

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

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

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

Financial year: 2018

Date: 7<sup>th</sup> February 2019



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## Glossary

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI (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:** the Italian Civil Code.

**Regulations concerning risk assets and conflicts of interest with connected persons:** 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.

**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 year:** the financial year to which this report relates.

**Consob Issuers' Regulations/Issuers' Regulations:** the regulations for issuers 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).

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

**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:** 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 subsequent implementation provisions and also pursuant to Bank of Italy Supervisory Regulations is available in accordance with the law at the registered address of the Bank, 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).

\* \* \*

## INTEGRATION OF THE NETWORK BANKS INTO UBI BANCA

The project to integrate the banks acquired in May 2017 into UBI Banca was completed in February 2018.

This project was carried out in accordance with the following schedule:

- the merger of Banca Adriatica and CARILO - Cassa di Risparmio di Loreto was concluded on 23<sup>rd</sup> October 2017;
- the merger of Banca Tirrenica and Banca Federico del Vecchio was concluded on 27<sup>th</sup> November 2017;
- the merger of Banca Teatina was concluded on 26<sup>th</sup> February 2018.

\* \* \*

## DEVELOPMENTS IN GOVERNANCE

As already stated in the 2017 Report, on 12<sup>th</sup> December 2017 the Supervisory Board approved guidelines for the revision of governance involving the adoption of a one-tier system of management and control in place of the two-tier system because it is:

- (i) more familiar since it is widely used internationally;
- (ii) more efficient in terms of organisation; and
- (iii) able to maintain a strong focus on the control function, located within the Board, with the consequent participation of the said function in strategic decision making and the management of the Company.

The text of the new Articles of Association approved by the Management and Supervisory Boards within their respective remits and which received authorisation from the European Central Bank on 24<sup>th</sup> August 2018 was approved by an Extraordinary Shareholders' Meeting on 19<sup>th</sup> October 2018.

More specifically, the new Articles of Association, consisting of 38 articles, provide for a Board of Directors composed of 15 members, five of whom are also members of the Management Control Committee.

One of the changes in the new Articles of Association, in compliance with the Corporate Governance Code, regards the transitional nature of the provisions introduced by Law No. 120 of 12<sup>th</sup> July 2011 (the "Golfo-Mosca Law") on parity between genders. It has been decided that the composition of the Board must in any case ensure a balance between genders, that is to say even after the specific period set by the law cited.

The new provisions of the Articles of Association will take effect when the first renewal of the governing bodies to which they apply takes place, with the exception of articles 20, 21 and 22 (concerning requirements and submission procedures for the slates for the appointment of

members of the Board of Directors) which will become applicable from the date on which the Shareholders' Meeting called to vote on the appointment of new governing bodies is convened.

The process for the adoption of the new governance system, which involves the revision, in progress, of policies and internal procedures, will be concluded by the time of the 2019 Annual General Meeting, which will appoint board members for the following three-year term of office, on the basis of the rules of the new corporate governance system.

For further information on the characteristics of the one-tier management and control model and the new Articles of Association approved by the Extraordinary General Meeting of the Shareholders of UBI Banca held on 19<sup>th</sup> October 2018, see the documentation available on the Bank's website (www.ubibanca.it – Shareholders Section – October 2018 Shareholders' Meeting).

\* \* \*

It should be noted that all the information given in this report refers to the Articles of Association in force at the reporting date.

\* \* \*

## 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:

- policy, strategic supervision and control functions assigned to the Supervisory Board, which combines some of the 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);
- 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 assign them to the aforementioned corporate bodies which, within 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 in relation to each aspect of management for every organisational unit.

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 and Supervisory Boards 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 shows 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 respectively of this report.

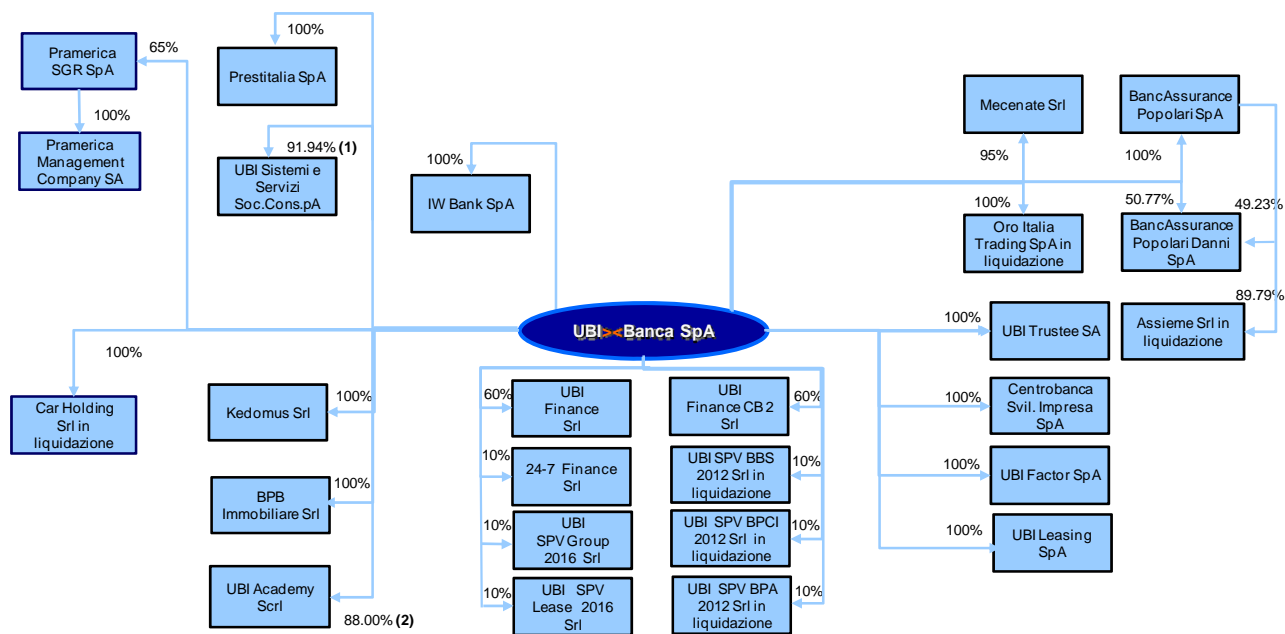
As a significant supervised entity, UBI Banca is under the direct supervision of the European Central Bank, which has specific tasks relating to the prudential supervision of credit institutions as part of the Single Supervisory Mechanism, including specific checks on the presence of solid principles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

UBI Banca is the Parent of the Unione di Banche Italiane Group with a listed Parent,; it 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 2018:

## UBI Banca Group of Companies as at 31<sup>st</sup> December 2018



(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 such as the Charter of Values, Code of Ethics and 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, prepared in accordance with the policy for the preparation and publication of the consolidated non-financial statement of the UBI Banca Group pursuant to Legislative Decree No. 254/2016 and the relative implementing regulation.

The Management Board approves the consolidated non-financial statement pursuant to Legislative Decree No. 254/2016 and submits it to the Supervisory Board which as part of the functions assigned to it by law, oversees compliance with the provisions of the law that regard the preparation of that document.

As a separate document, the consolidated non-financial statement forms an integral part of the consolidated management report.

Committees which oversee specific issues have been created within the Supervisory Board. These include the Risk Committee, the central body for the periodical verification of project activities together with the broader supervision of sustainability issues associated with business activities, together with the functions previously performed by the Appointments Committee<sup>1</sup>.

The environmental and social aspects of operations – and the related risks and opportunities – fall specifically within the responsibilities overseen by the Risk Committee and by the entire Supervisory Board as part of the Reputational Risk Policy and reporting to stakeholders (Non-financial statement/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 and Management Boards as well as the Chief Executive Officer, but 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. A special process for consultation with stakeholders for the preparation of the materiality matrix representing the strategic priorities of the Group in relation to sustainability is governed as part of the preparation process for the consolidated non-financial statement. The Supervisory Board is informed of the results and significant concerns that were found by means of internal reporting processes (including activities relating to the consolidated non-financial statement pursuant to Legislative Decree 254/2016 - Sustainability Report).

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<sup>1</sup> Pursuant to Art. 2.1 of the relative Regulation (published on the Bank's website, in the Corporate Governance Section), the Appointments Committee:

- monitors the updating of corporate governance rules and principles of conduct that may be adopted by the Parent Bank and its subsidiaries, whilst also taking account of developments in this field at the national and transnational levels;
- assesses the adequacy of commitments made on issues of corporate social responsibility;
- supervises matters of sustainability associated with business activities and with the development of interactions with stakeholders.

## **2) Information on the ownership structure (pursuant to Art. 123-bis, paragraph 1 of the Consolidated Finance Law) as of 7<sup>th</sup> February 2019**

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

On 31<sup>st</sup> December 2018, and also on 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 reported in the UBI Banca interim financial report of 30<sup>th</sup> September 2018, on the basis of an update of reports received from financial intermediaries, shareholders of UBI Banca numbered approximately 139,000 when the dividend for 2018 (for the financial year 2017) was paid.

Information on current incentive schemes based on financial instruments, relating to the short-term (annual) incentive schemes launched from 2014 to 2018 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 Remuneration Report.

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 (Art. 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% on the date of this report:

- **Fondazione Cassa di Risparmio di Cuneo:** 5.910% (declared on 29/6/2017);
- **Silchester International Investors LLP:** 5.123% (declared on 04/11/2015), stake held as part of its discretionary investment management (1);
- **Banca del Monte di Lombardia Foundation:** 4.959% (declared on 7/12/2017) (2).
- **Capital Research and Management Company (U.S.):** 4.8733% (declared on 28/9/2018), stake held as part of its discretionary investment management.

In the same report, the company also disclosed that it held a potential investment of 0.0175% in relation to shares subject to stock lending contracts where the loan may be called at any time at the discretion of the lender;

- **HSBC Holdings Plc** (indirect): 4.236% (of which 4.189% relating to HSBC Bank Plc) (reported on 9/10/2018). The declarant has opted for the exemption provided for under Art. 119-bis, paragraph 4 of the Issuers' Regulations.

(1) *On the basis of reports received relating to receipt of the 2018 dividend, Silchester holds an 8.10% stake in the share capital of UBI Banca.*

(2) *On the basis of reports received relating to receipt of the 2018, dividend, this foundation held a 3.95% stake in the share capital of UBI Banca.*

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 he held indirectly through the subsidiary management company, Parvus Asset Management Europe Ltd 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.

It must in any case be considered that the percentage interests reported may no longer be those actually held if a change has occurred in the meantime which does not involve disclosure obligations in accordance with the applicable regulations.

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) Shareholding by employees: exercise of 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.

#### **g) Shareholders' agreements known to UBI Banca in accordance with Art. 122 of the Consolidated Finance Law (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** (Pact of the Thousand) together with an extract from the said 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 legislation and 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.

*Patto dei Mille* governs prior consultation between the holders of the syndicated shares (Art. 122, paragraph 5, letter a of the Consolidated Finance Law), the exercise of voting rights attaching to the syndicated shares (Art. 122, paragraph 1 of the Consolidated Finance Law) 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 *Patto dei Mille*.

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

On the basis of the latest communication made, on 23/07/2018 91 shareholders had adhered to *Patto dei Mille*; they have bound 35,563,830 ordinary shares to the said Pact accounting for 3.108% of the total voting rights representing the share capital of UBI Banca.

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 the said 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 legislation and 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 Pact governs the submission of a slate 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 Law), the obligation of prior consultation between the holders of the syndicated shares (Art. 122, paragraph 5, letter a of the Consolidated Finance Law) and also some limits on the circulation of those shares (Art. 122, paragraph 5, letter b of the Consolidated Finance Law).

At the time of its expiration, due on 10<sup>th</sup> February 2019, the Syndicate Pact is tacitly renewed 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. On the basis of the latest communication received on 4<sup>th</sup> February 2019, since there have been no withdrawals, the life of the Syndicate Pact is extended by three years until 10<sup>th</sup> February 2022.

On the basis of the extract published on 4<sup>th</sup> February 2019 in the daily newspaper “*Il Quotidiano Nazionale*”, on 30/01/2019, following a resolution of a General Meetings of Group Leaders the following changes were made to the Syndicate Pact, in addition to the indication of the new life of the Syndicate Pact:

- (i) Substitution of the reference to the Supervisory Board with that to the Board of Directors, due to amendments made to the Articles of Association of UBI Banca and to the governance model adopted by the Bank;
- (ii) A statement that the term of office of the members of the bodies of the Syndicate shall be for the period laid down by the resolution of the shareholders’ resolution that appoints them;
- (iii) An amendment to the article relating to the possibility of the replacement of the Parent;
- (iv) The elimination of the transitional provision.

On the date of the entry into force of the aforementioned changes (30<sup>th</sup> January 2019) a total of 143,492,113 ordinary shares, accounting for 12.54% of the total voting rights representing the share capital of UBI Banca had been brought to the Syndicate Pact by 173 shareholders (the Participants). Amongst the parties who have adhered to the Syndicate Pact the following own more than 1% of the share capital of UBI Banca:

- Fondazione Banca del Monte di Lombardia, which syndicated 40,048,558 shares (3.50% of the shares with voting rights and 27.91% of those syndicated) and which holds a further 5,163,669 shares (0.45% of the shares with voting rights);
- Upifra S.A., which syndicated 9,000,000 shares (0.79% of the shares with voting rights and 6.27% of the syndicated shares) and holds a further 2,726,202 shares (0.24% 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 Law for the formation, filing and vote of a slate, 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 on the occasion of the Shareholders’ Meeting convened for 2<sup>nd</sup> April 2016, between:

- *Sindacato Azionisti UBI Banca S.p.A.*
- *Patto dei Mille;*
- *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 at 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 in the Shareholders’ Meeting of UBI Banca S.p.A. convened for 7<sup>th</sup> April 2017, in accordance with Art. 122, paragraph 1 of Legislative Decree No. 58/1998”**

In particular the following adherents to the shareholders’ pacts:

- *Sindacato Azionisti UBI Banca S.p.A.,*
- *Patto dei Mille*

formed an agreement having the status of a shareholders’ voting pact on 16<sup>th</sup> March 2017, in accordance with Art. 122, paragraph one of Legislative Decree 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 Syndicate Pact 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 Syndicate Pact.

The candidate that was presented and voted on as a result of the agreement is *Dott. Ferruccio Dardanello*, born at Mondovì on 29<sup>th</sup> June 1944.

The duration of the Agreement was set until the end of the proceedings of the Shareholders’ Meeting of UBI Banca held on 7<sup>th</sup> April 2017.

On **23<sup>rd</sup> November 2018** UBI Banca received a communication concerning the formation on 22<sup>nd</sup> November 2018 of an **“Agreement concerning the exercise of voting rights in the Shareholders’ Meeting convened for 14<sup>th</sup> December 2018 of UBI Banca S.p.A., in accordance with Art. 122, paragraph one of Legislative Decree No. 58/1998”**.

In particular the following adherents to the shareholders’ pacts:

- *Sindacato Azionisti UBI Banca S.p.A.*
- *Patto dei Mille*

and

- *Fondazione Cassa di Risparmio di Cuneo.*

formed an agreement having the status of a shareholders’ voting pact on 22<sup>nd</sup> November 2018, in accordance with Art. 122, paragraph one of the Consolidated Finance Law, for the presentation and vote of a candidate to the office of member of the Supervisory Board of UBI Banca on the occasion of the Shareholders’ Meeting convened for 14<sup>th</sup> December 2018.

The agreement is between an overall group of 264 shareholders representing 246,157,311 shares accounting for 21.518% of the share capital of the Bank.

Of those parties who had 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 67,601,368 shares of UBI Banca (5.91% of UBI Banca shares);
- Fondazione Banca del Monte di Lombardia which holds 45,212,227 shares (3.95% of UBI Banca shares), stating that 40,048,558 shares have been pledged to Sindacato Azionisti UBI Banca S.p.A.;
- Upifra S.A. which holds 11,726,202 shares (1.024% of UBI Banca shares), stating that 9,000,000 shares have been pledged to Sindacato Azionisti UBI Banca S.p.A.;

The candidate that was presented and voted on as result of the agreement is Alberto Carrara born in Bergamo on 9<sup>th</sup> March 1961.

The duration of the Agreement was set until the end of the proceedings of the Shareholders’ Meeting of 14<sup>th</sup> December 2018 of UBI Banca.

**On 20<sup>th</sup> December 2018** UBI Banca received a communication concerning the formation on 18<sup>th</sup> December 2018 of an **Agreement concerning the consultation and possibly the presentation and vote of a slate for the appointment of the Board of Directors of UBI Banca S.p.A. at the Shareholders’ Meeting that will be convened within 120 days of the end of the financial year 2018, in accordance with Art. 122, paragraph one of Legislative Decree No. 58/98.**

In particular the following adherents to the shareholders’ pacts:

- *Sindacato Azionisti UBI Banca S.p.A.*
- *Patto dei Mille*

and

- *Fondazione Cassa di Risparmio di Cuneo.*

have formed an agreement for consultation aimed at drawing up and possibly subsequently presenting and voting for a slate for the nomination of the Board of Directors of UBI Banca at a Shareholders’ Meeting of that Bank which will be convened in the first months of 2019 and which, amongst other things, will have the nomination of the Board of Directors on its an agenda, as provided for by provisions of the Articles of Association approved by an Extraordinary Shareholders’ Meeting held on 19<sup>th</sup> October 2018.

The agreement is between an overall group of 264 shareholders representing 246,157,311 shares accounting for 21.518% of the share capital of UBI Banca S.p.A.

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 67,601,368 shares of UBI Banca, representing 5.91% of the share capital;
- Fondazione Banca del Monte di Lombardia which holds 45,212,227 shares (3.95% of UBI Banca shares), of which 40,048,558 shares have been pledged to the Sindacato Azionisti UBI Banca S.p.A.;
- Upifra S.A., which holds 11,726,202 shares (1.024% of the UBI Banca shares) of which 9,000,000 pledged to the Sindacato Azionisti UBI Banca S.p.A.

The duration of this Agreement is from the date of its signing until the end of the proceedings of the Shareholders' Meeting of UBI Banca convened to appoint the Board of Directors, without prejudice to the right of the Parties to withdraw from it with a notification sent by registered letter with advice of receipt to the other parties.

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 called "**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 Law and 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)".
- a letter of 19<sup>th</sup> June 2012 was received concerning the constitution of an association called "**Amici della Banca Regionale Europea e del Gruppo UBI**", located at Cuneo;
- a letter was received concerning the constitution on 29<sup>th</sup> October 2012 of an association called "**Insieme per UBI Banca**", located in Milan;
- a letter of 27<sup>th</sup> February 2013 was received concerning the constitution of an association called "**Associazione Soci UBI Centro-Sud**", located in Rome;
- a letter of 28<sup>th</sup> February 2013 was received concerning the constitution of an association called "**Associazione Soci Lombardi UBI Banca**" also known as "ASSOLUBI", located in Brescia;
- notification was received on 15<sup>th</sup> March 2013 concerning the constitution on 7<sup>th</sup> October 2011 of the "**Associazione Azionisti Banche Popolari 2011**".

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) Change of control clauses (pursuant to Art. 123-bis, paragraph 1, letter h) of the Consolidated Finance Law) and provisions of the Articles of Association concerning public tender offers to purchase (pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1 of the same law)**

The shareholders' agreement currently in force signed on 3<sup>rd</sup> July 2018 by UBI Banca and the Prudential USA concerning the joint venture, Pramerica SGR S.p.A. (the "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) Powers 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.

At the date of this report UBI Banca holds a total of 7,861,190 treasury shares (being 0.69% 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 6,053,970 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>2</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 neither 10% higher nor 10% 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 2017 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 2017-2019/20 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.

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<sup>2</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 7,214,341 UBI Banca shares of which a total of 1,160,371 shares had been granted on the date of publishing this report.

On 5<sup>th</sup> October 2018 UBI Banca, in implementation of a shareholder resolution dated 7<sup>th</sup> April 2017, completed the programme to purchase treasury shares at the service of the short and long-term incentive schemes for "Identified Staff" of the Group, launched on 4<sup>th</sup> October 2017 and 1<sup>st</sup> October 2018 respectively. At the date of this report, a total of 3,726,931 ordinary UBI Banca shares have been purchased at the service of the above incentive schemes.

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).

On 6<sup>th</sup> April 2018 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 neither 10%, higher nor 10% 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 €6 million to cover the 2018 short-term incentive scheme for "Identified Staff";
- b. a maximum value amounting to approximately €2.5 million as an increase to the maximum value over the course of the Scheme approved by the Shareholders' Meeting on 7<sup>th</sup> April 2017 for the long-term incentive scheme for "Identified Staff".

On 19<sup>th</sup> December 2018 UBI Banca, in implementation of a shareholder resolution dated 6<sup>th</sup> April 2018, started a programme to purchase treasury shares at the service of the short and long-term incentive scheme for "Identified Staff" of the Group. At the date of this report, a total of 1,440,410 ordinary UBI Banca shares have been purchased at the service of the above incentive schemes.

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 Civil Code)**

The Issuer is not subject to management and co-ordination activities within the meaning of Art. 2497 et seq. of the Civil Code.

\* \* \*

As concerns possible further information:

- information required by Art. 123-*bis*, paragraph 1, letter i) of the Consolidated Finance 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 Finance Law 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>), 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 one 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 (or to comply with 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 Law 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 amongst 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 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 who have not acquired that professional experience may also be elected provided that:

- they are or have been tenured university professors for at least five years in the subjects of law, economics, mathematics, statistics, or management engineering;
- they 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 slates 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 slate of candidates ordered consecutively by number, containing between a minimum of two and a maximum of 15 names.

By executive order 13 dated 24<sup>th</sup> January 2019 of the Manager of the Corporate Governance Division the Consob set the minimum percentage of the share capital required at UBI Banca for the presentation of slates of candidates for election to the management and supervisory bodies at 1%.

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

Each candidate may be entered in just one slate under penalty of ineligibility.

Slates 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 on only one slate.

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

- a) if one or more slates 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 slate 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 slate that obtained the majority of the votes and one member of the Supervisory Board is taken from the slate which received the second greatest number of votes;
- b.2) if the slate 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 slate which received the majority of the votes and two members of the Supervisory Board shall be taken from the slate which received the second greatest number of votes;
- b.3) if the slate 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 slate which received the majority of the votes and three

members of the Supervisory Board shall be taken from the slate which received the second greatest number of votes.

If, after identifying the candidates to be taken from the two slates which received the majority of the votes on the basis of the order in which they are indicated on the slates 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 Art. 36 of the Articles of Association are not complied with, then those members of the Supervisory Board taken last from the aforementioned slates 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 slate 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 slate 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 Art. 36 of the Articles of Association shall be taken from each slate in proportion to the total number of candidates elected on each slate according to the results of the voting. In this event, if the minority slate 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 Art. 36 of the Articles of Association the candidates to be appointed shall be taken from the slate that obtained the greatest number of votes only.

If only one slate 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 slate.

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 slate 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 slates obtain an equal number of votes, those slates 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 slate that obtains a majority of votes, or on the only slate presented or to the members appointed as such by the Shareholders' Meeting if no slate 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 slate, the first candidate not elected on that slate 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 slate 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 slate must be replaced the following procedure is employed:

- if only one Board Member has been appointed from the minority slate, then the first candidate not elected on the slate 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 slates 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 slate, their replacements shall be taken from the slate from which the members to be replaced were drawn or in the absence of such a candidate from any other minority slates 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 slate 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 Art. 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, in accordance with 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 Art. 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 Art. 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 the share capital or to issue convertible bonds that may have been granted by a Shareholders' Meeting pursuant to Art. 2443 and/or to Art. 2420-*ter* of the 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 Law;
- h) reports in writing to the Shareholders' Meeting called pursuant to Art. 2364-*bis* of the 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) stipulations 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 Art. 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 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 Art. 2436 of the Civil Code, for resolutions concerning:

- a) the opening and closing down of secondary offices;
- b) reducing the share capital if a Shareholder withdraws from the Bank;
- 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 Art. 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 Chairwoman 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 slates were presented:

- **Slate 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

- **Slate 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 slate have declared irrevocably that they do not intend to take up the position of Chairman or Senior Deputy Chairman if their slate receives the majority of the votes.

The “Asset Management Companies and Institutional Investors” slate received the majority of the votes cast in the Shareholders’ Meeting, accounting for 51.11% (222,870,130 shares) while the slate 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" slate 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" slate were thus elected on the basis of the slate 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 slate 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 slate 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 slate 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 resignations:

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

In this regard it should be noted that the resigning member of the Supervisory Board had been appointed by a 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 articles 37.17 part one and 37.19 of the Articles of Association that regulate cases in which places are vacated by a Board Member elected in a slate did not apply.

*Dott.* Dardanella was thus appointed as a Board Member with a relative majority vote without the obligation for a slate provided for by the Articles of Association themselves (with a vote in favour of approximately 92.4% of the share capital present).

The candidature of *Dott.* Dardanella, 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* on 16<sup>th</sup> March 2017.

- of *Dott. Lorenzo Renato Guerini* from the Supervisory Board in October 2018, the Shareholders' Meeting, in a meeting held on 14<sup>th</sup> December 2018, appointed *Dott. Alberto Carrara* 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 a 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 articles 37.17 part one and 37.19 of the Articles of Association that regulate cases in which places are vacated by a Board Member elected in a slate did not apply.

*Dott. Carrara* was thus appointed as a Board Member with a relative majority vote without the obligation for a slate provided for by the Articles of Association themselves (with a vote in favour of approximately 99.7% of the share capital present).

The candidature of *Dott. Carrara*, filed on 22<sup>nd</sup> November 2018, had been presented by the shareholders *Dott. Matteo Zanetti* (1,000,000 UBI Banca shares), *Dott. Paolo Zanetti* (1,649,930 UBI Banca shares), *Quattro Luglio srl* (5,167,139 shares), *Scame srl* (6,850,000 shares), *Nuova Fourb srl* (5,000,000 shares), *Mar.Bea Srl* (4,310,000 shares), *Fondazione Banca del Monte di Lombardia* (45,212,227 shares) and *Fondazione Cassa di Risparmio di Cuneo* (67,601,368 shares) in implementation of the Pact entered into on 22<sup>nd</sup> November 2018 between Sindacato Azionisti UBI Banca S.p.A., *Patto dei Mille* and *Fondazione Cassa di Risparmio di Cuneo*.

Board Members *Dott. Dardanello* and *Dott. Carrara* will remain 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 Art. 2364-*bis* of the Civil Code, after the end of the financial year.

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	Alberto Carrara	Board Member
9	Ferruccio Dardanello	Board Member
10	Alessandra Del Boca	Board Member
11	Giovanni Fiori	Board Member
12	Patrizia Michela Gianguialano	Board Member
13	Paola Giannotti	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 (as applicable) 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 material sent shall be decided from time to time by the Chairman 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 the year over 85% of documents were made available more than four 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 archiving 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. During the year 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 Compliance Officer, Chief Audit Executive and the Anti-Money Laundering and Investigations Officer with Responsibility for Suspicious Transactions (formerly the Anti-Money Laundering Officer), as well as other senior managers whose attendance was considered advisable 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 majority of the Directors in office must be present in order for the meetings to be valid.

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 Art. 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 20 times and the average length of meetings was around four hours and forty minutes.

We also report that the Supervisory Board has planned eight meetings, of which three have already been held, for the first quarter of 2019, up to the date of the Shareholders' Meeting for the renewal of the governing bodies.

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.

More specifically, following its appointment and in accordance with the relevant regulations in force, the Supervisory Board fully ascertained that the requirements for integrity, professionalism, independence and overall suitability for the position were met by all its members<sup>3</sup>.

The Supervisory Board verifies the independence of the individual board members on an annual basis. During this verification (most recently performed on 16<sup>th</sup> October 2018), as well as in compliance with the provisions of the supervisory regulations, an analysis of the lending relationships between each Board Member and the Group was carried out with the assistance of the Appointments Committee. The position of the board members concerned within the UBI Banca S.p.A. Shareholders' Syndicate was also assessed.

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 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 out of 15 members of the Supervisory Board were found to be independent with regard also to the requirements of the aforementioned Code.

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<sup>3</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 (i) 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 and (ii) following the meeting of 20<sup>th</sup> December 2018, with regard to the outcome of the assessment concerning the appointment of *Dott.* Carrara as a Member of the Supervisory Board by the Shareholders' Meeting of 14<sup>th</sup> December 2018.

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.

### **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 one who had resigned and again, more recently, in December, following the appointment by the Shareholders' Meeting of 14<sup>th</sup> December 2018 of another new Board Member to replace 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 this respect, with reference to gender, it should be noted that the new Articles of Association approved by the Shareholders' Meeting on 19<sup>th</sup> October 2018 in relation to the forthcoming adoption of the one-tier management and control model, require each slate to be made up of candidates representing both genders, so that at least a third of the candidates belongs to the less represented gender.

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, 53% of them are between 50 and 60, 20% between 60 and 70 and 20% are over 70 years old.

The members of the Supervisory Board have a varied background including considerable professional, financial, legal, managerial and entrepreneurial experience.

In view of the appointment of the new Board by the 2019 Annual General Meeting on the basis of the one-tier model, the outgoing Board has recommended that when selecting candidates account should also be taken of the adequacy of the composition of the Board of Directors and of the Management Control Committee as a whole, in order to foster discussion and dialogue within the corporate bodies, to encourage the generation of different approaches and perspectives in the analysis of issues and decision making and to provide effective support for the company processes of formulating strategies, management and risk activities and control over the work of senior management, taking into account the multiple interests that contribute

to the sound and prudent management of the Bank. More specifically, the principles and criteria referred to in paragraphs 67-72 of the EBA/ESMA Guidelines are taken into consideration for the purposes of the adequate collective composition of the corporate bodies.

#### Self-assessment process

The assessment process is set out in the “UBI Banca Group Governing Body 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 2018, at the end of the three-year mandate of the Board, was performed with the consultancy support of Korn Ferry, which had already assisted the Company with the process carried out for 2016 and 2017. The consultant was chosen subject to a positive assessment of their independence and for this reason a check was made to verify that they do 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 outside consultants and for the preliminary examination of the outcomes of the process to be submitted to Supervisory Board for its analysis.

In this regard the Supervisory Board agreed with the approach put forward by the Appointments Committee concerning the additional use of the self-assessment for the last year of the mandate as a potential tool for formulating recommendations on the qualitative and quantitative profile of the future Board of Directors, with account taken of the need for adequate diversification of expertise, experience, age, gender, international range and of course the demands of the single Board in the one-tier model, having taken into account the balancing effect of non-executive and independent members on its composition.

The self-assessment carried out by the Supervisory Board for 2018, with the support of questionnaires and individual interviews provided by the consultant, was performed with reference, amongst other things, to the following areas of analysis: a clear understanding on the part of the Board and its members of its scope, role and responsibilities; possession of the appropriate skill set and experience within the Board for it to perform its mandate; appropriate interactions amongst board members and between the board members and management; the effective performance by the Board of its tasks and responsibilities; secretarial, training and IT support to the Board; the functioning of the committees and the effective coverage of the matters within their remit in order to assist the Board with guaranteeing good corporate governance.

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

More specifically, the analysis showed that the Bank has been able to achieve some significant results such as the change to a one-tier model, the adoption of advanced conflict of interest policies, the change to a Single Bank together with the merger of three banks (Banca Etruria, Banca Marche and Cassa di Risparmio di Chieti), as well as the adoption of internal regulations to meet conflict of interest and fit and proper requirements, acknowledged within the Italian banking sector as advanced practice.

The outcome of the self-assessment is entirely consistent with the significant governance development process that has led to the decision to adopt the one-tier model, which will make it possible to address the attention points that arose, including:

- resolving the remaining overlaps between the activities of the Management Board and the Supervisory Board;
- the need for alignment in relation to the clarity of the mandate of board members and their changing skill sets;
- the increasing strategic importance of IT and the associated need for close oversight on the part of the Board.

The latter two aspects, in particular, are discussed in the new document on qualitative and quantitative composition for the election of the new Board.

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 Management and Supervisory Boards have been held on "Conflicts of Interest", "Updating the 231 Model", "Non-financial reporting and strategic planning processes", "MREL and Resolution Plan", "Internal Models and TRIM", "In-depth review of performance in business segments", Performance measurement metrics - RORAC and EVA", "Positioning of the UBI Group (market share)", " Benchmark and best practice on the qualitative and quantitative composition of boards" and "Strategic reflections on the insurance field". Ad hoc induction sessions were also held to support newly appointed board members during the mandate.

The appointment of a Lead Independent Director is not envisaged because the conditions set out 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 Art. 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, as recommended by the Corporate Governance Code, they are composed 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 Parties and Connected Persons 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 Civil Code and Consob Related Parties Regulation; (ii) "Regulations to govern transactions with persons 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 persons" and, from 2<sup>nd</sup> November 2018, the new Single Regulation (as defined below).

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.

Each committee is governed by special regulations which determine its 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 board members drawn from the "Lista SGR e Investitori Istituzionali" slate and two of them are chaired by board members from the same slate.

## **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 are 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. 5 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 in the Corporate Governance/Supervisory Board section of the Bank's website, 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) 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) 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) defines processes to assess the work of the Management Board and Senior Management;
- f) 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) supports the Management and Supervisory Boards in verification of the conditions provided for in Art. 26 of the Consolidated Banking Law;
- h) 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) 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) oversees the update of corporate governance rules and principles of conduct which may be adopted by Parent Bank and its subsidiaries, even with regard to developments on the matter at national and transnational level;
- k) assesses the adequacy of commitments made on issues of corporate social responsibility;
- l) supervises matters of sustainability connected with running a company and with the development of interactions with stakeholders.

The Appointments Committee met seven times during the year. The average length of the meetings was approximately one hour and they were all properly minuted. The Chief General Counsel and Head of Corporate Affairs attended the meetings.

Further information on the attendance of each member at the meetings of the Committee during the year is given in Summary table No. 2 attached to this report.

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 14<sup>th</sup> December 2018 of a new Board Member to replace the one who had resigned;
- establishing the fit and proper policy and drawing up the document on qualitative and quantitative composition for the forthcoming appointment of a new Board of Directors. The Committee has subsequently studied these evaluations, working in co-operation with the Chairwoman of the Management Board and the Chief Executive Officer;
- 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 issues, with specific attention to the charitable donations required, with fact finding to define the relevant regulations and the annual activity plan;
- 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 reported to the Supervisory Board on the activities performed at the first subsequent meeting.

The Appointments Committee has met twice in 2019 up until the date of this report.

## **7) Remuneration Committee**

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

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

*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 is governed by specific regulations published in the Corporate Governance/Supervisory Board section of the Bank's website, which determine its responsibilities and its functioning. These Regulations were last updated in January 2018, following changes to 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 carrying out its duties the Committee has access to corporate information relevant to that purpose and it shall have sufficient funds to ensure its operational independence. The Committee may make use of outside consultants at the Bank's expense for carrying out its activities following prior assessment of whether such consultants are in a situation that compromises the independence of their judgement.

As provided for by the regulations for its proceedings, on invitation of the Chairman, the chiefs of the human resources, risk management and internal audit functions, as well as other senior managers of internal units and functions of the Bank whose presence is 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 "Identified Staff".

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 “Identified Staff” 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”.

The Remuneration Committee met 20 times during the year, concentrating mainly on the areas described below. The average length of the meetings was approximately an hour and thirty minutes (two hours when the four “single issue” meetings are not taken into account) and they were all properly minuted.

Particular attention is drawn to the activities carried out by the Committee during the year and with reference to the 2019 remuneration policies to assess the introduction of sustainability indicators, including diversity (for which a specific policy is currently being drawn up), with the objective of defining a remuneration system that takes these issues into account.

During the year the Committee also worked on the update to the supervisory regulations on “Remuneration and incentive policies and practices”, analysing the changes that were still at the consultation stage subsequently, following the consultation, making a report to the Supervisory Board on the changes made in the 25<sup>th</sup> update of 23<sup>rd</sup> October 2018 of the supervisory regulations on “Remuneration and incentive policies and practices”.

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 Board and members of the Management Board 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 subsequent proposal to the Shareholders’ Meeting, for schemes based on financial instruments in relation to the 2018 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 the performance objectives for the 2017 incentive scheme; examination of the 2018 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.

Further information on the attendance of each member at the meetings of the Committee during the year is given in Summary table No. 2 attached to this report.

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 which formulate proposals for the Board that relate to their own remuneration.

The committee reported to the Supervisory Board on the activities performed at the first subsequent meeting.

The Remuneration Committee has met once so far in 2019. The meeting was 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.

In accordance with the provisions of the 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 Chairwoman, 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 Chairwoman of the Management Board takes up positions in other UBI Group banks or companies, she 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.

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.

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 within the organisation, of performance over time, and of proper conduct, as well as in strict adherence to applicable regulations, without prejudice to observance of prevailing supervisory and legislative provisions.

A structured approval process is followed for decisions regarding “Identified Staff”. More specifically, the Management Board, within the context of the criteria and limits set by a Shareholders’ Meeting, submits the measures adopted and the relative reasons to the Supervisory Board for verification of compliance, after prior consultation with the Remuneration Committee.

Further information is given in the Remuneration Report.

## **Succession Planning**

In 2011 UBI Banca established a structured process 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.

On conclusion of the above activity, in 2017, the Supervisory Board 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 for those aspects that concern them.

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 were covered by 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.

During the year the Supervisory Board has conferred a mandate to the same leading independent specialised firm to update the current succession plan, taking into account the forthcoming adoption of the new one-tier governance model. The update is currently under way.

## 9) Internal Control Committee

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

- Giovanni Fiori - as the Chairman (\*)
- Pierpaolo Camadini
- Patrizia Giangualano
- Alberto Carrara (\*)
- Sergio Pivato (\*)

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

*Dott.* Alberto Carrara was appointed by the Supervisory Board on 20<sup>th</sup> December 2018, replacing *Dott.* Renato Guerini who resigned as a member of the Supervisory Board on 11<sup>th</sup> October and as a consequence of this also ceased to be a member of the Internal Control Committee.

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 in the Corporate Governance/Supervisory Board section of the Bank's website, 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:

- overseeing 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);
- overseeing the completeness, adequacy, functionality and reliability of the RAF;
- overseeing 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;
- providing 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 Art. 154-*bis* of the Consolidated Finance Law, by submitting its assessment of the candidates to the Risk Committee;
- examining 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;
- overseeing 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;
- informing the Bank of Italy of events or facts which might constitute a management irregularity or an infringement of banking regulations pursuant to Art. 52 of the

Consolidated Banking Law. If in the course of its activities the Committee becomes aware of circumstances that may be relevant pursuant to Art. 52 of the Consolidated Banking Law, it notifies the Supervisory Board and Management Board of the shortcomings and irregularities found, requests corrective actions to be taken and monitors their 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 Art. 2364-bis of the 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, including 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 six times in during the year. 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 some members of the Internal Control Committee are also members of the Risk Committee.

By employing the services of the appropriate organisational units of the Bank, the Committee can carry out inspections and controls at any time and exchange information with the control bodies of the companies of the Group with regard to management and control systems and 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, one of the meetings being held jointly with the Risk Committee (the average length of each meeting was approximately two and a half hours). All the meetings were properly minuted. The members were present at the following number of meetings: Prof. G. Fiori, 18 meetings; *Dott.ssa* P. Gianguialano, 18 meetings; *Dott.* R. Guerini, 13 meetings; Prof. S. Pivato, 16 meetings and *Avv.* P. Camadini, 17 meetings. Members who were unable to attend a meeting gave reasons for their absence. Further information on the attendance of each member at the meetings of the Committee during the year is given in Summary table No. 2 attached to this report.

The Chief Audit Executive, the Chief of the Compliance Function and the Chief Risk Officer attend the meetings of the Committee. 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 reported on its activities at each meeting of the Supervisory Board. In this context, 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, with a particular focus on issues relating to the governance of the Bank, in relation to the development of the Corporate Governance Plan for the adoption of the one-tier management model. In this context, specific attention has been paid to the system of powers, the definition and attribution of responsibilities, the management of resources (with particular reference to remuneration and incentive schemes);
  - the management of conflicts of interest, with a particular focus on projects relating to related parties and connected persons, as well as the formulation of the Single Policy for the management of conflicts of interest adopted by the Bank;
  - the organisation and structure of the Bank, with a particular focus on the changes to the units of the corporate control functions. In this context the completion of the merger of the New Banks (Banca Adriatica, Banca Tirrenica and Banca Teatina) into UBI Banca, completed in the first quarter of the year, was the subject of constant monitoring;
  - 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, leading to the use of an integrated reporting tool showing the most significant findings of the functions (Top Issues Report and Flash Report), 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 projects relating to IT Governance and Data Governance;
  - 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, compound interest and privacy, with a particular focus on specific projects being developed by the Bank to constantly enhance and improve controls, including reference to the integration of the New Banks;
- the performance of activities connected with the management of reports made by staff using the procedure provided for this and the examination of the periodic report made by the Chief Audit Executive, as the whistleblowers' champion;
- 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 projects concerning the evolution of organisational models, tools, methods and processes involving the control functions have been examined and investigated;
- the policy-setting and co-ordination activities of the Parent, including meetings held for this purpose with representatives of the Boards of Statutory Auditors and the General Managers of all the main subsidiaries, in order to obtain updates on their overall situation and in particular the adequacy of their internal control systems;
- changes to the Internal Audit, in terms of the organisational structure of the Unit, the number and quality of the staff engaged in the Function, changes in method and new operational tools adopted, also in order to monitor its independence, adequacy, efficiency and effectiveness. In this context, during the year the Internal Control Committee has required the performance of an External Quality Assurance Review of Internal Audit, with a specific in-depth examination of the risk assessment methodology adopted by the Function, as a result of which Internal Audit was awarded the highest possible score and made some changes with a view to continuous improvement. At the same time, the Committee monitored the process of strengthening the Internal Audit Unit, from an organisational viewpoint and in terms of human resources;
- 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;
- 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 members of independent auditors, whose independence has been subject to constant and attentive monitoring by the Committee, including by means of stringent instructions and guidelines concerning the engagement of the Group's independent auditors to provide advisory services;
- the consolidated non-financial statement pursuant to Legislative Decree No. 254/2016;
- 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.

We report that, at the date of this report, the Internal Control Committee has set the dates of its meetings until the first ten days of April 2019, planning to hold six meetings, two of which have already been held.

## 10) Risk Committee

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

- Paola Giannotti - as the Chairwoman;
- Francesca Bazoli;
- Patrizia Michela Gianguialano;

- 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 (until 10<sup>th</sup> October 2018);
- Alberto Carrara (in office since 20<sup>th</sup> December 2018), replacing Lorenzo Renato Guerini who resigned on 11<sup>th</sup> October 2018).

Following the resignation of *Dott.* Lorenzo Renato Guerini from the Supervisory Board, *Dott.* Carrara was appointed by the Shareholders' Meeting of 14<sup>th</sup> December 2018. At a meeting held on 20<sup>th</sup> December 2018, the Supervisory Board appointed *Dott.* Alberto Carrara as a member of the Risk Committee.

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 participated 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 Art. 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 “Identified Staff” 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 20 times during the year. The average length of each meeting was approximately three hours. The members of the Risk Committee also attended a joint meeting with the members of the Internal Control Committee to examine matters of common interest relating to internal control systems.

