

UBI BANCA SPA

Remuneration scheme based on financial instruments, proposal to set amounts for the 2016 Incentive Scheme for Employees - excluding "Key Personnel" - by assigning ordinary shares of the Parent, UBI Banca, and a proposal to purchase own shares to service the incentive scheme;

Dear shareholders,

In order to involve and motivate personnel to achieve Group productivity and profitability objectives and with a view to long-term fidelity, the Parent has put in place a scheme for employees in general – excluding “Key Personnel”, who benefit from a specific incentive scheme which already involves the use of shares on the basis of Bank of Italy regulations – which involves the grant of financial instruments for delivering incentives for them, relating to the year 2016 (payout 2017), in compliance with the relative regulations.

This proposal forms part of a more general framework of developing remuneration policies for employees, with particular reference to the expansion of the offer and use of flexible welfare components as a means of paying variable bonuses.

More specifically, the scheme may involve the payment of variable remuneration linked to an annual incentive scheme, subject to the achievement of specific performance objectives, in financial instruments, up to 100% of the bonus earned.

The triggering and procedures for implementing the schemes will be subject from time to time to developments in the relative regulatory, tax and contribution frameworks.

The mechanism that has been identified for granting financial instruments is the assignment of treasury shares held by the Parent (with the cost charged to the single companies in which the employee in receipt of the shares works).

It is not currently possible to indicate the exact amount of the expected liability, as it is subject to the satisfaction of Group and company conditions and the achievement of individual objectives. Nevertheless, on the basis of theoretical estimates carried out, a maximum amount of €15,000,000.00 is forecast to cover the scheme. On this basis, the grant of authorisation to the Management Board to purchase a maximum of 5,100,000 ordinary shares of UBI Banca for a total maximum consideration of €15,000,000.00 is submitted to today's Shareholders' Meeting for approval.

The following is underlined in relation to the above amount:

- on the basis of paragraph 33 of IAS 32 "Financial instruments: disclosure and presentation", treasury shares that are purchased must be deducted, in the accounts, from equity;
- in accordance with provisions of articles 2357 and following of the Italian Civil Code, purchases must be made within the limits of the distributable profits and of the available reserves reported in the last duly approved financial statements. A separate profit reserve shall be created within equity for this purpose.

Following the purchase of the treasury shares, the amount in question shall be deducted from the separate reserve created.

Furthermore, the UBI Banca shares will be purchased in the manner specified in paragraph 1, letter b) of Art. 144-*bis* of the Issuers' Regulations - issued in implementation of paragraph 1 of Art. 132 of the Consolidated

Finance Act - namely, by the purchase on regulated markets following operational procedures that ensure equal treatment of shareholders and do not allow a direct link in trading of proposals to purchase with predetermined proposals to sell.

The purchases must be made, in any event, within 18 months of the date of authorisation – at a price of not less than €2.50 per share (the share capital divided by the number of shares issued) and not greater than 5% of the official price quoted in the market session prior to each individual purchase transaction.

Dear shareholders,

In relation to the above, the Supervisory Board therefore proposes that the Ordinary Shareholders' Meeting approves the following resolution:

*“The Shareholders' Meeting of Unione di Banche Italiane Spa,
- having considered the proposal of the Supervisory Board;
- having taken account of the provisions of the law, of the Articles of Association and of the regulations issued by the Commissione Nazionale per le Società e la Borsa (Consob - Italian securities market authority) concerning the purchase of treasury shares;*

