	-
Executive Directors and General Managers of Group Companies	3	52	5	101	101	6	106	106	1	22	22
UBI Managers of main lines of business	-	-	11	166	166	14	187	169	-	-	-
Managers of main lines of business of the Group	-	-	2	24	24	9	98	-	2	22	22
Managers of highest level of control functions	-	-	1	12	12	13	145	118	-	-	-
<b>TOTAL</b>	<b>5</b>	<b>84</b>	<b>24</b>	<b>636</b>	<b>636</b>	<b>46</b>	<b>801</b>	<b>658</b>	<b>3</b>	<b>44</b>	<b>44</b>

(1) Company costs are excluded

## 2016 incentive scheme – Final figures

Provided below are the bonuses earned by “Identified Staff” in relation to the 2016 incentive scheme.

### 2016 Incentive Scheme Final Figures<sup>(1)</sup>: (employee personnel)

Figures in thousands of euro	Group		UBI Banca <sup>(4)</sup>		Banks <sup>(2)(4)</sup>		Other companies <sup>(3)(4)</sup>	
	Number of beneficiaries	31.12.2016	Number of beneficiaries	31.12.2016	Number of beneficiaries	31.12.2016	Number of beneficiaries	31.12.2016
UBI Chief Executive Officer	-	-	-	-	-	-	-	-
UBI Deputy General Managers	1	50	1	50	-	-	-	-
Other Executive Board Members and General Managers	5	142	-	-	1	15	4	127
Managers of main lines of business <sup>(3)</sup>	19	416	9	124	3	64	7	228
Managers of highest level of control functions	3	32	3	32	-	-	-	-
<b>TOTAL</b>	<b>28</b>	<b>640</b>	<b>13</b>	<b>206</b>	<b>4</b>	<b>79</b>	<b>11</b>	<b>355</b>

(1) Company costs are excluded.

(2) Banca Popolare di Bergamo Spa, Banca di Valle Camonica Spa.

(3) UBI Pramerica SGR Spa.

(4) For UBI Banca Spa, Banco di Brescia Spa, UBI Leasing Spa, Prestitalia Spa; UBI Sistemi e Servizi SCpa and UBI Academy Srl in the presence of a loss or insufficient profit, the quality factor was used for management and motivational purposes within the limit allowed by the relative Remuneration Policies.

Taking account of the activation of the bonus based on MBO mechanisms for fewer “Identified Staff” positions (7%) – with a view to motivation and retention – for fewer employees (30%) that posted excellence performance, management bonuses have been set to lower amounts than envisaged upon reaching targets using a 15% share of the bonus pool distributable at the Group level as per the related policies.

The payment procedures for bonuses earned by “Identified Staff” are given below. The first table shows payments in financial instruments and deferment, and the second table shows upfront payments, because they are less than €50,000 gross and less than 15% of fixed remuneration, in accordance with the provisions of the previous 2016 policies.

### 2016 Incentive Schemes<sup>(1)</sup>: upfront and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Upfront portion		Deferred portion	
		2017 Cash (UBI CEO 20% - Top 25% - Other IS 30%)	2019 Shares (UBI CEO UBI 20% - Top 25% - Other IS 30%)	Cash (UBI CEO 30% 2022 - Top 25% 2020 - Other IS 20% 2020)	Shares (UBI CEO UBI 30% 2023 - Top 25% 2021 - Other IS 20% 2021)
UBI Chief Executive Officer	-	-	-	-	-
UBI Deputy General Managers	-	-	-	-	-
Executive Board Members and General Managers of the Group	1	22	22	22	22
UBI Managers of main lines of business	-	-	-	-	-
Managers of main lines of business of the Group <sup>(2)</sup>	3	107	33	22	22
UBI Managers of highest level of control functions	-	-	-	-	-
<b>TOTAL</b>	<b>4</b>	<b>129</b>	<b>55</b>	<b>44</b>	<b>44</b>

(1) Company costs are excluded

(2) One member of staff left during the year and received only the upfront portion of the bonus that had accrued.

### 2016 Incentive Schemes<sup>(1)</sup>: upfront bonuses

Figures in thousands of euro	Number of beneficiaries	Upfront portion	
		2017 Cash (Top and Other IS 50%)	2019 Shares (Top and Other IS 50%)
UBI Chief Executive Officer	-	-	-
UBI Deputy General Managers	1	25	25
Executive Board Members and General Managers of the Group	4	27	27
UBI Managers of main lines of business	9	62	62
Managers of main lines of business of the Group	7	54	54
UBI Managers of highest level of control functions	3	16	16
<b>TOTAL</b>	<b>24</b>	<b>184</b>	<b>184</b>

(1) Company costs are excluded

***2. Quantitative information on the management and supervisory bodies and on the Chief Executive Officer, Senior Deputy General Manager, Deputy General Managers and other key management personnel of UBI Banca***

The tables below give detailed information relating to 2017 and more specifically they consist of Table 1 and Table 3A and 3B pursuant to Art. 84 *quater* of the Issuers' Regulations adopted with Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments.



Table 1 pursuant to Attachment 3 of the Issuers' Regulations

Remuneration paid to members of the management and supervisory bodies and to general management and other key management personnel (Art. 84 quater of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments)

Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits~	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Moltrasio Andrea	UBI BANCA:											
	- Chairperson of the Supervisory Board	01.01/31.12	AGM 2019	375,000.00						375,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Chairperson of Appointments Committee	01.01/31.12	AGM 2019		35,000.00					35,000.00		
	<b>TOTAL</b>			455,000.00	35,000.00					490,000.00		
Cera Mario	UBI BANCA:											
	- Senior Deputy Chairperson of the Supervisory Board	01.01/31.12	AGM 2019	250,000.00						250,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2019		25,000.00					25,000.00		
	- Member of the Remuneration Committee	01.01/11.09	11/09/2017		20,951.09					20,951.09		
	<b>TOTAL</b>			330,000.00	45,951.09					375,951.09		
Gussalli Beretta Pietro	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	AGM 2019	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2019		25,000.00					25,000.00		
	<b>TOTAL</b>			120,000.00	25,000.00					145,000.00		
Santus Armando	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	AGM 2019	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Chairman of Related and Connected Parties Committee	01.01/31.12	AGM 2019		45,000.00					45,000.00		
	- Other remuneration (*)								1,980.00	1,980.00		
	<b>Total UBI Banca remuneration</b>			120,000.00	45,000.00				1,980.00	166,980.00		
	BANCA POPOLARE DI BERGAMO: other remuneration (*)								270.00	270.00		
	BPB IMMOBILIARE: other remuneration (**)								2,600.00	2,600.00		
	UBI LEASING: other remuneration (***)								11,000.00	11,000.00		
	<b>TOTAL</b>			120,000.00	45,000.00				13,870.00	180,850.00		
Bazoli Francesca	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Risk Committee	01.01/31.12	AGM 2019		40,000.00					40,000.00		
	<b>TOTAL</b>			80,000.00	40,000.00					120,000.00		
Bellini Cavalletti Letizia	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Appointments Committee	02.02/31.12	AGM 2019		22,777.78					22,777.78		
	- Member of the Related and Connected Parties Committee	01.01/31.12	AGM 2019		20,000.00					20,000.00		
	<b>TOTAL</b>			80,000.00	42,777.78					122,777.78		
Camadini Pierpaolo	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2019		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2019		10,000.00					10,000.00		
	<b>TOTAL</b>			80,000.00	70,000.00					150,000.00		

Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Dardanello Ferruccio	UBI BANCA:											
	- Member of the Supervisory Board	07.04/31.12	AGM 2019	58,681.32						58,681.32		
	- Member of the Remuneration Committee	12.09/31.12	AGM 2019		9,048.91					9,048.91		
	<b>TOTAL</b>			58,681.32	9,048.91					67,730.23		
Del Boca Alessandra	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Chairperson of the Remuneration Committee	01.01/31.12	AGM 2019		40,000.00					40,000.00		
	<b>TOTAL</b>			80,000.00	40,000.00					120,000.00		
Fiori Giovanni	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2019		25,000.00					25,000.00		
	- Chairperson of the Internal Control Committee	01.01/31.12	AGM 2019		100,000.00					100,000.00		
	- Chairperson of the Supervisory Body	01.01/31.12	AGM 2019		20,000.00					20,000.00		
	<b>TOTAL</b>			80,000.00	145,000.00					225,000.00		
Giangualano Patrizia Michela	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	AGM 2019		30,000.00					30,000.00		
	- Member of the Risk Committee	01.01/31.12	AGM 2019		40,000.00					40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2019		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2019		10,000.00					10,000.00		
	<b>TOTAL</b>			80,000.00	140,000.00					220,000.00		
Giannotti Paola	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Chairperson of the Risk Committee	01.01/31.12	AGM 2019		65,000.00					65,000.00		
	- Member of the Related and Connected Parties Committee	01.01/31.12	AGM 2019		20,000.00					20,000.00		
	<b>TOTAL</b>			80,000.00	85,000.00					165,000.00		
Guerini Lorenzo Renato	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Risk Committee	01.01/31.12	AGM 2019		40,000.00					40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2019		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2019		10,000.00					10,000.00		
	<b>TOTAL</b>			80,000.00	110,000.00					190,000.00		
Lucchini Giuseppe	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	<b>TOTAL</b>			80,000.00						80,000.00		
Pivato Sergio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2019	80,000.00						80,000.00		
	- Member of the Risk Committee	02.02/31.12	AGM 2019		36,444.44					36,444.44		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2019		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2019		10,000.00					10,000.00		
	<b>TOTAL</b>			80,000.00	106,444.44					186,444.44		

Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Bricchetto Arnaboldi Letizia Maria	UBI BANCA:											
	- Chairperson of the Management Board	01.01/31.12	AGM 2019	375,000.00						375,000.00		
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>TOTAL</b>			<b>495,000.00</b>						<b>495,000.00</b>		
Pizzini Flavio	UBI BANCA:											
	- Deputy Chairperson of the Management Board	01.01/31.12	AGM 2019	200,000.00						200,000.00		
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			<b>320,000.00</b>						<b>320,000.00</b>		
	UBI SISTEMI E SERVIZI:											
	- Chairperson of the Board of Directors	01.01/31.12	AGM 2019	70,000.00						70,000.00		
	- Director	01.01/31.12	AGM 2019	10,000.00						10,000.00		
	<b>Total UBI Sistemi e Servizi remuneration</b>			<b>80,000.00</b>						<b>80,000.00</b>		
Massiah Victor	UBI BANCA:											
	- Senior manager	01.01/31.12	the position has no termination date	652,431.81		744.04		113,423.77	(****) 100,140.08	866,739.70	75,621.33	
	- General Manager	01.01/31.12	the position has no termination date									
	- Chief Executive Officer	01.01/31.12	AGM 2019	500,000.00						500,000.00		
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>TOTAL</b>			<b>1,272,431.81</b>		<b>744.04</b>		<b>113,423.77</b>	<b>100,140.08</b>	<b>1,486,739.70</b>	<b>75,621.33</b>	
Fidanza Silvia	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>TOTAL</b>			<b>120,000.00</b>						<b>120,000.00</b>		
Ranica Osvaldo	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			<b>120,000.00</b>						<b>120,000.00</b>		
(°)	UBI LEASING											
	- Deputy Chairperson	01.01/31.12	AGM 2019	5,200.00						5,200.00		
	- Director	01.01/31.12	AGM 2019	6,933.00						6,933.00		
	<b>Total UBI Leasing remuneration</b>			<b>12,133.00</b>						<b>12,133.00</b>		
BANCA POPOLARE DI BERGAMO												
	- General Manager	01.01/17.02	17/02/2017	63,468.97		15,041.00		6,417.69	15,579.38	100,507.04	21,381.46	
	<b>Total Banca Popolare di Bergamo remuneration</b>			<b>63,468.97</b>		<b>15,041.00</b>		<b>6,417.69</b>	<b>15,579.38</b>	<b>100,507.04</b>	<b>21,381.46</b>	
BANCA TEATINA												
	- Chairperson	10.05/31.12	AGM 2020	11,691.66						11,691.66		
	- Director	10.05/31.12	AGM 2020	12,777.78						12,777.78		
	<b>Total Banca Teatina remuneration</b>			<b>24,469.44</b>						<b>24,469.44</b>		
BANCA TIRRENICA												
	- Chairperson	10.05/26/11	26/11/2017	38,305.56						38,305.56		
	- Director	10.05/26/11	26/11/2017	10,944.44						10,944.44		
	<b>Total Banca Tirrenica remuneration</b>			<b>49,250.00</b>						<b>49,250.00</b>		
BANCA ADRIATICA												
	- Chairperson	10.05/22.10	22/10/2017	43,010.28						43,010.28		
	- Director	10.05/22.10	22/10/2017	9,054.79						9,054.79		
	<b>Total Banca Adriatica remuneration</b>			<b>52,065.07</b>						<b>52,065.07</b>		
	<b>TOTAL</b>			<b>321,386.48</b>		<b>15,041.00</b>		<b>6,417.69</b>	<b>15,579.38</b>	<b>358,424.55</b>	<b>21,381.46</b>	

Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Sonnino Elvio (**)	<b>UBI BANCA:</b>											
	- Senior Deputy General Manager	01.01/31.12	the position has no termination date	560,000.15		44,454.04		97,484.07	20,056.44	721,994.70	62,543.51	
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			680,000.15		44,454.04		97,484.07	20,056.44	841,994.70	62,543.51	
	<b>(*) UBI BANCA INTERNATIONAL:</b>											
	- Director	01.01/30.10	30/10/2017									
	<b>Total UBI Banca International remuneration</b>											
(*)	<b>UBI SISTEMI E SERVIZI:</b>											
	- Director	01.01/01.01	AGM 2019									
	- Chief Executive Officer	02.01/31.12	AGM 2019									
	- Acting General Manager	01.11/31.12	the position has no termination date									
	<b>Total UBI Sistemi e Servizi remuneration</b>											
(*)	<b>UBI ACADEMY:</b>											
	- Director	01.01/31.12	AGM 2018									
	<b>Total UBI Academy remuneration</b>											
(*)	<b>IW BANK</b>											
	- Deputy Chairperson	01.01/31.12	AGM 2018									
	- Director	01.01/31.12	AGM 2018									
	<b>Total IW Bank remuneration</b>											
	<b>TOTAL</b>			680,000.15		44,454.04		97,484.07	20,056.44	841,994.70	62,543.51	
Stegher Elisabetta	<b>UBI BANCA:</b>											
	- Senior manager	01.01/31.12	the position has no termination date	273,498.92		40,687.24		57,524.96	(*****) 40,153.69	411,864.81	33,568.05	
	- Member of the Management Board	01.01/31.12	AGM 2019	120,000.00						120,000.00		
	<b>TOTAL</b>			393,498.92		40,687.24		57,524.96	40,153.69	531,864.81	33,568.05	
Geertman Frederik Herman	<b>UBI BANCA:</b>											
	- Deputy General Manager	01.01/31.12	the position has no termination date	600,300.05		20,744.04		29,252.88	15,935.34	666,232.31	4,436.68	
	<b>Total UBI Banca remuneration</b>			600,300.05		20,744.04		29,252.88	15,935.34	666,232.31	4,436.68	
(*)	<b>IW BANK:</b>											
	- Director	01.01/31.12	AGM 2018									
	<b>Total IW Bank remuneration</b>											
(*)	<b>PRESTITALIA:</b>											
	- Director	01.01/31.12	AGM 2019									
	<b>Total Prestitalia remuneration</b>											
	<b>TOTAL</b>			600,300.05		20,744.04		29,252.88	15,935.34	666,232.31	4,436.68	

Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Leidi Rossella	UBI BANCA:											
	- Deputy General Manager	01.01/31.12	the position has no termination date	398,950.49		13,244.04		24,671.56	20,147.59	457,013.68	29,339.24	
	Total UBI Banca remuneration			398,950.49		13,244.04		24,671.56	20,147.59	457,013.68	29,339.24	
(*) UBI ACADEMY:												
	- Director	01.01/31.12	AGM 2018									
	Total UBI Academy remuneration											
(*) UBI PRAMERICA SGR:												
	- Director	01.01/31.12	AGM 2020									
	Total UBI Pramerica SGR remuneration											
(*) LOMBARDA VITA:												
	- Director	01.01/31.12	AGM 2018									
	Total Lombarda Vita remuneration											
	TOTAL			398,950.49		13,244.04		24,671.56	20,147.59	457,013.68	29,339.24	
NO. 15 Identified Staff (*)		01.01/31.12	The positions have no termination date	3,522,260.03		159,562.88		275,822.05	(*****) 294,882.77	4,252,527.73	143,846.57	

(\*) The remuneration relating to dott. Massiah, dott. Sonnino, dott. Ranica (from 1/1/2017 to 17/2/2017), dott.ssa Steggher, dott.ssa Leidi, dott. Geertman and to Identified Staff does not include that relating to any posts held by them in other companies in the Group because this is paid directly to the companies to which they belong and it is shown on a pro rata basis with respect to the period in which they occupied the position.

(\*\*) Part of the cost of the fees is borne by the company in which he occupies the position of Acting General Manager with the assignment of the relative functions and powers.

(\*) issue of certified true copies

(\*\*) powers of attorney and land registry searches

(\*\*\*) corrections to land registry records

(\*\*\*\*) of which €100,000 non-competition agreement

(\*\*\*\*\*) of which €40,000 for job security agreement

(\*\*\*\*\*) of which €218,000 for job security agreement and €15,000 for non-competition agreement

Table 3A pursuant to Attachment three of the Issuers' Regulations.

Incentive schemes based on financial instruments other than stock options, for members of the management body and for general management and other key management personnel (Art. 84 *quater* of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999, and subsequent amendments)

			Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments relating to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and Surname	Position	Scheme	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on the grant date	Vesting period	Grant date	Market price when granted	Number and type of financial instruments	Number and type of financial instruments	Value on the vesting date	Fair value
Massiah Victor	- Chief Executive Officer	2017 (**)											
		2016 (*)											
		2015 (*)	12,267 UBI Banca shares	3									24,583.07
		2015 (*)	18,400 UBI Banca shares	7									15,421.65
		2014									16,055 UBI Banca shares	3.5527	12,791.25
		2014 (*)	24,082 UBI Banca shares	5									22,825.36
		2013											
		2012											
	TOTAL		54,749 UBI Banca shares								16,055 UBI Banca shares	3.5527	75,621.33
Sonnino Elvio	- Member of the Management Board and Senior Deputy General Manager of UBI BANCA	2017 (**)			7,184 UBI Banca shares	2.702	3	2020	4.1017				5,546.05
		2016(*)	7,624 UBI Banca shares	3									6,247.32
		2015 (*)	11,293 UBI Banca shares	3									22,631.17
		2015 (*)	7,528 UBI Banca shares	5									9,074.66
		2014									11,724 UBI Banca shares	3.5527	9,340.68
		2014 (*)	7,816 UBI Banca shares	5									7,408.15
		2013 (*)	2,903 UBI Banca shares	5									2,295.48
		2012											
	TOTAL		37,164 UBI Banca shares		7,184 UBI Banca shares						11,724 UBI Banca shares	3.5527	62,543.51
Leidi Rossella	- Deputy General Manager of UBI Banca	2017(**)			3,592 UBI Banca shares	2.702	3	2020	4.1017				2,773.02
		2016(*)											
		2015 (*)	5,319 UBI Banca shares	3									10,659.28
		2015 (*)	3,546 UBI Banca shares	5									4,274.54
		2014									8,143 UBI Banca shares	3.5527	6,487.64
		2014 (*)	5,428 UBI Banca shares	5									5,144.76
		2013											
		2012											
	TOTAL		14,293 UBI Banca shares		3,592 UBI Banca shares						8,143 UBI Banca shares	3.5527	29,339.24



			Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments relating to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and Surname	Position	Scheme	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on the grant date	Vesting period	Grant date	Market price when granted	Number and type of financial instruments	Number and type of financial instruments	Value on the vesting date	Fair value
Stegher Elisabetta	- Member of the Management Board and Senior Manager of UBI BANCA	2017 (**)			11,478 UBI Banca shares	2.702	3	2020	4.1017				8,861.02
		2017 (**)			7,652 UBI Banca shares	2.413	5	2022	4.1017				3,357.14
		2016(**)											
		2015 (*)	4,830 UBI Banca shares	3									9,679.32
		2015 (*)	3,220 UBI Banca shares	5									3,881.56
		2014									5,452 UBI Banca shares	3.5527	4,343.69
		2014 (*)	3,635 UBI Banca shares	5									3,445.32
		2013											
		2012											
	TOTAL		11,685 UBI Banca shares		19,130 UBI Banca shares						5,452 UBI Banca shares	3.5527	33,568.05
Geertman Frederik Herman	- Deputy General Manager of UBI Banca	2017 (**)			5,747 UBI Banca shares	2.702	3	2020	4.1017				4,436.68
		2016(*)											
	TOTAL				5,747 UBI Banca shares								4,436.68
Ranica Osvaldo	- Member of the Management Board of UBI Banca	2016(*)											
		2015 (*)	6,029 UBI Banca shares	3									12,082.12
		2015 (*)	4,019 UBI Banca shares	5									4,844.72
		2014 (*)									3,057 UBI Banca shares	3.5527	2,435.56
		2013 (*)	2,334 UBI Banca shares	5									1,845.56
		2012									603 UBI Banca shares	3.5527	173.50
	TOTAL		12,382 UBI Banca shares								3,660 UBI Banca shares	3.5527	21,381.46
NO. 15 Identified Staff		2017 (**)			43,291 UBI Banca shares	2.702	3	2020	4.1017				33,420.65
		2017 (**)			13,535 UBI Banca shares	2.413	5	2022	4.1017				5,938.17
		2016(*)	5,798 UBI Banca shares	3									4,751.04
		2015 (*)	25,285 UBI Banca shares	3									50,671.13
		2015 (*)	13,031 UBI Banca shares	5									15,708.28
		2014									27,199 UBI Banca shares	3.5527	21,669.82
		2014 (*)	10,722 UBI Banca shares	5									10,162.51
		2013											
		2012									5,300 UBI Banca shares	3.5527	1,524.96
	TOTAL		54,836 UBI Banca shares		56,826 UBI Banca shares						32,499 UBI Banca shares	3.5527	143,846.57

(\*) These instruments have been promised, but not yet granted.

(\*\*) Estimate calculated on the basis of preliminary figures which may be modified. The market price is calculated on the average market value of UBI Banca shares from 19/01/2018 until 19/02/2018. These financial instruments will be promised, but will not be granted until the grant date indicated.

**Table 3B pursuant to Attachment 3 of the Issuers' Regulations.**

Cash incentive schemes for members of the management bodies and for general management and other "Identified Staff" (Art. 84 *quater* of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments)

Name and Surname	Position	Scheme	Bonus for the year			Prior year bonuses			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferral period	No longer payable	Payable / Paid	Still deferred	
Massiah Victor	- Chief Executive Officer	2017							744.04
		2016							
		2015						136,248.00	
		2014						177,244.00	
		2013							
		2012							
Sonnino Elvio	- Member of the Management Board and Senior Deputy General Manager of UBI Banca	2017	25,000.00						744.04
		2016							
		2015						55,745.00	
		2014						57,527.00	
		2013					18,710.00		
		2012							
Leidi Rossella	- Deputy General Manager of UBI Banca	2017	12,500.00						744.04
		2016							
		2015						26,256.00	
		2014						39,952.00	
		2013							
		2012							
Stegher Elisabetta	- Member of the Management Board and Senior Manager of UBI BANCA	2017	39,943.20	26,628.80					744.04
		2016							
		2015						23,845.00	
		2014						26,750.00	
		2013							
		2012							
Geertman Frederik Herman	- Deputy General Manager of UBI Banca	2017	20,000.00						744.04
		2016							
Ranica Osvaldo	- Member of the Management Board of UBI Banca	2017							
		2016							
		2015						29,761.00	
		2014							
		2013					15,041.00		
		2012							
NO. 15 Identified Staff		2017	150,653.00	47,102.00					8,909.88
		2016							
		2015						119,614.00	
		2014						78,917.00	
		2013							
		2012							
	TOTAL		248,096.20	73,730.80			33,751.00	771,859.00	12,630.08

**3. Shares held in UBI Banca and in subsidiaries by members of the management and supervisory bodies and by the Chief Executive Officer, Senior Deputy General Manager, Deputy General Managers and other “Identified Staff” of UBI Banca (pursuant to Art. 84 quater of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments)**

Surname and first name	Position	Shareholding in	Type of holding	Ownership title	Number of shares owned as at 31/12/2016	Number of shares purchased in the 2017	Number of shares sold in the 2017	Number of shares owned as at 31/12/2017
Moltrasio Andrea	Chairperson of the Supervisory Board	UBI	direct	full ownership	100,000	52,284 (*)		152,284
			indirect	full ownership		58,568 (2)		58,568
		UBI	spouse (directly)	full ownership	12,000	2,052 (*)		14,052
Cera Mario	Senior Deputy Chairperson of the Supervisory Board	UBI	direct	full ownership	100,007	17,142 (*)		117,149
Gussalli Beretta Pietro	Deputy Chairperson of the Supervisory Board	UBI	direct	full ownership	420	72 (*)		492
Santus Armando	Deputy Chairperson of the Supervisory Board	UBI	direct	full ownership	335,000	57,426 (*)		335,000
Bazoli Francesca	Member of the Supervisory Board	UBI	direct	full ownership	32,982	4,356 (*)		37,338
			direct	legal title only	96,280	5,142 (*)		101,422
		UBI	spouse (directly)	full ownership	5,000	252 (*)		5,252
		UBI	children - minors (directly)	full ownership	500	84 (*)		584
Bellini Cavalletti Letizia	Member of the Supervisory Board	UBI	direct	full ownership	137,322	31,382 (3)		168,704
		UBI	spouse (directly)	full ownership	6,000	1,026 (*)		7,026
		UBI	children - minors (directly)	full ownership	500	84 (*)		584
Camadini Pierpaolo	Member of the Supervisory Board	UBI	direct	full ownership	267,321	32,879 (4)		300,200
		UBI	spouse (directly)	full ownership	1,000	168 (*)		1,168
		UBI	children - minors (directly)	full ownership	3,000	504 (*)		3,504
		BANCA DI VALLE CAMONICA	direct	full ownership	50		50 (5)	-
Dardanello Ferruccio	Member of the Supervisory Board	UBI	direct	full ownership	1,652	282 (*)		1,934
Del Boca Alessandra	Member of the Supervisory Board	UBI	direct	full ownership	250			250
Fiori Giovanni	Member of the Supervisory Board				-			-
Giangualano Patrizia Michela	Member of the Supervisory Board	UBI	direct	full ownership	10,000	1,998 (*)		11,998
Giannotti Paola	Member of the Supervisory Board				-			-
Guerini Lorenzo Renato	Member of the Supervisory Board	UBI	direct	full ownership	5,000			5,000
		UBI	spouse (directly)	full ownership	105,000			105,000
Lucchini Giuseppe	Member of the Supervisory Board	UBI	direct	full ownership	465,836	9,426 (*)		475,262
			direct	usufruct	1,086,544			1,086,544
Pivato Sergio	Member of the Supervisory Board	UBI	direct	full ownership	346			346

Surname and first name	Position	Shareholding in	Type of holding	Ownership title	Number of shares owned as at 31/12/2016	Number of shares purchased in the 2017	Number of shares sold in the 2017	Number of shares owned as at 31/12/2017
Brichetto Arnaboldi Letizia Maria	Chairperson of the Management Board				-			-
Pizzini Flavio	Deputy Chairperson of the Management Board	UBI	direct	full ownership	12,832	2,196 (*)		15,028
		UBI	spouse (directly)	full ownership	1,000	168 (*)		1,168
Massiah Victor	Chief Executive Officer / General Manager	UBI	direct	full ownership	500,000	159,075 (6)		659,075
Fidanza Silvia	Member of the Management Board	UBI	direct	full ownership	8,133	1,392 (*)		9,525
		UBI	spouse (directly)	full ownership	1,408	240 (*)		1,648
		UBI	children - minors (directly)	full ownership	500	84 (*)		584
Ranica Osvaldo	Member of the Management Board	UBI	direct	full ownership	32,482	9,228 (7)		41,710
		UBI	spouse (directly)	full ownership	6,000	1,026 (*)		7,026
Sonnino Elvio	Member of the Management Board /Senior Deputy General Manager	UBI	direct	full ownership	6,046	36,756 (8)		42,802
		UBI	spouse (directly)	full ownership	300	48 (*)		348
Stegher Elisabetta	Member of the Management Board/Chief Financial Officer	UBI	direct	full ownership	6,571	6,574 (9)		13,145
Leidi Rossella	Deputy General Manager	UBI	direct	full ownership	3,088	17,878 (10)		20,966
		UBI	spouse (directly)	full ownership	1			1
		UBI	children - minors (directly)	full ownership	692	108(*)		400(11)
Geertman Frederik Herman	Deputy General Manager				-	21,200 (12)		21,200
NO. 15 Identified Staff (**)		UBI	direct	full ownership	127,637 (13)	109,992 (14)	29,133	208,496
		UBI	spouse (directly)	full ownership	8,357 (13)	1,434 (15)	2,640	7,151

(\*) shares from subscription of an increase in the share capital

- (1) of which 30,000 shares from an inheritance and 22,284 shares from subscription of an increase in the share capital
- (2) the acquisition in 2017 of control of a company that already held 50,000 UBI Banca shares; 8,568 shares from subscription of an increase in the share capital
- (3) of which 6,698 shares from an inheritance and 24,684 shares from subscription of an increase in the share capital
- (4) of which 365 shares, following the merger of Banca di Valle Camonica, from an exchange of Banca Valle Camonica shares and 32,514 shares from subscription of an increase in the share capital
- (5) shares cancelled following the merger of Banca di Valle Camonica into UBI Banca
- (6) of which 85,710 shares from subscription of an increase in the share capital, 16,055 shares granted as part of prior year incentive schemes and 57,310 shares purchased for participation in a long-term incentive scheme to support the 2017-2019/2020 Business Plan
- (7) of which 5,568 shares from subscription of an increase in the share capital and 3,660 shares granted as part of prior year incentive schemes
- (8) of which 1,032 shares from subscription of an increase in the share capital, 11,724 shares granted as part of prior year incentive schemes and 24,000 shares purchased for participation in a long-term incentive scheme to support the 2017-2019/2020 Business Plan
- (9) of which 1,122 shares from subscription of an increase in the share capital and 5,452 shares granted as part of prior year incentive schemes
- (10) of which 528 shares from subscription of an increase in the share capital, 8,143 shares granted as part of prior year incentive schemes and 9,207 shares purchased for participation in a long-term incentive scheme to support the 2017-2019/2020 Business Plan
- (11) the change is because one of the children came of age in 2017
- (12) 21,200 shares purchased for participation in a long-term incentive scheme to support the 2017-2019/2020 Business Plan
- (13) the balance as at 31/12/2016 for ownership of the shares by identified staff is different from the figure published in the 2016 Annual Report because changes in the perimeter of Identified Staff occurred in 2017.
- (14) of which 18,738 shares from subscription of an increase in the share capital, 32,499 shares granted as part of prior year incentive schemes and 58,755 shares purchased for participation in a long-term incentive scheme to support the 2017-2019/2020 Business Plan
- (15) of which 1,434 shares from the subscription of an increase in the share capital

## **Report on the verification of compliance of remuneration and incentive practices with policies approved by the Bank and with the regulatory framework**

*Supervisory regulations require the Internal Audit Function to verify “on at least an annual basis that remuneration practices comply with the policies approved” and with the regulatory framework. “The findings and any irregularities are reported to the competent governing bodies and functions for the adoption of any corrective measures required and the latter assess their importance for the purposes of prompt disclosure to the Bank of Italy. The results of the audits conducted are reported annually at Shareholders’ Meetings.”*

Continuing on from and for consistency with previous audits on the matter, and with due account taken of the principles and recommendations reported in the Supervisory Review and Evaluation Process (SREP) guidelines on the matter, the analysis carried out by the Internal Audit Function regarded the following: i) the triggering of the 2016 incentive scheme paid in 2017; ii) remuneration practices implemented in 2017; iii) the operational use of the IRB/AIRB Credit Risk System for the purposes of remuneration and incentive policies, in compliance with the “integrity” requirement laid down by Supervisory Regulations; iv) the areas of improvement described by the Internal Control functions and by the Supervisory Authority.

In order to better contextualise the analysis, it should also be noted that the overall landscape surrounding the UBI Group’s Remuneration Policies was characterised by a significant transformation of the organisation’s perimeter – as a result of the recent “Single Bank” and “Bridge Banks” projects – and by a legislative context that featured changes in recently introduced and upcoming laws and regulations.

From the analyses conducted, it was shown that operating activities and controls encountered during the process were regulated and, although with areas subject to further consolidation as described below, are consistent with the remuneration and incentives policies approved and properly aimed at covering the main risks inherent in operations.

More specifically, the findings were as follows: i) proper implementation by Group Companies of the “2017 Policy” approved by the Parent; ii) the proper application of procedures relating to the satisfaction of the conditions necessary to trigger the 2016 incentive scheme<sup>32</sup> and the procedures for the calculation and assignment of variable remuneration for “Identified Staff”, including with regard to the procedures for the management of “retained” and “deferred” bonuses; iii) compliance with the rules laid down by the 2017 Policy relating to fees set for members of the Governing Bodies of the Group, to the procedures for calculating performance indicators, and to the identification of “Identified Staff” or “Risk Takers”; iv) consistent operational use of the credit risk measurement system in remuneration and incentives policies for key personnel with respect to the IRB/AIRB system.

Within this context, the aforementioned consolidation of the company’s system of regulations refers, in particular, to the special features related to the Financial Agents of PrestItalia (in consideration of the recent guidelines issued by the Supervisory Authority on best practice in the market of salary-backed financing), to recently acquired insurance components within the scope of the Bridge Banks project, and to updates of the person-specific agreements of financial advisors authorised to act in the field for IW Bank Private Investments, including in light of recent legislative changes introduced by MiFID II.

The remarks of the Internal Audit Function have been shared with the competent corporate units in order to improve the dynamics underlying the remuneration and incentives process.

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<sup>32</sup> To this end, due account has been taken of the “neutralisation” efforts in achieving the established objectives, of the effects of failing to sell off bad debt – as called for by budget in implementation of the strategies of the 2017-2019/2020 Business Plan – and of the related net adjustments to non-performing loans (the “shortfall”) recognised in 2017 (actions already anticipated in the Remuneration Report – 2017 Shareholders’ Meeting).

## **UBI BANCA SPA**

### **Proposal for setting remuneration and incentive policies for members of the Supervisory Board and members of the Management Board in accordance with the regulations and legislation in force.**

Dear Shareholders,

Remuneration and incentive policies are a key tool that serves to support the medium and long-term strategies of the Group.