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

- updating policy and related implementing regulations and documents setting operational limits for the management of risks including financial, credit, counterparty, operational, IT, reputational and equity risks, the valuation of financial instruments and guarantees acquired for credit risk mitigation purposes;
- updating the “ Risk Appetite Statement”;
- updating internal regulations concerning i) the internal validation framework, ii) the second level credit control process, iii) processes to develop, change and extend the IRB credit risk management systems, iv) regulation of funds transfer pricing, v) policies and regulations to manage risks connected with money laundering and the finance of terrorism and vi) policies and regulations for the procurement of physical gold;
- results 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;
- matters relating to reputational risk, including:
  - o quarterly reputational risk reporting;
  - o analysis of potential reputational and operational risk profiles connected to marketing, communication, publicity and sponsorship activities;
  - o examination, in the context of reputational risk, of the Compliance action plan for assessing the regulatory system;
  - o 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 2017;
- activity plans for the Risk Control, Compliance, Audit and Internal Validation functions in 2018;
- activity plan relating to second level credit control activities;
- outcomes of the 2018 European Banking Authority (EBA) EU-wide Stress Test;
- 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 method for the identification of "Identified Staff";
- examination of Compliance methodology;
- examination of the Recovery Plan and the associated non-viability risk management framework;
- matters relating to non-performing loans:
  - o examination and monitoring of the UBI Group Strategy for managing non-performing loans;
  - o examination of transactions for disposals of non-performing loan portfolios;
  - o examination of issues connected with the remediation plan for NPL Guidance;
  - o examination of issues connected with the inspection of the credit and counterparty risk management and risk control system;
- periodical examination of sustainability and the non-financial statement, with an evaluation of the risk map, the materiality matrix and the strategic macro-objectives relating to sustainability;

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;
- 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;
- the state of the 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.

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 2019.

Five meetings have been scheduled for the current year up to the planned end of the mandate of the current Supervisory Board in April 2019.

The committee reported to the Supervisory Board on the activities performed at the first subsequent meeting.

## 11) Related Parties and Connected Persons Committee

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

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

The Related Parties and Connected Persons Committee is composed of three permanent members, including the Chairman, appointed by the body with responsibility for strategic supervision from amongst 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 Parties and Connected Persons 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.

On 2<sup>nd</sup> November 2018 the “*Single Policy on transactions with Related Parties in accordance with Consob Regulation No. 17221/2010, Connected Persons in accordance with Bank of Italy Supervisory Regulations Circular No. 263, “Identified Staff” of the UBI Group, Significant Parties in accordance with Art. 136 of the Consolidated Banking Law and Other Significant Parties*” came into force, together with the relative implementing Regulation governing the procedural aspects of the relative processes concerning fact finding, approval and reporting to governing bodies and to the market (the “Single Policy” and “Single Regulation”). The Single Policy and Single Regulation (as subsequently defined in section 16 of this report) replace the previous “*Regulations to govern transactions with parties related to UBI Banca*” and the “*Regulations to govern transactions with persons connected to the UBI Banca Group*”.

The Single Policy is the document drawn up by UBI Banca - as the Parent of the UBI Group - containing the regulations, in terms of principles and guidelines, to be adopted by UBI Group with reference to situations of actual or potential conflict of interest subject to the procedural and decision-making rules in accordance with the Single Regulation.

All UBI Group companies (including the non-banking members), in Italy or abroad, are required to implement both the Single Policy and their own Single Regulation.

In terms of their procedural and decision making aspects, the Single Policy and Single Regulation serve to implement the principles and controls required by the provisions relating to the regulation of transactions with related parties, connected persons, "Identified Staff" and significant parties pursuant to Art. 136 of the Consolidated Banking Law, as well as any other person defined as significant by the Bank on a self-regulatory basis, and also in consideration of the provisions of articles 2391 and 2391-*bis* of the Civil Code. The provisions of the aforementioned regulations form an integral part of the Single Policy and Single Regulation.

The Single Policy and the relative amendments are published on the website of UBI Banca ([www.ubibanca.it](http://www.ubibanca.it)), along with the Single Regulation. For further information on the Single Policy and Single Regulation, see paragraph 16 of this report.

As set out in the Single Regulation, senior officers and any other persons whose presence is deemed useful by the Committee in formulating its opinion may be called upon to participate in meetings of the Committee, in relation to the subject dealt with. With particular reference to transactions with parties related to UBI Banca, the following persons may be called upon to participate in meetings of the Related Parties and Connected Persons Committee: 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 transaction, the chiefs of the Internal Audit Function and external advisors appointed to assist the Bank or one of its subsidiaries in the negotiations concerning the Related-Party Transaction performed by UBI Banca.

The Related Parties and Connected Persons Committee is required to perform the tasks allocated to it by the Single Regulation, in accordance with the procedures governed by it.

The Related Parties and Connected Persons Committee met 13 times during the year (the average length of the meetings was around one and a half hours), concentrating mainly on the following fields:

- 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 Parties and Connected Persons Stabilisation” and “Managing Conflicts of Interest” projects, both intended to create a single oversight in order to optimise the proper management of potential conflicts of interest on the part of the UBI Group in relation to transactions with related parties, connected persons and those categorised as "Identified Staff", with the involvement of the Corporate Affairs and Relations with Authorities, Compliance and Organisation units;
- examination of the profile of new connected persons resulting from the acquisition of the New Banks in May 2017, as stated in periodic reporting;
- examination and reading of the report on credit lines and limits applicable to counterparties qualifying as significant parties pursuant to Art. 136 of the Consolidated Banking Law;
- examination and reading of the periodic receipt of the list of all transactions with related parties, connected persons and those categorised as "Identified Staff", including those not subject to a prior opinion from the Related Parties and Connected Persons Committee, with requests made to the competent units for assessments of their economic profile and the link between the party in whose name the transaction was performed and, if it is the case, the relative originator/senior officer, in order to acquire increased knowledge of the salient characteristics of the transaction in question and the significant parties involved;
- opinion concerning the adoption of the Single Policy and Single Regulation;
- examination and reading of the report on the activities carried out by the Related Parties and Connected Persons Committee (included in the Corporate Governance Report) and the periodic financial report on transactions with related parties and connected persons in the annual and interim management reports;
- opinion concerning decisions to approve loans, signing leasing contracts and proposals for donations and sponsorships to related parties and connected persons and those categorised as "Identified Staff";
- opinion concerning relationships between the Purchasing Department of UBI Sistemi e Servizi, in the name of and on behalf of UBI Banca, and suppliers that are related parties and/or connected persons, taking into account the investigations requested from the Boards;
- opinion concerning the Single Policy of the Group and the related implementing regulation for the management of conflicts of interest, intended to oversee the integrity, transparency and proper nature of decision-making processes regarding the transactions of the Bank and other UBI Group companies with parties defined as Related Parties, Connected Persons, "Identified Staff", significant parties in accordance with Art. 136 of the Consolidated Banking Law and other significant parties, as well as overseeing the risk that the closeness of persons to the decision-making centres of UBI Group companies might compromise the objectivity and impartiality of the relevant bodies in reaching their decisions.

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

The Related Parties and Connected Persons Committee carried out its activities in accordance with the principle of the circulation of information and on the basis of the involvement of the

Corporate Affairs and Relations with Authorities, Compliance and Organisation units of UBI Banca.

The Related Parties and Connected Persons Committee has already met once in 2019.

The Related Parties and Connected Persons Committee reported to the Supervisory Board on the activities performed in the first meeting.

The Related Parties and Connected Persons 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 Group's Single Regulation and any further internal implementing regulations.

## **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, including a Chair, a Deputy Chair 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 compliance with the applicable regulations in force, two members of the Management Board are selected from amongst the senior management of the Bank. The Board Member nominated as the Chief Executive Officer in accordance with Art. 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 remain in office for three financial years. 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 Art. 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, at 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 shall 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 Civil Code, as well as those who do not satisfy the requirements of integrity, professionalism or any other requirement contained in the relevant legislation and regulations, and also those subject to the limits on the accumulation of positions imposed by internal regulations, may not be

appointed as members of the Management Board. At least one member of the Management Board must, however, possess the requirements of independence set forth in Art. 148, paragraph three of the Consolidated Finance Law.

Members of the Management Board must not in any case 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:

- management and/or strategic supervision

or

- direction

in

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

- independent public authorities;

- companies that carry out manufacturing and/or trade in goods or services;

- companies with shares traded on an Italian or foreign regulated market.

Candidates who have not acquired that career experience can also be elected 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	Chairwoman
Flavio Pizzini	Deputy Chairman
Victor Massiah	Chief Executive Officer
Silvia Fianza	Board Member
Osvaldo Ranica	Board Member
Elvio Sonnino	Board Member
Elisabetta Stegher	Board Member

The *curricula vitae* 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 on the number 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 and Supervisory Boards 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 and in the context of the Board evaluation performed at the end of its term of office, the outgoing Management Board 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 and of the dynamics of the economy and finance, of systems of corporate governance, organisation, company management and management control. 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 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 regulation, 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 third year of the Board's mandate (2018), the results of which were examined at its meeting of 29<sup>th</sup> January 2019, 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; 6) secretarial and training support. On the basis of the results of the questionnaires 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 found by the analysis were: (i) awareness and satisfaction that it has worked effectively in relation to the agenda and major recommendations of the ECB; (ii) significant transitions in the development of the Bank had been completed with the adoption of the one-tier model, the integration of the three local banks and the adoption of the new conflict of interest and fit and proper regulations; (iii) strong alignment between board members in their interpretation of the mandate of the Management Board; (iv) capacity for investigating and discussion operational issues; (v) appreciation of the role of the Chairwoman in facilitating discussion and managing the work of the Board; (vi) agreement between the Managing Director and the Chairwoman in planning the work of the Management Board and presenting the results to the Supervisory Board.

The Board review also highlighted the following areas for improvement and suggestions: (i) improvement of some aspects of internal functioning associated with the two-tier model, particularly relating to the definition of the Board's remit and sphere of activity in managing and guiding strategic and management issues, and the possibility of further developing the skill set in order to support the strategic development of the Bank. This improvement is one of the objectives of the one-tier model adopted by the Shareholders' Meeting of the Bank; (ii) very long Board meetings associated with high number of matters dealt with and the detailed analysis and discussion. There is potential scope for improvement in the prioritisation of matters for discussion and the planning of the agenda; (iii) there is an awareness that digital transformation has become an area that needs to be carefully monitored. The Management

Board should promote discussion of this matter, concentrating on scenario analyses, organisational impact analyses and assessing and designing implementation solutions.

The self-assessment of the Board ends with some final observations, noting that the change to the one-tier model will involve a review of the dynamics and procedures of the Board. The ideas emerging from all seven of the sections analysed in the Board review can be dealt with in the formation of the new Board.

More specifically, the analysis performed provides some key summary points and guidance for the formation of the forthcoming Board: (i) there is awareness and satisfaction it has worked effectively and a completed a three-year cycle in which the UBI Banca Group has undergone an extraordinary process of change, some of it relating to the agenda and major recommendations of the ECB; (ii) the Management Board and its committees have been able to function effectively, completing significant transitions in the development of the Bank with the adoption of the one-tier model, the integration of the three local banks and the adoption of the new conflict of interest and fit and proper regulations; (iii) the change to the one-tier model should help the Board to project the Bank towards a new round of development requiring an appropriate skill set and a strong ability to direct and focus on strategic, managerial and regulatory issues; (iv) more specifically, the Board will have to be able to raise and project digital transformation content from the operational and technological level to the strategic level; analysing scenarios and impacts on customer behaviour, the organisation and decision making, equipping itself with the appropriate skills amongst board members and also through the use of expert advisors; (v) changes at the Bank are taking place by means of an effective development and management of human resources and the capacity to ensure a succession process for all key roles, making full use of the skills and ability of resources to interpret a new context, new technologies and changes in customer behaviour and ways of providing geographical market coverage; (vi) regulatory issues will continue to play a central role in the management of the Bank. The new Board will have to ensure that it has sufficient capacity to interact with the various Italian and European authorities, building on the fruitful progress made over this three-year period, able to offer authoritative dialogue and represent the specific local context.

#### 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 the methods for managing and monitoring risk.

During the year information sessions for members of the Management and Supervisory Boards were held on *“Conflicts of Interest”*, *“Updating the 231 Model”*, *“Non-financial reporting and strategic planning processes”*, *“MREL and Resolution Plan”*, *“Internal Models and TRIM”*, *“In-depth review of performance in business segments”*, *Performance measurement metrics - RORAC and EVA*, *“Positioning of the UBI Group (market share)”*, *“Benchmark and best practice on the qualitative and quantitative composition of boards”* and *“Strategic reflections on the insurance field”*.

The Chairwoman of the Management Board, having taken account of the topics covered and the findings that have arisen, arranged 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 meets at least once a month, as well as each time the Chairwoman thinks it fit to call a meeting or when a request is submitted by at least half of the members in office.

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.

The Management Board met 28 times during the year and the average length of meetings was approximately seven 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 2019, to the market (and published it on its website), with the dates of board meetings for the approval of operating and financial results.

In this respect we report that the Management Board has planned meetings for 2019 up to the date of the Shareholders' Meeting, and it has scheduled meetings for examinations of periodic operating and financial figures, with eleven meetings planned, four of which have already been held.

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

The Chairwoman, 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. For this purpose, it carries out all the transactions that are necessary, useful or advisable for achieving the corporate purpose, whether they refer to ordinary or extraordinary management.

In addition to those matters that cannot be delegated by law and to those pursuant to the last paragraph of Art. 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 Civil Code;
- d) the 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 Art. 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 Art. 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 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) exercising the authority to increase share capital granted pursuant to Art. 2443 of the Civil Code, as well as to issue convertible bonds pursuant to Art. 2420-*ter* of the Civil Code, following authorisation by the Supervisory Board;
- s) obligations of the Management Board pursuant to articles 2446 and 2447 of the 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 the following:

- 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 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 Chairwoman of the Management 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 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 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. In 2018 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 Chairwoman 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 archiving 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 oversee 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 the operational directives for 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, has 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 Art. 30 of the Articles of Association. More specifically, the Chairwoman 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 Chair of a company's management body, which she performs by liaising with the other Articles 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 (Art. 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 Law.

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 23<sup>rd</sup> October 2018 established that the Board Member *Dott.ssa* Silvia Fianza 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) The 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 slates 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 6<sup>th</sup> April 2018 a Shareholders' Meeting appointed the following Board of Arbitrators for the three-year period 2018-2020:

*Avv.* Giuseppe Onofri - Chairman  
*Avv.* Attilio Rota - Full Arbitrator  
*Prof.* Rodolfo Luzzana - Full Arbitrator  
*Avv.* Pierluigi Tirale - Alternate Arbitrator  
*Avv.* Giampiero Donati - 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 and *Dott.* Frederik Geertman and *Dott.ssa* Rossella Leidi as Deputy General Managers who have been assigned various responsibilities in the Group.

## **15) Internal control and risk management system**

### **Introduction**

During the year 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 of the Issuer and its strategic subsidiaries, 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, Paragraph 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);

- 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 performed by the Senior Officer Responsible for the preparation of corporate accounting documents and the reporting of suspicious transactions;

- *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 and, a direct report to the CRO, the Data Risk Management Service as a specific unit to manage data governance under the CRO. With effect from 1<sup>st</sup> November 2018, the competent bodies approved the reorganisation of the units reporting to the Chief Risk Officer, involving the breaking-up of the Anti-Money Laundering & Claims Area and at the same time the establishment of two distinct units, one on the staff of the Management Board to manage the reporting of suspicious transactions and the other on the staff of the Chief Executive Officer with responsibility for Anti-Money Laundering functions. The reorganisation separates the role of “Group Officer for Suspicious Transactions” from that of “Group Head of Anti-Money Laundering”, partly in order to facilitate and guarantee the necessary independence of the assessments.

Again with reference to the organisational structure of UBI Banca, with effect from 1<sup>st</sup> March 2018 the competent bodies have approved the upgrade of the Compliance Area Manager to Chief Compliance Officer, a position held by *Ing. Maria Martinelli* until 31/12/2018 and by *Dott. Roberto Rovere* since 01/01/2019, reporting directly to the Management Board and maintaining the same organisational structure divided into Banking Services Compliance, Investment and Financial Services Compliance, Governance and other Support Compliance, ICT Operations Compliance, Controls Compliance, the Data Protection Officer and Methodologies, Monitoring and Reporting.

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 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, with a view to its subsequent approval by the governing bodies,

and verifies with the Chief Financial Officer that the risk appetite is consistent with corporate requirements and with 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. As part of the process for drawing up and monitoring the NPL Strategy, he assesses the consistency of the NPL Strategy against the RAF risk appetite indicators and the policies that relate to the Strategy and the internal process for valuing capital adequacy (ICAAP). 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 is responsible for defining the non-viability risk management framework associated with the Group Recovery Plan, monitors the relevant indicators and, to the extent of his responsibility, may initiate a process of escalation to the corporate bodies responsible for managing the recovery process. In this context, he works with the Chief Financial Officer and the relevant corporate bodies, to draw up/update the Recovery plan, proposing possible changes and updates on at least an annual basis and notifying the parties responsible. 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 supervises and co-ordinates the regulatory stress tests set by the Supervisory Authorities. 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. Oversight is ensured while taking account of current prudential rules, as well as strategy guidelines, the business model, the complexity of operations, and the ability to raise funds. He is responsible for providing prior opinions on the compliance of transactions of major significance with the RAF and carrying out second level verifications of credit exposures. he establishes a credit activities function framework, in line with the regulatory provisions issued by the Supervisory Authorities. He is responsible for the development, validation and maintenance of the risk measurement and control systems, supervises the Group credit rating process and co-ordinates the units involved in the overall data entry and data quality process. 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. 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 systems. He is responsible for defining and applying the IT risk analysis methodology together with the related process of evaluation and data processing. He is involved in defining policies and processes for the valuation of properties provided as guarantee for exposures and provides a prior opinion on the reliability of any internal standards for the valuation of properties. He is involved in defining policies and processes for write-downs and the granting of forbearance measures; in this context he issues an opinion in order to check compliance with the rules set by the UBI Group for proposals relating to the granting, changing or confirmation of the amount of provisions and the granting of a second or subsequent long-term forbearance measure. He identifies portfolios that are potentially subject to transfer on the basis of optimisation and consistency with the RAF and capital position of the Group. 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 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;

For the benefit of the Supervisory Board, the Management Board and Senior Management, the Chief Risk Officer provides an integrated outline 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 European Banking Authority (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 amongst the second level control functions.

- **Anti-Money Laundering & Investigations**: he monitors activities to combat money laundering and the finance of terrorism, consistent with the responsibilities defined in the "Group organisational regulations on combating money laundering and the finance of terrorism". Within these areas of responsibility he communicates independently with the management and supervisory bodies by sending reports and intervening directly, as appropriate. He assists inquiries made by the investigating authorities into customers and co-ordinates contributions to the *Fondo Unico di Giustizia* (Single Justice Fund) for the companies for which he operates as a service provider. Within the scope of his responsibilities, he ensures that the regulatory and operational system of the Parent and the subsidiaries for which he operates as a service provider are in compliance with current regulations and performs planning and advisory activities concerning the application of regulations at Group level. He contributes, within the scope of his remit, to the implementation of policies and the risk management process. 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. The Manager of the Anti-Money Laundering & Investigations Area, within the fields for which he has specific responsibility, performs the co-ordination function for Group member companies.
- **Suspicious Transactions**: on behalf of UBI Banca and the subsidiaries that have granted authorisation to the Group officer he assesses proposals to report suspicious transactions flagged by operating outlets or those they have become aware of in the context of their activities. He passes reports that he considers valid on to the FIU (Financial Intelligence Unit), while preserving evidence of the assessments made, amongst other things in case the report is not received by the FIU. Without prejudice to first level controls and within the fields for which he has responsibility, he monitors transactions carried out within the Group by parties categorised within the subjective perimeter of the Single Policy on transactions with related parties in accordance with Consob Regulation No. 17221/2010, Connected Persons in accordance with Bank of Italy Supervisory Regulations Circular No. 263, "Identified Staff" of the UBI Group, significant parties pursuant to Art. 136 of the Consolidated Banking Law and other significant parties. He also performs spot checks on first level assessments of business with customers.
- **Chief Compliance Officer**: he 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. He 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 he communicates independently with the management and supervisory bodies by sending reports and intervening directly, as appropriate. He 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 he 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. He 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 checks for which he is responsible (e.g. tests for effectiveness, analyses of complaints received), and oversees/monitors their resolution. He 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, he 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. He 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 he 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 respect with both the spirit and letter of regulations. He monitors external regulations on the management of NPLs, informing the competent organisational units of the relevant changes in order to allow for the evaluation of potential changes to the NPL Strategy and the processes relating to its formulation. He 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. He operates as a service provider to the subsidiaries of the Group that have conferred the appropriate powers upon it, ensuring the oversight of risk and non-compliance with regulations. He sends the other control functions details relevant to the quantification of operational, IT and reputational risks resulting from non-compliance and/or attributable to misconduct.

Having stated the above, we report that since 2016 and throughout 2017 and 2018 the Compliance Function of UBI Banca, with the additional assistance of the other corporate units involved, has launched the “Roll-out of the Model of Organisation, Tools and Processes”, with streams focused on specific activities, in order to align and keep up with current best practice, the views of the European Supervisory Authority (SSM – Single Supervisory Mechanism) and the input of regulators.

These actions, involving both an initial revision of the organisational model and the optimisation of the Compliance Function, in view of the continued specialisation of the Units in compliance with supervised regulations (banking, investment & financial services, ICT operations and Governance & Support) and the introduction of a process stage structure, are intended to achieve the following aims:

- an increase to its qualitative and quantitative sizing with a 2017/2019 timeframe and the consequent revision of the activities and skills of the Function's resources, identifying specific change management actions;
- the development of tools to support the activities;
- the maintenance and updating of methods for the management of compliance risk (most recent update of the Methodological Manual for Compliance - December 2018).

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.

More specifically, the Internal Audit Function audits the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the Group's internal control system, while also taking into account information provided by the other control functions, and also verifies its performance and changes in risks, identifying the actions required to improve the system concerned and proposing them to the administrative and auditing bodies, with particular reference to the Risk Appetite Framework, the risk management process and the relative systems of measurement and control. To achieve this, it carries out independent assessments on the basis of a specific activity plan, using methods, operating procedures and predetermined tools. Within the fields for which it has specific responsibility, it performs the co-ordination function for Group member companies that have their own internal audit functions. It verifies the compliance of activities carried out as part of the internal audit mandate in order to identify any need for updating and ensure that, through the Quality Assurance and Improvement Programme, it is consistent with international professional standards. It ensures the preparation of periodic summary information statements to be provided to the corporate bodies with regard to the main managerial features of the Function, the control activities performed, the monitoring of the findings and the progress of mitigation action. It provides periodic information statements concerning the co-ordination of the control functions; this activity is, amongst other things, intended to promote more structured and systematic co-operation between them and with the corporate bodies, by sharing operational and methodological aspects and the actions to be taken if significant and/or critical events occur. It is the body responsible for the internal reporting systems for whistleblowing for UBI Banca and the UBI Group companies that have granted a specific mandate for this.

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 (whistleblowing)**

The Group has a Group policy on internal systems for reporting violations (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.

With effect from 3<sup>rd</sup> August 2018 the competent bodies have approved the update to the Policy which has become necessary following the issue of new regulatory provisions regarding the administrative liability of entities (Law No. 179/17 which amended Legislative Decree No. 231/2001). Following these provisions, the internal reporting system that had already been adopted by UBI Banca for violations relating to banking and financial activities is therefore extended to reports of significant unlawful conduct in accordance with Legislative Decree No. 231/2001 and violations of the Model of Management and Organisation adopted in accordance with the same decree.

### **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.

The Head 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 Audit Executive 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 September 2018 the Quality certification awarded to the Internal Audit Function was renewed by a leading consulting firm. In particular, on conclusion of the effective application of the External Quality Assessment Review of the Internal Audit - performed in order to verify the effective application of 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 - the consulting firm expressed the opinion that it was “generally compliant”, which is the highest level of opinion available on the scale of values applied.

In application of the supervisory regulations with regard to 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, the Internal Audit defines control priorities and draws up the 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 outside consultants for work of an extraordinary nature, whose work has also been guaranteed for 2018 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 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 fourth quarter of 2018 a review of the organisational structure of Internal Audit concluded that the previous three Areas should be replaced by the creation of four new Areas reporting to the Chief and focused on specific remits:

- Methodologies & Frauds Audit Area, which co-ordinates audit activities (planning and periodical reporting) and the development of audit methodologies and tools consistent with best practice in the profession, and verifies their correct application as part of the Internal Quality Assurance Review (IQAR); it also develops procedures for the remote monitoring of processes and sales networks through the use of data analysis tools and oversees audit investigation activities;
- Governance & Risks Audit Area, focused on governance processes from an SREP viewpoint and the oversight of risk management;
- Commercial & Financial Processes Audit Area, overseeing commercial processes and the sale of products and services to customers on an end-to-end basis, with a dedicated team for monitoring financial consultants and private bankers and, at the level of local centres, an operational focus on the sale of products and services to customers of the banking network;
- Support Processes Audit Area, providing support processes and those relating to Information and Communication Technology, financial and non-financial reporting and back office, as well as monitoring processes to oversee compliance with the main regulatory recommendations.

### **15.3 Model of Organisation, Management and Control pursuant to Legislative Decree No. 231/2001.**

UBI Banca has adopted its own “Model of Organisation, Management and Control” (the “Model 231/01”), 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 231/01 consists of the following documents:

- The **“UBI Banca Spa Model of Organisation, Management and Control pursuant to Legislative Decree No. 231/2001”**, divided into two parts containing:
  - o in the general part a description of:
    - the legislative framework;
    - the nature of the company (system of governance and organisational structure of UBI Banca);
    - the structure of the Model and the methodology chosen to define and update it;
    - identification and appointment of the Supervisory Body of UBI Banca, with specification of the relative powers, tasks and reporting systems;
    - the functioning of the disciplinary system and the relative penalties;
    - 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 in the special part, a description of:
    - the types of crime (and corporate offences) that are important for the purposes of the corporate liability of entities which the Bank had decided to take into consideration in view of the nature of its business;
    - 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 public administrations (referred to in articles 24 and 25 of Legislative Decree No. 231/2001);
- computer crime (referred to in Art. 24-*bis* of Legislative Decree No. 231/2001);
- organised crime (referred to in Art. 24-*ter* of Legislative Decree No. 231/2001);
- crimes against public trust (referred to in Art. 25-*bis* of Legislative Decree No. 231/2001);
- crimes against industry and commerce (referred to in Art. 25-*bis*.1 of Legislative Decree No. 231/2001);
- corporate crimes (referred to in Art. 25-*ter* of Legislative Decree No. 231/2001);
- crimes of terrorism and subversion of democratic law (referred to in Art. 25-*quater* of Legislative Decree No. 231/2001);
- crimes concerning customs of mutilation of female genital organs (referred to in Art. 25-*quater*.1 of Legislative Decree No. 231/2001);
- crimes against the person of the individual (mentioned in Art. 25-*quinquies* of Legislative Decree No. 231/2001);
- administrative offences concerning market abuse (referred to in Art. 25-*sexies* of the Legislative Decree No. 231/2001 and Art. 187-*quinquies* of the Consolidated Finance Law);
- transnational crimes referred to in Art. 10 of Law No. 146 of 16<sup>th</sup> March 2006 which “ratifies and implements the United Nations convention and protocols on transnational organised crime, adopted by the General Assembly on 15<sup>th</sup> November 2000 and 31<sup>st</sup> May 2001”;
- crimes committed in violation of health and safety regulations at the work place (referred to in Art. 25-*septies* of Legislative Decree No. 231/2001);
- crimes consisting of the receipt, laundering and use of money, goods or benefits of illicit origin, and also money laundering (referred to in Art. 25-*octies* of Legislative Decree No. 231/2001);
- crimes concerning copyright (referred to in Art. 25-*novies* of Legislative Decree No. 231/2001);
- the crime of “inducing persons not to make statements or to make false statements to judicial authorities” (referred to in Art. 25-*novies* of Legislative Decree No. 231/2001);
- environmental crimes (referred to in Art. 25-*undecies* of Legislative Decree No. 231/2001);
- the crime of “employing citizens of third party countries whose stay documents are irregular”(referred to in Art. 25-*duodecies* of Legislative Decree No. 231/2001);
- crimes of racism and xenophobia (referred to in Art. 25-*terdecies* of Legislative Decree No. 231/2001).
- The “***UBI Group Code of Ethics***”, which constitutes UBI Banca’s internal self-disciplinary rulebook, which was drafted on the basis of the Code of Ethics and provides those it regulates with a framework of the principles of behaviour with which to assess concrete situations from time to time and whether decisions to be taken are compliant with ethical principles and with regulations;
- The “***UBI Banca Code of Conduct***”, which defines the manner in which UBI Banca intends to pursue its mission and act in dealings with its various stakeholders, by basing its management and operating activities on observance of moral and legal obligations towards society;
- The “***UBI Banca Risk Area Identification Matrix***” (RAIM), which maps activities that, given the specific contents, are potentially vulnerable to the commission of crimes (and corporate offences) that are significant for the purposes of the possible corporate liability of UBI Banca;
- The “***UBI Banca Implementation Matrix***”, which shows the RAIM together with the internal company regulations (policies, regulations, rulebooks and any relevant circulars) for each process and type of offence.

The Model 231/01, as shown above, has been approved by the Management Board and Supervisory Board of UBI Banca in meetings held on 4<sup>th</sup> and 6<sup>th</sup> December 2018 respectively.

In addition to the Model 231/01, UBI Banca has adopted the “**Regulations governing the Model of Organisation, Management and Control**”, which govern the processes, roles and responsibilities of the units involved in the overall management of the Model 231/01. More specifically, in relation to the provisions contained in Model 231/01, the said Regulations are intended to establish:

- the role of the Parent in relation to its subsidiary undertakings, for the purposes of Legislative Decree No. 231/01;
- the process for updating the Model 231/01, formulating proposals for amendments for submission to be submitted to the Management Board and the Supervisory Board for approval;
- the process for verification of the adequacy of Model 231/01 for the purpose of evaluating its ability to prevent illegal conduct and evaluate the consistency of the actual behaviour within UBI Banca and the provisions of the Model itself;
- the establishment of a standardised and predetermined system for the exchange of information.

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 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.

The Supervisory Body pursuant to Legislative Decree No. 231/2001 met six times during the year.

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 extract of the UBI Banca Model entitled “*Summary of the UBI Banca Spa Model of Organisation, Management and Control pursuant to Legislative Decree No. 231/2001*” and the Code of Ethics are available on the website of the Bank at <https://www.ubibanca.it/pagine/Documenti-societari-IT.aspx>.

#### **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 S.p.A., 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 S.p.A. 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 *Dott.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 Art. 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 12<sup>th</sup> July 2018 the Supervisory Board, having examined the 2017 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 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.

Amongst various tools designed to improve ways of co-ordinating, 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 focusing on bringing together the most significant findings (the Top Issues Report (TIR) and Flash Report) which provide 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, for the purposes of preventing them.

The TIR is prepared on the basis of reporting 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 has at least a half-yearly frequency and it is 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 in 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 it is submitted in conjunction with 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 to 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, informational 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) Transactions with Related Parties, Connected Persons and other Significant Parties with a potential conflict of interest - Interests of board members and management of personal transactions**

### ***Transactions with related parties, connected persons and other significant parties with a potential conflict of interest***

The Bank pays particular attention to the issue of potential conflicts of interest due to transactions with related parties, connected persons and other significant parties that are in a position of particular proximity to the decision-making centres of the Bank and the other UBI Group companies.

Effective from 2<sup>nd</sup> November 2018, issues relating to potential conflicts of interest within the UBI Group are governed by the “*Single Policy on transactions with Related Parties in accordance with Consob Regulation No. 17221/2010, Connected Persons in accordance with Bank of Italy Supervisory Regulations Circular No. 263, “Identified Staff” of the UBI Group, Significant Parties in accordance with Art. 136 of the Consolidated Banking Law and Other Significant Parties*” (the **Single Policy**) and the related implementing regulation, the “*Group Regulation on Related Parties in accordance with Consob Regulation No. 17221/2010, Connected Persons in accordance with Bank of Italy Supervisory Regulations Circular No. 263, “Identified Staff” of the UBI Group, Significant Parties in accordance with Art. 136 of the Consolidated Banking Law and Other Significant Parties*” (the **Single Regulation**).

The regulations governing transactions with related parties and connected persons in force until 1<sup>st</sup> November 2018 and the new regulations referred to in the Single Policy and Single Regulation are described below.

#### **A. Regulations in force until 1<sup>st</sup> November 2018**

Until 1<sup>st</sup> November 2018 potential conflicts of interest due to transactions with related parties and connected persons were regulated by the “*UBI Banca Regulations for Related-Party Transactions*” (**RPT Regulations**) for related-party transactions and, for connected persons, the “*Regulations to govern transactions with persons connected with the UBI Group, adopted in implementation of Title V, Chapter 5 of Circular No. 263 of 27<sup>th</sup> December 2006 “New regulations for the prudential supervision of banks” (9<sup>th</sup> amendment of 12<sup>th</sup> December 2011, containing measures concerning risk assets and conflicts of interest with connected persons)*” (**Connected Persons Regulations**) most recently approved by the Management Board and Supervisory Board of UBI Banca in meetings held on 17<sup>th</sup> and 24<sup>th</sup> January 2017 respectively.

More specifically, the RPT Regulations were adopted by the Bank in its capacity as a company issuing listed shares, in compliance with the Consob Related Parties Regulations, while also taking account of the related communication concerning their implementation.

The Connected Persons Regulations regulated transactions with persons connected with the UBI Group, in accordance with the Regulations concerning risk assets and conflicts of interest with connected persons and also in order to implement Art. 53, paragraph 4 and following of the Consolidated Banking Law.

The main purpose of the measures contained in the Connected Persons Regulation was to contain the risk that the closeness of some “connected persons” to the decision-making centres of the Bank might compromise the objectivity and impartiality of decisions concerning the grant of loans or other transactions relating to those parties. To oversee this risk the provisions of the Connected Persons Regulations, in compliance with the Regulations concerning risk assets and conflicts of interest with connected persons, included: (i) monitoring and compliance with the specific prudential limits set by the supervisory regulations concerning risk assets undertaken towards connected persons by the Parent and subsidiaries; (ii) the adoption of special decision-making procedures that guarantee the integrity of decision-making processes in transactions with connected persons. Furthermore,

since 30<sup>th</sup> June 2017 the Connected Persons Regulations were also extended to "Identified Staff" (Material Risk Takers), ensuring that there was also transparency and oversight in the transactions concluded with the said persons.

We also report that the RPT Regulations and Connected Persons Regulations already provided for: (i) the introduction 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 and (ii) a specific, more stringent procedure for transactions with senior officers, pursuant to Art. 136 of the Consolidated Banking Law.

### **B. Regulations in force with effect from 2<sup>nd</sup> November 2018: the Single Policy and Single Regulation**

With effect from 2<sup>nd</sup> November 2018, the RPT Regulations and Connected Persons Regulations have been replaced by the Single Policy and Single Regulation<sup>4</sup>.

The Single Policy and Single Regulation establish a unitary set of rules at the level of the UBI Group, which the Bank and other Group companies are required to adopt with regard to transactions with a potential conflict of interest pursuant to the Consob Related Parties Regulation, Art. 2391-*bis* of the Civil Code, the Regulations concerning risk assets and conflicts of interest with connected persons and the Consolidated Banking Law.

More precisely:

- the Single Policy contains the principles and guidelines applicable to: (i) transactions performed with parties related to UBI Banca, persons connected to the UBI Group, "Identified Staff" of the Group and significant parties pursuant to Art. 136 of the Consolidated Banking Law, for which the law expressly requires the adoption of strengthened decision-making procedures and specific monitoring actions, as well as (ii) any other transaction which, although it does not directly involve the aforementioned parties, is concluded with parties that may be considered to be connected or associated with, or in any way linked to them and that may thus compromise the impartiality and objectivity of decisions relating to transactions performed at any time, for which the Bank, by way of self-regulation, intends to apply the monitoring and mitigation procedures for potential conflicts of interest referred to under (i);
- the Single Regulation governs issues concerning transactions with the aforementioned parties, relating to investigative and decision making issues and disclosures to the corporate bodies and the market, in accordance with the applicable legislation and regulations.

The Single Policy and Single Regulation have also introduced significant new developments compared to the previous regulations. These include: (i) the definition of a single set of procedural rules for monitoring and managing all conflict of interest situations (both actual and potential); (ii) the introduction of a "Single Group Perimeter", more extensive than is required by the Consob Related Parties Regulation and the Regulations concerning risk assets and conflicts of interest with connected persons, in order to ensure the improved identification, mitigation, management and prevention of conflicts of interest, (iii) the establishment of specific operational limits for particular transactions with some significant parties according to the Single Group Perimeter; (iv) a specific mapping procedure for significant parties that enables the automatic detection of transactions with a potential conflict of interest.

The Single Policy and Single Regulation are published in the Corporate Governance section of UBI Banca's website ([www.ubibanca.it](http://www.ubibanca.it)).

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<sup>4</sup> The Single Policy was approved by the Management Board on 17<sup>th</sup> April 2018 and by the Supervisory Board on 19<sup>th</sup> April 2018, while the Single Regulation was approved by the Management Board on 13<sup>th</sup> June 2018 and by the Supervisory Board on 14<sup>th</sup> June 2018. Both documents are available in the Corporate Governance/Corporate Documents section of UBI Banca's corporate website at [www.ubibanca.it](http://www.ubibanca.it).

## ***Interests of board members and management of personal transactions***

Generally, in a similar manner to the provisions laid down for the Management Board by Art. 2391 of the Civil Code, the Articles of Association also require the members of the Supervisory Board to report all interests that, 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.

UBI Banca has adopted an internal “*Policy for the management of personal transactions*” which provides detailed regulation of obligations concerning personal transactions in financial instruments performed by significant parties, as identified in the legislation mentioned.

## **17) Handling of corporate information**

In order to ensure the appropriate management of confidential and inside information (as defined in Art. 7 of EU Regulation No. 596/2014 - the **MAR**), the Bank has adopted the “Group regulations for the management and disclosure of inside information” (last updated following a resolution of the Management Board on 18<sup>th</sup> December 2018, in order to implement Consob guidelines on the management of inside information). These regulations include definitions of: (i) measures to be adopted to protect the confidentiality of the information in question; (ii) the roles and responsibilities of each of the units involved in the process of managing relevant and/or inside information; (iii) in compliance with the aforementioned Consob guidelines, the establishment of the relevant information list (register of persons with access to specific relevant information, or relevant information that may at some time and possibly the immediate future become inside information); (iv) the establishment of the insider list (register of persons that have access to inside information pursuant to Art. 18 MAR); (v) procedures for the disclosure of inside information to the public (or the activation of the procedure for delayed disclosure to the public, in accordance with the principles defined by Art. 17 MAR).

The Bank will update the “Group regulations for the management and disclosure of inside information” to take account of regulatory developments that may occur from time to time, including those of a secondary nature.

In line with European market abuse regulations, UBI Banca has insider dealing regulations in place (“Regulations for transactions performed by significant parties and persons closely associated with them”).

The regulations govern reporting obligations and the operational restrictions to which board members and the senior management of banks and those who are closely associated with them are subject, in relation to the performance of transactions involving financial instruments quoted on public markets by the Bank (or other related financial instruments).

These regulations are available on the Bank’s website, together with any transactions that may have been performed by significant parties ([www.ubibanca.it](http://www.ubibanca.it), Corporate Governance/internal dealing section).

## **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.

The Corporate Affairs and Conflicts-of-Interest Service (Manager *Avv.* Alessio Lavieri) for retail shareholders is provided for this purpose 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 and Conflicts-of-Interest Service, is part of the Corporate Affairs and Relations with Authorities Area. It 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 21 brokerage houses. During 2018, 50 price sensitive press releases were issued (and translated into English) and approximately 409 institutional investors (equity and debt) were met in one-on-one or group meetings, for a total of approximately 1,060 contacts over the year.

Participating in international conferences with public presentations has made it possible to convey information to a wider audience. The Group's management was present at eight international conferences for equity and five for debt. Fifteen equity and fixed income road shows were proactively organised and 33 group meetings with investors were held at the head offices of UBI.

Finally, as part of its institutional duties, 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 Art. 19, paragraph one of the Articles of Association on the question of the individual remuneration of "Identified Staff" and Art. 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 Art. 36. It elects the Chairman and the Senior Deputy Chairman of the Supervisory Board according to the procedures set out in Art. 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;
  - the remuneration and/or incentive plans based upon financial instruments;
  - the criteria for determining the indemnity to be granted in the case of early termination of the employment relationship or early cessation from the role, therein including the limits fixed to that remuneration in terms of annual payment of fixed remuneration and the maximum amount deriving 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 "Identified Staff", but nevertheless not higher than the maximum limit set by the regulations then in force;
- c) decides on the liability of the members of the Supervisory Board and, pursuant to Art. 2393 and Art. 2409-*decies* of the 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 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.

The extraordinary Shareholders' Meeting shall resolve on amendments to the Articles of Association, on the appointment, removal, replacement and powers of the liquidators and on any other matter within its purview pursuant to the law.

If a 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 who represent 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 Art. 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 are convened without delay at the request of Shareholders who represent at least one-twentieth of the share capital following submission of a request indicating the grounds and the agenda.

In compliance with the procedures, according to the terms and within the time limits set forth by the law, the Shareholders who, jointly, represent at least one-fortieth of the share capital may, by written application, request additions to the items to be discussed at the Shareholders' Meeting, as recorded by the notice of convocation of the same, indicating in the application the additional matters proposed by them as well as they may submit resolution proposals on matters already on the agenda. Legitimacy to exercise that right is proven by the filing of a copy of the communication issued by the intermediary in accordance with the laws 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.

Persons having the right to vote, for which the Company has received, within the time limits provided for by the law, the notice of the authorised intermediary certifying their voting right, may attend at the Shareholders' Meeting.

Each ordinary share attributes 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 amongst 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 items for which the voting instructions have been granted.

Without prejudice to the provisions of Art. 2372, paragraph 2, of the 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.

Three Shareholders' Meetings were held during the year:

- on 6<sup>th</sup> April 2018 - in ordinary session (all the members of the Management Board and fourteen out of fifteen members of the Supervisory Board in office were present). At the Shareholders' Meeting the Board reported on the activities performed and planned;
- on 19<sup>th</sup> October 2018 - in extraordinary and ordinary session (all the members of the Management Board and thirteen out of fourteen members of the Supervisory Board in office were present);
- on 14<sup>th</sup> December 2018 - in ordinary session (six out of seven members of the Management Board in office and eight out of fourteen members of the Supervisory Board in office were present);

At these meetings shareholders were provided with adequate disclosure of the necessary information to enable them take the decisions for which the Shareholders' Meeting is responsible with full knowledge of the facts.

For further information see the minutes of the Shareholders' Meetings available on the website of the Bank ([www.ubibanca.it](http://www.ubibanca.it) – Shareholders Section).

\* \* \*

By executive order 13 dated 24<sup>th</sup> January 2019 of the Manager of the Corporate Governance Division the Consob set the minimum percentage of the share capital required at UBI Banca for the presentation of slates of candidates for election to the management and supervisory bodies at 1%.

