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***Remuneration Report***  
***2016 Shareholders' Meeting***

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**UBI**  **Banca**

*This English version is a courtesy translation from the Italian original document*

*which remains the definitive version.*

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## Introduction

This report has been prepared for the purpose of public disclosure in accordance with the current relevant legislation. It is composed of two sections.

The first section illustrates the Group Remuneration and incentive policies for 2016, providing a reference framework for the main decision-making processes, characteristics and procedures used to ensure that remuneration is linked to results, the main performance indicators employed, the reasons behind the choice of variable remuneration schemes and the other non-monetary schemes.

The second section is divided into two parts.

The first part summarises the main decision-making processes in 2015, the results of implementing the remuneration policies, information on wage agreements concerning the start and end of employment relationships, as well as the contents of the main items of wages in the quantitative tables.

The second part gives aggregate quantitative information by area of activity and category of personnel with remuneration by name for the members of the management and supervisory bodies, the Chief Executive Officer, General Manager, Senior Deputy General Manager and Deputy General Managers of UBI Banca, and totals for the remuneration of key management personnel.

Shareholders vote to approve or reject the first section of the report. That vote is not binding. The result of the vote is disclosed to the public in accordance with Art. 125-*quater*, paragraph 2 of Legislative Decree No. 58 of 24<sup>th</sup> February 1998.

## Section I - Group Remuneration and incentive policies for 2016

### “Executive Summary”

#### 1. Principles and aims

Remuneration and incentive policies are a key tool that serves to support the medium and long-term strategies of the Group.

They are designed with the objective of creating value over time and pursuing sustainable growth for shareholders, employees and customers.

Their purpose is to attract, motivate and retain staff, creating a sense of identity and developing a culture linked to performance and merit.

The key principles are:

- fairness, understood as consistency in the remuneration of comparable roles and responsibilities, offering the same career opportunities to all;
- attention to risk and compliance, to ensure the sustainable growth of the Bank over time;
- prudence, as a fundamental criterion of banking that is crucial to the introduction of rules and processes intended to avoid behaviour and phenomena that conflict with the interests of the Bank or may lead to moral hazard;
- competitiveness, defined as continuous comparison with best practices and market trends;
- rewarding merit, understood as the recognition of the results, skill sets, behaviours, and values in the actions of each individual that are made available to develop team spirit and a sense of belonging to the Group.

(see Section I - Chapter I)

#### 2. Main developments compared with 2015

With a view to continuous improvement, also in light of best practices and market trends, with account taken of continuous changes to the relative regulatory framework<sup>1</sup> and recent corporate ownership modifications in the Group, changes have been introduced for 2016 and some refinements have been made to previous policies which could have further effects during the year.

- The perimeter of Material Risk Takers (MRT) or Key Personnel (KP) has been updated on the basis of organisational and company ownership developments according to qualitative and quantitative criteria set in the Delegated Regulation (EU) No. 604<sup>2</sup>, with the identification of a total of 204 positions, based on the effective ability of individual company figures to impact on the Group’s risk profile (see Sect. I - Chapter IV).
- The use of financial instruments has been extended to include the whole of the “Key Personnel” perimeter, except for “Members of Governing Bodies”, in application of the principles contained in the new EBA guidelines (see Sect. I - Chapter VI, Par. 2).
- The three-year (2015-2017) long-term incentive scheme (“LTIS”) commenced last year remains in force. This scheme is designed to bring the interests of management increasingly into line with those of shareholders in the medium to long-term and to increase the performance-based variable component of remuneration. The system concerns a small number of senior managers amongst the Key Personnel, on the basis of the key position occupied in policy terms over the governance of the Group and their impact on the main business areas. In consideration of the existing scheme, no plan exists to introduce a new long-term incentive scheme. (see Sect. I - Chapter VI – Par. 2).

<sup>1</sup> EBA guidelines published on 21<sup>st</sup> December 2015.

<sup>2</sup> Adopted on 4<sup>th</sup> March 2014 pursuant to Art. 94 (2) of CRD IV on the basis of a proposal from the EBA.

- The range and flexible use of welfare components – goods and services offered to employees – has been increased to involve amongst other things the possibility of using financial instruments as a means of paying variable remuneration for all personnel. *(see Sect. I - Chapter VI)*
- The criteria and procedures for managing the remuneration of associate workers who are not employees are more detailed, especially with regard to financial advisors and agents. *(see Sect. I - Chapter VI – Par. 6)*

### **3. Ten pillars**

#### **1. Regulatory context**

The Group updates its policies and practices continually on the basis of the regulatory framework, which has been subject to further changes in 2015.

The policies for 2016 are designed to comply with the most recent regulatory changes made by the Supervisory Authorities and Government at Italian and European level.

*(see Sect. I - Chapters I and II)*

#### **2. Benchmarking**

The Group has set itself the target of improving its capacity to attract, motivate and retain staff, among other things by means of continuous comparison with best practices and market trends.

In order to have an appropriate comparison also in terms of remuneration benchmarking, a peer group has been identified consisting of ten Italian banks, with characteristics that are considered to be the most comparable with our Group.

*(see Sect. I - Chapter II)*

#### **3. Risk appetite**

The Risk Appetite Framework (RAF) contained in the document “Risk appetite and value creation in the UBI Banca Group” defines strategic Group orientations in relation to the evaluation of current and future capital adequacy, and risk assumption and management policies.

In the pursuit of sustainable growth and the creation of value, these orientations have been translated into principles and guidelines that are a source of inspiration for the policies and remuneration and incentive policies of the Group.

*(see Sect. I - Chapters I and VI - Par. 2)*

#### **4. Governance**

Governance systems and rules have the purpose of ensuring clarity, transparency and effectiveness in the definition and management of the remuneration and incentive policies of the Group.

The main stakeholders in the process:

- the UBI Shareholders’ Meeting
- the Supervisory Board
- the Remuneration Committee
- the Risk Committee
- the Management Board
- the Shareholders’ Meetings of the Italian subsidiary banks
- the Boards of Directors and Boards of Statutory Auditors of the banks and subsidiaries
- Strategic Planning and Capital Management

- Human resources<sup>3</sup>, Risk Management, Compliance and Internal Audit as corporate control functions

operate in accordance with their specific powers and responsibilities.

*(see Sect. I - Chapter III)*

### *5. Persons to whom the policies apply*

The policies apply to the following categories of staff:

- Material Risk Takers (MRT) or Key Personnel (KP) identified in accordance with the qualitative and quantitative criteria provided for in Delegated Regulation (EU) No. 604, in which more specific categories with differing characteristics and treatments are defined, and that is the Members of Governing Bodies who are not linked to the Group by a regular employee contract, the Top Key Personnel (Top KP) and the Other Key Personnel (Other KP)<sup>4</sup>;
- Other Group Personnel;
- Associate Workers not linked to the Group by a regular employee contract.

In 2016 a total of 204 positions have been defined in the Material Risk Taker perimeter, accounting for around 1% of the entire population of the Group, inclusive of Members of Governing Bodies, who numbered 114.

Identification of that perimeter was carried out on the basis of the results of assessments conducted by each Bank, subsequently consolidated at Group level, including all companies in the analysis and therefore also those not subject to the CRD IV Directive. Consideration was taken of the specific characteristics of the current federal model of organisation, in which the Parent focuses on the functions of the strategic management, coordination and control of the subsidiaries, which operate within defined areas of autonomy, taking into account the type of activity performed and the associated risk profiles.

*(see Sect. I - Chapter IV)*

### *6. Comparative remuneration and pay mix*

Distinct and competitive remuneration packages are defined on the basis of the category of personnel, in terms of fixed and variable components.

The objective is to position Group remuneration in line with the market, partly with a view to retention, with the aim of assigning the highest pay bands of the remuneration benchmarks to the highest performing staff, those with the most potential, and those who are in strategic positions and at market risk.

Along the same lines as previous years, the ratio of variable to fixed remuneration is set at up to a maximum of 2:1 for five key positions in the Investment Area of the asset management company, UBI Pramerica S.p.A., in consideration of the specific nature of this employment market and the need to maintain competitive salary levels and to motivate staff.

<sup>3</sup> For the sole purposes of remuneration regulations in accordance with Bank of Italy Supervisory Regulations published on 18<sup>th</sup> November 2014.

<sup>4</sup> Other KP include ten financial advisors of the company IW Bank S.p.A.

The following table shows the average theoretical pay mix, divided between the various categories of Material Risk Takers and calculated as the total for each aspect of remuneration (fixed or variable with long and short-term targets) as a percentage of total remuneration.

“Material Risk Takers” Perimeter	Number	Fixed remuneration	Variable short-term	Variable long-term
“Governing bodies”	114	100%	-	-
“UBI CEO”	1	50%	30%	20%
“Top”	20	62%	25%	13%
“Other KP” <sup>5</sup>	59	80%	20%	-

The ratio between the variable and fixed component for the Control Functions does not exceed the limit of one third, in accordance with regulations.

(see Sect. I - Chapter IV)

## 7. Performance measurement

The variable component of remuneration is based on performance measurement, on both an annual and long-term basis.

The objective is to involve and motivate staff to achieve medium and long-term strategies and also to recognise team and individual contributions.

The measurement is related to income statement and balance sheet indicators corrected for risk, internal and external customer satisfaction levels, strategic projects and assessments of the effectiveness of their behaviour.

To ensure a more direct correlation between results and rewards, a bonus pool has been budgeted, to which access is gradual and subject to the satisfaction of trigger conditions (“gates”) by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group and the individual business entity.

The following indicators are identified as trigger conditions (“gates”), set out by implementation scheme:

- Common Equity Tier 1 (CET 1)
- Net Stable Funding Ratio (“NSFR”);
- Liquidity Coverage Ratio (“LCR”);
- Leverage Ratio (“LR”).

The indicators used to evaluate performance vary according to the time horizon of the incentive scheme in question. In particular:

### A) Annual incentive scheme

The 2016 indicators are:

- RORAC<sup>6</sup>, at Group level;
- Adjusted normalised net profit<sup>7</sup>, at the level of the individual business entity.

### B) Three-year incentive scheme (for Top Key Personnel).

The indicators for the existing scheme are calculated over the three-year period 2015-2017 as follows:

<sup>5</sup> Financial advisors are excluded from the calculation of the pay mix in consideration of the specific nature of their remuneration, usually entirely variable on the basis of the nature of their employment contract.

<sup>6</sup> That indicator is also applied for the Parent, the company UBI Servizi e Sistemi and the company UBI Academy.

<sup>7</sup> Normalised net profit, adjusted for the cost delta between absorbed capital and allocated capital. Where that indicator is not available it is replaced with the normalised net profit indicator.

- RORAC, at Group level;
- performance of the UBI share<sup>8</sup> relative to a peer group benchmark.

With reference to the Material Risk Taker category, both incentive schemes have adequate mechanisms for the deferral of bonuses earned, in accordance with principles of proportionality, on the basis of the key level of the role and the impact on risks.

*(see Sect. I - Chapter VI, Par 2)*

### *8. Clawback and malus conditions*

On the basis of the performances of the Group and the individual company, the bonus pool may be increased or reduced, even to zero, by ex post adjustment (malus).

Provision has also been made for the repayment of bonuses that have already been disbursed, using clawback mechanisms that take individual behaviours into account, as set out in the regulatory framework, whether or not there are compensation or disciplinary issues.