They are devised to create value and to pursue sustainable growth for shareholders, for employees, for our customers and for all stakeholders. The Group believes in corporate social responsibility in conducting its business and recognises the quality of the professional contributions of all with a view towards fair and sustainable remuneration.

#### **Regulatory framework**

The Group updates its policies and practices continually on the basis of the regulatory context, which has again been subject to changes in 2017 at both the Italian and European levels.

The policies were formulated on the basis of (i) Bank of Italy Circular No. 285 – seventh update of 18th November 2014, which implemented the Directive of the European Parliament 2013/36/EU (CRD IV), (ii) Delegated Regulation of the European Commission No. 604 of 4th March 2014 for the technical standards designed to identify “Material Risk Takers” (MRTs) or “Identified Staff” (IS) and (iii) the recommendations given in the EBA guidelines dated 21st December 2015, which are awaiting transposition into the 285/2013 Circular .

They have also taken into consideration the following developments:

- the issuance, on 28th April 2017, of the Joint Bank of Italy and CONSOB Regulation to implement Directive 2014/91/EU (“UCITS V”) on the organisation and controls of intermediaries that provide investment and collective asset management services;
- ISVAP Regulation 39/2011, which establishes principles concerning remuneration policies for insurance companies and the new scheme of IVASS Regulation 2/2017, consultation for which was completed on 17th October 2017 and for which the final text has yet to be published;
- the ECB guidelines on the management of non-performing loans (NPLs) published on 20th March 2017;
- Directive 2014/65/EU of the European Parliament and of the Council concerning markets in financial instruments (MiFID II) concerning requirements in terms of proper conduct with customers, which went into effect in January 2018;
- Directive 97/2016/EU of the European Parliament, i.e. the Insurance Distribution Directive (IDD), concerning product governance and inducements, which went into effect in 2018.

In developing the policies, account was taken of the guidelines and procedures adopted by the other national and international banking groups with the objective of achieving consistency with the best practices and market trends.

#### **Remuneration Policies for Governing Bodies**

The remuneration of the Governing Bodies of the Group is defined in compliance with the current regulatory framework and in accordance with the Articles of Association, based on best practice, Italian guidelines and prospective European policies.

The purpose of the policies is to attract the best skill sets; they are based on principles of both fair remuneration for similar roles and differentiation between roles on the basis of the levels of responsibility and risk involved. They also take account of the professional skills required, the time and commitment employed, and market competitiveness.

In detail, the fees of members of the Governing bodies of the UBI Banca Group are structured with a cap set by that of the Chairperson of the Management Board which is set at the same level as that of the Chairperson of the Supervisory Board, and is lower than the fixed remuneration of the Chief Executive Officer.

No “attendance token” payments exist for meetings of the Governing Bodies.

Members of the Governing Bodies classified as senior management may receive forms of remuneration linked to results, while all the other members of the Governing Bodies of the Group receive no variable remuneration.



No member of the Governing Bodies may unilaterally decide to waive their right to part or all of their remuneration and no guaranteed bonuses<sup>1</sup> or leaving bonuses exist.

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Dear Shareholders,

Consistent with the principles illustrated above, on the basis of an opinion in agreement from the Remuneration Committee and in compliance with Bank of Italy Supervisory Regulations, the Supervisory Board submits the following proposal for your approval:

*“This Shareholders’ Meeting of Unione di Banche Italiane S.p.A., having considered the proposal of the Supervisory Board,*

#### RESOLVES

*to adopt remuneration and incentive policies for members of the Supervisory Board and members of the Management Board as follows:*

##### ***Remuneration policies for members of the Supervisory Board***

*The board members’ fees approved by the Shareholders’ Meeting on the basis of a proposal from the Supervisory Board, for the period of office, are decided by the Supervisory Board on the basis of a proposal from the Remuneration Committee and related to their period of tenure in the role.*

*The members of the Supervisory Board receive remuneration for the specific positions held, as part of the total amount of remuneration resolved by the Shareholders’ Meeting.*

##### ***Remuneration policies for members of the Management Board***

*If the Chairperson of the Management Board takes up positions in other Group banks or companies, he may receive total further remuneration of not more than 30% of the remuneration set for the position of Chairperson of the Supervisory Board.*

*The fee of the Chairperson of the Management Board is set at the same level as that of the Chairperson of the Supervisory Board.*

*The maximum total fee payable to each member of the Management Board, with the exception of those relating to the “special assignments” of the Chairperson, the Deputy Chairperson of the Board and the Chief Executive Officer, for membership of the Management Board and where relevant the Governing Bodies of the Group banks and companies, is equal to the amount due for the position of member of the Management Board plus 2/3.*

*Any exemptions for exceptional reasons are in any event subject to the prior approval of the Supervisory Board, following consultation with the Remuneration Committee.*

*The Chief Executive Officer and members of the Management Board classified as senior management of UBI Banca, included within the “Material Risk Takers” perimeter, are eligible for forms of variable remuneration linked to results, according to the procedures described in detail in Section I of the Remuneration Report.”*

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD

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<sup>1</sup> Without prejudice to exceptions allowed by legislation and regulations, limited to the first year of employment, for board members classified as senior management.

## UBI BANCA SPA

### Remuneration schemes based on financial instruments:

**proposal to pay a portion of the short-term (annual) variable component of remuneration for “Identified Staff” in financial instruments and a proposal to authorise the purchase of treasury shares to service the incentive scheme.**

Dear Shareholders,

As described in Section I of the Remuneration Report, the Parent has reviewed and updated its 2018 remuneration and incentive policies as well as the related perimeter of “*Identified Staff*” in accordance with applicable laws and regulations.

For the “*Identified Staff*” of the Group and of the Group’s asset management company (UBI Pramerica SGR S.p.A.), with the exception of “*Members of the Governing Bodies*”, there is a (annual) short-term incentive plan the variable remuneration structure of which, in line with the principles defined in applicable provisions, calls for:

- the deferral of a portion of the variable component of remuneration of between 40% and 60%, over a three-year deferral period (or five years for the UBI Banca Chief Executive Officer), in order to align incentives with the medium to long-term interests of the Group;
- the granting of financial instruments for a portion equal to 50% of variable remuneration.

The mechanism that has been identified for granting financial instruments is the granting of treasury shares held by the Parent to the Group’s “*Identified Staff*” not working for UBI Pramerica SGR S.p.A. (with the cost charged to the individual companies in which the employee in receipt of the shares works).

With regard to the “*Identified Staff*” of UBI Pramerica SGR S.p.A. specifically, shares/units in UCIs managed by UBI Pramerica SGR S.p.A. and by UBI Management Company S.A. are to be granted, in accordance with the provisions of the joint Consob–Bank of Italy regulation, as well as shares in the parent company of *Prudential Financial, Inc.*<sup>1</sup> solely to the Deputy General Manager and Commercial Chief of Pramerica SGR S.p.A.

Because it is not currently possible to determine a price amount for the expected charge given the trigger conditions and the established mechanisms for managing the financial allocation (i.e. the bonus pool) to the incentive plan, a remuneration plan based on financial instruments based on the maximum financial need currently quantified, i.e. €6 million for the UBI Banca equity-based incentive plan and €1.2 million for the incentive plan for the “*Identified Staff*” of UBI Pramerica SGR S.p.A. is to be submitted to shareholders for approval.

With regard to the component of the plan based on UBI Banca shares specifically, the granting of authorisation to the Management Board to purchase UBI Banca shares – in one or more tranches and within the limits of the concerning treasury shares – up to a maximum value of €6 million and with the possibility of also using the remaining treasury shares in the UBI Banca portfolio from previous buybacks to service previous incentive plans to service the plan – again within the aforementioned threshold – is also to be submitted to shareholders for approval. The maximum number of ordinary shares to be purchased is to be determined as the ratio of the need based on the annual performance targets to the official share price at the moment of granting.

In relation to the above, it should be noted that:

- in accordance with the provisions of Art. 2357 of the Italian Civil Code, the purchases of treasury shares will be made within the limits of the distributable profits and of the available reserves reported in the last duly approved financial statements, drawn on a specific reserve created within equity;

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<sup>1</sup> *Prudential Financial, Inc.* is a company registered in the United States. *Prudential Financial, Inc.* has no connections with *Prudential PLC*, a company based in the United Kingdom.

- the request for authorisation to purchase and make use of treasury shares, the object of the authorisation proposal to be submitted to shareholders for approval, is aimed at enabling the Bank to initiate programmes for the purchase of treasury shares for the purposes envisaged under Article 5 of Regulation (EU) 596/2014, i.e. the Market Abuse Regulation (MAR), as potentially extended to practices allowed under Article 13 of the MAR and, specifically, for using treasury shares held to service share-option programmes or other assignments of shares to employees, to members of the Bank's Governing Bodies, or, where authorised by practices allowed under Article 13 of the MAR, to a subsidiary;
- on the basis of paragraph 33 of IAS 32 "Financial instruments: Presentation and disclosures", treasury shares that are purchased must be deducted, in the accounts, from equity;

Furthermore, the treasury shares will be purchased in the manner specified in paragraph 1, letter b) of Art. 144 of the Issuers' Regulations - issued in implementation of paragraph 1 of Art. 132 of the Consolidated Finance Law - and thus by purchase on regulated markets following operational procedures that ensure equal treatment of shareholders and do not allow a direct link in trading of proposals to purchase with predetermined proposals to sell, and in full compliance with the measures for the prevention of market abuse and related market practices permitted by the national commission for companies and the stock exchange (Consob - Italian securities market authority).

The purchases will, in any event, be made within 18 months of the date when the Shareholders' Meeting grants authorisation, within the time limit set in the aforementioned Art. 2357 of the Italian Civil Code and at a price that is not 10% higher or lower than the official price of the UBI Banca share quoted in the market session prior to each individual purchase transaction.

As of the date of this report, UBI Banca share capital totalled €2,843,177,160.24 and comprised 1,144,285,146 ordinary shares with no nominal value, and the Company held 2,984,880 treasury shares, equal to 0.26% of share capital.

Finally, with regard to the component of the plan for the *"Identified Staff"* of UBI Pramerica SGR S.p.A., it should be noted that the quantity of financial instruments to be assigned is to be set as the ratio of the need based on the annual performance targets achieved to the value of the financial instruments as at the date on which the bonus is awarded.

For all further information concerning the characteristics of the incentive scheme, see the Information Document published in accordance with article 84-bis of Consob Regulation 11971/1999, or Section 1 of the abovementioned Report on Remuneration.

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Dear Shareholders,

In relation to the above, the Supervisory Board therefore proposes, subject to a prior opinion in agreement from the Remuneration Committee, that the Shareholders' Meeting approves the following resolution:

*"The Shareholders' Meeting of Unione di Banche Italiane Spa,*

- *having considered the proposal of the Supervisory Board;*
- *having taken account of the provisions of the law, of the articles of association, of the regulations issued by the national commission for companies and the stock exchange (Consob - Italian securities market authority), and of Regulation (EU) 596/2014 concerning the purchase of treasury shares,*

#### RESOLVES

- to approve the 2018 Incentive Scheme based on financial instruments, which calls for a component of variable remuneration by way of awarding (i) ordinary shares of the Parent UBI Banca to "Identified Staff" of the Group for a maximum total value of roughly €6 million and (ii) shares/units in UCIs managed by UBI Pramerica SGR S.p.A. and by UBI Management Company S.A. to*

*“Identified Staff” belonging to the Group’s asset management company (UBI Pramerica SGR S.p.A.) and also, solely for the Deputy General Manager and Commercial Chief of UBI Pramerica SGR S.p.A., shares in the parent company of the Prudential Financial, Inc. group for a maximum total value of €1.2 million;*

- b) to authorise the Management Board to purchase, in one or more transactions to be executed within 18 months from the date of the shareholder authorisation, a maximum number of UBI Banca shares to be allocated to the component of the equity-based UBI Banca plan as determined by the ratio between the need based on the bonuses earned in accordance with the performance levels achieved and the official price of UBI Banca’s share at the moment of the award, without prejudice to the fact that each purchase may not take place at a price that is either 10% lower or 10% greater than the official price of UBI Banca’s share on the trading day prior to each purchase; all within the limits of the law concerning treasury shares and in accordance with the procedures specified under paragraph 1, letter b), of Article 144-bis of the Issuers’ Regulations;*
- c) to authorise the Management Board, in accordance with Article 2357-ter of the Italian civil code, to make use, at any time, in whole or in part, and at one or more moments, of the treasury shares purchased in accordance with this resolution – as well as any remaining treasury shares held by the Company from the execution of purchases to serve past incentive plans – by allocating them to the purposes specified in this report for a maximum value of €6 million as specified under point a) above;*
- d) to grant the Management Board all the necessary powers required to implement this resolution, including the power to modify the same resolution in any way that may be requested by any authority, as long as the modification is of a non-substantial nature*

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD

## Information document pursuant to Art. 84-bis of the Issuers' Regulations – short-term (annual) incentive scheme for “Identified Staff”

### INTRODUCTION

In accordance with the provisions of Art. 114-bis of Italian Legislative Decree no. 58 of 24th February 1998 (the “**Consolidated Finance Act**”) and of the Issuers' Regulations adopted by Consob in its resolution no. 11971 of 14th May 1999 (the “**Issuers' Regulations**”) concerning information to be disclosed to the market in relation to remuneration plans based on financial instruments, this information document (the “**Information Document**”) is intended to provide the public with the required information concerning implementation of a short-term (annual) incentive scheme (the “**Scheme**”) based on financial instruments.

It should first be noted that the Scheme calls for a variable component of remuneration for the “*Identified Staff*” of the UBI Banca Group, with the exception of “*Members of the Governing Bodies*” and the “*Identified Staff*” of the insurance companies, by way of awarding UBI Banca ordinary shares, with the exception of “*Identified Staff*” of the Group's asset management company, to whom shares/units in UCIs managed by UBI Pramerica SGR S.p.A. or by one of its subsidiaries, UBI Management Company S.A., and also, solely for the positions of Deputy General Manager and Commercial Chief of Pramerica SGR S.p.A., shares in the parent company of the Prudential Financial, Inc., group are to be awarded.

In light of the related beneficiaries, the Scheme meets the conditions of a “Relevant Scheme” as defined under Art. 84-bis of the Issuers' Regulations.

This Information Document has been prepared in accordance with Schedule 7 of Annex 3A of the Issuers' Regulations.

### DEFINITIONS

The meaning of some terms used in the information document is given below.

**Shareholders' Meeting** - The Shareholders' Meeting of UBI Banca that will approve the Scheme.

**Bonus pool** - Allocated budget linked to incentive schemes.

**Clawback** - Mechanism that provides for the repayment of a bonus that has already been paid out.

**Remuneration Committee** - The committee required by the Bank of Italy Regulations and by the Corporate Governance Code, the composition and functions of which are described in the Corporate Governance Report pursuant to Art. 123-bis of the Consolidated Finance Law and in the Report on Remuneration prepared in accordance with Art. 123-bis of the Consolidated Finance Act and Art. 84-quater of the Issuers' Regulations.

**Common Equity Tier 1 Ratio (“CET1 Ratio”)** In terms of own funds, this indicator represents the highest quality core capital (composed of the total ordinary shares issued by the Bank that satisfy the regulatory classification criteria, share premium reserves, retained profits, valuation reserves and other reserves) net of the deductions required by the regulations as a ratio to Risk Weighted Assets (RWA).

**Beneficiaries** – Personnel of the UBI Banca Group belonging to the “*Identified Staff*” perimeter, with the exclusion of the Governing Bodies and the “*Identified Staff*” of the insurance companies, in accordance with the provisions of the 2018 Group Remuneration and Incentives Policy.

**“Gate”** Condition required to trigger incentive schemes, related to Group capital stability and liquidity indicators.

**The Leverage Ratio (“LR”)** – Leverage calculated as the ratio of the Tier I capital (capital measurement) to the total exposure of the Group (exposure measurement) which includes all the assets and off-balance sheet items not deducted to calculate the capital measurement according to the provisions of the CRR - Art. 429 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26/06/2013 as amended by the Delegated Act (EU) No. 62/2015 .

**Liquidity Coverage Ratio (“LCR”)** - Indicator designed to ensure that a Bank maintains sufficient high quality liquid assets available which can be converted into cash to meet liquidity commitments over a period of 30 days in a stress scenario defined by the Supervisory Authority. It is defined as the ratio of the stock of

“available high quality liquid assets” and the sum of “net cash outflows over a time horizon of 30 days, estimated over a 30 calendar day period of stress”.

**Net Stable Funding Ratio (“NSFR”)** - Indicator of structural balance designed to monitor and contain risk associated with the transformation of maturities. It is the ratio of funding (liabilities) to weighted lending (assets), which takes account of the stability of the liabilities and the degree of liquidity of the assets.

**Targets** - Performance indicators defined in the 2018 Group Remuneration and Incentive Policies and detailed in the regulations of each beneficiary, the achievement of which (subject to the triggering of entry thresholds or “gates”) is a condition for the financial instruments to be granted.

**Top “Identified Staff”** – “Identified Staff” contains a specific “Top” category which includes not only the Senior Management of UBI Banca, but also the highest levels of the functions of the Parent (with the exclusion of the Control Functions) and the senior management of the main legal entities in the Group;

**Identified Staff “Other IS”** – “Identified Staff” contains a specific “Other Staff” category which includes the Control Functions, the Areas of the Parent and roles in IW Bank and companies which have a greater impact on the Group’s risk profile.

**Total Shareholder Return (TSR)** – The increase in the value of the share, calculated for the purpose of the incentive scheme, as the percentage difference between the daily average in December 2018 and the daily average in December 2017, including the value of any dividends paid (excluding the possibility that they could be reinvested). They are compared with banks in the reference benchmark listed on regulated markets, on the basis of the quartile positioning of the UBI Group. The method provides for normalisations in the event of exceptional circumstances (e.g. increases in capital, mergers).

**Return On Risk-Adjusted Capital (RORAC)** - The profitability in percentage terms of capital at risk calculated as the ratio of NOPAT (net operating profit after tax) to the average allocated (budgeted) capital or average absorbed (actual) capital.

**Profit on continuing operations before tax (POCBT)** is considered net of extraordinary and non-recurring items.

**Normalised net profit (NNP)** is considered net of non-recurring extraordinary items and the cost relating to incentive schemes.

**Normalised net profit, adjusted for the cost of capital “delta”** - Calculated as the algebraic sum of the net profit in the income statement - net of non-recurring extraordinary items and the cost relating to incentive schemes - and of the (positive or negative) difference between the absorbed and allocated capital, measured on the basis of the cost of capital.

## **1. THE BENEFICIARIES**

The Scheme is intended for personnel of UBI Banca and of subsidiaries who fall within the perimeter of “Identified Staff” of the UBI Group, with the exception of “Members of the Governing Bodies” and the “Identified Staff” of the insurance companies, for a total of 200 positions for 2018.

### **1.1 The names of the beneficiaries who are members of the Board of Directors or the Management Board of the issuer of the financial instruments, of the companies controlling the issuer, and of the companies controlled, directly or indirectly, by the issuer.**

Beneficiaries of the Scheme include the following members of the UBI Banca Management Board: Victor Massiah, Chief Executive Officer and General Manager of UBI Banca; Elvio Sonnino, Senior Deputy Chairman of UBI Banca; and Elisabetta Stegher, Chief Financial Officer of UBI Banca.

It should also be noted that some of the potential beneficiaries of the Scheme, in addition to carrying out managerial duties related to the role performed as employees of companies of the UBI Banca Group, also hold positions within the governing bodies of the companies directly or indirectly controlled by UBI Banca. Given that these persons qualify as potential beneficiaries of the Scheme in their capacity as employees of the UBI Banca Group, they are not named in this section, but the information provided below refers to them.



## **1.2 The categories of employees or associate workers of the issuer of the financial instruments and of the companies controlling or controlled by the issuer.**

The Scheme also covers the following categories of UBI Banca staff and the staff of certain Group companies within the “Identified Staff” perimeter:

- the “Top” category, which not only includes those indicated in sub-section 1.1, but also the highest levels of the functions of the Parent (with the exclusion of the Control Functions) and the senior management of the main companies in the Group;
- the “*Other Identified Staff*” category, which includes the Control Functions and Financial Advisors not linked to the Group by a regular employee contract, whose activities may have significant impacts on the risk profile of the Bank.
- the “*Identified Staff*” belonging to the Group’s asset management company are not included in the categories above.

As specified in the introduction, the “*Members of the Governing Bodies*” and the “*Identified Staff*” of the insurance companies are excluded from the Scheme.

The companies of the UBI Banca Group involved in the Scheme are: IW Bank S.p.A, UBI Sistemi e Servizi Soc.Cons.p.A., UBI Pramerica SGR S.p.A., UBI Management Company S.A., UBI Leasing S.p.A., UBI Factor S.p.A., Prestitalia, and UBI Academy S.c.r.l.

## **1.3 The names of the persons who benefit from the plan belonging to the following groups:**

**a) General Managers of the issuer of financial instruments;**

**b) other “Identified Staff” of the issuer of financial instruments which is not of “small dimensions”, pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12<sup>th</sup> March 2010, where they have received total remuneration during the financial year (obtained by summing cash remuneration and remuneration based on financial instruments) that is higher than the total highest remuneration paid to members of the Board of Directors, or to the Management Board and to the General Managers of the issuer of financial instruments;**

**c) the natural persons controlling the issuer of shares, who are employees or work on contract within the issuer of shares.**

a) Victor Massiah, Chief Executive Officer of UBI Banca, is also the General Manager of UBI Banca.

## **1.4 Description and number, by category:**

**a) of “Identified Staff” other than those indicated in letter b) of paragraph 1.3;**

**b) for companies of “small dimensions”, pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12<sup>th</sup> March 2010, information by total for all “Identified Staff” of the issuer of financial instruments;**

**c) of any other category of employee or associate worker subject to different treatment under the Scheme (for example, executives, middle managers, office staff, etc.).**

a) In addition to the members of the Management Board indicated in point 1.1, the Deputy General Managers (the Chief Wealth and Welfare Officer and Chief Commercial Officer), the Chief Audit Executive, Chief Risk Officer, Chief General Counsel, Chief Lending Officer, Chief of Compliance, Chief of Top Private banking, Chief of Corporate and Investment Banking, the Manager of the Supervisory Board Support Unit and the Managers of the Macro Geographical Areas of UBI Banca, amounting to 20 beneficiaries;

c) The Scheme establishes different treatment for potential beneficiaries who belong to the highest management level of the corporate control functions.

## **2. THE REASONS FOR ADOPTION OF THE SCHEME**

An illustration of the reasons for the adoption of the Scheme are given in the Remuneration Report prepared in accordance with article 123-ter of the Consolidated Finance Law and article 84-quater of the Issuers' Regulations, which may be consulted.

### **3. APPROVAL PROCESS AND TIMING OF GRANTS OF THE INSTRUMENTS**

#### **3.1 Scope of the powers and functions assigned by shareholders to the Management Board for the purposes of the implementation of the Scheme**

The Shareholders authorise the Management Board to purchase treasury shares to service the Scheme by way of one or more transactions executed within 18 months of the date of the shareholder authorisation and in accordance with applicable laws and regulations, including the provisions related to the execution of purchases established under Art. 144-bis of the Issuers' Regulations. The shareholder authorisation for the Management Board also includes the option to make use of any remaining treasury shares in the UBI Banca portfolio from previous purchases to service past incentive schemes.

#### **3.2 Names of the parties assigned to administer the scheme and their function and responsibilities**

The Human Resources Area of UBI Banca is responsible for the overall administration of the Scheme.

Furthermore, in accordance with Bank of Italy regulations, the Remuneration Committee oversees application of the rules related to the remuneration of the heads of company internal control functions in close coordination with the governing body with control functions and expresses opinions, based in part on information received from the competent company functions, on the achievement of the performance objectives on which the incentive scheme is based, as well as on verification of the conditions established for the payment of remuneration generally.

#### **3.3 Any existing procedures for the revision of the Scheme, with respect, amongst other things, to changes in the key objectives**

If significant revisions to the budget are made during the year in question, the "bonus pool" available to the Scheme may be subject to changes by the Supervisory Board, after prior consultation with the Remuneration Committee and on the basis of a proposal from the Management Board.

Without prejudice to the above, the Management Board submits any exceptions to the policies for the opinion of the Remuneration Committee and the consequent resolutions of the Supervisory Board.

#### **3.4 Description of the methods used to determine the availability and the grant of the financial instruments on which the Scheme is based.**

The mechanism provides for the use of a number of treasury shares held by the Parent (with the cost charged to the individual companies in which the beneficiaries of the shares work). For asset management positions, purchases will be made of units and shares of UCIs created by UBI Pramerica SGR and UBI Management Company and also, solely for the Deputy General Manager and Commercial Chief of Pramerica SGR S.p.A., of shares in the parent company of the Prudential Financial, Inc. group.

Once the triggers have been verified based on the performance levels achieved and the consequent bonus earned, the corresponding financial instruments will be "promised" to the beneficiaries – by way of a specific notice – until the moment of their actual assignment. As such, the value of the bonus paid may vary according to the performance of the price/value of the financial instruments.

#### **3.5 The role filled by each board member in determining the features of the Scheme and any situations of conflict of interest for the directors involved.**

The Management Board submitted the proposal to adopt the Scheme within the scope of the 2018 Remuneration and Incentives Policy to the Supervisory Board for subsequent resolutions to be passed by the Shareholders. Verification of the consistency of the Scheme with these policies was done by the Supervisory Board, having heard the opinion of the Remuneration Committee.

No senior management of the UBI Banca Group took part in passing the resolutions of the Supervisory Board, having heard the opinion of the Remuneration Committee.

Beneficiaries of the Scheme include three of the Bank's senior managers who are also members of the Management Board (out of a total of seven members).

**3.6 For the purposes of the requirements of article 84-bis, paragraph 1, the date of the decision made by the body responsible for proposing the approval of the schemes at the shareholders' meeting and the proposal by the remuneration committee, if present.**

The decision of the Supervisory Board – as the governing body responsible for recommending approval of the plan by the UBI Banca Shareholders – was made on 6th March 2018 based on a recommendation approved by the Management Board on 19th February 2018 and having heard the opinion of the Remuneration Committee on 26<sup>th</sup> February 2018.

**3.7 For the purposes of the requirements of Article 84-bis, paragraph 5, letter a) the date of the decision made by the body responsible for the grant of the instruments and any proposal to the aforementioned body made by the remuneration committee, if present.**

The Supervisory Board is expected to reach a decision on the granting of the instruments, after hearing the opinion of the Remuneration Committee, by the end of the performance-measurement period during the first half of 2019.

**3.8 The market price, recorded on the aforesaid dates, for the financial instruments on which the plans are based, if traded on regulated markets.**

The official price of the UBI Banca share on the date of the aforementioned meeting of the Supervisory Board of 6<sup>th</sup> March 2018 was €3.738. The price of the share on the date of the aforementioned meeting of the Remuneration Committee of 26<sup>th</sup> February 2018 was €3.963.

**3.9 For plans based on financial instruments traded on regulated markets, what are the terms and procedures adopted by the issuer in determining the timing of the grant of the financial instruments to take account of coincidences in the timing of:**

- i) the aforementioned grant or any related decisions taken by the remuneration committee, and
- ii) the disclosure of any relevant information pursuant to Article 114, paragraph 1; for example, when the information is:
  - a. not already public and capable of positively influencing the market prices, or
  - b. already published and capable of negatively influencing the market prices.

During approval and implementation of the Scheme, information shall be disclosed to markets, as required by the laws and regulations in force from time to time. The timing may also take account of any synchronicity with the publication of material information connected with the price of the shares.

## **4. THE CHARACTERISTICS OF THE INSTRUMENTS GRANTED**

### **4.1 Description of the structure of the remuneration schemes based on financial instruments.**

The Scheme provides for 50% of the variable remuneration linked to the incentive scheme to be paid in the form of financial instruments, subject to retention and deferral clauses. More specifically, UBI Banca ordinary shares are to be granted to the “*Identified Staff*” of the Group who do not belong to UBI Pramerica SGR S.p.A., while shares/units in UCIs managed by UBI Pramerica SGR and UBI Management Company and also, solely for the Deputy General Manager and Commercial Chief of UBI Pramerica SGR S.p.A., shares in the parent company of the Prudential Financial, Inc. group are to be granted to the “*Identified Staff*” of UBI Pramerica SGR S.p.A.

### **4.2 Specification of the scheme's effective period of implementation, also with reference to the various cycles established.**

The period of implementation of the Scheme is to start in 2018 and finish in 2025 as follows:

a) 2019: if the conditions for triggering the scheme are met and the individual performance objectives are achieved, 50% of the variable component of the remuneration shall be converted into financial instruments and shall be subject to retention and deferment clauses, as described below:

- 40% for the “*Chief Executive Officer of UBI*”, 50% for the *Top “Identified Staff”*, and 60% for the “*Other Staff*” will be earned up front and will be subject to retention clauses until 2021;
- the remaining 50% for *Top “Identified Staff”* and 40% for the “*Other Staff*” is deferred and subject to performance conditions for the period 2019-2021, whereas the remaining 60% for the “*Chief Executive Officer of UBI*” is deferred and subject to performance conditions for the period 2019-2023;

b) 2021: at the end of the retention period for the up-front portion, the relative percentages shall be granted to the beneficiaries;

c) 2022: the performance conditions during the period 2019-2021 shall be verified (with the exception of the Chief Executive Officer of UBI Banca) and, if met, the deferred portions will be earned (with the exception of the Chief Executive Officer of UBI Banca) and will be subject to retention until 2023;

d) 2023: at the end of the retention period, the relative deferred portions shall be granted;

e) 2024: the performance conditions for the period 2019-2023 shall be verified for the Chief Executive Officer and, if met, the deferred portions of the Chief Executive Officer of UBI will be earned and subject to retention until 2025;

d) 2025: at the end of the retention period, the relative deferred portions for the Chief Executive Officer of UBI Banca shall be granted.

With variable remuneration related to the incentive scheme of less than €50,000 and less than 15% of individual fixed remuneration, there is a simplified pay-out mechanism of only up-front payment, 50% in shares and with a two-year retention period. For positions within UBI Pramerica SGR S.p.A. and for the Financial Advisors of IW Bank S.p.A., taking account of the specific markets concerned and the composition of the current remuneration package, payment is done solely up front and in cash (i) for bonuses of less than €80,000 for UBI Pramerica SGR S.p.A. and (ii) for bonuses of less than €50,000 and less than 33% of fixed remuneration for the Financial Advisors of IW Bank S.p.A.

#### **4.3 End of the Scheme.**

The Scheme ends in 2025 as defined above.

#### **4.4 The maximum number of financial instruments, including those in the form of options, granted in each tax year in relation to the persons identified by name or the categories listed.**

The maximum number of shares that can be granted in relation to the Scheme is to be determined based on the ratio between the need resulting from the bonuses earned based on the performance levels achieved and the price of the share at the moment of granting.

For the “*Identified Staff*” of UBI Pramerica SGR S.p.A., the maximum number of shares/units in UCIs managed by UBI Pramerica SGR S.p.A. and UBI Management Company S.A. is to be determined based on the ratio between the need resulting from the bonuses earned based on the performance levels achieved and the price of the shares/units at the moment of being promised

#### **4.5 Trigger procedures and clauses for the Scheme, specifying whether the grant of instruments is subject to conditions being met or the achievement of determined results, including performance related results; a description of those conditions and results**

Triggering of the Scheme is strictly linked to the satisfaction of conditions (entry thresholds or “gates”) that guarantee the capital stability and liquidity of the Group.

These conditions are based on the following indicators: the Common Equity Tier 1 Ratio”, the Net Stable Funding Ratio, the Liquidity Coverage Ratio, and the Leverage Ratio. In any event, triggering of the incentive scheme does not occur in the event of a net loss in normalised terms, although, in the event of endogenous or exogenous variables and other circumstances that were not foreseeable or determinable, the Supervisory Board, based on a recommendation by the Remuneration Committee, may choose to distribute up to 15% of the total bonus pool.

In addition to the Group entry thresholds or “gates”, there are specific performance indicators at Group, company and business unit level, particularly RORAC at Group level, the adjusted net profit for the delta of the cost of allocated and absorbed capital (and normalised net profit where this is not available) at the level of individual companies and business units.

Further result targets may also be set at individual level, including normalised pre-tax profit, core income at legal entity level and customer satisfaction, while, as is normal, no economic or financial indicators are set for the Control Functions.

Exclusively for the Chief Executive Officer and the Senior Deputy General Manager of UBI Banca, a share of the bonus may be adjusted on the basis of the position of the UBI share compared with the listed banks used for the benchmark (Total Shareholder Return, or TSR).

In order to further ensure liquidity and capital stability for the Group over time, the deferred portion, too, shall be paid on the condition that adequate levels of the Common Equity Tier 1 ratio and the Net Stable Funding ratio are observed at the Group level. The deferred portion of the bonus will not be paid if these conditions are not met (termed a “*malus*”).

For the timing of implementation of the Scheme, see section 4.2 above.

#### **4.6 Details of any restrictions on the availability of the shares, with particular reference to the periods within which the subsequent transfer to the company or to third parties is permitted or prohibited.**

The shares included within the portion of the bonus earned up front are unavailable (retained) for two years; those included within the deferred portion are unavailable for one year.

#### **4.7 Description of any termination conditions for grants under the Scheme if the beneficiaries conduct hedging transactions that neutralise any restrictions on the sale of the financial instruments granted, including those in the form of options, or the financial instruments resulting from the exercise of those options.**

The Scheme does not have any termination conditions of the type described above given that the granting of financial instruments to the beneficiaries is done at the end of their respective retention periods.

#### **4.8 Description of the effects of the termination of the employment relationship.**

The Scheme envisages the loss of all rights in the event of termination of employment during the period of the Scheme, with the sole exception of termination of employment due to retirement, including incentivised (and based on length of service, age, or use of the industry’s solidarity funds). In such cases, beneficiaries normally maintain rights to the portions earned but not yet paid, as well as in the event of death of the beneficiary with payment to the heirs.

#### **4.9 Details of any other reasons for the cancellation of the Scheme.**

Fraudulent behaviour or gross negligence by a beneficiary of the Scheme will result in nullification of the Scheme for that beneficiary and the application of clawback mechanisms to recover any bonuses that may have already been paid.

#### **4.10 The reasons for the provision of any "buy-back" by UBI Banca of the shares involved in the Scheme, pursuant to Articles 2357 and following of the Italian Civil Code; the beneficiaries of the buy-back, specifying whether it only applies to particular categories of employees; and the effects of the termination of the employment relationship on the redemption.**

The Scheme does not provide for the buy-back by UBI Banca or other companies of the Group of the shares involved in the Scheme.

#### **4.11 Any loans or concessions to be granted for the purchase of the shares pursuant to Article 2358, paragraph 3, of the Italian Civil Code;**

The Scheme does not provide for loans or other concessions for the purchase of the shares involved.