\* \* \*

At a global level, the tariff war triggered by the United States, uncertainties about the future direction of monetary policies and the various instabilities of the geopolitical picture have, partly through their potential negative repercussions for growth, led to high volatility on all equity markets which has become more pronounced towards the end of the year.

In this context the Italian stock market fell by over 16% at the end of the year (-16.1% for the FTSE Mib and -16.7% for the FTSE Italia All-Share). In addition to global volatility factors, political events at the national level aggravated the fears and uncertainties of investors (and rating agencies) about the future trend for public debt reduction (particularly in the last quarter with the initial rejection of the manoeuvre by the European Authorities) and the developing role of Italy in Europe.

These uncertainties caused the sovereign spread to increase, with a particularly negative impact on the banking sector, which has significant investments in government securities (-30.3% for the FTSE Italia Banks index).

The UBI Banca share price, in line with the sector trend, has consequently fallen by over 30%, ending the trading day on 28<sup>th</sup> December 2018 at €2.50 [official price €2.532 (-31.2%; reference price €2.533 (30.5%)].

The minimum and maximum prices for the year were €2.383 and €4.420 respectively.

At the end of the year the stock market capitalisation of UBI Banca (based on the official price) had fallen to €2.9 billion compared to €4.2 billion in December 2017, placing UBI Banca in fourth place amongst listed Italian commercial banking groups that are part of the FTSE/Mib index (and in fifth place amongst all the Italian banking groups included in the index).

The UBI Banca Group was again amongst the first 45 institutions on the basis of the classification drawn up by the Italian Banking Association in its European Banking Report, which considers the 14 main EU 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 in the structure of the corporate governance of the company have occurred in addition to those reported in the specific sections.

## 22) Considerations on the letter of 21<sup>st</sup> December 2018 from the Chairman of the Corporate Governance Committee

The Corporate Governance Committee issues, together with the report on its own activities, 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 stated that they comply with it.

This document was sent to all the listed companies together with a letter dated 21<sup>st</sup> December 2018 from the Chairman of the Corporate Governance Committee to provide evidence of the monitoring that has been performed and indicate the key findings, inviting the management bodies of listed companies to take account of it and, partly in the light of the results of the self-assessment, ensuring that the best practice recommended in the Code is applied better and more effectively by identifying possible changes to governance or addressing any gaps in the application or explanations provided. It also repeated the wish for the observations concerning the four recommendations made by the Committee and any initiatives that were planned or undertaken would be reported in the Corporate Governance Report.

The recommendations made in the letter were brought, on 7<sup>th</sup> February 2019, 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 four 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:

- **Information before board meetings:** the Corporate Governance Committee invites the Boards of Directors to give an explicit evaluation of the adequacy of the information received before board meetings during the year. More specifically, it invites the Chairs of the Boards of Directors to promote these evaluations and ensure that the need for confidentiality is met without compromising the adequacy and timeliness of information flows before Board meetings (see sections 4.2 and 12.3 of this report);
- **Application of independence criteria:** the Corporate Governance Committee invites the management bodies to apply the independence criteria set out in the Code more rigorously and encourages the control bodies to oversee their correct application. the Committee underlines the way in which cases when they have not been applied should form an exception and, above all, be the subject of an in-depth assessment at the individual level, with reference to the situations in which the particular Board Member finds himself and an exhaustive explanation in the Corporate Governance Report (see sections 4.2 and 12.7 of this report);
- **Board review:** The committee invites the Board of Directors to ensure greater transparency with regard to the procedures for carrying out the Board review. The Corporate Governance Committee hopes that, especially for the largest issuers, a Board Member will supervise the Board review process and that procedures will be adopted to highlight the individual contribution made by each Board Member (see sections 4.2 and 12.2 of this report);
- **Remuneration of Executive Directors:** The Corporate Governance Committee invites the Boards of Directors and the committees responsible for matters relating to remuneration to evaluate whether remuneration policies are commensurate with pursuing the objective of the medium to long-term sustainability of the Bank's activities. In particular, the Committee recommends that the competent bodies of the medium to large issuers in particular should strengthen the association between variable remuneration and parameters linked to long-term objectives and limit the payment of ad hoc bonuses that are not linked to previously determined parameters to individual exceptional cases, subject to adequate explanation (see section 8 of this report and the *Report on Remuneration, which may be consulted*).

## 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 Board of Directors and Chief Executive Officer:</b> - Beretta Holding Spa - Beretta Industrie 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>Executive Director:</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 - ANSA – Agenzia Nazionale Stampa Associata Soc. Coop. <b>Chairman of the Board of Directors:</b> - Editoriale Bresciana Spa
Alberto CARRARA	Member of the Supervisory Board	<b>Full Statutory Auditor:</b> - Bianchi Industry Spa - Comelit Group Spa
Ferruccio DARDANELLO	Member of the Supervisory Board	<b>Chairman:</b> - CCIAA of the province of Cuneo - Azienda Speciale Centro Estero Alpi del Mare <b>Chairman of the Board of Directors:</b> - 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) - Confcommercio (the Italian General Confederation of Enterprises, Professions and Self-Employment) <b>Board Member:</b>

Name	Position held in the Issuer	Positions held in other listed companies or in banking, financial, insurance or large companies
		- Euro C.I.N. GEIE
Alessandra DEL BOCA	Member of the Supervisory Board	= =
Giovanni FIORI	Member of the Supervisory Board	<b>Chairman of the Board of Directors:</b> Elettra 1938 Spa <b>Chairman of the Board of Statutory Auditors:</b> - Italconsult Spa - Pfizer Italia Holding Spa - Italo Treno NTV Sp - Luxottica Group Spa (*) - Astaldi Spa (*)
Patrizia Michela GIANGUALANO	Member of the Supervisory Board	<b>Director:</b> - Mondadori Spa
Paola GIANNOTTI	Member of the Supervisory Board	<b>Director</b> - Terna Spa (*) - EPS Equita PEP SPAC 2 Spa (*) - TIM Spa (*) - ICF Group Spa (*)
Giuseppe LUCCHINI	Member of the Supervisory Board	<b>Chairman of the Board of Directors:</b> - Sinpar Spa - Lucchini RS Spa - Lucchini Industries Srl - Gilpar Spa <b>Director:</b> - Beretta Holding Spa
Sergio PIVATO	Member of the Supervisory Board	<b>Chairman of the Board of Statutory Auditors:</b> - SMA Spa - E-Novia Spa <b>Full Statutory Auditor:</b> - Auchan Spa

**Positions held by the members of the Management Board of UBI Banca** in other companies listed on 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
Letizia Maria BRICHETTO ARNABOLDI	Chairwoman of the Management Board	<b>Chairwoman of the Board of Directors:</b> - Fondazione E4Impact - Securfin Holdings Srl <b>Director:</b> - AON Italia srl - Bracco Spa
Flavio PIZZINI	Deputy Chairman of the Management Board	<b>Chairman of the Board of Directors:</b> - Fondazione Borghesi Buroni <b>Chairman of the Board of Directors:</b> - UBI Sistemi e Servizi Scpa (**) <b>Board Member:</b> - Immobiliare Due Febbraio Srl - Fondazione Lambriana <b>Chairman of the Board of Statutory Auditors:</b> - Impresa Tecnoeditoriale Lombarda Srl - Fondazione Housing Sociale - Fondazione EBIS - Brevivet Spa - Fondazione Achille e Giulia Boroli

Name	Position held in the Issuer	Positions held in other listed companies or in banking, financial, insurance or large companies
		<p><b>Sole Statutory Auditor</b> - Novaradio Srl</p> <p><b>Receiver:</b> - Bosa Srl in liquidation</p> <p><b>Member of the Board of Statutory Auditors:</b> - Fondazione E4Impact</p>
Victor MASSIAH	Chief Executive Officer/General Manager	<p><b>Chairman of the Board of Directors:</b> - Associazione per lo Sviluppo degli Studi di Banca e Borsa (Association for bank and stock market studies)</p> <p><b>Director and member of the Executive Committee:</b> - Italian Banking Association</p> <p><b>Director:</b> - Interbank Deposit Protection Fund. - Voluntary Scheme</p>
Silvia FIDANZA	Member of the Management Board	<p><b>Chairman of the Supervisory Board:</b> - Befado S.p. z.o.o. (Poland)</p>
Osvaldo RANICA	Member of the Management Board	<p><b>Chairman:</b> Italian Banking Association - Regional Commission for Lombardy</p> <p><b>Deputy Chairman of the Board of Directors:</b> - UBI Leasing SpA (**)</p> <p><b>Board Member:</b> - Unione di Banche Italiane per Varese Onlus Foundation - Digital Innovation Hub (DIH) Association - Bergamo</p>
Elvio SONNINO	Member of the Management Board / Senior Deputy General Manager	<p><b>Deputy Chairman of the Board of Directors:</b> - IW Bank Spa (**)</p> <p><b>Executive Director:</b> UBI Sistemi e Servizi SCpA (**)</p> <p><b>Director:</b> - UBI Academy SCRL (**) - Italian Banking Association</p>
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 2018) 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%	MTA FTSE MIB	Each share gives the right to one vote. The rights and obligations of shareholders are those provided for by articles 2346 et seq. of the Civil Code
Shares with multiple voting rights	==	==	==	
Shares with limited voting rights	= =	= =	= =	
Shares with no voting rights	= =	= =	= =	
Other	==	==	==	

### 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) <i>stake held as part of its discretionary investment management</i>	No	5.123%	5.123%
Fondazione Banca del Monte di Lombardia (Declared on 7 <sup>th</sup> December 2017) (2)	Yes	4.959%	4.959%
Capital Research and Management Company (U.S.) (3) (declared on 28 <sup>th</sup> September 2018) <i>stake held as part of its discretionary investment management</i>	Yes	4.8733%	4.8733%
HSBC Holdings Plc (of which 4.189% relating to HSBC Bank Plc) (reported on 9/10/2018),  <i>The declarant has opted for the exemption provided for under Art. 119-bis, paragraph 4 of the Issuers' Regulations.</i>	No	4.236%	4.236%

(\*) Source: communications performed in accordance with Art. 120 of the Consolidated Finance Law.

- (1) On the basis of reports received relating to receipt of the 2018 dividend, Silchester holds an 8.10% stake in the share capital of UBI Banca.
- (2) On the basis of reports received relating to receipt of the 2018, dividend, this foundation held a 3.95% stake in the share capital of UBI Banca.
- (3) In that same report, the company also disclosed that it held a potential investment of 0.0175% in relation to shares subject to stock lending contracts where the loan may be called at any time at the discretion of the lender.

With reference 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 he held indirectly through the subsidiary management company, Parvus Asset Management Europe Ltd 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.

It must in any case be considered that the percentage interests reported may no longer be those actually held if a change has occurred in the meantime which does not involve disclosure obligations in accordance with the applicable regulations.

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

Supervisory Board											Appointments Committee		Remuneration Committee		Internal Control Committee		Risk Committee		Related Parties and Connected Persons Committee	
Position	Members	Year of birth	Date first appointed	In office since	In office until	Slate (*)	Independent as per Corporate Governance Code	Supervisory Board (****)	Management Board (****)	No. of appointments (**)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)
<b>Chairman</b>	Andrea MOLTRASIO	1956	from 01/04/2007 to 24/04/2010 since 20/04/2013	02/04/2016	AGM 2019	M		20/20		4	C	7/7								
<b>Senior Deputy Chairman</b>	Mario CERA	1953	20/04/2013	02/04/2016	AGM 2019	M		20/20		= =	M	7/7								
<b>Deputy Chairman</b>	Pietro GUSSALLI BERETTA	1962	from 01/04/2007 to 20/04/2013	02/04/2016 (Appointed DC on 14/04/2016)	AGM 2019	M		17/20		11	M	5/7								
<b>Deputy Chairman</b>	Armando SANTUS	1969	28/04/2012	02/04/2016 (Appointed DC on 14/4/2016)	AGM 2019	M	X	18/20		= =									C	13/13
<b>Board Member</b>	Francesca BAZOLI	1968	02/04/2016	02/04/2016	AGM 2019	M	X	20/20		2						M	17/21			
<b>Board Member</b>	Letizia BELLINI CAVALLETTI	1962	20/04/2013	02/04/2016	AGM 2019	M	X	20/20		= =	M	7/7							M	13/13
<b>Board Member</b>	Pierpaolo CAMADINI	1963	20/04/2013	02/04/2016	AGM 2019	M	X	19/20	14/28 (§)	4				M	17/18					
<b>Board Member</b>	Alberto CARRARA (*) (2)	1961	14/12/2018	14/12/2018	AGM 2019	(*1)	X	1/1	0/0 (§)	2				M	0/0 (4)	M	0/0 (4)			
<b>Board Member</b>	Ferruccio DARDANELLO (3)	1944	07/04/2017	07/04/2017	AGM 2019	(*2)	X	19/20		7			M	20/20						
<b>Board Member</b>	Alessandra DEL BOCA	1947	20/04/2013	02/04/2016	AGM 2019	M	X	20/20		= =			C	20/20						
<b>Board Member</b>	Giovanni FIORI (*)	1961	02/04/2016	02/04/2016	AGM 2019	m	X	20/20	3/28 (§)	6	M	7/7			C	18/18				
<b>Board Member</b>	Patrizia Michela GIANGUALANO	1959	02/04/2016	02/04/2016	AGM 2019	m	X	19/20	6/28 (§)	1			M	19/20	M	18/18	M	21/21		

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

Supervisory Board											Appoint-ments Committee		Remuneration Committee		Internal Control Committee		Risk Committee		Related Parties and Connected Persons Committee	
Position	Members	Year of birth	Date first appointed	In office since	In office until	Slate (*)	Independent as per Corporate Governance Code	Supervisory Board (****)	Managem-ent Board (****)	No. of appointm-ents (**)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)	(***)	(****)
Board Member	Paola GIANNOTTI	1962	02/04/2016	02/04/2016	AGM 2019	m	X	20/20		4							C	21/21	M	13/13
Board Member	Giuseppe LUCCHINI	1952	from 01/04/2007 to 20/04/2013	02/04/2016	AGM 2019	M	X	16/20		5										
Board Member	Sergio PIVATO (*)	1945	01/04/2007	02/04/2016	AGM 2019	M		20/20	4/28 (§)	3					M	16/18	M	19/21		

**SUPERVISORY BOARD MEMBER RETIRED IN 2018 DUE TO RESIGNATION**

Board Member	Lorenzo Renato GUERINI (*)	1949	20/04/2013	2/04/2016	11/10/2018	M	X	14/14	9/20 (§)	n.a.					M	13/18 (5)	M	15/17 (5)		
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<b>Number of meetings held during 2018</b>	Supervisory Board: 20	Appointments Committee: 7	Remuneration Committee: 20	Internal Control Committee: 18 (#)	Risk Committee: 21	Related Parties and Connected Persons Committee: 13
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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. 231/2001, which met six times in 2018

**NOTES**

- 1) MEMBER OF THE 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 a Shareholders' Meeting on 14<sup>th</sup> December 2018
- 3) BOARD MEMBER appointed by a Shareholders' Meeting on 7<sup>th</sup> April 2017
- 4) BOARD MEMBER since 20/12/2018
- 5) BOARD MEMBER until 10/10/2018
- (\*) Enrolled in the Register of External Statutory Auditors

- (S) As a member of the Internal Control Committee
- (\*) Board members indicated with the letter “M” were in the slate that received the second highest number of votes at the Shareholders’ Meeting of 2<sup>nd</sup> April 2016. Board Members Moltrasio, Cera and Santus were appointed by the slate 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 2<sup>nd</sup> April 2016.  
Board members indicated with the letter “m” were drawn from the slate that obtained the majority of the votes at the Shareholders’ Meeting of 2<sup>nd</sup> April 2016.
- (\*1) Board Member appointed by the Shareholders’ Meeting on 14<sup>th</sup> December 2018 by a majority vote to replace a Board Member who had resigned; the candidature was presented by *Dott. Matteo Zanetti, Dott. Paolo Zanetti, Quattro Luglio srl, Scame srl, Nuova Fourb srl, Mar.Bea srl, Fondazione Banca del Monte di Lombardia and Fondazione Cassa di Risparmio di Cuneo* shareholders in implementation of the agreement stipulated on 22<sup>nd</sup> November 2018 between *Sindacato Azionisti UBI Banca S.p.A. (UBI Banca S.p.A. Shareholders' Syndicate), Patto dei Mille* and *Fondazione Cassa di Risparmio di Cuneo*.
- (\*2) 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 and Patto dei Mille*
- (\*\*) 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-quater 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	14/04/2016	14/04/2016	(*)		X	27/28	4
<b>Deputy Chairman</b>	Flavio PIZZINI	1955	02/04/2007	14/04/2016	(*)		X	28/28	12
<b>Chief Executive Officer/General Manager</b>	Victor MASSIAH (2)	1959	27/11/2008 (appointed Chief Executive Officer on 27/11/2008 with effect from 01/12/2008)	14/04/2016 (appointed Chief Executive Officer on 15/04/2016)	(*)		X	28/28	4
<b>Board Member</b>	Silvia FIDANZA	1974	23/04/2013	14/04/2016	(*)	X		28/28	1
<b>Board Member</b>	Oswaldo RANICA	1952	14/04/2016	14/04/2016	(*)		X	28/28	4
<b>Board Member /Senior Deputy General Manager</b>	Elvio SONNINO	1960	23/04/2013	14/04/2016	(*)		X	27/28	4
<b>Board Member/Chief Financial Officer</b>	Elisabetta STEGHER	1967	14/04/2016	14/04/2016	(*)		X	27/28	=

28 meetings of the Management Board were held in 2018.

NOTES

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

(2) 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 shall remain in office for three financial years (2016-2017-2018). 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 Art. 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 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 – diversity indicators**

COMPOSITION OF GOVERNING BODIES BY DIVERSITY INDICATORS	2018			2017		
	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	6.7%	14.2%	9.1%	6.6%	14.2%	9.0%
50 to 60	53.3%	42.9%	50.0%	46.7%	42.9%	45.5%
Over 60	40.0%	42.9%	40.9%	46.7%	42.9%	45.5%
Average age	60	59		60	58	

## Attachment 1

<b>COMPLIANCE TABLE</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	Sections 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	Sections 4 and 12
Number of board members representing minorities	Section 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	Sections 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 and Supervisory Boards 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 and the COBIT Framework<sup>1</sup>, and it involves different areas described in detail in the section that follows.

#### **2) Description of the main characteristics of the 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 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 Methodologies & Frauds Area, is performed by using a special tool known as “Company

<sup>1</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.

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. This 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. More specifically, 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 control functions, 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 13<sup>th</sup> November 2017. 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, together with the competent bodies of the “outsourcer” companies, provide the Chief Executive Officer and the Senior Officer Responsible of the Parent with special internal certifications.

**REPORT OF THE  
SUPERVISORY BOARD TO THE  
SHAREHOLDERS' MEETING  
in accordance 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 24<sup>th</sup> February 1998 (Consolidated Finance Act) and Art. 38, paragraph 1, letter h), of the Articles of Association, in compliance with which, the Supervisory Board is required to report to shareholders on the supervisory activities performed, on omissions and reprehensible actions observed relating to the financial year ended 31<sup>st</sup> December 2018, and in relation to matters within the scope of its responsibilities.

In the introductory part, this 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 2018, and in particular:

- developments in Group governance
- the Strategic Non-Performing Loans Plan
- outcome of the stress test and the specific capital requirements called for by the European Central Bank (2018 SREP)
- the remuneration and incentive policies.

The main initiatives implementing the processes and procedures relating to control and risk mitigation procedures are also described.

We then provide information that specifically concerns the supervisory activities carried out in 2018 in accordance with Art. 149, paragraph 1, of the Consolidated Finance Law and with the Articles of Association, the execution of which takes account of relevant Consob recommendations and of Communication no. 1025564 of 6<sup>th</sup> April 2001 and subsequent updates in particular.

\* \* \*

Under the current two-tier 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, 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 11<sup>th</sup> October 2018, the shareholders, in a meeting held on 14<sup>th</sup> December 2018, appointed a new member of the Supervisory Board to replace the outgoing member. In accordance with the Articles of Association, this member is enrolled in the Register of Statutory Auditors.

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 reference to the principles and criteria referred to in Art. 3.C.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.

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 end-of-term self-assessment conducted by the Supervisory Board during its meeting of 5<sup>th</sup> February 2018 for the year 2018 confirmed that the board operates in an appropriate manner that is consistent with its mandate. The outcome of the self-assessment was completely consistent with the important development of governance, which led to the move to the one-tier model, as discussed below. The end-of-term board evaluation was also designed for the preparation of this document on the qualitative and quantitative composition considered optimal for the purposes of renewing the Board.

The process of preparing the document on qualitative and quantitative composition for the election of the Board of Directors ended with the approval of the outgoing board. This document has been made available to shareholders and to the public on the website [www.ubibanca.it](http://www.ubibanca.it) in concert with the calling of the Shareholders' Meeting for appointment of the new board, so that the choice of candidates and their appointment to the position of member of the Board of Directors may take account of the theoretical profiles described herein.

In this respect it is underlined that in May 2018, the European Central Bank (ECB) updated its guide to fit and proper assessments of senior officers (issued in May 2017) with the goal of explaining in greater detail the policies, practices and processes employed to assess the suitability of members of the governing bodies of major credit institutions. The document on the qualitative and quantitative composition of the new board takes into account the indications of the Supervisory Authority. It also takes account of the draft Ministerial Decree, as we await issuance by the Ministry of the Economy and Finance, implementing the provisions of Art. 26 of the Consolidated Banking Law concerning the requirements for board members of banks. Finally, the document has been drawn up on the basis of the new policy and regulations concerning the fit-and-proper requirements of board members approved by the Supervisory Board in December 2018 in order to establish specific processes and procedures for fit-and-proper verifications in view of the upcoming renewal of the governing bodies.

The Supervisory Board - in relation to its responsibilities, its composition and the characteristics of its members - has elected 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 here 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.

\* \* \*

## **Developments in governance**

As also discussed in the report submitted for the extraordinary Shareholders' Meeting in October 2018, in December 2017 the Supervisory Board of UBI Banca approved the guidelines for the revision of the Bank's governance prepared by the Governance Commission, an internal body of the Supervisory Board established in June 2017.

The guidelines for the revision of governance called for the adoption of a one-tier system of management and control in place of the two-tier system because it would be: (i) more easily recognisable in consideration of its widespread use internationally; (ii) more efficient from an organisational viewpoint; and (iii) able to maintain a strong focus on the control function within the board, with the consequent participation of that function in strategic decision-making and in the management of the bank.

Based on these new guidelines, the text of the new Articles of Association, approved by the Management and Supervisory Boards within their respective remits and which received authorisation from the European Central Bank on 24<sup>th</sup> August 2018, was approved at an Extraordinary Shareholders' Meeting on 19<sup>th</sup> October 2018 with a 99.8635% majority vote of the capital represented. The new text of the Articles of Association, in relation to the adoption of the single administration and control system, envisages, in particular, a Board of Directors consisting of 15 members, including 5 members of the Management Control Committee, all of whom are to be independent directors.

The process for the adoption of the new governance system, which involves the revision of internal policies, regulations, and organisation, came to a close in conjunction with the Annual General Meeting of 12<sup>th</sup> April 2019, called to appoint Board Members for the following three-year term of office. All the amendments to the Articles of Association take effect when the first renewal of the governing bodies to which they apply takes place, except for articles 20, 21 and 22 which become applicable from the date on which the Shareholders' Meeting called to vote on the appointment of new governing bodies is convened.

## **The Strategic Non-Performing Loans Plan**

The annual update of the Strategic Plan required by the guidelines on non-performing loans (NPLs) published by the European Central Bank in March 2017, was submitted to the supervisory authority in April 2018.

The new NPL Plan confirmed the priority of the strategy for the internal management of credit recovery, while also providing for the disposal of non-performing positions with the goal of substantially accelerating the process with respect to the aims contained in the 2017-2020 Business Plan.

In this regard, the (GACS-backed) securitisation of a significant portfolio of bad loans was completed on 28<sup>th</sup> September 2018. The conclusion of this securitisation, together with disposals carried out over the nine-month period as part of ordinary delinquent loan management, made it possible to reach the total volume of disposals planned for the current year under the NPL plan by the end of the year.

These operations, conducted in parallel with positive results from credit recovery and reduced inflows from performing status, helped to bring down total volumes of gross non-performing exposures, which as at 30<sup>th</sup> September 2018 already stood at levels lower than the targets set for year-end 2018 in the plan.

A second disposal of bad loans was completed on 14<sup>th</sup> December 2018, ahead of the original schedule due to the keen interest of investors.

In terms of capital, both operations resulted in a reduction of the RWAs related to the bad loans sold without having a negative impact on the capital ratios, even when factoring in future updates of LGD following these disposals. See the details presented in the financial report for more information.

## **The results of the 2018 stress test**

### **The specific capital requirements called for by the European Central Bank – Outcome of 2018 SREP**

UBI Banca took part in the 2018 EU-wide stress test conducted by the European Banking Authority (EBA), in co-operation with the Bank of Italy, the European Central Bank (ECB), and the European Systemic Risk Board (ESRB). The exercise involved 48 banks, of which four Italian, which represent approximately 70% of the total assets of the European banking system. The 2018 EU-wide stress test did not contain a minimum CET1 ratio pass fail threshold and instead was designed to be used as an important source of information for the purposes of the SREP.

While this was a particularly severe test (both in terms of the macroeconomic scenario and the methodology), based on an extraordinary year for UBI Banca, the Group's capital ratios remained very resilient. They recorded an impact on the phased-in CET1 ratio under the adverse scenario hypothesis of 338 basis points, lower than the European average of 410 basis points and an impact on the fully loaded CET1 ratio of 374 basis points, also lower than the European average of 395 basis points.

On conclusion of the stress test, under the adverse scenario UBI Banca had a phased-in CET1 ratio of 8.32% (compared with 11.70% pro forma as at 1<sup>st</sup> January 2018 and a fully loaded CET1 ratio of 7.46% (compared with 11.20% pro forma at the beginning of the year).

Upon conclusion of the Supervisory Review and Evaluation Process (SREP), the ECB set the following requirements for 2019 that the UBI Group must comply with on a consolidated basis:

- a minimum CET1 ratio requirement of 9.25% fully loaded, up on 2018 solely as a result of the entry into force of the Capital Conservation Buffer regime. The minimum requirement is a result of the sum of the Pillar 1 minimum Regulatory Capital Ratio requirement (4.5%), the Pillar 2 Capital Ratio requirement (2.25%) and the Capital Conservation Buffer (2.50%);
- a minimum SREP Total Capital Ratio requirement of 10.25%, unchanged compared with 2018 (the result of the sum of the minimum Pillar 1 Regulatory Capital ratio requirement (8%) and the Pillar 2 Capital ratio requirement (2.25%)).

If the capital conservation buffer of 2.50% is added, this then gives a minimum requirement in terms of the regulatory Total Capital Ratio of 12.75%.

As at 31<sup>st</sup> December 2018, with a CET1 ratio of 11.70% phased-in and of 11.34% fully loaded and a Total Capital Ratio of 13.80% phased-in and 13.44% fully loaded, the Group is positioned well above the minimum requirements.

## **Remuneration and incentives policies**

At the meeting of 7<sup>th</sup> March 2019, 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 2019 and related update to the scope of application of "Identified Staff".

By pursuing its remuneration policies, UBI Banca intends to ensure the best possible alignment between the interests of shareholders, the Bank's management and all its stakeholders by means of an appropriate correlation between results achieved, long-term sustainability and competitive wages. They represent an important management lever with regard to Directors, Group management and all those who play key roles within corporate organisation, favouring Group governance competition, attraction and the retention of professional skills sufficient to meet corporate requirements.

UBI Banca's approach to the subject of remuneration has been established over the years, through constant efforts to attain close alignment with the most recent national and international regulations and best market practices. The aim, from time-to-time, is to achieve remuneration schemes that are aligned with long-term corporate strategies, targets and results, that are suitably adjusted to take account of all risks, that are consistent with the levels of capital and liquidity needed to perform the activities undertaken and that are in any event sufficient to protect customers, in a context of proper conduct and management of

conflicts of interest, and to avoid perverse incentives, which might induce the breach of regulations and improper risk-taking.

From a prudential standpoint, and with reference to the powers assigned to the Shareholders' Meeting under the one-tier system, the Supervisory Board has resolved to submit the aforementioned Remuneration and Incentive Policies for overall approval by shareholders on the 12<sup>th</sup> April.

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):

- 2019 short-term schemes based on financial instruments;
- 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;
- increase of the limit in the ratio of variable to fixed remuneration up to a maximum of 2:1 for all key personnel, with the exception of personnel within the Control Functions, the manager responsible for preparing the financial reports, and the Parent's Human Resources manager, in order to ensure merit-based, competitive, and flexible management.

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 2018 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.

### **The new Single Policy for handling potential conflicts of interest**

On 2<sup>nd</sup> November 2018 the *“Single Policy on transactions with Related Parties in accordance with Consob Regulation No. 17221/2010, Connected Persons in accordance with Bank of Italy Supervisory Regulations Circular No. 263, “Identified Staff” of the UBI Group, Significant Parties in accordance with Art. 136 of the Consolidated Banking Law and Other Significant Parties”* came into force, together with the relative implementing Regulation governing the procedural aspects of the relative processes concerning fact finding, approval and reporting to governing bodies and to the market.

All UBI Group companies (including the non-banking members), in Italy or abroad, are required to implement both the Single Policy and their own Single Regulation.

In terms of their procedural and decision making aspects, the Single Policy and Single Regulation serve to implement the principles and controls required by the provisions relating to the regulation of transactions with related parties, connected persons, "Identified Staff" and significant parties pursuant to Art. 136 of the Consolidated Banking Law, as well as any other person defined as significant by the Bank on a self-regulatory basis, and also in consideration of the provisions of articles 2391 and 2391-bis of the Italian Civil Code.

The new regulation, which integrates and replaces the previous regulation for transactions with related parties of UBI Banca SpA and the regulations for transactions with connected persons of the UBI Group, represents an important reinforcement of the governance and control of the issue of conflicts of interest.

Having the goal of jointly and homogeneously regulating issues falling within the scope of conflicts of interest, the regulation establishes the principles and guidelines that govern and mitigate the risks, of a reputational or other nature, deriving from situations of potential conflict of interest – connected to aspects such as the particular proximity of certain entities with respect to the decision-making centres of the Bank, of UBI Sistemi e Servizi, and of the other banks and supervised intermediaries of the Group – and is part of the process of constant procedural and operational refinement aimed at ensuring transparency and fairness.

The policy also sets specific limits and prohibitions on operations with the Bank for parties falling within the scope of its application. These limits are increasingly stringent in relation to the position of the party concerned, including the prohibition on performing certain operations for the parties potentially the most involved (such as board members and their close family members and key management personnel).

A computerised procedure has been activated in order to help facilitate the monitoring and control of the positions that fall within the scope of the regulation in question. The Single Policy is published on the website of UBI Banca ([www.ubibanca.it](http://www.ubibanca.it)), along with the Single Regulation.

### **External Quality Assessment Review of the Internal Audit function**

Also for the purpose of constant implementation of processes and procedures with a view to continuous improvement, in 2018 an external company was assigned the task of carrying out a quality assurance review of the Internal Audit function to update the review carried out in 2015.

The review was carried out to verify the adequacy and compliance of the Internal Audit function with respect to the International Professional Practice Framework (IPPF) issued by the Institute of Internal Auditors (IIA). It also called for a specific in-depth analysis of the methodology of risk assessment adopted by the Internal Audit function. The review criteria included the best practices adopted by peers both in Italy and abroad.

The judgement of the external Advisor following the External Quality Assessment Review (EQAR) was “generally compliant”, which represents the highest level obtainable on a scale of the following three levels: “generally compliant”, “partially compliant”, and “non-compliant”.

The report, in addition to describing the main observations that emerged from the review process, describes actions aimed at further raising the quality of the function in light, too, of regulatory changes and best practice in the field.

The Supervisory Board, having examined the report of the external Advisor with the help of the Internal Control Committee, has favourably assessed the results of said report, which highlighted the constant strengthening of the function brought about, in part, by the Internal Control Committee itself, and has ordered that the report be also sent to the Supervisory Authority.

For information on the organisational measures that have involved the Internal Audit function, see below.

### **Developments in anti-money laundering legislation**

For the purpose, as discussed above, of continuous improvement in the management of risks and related controls, in recent years UBI Banca, which has always been attentive and responsive to the dynamics of exogenous and endogenous factors with regard to money laundering, has pursued a virtuous path of investment in the realm of procedures, projects and IT tools.

Data for the period 2013-2018 point to overall investments (project and run costs) totalling €15 million.

Investment in training for the period 2013-2018 came to:

- 12,515 days/head (total of in-classroom (6,566) and remote-learning courses (5,949));
- 54,573 total participation (total of in-classroom (11,403) and remote-learning courses (43,170));
- 18,789 people trained.

Furthermore, since 2017 a certification process in anti-money laundering (AML) with Scuola di Formazione Bancaria for the personnel of the AML area (with 8 already certified and a further 10 currently attending training).

\* \* \*

In compliance with **Consob Communication No. 1025564** of 6<sup>th</sup> April 2001 and subsequent amendments to it, specific information is given below on the supervisory activities performed by the Supervisory Board in 2018 in the order of presentation recommended in that Consob 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 2018 Consolidated Financial Statements, particularly as concerns the following transactions, as listed in for the foreword to this report, as concerns:

- Developments in Group governance
- The Strategic Non-Performing Loans Plan
- Outcome of the stress test and the specific capital requirements called for by the European Central Bank (2018 SREP)
- the remuneration and incentive policies.

Of note among the events of 2018, following the sale of UBI Banca International, effective as of 1<sup>st</sup> November 2017, was the ongoing process of rationalising the Group's presence internationally, with an increasing focus on UBI Banca's core banking activities, which has affected the branches in Madrid and Munich, which were originally held by the former Luxembourg subsidiary and ceased operations on 1<sup>st</sup> January 2019.

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 Act 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.

Pursuant to applicable legislation, the Related Parties and Connected Persons Committee, set up within the Supervisory Board, is called upon to perform the tasks assigned to it under the Single Regulation (as described above) and in accordance with the methods of operation governed therein.

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.

- 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 Persons

During the year, as concerns transactions with “connected persons”, the Supervisory Board has periodically examined the list – as provided by the Management Board – of all transactions executed in the previous quarter 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 also concerned the profile of new connected persons as a result of the acquisition of the New Banks

Specific information in this regard is provided in the Management Report.

In 2018, 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 transactions with related parties and connected persons by the Bank, distinguishing between legislation in effect prior to 1<sup>st</sup> November 2018 and legislation that went into effect by way of the Single Policy and Single Regulation.

The transactions with senior managers of the bank, with senior officers of Group member companies, and with companies controlled by these subsidiaries 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 also overseen the adequacy of the system for ensuring compliance with Art. 136 of the Consolidated Banking Law.

All the transactions performed by Group companies with their related parties and connected persons 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 Parties and Connected Persons Committee has:

- opinions, in relation to the investigations requested from the governing bodies, concerning relationships between the Purchasing Department of UBI Sistemi e Servizi, in the name of and on behalf of UBI Banca, and suppliers that are related parties and/or connected persons;
- periodically monitored activities in progress and the main results achieved in relation to the “Related Parties and Connected Persons Stabilisation” and “Managing Conflicts of Interest” projects, both intended to create a single oversight in order to optimise the proper management of potential conflicts of interest on the part of the UBI Group in relation to transactions with related parties, connected persons and those categorised as “Identified Staff”, with the involvement of the Corporate Affairs and Relations with Authorities, Compliance and Organisation units of UBI Banca.

4. On 30<sup>th</sup> April 2011, the Shareholders, on the basis of a reasoned proposal 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 auditors Deloitte & Touche SpA, with which the Risk Committee and the Internal Control Committee had constant meetings and having reported to the Supervisory Board in a timely manner, issued its reports on the 2018 separate and consolidated financial reports on 5<sup>th</sup> March 2019, expressing the opinion that these reports provide a true and accurate view of the financial standing of the Bank and of the Group as at 31<sup>st</sup> December 2018 and of the financial performance and the cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards endorsed by the European Union as well as the provisions issued in implementation of Art. 9 of Legislative Decree no. 38/2005 and Art. 43 of Legislative Decree no. 136/2015. These audit reports contain the required certifications of compliance of the accounting documents as well as of the consistency of the Management Report with the aforementioned financial statements, without observations of note or requests for further information. On 5<sup>th</sup> March, the independent auditors also issued their compliance report on the consolidated non-financial statement.

- 5./6. In 2018, 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, in which the management of disputes is seen as a fundamental tool in supporting the pursuit of a progressive improvement in customer satisfaction, was further consolidated in 2018 in line with a constructive, proactive approach in the management of disputes, which also contributed to a refinement of service levels and the supply model. Of note within this context is the reallocation, beginning in November 2018, of the Claims unit from the Chief Risk Officer to the Chief Commercial Officer within the Customer Satisfaction & Claims area, thereby favouring a greater integration both with the units that handle the first reports of complaints or customer dissatisfaction and with those that oversee the definition of new products, which will make a positive contribution to better prevention of claims.

Regarding the procedure started by Consob, by way of its letter dated 30<sup>th</sup> April 2014, and pursuant to Art. 195 of the Consolidated Finance Law (in relation to a potential violation of Article 149 of said law with regard to aspects concerning the information provided within the context of the Corporate Governance Reports published from 2009 to 2013), it should be noted that, with ruling no. 879/2017 of 17<sup>th</sup> May 2017, as published on 19<sup>th</sup> June 2017, the Brescia Court of Appeals annulled Consob's fine assessed on senior officers of the Bank and jointly and severally on the Bank itself, finding under a variety of aspects that no objective evidence existed of the infringement.

On 14<sup>th</sup> November 2017 UBI Banca received notification of an appeal by the Consob against ruling No. 879/2017 before the Supreme Court of Cassation and it immediately filed its defence. Consob has filed a counter appeal against the Bank's incidental appeal.

With regard to the investigations initiated in 2014 by the Public Prosecutor's Office of Bergamo, concerning senior officers and UBI Banca pursuant to Legislative Decree 231/2001, for the alleged crimes of hindrance of the functions of the public supervisory authorities (Art. 2638 of the Italian civil code and Art. 170-bis of the Consolidated Finance Law) and of undue influence over shareholders (Art. 2636 of the civil code) with reference to the meeting of April 2013, which was subject to disclosures in previous reports, it should be noted that, within the context of the criminal proceedings before the Court of Bergamo, the preliminary hearing judge, by decree of 27<sup>th</sup> April 2018, ordered the indictment of the defendants. The case is still in progress, with hearings scheduled until July 2019, for the start of the preliminary phase of the trial.

For the sake of full disclosure, it should be recalled 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 (amongst others) and which are no longer included in the application for committal for trial. The Preliminary Investigations Judge issued a ruling on the request for no further action that the case should be closed on 4<sup>th</sup> January 2018.

The Bank stresses its proper conduct and is confident that its compliance with the law and with organisational regulations will be confirmed in the courts at all levels, as already clearly demonstrated by the aforementioned judgment of 19<sup>th</sup> June 2017 issued by the Court of Appeal of Brescia which recognised UBI Banca's proper conduct and that of its senior officers in relations with the supervisory authorities and with the market.

With regard to IW Bank, it should be noted that, as reported in previous reports, the Milan Public Prosecutor's Office disputed the crime of hindrance of the functions of the public supervisory authorities (pursuant to Article 2638 of the Italian civil code) pertaining to the members of the Board of Directors and the Board of Statutory Auditors of IW Bank in the period May 2008 to May 2014, in particular for having failed to exhaustively report to the Bank of Italy certain disputed shortcomings in the anti-money laundering procedures and controls, as well as against IWB itself pursuant to Legislative Decree 231/2001.

Within the context of the preliminary hearing, held on 12<sup>th</sup> April 2018, all the defendants as well as IW Bank, in its capacity as responsible entity pursuant to Legislative Decree 231/2001, called for the settlement of the matter by means of abbreviated proceedings. The judge accepted the request and scheduled debate of the abbreviated ruling to the hearing of 26<sup>th</sup> November 2018. Following further postponement, the hearing for the start of debate has been set for 25<sup>th</sup> March, with continuation on 26<sup>th</sup> and 28<sup>th</sup> March 2019.

7. The fees shown below were paid by the Group to the independent statutory auditors, Deloitte & Touche S.p.A., for the financial year 2018, in accordance with the law.

Type of service (figures in thousands of euro)	Deloitte & Touche SpA	
	UBI Banca SpA	Other UBI Banca Group companies
Accounting audit	2,668	1,327
Certification services	562	52
Other services	-	-
<b>Total</b>	<b>3,230</b>	<b>1,379</b>

The fees shown include any index-based charges and do not include out-of-pocket expenses, supervisory fees and 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 2018, in accordance with the law.

Type of service (figures in thousands of euro)	Companies belonging to the same network as Deloitte & Touche SpA	
	UBI Banca SpA	Other UBI Banca Group companies
Accounting audit	137	57
Certification services	-	-
Other services	-	-
<b>Total</b>	<b>137</b>	<b>57</b>

The fees shown include any index-based charges and do not include out-of-pocket expenses, supervisory fees and 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 matter 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 decisions concerning proposed fees to be paid to the Boards of Directors and Statutory Auditors of Group companies that had been requested to set remuneration at 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 recruited personnel within the category of "Identified Staff" with the Group's remuneration policies.

10. The Supervisory Board met 20 times in 2018. 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 Parties and Connected Persons 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 2018, the Appointments Committee met 7 times; the Remuneration Committee, 20 times; the Internal Control Committee, 18 times (once together with the Risk Committee); the Risk Committee, 21 times (once together with the Internal Control Committee); and the Related Parties and Connected Persons Committee met 13 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 28 times in 2018.

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 Officer Responsible for the preparation of 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 observed.

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.

In particular, the Supervisory Board continued to monitor the evolution of the organisational structure of the corporate control functions in order to further strengthen the various units themselves.

Within this context, in August, the Chief Risk Officer approved the separation of the Anti-Money Laundering & Claims area with the simultaneous establishment of two distinct units dedicated to the management of suspicious transaction reports, a staff function of the Management Board, and to the anti-money laundering function, a staff function of the Managing Director, while calling for the separation of the role of “Group Officer for Suspicious Transactions” from that of Group Anti-Money Laundering Officer”, including for the purpose of facilitating and ensuring the necessary independence in their respective assessments. The Claims unit, previously within the Anti-Money Laundering & Claims area, has been assigned to the Chief Commercial Officer, while the Customer Satisfaction area has been renamed Customer Satisfaction & Claims.

The Supervisory Board has expressed its opinion in favour of changes to the organisational structure of second level control functions, to be implemented in conjunction with adoption of the one-tier model and which, to summarise, means that the Chief Risk Officer and the Chief Compliance Officer report directly to the CEO and that functional reporting lines are established between the aforementioned second level control functions and the Board of Directors (“BoD”).

The Board has, in fact, positively assessed the presence of a dual lines of reporting, i.e. hierarchical to the CEO and functional to the BoD, for the second level control functions, noting that this approach allows for a better coordination within the Group and greater effectiveness of the controls, while also facilitating and ensuring the necessary independence in their respective assessments and transparency in the flow of information, in part through specific checks and balances.