Specifically for Key Personnel, a proportion of the variable component of remuneration is subject to deferred payment and ex post adjustment mechanisms (malus): 60% for the Chief Executive Officer of UBI, 50% for the Top Key Personnel, and 40% for Other Key Personnel.

*(see Sect. I - Chapter VI, Par. 2)*

### *9. Other retention and attraction tools*

The other tools designed to attract and retain staff include:

- staff awards such as promotions, increases in the fixed component of pay and also one-off variable component bonuses related to career paths and professional development;
- as part of variable remuneration, the company productivity bonus or alternatively, the result premium, as defined by the national trade union agreement, the conditions and criteria for which may be set annually in the context of supplementary trade union negotiations;
- as part of the variable component of remuneration, the commercial contest schemes geared to periodic objectives and aimed at directing the distribution network towards supporting business and targets;
- job-security agreements, for which the amount has been agreed or granted during the same employment relationship by means of periodic or continuous indemnity items (only in exceptional circumstances can this occur at the time of termination of the employment relationship, in accordance with criteria set out by the Shareholders' Meeting) to retain professionals in high demand within the labour market and to protect the financial profiles of the Bank;
- any indemnities associated with specific positions within the governance and control structures that are functionally linked to the role occupied;
- benefits which, in addition to the provisions of the national trade union agreement, are awarded in order to protect the health and welfare of staff, such as discounts on products and services provided by the Bank, and to support requirements for the performance of assignments, geographical mobility and personnel management;
- the Bank may make use of specific non-competition agreements, when they are required or advisable for the protection of commercial and customer goodwill. The necessary payments will be agreed within the limits set in article 2125 of the Italian Civil Code and in line with Bank of Italy Supervisory Regulations, legal interpretations and market practices, with specific reference to Key Personnel in compliance with the criteria and limits approved by the Shareholders' Meeting.

*(see Sect. I - Chapter VI, Par. 1, 2, 3 and 4)*

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<sup>8</sup> Defined with the indicator total shareholder return (TSR).

### *10. Post-employment benefits*

The criteria for determining extraordinary remuneration, in addition to what is required by law or under the national trade union agreement, in the event of the early termination of the employment relationship or of the position held, are set by the Shareholders' Meeting and reported in the annual financial reports.

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

Any individual agreements, on an exceptional basis, will be managed in the context of the criteria set by the 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 obligations and in order to avoid objectively justified litigation risks.

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

A structured approval process is followed for decisions regarding Key Personnel. More specifically, the Management Board, supported by the competent internal functions of the Bank, submits the measures adopted and the relative reasons, within the bounds of the aforementioned criteria and limits approved by a Shareholders' Meeting, to the Supervisory Board for appropriate verification of compliance, after prior consultation with the Remuneration Committee.

*(see Sect. I - Chapter VI, Par. 5)*

## **I. Principles and aims**

Remuneration and Incentive Policies are a key tool that serves to support the medium and long-term strategies of the Group.

They are designed with the objective of creating value over time and pursuing sustainable growth for shareholders, employees and customers.

Their purpose is to attract, motivate and retain staff, creating a sense of identity and developing a culture linked to performance and merit.

The key principles, in line with the usual practices for the management and development of resources, are:

- fairness,
- attention to risk and compliance,
- prudence,
- competitiveness,
- rewarding merit.

These principles are applied throughout the organisation and reflected at the level of each business area in relation to all personnel including the staff of the external distribution networks, without affecting the specific characteristics of their remuneration.

### ***Fairness***

Fairness is understood as the principle of consistency in the remuneration of comparable roles and responsibilities, offering the same development and career opportunities to all.

This principle is guaranteed by using tools to analyse and assess the positions in the organisation which enable the regular evaluation of internal remuneration levels and their consistency on the basis of the complexity and strategic function of the role within the Group.

At the same time the performance level of the functions of each role are continuously monitored, using tools for the assessment of performance, skills and potential to ensure that the most deserving staff are assigned to the highest remuneration bands.

This principle is also applicable in structured processes based on management tools present within the Group. These include the process (Merit Plan), usually on an annual basis, for the purpose of formulating staff award proposals, connected with professional development programmes and regulated by the Parent by means of guidelines issued to each Group member company.

### ***Attention to risk and compliance***

The Group is attentive to risk and constantly seeks compliance with regulatory requirements, to ensure the sustainable growth of the Bank over time.

The Risk Appetite Framework (RAF) contained in the document “Risk appetite and value creation in the UBI Banca Group”<sup>9</sup> is an important source of inspiration for policies.

It is used to determine the preliminary trigger conditions (“gates”) of the incentive schemes and to define conditions and limits, so that the total amount of variable remuneration is such that it does not limit adequate levels of capitalisation for the risks taken, providing for significant reductions or even the elimination of the variable components of remuneration in the event of below forecast or negative performance levels.

The economic and financial indicators are completed by other parameters such as customer satisfaction, the quality of work and the results of the audit, which are critical for the management of compliant behaviours and supervising the sustainability of results in the medium to long term.

### ***Prudence***

<sup>9</sup> That internal document sets out strategic Group guidelines in relation to the measurement of current and future capital adequacy and its risk-taking and risk management policies.

Prudence is a fundamental criterion of banking that is crucial to the introduction of rules and processes intended to avoid behaviour and phenomena that conflict with the interests of the Bank or may lead to moral hazard.

The remuneration and incentive schemes of the Group are defined in accordance with policies for the prudent management of risk and comply with the provisions defined in the context of the process of prudential monitoring..

They are also intended to lead to motivations and behaviours based on sobriety and ethical conduct in business, transparency and integrity in relations within the business and with customers, dialogue and the development a climate of trust with all our stakeholders.

### ***Competitiveness***

Competitiveness is defined as continuous comparison with best practices and market trends and analysis of the comparative remuneration of each role in relation to the relevant benchmark.

The attention paid to market trends stems from the conviction that by including comparisons with the external context it is possible to improve the ability of the Group to attract, motivate and retain staff.

For this purpose a peer group has been identified to serve as a benchmark, consisting of ten Italian banks, while setting aside the specific characteristics of businesses such as asset management, for which targeted market surveys are performed.

The objective is to position Group remuneration in line with the market, with the aim of assigning the highest pay bands of the remuneration benchmarks to the highest performing staff, those with the most potential, and those who are in strategic positions and at market risk.

### ***Rewarding merit***

Merit is rewarded by means of the recognition of the results, skill sets, behaviours, and values in the actions of each individual, measured on several levels using structured analysis and evaluation processes.

Among these, incentive schemes are a key lever for recognising merit and continuing the commitment to bring variable remuneration into line with the results that have actually been achieved.

The policies are designed to recognise individual merit, and at the same time consolidate team spirit and a sense of belonging, relating the objectives and results of each employee to their own business unit, bank or company and to the Group.

## ***II. Regulatory context and market practices***

The Group updates its policies and practices continually on the basis of the regulatory framework, which has been subject to further changes in 2015 at both Italian and European levels.

They have been defined with consideration taken of the EBA guidelines issued on 21<sup>st</sup> December 2015, which will come into force in 2017, and they have been brought into line with the most recent directives issued by the Supervisory Authority, in the pursuit of compliance as a key tool for the sustainable growth of the Bank, and in particular:

- the Bank of Italy Supervisory Regulations published on 18<sup>th</sup> November 2014 which implement Directive 2013/36/EU of the European Parliament (CRD IV) in force since 1<sup>st</sup> January 2014;
- the Commission Delegated Regulation (EU) No. 604 of 4<sup>th</sup> March 2014, for the identification of "Material Risk Takers" (MRT) and "Key Personnel" (KP);
- the joint Consob-Bank of Italy communication of 29<sup>th</sup> January 2014, implementing the ESMA guidelines on remuneration policies and practices.

In developing the policies, account was also taken of the guidelines and procedures adopted by the other banking groups with the objective of achieving consistency with the best practices

and market trends and continuously improving the ability of the Group to attract, motivate and retain staff.

In order to obtain a benchmark which is also relevant to remuneration, the peer group consists of ten Italian banks, with characteristics that are considered to be the most comparable with our Group in terms of their size, geographical location, complexity and the regulatory context.

<i>“Peer Group”</i>
Banca Nazionale del Lavoro
Banca Popolare dell’Emilia Romagna
Banca Popolare di Milano
Banco Popolare
Carige
Credito Emiliano
Credito Valtellinese
Intesa San Paolo
Monte dei Paschi di Siena
Unicredit

The remuneration trends of the overall banking market in Italy and best practice, both internationally and across other sectors, are also monitored on a regular basis with the support of specialised consultancy firms, with the objective of keeping up to date and taking consistent, competitive decisions to motivate and retain the key resources of the Group.

### **III. Governance process and principal stakeholders**

Governance systems and rules have been defined with the aim of ensuring clarity, transparency and effectiveness in the definition and management of the remuneration and incentive policies of the Group.

The main protagonists in the process are:

- the UBI Shareholders’ Meeting;
- the Supervisory Board;
- the Remuneration Committee;
- the Risk Committee;
- the Management Board;
- the Shareholders’ Meetings of the Italian subsidiary banks;
- the Boards of Directors and Boards of Statutory Auditors of the banks and subsidiaries;
- Strategic Planning and Capital Management;
- Human Resources<sup>10</sup>, Risk Management, Compliance and Internal Audit, as corporate control functions.

As well as determining the total remuneration for the members of the Supervisory Board, the UBI Shareholders’ Meeting approves the remuneration policies of the Supervisory Board and Management Board, the incentive component based on financial instruments, and the criteria and limits for determining remuneration in the event of the early termination of the employment relationship or of the position held.

<sup>10</sup> For the sole purposes of remuneration regulations in accordance with the provisions of Bank of Italy Supervisory Regulations on remuneration policies and practices.

The Supervisory Board, on the basis of a proposal from the Management Board within the scope of its remit<sup>11</sup>, and after prior consultation with the Remuneration Committee, - which involves the competent corporate functions -, and with the Risk Committee for verification of compliance with the “Risk Appetite Framework” sets and reviews the remuneration and incentive policies of the Group on at least an annual basis and approves the Report on Remuneration, Section I of which is subject to a non-binding vote by the Shareholders’ Meeting.

The policies are then submitted for approval by the Shareholders’ Meetings of the Italian banks and the Boards of Directors of foreign banks and companies, except for the incentive component based on financial instruments, which is subject to approval by the UBI Shareholders’ Meeting. Information is also provided to the above bodies by means of the annual Report on Remuneration within the Group.

The Management Board, having incorporated any general recommendations made by the Remuneration Committee, formulates – with support from the competent functions – a proposal, within the scope of its remit, for Remuneration and Incentive Policies and the relative tools to implement them which is submitted to the Supervisory Board for its approval after prior consultation with the Remuneration Committee. That same Management Board and the Boards of Directors of the banks and subsidiaries, in accordance with the policies set, approve the relative means to implement them and, with the support of Human Resources and the other competent functions, direct choices concerning the management and remuneration of staff.

The Management Board, having taken account of any proposals from the Remuneration Committee in those cases where it is required by the regulations in force, determines the remuneration of Senior Management at UBI and indicates the amount of the remuneration for Senior Management and Personnel belonging to the Material Risk Taker perimeter of subsidiary companies to be submitted to the Boards of Directors of those companies.