#### **4.12 Details of the estimates of the expected liability for the company as at the grant date, as**

**determinable on the basis of the terms and conditions already defined, by overall amount and for each instrument of the Scheme.**

It is not currently possible to calculate the precise amount of the cost of implementing the Scheme, taking into account the trigger conditions and the procedures for managing the amount to be budgeted. Furthermore, a current assessment of the maximum need pointed to a theoretical total charge of roughly €7.2 million of which (i) about €6 million to be paid in UBI Banca shares and (ii) about €1.2 million to be paid in shares/units of UCIs managed by UBI Pramerica SGR S.p.A. and UBI Management Company and also, within the limits specified above, in share in Prudential Financial, Inc.

#### **4.13 Specification of any dilution effect on share capital resulting from the grant of the shares.**

Since the Scheme will be serviced by the use of treasury shares held by the Parent, its adoption will not have any dilution effect on UBI Banca's share capital.

#### **4.14 Any limits set on the exercise of voting rights and on the assignment of economic rights.**

There are no limits on the exercise of voting rights or on the assignment of economic rights related to the shares involved in the Scheme.

#### **4.15 If the shares are not traded on regulated markets, any other information needed to properly measure the value attributable to them.**

The shares servicing the Scheme are not traded on regulated markets.

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD



Name or category	Position (to be given only for persons reported by name)	BOX 1 Financial instruments other than options (e.g. Stock grant)						
		Section 1 Instruments relating to currently valid schemes approved on the basis of previous shareholders' resolutions - short-term incentive schemes for 2013, 2014, 2015, 2016 and 2017 - long-term incentive scheme for 2017-2019/2020						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date (*)	Purchase price of instruments, if applicable	Market price when granted (*)	Vesting period
Massiah Victor	- Chief Executive Officer / General Manager	20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca					
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	16,055	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	24,082	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	12,267	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	18,400	2021	3.6419	7.4047	7
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca					
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>70,804</b>				
Sonnino Elvio	- Member of the Management Board / Senior Deputy General Manager	20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	4,355	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	2,903	2017	3.6419	6.4440	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	11,724	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	7,816	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	11,293	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	7,528	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	7,624	2017	3.4911	3.2793	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	7,184	2018	3.4911	3.4799	3
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>60,427</b>				
Leidi Rossella	- Deputy General Manager	20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca					
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	8,143	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	5,428	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	5,319	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	3,546	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	3,592	2018	3.4911	3.4799	3
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>26,028</b>				
Geertman Frederik Herman	- Deputy General Manager	02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	5,747	2018	3.4911	3.4799	3
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>5,747</b>				

Name or category	Position (to be given only for persons reported by name)	BOX 1 Financial instruments other than options (e.g. Stock grant)						
		Section 1 Instruments relating to currently valid schemes approved on the basis of previous shareholders' resolutions - short-term incentive schemes for 2013, 2014, 2015, 2016 and 2017 - long-term incentive scheme for 2017-2019/2020						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date (*)	Purchase price of instruments, if applicable	Market price when granted (*)	Vesting period
Stegher Elisabetta	- Member of the Management Board / Chief Financial Officer	20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	2,471	2014	3.6419	6.444	3
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	5,452	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	3,635	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	4,830	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	3,220	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	11,478	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	7,652	2021	3.4911	3.4799	5
	TOTAL			38,738				
Ranica Osvaldo	- Member of the Management Board	20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	3,501	2014	3.6419	6.444	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	2,334	2017	3.6419	6.444	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	3,057	2015	3.6419	7.3599	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	6,029	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	4,019	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca					
	TOTAL			18,940				
Senior Management: Executive board members and general managers of Group companies		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	13,264	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	5,753	2017	3.6419	6.4440	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	25,265	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	13,672	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	23,174	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	10,273	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	14,980	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	6,594	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	17,784	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	5,376	2018	NA	NA	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	13,851	2021	3.4911	3.4799	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	5,376	2021	NA	NA	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			155,362				

Name or category	Position (to be given only for persons reported by name)	<b>BOX 1</b> Financial instruments other than options (e.g. Stock grant)						
		<b>Section 1</b> Instruments relating to currently valid schemes approved on the basis of previous shareholders' resolutions - short-term incentive schemes for 2013, 2014, 2015, 2016 and 2017 - long-term incentive scheme for 2017-2019/2020						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date (*)	Purchase price of instruments, if applicable	Market price when granted (*)	Vesting period
Material risk-takers: Managers of the main lines of UBI business		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	17,570	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	1,999	2017	3.6419	6.4440	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	45,939	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	24,551	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	46,137	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	29,237	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	19,058	2017	3.4911	3.2793	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	105,413	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	16,159	2021	3.4911	3.4799	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>306,063</b>				
Material risk-takers: Managers of the main lines of Group company business		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	23,490	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca					
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	36,170	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	5,683	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca					
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca					
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	26,544	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	6,716	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	23,067	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	23,694	2018	NA	NA	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	4,841	2021	3.4911	3.4799	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	15,796	2021	NA	NA	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>166,001</b>				
Material risk-takers: Managers of the highest level of control functions		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	12,708	2014	3.6419	6.4440	3
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	11,047	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	1,590	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	18,993	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	12,662	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	4,956	2017	3.4911	3.2793	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	58,314	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	30,043	2021	3.4911	3.4799	5
	<b>TOTAL</b>			<b>150,313</b>				
Financial Advisors		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	5,905	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	3,937	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	7,242	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	4,828	2021	3.4911	3.4799	5
	<b>TOTAL</b>			<b>21,912</b>				
(*) Financial instruments have been promised on the date indicated, but will not be granted until the end of the vesting period.								
1 Financial instruments granted in 2016								
2 Financial instruments granted in 2017								
3 Amounts estimated on preliminary figures and subject to possible change								

Name or category	Position (to be given only for persons reported by name)	<b>BOX 1</b> Financial instruments other than options (e.g. Stock grant)						
		<b>Section 2</b> Newly granted financial instruments on the basis of a decision of the Supervisory Board for submission to the 2018 Annual General Shareholders' Meeting <b>Identified Staff: 2018 short-term incentive scheme</b>						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date	Purchase price of instruments, if applicable	Market price when granted	Vesting period
Massiah Victor	- Chief Executive Officer / General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Sonnino Elvio	- Member of the Management Board / Senior Deputy General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Leidi Rossella	- Deputy General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Geertman Frederik Herman	- Deputy General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Stegher Elisabetta	- Member of the Management Board / Chief Financial Officer	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Senior Management: Executive board members and general managers of Group companies *		06/04/2018	Ordinary shares of UBI Banca e Units/shares of UCITS	NA	NA	NA	NA	NA
Material risk-takers: Managers of the main lines of business *		06/04/2018	Ordinary shares of UBI Banca e Units/shares of UCITS	NA	NA	NA	NA	NA
Material risk-takers: Managers of the highest level of control functions *		06/04/2018	Ordinary shares of UBI Banca and Units/shares of UCITS	NA	NA	NA	NA	NA
Financial Advisors		06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
* The names of the persons in the positions reported will be given at a later stage when the scheme is implemented.								

## **UBI BANCA SPA**

### **Proposal for authorisation to purchase treasury shares to be used for the 2017-2019/2020 long-term incentive scheme**

Dear Shareholders,

As described in Section I of the Remuneration Report, the Parent has reviewed and updated its 2018 remuneration and incentive policies as well as the related perimeter of *"Identified Staff"* in accordance with applicable laws and regulations.

Following the expansion of the *"Identified Staff"* perimeter due to the merger of the New Banks and the revision of the service and business models, it was deemed necessary to extend the 2017-2019/20 long-term incentive scheme approved by the Shareholders on 7th April 2017 to a number of new positions of *"Identified Staff"* in support of the Group's Business Plan.

It should be noted that participation in the incentive scheme takes place through an investment by management up to an established maximum by purchasing UBI Banca treasury shares, and payment of bonuses, exclusively in the form of UBI Banca shares, is to be correlated to the measurement of Group performance based on specific indicators (i.e. the Common Equity Tier 1 ratio and Return on Tangible Equity) at 31<sup>st</sup> December 2019 and 2020, as well as to the performance of UBI Banca's share compared to an established benchmark group.

Based on achievement of the targets at those dates, up to 50% of the maximum potential bonus is earned, 30% paid up front with a two-year retention period and 20% deferred for two years with an additional one-year retention period.

The mechanism that has been identified for granting financial instruments is the grant of treasury shares held by the Parent with the cost charged to the single companies in which the employee in receipt of the shares works.

Because it is not currently possible to determine a price amount for the expected charge given the trigger conditions, the granting of authorisation to the Management Board to purchase ordinary shares – in one or more tranches and within the limits of the concerning treasury shares – up to a maximum value of €2.5 million, based on an assessment of the maximum need related to expansion of the beneficiaries and, therefore, on increasing the maximum allocation by €16.4 million over the course of the scheme approved by the Shareholders on 7th April 2017, is also to be submitted to shareholders for approval without prejudice to the ability to also use the treasury shares remaining in UBI Banca's portfolio following previous purchases to service past incentive schemes in order to meet this additional need, the maximum number of shares to be purchased is to be determined based on the ratio between (i) the increase in need based on the amount invested by the new participants and (ii) the official price of the share at the moment of the investment.

In relation to the above, it should be noted that:

- in accordance with the provisions of Art. 2357 of the Italian Civil Code, the purchases of treasury shares will be made within the limits of the distributable profits and of the available reserves reported in the last duly approved financial statements, drawn on a specific reserve created within equity;
- the request for authorisation to purchase and make use of treasury shares, the subject of the authorisation proposal to be submitted at the ordinary Shareholders' Meeting, is aimed at enabling the Bank to initiate programmes for the purchase of treasury shares for the purposes envisaged under Art. 5 of Regulation (EU) 596/2014, i.e. the Market Abuse Regulation (MAR), as potentially extended to practices allowed under Art. 13 of the MAR and, specifically, for using treasury shares held to service share-option programmes or other assignments of shares to employees, to members of a bank's governing bodies, or, where authorised by practices allowed under Article 13 of the MAR, to a subsidiary;
- on the basis of paragraph 33 of IAS 32 "Financial instruments: Presentation and disclosures", treasury shares that are purchased must be deducted, in the accounts, from equity;

Furthermore, the treasury shares will be purchased in the manner specified in paragraph 1, letter b) of Art. 144 of the Issuers' Regulations - issued in implementation of paragraph 1 of Art. 132 of the Consolidated

Finance Law - and thus by purchase on regulated markets following operational procedures that ensure equal treatment of shareholders and do not allow a direct link in trading of proposals to purchase with predetermined proposals to sell, and in full compliance with the measures for the prevention of market abuse and related market practices permitted by the national commission for companies and the stock exchange (Consob - Italian securities market authority).

The purchases will, in any event, be made within 18 months of the date when the Shareholders' Meeting grants authorisation, within the time limit set in the aforementioned Art. 2357 of the Italian Civil Code and at a price that is not 10% higher or lower than the official price of the UBI Banca share quoted in the market session prior to each individual purchase transaction.

As of the date of this report, UBI Banca share capital totalled €2,843,177,160.24 and comprised 1,144,285,146 ordinary shares with no nominal value, and the Company held 2,984,880 treasury shares, equal to 0.26% of share capital.

For more information on the characteristics of the incentive scheme, see Section 1 of the aforementioned Remuneration Report.

\*\*\*\*\*

Dear Shareholders,

In relation to the above, the Supervisory Board therefore proposes, subject to a prior opinion in agreement from the Remuneration Committee, that the Shareholders' Meeting approves the following resolution:

*“The Shareholders' Meeting of Unione di Banche Italiane Spa,*

- having considered the proposal of the Supervisory Board;*
- having taken account of the provisions of the law, of the articles of association, of the regulations issued by the national commission for companies and the stock exchange (Consob - Italian securities market authority), and of Regulation (EU) 596/2014 concerning the purchase of treasury shares;*

#### RESOLVES

- a) to approve, following expansion of the number of participants, increasing, by approximately €2.5 million, the maximum value over the course of the Scheme related to the incentive scheme based on financial instruments approved by the Shareholders on 7<sup>th</sup> April 2017, which calls for long-term variable remuneration for “Identified Staff” in the form of the granting of ordinary shares in the Parent, UBI Banca;*
- b) to authorise the Management Board to purchase, in one or more transactions to be executed within 18 months from the date of the shareholder authorisation, a maximum number of UBI Banca shares as determined by the ratio between (i) the increased need based on the amount invested by the new participants and (ii) the official price of UBI Banca's share at the moment of the investment, without prejudice to the fact that each purchase may not take place at a price that is either 10% lower or 10% greater than the official price of UBI Banca's share on the trading day prior to each purchase; all within the limits of the law concerning treasury shares and in accordance with the procedures specified under paragraph 1, letter b), of Article 144-bis of the Issuers' Regulations;*
- c) to authorise the Management Board, in accordance with Article 2357-ter of the Italian civil code, to make use, at any time, in whole or in part, and at one or more moments, of the treasury shares purchased in accordance with this resolution – as well as any remaining treasury shares held by the Company from the execution of purchases to service past incentive plans – by allocating them to the purposes specified in this report for a maximum value of €2.5 million as specified under point a) above;*
- d) to grant the Management Board all the necessary powers required to implement this resolution, including the power to modify the same resolution in any way that may be requested by any authority, as long as the modification is of a non-substantial nature.*

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD



## Updated information document pursuant to Art. 84-bis of the Issuers' Regulations – long-term incentive scheme for “Identified Staff”

### INTRODUCTION

In accordance with the provisions of Art. 114-bis of Italian Legislative Decree no. 58 of 24th February 1998 (the “**Consolidated Finance Act**”) and of the Issuers' Regulations adopted by Consob in its resolution no. 11971 of 14th May 1999 (the “**Issuers' Regulations**”) concerning information to be disclosed to the market in relation to remuneration plans based on financial instruments, this information document (the “**Information Document**”) is intended to provide the public with the required information concerning implementation of a long-term incentive scheme (the “**Scheme**”) based on financial instruments.

It should first be noted that the Scheme calls for a variable component of remuneration for the “*Identified Staff*” of the UBI Banca Group, with the exception of “*Members of the Governing Bodies*”, members of the Company's control functions, and certain other positions – taking account of the related pay mix and levels of responsibility – by way of the assignment of UBI Banca ordinary shares.

The Scheme was approved by the UBI Banca Shareholders on 7<sup>th</sup> April 2017 and, with a view to submitting the increase of the maximum allocation over the course of the Scheme for the expansion of participation to the UBI Shareholders on 6<sup>th</sup> April 2018, the related Information Document is being repropounded.

In light of the related beneficiaries, the Scheme meets the conditions of a “Relevant Scheme” as defined under Art. 84-bis of the Issuers' Regulations.

This Information Document has been prepared in accordance with Schedule 7 of Annex 3A of the Issuers' Regulations.

### DEFINITIONS

The meaning of some terms used in the information document is given below.

**Shareholders' Meeting** - The Shareholders' Meeting of UBI Banca that will approve the Scheme.

**Bonus pool**: total allocated budget for incentive schemes.

**Clawback** - Mechanism that provides for the repayment of a bonus that has already been paid out.

**Remuneration Committee** - The committee required by the Bank of Italy Regulations and by the Corporate Governance Code, the composition and functions of which are described in the Corporate Governance Report pursuant to Art. 123-bis of the Consolidated Finance Law and in the Report on Remuneration prepared in accordance with Art. 123-bis of the Consolidated Finance Act and Art. 84-quater of the Issuers' Regulations.

**Common Equity Tier 1 Ratio (“CET1 Ratio”)** In terms of own funds, this indicator represents the highest quality core capital (composed of the total ordinary shares issued by the Bank that satisfy the regulatory classification criteria, share premium reserves, retained profits, valuation reserves and other reserves) net of the deductions required by the regulations as a ratio to Risk Weighted Assets (RWA).

**Beneficiaries** - Personnel of the UBI Banca Group belonging to the “Identified Staff” perimeter with the exception of the “Members of Governing Bodies”, the corporate control functions and other specific positions in accordance with the provisions of the 2018 Group Remuneration and Incentives Policy.

**“Gate”** – Condition required to trigger incentive schemes, related to Group capital stability and liquidity indicators.

**The Leverage Ratio (“LR”)** – Leverage calculated as the ratio of the Tier I capital (capital measurement) to the total exposure of the Group (exposure measurement) which includes all the assets and off-balance sheet items not deducted to calculate the capital measurement according to the provisions of the CRR - Art. 429 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26/06/2013 as amended by the Delegated Act (EU) No. 62/2015.

**Liquidity Coverage Ratio (“LCR”)** - Indicator designed to ensure that a Bank maintains sufficient high quality liquid assets available which can be converted into cash to meet liquidity commitments over a period of 30 days in a stress scenario defined by the Supervisory Authority. It is defined as the ratio of the stock of

“available high quality liquid assets” and the sum of “net cash outflows over a time horizon of 30 days, estimated over a 30 calendar day period of stress”.

**Net Stable Funding Ratio (“NSFR”)** - Indicator of structural balance designed to monitor and contain risk associated with the transformation of maturities. It is the ratio of funding (liabilities) to weighted lending (assets), which takes account of the stability of the liabilities and the degree of liquidity of the assets.

**Targets** - Performance indicators defined in the 2018 Group Remuneration and Incentive Policies and detailed in the regulations of each beneficiary, the achievement of which (subject to the triggering of entry thresholds or “gates”) is a condition for the financial instruments to be granted.

**Top “Identified Staff”** – “Identified Staff” contains a specific “Top” category which includes not only the Senior Management of UBI Banca, but also the highest levels of the functions of the Parent (with the exclusion of the Control Functions) and the senior management of the main legal entities in the Group;

**Identified Staff “Other IS”** – “Identified Staff” contains a specific “Other Staff” category which includes the Control Functions, the Areas of the Parent and roles in IW Bank and companies which have a greater impact on the Group’s risk profile.

**Total Shareholder Return (TSR)** – The increase in the value of the share, calculated as the percentage difference between the daily average in December 2019/20 and the daily average in December 2016, including the value of any dividends paid (excluding the possibility that they could be reinvested). They are compared with banks in the reference benchmark listed on regulated markets, on the basis of the quartile positioning of the UBI Group. The method involves normalisations in the event of exceptional circumstances (e.g. increases in share capital).

**Return On Risk-Adjusted Capital (RORAC)** - The profitability in percentage terms of capital at risk calculated as the ratio of NOPAT (net operating profit after tax) to the average allocated (budgeted) capital or average absorbed (actual) capital.

**Return On Tangible Equity (“ROTE”)** - This is an indicator of the operating profitability of the bank and is calculated as the ratio of net profit to tangible equity (the latter is calculated as the difference between equity excluding profit/loss and intangible assets).

**Profit on continuing operations before tax (POCBT)** is considered net of extraordinary and non-recurring items.

**Normalised net profit (NNP)** is considered net of non-recurring extraordinary items and the cost relating to incentive schemes.

**Normalised net profit, adjusted for the cost of capital “delta”** - Calculated as the algebraic sum of the net profit in the income statement - net of non-recurring extraordinary items and the cost relating to incentive schemes - and of the (positive or negative) difference between the absorbed and allocated capital, measured on the basis of the cost of capital.

## **1. THE BENEFICIARIES**

The Scheme is intended for personnel of UBI Banca and of subsidiaries who fall within the perimeter of “Identified Staff” of the UBI Group, with the exception of “Members of the Governing Bodies”, of the Company’s control functions, and certain specific positions, taking due account of the relative pay mix and levels of responsibility, for a total of 140 positions.

### **1.1 The names of the beneficiaries who are members of the Board of Directors or the Management Board of the issuer of the financial instruments, of the companies controlling the issuer, and of the companies controlled, directly or indirectly, by the issuer.**

Beneficiaries of the Scheme include the following members of the UBI Banca Management Board: Victor Massiah, Chief Executive Officer and General Manager of UBI Banca; Elvio Sonnino, Senior Deputy Chairman of UBI Banca.

It should also be noted that some of the potential beneficiaries of the Scheme, in addition to carrying out managerial duties related to the role performed as employees of companies of the UBI Banca Group, also hold positions within the governing bodies of the companies directly or indirectly controlled by UBI Banca.

Given that these persons qualify as potential beneficiaries of the Scheme in their capacity as employees of the UBI Banca Group, they are not named in this section, but the information provided below refers to them.

## **1.2 The categories of employees or associate workers of the issuer of the financial instruments and of the companies controlling or controlled by the issuer.**

The Scheme also covers the following categories of employees of UBI Banca and certain of the Group companies within the “*Identified Staff*” perimeter:

- the “Top” category, which not only includes those indicated in sub-section 1.1, but also the highest levels of the functions of the Parent (with the exclusion of the Control Functions) and the senior management of the main legal entities in the Group;
- the category “*Other Staff*”, as defined in the 2018 remuneration and incentive policies, with the exception of (i) the Company’s control functions, (ii) Financial Advisors not bound by regular employee contracts, (iii) positions within the asset management company who report to senior management of UBI Pramerica, and (iv) certain other positions, taking due account of the relative pay mix and levels of responsibility.

The following UBI Banca Group companies are involved in the Scheme: IW Bank S.p.A, UBI Sistemi e Servizi Soc.Cons.p.A., UBI Academy Soc.Cons.r.l, UBI Pramerica SGR S.p.A., UBI Leasing S.p.A., UBI Factor S.p.A. and Prestitalia.

## **1.3 The names of the persons who benefit from the plan belonging to the following groups:**

**a) General Managers of the issuer of financial instruments;**

**b) other “identified staff” of the issuer of financial instruments which is not of “small dimensions”, pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12<sup>th</sup> March 2010, where they have received total remuneration during the financial year (obtained by summing cash remuneration and remuneration based on financial instruments) that is higher than the total highest remuneration paid to members of the Board of Directors, or to the Management Board and to the General Managers of the issuer of financial instruments;**

**c) the natural persons controlling the issuer of shares, who are employees or work on contract within the issuer of shares.**

a) *Dottor* Victor Massiah, Chief Executive Officer of UBI Banca, is also the General Manager of UBI Banca.

## **1.4 Description and number, by category:**

**a) of “Identified Staff” other than those indicated in letter b) of paragraph 1.3;**

**b) for companies of “small dimensions”, pursuant to article 3, paragraph 1, letter f) of Regulation No. 17221 of 12<sup>th</sup> March 2010, information by total for all “Identified Staff” of the issuer of financial instruments;**

**c) of any other category of employee or associate worker subject to different treatment under the Scheme (for example, executives, middle managers, office staff, etc.).**

a) In addition to the members of the Management Board specified under point 1.1 above, the Deputy General Managers – Chief Wealth and Welfare Officer and Chief Commercial Officer – the Chief General Counsel, the Chief Lending Officer, the Chief of Top Private Banking, the Chief of Corporate & Investment Banking, the Chief for Support of the Supervisory Board, and the heads of the Macro Geographical Areas of UBI Banca, for a total of 16 beneficiaries.

## **2. THE REASONS FOR ADOPTION OF THE SCHEME**

The long-term incentive scheme is designed to support the 2017-2019/20 Business Plan, with the objective of bringing the interests of management into line with those of stakeholders, in a perspective of creating long term value, in compliance with legislation and regulations in force and best market practices.

An illustration of the reasons for the adoption of the Scheme are given in the Remuneration Report prepared in accordance with article 123-ter of the Consolidated Finance Law and article 84-quater of the Issuers’ Regulations, which may be consulted.

### **3. APPROVAL PROCESS AND TIMING OF GRANTS OF THE INSTRUMENTS**

#### **3.1 Scope of the powers and functions assigned by shareholders to the Management Board for the purposes of the implementation of the Scheme**

The Shareholders authorise the Management Board to purchase treasury shares to service the Scheme by way of one or more transactions executed within 18 months of the date of the shareholder authorisation and in accordance with applicable laws and regulations, including the provisions related to the execution of purchases established under Art. 144-*bis* of the Issuers' Regulations. The shareholder authorisation for the Management Board also includes the option to make use of any remaining treasury shares in the UBI Banca portfolio from previous purchases to service past incentive schemes.

#### **3.2 Names of the parties assigned to administer the scheme and their function and responsibilities**

The Human Resources Area of UBI Banca is responsible for the overall administration of the Scheme.

Furthermore, in accordance with Bank of Italy regulations, the Remuneration Committee expresses opinions, based in part on information received from the competent company functions, on the achievement of the performance objectives on which the incentive scheme is based, as well as on verification of the conditions established for the payment of remuneration generally.

#### **3.3 Any existing procedures for the revision of the Scheme, with respect, amongst other things, to changes in the key objectives**

If extraordinary events unforeseen at the time of budget occur such as for example, but not limited to, mergers, capital increases, extraordinary accounting normalisations, on the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and taking account of recommendations formulated by the Management Board, the Supervisory Board, supported by the relative competent units, may assess the possibility of reviewing the thresholds and the objectives identified and increase or reduce the bonuses earned with account taken of indicators linked to the Business Plan and in view of more general performances achieved during the period, for example with reference to compliance with the *"2017-2020 Policy on Dividends"*.

Without prejudice to the above, the Management Board submits any exceptions to the policies for the opinion of the Remuneration Committee and the consequent resolutions of the Supervisory Board.

#### **3.4 Description of the methods used to determine the availability and the grant of the financial instruments on which the Scheme is based.**

Participation in the scheme is based on an investment made by management, up to a predetermined maximum, using its own funds to purchase shares of UBI Banca.

The bonus payout, exclusively in financial instruments, is related to performance measurement on the basis of specific indicators (Common Equity Tier 1 Ratio and Return On Tangible Equity), the results of which will be collected at Group level on 31/12/2019 and 31/12/2020, and the performance of the UBI share relative to the reference benchmark. On the basis of the achievement of the objectives on each of the above dates a portion of up to 50% of the potential maximum bonus will mature; 30% will be paid out up front with a two-year retention period and 20% will be deferred for two years with a further one-year retention period.

#### **3.5 The role filled by each board member in determining the features of the Scheme and any situations of conflict of interest for the directors involved.**

The Management Board submitted the proposal to adopt the Scheme within the scope of the 2017 Remuneration and Incentives Policy to the Supervisory Board, and the Scheme was subsequently approved by the Shareholders on 7<sup>th</sup> April 2017. Verification of the consistency of the Scheme with these policies was done by the Supervisory Board, having heard the opinion of the Remuneration Committee.

No senior management of the UBI Banca Group took part in passing the resolutions of the Supervisory Board, having heard the opinion of the Remuneration Committee, either during the approval of the Scheme or when increasing the related allocation.

Beneficiaries of the Scheme include two of the Bank's senior managers who are also members of the Management Board (out of a total of seven members).

**3.6 For the purposes of the requirements of article 84-bis, paragraph 1, the date of the decision made by the body responsible for proposing the approval of the schemes to the shareholders' meeting and the proposal by the remuneration committee, if present.**

The decision of the Supervisory Board – as the governing body responsible for recommending approval of the Scheme by the UBI Banca Shareholders – was made on 7th March 2017 based on a recommendation approved by the Management Board on 28th February 2017, having heard the opinion of the Remuneration Committee. UBI Banca Shareholders approved the Scheme on 7<sup>th</sup> April 2017.

The decision of the Supervisory Board to recommend that the UBI Banca Shareholders increase the maximum value over the course of the Scheme, following the increase in number of participants, was made on 6th March 2018 based on a recommendation approved by the Management Board on 19th February 2018 and having heard the opinion of the Remuneration Committee on 26<sup>th</sup> February 2018.

**3.7 For the purposes of the requirements of Article 84-bis, paragraph 5, letter a) the date of the decision made by the body responsible for the grant of the instruments and any proposal to the aforementioned body made by the remuneration committee, if present.**

The Supervisory Board is expected to reach a decision on the granting of the instruments, after hearing the opinion of the Remuneration Committee, by the end of the performance-measurement period during the first halves of 2020 and 2021.

**3.8 The market price, recorded on the aforesaid dates, for the financial instruments on which the plans are based, if traded on regulated markets.**

The official market price of the ordinary shares of UBI Banca recorded on the date of the meeting of the Supervisory Board at which the Scheme was approved (i.e. 7<sup>th</sup> March 2017) was €3.182.

The official price of the UBI Banca share on the date of the meeting of the Supervisory Board at which the increase to the allocation for the Scheme was approved (6th March 2018) was €3.738. The price of the share on the date of the meeting of the Remuneration Committee of 26<sup>th</sup> February 2018 was €3.963.

**3.9 For plans based on financial instruments traded on regulated markets, what are the terms and procedures adopted by the issuer in determining the timing of the grant of the financial instruments to take account of coincidences in the timing of:**

- i) the aforementioned grant or any related decisions taken by the remuneration committee, and**
- ii) the disclosure of any relevant information pursuant to Article 114, paragraph 1; for example, when the information is:**
  - a. not already public and capable of positively influencing the market prices, or**
  - b. already published and capable of negatively influencing the market prices.**

During approval and implementation of the Scheme, information shall be disclosed to markets, as required by the laws and regulations in force from time to time. The timing may also take account of any synchronicity with the publication of material information connected with the price of the shares.

## **4. THE CHARACTERISTICS OF THE INSTRUMENTS GRANTED**

### **4.1 Description of the structure of the remuneration schemes based on financial instruments.**

The Scheme calls for the awarding of bonuses entirely in UBI Banca shares, as these are seen as being one of the most appropriate means of aligning the interests of stakeholders with those of management. Said shares are subject to retention and deferral clauses.

Participation in the scheme is based on an investment made by management, up to a predetermined maximum, using its own funds to purchase shares of UBI Banca.



#### **4.2 Specification of the Scheme's effective period of implementation, also with reference to any cycles established.**

The scheme will start in 2017 and end in 2024, according to the following schedule:

a) 2017-2019: if the conditions for triggering the Scheme are met and the Group performance objectives over the period 2107-2019 are achieved, up to 50% of the variable component of the remuneration will be converted into UBI Banca shares, subject to retention and deferral clauses that align the incentives with the Bank's long-term interests according to the following schedule:

- 30% of this variable component in shares will vest upfront and be subject to a retention clause until 2022;
- the remaining 20% will be deferred and subject to deferral conditions over the period 2020-2022;

b) 2017-2020: if the conditions for triggering the Scheme are met and the Group and individual performance objectives over the period 2107-2020 are achieved, up to 50% of the variable component of the remuneration will be converted into UBI Banca shares, subject to retention and deferral clauses that align the incentives with the Bank's long-term interests according to the following schedule:

- 30% of this variable component in shares will vest upfront and be subject to a retention clause until 2023;
- the remaining 20% will be deferred and subject to deferral conditions over the period 2021-2023;

c) 2023: the performance conditions for the period 2020-2022 shall be verified and, if met, the first deferred fraction, equal to 20%, shall be earned;

e) 2024: the performance conditions for the period 2021-2023 shall be verified and, if met, the second deferred fraction, equal to 20%, shall be earned.

#### **4.3 End of the Scheme.**

The 2017 Scheme comes to a close in 2024 as specified above.

#### **4.4 The maximum number of financial instruments, including those in the form of options, granted in each tax year in relation to the persons identified by name or the categories listed.**

The maximum number of shares that could be assigned in relation to the Scheme will be calculated by dividing the amount required on the basis of the amount invested by the participants and the achievement of the performance objectives of the Scheme, by the reference price of the shares at the time of the investment.

#### **4.5 Trigger procedures and clauses for the Scheme, specifying whether the grant of instruments is subject to conditions being met or the achievement of determined results, including performance related results; a description of those conditions and results**

Triggering of the Scheme is strictly linked to the satisfaction of conditions (entry thresholds or “gates”) that guarantee the capital stability and liquidity of the Group, based on the following indicators: the “Common Equity Tier 1 Ratio”, the “Net Stable Funding Ratio”, the “Liquidity Coverage Ratio” and “Leverage Ratio”. The incentive scheme is not, however, triggered if the financial statements show a loss on normalised amounts. The performance measurement indicators are the Common Equity Tier 1 Ratio and the Return On Tangible Equity, for which the targets are given in the 2018 Remuneration Report and the results of which will be collected at Group level on 31/12/2019 and 31/12/2020 and the performance of the UBI share relative to a reference benchmark.

For the timing of implementation of the Scheme, see section 4.2 above.

#### **4.6 Details of any restrictions on the availability of the shares, with particular reference to the periods within which the subsequent transfer to the company or to third parties is permitted or prohibited.**

The shares included within the portion of the bonus earned up front are unavailable (retained) for two years; those included within the deferred portion are unavailable for one year.



**4.7 Description of any termination conditions for grants under the Scheme if the beneficiaries conduct hedging transactions that neutralise any restrictions on the sale of the financial instruments granted, including those in the form of options, or the financial instruments resulting from the exercise of those options.**

The Scheme does not have any termination conditions of the type described above given that the granting of financial instruments to the beneficiaries is done at the end of their respective retention periods.

**4.8 Description of the effects of the termination of the employment relationship.**

The Scheme envisages the loss of all rights in the event of termination of employment during the period of the Scheme, with the sole exception of termination of employment due to retirement, including incentivised (and based on length of service, age, or use of the industry's solidarity funds). In such cases, beneficiaries normally maintain rights to the portions earned but not yet paid, as well as in the event of death of the beneficiary with payment to the heirs.

**4.9 Details of any other reasons for the cancellation of the Scheme.**

Fraudulent behaviour or gross negligence by a beneficiary of the Scheme will result in nullification of the Scheme for that beneficiary and the application of clawback mechanisms to recover any bonuses that may have already been paid.

**4.10 The reasons for the provision of any "buy-back" by UBI Banca of the shares involved in the Scheme, pursuant to Articles 2357 and following of the Italian Civil Code; the beneficiaries of the buy-back, specifying whether it only applies to particular categories of employees; and the effects of the termination of the employment relationship on the redemption.**

The Scheme does not provide for the buy-back by UBI Banca or other companies of the Group of the shares involved in the Scheme.

**4.11 Any loans or concessions to be granted for the purchase of the shares pursuant to Article 2358, paragraph 3, of the Italian Civil Code;**

The Scheme does not provide for loans or other concessions for the purchase of the shares involved.

**4.12 Details of the estimates of the expected liability for the company as at the grant date, as determinable on the basis of the terms and conditions already defined, by overall amount and for each instrument of the Scheme.**

The Scheme provides for the use of a number of treasury shares held by the Parent (with subsequent reimbursement by the individual Group Companies that employ the beneficiaries to whom the shares will be granted).

Although it is not currently possible to indicate the exact amount of the expected liability for the payment in financial instruments, taking into account the trigger conditions and the achievement of the objectives of the Scheme, following the increase required, the maximum overall bonus pool covering it over the period of the Scheme is up to a maximum of €18.9 million.

**4.13 Specification of any dilution effect on share capital resulting from the grant of the shares.**

Since the Scheme will be serviced by the use of treasury shares held by the Parent, its adoption will not have any dilution effect on UBI Banca's share capital.