Furthermore, with the goal of enhancing the independence and efficacy of the validation function, in line with the observations of the Supervisory Authority and with its visibility and relevance, both within and outside the Group, in October the Supervisory Board approved the revision of the organisational positioning of the Chief Risk Officer with the creation of the Internal Validation area reporting directly to the Chief Risk Officer and relative qualification as an “area”.

With regard to the Internal Audit function, the Supervisory Board, with the support of the Internal Control Committee, has monitored development of the organisational structure of this function, the qualitative and quantitative adequacy of the staff within the function, the methodological changes, and the new operational tools adopted, in order to verify their autonomy, adequacy, efficiency and efficacy. In this context, during the year the Internal Control Committee has required the performance of an External Quality Assurance Review of Internal Audit, already described in the specific preceding section, with a specific in-depth examination of the risk assessment methodology adopted by the Function, as a result of which Internal Audit was awarded the highest possible score and made some changes with a view to continuous improvement. At the same time, the committee monitored the process of strengthening the Internal Audit Unit, from an organisational viewpoint and in terms of human resources.

As part of the ongoing process of increasing quality, the Supervisory Board approved the new organisational structure, effective as of November 2018, related to the Chief Audit Executive, which calls for the establishment of four new areas focused on

specific fields of responsibility in order to allow for the optimal monitoring of activities, while promoting greater efficacy of execution.

In 2018, as part of the changes to the organisation, new appointments were also made for the heads of control functions (i.e. a new head of the Anti-Money Laundering & Investigations area and of the Corporate Anti-Money Laundering Officer; appointment of the head of the Suspicious Transactions area and of the suspicious transactions officer of UBI Banca and of the Group; and appointment of the new Chief Compliance Officer), in part for the purpose of ordinary changes in management and in line with the indications provided by the Supervisory Authorities regarding the rotation of the heads of the control functions.

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.

It should also be noted that, in implementation of the provisions concerning the "System of internal controls, the IT 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 Internal Control System Policy of the UBI Banca Group, which serves as the framework for the UBI Banca Group's internal control system as it establishes 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 procedures.

In particular, with regard to the latter aspect, in order to ensure profitable interaction in performing the various duties, the control functions and the Senior Officer Responsible ensure systematic co-ordination 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.

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.

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:

- the main legislative and regulatory changes in areas of importance to the general architecture of the Group's system of internal controls, with a particular focus on issues relating to the governance of the Bank, in relation to the development of the Corporate Governance Plan for the adoption of the one-tier management model. In this context, specific attention has been paid to the system of powers, the definition and attribution of responsibilities, the management of resources (with particular reference to remuneration and incentive schemes);
- the management of conflicts of interest, with a particular focus on projects relating to related parties and connected persons, as well as the formulation of the Single Policy for the management of conflicts of interest adopted by the Bank;

- the organisation and structure of the Bank, with a particular focus on the changes to the units of the corporate control functions. In this context the completion of the merger of the New Banks (Banca Adriatica, Banca Tirrenica and Banca Teatina) into UBI Banca, completed in the first quarter of the year, was subject to constant monitoring;
- 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, leading to the use of an integrated reporting tool showing the most significant findings of the functions (Top Issues Report and Flash Report), 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 projects relating to IT Governance and Data Governance;
- 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, compound interest and privacy, with a particular focus on specific projects being developed by the Bank to constantly enhance and improve controls, including reference 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 has overseen supervision of the adequacy of the system for managing and monitoring risk and 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.

With regard to the policy-setting and co-ordination activities of the Parent, the Internal Control Committee held meetings for this purpose with representatives of the Boards of Statutory Auditors and the General Managers of all the main subsidiaries, in order to obtain updates on their overall situation and in particular the adequacy of their internal control systems. The Committee reported to the Supervisory Board about these meetings in a timely manner.

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. For the purposes of coordinating the control functions in 2018, the supplemental Top Issue Report and Flash Report were prepared on a half-yearly basis for a more effective presentation to the corporate bodies. By examining the periodic reports of the Corporate Anti-Money Laundering Officer, the Supervisory Board also monitored the adaptation of operations to changes in applicable laws and regulations.

In addition, the Supervisory Board is a recipient of the annual report of the Supervisory Body pursuant to Legislative Decree 231/2001.

On the whole, risk management is well controlled through the definition and periodic monitoring by the Supervisory Board, with the support of the Risk Committee, of the indicators within the risk appetite framework.

In addition, as established by current provisions of the law and supervisory regulations, the Supervisory Board has approved a the Group Recovery Plan, which envisages the preventive definition of measures and procedures aimed at restoring the Group's financial position in the event of any significant deterioration.

The Supervisory 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 and the various actions planned to that end, monitoring their implementation based on the established schedule.

During the year, a number of inspections were carried out by the Supervisory Authorities in relation to which the Supervisory Board, in the exercise of its powers of supervision, examined the feedback issued by the competent units and approved their forwarding to the Supervisory Authority, while continuing to monitor the progress of actions to correct any shortcomings in accordance with the action plans defined. For the details on the various inspections, see the Consolidated Management Report.

In particular, with reference to the penalty proceedings initiated in response to the outcome of the inspections carried out by the ECB from 27<sup>th</sup> June to 5<sup>th</sup> August 2016 regarding conflicts of interest, it should be noted that, by way of a letter dated 20<sup>th</sup> February 2019, the Bank of Italy issued the conclusive proposal of the preliminary phase recommending not to continue with the penalty proceedings in consideration of the improvement efforts carried out by the Bank, as also described in this report.

As concerns the penalty proceedings initiated in April 2018 by the Bank of Italy against UBI Banca regarding money laundering, as a result of the inspections carried out from 6<sup>th</sup> November 2017 to 14<sup>th</sup> February 2018, the Bank of Italy issued a recommendation to impose administrative fines. The fine specified in the recommendation amounted to €1.2 million (as compared to a maximum of ten per cent of total annual revenues) in consideration of the Bank's size, characteristics of its organisation, and its financial capacity. On 4<sup>th</sup> March 2019, UBI Banca prepared its observations for the Supervisory Authority regarding the recommended fine.

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. The conclusion of the report on 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 2018 was that no significant shortcomings in the system of internal accounting controls in relation to the financial reporting process were found. The audit pointed to no cases of actual or presumed

non-compliance with laws and regulations or with 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 2018.

The Supervisory 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 19<sup>th</sup> February 2019 as an supplemental, integral part of the consolidated Management Report and was submitted to the Supervisory Board as required by law. The Supervisory Board has no observations to report concerning the consolidated, non-financial disclosure of UBI Banca S.p.A. as at 31st December 2018.

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 Risk 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 Act.  
The Risks Committee and the Internal Control Committee also held meetings between the end of 2018 and the first months of 2019, 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 31<sup>st</sup> December 2018
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, *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 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 2018 Consolidated Financial Statements. Furthermore, the Supervisory Board did not use its powers to convene a Shareholders' Meeting or a meeting of the Management Board.

\* \* \*

The 2018 financial year closed with a net profit of €467,506,063.17. In normalised terms, i.e. net of non-recurring items (including the recognition of DTAs following the change in the tax treatment for FTA of IFRS 9 and charges related to the 2019-2020 Business Plan), net profit comes to €323.9 million.

On 7<sup>th</sup> February 2019 the Management Board approved the draft separate and consolidated financial statements for the year ended 31<sup>st</sup> December 2018 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 7<sup>th</sup> March 2019, having verified that they complied with the provisions of the law and having taken note of the documentation provided, it has unanimously approved the following:

- the consolidated and separate financial statements as at and for the year ended 31<sup>st</sup> December 2018 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 shareholders concerning the allocation of earnings;
- the proposal to the Shareholders' Meeting to distribute a dividend of €0.12 on each of the ordinary shares outstanding, excluding treasury shares held.

7<sup>th</sup> March 2019

The Supervisory Board

**REPORTS  
ON THE OTHER ITEMS  
ON THE AGENDA OF THE  
SHAREHOLDERS' MEETING**

## **Appointment of members of the Board of Directors and the Management Control Committee for the years 2019-2020-2021 on the basis of slates of candidates presented by Shareholders; relative and consequent resolutions.**

Dear Shareholders,

The Shareholders' Meeting marks the end of the three-year term of office of the Supervisory Board appointed by the Shareholders' Meeting on 2nd April 2016.

As previously reported, the extraordinary Shareholders' Meeting of 19th October 2018 resolved, by approving new Articles of Association (the "**Articles of Association**"), to adopt a one-tier management management and control system pursuant to Articles 2409-*sexiesdecies et seq.* of the Italian Civil Code, with effect from the date of renewal of the governing bodies following the approval of the said Articles of Association.

The said management and control system is characterised by the presence of a Board of Directors and of a Management Control Committee with control functions internal to the Board of Directors.

Accordingly, the Shareholders' Meeting is called on to pass resolutions regarding the appointment of the Board of Directors and, among them, the members of the Management Control Committee.

Pursuant to Article 20.2 of the Articles of Association, the members of the Board of Directors remain in office for three financial years and expire with the Shareholders' Meeting convened to resolve upon the financial statements relating to the final financial year of their term of office. As a result, the Board of Directors will remain in office for financial years 2019, 2020 and 2021, i.e. until the approval of the financial statements at and for the period ending 31st December 2021.

In any case, the members of the Board of Directors will remain in office, with full powers, until their renewal and may be re-elected, subject to the limits set forth in current laws and regulations and the Articles of Association.

In particular, in accordance with Art. 22, para. 1, of the Articles of Association, the Shareholders' Meeting elects the members of the Board of Directors on the basis of slates submitted by shareholders.

### **Members of the Board of Directors**

Pursuant to Art. 20, para. 1, of the Articles of Association, **the Board of Directors is made up of 15 members including the Chairman, the Deputy Chairman, the Chief Executive Officer and the five members of the Management Control Committee.**

As further specified below, the composition of the Board of Directors must ensure the balance between the genders provided for in Art. 22, para. 5(i) of the Articles of Association.

Members of the Board of Directors cannot be over 75 years of age upon their appointment.

*Furthermore, those who have covered the respective specific office continuously for three previous mandates may not be appointed to the role of Chairman or Deputy Chairman.*

Subject to any further requirement prescribed for the Directors making up the Management Control Committee, the members of the Board of Directors must be fit to perform the duties of their office, in accordance with the provisions of existing laws and regulations and the Articles of Association; they must, in particular, satisfy the requirements of personal integrity and professionalism and respect criteria of competence, fairness and sufficient time commitment provided by the pro tempore laws and regulations in force and the specific limits on number of directorships prescribed by applicable laws and regulations to perform the role of director of a bank issuing shares listed on regulated markets. In any event, any member of the Board of

Directors shall satisfy the requirements set forth in European Directive 36 of 26<sup>th</sup> June 2013, to carry out the duties of director of a bank issuing shares listed on regulated markets.

Pursuant to Art. 20, para. 7 of the Articles of Association, in addition to the requirements established by existing regulations, all members of the Board of Directors must have accrued overall experience - through the exercise, in Italy and abroad - of at least three years as chairman or at least five years in the field of:

- management and/or strategic supervision
- direction

or

- control

in

- banks, financial companies, asset management companies or insurance companies;
- independent public authorities;
- enterprises aimed at the production and/or exchange of goods or services that have exceeded, for the periods of permanence in office provided for by Art. 20, paragraph 7 of the Articles of Association, two of the following limits: (a) €20 million of balance sheet assets; (b) €40 million of revenues from sales and services; (c) 250 employees employed on average during the financial year calculated on the figures of the latest approved financial statements or, if prepared, consolidated financial statements;
- companies with shares traded on an Italian or foreign regulated market.

Candidates who have not acquired the aforementioned professional experience may also be elected provided that:

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

Pursuant to Art. 20, para. 8, of the Articles of Association, at least 2 (two) of the members of the Board of Directors must be chosen from persons registered on the Register of Statutory Auditors who have exercised statutory accounts auditing activity for a period of no less than three years.

At least two-thirds of the members of the Board of Directors must satisfy the requirements of independence provided for in Art. 21 of the Articles of Association and in any case in the *pro tempore* laws and regulations in force. In particular, Art. 21 of the Articles of Association establishes that independent directors are considered to be directors in possession of the independence requirements provided for by Art. 148 of the Italian Legislative Decree no. 58 dated 24<sup>th</sup> February 1998 and the implementing regulation of Art. 26 of the Italian Legislative Decree no. 385 dated 1<sup>st</sup> September 1993 (“**Consolidated Banking Law**”). Notwithstanding the above, the independent members of the Board of Directors shall satisfy the requirements set forth in the Corporate Governance Code from time to time applicable.

It should be noted that pursuant to Art. 20, para. 11, of the Articles of Association, members of the Board of Directors who are also members of the Management Control Committee:

- must satisfy the personal integrity and professionalism requirements set by the legislation and regulations in force for the position of a member of the control body of a bank that issues listed securities on a regulated market;
- must comply with the limit on the number of directorships set out in Art. 91 of Directive 2013/36/EU of the European Parliament and of the Council of 26<sup>th</sup> June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Articles 144-*duodecies et seq.* of the Consob Regulation adopted by Resolution No. 11971/1999 (the “**Issuers Regulations**”);
- subject to the foregoing, in relation to the limits on number of directorships, may not (a) hold the role of executive director in other companies having total revenues exceeding €50 million or (b) assume non-executive roles in the management bodies of other enterprises aimed at the production and/or trading of goods or services having revenues exceeding €500 million, of banking or financial enterprises having total assets at least equal to €5 billion, of insurance companies with a gross value of annual premiums collected at least equal to €1 billion, in a number higher than two. The size data under letters (a) and (b) above are calculated on the data of the last approved financial statements or, if prepared, consolidated financial statements. In any case, the *pro tempore* applicable regulations on interlocking restriction shall be applied.

- must all satisfy the independence requirements provided for in Art. 21 of the Articles of Association;
- at least 2 (two) members must be enrolled with the Register of Statutory Auditors and must have exercised statutory auditing activity for a period of at least three years.

Without prejudice to the foregoing, in the light of the significant responsibilities to be assumed by the Directors, for the purposes of the submission of slates, the Shareholders are invited to take account of the information provided in the document “*Qualitative and quantitative composition of the Board*” approved by the outgoing Supervisory Board (available from the website [www.ubibanca.it](http://www.ubibanca.it), Shareholders Section, Shareholders' Meetings, April 2019 Shareholders' Meeting), which illustrates the theoretical profile of the candidates and the criteria for the overall composition of the Board of Directors in the light of the requirements established by applicable laws and regulations, and in particular the provisions and principles set out in the following documents:

- in Directive 2013/36/EU of the European Parliament and of the Council of 26<sup>th</sup> June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and Regulation (EU) No. 575 of the European Parliament and of the Council of 26<sup>th</sup> June 2013 on prudential requirements for credit institutions and investment firms (CRR);
- in EBA Guidelines on Internal Governance (2017) in effect since 30<sup>th</sup> June 2018;
- in the EBA/ESMA *Joint Guidelines* on the assessment of the suitability of members of strategic supervision and management bodies and key function holders (2017), which entered into effect on 30<sup>th</sup> June 2018;
- the ECB Guidelines on the verification of fit and proper requirements, published on 26<sup>th</sup> September 2017 and updated in May 2018.

Finally, it should be noted that, when formulating its recommendations to shareholders, the outgoing Supervisory Board also took account of the principles contained in the draft Ministerial Decree establishing the regulation on suitability requirements and criteria for carrying out duties which implements the new Art. 26 of the Consolidated Banking Law, consultation of which came to an end on 22<sup>nd</sup> September 2017 (**the Draft MD**).

Without prejudice to applicable provisions of laws, regulations and the Articles of Association governing the methods of appointment of the members of the Board of Directors, understood as referenced herein in their entirety, the following is an illustration of the methods for submitting slates.

### **Submission of slates for the appointment of the Board of Directors**

The Shareholders' Meeting elects the members of the Board of Directors on the basis of slates submitted by the Shareholders. Such slates must contain the names of no fewer than two and no more than 15 candidates, at least one of whom in the second section. Each slate is split into two sections of names, both ordered sequentially by number, and they must indicate, separately, in the first section, candidates to the role of Board Directors different from candidates also to the role of member of the Management Control Committee who must be indicated in the second section.

Each slate containing at least three candidates must (i) be made up of candidates representing both genders, so that at least a third of the candidates belongs to the less represented gender, (ii) contain a number of candidates in the first section with at least half in possession of the requirements of independence (should the application of such quota not result in a whole number, the resulting number shall be rounded up to the higher unit), while all candidates in the second section must be equipped with the independence requirements indicated in Art. 21 of the Articles of Association and in the pro tempore regulations in force. The second section must contain at least two candidates meeting the requirements set out in Art. 20.8 of the Articles of Association (i.e., they must be registered on the Register of Auditors and must have practised the profession of statutory accounts auditor for a period of no less than three years). Each candidate shall be able to be entered in just one slate under penalty of ineligibility.

The slates of candidates must be filed with the company's office by the 25<sup>th</sup> day prior to the date of the Shareholders' Meeting in single session (i.e., by 18<sup>th</sup> March 2019) and must be accompanied by information on the identity of the Shareholders submitting them, indicating the number of shares and thus the percentage of share capital held overall by the submitting

Shareholders and, within the time limits established by laws and regulations in force, a communication indicating the ownership of that investment, as well as any other information required by the *pro tempore* regulations in force. In order to prove ownership of the number of shares necessary for the submission of slates, the relative communication must also be produced at least 21 days before the date of the Shareholders' Meeting according to the procedures provided for by the legislation and regulations in force, i.e. by 22nd March 2019. Ownership of the aforementioned equity investment is determined by reference to the shares that are on record as registered to the Shareholder on the date on which the slates are filed with the Bank.

In order to appoint the members of the Board of Directors one or more Shareholders who represent at least 1% of the share capital, or the different percentage established by the *pro tempore* regulations in force, shall be able to submit a slate of candidates. By Executive Order of the Director of its Corporate Governance Division No. 13 of 24<sup>th</sup> January 2019, Consob set the minimum equity investment required to submit a slate of candidates for the election of the governance and control bodies of UBI Banca at 1% of share capital.

Each Shareholder and the Shareholders who are parties to a shareholders' agreement involving UBI Banca shares may not submit more than one slate, even through third person or trust companies: in the event of a breach, their signature is not calculated for any slate.

Submission of the slates may be performed by remote means of communication in a manner stated in the notice to convene, which allows those depositing the slates to be identified.

A thorough statement of the personal and professional characteristics of the candidates, inclusive of their positions on governance or control bodies of other companies, together with (i) a declaration of their acceptance of candidacy and certification of satisfaction of the requirements imposed by the *pro tempore* legislation and Articles of Association and (ii) a questionnaire containing all information useful to an overall assessment of suitability for the position occupied must be filed together with each slate.

In order to facilitate the process of submitting a slate, a facsimile of this documentation will be made available from the website [www.ubibanca.it](http://www.ubibanca.it), section "Shareholders, Shareholders' Meetings, April 2019 Shareholders' Meeting".

Moreover, Shareholders who submit a "minority slate" are subject to the provisions of Art. 144-*sexies*, para. 4, letter b), of the Consob Regulation issued by resolution no. 11971/1999 (the "**Issuers Regulations**") and the recommendations formulated by Consob in communication no. DEM/9017893 of 26th February 2009. A facsimile of the declaration set out in Art. 144-*sexies*, para. 4, letter b), of the Issuers Regulations will be made available from the website [www.ubibanca.it](http://www.ubibanca.it), section "Shareholders, Shareholders' Meetings, April 2019 Shareholders' Meeting".

Slates submitted without respecting the above methods shall be considered not to have been submitted.

Where at the end of the period set out under para. 2 of Art. 22 of the Articles of Association (i.e., on 18th March 2019, the 25th day prior to the Shareholders' Meeting in single session) only a single slate has been filed, or only a slate with candidates in just the first or second section has been filed – and in any event in the other cases provided for in current legislation – the Company will disclose this fact promptly to the public in a specific press release. In this eventuality, slates may be submitted until the third day after the aforementioned deadline (i.e., by 21st March 2019), and the minimum threshold for submitting a slate will be reduced to one-half (and will thus be 0.5% of share capital).

The slates will be subject to the forms of publication provided for in current regulations. In particular, at least 21 days prior to the date of the Shareholders' Meeting (i.e., by 22nd March 2019), the slates will be available from the registered office and published in accordance with the law and regulations on the company's website and according to the methods established by Consob in a regulation.

### **Procedures for appointing the Board of Directors**

Pursuant to Art. 22, para. 12 of the Articles of Association, the Board of Directors is elected as follows:

- a) if multiple slates are submitted, the first three that have obtained the highest number of votes expressed by the Shareholders and that are not connected in accordance with the applicable regulations are taken into consideration;
- b) b.1) if the slate that obtained the second highest number of votes has obtained less than 15% of the votes expressed in the Shareholders' Meeting, 10 candidates are taken from

the first section and 4 candidates are taken from the first section and the second section of the slate that obtained the majority of votes. One candidate is taken from the second section of the slate that obtained the second highest number of votes. In such case, no candidate is taken by the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting, regardless of the number of votes that has obtained;

b.2) if the slate that obtained the second highest number of votes has obtained a percentage of votes expressed in the Shareholders' Meeting of at least 15% and less than 30%, 9 candidates are taken from the first section and 4 candidates from the second section of the slate that obtained the majority of votes, while 1 candidate is taken from the first section and 1 candidate from the second section of the slate that obtained the second highest number of votes. In the event that the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting has obtained more than 15% of the votes expressed in the Shareholders' Meeting, 9 candidates are taken from the first section and 3 candidates from the second section of the slate that obtained the majority of votes; 2 candidates are taken from the second section of the slate that has obtained the second highest number of votes expressed in the Shareholders' Meeting, while the remaining candidate is taken from the first section of the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting;

b.3) if the slate that obtained the second highest number of votes has obtained at least 30% of the votes expressed in the Shareholders' Meeting, 9 members will be taken from the first section and 3 from the second section of the slate that has obtained the majority of the votes, while 1 candidate will be taken from the first section and 2 candidates from the second section of the slate that obtained the second highest number of votes. In such case, no candidate is taken by the slate that obtained the third highest number of votes expressed in the Shareholders' Meeting, regardless of the number of votes that has obtained.

If the slate that obtained the highest number of votes does not have a number of candidates in the first and/or the second section sufficient to constitute the number of directors to be elected, the remaining directors will be taken from the slate that obtained the second highest number of votes and that obtained at least 20% of the votes expressed in the Shareholders' Meeting; if no further candidates remain from the aforementioned slate, the Shareholders' Meeting resolves by relative majority again in respect of the requirements required for the appointment (Art. 22, paragraph 13 of the Articles of Association).

If, following the identification of the candidates to be drawn from the slates that received the most votes according to the conditions stated in Art. 22, para. 12, of the Articles of Association, on the basis of the sequential order in which they are indicated on the respective slate in which they are named, the gender ratios set out in Art. 22, para. 5(i) of the Articles of Association, the additional ratio provided for in Art. 20, para. 10 of the Articles of Association (at least two-thirds of the members of the Board must meet independence requirements) or the provisions of Art. 20, para. 8 of the Articles of Association (at least two members must be registered on the Register of Statutory Auditors and must have practised the profession of statutory account auditor for a period of no less than three years) have not been observed, the persons drawn from the slates in question whose appointment would entail the breach of the foregoing provisions will not be considered elected. In this case, the persons indicated in the same slate in the number that allows for respect of the composition requirements of the Board of Directors provided by applicable laws and regulations in force and by the Articles of Association shall be appointed as Directors, again proceeding according to the sequential order by which the same candidates are indicated in the respective section of the relevant slate. 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 10 of article 20 of the Articles of Association shall be taken from each slate in proportion to the total number of candidates elected on each slate according to the results of the voting. In that case, if the minority slates have not respected the gender proportions established by Art. 22., para. 5(i), of the Articles of Association, the candidates to be appointed in order to re-establish the correct gender proportion will be taken solely from the slate that obtained the most votes, or from the slate

from which the majority of Directors is taken pursuant to paragraphs 12 and 13 of Art. 22 of the Articles of Association.

If only one slate is validly submitted and this has obtained the majority required for the ordinary Shareholders' Meeting, all 15 Board Directors shall be taken from that slate, including the 5 members of the Management Control Committee.

For the appointment of those Directors who, for any reason, have not been able to be elected by means of the preceding procedures described above or if no slate is submitted, the Shareholders' Meeting resolves by relative majority, again in respect of the requirements necessary for the appointment; if the votes are equal, the eldest candidate is appointed.

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

Each Shareholder shall be able to vote on only one slate.

#### **Procedures for appointing the Chairman and the Deputy Chairman of the Board of Directors**

The roles of Chairman and Deputy Chairman of the Board of Directors are held, respectively, by the candidate indicated in first and second place of the first section of the slate that obtained the majority of votes, or of the slate from which, in accordance with paragraphs 12 and 13 of Art. 22 of the Articles of Association, the majority of directors was taken or of the only slate submitted or by the members appointed as such by the Shareholders' Meeting, if no slate has been submitted.

#### **Procedures for appointing the Chairman of the Management Control Committee**

The position of Chairman of the Management Control Committee is held by the candidate indicated in the first position in the second section of the slate that received the second-highest number of votes, unless the majority of the Board of Directors are drawn from the said slate in the event of the application of Art. 22, para. 13, of the Articles of Association. In this latter eventuality, the position of Chairman of the Management Control Committee is held by the candidate indicated in the first position in the second section of the slate from which the majority of the members of the Board of Directors have not been drawn and which ranks first by number of votes received from the Shareholders' Meeting.

Failing that, the role of Chairman of the Management Control Committee is held by the candidate indicated in first place in the second section of the only slate submitted or by the member appointed as such by the Shareholders' Meeting, if no slate has been submitted.

February 2019

THE SUPERVISORY BOARD

THE MANAGEMENT BOARD

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***Remuneration Report***

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**UBI  Banca**

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## Introduction

By pursuing its remuneration policy, UBI Banca intends to ensure the best possible alignment between the interests of shareholders, the Bank's management and all its stakeholders by means of an appropriate correlation between results achieved, long-term sustainability and competitive wages.

It represents an important management lever with regard to Directors, Group management and all those who play key roles within corporate organisation, favouring Group governance competition, attraction and the retention of professional skills sufficient to meet corporate requirements.

UBI Banca's approach to the subject of remuneration has been established over the years, through constant efforts to attain close alignment with the most recent national and international regulations and best market practices. The aim, from time-to-time, is to achieve remuneration schemes that are aligned with long-term corporate strategies, targets and results, that are suitably adjusted to take account of all risks, that are consistent with the levels of capital and liquidity needed to perform the activities undertaken and that are in any event sufficient to protect customers, in a context of proper conduct and management of conflicts of interest, and to avoid perverse incentives, which might induce the breach of regulations and improper risk-taking.

The regulatory framework which governs remuneration in listed companies and in financial intermediaries is relatively changeable and subject to continuous updates and reviews by the supervisory authorities, who intend to guide banks towards remuneration schemes that are consistent with long-term objectives and strategies and that take appropriate account of current and future risks and increase the degree of transparency towards markets.

The main regulatory updates in the financial sector at national level are as follows:

- provisions on "Remuneration and incentive policies and practices", updated by the Bank of Italy in October 2018 with the 25<sup>th</sup> update of Circular No. 285 17/12/2013 in implementation of the EU Directive 2013/36/EU of 26/06/2013 ("CRD IV");
- revision of that part of Borsa Italiana's Corporate Governance Code for Listed Companies which deals with remuneration (latest edition of July 2018);
- Bank of Italy provisions on transparency and proper conduct in relations with intermediaries and customers;
- the joint Bank of Italy-Consob Regulation published on 27<sup>th</sup> April 2017, which transposed the regulations on remuneration and incentive policies and practices contained in EU Directive 2014/91/EU (the "UCITS V" Directive) into Italian law;
- the ISVAP (insurance authority) Regulation No. 38/2018, the updated version of which is designed, with regard to remuneration policies in insurance companies, to ensure that IVASS regulations comply with the provisions contained in the Commission Delegated Regulation (EU) 2015/35 (Solvency II) and with EIOPA guidelines on corporate governance.

This report, Section I of which is submitted to a Shareholders' Meeting for approval, has been prepared on the basis of the provisions of Art. 123-*ter* of Legislative Decree No. 58 of 24<sup>th</sup> February 1998 (the Consolidated Finance Law) and it also takes account of the obligations concerning disclosures to Shareholders' Meetings pursuant to the Consob implementation regulation (Art. 84-*quarter* of the Issuers' Regulation approved with Resolution No. 11971 of 14<sup>th</sup> May 1999, as subsequently amended and added to) and the supervisory regulations issued by the Bank of Italy (Bank of Italy Circular No. 285, Part One, Title IV, Chapter 2 – "Remuneration and incentive policies and practices").

# SECTION I – Group Remuneration and Incentive Policies for 2019

## Executive Summary



### Pillars of and persons subject to Remuneration and incentive policies



The Group’s remuneration and incentive policies apply to all the UBI Banca Group’s personnel, with particular reference to those persons classified as “*Identified staff*” (IS). UBI Banca intends, with its wage policies:

- to reward merit;
- to ensure internal fairness;
- to ensure competitiveness on the relative market;
- to ensure prudent consideration of risk and compliance with the applicable legislation and regulations.



### The principal changes made in the 2019 remuneration policy

The 2019 Remuneration and Incentive Policies have been formulated on the basis of the provisions on “Remuneration and incentive policies and practices”, updated by the Bank of Italy in October 2018 with the 25<sup>th</sup> update of Circular No. 285 published on 23<sup>rd</sup> October 2018.

With account taken of the above indications and with a view to continuous improvement, changes have been introduced for 2019 and some refinements have been made to previous policies in light, amongst other things, of best practices and market trends.

More precisely:

- governance has been revised as a consequence of the changeover from a two-tier model to a one-tier model, approved by a Shareholders’ Meeting on 19<sup>th</sup> October 2018;
- introduction of “sustainability objectives” as an adjustment factor for the 2019 incentive scheme for Senior Management of the Group;
- definition of a ratio between variable and fixed remuneration for “*Identified staff*” of the Group (excluding corporate control functions, the “Senior Officer Responsible” and the Head of Human Resources) up to a maximum of 2:1;
- identification of a “significant amount” of variable remuneration, distinguishing between the different categories of IS and a consequent revision of the payout scheme of the short-term incentive scheme for all “*Identified staff*”, as shown below:

		IS	
High variable amount		“TOP IS” with bonuses > €430,000	“OTHER IS” with bonuses > €430,000
		“TOP IS” with bonuses ≤ €430,000	“OTHER IS” with bonuses ≤ €430,000

- precise details of provisions governing “avoidance” of remuneration regulations, in order to identify types of financial transactions and investments which could affect mechanisms for the alignment of risk contained in policies and with the introduction of controls

over the possible presence of personal hedging or insurance strategies for remuneration;

- description of the “policy governing the process to identify ‘*Identified staff*’”, with the definition of: the criteria and procedures used, inclusive of those for possible exclusions; procedures for the assessment of personnel; governance of the process; and monitoring and review;
- modifications to the policy on “Post-employment benefits” in view of updates made to the legislation and regulations.



### Pay for performance

The variable component of remuneration is linked to performances achieved over both annual and multi-year time horizons. Performance assessment takes place with account taken of the results achieved by individuals and by the units in which they operate and the results achieved by the company or Group as a whole.

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.

*Ex post* risk-adjustment mechanisms are applied using malus and clawback procedures.



### Ratio between variable and fixed remuneration

The ratio between variable and fixed remuneration is set up to a maximum of 2:1 for “*Identified staff*”, with the exclusion of corporate control functions, the “Senior Officer Responsible” and the

Head of Human Resources. For the remaining staff the variable component may not normally exceed the fixed component, with exception made for possible specific factors relating to the business in question and market practices.



### Wage benchmarking

UBI Banca intends to position itself with wage levels consistent with its markets, with the intention of attracting, motivating and retaining high-performing staff with the greatest value and potential.

To achieve this the Group uses benchmarking activity to constantly monitor the fairness and competitiveness of its wages.

Analysis of wage positioning is carried out by means of a comparison with a peer group with account nevertheless taken, when making the resulting wage decisions, also of the specific nature of the business and role in question.



### Identification of “*Identified staff*”

The perimeter of the “*Identified staff*” (“IS”) identified in accordance with the applicable legislation and regulations in force and with internal criteria has been updated and 240 positions have been identified compared with 243 in the previous year. The selection took place in accordance with the process for the identification of “*Identified staff*” that is regulated below.

## I. Principles and aims

The Wage Policy that we implement represents a fundamental tool to support the UBI Group's medium and long-term strategies to create value and pursue sustainable growth in the interests of all stakeholders.

Policies are designed to attract, motivate and retain staff, creating a sense of identity and developing a culture linked to performance and merit. The key principles on which our policies are based, and which are applied throughout the organisation, are as follows:

### Rewarding merit

Our objective is to recognise the merit of each individual, but at the same time to encourage team spirit and a sense of belonging, relating the objectives and results of each person to their own business unit and company and to the Group.

### Fairness

Remuneration is set consistent with the role and level of responsibility held in order to foster virtuous conduct and ensure equal development and career opportunities, where the annual "Merit Plan" is one of the prime examples of its application.

### Competitiveness

A continuous comparison with best practices and national and international market trends, with analyses of wage positioning for each role with respect to a benchmark peer group. This is revised from year-to-year in order to ensure that the group is as comparable as possible with UBI. Targeted market surveys are carried out to take account of specific areas of business such as investment banking and asset management for example.

### Prudence and compliance with the applicable legislation and regulations

The Group gives appropriate consideration in the formulation of its wage policies to risk appetite and compliance with regulatory requirements and in order to guarantee the sustainable growth of the Bank over time. More specifically, the definition of the preliminary trigger conditions ("gates") of the incentive schemes and the underlying rules for their functioning, which ensure the flexibility of variable remuneration, is carried out on the basis of the document "RAF UBI Banca Group - Risk appetite – Risk Appetite Statement 2019"<sup>1</sup>, which identifies the risk appetite as that of the Group's official "Risk Appetite Framework – RAF". Other corrective factors are applied for staff in the distribution network such as for example customer satisfaction, the quality of the work and the results of audit inspections.

<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.

## **1. The value of sustainability for UBI**

The question of sustainability is becoming an increasingly key focus of attention for stakeholders as an indicator of a company's capacity to create value in the long-term. Today sustainability is also a factor that governs competitiveness on the market and the ability to attract talent. It is therefore an extremely important part of corporate branding and marketing.

For UBI Banca, sustainability constitutes a value and that is why we consider that it must be pursued using all the management levers most appropriate to achieve it. One of the main factors that trigger organisational behaviours is the management performance and incentive system, because it can be used by a company to communicate its strategic priorities both internally and externally.

Armed with that knowledge, UBI Banca has decided to introduce sustainability objectives as an adjustment mechanism in its annual incentive scheme starting from 2019. The approach that it intends to adopt, at least in the first year of the implementation of this tool, is to apply an adjustment mechanism to the bonus earned in the year, by means of an "*Adjustment schedule*", composed of indicators linked to sustainability objectives for top managers: Chief Executive Officer of UBI and direct reports to him, the General Manager of UBI Sistemi e Servizi and the Head of the Communication Area, as figures possessing the greatest leverage on sustainability matters.

Sustainability objectives are identified on the basis of the results of the "materiality matrix", defined in the Sustainability Report, selected from amongst those considered to be pursuable and objectively measurable over a time horizon of even one year.

## **II. Governance process**

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.

These policies have been formulated by following the procedure laid down in the two-tier governance model. Nevertheless a description of the protagonists and their relative responsibilities has been furnished below in view of and consistent with the new one-tier governance system approved by a Shareholders' Meeting held on the 19<sup>th</sup> October 2018, which is set to become effective from the date of the 2019 Annual General Meeting.

The main protagonists in the process are:



## 1. Shareholders' Meeting

A Shareholders' Meeting of UBI is responsible for approving the Remuneration and Incentive Policies of the Members of the Board of Directors and of the remaining personnel on the basis of a proposal from the Board of Directors, with the involvement of the Remuneration Committee

A Shareholders' Meeting is tasked with the approval of:

- the incentive component based on financial instruments;
- the criteria and limits for determining amounts that may be agreed in the event of early termination of an employment relationship or retirement from office;
- the definition of the ratio of fixed to variable components of remuneration up to a maximum of 2:1 for the positions of "*Identified staff*" of the Group, identified as laid down in the Articles of Association. It is also responsible for approving possible exceptions to the application of that ratio, in relation solely to staff of the Group's asset management company identified as "IS" significant at Group level.

It also establishes the following at the time of appointment:

- of the Board of Directors: total remuneration for i) members of the Board of Directors (inclusive of the Chair and Deputy Chair), net of members of the Management Control Committee, ii) members of committees pursuant to Art. 31 of the Articles of Association (Risk Committee, Remuneration Committee, Appointments Committee and Related Parties and Connected Persons Committee);
- of members of the Management Control Committee: the relative fixed amount of the remuneration and the amount per head for the duration of the term of office, with extra remuneration for the Chair.

## 2. Board of Directors and Management Control Committee

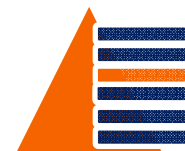
The Board of Directors, having received an opinion and/or taken account of any proposals from the Remuneration Committee, determines the remuneration of UBI's Senior Management and indicates the amount of the remuneration for Senior Management and personnel within the "*Identified staff*" perimeter of the Group belonging to its subsidiaries to be submitted to the respective Boards of Directors of those companies.

With the exception of matters reserved to a Shareholders' Meeting, any exceptions to policies are submitted to the Board of Directors after first having received an opinion from the Remuneration Committee and the Management Control Committee.

The Management Control Committee sets or validates objectives for "*Identified staff*" belonging to control functions for the purposes of the incentive scheme and validates their performance.

### 3. Remuneration Committee<sup>2</sup>

The Remuneration Committee is composed entirely of Independent Directors in compliance with the Corporate Governance Code. The composition of the Remuneration Committee reflects an adequate level of experience and knowledge in relation to bank governance, finance and remuneration policies. In 2018 the Remuneration Committee met 20 times with the average duration of the meetings lasting around one and a half hours.



The Remuneration Committee under the 2018 two-tier model was composed<sup>3</sup> of the following board members:

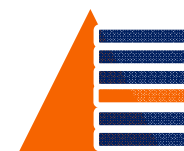
- Alessandra Del Boca, as the Chairwoman;
- Ferruccio Dardanello;
- Patrizia Michela Giangualano.

The committee's activities are described in detail in the Report on Corporate Governance and the Ownership Structure of the 2018 Annual Report.

The Remuneration Committee is governed by special regulations, published on the Bank's website in the "Corporate Governance Section", which determine its responsibilities and its functioning, in accordance with the latest updates made to incorporate modifications to the Bank's management and control model.

### 4. Risk Committee

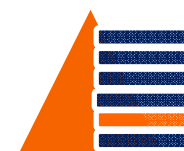
Without prejudice to the responsibilities of the UBI Remuneration Committee, this committee checks that the procedures underlying the incentives in the remuneration and incentive schemes are consistent with the Group's "Risk Appetite Framework" and more specifically it verifies that the conditions for triggering incentive schemes ("gates") and Group and company performance indicators are consistent with the Group's Risk Appetite Framework.



It also participates in the "*Identified staff*" identification process, verifying that the roles identified are consistent with the provisions of internal processes for the determination of capital adequacy and the definition of the Risk Appetite Framework.

### 5. Shareholders' Meetings and the Boards of Directors of Subsidiary Banks and Companies

The Group's remuneration and incentive policies are then submitted for approval by Shareholders' Meetings 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 a UBI Shareholders' Meeting. Appropriate information is provided to the above bodies by means of the Annual Report on Group Remuneration.



With particular reference to the asset management and insurance companies, their respective Shareholders' Meetings approve special policies, that are in line with Group policies, having

<sup>2</sup>The current Committee for Remuneration has been renamed the Remuneration Committee as part of the revision of the Articles of Association.

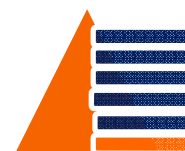
<sup>3</sup> Its term of office expires at the time of the 2019 Annual General Meeting.

been examined in advance by the Parent's Board of Directors and a prior opinion having been received from the Remuneration Committee.

The Boards of Directors of the subsidiary banks and companies, 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, makes recommendations for choices concerning the management and remuneration of staff.

## 6. Corporate Functions

The competent corporate functions are involved in the process to formulate Remuneration and Incentive Policies: the Parent's Human Resources Function provides technical assistance to the Governing Bodies and provides support material for formulating the policies themselves with the collaboration, each with regard to their respective competencies, of Corporate Strategy and the corporate control functions.



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.

More specifically, for that which concerns them, the Parent's Compliance and Audit Functions report the results of the monitoring mentioned above to the Boards of Directors of the Parent and of each subsidiary company.

Risk Management, in collaboration with Corporate Strategy, identifies indicators and comparative values relating to strategic and performance objectives to which the determination of the relative remuneration variables (checking that they are adequate with respect to the Risk Appetite Framework approved by the Board of Directors of the Parent) linked with risk-adjusted company results (consistent with the capital and liquidity levels necessary to perform the activities undertaken) are to be correlated.

## III. Persons concerned

These remuneration policies apply to all personnel of the Bank, divided, on the basis of the position filled, into the following categories:

1. "Governing Bodies";
2. "Personnel" with an "employee" employment relationship;
3. "Associate Workers" not bound by an ordinary employee contract.

The relative member of the "Identified staff" was identified within each category in accordance with the provisions of the previous section.

In consideration of the specific regulatory framework for the sector, for the staff of the asset management company (except for those classified as "Identified staff" at Group level whose remuneration and incentives are regulated in this document) and for staff belonging to the insurance companies (in compliance and consistent with the principles and guidelines laid down by the Parent by virtue of its activities of management, co-ordination and control of Group companies), individual remuneration policies are regulated in special company documents, to which reference is made.

### 1. Policy for the process of identifying "Identified staff"

#### 1.1 Governance of the process for the identification of "Identified staff"

The methodology for the identification of "Identified staff" is normally updated on an annual basis with periodic reviews of the perimeter and account also taken of organisational, corporate ownership and regulatory changes. In consideration of the changeover to a one-tier model approved by the Shareholders' Meeting held on 19<sup>th</sup> October 2018, the criteria and procedures used for 2019 are applied on the basis of the new governance model.

The Board of Directors<sup>4</sup> approves the identification methodology, the perimeter, possible exceptions, notifications of and/or requests for exclusions to be submitted to the Supervisory Authority.

The Remuneration Committee, with assistance if necessary from its external advisor, and the Risk Committee, for that which concerns it, provides support to the Board of Directors:

- by providing preliminary indications to the working group;
- by validating the methodology;
- by verifying its application, the relative results and any requests for/notifications of exclusion to be submitted to the Supervisory Authority;
- by providing its opinion.

The Parent's Human Resources, Organisation, Risk Management, Corporate Strategy, Management Control and Compliance units work together, for that which concerns them, in a suitably composed special working group, normally formed once a year, to bring the identification methodology up-to-date and to make a proposal for the perimeter and the relative periodic updates.