The foregoing is submitted to the Supervisory Board for verification of compliance, after prior consultation with the Remuneration Committee.

With the exception of matters reserved to the Shareholders’ Meeting, the Management Board submits any exceptions to the policies for an opinion from the Remuneration Committee and the consequent resolutions of the Supervisory Board.

The corporate control functions are involved ex ante, working together to ensure the adequacy and regulatory compliance of the policies and practices adopted, and carry out ex post monitoring of their proper functioning and application.

The role of the main stakeholders involved in the process of defining, approving, implementing and auditing the policies is set out below.

### **General Meeting of UBI Shareholders**

The Ordinary Shareholders’ Meeting is responsible for:

- approving Remuneration policies for Members of the Supervisory Board and determining their remuneration, in addition to other total amounts for the remuneration of those members to whom particular offices, powers or functions have been assigned;
- approving remuneration policies for members of the Management Board;
- approving remuneration and/or incentive schemes based on financial instruments;
- the criteria and limits for determining remuneration in the event of the early termination of the employment relationship or of the position held;
- increasing the ratio of the variable to fixed components of remuneration up to a maximum of 2:1.

The Shareholders’ Meeting also takes a non-binding vote on Section I of the annual Report on Remuneration.

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<sup>11</sup> Policies for the remuneration of governing bodies do not fall within the remit of the Management Board.

### ***Supervisory Board***

The Supervisory Board, after prior consultation with the Remuneration Committee, submits proposals to the Shareholders' Meeting to set:

- the remuneration of Members of the Supervisory Board and also further total amounts for the remuneration of those members to whom particular offices, powers or functions have been assigned;
- Remuneration Policies for members of the Management and Supervisory Boards;
- remuneration and/or incentive schemes based on financial instruments;
- the criteria for determining remuneration in the event of the early termination of the employment relationship or of the position held;
- an increase in the ratio of the variable to fixed components of remuneration up to a maximum of 2:1.

It also, after prior consultation with the Remuneration Committee:

- allocates the remuneration set by a Shareholders' Meeting for members of the Supervisory Board, setting the remuneration for the Chairman, the Senior Deputy Chairman, the Deputy Chairmen if appointed and those members of the Supervisory Board to whom specific offices, powers or duties have been assigned;
- determines the remuneration for members of the Management Board, in accordance with the remuneration policies approved by the Shareholders' Meeting for members of the Management Board;
- approves the remuneration policies and the annual Report on Remuneration;
- decides on the regulations to implement the remuneration and incentive schemes for Material Risk Takers, ensuring that they are consistent with overall choices of the bank in terms of risk-taking, strategies, long-term objectives, corporate governance structure and internal controls;
- decides, following an annual appraisal of the conditions and performance indicators, on the triggering of short and long-term incentive schemes and management of the relative bonus pool.

The Supervisory Board also, on the basis of a proposal from the Remuneration Committee, sets the remuneration policies for the Governing Bodies of subsidiaries.

Finally, with the support of the Remuneration Committee, it carries out checks at least once a year to see that the policies are being implemented correctly.

### ***Remuneration Committee***

The Remuneration Committee is formed of members of the Supervisory Board and governed by special regulations<sup>12</sup>, published in the "Corporate Governance/Supervisory Board" section of the Bank's website, which determine its responsibilities and functioning.

The Committee carries out consultation activities, submits proposals and performs fact finding activities for the Supervisory Board, making use of external independent consultants, assessing in advance whether these are in situations that might compromise the independence of their judgement, and involving the competent corporate functions.

The Committee has access in carrying out its duties to corporate information relevant to that purpose and it shall have sufficient funds to ensure its operational independence.

In detail, it formulates proposals and opinions:

- for the decisions that the Supervisory Board submits to a Shareholders' Meeting for approval;
- for the remuneration of Governing Bodies;

<sup>12</sup> These regulations were revised in 2015 for compliance with Supervisory Regulations for Banks on Corporate Governance (Circular No. 285 – Part One – Title IV – Chapter 2).

- for Remuneration Policies;
- for the implementation of schemes for Material Risk Takers.

For the purpose of verification of compliance with Group remuneration policies, it provides opinions:

- on remuneration and/or incentive schemes based on financial instruments;
- on recommendations made by the Management Board to the Boards of Directors of the subsidiaries in relation to the proposals that they will submit to their respective Shareholders' Meetings for setting the remuneration of the Boards of Directors and any remuneration and/or incentive schemes based on financial instruments.

The Committee also:

- furnishes opinions and has proposal making duties in those cases where required by the regulations in force, on the amount of the remuneration for the Senior Management of UBI Banca and of subsidiaries and for Material Risk Takers;
- directly oversees the proper application of rules relating to the remuneration of the "Managers of Corporate Supervisory Functions" in close co-operation with the Supervisory Board;
- works 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 Risk Appetite Framework;
- provides opinions to the Supervisory Board about whether the trigger conditions and performance objectives of the incentive schemes have been achieved, inclusive of the impacts on the management of the bonus pool;
- periodically assesses the appropriateness, overall consistency and concrete application of policies pursued for the remuneration of senior managers and Key Personnel of the Group;
- gives advance assessments to the Supervisory Board on any individual agreements, in the context of criteria set by a Shareholders' Meeting, regarding post employment benefits for Key Personnel.
- sees to the preparation of the documentation to be submitted to the Supervisory Board for taking the relative decisions;
- provides the Supervisory Board and Shareholders' Meeting with adequate information about the activities performed.

The Remuneration Committee is composed<sup>13</sup> of the following members of the Supervisory Board:

- Mario Cera, as the Chairman;
- Marina Brogi;
- Alessandra Del Boca;
- Andrea Cesare Resti;
- Armando Santus.

In compliance with the provisions of the Borsa Italiana Corporate Governance Code, the composition of the Remuneration Committee reflects an adequate level of experience and expertise in relation to bank governance, law, finance and remuneration policies.

With reference to the appointment of the Senior Deputy Chairman, Mario Cera (who for the previous three years had performed a senior role in a strategically significant subsidiary) to the position of Chairman of the Remuneration Committee, as already described in the 2015 Report, with a view to the efficient operational continuity of the Bank it was considered appropriate not to comply, for this specific point only, with the requirements of Art. 6.P.3 of the Borsa Italiana Corporate Governance Code in order to ensure that the Committee continues to function in a full and efficient manner. It is precisely the professional experience and knowledge of the Group that Mario Cera has acquired that, together with his substantial

<sup>13</sup> Its term of office expires at the time of the 2016 General Meeting.

and well-known independence of judgment, were and are a suitable guarantee of the better and appropriate functioning of the Committee. The other four members of the Committee are in possession of the requirements of independence required by the Code.

In 2015 the Remuneration Committee met 13 times. The average length of meetings was approximately 1.4 hour and its activities are reported in detail in the Report on Corporate Governance and ownership structure contained in the 2015 Annual Report.

One meeting has been held in 2016.

### ***Risk Committee***

Without prejudice to the responsibilities of the Remuneration Committee, the Risk Committee checks that the mechanisms underlying incentives in remuneration and incentive schemes are consistent with the Group's Risk Appetite Framework.

### ***Management Board***

The Management Board is responsible for:

- the formulation, with support from the competent functions, of a proposal, within the scope of its remit, for Remuneration and Incentive Policies to be submitted to the Supervisory Board for its approval after prior consultation with the Remuneration Committee;
- the formulation of proposals to be made to the Supervisory Board for subsequent submission to the Shareholders' Meeting, for remuneration and/or incentive schemes based on financial instruments, the criteria and limits for determining remuneration in the event of the early termination of an employment relationship or of the position held, an increase in the ratio of variable to fixed remuneration above the limit of 1:1 and Section II of the annual Report on Remuneration;
- approving the means for implementing the policies and, with the support of Human Resources and the other competent functions, directing choices concerning the management and remuneration of staff;
- the approval, and having taken account of any proposals from the Remuneration Committee in those cases where it is required by the regulations in force, of the remuneration of Senior Management at UBI and its subsidiaries and more generally of Personnel belonging to the Material Risk Taker perimeter to be submitted to the Supervisory Board for an opinion, after prior consultation with the Remuneration Committee;
- making recommendations to the Boards of Directors of the subsidiaries in relation to the proposals that they will submit to their respective Shareholders' Meetings for setting the remuneration of the Board of Directors and any remuneration and/or incentive schemes based on financial instruments;
- the proposal for triggering short and long-term incentive schemes and the relative management of the bonus pool.

### ***Shareholders' Meetings of the Italian subsidiary banks***

The Shareholders' Meetings of the Italian subsidiary banks are responsible for approving the remuneration policies and setting the remuneration for their respective Governing Bodies, on the basis of proposals made by the Board of Directors, in accordance with the recommendations of the competent bodies of the Parent.

They are also responsible for approving remuneration and/or incentive schemes based on financial instruments relating to their business, for increasing the ratio of variable to fixed remuneration above the limit of 1:1 and for the criteria and limits set for determining remuneration to be agreed in the event of the early termination of the employment relationship or of the position held, subject to the approval of the UBI Shareholders' Meeting.

The Shareholders' Meetings also adopt the annual Report on Remuneration submitted by the competent bodies of the Parent.

## ***The Boards of Directors and Boards of Statutory Auditors of Banks and Companies***

The Boards of Directors and of banks and companies receive from the competent bodies of the Parent and approve the following:

- the Group Remuneration and Incentive Policies<sup>14</sup>, except for the incentive component based on financial instruments, which is subject to approval by a UBI Shareholders' Meeting;
- the means for implementing the policies.

With particular reference to banks, the Boards of Directors adopt and submit for the approval of their Shareholders' Meetings Remuneration Policies, proposals for setting the remuneration of the Governing Bodies, the increase of the ratio of variable to fixed remuneration above the limit of 1:1 and criteria and limits set for determining remuneration to be agreed in the event of the early termination of the employment relationship or of the position held.

They also adopt the annual Report on Remuneration from the competent bodies of the Parent and, on the basis of the guidelines issued by the Parent and with the support of Human Resources and the other competent corporate functions, direct choices relating to the management and remuneration of staff, including recommendations relating to the remuneration of their Key Personnel.

The Boards of Statutory Auditors operate as supervisory functions in the context of the general powers assigned to them.

### ***Corporate and control functions***

The following corporate and control functions, according to their respective responsibilities, are involved and work together with one another and with the Remuneration Committee to ensure the adequacy, regulatory compliance and proper functioning of the remuneration policies and practices adopted.

### ***Strategic Planning and Capital Management***

Strategic Planning and Capital Management work together with Human Resources to define Group Remuneration and Incentive Policies and ensure that information is provided for the prompt reporting of the means for implementing policies, with particular reference to Group and company performance indicators.

### ***Human Resources Function***

The Human Resources Function, included among the corporate control functions for the sole purpose of Bank of Italy regulations on remuneration, works with the Remuneration Committee with all information necessary and appropriate to its proper functioning and is responsible for the correct and adequate implementation of schemes to implement Remuneration and Incentive Policies.

Human Resources make use of other specialist functions and units within the Group, such as Strategic Planning, Capital Management, Management Control, Legal Affairs, Administration and the other Control Functions, collecting and co-ordinating their contributions, with a view to both making proposals and the prompt reporting of the means for implementing policies.

### ***Compliance***

The Compliance Function is involved to ensure the adequacy and compliance with the provisions of the policies and the means for implementing them, expressing the appropriate compliance assessments.