**4.14 Any limits set on the exercise of voting rights and on the assignment of economic rights.**

There are no limits on the exercise of voting rights or on the assignment of economic rights related to the shares involved in the Scheme.

**4.15 If the shares are not traded on regulated markets, any other information needed to properly measure the value attributable to them.**

The shares servicing the Scheme are not traded on regulated markets.

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD

Name or category	Position (to be given only for persons reported by name)	BOX 1 Financial instruments other than options (e.g. Stock grant)						
		Section 1 Instruments relating to currently valid schemes approved on the basis of previous shareholders' resolutions - short-term incentive schemes for 2013, 2014, 2015, 2016 and 2017 - long-term incentive scheme for 2017-2019/2020						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date (*)	Purchase price of instruments, if applicable	Market price when granted (*)	Vesting period
Massiah Victor	- Chief Executive Officer / General Manager	20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca					
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	16,055	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	24,082	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	12,267	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	18,400	2021	3.6419	7.4047	7
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca					
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			70,804				
Sonnino Elvio	- Member of the Management Board / Senior Deputy General Manager	20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	4,355	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	2,903	2017	3.6419	6.4440	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	11,724	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	7,816	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	11,293	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	7,528	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	7,624	2017	3.4911	3.2793	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	7,184	2018	3.4911	3.4799	3
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			60,427				
Leidi Rossella	- Deputy General Manager	20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca					
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	8,143	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	5,428	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	5,319	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	3,546	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	3,592	2018	3.4911	3.4799	3
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			26,028				
Geertman Frederik Herman	- Deputy General Manager	02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	5,747	2018	3.4911	3.4799	3
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			5,747				

Name or category	Position (to be given only for persons reported by name)	<b>BOX 1</b> Financial instruments other than options (e.g. Stock grant)						
		<b>Section 1</b> Instruments relating to currently valid schemes approved on the basis of previous shareholders' resolutions - short-term incentive schemes for 2013, 2014, 2015, 2016 and 2017 - long-term incentive scheme for 2017-2019/2020						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date (*)	Purchase price of instruments, if applicable	Market price when granted (*)	Vesting period
<b>Stegher Elisabetta</b>	- Member of the Management Board / Chief Financial Officer	20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	2,471	2014	3.6419	6.444	3
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	5,452	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	3,635	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	4,830	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	3,220	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	11,478	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	7,652	2021	3.4911	3.4799	5
	<b>TOTAL</b>			<b>38,738</b>				
<b>Ranica Osvaldo</b>	- Member of the Management Board	20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	3,501	2014	3.6419	6.444	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	2,334	2017	3.6419	6.444	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	3,057	2015	3.6419	7.3599	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	6,029	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	4,019	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca					
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca					
	<b>TOTAL</b>			<b>18,940</b>				
<b>Senior Management: Executive board members and general managers of Group companies</b>		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	13,264	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	5,753	2017	3.6419	6.4440	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	25,265	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	13,672	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	23,174	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	10,273	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	14,980	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	6,594	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	17,784	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	5,376	2018	NA	NA	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	13,851	2021	3.4911	3.4799	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	5,376	2021	NA	NA	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	<b>TOTAL</b>			<b>155,362</b>				

Name or category	Position (to be given only for persons reported by name)	BOX 1 Financial instruments other than options (e.g. Stock grant)						
		Section 1 Instruments relating to currently valid schemes approved on the basis of previous shareholders' resolutions - short-term incentive schemes for 2013, 2014, 2015, 2016 and 2017 - long-term incentive scheme for 2017-2019/2020						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date (*)	Purchase price of instruments, if applicable	Market price when granted (*)	Vesting period
Material risk-takers: Managers of the main lines of UBI business		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	17,570	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca	1,999	2017	3.6419	6.4440	5
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	45,939	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	24,551	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	46,137	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	29,237	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	19,058	2017	3.4911	3.2793	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	105,413	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	16,159	2021	3.4911	3.4799	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			306,063				
Material risk-takers: Managers of the main lines of Group company business		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	23,490	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme	Ordinary shares of UBI Banca					
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	36,170	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	5,683	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca					
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca					
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	26,544	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	6,716	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	23,067	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	23,694	2018	NA	NA	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	4,841	2021	3.4911	3.4799	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Units/shares of UCITS	15,796	2021	NA	NA	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
	TOTAL			166,001				
Material risk-takers: Managers of the highest level of control functions		20/04/2013: short-term incentive scheme <sup>1</sup>	Ordinary shares of UBI Banca	12,708	2014	3.6419	6.4440	3
		10/05/2014: short-term incentive scheme <sup>2</sup>	Ordinary shares of UBI Banca	11,047	2015	3.6419	7.3599	3
		10/05/2014: short-term incentive scheme	Ordinary shares of UBI Banca	1,590	2018	3.6419	7.3599	5
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	18,993	2016	3.6419	7.4047	3
		25/04/2015: short-term incentive scheme	Ordinary shares of UBI Banca	12,662	2019	3.6419	7.4047	5
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	4,956	2017	3.4911	3.2793	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	58,314	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	30,043	2021	3.4911	3.4799	5
	TOTAL			150,313				
Financial Advisors		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	5,905	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	3,937	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	7,242	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	4,828	2021	3.4911	3.4799	5
	TOTAL			21,912				
(*) Financial instruments have been promised on the date indicated, but will not be granted until the end of the vesting period.								
1 Financial instruments granted in 2016								
2 Financial instruments granted in 2017								
3 Amounts estimated on preliminary figures and subject to possible change								

Name or category	Position (to be given only for persons reported by name)	BOX 1 Financial instruments other than options (e.g. Stock grant)						
		Section 2 Newly granted financial instruments on the basis of a decision of the Supervisory Board for submission to the 2018 Annual General Shareholders' Meeting Identified Staff: 2017-2019/2020 long-term incentive scheme						
		Date of shareholder resolution	Type of financial instrument	Number of instruments	Grant date	Purchase price of instruments, if applicable	Market price when granted	Vesting period
Massiah Victor	- Chief Executive Officer / General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Sonnino Elvio	- Member of the Management Board / Senior Deputy General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Leidi Rossella	- Deputy General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Geertman Frederik Herman	- Deputy General Manager	06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Senior Management: Executive board members and general managers of Group companies *		06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Material risk-takers: Managers of the main lines of business *		06/04/2018	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
* The names of the persons in the positions reported will be given at a later stage when the scheme is implemented.								

## UBI BANCA SPA

### **Proposal regarding the criteria and limits for determining remuneration to be agreed in the event of the early termination of an employment relationship or early retirement from corporate office.**

Dear Shareholders,

Pursuant to Circular 285 of 17<sup>th</sup> December 2013 (Supervisory Regulations for Banks, 7<sup>th</sup> update of 18<sup>th</sup> November 2014 concerning remuneration policies and practices) the Shareholders' Meeting has responsibility for defining the criteria and limits for determining remuneration in the event of the early termination of the employment relationship or of the position held.

Following along substantially the same lines as the resolution approved by the Shareholders' Meeting in 2017, the Supervisory Board resolved, in its meeting of 6<sup>th</sup> March 2018, to submit the approval of the following decisions concerning the setting of criteria and limits on the maximum number of years for the said remuneration and the methods by which it is to be paid for "Identified Staff" to the Shareholders' Meeting, without prejudice to the provisions of the above Regulations under subsection 2.2.3 - Exceptions.

While special payments (golden parachutes) are made neither generally nor according to regulations for the early termination of an employment relationship or of a position held, any individual agreements, on an exceptional basis, shall be linked to qualitative and quantitative indicators to reflect actual and long-term results and the relative payments:

- a) may be made up to a maximum amount of 24 months' fixed salary and up to a maximum amount calculated on the basis of the remuneration for the specific position<sup>1</sup>;
- b) will be subject to deferment conditions and to possible retention, where they are to be paid in financial instruments, according to the category of "Identified Staff" to which the person concerned belongs, as defined by the Group Remuneration and incentives policies currently in force;
- c) shall be subject to mechanisms of *ex post* adjustment (clawback and malus) to cover the risk of fraudulent behaviour or serious misconduct that could damage the Company.

If the Company initiates the termination of the employment relationship (dismissal) - as long as it has no just cause for withdrawing from the contract pursuant to Art. 2119 of the Italian Civil Code and without prejudice to any lower limits set as part of collective bargaining rules, whether or not at company level, or in legislation that also applies to senior management - in the event of a legal challenge or request for arbitration made by the senior manager in relation to the relative provision, and where transactions within the limits stated above have not been possible, if the Company loses the case it may involve a payment, for various reasons (currently up to 41 months' fixed salary) pursuant to the national trade union agreement in addition to any compensation paid based on general principles. In such cases the Company shall have to comply with whatever is ordered by the judge or Board of Arbitrators, in terms of amounts and payment procedures, subject to all appropriate objections or appeals.

If the employment relationship is ended on any other basis such as, for example, mutual consent, formalised in a settlement agreement to be signed in a "protected place" (before a judge, at a provincial office of employment or in the presence of a trade union representative) as long as there is no just cause for withdrawing from the contract pursuant to Art. 2119 of the Italian Civil Code and as long as this takes place on the Company's initiative or in any event in the Company's interest - without prejudice to any lower limits

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<sup>1</sup> That limit, based on the current remuneration of the Chief Executive Officer of UBI Banca, corresponds to a maximum amount of €2,973,000.



set as part of collective bargaining rules, whether or not at company level, that also apply to senior management – a limit is set on the amount equal to the value of a further maximum twelve months remuneration, in addition to the period of notice required by law and by the national trade union agreement in force. That amount corresponds to a reasonable neutralisation of the risk should a further “supplementary indemnity” be due under Art. 30, paragraph 16 *et seq* of the aforementioned national agreement. Any payments in excess of those limits fall under the provisions laid down in the preceding points a), b) and c).

Any graduation of payments (always within the above mentioned limits) shall be, without prejudice to compliance with the applicable law and supervisory regulations, on the basis of a prudent assessment of all the circumstances of the individual cases in question, with particular reference to the underlying reasons for the termination of the employment relationship, to the position held, the performance delivered over the years and the appropriateness of the person’s conduct. However, there will be no possibility of any automatic adjustment or minimum payment obligation, without prejudice to the constraints required by law and the national trade union agreement.

Job-security agreements and non-competition agreements may be signed at the start of or during the employment relationship, normally paid as items of periodic indemnity or on a continuous basis, and therefore forming part of fixed remuneration, as specific tools for the protection and safeguarding of the Bank’s professional and business assets which can therefore be paid without limitations.

If the need to defend commercial goodwill and customer retention requires this and makes it advisable, the Bank may make use of specific non-competition agreements, which may also be signed immediately before or at the time of the early termination of the employment relationship. In this case the limit on the payment is set at twelve month’s salary, the payment of which will be subject to the provisions of Art. 2125 of the Italian Civil Code and to deferment conditions defined by the Group Remuneration and incentives policies currently in force for a period of twelve months and to possible retention, where it is to be paid in financial instruments, according to the category of “Identified Staff” to which the person concerned belongs. That amount is always subject to clawback mechanisms to cover the risk of fraudulent behaviour or serious misconduct that could damage the Company.

In accordance with the provisions of subsection 2.2.3 - Exceptions pursuant to Circular No. 285 of 17<sup>th</sup> December 2013, 7<sup>th</sup> update of 18<sup>th</sup> November 2014 concerning remuneration policies and practices, redundancy incentives, including those connected with extraordinary operations (e.g. mergers) or corporate restructuring, also relate to Identified Staff in accordance with the terms, conditions and limits set by collective bargaining rules, whether or not at company level, or by law applicable to senior management.

A structured approval process is followed with regard to the above, for decisions regarding “Identified Staff”. More specifically, the Management Board, supported by the competent internal functions of the Bank, submits the measures adopted and the relative reasons, within the bounds of the criteria and limits set by a Shareholders’ Meeting, to the Supervisory Board for appropriate verification of compliance, after prior consultation with the Remuneration Committee.

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Dear Shareholders,

In relation to the above, the Supervisory Board, subject to the prior opinion of the Remuneration Committee in agreement, proposes that the Ordinary Shareholders’ Meeting approves the following resolution:

*“The Shareholders’ Meeting of Unione di Banche Italiane Spa,*

- having considered the proposal of the Supervisory Board,*
- and with due consideration for the current applicable regulations,*

*RESOLVES*

*to approve the terms for setting the criteria and limits set for determining remuneration and the methods by which it will be paid, to be agreed in the event of the early termination of the employment relationship or of the position held.”*

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD

## **UBI BANCA SPA**

### **Proposal to set the ratio between the variable and fixed components of remuneration up to a limit of 2:1 for certain positions within UBI Pramerica SGR S.p.A.**

Dear Shareholders,

Directive 2013/36/EU of the European Parliament and of the Council of 26th June 2013 (known as “CRD IV”) introduces, with reference to remuneration policies and practices, specific limits on the ratio of fixed to variable components of individual remuneration, and it sets as a general criterion a limit of 1:1 but allows for that ratio to be increased up to a maximum of 2:1, subject to binding approval by a qualified majority vote of the shareholders.

The provisions of the Bank of Italy state that the Supervisory Board is to provide the European Central Bank with the resolution passed by the shareholders indicating the limit, or limits, approved for each category of individual involved within 30 days of said resolution being passed.

In consideration of the above, and taking account of the provisions of CRD IV and of the regulation of the asset management industry (UCITS V) introduced by way of the amendments to the joint Consob–Bank of Italy regulations published on 27<sup>th</sup> April 2017, we recommend proposing that the Shareholders authorise a ratio of up to 2:1, variable to fixed remuneration, for certain positions within the company UBI Pramerica S.p.A., and specifically: seven management positions within the Investments area included within the “*Identified Staff*” perimeter and up to four positions in the Commercial area dedicated to the development of specific non-captive customer segments.

This proposal is designed to ensure meritocratic, competitive and flexible management of remuneration, with account taken of the specifics of the relative Italian and European market in which:

- asset management companies that do not belong to banking groups have no restrictions on variable remuneration, while the large majority of those belonging to groups, subject to the CRD IV limits, apply this rise in the ratio to 2:1;
- the remuneration levels and the high-level skills required in the industry result, especially in these fields, in high levels of competition for employees – based primarily on the variable component of remuneration – which therefore present high retention risk and are difficult to attract.

Furthermore, to maintain a substantial variable remuneration leverage as a flexible instrument not only constitutes an important policy instrument for management performance, which is in any case dependent on the achievement of trigger conditions and company and Group results (which guarantee profitability and the sustainability of the payments of the bonuses that may have been earned on the basis of excellent individual performance), but it also constitutes a strategic lever for the Bank in terms of flexibility for costs and the alignment of medium to long-term objectives.

The request to increase the ratio to 2:1 guarantees, in any event, compliance with prudential regulations when it is considered that:

- it involves a limited number of employees, most of whom within the “*Identified Staff*” perimeter and so subject to mechanisms of deferral and retention, and the granting of financial instruments in accordance with applicable laws and regulations;
- the relationship between bonuses and meeting prudential requirements in terms of capital and liquidity is guaranteed by the link to the conditions for triggering incentive schemes, that relate to the Group’s “risk appetite framework”.

With regard to the above, the Supervisory Board of UBI Banca invites the Shareholders to approve, with a binding resolution, a proposal to increase the ratio of variable to fixed remuneration up to a maximum of 2:1, the application of which for 2018 is planned for the Chief of Investments and the positions in the Investments Area and Commercial Area of the asset management company, UBI Pramerica S.p.A., selected at the company level.

\*\*\*\*\*

Dear Shareholders,

In relation to the above, the Supervisory Board therefore proposes that the Ordinary Shareholders' Meeting approves the following resolution:

*“The Shareholders' Meeting of Unione di Banche Italiane Spa,*

- having considered the proposal of the Supervisory Board,*
- and with due consideration for the current applicable regulations,*

**RESOLVES**

*to increase the ratio of variable to fixed remuneration up to a maximum of 2:1, the application of which for 2018 shall apply for the Chief of Investments and for several positions in the Investments Area and Commercial Area of the asset management company, UBI Pramerica S.p.A.”*

6<sup>th</sup> March 2018

THE SUPERVISORY BOARD

## Glossary

### **ABS (Asset Backed Securities)**

Financial instruments issued against securitisations (cf. definition) on which the yield and redemption are guaranteed by the assets (loans and receivables) owned by the special purpose entity in accordance with Law No. 130/99 (SPE – cf. definition), which are earmarked exclusively to satisfy the rights incorporated in the financial instruments themselves. Technically debt securities are issued by an SPE. The portfolio underlying the securitisation may consist of mortgage loans, other loans, commercial paper, loans resulting from credit cards or even other assets. Depending on the type of underlying asset, ABSs may be classified by way of example as follows:

- Credit Loan Obligation CLO (the portfolio consists of bank loans);
- Collateralised Bond Obligation, CBO (the portfolio consists of bonds);
- Collateralised Debt Obligation, CDO (the portfolio consists of bonds, debt instruments and securities in general);
- Residential Mortgage Backed Security RMBS (the portfolio consists of mortgage loans on residential properties).
- Commercial Mortgage Backed Security, CMBS (the portfolio consists of mortgage loans on commercial properties).

### **Acquisition finance**

Finance for company acquisition operations.

### **Additional Tier 1 capital – AT1**

See in this respect Section 2 of Part F – Information on consolidated equity contained in the Notes to the Consolidated Financial Statements.

### **ALM (Asset & Liability Management)**

Integrated management of assets and liabilities designed to allocate resources in such a way as to optimise the risk to yield ratio.

### **Alternative Dispute Resolution (ADR)**

This term refers to a set of methods, tools and techniques for resolving disputes out-of-court, where one or both parties rely on a third impartial party to resolve a dispute without resort to the courts. The most common procedures are conciliation and arbitration.

### **Alternative Investment**

A range of forms of investment which includes, amongst other things, private equity investments (cf. definition) and investments in hedge funds (cf. definition).

### **Alternative Performance Measures (APM)**

In accordance with ESMA guidelines dated 5<sup>th</sup> October 2015 (which came into force on 3<sup>rd</sup> 2016) alternative performance measures are defined as measures of historical or future financial performance, financial position, or cash flows, other than those defined or specified in the applicable financial reporting framework. They are usually derived from or based on the financial statements prepared in accordance with the applicable financial reporting framework, most of the time by adding or subtracting amounts from figures presented in financial statements. Examples of APMs include: operating earnings, cash earnings, earnings before one-time charges, etc.

### **Arbitrator for Financial Disputes (AFD)**

The Arbitrator for Financial Disputes (AFD) is a body for the out-of-court settlement of disputes (ADR from the English: Alternative Dispute Resolution – cf. definition), instituted by Consob Resolution No. 19602 of 4<sup>th</sup> May 2016 as part of which the Consob also adopted the relative Regulation concerning the criteria for carrying out procedures for the out-of-court settlement of disputes at the AFD.

Participation in the scheme is compulsory for all intermediaries including Italian banks.

All disputes may be submitted to the AFD (operational from 9<sup>th</sup> January 2017) between investors and intermediaries concerning the obligations regarding the violation of disclosure, diligence, proper conduct and transparency rules that intermediaries are required to comply with in their relations with investors in the exercise of activities regulated by Part II of the Consolidated Finance Act, including transborder disputes and disputes covered by Regulation (EU) No. 524/2013. Damages that are not an immediate and direct consequence of the failure to satisfy or the violation by an intermediary of the above obligations and those which are not of a capital nature are excluded from the jurisdiction of the AFD. The AFD is required to co-operate with other out-of-court dispute settlement bodies, in order, amongst other things, to delimit their reciprocal spheres of competence.

Disputes involving claims for sums of money greater than €500,000 do not fall within the sphere of the AFD's operations.

Recourse to the AFD satisfies the condition to be able to proceed to a possible subsequent application to courts in accordance with Art. 5, paragraph 1-bis of Legislative Decree No. 28 of 4<sup>th</sup> March 2010 and subsequent amendments and additions (cf. definition of Mediation).

The prior submission of a claim (cf. definition) against an intermediary for the same matter as that of the appeal to the AFD is a preliminary and necessary condition for applying to the AFD, which may be performed in cases where the result of complaint is unsatisfactory or when complaint is without result within the time limit of sixty days since its presentation, without the intermediary having notified the investor of its decisions. Appeals may not be made to the AFD when other out-of-court dispute settlement proceedings on the same matters are pending, even on the initiative of the intermediary, to which the investor has adhered, while hearings pending before the ordinary courts do not constitute an impediment. Appeals to the AFD may only be made by the investor personally or through an association that represents the interests of consumers or an attorney.

Appeals are free of charge for customers. Expenses for commencing proceedings are borne by the fund created pursuant to Art. 8 of Legislative Decree No. 179 of 8<sup>th</sup> October 2007 and subsequent amendments, within the limits of the fund itself.

The AFD consists of an arbitration body and a secretariat service. The arbitration board is composed of five members, three of whom (inclusive of the president) designated by the Consob, one by the associations of the intermediaries and one by associations representing consumers.



**Asset Management**

Management and custody of financial investments belonging to others.

**Ateco**

National version, developed by the ISTAT (Italian national office for statistics), of the classification of economic activities defined at European level and approved by EU regulations. The latest classification is Ateco 2007, which replaced the previous Ateco 2002.

**ATM (Automated Teller Machine)**

Automatic device used by customers to perform operations such as withdrawing cash, paying in cash or cheques, requesting information on their accounts, paying utility bills, recharging telephones, etc.. Customers operate the machine by inserting a card and typing in a personal identification number.

**Audit**

A process for the control of corporate activities and accounts performed by both internal units (internal audit – cf. definition) and external companies (external audit).

**Average residual maturity**

For each type of security, this is the average time remaining until the maturity of each security, weighted by the nominal amount of each security in issue.

**Backtesting**

Retrospective analyses designed to test the reliability of measurements of risk attached to the positions of asset portfolios.

**Bad loans**

Loans to persons or entities that are either insolvent (even if not declared as such in the courts) or in substantially equivalent circumstances, independently of whether forecasts of losses have been formulated by the bank.

**Banc assurance**

Term used to refer to the sale of traditional insurance products through a bank's branch network.

**Banking book**

This usually identifies that part of a securities portfolio, or in any case financial instruments in general, destined to "ownership" activities.

**Banking-Financial Conciliator**

The "Banking-Financial Conciliator – Association for resolving banking, financial and corporate disputes – ADR" is an initiative promoted with the support of the Italian Banking Association by the ten largest banking groups, including the UBI Banca Group, to provide customers with a service to resolve disputes rapidly and efficiently as an alternative to going through the courts (ADR stands for Alternative Dispute Resolution – cf. definition).

The following services are provided:

- **Mediation** (cf. definition): mediation procedures carried out through the Banking-Financial Conciliator are regulated not only by Legislative Decree No. 28 of 4<sup>th</sup> March 2010 and subsequent amendments and additions, but also by the "Mediation procedure regulations" of the relative body concerned filed with the Ministry of Justice. With regard to the obligation to attempt prior mediation procedures as a necessary condition for applying to the courts to settle disputes relating to banking and financial contracts, contracts with customers identify mediation through the Banking-Financial Conciliator as the body to which the aforementioned disputes must be submitted, because it specialises in these matters and has its own network of mediators distributed throughout the country;
- **Arbitration**: procedure whereby, on the basis of a specific clause contained in the contract contested or, in any event, by mutual agreement, the parties submit a dispute to an arbitrator or board of arbitration, who are experts in banking, financial and corporate affairs, acknowledging them as empowered to decide on the question;
- **Ombudsman Giurì Bancario**: a body formed in 1993 and located at the Italian Banking Association to which customers, dissatisfied with the decisions of the complaints departments of their banks or who have not received replies to their complaints within prescribed time limits, might appeal without charge. Responsibility for running the ombudsman service was transferred to the Banking-Financial Conciliator on 1<sup>st</sup> June 2007. Disputes concerning investment services/activities and other types of transactions not subject to Title VI of the Consolidated Banking Act, could be submitted to it to establish rights, obligations and powers, independently of the amount on the account in question. If the request concerned the payment of a sum of money, the matter fell within the jurisdiction of the ombudsman if the amount requested was not greater than €100,000. The Ombudsman decided within 90 days of the date of receipt of an application. Recourse to the ombudsman did not preclude a customer's right to apply to the courts, or to initiate a mediation procedure, or to submit the matter to a board of arbitration at any time, while the decision was binding for the intermediary. Following the introduction of the Arbitrator for Financial Disputes (AFD), it has no longer been possible to submit any proceedings before the Ombudsman-Giurì Bancario since 9<sup>th</sup> January 2017, which will be limited to addressing appeals received up to 8<sup>th</sup> January 2017. Once it has concluded the aforementioned remaining casework, the Ombudsman-Giurì Bancario will cease its activities.

**Banking union**

Integrated European project for the supervision, restructuring and resolution of banking crises composed of three pillars: the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM) and an integrated deposit insurance scheme.

**Basel 3**

See in this respect Section 2 of Part F – Information on consolidated equity contained in the Notes to the Consolidated Financial Statements.

**Basis point**

One hundredth of a percentage point (0,01%).

**Basis swap**

Contract which involves an exchange between two counterparties of payments linked to variable interest rates based on different indices.

**Benchmark**

A standard for the measurement of financial investments: it may consist of well known market indices or of others that are more suited to the risk-yield profile.

**Best practice**

Conduct that is comparable with the most significant and/or best level achieved in a given field or profession.

**Business risk**

The risk of adverse and unexpected changes in profits and margins with respect to forecasts, connected with volatility in volumes of business due to competitive pressures and market conditions.

**CAGR – Compound Annual Growth Rate**

The annual growth rate applied to an investment or other assets for a period of several years. The formula for calculating CAGR is  $[(\text{present value}/\text{base value})^{1/\text{number of years}} - 1]$ .

**Capital allocation**

Process by which decisions are made on how to distribute investments among different types of financial asset (e.g. bonds, equities and liquidity). Capital allocation decisions are determined by the need to optimise the risk/return ratio in relation to the time horizon and the expectations of the investor.

**Capital requirements**

The minimum capital requirements requested of banks, brokerage firms, supervised financial intermediaries and asset management companies, in proportion to the type of business carried out and the underlying financial risks.

**Captive**

Term generally used to refer to distribution networks or companies that operate exclusively with customers belonging to the company or group in question.

**Cassa Deposito e Prestiti (CDP)**

This is an institute founded in 1863 under the Ministry of Finance which as a consequence of Law No. 197/1983 is independent from a management and organisational viewpoint. It was transformed into a joint stock company in December 2003. Since September 2006, the CDP has been classified as a monetary financial institution. Since that time it has been subject to Eurosystem compulsory reserve requirements. Since October 2007 the balance sheet date for the CDP has been included in statistics compiled according to harmonised SECB (cf. definition) principles on the financial position of banks and money market funds resident in Italy.

**Cassa di Compensazione e Garanzia (CCG)**

A joint stock company which performs the functions of a central counterparty clearing house on spot equity and derivative markets operated by Borsa Italiana and also on the electronic stock market for Government securities.

**Chamber of Conciliation and Arbitration at the Consob (Italian securities market authority)**

With Resolution No. 16763 of 29<sup>th</sup> December 2008, the Consob approved the regulations to implement Legislative Decree No. 179 of 8<sup>th</sup> October 2007, which established the Chamber of Conciliation and Arbitration at the Consob and the relative procedures. The Chamber of Conciliation and Arbitration, which commenced its activities in 2010, and whose organisation and the relative procedures are governed by Consob Regulation No. 18275 of 18<sup>th</sup> July 2012, administers conciliation and arbitration proceedings initiated solely on the initiative of investors, in the presence of disputes concerning the violation by intermediaries of disclosure, proper conduct and transparency rules set by the Consob for them, in contractual relations with investors on matters concerning investment services or collective management of investments (mutual funds), without limit on the amount.

The Chamber of Conciliation and Arbitration offers two possible instruments for out-of-court settlement of disputes: the Out-of-court Chamber of Conciliation and Ordinary/Simplified Arbitration.

Recourse to the Chamber of Conciliation and Arbitration satisfies the condition to be able to proceed to a possible subsequent application to courts in accordance with Art. 5, paragraph 1-bis of Legislative Decree No. 28 of 4<sup>th</sup> March 2010 and subsequent amendments and additions.

On the basis of Consob Resolution No. 19602 of 4<sup>th</sup> May 2016, the Chamber of Conciliation and Arbitration will remain in operation at the Consob for conciliation and arbitration proceedings commenced and not yet concluded up to the date of the start of operations by the Arbitrator for Financial Disputes (AFD) (i.e. 9<sup>th</sup> January 2017). Those

proceedings will continue to be carried out according to the provisions of the Regulation adopted by the Consob with Resolution No. 18275 of 18<sup>th</sup> July 2012. It will no longer be possible to submit any proceedings before the Chamber of Conciliation and Arbitration from 9<sup>th</sup> January 2017.

#### **Commercial paper**

Short term securities issued to collect funds from third party purchasers as an alternative to other forms of debt.

#### **Common Equity Tier 1 capital (CET1)**

See in this respect the Section 2 of Part F – Information on consolidated equity contained in the Notes to the Consolidated Financial Statements.

#### **Company networks**

Businesses which sign a network contract with which a group of companies can pursue the objective of increasing their ability to innovate and to compete on the market (article 42, Decree Law No. 78/2010, converted with amendments by Law No. 122 of 30<sup>th</sup> July 2010).

#### **Complaint/claim**

Each action by which a clearly identifiable customer objects in writing to the conduct or an omission of an intermediary.

#### **Compliance risk**

The risk of incurring legal or administrative penalties, substantial financial losses or damage to reputation as a consequence of violations of laws and external regulations or internal regulations (by-laws, codes of conduct and voluntary codes).

#### **Concentration risk**

Risk resulting from (i) exposures to counterparties, including central counterparties, groups of connected counterparties and counterparties in the same economic sector, in the same geographical region or who carry on the same activity or deal in the same goods and (ii) the application of credit risk mitigation techniques including, in particular, risks resulting from indirect exposures such as for example with regard to single suppliers of guarantees. Concentration risk can be divided into two types: concentration risk for single counterparties or groups of connected counterparties (single name concentration risk) and the risk of concentration in a single sector (sector concentration risk).

#### **Conduit**

See the item SPE.

#### **Confidi (Consorti di garanzia collettiva fidi)**

These are co-operative or consortium organisations which grant collective guarantees to member firms of the co-operatives or the consortia. The intervention of these *confidi* (or “guarantee bodies”) reduces the costs of acquiring information on the borrowers and the risks of non-performance in the activity of banks in granting loans to small and medium-size enterprises.

#### **Consumer credit**

Consumer credit is a contract whereby the payment of a price is spread over the period of time or a loan or similar financing facility is extended to a consumer to purchase goods and services.

#### **Consumer finance**

Loans granted to consumer households for personal purposes in order to consume goods and services.

#### **Corporate**

Type of customer consisting of medium or large size companies (mid-corporate, large corporate).

#### **Corporate governance**

Corporate governance defines the assignment of rights and responsibilities to the participants in the life of a company in relation to the distribution of duties, responsibility and decision making powers by means of the composition and functioning of internal and external corporate bodies.

#### **Cost income ratio**

A performance indicator defined as the ratio of operating costs to gross income.

#### **Country Risk Premium**

This is that component of the cost of capital destined to specifically remunerate risk associated with the economic, financial, political and currency instability of a specific country.

#### **Covered bonds**

Special bonds issued by banks which, in addition to the guarantee given by the issuing bank, also offer a portfolio of mortgage or other high credit quality loans transferred for that purpose to a “special purpose entity” as security (regulated by Art. 7 of Law No. 130 of 30<sup>th</sup> April 1999).

Banks which intend to issue covered bonds must have own funds of not less than €250 million and a total capital ratio at consolidated level of not less than 9%. The share of the assets potentially useable as security that are transferred may not exceed the following limits, calculated on the basis of the consolidated Tier 1 ratio and the consolidated Common Equity Tier 1 ratio as follows:

- 25% in combined cases of: Tier 1 ratio  $\geq 7\%$  and CET1  $\geq 6\%$ ;
- 60% in combined cases of: Tier 1 ratio  $\geq 8\%$  and CET1  $\geq 7\%$ ;
- no limit in combined cases of: Tier 1 ratio  $\geq 9\%$  and CET1  $\geq 8\%$ .

### **CPI (Credit Protection Insurance)**

Credit protection insurance policies can be taken out by debtors of financial loans (personal loans, mortgages and credit card debt) to enable them (as policyholders) to pay the residual debt or a number of repayment instalments if temporary or permanent negative events occur (involuntary loss of employment, illness, accidents, permanent invalidity or death). These policies can also be linked to loans to businesses with insurance cover for events which might affect shareholders, directors or key figures in a business.

### **Credit Default Swap**

Contract by which one party transfers, for a payment of a periodical premium to the other, a credit risk attached to a loan or a security when a determined event occurs linked to the deterioration in the solvency of the debtor.

### **Credit risk**

The risk of incurring losses resulting from the default of a counterparty to whom a position of credit exposure exists.

### **Cross selling**

A technique to increase customer loyalty by selling an integrated range of products and services.

### **Default**

A declared condition of being unable to honour debts and/or payment of the relative interest.

### **Duration**

When applied to a bond or bond portfolio, it is an indicator usually calculated as the average weighted maturities of the interest and capital payments associated with the instrument.

### **EAD (Exposure At Default)**

Estimate of the future value of a position at the time of default (cf. definition) of the relative debtor.

### **e-MID (interbank deposits market)**

Market for trading in interbank deposits on an electronic platform managed by e-MID Sim Spa.

### **Eonia (Euro overnight index average)**

Interest rate calculated as the weighted average of overnight interest rates applied for all unsecured financing transactions in the interbank market by the reference banks.

### **Equity risk**

The risk of changes in the value of equity instruments held directly, indirectly and synthetically and not fully consolidated.

### **Eligible assets (assets eligible as collateral or for refinancing)**

Securities lodged to guarantee operations with the Eurosystem which regard both monetary policy operations (designed to inject liquidity onto the market) and also intraday operations.

In accordance with article 18.1 of the European System of Central Banks (ESCB; cf. definition), all Eurosystem lending operations must be backed by adequate guarantees. In order to define those guarantees the Eurosystem has drawn up a single framework (also termed the "single list") which describes the individual assets eligible for financing operations and the relative haircuts (cf. definition). The list currently distinguishes between types of eligible instrument: marketable assets (listed securities with adequate rating levels) and non-marketable assets (bank loans).

### **Euribor (Euro interbank offered rate)**

Interbank interest rate at which major banks exchange deposits in euro with varying maturities. It is calculated each day as the simple average of the rates quoted at 11.00 a.m. on a sample of banks with a high credit rating selected periodically by the European Banking Federation. Various floating rate loan contracts are linked to the Euribor rate (e.g. home mortgages).