RESOLVES

- a) to approve the incentive scheme for 2016 based on financial instruments, with payment of the variable remuneration through the grant of ordinary shares of the Parent, UBI Banca, to all employees excluding “Key Personal”, as previously described.*
- b) to authorise the Management Board and the Chairman, Deputy Chairman and Chief Executive Officer, individually, on its behalf, to proceed with one or more transactions, to be carried out within 18 months of the date of authorisation, in the manner specified in paragraph 1, letter b), of Art. 144-bis of the Issuers' Regulations, (namely the purchase on regulated markets following operational procedures that guarantee equal treatment of shareholders and do not allow proposals to purchase to be directly linked to predetermined proposals to sell), to the purchase of a maximum of 5,100,000 treasury shares, for total maximum consideration of €15,000,000.00, at a price per share of not less than €2.50 and not greater than 5% of the official price quoted in the market session prior to each individual purchase transaction.*
- c) to grant the Management Board and on its behalf the Chairman, Deputy Chairman and Chief Executive Officer, individually, all the necessary powers required to implement the resolution in compliance with the applicable regulations of the authorities concerned.”*

18th February 2016

THE SUPERVISORY BOARD

Information document pursuant to Art. 84-bis of the Issuers' Regulations. - Annual incentive scheme for employees – with the exclusion of Key Personnel

Introduction

In compliance with the requirements of Art. 114-bis of Legislative Decree No. 58 of 24th February 1998 (the “**Consolidated Finance Act**”) and the requirements of the Issuers' Regulations adopted by Consob Resolution No. 11971 of 14th May 1999 (the “**Issuers' Regulations**”) concerning the information to be disclosed to the market in relation to remuneration schemes based on financial instruments, this information document (the “**Information Document**”) has been prepared to provide details of the implementation of the 2016 Incentive Scheme for employees of the UBI Banca Group – with the exception of “*Key Personnel*” – which involves the payment of a portion of the variable component of remuneration through the grant of ordinary shares of UBI Banca.

This Information Document - prepared in accordance with Schedule 7 of Annex 3A of the Issuers' Regulations - provides information to the public on the conditions established for the implementation of the Scheme.

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.

Beneficiaries - Employees of the UBI Banca Group, excluding the “*Key Personnel*” perimeter, in accordance with the provisions of the 2016 Group Remuneration and Incentives Policy.

Bonus pool - Allocated budget linked to incentive schemes.

Clawback - Mechanism that provides for the repayment of a bonus that has already been paid out.

Remuneration Committee - The committee required by the Bank of Italy Regulations and by the Corporate Governance Code, the composition and functions of which are described in the Corporate Governance Report pursuant to Art. 123-bis of the Consolidated Finance Act and in the Report on Remuneration prepared in accordance with Art. 123-bis of the Consolidated Finance Act and Art. 84-*quater* of the Issuers' Regulations.

Common Equity Tier 1 (“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).

“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) and 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 in a context of normal business and supplemented by situations of stress”.

Targets - Performance indicators defined in the 2016 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.

Net Stable Funding Ratio (“NSFR”) - Indicator of structural balance designed to monitor and contain risk associated with the transformation of maturities within a tolerance threshold considered acceptable by the Group.

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.

Return On Risk-Adjusted Capital (RORAC) - Expresses the profitability in percentage terms of capital at risk calculated as the ratio between NOPAT (net operating profit after tax) and average allocated (budgeted) capital or average absorbed (actual) capital.

Profit on continuing operations before tax (POCBT) is considered net of extraordinary and non-recurring items.

Normalised net profit, adjusted for the cost of capital “delta” (change) - 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.

Normalised net profit (NNP) is considered net of non-recurring extraordinary items and the cost relating to incentive schemes.

1. BENEFICIARIES

The potential beneficiaries of the Scheme are the Personnel of the UBI Banca Group with the exception of “Key Personnel”.

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.

No participant falls within these categories.

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 is reserved to all employees of UBI Banca and of companies belonging to the Group, with the exception of “Key Personnel”, and in particular the following: Banca Popolare di Bergamo S.p.A., Banco di Brescia S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Regionale Europea S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Banca di Valle Camonica S.p.A., UBI Sistemi e Servizi Soc. Cons.p.A., UBI Academy Soc.Cons.r.l., UBI Pramerica SGR S.p.A., UBI Leasing S.p.A., UBI Factor S.p.A., IW Bank S.p.A., Prestitalia, UBI International.