More specifically:

- the Parent's Human Resources Function oversees, co-ordinates and monitors the overall process;
- the Parent's Compliance Function participates in the working group and, for the purposes of the validation of the competent bodies, provides a compliance opinion on the process and on the methodologies adopted to verify their compliance with internal and external regulations;
- the Parent's Audit Function conducts periodic *ex post* audits of the methodology adopted, the process and the relative results;
- the Human Resources Functions of the individual companies and banks co-ordinate the processes for the identification of their own perimeters (self-assessment) with support from the UBI working group and if necessary from internal units.

## **1.2. Criteria and procedures for the “Identified staff” identification process**

UBI Banca has identified its “*Identified staff*” (“IS”) perimeter on the basis of the qualitative and quantitative criteria laid down in Commission Delegated Regulation (EU) No. 604 of 4<sup>th</sup> March 2014 and in accordance with the provisions of the revision of Bank of Italy Circular No. 285 on remuneration policies and practices in banks and banking groups as well as with additional internal criteria for the identification of additional material risk takers in the Bank or Group.

On the basis of the EU Commission Delegated Regulation and the internal criteria identified, the assessment areas identified relate mainly to organisational, risk and remuneration aspects.

More specifically:

- the organisational aspects involved criteria 1, 2, 3, 4, 6, 7, 8, 9, 10 and 14 of Art. 3 of the EU Commission Delegated Regulation, which are analysed on the basis of regulations, policies, organisational units and ranks, responsibilities, powers, authorisations, processes, decision-making autonomy, functional reporting, role and membership of Governing Bodies or committees;
- the risk aspects involved criteria 5, 11, 12 and 13 of Art. 3 of the EU Commission Delegated Regulation, which are analysed by considering risks contained in the

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<sup>4</sup> The proposal to update the methodology for 2019 and approval of it will be performed by the current Management Board and Supervisory Board.

supervisory regulations in accordance with Pillar 2 and the relative impact on internal capital, and, with regard to credit and financial risk for transactions on the trading book, by examining the credit approval authorities of the Finance Committee and any operational authorities that may be granted under the applicable regulations. Furthermore, an additional internal criteria was identified based on “risk from substantial assets”, with particular reference to the financial advisor category of IW Bank, identifying a concentration threshold considered high risk – either managed individually or as part of co-ordinated activities – equal to 5% of the Assets Under Management (“AUM”) of the Bank;

- the remuneration aspects involved criteria 1a, 1b and 1c of Art. 4 of the EU Commission Delegated Regulation, which are analysed on the basis of the total remuneration, whether paid on an up-front or deferred basis, paid to staff in the previous financial year on a consolidated basis.

Membership of the “*Identified staff*” category results at the same time in the positions being subject to rules set by specific regulations on variable remuneration (“pay mix”, “payout”, deferral and diversification in financial instruments of bonuses, models and clawback conditions, etc.) and to the provisions of the “Group Regulation on Transactions with Related Parties in accordance with Consob Regulation No. 17221/2010, Connected Persons in accordance with Bank of Italy Supervisory Regulations Circular No. 263, *Identified staff* of the UBI Group, Significant Parties in accordance with Art. 136 of the Consolidated Banking Law and Other Identified Parties”.

### **1.3. Identification process on a consolidated basis**

Consistent with the applicable regulatory requirements, definition of the perimeter is carried out by the banks (UBI Banca and IW Bank) and by the asset management companies on an individual basis, co-ordinated by the UBI working group, which ensures the overall consistency of the process and of the final results on the basis of consolidated approaches.

For those companies not subject to CRD IV, the working group analyses the risk profile of each legal entity to identify those companies and organisational positions for which the impact at Group level is substantial on a consolidated basis (using data and considering the impact on the risk profile of the institution on a consolidated basis).

More specifically, the identification of “*Identified staff*” for the Group’s asset management companies is subject to two separate analyses:

- in compliance with sector regulations (UCITS V), a self-assessment is carried out by Pramerica on the basis of indications provided by the Parent, which takes into consideration the risk impact at company level;
- in compliance with banking Group regulations (CRD IV), the consolidated analysis is carried out by the Parent which considers the impact on risk at Group level.

### **1.4. Exclusion procedure**

Any requests for/notifications of exclusion from the “*Identified staff*” perimeter, as laid down by EU Regulation 604/2014, shall be submitted to the bodies responsible, in compliance with the exclusion procedure and the time limits laid down by the European Central Bank, which requires an accompanying assessment by the Internal Audit Function on the identification process and on the relative results, inclusive of an assessment of the exclusions.

More specifically, the Parent’s Human Resources Function:

- identifies those persons who meet the quantitative criteria set by Art. 4, paragraph 1, letters a) and b) of the regulation, who have not yet been inserted in the perimeter on the basis of qualitative criteria;
- firstly carries out an analysis, with the assistance of the Parent units (Organisation, Risk Management, Corporate Strategy, Management Control and Compliance), for that which concerns them, and possibly also of units in banks or companies, of the responsibilities,

powers, authorisations, processes and decision-making independence of the roles filled by the persons identified and carries out an initial assessment of them;

- for the purposes of the request for/notification of exclusion, submits that assessment to Senior Management and to the Remuneration Committee and accepts a positive opinion to proceed if it is given.

In cases of a request for/notification of exclusion, the Parent's Human Resources Function prepares the documentation required by the European Central Bank and submits it (accompanied by an assessment made by the Internal Audit Function) to the Board of Directors, which makes a decision and forwards it to the Management Control Committee for subsequent approval, having received an opinion from the Remuneration Committee and the Risk Committee for that which concerns them.

### **1.5. Results of the identification process**

Overall, in 2019 the "*Identified staff*" perimeter included 240 positions at Group level, accounting for approximately 1.2% of the entire workforce, of which 220 were identified according to qualitative criteria and 20 according to quantitative criteria<sup>5</sup>.

The perimeter was composed as follows:

- 46 "Members of the Governing Bodies"<sup>6</sup>, who do not receive variable remuneration if they are non-executive members;
- 23 belonging to the "*TOP Identified staff*" perimeter which in addition to the Chief Executive Officer, includes the Senior Management of UBI Banca, the highest levels of the Parent Functions (the "Chiefs", with the exception of the control functions, the Heads of the Macro Geographical Areas, the Head of Corporate & Investment Banking and the Head of Top Private Banking) and the Senior Management of the principal legal entities of the Group;
- 171 belonging to the "*Other identified staff of the Group*", which includes within it 20 control functions, the heads of the main Areas of the Parent, roles at IW Bank, Pramerica SGR and those companies with a high impact on the Group's risk profile, as well as 9 IW Bank Financial Advisors, by virtue of the substantial magnitude of the assets under management or remuneration of greater than €500,000.

The perimeter is essentially the same as that identified last year (-3 positions compared with 2018).

No notification of or request for exclusion was formulated by the Supervisory Body in relation to staff identified with quantitative criteria.

## **IV. Remuneration structure**

The remuneration package offered to staff 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;
- a variable remuneration incentive, which rewards performance over a short-term time horizon for all personnel and over a long-term time horizon for "*Identified staff*";
- 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>5</sup> In accordance with the options allowed by Art. 4 paragraphs 2 and 3 of Commission Delegated Regulation 604/2014, managers of non-significant operating units and staff who, although working in significant operating units, do not fill roles of responsibility and have no material impact on the risk profile were not included.

<sup>6</sup> The results take account of the current presence of members of the Management and Supervisory Boards. The perimeter of the Governing Bodies will be reviewed following the appointment of a Board of Directors.

- benefits in view of or at the time of early retirement from an office or termination of an employment relationship, which form part of variable remuneration.

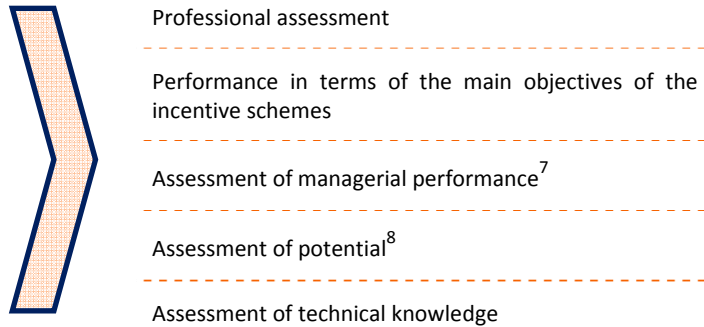
Finally, parts of remuneration are paid in financial instruments and welfare goods and services.

The following have been put in place in order to pursue effective wage policies that are fair internally and competitive with regard to external markets:

1. **a periodic assessment process for positions**, which assigns a value 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:

These principles are applied as part of the “Merit Plan” process.



2. **monitoring of wage dynamics on the market**

so that the Group is able to position itself with wage levels consistent with its relative markets, with the intention of retaining high-performing and high-potential staff. The Group uses benchmarking activity to constantly monitor the competitiveness of its wages and therefore its ability to attract, motivate and retain staff, verifying in particular that wages are consistent with the internal wage brackets set on the basis of the complexity of the positions in the company.

Analysis of wage positioning is carried out by means of a comparison with a peer group (see table below) with account nevertheless taken, when making the resulting wage decisions, also of the specific nature of the business and role in question.

Peer Group - wage benchmark
Banca Nazionale del Lavoro
Banca Popolare dell'Emilia Romagna
Banco Bpm
Credito Emiliano
Intesa San Paolo
Unicredit

Differentiated and competitive staff remuneration packages have been defined on the basis of the category of personnel, in terms of fixed and variable components and “benefits”.

1. **Fixed remuneration**

The fixed component of remuneration is set as a proportion of total remuneration such that it is able to remunerate staff fairly and adequately, even in cases when they do not receive the variable component. This therefore discourages the adoption of particularly high risk-taking behaviour.

<sup>7</sup> Through the use of management appraisal tools, a structured assessment method involving individual interviews.

<sup>8</sup> Through the use of assessment tools, a structured assessment method involving group meetings.

Fixed remuneration comprises those items of wages that are of a stable and irrevocable nature, determined and paid on the basis of criteria set in advance and not discretionary. It is defined in particular on the basis of the level of the contract, the position filled, responsibilities held and the expertise acquired by employees during the course of their careers.

Remuneration earned for positions held in Governing Bodies, possible allowances for roles associated with specific positions within the organisation chart and other tools with remuneration and retention functions all form part of the fixed component.

## **2. Variable remuneration**

The variable component of remuneration is linked to performances achieved over both annual and multi-year time horizons.

Performance assessment takes place with account taken of the qualitative and quantitative results achieved by individuals and by the units in which they operate and the results achieved by the company or Group as a whole.

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.

Performance measurement is related to income statement and balance sheet indicators adjusted for risk, both internal and external customer satisfaction levels, strategic projects and assessments of the effectiveness of their behaviour and its compliance with regulations.

The following form part of performance-based variable remuneration:

- short-term incentive schemes;
- long-term incentive schemes;
- other forms of remuneration which form part of variable remuneration, details of which are given in the table below.

The methods for paying bonuses may be both monetary and in other specific forms, including in relation to the Group’s “welfare” scheme, an increasingly common practice that makes it possible to take advantage of goods and services in the areas of education, healthcare, and recreation.

### 3. Other features of the remuneration scheme

Type	Fixed remuneration	Variable remuneration
<b>The Company Productivity Bonus or Result Bonus</b>		<p>As defined by the national trade union agreement, the conditions and payment criteria of which are laid down annually during supplementary trade union negotiations.</p>
<b>Commercial “contests” and other possible extraordinary project initiatives</b>		<p>These are implemented in order to orient staff so that they support commercial plans and targets, in line with goals set when budgets are prepared, taking care to prevent “moral hazard” behaviours.</p>
<b>Other retention and attraction tools</b>	<p>Promotions and increases in the fixed component of wages, that correlate with career paths and professional development, managed as part of the “Merit Plan”, usually on an annual basis.</p> <p>Allowances associated with specific positions within the governance and control structures that are functionally linked to the role occupied.</p>	<p>Minimum job-security agreements (e.g. retention bonus), paid in exceptional circumstances to retain professionals at high market risk.</p> <p>Schemes to enhance the commercial contribution made by staff from the external market, by which it is making it possible to provide economic rewards (e.g. for the acquisition of new customers or assets).</p>
<b>Benefits</b>	<p>Specially regulated supplementary collective pension <sup>9</sup>, health and insurance plans, infancy welfare services and canteen services, sports and recreational activities and discounts on products and services provided by the bank/company.</p> <p>Assignments of company cars for business and personal use and of guest accommodation are made and regulated within the Group.</p>	

<sup>9</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.

#### 4. Ratio between the variable and fixed components of remuneration and the pay mix

The Group maintains a balanced ratio between the fixed and variable components of remuneration, to provide an equilibrium in the levels of the pay mix.

The ratio between variable and fixed remuneration is set up to a maximum of 2:1 for “*Identified staff*”, with the exclusion of corporate control functions, the “Senior Officer Responsible” and the Head of Human Resources. For the remaining staff the variable component may not normally exceed the fixed component with exception made for possible specific factors relating to the business in question and market practices. The ratio also takes into consideration payments made in view of or at the time of early retirement from an office or termination of an employment relationship, which form part of variable remuneration.

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 “*Identified staff*” identified<sup>10</sup>.

“Material Risk Takers” Perimeter	Number	Fixed remuneration	Variable short-term	Variable long-term
“Governing bodies”	46	100%	-	-
“UBI CEO”	1	50%	30%	20%
“Top”	22	59%	31%	10%
“Other IS”	162	70%	24%	6%

The ratio between the variable and fixed component for the control functions does not exceed the limit of one third. A low variable component of remuneration is set for the Head of Human Resources and the “Senior Officer Responsible”.

#### 5. Employee post-employment benefits

The amounts that may be agreed for all personnel in the event of the early termination of an employment relationship or retirement from a corporate office (i.e. termination of employment payments) may as a general rule be made to staff whose employment contracts are terminated on the initiative and/or in the interest of the company and they must comply, in accordance with the supervisory regulations for banks on remuneration and incentives, with the criteria and limits laid down in this section and with the more stringent regulations governing variable remuneration such as: (i) being linked to qualitative and quantitative indicators that reflect actual long-lasting results; (ii) the use of financial instruments subject to retention; (iii) the division into an up-front quota and a deferred quota; and (iv) being subject to *ex post* adjustment procedures (malus and claw back).

More specifically, agreements entered into in view of or at the time of the early termination of an employment relationship or retirement from a corporate office, which involve possible payments or grant of other benefits to “*Identified staff*” are defined as “golden parachutes” and also include: (i) the amounts paid as part of an agreement for a current or potential dispute, no matter by which means that agreement is reached; (ii) an indemnity for failure to give notice, in an amount that exceeds the amount of the indemnity calculated in accordance with the law and national trade union agreement for the sector.

Termination of employment payments also include job-security agreements to extend periods of notice and non-competition agreements, even though they are paid during the employment relationship. Nevertheless, the more stringent rules for variable remuneration regarding the quota that does not exceed the last year’s payment of fixed remuneration do not apply to the latter.

<sup>10</sup> The financial advisors are excluded from the calculation of the pay-mix in consideration of the specific nature of their remuneration, entirely variable by nature on the basis of the type of their employment contract.

Golden parachutes are included in the calculation of the limit on the ratio of variable to fixed remuneration relating to the last year of an employment relationship or occupation of a corporate office, with exception made for amounts agreed and paid:

- on the basis of a non-competition agreement, in the amount that for each year of the duration of the agreement does not exceed the last year's payment of fixed remuneration;
- as part of an agreement between the Bank and staff, however that may be reached, to settle a current or potential dispute (a "settlement agreement"), if it satisfies the formula described in the following paragraph.

Payments for the termination of an employment relationship are not considered and therefore the amounts calculated are not subject to restrictive rules, applicable outside a negotiated agreement, set by an independent third party (judge or arbitrator), neither are accessory items of limited material value considered.

The above rules do not apply to amounts agreed in view of or at the time of the early termination of an employment relationship or retirement from a corporate office occurring as part of extraordinary operations (e.g. mergers) or company restructuring processes and redundancy incentives connected with similar operations in accordance with the provisions of point 2.2.3 - Exceptions under Bank of Italy Circular No. 285 and with collective bargaining rules including those for companies, which is to say by laws applicable also to Senior Management.

Type of disbursement*	disbursement	1:1 cap	pay-out	linked to qualitative-quantitative indicators	ex post adjustment mechanisms (malus and clawback)
THE FAILURE TO GIVE NOTICE PAYMENT OF MONTHLY SALARY - monthly salary payments by law/National Trade Union Agreement -	<i>on leaving</i>	NO	<i>up-front in cash</i>	NO	NO
THE FAILURE TO GIVE NOTICE PAYMENT OF MONTHLY SALARY - in addition to monthly salary payments by law/National Trade Union Agreement -	<i>on leaving</i>	YES	<i>financial instruments and deferral</i>	YES	YES
NON-COMPETITION AGREEMENT - remuneration agreement up to 12 months' salary -	<i>on leaving or in service</i>	NO	<i>up-front in cash</i>	NO	NO
NON-COMPETITION AGREEMENT - remuneration agreement exceeding 12 months' salary -	<i>on leaving or in service</i>	YES**	<i>financial instruments and deferral</i>	YES	YES
EXTENDED NOTICE AGREEMENT	<i>on leaving or in service</i>	YES	<i>financial instruments and deferral</i>	YES	YES
SETTLEMENT SUM - on the basis of a predetermined formula -	<i>on leaving</i>	NO	<i>financial instruments and deferral</i>	YES	YES

\* What is reported also applies to the end of employment relationship payments for personnel who do not belong to the "Identified staff" perimeter, disbursement of which will be up-front in cash and the exceptions provided for by paragraph "2.2.3 Exceptions" on remuneration and incentives in the Supervisory Regulations are not considered

\*\* Only for any quota which, for each year in the duration of the agreement, exceeds the last year's payment of fixed remuneration.

## 5.1 Limits and criteria

In addition to the provisions of the law on indemnities for failure to give notice, payments for the termination of an employment relationship, which qualify as golden parachutes, may be made up to a maximum amount of 24 months' fixed salary, in addition to the first 12 months of a non-competition agreement, if this has been signed, and up to a maximum amount calculated on the basis of the remuneration for the specific position<sup>11</sup>.

The amount of a single year's remuneration used for the purposes of calculating payments for the termination of a relationship is calculated by considering the recurring fixed remuneration, inclusive of any allowances there may be for the role and/or fees received for the corporate office.

<sup>11</sup> That limit, based on the current remuneration of the Chief executive Officer of UBI Banca, corresponds to a maximum amount of €2,772,000 gross, to which 12 monthly payments for the non-competition agreement must be added, currently set at €100,000 gross.

The above limits do not in any way result in the right or even the expectation of exceeding any more restrictive limits and criteria that may be provided for by applicable laws, trade union agreements and/or practices in the event of dismissal.

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 appreciation 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, to the long-term performance in terms of the creation of value for shareholders 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.

For the purposes of exemption from the calculation of the variable cap set for amounts paid as part of a settlement agreement, however that may be reached, to settle a current or potential dispute, the following "predetermined formula" has been identified based on the category to which the member of staff belongs:

- "TOP IS" up to a maximum of 18 months' salary, to which up to 6 months' salary may be added in cases where the length-of-service in the company is longer than 5 years;
- "OTHER IS" up to a maximum of 15 months' salary, to which up to 3 months' salary may be added in cases where the length-of-service in the company is longer than 5 years;
- "IS" CONTROL FUNCTIONS up to a maximum of 15 months' salary, to which up to 3 months' salary may be added in cases where the length-of-service in the company is longer than 5 years.

The amounts paid within those limits are not considered for the purposes of the variable cap set, but in any event will remain subject to variable remuneration rules.

The above criteria, applied in all Group companies, will be weighed one against the other, on the basis of the concrete case, in order to achieve the best interests of the company in compliance with the above regulations.

## **5.2 Payment procedures**

Payments for the termination of an employment relationship defined on the basis of the limits and criteria laid down in the previous paragraph, shall be paid in the manner and at the times consistent with legislation and regulations applicable to the specific case from time-to-time.

If payments are made to "Identified staff", with exception made for possible up-front payments in cash for the cases described above, part of the payment will be made in financial instruments with the relative retention, subject to deferral conditions and to *ex post* adjustment procedures (malus and clawback) consistent with the "Identified staff" category to which the position concerned belongs and with the size of the relative amount, as laid down by the Group's remuneration and incentive policies in force from time-to-time. These provisions also apply to the Group's "Identified staff" belonging to its asset management company, except for the provision for the grant of shares in UCITS in place of UBI Banca shares.

For remuneration paid in an amount less than or equal to €50,000 and 25% of fixed remuneration, the payment is made entirely up-front in cash<sup>12</sup>.

## **5.3 Determination of end of employment relationship payments**

The precise determination of the remuneration for "Identified staff", according to the criteria and limits described above, is subject to assessment and approval, for the part that exceeds the indemnity paid for failure to give notice due by law or by contract, by the Board of Directors with consideration given to an overall assessment of the work of the person in the different positions occupied over the years. In terms of the process followed, the Board of Directors bases its assessments on a proposal formulated, in agreement with the Chief

<sup>12</sup> For Pramerica personnel the applicable amount is €80,000.

Operating Officer, by the competent internal units, subject to prior verification of its consistency with remuneration policies by the Remuneration Committee.

For the remaining staff in the Group, the competent internal units follow a structured procedure for the approval of the decisions made up to a maximum limit approved by a Shareholders' Meeting, with consideration given to an overall assessment of the work of the person in the different positions occupied over the years.

#### **5.4 Management of exceptions**

In those cases where compliance with the above provisions may not allow a company to achieve important objectives in the interests of the Group and where it may therefore be necessary to exceed the limits and/or follow other criteria for the calculation of payments and the procedures for making them, a proposal shall be submitted, together with the reasons and/or advantages for the company for following different rules, to the Board of Directors for approval, after receiving an opinion from the Remuneration Committee with adequate information given as part of the annual remuneration report in cases of “*Identified staff*”.

### **V. Remuneration Policies for Governing Bodies**

The remuneration of the Governing Bodies is defined in compliance with the current regulatory framework and in accordance with the Articles of Association, based on best practice, national guidelines and in future European guidelines.

It is designed to attract the best skill sets and is 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. It also takes account of the professional skills required, the time and commitment employed, and market competitiveness.

In detail, the fee structure involves a cap set by the fee paid to the Chairman of the Board of Directors, which in compliance with supervisory regulations on remuneration is nevertheless 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; there are no guaranteed bonuses<sup>13</sup> or golden parachutes.

#### **1. Remuneration of members of the Board of Directors**

The Bank's Articles of Association provide for a Shareholders' Meeting to establish, when appointing the Board of Directors, in compliance with existing regulations, an overall remuneration for the members of the Board, therein including the Chairman, the Deputy Chairman, the members of internal board committees provided for by Art. 31 of the Articles of Association, excluding the members of the Management Control Committee. On the basis of a proposal from the Remuneration Committee, the Board of Directors allocates this total remuneration internally.

This allocation takes account of the time commitment and the skill sets required for carrying out individual duties, thereby paying adequate compensation for the duties and responsibilities assigned.

The Board of Directors, on the basis of a proposal from the Remuneration Committee, may establish an additional remuneration for Directors invested with particular roles provided by the Articles of Association as well as for the Chief Executive Officer and the Directors who are members of the committees provided for in Art. 32 of the Articles of Association, but not for the Chairman, the Deputy Chairman and the members of the committees provided for by Art.

<sup>13</sup> Without prejudice to exceptions allowed by legislation and regulations, limited to the first year of employment, for board members classified as senior management.

31 of the Articles of Association. This additional remuneration also takes account of the time commitment and the skill sets required for carrying out the duties.

The remuneration, including the overall remuneration provided for by the first paragraph of this sub-section, is determined in a fixed amount, with the exception of what is due to the Chief Executive Officer, as specified below.

Again in accordance with the Articles of Association, the Directors are entitled to the reimbursement of the expenses incurred by reason of their office.

The fees that members of the Parent's Board of Directors may receive for participation in the Governing Bodies of Group companies may not exceed, overall, a cap of two thirds of the amount due for holding the office of Member of the Board of Directors of UBI Banca.

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

## ***2. Remuneration for the position of member of the Management Control Committee***

The Shareholders' Meeting establishes at the time of appointment as a fixed and per capita quota – but with an increase for the Chairman – for the entire duration of the office, the remuneration for the members of the Management Control Committee.

The members of the Management Control Committee who may be called upon to be members of the Risk Committee or the Related Parties and Connected Persons Committee nevertheless have the right to receive the remuneration paid to members of those committees.

## ***3. Chief Executive Officer***

The term of office of the Chief Executive Officer will expire when the 2019 Shareholders Meeting is held and, when the Governing Bodies are renewed, the new Board of Directors will be called upon to set rules for the fees of the Chief Executive Officer pursuant to Art. 2389, paragraph 3 of the Italian Civil Code for the new term of office, inclusive of any individual agreements there may be relating to remuneration in the event of early retirement from the position, within the limits provided for by the regulations and legislation currently in force and by these remuneration policies.

The above resolutions will be reported in the 2020 Remuneration Report, while information on the current remuneration up to the expiry of the term of office is given below.

The remuneration package of the UBI Banca's Chief Executive Officer is comprised of fixed and variable components, for which the ratio has been set up to a maximum of 1:1.

The fixed remuneration includes the following:

- remuneration earned for the office of Chief Executive Officer and that of member of the Management Board;
- the component of remuneration related to the position of Senior Manager of the Group.

The Chief Executive Officer is party to a non-competition agreement to protect the human and economic capital of the Bank in order to avoid the risk of market competition, and also benefits from a pension plan of a collective nature.

The non-competition agreement places a ban on taking up a position similar to that occupied in the Group in other Italian banks and on operating either directly or indirectly in the banking sector in the same geographical area for a period of twelve months subsequent to leaving. It also involves payment of a penalty by the Chief Executive Officer if he breaches that non-competition obligation.

Similar to the previous year, total fixed remuneration paid in 2018 to the Chief Executive Officer was 32 times the average remuneration paid to the remaining UBI Group personnel.

The variable component is paid on the basis of results achieved over both a short-term and a long-term time horizon.

Performance measurement is 60% over the short-term and 40% over the long-term.

The annual performance of the Chief Executive Officer is based on various parameters measurable over the short-term which are compared with budget forecasts. More specifically it is measured on the following indicators:

- economic and financial profitability indicators: RORAC and normalised profit on continuing operations before tax (PCOBT);
- the corporate “Non-performing Loan” strategy: total gross NPLs;
- customer satisfaction;
- qualitative indicators of “managerial effectiveness”.

Payment is made once capital and liquidity stability at Group level (“gates”) has been verified and in compliance with the overall “bonus pool” calculated on the basis of the risk-adjusted profitability achieved by the Group.

The incentive schemes for the Chief Executive Officer also involve correlation between (i) the performance of the UBI share, compared with a benchmark of listed banks (“TSR”) and (ii) sustainability indicators (an “*Overall adjustment schedule*”).

The incentive schemes, particularly in relation to financial instruments, encourage equity investments by management. More specifically, at the end of 2018 the Chief Executive Officer held 671,342 UBI Banca shares compared with 659,075 UBI Banca shares held at the end of 2017.

#### **4. The Governing Bodies of Group Companies**

For those who are not members of the Parent’s Board of Directors and are members of the Boards of Group companies, on the basis of principle of proportionality, the cap on remuneration is equal to the amount due for the position of Member of the Board of Directors of UBI Banca, plus one third.

The remuneration for positions held in Group banks and companies (determined by Shareholders’ Meetings of subsidiaries on the basis of a proposal formulated by the Board of Directors of UBI Banca, having consulted the Remuneration Committee) are determined with account taken of the activities of the subsidiary and also of the commitment and overall competencies required for the position, and they are consistent, in accordance with principle of proportionality, with those of the Parent’s Board of Directors.

The fee paid to the Chairman may not exceed the fixed remuneration paid to the Top and Senior Management (Chief Executive Officer or General Manager).

Remuneration paid for positions held on the management bodies of Group companies to senior managers who are employees of other Group companies is paid back to the company to which they belong. Provision has nevertheless been made for those concerned, given the considerable commitment and responsibilities undertaken, for the payment of a special allowance limited to a maximum sum of €20 thousand.

The remuneration paid to members of the supervisory bodies is calculated in fixed amounts (inclusive of the remuneration to be paid to members of the supervisory bodies themselves 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 Chair.

Any exemptions for exceptional reasons from the above criteria for the determination of remuneration for the supervisory bodies of subsidiaries must nevertheless be approved in advance by the Parent’s Board of Directors, following consultation with the Remuneration Committee.

## VI. Remuneration and incentive policies for staff with employee contracts

### 1. “Bonus pool” and trigger conditions (“gates”)

Each year, an overall “bonus pool” at the service of incentive schemes is allocated as part of the Group’s budgeting process. This budget is allocated at the level of each company and business unit, with consideration given to the expected profits, the number and type of staff, 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 Board of Directors, after prior consultation with the Remuneration Committee.

The incentive schemes are triggered upon satisfaction of the conditions (“gates”) set at Group level to ensure compliance with capital and liquidity stability indicators as defined in the document “RAF UBI Banca Group - Risk Appetite – 2019 Risk Appetite Statement”. The indicators and the relative thresholds are as follows:

- *Common Equity Tier 1 Ratio (“CET 1”) > 10.85%*<sup>14</sup>;
- *Net Stable Funding Ratio (“NSFR”) ≥ 103%*;
- *Liquidity Coverage Ratio (“LCR”) ≥ 120%*;
- *Leverage Ratio (“LR”) > 3.75%*<sup>15</sup>.

The values for these indicators are verified at the end of the period, as at 31/12/2019.

Incentive schemes are not triggered in the absence of stated normalised profit, except (in the presence of events and variables, inclusive of those of an exogenous nature, that are unforeseeable or non-determinable beforehand, to be assessed on a case-by-case basis) for the possibility of assigning a quota, up to a maximum of 15% of the total “bonus pool”, to be submitted to the Board of Directors for approval, based on a proposal from the Remuneration Committee.

Once the above mentioned “gates” have been triggered, at the final figures stage the bonus pool may be increased, without prejudice to the proper remuneration of 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 implementation regulations and on the basis of the performance with respect to the budget, calculated:

- on the basis of “RORAC” at Group level;
- on the basis of the “*Normalised net profit adjusted for the difference between the cost of capital allocated*<sup>16</sup> and the capital absorbed” at the level of individual legal entity and business unit.

An example of how this works is given below, on the basis of which the bonus pool may vary once determined RORAC results compared with budgeted results have been considered.

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%

<sup>14</sup> The threshold is the same as that for “Risk Tolerance”, plus 0.6% (the “early warning threshold”). If the final figure lies between the Risk Tolerance threshold and the 0.6% increase, triggering of incentive schemes is subject to assessment by the Board of Directors, 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”.

<sup>15</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>16</sup> For the asset management company with a low capital absorption, the indicator used is Normalised Net Profit.

If the available budget allocation is overrun, criteria have 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 interventions based on qualitative assessments of performance, subject for verification to the approval of the Board of Directors, after receiving an opinion from the Remuneration Committee.

Furthermore, on the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and with support from the competent organisational units, the Board of Directors may consider increasing or reducing the level of the bonus pool available at overall, single legal entity and business unit level, in order to take account of extraordinary events or events unforeseen at the time of budget, such as for example, but not limited to, mergers, capital increases and extraordinary accounting normalisations.

## **2. Short-term incentive scheme for “Identified staff”**

“*Identified staff*”, with the sole exception of the control functions, the Senior Officer Responsible for the preparation of corporate accounting documents and the UBI Banca Head of the Human Resources Area for whom 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 quota 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<sup>18</sup>.

There are also specific objectives for the management and reduction of non-performing loans (NPLs) in relation to the strategies approved and sustainability objectives which act as an adjustment to the bonus earned (see section “1. The value of sustainability for UBI”).

The calculation methods are designed to allow gradual access to the payment of bonuses, depending on the degree to which objectives are achieved and also to prevent conduct that places the Bank at risk.

Bonuses are related to the complexity of the role and the results achieved at individual, team, business unit, company and Group level.

In accordance with the principles laid down in the applicable regulatory framework, the structure of the bonus payout requires that for the whole of the “*Identified staff*” perimeter at least 50% of the variable remuneration shall be paid in ordinary shares of UBI Banca and, if the quota paid in financial instruments is greater than 50% of the total variable remuneration, the deferred quota paid in financial instruments shall be greater than the up-front quota. This quota is subject to retention clauses which align the incentives with the long-term interests of the Bank.

For the three-year period 2019-2021, the particularly high amount<sup>19</sup> has been set at UBI at €430,000 for variable remuneration, a limit beyond which 60% of the bonuses earned are deferred. More specifically, in cases where bonuses are higher than that amount, the payout takes place as follows:

<sup>17</sup> Chief Executive Officer, General Manager, if appointed, and Senior Deputy General Manager of UBI.

<sup>18</sup> Banca Popolare Emilia Romagna, Banca Popolare di Sondrio, Banco BPM, Credito Emiliano, Intesa San Paolo, Mediobanca and Unicredit.

<sup>19</sup> Corresponding to 25% of total average remuneration for Italian “high earners” according to the provisions of Bank of Italy Circular No. 285.

- for “*Identified staff*” belonging to the “Top IS” perimeter, inclusive of the Chief Executive Officer, a 60% quota is deferred over five years on a *pro rata* basis and a component is paid in UBI Banca shares amounting to 55% of total variable remuneration, subject to a retention period of one year;
- for the “Other Group IS” perimeter, a 60% quota is deferred over three years on a *pro rata* basis and a component is paid in UBI Banca shares amounting to 50% of total variable remuneration, subject to a retention period of one year;

For bonuses equal to or less than the particularly high amount, the payout takes place as follows

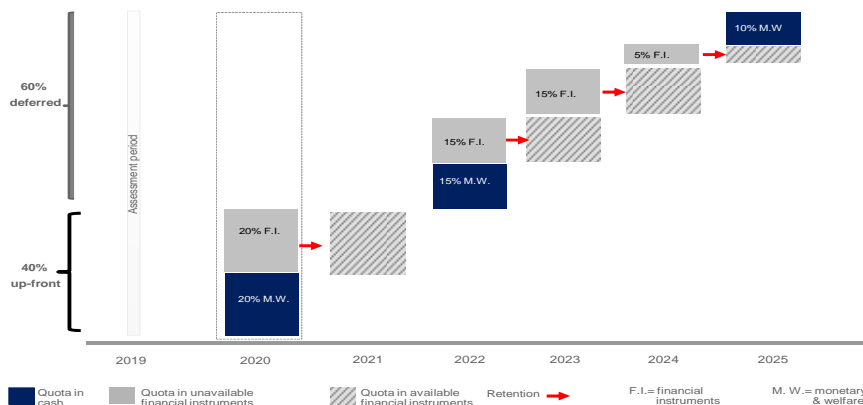
- for “*Identified staff*” belonging to the “Top IS” perimeter, a 50% quota is deferred over five years on a *pro rata* basis and a component is paid in UBI Banca shares amounting to 55% of total variable remuneration, subject to a retention period of one year;
- for “*Identified staff*” belonging to the “Other Group IS” perimeter, a 40% quota is deferred over three years on a *pro rata* basis and a component is paid in UBI Banca shares amounting to 50% of total variable remuneration, subject to a retention period of one year;



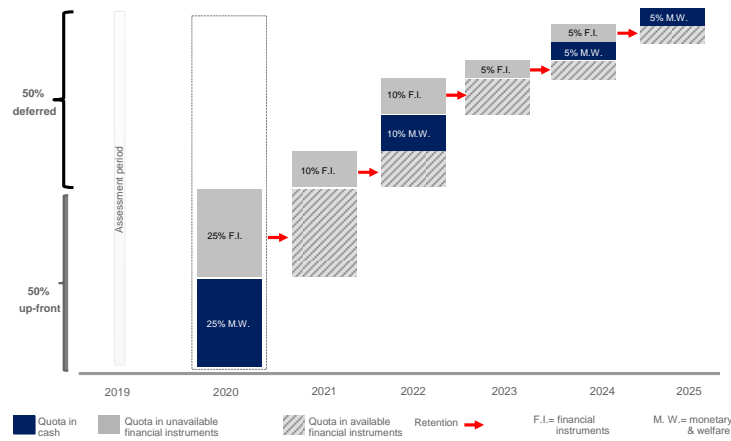
With specific reference to “*Identified staff*” in asset management positions identified as “*Identified staff*” at Group level, a quota of the financial instruments is converted, either in part or totally depending on the role, into mutual investment funds of the company itself, in compliance with regulations specific to that sector (“UCITS V”).

Examples of the payout procedures for “*Identified staff*”, differentiated on the basis of the type of IS, are given below.

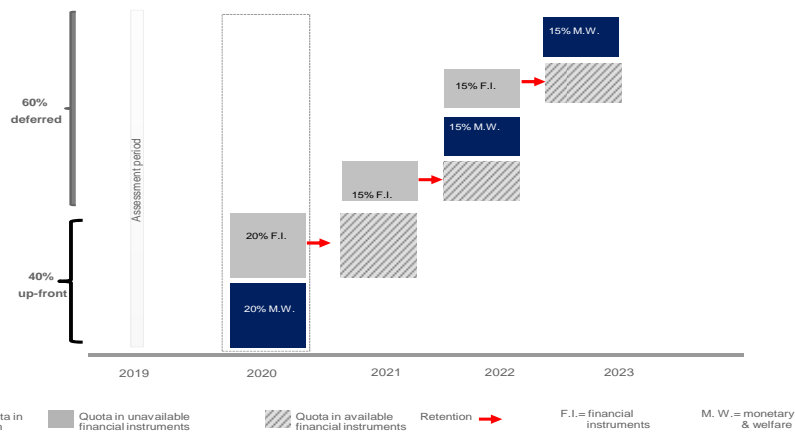
- “Top IS” with bonus of significant amount:



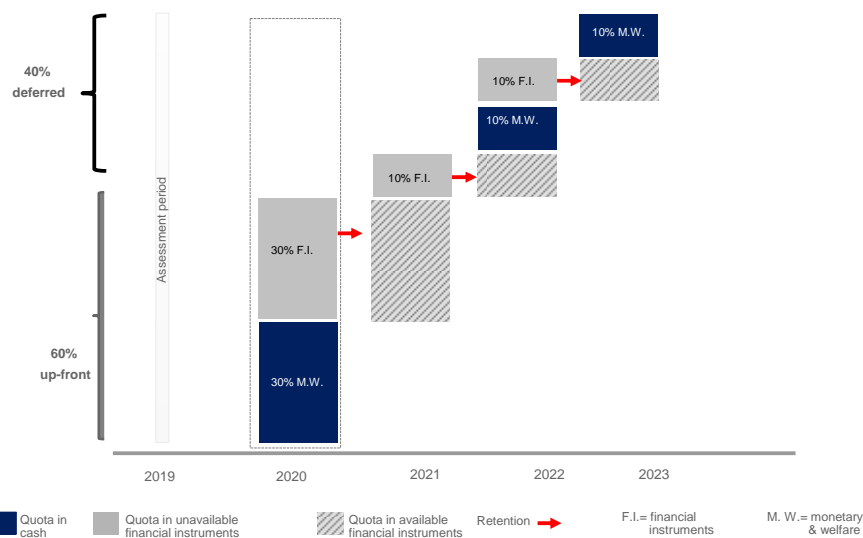
- “Top IS” with bonus less than or equal to the significant amount:



- “Other Group IS” with bonus of significant amount:



- “Other Group IS” with bonus less than or equal to the significant amount:



In order to ensure economic and capital stability over time, consistent with the long-term strategic objectives of the bank or company, the deferred quotas paid on a *pro rata* basis shall be paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio) and

liquidity stability (Net Stable Funding Ratio) are maintained at Group level (measured as at 31/12 of the year prior to the grant) consistent with the “Risk Appetite Framework” defined in the policies applicable from time-to-time. The deferred portion of the bonus shall be reduced to zero if these conditions are not met (a “malus”).

No interest or dividends are paid on deferred portions of the bonus.

The variable components paid (inclusive of those paid in the form of job-security agreements) consisting of annual amounts of less than or equal to €50,000 and 25% of fixed remuneration shall be paid on an up-front and “monetary & welfare” basis<sup>20</sup>.

Unless expressly indicated otherwise, participants in the incentive schemes who terminate their employment contracts before the bonus payment dates set out for each model, including those with a view to retention, will lose all rights to bonuses earned.

The beneficiaries of the incentive schemes who belong to the “*Identified staff*” perimeter are required to sign specific in-house regulations.

There are no guaranteed bonuses, without prejudice to exceptions allowed by legislation and regulations limited to the first year of employment.

Bonuses shall take into consideration breaches of company regulations or orders, ascertained by the imposition of disciplinary penalties, or following adverse findings made by the Internal Audit Function.

### **3. Short-term incentive schemes for personnel not comprised within the “*Identified staff*” perimeter**

For personnel that do not belong to the “*Identified staff*” perimeter (in addition to the Group and company objectives set as conditions for triggering and management of the bonus pool) the parameters used at individual and business unit level are mainly quantitative and measurable, but they nevertheless include qualitative aspects for performance measurement and are normally also correlated with levels of customer satisfaction.

Particularly for staff who sell banking, financial and insurance products, the indicators 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.

There are also specific objectives for the management and reduction of non-performing loans (NPLs), in relation to the strategies approved.

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.

Bonuses shall take into consideration breaches of company regulations or orders, ascertained by the imposition of disciplinary penalties, or following adverse findings made by the Internal Audit Function, as generally provided for by the company policy implementation regulations.

### **4. 2017-2019/20 long-term incentive schemes for “*Identified staff*”**

Long-term incentive schemes are triggered by the Board of Directors, following consultation with the Remuneration Committee, without prejudice to the approval of the financial instrument component by a Shareholders’ Meeting.

<sup>20</sup> In consideration of the specific markets involved and the composition of the current remuneration package, for asset management positions, payment is made on an “*up-front cash & welfare*” basis if the individual bonus earned is less than €80,000, and for financial advisors of IWBanck, payment is made on an “*up-front cash & welfare*” basis if it is less than €50,000 and less than 33% of fixed remuneration.

A long-term incentive scheme is in effect for the period 2017-2019/2020 with the goal of supporting the achievement of the objectives of the Business Plan and aligning the interests of management with those of all stakeholders, not only in the short-term, but also with a view to the creation of value in 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 scheme are the “*Identified Staff*”, with the exception of the corporate control functions, the Senior Officer Responsible for the preparation of corporate accounting documents and the Head of the Human Resources and certain specific positions, taking account of the related pay mix and levels of responsibility.

In 2018, in accordance with regulations, inclusion in the “*Identified staff*” category was extended, with the exceptions mentioned above.

An additional amount is to be allocated to the bonus pool created for the short-term incentive scheme in order to finance it.

The participation of managers in the scheme takes place exclusively by means of investments they make, by purchasing shares of UBI Banca with their own funds, up to a predetermined maximum and consistent with the defined pay mix levels.

Without prejudice to the preliminary trigger conditions (the “gates”), which are the same as those defined for the 2019 and 2020 short-term incentive schemes, specific performance objectives are linked to the creation of value, to strengthening of 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 listed banks.