### **European Banking Authority (EBA)**

Composed of representatives of the banking supervisory authorities of European Union member states, the EBA commenced operations on 1<sup>st</sup> January 2011, taking over the duties and responsibilities of the Committee of European Banking Supervisors (CEBS), which ceased to exist on that date. The EBA oversees the stability of the banking system, transparency on markets and for financial products and the protection of depositors and investors.

### **European Central Bank (ECB)**

The European Central Bank, founded in June 1998, ensures, either directly or through national central banks, that the duties assigned to the Eurosystem and to the European system of Central Banks are carried out. In the context of the single supervisory mechanism, which also comprises the competent national authorities, the European Central Bank is responsible, amongst other things, for supervising credit institutions located in the euro area and in member states that do not belong to that area.

The decision-making bodies are the Executive Board, the Governing Council, the General Council and the Supervisory Board. The first is composed of the President and the Vice-President of the ECB and of four members appointed by the European Council. The Governing Council, the main decision-making body, is composed of members of the Executive Board and of the governors of the national central banks of countries in the euro area. The General Council is composed of the President and Vice-President of the ECB and the governors of the national central banks of EU

countries. The Supervisory Board is composed of a president, a vice-president, four representatives of the ECB and five representatives of national supervisory authorities. Along with other national central banks, the Bank of Italy holds a stake in the share capital of the ECB.

#### **European Financial Stability Facility (EFSF)**

An instrument designed to provide temporary financial assistance to euro area countries in difficulty, following a decision taken by the Council of the European Union on 9<sup>th</sup> May 2010, created in the legal form of a joint stock company with registered offices in Luxembourg. It has been replaced by the European Stability Mechanism (cf. ESM) since 1<sup>st</sup> July 2013 in the provision of support to countries in difficulty in the euro area. It remains active to manage programmes in which it has already taken part to assist Ireland, Portugal and Greece.

#### **European Financial Stabilisation Mechanism (EFSM)**

An instrument designed to provide temporary financial assistance to euro area countries in difficulty, following a decision taken by the Council of the European Union on 11<sup>th</sup> May 2010. Administered by the European Commission on behalf of the EU, the EFSM may grant loans up to a maximum of €60 billion. The funding transactions are backed by the EU budget. To-date the EFSM has been employed for programmes to support Ireland and Portugal (both concluded in 2014) as well as for Greece (the financing was fully repaid in August 2015)..

#### **European Securities and Markets Authority (ESMA)**

Composed of representatives of the supervisory authorities of participants in the financial markets of European Union member states, the ESMA commenced operations on 1<sup>st</sup> January 2011, taking over the duties and responsibilities of the Committee of European Securities Regulators (CESR), which ceased to exist on that date. The ESMA oversees the stability of the financial system, transparency on markets and for financial products and the protection of investors.

#### **European Stability Mechanism (ESM)**

A permanent procedure for crisis management, the creation of which was decided by the European Council at the end of 2010. On 2<sup>nd</sup> February 2012 the member states of the European Union amended the intergovernmental treaty which had created the ESM in July 2011. Operational since October 2012 and located in Luxembourg, it provides financing to member states using instruments already available to the EFSF (cf. definition) and it has maximum funds for financing of €500 billion. On 8<sup>th</sup> December 2014 the ESM Board of Governors adopted an instrument for the direct recapitalisation of zone banks, which will allow the institution to recapitalise a bank of systemic importance in the euro area directly, but only if it has already taken steps to involve private sector investors.

#### **European System of Central Banks (ESCB)**

The European System of Central Banks (SEBC), instituted by the Treaty of Maastricht, consists of the European Central Bank (ECB) and the national central banks (NCBs) of all the 28 member countries of the European Union (EU), independently of whether they have adopted the euro.

The ESCB therefore also includes the national central banks of the member countries of the EU that have not yet adopted the euro either because they enjoy a special status or by virtue of an exception. These member countries continue to use their national currencies, for which they manage their monetary policy, while for the time being the respective central banks maintain their sovereignty in this sphere. Naturally they are not involved in the essential activities of the monetary union, such as setting monetary policy for the euro area.

The NCBs of the countries which do not belong to the euro area are nevertheless committed to preserving the principles of a monetary policy designed to ensure price stability. Membership of the ESCB also involves differing degrees of active co-operation with the Eurosystem in various sectors.

#### **Excessive deficit procedure**

On the basis of article 126 of the Treaty on the Functioning of the European Union, European Union countries must avoid excessive deficits. To achieve this they are required to observe two budget rules: their deficits must be 3% lower than their GDPs and their debts must be 60% lower than their GDPs or, if they are higher, they must reduce them at an adequate speed. If a country does not observe one or both of these rules, the European Commission starts a procedure – named the excessive deficit procedure – designed to bring the public accounts of the country in question to a position where the country observes the budget rules of the treaty. The procedure, for which the manner and timing of its application are specified by the Growth and Stability Act (cf. definition), is composed of various stages and is initiated with a European Commission report.

#### **Exchange Traded Commodities (ETC)**

These are perpetual debt instruments issued by a special purpose entity against a direct investment made by the issuer in commodities or in commodities futures.

#### **Exchange Traded Fund (ETF)**

These are mutual investment funds that replicate the performance of a specified stock exchange index. The certificates that represent the shares are traded on a regulated market.

#### **Expected Shortfall (ES)**

This measures the maximum potential loss, on a financial instrument or a portfolio, which exceeds the VaR (cf. definition).

#### **Factoring**

Contract for the sale, either without recourse (with the credit risk attaching to the purchaser) or with recourse (the credit risk remains with the seller), of trade accounts receivable to banks or specialist companies, for management and cash receipt purposes, to which a loan to the seller may be associated.



### **Fair value**

The amount of consideration for which an asset can be exchanged, or a liability settled under free market conditions, between knowledgeable and willing parties. This is often the same as the market price. On the basis of IAS (cf. definition) banks apply fair value, when measuring the value of financial instruments (assets and liabilities) held for trading, available for sale and derivatives and they may also use it to measure the value of equity investments and property, plant and equipment and intangible assets (with different impacts on the income statement for the different assets considered).

### **Financial Banking Arbitrator**

The Financial Banking Arbitrator (FBA) is a body for the out-of-court settlement of disputes (ADR from the English: Alternative Dispute Resolution – cf. definition) pursuant to the Art. 128-*bis* of the consolidated banking act, introduced by the Law on Savings (Law No. 262/2005). The organisation and functioning of the FBA are regulated by the “Instructions concerning systems for the out-of-court settlement of disputes regarding banking and financial transactions and services” and subsequent amendments and additions issued by the Bank of Italy on 18<sup>th</sup> June 2009. Participation in the scheme is compulsory for all banks and other financial intermediaries.

The FBA has been operational since 15<sup>th</sup> October 2009. Disputes concerning the establishment of rights, obligations and powers may be submitted to it, relating to transactions or conduct occurring not prior to 1<sup>st</sup> January 2009, independently of the amount on the account in question. If the request of the applicant concerns the payment of a sum for any reason whatsoever, the dispute falls within the jurisdiction of the FBA on condition that the amount requested is not greater than 100.000 euro.

Disputes concerning services and activities relating to investments and the sale of financial products and transactions and services that are components of financial products are excluded.

Recourse to the FBA satisfies the condition to be able to proceed to a possible subsequent application to courts in accordance with Art. 5, paragraph 1-*bis* of Legislative Decree No. 28 of 4<sup>th</sup> March 2010 and subsequent amendments and additions (cf. definition of Mediation).

With the exception of cases where the application to the FBA is initiated by a Prefect (Chief of Police)<sup>1</sup>, and the answer to a request for the reimbursement of a payment made on the initiative of the beneficiary is negative<sup>2</sup>, completion of the complaints procedures (cf. definition) of the intermediary in question constitutes a preliminary and necessary condition for applying to the FBA<sup>3</sup>, which may be performed in those cases where the outcome of the complaint made is unsatisfactory or when no reply has been made within thirty days of receipt by the bank.

Applications are free of charge for the customer except for a payment of 20 euro as a contribution to expenses for the procedure, which must be refunded by the bank to the applicant if the claim is either fully or partially successful. This contribution is not due if the procedure is initiated by a Prefect.

As opposed to the conciliation procedure, which is designed to reach an agreement between the parties, the BFA makes a decision on claims received by means of a special board of arbitration, while the parties retain the right to apply to the courts or to any other means provided for by law to protect their interests.

The BFA consists of an arbitration body divided into seven boards (Milan, Turin, Bologna, Rome, Bari, Naples and Palermo), each of which with a secretariat service provided at the Bank of Italy. The decision-making body in each arbitration board is composed of five members, three of whom (inclusive of the president) designated by the Bank of Italy one by the associations of the intermediaries and one by associations representing customers.

### **Fiscal compact**

This forms part of the treaty on stability, coordination and governance in the European Monetary Union, signed on 2<sup>nd</sup> March 2012 by all EU countries with the exception of the United Kingdom and the Czech Republic. It came into force on 1<sup>st</sup> January 2013 for EU countries that had already ratified it (Italy ratified it with Law No. 114 of 23<sup>rd</sup> July 2012). The fiscal compact obliges signatory countries to enact national legislation, preferably at constitutional level, containing a provision that requires the achievement and maintenance of a either a balanced budget or a structural deficit and a self-correcting mechanism should they deviate from it, drawn up on the basis of common principles proposed by the Commission. Structural deficits may not be greater than 0.5% of GDP; they may reach 1% but only if the ratio of debt to GDP is well above 60% and if risks for the long-term sustainability of public accounts are limited.

### **Fixed asset risk**

The risk of changes in the value of the tangible fixed assets of the Group.

### **Floor**

Derivatives contract on interest rates, traded outside regulated markets, with which a lower limit is set on the reduction of the lending rate.

### **Forbearance**

This term is used to indicate a situation in which a debtor is not considered able to meet due dates and comply with contractual terms and conditions as a result of financial difficulties. Because of those difficulties the creditor decides

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1 With a measure of 13<sup>th</sup> November 2012, in order to implement the provisions of article 27-*bis*, paragraph 1 – *quinquies* of Decree Law No. 1/2012, converted with amendments by Law No. 27/2012 – the Bank of Italy established that the procedure of recourse to the FBA may be initiated, when requested by a customer, by Prefects in relation to disputes concerning the failure to disburse, increase or revoke a loan, to the introduction of more severe conditions to the loan contract or to other conduct of a bank resulting from the assessment of creditworthiness.

2 See paragraph 5.2 of Section IV of Bank of Italy Regulations entitled “Implementation of Title II of Legislative Decree No. 11 of 27<sup>th</sup> January 2010 relating to payment services (Rights and Obligations of Parties)”.

3 In accordance with “Provisions concerning systems for the out-of-court settlement of disputes relating to banking and financial operations and services” (Sect. VI, par. 1, note 1), appeals made in the absence of a claim made to the intermediary relating to litigation pending before the courts for which the judge has found a failure to meet the conditions to proceed pursuant to Art. 5, paragraph 1 of Legislative Decree No. 28 of 4<sup>th</sup> March 2010 and subsequent amendments and additions are nevertheless admissible.



to modify the due date and the terms and conditions of the contract in order to allow the debtor to honour the debt or to refinance it, either fully or partially.

#### **FRA (Forward Rate Agreement)**

Contract whereby the parties agree to receive (pay) at the end of the contract, the difference between the amount calculated by applying a set interest rate and the amount obtained on the basis of the level of a reference rate chosen beforehand by the parties.

#### **Funding**

Acquisition in various forms of the funds required for the activities of a company or for particular financial operations.

#### **Future**

Standardised forward contracts with which the parties agree to exchange securities or goods at a set price on a future date. These contracts are usually traded on organised markets where the execution of the contract is guaranteed. As opposed to options (cf. definition), which grant the right but not the obligation to buy, futures contracts oblige the two parties to sell or buy.

#### **Geographical disaster recovery**

A set of technical and organisational procedures set in motion when a catastrophe occurs which causes the complete data processing platform to shut down. The objective is to reactivate EDP functions that are vital to the company at a secondary (recovery) site. A disaster recovery system is defined as “geographical” when it is located at least 50 km from the original system. The primary objective is to mitigate risk arising from disaster events with a potential impact on an entire metropolitan area (earthquakes, floods, military intervention, etc.) as prescribed by international safety standards.

#### **Goodwill**

This is the amount paid for the acquisition of an interest in a company which is the difference between the cost and the corresponding proportion of the shareholders’ equity, for that part that is not attributed to the assets of the company acquired.

#### **Government securities**

These are bonds issued by the Italian Treasury. They currently include “Prestiti della Repubblica”, issued on foreign markets and the following types of security issued on the domestic market: BOTs, BTPs, “Certificati del Tesoro-CCT”, “CCTeu” and CTZs.

#### **Haircut (margin of reduction on collateral)**

Measure to control risks applied to assets eligible as collateral in temporary operations. With this measure the central bank determines the value of assets lodged as collateral by deducting a percentage from the market value of the security (the haircut). The Eurosystem applies these haircuts on collateral on the basis of the specific characteristics of the assets.

#### **Hedge fund**

A mutual investment fund which has the possibility (denied to traditional fund managers) of using sophisticated investment instruments or strategies, such as short selling, derivatives (options or futures, even up to more than 100% of the assets), hedging (hedging the portfolio against market volatility by short selling and the use of derivatives) and financial leverage (borrowing to then invest the money borrowed).

#### **IAS/IFRS**

International accounting standards (IAS) set by the International Accounting Standards Board (IASB), a private sector international body set up in April 2001, to which the accounting professions of major countries belong, while the European Union, the IOSC (International Organisation of Securities Commissions) and the Basel Committee participate as observers. This body has taken over from the International Accounting Standards Committee (IASC), formed in 1973 to promote the harmonisation of rules for preparing company accounts. When the IASC was transformed into the IASB, one decision taken was to term the new accounting standards “International Financial Reporting Standards” (IFRS).

An effort is currently being made at international level to harmonise IAS/IFRS with US GAAP (cf. definition).

#### **IBAN (International Bank Account Number)**

International standard used to identify bank accounts. The use of the IBAN code – composed of 27 characters – has been compulsory since 1<sup>st</sup> July 2008, not just for foreign payments but also for those made in Italy.

#### **Identity access management**

A technical and organisational method used to manage and monitor the entire life cycle of granting, managing and revoking access privileges to ICT resources and therefore to company information by each user.

#### **Impaired loans**

See the item “Unlikely to pay loans”.

#### **Impairment tests**

Impairment tests consist of estimating the recoverable amount (i.e. the higher of its fair value less costs to sell and its value in use) of an asset or a group of assets. In accordance with IAS 36 the following must be tested for impairment annually:

- indefinite useful life intangible assets;
- goodwill acquired in a business combination;
- any asset, if there is an indication that it may have been subject to a lasting loss of value.

**Index linked**

A life policy, the performance of which is linked to that of a reference parameter which could be a share index, a basket of securities or another indicator.

**Institutional investors**

These include the following: insurance companies, pension funds, OICVMs (cf. definition) and asset management companies.

**Insurance risk**

This is the risk associated with the uncertainty over the amount and timing of commitments of an insurance nature relating to the activities of the insurance companies.

**Intangible assets**

Identifiable non-monetary assets with no physical substance.

**Interest rate risk resulting from activities that do not include trading**

Current or future risk of a change in the economic value and in the net interest income of the Bank following unexpected changes in interest rates which have an impact on the banking portfolio.

**Internal audit**

Function to which internal audit activity (cf. definition) is attributed institutionally.

**Investment banking**

Investment banking is a highly specialist financial sector which assists companies and governments to issue securities and more generally to obtain funds on capital markets.

This sector also includes other activities such as for example advisory services for mergers, spin-offs, acquisitions or company restructuring.

**Investment grade**

High quality bonds which have received a medium-to-high rating (cf. definition) (e.g. not less than BBB on the Standard & Poor's scale).

**Investment property**

Property held for the purpose of receiving an income from it or to benefit from an increase in its value.

**Investor**

Entity, other than the originator (cf. definition) and sponsor (cf. definition), which holds a position in a securitisation (cf. definition).

**IRB (Internal Rating Based) Approach**

An internal approach to ratings (cf. definition): under this approach all estimates of risk parameters needed to calculate credit risk (PD, LGD, EAD, maturity – cf. definitions) are carried out internally on a progressive basis according to a roll-out plan defined by the supervisory authorities.

**Joint venture**

Agreement between two or more companies to perform a determined economic activity usually by forming a joint stock company.

**Junior**

In a securitisation (cf. definition), it is the most subordinated *tranche* of the securities issued, which is the first to meet the losses that may be incurred in the recovery of the underlying assets.

**Leasing**

Contract by which one party (lessor) grants the use of an asset to the other party (lessee) for a determined period of time. The asset is purchased by or constructed for the lessor on the instructions and as selected by the lessee, where the lessee has the right to purchase the ownership of the asset under preset conditions at the end of the leasing contract.

**Libor (London interbank offered rate)**

Interest rate calculated for each maturity, as the arithmetic average of the reported rates between the middle two quartiles of the interest rates at which a group of banks belonging to the British Bankers Association (BBA) are willing to make deposits in major currencies with primary customers.

**LCR (Liquidity Coverage Ratio)**

This requirement to cover liquidity (LCR) is defined as the ratio of a credit institution's liquidity reserve to its net cash outflows over a stress period of 30 calendar days and it is expressed as a percentage. This ratio must not fall below 100%. It is designed to ensure that a bank maintains sufficient high quality liquid assets that are not pledged and which can be converted into cash to meet liquidity requirements over a period of 30 calendar days in a stress scenario. On the basis of an agreement reached by the Basel Committee on Banking Supervision on 6<sup>th</sup> January 2013, this ratio was introduced in 2015, with a minimum ratio requirement of 60%, progressively increasing until it reaches 100% on 1<sup>st</sup> January 2018.

**Liquidity risk**

Risk of the failure to meet payment obligations which can be caused either by an inability to raise funds or by raising them at higher than market costs (funding liquidity risk), or the presence of restrictions on the ability to sell assets (market liquidity risk) with losses incurred on capital account. More specifically, structural liquidity risk is the risk resulting from a mismatch between the sources of funding and lending.

**Loss Given Default (LGD)**

Estimated rate of loss if a debtor defaults (cf. definition).

**Loan To Value (LTV)**

The ratio of the amount of a loan to the value of the asset for which the loan is requested or to the price paid by the debtor to acquire the property. The LTV ratio measures the size of the debtor's own financial resources used to purchase an asset with respect to the value of the asset mortgaged for the loan. The higher the LTV ratio, the lower the value of the debtor's own financial resources used to purchase the asset, and as a consequence the lower the protection afforded to the creditor.

**Mark down**

Difference between the average borrowing rate for the direct forms of funding employed and the Euribor rate.

**Mark to market**

Valuation of a securities portfolio and of other financial instruments on the basis of market prices.

**Mark up**

Difference between the average lending rate for the forms of lending employed and the Euribor rate.

**Market risk**

The risk of changes in the market value of positions in the trading portfolio for supervisory purposes due to unexpected changes in market conditions and in the credit rating of the issuer.

It also includes risks resulting from unexpected changes in foreign exchange rates and commodities prices which relate to all balance sheet items.

**Maturity**

Residual life of an exposure, calculated according to rules of prudence.

**Mediation**

A mediation procedure is an attempt to settle a dispute by entrusting a mediation body enrolled in a special register at the Ministry of Justice with the task of assisting in reaching an agreement between the parties quickly, within three months at most. Mediation is regulated by Legislative Decree No. 28 of 4<sup>th</sup> March 2010 and subsequent amendments and additions and for determined types of dispute, including those concerning banking and financial matters, it requires the assistance of a lawyer. An attempt at a mediation procedure or alternatively recourse, within their respective remits, to the Financial Banking Arbitrator (cf. definition) or, within the relative operating time limits, to the Chamber of Conciliation and Arbitration at the Consob (cf. definition) constitutes a necessary condition for a subsequent application to the courts to settle disputes relating to banking and financial contracts, as well as to other cases provided for by the aforementioned decree. Any agreement reached between the parties, if signed by them and by their respective lawyers or approved by the Chairman of the tribunal, following an application by one of the parties, becomes enforceable.

**Mezzanine**

In a securitisation (cf. definition) it is the *tranche* with an intermediate level of subordination between that of the junior (cf. definition) *tranche* and that of the senior (cf. definition) *tranche*.

**Near Field Communication (NFC)**

NFC technology allows payments to be accepted in a contactless manner, i.e. without any physical contact (reading the magnetic strip or the microchips) between the card and the terminal. With this technology payments can be made not only by using contactless cards, but also with other instruments such as NFC smart phones and for payments of small amounts no receipt is issued and no PIN needs to be typed in or signature given to confirm the transaction.

**Net Stable Funding Ratio (NSFR)**

This is the ratio between available stable funding and required stable funding. This ratio, once in force, must be greater than 100%.

The ratio establishes a minimum acceptable level of stable funding based on the liquidity of a bank's assets and its transactions over a time horizon of one year.

**New MIC (New collateralised interbank market)**

A market segment of the e-MID platform (cf. definition) in which interbank deposits are traded on an anonymous basis and guaranteed against credit risk, which started operating on 11<sup>th</sup> October 2010 as a development of the MIC (collateralised interbank market), which ceased to operate on that same date. The MIC (collateralised interbank market) was introduced on 2<sup>nd</sup> February 2009 by the Bank of Italy in order to encourage a recovery in interbank business and greater variety in the maturities of the contracts. As compared to the MIC, apart from the changeover in the management of collateral from the Bank of Italy to the *Cassa di Compensazione e Garanzia* (cf. definition), longer maturities are traded on the New MIC, trading hours are longer and limits are set on the securities accepted as collateral.

**Monoline**

Insurance companies with one single line of business, which is financial insurance. Their activities include the insurance of bonds (ABS and MBS) for which the underlying assets consist of personal loans and property mortgage loans. The insurance guarantees the redemption of the bond by assuming direct responsibility for the risk of debtor insolvency in exchange for a commission.

**Non-performing**

A term which refers generally to loans with irregularities in the repayments.

**Non-performing exposures past due and/or in arrears**

These comprise of exposures which satisfy both the following conditions:

- the debtor is in arrears on a significant credit obligation to a bank or banking group for over 90 consecutive days;
- the significant threshold is 5% of the exposure, where the significant threshold is defined as the higher of the following two amounts: the average of the repayments past due and/or in arrears as a percentage of the entire exposure measured on a daily basis in the preceding quarter; the repayments past due and/or in arrears as a percentage of the entire exposure measured on the date reported.

**NUTS (Nomenclature of Territorial Units for Statistics in Italy)**

Nomenclature used for statistics purposes at European level (Eurostat), which involves the following division.

*Northern Italy:* Piedmont, Valle d'Aosta, Liguria, Lombardy, Trentino Alto Adige, Veneto, Friuli Venezia Giulia, Emilia Romagna;

*Central Italy:* Tuscany, Umbria, Marches, Latium;

*Southern Italy:* Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia.

**OICVM (collective equity security investment organisations)**

The term includes open, Italian and foreign mutual investment funds and investment companies with variable capital (Sicavs).

**Operational risk**

The risk of loss resulting from inadequate or failed procedures, human resources and internal systems or from exogenous events. This type of risk includes losses resulting from fraud, human error, business disruption, system failure, non performance of contracts and natural disasters. It includes legal risk.

**Options**

These consist of the right, but not a commitment, acquired with the payment of a premium, to purchase (call option) or to sell (put option) a financial instrument at a determined price (strike price) before (American option) or on (European option) a future date.

**Originator**

Entity which transfers its portfolio of deferred liquidity assets to an SPE (cf. definition) for it to be securitised.

**OTC (Over The Counter)**

Transactions concluded directly between parties without the use of a regulated market.

**OTC derivatives traded with customers**

Activity to support customers in managing financial risks and more specifically in managing risks resulting from fluctuations in exchange rates, interest rates and commodity (raw materials) prices.

**Outsourcing**

Recourse to operational support provided by outside companies.

**Own funds**

See in this respect Section 2 of Part F – Information on consolidated equity contained in the Notes to the Consolidated Financial Statements.

**Payout ratio**

The percentage of the net profit distributed by a company to its shareholders.

**PD (Probability of Default)**

The probability that a debtor will reach a default (cf. definition) position over an annual time horizon.

**Plain vanilla swap**

Interest rate swap (cf. definition) in which one counterparty receives a variable payment linked to the LIBOR (generally the six month LIBOR) and pays a fixed rate to the other counterparty, obtained by adding a spread to the yield on a specified type of government security.

**Pooled financing (syndicated loans)**

Loans organised and guaranteed by a consortium of banks and other financial institutions.

**POS terminal (point of sale terminals)**

Automatic device for the payment of goods or services at suppliers premises using credit, debit or prepaid cards.

**Price sensitive**

A term which generally refers to information or data that is not in the public domain, which if disclosed would have a marked effect on the price of a security.

**Pricing**

This refers generally to procedures followed to determine the returns and/or costs of products and services provided by a bank.

**Private equity**

Activities involving the acquisition of equity interests and the subsequent placement with specific counterparties without offering them for sale to the public.

**Project finance**

Financing of projects on the basis of forecasts of the cash flows that will be generated by them. As opposed to the way in which risks are analysed with ordinary lending, with the project financing technique, not only are the expected cash flows analysed, but specific factors are also examined such as the technical aspects of the project, the suitability of the sponsors for carrying it out and the markets on which the products will be sold.

**Rating**

This is a rating of the quality of a company or its issues of debt securities on the basis of the soundness of the company's finances and its prospects. Formulated by a specialist private sector agency, a rating regards the credit worthiness of an entity that issues bonds on international financial markets and it therefore defines the probability that such an entity will promptly meet its debt obligations. A rating provides financial market participants with standard information on the level of an issuer's risk and it is of great importance to investors who are unable to independently analyse the relative credit risk.

The assignment of a rating makes it easier for issuers to set prices and to place the securities they issue. Agencies employ a grading system which is different for short and long-term bonds and is based on the degree of the issuer's solvency. For long-term debt this grading system employs a highest grade of AAA (risk free). Different levels of ratings are employed below that level.

**Reputational risk**

Present or future risk of incurring loss of profits or capital resulting from a negative perception of the image of the Bank by customers, counterparties, shareholders of the bank, investors or supervisory authorities.

**Residual risk**

The risk that established methods of mitigating credit risk used by a bank (e.g. guarantees) are less effective than expected.

**Restructured loan**

See the item "Unlikely to pay loans".

**Retail**

Type of customer consisting mainly of individuals, professionals, shopkeepers and crafts persons.

**Risk free rate**

Rate of interest on a risk free asset. In practice it is used to refer to the interest rate on short term government securities even if they cannot be considered risk free.

**Risks resulting from securitisations**

The risk that the underlying economic substance of a securitisation is not fully reflected in decisions made to measure and manage risk.

**Risk weighted assets (RWA)**

On- and off-balance sheet assets classified and weighted on the basis of risk coefficients, in accordance with banking regulations issued by the supervisory authority for the calculation of capital ratios.

**ROE (Return On Equity)**

This is the income earned on equity in terms of profit after tax. Together with ROTE (cf. definition) it constitutes the indicator of greatest interest to shareholders because it gives a measure of the profitability of risk capital.

**ROTE (Return On Tangible Equity)**

This is the return on equity net of intangible assets.

**Salary-Backed Loans**

Salary-backed loans are a particular type of personal loan for workers who are employees and for pensioners. With this type of loan, repayment instalments are made by the payment of a percentage of the salary or pension to the lender. This percentage, withheld directly from the pay packet, may not exceed one fifth of the net monthly salary. These loans were originally regulated by Presidential Decree No. 180 of 5/1/1950.

**SCT (SEPA Credit Transfer)**

A European instrument which allows a party making an order to transfer funds in Europe to a beneficiary in the SEPA Area (cf. definition). Completion of the migration to the SCT became compulsory on 1<sup>st</sup> February 2014.

### **SDD (SEPA Direct Debit)**

A European instrument which allows creditors to make direct debits to the accounts of their debtors held with banks in all SEPA (cf. definition) countries. Completion of the migration to the SDD became compulsory on 1<sup>st</sup> February 2014.

### **Securitisation**

An operation by which a company, termed the originator (cf. definition), transforms non-negotiable financial or real assets into negotiable financial instruments. The operation is carried out either by the transfer of assets to a special purpose entity (SPE, cf. definition) or by the use of derivative financial instruments. The valuable consideration that the special purpose entity is required to pay to the originator (cf. definition) is acquired by the issue of securities (cf. ABS). The assets owned by the special purpose entity (e.g. loans acquired from the originator) are used exclusively to uphold the rights and interests of the holders of the securities. The principal legislation governing the subject in Italy is Law No. 130 of 30<sup>th</sup> April 1999, which states that it is compulsory for issues of securities sold to the public to be assigned a rating (cf. rating).

### **Senior**

In a securitisation transaction (cf. definition) it is the *tranche* with the highest level of privilege in terms of priority for remuneration and repayment.

### **Sensitivity analysis**

System of analysis designed to detect the sensitivity of determined assets or liabilities to changes in interest rates and other reference parameters.

### **SEPA (Single European Payments Area)**

The Single Euro Payments Area came into force in January 2008, within which from 1<sup>st</sup> February 2014 payments can be made and received in euro under the same standard basic conditions, rights and obligations. A total of 34 European countries have joined (in addition to the 28 countries of the European Union, also Switzerland, Norway, Iceland, Liechtenstein, the Principality of Monaco, the Republic of San Marino and the British Crown Dependencies). The single IBAN (cf. definition) bank code, SCT (cf. definition) and SDD (cf. definition) comprise some of the instruments used to standardise banking transactions.

### **Servicer**

In securitisation (cf. definition) transactions, it is a company which continues to manage the debts or assets subject to securitisation on the basis of a special servicing contract after they have been sold to the special purpose entity responsible for issuing the securities.

### **Shortfall**

The positive difference between expected losses and provisions recognised in the balance sheet relating to positions that fall within the IRB parameter.

### **SMEs (small and medium-sized enterprises)**

According to the definition in EU regulations, small and medium-sized enterprises are considered entities which carry on a business and regardless of their legal status employ fewer than 250 persons, with an annual turnover of not more than 50 million euro or with total assets of less than 43 million euro.

### **Società di Gestione del Risparmio (SGR – asset management company)**

Joint stock companies which are authorised to provide management services for both individually and collectively owned assets. More specifically, these companies are authorised to set up mutual investment funds, to manage mutual investment funds that either they or others have formed, to manage Sicav funds and to provide individual customer portfolio management services.

### **SPE/SPV**

Special purpose entities (SPE) or special purpose vehicles (SPV) – also known as conduits - are entities (companies, trusts or other entities), specially formed to achieve a determined objective that is well-defined and circumscribed, or to perform a specific operation.

SPEs/SPVs have a legal status that is independent from the others involved in the operation and generally have no operating or management units of their own.

### **Sponsor**

Entity, other than the originator (cf. definition), which establishes and manages a conduit entity (cf. definition), as part of a securitisation transaction (cf. definition).

### **Spread**

This term normally refers to:

- the difference between two interest rates;
- the difference between the buying (bid) price and the selling (asking) price in securities trading;
- the premium that the issuer of securities recognises in addition to a reference rate.

### **Stability and growth pact**



Originally launched by the European Council in 1997, the pact was amended by a package of measures which came into force on 13<sup>th</sup> December 2011, known as the “six-pack”. This was designed to reinforce multilateral supervisory mechanisms and to increase incentives to balance budgets by making the sanctioning mechanisms automatic. In detail:

- European Union countries agreed to converge on a balanced budget objective with an annual improvement in their structural balances of at least 0.5% of GDP;
- if the ratio of debt to GDP exceeds 60%, then the deficit must have decreased by one twentieth per year over the three years prior to the measurement.

In 2013 new measures were approved, known as the ‘Two Pack,’ designed to reinforce economic coordination between Member States and introduce new monitoring tools. In November 2014 a review of the “Six Pack” and the “Two Pack” regulations found that they had contributed to the progress made with fiscal consolidation in the EU. At the beginning of 2015 the European Commission issued guidelines concerning the application of SGP regulations, with the introduction of flexibility clauses (in consideration, for example, of structural reforms and investments made to support employment and growth).

#### **Stakeholder**

Individuals or groups who have specific interests in an enterprise either because they depend upon it to achieve their goals or because they are considerably effected by the positive or negative effects of its activities.

#### **Stand-Still agreements**

Agreements designed to allow borrowers in situations of temporary financial difficulty to freeze existing credit lines, while resolving the original cause of the difficulty or until a formula for full debt restructuring and a new business plan is drawn up.

#### **Stock Options**

Term used to refer to options offered to the managers of a company which allow them to purchase shares in the company at a set price.

#### **Strategic risk**

Current or future risk of a fall in profits or in capital resulting from:

- changes in the operating context;
- errors in corporate decision-making;
- inadequate implementation of decisions;
- failure to react to change in a competitive environment.

#### **Stress test**

This refers to quantitative and qualitative techniques with which banks assess their vulnerability to exceptional but plausible events. They consist of assessing the effects of specific events on a bank’s risks (sensitivity analysis) or the effects of joint movements of a set of economic and financial variables under the assumption of adverse scenarios (scenario analysis).

#### **Structured notes**

Bonds for which the interest and/or the redemption value depend on a real parameter (linked to the price of a commodity) or the performance of indices. In these cases the implicit option is unbundled from the host contract in the accounts.

When it is linked to interest rates or inflation (e.g. CCTs – Treasury Certificates of Credit), the implicit option is not unbundled from the host contract in the accounts.

#### **Subordinated bonds**

Financial instruments for which the conditions of sale state that the bearers of the debt certificates are satisfied after other creditors if the issuing entity goes into liquidation. Article 34 of the BRRD Directive states that “the creditors of the institution under resolution bear losses after the shareholders in accordance with the order of priority of their claims following ordinary insolvency procedures, save as expressly provided otherwise in this Directive”. Subordinated bondholders in the order of priority (depositor preference) provided for by a bail-in in relation to the absorption of the losses of credit institutions under a resolution plan occupy the third rank after the shareholders and holders of other capital instruments.

#### **Subprime mortgages**

The concept of subprime does not refer to the loan in itself, but rather to the borrower. Technically it refers to a borrower who does not have a fully positive credit history, because characterised by negative lending events such as for example the presence of repayments on previous loans not made, of cheques without funds and/or protested and so on. These past events are symptomatic of a greater intrinsic riskiness of counterparties from whom a corresponding higher remuneration is requested by the lender who grants them a mortgage.

Business with subprime customers developed in the American financial market where the grant of these loans was usually accompanied by securitisation activity and the issue of securities.

Alt-A mortgage loans are defined as loans granted on the basis of incomplete or inadequate information.

#### **Subrogation**

A procedure by which a mortgage borrower negotiates a new mortgage with another bank to pay-off the original mortgage by transferring the pledge of the same security (the mortgage on the property) which applied to the “original” bank to the new bank.