It verifies, amongst other things, that the corporate incentive schemes meet the objectives of compliance with the legislation and regulations, the Articles of Association and any ethical codes or other standards of conduct applicable to the Bank or company, in order to ensure appropriate mitigation of legal and reputational risks, which are primarily linked to relations with customers.

<sup>14</sup> That responsibility is specific to foreign banks, because responsibility lies with the Shareholders' Meetings of the individual companies for Italian banks.

It reports to the bodies responsible on the outcomes of the verifications performed, indicating any areas for improvement or corrective measures.

### ***Risk Management***

It participates in the process of defining remuneration Policies in order to provide support in assessing their consistency with the objective of the long and short-term risk containment of each legal entity and Group overall, and with the maintenance of capital and liquidity requirements.

It helps to ensure that the incentive schemes are adequately calibrated to take account of all the risks taken by each legal entity in accordance with the methods in use in the Group.

It reports to the bodies responsible on any areas for improvement, with proposals for the adoption of corrective measures.

### ***Internal Audit***

At least once a year, the Internal Audit Function verifies that the implementation schemes and remuneration practices comply with approved policies and the applicable legislation and regulations, and it reports its findings and any irregularities to the relevant Governing Bodies and functions for the adoption of any necessary corrective measures.

The results of the verifications conducted are reported annually to the Shareholders' Meeting.

## ***IV. Persons concerned, comparative remuneration and pay mix***

### ***Beneficiaries***

Three categories to which these remuneration Policies apply have been identified:

- Material Risk Takers (MRT) or Key Personnel (KP) identified in accordance with Delegated Regulation (EU) No. 604, in which more specific categories with differing characteristics and treatments are defined: Members of the Governing Bodies, Top Key Personnel (Top KP) and Other Key Personnel (Other KP);
- Other Group Personnel;
- Associate Workers not linked to the Group by a regular employee contract.

In 2016 a total of 204<sup>15</sup> positions have been defined in the Material Risk Taker perimeter, accounting for around 1% of the entire population of the Group. In detail these consisted of:

- 114 Members of Governing Bodies, not linked to the Group by a regular employee contract;
- 21 in the category of Top Key Personnel, including the Chief Executive Officer and General Manager of UBI, the highest levels of the functions of the Parent (with the exclusion of the Control Functions) and the Senior Management of the main legal entities in the Group;
- 69 in the Other Key Personnel category, inclusive of 10 Financial Advisors with no regular employee contract, whose activities may have significant impacts on the risk profile of the Bank or cover top tier control functions in the organisation chart of the Parent.

Identification of that perimeter was carried out on the basis of the results of the assessments conducted by individual Banks and subsequently consolidated at Group level, including all companies in the analysis and therefore also those not subject to the CRD IV Directive. Consideration was taken of the specific characteristics of the current federal model of organisation, in which the Parent performs the functions of the strategic management, coordination and control of the subsidiaries, which operate within defined areas of autonomy, taking into account the type of activity performed and the associated risk profiles.

### ***Comparative remuneration***

The Group sets itself the objective of positioning itself at remuneration levels that are in line with the market, partly with a view to retention and taking results into account, with the aim

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<sup>15</sup> That perimeter may be subject to revisions during the year approved by the competent Governing Bodies.

of assigning the highest pay bands of the remuneration benchmarks to the highest performing staff, those with the most potential, and those who are in strategic positions and at market risk.

Comparative remuneration is monitored by comparison with the peer group and the general market, as well as by paying attention to the specific characteristics of each business and role. Through this comparison, the Group intends to improve the competitiveness of remuneration and thus its capacity to attract, motivate and retain staff.

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

### **Pay mix**

The Group aims to achieve a balanced ratio between fixed and variable components of remuneration, with balanced levels of pay mix.

Variable remuneration does not exceed the fixed component, except for key positions in the Investment Area of the asset management company for which the ratio is set at up to a maximum 2:1, in consideration of the specific nature of that employment market.

The table below shows the average theoretical pay mix, calculated as a percentage of total remuneration, taking into account the fixed and variable long and short-term components, divided between the various categories of Material Risk Takers identified.

“Material Risk Takers” Perimeter	Number	Fixed remuneration	Variable short-term	Variable long-term
“Governing bodies”	114	100%	-	-
“UBI CEO”	1	50%	30%	20%
“Top”	20	62%	25%	13%
“ Other KP” <sup>16</sup>	59	80%	20%	-

The ratio between the variable and fixed component for the control functions does not exceed the limit of one third.

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

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

The purpose of the Policies is to attract the best skill sets; they are based on principles of both fair remuneration for similar roles and differentiation between roles on the basis of the levels of responsibility and risk involved. They also take account of the professional skills required, the time and commitment employed, and market competitiveness.

In detail, the fees of members of the Governing bodies of the UBI Banca Group are structured with a cap set by that of the Chairman of the Management Board which is set at the same level as that of the Chairman of the Supervisory Board, and is lower than the fixed remuneration of the Chief Executive Officer.

No “attendance token” payments exist for meetings of the Governing Bodies.

Members of the Governing Bodies classified as senior management may receive forms of remuneration linked to results, while all the other members of the Governing Bodies of the Group receive no variable remuneration.

No member of the Governing Bodies may unilaterally decide to waive their right to part or all of their remuneration and no guaranteed bonuses<sup>17</sup> or leaving bonuses exist.

<sup>16</sup> Financial advisors are excluded from the calculation of the pay mix in consideration of the specific nature of their remuneration, usually entirely variable on the basis of the nature of their employment contract.

## **1. Supervisory Board**

The board members' fees approved by the Shareholders' Meeting on the basis of a proposal from the Supervisory Board, for the period of office, are decided by the Supervisory Board on the basis of a proposal from the Remuneration Committee and related to their period of tenure in the role.

Most members of the Supervisory Board receive remuneration for the specific positions held by them as Chairman, Deputy Chairmen, Secretary, Chairmen and members of internal committees of the Board and the Supervisory Body, as part of the total amount of remuneration resolved by the Shareholders' Meeting.

## **2. Management Board**

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

The fee of the Chairman of the Management Board is set at the same level as that of the Chairman of the Supervisory Board;

The maximum total fee payable to each member of the Management Board, with the exception of those relating to the "special assignments" of the Chairman, the Deputy Chairman of the Board and the Chief Executive Officer, for membership of the Management Board and where relevant the Governing Bodies of the Group banks and companies, is equal to the amount due for the position of member of the Management Board plus 2/3.

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

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

## **3. Boards of Directors of Group companies**

For those who are not members of the Management Board of the Parent and are members of the Management Boards of the Group banks and companies, on the basis of principles of proportionality, the cap on remuneration is equal to the amount due for the position of Member of the Management Board plus 1/3. In this case too, any exemptions for exceptional reasons are in any event subject to the prior approval of the Supervisory Board, following consultation with the Remuneration Committee.

The remuneration for positions held in the banks and companies in the Group is decided on the basis of the importance of the bracket they are in, defined in an internal classification for this purpose and are consistent, in accordance with principles of proportionality, with those of the Supervisory Board and Management Board.

The fixed fee set for the positions of Chairman and Deputy Chairman includes remuneration for attendance at meetings of the Board of Directors and the Executive Committee. 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).

Payments due to senior managers employed by businesses within the Group for positions held on the boards of Group banks and companies are paid back to the company concerned. Payment has, however, been made, given the extensive commitment and responsibilities taken, for the payment to those concerned of a special allowance limited to a maximum sum of €20,000, related to the positions occupied and subject to specific regulations, as a distinct element of remuneration. The payment of this allowance ceases at the time when the position is no longer held. Its amount is calculated to reflect the cumulative remuneration due to the senior manager/employee for the positions held, within the above maximum sum and in accordance with principles of proportionality, which takes account of the importance, type of activity and risk of the company in question.

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<sup>17</sup> Without prejudice to exceptions allowed by legislation and regulations, limited to the first year of employment, for board members classified as senior management.

#### **4. Boards of Statutory Auditors**

The remuneration paid to Boards of Statutory Auditors is set at fixed levels, including the remuneration to be paid to members of the Board of Statutory Auditors if they are acting as a Supervisory Body pursuant to Legislative Decree No. 231/2001, on the basis of bands to which the Group member companies belong, defined in an internal classification for this purpose, in accordance with principles of proportionality.

An increase of approximately 50% of remuneration is payable for the positions of Chairmen.

### **VI. Remuneration and incentive policies for staff and associate workers**

The remuneration package made available to staff by the Group is targeted at the achievement of long to medium to long-term objectives, and balanced depending on the relevant category, on the basis of the following components:

- fixed remuneration;
- variable remuneration based on performance measurement, with a time horizon that distinguishes between short-term (annual) objectives and, for Top Key Personnel, long-term (three year) objectives;
- other retention and attraction tools, which depending on the type, are classified as either fixed or variable remuneration;
- benefits, normally associated with the fixed component of remuneration<sup>18</sup>.

A ban is placed on personal hedging or insurance strategies applied to remuneration or other aspects which might alter or impair the effects of alignment with the risk involved in these policies.

#### **1. Fixed remuneration**

The fixed component of remuneration is structured in an amount that allows the variable component to contract appreciably or fall to zero in relation to the results adjusted for risks that have actually been achieved.

It includes remuneration earned for positions in the Governing Bodies, allowances for roles associated with specific positions within the corporate structure, retention tools, contributions to supplementary pension funds, insurance and health policies as provided for in contractual agreements, and any allowances associated with geographical mobility.

It is defined on the basis of the position occupied and on the basis of the principles of rewarding merit. In particular, the following parameters are taken into consideration:

- the objectives and responsibilities assigned to the role occupied, including the levels of exposure to risk;
- the reference benchmarks for remuneration, with particular attention to professional skills at the greatest market risk, the business and the operating context;
- the proper performance by the person of the functions of the role, in terms of performance and skill levels;
- the growth potential for the professional skills that are most relevant and most difficult to find on the labour market;
- the experience acquired and career path followed.

There is a regular process for the assessment of positions for the purposes of comparing positions within the organisation with the external market, which determines the assignment of a value (grade) to each role, representing the complexity of the position.

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<sup>18</sup> Except for possible pension benefits recognised on a discretionary basis, not normally provided, which would be classified as variable remuneration and, with regard to Key Personnel, would be subject to the rules set by the legislation and regulations in force.

Regular monitoring processes are also in place for the evaluation of the proper performance of the functions of the role, potential and experience, by means of current staff management and evaluation tools, particularly:

- the annual professional evaluation process;
- performance in terms of the main objectives of the incentive schemes;
- evaluation of managerial performance<sup>19</sup>;
- assessment of potential<sup>20</sup>.

These principles are applied as part of the Merit Plan, a process regulated by the Parent by means of guidelines issued to each Group member company, with the purpose of formulating staff award proposals, usually on an annual basis.

## ***2. Variable remuneration based on performance***

The variable component of remuneration is mainly based on performance measurement, on both an annual and long-term basis.

The objective is to involve and motivate staff to achieve medium and long-term strategies and also to recognise team and individual contributions.

To ensure a more direct correlation between results and rewards a bonus pool has been set, to which access 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 and the individual business entity.

The measurement is related to income statement and balance sheet indicators corrected for risk, internal and external customer satisfaction levels, strategic projects and assessments of the effectiveness of their behaviour.