1.3 The names of the persons who benefit from the plan belonging to the following groups:

a) general managers of the issuer of financial instruments;

b) other key management personnel 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 12th 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.

No participant falls within these categories.

1.4 Description and number, by category:

a) key management personnel 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 12th March 2010, information by total for all key management personnel of the issuer of financial instruments;

c) any other category of employee or associate worker subject to different treatment under the Scheme (for example, executives, middle managers, office staff, etc.).

c) The potential beneficiaries of the Scheme fall within the employee category whether they are senior managers, middle managers or office workers, with the exception of “Key Personnel”, numbering approximately 17,600.

2. THE REASONS FOR ADOPTION OF THE SCHEME

The Scheme is designed to involve and motivate personnel to achieve Group productivity and profitability objectives, also with a view to long-term fidelity.

3. APPROVAL PROCESS AND TIMING OF GRANTS OF THE INSTRUMENTS

3.1 Scope of the powers and functions assigned by shareholders to the Management Board for the purposes of the implementation of the Scheme.

The Remuneration and incentive policies of the UBI Banca Group were approved by the Supervisory Board in a meeting held on 18th February 2016.

3.2 Names of the parties assigned to administer the scheme and their function and responsibilities.

The Human Resources Area of UBI Banca is responsible for the administration of the Scheme.

3.3 Any existing procedures for the revision of the Scheme, with respect, amongst other things, to changes in the key objectives.

If significant revisions to the budget are made during the year in question, the “bonus pool” may be subject to changes by the Supervisory Board, after prior consultation with the Remuneration Committee on the basis of a proposal from the Management Board.

3.4 Description of the methods used to determine the availability and the grant of the financial instruments on which the Scheme is based.

The mechanism provides for the use of a number of treasury shares held by the Parent (with the cost charged to the individual companies in which the beneficiaries of the shares work), corresponding to the maximum amount of the bonuses to be paid, estimated on the basis of the targets and the relative performances.

3.5 The role filled by each board member in determining the features of the schemes and any situations of conflict of interest for the directors involved.

No members of the Management Board participate in this 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.

On 18th February 2016 the Supervisory Board approved the proposal for the Scheme to be submitted to the Ordinary Shareholders' Meeting of UBI Banca, called for 2nd April 2016, after prior consultation with the Remuneration Committee, on the basis of a proposal approved by the Management Board on 16th February 2016.

3.7 For the purposes of the requirements of article 84-bis, paragraph 5, letter a), the date of the decision made by the body responsible for the grant of the instruments and any proposal to the aforementioned body made by the remuneration committee, if present.

The Supervisory Board made a decision concerning the 2016 Remuneration and Incentive Policies and the Scheme on 18th February 2016.

3.8 The market price, recorded on the aforesaid dates, for the financial instruments on which the plans are based, if traded on regulated markets.

The official market price of the ordinary shares of UBI Banca recorded on the aforesaid date of the meeting of the Supervisory Board (18th February 2016) was €3.354.

3.9 For plans based on financial instruments traded on regulated markets, what are the terms and procedures adopted by the issuer in determining the timing of the grant of the financial instruments to take account of coincidences in the timing of:

- i) the aforementioned grant or any related decisions taken by the Remuneration Committee, and
- ii) the disclosure of any relevant information pursuant to Article 114, paragraph 1; for example, when the information is:
 - a. not already public and capable of positively influencing the market prices, or
 - b. already published and capable of negatively influencing the market prices.

During approval and implementation of the Scheme, information shall be disclosed to markets as required by the laws and regulations in force from time to time.

4. THE CHARACTERISTICS OF THE INSTRUMENTS GRANTED

4.1 Description of the structure of the remuneration schemes based on financial instruments.

The Scheme provides for 100% of the variable remuneration linked to the annual incentive scheme to be paid in ordinary shares of UBI Banca.

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 beginning in 2016, will conclude in 2017.

4.3 End of the Scheme.

The Scheme ends in 2017.

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.