#### **Supervisory Authorities**

The supervisory authorities – Bank of Italy, Consob (Italian securities market authority), IVASS (the insurance authority), COVIP (pensions authority), AGCM (the Italian Competition Authority – are identified in Law No. 262 of 28<sup>th</sup> December 2005 “Measures to protect savings and to regulate financial markets”, known as the “Savings Law”.

The **Consob** supervises securities markets and together with the Bank of Italy it also supervises intermediaries that carry out securities intermediation activities: banks, brokerage firms, asset management companies and other qualified entities. It is responsible with regard to those intermediaries for the transparency and integrity of their conduct.

The **IVASS** is an independent authority with autonomy over its assets, accounts, organisation and management. It works to guarantee stability for the market and for insurance companies in the interests of the insured and of users in general.

The **COVIP** is an administrative authority responsible for supervising the functioning of supplementary pension funds.

The **AGCM**, also known as the “anti-trust authority”, is an independent authority with duties to safeguard competition, especially with regard to concentrations, arrangements and the abuse of dominating positions. It also has responsibilities in the areas of deceptive and comparative advertising and conflicts of interest.

#### **Swaps (interest rate swaps and currency swaps)**

A transaction consisting of the exchange of cash flows between counterparties according to contracted conditions. With an interest rate swap the counterparties exchange the interest payments calculated on notional reference capital on the basis of different criteria (e.g. one counterparty pays a fixed rate and the other a variable rate). In the case of currency swaps, the counterparties exchange specific amounts of two different currencies, returning them over time according to set conditions which concern both the principal and the interest.

#### **Tangible assets**

The book value of the Bank's assets calculated net of intangible assets.

#### **Tangible equity**

The book value of equity calculated net of intangible assets and capital instruments that are not ordinary shares.

#### **Tankan index**

An indicator of the performance of the Japanese economy constructed on the basis of the results of a survey conducted by the Bank of Japan in the last month of each quarter. The survey is on both manufacturing and services sectors, segmented according to the size of the businesses (large, medium or small).

#### **Tax rate**

The effective tax rate, obtained as the ratio of income tax to pre-tax profit.

#### **Texas ratio**

Indicatore che mette in rapporto i “prestiti non performanti” (i crediti deteriorati considerati al netto delle rettifiche di valore che nel tempo le banche hanno effettuato per tenere conto dei rischi connessi a eventuali insolvenze) al patrimonio netto tangibile di una banca (ossia al capitale netto diminuito delle immobilizzazioni immateriali). L'obiettivo è quello di verificare se il patrimonio ha una consistenza adeguata per permettere alla banca di far fronte alle eventuali perdite su questi crediti: più basso è il valore di questo indicatore, tanto maggiore sarà il capitale a disposizione.

#### **Texas ratio**

This is the ratio of “non-performing loans” (i.e. non-performing loans net of impairment losses that banks have recognised in to take account of the risks connected with possible insolvencies) to the tangible equity of a bank (i.e. equity minus intangible assets). The objective is to verify whether the equity is sufficient for the bank to meet possible losses on these loans. The lower the ratio is, the more capital there will be available.

#### **Tier 2 capital (T2)**

See in this respect Section 2 of Part F – Information on consolidated equity contained in the Notes to the Consolidated Financial Statements.

#### **TLTRO**

“Targeted longer-term refinancing operations” (with four year maturity) designed to improve the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy. After an initial series introduced by the Governing Council of the ECB in a meeting of 5<sup>th</sup> June 2014, in March 2016 it was decided to launch a second tranche, TLTRO II, beginning in June 2016 and maturing in 2021.

#### **Trading book**

This identifies that part of a securities portfolio, or in any case financial instruments in general, destined to trading activities.

#### **Trading on line**

System for buying and selling financial instruments on the stock exchange via Internet.

#### **Trigger event**

A contractually predefined event, which determines the creation of rights in favour of the parties to the contract when it occurs.

#### **UCITS (Undertakings For The Collective Investment Of Transferable Securities)**

Undertakings, whose capital is acquired from a number of investors through the issue and offer of units or shares, managed in a pool in the interests of the investors themselves and independently from them on the basis of a predetermined investment policy. This term includes OICVMs (cf. definition) and other mutual investment funds (property mutual investment funds, closed-end mutual investment funds).

**Unit-linked**

Life insurance policies with performance linked to the value of investment funds.

**Unlikely-to-pay loans**

Non-performing exposures for which the bank considers it unlikely that a debtor will fully meet their credit obligations (in terms of principal and/or interest), without the need to take action designed to protect the creditor's rights, such as the enforcement of guarantees. This assessment is carried out by the bank independently of the existence of any arrears where circumstances exist to predict a situation of potential indebtedness. In the January 2015, the Bank of Italy implemented the new regulations set by the European Banking Authority (EBA) regarding non-performing exposures and it amended Circulars No. 272 and No. 217 and included within the unlikely to pay category those loans previously classified as:

- restructured loans: positions for which a Bank has agreed a longer period of repayment for a debtor, renegotiating the exposure at lower than market rates;
- impaired loans: exposures at their face value held to persons in situations of objective difficulty where, however, it is felt the difficulties can be overcome in an appropriate period of time.

**US GAAP (Generally Accepted Accounting Principles)**

Accounting standards issued by the **FASB (Financial Accounting Statement Board)**, which are generally accepted in the United States of America.

**VaR (Value at Risk)**

A measure of the maximum potential loss that may be incurred on a financial instrument or portfolio with a set probability (level of confidence) in a determined time period (the reference or holding period).

**Warrant**

Negotiable instrument which grants the holder the right to purchase fixed rate securities or shares from the issuer or sell them to the issuer under precise conditions.

**Zero-coupon**

Bonds which do not pay an interest coupon, where the yield is given by the difference between the issue (or purchase) price and the redemption price.

**Branch  
Network of the  
UBI Banca  
Group**

# Branch Network of the UBI Banca Group<sup>(\*)</sup>



## Bergamo

Via Crispi, 4  
Via Stoppani, 15

**Brescia** Via Cefalonia, 74

**Milano** Corso Europa, 16

## GERMANIA

**Monaco** Prannerstrasse, 11

## SPAGNA

### Madrid

Torre Espacio - Planta 45  
Paseo de la Castellana, 259

## Macroarea Territoriale Nord Ovest

### PIEMONTE

#### Provincia di Cuneo

##### Cuneo

Piazza Europa, 1  
Via Roma, 13/b  
Via del la Battaglia, 15  
(Fraz. Madonna dell'Olmo)  
Corso Antonio Gramsci, 1  
Via Savona, 8 - ang. Via Bisalta  
Via A. Carle, 2 (Fraz. Confreria)  
Via Michele Coppino, 16 (c/o Ospedale)

##### Alba

Via Teobaldo Calissano, 9  
Viale Giovanni Vico, 5  
Corso Piave, 74  
Via G. Garibaldi, 180 (Fraz. Gallo d'Alba)  
Corso Canale, 98/1 (Fraz. Mussotto)

**Bagnasco** Via Roma, 3

##### Bagnolo Piemonte

Via Cavalieri di Vittorio Veneto, 12

**Barbaresco** Via Torino, 16

**Barge** Viale Giuseppe Mazzini, 1

**Barolo** Via Roma, 53

**Beinette** Via Vittorio Veneto, 4

**Borgo San Dalmazzo** Piazza Liberazione, 8/10

**Bossolasco** Corso Della Valle, 29

**Boves** Piazza dell'Olmo, 2

**Bra** Piazza Carlo Alberto, 30

**Brossasco** Via Roma, 11/a

**Busca** Piazza Savoia, 9

**Canale** Via Roma, 72

**Caraglio** Piazza Madre Teresa, 8

**Carrù** Piazza V. Veneto, 2 - ang. Via Benevagienna

**Castelletto Stura** Via Guglielmo Marconi, 6

**Castellinaldo** Via Roma, 56

**Castiglione Tinella** Via Circonvallazione, 12

**Castino** Via XX Settembre, 1

**Centallo** Piazza Vittorio Emanuele II, 17

**Ceva** Via Roma, 40

**Cherasco** Via Vittorio Emanuele II, 34

**Chiusa di Pesio** Via Roma, 5

**Corneliano d'Alba** Piazza Cottolengo, 42

**Cortemilia** Piazza Castello, 1

**Costigliole Saluzzo** Via Vittorio Veneto, 94

**Cravanzana** Via XX Settembre, 1

**Demonte** Via Martiri e Caduti della Libertà, 1

**Dogliani** Via Divisione Cuneense, 1

**Dronero** Piazza San Sebastiano, 7

**Entracque** Via della Resistenza, 5

**Farigliano** Piazza San Giovanni, 7

**Fossano** Via Roma, 3

**Frabosa Soprana** Piazza Guglielmo Marconi, 1

**Garessio** Corso Statuto, 15

**Genola** Via Roma, 32

**Govone** Piazza Vittorio Emanuele II, 9

**Lagnasco** Via Roma, 30

**La Morra** Via Umberto I, 28

**Limone Piemonte** Via Roma, 62

##### Magliano Alfieri

Via IV Novembre, 54/a (Fraz. S. Antonio)

**Magliano Alpi** Via Langhe, 158

**Mango** Piazza XX Settembre, 6

**Monchiero** Via Borgonuovo, B/15-1

##### Mondovì

Piazza G. Mellano, 6

Piazza Maggiore, 8

Piazzale Ellero, 20

**Monesiglio** Via Roma, 4

**Monforte d'Alba** Via Giuseppe Garibaldi, 4

**Montà** Piazza Vittorio Veneto, 31

##### Monticello d'Alba

Piazza Martiri della Libertà, 2 (Fraz. Borgo)

**Moretta** Via Torino, 73/bis

**Morozzo** Via Guglielmo Marconi, 78

**Murazzano** Via L. Bruno, 6

**Murello** Via Caduti Murellesi, 39

**Narzole** Via Pace, 2

**Neive** Piazza della Libertà, 2

**Niella Belbo** Piazza Mercato, 12/b

**Paesana** Via Po, 41

**Peeveragno** Piazza P. Toselli, 1

**Piasco** Piazza Martiri della Liberazione, 7

**Priocca** Via Umberto I, 65

**Racconigi** Piazza Roma, 8

**Revello** Via Saluzzo, 80

**Roccamonte** Piazza Biagioni, 27

**Saliceto** Piazza C. Giusta, 1

**Saluzzo** Via Torino, 38A

**Sampeyre** Via Vittorio Emanuele II, 22

**San Damiano Macra** Via Roma, 15

**San Michele Mondovì** Via Nielli, 15/a

**Sanfront** Corso Guglielmo Marconi, 14

**Santo Stefano Belbo** Corso Piave, 82

**Savigliano** Piazza Schiapparelli, 10

**Scarnafigi** Piazza Vittorio Emanuele II, 14

##### Sommariva del Bosco

Via Donatori del Sangue, 11/b

**Tarantasia** Via Carletto Michelis, 3

**Valdieri** Corso Caduti in Guerra, 13

**Valgrana** Via Caraglio, 9

**Vernante** Piazza de l'Ala, 4

**Verzuolo** Piazza Martiri della Libertà, 13

**Vicoforte** Via di Gariboglio, 43

**Villafalletto** Via Vittorio Veneto, 24

**Villanova Mondovì** Via Roma, 33/a

**Vinadio** Via Roma, 11

## Provincia di Alessandria

### Alessandria

Via Dante - ang. Via C. Lamarmora  
Via Venezia, 16

(c/o Ospedale Santi Antonio e Biagio)

**Acqui Terme** Corso Bagni, 54

**Arquata Scrivia** Via Libarna, 56

**Borghetto Borbera** Via San Michele, 2

**Cabella Ligure** Piazza della Vittoria, 7

### Casale Monferrato

Viale G. Giolitti, 2 (c/o ASL)

Piazza San Francesco, 10

**Casalnoceto** Piazza Martiri della Libertà, 10

**Castelnuovo Scrivia** Via Solferino, 11

**Garbagna** Via Roma, 21

### Isola Sant'Antonio

Piazza del Peso - ang. Via C. Cavour

**Monleale** Corso Roma, 41/43

**Novi Ligure** Corso Marengo, 141

**Ovada** Via Torino, 155

**Pontecurone** Piazza Giacomo Matteotti, 5

**Pozzolo Formigaro** Via Roma, 31

**Rocchetta Ligure** Piazza Regina Margherita

**Sale** Piazza Giuseppe Garibaldi, 8

**Sarezzano** Piazza L. Sarzano, 4

**Stazzano** Via Fossati, 2/a

### Tortona

Piazza Duomo, 13

Corso della Repubblica, 2/d

Piazza Felice Cavallotti, 1 (c/o ASL)

**Valenza** Via Dante, 68

**Vignole Borbera** Via Alessandro Manzoni, 8

**Villalvernia** Via Carbone, 69

**Villaromagnano** Via della Chiesa

## Provincia di Asti

**Asti** Corso Vittorio Alfieri, 137

**Canelli** Corso Libertà, 68

**Nizza Monferrato** Piazza G. Garibaldi, 70

## Provincia di Biella

**Biella** Via Nazario Sauro, 2

**Cossato** Via Lamarmora, 9

## Provincia di Novara

**Novara** Largo Don Luigi Minzoni, 1

**Borgomanero** Via Garibaldi, 92/94

**Oleggio** Via Mazzini, 15

**Treccate** Piazza Dolce, 10

## Provincia di Torino

### Torino

Corso Dante, 57/b

Corso Vittorio Emanuele II, 107

Corso Vercelli, 81/b

Corso Unione Sovietica, 503

Via Madama Cristina, 30 - ang. Lombroso

Corso Orbassano, 236

Via Santa Teresa, 9

Corso L. Einaudi, 15/17

Piazza Gran Madre di Dio, 12/a

*(\*) The situation shown is that as at the data of approval of the proposed annual report and therefore does not take account of the merger by incorporation of Banca Teatina concluded on 26<sup>th</sup> February 2018 and the closures of accounts performed on that same date.*

Corso Inghilterra, 59/g ang. C.so Francia  
Corso Francia, 262  
**Bibiana** Via C. Cavour, 25  
**Bricherasio** Piazza Castelvecchio, 17  
**Chieri** Piazza Dante, 10  
**Chivasso** Via Po, 5  
**Collegno** Via XXIV Maggio, 1  
**Ivrea** Via Circonvallazione, 7  
**Moncalieri** Strada Villastellone, 2  
**Nichelino** Via Torino, 172  
**None** Via Roma, 23  
**Pinerolo** Via Savoia - ang. Via Trieste  
**Rivoli** Via Rombò, 25/e  
**Santena** Via Cavour, 43  
**Settimo Torinese** Via Petrarca, 9  
**Villar Perosa** Via Nazionale, 39/a

#### Provincia di Vercelli

**Vercelli** Piazza Cavour, 23  
**Borgosesia** Via Sesone, 36

### LIGURIA

#### Provincia di Genova

**Genova**  
Via C.R. Ceccardi, 13/r  
Corso Torino, 61/r  
Via Pastorino, 118 (Loc. Bolzaneto)  
Via Sestri, 188/190r (Sestri Ponente)  
Piazza G. Lerda, 10/r (Loc. Voltri)  
Via Cinque Maggio, 101/r (Priaruggia)  
Via C. Rolando, 123 (Sampierdarena)  
Piazza Leopardi, 6  
**Borzonasca** Via Angelo Grilli, 15  
**Chiavari** Corso Dante Alighieri, 36  
**Cicagna** Via Statale, 8 - ang. Via Dante, 1  
**Lavagna**  
Corso Buenos Aires, 84 (Fraz. Monleone)  
**Mezzanego** Via Capitan Gandolfo, 138  
**Rapallo** Via A. Diaz, 6  
**Santo Stefano d'Aveto** Via Razzetti, 11  
**Sestri Levante** Via Fascie, 70

#### Provincia di Imperia

**Imperia** Viale Giacomo Matteotti, 13  
**Bordighera** Via Treviso, 1 -  
ang. Via V. Emanuele II  
**Sanremo** Via Escoffier, 3A  
**Taggia** Via Boselli, 62 (Fraz. Arma)  
**Ventimiglia** Via Ruffini, 8/a

#### Provincia di La Spezia

**La Spezia**  
Via G. Pascoli, 22  
Via Chiodo, 115  
Via San Bartolomeo  
(c/o ASW Research)  
Via Fiume, 152  
Via del Canaletto, 307  
**Castelnuovo Magra**  
Via Aurelia, 129 (Fraz. Moliciara)  
**Lerici** Calata G. Mazzini, 1  
**Sarzana** Via Muccini, 48

#### Provincia di Savona

**Savona** Via dei Vegerio, 27R  
**Albenga** Piazza Petrarca, 6  
**Albisola Superiore**  
Corso Giuseppe Mazzini, 189  
**Andora** Piazza Santa Maria, 7  
**Cairo Montenotte**  
Corso Marconi, 240  
(Fraz. S. Giuseppe)  
**Loano** Via Stella, 34

### VALLE D'AOSTA

**Aosta** Via Xavier de Maistre, 8

### FRANCIA

**Nizza** 7, Boulevard Victor Hugo  
**Mentone** Avenue de Verdun, 21  
**Antibes** Avenue Robert Soleau, 15

## Macroarea Territoriale Milano e Emilia Romagna

### LOMBARDIA

#### Provincia di Milano

**Milano**  
Piazza XXIV Maggio, 7  
Via Antonio Rosmini, 17  
Via Ponchielli, 1  
Via Giorgio Washington, 96  
Via Monte Rosa, 16  
Via Mac Mahon, 19  
Via Saffi, 5/6 - ang. via Monti  
Via Silvio Pellico, 10/12  
Via Feltre, 30/32  
Via Giovanni da Procida, 8  
Viale Monza, 139/b  
Via Bertolazzi, 20 (Zona Lambrate)  
Via Manzoni, 7  
Piazza Cinque Giornate, 1  
Via Foppa, 26  
Corso Italia, 22  
Via Fabio Filzi, 23  
Via della Moscova, 31A  
Via Salasco, 31  
Via Bocchetto, 13  
Via Borgogna, 2/4  
Via Buonarroti, 22  
Via Boccaccio, 2  
Viale Coni Zugna, 71  
Corso Lodi, 111  
Piazza Firenze, 14  
Largo Gelsomini, 12  
Via G.B. Grassi, 89  
Corso Indipendenza, 6  
Via La Spezia, 1  
Viale Lombardia, 14/16  
Corso Magenta, 87 - Porta Vercellina  
Viale Marche, 40  
Via Padova, 21  
Corso di Porta Romana, 57  
Via del Torchio, 4  
Via Eugenio Pellini, 1 - ang. Via Cagliari  
Via Vitruvio, 38 - Via Settembrini  
Via Solari, 19  
Via Spartaco, 12  
Viale Monte Santo, 2  
Via F. Faruffini, 40N01  
Via Pellegrino Rossi, 26  
Via Melchiorre Gioia, 45  
Piazzale Susa, 2  
Via Biondi, 1  
Via Friuli, 16/18  
Via C. Menotti, 21 - ang. Via G. Modena  
Viale L. Sturzo, 33/34  
Via A. Trivulzio, 6/8  
Via Palestrina, 12 - ang. Viale A. Doria  
Via Bignami, 1 (c/o C.T.O.)  
Via Macedonio Melloni, 52 (c/o I.O.P.M.)  
Via della Commenda, 12 (c/o Istituti Clinici)

Corso Porta Nuova, 23  
(c/o Ospedale Fatebenefratelli)  
Via Francesco Sforza, 35  
(c/o Osp. Maggiore)  
Piazza Ospedale Maggiore, 3  
(c/o Niguarda)  
Via Pio II, 3 (c/o Ospedale San Carlo)  
Via Castelvetro, 32 (c/o Ospedale Buzzi)  
Via Lomellina, 50  
Via Pisanello, 2  
Corso Lodi, 78  
Piazza Gasparri, 4  
Via dei Missaglia - ang. Via Boifava  
Via Secchi, 2  
Via Meda, - ang. Via Brunacci, 13  
Corso XXII Marzo, 22  
Via Rosellini, 2  
Via Padova, 175  
Viale Certosa, 218  
Via Monte di Pietà, 7  
Via Mazzini, 12  
**Abbiategrosso** Piazza Cavour, 11  
**Arluno** Via Piave, 7  
**Assago** Via del Mulino, 6 (c/o Nestlè Spa)  
**Assago Milanofiori**  
Palazzo Wtc Viale Milanofiori  
**Bellinzago Lombardo** Via delle 4 Marie, 8  
**Binasco** Largo Bellini, 16  
**Bollate** Via Giacomo Matteotti, 16  
**Bresso** Via Roma, 16  
**Carugate** Via Toscana, 10  
**Cassano d'Adda** Via Milano, 14  
**Cassina de' Pecchi** Via Matteotti, 2/4  
**Cernusco sul Naviglio** Via Monza, 15  
**Cinisello Balsamo**  
Via Casati, 19  
Via Massimo Gorki, 50  
(c/o Ospedale Bassini)  
**Cologno Monzese**  
Via Indipendenza, 32 -  
ang. Piazza Castello  
Viale Lombardia, 52  
**Corbetta** Corso Garibaldi, 14  
**Cornaredo**  
Via Tolomeo, 1  
(c/o St Microelectronics Spa)  
Piazza Libertà, 62  
Via Magenta, 34  
**Corsico**  
Via Cavour, 45  
Viale Liberazione, 26/28  
**Garbagnate Milanese**  
Via Kennedy, 2 (Fraz. S. M. Rossa)  
**Grezzago** Piazza Aldo Moro  
**Inveruno** Via Magenta, 1  
**Lainate** Via Garzoli, 17  
**Legnano**  
Corso Sempione, 221  
Corso Sempione - ang. Via Toselli  
Corso Magenta, 127 - ang. Via Beccaria  
**Magenta** Piazza Vittorio Veneto, 11  
**Melegnano** Viale Predabissi, 12  
**Melzo** Piazza Risorgimento, 2  
**Novate Milanese**  
Via Amendola, 9  
Via G. Di Vittorio, 22  
**Opera** Via Diaz, 2  
**Paderno Dugnano** Via Rotondi, 13/a  
**Parabiago** Via S. Maria, 22  
**Paullo** Piazza E. Berlinguer, 14  
**Pioltello** Via Roma, 92



**Rho**

Corso Europa, 209  
Via Meda, 47  
Via Pace, 165 (Fraz. Mazzo Milanese)

**Rozzano**

Viale Lombardia, 17  
Piazza Berlinguer, 6 (Fraz. Ponte Sesto)

**S.Giuliano Milanese**

Via Risorgimento, 3  
Via S. Pellico, 9 (Fraz. Sesto Ulteriano)

**Segrate** Piazza della Chiesa, 4

**Sesto San Giovanni** Via Casiraghi, 167

**Settimo Milanese**

Piazza della Resistenza, 8

**Solaro** Via Mazzini, 66

**Trezzano Rosa**

Via Raffaello Sanzio, 13/s  
Piazza San Gottardo, 14

**Trezzo sull'Adda** Via A. Sala, 11

**Vaprio d'Adda** Piazza Caduti, 2

**Vittuone** Via Villoresi, 67

**Provincia di Lodi**

**Lodi** Via Incoronata, 12

**Codogno** Via Vittorio Emanuele II, 35

**Lodi Vecchio**

Piazza Vittorio Emanuele, 48

**S.Angelo Lodigiano** Piazza Libertà, 10

**Provincia di Monza - Brianza**

**Monza** Viale G.B. Stucchi, 110  
(c/o Roche Boehringer Spa)

**Provincia di Pavia**

**Pavia**

Via Montebello della Battaglia, 2  
Corso Strada Nuova, 61/c  
Via dei Mille, 7  
Viale Ludovico il Moro, 51/b  
Via Taramelli, 20  
Via Pavesi, 2  
Corso Alessandro Manzoni, 17  
Piazzale Gaffurio, 9  
Via San Pietro in Verzolo, 4  
Via Ferrara, 1 (c/o Università)

**Albuzzano** Via Giuseppe Mazzini, 92/94

**Belgioioso** Via Ugo Dozzio, 15

**Broni** Piazza Vittorio Veneto, 52

**Casteggio**

Viale Giuseppe Maria Giulietti, 10

**Garlasco** Corso C. Cavour, 55

**Giussago** Via Roma, 38

**Godiasco**

Piazza Mercato, 19  
Viale delle Terme, 44  
(Fraz. Salice Terme)

**Landriano** Via Milano, 40

**Linarolo** Via Felice Cavallotti, 5

**Maghero** Via G. Leopardi, 2

**Marcignago** Via Umberto I, 46

**Montebello della Battaglia**

Piazza Carlo Barbieri "Ciro", 1

**Mortara** Piazza Silvabella, 33

**Pinarolo Po** Via Agostino Depretis, 84

**Rosasco** Via Roma, 4

**San Martino Siccomario** Via Roma, 23

**Sannazzaro de' Burgondi** Viale Libertà, 3/5

**Siziano** Via Roma, 22

**Stradella** Via Trento, 85

**Torrevecchia Pia** Via Molino, 9

**Travacò Siccomario**

Piazza Caduti e Combattenti d'Italia, 1

**Valle Lomellina** Piazza Corte Granda, 4

**Varzi** Via Pietro Mazza, 52

**Vigevano**

Via Dante, 39  
Via Madonna degli Angeli, 1  
Corso Genova, 95  
Via de Amicis, 5

**Voghera** Via Giacomo Matteotti, 33

**EMILIA ROMAGNA**

**Provincia di Bologna**

**Bologna**

Via Valdossola, 19A  
Viale della Repubblica, 25/31  
Via Murri, 77  
Piazza Dè Calderini, 6/a  
Via Lombardia, 7/a  
Via Luigi Carlo Farina, 1 -  
ang. Via M. D'Azeglio  
Via Ferrarese, 73

**Casalecchio di Reno** Via Marconi, 42

**San Lazzaro di Savena** Via Emilia, 208/210

**Zola Predosa** Via Risorgimento, 109

**Provincia di Ferrara**

**Ferrara** Via Bologna, 101

**Cento** Via Ferrarese, 3

**Provincia di Forlì - Cesena**

**Forlì** Viale Vittorio Veneto, 7D/7E

**Cesena**

Via Piave, 27  
Via Anita Garibaldi, 29

**Cesenatico** Viale Roma, 15

**Forlimpopoli** Viale Giacomo Matteotti, 37

**Provincia di Modena**

**Modena** Viale Ciro Menotti, 186

**Carpi** Via Baldassarre Peruzzi, 8/b

**Sassuolo** Viale Crispi, 24

**Provincia di Parma**

**Parma**

Via San Leonardo, 4  
Via Emilia est, 17  
Via Repubblica, 32

**Fidenza** Piazza G. Garibaldi, 41

**Langhirano** Via Roma, 25 - Via Ferrari, 17

**Provincia di Piacenza**

**Piacenza**

Via Verdi, 48  
Via Manfredi, 7  
Via Cristoforo Colombo, 19

**Caorso** Via Roma, 6/a

**Carpaneto Piacentino** Via G. Rossi, 42

**Gagnano Trebbiense** Via Roma, 52

**Ponte dell'Olio** Via Vittorio Veneto, 75

**San Nicolò a Trebbia**

Via Emilia Est, 48 (Fraz. Rottofreno)

**Provincia di Ravenna**

**Ravenna** Piazza Baracca, 22

**Cervia** Via G. Di Vittorio, 39

**Faenza** Via Giuliano da Maiano, 34

**Provincia di Reggio Emilia**

**Reggio Emilia**

Viale dei Mille, 1A  
Via Emilia all'Angelo, 35

**Rubiera** Viale della Resistenza, 7/a

**Provincia di Rimini**

**Rimini**

Via Flaminia, 175  
Via Luigi Poletti, 28  
Viale Tripoli, 82  
Via Lennon, 9

**Cattolica** Via Fiume, 37

**Nova Feltria** Via Trieste, 32

**Pennabilli** Via Aldo Moro, 2

**Riccione**

Viale Ceccarini, 207  
Via Emilia, 26/28/30/32

**San Leo** Viale Umberto I, 87

**Sant'Agata Feltria**

Via Vittorio Emanuele II, 1  
Piazza Garibaldi, 21

**Santarcangelo di Romagna**

Via Braschi, 36  
Via Ugo Braschi, 8/A

**SARDEGNA**

**Provincia di Cagliari**

**Cagliari** Viale Bonaria, 58

**Macroarea  
Territoriale Bergamo  
e Lombardia Ovest**

**LOMBARDIA**

**Provincia di Bergamo**

**Bergamo**

Via Palma il Vecchio, 113  
Via Camozzi, 81  
Piazza Vittorio Veneto, 8  
Via dei Caniana, 2 (c/o Università)  
Via Borgo Palazzo, 51  
Via Borgo Santa Caterina, 6  
Via Gombito, 6  
Via Borgo Palazzo, 135  
Via Mattioli, 69  
Piazza Risorgimento, 15  
Piazza Pontida, 39  
Via Corridoni, 56  
Via San Bernardino, 96  
Piazzale della Repubblica, 4  
Via Stezzano, 87 (c/o Kilometrorosso)

**Adrara San Martino** Via Madaschi, 103

**Adras San Rocco**

Piazza Papa Giovanni XXIII, 6

**Albano Sant'Alessandro** Via Cavour, 2

**Albino**

Via Mazzini, 181  
Via Lunga, 1 (Fraz. Fiobbio)

**Almè** Via Torre d'Oro, 2

**Almenno San Bartolomeo** Via Falcone, 2

**Almenno San Salvatore** Via Marconi, 3

**Alzano Lombardo** Piazza Garibaldi, 3

**Arcene** Corso Europa, 7

**Ardesio** Via Locatelli, 8

**Azzano San Paolo** Piazza IV Novembre, 4

**Bagnatica** Via Marconi, 6 E

**Bariano** Via A. Locatelli, 12

**Barzana** Via San Rocco

**Berbenno**

Via Stoppani, 102 (Fraz. Ponte Giurino)  
Piazza Roma, 2

**Boltiere** Piazza IV Novembre, 14

**Bonate Sopra**

Piazza Vittorio Emanuele II, 20

**Bossico** Via Capitan Rodari, 2

**Brembate Sopra**

Via B. Locatelli - ang. Via Sorte

**Brignano Gera d'Adda** Via Mons. Donini, 2

**Calcinate** Via Coclinio, 8/c

**Calcio** Via Papa Giovanni XXIII, 153

**Calusco d'Adda** Via Vittorio Emanuele II, 7

**Capriate San Gervasio** Via Trieste, 46

**Caprino Bergamasco** Via Roma, 10

**Caravaggio** Piazza G. Garibaldi, 1

**Carvico** Via Europa Unità, 3

**Casazza** Via Nazionale del Tonale, 92

**Casirate d'Adda**

Piazza Papa Giovanni XXIII, 1

**Castione della Presolana**

Via Donizetti, 2 (Fraz. Bratto - Dorga)

Via A. Manzoni, 20

**Cazzano Sant'Andrea** Via A. Tacchini, 18

**Cenate Sopra** Via Giovanni XXIII, 16

**Cenate Sotto** Via Verdi, 5

**Cene** Via Vittorio Veneto, 9

**Cerete** Via Moscheni, 44 (Fraz. Cerete Basso)

**Chiuduno** Via Cesare Battisti, 1

**Cisano Bergamasco** Via Pascoli, 1

**Ciserano** Via Borgo San Marco

ang. Via Garibaldi, 7 (Fraz. Zingonia)

**Cividate al Piano**

Via Papa Giovanni XXIII, 3

**Clusone** Via Verdi, 3

**Colere**

Via Tortola, 58

Via Papa Giovanni XXIII, 33

(Fraz. Dezzo di Scalve)

**Cologno al Serio** Via San Martino, 2

**Comun Nuovo** Via Cesare Battisti, 5

**Costa Volpino** Via Nazionale, 150

**Curno** Largo Vittoria, 31

**Dalmine**

Via Buttarò, 2

Piazza Caduti 6 luglio 1944

(c/o Tenaris Spa)

**Dossena** Via Carale, 9

**Entratico** Piazza Aldo Moro, 18

**Fontanella** Via Cavour, 156

**Foresto Sparso** Via Tremellini, 63

**Gandino** Via C. Battisti, 5

**Gazzaniga** Via Marconi, 14

**Gorlago** Piazza Gregis, 12

**Gorle** Piazzetta del Donatore, 5

**Grassobbio** Viale Europa, 8/b

**Grumello del Monte**

Via Martiri della Libertà, 10

**Lefte** Via Mosconi, 1

**Lovere**

Via Tadini, 30

Via Paglia, 45 (c/o Sidermeccanica Spa)

**Madone** Via Papa Giovanni XXIII, 44

**Mapello** Piazza del Dordo, 5

**Martinengo** Via Pinetti, 20

**Monasterolo del Castello**

Via Monte Grappa, 27

**Nembro** Piazza della Libertà

**Onore** Via Sant'Antonio, 98

**Orio al Serio** Via Aeroporto, 13

**Osio Sopra** Via XXV Aprile, 29

**Osio Sotto** Via Cavour, 2

**Paladina** Via IV Novembre, 13

**Palosco** Piazza A. Manzoni, 16

**Parre** Via Duca d'Aosta, 20/a

**Piario** Via Mazzini, 1/a

**Piazza Brembana** Via B. Belotti, 10

**Ponte Noss**a Via Frua, 24

**Ponteranica** Via Pontesecco, 32

**Ponte San Pietro**

Piazza SS Pietro e Paolo, 19

**Pontida** Via Lega Lombarda, 161

**Presezzo** Via Caperseegno, 28

**Ranica** Piazza Europa, 2

**Riva di Solto** Via Porto, 24

**Romano di Lombardia** Via Tadini, 2

**Rota Imagna** Via Calchera, 1

**Rovetta** Via Tosi, 13

**San Giovanni Bianco**

Via Martiri di Cantiglio, 19

**San Pellegrino Terme** Via S. Carlo, 3

**Sant'Omobono Terme** Viale alle Fonti, 8

**Sarnico** Piazza Umberto I

**Scanzorosciate** Via Roma, 27

**Schilpario** Via Torri, 8

**Sedrina** Via Roma, 14

**Selvino** Via Monte Rosa - ang. Via Betulle

**Seriate** Viale Italia, 24

**Songavazzo** Via Vittorio Veneto

**Sovere** Via Roma, 36

**Spirano** Via Dante, 9/b

**Stezzano** Via Bergamo, 1

**Suisio** Via Carabello Poma, 31

**Taleggio** Via Roma, 837 (Fraz. Olda)

**Tavernola Bergamasca** Via Roma, 12

**Telgate** Via Morengi, 17

**Torre Boldone** Via Carducci, 12

**Torre de Roveri** Piazza Conte Sforza, 3

**Trescore Balneario** Via Locatelli, 45

**Treviglio** Viale Filagno, 11

**Treviolo** Piazza Mons. Benedetti, 10

**Ubiale Clanezzo** Via Papa Giovanni XXIII, 1

**Urgnano** Via Matteotti, 157

**Val Brembilla** Via Libertà, 25

**Valbrembo** Via J.F.Kennedy, 1B

**Verdello** Via Castello, 31

**Vertova** Via S. Rocco, 45

**Viadanica** Via Pietra, 4

**Vigolo** Via Roma, 8

**Villa d'Adda** Via Fossa, 8

**Villa d'Almè** Via Roma - ang. Via Locatelli, 1

**Villongo** Via Bellini, 20

**Vilminore di Scalve** Piazza Giovanni XXIII, 2

**Zandobbio** Via G. Verdi, 2

**Zogno** Viale Martiri della Libertà, 1

**Provincia di Como****Como**

Via Giovio, 4

Via Badone, 48 (Fraz. Camerlata)