Performance based variable remuneration consists of:

- short-term incentive schemes (annual);
- long-term incentive schemes (three yearly);
- the company productivity bonus (or alternatively, a Result Bonus, as defined by the current National Trade Union Agreement);
- commercial “contests”.

To complete the variable component of remuneration, it is also possible to pay one-off bonuses, for outstanding performance and with a view to motivation and retention. Once the access trigger (“gate”) conditions have been verified together with the main Group and company performance indicators, these are defined in the Merit Plan in accordance with the guidelines issued by the Parent, the costs set in the budget and criteria of selectivity and merit.

### *Bonus pool*

Each year, if the capital stability, liquidity and risk-adjusted profit conditions are met at Group level, a budget is provided for a bonus pool to be used for the incentives schemes.

This provision is divided at the level of the Group and each company, taking into consideration the expected profitability, the number and type of personnel, the relative theoretical bonus levels, the type of business or context and in any event the capacity of the Company to remunerate the capital.

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

At the final figure stage, on the basis of the performance in relation to the budget approved each year by the Management and Supervisory Boards (calculated at Group level using

<sup>19</sup> Through the use of management appraisal tools, a structured assessment method involving individual interviews.

<sup>20</sup> Through the use of assessment tools, a structured assessment method involving group meetings.

RORAC and at the level of the individual legal entity using normalised net profit adjusted for the “delta (change) cost” between allocated and absorbed capital<sup>21</sup>) the bonus pool may be increased, without prejudice to the correct 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. An example of how this works is given below, on the basis of which the bonus pool may vary once given RORAC results relative to budget have been taken into consideration.

Group RORAC (% achievement of objective)	Change in bonus pool
> 150%	Up to 200%
110%-150%	Up to 150%
80%-110%	Up to 100%
50%-80%	Up to 60%
0%-50%	Up to 30%
<0%	0%

The bonus pool may also be reduced to zero in the event of failure to achieve the trigger conditions (“gates”) if the financial statements show a loss on normalised amounts.

If the available allocation is exceeded, criteria have been set for the bonuses to be redistributed, until the capacity of this allocation is reached.

In order to also be able to manage unforeseeable and non-determinable exogenous variables, the Management Board may reserve a reduced portion of the bonus pool, up to a maximum of 15%, to action of a discretionary nature based on qualitative assessments of performance, subject for verification to the approval of the Supervisory Board, after prior consultation with the Remuneration Committee.

### *Entry conditions (“gates”)*

The incentive schemes are triggered upon satisfaction of the conditions (“gates”) set at Group level to ensure capital stability and liquidity as defined in the “Risk appetite in the UBI Banca Group” policy and the “Policy to Manage Financial Risks of the UBI Banca Group”; more specifically the indicators identified (set in accordance with the relevant implementation documents) are:

- *Common Equity Tier 1 (CET 1) Ratio;*
- *Net Stable Funding Ratio (NSFR);*
- *Liquidity Coverage Ratio (LCR);*
- *Leverage Ratio (LR).*

The values of these indicators are verified at the end of the period, on 31<sup>st</sup> December of each year for the short-term incentives scheme and on 31<sup>st</sup> December of the three-year period in question for the long-term scheme.

The incentive schemes are not, however, triggered if the financial statements show a loss on normalised amounts.

### *Short-term incentive schemes*

The short-term incentive schemes are intended to achieve the annual objectives, and support value generation over time by Group companies, rewarding the achievement of risk-adjusted objectives, while maintaining adequate capital levels and liquidity and ensuring that incentives are not in conflict with the interests of the Bank, its shareholders and its customers.

<sup>21</sup> For a limited number of companies with low capital absorption the indicator used is normalised net profit (i.e. net of non recurring items).

The indicators used to evaluate performance at the level of the Group and single legal entities in 2016 are:

- RORAC<sup>22</sup>, at Group level;
- Adjusted Normalised Net Profit<sup>23</sup> at the level of individual companies.

At the individual and business unit level, the parameters used for incentives schemes are mainly quantitative and measurable, providing for qualitative aspects for performance measurement and normally also related to levels of customer satisfaction.

The indicators, particularly for staff who sell financial products and instruments do not consider direct connections 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 directive, in accordance with the guidelines issued by ESMA.

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

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

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

Access to bonuses is withdrawn if company regulations or instructions are violated, as ascertained by the imposition of disciplinary penalties, or following adverse findings made by the Internal Audit Function, as set out in the corporate implementation regulations.

#### *Incentive Scheme for Material Risk-Takers*

Material Risk Takers, with the sole exception of the control functions, for which there are no indicators linked to financial and operating objectives, are subject to further indicators in addition to the Group and company objectives referred to above, as follows:

- profit on continuing operations before tax (POCBT) normalised at Group level;
- core income at legal entity level;
- customer satisfaction.

Exclusively for the most senior positions at the Parent<sup>24</sup>, a share of the bonus may be adjusted on the basis of the position of the UBI share compared with the listed banks used for the benchmark.

In line with the principles expressed in the legislation and regulations, for the whole of the Key Personnel perimeter the structure of the bonus payout is such that 50% of the bonus is converted into ordinary shares of UBI Banca, subject to retention clauses that align the incentives with the Bank's long-term interests.

The percentage of the deferment of bonuses and the relative timing, however, the vary as a function of the role, in the target variable and the category to which they belong:

- for the Chief Executive Officer of UBI Banca, 60% is deferred for five years, in consideration of the size of the variable target, which is over €500,000;
- for positions belonging to the Top perimeter, 50% of the bonus is deferred for three years;
- for Other Key Personnel, 40% of the bonus is deferred for three years.

<sup>22</sup> That indicator is also applied for the Parent, the company UBI Servizi e Sistemi and the company UBI Academy.

<sup>23</sup> Normalised net profit, adjusted for the cost "delta" (change) between absorbed capital and allocated capital. Where that indicator is not available it is replaced with the normalised net profit indicator.

<sup>24</sup> Chief Executive Officer, General Manager and Senior Deputy General Manager of UBI.

The same percentage is used for the amount in financial instruments for both the deferred and upfront variable components.

There is a two-year retention period for financial instruments that are paid upfront, while there is a one year period for the deferred components.

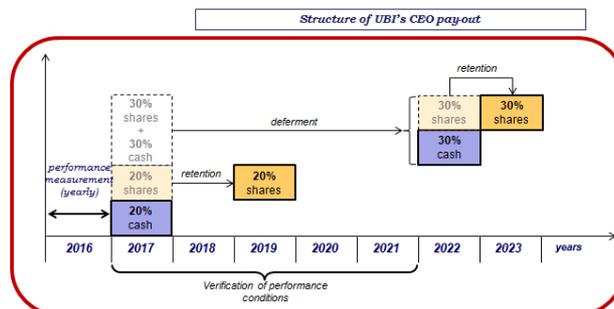
In order to ensure capital stability, liquidity and the capability to generate risk-adjusted profit over time, consistently with the long-term strategic objectives of the Bank or company, the deferred portion is paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio), liquidity (Net Stable Funding Ratio) and risk-adjusted profit (RORAC) are maintained at Group level, as set out in the corporate implementation regulations approved by the Supervisory Board. The deferred portion of the bonus will not be paid if these conditions are not met (a malus).

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

Examples of the payout procedures for Material Risk Takers, differentiated on the basis of the type of role, are given below.

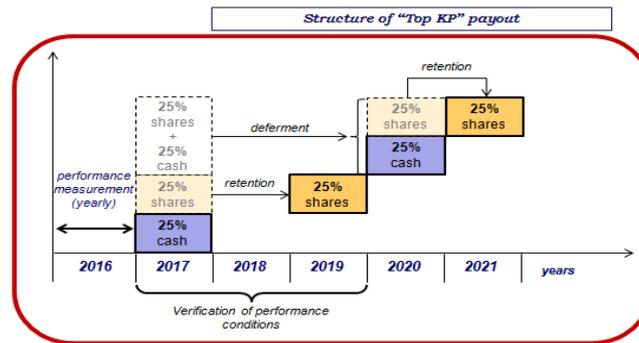
In detail the Chief Executive Officer of UBI Banca receives 40% upfront and 60% deferred, more specifically:

- 20% is paid upfront in cash at the end of the performance measurement period;
- 20% is paid upfront in shares at the end of the performance measurement period and is subject to a further two-year retention period;
- 30% in cash is deferred for five years and subject to further performance monitoring conditions;
- 30% in shares is deferred for five years subject to further performance monitoring conditions and is subject to a further one-year retention period.



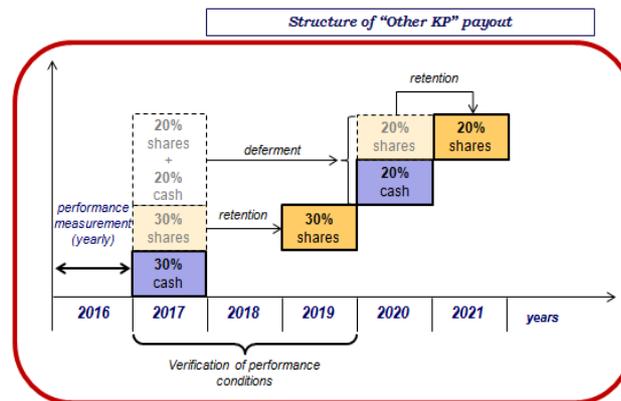
For the Top perimeter, 50% is received upfront and 50% is deferred, more specifically:

- 25% is paid upfront in cash at the end of the performance measurement period;
- 25% is paid upfront in shares at the end of the performance measurement period and is subject to a further two-year retention period;
- 25% in cash is deferred for three years and subject to further performance monitoring conditions;
- 25% in shares is deferred for three years subject to further performance monitoring conditions and is subject to a further one-year retention period.



Other Key Personnel receive 60% upfront and the remaining 40% is deferred, as follows:

- 30% is paid upfront in cash at the end of the performance measurement period;
- 30% is paid upfront in shares at the end of the performance measurement period and is subject to a further two-year retention period;
- 20% in cash is deferred for three years and subject to further performance monitoring conditions;
- 20% in shares is deferred for three years subject to further performance monitoring conditions and is subject to a further one-year retention period.



The payment mechanisms set out above are always applied, in accordance with the relevant category, if the variable amount earned by the individual exceeds €50,000 gross or 15% of individual fixed remuneration.

If the bonus earned is below that threshold and if the bonus earned individually is less than 15% of fixed remuneration, the payment is made entirely upfront, of which 50% being paid in cash at the time when the conditions are met and the remaining 50% as ordinary shares of UBI Banca with a two-year retention period.

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

The beneficiaries of incentive schemes belonging to the Material Risk Taker perimeter are required to sign a special internal regulation agreeing not to use personal hedging or insurance strategies applied to remuneration or other aspects which might alter or impair the effects of alignment with the risk involved in these Policies.

### *Long-term incentive schemes*

A long-term incentive scheme (LTIS) for the three-year period 2015-2017 is in force, with the objective of bringing the interests of management increasingly into line with those of shareholders, in a perspective of creating value in the long-term as well as the short-term, in compliance with legislation and regulations in force and best market practices.

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 incentive scheme concerns a small number of Top Key Personnel, on the basis of the strategic position occupied in policy terms over the governance of the Group and their impact on the main business areas, including the Chief Executive Officer, General Manager and Senior Deputy General Manager of UBI Banca.