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.

An amount up to 40% of the total bonus is calculated on the basis of achieving objectives as at 31/12/2019, according to the chart shown below.

		ROTE		
		≥6.8% and <8%	≥8% and <10.7%	≥10.7%
CET1	≥12.3%	20%	30%	40%
	≥11.7% and <12.3%	10%	20%	30%
	≥11.2% and < 11.7%	-	10%	20%

A 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	≥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 the relative benchmark (“TSR”). More specifically if the performance of the UBI share:

- is above the upper quartile (“Q3”), the bonus earned is increased by 25%;
- is below the lower quartile (“Q1”), the bonus earned is reduced by 25%;
- is 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%

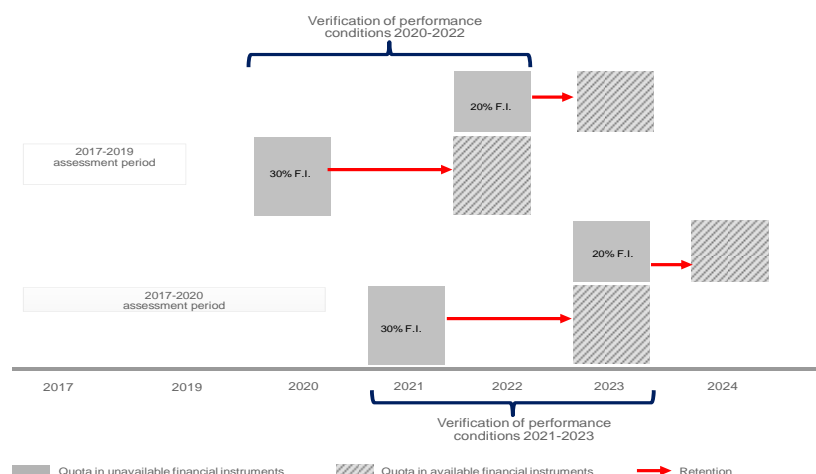
If extraordinary events or events unforeseen at the time of budget occur such as for example, but not limited to, mergers, capital increases and extraordinary accounting normalisations, on the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and in collaboration with the competent organisational units, the Board of Directors may assess the possibility of reviewing the thresholds and the objectives identified and increase or reduce the bonuses earned, with account taken of further 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 amongst the most appropriate instruments for aligning the interests of shareholders with those of management.

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 accrued before the end of the deferral 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.



In order to ensure economic and capital stability over time, consistent with long-term strategic objectives, the deferred quota is paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio<sup>21</sup>) and liquidity stability (Net Stable Funding Ratio<sup>22</sup>) are maintained at the end of the deferral period, consistent with the “Risk Appetite Framework” defined in internal policies. The deferred portion of the bonus shall not be paid if these conditions are not met (a “malus”).

## 5. Malus and clawback mechanisms

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:

- conduct leading to a significant loss for the Bank or for customers;
- additional conduct non-compliant with the provisions of the law, regulations, or Articles of Association and any ethical codes of conduct or other codes of conduct applicable to the Bank, in the cases provided for by the Bank;
- breaches of the obligations under article 26 or, when the subject is an interested party, article 53, paragraphs 4 and following of the Consolidated Banking Law or obligations relating to remuneration and incentives;
- breaches 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 conduct or gross negligence causing damage to the Bank.

These provisions are independent of any compensation or disciplinary issues.

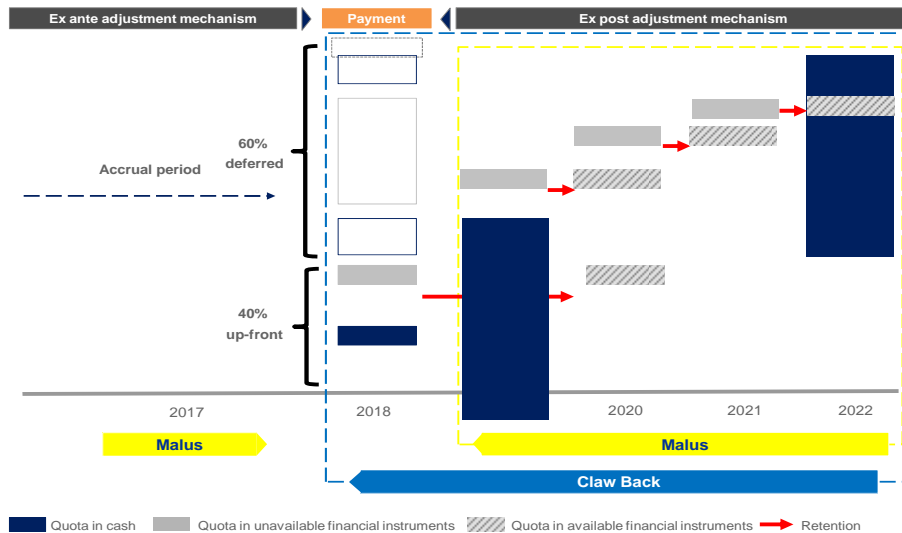
The above also involves the termination of any bonuses currently vesting and of payments of deferred components, earned in previous years and not yet granted (a “malus”).

The clawback shall take place for bonuses paid up to a period of five years prior to the date on which the charge of misconduct indicated above was brought.

<sup>21</sup> Risk Tolerance + early warning threshold level.

<sup>22</sup> Risk Appetite level

The chart below shows an example of periods of application of adjustment mechanisms, with respect to the payout scheme for “Top IS”, in the event of bonuses that are higher than amount of the high variable component.



## 6. Personal hedging and avoidance strategies

UBI Banca pays remuneration to its staff solely in accordance with regulations governing Remuneration and Incentive Policies and it excludes the use of vehicles, instruments or payment procedures which may be used to “avoid” compliance with legislation and regulations on remuneration and may contain incentives to take risks.

The Bank expressly asks its staff, by means of specific agreements, to not make recourse to personal hedges or insurance strategies applied to remuneration or other aspects which might alter or impair the effects of alignment with the risk intended with these policies. In order to achieve this, sample checks are made on the internal custody and administration accounts of “Identified staff” and they shall be required to inform the Bank of the existence or opening of custody and administration accounts with other intermediaries.

Furthermore, the Bank defines the types of financial transactions and investments which might impact on procedures designed to align risks in special internal regulations and asks “Identified staff”, by means of specific agreements, to notify the Bank of financial transactions and investments carried out that are classified as belonging to those types of transactions and investments identified, where possible, along the same lines as other internal regulations governing investments (e.g. Code of Conduct, Code of Ethics, Policy on Personal Transactions and the Insider Dealing Regulation) and which shall be considered for the calibration of remuneration and incentive schemes.

## VII. Remuneration and incentive policies for associate workers not bound by regular employee contracts.

While taking account of particular features of the specific business concerned, the forms of remuneration applicable to associate workers not bound to the Group by regular employee contracts are based on the criteria and guidelines contained 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 for the purposes of Remuneration and Incentive Policies in regard to the category of associate workers not bound by regular employee contracts.

Financial advisors work in the company IW Bank, while financial agents, who specialise in salary and pension-backed loans, work in the company Prestitalia.

As occurs throughout the sector of companies that provide financial advisory services through indirect networks, Financial Advisors are remunerated by means of commissions which take account of the level of experience and expertise achieved and the different types of products and services offered. More specifically, compared with the financial advisory sector as a whole, while it is linked to revenues generated by business procured by the Financial Advisors, the remuneration structure adopted by the Bank avoids excessive differentiation of levels of remuneration, in order to avoid conflicts of interest for advisors in the provision of investment advisory services.

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, the “commissions”, that constitute the more stable and regular part of remuneration and are the natural fee for the 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, necessary to support the achievement of the commercial development of objectives and the capacity to generate value over time, while remaining compliant with adjustment criteria linked to the quality and efficiency of products advised.

The non-recurring component is subject to triggering of the bonus pool (“gates”) at Group and company level and adjustment factors, taking into account operational risk indicators, that promote proper conduct 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/or the maintenance of predetermined portfolio levels and a scheme for the payment of increased commissions.

When a new financial advisor is recruited by the Bank, activity to acquire new assets (up to a predetermined maximum period, set at 24 months, needed to build a basic portfolio) is considered as a “recurring” component of remuneration. As a consequence, the “non-recurring” component will come into effect at the end of that period.

More stringent rules apply for the payment of “non-recurring” remuneration (the “payout”) for Financial Advisors identified as “*Identified staff*”. These are defined by Group Remuneration and Incentive Policies pursued from time-to-time applicable to “*Other Group identified staff*”. They are identified on the basis of qualitative and quantitative requirements set by Regulation (EU) 604/2014 or additional criteria associated with a concentration of assets – either managed individually or as part of co-ordinated activities – greater than 5% of the Assets Under Management (“AUM”) of the Bank.

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 consulting 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 “malus and clawback mechanisms” and “personal hedging strategies” which apply to all Employee Personnel.

## VIII. Description of indicators, initials and acronyms

*Bonus pool*: total allocated budget for incentive schemes.

*Common Equity Tier 1 (“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 recognised) net of the deductions required by the regulations as a ratio to Risk Weighted Assets (RWA).

*CRD IV*: “*Capital Requirements Directive IV*”. This is 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 on the prudential supervision of credit institutions and investment firms.

*“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 Commission 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” to the sum of “net cash outflows over a time horizon of 30 days, estimated over a period of stress of 30 calendar days”.

*“MiFID II”*: “*Markets in Financial Instruments Directive*”. This is the European Directive for the protection of investors and the efficiency and integrity of the financial markets.

*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.

*“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.

*“Payout”*: 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 therefore cannot be sold.

*“RAF”*: *Risk Appetite Framework*, the reference framework for determining the risk appetite of UBI Group.

*Total Shareholder Return ("TSR")* – The increase in the value of the share, calculated as a percentage difference between the daily average in December 2019 (for the annual incentives scheme) or 2019-2020 (for the long-term incentive scheme) and the daily average in December 2018 for the annual incentive scheme and 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.

*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, net of the finance result: net interest income (excluding the effects of PPA<sup>23</sup>) + net fee and commission income (using normalised data).

*"Up-front"*: procedure for the payment of bonuses linked to the reference performance and not subject to deferral conditions.

*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 of 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.

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<sup>23</sup> "Purchase Price Allocation" – in the context of the "purchase method" accounting treatment, this is the recognition in the accounts of the 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.

## Section II - Implementation of 2018 Remuneration and Incentive Policies

Section II of the report is designed to report on the application of the 2018 Remuneration and Incentive Policies approved by a Shareholders' Meeting held on 6<sup>th</sup> April 2018, in compliance with the regulatory framework as follows:

- Art. 450 of Regulation (EU) No. 575/2013 of 26<sup>th</sup> June 2013 (Capital Requirements Regulation);
- Bank of Italy Circular No. 285 of 17<sup>th</sup> December 2013 – Part One, Title IV, Chapter 2 Remuneration and incentive policies and practices;
- Art. 123-*ter* of Legislative Decree No. 58 of 24<sup>th</sup> February 1998 (Consolidated Finance Law);
- Art. 84-*quater* of the Issuers' Regulations approved with Resolution No. 11971 of 14<sup>th</sup> May 1999 as subsequently amended and added to;
- the Corporate Governance Code for listed companies, as updated in July 2018.

The second section of the Remuneration Policy is composed of two parts:

### Part one

Descriptive in nature designed to describe and illustrate the items which compose the remuneration of members of the governing and supervisory bodies, of General Management and of "*Identified staff*" and the procedures used to set and pursue those policies.

### Part two

Consisting of tables containing (i) data for the year 2018, presented in the format required by Bank of Italy Circular No. 285/2013 relating to the fixed cost and the variable component for staff of the UBI banking Group divided by area of activity and to the remuneration of those classified within the Group's "*Identified staff*" perimeter as at 31<sup>st</sup> December 2018 and (ii) data on remuneration for the year 2018, presented in accordance with the Schedule 7-*bis* of Attachment 3A of the Issuers' Regulations, relating to Directors, Statutory Auditors and other "*Identified staff*" of UBI Banca.

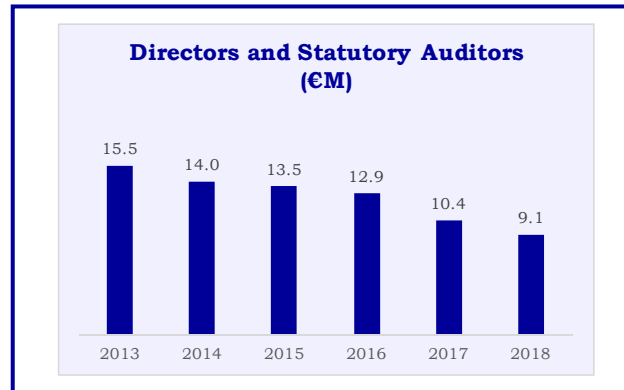
## I. Part one

### 1. The main results for 2018

Details are given below of expenses incurred in 2018 for the various categories of personnel.

#### *Expenses for Members of Governing Bodies.*

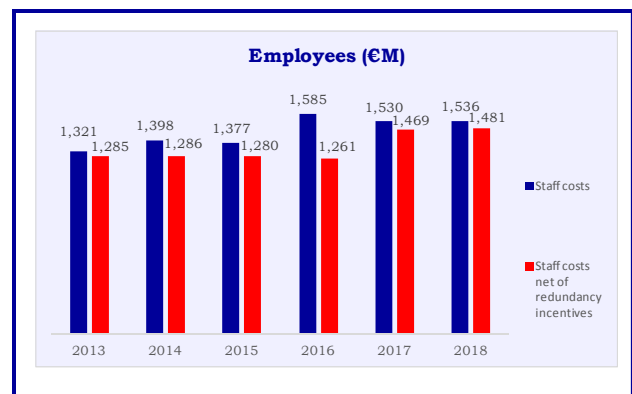
Expenses incurred for the remuneration of Directors and Statutory Auditors of the UBI Group amounted to approximately €9.1 million, (down compared with the €10.4 million reported in the previous year) accounting for approximately 0.6% of total staff costs of the UBI Group.



#### *Expenses for employees*

Total expenses for employees of the UBI Group amounted to approximately €1,536 million, largely unchanged compared with the previous year notwithstanding the addition of 4,900 staff from the New Banks since 1<sup>st</sup> April 2017.

The extra cost for the additional three months of presence in 2018 of the aforementioned staff (€68 million approx.) was entirely offset by reductions in staff numbers as a result of incentivised redundancy schemes as well as other cost-cutting initiatives.



#### *Expenses for consulting contracts – Other Personnel in Service*

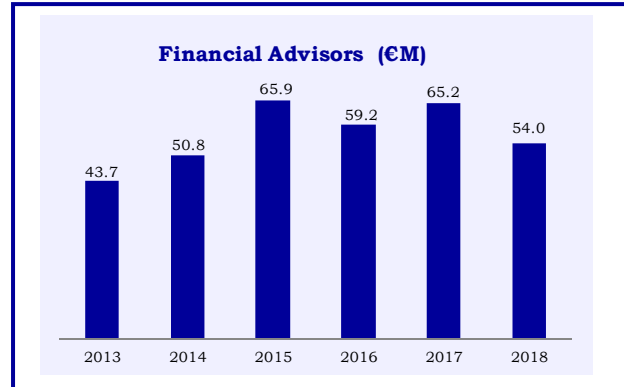
Expenses incurred for consulting contracts with Other Personnel in Service came to approximately €1 million, gradually declining compared with previous years.



### Expenses for Financial Advisors

With specific regard to Financial Advisors not bound by regular employee contracts at IWBanK Spa, expenses totalled roughly €54 million, a decrease over the previous year.

Approximately 9.5% of the costs is attributable to “*Identified staff*”, identified in this category. No member of staff belonging to the “*Identified staff*” perimeter will receive non-recurring components of remuneration relating to 2018.



### Positions with total remuneration above €1 million

The following exist within the Group:

- one position with total remuneration of between €2.5 million and €3 million, i.e. the UBI Chief Executive Officer.
- three positions with total remuneration of between €1 million and €1.5 million at UBI Banca, i.e. the Deputy General Manager, the Chief Commercial Officer and the Head of Investment Banking.

### Action taken on fixed remuneration of Employee Personnel

As part of the process for the periodic review of remuneration, known as the “Merit Plan”, action was taken in 2018 to reward merit, with the exclusion of changes required by automatic contract clauses in force, involving approximately 11.4% of personnel, with a total impact of approximately 0.3% on total wages paid.

### Estimate of the results of 2018 incentive schemes

On the basis of the available records, the trigger conditions (“gates”) were satisfied and the performance of the Group return on risk-adjusted capital (RORAC) indicator was positive.

The first projections positioned the aforementioned “RORAC” indicator at levels between 75% and 100% of the budget forecast. The results confirmed the validity of the total theoretical budget allocation up to a maximum of 100% of that which had been set in the budget, to give an amount of approximately €26.1 million, with bonuses triggered for the “*Identified staff*” of the Parent and in some Group companies.

Group RORAC (% achievement of objective)	Theoretical bonus pool	Estimate of total expense
> 100%	Up to 125%	
≥ 75% and ≤ 100%	Up to 100% (26.1 million)	26.1 million
> 0% and < 75%	Up to 75%	
≤ 0%	0	

With regard to the latter, 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 should have access to incentive schemes, although with different budget expense availability based on results achieved.

Approximately 68% of “*Identified staff*” should receive a bonus, details of which, subject to revision on the basis of the final figures, are given in this section.

With regard to “*Identified staff*”, payment of the annual bonus relating to 2018 will take place according to the following payout procedures:

- for the UBI Banca Chief Executive Officer, 60% is deferred for five years, because the size of the variable amount is higher than €500,000;
- for positions belonging to the “*Top identified staff perimeter*”, 50% of the bonus is deferred for three years;
- for “*Other Identified staff*”<sup>24</sup>, 40% of the bonus is deferred for three years.

Fifty percent of the up-front component and of the deferred component will be paid in financial instruments.

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.

If the bonuses earned are less than or equal to €50,000 and if the bonus earned is less than 15% of fixed remuneration, the payment is made entirely up-front, 50%, being paid in “*cash & welfare*” at the time when the conditions are met and the remaining 50% in financial instruments with a two-year retention period<sup>25</sup>.

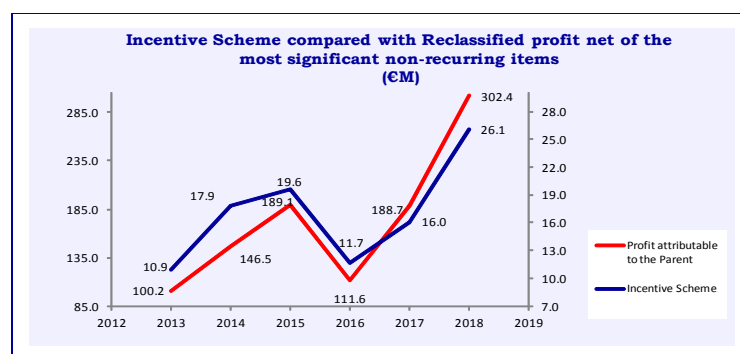
### *Incentive schemes in previous years*

With regard to the 2017 incentive scheme, final consolidation figures show that expenses amounted to approximately €16 million, in addition to an outlay relating to the “*New Banks Integration*” initiative amounting to €1.4 million with a lower outlay compared with a total of €21 million for the variable component set aside in the financial statements for the year on the basis of preliminary figure estimates.

As concerns deferred components of the 2013, 2014 and 2015 incentive schemes, bonuses accrued and paid out in 2018 for staff belonging to the “*Identified staff*” perimeter were as follows: 12,989 UBI Banca shares to five staff and approximately €779,000 gross to 35 staff, because the deferral and retention conditions for the three-year period 2015-2017 and the two-year period 2016-2017 had been met.

With regard to the 2015 incentive scheme, once the two-year retention period was over, 128,042 UBI Banca shares were granted from the up-front component earned by 40 staff in the “*Identified staff*” perimeter.

The chart below shows the total cost of incentive schemes for Employee Personnel over the last six years.



*In addition to not considering the most significant non-recurring items, the 2016 profit does not include the portion of the non-performing loan provision recognised to reduce the shortfall. The 2017 and 2018 profit includes the New Banks.*

<sup>24</sup> With the exception of the “*Identified staff*” identified within the insurance companies, for whom the bonus pay-out structure did not call for the use of financial instruments or deferral, in accordance with the principle of proportionality specified under the legislation and regulations for “non-significant” insurance companies.

<sup>25</sup> For asset management positions, payment is made up-front in cash if the individual bonus earned is less than €80,000.

### *2017-2019/20 long-term incentive scheme*

Upon completion of the subscription period for new staff included in the scheme starting from 2018, participation in the 2017-2019/2020 long-term incentive scheme for the Group's "Identified staff", launched in support of the Business Plan, was 97% of the participants

The purchase on the market of the treasury shares needed for this scheme will conclude during the first quarter of 2019 in accordance with a resolution passed in the 2018 Shareholders' Meeting.

### *Other items of remuneration*

In 2018, with the exception of the employees of the New Banks, the Company Bonus related to 2017 was paid out, the amounts of which were set consistent with the operating performance of each company concerned, for a total expense of roughly €10 million and with staff having the option to choose payment of bonuses in welfare services.

An agreement was signed with company trade unions in November 2017 relating to a welfare account. More specifically a welfare account was introduced effective from 2018 for a determined set of company personnel on which the company will make a predetermined amount available on an annual basis, to be necessarily used in the form of welfare services.

## **2. Treatment for start and end of employment relationships**

Nine guaranteed recruitment bonuses were paid in 2018, limited to the first year and in compliance with supervisory regulations on remuneration and incentives, amounting to a total of €955,000 gross for staff hired within the "Identified staff" perimeter, appointed in relation to a project to strengthen investment banking and to fill managerial positions in Group companies.

During the year, there were also six terminations of members of the 2018 "Identified staff", details of which are reported below. More precisely:

- three employees voluntarily resigned: the Head of a Macro Geographical Area of UBI Banca and two managers at Pramerica SGR, who were direct reports to the Head of Investments. These three employees were only paid amounts due for the end of the employment relationship (end of year bonus accrued, vacations and post-employment benefits accruing on the date of leaving). The employees at Pramerica SGR lost their right to receive quotas of bonuses relating to incentive schemes for the year and that had been earned in previous years and had not yet been paid. An agreement was reached with the Head of the UBI Banca Macro Geographical Area to replace the extended notice agreement with a commitment not to send this UBI Banca employee away with maintenance of payment of the quota in financial instruments, consisting of 2,963 UBI Banca shares, accruing as part of the 2014 incentive scheme (to be paid in 2019), with the expiration of the long-term incentive scheme at the same time;
- two employees terminated their employment in order to access the "Solidarity Fund" pursuant to the Interministerial Decree No. 83486 of 28<sup>th</sup> July 2014, in implementation of the relative agreements signed with the trade unions: one Local Manager and one Central Manager of UBI Banca. To-date they have been paid amounts due for end of the employment relationship (end of year bonus accrued, vacations and post-employment benefits accruing on the date of leaving). The Central Manager will be paid an additional amount up-front in cash and deferred equal to 33% of the fixed remuneration as a redundancy leaving incentive;
- the Chief General Counsel of UBI Banca terminated her employment relationship by mutual consent in accordance with Art. 30 of the Collective National Labour Agreement of 13<sup>th</sup> July 2015 with recognition, consistent with the criteria and limits approved by a Shareholders Meeting, of (i) a leaving incentive amounting to €163,000, corresponding to 6 months' salary paid up-front in cash and (ii) one year's salary amounting to €330,000, subject to a malus and claw back clause to be paid in cash (50%) and financial instruments (50%)

according to the payout procedures for short-term incentive schemes relating to the “*Identified staff*” category.

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*” perimeter 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 paid 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.

As part of plans to progressively regain efficiency and productivity, with a “record of meeting” dated 17<sup>th</sup> January 2018, the validity and efficacy was confirmed for the purposes of their acceptance, of 650 remaining applications for access to the “Solidarity Fund” who had not been included in the numbers pursuant to the Trade Union Memorandum of Intent dated 26<sup>th</sup> October 2017. With a “record of meeting” dated 6<sup>th</sup> September 2018, the UBI Group signed an understanding with trade union representatives designed to accept a portion of the aforementioned remaining applications, set at 369. These redundancies will take place by 1<sup>st</sup> February 2019 and will lead to additional costs amounting to around €55 million which have been recognised in the income statement for 2018, with expected synergies in line with Business Plan forecasts.

### **3. *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 in the form of financial instruments through the grant of ordinary shares of the Parent, UBI Banca.

## II. Part two

Part two contains the following:

1. aggregate quantitative information on remuneration by area of activity and category of personnel, with a distinction between the fixed component of remuneration and the variable performance-related component, *in accordance with Art. 450 of the CRR (Regulation 2013/575 EU), paragraph 1 and the disclosure obligations pursuant to Circular No. 285/2013 (25<sup>th</sup> update)*;
2. quantitative information by name is given for the management and supervisory bodies 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 identified staff*” 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 in accordance with Schedule 7 *bis* of Attachment 3 of the Consob Issuers’ Regulations;
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 identified staff*” of UBI Banca<sup>26</sup> in accordance with Schedule 7 *bis* of Attachment 3 of the Consob Issuers’ Regulations.

### 1. **Aggregate quantitative information by area of activity and category of Employee Personnel**

Reference is made to the tables in part two to illustrate the main items of remuneration. The following is reported:

- fixed remuneration, defined as remuneration annualised as at 31<sup>st</sup> December 2018, 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, other than those provided for by the national trade union agreement. Extraordinary items are excluded;
- performance-related variable remuneration and 2018 incentive schemes in particular, estimated on an accruals basis on preliminary figures 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 financial instruments (payment of which is not subject to deferral conditions) and deferred quotas in cash and in financial instruments;
- the amounts of deferred remuneration over previous years, that have not yet been granted on the basis of the deferral procedures.

<sup>26</sup> Pursuant to Art. 84 *quater* of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments.

## Fixed remuneration

The table below gives the total fixed remuneration at Group level by type of personnel and general area of activity.

### Group fixed remuneration <sup>(1)</sup>

(employee personnel as at 31/12)

Figures in thousands of euro	CRR Art.450 cluster	Group		UBI Banca		Banks <sup>(2)</sup>		Other companies <sup>(3)</sup>	
		Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018
UBI Chief Executive Officer		1	1,519	1	1,519	-	-	-	-
UBI Senior Deputy General Manager <sup>(4)</sup>	Senior Management	1	801	1	801	-	-	-	-
Other Executive Board Members and General Managers		7	1,886	-	-	1	275	6	1,611
UBI Deputy General Managers		2	1,095	2	1,095	-	-	-	-
Managers of main lines of business	Material risk-takers	151	25,597	115	20,274	6	911	30	4,412
Managers of highest level of control functions		25	4,647	20	3,914	-	-	5	733
Other senior managers	-	198	24,920	156	19,699	8	1,116	34	4,105
Other employees	-	20,005	951,738	17,181	818,901	291	12,927	2,533	119,910
<b>Total</b>		<b>20,390</b>	<b>1,012,203</b>	<b>17,476</b>	<b>866,203</b>	<b>306</b>	<b>15,229</b>	<b>2,608</b>	<b>130,771</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) IW Bank Spa.

(3) UBI Sistemi e Servizi SCpA, UBI Leasing Spa, UBI Factor Spa, Pramerica SGR Spa, Prestitalia Spa, BPB Immobiliare Srl, Kedomus Srl, UBI Academy Srl, Pramerica Management Company Sa, UBI Trustee Sa, Bancassurance Popolari Danni Spa and Bancassurance Popolari Spa.

(4) Part of the cost is borne by the company in which he occupies the position of acting General Manager.

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	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018
UBI Chief Executive Officer	1	1,519	-	-	-	-	-	-
UBI Senior Deputy General Manager <sup>(4)</sup>	1	801	-	-	-	-	-	-
UBI Deputy General Managers	2	1,095	-	-	-	-	-	-
Other Executive Board Members and General Manager	-	-	-	-	-	-	-	-
Managers of main lines of business	-	-	93	16,052	5	1,078	17	3,144
Managers of highest level of control functions	-	-	-	-	-	-	20	3,914
Other senior managers	-	-	89	11,405	16	2,034	51	6,260
Other employees	-	-	15,099	712,049	718	37,306	1,364	69,546
<b>TOTAL</b>	<b>4</b>	<b>3,415</b>	<b>15,281</b>	<b>739,506</b>	<b>739</b>	<b>40,418</b>	<b>1,452</b>	<b>82,864</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.

(3) Chief Financial Officer, Chief General Counsel, Chief Audit Executive, Chief Risk Officer, Chief Operating Officer, Chief Compliance Officer, Support to the Supervisory Board, Investor Relations, Communication, Suspicious Transactions and Anti-Money Laundering & Investigations.

(4) Part of the cost is borne by the company in which he occupies the position of acting General Manager.

## 2018 Incentive Schemes – Estimates for “Identified staff”

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 (68% of the perimeter approx.) and the amounts of remuneration related to performance-related incentive schemes divided by type of personnel and areas of activity.

### 2018 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	31.12.2018	Number of beneficiaries	31.12.2018	Number of beneficiaries	31.12.2018	Number of beneficiaries	31.12.2018
UBI Chief Executive Officer	1	1,050	1	1,050	-	-	-	-
UBI Senior Deputy General Manager	1	444	1	444	-	-	-	-
UBI Deputy General Managers	2	544	2	544	-	-	-	-
Other Executive Board Members and General Managers	3	334	-	-	-	-	3	334
Managers of main lines of business	96	6,272	72	5,118	-	-	24	1,154
Managers of highest level of control functions	24	1,018	19	904	-	-	5	114
<b>TOTAL</b>	<b>127</b>	<b>9,662</b>	<b>95</b>	<b>8,060</b>	-	-	<b>32</b>	<b>1,602</b>

The payment procedures for bonuses earned by “Identified staff” are given below. The first table shows payments according to the mechanisms provided for in terms of financial instruments and deferral.

The second table shows up-front payments for amounts less than €50,000 gross and less than 15% of fixed remuneration, and in specific markets the payment is made up-front in cash for asset management positions with the amounts less than €80,000.

### 2018 Incentive Scheme Estimate <sup>(1)</sup>: upfront and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota		Deferred quota	
		2019 Cash (Chief Executive Officer 20% - Top IS 25% - Other IS 30%)	2021 Shares (Chief Executive Officer 20% - Top IS 25% - Other IS 30%)	2022 Cash (IS Top 25% - Other IS 20%) 2024 Cash (Chief Executive Officer 30%)	2023 Shares (IS Top 25% - Other IS 20%) 2025 Shares (Chief Executive Officer 30%)
UBI Chief Executive Officer	1	210	210	315	315
UBI Senior Deputy General Manager	1	111	111	111	111
UBI Deputy General Managers	2	136	136	136	136
Executive Board Members and General Managers of the Group	3	86	86	81	81
UBI Managers of main lines of business	61	1,453	1,453	1,017	1,017
Managers of main lines of business of the Group	15	361	251	167	167
UBI Managers of highest level of control functions	18	265	265	176	176
Managers of highest level of control functions of Group companies	-	-	-	-	-
<b>TOTAL</b>	<b>101</b>	<b>2,622</b>	<b>2,512</b>	<b>2,003</b>	<b>2,003</b>

### 2018 Incentive Scheme Estimate <sup>(1)</sup>: up-front bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota	
		2019 Cash (Top and Other IS 50%)	2021 Shares (Top and Other IS 50%)
UBI Chief Executive Officer	-	-	-
UBI Senior Deputy General Manager	-	-	-
UBI Deputy General Managers	-	-	-
Executive Board Members and General Managers of the Group	-	-	-
UBI Managers of main lines of business	11	89	89
Managers of main lines of business of the Group	9	208	-
UBI Managers of highest level of control functions	1	11	11
Managers of highest level of control functions of Group companies	5	92	22
<b>TOTAL</b>	<b>26</b>	<b>400</b>	<b>122</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	2014 Scheme		2015 scheme		2016 Scheme			Scheme 2017			
	Number of beneficiaries	Shares (2019)	Number of beneficiaries	Cash (CEO UBI 2021 - Top IS and Core 2019)	Shares (CEO UBI 2022 - Top IS and Core 2020)	Number of beneficiaries	Cash (2020)	Shares (2021)	Number of beneficiaries	Cash (2021)	Shares/ Other Financial Instruments (2022)
UBI Chief Executive Officer	1	177	1	136	136	-	-	-	-	-	-
UBI Senior Deputy General Manager	1	58	1	56	56	-	-	-	-	-	-
UBI Deputy General Managers	3	100	2	73	73	-	-	-	-	-	-
Executive Directors and General Managers of Group Companies	5	101	6	106	106	1	22	22	3	91	91
UBI Managers of main lines of business	11	166	13	169	169	-	-	-	11	127	127
Managers of main lines of business of the Group	2	24	-	-	-	1	5	5	6	114	114
Managers of highest level of control functions	1	12	10	118	118	-	-	-	12	150	150
<b>TOTAL</b>	<b>24</b>	<b>636</b>	<b>33</b>	<b>658</b>	<b>658</b>	<b>2</b>	<b>27</b>	<b>27</b>	<b>32</b>	<b>481</b>	<b>481</b>

(1) Company costs are excluded

### 2017 incentive scheme – Final figures

Provided below are the bonuses earned by "Identified staff" in relation to the 2017 incentive scheme.

### 2017 Incentive Scheme Final Figures <sup>(1)</sup>: (employee personnel)

Figures in thousands of euro	Group		UBI Banca		Banks <sup>(2)</sup>		Other Companies <sup>(3)</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	5	410	-	-	-	-	5	410
Managers of main lines of business	82	2,049	61	1,162	2	10	19	877
Managers of highest level of control functions	20	893	18	832	-	-	2	61
<b>TOTAL</b>	<b>110</b>	<b>3,467</b>	<b>82</b>	<b>2,109</b>	<b>2</b>	<b>10</b>	<b>26</b>	<b>1,348</b>

(1) Company costs are excluded.

(2) IW Bank Spa.

(3) UBI Sistemi e Servizi SCpA, UBI Leasing Spa, UBI Factor Spa, Pramerica SGR Spa, Prestitalia Spa, UBI Academy Scrl.

With a view to motivation and retention, for a small number of “*Identified staff*” positions (39%), management bonuses have been set with limited average amounts (an average of €11,000 approx.) by using a 15% quota of the bonus pool distributable at the Group level as per the related policies.

The payment procedures for the aforementioned bonuses earned by “*Identified staff*” are given below. The first table shows payments according to the mechanisms provided for in terms of financial instruments and deferral, and the second table shows up-front payments, because they are less than €50,000 gross and less than 15% of fixed remuneration, in accordance with the provisions of the previous 2017 policies.

#### 2017 Incentive Schemes<sup>(1)</sup>: up-front and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota		Deferred quota	
		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	3	95	95	91	91
UBI Managers of main lines of business	11	170	170	127	127
Managers of main lines of business of the Group	7	190	190	127	127
UBI Managers of highest level of control functions	12	224	224	150	150
Managers of highest level of control functions of Group companies	-	-	-	-	-
<b>TOTAL</b>	<b>33</b>	<b>679</b>	<b>679</b>	<b>495</b>	<b>495</b>

(1) Company costs are excluded

#### 2017 Incentive Schemes<sup>(1)</sup>: up-front bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota	
		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	25
UBI Deputy General Managers	2	32.5	32.5
Executive Board Members and General Managers of the Group	2	19	19
UBI Managers of main lines of business	50	284	284
Managers of main lines of business of the Group	14	166	87
UBI Managers of highest level of control functions	6	42	42
Managers of highest level of control functions of Group companies	2	61	-
<b>TOTAL</b>	<b>77</b>	<b>629.5</b>	<b>489.5</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 identified staff” of UBI Banca**

The tables below give detailed information relating to 2018 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. More specifically:

- 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 2018 incentive scheme payments estimated on an accruals basis on preliminary figures and not yet paid relating to the up-front component, any bonuses deferred in prior years and paid in the current year, 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) decided during the year.

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 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. 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.

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 identified staff" (Art. 84 quater of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments)

(A) Name and Surname	(B) Position	(C) Period in which position was occupied	(D) Date on which appointment ends	(1) Fixed remuneration	(2) Remuneration for attendance on committees	(3) Non-equity variable remuneration		(4) Non-monetary benefits	(5) Other remuneration	(6) Total	(7) Fair value of equity remuneration	(8) Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Moltrasio Andrea	UBI BANCA:											
	- Chairman of the Supervisory Board	01.01/31.12	2019 AGM	375,000.00						375,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of Appointments Committee	01.01/31.12	2019 AGM		35,000.00					35,000.00		
	<b>TOTAL</b>			455,000.00	35,000.00					490,000.00		
Cera Mario	UBI BANCA:											
	- Senior Deputy Chairman of the Supervisory Board	01.01/31.12	2019 AGM	250,000.00						250,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	<b>TOTAL</b>			330,000.00	25,000.00					355,000.00		
Gussalli Beretta Pietro	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	2019 AGM	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		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	2019 AGM	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of Related Parties and Connected Persons Committee	01.01/31.12	2019 AGM		45,000.00					45,000.00		
	- Other remuneration (*)								320.00	320.00		
	<b>Total UBI Banca remuneration</b>			120,000.00	45,000.00				320.00	165,320.00		
	UBI LEASING: Other remuneration (**)								9,468.15	9,468.15		
	<b>TOTAL</b>			120,000.00	45,000.00				9,788.15	174,788.15		
Bazoli Francesca	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Risk Committee	01.01/31.12	2019 AGM		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	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	- Member of the Related Parties and Connected Persons Committee	01.01/31.12	2019 AGM		20,000.00					20,000.00		
	<b>TOTAL</b>			80,000.00	45,000.00					125,000.00		
Camadini Pierpaolo	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Internal Control Committee	01.01/31.12	2019 AGM		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	2019 AGM		10,000.00					10,000.00		
	<b>TOTAL</b>			80,000.00	70,000.00					150,000.00		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
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					
Carrara Alberto	UBI BANCA:											
	- Member of the Supervisory Board	14.12/31.12	2019 AGM	3,913.04						3,913.04		
	- Member of the Risk Committee	20.12/31.12	2019 AGM		1,304.35					1,304.35		
	- Member of the Internal Control Committee	20.12/31.12	2019 AGM		1,956.52					1,956.52		
	- Member of the Supervisory Body	20.12/31.12	2019 AGM		326.09					326.09		
	<b>TOTAL</b>			<b>3,913.04</b>	<b>3,586.96</b>					<b>7,500.00</b>		
Dardanello Ferruccio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	2019 AGM		30,000.00					30,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>	<b>30,000.00</b>					<b>110,000.00</b>		
Del Boca Alessandra	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of the Remuneration Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>	<b>40,000.00</b>					<b>120,000.00</b>		
Fiori Giovanni	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	- Chairman of the Internal Control Committee	01.01/31.12	2019 AGM		100,000.00					100,000.00		
	- Chairman of the Supervisory Body	01.01/31.12	2019 AGM		20,000.00					20,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>	<b>145,000.00</b>					<b>225,000.00</b>		
Giangualano Patrizia Michela	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	2019 AGM		30,000.00					30,000.00		
	- Member of the Risk Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	2019 AGM		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	2019 AGM		10,000.00					10,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>	<b>140,000.00</b>					<b>220,000.00</b>		
Giannotti Paola	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of the Risk Committee	01.01/31.12	2019 AGM		65,000.00					65,000.00		
	- Member of the Related Parties and Connected Persons Committee	01.01/31.12	2019 AGM		20,000.00					20,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>	<b>85,000.00</b>					<b>165,000.00</b>		
Guerini Lorenzo Renato	UBI BANCA:											
	- Member of the Supervisory Board	01.01/11.10	11/10/2018	62,173.91						62,173.91		
	- Member of the Risk Committee	01.01/11.10	11/10/2018		31,086.96					31,086.96		
	- Member of the Internal Control Committee	01.01/11.10	11/10/2018		46,630.43					46,630.43		
	- Member of the Supervisory Body	01.01/11.10	11/10/2018		7,771.74					7,771.74		
	<b>TOTAL</b>			<b>62,173.91</b>	<b>85,489.13</b>					<b>147,663.04</b>		
Lucchini Giuseppe	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>						<b>80,000.00</b>		
Pivato Sergio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Risk Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	2019 AGM		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	2019 AGM		10,000.00					10,000.00		
	<b>TOTAL</b>			<b>80,000.00</b>	<b>110,000.00</b>					<b>190,000.00</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					
Bricchetto Arnaboldi Letizia Maria	<b>UBI BANCA:</b>											
	- Chairwoman of the Management Board	01.01/31.12	2019 AGM	375,000.00						375,000.00		
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	<b>TOTAL</b>			495,000.00						495,000.00		
Pizzini Flavio	<b>UBI BANCA:</b>											
	- Deputy Chairman of the Management Board	01.01/31.12	2019 AGM	200,000.00						200,000.00		
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			320,000.00						320,000.00		
	<b>UBI SISTEMI E SERVIZI:</b>											
	- Chairman of the Board of Directors	01.01/31.12	2019 AGM	70,000.00						70,000.00		
	- Director	01.01/31.12	2019 AGM	10,000.00						10,000.00		
	<b>Total UBI Sistemi e Servizi remuneration</b>			80,000.00						80,000.00		
<b>TOTAL</b>			400,000.00						400,000.00			
Massiah Victor	<b>UBI BANCA:</b>											
	- Senior manager	01.01/31.12	the position has no termination date	652,431.81		388,636.43		115,917.93	(***) 130,476.08	1,287,462.25	131,137.84	
	- General Manager	01.01/31.12	the position has no termination date									
	- Chief Executive Officer	01.01/31.12	2019 AGM	500,000.00						500,000.00		
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
<b>TOTAL</b>			1,272,431.81		388,636.43		115,917.93	130,476.08	1,907,462.25	131,137.84		
Fidanza Silvia	<b>UBI BANCA:</b>											
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
<b>TOTAL</b>			120,000.00						120,000.00			
Ranica Osvaldo	<b>UBI BANCA:</b>											
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
<b>Total UBI Banca remuneration</b>			120,000.00						120,000.00			
	<b>UBI LEASING</b>											
	- Deputy Chairman	01.01/31.12	2019 AGM	6,000.00						6,000.00		
	- Director	01.01/31.12	2019 AGM	8,000.00						8,000.00		
<b>Total UBI Leasing remuneration</b>			14,000.00						14,000.00			
	<b>BANCA TEATINA</b>											
	- Chairman	01.01/25.02	25/02/2018	2,795.83						2,795.83		
	- Director	01.01/25.02	25/02/2018	3,055.56						3,055.56		
<b>Total Banca Teatina remuneration</b>			5,851.39						5,851.39			
<b>TOTAL</b>			139,851.39						139,851.39			