Via Gallio - ang. Via Bossi

Via Cattaneo, 3

Viale Giulio Cesare, 26/28

**Cantù**

Piazza Marconi, 9

Via Enrico Toti, 1/a (Fraz. Vighizzolo)

**Casnate con Bernate** S.S. dei Giovi, 5

**Cermenate** Via Matteotti, 28

**Dongo** Via Statale, 77

**Erba**

Via Leopardi, 7/e

Via Mazzini, 12

**Guanzate** Via Roma, 24

**Lomazzo** Via Monte Generoso, 11

**Lurago D'Erba** Via Manara, 4

**Lurate Caccivio** Via Varesina, 88

**Olgiate Comasco** Via Roma, 75

**Oltrona San Mamette** Piazza Europa, 6

**Mariano Comense** Corso Brianza, 20

**Rovellasca** Via Volta, 1

**Provincia di Lecco****Lecco**

Corso Matteotti, 3

Via Amendola, 6

**Bulciago** Via Don Canali, 33/35

**Calco** Via Italia, 8

**Calolziocorte** Piazza Vittorio Veneto, 18/a

**Carenno** Via Roma, 36

**Casatenovo** Via G. Mameli, 16

**Cernusco Lombardone** Via Spluga, 43

**Costa Masnaga** Via Cadorna, 18

**Erve** Via G. Cabaggio, 42

**Merate** Via Alessandro Manzoni, 56

**Olginate** Via S. Agnese, 38

**Valmadrera** Via Fatebenefratelli, 23

**Provincia di Milano**

**Senago** Piazza Matteotti, 10/a

**Provincia di Monza - Brianza****Monza**

Via Borgazzi, 83

Piazza Giuseppe Cambiaghi, 1

Via San Rocco, 44

Via Boito, 70

Via Vittor Pisani, 2

Via Manzoni, 22/30

Via Carlo Rota, 50

Piazza Duomo, 5

**Agrate Brianza**

Via C. Olivetti, 2

(c/o St Microelectronics Spa)

Via Marco d'Agrate, 61

**Arcore** Via Casati, 45

**Bernareggio** Via Prinetti, 43

**Biassono** Via Libertà, 1

**Brugherio** Via de Gasperi, 58/62/64

**Carate Brianza** Via Cusani, 49/51

**Carnate** Via Don Minzoni

**Cesano Maderno**

Via Conciliazione, 29 (Fraz. Binzago)

**Cornate d'Adda**

Via Circonvallazione, 10/12/14

Via Silvio Pellico, 10 (Fraz. Colnago)

**Desio** Via Matteotti, 10

**Giussano**

Via IV Novembre, 118 (Fraz. Brugazzo)

**Limbrate** Via dei Mille, 32

**Lissone** Via San Carlo, 4

**Meda** Via Indipendenza, 111

**Mezzago** Via Concordia, 22

**Muggiò** Via Cavour, 11/15

**Nova Milanese** Via Brodolini, 1

**Seregno** Via S. Vitale, 17

**Sulbiate** Via Mattavelli, 2

**Vedano al Lambro** Largo della Repubblica, 7

**Villasanta** Via Confalonieri, 1

**Vimercate**

Via B. Cremagnani, 20/a

Via Garibaldi, 12

Via Energy Park, 14

**Provincia di Varese****Varese**

Via Vittorio Veneto, 2

Via Dalmazia, 63

Piazza IV Novembre, 1

(Fraz. Biumo Inferiore)

Via Valle Venosta, 4

(Fraz. Biumo Inferiore - c/o Ascom Varese)

Viale Luigi Borri, 155

Viale Borri, 237 (c/o Bassani Ticino Spa)

Via Caracciolo, 24

Via Virgilio, 27  
Piazza Battistero, 2  
Via S. Sanvito, 55  
**Angera** Via M. Greppi, 33  
**Azzate** Via Vittorio Veneto, 23  
**Besozzo** Via XXV Aprile, 77  
**Biandronno** Piazza Cavour, snc  
**Bisuschio** Via Mazzini, 28  
**Bodio Lomnago** Via Risorgimento, 23  
**Busto Arsizio**  
Piazza S. Giovanni, 3/a  
Corso Italia, 54  
Via Magenta, 64  
Viale Alfieri, 26  
Via Foscolo, 10  
**Cairate**  
Via Mazzini, 13  
Via Genova, 1 (Fraz. Bolladello)  
**Cantello** Via Turconi, 1  
**Caravate** Via XX Settembre, 22  
**Cardano al Campo**  
Via Gerolamo da Cardano, 19  
**Caronno Pertusella** Via Roma, 190  
**Casale Litta** Via Roma, 4  
**Casorate Sempione** Via Milano, 17  
**Cassano Magnago** Via Aldo Moro, 6  
**Castellanza**  
Piazza Soldini (c/o Libero Istituto  
Universitario Carlo Cattaneo)  
**Castelseprio** Via San Giuseppe, 14  
**Castiglione Olona**  
Via Papa Celestino, 22  
Via Cesare Battisti, 13  
**Castronno** Via Roma, 51  
**Cislago** Via IV Novembre, 250  
**Cittiglio** Via Valcuvia, 19  
**Clivio** Via Ermizada, 10  
**Comerio** Via al Lago, 2  
**Cunardo** Via Luinese, 1/a  
**Cuveglia** Via Battaglia di S. Martino, 50  
**Daverio** Via Giovanni XXIII, 1  
**Fagnano Olona** Piazza Cavour, 11  
**Ferno** Piazza Dante Alighieri, 7  
**Gallarate**  
Via A. Manzoni, 12  
Via Buonarroti, 20  
Via Marsala, 34  
Via Varese, 7/a (Fraz. Cascinetta)  
**Gavirate** Piazza della Libertà, 2  
**Gazzada Schianno** Via Roma, 47/b  
**Gerenzano** Via G.P. Clerici, 124  
**Germignaga** Piazza XX Settembre, 51  
**Gorla Maggiore** Via Verdi, 2  
**Gornate Olona** Piazza Parrocchetti, 1  
**Induno Olona** Via Porro, 46  
**Ispra** Via Mazzini, 59  
**Jerago con Orago** Via Matteotti, 6  
**Laveno Mombello** Via Labiena, 53  
**Laveno Ponte Tresa**  
Piazza A. Gramsci, 8 (Fraz. Ponte Tresa)  
**Leggiuno** Via Bernardoni, 9  
**Lonate Ceppino** Via Don Albertario, 3  
**Lonate Pozzolo** Piazza Mazzini, 2  
**Lozza** Piazza Roma, 1  
**Luino** Via Piero Chiara, 7  
**Malnate** Piazza Repubblica -  
ang. Via Garibaldi  
**Maccagno** Viale Garibaldi, 13  
**Marchirolo** Strada Statale 233, 27  
**Marnate** Via Diaz, 12 - ang. Via Genova  
**Mercallo** Via Prandoni, 1  
**Mesenzana** Via Provinciale, 11  
**Mornago** Via Cellini, 3 - ang. Via Carugo

**Olgiate Olona** Via G. Mazzini, 56  
**Origgio** Via Repubblica, 10  
**Porto Ceresio** Via Roma, 2  
**Porto Valtravaglia** Piazza Imbarcadero, 17  
**Saltrio** Via Cavour, 27  
**Samarate** Via N. Locarno, 19 (Fraz. Verghera)  
**Saronno**  
Via P. Micca, 10  
Piazza Borella, 4  
**Sesto Calende** Via XX Settembre, 35  
**Solbiate Arno** Via A. Agnelli, 7  
**Somma Lombardo**  
Corso della Repubblica - ang. Via Rebaglia  
**Sumirago** Via Brioschi, 2  
**Ternate** Piazza Libertà, 14  
**Tradate**  
Via XXV Aprile, 1  
ang. Corso Ing. Bernacchi  
Via Vittorio Veneto, 77  
(Fraz. Abbiate Guazzone)  
**Travedona Monate** Via Roma, 1  
**Uboldo** Via R. Sanzio, 46  
**Varano Borghi** Via Vittorio Veneto, 6  
**Vedano Olona** Piazza S. Rocco, 8  
**Venegono Inferiore** Via Mauceri, 16  
**Venegono Superiore** Piazza M. Grappa, 8  
**Viggiù** Via A. Castagna, 1

## PIEMONTE

### Provincia di Novara

**Arona** Corso Liberazione, 39

### Provincia di Verbania

**Verbania** Piazza Matteotti, 18 (Fraz. Intra)

**Cannobio** Via Umberto I, 2

## Macroarea Territoriale Brescia e Nord Est

### LOMBARDIA

#### Provincia di Brescia

##### Brescia

Via Duca degli Abruzzi, 175  
Viale Bornata, 2  
Via Gramsci, 39  
Piazza della Loggia, 5  
Corso Magenta, 73 - ang. Via Tosio  
Via Lecco, 1  
Via San Martino, 2 - ang. Corso Zanardelli  
Contrada del Carmine, 67  
Via Valle Camonica, 6/b  
Via Santa Maria Crocifissa di Rosa, 67  
Piazzale Spedali Civili, 1  
Corso Martiri della Libertà, 13  
Via Trieste, 8  
Via Vittorio Veneto, 73 - ang. Tofane  
Via Bettole, 1 (Fraz. San Polo)  
Via Repubblica Argentina, 90  
- ang. Via Cremona  
Via Masaccio, 29 (Fraz. San Polo)  
Via Bissolati, 57  
Via Milano, 21/b  
Via Indipendenza, 43  
Via Solferino, 30/a  
Via Trento, 25/27  
Viale Duca d'Aosta, 19  
Via Ambraga, 126

Via Chiusure, 333/a  
Via Cefalonia, 76  
Via Orzinuovi, 9/11  
Via Lamarmora, 230 (c/o A2A)  
**Acquafredda** Via della Repubblica, 52  
**Adro** Via Roma, 1  
**Angolo Terme** Piazza degli Alpini, 4  
**Artogne** Via Geroni, 12  
**Bagnolo Mella** Via XXVI Aprile, 69/71  
**Bagolino** Via San Giorgio, 66  
**Bedizzole** Via Trento, 3/5  
**Berzo Demo** Via San Zenone, 9  
**Bienno** Piazza Liberazione, 2  
**Borgosatollo** Via IV Novembre, 140  
**Botticino** Via Valverde, 1 (Fraz. Botticino Sera)  
**Borno** Piazza Giovanni Paolo II, 13  
**Bovegno** Via Circonvallazione, 5  
**Bovezzo** Via Dante Alighieri, 8/d  
**Breno** Piazza della Repubblica, 1/2  
**Calcinato** Via Guglielmo Marconi, 51  
**Calvisano** Via Dante Alighieri, 1  
**Capo di Ponte** Viale Stazione, 16  
**Capriano del Colle** Via Morari, 26  
**Carpenedolo** Piazza Martiri della Libertà, 1  
**Castegnato** Piazza Dante Alighieri, 1  
**Castelcovati** Via Alcide De Gasperi, 48  
**Castel Mella** Via Caduti del lavoro, 56/a  
**Castenedolo** Piazza Martiri della Libertà, 4  
**Castrezzato** Piazza Mons. Zammarchi, 1  
**Cazzago S.M.**  
Via del Gallo, 2 (Fraz. Bornato)  
**Cedegolo** Via Roma, 26/28  
**Cellatica** Via Padre Cesare Bertulli, 8  
**Ceto** Loc. Badetto, 23  
**Cevo** Via Roma, 44  
**Chiari** Via Bettolini, 6  
**Civitate Camuno** Via Cortiglione  
**Coccaglio** Largo Torre Romana, 4  
**Collio** Piazza Giuseppe Zanardelli, 32  
**Comezzano - Cizzago**  
Via Giuseppe Zanardelli, 31  
**Concesio**  
Via Europa, 8  
(c/o centro comm.Valtrumpino)  
Viale Europa, 183  
**Corteno Golgi** Via Roma, 1  
**Darfo Boario Terme**  
Via Roma, 12  
Viale della Repubblica, 2  
Piazza Col. Lorenzini, 6  
**Dello** Piazza Roma, 36  
**Desenzano del Garda**  
Via G. Marconi, 18  
Via G. Marconi, 97  
Via G. Di Vittorio, 17 (Fraz. Rivoltella)  
**Edolo** Via G. Marconi, 36/a  
**Esine** Piazza Giuseppe Garibaldi, 4/6  
**Fiesse** Via Antonio Gramsci, 25  
**Flero** Via XXV aprile, 110  
**Gardone Riviera** Via Roma, 8  
**Gardone Val Trompia** Via G. Matteotti, 212  
**Gargnano** Piazza Feltrinelli, 26  
**Gavardo** Via Suor Rivetta, 1  
**Ghedi** Piazza Roma, 1  
**Gianico** Via XXV Aprile, 7/9  
**Gottolengo** Piazza XX Settembre, 16  
**Gussago** Via IV Novembre, 112/a  
**Idro** Via Trento, 60  
**Iseo**  
Via Dante Alighieri, 10  
Via Risorgimento, 51/c (Fraz. Clusane)  
**Isorella** Via A. Zanaboni, 2  
**Leno** Via Dossi, 2

**Limone del Garda** Via Don Comboni, 24  
**Lograto** Piazza Roma, 11  
**Lonato** Via Guglielmo Marconi  
**Lumezzane**  
Via Alcide De Gasperi, 91 (Fraz. Pieve)  
Via M. D'Azeglio, 4 (Fraz. S. Sebastiano)  
**Mairano** Piazza Europa, 1  
**Malegno** Via Lanico, 36  
**Malonno** Via G. Ferraglio, 4  
**Manerba del Garda**  
Via Vittorio Gassman, 17/19  
**Manerbio** Via Dante, 5  
**Marone** Via Cristini, 49  
**Moniga del Garda** Piazza San Martino  
**Monte Isola** Via Peschiera Maraglio, 156  
**Monticelli Brusati** Via IV Novembre, 5/a  
**Montichiari** Via Trieste, 71  
**Nave** Piazza Santa Maria Ausiliatrice, 19  
**Niardo** Piazza Cappellini, 3  
**Nuvolento** Via Trento, 17  
**Nuvolera** Via Italia, 3/a  
**Odolo** Via Praes, 13/bis  
**Ome** Piazza Aldo Moro, 7  
**Offlaga** Via Giuseppe Mazzini, 2  
**Orzinuovi** Piazza Vittorio Emanuele II, 18  
**Ospitaletto**  
Via Padana Superiore, 56  
Via Martiri della Libertà, 27  
**Paderno Franciacorta** Via Roma, 32  
**Palazzolo sull'Oglio**  
Piazza Roma, 1  
Via XXV Aprile, 23  
Via Don G. Moiola, 17  
**Passirano** Via Libertà, 36  
**Pavone del Mella** Piazza Umberto I, 1  
**Paratico** Piazza Umberto I, 11  
**Piancogno**  
Via Vittorio Veneto, 7 (Fraz. Cogno)  
Via XI Febbraio, 1 (Fraz. Pianborno)  
**Pian Camuno** Piazza Giuseppe Verdi, 8  
**Pisogne** Via Provinciale, 6  
(Fraz. Gratacasolo)  
**Poncarale** Via Fiume, 8/a  
**Ponte di Legno** Via Cima Cadi, 5/7/9  
**Pontevico** Piazza Giuseppe Mazzini, 15  
**Pralboino** Via Martiri Libertà, 52  
**Provaglio d'Iseo**  
Via Roma, 12  
Via S. Filastro, 18 (Fraz. Provezze)  
**Prevalle** Piazza del Comune, 7  
**Quinzano d'Oglio** Via C. Cavour, 29/31  
**Remedello** Via Roma, 60  
**Rezzato**  
Via IV Novembre, 98  
Via Zanardelli, 5a/b (Fraz. Virle Treponti)  
**Rodengo Saiano**  
Via Ponte Cigoli, 12  
Via Moie (c/o Outlet Franciacorta)  
**Roè Volciano** Via San Pietro, 119  
**Roncadelle** Via Martiri della Libertà, 119/a  
**Rovato** Corso Bonomelli, 52/54  
**Sabbio Chiese** Via XX Settembre, 83  
**Sale Marasino** Via Roma, 23/ Bis  
**Salò**  
Via Pietro da Salò - Loc. Rive  
Piazza Vittorio Emanuele II, 20  
**San Felice del Benaco** Viale Italia, 9  
**San Gervasio Bresciano**  
Piazza Antica Piazzola, 5  
**San Paolo** Via Mazzini, 62  
**Sarezzo**  
Via Roma, 8  
Via G. Carducci, 2 (Fraz. Ponte Zanano)

**San Zeno Naviglio** Via Tito Speri, 1  
**Seniga** Via San Rocco, 15  
**Sirmione**  
Via Colombare - ang. Via G. Garibaldi  
Piazza Castello, 58  
**Sonico** Via Nazionale  
(c/o c.c. Italmark)  
**Sulzano** Via Cesare Battisti, 85  
**Tavernole sul Mella** Via IV Novembre, 40/42  
**Temù** Via Roma, 71/73  
**Tignale** Piazzale Francesco d'Assisi  
**Torbole Casaglia** Piazza Repubblica, 25/26  
**Toscolano Maderno** Via Statale Toscolano,  
114/a (Fraz. Toscolano)  
**Travagliato** Piazza Libertà  
**Verolanuova** Piazza Libertà, 1  
**Vestone** Via Pertasca, 5  
**Veza d'Oglio** Via Nazionale, 65  
**Villa Carcina** Via G. Marconi, 39/c  
**Visano** Via Guglielmo Marconi, 11  
**Vobarno** Via Migliorini - ang. Via San Rocco  
**Zone** Via Monte Guglielmo, 44

## Provincia di Bergamo

**Rogno** Piazza Druso, 1

## Provincia di Cremona

**Cremona**  
Viale Po, 33/35  
Piazza Stradivari, 19  
Via Mantova, 137  
**Casalmaggiore** Via Porzio - ang. Via Nino Bixio  
**Crema** Viale Repubblica, 79  
**Soncino** Via IV Novembre, 25

## Provincia di Mantova

**Mantova**  
Viale Risorgimento, 33 - ang. Valsesia  
Piazza Guglielmo Marconi, 7  
**Bagnolo San Vito** Via Di Vittorio, 35  
(Fraz. San Biagio)  
**Borgofranco sul Po**  
Via Martiri della Libertà, 64  
**Castel Goffredo** Via Europa, 27  
**Castiglione delle Stiviere** Via C. Cavour, 36  
**Marmirolo** Via Ferrari, 66/d  
**Moglia** Piazza della Libertà, 19  
**Ostiglia** Via Vittorio Veneto, 14  
**Poggio Rusco** Via Trento e Trieste, 9  
**Quistello** Via G. Marconi, 12  
**Sermide** Via Cesare Battisti, 4

## Provincia di Sondrio

**Sondrio** Via Trento, 50 - ang. Via Alessi  
**Bormio** Via Don Peccedi, 11  
**Chiavenna** Via Maloggia, 1  
**Grosio** Via Roma, 1  
**Livigno** Via Botarel, 35  
**Morbegno** Piazza Caduti per la Libertà, 9  
**Piantedo** Via Nazionale, 875  
**Tirano** Piazza Marinoni, 4

## FRIULI VENEZIA GIULIA

### Provincia di Udine

**Udine** Via F. di Toppo, 87  
**Ampezzo** Piazzale ai Caduti, 3  
**Majano** Piazza Italia, 26  
**Paularo** Piazza Nascimbeni, 5  
**Prato Carnico** Via Pieria, 91/d  
**Sutrio** Piazza XXII Luglio 1944, 13  
**Tolmezzo** Piazza XX Settembre, 2

## Provincia di Pordenone

**Pordenone** Via Santa Caterina, 4  
**Fiume Veneto** Via Piave, 1 (Fraz. Bannia)

## VENETO

### Provincia di Verona

**Verona**  
Via Città di Nimes, 6  
Via XXIV Maggio, 16  
Via Albere, 18  
Via Campagnol di Tombetta, 30  
Corte Farina, 4  
Via Galvani, 7  
**Bussolengo** Via Verona, 43  
**Caldiero** Via Strà, 114-114/a  
**Grezzana** Viale Europa, 13  
**Monteforte d'Alpone** Viale Europa, 30  
**Negrar** Via Strada Nuova, 17 (Fraz. S. Maria)  
**Peschiera del Garda** Via Venezia, 16  
**Sant'Ambrogio Valpolicella**  
Via Giacomo Matteotti, 2  
**Villafranca di Verona** Via della Pace, 58

## Provincia di Padova

**Padova** Via G. Matteotti, 23  
**Camposampiero** Piazza Castello, 43  
**Ponte San Nicolò** Via Padre M. Kolbe, 1/a

## Provincia di Venezia

**Mestre** Piazza XXVII Ottobre, 29  
**Mira** Via Nazionale, 193

## Provincia di Vicenza

**Vicenza**  
Viale San Lazzaro, 179  
Via IV Novembre, 60  
**Bassano del Grappa** Viale San Pio X, 85  
**Schio** Via Battaglion Val Leogra, 6

## Provincia di Treviso

**Treviso** Piazza Vittoria, 14  
**Castelfranco Veneto** Via Forche, 2  
**Conegliano** Via XI Febbraio, 1  
**Montebelluna** Via Dante Alighieri

## TRENTINO ALTO ADIGE

**Pieve di Bono** Via Roma, 28

# Macroarea Territoriale Lazio Toscana Umbria

## LAZIO

### Provincia di Roma

**Roma**  
Via Nazionale, 256  
Viale Buozzi, 78  
Via Croce, 10  
Via Cipro, 4/a  
Via Gasperina, 248  
Via Prenestina Polense, 145  
(Fraz. Castelverde)  
Via Ferdinando di Savoia, 8  
Via Simone Martini, 5  
Piazza Eschilo, 67  
Largo Colli Albani, 28  
Via Vittorio Veneto, 108/b - Via Emilia



Via Fabio Massimo, 15/17  
Via Crescenzo Conte di Sabina, 23  
Via Portuense, 718  
Via Boccea, 211/221  
Via Camillo Sabatini, 165  
Via Ugo Ojetti, 398  
Via A. Pollio, 50 (c/o c.c. Casalbertone)  
Viale Guglielmo Marconi, 3/5  
Via dei Due Macelli, 50  
Corso Vittorio Emanuele II, 25/27  
Via Baldovinetti, 106/110  
Viale dei Colli Portuensi, 298/302  
Via F.S. Nitti, 73/75/77  
Via Norcia, 1/3  
Via Guidubaldo del Monte, 13/15  
Viale delle Province, 34/46  
Via Nizza, 71  
Viale Trastevere, 22  
Via Sestio Calvino, 57  
Via Cerveteri, 30  
Piazza Vescovio, 3 - 3/a - 3/b  
- ang. Via Poggio Moiano, 1  
Via dei Castani, 133  
Via delle Gondole, 90 (Fraz. Ostia)  
Via Nomentana, 669/675  
Via dei Crociferi, 44  
Corso Vittorio Emanuele II, 295  
Via Gregorio VII, 289  
Largo Salinari, 24 -  
ang. Via B. Croce, 82/84  
Viale Gorizia, 34  
Via di Porta Castello, 32  
Via Val Maira, 125/131  
Via Tiburtina, 604  
Via dell'Aeroporto, 14/16  
Via Pietro Boccanelli, 30  
(c/o Sviluppo Italia Spa - Campo Elba)  
Via Calabria, 46 (c/o Sviluppo Italia Spa)  
Via Gattamelata, 109  
Via Donna Olimpia, 128  
Via dello Statuto, 20  
Via Romagna, 17  
Largo la Loggia, 39  
Via Topino, 4/6/8  
Via Francesco Aciri, 2  
Via Giacomo Peroni, 2/4  
(c/o Tecnopolo Tiburtino)  
Via di Tor Cervara, 313/315  
Via Fermi, 25/27  
Viale Regina Elena, 299  
Via Caffaro, 107/109/111  
Via dei Velieri, 71/81  
Viale Trastevere, 185/189  
Via Tommaso da Celano, 80/82/84  
Via Appia Nuova, 610  
Piazza Teofrasto, 18/21 -  
ang. Via F. Delpino, 1  
Via De Viti De Marco, 48/C  
Via Oxilia, 19/A  
Via A. Ciamarra, 218  
Via C. Antonina, 39  
Via Aurelia, 504  
Via di Vermicino, 568  
Piazza dei Condottieri, 50/51  
Viale Manzoni, 26/B  
Via Rieti, 14  
Via G. Papini - ang. Via Sacchetti, 73  
Via di Torrevecchia, 212/A  
Via Bregno, 37/43  
Via Giulio Cesare, 74  
Via Oderisi da Gubbio, 81  
Via Uffici del Vicario, 45/48  
**Albano Laziale** Via Rossini, 17/19

**Anguillara Sabazia** Via Anguillarese, 99  
**Ciampino**  
Via Kennedy, 163  
Via di Morena, 94/96/98  
**Civitavecchia** Corso Centocelle, 5  
**Colleferro** Via Casilina, 38 A/B  
**Fonte Nuova** Via Nomentana, 68  
**Frascati** Largo Pentini, 2  
**Guidonia Montecelio**  
Via Nazionale Tiburtina, 122  
(Fraz. Villalba)  
Via Roma, 26  
**Marcellina** Via Regina Elena, 35/c  
**Marino** Piazzale degli Eroi, 4  
**Monterotondo**  
Via Salaria, 204  
Via Mameli, 14/14 A  
Via B. Buozzi, 2  
**Nettuno** Via Carlo Cattaneo, 59 -  
ang. Piazza San Francesco  
**Palombara Sabina** Via Ungheria, 7  
**Pomezia** Via dei Castelli Romani, 22  
**San Polo dei Cavalieri** Via Roma, 12  
**Tivoli**  
Piazza S. Croce, 15  
Via di Villa Adriana  
**Velletri** Via U. Mattoccia, 6  
  
**Provincia di Frosinone**  
**Frosinone**  
Via Maria, 63  
Via Marco Tullio Cicerone, 140/142  
  
**Provincia di Latina**  
**Latina**  
Via Isonzo, 3  
Corso Matteotti, 96/100  
**Aprilia** Via Nenni, 35  
  
**Provincia di Rieti**  
**Rieti** Via dei Pini, 1  
**Amatrice** Corso Umberto I, 90/92  
**Antrodoco** Piazza del Popolo, 10/11  
**Magliano Sabina** Via Cavour, 10/12  
**Montebuono** Via Roma, 1  
**Montopoli di Sabina** Piazza del Comune, 15/A  
**Poggio Mirteto** Largo F. Cavallotti  
  
**Provincia di Viterbo**  
**Viterbo**  
Corso Italia, 36  
Via Saragat - ang. Via Polidori  
Via Monte San Valentino  
**Acquapendente** Via del Rivo, 34  
**Bolsena** Via Antonio Gramsci, 28  
**Bommarzo** Piazza B. Buozzi, 5  
**Canepina** Via Giuseppe Mazzini, 61  
**Capodimonte** Via Guglielmo Marconi, 84  
**Civita Castellana** Via della Repubblica  
**Corchiano** Via Roma, 45  
**Fabrica di Roma** Viale degli Eroi  
**Gradoli** Piazza Vittorio Emanuele II, 10  
**Marta** Via Laertina, 35/39  
**Montalto di Castro**  
Via Aurelia Tarquinia, 5/7  
Piazza delle mimose, 13  
(Fraz. Pescia Romana)  
**Montefiascone** Piazzale Roma  
**Monterosi** Via Roma, 36  
**Orte** Via Le Piane  
**Soriano nel Cimino** Piazza XX Settembre  
**Tarquinia** Piazzale Europa, 4  
**Tuscania** Via Tarquinia

**Vetralla**  
Via Roma, 21/23  
Via Cassia Cura, 223  
**Vignanello** Via Vittorio Olivieri, 1/a  
**Vitorchiano** Via Borgo Cavour, 10  
  
**TOSCANA**  
**Provincia di Arezzo**  
**Arezzo**  
Via A. Dal Borro, 17  
Piazza Saione, 4  
Via Montefalco  
Corso Italia, 179 - Via Crispi, 1  
Via Fiorentina, 205/209  
Via Edison, 45  
Via Pietro Nenni  
(c/o Ospedale S. Donato, 20)  
Fraz. Indicatore, 16/F  
Via Romana, 47/A  
Via Caravaggio, 10/20  
Loc. Quarata, 407/B  
Via Trento e Trieste, 161  
Ponte alla Chiassa, 26  
S.S. 71 Umbro - Casentinese, 201  
(Fraz Olmo)  
Loc. Le Caselle, S.S. 71 (Fraz. Rigutino)  
Via Calamandrei, 255  
**Anghiari** Piazza Baldaccio Bruni, 40/41  
**Badia Tebalda** Piazza Fratelli Bimbi, 2  
**Bibbiena**  
Via Umbro-Casentinese, 43/45  
Via G. Bocci, 38/40 (Fraz. Soci)  
**Capolona** Viale Dante, 14/22  
**Castel Focognano** Piazza Mazzini, 76/78  
**Castiglion Fibocchi** Via Setteponti, 39/R  
**Castiglion Fiorentino** Corso Italia, 18/22  
**Chiusi della Verna**  
Viale San Francesco, 25/27  
**Cortona** Via Matteotti, 75  
(Fraz. Camucia)  
**Foiano della Chiana**  
Corso Vittorio Emanuele, 24/30  
**Marciano della Chiana** Vai Piave, 5  
**Monte San Savino**  
Via Don R. Aguzzi, 83/85  
(Fraz. Alberoro)  
Via della Stazione, 30  
**Montevarchi** Viale Diaz, 41/45  
**Poppi** Via Roma, 118  
**Pratovecchio**  
Via Garibaldi - ang. Via Tramontani, 81  
**San Giovanni Valdarno**  
Corso Italia, 149/151  
**Sansepolcro** Via XX Settembre, 114  
**Terranuova Bracciolini** Via Roma  
  
**Provincia di Firenze**  
**Firenze**  
Piazza Cesare Beccaria, 21  
Via dei Banchi, 5  
Viale Gramsci, 69  
Via di Novoli, 87/D  
Via Aretina, 167/C  
Via delle Panche, 65  
Piazza Pier Vettori, 6/R  
**Capraia e Limite** Piazza 8 marzo 1944, 2  
**Empoli** Via Cellini - ang. Via Duprè, 10  
**Figline Valdarno** Piazza S. D'acquisto, 9  
**Lastra a Signa** Via Redipuglia  
**Montelupo Fiorentino**  
Corso Garibaldi, 33  
Via A. Grieco, 14

**Pontassieve** Via Znojmo, 1/B/C/E/F  
**Scandicci** Piazza Togliatti, 1  
**Sesto Fiorentino** Viale Pratese, 42  
**Vinci**  
Viale Togliatti, 12/14  
Via Maremmana, 16  
Via della Libertà, 103/105 (Fraz. Vitolini)

**Provincia di Grosseto**

**Grosseto**  
Via Gramsci, 32  
Via XXIV Maggio, 75/83  
Via Sauro - ang. Via Parini  
**Castel del Piano** Via Vittorio Veneto, 3  
**Follonica** Via C. Colombo  
**Monte Argentario** Loc. Il Valle, 1

**Provincia di Livorno**

**Livorno**  
Via dei Fulgidi, 9  
Via dell'Ardenza, 152/154  
Via Toscana, 65  
Via dell'Ardenza (c/o Caserma Vannucci)  
**Campiglia Marittima** Via Indipendenza, 191  
**Cecina** Corso Matteotti, 116/118

**Provincia di Lucca**

**Lucca** Viale S. Concordio, 349/355  
**Viareggio** Via Mazzini - ang. Via Fratti, 92/94

**Provincia di Massa - Carrara**

**Carrara** Via Galileo Galilei, 32

**Provincia di Pisa**

**Pisa**  
Piazza Guerrazzi, 18  
Via di Gello, 138 (c/o Caserma Gamera)  
**Pontedera** Corso Matteotti, 133  
**Santa Croce sull'Arno** Piazza del Popolo, 6/6B

**Provincia di Pistoia**

**Pistoia** Via Macallè, 18  
**Montecatini Terme**  
Viale Matteotti, 139/141  
**Pescia** Via Galeotti, 91

**Provincia di Prato**

**Prato** Via Valentini - ang. Via Fabbroni, 4

**Provincia di Siena**

**Siena**  
Piazza Matteotti, 34  
Viale Cavour, 216  
Via di Città, 23  
**Abbadia San Salvatore** Via Gorizia, 38  
**Chianciano Terme** Piazza Ascoli  
**Colle di Val d'Elsa**  
Piazza Arnolfo di Cambio, 21/22  
**Montepulciano**  
Via della Resistenza, 160  
(Fraz. Abbadia di Montepulciano)  
Via Voltaia del Corso  
**Piancastagnaio** Viale Gramsci, 284  
**Poggibonsi** Largo Usilia, 19/21  
**Sinalunga**  
Viale Trieste - ang. Via Molinara, 156/158

**UMBRIA**

**Provincia di Perugia**

**Perugia**  
Via Settevalli, 133  
Via Deruta (Fraz. San Martino in Campo)

Via P. Soriano, 3  
(Fraz. Sant'Andrea delle Fratte)  
Via Arno, 50 (Fraz. Ponte Valleceppi)  
Via Manzoni, 215/B  
Via San Sisto, 445  
Via della Pescara, 33/55  
Piazza Piccinino, 9  
Via dell'Acacia, 2  
Via Manna, 28  
Via Mario Angeloni, 49/A  
**Assisi** Via Los Angeles, 66  
(Fraz. Santa Maria degli Angeli)  
**Bastia Umbra** Via Roma, 83  
**Città di Castello** Via Labriola, 2  
**Corciano** Via Y. Gagarin  
**Deruta** Via Tiberina, 184/186  
**Foligno**  
Viale Arcamone  
Corso Cavour, 60  
Via Spoleto, 7  
**Giano dell'Umbria**  
Via Roma, 63 (Fraz. Bastardo)  
**Gualdo Tadino** Piazza Garibaldi, 19/23  
**Gubbio**  
Via del Chiascio, 144  
(Fraz. Branca di Gubbio)  
Via Tifernate, 204  
Via Mazzatinti, 8  
**Magione** Via della Palazzetta (Loc. Bacanella)  
**Marsciano** Via dei Partigiani, 12  
**Massa Martana** Via Roma, 42  
**Montecastello di Vibio**  
Piazza Michelotta di Biorio, 10  
**Passignano sul Trasimeno**  
Via della Vittoria, 2  
**Sigillo** Via Matteotti, 44  
**Spoleto** Via Trento e Trieste, 40  
**Todi**  
Piazza del Popolo, 27  
Via Tiberina, 64  
Via Tiberina, 194 (Fraz. Pantalla)  
**Trevi** Via S. Egidio, 41