The bonuses will be paid in UBI shares (performance shares), which are considered the most appropriate instruments for aligning the interests of shareholders with those of management.

In order to finance the long-term incentive scheme an additional amount is allocated to the bonus pool created for the short-term incentive scheme.

While the preliminary trigger conditions (“gates”) are not affected, value creation objectives have been set, taking into account the difficulties of the current context and evaluated on the basis of a performance matrix with two indicators:

- Group RORAC, calculated at the end of the three-year period and based on the average return on three-year BTPs over the period in question;
- Total Shareholder Return (TSR), which measures the performance of the UBI Banca share, compared in terms of quartile positioning with the listed banks in the reference peer group.

The performance matrix according to which, on the basis of the levels of achievement of the goals set in the context of the relevant implementation regulations, a percentage of the bonus in question is earned is shown below:

- if the performance of UBI shares is between the lower quartile and the median of the reference benchmark, 50% of the bonus is earned if the RORAC target objective is achieved, or 60% if the RORAC maximum target (the cap) is achieved;
- if the performance of UBI shares is between the median and the upper quartile of the reference benchmark, 60% of the bonus is earned if the RORAC target objective is achieved, or 70% if the RORAC maximum target (the cap) is achieved;
- if the performance of UBI share is above the upper quartile of the reference benchmark, 70% of the bonus is earned if the RORAC target objective is achieved, or 80% if the RORAC maximum target (the cap) is achieved.

<i>Performance Matrix</i>		
<i>TSR</i>	<i>Group RORAC plus 3-year BTP</i>	
	<i>"Target"</i>	<i>"Cap"</i>
<i>&gt;Q3</i>	70%	80%
<i>Med</i>	60%	70%
<i>&gt;Q1</i>	50%	60%

Assessments of managerial effectiveness and the degree to which any strategic projects in the reference period have been achieved may act as complementary “correction factors”, increasing the bonus earned by up to a further 20% on the basis of value creation parameters. If the value creation parameters are not activated, the correction factor does not apply.

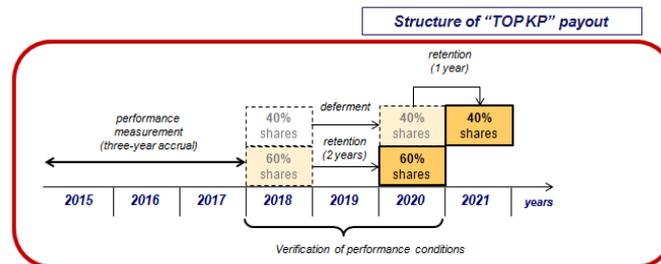
The degree to which objectives have been achieved is subject to overall assessment at the end of the three-year period by the Supervisory Board, following consultation with the Remuneration Committee and with the involvement of the other relevant committees, on the basis of evidence provided by the Management Board.

Given the current uncertainty of the financial and economic environment, the Supervisory Board, on the basis of proposals submitted by the Management Board and in consultation with the Remuneration Committee, reserves the right to evaluate revisions of the three-year objective during the reference period.

The structure of the bonus payout provides for the following payments:

- 60% is paid upfront in shares at the end of the three-year performance measurement period (accrual) with a two-year retention period;
- 40% is paid in shares, deferred by two years and with a one-year retention period. With a view to compliance with legislation and regulations in force, the portion is awarded 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 capital stability and liquidity over time, consistent with long-term strategic objectives, the deferred portion is paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio) and liquidity (Net Stable Funding Ratio) are maintained at the end of the deferral period, as set out in the corporate implementation regulations. The deferred portion of the bonus will not be paid if these conditions are not met (a malus).

Taking into consideration the high volatility of current scenarios and in order to promote greater flexibility enabling the continuous alignment of performance over the long term, a rolling mechanism has been set in place, with a consequent adjustment of new long-term incentive plans on the basis of changing internal and market conditions.

The frequency for the activation of each incentive plan is decided each year by the Supervisory Board, following consultation with the Remuneration Committee, without prejudice to the approval of the share component by the Shareholders' Meeting.

In consideration of the existing 2015-2017 scheme, no plan exists to introduce a new long-term incentive scheme.

### Clawback clause

The variable component of remuneration is subject to clawback mechanisms for the repayment of bonuses that have already been disbursed.

Clawback has a particular impact on incentives earned by and/or paid to staff who have caused or played a role in:

- behaviours leading to a significant loss for the Bank;
- violations of the requirements imposed under article 26 or, when the subject is an interested party, article 53, subsections 4 *et seq.* of the Consolidated Banking Act or requirements relating to remuneration and incentives;
- violations of the provisions of the Consolidated Finance Act with regard to obligations laid down by article 6, paragraphs 2-*septies*, 2-*octies* and 2-*novies*, or article 13, or obligations concerning remuneration and incentives according to Art. 190-*bis*;
- fraudulent behaviour or gross negligence that could damage the Bank.

These provisions are independent of any compensation or disciplinary issues.

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

### **3. Other retention and attraction tools**

Other tools for attracting and retaining staff include awards such as promotions, pay increases for the fixed component and one-off variable-component bonuses related to career paths and professional development and managed as part of the Merit Plan, usually on an annual basis.

There may also be a Company Bonus as part of variable remuneration or alternatively a Result Premium, as defined by the National Trade Union Agreement, the conditions and criteria for which are set annually in the context of supplementary trade union negotiations. The bonus may be disbursed either in cash or in the form of other specific services, including for example those connected with the Group's welfare system or in the form of financial instruments.

It is possible to implement specific commercial "contests" aimed at directing the distribution network towards supporting business plans and targets. These initiatives are developed as part of the variable components of the remuneration in line with targets set during budget preparation, ensuring the prevention of conflicts of interest and behaviours that may lead to moral hazard.

These commercial initiatives are marginal and supplementary compared with the actual incentive schemes, with particular reference to the objectives, costs, impacts on staff motivation and effects at the level of risk assumption.

It is also possible to grant indemnities associated with specific positions within the governance and control structures that are functionally linked to the role occupied.

Finally, there are tools for the attraction and retention of professionals in demand within the labour market. These include the use of:

- job-security agreements, for which the amount is agreed or granted during the same employment relationship by means of periodic or continuous indemnity items (only in exceptional circumstances can this occur at the time of termination of the employment relationship, in accordance with criteria set out by the Shareholders' Meeting) to retain professionals in high demand within the labour market and to protect the financial profiles of the Bank;
- schemes to enhance the commercial contribution made by personnel from the external market, making it possible to provide economic rewards (e.g. for the acquisition of new customers or assets), in compliance with regulations in force.

Lastly, the Bank may make use of specific non-competition agreements, when they are required or advisable for the protection of commercial and customer goodwill. The necessary payments will be agreed within the limits set in article 2125 of the Italian Civil Code and in line with Bank of Italy Supervisory Regulations, legal interpretations and market practices, with specific reference to Key Personnel in compliance with the criteria and limits approved by the Shareholders' Meeting.

### **4. Benefits**

In addition to what is already required under the National Trade Union Agreement, wage packets paid to staff may provide for the granting of benefits awarded on the basis of internal fairness and external competitiveness, consistent with the need to meet the demands of the various categories of employees and in compliance with tax and social security legislation.

In particular, specially regulated supplementary collective pension<sup>25</sup>, health and insurance plans, infancy welfare services and canteen services serving meals, sports and recreational activities and discounts on products and services provided by the Bank and its subsidiaries are provided to protect the health and welfare of staff.

The provision of company cars for business and personal use and guest accommodation to meet requirements for geographical mobility and personnel management in the Group has also been established and regulated.

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<sup>25</sup> Normally, pension benefits are not normally paid on a discretionary basis. Should they be paid then the rules set by the legislation and regulations in force will apply.

## **5. Post-employment benefits**

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

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

Any individual agreements, on an exceptional basis, will be managed in the context of the criteria set by the 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 obligations and in order to avoid objectively justified litigation risks.

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

A structured approval process is followed for decisions regarding Key Personnel. More specifically, the Management Board, supported by the competent internal functions of the Bank, submits the measures adopted and the relative reasons, within the bounds of the aforementioned criteria and limits approved by a Shareholders' Meeting, to the Supervisory Board for appropriate verification of compliance, after prior consultation with the Remuneration Committee.

## **6. Associate workers not linked to the Group by regular employee contracts**

Any variable remuneration due to associate workers not employed under regular employee contracts is governed by the criteria and guidelines contained in this document, appropriately adjusted to take account of the characteristics of the specific business.

Financial advisors and financial agents are particularly important with regard to associate workers not bound by regular employee contracts.

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

The remuneration of Financial Advisors, which is usually entirely variable on the basis of the nature of their employment contract, can be divided into the following:

- a recurring component, commissions, that constitute the more stable and regular element of remuneration and are the real fee for the advisory activity;
- a “non-recurring” component, which has an incentive value because it is subject, for example, to the achievement of specific results, such as increasing total net inflows of funds.

The non-recurring component is subject to prior triggering of the bonus pool (“gates”) and subsequent “correction factors”, taking into account operational risk indicators, that promote proper behaviour and the link with the legal and reputational risks to which the Bank is exposed, in addition to compliance with the rules for protecting customers and gaining their loyalty.

The following are typically considered with regard to the “non-recurring” component:

- collective incentive schemes, designed to stimulate the activity of all advisors and to reward excellence on the basis of specific objectives;

- individual incentive schemes which, on the basis of individual agreements, reward the achievement of performance targets, inclusive of any extraordinary and non-repeatable inflows of funds, and in any case not attributable to building the portfolio at the entry stage.

When a new Financial Advisor is recruited by the bank, activity to acquire new assets – up to a predetermined maximum period needed to build a basic portfolio – is considered as a “recurring” component of remuneration.

For those financial advisors who may be included within the Material Risk Taker perimeter, the more stringent rules set for Other Key Personnel apply and remuneration is again composed of a “recurring” and a “non-recurring part, once the period needed to build a basic portfolio has ended.

The remuneration of Financial Agents, which is also entirely variable due to the nature of their employment contract, is composed exclusively of “recurring” components which are commissions.

In order to reduce and guard against significant risks, the consultancy contracts entered into provide for specific reports and control procedures, to ensure compliance with the provisions of the law and the internal regulations in force, inclusive of the clawback mechanisms applied to all other personnel.

## VII. Attachments

### 1. Description of the indicators used

**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).

**Customer Satisfaction** is surveyed as part of the Consultation Project; appropriate adjustments to take market performance into account may be made at the time when actual performance is calculated, in order to mitigate any possible distortions associated with particular external events.

**The Leverage Ratio (“LR”)** – Leverage calculated as the ratio of the Tier I capital (capital measurement) to the total exposure of the Group (exposure measurement) which includes all the assets and off-balance sheet items not deducted to calculate the capital measurement according to the provisions of the CRR - Art. 429 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26/06/2013 as amended by the Delegated Act (EU) No. 62/2015 .

**Liquidity Coverage Ratio (“LCR”)** - Indicator designed to ensure that a Bank maintains sufficient high quality liquid assets available which can be converted into cash to meet liquidity commitments over a period of 30 days in a stress scenario defined by the Supervisory Authority. It is defined as the ratio of the stock of “available high quality liquid assets” and the sum of “net cash outflows over a time horizon of 30 days, estimated in a context of normal business and supplemented by situations of stress”.