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
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		169,918.08		98,022.03	22,933.75	850,874.01	83,344.62	
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			<b>680,000.15</b>		<b>169,918.08</b>		<b>98,022.03</b>	<b>22,933.75</b>	<b>970,874.01</b>	<b>83,344.62</b>	
(*)	<b>UBI SISTEMI E SERVIZI:</b>											
	- Director	01.01/31.12	2019 AGM									
	- Chief Executive Officer	01.01/31.12	2019 AGM									
	- Acting General Manager	01.01/01.01	01/01/2018									
	<b>Total UBI Sistemi e Servizi remuneration</b>											
(*)	<b>UBI ACADEMY:</b>											
	- Director	01.01/31.12	2019 AGM									
	<b>Total UBI Academy remuneration</b>											
(*)	<b>IW BANK:</b>											
	- Deputy Chairman	01.01/31.12	2019 AGM									
	- Director	01.01/31.12	2019 AGM									
	<b>Total IW Bank remuneration</b>											
	<b>TOTAL</b>			<b>680,000.15</b>		<b>169,918.08</b>		<b>98,022.03</b>	<b>22,933.75</b>	<b>970,874.01</b>	<b>83,344.62</b>	
Stegher Elisabetta	<b>UBI BANCA:</b>											
	- Senior manager	01.01/31.12	the position has no termination date	302,266.55		74,998.53		58,506.09	(****) 40,000.09	475,771.26	41,375.90	
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	<b>TOTAL</b>			<b>422,266.55</b>		<b>74,998.53</b>		<b>58,506.09</b>	<b>40,000.09</b>	<b>595,771.26</b>	<b>41,375.90</b>	
Geertman Frederik Herman	<b>UBI BANCA:</b>											
	- Deputy General Manager	01.01/31.12	the position has no termination date	600,540.05		91,473.10		32,216.57	19,198.70	743,428.42	39,110.16	
	<b>Total UBI Banca remuneration</b>			<b>600,540.05</b>		<b>91,473.10</b>		<b>32,216.57</b>	<b>19,198.70</b>	<b>743,428.42</b>	<b>39,110.16</b>	
	(*)	<b>IW BANK:</b>										
	- Director	01.01/31.12	2019 AGM									
	<b>Total IW Bank remuneration</b>											
(*)	<b>PRESTITALIA:</b>											
	- Director	01.01/31.12	2019 AGM									
	<b>Total Prestitalia remuneration</b>											
	<b>TOTAL</b>			<b>600,540.05</b>		<b>91,473.10</b>		<b>32,216.57</b>	<b>19,198.70</b>	<b>743,428.42</b>	<b>39,110.16</b>	

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
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	<b>UBI BANCA:</b>											
	- Deputy General Manager	01.01/31.12	the position has no termination date	394,833.43		86,528.13		23,703.33	24,633.37	529,698.26	34,913.06	
	<i>Total UBI Banca remuneration</i>		the position has no termination date	394,833.43		86,528.13		23,703.33	24,633.37	529,698.26	34,913.06	
(*)	<b>UBI ACADEMY:</b>											
	- Director	01.01/31.12	2019 AGM									
	<i>Total UBI Academy remuneration</i>											
(*)	<b>PRAMERICA SGR:</b>											
	- Director	01.01/31.12	2020 AGM									
	<i>Total UBI Pramerica SGR remuneration</i>											
(*)	<b>LOMBARDA VITA:</b>											
	- Director	01.01/31.12	2021 AGM									
	<i>Total Lombarda Vita remuneration</i>											
	<b>TOTAL</b>			394,833.43		86,528.13		23,703.33	24,633.37	529,698.26	34,913.06	
<b>No. 16 Identified staff (*) (**)</b>		01.01/31.12	The positions have no termination date	3,954,869.43		362,160.06		292,771.90	(****) 306.928,47	4,916,729.86	199,127.61	(*****) 493.000,00

(\*) the remuneration relating to dott. Massiah, dott. Sonnino, dott.ssa Stegher, 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  
(\*\*) correction of land registry data  
(\*\*\*) of which euro €100,000.08 for non-competition agreement  
(\*\*\*\*) of which €40,000.09 for job-security agreement  
(\*\*\*\*\*) of which €240,577.39 for job-security agreement  
(\*\*\*\*\*) the amount relating to the Chief General Counsel; see the section entitled "Treatment for start and end of employment relationships" in Section II for details of how it is paid

Table 3A pursuant to Attachment 3 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 identified staff" (Art. 84 quater of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999, and subsequent amendments)

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	2018 (**)			54,822 UBI Banca shares	3.262	3	2021	2.3537				51,094.10	
		2018 (**)			82,233 UBI Banca shares	2.691	7	2025	2.3537				29,505.20	
		2017												
		2016												
		2015									12,267 UBI Banca shares	3.2621	12,291.53	
		2015 (*)	18,400 UBI Banca shares	7										15,421.65
		2014 (*)	24,082 UBI Banca shares	5										22,825.36
		2013												
	<b>TOTAL</b>		<b>42,482 UBI Banca shares</b>		<b>137,055 UBI Banca shares</b>						<b>12,267 UBI Banca shares</b>	<b>3.2621</b>	<b>131,137.84</b>	
Sonnino Elvio	- Member of the Management Board and Senior Deputy General Manager of UBI BANCA	2018 (**)			29,001 UBI Banca shares	3.262	3	2021	2.3537				27,028.93	
		2018 (**)			29,001 UBI Banca shares	2.954	5	2023	2.3537				15,576.17	
		2017 (*)	7,184 UBI Banca shares	3										5,546.05
		2016(*)	7,624 UBI Banca shares	3										6,247.32
		2015									11,293 UBI Banca shares	3.2621	11,315.59	
		2015 (*)	7,528 UBI Banca shares	5										9,074.66
		2014 (*)	7,816 UBI Banca shares	5										7,408.15
		2013										2,903 UBI Banca shares	3.2621	1,147.74
	<b>TOTAL</b>		<b>30,152 UBI Banca shares</b>		<b>58,002 UBI Banca shares</b>						<b>14,196 UBI Banca shares</b>	<b>3.2621</b>	<b>83,344.62</b>	
Leidi Rossella	- Deputy General Manager of UBI BANCA	2018 (**)			11,838 UBI Banca shares	3.262	3	2021	2.3537				11,033.02	
		2018 (**)			11,838 UBI Banca shares	2.954	5	2023	2.3537				6,358.08	
		2017(*)	3,592 UBI Banca shares	3										2,773.02
		2016												
		2015									5,319 UBI Banca shares	3.2621	5,329.64	
		2015 (*)	3,546 UBI Banca shares	5										4,274.54
		2014 (*)	5,428 UBI Banca shares	5										5,144.76
		2013												
	<b>TOTAL</b>		<b>12,566 UBI Banca shares</b>		<b>23,676 UBI Banca shares</b>						<b>5,319 UBI Banca shares</b>	<b>3.2621</b>	<b>34,913.06</b>	

A	B	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
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
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	2018 (**)			12,272 UBI Banca shares	3.262	3	2021	2.3537				11,437.50
		2018 (**)			8,182 UBI Banca shares	2.954	5	2023	2.3537				4,394.48
		2017 (*)	12,567 UBI Banca shares	3									9,701.72
		2017 (*)	8,378 UBI Banca shares	5									3,675.66
		2016											
		2015									4,830 UBI Banca shares	3.2621	4,839.66
		2015 (*)	3,220 UBI Banca shares	5									3,881.56
		2014 (*)	3,635 UBI Banca shares	5									3,445.32
		2013											
	<b>TOTAL</b>		<b>27,800 UBI Banca shares</b>		<b>20,454 UBI Banca shares</b>						<b>4,830 UBI Banca shares</b>	<b>3.2621</b>	<b>41,375.90</b>
Geertman Frederik Herman	- Deputy General Manager of UBI Banca	2018 (**)			23,602 UBI Banca shares	3.262	3	2021	2.3537				21,997.06
		2018 (**)			23,602 UBI Banca shares	2.954	5	2023	2.3537				12,676.42
		2017 (*)	5,747 UBI Banca shares	3									4,436.68
		2016											
	<b>TOTAL</b>		<b>5,747 UBI Banca shares</b>		<b>47,204 UBI Banca shares</b>								<b>39,110.16</b>
Ranica Osvaldo	- Member of the Management Board of UBI Banca	2016											
		2015									6,029 UBI Banca shares	3.2621	6,041.06
		2015 (*)	4,019 UBI Banca shares	5									4,844.72
		2014											
		2013									2,334 UBI Banca shares	3.2621	922.78
	<b>TOTAL</b>		<b>4,019 UBI Banca shares</b>								<b>8,363 UBI Banca shares</b>	<b>3.2621</b>	<b>11,808.56</b>
No. 16 Identified Staff		2018 (**)			64,117 UBI Banca shares	3.262	3	2021	2.3537				60,201.51
		2018 (**)			55,522 UBI Banca shares	2.954	5	2023	2.3537				29,956.25
		2017 (*)	53,438 UBI Banca shares	3									41,254.13
		2017 (*)	26,801 UBI Banca shares	5									11,758.32
		2016(*)	5,798 UBI Banca shares	3									4,751.04
		2015									25,285 UBI Banca shares	3.2621	25,335.57
		2015 (*)	13,031 UBI Banca shares	5									15,708.28
		2014 (*)	10,722 UBI Banca shares	5									10,162.51
		2013											
	<b>TOTAL</b>		<b>109,790 UBI Banca shares</b>		<b>119,639 UBI Banca shares</b>						<b>25,285 UBI Banca shares</b>	<b>3.2621</b>	<b>199,127.61</b>

(\*) 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 08/01/2019 until 08/02/2019. These financial instruments will be promised, but will not be granted until the grant date indicated.



**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 31/12/2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares owned as at 31/12/2018 (*)
Moltrasio Andrea	Chairman of the Supervisory Board	UBI	direct	full ownership	152,284			152,284
			indirect	full ownership	58,568			58,568
		UBI	spouse (directly)	full ownership	14,052	27,000 (1)		41,052
Cera Mario	Senior Deputy Chairman of the Supervisory Board	UBI	full ownership	full ownership	117,149	3,000		120,149
Gussalli Beretta Pietro	Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	492			492
Santus Armando	Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	392,426			392,426
Bazoli Francesca	Member of the Supervisory Board	UBI	direct	full ownership	37,338			37,338
			direct	legal title only	101,422			101,422
		UBI	spouse (directly)	full ownership	5,252			5,252
		UBI	children - minors (directly)	full ownership	584			584
Bellini Cavalletti Letizia	Member of the Supervisory Board	UBI	direct	full ownership	168,704			168,704
			UBI	spouse (directly)	full ownership	7,026	165 (1)	
		UBI	children - minors (directly)	full ownership	584			584
Camadini Pierpaolo	Member of the Supervisory Board	UBI	direct	full ownership	300,200			300,200
			UBI	spouse (directly)	full ownership	1,168		
		UBI	children - minors (directly)	full ownership	3,504			2,336 (2)
Carrara Alberto	Member of the Supervisory Board (in position from 14/12/2018)	UBI	direct	full ownership	3,394			3,394
Dardanello Ferruccio	Member of the Supervisory Board	UBI	direct	full ownership	1,934			1,934
Del Boca Alessandra	Member of the Supervisory Board	UBI	direct	full ownership	250			250
Fiori Giovanni	Member of the Supervisory Board				-			-
Gianguialano Patrizia Michela	Member of the Supervisory Board	UBI	direct	full ownership	11,998			11,998
Giannotti Paola	Member of the Supervisory Board				-			-
Guerini Lorenzo Renato	Member of the Supervisory Board (in position until 11/10/2018)	UBI	direct	full ownership	5,000			5,000
			UBI	spouse (directly)	full ownership	105,000		
Lucchini Giuseppe	Member of the Supervisory Board	UBI	direct	full ownership	475,262			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 31/12/2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares owned as at 31/12/2018 (*)
Bricchetto Arnaboldi Letizia Maria	Chairwoman of the Management Board				-			-
Pizzini Flavio	Deputy Chairman of the Management Board	UBI	direct	full ownership	15,028			15,028
		UBI	spouse (directly)	full ownership	1,168			1,168
Massiah Victor	Chief Executive Officer / General Manager	UBI	direct	full ownership	659,075	12,267 (3)		671,342
Fidanza Silvia	Member of the Management Board	UBI	direct	full ownership	9,525			9,525
		UBI	spouse (directly)	full ownership	1,648			1,648
		UBI	children - minors (directly)	full ownership	584			584
Ranica Osvaldo	Member of the Management Board	UBI	direct	full ownership	41,710	10,363 (4)		52,073
		UBI	spouse (directly)	full ownership	7,026			7,026
Sonnino Elvio	Member of the Management Board /Senior Deputy General Manager	UBI	direct	full ownership	42,802	14,196 (3)		56,998
		UBI	spouse (directly)	full ownership	348			348
Stegher Elisabetta	Member of the Management Board/Chief Financial Officer	UBI	direct	full ownership	13,145	4,830 (3)		17,975
Leidi Rossella	Deputy General Manager	UBI	direct	full ownership	20,966	5,319 (3)		26,285
		UBI	spouse (directly)	full ownership	1			1
		UBI	children - minors (directly)	full ownership	400			400
Geertman Frederik Herman	Deputy General Manager				21,200			21,200
No. 16 Identified Staff (**)		UBI	direct	full ownership	207,121	28,285 (5)	4,346	231,060
		UBI	spouse (directly)	full ownership	7,151			7,151

(\*) for senior officers who left during the year the figure is for the date of the end of term of office  
(\*\*) the balance as at 31/12/2017 for ownership of the shares by Identified staff is different from the staff occurred in 2018. figure published in the 2017 Annual Report because changes in the perimeter of Identified  
(1) shares received from inheritance in 2018  
(2) the change is because one of the children came of age  
(3) shares granted under incentive schemes relating to prior years  
(4) of which 8,363 shares granted under incentive schemes relating to prior years  
(5) of which 25,285 shares granted under incentive schemes relating to prior years

## **Internal audit function verifications of compliance of remuneration and incentive practices with policies approved and with the regulatory framework**

With regard to the regulatory framework for remuneration and incentive policies and practices in banks and groups of banks pursuant to Bank of Italy Supervisory Regulations (Circular No. 285/2013, 25<sup>th</sup> update of 23<sup>rd</sup> October 2018, Part One, Title IV, Chapter 2), it is stated that “*At least once a year, the Internal Audit Function shall verify, amongst other things, that remuneration practices comply with the policies approved and with these regulations. 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 either the Central European Bank or the Bank of Italy. The results of the audit conducted are reported annually to a Shareholders’ Meeting*”.

In order to gain a better view of the context of the analysis, mention is made of recent changes which have affected the applicable internal and external context, due to which the Bank has already commenced activities to update the organisational model of the existing Group: i) the future governance structure – new roles provided for by a one-tier model and the relative responsibility profiles, ii) changes introduced by the external regulatory framework, although the framework and key principles of the current national supervisory regulations are largely already in line with EBA guidelines and iii) the introduction of “sustainability” objectives in the management performance structure for senior managers of the Group.

In line with and consistent with previous audits on these matters and with account taken of the principles and recommendations reported in the “SREP – Supervisory Review and Evaluation Process” guidelines on the subject, the analysis carried out by the Internal Audit Function regarded reaching the conditions to trigger the 2017 incentive schemes and the relative calculation mechanism – and the actual payout in 2018 – for incentives for “*Identified staff*” (inclusive of the deferred part). Findings for 2018 also included proper implementation of 2018 Group Policy by the various legal entities affected and compliance with limits set for fees paid to Governing Bodies of the Group, with procedures for determining performance indicators and with the process to identify “*Identified staff*” or “*Material risk takers*”. Finally an assessment was made of the operational use of the credit risk measurement system in Remuneration and Incentive Policies for “*Identified staff*” with respect to the IRB/AIRB approaches.

On conclusion of the audits, substantial compliance of operational activities with the regulatory framework was found, together with compliance of remuneration practices with the policies approved and the adoption of control procedures that were adequately designed to manage the main risks inherent in the activities carried out. In this respect, those procedures were subject to regulatory compliance assessments by the Compliance Function. In this context it was observed that in developing its policies UBI Banca also took into consideration leading practices at national level and best tendencies on the market.

At the same time some recommendations were formulated not only to maintain the company regulatory framework up-to-date with regard to the background scenario, but also to improve certain aspects of organisational oversight designed in particular to: i) ensure, also on a continuous basis, that the remuneration and incentive mechanisms for sales staff (in-house and/or working in indirect networks) are compatible with the duty to act in the “best interests of customers” and ii) to monitor potential conduct that could impact on mechanisms for alignment with risks and more generally on the pursuit of the aims laid down in supervisory regulations.

The remarks of the Internal Audit Function have been shared with the competent company units in order to improve the mechanisms and the relative application procedures underlying the remuneration and incentives process.

## **Determination of remuneration for members of the Board of Directors and members of the Management Control Committee in accordance with Art. 23 of the text of the Articles of Association approved by a Shareholders' Meeting on the 19<sup>th</sup> October 2018.**

Dear Shareholders,

following the appointment of the Board of Directors for the financial years 2019-2020-2021 and on the basis of that which shall be submitted to the Shareholders' Meeting under item 3 of the agenda on remuneration of members of the Board of Directors, it is necessary to take steps to determine the remuneration due to members of that body.

In this respect, we underline that in accordance with the provisions of Art. 23, paragraph 1 of the Articles of Association, a Shareholders' Meeting shall establish, when appointing the Board of Directors and in compliance with the regulations in force, the overall remuneration for the members of the Board, inclusive of the Chairman, Deputy Chairman and the members of the committees pursuant to Art. 31 of the Articles of Association and the Board of Directors allocates that total remuneration among its members internally. It will be recalled that in accordance with the combined provisions of paragraph 1 and 4 of Art. 23 of the Articles of Association, that total remuneration excludes the remuneration of members of the Management Control Committee for which the Shareholders' Meeting establishes the remuneration at the time of appointment as a fixed and per capita amount, but higher for the Chairman, for the entire duration of the term of office.

Finally, Art. 23, paragraph 5 of the Articles of Association states that members of the Board of Directors are entitled to the reimbursement of the expenses incurred by reason of their office.

We report that in accordance with Art. 23, paragraph 2 of the Articles of Association, the Board of Directors, on the basis of a proposal from the Remuneration Committee, may establish additional remuneration for Directors invested with particular roles provided for by the Articles of Association as well as for the Chief Executive Officer and directors who may be members of additional internal board committees pursuant to Art. 32 of the Articles of Association, but not for the members (inclusive of the Chairman and the Deputy Chairman) of the committees provided for by Art. 31.1 of the Articles of Association, namely for members of the Risk Committee, the Appointments Committee, the Remuneration Committee and the Related Parties and Connected Persons Committee. As also already reported, in accordance with Art. 31.8 of the Articles of Association, the members of the Management Control Committee may only be members of the Risk Committee and the Related Parties and Connected Persons Committee.

In accordance with Art. 23, paragraph 3 of the Articles of Association, remuneration, including the overall remuneration provided for by the Articles of Association for members of the Board, is determined as fixed sums, with the exception of the amounts due to the Chief Executive Officer and the General Manager, where appointed, that can be established also as variable sums, in accordance with the remuneration policies approved by a Shareholders' Meeting and the applicable laws and regulations.

Finally in this regard we report that in accordance with Bank of Italy provisions on remuneration and incentive policies and practices contained in Circular No. 285/2013, "*any form of variable remuneration is precluded for members of supervisory bodies*" and therefore such variable remuneration is not permitted for members of the Management Control Committee.

Dear Shareholders,

with account taken of the provisions of the Articles of Association referred to above, you are therefore invited to formulate proposals on the remuneration of the Board of Directors according to the following proposed resolution:

*“The Shareholders propose to establish:*

- 1) € \_\_\_\_\_ as the overall annual remuneration for members of the Board of Directors, inclusive therein of the Chairman, Deputy Chairman and members of the committees formed pursuant to Art. 31 of the Articles of Association, but not members of the Management Control Committee;*
- 2) € \_\_\_\_\_ as the specific annual remuneration for each of the members of the Board of Directors who are also members of the Management Control Committee and € \_\_\_\_\_ as the additional annual remuneration for the Chairman of the Management Control Committee, both of these sums being understood as set for the entire duration of the term of office; as part of the overall annual remuneration set in point 1), the Board of Directors shall grant the members of the Management Control Committee who are also (and only if they are such) members and/or chairmen of the “Risk Committee” and/or of the “Related Parties and Connected Persons Committee” (as permitted by Art. 31.8 of the Articles of Association) the same additional remuneration established for the same positions in the “Risk Committee” and/or in the “Related Parties and Connected Persons Committee” and who are not members of the Management Control Committee.*

*All of the above is in addition to the reimbursement of expenses incurred in carrying out their duties.”*

February 2019

THE SUPERVISORY BOARD

THE MANAGEMENT BOARD

## **Remuneration schemes based on financial instruments: proposal to pay a quota 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 2019 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 (Pramerica SGR S.p.A.), with the exception of “*Members of the Governing Bodies*”, there is an (annual) short-term incentive scheme the variable remuneration structure of which, in line with the principles defined in applicable provisions, calls for, depending on the category of “*Identified Staff*” and the amount of the bonus accrued:

- the deferral for a period of three or five years of 40% to 60% of the variable component of remuneration in order to align the incentives with the Group's medium-/long-term interests;
- the grant of financial instruments comprising 50% to 55% of variable remuneration and, if the quota in financial instruments exceeds 50% of total variable remuneration, the deferred share in financial instruments will be greater than the amount disbursed upfront.

The mechanism that has been identified for granting financial instruments is the granting of ordinary UBI Banca shares by the Parent to the Group’s “*Identified Staff*” not working for Pramerica SGR S.p.A., the Group's asset management company, 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 Pramerica SGR S.p.A. specifically, shares/units in UCIs managed by Pramerica SGR S.p.A. and by Pramerica Management Company S.A. are to be granted, in accordance with the provisions of the joint Consob–Bank of Italy regulation of 29th October 2007, as well as shares in Prudential Financial, Inc., a company based in the United States of America, solely to the Deputy General Manager and Commercial Chief of Pramerica SGR S.p.A.

Because it is not currently possible to determine the precise expected cost of the incentive scheme due to the presence of trigger conditions and the established mechanisms for managing the financial allocation (i.e. the bonus pool) to the scheme, it has been decided to submit a remuneration scheme based on financial instruments according to the maximum financial need currently quantified, i.e. €6 million for the UBI Banca equity-based incentive scheme and €1.5 million for the incentive scheme for the “*Identified Staff*” of Pramerica SGR S.p.A. to shareholders for approval.

With regard to the component of the scheme based on UBI Banca shares specifically, it has also been decided to request the shareholders' approval for the granting of authorisation to the Board of Directors – as the body with management functions, as well as strategic supervision functions, within the single-tier governance system approved by the Shareholders' Meeting on 19th October 2018 – to purchase UBI Banca shares, in one or more tranches and up to the above limit of €6 million, and with the possibility of also using in service of the scheme the remaining treasury shares in the UBI Banca portfolio from previous buybacks to service previous incentive schemes – again within the aforementioned threshold. In any event, the maximum number of ordinary shares to be purchased – and, in any case, to be granted – is to be determined as the ratio of the actual need based on the annual performance targets to the official share price at the moment of granting.

The shares in UBI Banca will be purchased within 18 months – in accordance with Art. 2357 of the Italian Civil Code – of the date on which authorisation is granted by the Shareholders' Meeting, at a price no more than 10% lower or higher than the official price of UBI Banca shares during the exchange session prior to each purchase.

In accordance with Art. 2357 of the Italian Civil Code, the treasury shares will be purchased within the limits of distributable profits and available reserves according to the most recent regularly approved financial statements, and may also be drawn on a specific equity reserve. Pursuant to paragraph 33 of IAS 32 – *Financial Instruments: Presentation*, from an accounting standpoint the treasury shares purchased will be deducted from equity;

In addition, the treasury shares will be purchased in accordance with Art. 132 of the Consolidated Law on Finance and Art. 144-bis of the Issuers' Regulations. In particular:

- purchase must take place on regulated markets following operational procedures which guarantee equal treatment of Shareholders and do not allow direct proposals to purchase to be linked to predetermined proposals to sell;
- purchase must take place in accordance with the purposes and conditions laid down in Art. 5 of Regulation (EU) No 596/2014 (the Market Abuse Regulation or "MAR"), as incorporated, where applicable, into the market practices admitted by Consob pursuant to Art. 13 MAR.

It was also decided that the daily quantity of the purchases may not be greater than 25% of the average daily volume of trades of UBI Banca shares on regulated markets over the 20 days of trading prior to that of a purchase.

At the date of this Report, the share capital of UBI Banca amounted to €2,843,177,160.24 and was divided into 1,144,285,146 ordinary shares with no express nominal value. UBI Banca holds 9,406,731 treasury shares, representing 0.82% of share capital.

Finally, with regard to the component of the scheme for the “*Identified Staff*” of 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 effective 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, and the abovementioned Section 1 of the Report on Remuneration.

\*\*\*

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 regard to laws and regulations governing the purchase of treasury shares, and in particular to the provisions of Regulation (EU) No 596/2014,*

#### RESOLVES

- a) *to approve the Incentive Scheme based on financial instruments for 2019, which calls for a quota of the short-term variable component of remuneration of “Identified Staff” to be in the form of the grant of (i) ordinary shares of the parent UBI Banca to “Identified Staff” of the Group not attributable to the Group's asset management company, i.e. Pramerica SGR S.p.A., for a maximum total value of roughly €6 million and (ii) shares/units in UCIs managed by Pramerica SGR S.p.A. and by Pramerica Management Company S.A. to “Identified Staff” belonging to the Pramerica SGR S.p.A., and also, solely for the Deputy General Manager and Commercial Chief of Pramerica SGR S.p.A., shares in Prudential Financial, Inc. for a maximum total value of €1.5 million;*

- b) *to authorise the Board of Directors to purchase, in one or more transactions to be undertaken within 18 months of the date of authorisation by the shareholders, up to the maximum amount of €6 million indicated in point a) above, a maximum number of shares in UBI Banca to be allocated to the component of the Incentive Scheme in UBI Banca shares based on the ratio of the actual requirements according to the bonuses accrued as a result of the performances achieved to the official price of UBI Banca shares at the time of the grant, without prejudice to the fact that (i) purchases may not be made for amounts more than 10% lower or higher than the official price of UBI Banca shares during the exchange session prior to the purchase, (ii) the daily quantity of purchases may not exceed 25% of the daily average volume of trades of UBI Banca shares on regulated markets during the 20 trading days prior to each purchase and (iii) purchases must be made in accordance with applicable provisions governing treasury shares, and in particular with Art. 132 of the Consolidated Finance Law and Art. 144-bis of the Issuers' Regulations;*
- c) *to authorise the Board of Directors, 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 UBI Banca to service past incentive schemes – 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 Board of Directors all powers, without exception, to implement this resolution, including the power to apply to the said resolution any amendment not of a substantive nature that may be requested by any authority.*

21<sup>st</sup> February 2019

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 market disclosure rules for share-based remuneration schemes pursuant to Art. 114-bis of Legislative Decree No. 58 of 24th February 1998 (the “**Consolidated Finance Law**”) and Art. 84-bis of the Issuers' Regulations adopted by Consob by Resolution No. 11971 of 14th May 1999 (the “**Issuers' Regulations**”), this information document (the “**Information Document**”) has been drafted in view of the implementation of an (annual) short-term incentive scheme based on ordinary shares in UBI Banca without nominal value (the “**Scheme**”) for the benefit of the “*Identified Staff*” of the UBI Banca Group other than “*Members of the Governing Bodies*” and “*Identified Staff*” of the UBI Banca Group's asset management company. This latter category of “*Identified Staff*” is to be granted units/shares of UCIs managed by Pramerica SGR S.p.A. or by its subsidiary Pramerica Management Company S.A. and, in the sole case of the Deputy General Manager and Commercial Chief of Pramerica SGR S.p.A., shares in Prudential Financial, Inc.

In particular, 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** - One of the internal board committees provided for in the Bank of Italy Regulations and in the Corporate Governance Code for Listed Companies issued by Borsa Italiana S.p.A., as also set out in the Corporate Governance Report pursuant to Art. 123-bis of the Consolidated Finance Law and in the Remuneration Report pursuant to Art. 123-ter of the Consolidated Finance Law.

**Common Equity Tier 1 (“CET1”) Ratio** - The ratio of highest quality regulatory core capital (composed of the total ordinary shares issued 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 and Risk Weighted Assets (RWAs).

**Beneficiaries** - Personnel of the UBI Banca Group belonging to the “*Identified Staff*” perimeter at the Group level, with the exclusion of the Governing Bodies, in accordance with the provisions of the 2019 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 2019 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 UBI Banca's senior executives, the highest levels of the functions of the Parent (with the exclusion of the Control Functions), the Chief of Investment Banking and the senior management of the main legal entities in the Group.

**“Other Group IS” Identified Staff** - “*Identified Staff*” contains a specific “*Other Group Identified Staff*” category which includes the Control Functions, the Areas of the Parent and roles in IW Bank and the 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 2019 and the daily average in December 2018, 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)** – It is considered net of extraordinary and non-recurring items.

**Normalised net profit (NNP)** – It is considered net of non-recurring extraordinary items and the cost relating to incentives 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**

### **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.**

The Scheme is intended for personnel of UBI Banca and of subsidiaries who fall within the perimeter of “*Identified Staff*” at the Group level, with the exception of “*Members of the Governing Bodies*”, for a total of 194 positions for 2019.

Furthermore, the beneficiaries of the Scheme include the following individuals, who are also members of UBI Banca's Management Board: Victor Massiah, Chief Executive Officer and General Manager of UBI Banca, Elvio Sonnino, Senior Deputy General Manager of UBI Banca, and Elisabetta Stegher, Chief Financial Officer of UBI Banca.

In addition, the Scheme's beneficiaries include employees of UBI Banca Group companies – including UBI Banca itself – who also fill positions on the governing bodies of subsidiaries of UBI Banca. Considering that such persons benefit from the

Scheme in their capacities as employees of UBI Banca Group companies, they are not listed by name. Rather, reference is made to the information provided below regarding the categories of employees and associates.

It should be noted that at the date of the UBI Banca Shareholders' Meeting that will be called to approve, inter alia, the Incentive Scheme described in this Information Document, UBI Banca's governing bodies – and therefore its Management Board – will cease to hold office. The new governing bodies will be appointed according to the single-tier governance and control system adopted by UBI Banca by resolution of its Shareholders' Meeting dated 19th October 2018 and characterised by the presence – in lieu of a Supervisory Board with supervision and control functions and a Management Board with management functions – (i) of a Board of Directors with strategic supervision and management functions and (ii) of a Management Control Committee formed within the Board of Directors with control functions. Accordingly, the persons identified by name above refer to the composition of the governing bodies in effect as at the date of preparation of this Information Document.

## **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 covers the following categories of UBI Banca staff and the staff of certain Group companies within the “*Identified Staff*” perimeter:

- the “*Top*” category, which includes, in addition to the persons set out in point 1.1, other individuals at the highest levels of the functions of the Parent (with the exception of Control Functions), the Chief of Investment Banking and senior positions at the Group's main companies;
- the category “*Other Group Identified Staff*”, which includes the Control Functions, the Areas of the Parent, the roles of IW Bank and companies with the greatest impact on the Group's risk profile, in addition to the financial advisors of IW Bank, where they have significant assets under management or a remuneration level in excess of €500,000;
- the “*Identified Staff*” belonging to the Group's asset management company are not included in the two foregoing categories.

As already indicated in the introduction the “*Members of Governing Bodies*” are not included in the scheme.

In addition to the parent company, UBI Banca, the Group companies affected by the Scheme are: IW Bank S.p.A, UBI Sistemi e Servizi Soc.Cons.p.A., Pramerica SGR S.p.A., UBI Leasing S.p.A., UBI Factor S.p.A., Prestitalia S.p.A. and UBI Academy S.c.r.l.

## **1.3 The names of the persons who benefit from the scheme 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 and 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) The identified staff affected, other than the General Manager, are: the Senior Deputy General Manager, Deputy General Managers (Chief Wealth and Welfare Officer and Chief Commercial Officer), Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, Chief General Counsel, Chief Lending Officer, Chief Compliance Officer, Top Private Banking Manager, Chief of Corporate & Investment Banking, Chief of Support to the Supervisory Board and the heads of the Macro Geographical Areas of UBI Banca, for a total of 20 beneficiaries.

c) Amongst the various beneficiaries of the Scheme, different characteristics apply to members of Control Functions, for a total of 17 beneficiaries.

## **2. THE REASONS FOR ADOPTION OF THE SCHEME**

For an account of the reasons for adopting the Scheme, refer to the Remuneration Report drafted in accordance with Article 123-ter of the Consolidated Finance Law and Article 84-*quater* of the Issuers' Regulations, made available to the public, inter alia, from UBI Banca's registered office and website, pursuant to applicable legislation.

## **3. APPROVAL PROCESS AND TIMING OF GRANTS OF THE INSTRUMENTS**

### **3.1 Scope of the powers and functions assigned to the Shareholders' Meeting and the Board of Directors for the implementation of the scheme.**

UBI Banca's Shareholders' Meeting will resolve on granting authorisation to the Board of Directors to purchase treasury shares to be allocated in service of the component of the Scheme in UBI Banca shares, in addition to establishing, inter alia, the following terms and conditions: (i) the maximum value of the shares that may be purchased; (ii) the maximum number of shares that may be purchased, or the criterion for determining the said maximum number, in a manner consistent, in any case, with the maximum amount set; (iii) the duration of the authorisation (in any event not to exceed 18 months from the date of grant of the authorisation); (iv) the minimum and maximum prices of purchase or, if precise identification of such prices is deferred until the moment of execution of the transaction, an indication of the precise, objective criteria for determining the said prices; all in accordance with applicable legislation, and in particular with the provisions of Article 132 of the Consolidated Finance Law and Article 144-*bis* of the Issuers' Regulations.

The Shareholders' Meeting will also resolve on the granting of authorisation to the Board of Directors to make disposition, for the purposes of the Scheme, of the shares purchased by virtue of the authorisation, if granted, together with the residual shares

already held by UBI Banca as a result of previous purchase in service of past incentive schemes.

### **3.2 Names of the parties assigned to administer the scheme and their function and responsibilities**

Overall administration of the Scheme has been assigned to UBI Banca's Human Resources Area.

Within the framework of management of the Scheme, mention should also be made of the efforts of the Remuneration Committee, which, it will be recalled, is a committee formed pursuant to applicable banking legislation within the body with strategic supervision function (the Supervisory Board in the two-tier system and the Board of Directors in the single-tier system soon to come into effect). In particular, the said Committee, on the basis of the information received from the competent company departments, will express an opinion of the achievement of the performance objectives on which this Scheme is also contingent.

### **3.3 Any existing procedures for the revision of the Scheme, with respect, amongst other things, to changes in the key objectives**

In the event of significant revisions to the budget in the course of the year of reference of the Scheme, the Board of Directors, as the body with strategic supervision functions in the single-tier governance and control system soon to come into effect, may resolve on changes to the funds allocated in service of the Scheme (the “bonus pool”), in consultation with the Remuneration Committee.

Without prejudice to the above, any exceptions to the policies will be submitted to Board of Directors, subject to an opinion from the Remuneration Committee and the Management Control Committee.

### **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. For asset management positions, purchases will be made of units and shares of UCIs created by Pramerica SGR and Pramerica 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 Scheme's access gates have been verified and the amount of the bonus, if any, accrued to each beneficiary of the Scheme on the basis of the performances achieved has been determined, the corresponding financial instruments will be “promised” to the beneficiaries, in a specific communication, until they are actually granted. 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 – representing an integral part of the 2019 Remuneration and Incentives Policies – to the Supervisory Board for subsequent resolutions to be passed by the Shareholders' Meeting. After also verifying its consistency with the said Policies, the Supervisory Board approved the aspects of the Scheme within its purview, on the basis of an opinion from the Remuneration Committee.

From the standpoint of possible situations of conflicts of interest, it should be noted that, as also emphasised in section 1.1 above, the beneficiaries of the Scheme include three UBI Banca “*Identified Staff*” who are also members of its Management Board (a

total of seven members), whereas the Supervisory Board does not include any potential beneficiaries of the Scheme.

**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 Supervisory Board resolved to submit the Scheme for the approval of UBI Banca's Shareholders' Meeting on 21st February 2018, by proposal of the Management Board and on the basis of an opinion from the Remuneration Committee dated 13th 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.**

Once the Scheme is approved by UBI Banca's Shareholders' Meeting, UBI Banca's Board of Directors will resolve on the grant of shares in UBI Banca to the potential beneficiaries of the Scheme, after consulting with the Remuneration Committee, at the end of the performance measurement period, and presumably by the end of the first half of 2020.

**3.8 The market price, recorded on the aforesaid dates, for the financial instruments on which the schemes are based, if traded on regulated markets.**

The official prices of shares in UBI Banca as at the dates set out in section 3.6 above were as follows: €2.2392 as at 13th February 2018 (meeting of the Remuneration Committee) and €x as at 21st February 2018 (session of the Supervisory Board).

**3.9 For schemes 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.**

Without prejudice to the fact that the execution of the Scheme will be disclosed to the market in accordance with the law, it should be noted that adequate account will be taken of the advisability of not proceeding with the grant of shares in UBI Banca in service of the Scheme concurrently with the circulation of any material information capable of significantly influencing the quoted price of the said 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 a quota of 50% to 55% of the variable remuneration linked to the incentive system to be granted in the form of financial instruments, subject to retention and deferral clauses, as illustrated in section 4.2 below.

#### **4.2 Specification of the Scheme's effective period of implementation, also with reference to any cycles established.**

The period of implementation of the Scheme began in 2019 and will conclude in 2025.

Specifically, accrued bonuses in excess of €430,000 will be paid on the basis of the following criteria:

- for "*Identified Staff*" belonging to the "*Top IS*" category, including the Chief Executive Officer, deferral of 60% for five years on a pro-rated basis and disbursement in financial instruments of 55% of total variable remuneration, subject to a one-year retention period.
- for "*Other Group Identified Staff*", deferral of 60% for three years on a pro-rated basis and disbursement in financial instruments of 50% of total variable remuneration, subject to a one-year retention period.

Bonuses of €430,000 or less will be paid according to the following criteria:

- for "*Identified Staff*" belonging to the "*Top IS*" category, deferral of 50% for five years on a pro-rated basis and disbursement in financial instruments of 55% of total variable remuneration, subject to a one-year retention period.
- for "*Other Group Identified Staff*", deferral of 40% for three years on a pro-rated basis and disbursement in financial instruments of 50% of total variable remuneration, subject to a one-year retention period.

For the details of the pay-out conditions, refer to Section I of the Remuneration Report.

It should also be noted that in cases of variable remuneration – including in the form of consideration for job-security agreements – of less than €50,000 and 25% of individual fixed remuneration, the bonuses will be disbursed exclusively upfront and in the form of cash payments and welfare benefits. In terms of the specific markets of reference and composition of the current remuneration package, positions within the asset management perimeter will receive their bonuses solely as "upfront cash payments and welfare benefits" where the bonuses accrued are less than €80,000; the financial advisors of IW Bank S.p.A. will receive their bonuses solely as "upfront cash payments" where the bonuses accrued are less than €50,000 and 33% of their fixed remuneration.

#### **4.3 End of the Scheme.**

The Scheme will come to a close in 2025 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.**

With regard to the component of the Scheme represented by ordinary shares in UBI Banca, the number of shares to be granted to each beneficiary will be determined as the ratio between the need resulting from the bonuses earned based on the performance levels achieved and the official price of UBI Banca shares at the time of the grant, taking account of the timescales set out in section 4.2 above.

With regard to the component of the Scheme referring to the Group's asset management company, the number of shares/units in UCIs managed by Pramerica SGR S.p.A. and Pramerica 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**

The Scheme will be triggered by the satisfaction of appropriate conditions (known as “gates”) relating to the Group's financial stability and liquidity, as identified by the following indicators: the “*Common Equity Tier 1 Ratio*”, “*Net Stable Funding Ratio*”, “*Liquidity Coverage Ratio*” and “*Leverage Ratio*”. The incentive system will not be triggered in the event of a loss in the financial statements in normalised terms, without prejudice, in any event, to the possibility for the governing body to distribute, by proposal of the Remuneration Committee, a maximum of 15% of the total “bonus pool” in cases of events and variables, including of an external nature, that cannot be foreseen or determined.

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 and the “*Normalised net profit Adjusted for the difference between the cost of allocated and absorbed capital*” (or “*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 PCOBT*” (Profit on Continuing Operations Before Tax), “*Core income*” at legal entity level and “*customer satisfaction*”, while, as is normal, no economic or financial indicators are set for the Control Functions. In addition, 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 UBI Banca compared with the listed banks taken as the benchmark in terms of share performance (“*Total Shareholder Return*”, or “*TSR*”).

Finally, again in order to further ensure liquidity and capital stability for the Group over time, the deferred quota of the Scheme, 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 quota of the bonus will not be paid if these conditions are not met (termed a “malus”).

#### **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 in UBI Banca – those included in both the upfront and deferred quotas of the bonus – will be unavailable (subject to retention) for a period of one year. In any event, the shares in UBI Banca granted in service of the Scheme may not subsequently be sold to UBI Banca.

#### **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 fact in such cases, beneficiaries normally maintain rights to the quotas earned but not yet paid, and this also occurs 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 call for any redemption of the UBI Banca shares granted under 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.**

Considering that the execution of the Scheme does not call for any direct investment in shares in UBI Banca by the potential beneficiaries of the Scheme, the conditions have not been met for any loans or other concessions to be granted for the purchase of the shares in UBI Banca subject to the scheme.

#### **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.**

At present it is not possible to determine the precise amount of the cost of execution of the Scheme, given – as stated in section 4.5 above – the presence of Scheme trigger conditions and the need to verify the achievement of performance objectives by the Scheme's potential beneficiaries. Furthermore, it is currently estimated that the maximum funding requirement for the component of the Scheme based on shares in UBI Banca may indicatively be quantified at approximately €6 million, in addition to the €1.5 million relating to the component of the Scheme based on units/shares of UCIs managed by Pramerica SGR S.p.A. and by Pramerica Management Company S.p.A. and on shares of Prudential Financial, Inc.

#### **4.13 Specification of any dilution effect on share capital resulting from the grant of the shares.**

Given that the execution of the Scheme does not call for the grant of any newly issued shares in UBI Banca, there will be no 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 in reference to UBI Banca ordinary shares subject to 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 UBI Banca ordinary shares in service of the Scheme are traded on the Mercato Telematico Azionario (screen based stock market) of the Milan Stock Exchange.