Taking as a reference the official price on 11th February 2016 (€2.937) and in consideration of the remuneration that can be paid against the triggering of the incentives schemes and the related performances, the maximum number of shares that may potentially be granted is 5,100,000 shares.

4.5 Trigger procedures and clauses for the Scheme, specifying whether the grant of instruments is subject to conditions being met or the achievement of determined results, including performance related results; a description of those conditions and results.

Triggering of the Scheme is strictly linked to the satisfaction of conditions (entry thresholds or “gates”) that guarantee the capital stability and liquidity of the Group, specifically the “Common Equity Tier 1 Ratio”, the “Net Stable Funding Ratio”, the “Liquidity Coverage Ratio” and “Leverage Ratio”. The incentive scheme is not, however, triggered if the financial statements show a loss on normalised amounts.

In addition to Group entry thresholds or “gates”, there are performance indicators at Group and company level, particularly RORAC at Group level, which are also effective with reference to the Parent and to the companies UBI Sistemi e Servizi Soc. Cons.p.A and UBI Academy Soc. Cons.r.l, and adjusted net profit for the delta cost of capital (and normalised net profit where this is not available) at the level of individual companies.

Further result targets of both a quantitative and qualitative nature are also provided at individual level.

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.

No restrictions on availability for the beneficiaries exist.

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 this kind.

4.8 Description of the effects of the termination of the employment relationship.

All rights are lost under the Scheme if the employment relationship is terminated, except for end of contract with the immediate receipt of a retirement pension with no economic incentives.

4.9 Details of any other reasons for the cancellation of the Scheme.

The Scheme does not have any cancellation clauses, with the exception of the application of clawback mechanisms in the event of fraudulent conduct or gross negligence.

4.10 The reasons for the provision of any "buy-back" by UBI Banca of the shares involved in the Scheme, pursuant to Articles 2357 and following of the Italian Civil Code; the beneficiaries of the buy-back, specifying whether it only applies to particular categories of employees; and the effects of the termination of the employment relationship on the redemption.

The Scheme does not provide for the buy-back by UBI Banca or other companies of the Group of the shares involved in the Scheme.

4.11 Any loans or concessions to be granted for the purchase of the shares pursuant to Article 2358, paragraph 3, of the Italian Civil Code.

The Scheme does not provide for loans or concessions for the purchase of the shares involved in the Scheme.

4.12 Details of the estimates of the expected cost for the company as at the grant date, as determinable on the basis of the terms and conditions already defined, by overall amount and for each instrument of the Scheme.

The Scheme provides for the use of a number of treasury shares held by the Parent corresponding to the maximum value of the bonuses payable in shares (with subsequent reimbursement by the individual Group companies for which the beneficiaries of the shares work).

A maximum theoretical requirement of 5,100,000 shares is estimated, although it is not possible to quantify the expected cost exactly, because it's determination is subject to meeting Group and company conditions and also to the achievement of individual objectives.

4.13 Specification of any dilution effect on share capital resulting from the grant of the shares.

Since the Scheme will be serviced by the use of treasury shares held by the Parent, its adoption will not have any dilution effect on UBI Banca's share capital.

4.14 Any limits set on the exercise of voting rights and on the assignment of economic rights.

No limits have been set on the exercise of voting rights or on the assignment of economic rights.

4.15 If the shares are not traded on regulated markets, any other information needed to properly measure the value attributable to them.

The Scheme will only use shares traded on regulated markets.

**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 scheme for personnel not comprised within the Key personnel perimeter						
		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
Personnel not comprised within the Key personnel perimeter		NA	NA	NA	NA	NA	NA	NA

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 instruments on the basis of a decision of the Supervisory Board submitted to the 2016 General Shareholders' Meeting 2016 short-term incentive scheme for personnel not comprised within the Key Personnel perimeter						
		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
Personnel not comprised within the Key personnel perimeter		02/04/2016	Ordinary shares of UBI Banca	NA	NA	NA	NA	NA

This English version is a courtesy translation from the Italian original document which remains the definitive version.