**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.

**Total Shareholder Return (TSR)** – The increase in the value of the share, calculated as a percentage difference between the daily average in December 2016 (for the annual incentives scheme) or 2017 (for the three-year incentives scheme) and the daily average in December 2015, 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).

**Return On Risk-Adjusted Capital (RORAC)** - 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.

**NOPAT** is obtained by adjusting the consolidated net profit (attributable to the Group and to non-controlling interests) - net of non-recurring extraordinary items and the cost relating to incentive schemes - to notional interest (net of taxes) calculated using the following formula:

at the time of budgeting/final figures: (average adjusted tangible equity<sup>26</sup>- average capital allocated/absorbed) x average yield of three-year BTPs expected for year budgeted

*The capital allocated/absorbed is calculated as the sum of the following:*

- a) the total Risk Weighted Assets (RWA for credit risk, RWA for market risk and RWA for operational risk) multiplied by the Group’s Target Common Equity Tier 1 Ratio (assuming no AT1 issuances: Common Equity Tier 1 Target Ratio = Tier 1 Target Ratio);
- b) 100% of the shortfall of provisions to expected losses (“fully-loaded shortfall”);
- c) hedge funds, any equity investments, subordinated assets deducted from own funds;

<sup>26</sup> Adjusted tangible equity: equity recognised + expected self financing + non-controlling interests – available-for-sale and cash flow hedge fair value reserves – intangible assets.

d) value of the AFS reserve for government securities if negative + the value of the AFS reserve for other debt securities and equity securities if negative;

e) the value of the capital allocated in compliance with Pillar II, to cover the banking book AFS portfolio<sup>27</sup>.

*Core Income* refers to the income indicator, net of the finance result: net interest income (excluding the effects of PPA<sup>28</sup>) + net fee and commission income (using normalised data).

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

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

*Normalised net profit, adjusted for the cost of capital "delta"(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.

CET1 and the NSFR are defined in accordance with the regulations currently in force and are recognised as in the "Risk appetite" document, the "Policy to Manage Financial Risks" and the related regulations for their implementation.

All the accounting and financial data (including any related normalisations) are shown in the financial statements and/or by evidence provided by the Senior Officer Responsible, the Strategic Planning Area and the Risk Management Area.

For Finance, the objectives take account of the "Policy to Manage Financial Risks" and the related regulation for its implementation; particular use is made of risk-adjusted indicators (RORAC).

In the context of incentives schemes, in addition to or instead of the indicators shown above, specific quantitative and qualitative objectives are normally used, identified in accordance with the activities for which each position is responsible.

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<sup>27</sup> The part of the capital which includes the VaR stress and the stop loss capital buffer is deducted from the value of Group capital allocated, with account taken of the portion attributable to the CET1 capital in relation to the composition of 2016 budgeted available financial resources (AFR) and the tax relief is considered that would arise in the event of an effective loss (tax rate: IRES+IRAP).

<sup>28</sup> "Purchase Price Allocation" - in the context of the "purchase method" accounting treatment, this is the recognition in the accounts of acquirer on the acquisition date of the fair value of the net assets of the companies acquired, even if not previously recognised in the books of those companies, and any surplus (or deficit) arising between the cost of purchase and the fair value of the net assets acquired, recognised in the books of the acquirer as goodwill.

## 2. Description of terms, acronyms and abbreviations

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

*Cap*: maximum achievable level for an objective.

*Cash*: cash component of variable remuneration.

*Clawback*: mechanism that provides for the repayment of a bonus that has already been paid out.

*CRD IV*: Capital Requirements Directive IV - Directive 2013/36/EU of the European Parliament in force since 1<sup>st</sup> January 2014 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

*EBA*: European Banking Authority supervising the banking sector.

*ESMA*: European Securities and Markets Authority - the European authority for financial instruments and markets, supervising the securities market.

*“Gate”*: condition required to trigger incentive schemes, related to Group capital stability and liquidity indicators.

*Golden parachute*: special payments, in addition to what is required by law or under the national trade union agreement, relating to the early termination of the employment relationship or of the position held.

*LTIS*: Long-Term Incentive Scheme.

*Malus*: ex post adjustment mechanisms on the basis of which the bonus pool and/or the bonuses earned may be reduced, even to zero.

*MIFID*: Markets in Financial Instruments Directive, the European Directive for the protection of savers and the efficiency and integrity of the financial markets.

*MRT*: Material Risk Takers or Key Personnel, defined in Commission Delegated Regulation (EU) No. 604/2014, which supplements CRD IV and provides the qualitative and quantitative criteria for the identification of members of staff whose activities have a material impact on the Bank's risk profile. Within the UBI Group, MRTs have been divided into three groups, with different treatments, in accordance with principles of proportionality, with particular regard to procedures for the payment of the bonuses earned.

*Pay mix*: percentage of the various components of remuneration (fixed and variable) represented by total remuneration.

*Pay out*: structure and procedures for the payment of bonuses.

*Peer group*: sample of banks used for reference to serve as a remuneration benchmark.

*Performance share*: UBI Banca shares linked to performance intended for the payment of a portion of the bonuses earned by Key Personnel, pursuant to legislation and regulations in force.

*Accrual period*: performance measurement period.

*Retention period*: period during which shares earned by individuals on the basis of performance must be kept and cannot be sold.

*KP*: Key Personnel or Material Risk Takers. See MRT above.

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

*Upfront*: procedure for the payment of bonuses linked to the relative performance and not subject to deferral conditions.

### 3. Positions categorised as Material Risk Takers

The total figures<sup>29</sup> divided on the basis of EBA criteria and the various categories of Key Personnel are given below. The positions are set out in detail in the implementation regulations approved by the Supervisory Board, on the basis of a proposal from the Remuneration Committee.

<b>EBA Criteria - Regulation 604</b>	<b>Governing bodies</b>	<b>"Top" perimeter</b>	<b>"Other KP" perimeter</b>	<b>Total number</b>
3.1 / 3.2 - Management bodies in their management function and in their supervisory function	29			<b>29</b>
3.3 - Member of senior management		3		<b>3</b>
3.4 - Responsible for control functions			4	<b>4</b>
3.5 - "Material business unit"		15		<b>15</b>
3.7 - Managerial responsible for control functions			10	<b>10</b>
3.8 - Managerial responsible for a "material business unit"		1	10	<b>11</b>
3.9 - Responsible for legal affairs, finance, taxation, budgeting, human resources, IT and economic analysis.		1	17	<b>18</b>
3.11 - Credit responsibility	85	1	12	<b>98</b>
3.12 - Financial risk responsibility			2	<b>2</b>
4.1 - Remuneration > €500,000			10	<b>10</b>
4.2 - 0.3% of Group with higher remuneration			4	<b>4</b>
<b>Total number</b>	<b>114</b>	<b>21</b>	<b>69</b>	<b>204</b>

<sup>29</sup> That perimeter may be subject to revisions during the year approved by the competent Governing Bodies.

## **Section II - Implementation of 2015 Remuneration and Incentive Policies**

### ***I. Part one***

#### ***1. Decision-making process***

In a meeting of 3<sup>rd</sup> February 2015 on the basis of a proposal submitted by the Remuneration Committee, the Supervisory Board approved the document “Remuneration and Incentive Policies” for the UBI Banca Group for 2015 and the relative perimeter for Key Personnel.

Subsequently, the Management Board, without prejudice to the responsibilities of the Shareholders’ Meeting in relation to (i) remuneration policies for members of the Supervisory and Management Boards, (ii) the incentive scheme based on financial instruments reserved to Key Personnel and (iii) the criteria and limits for determining remuneration to be agreed in the event of the early vacation of a position, adopted the update of the 2015 Remuneration and Incentive Policies.

The 2015 Policies were subsequently approved by the Shareholders’ Meetings of the Italian subsidiary banks and the Boards of Directors of the remaining Group companies and banks (subject to the approval of the UBI Banca Shareholders’ Meeting for the component of the incentives scheme that is paid in financial instruments).

During the Shareholders’ Meeting of UBI Banca held on 25<sup>th</sup> April 2015, in his report on the item on the agenda, the Chairman of the Supervisory Board provided shareholders with the required information on remuneration and incentive systems and practices, summarising the main contents of the Report on Remuneration.

The Shareholders’ Meeting also approved (i) a Supervisory Board proposal to set remuneration and incentive policies for members of the Supervisory Board and of the Management Board, (ii) to pay a percentage of the variable component of remuneration for Key Personnel in financial instruments, by granting ordinary shares of the Parent, UBI Banca, in relation to short and long-term (annual and three-year) incentive schemes and (iii) to set the criteria and limits for determining remuneration to be agreed in the event of the early termination of an employment relationship or early vacation of a position.

Following this, the Supervisory Board, on the basis of a proposal from the Remuneration Committee, the Management Board and the Boards of Directors of the Banks and Group companies approved the implementation schemes for Key Personnel, in order that staff could be informed of them as appropriate.

In a meeting of 16<sup>th</sup> June 2015, after prior consultation with the Remuneration Committee, the Supervisory Board approved the update of the Key Personnel perimeter following modifications to the organisational and company ownership structure of the Group and the more recent clarifications on the matter furnished by the Supervisory Authorities, with particular reference to a reply from the Bank of Italy to Assoreti (national stockbrokers’ association) on Financial Advisors, dated 6<sup>th</sup> May 2015. The perimeter was increased from 209 to 236 positions.

At the end of 2014 the Bank of Italy conducted inspections into the adequacy of remuneration and incentive policies and practices. The results of these, which were “mainly favourable”, in consideration of the “overall ability of the system to align the behaviours of management with corporate objectives adjusted for risk and to prevent distorted incentives”, were presented in a meeting of the Supervisory Board dated 11<sup>th</sup> March 2015, to which members of the Management Board were invited to participate.

The Supervisory Board and the Remuneration Committee were assisted for the above by Mercer, an independent consulting firm that is part of the Marsh & McLennan Companies group, by the Gatti Pavesi Bianchi law firm and by the following corporate functions: Human Resources, Strategic Planning and Capital Management, Compliance, as well as by the Chief Operating Officer, the Chief Risk Officer and the Chief Financial Officer.