21<sup>st</sup> February 2019

THE SUPERVISORY BOARD

**REMUNERATION SCHEMES BASED ON FINANCIAL INSTRUMENTS**  
**TABLE NO. 1 OF SCHEME 7 OF ANNEX 3A OF REGULATION NO. 11971/1999**

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, 2017 and 2018 - 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 <sup>3</sup>	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	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
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	50,275	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>5</sup>	Ordinary shares of UBI Banca	75,412	2024	2.5129	3.8342	7
	<b>TOTAL</b>			<b>196,491</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 <sup>3</sup>	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 <sup>3</sup>	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	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
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	29,001	2019	2.5129	3.8342	3
06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	29,001	2022	2.5129	3.8342	5		
	<b>TOTAL</b>			<b>118,429</b>				
Lekli 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 <sup>3</sup>	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	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
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	11,806	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	11,806	2022	2.5129	3.8342	5
	<b>TOTAL</b>			<b>49,640</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	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
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	23,504	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>5</sup>	Ordinary shares of UBI Banca	23,504	2022	2.5129	3.8342	5
	<b>TOTAL</b>			<b>52,755</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, 2017 and 2018 - 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>2</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 <sup>3</sup>	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	Ordinary shares of UBI Banca	12,567	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	8,378	2021	3.4911	3.4799	5
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	12,562	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	8,374	2022	2.5129	3.8342	5
		<b>TOTAL</b>		<b>61,489</b>				
Ranica Osvaldo	- Member of the Management Board	20/04/2013: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	3,501	2014	3.6419	6.444	3
		20/04/2013: short-term incentive scheme <sup>3</sup>	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 <sup>3</sup>	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	Ordinary shares of UBI Banca					
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca					
		<b>TOTAL</b>		<b>18,940</b>				
Senior Management: Executive board members and general managers of Group companies		20/04/2013: short-term incentive scheme <sup>3</sup>	Ordinary shares of UBI Banca	13,264	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme <sup>3</sup>	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 <sup>3</sup>	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	Ordinary shares of UBI Banca	20,416	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme	Units/shares of UCITS	6,032	2018	NA	NA	3
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	13,851	2021	3.4911	3.4799	5
		07/04/2017: short-term incentive scheme	Units/shares of UCITS	6,032	2021	NA	NA	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	22,367	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Units/shares of UCITS					
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	21,079	2022	2.5129	3.8342	5
		<b>TOTAL</b>		<b>202,752</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, 2017 and 2018 - 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>2</sup>	Ordinary shares of UBI Banca	17,570	2014	3.6419	6.4440	3
		20/04/2013: short-term incentive scheme <sup>3</sup>	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 <sup>2</sup>	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	Ordinary shares of UBI Banca	130,362	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	36,385	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
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	402,011	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	265,362	2022	2.5129	3.8342	5
		<b>TOTAL</b>			<b>1,018,611</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					
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	18,804	2017	3.4911	3.2793	3
		02/04/2016: short-term incentive scheme	Ordinary shares of UBI Banca	1,556	2020	3.4911	3.2793	5
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	32,285	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme	Units/shares of UCITS	23,041	2018	NA	NA	3
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	4,841	2021	3.4911	3.4799	5
		07/04/2017: short-term incentive scheme	Units/shares of UCITS	15,361	2021	NA	NA	5
		07/04/2017: 2017-2019/2020 long-term incentive scheme	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	25,553	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Units/shares of UCITS	21,964	2019	NA	NA	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	17,036	2022	2.5129	3.8342	5
	06/04/2018: short-term incentive scheme <sup>4</sup>	Units/shares of UCITS	14,642	2022	NA	NA	5	
	<b>TOTAL</b>			<b>240,426</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 <sup>3</sup>	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	Ordinary shares of UBI Banca	64,098	2018	3.4911	3.4799	3
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	34,605	2021	3.4911	3.4799	5
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	65,355	2019	2.5129	3.8342	3
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca	37,872	2022	2.5129	3.8342	5
	<b>TOTAL</b>			<b>263,886</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, 2017 and 2018 - 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
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	Ordinary shares of UBI Banca	7,155	2018	3.4911	3,4799	3
		07/04/2017: short-term incentive scheme	Ordinary shares of UBI Banca	4,770	2021	3.4911	3,4799	5
		06/04/2018: short-term incentive scheme <sup>4</sup>	Ordinary shares of UBI Banca					
	TOTAL			21,767				

[\*] Financial instruments have been promised on the date indicated, but will not be granted until the end of the vesting period.

<sup>1</sup> Financial instruments granted in 2016

<sup>2</sup> Financial instruments granted in 2017

<sup>3</sup> Financial instruments granted in 2018-B363

<sup>4</sup> Amounts estimated on preliminary figures, but subject to modification

**REMUNERATION SCHEMES BASED ON FINANCIAL INSTRUMENTS**  
**TABLE NO. 1 OF SCHEME 7 OF ANNEX 3A OF REGULATION NO. 11971/1999**

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 2019 Annual General Shareholders' Meeting Identified Staff: 2019 short-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	12/04/2019	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Sonnino Elvio	- Member of the Management Board / Senior Deputy General Manager	12/04/2019	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Leidi Rossella	- Deputy General Manager	12/04/2019	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Geertman Frederik Herman	- Deputy General Manager	12/04/2019	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Stegher Elisabetta	- Member of the Management Board / Chief Financial Officer	12/04/2019	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA
Senior Management: Executive board members and general managers of Group companies *		12/04/2019	Ordinary shares of UBI Banca and Quotas/shares of UCITS	NA	NA	NA	NA	NA
Material risk-takers: Managers of the main lines of business *		12/04/2019	Ordinary shares of UBI Banca and Quotas/shares of UCITS	NA	NA	NA	NA	NA
Material risk-takers: Managers of the highest level of control functions *		12/04/2019	Ordinary shares of UBI Banca and Quotas/shares of UCITS	NA	NA	NA	NA	NA
Financial Advisors		12/04/2019	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.

## **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,

In compliance with the regulatory provisions issued by Bank of Italy in the 25<sup>th</sup> update, dated 28<sup>th</sup> October 2018, of the “Supervisory regulations for Banks – Circular No. 285 of 17<sup>th</sup> December 2013” on Remuneration Policies and Practices, it is the responsibility of a Shareholders’ Meeting to define the criteria and limits for determining remuneration to be agreed in the event of the early termination of an employment relationship or retirement from corporate office, setting the limits in terms of years of salary and the maximum amount resulting from their application.

A specific policy on this remuneration has been approved by Shareholders’ Meetings starting in 2015 and it has been successively refined from year-to-year for the purposes of an increasingly more precise and proper management of the matter.

In light of the regulatory updates mentioned above, policies for post-employment benefits have also been updated for compliance, as laid down in the Group 2019 Remuneration and incentive policies approved by the Supervisory Board on 5<sup>th</sup> February 2019. The specific section of the document may be consulted for further details.

Generally the definition of post-employment benefits must take place on the basis of a prudent appreciation of all the circumstances of the individual cases, with particular reference to the underlying reasons for the termination of the employment relationship, to the actual duration of the employment relationship, to the position held in the organisation chart, to the long-term performance in terms of the creation of value for shareholders and to the appropriateness of the person’s conduct. However, there shall be no possibility of any automatic adjustment or minimum payment obligation, without prejudice to the constraints required by law and trade union agreements.

In addition to the provisions of the law on indemnities for failure to give notice, payments for the termination of an employment relationship may be made up to a maximum amount of 24 months’ fixed salary, in addition to the first 12 months’ remuneration of a non-competition agreement, if this has been signed, and up to a maximum amount calculated on the basis of the remuneration for the specific position<sup>1</sup> and they shall be paid in the manner and at the times consistent with legislation and regulations applicable to the specific case from time-to-time. For remuneration in an amount of less than €50,000 and less than 25% of the fixed remuneration, payment, shall be in full, up-front and in cash<sup>2</sup>.

The precise calculation of remuneration for “Identified staff” according to the criteria and limits described above is subject to assessment and approval for that part which exceeds the indemnity for failure to give notice by law or in accordance with the employment contract, by the Board of Directors which bases its assessment on a proposal formulated, in agreement with the Chief Operating Officer, by the competent internal units and subject to prior verification of its consistency with remuneration policies by the Remuneration Committee.

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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 €2,772,000 gross, to which 12 monthly payments for the non-competition agreement must be added, currently set at €100,000 gross per year.

<sup>2</sup> The relative amount for Pramerica positions is €80,000.

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 noted the proposal of the Supervisory Board,*
- and with due consideration for the currently applicable regulations,*

*RESOLVES*

*to approve the terms for setting the criteria and limits on maximum years' salary of remuneration and the relative procedures by which it will be paid, to be agreed in the event of the early termination of an employment relationship or retirement from corporate office, in accordance with the rules laid down in the Group's 2019 Remuneration and Incentive Policies.*

21<sup>st</sup> February 2019

THE SUPERVISORY BOARD

# **Proposal to the shareholders' meeting for the definition of the ratio of fixed to variable components of remuneration up to a limit of 2:1 for the "identified staff" of the group.**

Dear Shareholders,

Directive 2013/36/EU of the European Parliament and of the Council of 26<sup>th</sup> June 2013 ("CRD IV") introduced, as already reported, with reference to remuneration policies and practices, specific limits on the ratio of fixed to variable components of individual remuneration with, as a general criterion, a limit of 1:1 for "Identified staff" and it allows that ratio to be increased up to a maximum of 2:1 in compliance with determined conditions, subject to a prior binding approval by a qualified majority vote of the Shareholders' Meeting.

The Bank of Italy provisions which implement that directive require the Supervisory Board to inform the European Central Bank of the relative proposal at least 60 days before the date set for the shareholders decision and, within 30 days of approval of the proposal, that same supervisory authority must be informed of the decision made by the Shareholders' Meeting with details of the limit or limits approved for each category of staff concerned.

With the publication of the 25<sup>th</sup> update of Circular No. 285 "Supervisory Regulations for Banks", the Bank of Italy also explained that if that limit is approved it is not necessary to submit a new resolution to a Shareholders' Meeting in subsequent years on condition that there has been no change: to the underlying assumptions forming the basis for the approval of the increase; to the staff to which it refers; and to the amount of the limit itself. Also the remuneration policy shall give adequate information on the increase of the previously approved limit and the reasons why this not been submitted for new approval by Shareholders Meeting.

## **a) The functions to which those affected by the decision belong**

Given the above, a proposal is therefore submitted to your attention to set a limit on the ratio between the variable component and the fixed component of remuneration for all "Identified Personnel", identified and periodically updated in accordance with Commission Delegated Regulation (USE) 604/2014<sup>3</sup>, except for staff belonging to the Control Functions, the Senior Officer responsible for the preparation of financial statements and the Head of the Human Resources of the Parent on the basis of the reasons and considerations indicated below.

## **b) The reasons underlying the proposal formulated**

The competitiveness of the wage packets for "Identified staff", which is indispensable for attracting key managers and roles to the Group and retaining them, is constantly monitored with regard to the applicable markets and it is based, for the principal management and professional positions, on the assessment and "weighting" of positions in accordance with standard market practices.

On the basis of external comparisons, it is considered that the fixed component of remuneration is sufficiently competitive with respect to the amounts paid by major competitors in the sector.

As concerns variable remuneration, the UBI Banca Group has adopted a prudent approach to this strategic lever and for the whole of 2018 it has allowed the limit between the variable component and the fixed component to be potentially exceeded up to 2:1 solely for "Identified

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<sup>3</sup> Reference is made for details of the numbers of "Identified staff" for each function or category to the contents of the document on Group Incentive and Remuneration Policies for the relative year.

staff” of the Group working in the asset management sector, which has always been characterised by staff who are not subject to regulatory constraints on variable remuneration.

The proposal to set the ratio of variable to fixed remuneration up to 2:1 for potentially all “Identified staff” (except for the staff mentioned above) arises from the requirement to be able to render the wage packets of some highly professional staff working in determined sectors (including in particular, but not exclusively, that of investment banking) competitive, where strong competition for staff, based mainly on the ability to earn bonuses in line with the high qualitative and quantitative level of the performance produced, generates a high retention risk and considerable difficulties with attraction.

Approval of this proposal would also make it possible to avoid making changes to increase the fixed component of remuneration in wage packets, which on the one hand would inevitably increase the cost structure for management wage packets and make them less flexible and at the same time it would weaken the consistent link between short and long-term company performance and remuneration for “Identified staff”.

### **c) Considerations concerning the ability of the Group to comply with supervisory regulations**

In view of the above, the request to increase the ratio to 2:1 for potentially all “Identified staff” nevertheless guarantees compliance with supervisory regulations when it is considered that:

- the relationship between bonuses and meeting prudential requirements in terms of capital and liquidity is guaranteed by the link between the conditions for triggering incentive schemes (“CET1 ratio”, “NSFR”, “LCR” and “LR”) and the Group’s “risk appetite framework”;
- it does not involve a proportional increase in the financial resources allocated to variable remuneration because the bonus pool mechanism of the incentive scheme, the structure of which is determined *ex ante*, links the financial resources allocated to the overall bonus pool available *ex post* with a specific Group performance indicator which at present is the Return On Risk Adjusted Capital (RORAC);
- however the incentive scheme is not triggered for “Identified staff” if the financing condition set at Group level (RORAC) is below the trigger threshold and in any event it is not triggered for all staff in the absence of stated normalised profit;
- while at the time of submitting this proposal, it potentially regards a total of 172 staff for the financial year 2019 (0.8% of the workforce), the actual use of a ratio higher than 1:1 between variable and fixed remuneration could regard a limited number of staff, as defined in the models for the implementation of remuneration policies, the results of which, when they are final, will be submitted to the attention of the Shareholders’ Meeting in the Remuneration Report.

With regard to the above, the Supervisory Board of UBI Banca invites the Shareholders’ Meeting to approve, with a binding resolution, a proposal for the definition of up to a maximum of 2:1 for the ratio of variable remuneration to fixed remuneration potentially for all “Identified Staff”, with the exception of the “Identified staff” belonging to the Control Functions, the “Senior Officer Responsible” and the Head of Human Resources of the Parent.

In accordance with the provisions of Art. 53, paragraph 4 of the Consolidated Banking Law, personnel who are shareholders of the Bank must in any event abstain from voting on the resolution in the Shareholders’ Meeting to approve an increase in the limit that regards their remuneration.

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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 read Bank of Italy Circular No. 285 regarding “Remuneration and incentive policies and practices”;*
- *having noted the Supervisory Board’s proposal regarding the definition of a ratio of up to 2:1 between the variable component and the fixed component of remuneration for “Identified Staff”, with the exception of those belonging to the Control Functions, the “Senior Officer Responsible” and the Head of Human Resources of the Parent;*
- *having verified that the proposal itself does not compromise compliance with supervisory regulations and in particular those regarding requirements for own funds*

**RESOLVES**

*to grant the power to increase the ratio between variable and fixed remuneration up to a maximum of 2:1 potentially for all “Identified Staff” identified at Group level with the exception of those belonging to the Control Functions, of the “Senior Officer Responsible” and of the Head of Human Resources of the Parent and to give a mandate to the newly formed Board of Directors to submit a precise and detailed report on the actual use of that power to Shareholders’ Meetings within the Remuneration Report for each financial year.”*

22<sup>nd</sup> January 2019

THE SUPERVISORY BOARD

# **GLOSSARY**

### **Acquisition finance**

Finance for company acquisition operations

### **Additional Tier 1 capital – AT1**

See this respect the information on own funds and capital adequacy reported in the Pillar 3 disclosures.

### **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**

Forms of investment that are alternative to shares, bonds and liquidity, which include, amongst others 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 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 (the appeal must be made within one year of the submission of the claim). 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 and Liability Management (ALM)**

Integrated management of assets and liabilities designed to allocate resources in such a way as to optimise the risk to yield ratio.

### **Asset Backed Securities (ABS)**

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 be composed, for example but not only, of mortgage loans (MBS – Mortgage Backed Securities).

### **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.

### **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).

### **Automated Teller Machine (ATM)**

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.

### **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 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.

### **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 4th 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;

### **Basel 3**

Supervisory regulations for banks and investment firms in force in the European Union since 1<sup>st</sup> January 2014. See this respect the information on own funds and capital adequacy reported in the Pillar 3 disclosures.

### **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.

### **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 Depositi 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.

It operates in the field of financing for public investments and the development of the country's infrastructures. It supports Italian companies by encouraging innovation and growth, promoting exports and internationalisation and supporting international co-operation. It contributes to the development of the Italian real estate market as the primary operator in the field of social and affordable housing.

### **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.

### **Common Equity Tier 1 (CET1) capital**

See this respect the information on own funds and capital adequacy reported in the Pillar 3 disclosures.

### **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 (Art. 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).

### **Compulsory reserve requirements**

Compulsory reserve requirements in the euro area are regulated by the EU Treaty, by some articles of the statute of the ESCB/ECB, by the regulations EC/1998/2531, EC /1998/2532, EC /1998/2533 and by Regulation EC /2003/1745 and subsequent amendments and additions. The ECB Regulations states that the aggregate subject to compulsory reserve requirements comprises the following liabilities of banks denominated in any currency: deposits, debt securities, short-term funding instruments. Liabilities towards the ECB and the central banks of countries that have adopted the euro and also other banks subject to Eurosystem compulsory reserve requirements are excluded. In compliance with Art. 12 of the ECB Regulation, credit institutions must disclose the amount of items of which the aggregate subject to compulsory reserve is composed in their supervisory reports. A reserve rate of 1% is applied to the following:

- sight and overnight deposits;
- term deposits with maturity of up to 2 years;
- deposits redeemable at notice up to 2 years;
- debt securities in issue with fixed maturity up to 2 years.

A percentage rate of 0% is applied to liabilities with fixed maturity or notice of over two years and also for repurchase agreements.

Reference is made for the calculation of the reserve for a determined maintenance period to statistics reports relating to the end of the second month prior to the beginning of the maintenance period itself (the Eurosystem has adopted a mechanism for withdrawal from the compulsory reserve which involves compliance with an average requirement for single maintenance periods indicated in a calendar published by the ECB).

### **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/SPV.

### **Confidi (*Consozi 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 Bond**

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 CET 1  $\geq$  6%;
- 60% in combined cases of: Tier 1 ratio  $\geq$  8% and CET 1  $\geq$  7%;
- no limit in combined cases of: Tier 1 ratio  $\geq$  9% and CET 1  $\geq$  8%.

### **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 Protection Insurance (CPI)**

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 risk**

The risk of incurring losses resulting from the default of a counterparty with 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.

**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).

**e-MID (interbank deposits market)**

Market for trading in interbank deposits, secured and unsecured, 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 and capital instruments held directly, indirectly and synthetically and not fully consolidated.

**Euribor (euro interbank offered rate)**

Interbank interest rate at which major banks exchange deposits in 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 also responsible 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 Stabilisation Mechanism (EFSM)**

An instrument designed to provide temporary financial assistance to 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 Financial Stability Facility (EFSF)**

An instrument designed to provide temporary financial assistance to 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 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 eurozone 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 Commodity (ETC)**

These are perpetual debt securities 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 potential expected loss, on a financial instrument or a portfolio, which exceeds the VaR (cf. definition).

### **Exposure At Default (EAD)**

Estimate of the future value of a position at the time of default (cf. definition) of the relative debtor.

### **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/IFRS (cf. definition) international accounting standards, banks apply fair value when measuring the value of financial instruments (assets and liabilities) and also 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 .

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<sup>1</sup> (Chief of Police), and the answer to a request for the reimbursement of a payment made on the initiative of the beneficiary<sup>2</sup> is negative, completion of the complaints procedures 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 customers except for a payment of €20 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.

### **Fintech**

Financial technology or “Fintech” is the supply of financial services and products by using the most advanced IT technology. In view of their highly technological nature, fintech companies are generally new undertakings which base their business philosophy on information technologies, thereby distinguishing themselves from more traditional existing concerns.

The services to which fintech may be applied are essentially all those that relate to traditional finance, ranging from transactions and payments to financial intermediation, financial risk management and electronic currencies.

### **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.

### **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 to modify the due date and the contractual terms and conditions in order to allow the debtor to honour the debt or to refinance it, either fully or partially.

### **Forward Rate Agreement (FRA)**

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.

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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.

## **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/Badwill**

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 (badwill if the goodwill is negative).

## **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)**

Measured to control risks applied to assets eligible as collateral in temporary refinancing operations. 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 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 body responsible for issuing international accounting standards. Standards issued subsequent to July 2002 are named “International Financial Reporting Standards” (IFRS).

An effort is currently being made at international level to harmonise IAS/IFRS with US Gaap (cf. definition).

## **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.

## **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 undergone 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, OICVM (cf. definition) and asset management companies.

## **Insurance risk**

Insurance risk may be defined as that set of risks to which the Group's insurance companies are subject in the course of their business and which may impact on their solvency.

## **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.

**Internal Rating Based (IRB) Approach**

An internal approach to ratings: 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.

**International Bank Account Number (IBAN)**

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.

**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 S&P Global'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).

**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.

**Lease**

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.

**Liquidity Coverage Ratio (LCR)**

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.

**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, and as a consequence the lower the protection afforded to the creditor.

**London interbank offered rate (Libor)**

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.

**Loss given default (LGD)**

Estimated rate of loss if a debtor defaults (cf. definition).

**Mark down**

Difference between the average borrowing rate for the direct forms of funding employed and the Euribor rate.

**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.

**Mark-to-market**

Valuation of a securities portfolio and of other financial instruments on the basis of market prices.

**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 to the Arbitrator for Financial Disputes 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.

**Monoline**

Insurance companies for which their only line of business is insurance of bonds (of the ABS and MBS type) where the underlying assets consist of personal loans and real estate mortgages. The insurance guarantees the redemption of the bond by assuming direct responsibility for the risk of debtor insolvency in exchange for a commission.

**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 it comes into 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.

**Non-performing**

A term which refers generally to loans with irregularities in the repayments.

**Non-performing exposures**

Bad loans, unlikely-to-pay loans (cf. definition), past due non-performing exposures (cf definition). Non-performing exposures as a whole constitute the "non-performing" category as defined by Implementation Regulation UE/2014/680 of the European Commission and subsequent amendments and additions. "Non-performing exposures with forbearance measures" also form part of the non-performing exposures category as defined in the regulation mentioned above. These exposures are classified within bad loans, unlikely-to-pay loans or non-performing past due loans according to the case.

### **Non-performing past due exposures**

These comprise of exposures which satisfy both the following conditions:

- the debtor is in arrears on a significant credit obligation to the 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.

<i>Northern Italy:</i>	Piedmont, Valle d'Aosta, Liguria, Lombardy, Trentino Alto Adige, Veneto, Friuli Venezia Giulia, Emilia Romagna;
<i>Central Italy:</i>	Tuscany, Umbria, Marches, Latium;
<i>Southern Italy:</i>	Abruzzo, Molise, Campania, Puglia, Basilicata, Calabria, Sicily, Sardinia.

### **OICVM (collective security investment undertakings)**

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 also includes, in relation to its monetary manifestation, compliance risk, money-laundering risk and IT 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 this respect the information on own funds and capital adequacy reported in the Pillar 3 disclosures.

### **Payout ratio**

The percentage of the net profit distributed by a company to its shareholders.

### **PIR (Long-term individual savings schemes – ISS)**

The 2017 *Legge di Stabilità* (“stability law” – annual finance law) (Law of 11<sup>th</sup> December 2016, Art. 1, paragraphs 100 to 114) introduced long-term “Individual Savings Schemes” (ISS) into Italy in order to encourage the channelling of savings by natural persons to invest in medium-size companies resident in Italy where other member states of the European Union (i.e. states that are parties to the European Economic Area Agreement). The ISS is a savings instrument consisting of a special legal relationship (with particular characteristics and subject to a special conditional tax exemption regime) within which savers can allocate sums of cash or valuables in compliance with constraints set by the legislation.

The 2019 *Legge di stabilità* (“stability law” – annual finance law) (Law No. 145 of 30<sup>th</sup> December 2018) introduced amendments in terms of portfolio constraints designed to incentivise investments in venture capital funds (cf. definition) and in financial instruments issued by SMEs (cf. definition) traded on multilateral trading systems.

### **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 terminal)**

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 the 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.

**Probability of Default (PD)**

The probability that a debtor will reach a default (cf. definition) position over an annual time horizon.

**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, according to the type of instruments issued, 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.

**Real estate risk**

The risk of changes in the value of the real estate assets of the Group.

**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.

**Retail**

Type of customer consisting mainly of individuals, professionals, shopkeepers and crafts persons.

**Return On Equity (ROE)**

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.

**Return On Tangible Equity (ROTE)**

This gives the profit earned on tangible equity (cf. definition).

**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.

**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.

**Salary backed and pension 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<sup>th</sup> January 1950.

**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 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).

#### **Securitisation risk**

The risk that the underlying economic substance of a securitisation is not fully reflected in decisions made to measure and manage risk.

#### **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.

#### **Senior non preferred notes (Second level unsecured debt instruments)**

A new category of securities issued by banks named second level unsecured debt instruments (Law No. 205/2017) has been introduced in order to bring national legislation into line with Directive EU2017/2399. These liabilities, designed to absorb losses after subordinate debt, but before unsecured debt may be included in the subordinated component of the MREL requirement. Due to their riskiness, these instruments may only be placed with institutional investors with a minimum unit price of €250,000.

#### **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 Credit Transfer (SCT)**

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.

#### **SEPA Direct Debit (SDD)**

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.

#### **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 perimeter (cf. definition).

#### **Single European Payments Area (SEPA)**

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 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 (also Andorra and Vatican City since 1<sup>st</sup> March 2019). The single IBAN (cf. definition) bank code, SCT (cf. definition) and SDD (cf. definition) comprise some of the instruments used to standardise banking transactions.

#### **SMEs (small and medium-sized enterprises)**

According to the definition in EU regulations (Recommendation 2003/361/EC of 6<sup>th</sup> May 2003), 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 or with total assets of less than €43 million.

#### **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 the 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 in consolidating the EU budget. 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).

## **Stakeholders**

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;
- poor reaction to changes in the competitive environment.

Strategic risk in the narrow sense of positioning, relates to failures associated with structural changes, characterised that is by discontinuities. Strategic risk includes a more specific component attributable directly to business risk, and that is the risk of a potential fall in profits, resulting from inadequate implementation of business decisions and from changes in the operating environment with reference to the business model and the Group’s business mix choices.

## **Stress test**

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 bonds**

Bonds which include a derivative component which allows the subscriber to receive a risk based return linked to one or more of the underlying (shares, share indexes, commodities, currencies).

## **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 tier of ranking 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 Authority**

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 contractually agreed 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**

This is the ratio of “non-performing loans” (i.e. non-performing loans net of impairment losses that banks have recognised in order to take account of the risks connected with possible insolvencies) to the tangible equity of a bank (cf. definition). 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 this respect the information on own funds and capital adequacy reported in the Pillar 3 disclosures.

### **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 2020/2021.

### **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 mutual investment funds).

**Unit-linked**

Life insurance policies with performance linked to the value of investment funds.

**Unlikely-to-pay**

Non-performing exposures, other than those classified as bad loans, 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 failure to pay.

**US GAAP (Generally Accepted Accounting Principles)**

Accounting standards issued by the FASB (Financial Accounting Statement Board), which are generally accepted in the USA.

**Value at Risk (VaR)**

A measure of the maximum potential loss that may be incurred on a financial instrument or portfolio, as a result of market performance, with a set probability (level of confidence) in a determined time period (the reference or holding period).

**Venture Capital**

Undertakings for collective investment that invest at least 70% of the funds acquired in unlisted SMEs (cf. definition) with high development and growth potential, which are at the start-up stage.

**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



**Brescia** Via Cefalonia, 74  
**Milano** Corso Europa, 20  
**Pesaro** Corso XI Settembre, 22

## Macroarea Territoriale Nord Ovest

### PIEMONTE

#### Provincia di Cuneo

##### Cuneo

Piazza Europa, 1  
Via Roma, 13/b  
Via della 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  
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

##### 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

##### 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

##### Govone

Piazza Vittorio Emanuele II, 9

##### Lagnasco

Via Roma, 20

##### 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

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

##### 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

##### Roccapione

Piazza Biagioni, 27

##### Saliceto

Piazza C. Giusta, 1

##### Saluzzo

Via Torino, 38A

##### Sampeyre

Via Vittorio Emanuele II, 22

##### San Michele Mondovì

Via Nielli, 15/a

##### Sanfront

Corso Guglielmo Marconi, 14

##### Santo Stefano Belbo

Corso Piave, 82

##### Savigliano

Piazza Schiapparelli, 10

##### Sommariva del Bosco

Via Donatori del Sangue, 11/b

##### Tarantasca

Via Carletto Michelis, 3

##### Valdieri

Corso Caduti in Guerra, 13

##### Vernante

Piazza de l'Ala, 4

##### Verzuolo

Piazza Martiri della Libertà, 13

##### Vicoforte

Via di Gariboggio, 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

##### Acqui Terme

Corso Bagni, 54

##### Borghetto Borbera

Via San Michele, 2

##### Cabella Ligure

Piazza della Vittoria, 7

##### Casale Monferrato

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

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

##### Sarezzano

Piazza L. Sarzano, 4

##### Stazzano

Via Fossati, 2/a

##### Tortona

Piazza Duomo, 13

##### 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

##### 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

##### Trecale

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

Via Santa Teresa, 9

Piazza Gran Madre di Dio, 12/a

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

##### 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

**Lavagna**

Corso Buenos Aires, 84 (Fraz. Monleone)

**Mezzanago** 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

**Sanremo** Via Escoffier, 3A

**Taggia** Via Boselli, 62 (Fraz. Arma)

**Ventimiglia** Via Ruffini, 8/a

### Provincia di La Spezia

**La Spezia**

Via Chiado, 115

Via San Bartolomeo

(c/o ASW Research)

Via Fiume, 152

Via del Canaletto, 307

**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 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 Manzoni, 7

Piazza Cinque Giornate, 1

Via Foppa, 26

Corso Italia, 22

Via Fabio Filzi, 23

Via della Moscova, 31A

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

Via Padova, 21

Corso di Porta Romana, 57

Via del Torchio, 4

Via Eugenio Pellini, 1 - ang. Via Cagliari

Via Solari, 19

Via Spartaco, 12

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 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

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

Corso di Porta Romana, 131

**Abbiategrasso** Piazza Cavour, 11

**Artuno** Via Piave, 7

**Assago** Via del Mulino, 6 (c/o Nestlé Spa)

**Assago Milanofiori**

Palazzo Wtc Viale Milanofiori

**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)

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 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** Piazza San Gottardo, 14

**Trezzo sull'Adda** Via A. Sala, 11

**Vaprio d'Adda** Piazza Caduti, 2

**Vittuone** Via Villosi, 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**

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, 8

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 Ercolani, 4D  
**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  
**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 Cristoforo Colombo, 19  
**Caorso** Via Roma, 6/a  
**Carpaneto Piacentino** Via G. Rossi, 42  
**Gragnano 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  
**Bellaria Igea Marina** Via Uso, 25/B  
**Cattolica** Via Fiume, 37  
**Novafeltria**  
Via Trieste, 32  
Via Giuseppe Garibaldi, 4  
**Pennabilli** Via Aldo Moro, 2  
**Riccione** Viale Ceccarini, 207  
**San Leo** Viale Umberto I, 87  
**Sant'Agata Feltria** Piazza Garibaldi, 21  
**Santarcangelo di Romagna**  
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  
**Adrara San Martino** Via Madaschi, 103  
**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, 14 A  
**Bagnatica** Via Marconi, 6 E  
**Bariano** Via A. Locatelli, 12  
**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  
**Calcinatè** Via Coclino, 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 Unita, 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  
**Chiusduno** 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  
**Leffe** 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

**Nembro** Piazza della Libertà

**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

**Piazza Brembana** Via B. Belotti, 10

**Ponte Nossa** Via Frua, 24

**Ponteranica** Via Pontesecco, 32

**Ponte San Pietro**

Piazza SS Pietro e Paolo, 19

**Pontida** Via Lega Lombarda, 161

**Presezzo** Via Capersego, 28

**Ranica** Piazza Europa, 2

**Romano di Lombardia** Via Tadini, 2

**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

**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

**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 Cattaneo, 3  
Viale Giulio Cesare, 26/28

**Cantù**

Piazza Marconi, 9  
Via Enrico Toti, 1/a (Fraz. Vighizzolo)

**Casate con Bernate** S.S. dei Giovi, 5

**Cermenate** Via Matteotti, 28

**Dongo** Via Statale, 77

**Erba** Via Leopardi, 7/e

**Guanzate** Via Roma, 24

**Lurago D'Erba** Via Manara, 4

**Lurate Caccivio** Via Varesina, 88

**Olgiate Comasco** Via Roma, 75

**Oltrona San Mamette** Piazza Europa, 3

**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

**Cernusco Lombardone** Via Spluga, 43

**Costa Masnaga** Via Cadorna, 18

**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)

**Limbiate** 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

**Veduggio al Lambro** Largo della Repubblica, 7

**Villasanta** Via Confalonieri, 1

**Vimercate** Via B. Cremagnani, 20/a

**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 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

**Cairate** Via Mazzini, 13

**Cantello** Via Turconi, 1

**Caravate** Via XX Settembre, 22

**Cardano al Campo**

Via Gerolamo da Cardano, 19

**Caronno Pertusella** Via Roma, 190

**Casorate Sempione** Via Milano, 17

**Cassano Magnago** Via Aldo Moro, 6

**Castellanza**

Piazza Soldini (c/o Libero Istituto  
Universitario Carlo Cattaneo)

**Castiglione Olona** Via Cesare Battisti, 13

**Castronno** Via Roma, 51

**Cislago** Via IV Novembre, 250

**Cittiglio** Via Valcuvia, 19

**Comerio** Via al Lago, 2

**Cunardo** Via Luinese, 1/a

**Cuveglia** Via Battaglia di S. Martino, 50

**Fagnano Olona** Piazza Cavour, 11

**Ferno** Piazza Dante Alighieri, 7

**Gallarate**

Via A. Manzoni, 12  
Via Buonarroti, 20  
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)

**Leggiano** Via Bernardoni, 9

**Lonate Ceppino** Via Don Albertario, 3

**Lonate Pozzolo** Piazza Mazzini, 2

**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

**Smirago** 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 Gramsci, 39

Corso Magenta, 73 - ang. Via Tosio

Via Lecco, 1

Via San Martino, 2 - ang. Corso Zanardelli

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 Ambaraga, 126

Via Chiusure, 333/a

Via Cefalonia, 76

Via Orzinuovi, 9/11

Via Lamarmora, 230 (c/o A2A)

**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

**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

**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

**Cividate 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. 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

**Ghedì** Piazza Roma, 1

**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)

**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

**Offlaga** Via Giuseppe Mazzini, 2

**Orzinuovi** Piazza Vittorio Emanuele II, 18

**Ospitaletto** Via Martiri della Libertà, 27

**Paderno Franciacorta** Via Roma, 32

**Palazzolo sull'Oglio**

Piazza Roma, 1

Via XXV Aprile, 23

Via Don G. Moioli, 17

**Passirano** Via Libertà, 36

**Pavone del Mella** Piazza Umberto I, 1

**Piancogno**

Via XI Febbraio, 1 (Fraz. Pianborno)

**Pian Camuno** Piazza Giuseppe Verdi, 8

**Pisogne** Via Provinciale, 6

(Fraz. Gratacasolo)

**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

**Prevalle** Piazza del Comune, 7

**Quinzano d'Oglio** Via C. Cavour, 29/31

**Remedello** Via Roma, 60

**Rezzato** Via IV Novembre, 98

**Rodengo Saiano** Via Ponte Cingoli, 12

**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** 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

**San Zeno Naviglio** Via Tito Speri, 1

**Seniga** Via San Rocco, 15

**Sirmione**

Via Colombare - ang. Via G. Garibaldi

Piazza Castello, 58

**Sulzano** Via Cesare Battisti, 85

**Tavernole sul Mella** Via IV Novembre, 40/42

**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 Perlasca, 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

### 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

**Livigno** Via Botarel, 35

**Morbegno** Piazza Caduti per la Libertà, 9

**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, 183 C

Viale Buozzi, 78

Via Croce, 10

Via Cipro, 4/a

Via Gasperina, 248

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)

Via dei Due Macelli, 50

Corso Vittorio Emanuele II, 25/27

Via Baldovietti, 106/110

Viale dei Colli Portuensi, 298/302

Via Norcia, 1/3

Via Guidubaldo del Monte, 13/15

Viale delle Provincie, 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 Giacomo Peroni, 2/4

(c/o Tecnopolo Tiburtino)

Via di Tor Cervara, 313/315

Via Fermi, 25/27

Via Caffaro, 107/109/111

Via dei Velieri, 71/81

Via Tommaso da Celano, 80/82/84

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 Aurelia, 504

Via di Vermicino, 568

Viale Manzoni, 26/B

Via Rieti, 14

Via G. Papini - ang. Via Sacchetti, 73

Via di Torrevecchia, 212/A

Via Bregno, 37/43

Via Oderisi da Gubbio, 81

**Albano Laziale** Via Rossini, 17/19

**Anguillara Sabazia** Via Anguillarese, 99

**Ciampino** Via Kennedy, 163

**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

**Nettuno** Via Carlo Cattaneo, 59 -

ang. Piazza San Francesco

**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** Via Padre Giovanni Minozzi

(c/o Centro Commerciale "Il Corso")

**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 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. Abbazia 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 della Pescara, 33/55  
Via dell'Acacia, 2  
Via Mario Angeloni, 49/A  
**Bastia Umbra** Via Roma, 83  
**Città di Castello** Via Bruno Buozzi, 22  
**Corciano** Via Y. Gagarin  
**Deruta** Via Tiberina, 184/186  
**Foligno**  
Viale Arcamone, 26  
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 Mazzatinti, 8  
**Magione** Via della Palazzetta (Loc. Bacanella)  
**Marsciano** Via dei Partigiani, 12  
**Massa Martana** Via Roma, 42  
**Montecastello di Vibio**  
Piazza Michelotta di Biorde, 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

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**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 Breccie 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, 2  
**Agugliano** 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** 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  
**Numana** 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

**San Marcello** Via Gramsci, 4  
**Santa Maria Nuova**  
Via Risorgimento, 68 (Fraz. Collina)  
Piazza Mazzini, 5  
**Sassoferrato** Piazza Bartolo, 17  
**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, 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 Enrico Dandolo, 7

#### Provincia di Fermo

**Fermo**  
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  
**Monteprandone** 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**  
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  
Piazza Salvo d'Acquisto, 8  
Via Nazionale, 37/41  
Borgo N. Peranzoni, 14/B  
Via Roma, 395  
Viale Indipendenza, 18/20  
**Apiro** 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** Via XX settembre, 10  
**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  
**Gualdo** Via G. Leopardi, 7  
**Loro Piceno** 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  
**Pieve Torina** Via Vignoli  
**Pioraco** Piazza D. Alighieri  
**Pollenza** Via Roma, 52  
**Potenza Picena**  
Via Livorno, 14  
Piazza Matteotti, 19  
**Porto Recanati** Corso Matteotti, 51  
**Recanati**  
Corso G. Persiani, 31  
Via G. Brodolini, 11/A  
**San Ginesio** Piazza Gentili, 31  
**San Severino Marche**  
Viale Europa  
Piazza del Popolo, 87  
**Sant'Angelo in Pontano** Piazza Angeletti, 7  
**Sarnano** Piazza Libertà, 83/A  
**Serravalle di Chienti** Corso G. Leopardi, 107  
**Tolentino**  
Via della Pace,  
Piazza dell'Unità  
**Treia**  
Piazza Arcangeli, 9  
Via Gola della Rossa, 20  
**Urbisaglia** Corso Giannelli, 1  
**Valfornace** Via Rancia  
**Visso** Via G. Rosi, 29

#### 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  
**Cagli** Piazza Matteotti, 25  
**Cantiano** Via IV novembre, 1  
**Carpegna** Via Amaducci, 23  
**Cartoceto** Via Flaminia, 219  
**Colli al Metauro**  
Via Flaminia, 116 (Fraz. Saltara)  
**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  
**San Lorenzo in Campo** Piazza Umberto I, 25  
**Sant'Angelo in Vado** Piazza Mar del Plata, 6  
**Sassofeltrio** Via Risorgimento, 9 (Fraz. Fratte)  
**Serra Sant'Abbondio** Piazzale Virgillito, 1  
**Tavullia** Via Roma, 76  
**Terre Roveresche** Via A. De Gasperi, 2  
**Urbania** Corso V. Emanuele II, 44/48  
**Vallefoglia** Via Nazionale, 83

## ABRUZZO

### Provincia di Chieti

#### Chieti

Via Aterno, 398 bis  
(Fraz. Brecciarola)  
Via Colonna, 24  
(Fraz. Chieti Scalo)  
Piazza Martiri della Libertà, 1  
Via dei Vestini

**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

#### 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

Viale Rimembranze, 16

**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

Via San Michele, 14L

**Villa Santa Maria** Viale Della Vittoria, 1

## Provincia di L'Aquila

### L'Aquila

Via Corrado IV, 90/98

Corso Federico II

**Pizzoli** Corso Sallustio, 107/A

**Sulmona** Corso Ovidio, 105

## 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

Viale Pindaro

Piazza della Rinascita

**Montesilvano** Corso Umberto, 391

## Provincia di Teramo

**Teramo** Via Po, 18

### Alba Adriatica

Via Mazzini, 24 - ang. Via Duca degli Abruzzi

**Giulianova** Via Orsini, 3 -

ang. Via Fosse Ardeatine

**Nereto** Viale Europa

**Roseto degli Abruzzi** Via Nazionale, 330

**Tortoreto** Via Nazionale Adriatica, 116

## 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

Via Calefati, 112

**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

**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

**Tertizzi** 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

**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

**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  
**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  
**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  
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, 1  
**Cariati** Via S. Giovanni, 6  
**Cassano allo Jonio** Corso Garibaldi, 30  
**Castrovillari** Corso Garibaldi, 79/83  
**Corigliano Calabro - Scalo**  
Via Nazionale, 101/103  
**Crosia** Via Nazionale, 74/80 (Fraz. Mirto)  
**Diamante** Via Vittorio Emanuele, 77  
**Fuscaldò** 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  
**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  
**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  
**Monasterace Marina**  
Via Nazionale Jonica, 113/114  
**Palmi** Via Roma, 44  
**Polistena** Piazza Bellavista, 1  
**Roccella Jonica** Via XXV Aprile, 16  
**Rosarno** Corso Garibaldi, 28  
**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 Crispi, 2 - ang. Piazza Amedeo  
Piazza Vittoria, 7  
Galleria Vanvitelli, 42  
Via Santa Brigida, 36  
Piazza Garibaldi, 127  
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  
**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  
**Teleso** 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  
**Frosolone** Corso Vittorio Emanuele, 53  
**Venafro** Via Campania, 69

### **Provincia di Campobasso**

**Campobasso** Via Vittorio Veneto, 86  
**Bojano** Corso Amatusio, 86  
**Larino** Via Jovine, 12  
**Termoli** Via Abruzzi



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## **LOMBARDIA**

**Milano**  
Via Silvio Pellico, 10/12  
Piazzale Fratelli Zavattari, 12  
(Sede e Filiale 2)  
**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

## **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 2019

Date	Event
7 <sup>th</sup> March 2019	Supervisory Board: approval of the separate company and the consolidated financial statements for 2018
12 <sup>th</sup> April 2019 (single call)	General Meeting of the Shareholders
8 <sup>th</sup> May 2019	Board of Directors: approval of the interim financial report as at and for the period ended 31 <sup>st</sup> March 2019
20 <sup>th</sup> May 2019, 21 <sup>st</sup> May 2019, 22 <sup>nd</sup> May 2019	Ex-dividend date, record date and payment date of the dividend if approved by the Shareholders' Meeting
2 <sup>nd</sup> August 2019	Board of Directors: approval of the interim financial report as at and for the period ended 30 <sup>th</sup> June 2019
8 <sup>th</sup> November 2019	Board of Directors: approval of the interim financial report as at and for the period ended 30 <sup>th</sup> September 2019

The dates reported above may be subject to change, which will be promptly announced to markets should they occur.

## Contacts

All information on periodic financial reporting is available on the website [www.ubibanca.it](http://www.ubibanca.it)

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