**Provincia di Terni**

**Terni** Via Guglielmi - ang. Via C. Colombo  
**Acquasparta** Via Cesare Battisti, 5/d  
**Avigliano Umbro**  
Corso Roma - ang. Via S. Maria  
**Narni** Via Tuderte, 364

**Macroarea  
Territoriale Marche  
e Abruzzo**

**MARCHE**

**Provincia di Ancona**

**Ancona**  
Corso Stamira, 14  
Viale C. Colombo, 56  
Via Brece Bianche, 68/i  
Via Umani  
Via Banchina Molo Sud (c/o Mercato Ittico)  
Via Marsala - ang. Via Menicucci  
Via Esino, 64  
Via A. Grandi, 74  
Via E. Mattei, 24  
Via Piave, 55  
Via Conca  
(c/o Ospedale Regionale Torrette)

Via Tiziano, 44 (c/o Regione Marche)  
Via G. Marconi, 217/219  
**Arcevia** Piazza Garibaldi, 8  
**Agugliano**  
Contrada Gavone, 2/b (c/o Socopad)  
Via N. Sauro, 17  
**Barbara** Via F.lli Kennedy, 8  
**Belvedere Ostrense** Via I. Brutti  
**Camerata Picena** Via E. Fermi, 1  
**Camerano** Via Aspigo, 201  
**Castelbellino** Via Gramsci, 10  
**Castelfidardo**  
Via C. Battisti, 5  
Via XVIII Settembre, 10  
Via Jesina, 27/G  
(c/o centro commerciale Oasi)  
**Castelleone di Suasa** Corso Marconi, 2/4/6  
**Castelplanio** Via F.lli Cervi, 4  
**Chiaravalle** Corso Matteotti, 94  
**Corinaldo** Piazza X agosto, 1  
**Cupramontana** Piazza Cavour, 11  
**Fabriano**  
Piazza Miliani, 16  
Via Dante, 87/89  
**Falconara** Via IV Novembre, 8  
**Falconara Marittima** Via P. Mauri, 2/4  
**Filottrano**  
Via Oberdan, 5  
Corso del Popolo, 87  
**Jesi**  
Corso Matteotti, 1  
Via San Giuseppe, 38  
Piazza Ricci, 4  
Piazza Vesalio, 5  
Corso Matteotti, 8  
Via Don Arduino Rettaroli, 13/A  
Piazza San Francesco, 73  
Viale della Vittoria, 76  
Via Alessandro Ghisleri, 6  
**Jesi Zipa** Via Don Battistoni, 4  
**Loreto**  
Via Bramante  
Piazza Kennedy, 27  
Via Solari, 21  
**Maiolati Spontini** Via Risorgimento, 48  
**Monsano** Via Veneto, 4  
**Montemarciano**  
Piazza Magellano, 15 (Fraz. Marina)  
Via Marconi, 1  
**Monterado** Via 8 Marzo, 7 (Fraz. Ponte Rio)  
**Monte San Vito** Via G. Galilei, 8/F  
**Montecarotto** Piazza del Teatro, 1  
**Morro d'Alba**  
Via Morganti, 56  
Piazza Tarsetti, 19  
**Numana**  
Via Pascoli, 1  
Via Flaminia, 58-58A  
**Osimo**  
Piazza del Comune, 4  
Via Ticino, 1 (Fraz. Padiglione)  
Piazza Boccolino  
Via Marco Polo, 11  
Via Oriolo, 10/12  
**Ostra** Via Mazzini, 48  
**Ostra Vetere** Piazza Giorgio Perlasca, 3  
**Poggio San Marcello**  
Piazza della Madonna, 3  
**Ripe** Viale Umberto I, 1  
**Rosora**  
Via Roma, 132 (Fraz. Angeli)  
Via G. Pascoli, 2  
**San Marcello** Via Gramsci, 4



**Santa Maria Nuova**  
Via Risorgimento, 68 (Fraz. Collina)  
Piazza Mazzini, 5

**Sassoferrato**  
Piazza Bartolo, 17  
Viale Roma, 31

**Senigallia**  
Via Marchetti, 70  
Via R. Sanzio, 288 (Fraz. Cesano)  
Piazza Cameranesi, 13  
Piazza del Duca, 4  
Via Tiziano, 15

**Serra de' Conti** Piazza Leopardi, 2

## Provincia di Ascoli Piceno

**Ascoli Piceno**  
Viale Indipendenza, 42  
Corso Vittorio Emanuele II, 44  
Via delle primule

**Acquasanta Terme** Piazza Terme, 6

**Castel di Lama**  
Via Salaria, 356  
Via Salaria, 62

**Cupra Marittima** Via Adriatica Nord, 22

**Grottammare** Via Galilei, 38/40

**Monteprandone** Via Alcide De Gasperi, 253/B

**San Benedetto del Tronto**  
Piazza Matteotti, 6  
Via C.L. Gabrielli, 99/B  
Via Spinozzi, 5

## Provincia di Fermo

**Fermo**  
Contrada Campiglione, 20  
Via Dante Zeppilli, 56  
Via XXV Aprile, 121/125

**Campofilone** Via XXV Aprile

**Falerone**  
Viale della Resistenza, 168 Y (Fraz. Piane)

**Francavilla d'Ete** Via Umberto I

**Grottazzolina** Via Fermana

**Massa Fermana** Via Ada Natali, 5

**Montappone** Via XX Settembre, 82

**Monte San Pietrangeli** Piazza Umberto I, 29

**Monte Urano** Via Urbino, 2

**Montegiorgio** Corso Italia, 12

**Montegranaro** Via Fermana Nord, 71

**Pedaso** Via della Repubblica, 59/61

**Petritoli** Contrada S. Antonio, 217  
(Fraz. Valmir)

**Porto S. Giorgio** Via Tasso

**Porto Sant'Elpidio**  
Via Mazzini, 115  
Via San Francesco d' Assisi, 7

**Sant'Elpidio a Mare**

Viale Roma, 1  
Via Pisanelli, 35  
Via P. Romana, 143/B

## Provincia di Macerata

**Macerata**  
Viale Don Bosco  
Corso Cavour, 34  
Corso Cavour, 35  
Corso della Repubblica, 38  
Corso Cairoli, 110/112  
Piazza Salvo d'Acquisto, 8  
Via Nazionale, 37/41  
Borgo N. Peranzoni, 14/B  
Via Roma, 395  
Viale Indipendenza, 18/20

**Appiro** Via Mazzini, 15

**Appignano** Via Borgo Santa Croce, 1

**Belforte del Chienti** Via Santa Maria, 55

**Caldarola** Via Roma, 30

**Camerino** Piazza Caio Mario, 5

**Castelraimondo**  
Piazza della Repubblica, s.n.c.  
Via XX settembre, 10

**Castelsantangelo sul Nera**

Piazza Santo Spirito, 3

**Cingoli** Corso Garibaldi, 5

**Civitanova Marche**  
Corso Umberto I, 16  
Corso Umberto I, 76  
Via Saragat  
Via Duca d'Aosta, 1  
Via Pier Capponi, 13  
Via L. Einaudi, 210  
Via Ginocchi

**Corridonia** Viale Trento, 25

**Esanatoglia** Via C. Battisti, 7

**Fiastra** Via Marconi, 12

**Fiuminata** Piazza G. Leopardi, 6/A

**Gualdo** Via G. Leopardi, 7

**Loro Piceno**  
Piazzale G. Leopardi, 8  
Piazzale G. Leopardi

**Matelica** Viale Martiri della Libertà, 31

**Mogliano** Via XX settembre, 6

**Monte San Giusto** Via G. Verdi, 17

**Montecassiano** Piazza G. Leopardi, 14

**Montecosaro** Via Crivelli, 14

**Montefano** Corso Carradori, 9

**Montelupone** Via M. Celsi, 2

**Morrovalle**  
Via Dante Alighieri, 109  
Via Cesare Battisti, 15

**Muccia** Via Clementina, 14

**Penna San Giovanni** Via Colucci, 39

**Petriolo** Corso Umberto I, 8

**Pievebovigliana** Piazza V. Veneto, 72

**Pieve Torina** Via Vignoli

**Pioraco** Piazza D. Alighieri

**Pollenza**  
Via V. Cento, 6 (Casette Verdini)  
Via Roma, 52

**Potenza Picena**  
Via Livorno, 14  
Piazza Matteotti, 19

**Porto Recanati** Corso Matteotti, 51

**Recanati**  
Via Cesare Battisti, 20  
Corso G. Persiani, 31  
Via G. Brodolini, 11/A

**San Ginesio**  
Piazza Gentili, 31  
Piazza A. Gentili, 19

**San Severino Marche**  
Viale Europa  
Piazza del Popolo, 87

**Sant'Angelo in Pontano** Piazza Angeletti, 7

**Sarnano**  
Piazza della Libertà, 76  
Piazza Libertà, 83/A

**Serrapetrona** Via San Francesco, 16

**Serravalle di Chienti** Corso G. Leopardi, 107

**Tolentino** Via della Pace

**Treia**  
Piazza Arcangeli, 9  
Via Gola della Rossa, 20

**Urbisaglia** Corso Giannelli, 1

**Ussita** Piazza dei Cavallari

**Visso** Via G. Rosi, 29

**Tolentino** Piazza dell'Unità

## Provincia di Pesaro - Urbino

**Pesaro**  
Piazzale Garibaldi, 22  
Via Antonio Fratti, 23  
Corso XI settembre, 22  
Piazza Lazzarini, 4/5  
S.S. Adriatica, 16, 151/4  
Via Guido d'Arezzo, 46  
Largo Madonna di Loreto, 12  
Largo Ascoli Piceno, 8  
Via Villa Fastiggi, 88  
Via Monte Cervino  
Via Rosmini, 31  
Via del Monaco, 20

**Urbino**  
Viale Comandino  
Via Veneto, 47  
Viale Gramsci, 28

**Acqualagna** Via Flaminia, 79

**Apecchio** Via Dante Alighieri, 37

**Auditore** Via Provinciale Fogliense, 53

**Belforte all'Isauro** Via Rossini, 8

**Cagli**  
Via I. Alessandri, 24  
Piazza Matteotti, 25

**Cantiano** Via IV novembre, 1

**Carpegna**  
Via R. Sanzio, 12  
Via Amaducci, 23

**Cartoceto** Via Flaminia, 219

**Colbortolo** Via Nazionale, 83

**Fano**  
Piazzale Malatesta, 4/6/8/10  
Via Einaudi  
Via delle Querce, 15  
Via dell'Abbazia, 7/A  
S.S. Adriatica Sud, 460

**Fermignano** Via Mazzini, 5

**Fossombrone**  
Corso Garibaldi, 153  
Piazza Dante, 24

**Fratte Rosa** Via delle Rose, 3

**Frontone** Via del Mare, 1

**Gabicce Mare** Via Romagna, 100/D/E/F

**Lunano** Corso Roma, 79

**Macerata Feltria** Via Antini, 22

**Marcatello sul Metauro**

Via Martiri d'Ungheria, 3

**Mercatino Conca** Via Roma, 38

**Mondavio** Via Madre Francesca Streitel, 1

**Montecopiolo** Via Montefeltresca, 37

(Fraz. Villagrande)

**Monte Grimano Terme**

Via Raffaello Sanzio, 2/4

**Montecalvo in Foglia** Via Prov. Feltresca

**Pergola** Corso Matteotti, 48

**Petriano** Via Roma, 123

**Piandimeleto** Corso Giovanni XXIII, 6/A

**Piobbico** Via Santa Maria in Val d'Abisso, 1

**Saltara** Via Flaminia, 166

**San Giorgio di Pesaro** Via A. De Gasperi, 2

**San Lorenzo in Campo** Piazza Umberto I, 25

**Sant'Angelo in Vado**

Piazza Mar del Plata, 6

Corso Garibaldi, 34

**Sassofeltrio** Via Risorgimento, 9 (Fraz. Fratte)

**Serra Sant'Abbondio** Piazzale Virgillito, 1

**Tavullia** Via Roma, 76

**Urbania** Corso V. Emanuele II, 44/48

**Vallefoglia** Via Nazionale, 143

(Fraz. Morciola)

## ABRUZZO

### Provincia di Chieti

**Alessa** Via Piazzano, 70 (Fraz. Piazzano)  
**Chieti Scalo** Viale Unità d'Italia, 3-3/A  
**Francavilla al Mare** Via della Rinascita, 2  
**Guardiagrele** Via Orientale, 17  
**Lanciano**  
Viale Rimembranze, 16  
Vai per Fossacesia, 127/141  
**Ortona** Via della Libertà, 82  
**San Giovanni Teatino** Via Aldo Moro, 8  
(Fraz. Sambuceto)  
**San Salvo** Strada Istonia, 13/15  
**Vasto** Via Giulio Cesare, 5

### Provincia di L'Aquila

#### L'Aquila

Via Corrado IV, 90/98  
Via Vicentini  
**Pizzoli** Corso Sallustio, 107/A

### Provincia di Pescara

#### Pescara

Via Michelangelo, 2  
Via Nazionale Adriatica Nord, 126  
Viale Marconi, 21  
Piazza della Marina, 4/8  
Via Fabrizi, 63 -  
ang. Via Campania, 34/38  
Vai Rieti, 37  
Via Pindaro  
(c/o complesso Piazza Accademia)  
**Montesilvano** Corso Umberto I -  
ang. Viale Europa

### Provincia di Teramo

#### Teramo

#### Alba Adriatica

Via Mazzini, 124  
Via Mazzini, 24 - ang. Via Duca degli  
Abruzzi

**Giulianova** Via Orsini, 3 -  
ang. Via Fosse Ardeatine

#### Nereto

**Roseto degli Abruzzi** Via Nazionale, 330

## Macroarea Territoriale Sud

## PUGLIA

### Provincia di Bari

#### Bari

Piazza Umberto I, 85 (Fraz. Carbonara)  
Via Napoli, 53/55 (Fraz. Santo Spirito)  
Via Bari, 27/c (Fraz. Torre a Mare)  
Via Toma, 12  
Viale Pio XII, 46-46/a  
Viale de Blasio, 18  
Corso Mazzini, 138/b  
Via Tridente, 40/42  
Via Calefati, 112  
Piazza Cesare Battisti, 1  
(c/o Università)  
**Acquaviva delle Fonti** Piazza Garibaldi, 49/52  
**Adelfia** Via G. Marconi, 11/a  
**Altamura** Via Maggio 1648, 22/b-22/c  
**Bitonto** Piazza della Noce, 14  
**Capurso** Via Torricelli, 23/25  
**Casamassima** Corso Umberto I, 48  
**Castellana Grotte** Piazza della Repubblica, 2

**Corato** Viale V. Veneto, 160/166 -  
ang. Via Lega Lombarda

**Gioia del Colle** Corso Garibaldi, 55

**Giovinazzo** Via G. Gentile, 1

#### Gravina in Puglia

Corso Vittorio Emanuele, 30/c  
**Grumo Appula** Via G. d'Erasmus, 12

**Modugno** Piazza Garibaldi, 109

**Mola di Bari** Piazza degli Eroi, 31

**Molfetta** Via Tenente Fiorini, 9

**Monopoli** Via Marsala, 2

**Noci** Largo Garibaldi, 51

**Noicattaro** Corso Roma, 8/10/12

**Polignano a Mare** Piazza Aldo Moro, 1

**Putignano** Via Tripoli, 98

**Rutigliano** Piazza XX Settembre, 8

**Ruvo di Puglia** Via Monsignor Bruni, 14

**Sannicandro di Bari** Piazza IV Novembre, 15

**Santeramo in Colle** Via S. Lucia, 78

**Terlizzi** Via Gorizia, 86/d

**Toritto** Piazza Aldo Moro, 48

**Triggiano** Via Carroccio, 5

**Turi** Via A. Orlandi, 15

**Valenzano** Via Aldo Moro

### Provincia di Barletta - Andria - Trani

**Andria** Piazza Marconi, 6/10

**Barletta** Piazza Caduti, 21

**Trani** Corso Italia, 17/b

**Bisceglie** Via Aldo Moro, 5

**Canosa di Puglia** Via Imbriani, 30/34

**Margherita di Savoia** Corso V. Emanuele, 23

### Provincia di Brindisi

**Brindisi** Corso Roma, 39

**Cisternino** Via Roma, 57

**Fasano** Via Forcella, 66

**Francavilla Fontana** Via Roma, 24

**Latiano** Via Ercole d'Ippolito, 25

**Mesagne** Via Melissa Bassi, 1

**Oria** Via Mario Pagano, 151

**Ostuni** Via L. Tamborrino, 2

**San Vito dei Normanni** Piazza Vittoria, 13

**Torre Santa Susanna** Via Roma, 38

### Provincia di Foggia

**Foggia** Viale Ofanto, 198/c

**Cerignola** Via Di Vittorio, 83

**Lucera** Via IV Novembre, 77

**Manfredonia** Corso Roma, 22/24

**San Giovanni Rotondo** Piazza Europa

**San Severo** Via Carso, 10

#### Sant'Agata di Puglia

Via XXIV Maggio, 119/121

**Troia** Via Vittorio Emanuele, 1

**Vico del Gargano** Via S. Filippo Neri, 10

### Provincia di Lecce

**Lecce** Viale Lo Re, 48

**Campi Salentina** Via Garibaldi, 6/8

**Casarano** Via F. Bottazzi -

ang. Via Alto Adige

**Galatina** Via Roma, 26

**Maglie** Piazza O. de Donno

**Nardò** Via Duca degli Abruzzi, 58

**Squinzano** Via Nuova, 25

**Trepuzzi** Corso Umberto I, 114

**Tricase** Via G. Toma, 30

**Veglie** Via Parco Rimembranze, 30

### Provincia di Taranto

#### Taranto

Corso Umberto I, 71

Corso Italia, 202

**Castellaneta** Via Fleming, 11

**Ginosa** Corso Vittorio Emanuele, 92

**Grottaglie** Via Matteotti, 72/78

**Laterza** Piazzale Saragat, 11

**Lizzano** Via Dante, 78

**Manduria** Via per Maruggio, 9

**Martina Franca** Via D'Annunzio, 34

**Massafra** Corso Italia, 27/29

**Palagianello** Via Carducci, 11

**San Giorgio Jonico** Via Cadorna, 11

## BASILICATA

### Provincia di Potenza

#### Potenza

Via Pretoria, 3

Via Angilla Vecchia, 5

**Genzano di Lucania** Corso Vittorio  
Emanuele, 180/184

**Lagonegro** Via Colombo, 25

**Lauria** Piazza Plebiscito, 72

**Marsicovetere** Via Nazionale, 53

(Fraz. Villa d'Agri)

**Melfi** Piazza Mancini Abele

**Rionero in Vulture** Via Galliano

#### Rotonda

Via dei Rotondesi in Argentina, s.n.c.

**San Fele** Via Costa, 12

**Senise** Via Amendola, 33/39

### Provincia di Matera

#### Matera

Via del Corso, 66

Via Annunziatella, 64/68

**Bernalda** Corso Umberto, 260

**Montalbano Jonico** Piazza Vittoria, 3

**Pisticci** Via M. Pagano, 25

**Policoro** Via G. Fortunato, 2

## CALABRIA

### Provincia di Cosenza

#### Cosenza

Via Caloprese

Via XXIV Maggio, 45

Corso Mazzini, 117

Via F. Migliori (c/o Ospedale)

Corso Telesio, 1

**Acri** Via Padula, 95

**Amantea** Via Elisabetta Noto, 1/3

#### Belvedere Marittimo - Marina

Via G. Grossi, 71

**Bisignano** Via Simone da Bisignano

**Cariati** Via S. Giovanni, 6

**Cassano allo Jonio** Corso Garibaldi, 30

**Castrovillari** Corso Garibaldi, 79/83

**Cetraro - Marina** Via Lucibello, 10/14

#### Corigliano Calabro - Scalo

Via Nazionale, 101/103

**Crosia** Via Nazionale, 74/80 (Fraz. Mirto)

**Diamante** Via Vittorio Emanuele, 77

**Fuscaldo** Via Maggiore Vaccari, 14

**Lago** Via P. Mazzotti, 10/12/14

**Lungro** Via Skanderberg, 86

**Montalto Uffugo** Via Manzoni, 57

(Fraz. Taverna)

**Mormanno** Via San Biase, 1

**Paola** Via del Cannone, 34

**Praia a Mare** Via Telesio, 2

#### Rende

Via A. Volta, 15 (Fraz. Quattromiglia)

Viale Kennedy, 59/e (Fraz. Roges)

**Roggiano Gravina**  
Via Vittorio Emanuele II, 136  
**Rogliano** Via Guarasci, 31  
**Rossano** Via G. Rizzo, 14  
**Rossano - Scalo** Via Nazionale, 9/15  
**San Demetrio Corone** Via D. Alighieri, 10  
**San Giovanni in Fiore** Via Gramsci  
**Scalea** Via M. Bianchi, 2  
**Spezzano Albanese**  
Piazza della Repubblica, 5/1  
**Torano Castello**  
Strada Provinciale Variante, 4  
**Trebisacce** Via Lutri, 146

## Provincia di Catanzaro

**Catanzaro**  
Piazza Indipendenza, 44  
Corso Mazzini, 177/179  
Via Nazario Sauro, 17 (Fraz. Lido)  
Via A. Lombardi - Area Metroquadro  
**Chiaravalle Centrale** Piazza Dante, 8  
**Girifalco** Via Milano  
**Lamezia Terme** Corso Nicotera, 135  
**Sersale** Via A. Greco  
**Soverato** Corso Umberto I, 167/169  
**Soveria Mannelli** Piazza dei Mille, 2

## Provincia di Crotone

**Crotone** Via Mario Nicoletta, 32  
**Cirò Marina** Via Mazzini, 17/19  
**Cotronei** Via Laghi Silani, 40  
**Petilia Policastro** Via Arringa, 178  
**Strongoli** Corso Biagio Miraglia, 115

## Provincia di Reggio Calabria

**Reggio Calabria**  
Corso Garibaldi, 144  
Viale Calabria, 197/199  
Via Argine Destro Annunziata, 81  
**Bagnara Calabra**  
Corso Vittorio Emanuele II, 167  
**Bianco** Via Vittoria, 52  
**Bova Marina** Via Maggiore Pugliatti, 2  
**Cinquefrondi** Via Roma, 24  
**Cittanova** Via Roma, 44  
**Gioia Tauro** Via Roma, 52 - ang. Via Duomo  
**Laureana di Borrello** Via IV Novembre, 9  
**Locri** Via Garibaldi, 71  
**Melito di Porto Salvo**  
Via Papa Giovanni XXIII  
**Monasterace Marina**  
Via Nazionale Jonica, 113/114  
**Palmi** Via Roma, 44  
**Polistena** Piazza Bellavista, 1  
**Rizziconi** Via Capitolo, 13  
**Roccella Jonica** Via XXV Aprile, 16  
**Rosarno** Corso Garibaldi, 28  
**Sant'Eufemia d'Aspromonte**  
Via Maggiore Cutri, 10/a  
**Siderno** Corso Garibaldi (Fraz. Marina)  
**Taurianova** Piazza Garibaldi, 17  
**Villa S. Giovanni** Viale Italia, 30

## Provincia di Vibo Valentia

**Vibo Valentia** Viale Matteotti, 23/25  
**Pizzo Calabro** Via Nazionale  
**Serra San Bruno** Via de Gasperi, 52  
**Tropea** Viale Stazione

## CAMPANIA

### Provincia di Napoli

**Napoli**  
Corso Amedeo di Savoia, 243  
Via Mergellina, 33/34

Via dell'Epomeo, 427/431  
Via Cesario Console, 3C  
Via Crispi, 2 - ang. Piazza Amedeo  
Piazza Vittoria, 7  
Galleria Vanvitelli, 42  
Via Santa Brigida, 36  
Via Santo Strato, 20/d  
Piazza Garibaldi, 127  
Via Caravaggio, 52  
Via Giovanni Manna, 11  
Piazza Giovanni Bovio, 6  
**Afragola** Corso Garibaldi, 38  
**Boscoreale** Via Papa Giovanni XXIII, 16  
**Cardito** Piazza S. Croce, 71  
**Casalnuovo di Napoli**  
Via Arcora Provinciale, 60  
**Cercola** Via Domenico Ricciardi, 284/286  
**Forio d'Ischia** Corso F. Regine, 24/25  
**Grumo Nevano** Via Cirillo, 78  
**Ischia Porto** Via A. de Luca, 113/115  
**Melito** Via Roma, 33/43  
**Monte di Procida** Corso Garibaldi, 20/22  
**Nola**  
Via Mario de Sena, 201  
Piazza Giordano Bruno, 26/27  
**Pozzuoli** Corso Vittorio Emanuele, 60  
**Qualiano** Via S. Maria a Cubito, 146  
**Quarto** Via Campana, 286  
**San Giuseppe Vesuviano** Via Astalunga, 1  
**Sant'Antimo** Via Cardinale Verde, 31  
**Torre del Greco**  
Corso Vittorio Emanuele, 77/79  
**Volla** Via Rossi, 94/100

### Provincia di Avellino

**Avellino** Via Dante Alighieri, 20/24  
**Montoro Inferiore** Via Nazionale, 161/167

### Provincia di Benevento

**Benevento** Piazza Risorgimento, 11/12  
**Buonalbergo** Viale Resistenza, 3  
**San Giorgio la Molara** Via S. Ignazio, 7/9  
**Telese** Viale Minieri, 143

### Provincia di Caserta

**Caserta**  
Piazza Vanvitelli, 20  
Via Douhet, 2/a (c/o Scuola Aeron. Milit.)  
**Alvignano** Corso Umberto I, 287  
**Aversa** Piazza Francesco Crispi, 2  
**Caiazzo** Via Attilio Apulo Caiatino, 23  
**Piedimonte Matese** Via Cesare Battisti  
**Pietramelara** Piazza S. Rocco, 18  
**Pietravairano** Via Padre Cipriani Caruso, s.n.c.  
**Santa Maria Capua Vetere**  
Via Pezzella Parco Valentino  
**Teano** Viale Italia  
**Vairano Patenora** Via della Libertà, 10  
(Fraz. Vairano Scalo)  
**Vitulazio** Via Rimembranze, 37

### Provincia di Salerno

**Salerno**  
Via S. Margherita, 36  
Via G. Cuomo, 29  
**Agropoli** Via Risorgimento - ang. Via Bruno  
**Angri** Via Papa Giovanni XXIII, 48  
**Baronissi** Corso Garibaldi, 197  
**Battipaglia** Via Salvator Rosa, 98  
**Campagna** Via Quadrivio Basso  
(Fraz. Quadrivio)  
**Castel San Giorgio** Via Guerrasio, 42  
**Cava dei Tirreni** Piazza Duomo, 2

**Eboli** Via Amendola, 86  
**Marina di Camerota** Via Bolivar, 54  
**Mercato San Severino**  
Corso Armando Diaz, 130  
**Minori** Via Vittorio Emanuele, 9  
**Nocera Inferiore** Via Barbarulo, 41  
**Pontecagnano** Piazza Risorgimento, 14  
**Roccapiemonte** Piazza Zanardelli, 1  
**Sant'Egidio del Monte Albino**  
Via SS. Martiri, 13 (Fraz. San Lorenzo)  
**Teggiano**  
Via Prov. del Corticato (Fraz. Pantano)

## MOLISE

### Provincia di Isernia

**Isernia**  
Via Dante Alighieri, 25  
Via XXIV Maggio, 175  
**Frosolone** Corso Vittorio Emanuele, 53  
**Montaquila** Via Taverna Ravindola, 30  
**Venafro**  
Via Campania, 69  
Corso Campano, 51

### Provincia di Campobasso

**Campobasso** Via Vittorio Veneto, 86  
**Bojano** Corso Amatuzio, 86  
**Larino** Via Jovine, 12  
**Termoli** Via Abruzzi



## ABRUZZO

### Provincia di Chieti

**Chieti**  
Via Aterno, 398 bis  
(Fraz. Brecciarola)  
Viale Benedetto Croce, 132  
(Fraz. Chieti Scalo)  
Piazza Martiri della Libertà, 1  
Via dei Vestini  
Piazza Garibaldi, 1  
**Archi** Via Nazionale, 26  
**Ari** Via della Liberazione, 11  
**Atessa**  
Viale Avv. Giovanni Agnelli, 10  
(c/o Sevel Spa)  
Corso Vittorio Emanuele, 120  
Via Saletti, 2  
**Bucchianico** Corso Pierantoni, 46  
**Casalbordino** Piazza Zimarino, 1  
**Casoli**  
Largo San Nicola, 1  
Loc. Selva Piana Ss.84 Frantana  
**Castelfrentano**  
Via Nazionale Frentana, 51  
**Celenza Sul Trigno** Corso Umberto, 60  
**Cupello** Via Istonia, 85/A  
**Fara Filiorum Petri** Piazza Municipio  
**Fara San Martino** Via Nazionale, 13  
**Fossacesia** Via Marina, 10  
**Francavilla Al Mare** Viale Nettuno, 100  
**Gissi** Piazza Alcide De Gasperi, 113  
**Guardiagrele** Piazza S. Maria Maggiore, 9  
**Lama Dei Peligni** Via Nazionale, 66  
**Lanciano** Via Vittorio Veneto, 28  
**Marina Di San Vito** Largo Olivieri, 4

**Miglianico** Via Roma, 70  
**Orsogna** Piazza Mazzini, 54  
**Ortona** Via Della Libertà, 33/A  
**Palmoli** Via Cavour (Pal. Marchesale)  
**Rapino** Via Maiella, 8  
**Ripa Teatina** Via N. Marcone, 145  
**Roccaspinalveti** Via Roma  
**San Giovanni Teatino**  
Corso Italia, 109  
(Fraz. Sambuceto)  
**San Salvo**  
Via Marisa Bellisario, 75  
(c/o Denso Spa)  
Via Roma, 73  
**Schiavi D'Abruzzo** Via Abruzzo, 3  
**Tollo** Via Roma, 80  
**Torino Di Sangro** Piazza Donato Iezzi, 9-10  
**Torricella Peligna** Corso Umberto I, 22  
**Vasto**  
Via Cavour, 26  
Corso Mazzini, 194/196  
**Villa Santa Maria** Viale Della Vittoria, 1

**Provincia di L'Aquila**  
**L'Aquila** Corso Federico II  
**Sulmona** Corso Ovidio, 105

**Provincia di Pescara**  
**Pescara**  
Piazza Della Rinascita  
Viale Pindaro  
Via Chieti  
Via D'Avalos, 61  
Via Gobetti, 102/108  
Viale Bovio, 77  
**Montesilvano** Corso Umberto, 391

**Provincia di Teramo**  
**Teramo** Piazza Sant'Agostino, 9  
**Giulianova** Via Galileo Galilei, 83/91  
**Tortoreto** Via Nazionale Adriatica, 116

**LAZIO**  
**Roma**  
Via Parioli, 45  
Via Leone IV, 119/123

**LOMBARDIA**  
**Milano** Corso di Porta Romana, 131

**MARCHE**  
**San Benedetto del Tronto**  
Via Enrico Dandolo, 7

**UMBRIA**  
**Perugia** Via Pietro Soriano, 69

**IWBank**  
PRIVATE INVESTMENTS

[www.iwbank.it](http://www.iwbank.it)

**LOMBARDIA**  
**Milano**  
Via Silvio Pellico, 10/12  
Piazzale Fratelli Zavattari, 12  
**Cremona** Via Rialto, 20  
**Monza** Via Girolamo Borgazzi, 7

**TOSCANA**  
**Firenze** Viale G. Matteotti, 42  
**Arezzo** Via XXV Aprile, 28-28/a  
**Grosseto** Via Giacomo Matteotti, 32  
**Livorno** Via Scali d'Azeglio, 46/50 -  
ang. Via Cadorna  
**Pisa** Via G.B. Niccolini, 8/10

**CAMPANIA**  
**Napoli** Via A. Depretis, 51  
**Pomigliano d'Arco** Via Ercole Cantone, 105  
**Caserta** Corso Trieste, 170  
**Salerno** Via SS. Martiri Salernitani, 25

**ABRUZZO**  
**L'Aquila** Via F. Savini  
**Pescara** Piazza Rinascita, 6/9

**LAZIO**  
**Roma**  
Piazza Giuliano della Rovere, 9-11/a  
(Fraz. Lido di Ostia)  
Via Vincenzo Bellini, 22

**LIGURIA**  
**Genova** Via XX Settembre, 33

**PIEMONTE**  
**Torino** Corso Re Umberto I, 47

**PUGLIA**  
**Bari** Via Nicolò dell'Arca, 9-9a

# Calendar of corporate events of UBI Banca for 2018

Date	Event
6 <sup>th</sup> March 2018	Supervisory Board: approval of the draft separate company and the draft consolidated financial statements for 2017
6 <sup>th</sup> April 2018 (single call)	General Meeting of the Shareholders
10 <sup>th</sup> May 2018	Approval of the Interim financial report as at and for the period ended 31 <sup>st</sup> March 2018.
21 <sup>st</sup> May, 22 <sup>nd</sup> May and 23 <sup>rd</sup> May 2018	Ex-dividend date, record date and payment date respectively of the dividend if approved by the Shareholders' Meeting.
3 <sup>rd</sup> August 2018	Approval of the Interim Financial Report as at 30 <sup>th</sup> June 2018
8 <sup>th</sup> November 2018	Approval of the Interim financial report as at and for the period ended 30 <sup>th</sup> September 2018.

The dates of the presentations of accounting data to the financial community will be communicated from time to time during the course of the financial year.

## **Contacts**

*All information on periodic financial reporting is available on the website [www.ubibanca.it](http://www.ubibanca.it)*

*Investor Relations:*

*Tel. 035 392 2217*

*Email: [investor.relations@ubibanca.it](mailto:investor.relations@ubibanca.it)*

*Media Relations:*

*Tel. 02 7781 4213 / 02 7781 4938*

*Email: [media.relations@ubibanca.it](mailto:media.relations@ubibanca.it)*

*Corporate Affairs and Relations with Authorities:*

*Tel. 035 392 2312 / 035 392 2155*

*Email: [soci@ubibanca.it](mailto:soci@ubibanca.it)*