## 2. The main policy changes made in 2015

The 2015 Policies were revised substantially with the objective of aligning them with best practices and market trends and also for compliance with the new Supervisory Regulations for Banks on the subject of “Remuneration and incentive policies and practices” issued by the Bank of Italy in November 2014 to implement Directive 2013/36/EU of the European Parliament and Council of 26<sup>th</sup> June 2013 (“CRD IV”). The main changes introduced are as follows:

- changes made, on the basis of the new qualitative and quantitative criteria set by Commission Delegated Regulation (EU) No. 604, to the Key Personnel perimeter – initially set at 209 positions and subsequently updated to 236 positions following, amongst other things, the inclusion of the Financial Advisors of the company IW Bank. That perimeter, which accounts for approximately 1.1% of the total Group population, includes 137 “Members of the Governing Bodies”. The definition of the perimeter has been identified taking into account the outcomes of the assessments conducted by individual Group banks, co-ordinated by the Parent, which has ensured the overall consistency of the process and its final results. This perimeter has been identified by applying a criterion of proportionality that considered the specific characteristics of the current federal model of organisation, in which the Parent performs the functions of strategic management, coordination and control of the subsidiaries, which operate within defined areas of autonomy, taking into account the type of activity performed and the associated risk profiles. More specific categories were identified on the basis of the proportionality principle within this perimeter with differing characteristics and treatments as follows: the “Members of the Governing Bodies”, “Top Key Personnel” (“Top KP”), “Core Key Personnel” (“Core KP”) and “Other Key Personnel” (“Other KP”);
- the introduction of a long-term incentive scheme (LTIS) on a three yearly basis, intended to bring the interests of management increasingly into line with those of shareholders in the medium to long-term. The beneficiaries of the scheme are 15 “Top Managers”, drawn from among the Top Key Personnel, on the basis of the strategic position occupied in policy terms over the governance of the Group and their impact on the main business areas. The bonuses will be paid in UBI shares, which are considered among the most appropriate instruments for aligning the interests of shareholders with those of management;
- the identification of two further trigger conditions (“gates”) to which the incentive schemes are linked in the long and short-terms, in compliance with the Risk Appetite Framework (RAF) of the Group:
  - Liquidity Coverage Ratio (LCR) using eligible reserves net of haircuts > €8 billion;
  - Leverage Ratio (LR) >4%;
 in addition to those already in place:
  - Common Equity Tier 1 (CET1) Ratio >9.5%;
  - Net Stable Funding Ratio (NSFR) >1;
- the identification of a peer group for benchmarking, consisting of ten listed Italian banks<sup>30</sup> that are considered to be the most comparable in terms of characteristics, size and geographical location;
- more precise specifications governing clawback clauses, staff retention and postemployment benefits in order to implement the new Supervisory Regulations for Banks on remuneration and incentive policies and practices.

## 3. The main results for 2015

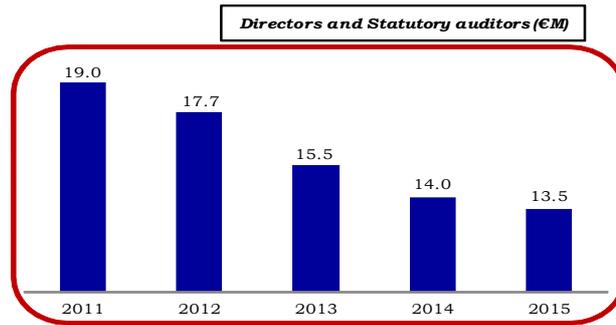
Details are given below of expenses relating to the various categories of personnel and in particular to directors and statutory auditors, employees and other personnel with consulting contracts (financial advisors and financial agents).

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<sup>30</sup> Banca Popolare dell’Emilia Romagna, Banca Popolare di Milano, Banca Popolare di Sondrio, Banco Popolare, Carige, Credito Emiliano, Credito Valtellinese, Intesa San Paolo, Monte di Paschi di Siena, Unicredit.

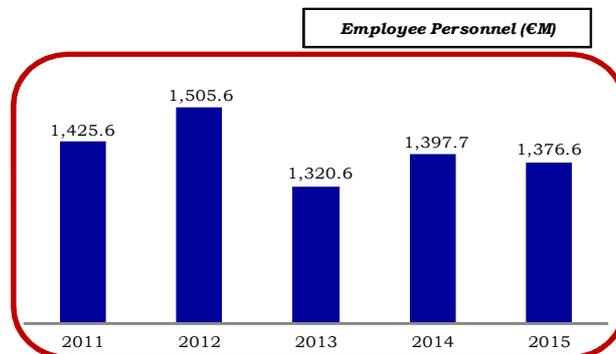
### Expenses for Directors and Statutory Auditors

Expenses incurred for the remuneration of directors and statutory auditors amounted to approximately €13.5 million, (down compared with the €14 million reported in the previous year) accounting for a little less than 1% of total staff costs. This reduction also results from a decision taken by the Supervisory Board on 4<sup>th</sup> March 2014, following a proposal submitted by the Management Board, which made it possible to reduce costs for the remuneration of the Management Bodies of subsidiaries that were renewed from that date onwards and to achieve the objective of reducing total governance expenses that the Group set itself in 2012. If all the actions taken since 2012 are taken into consideration, governance expenses have been reduced overall by approximately 29%, to give a total of around €5.5 million.



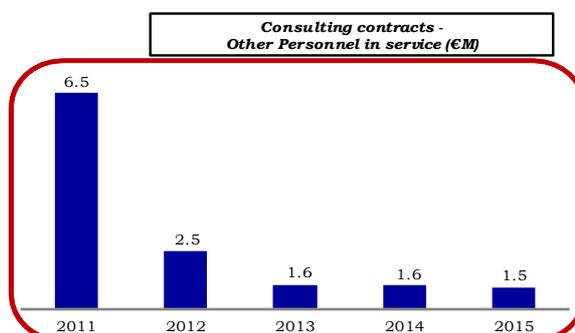
### Expenses for employees

Total expenses incurred for employee personnel came to approximately €1,376 million. Inclusive of expenses relating to redundancy schemes, that amount has fallen in the last five years by approximately 3.4%, following action taken to contain labour costs and reduce Group staff numbers.



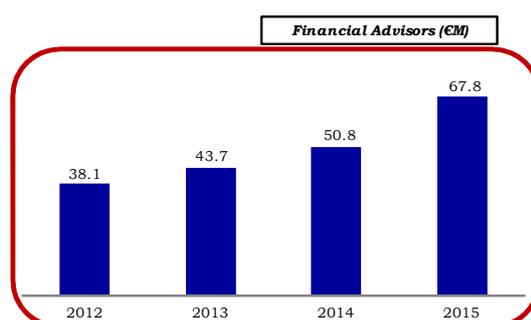
### *Expenses for consulting contracts – Other Personnel in service*

Expenses incurred for consulting contracts with Other Personnel in service came to approximately €1.5 million. That amount has fallen by approximately €5 million in the last five years.



### *Expenses for Financial Advisors and Financial Agents*

With specific reference to Financial Advisors and Financial Agents not bound to companies by employee contracts the total amount incurred is approximately €67.8 million, of which approximately €1.1 million resulting from non-recurring remuneration. Approximately 20% of the recurring expenses and around 38% of the non-recurring expenses are attributable to Key Personnel identified in this category. In the last four years costs have increased overall by 78%, with account taken, amongst other things, of the increase in the numbers of Financial Advisors and Financial agents.



### *Positions with the remuneration of over €1 million*

Positions in the Group with remuneration of over €1 million in 2015 were the Chief Executive Officer of UBI and a Financial Advisor in the company IW Bank S.p.A.

### *Action taken on fixed remuneration*

As part of the Merit Plan, changes were made in 2015 to reward merit, with the exclusion of those required by automatic contract clause increases, for around 8.5% of staff, with a total impact of approximately 0.6% of the total salaries paid.

### *Estimate of the results of 2015 incentive schemes*

On the basis of the first available evidence, the trigger conditions (“gates”) were satisfied and Group RORAC performance was between 80% and 110% of the budgeted figure. Consequently the total theoretical allocation forecast in the budget of €20 million was confirmed. Nevertheless, with account taken of the projections for individual companies, the total estimated expense is €18.7 million, of which €2.5 million relating to Key Personnel.

Group RORAC (% achievement of objective)	Theoretical bonus pool	Estimate of total expense	Estimate of KP expense
> 150%			
110%-150%			
80%-110%	20 million	18.7 million	2.5 million
50%-80%			
0%-50%			
<0%			

With regard to individual companies, on the basis of the first projections, subject to changes at the final verification stage for the qualitative and quantitative indicators, 14 Group companies would have access to incentive schemes, although with varying spending capacity on the basis of their results, in particular:

- an increase in the bonus pool initially allocated for one company (UBI Pramerica SGR), following performances over 110% of the budget;
- confirmation of the bonus pool for six companies (Banca Popolare di Bergamo, Banca Popolare Commerce Industry, Banca Popolare di Ancona, UBI Banca, UBI Servizi e Sistemi and UBI Academy), following the performances of between 80% and 110% of the budget;
- a reduction in the bonus pool, in consideration of company results, possibly down to zero in the event of a loss for the year, for nine companies (Banca Regionale Europea, Banca di Valle Camonica, IW Bank, Banco di Brescia, UBI Factor, UBI Leasing, Prestitalia, Banca Carime and UBI Banca International).

On the basis of the initial projections given above, a total of 65% of Key Personnel will receive a bonus, including the senior management of the Parent (Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers), details of which, subject to revision on the basis of the final figures, are given by name in the second part of this report (Issuers' Regulations Tables).

#### *Incentive schemes in previous years*

With reference to the 2014 incentive scheme, when the final consolidated figures were compiled, a reduction of 2% in bonuses was recorded compared with the estimate made in last year's report, down by approximately €326,000 gross.

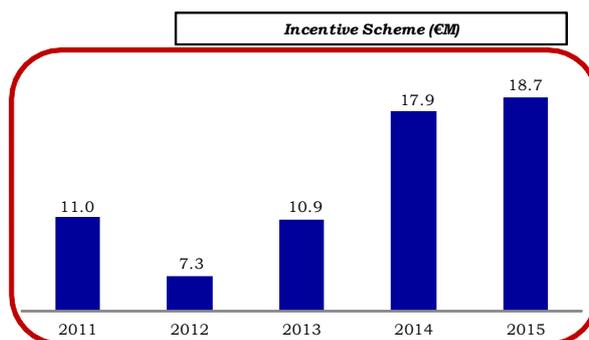
With specific reference to "Key personnel", the improvement in the performance of some indicators with respect to forecasts, and for Group RORAC in particular, resulted in an increase in bonuses of approximately €1 million gross.

This increase had no impact on the bonus levels for the Chief Executive Officer, who waived his right to the potential extra bonus, confirming the amount stated in the previous Remuneration Report.

As concerns deferred components of the 2011 Incentive Scheme, approximately €314,000 was paid gross in 2015 to 38 staff belonging to the Key Personnel perimeter, having verified that the deferment conditions had been satisfied for the three-year period 2012-2014.

Again in 2015, with reference to the 2012 Incentive Scheme, once the two-year retention period was over, 51,363 UBI Banca shares were granted from the upfront component earned by 15 staff in the Key Personnel perimeter.

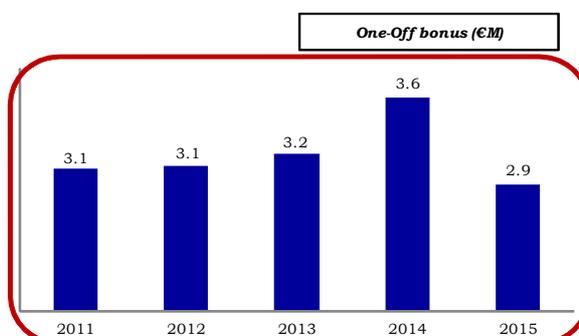
The chart below shows the total cost of incentives schemes for Employee Personnel over the last five years.



#### *Other variable items*

As part of the Merit Plan, in 2015 one-off bonuses amounting to approximately €2.9 million were granted to Employee Personnel for services provided in 2014, accounting for around 8.4% of total Group staff. For the period concerned, these bonuses did not involve staff occupying Key Personnel positions.

The chart below shows the total cost of one-off bonuses over the last five years.



Again in 2015, the Company Bonus for the year 2014 was paid either in cash or in the form of specific benefits linked to the Group's welfare system, including in particular expenses incurred for children's nurseries, school education and summer camps or additional contributions to their supplementary pension. Payment of the company bonus in the form of "welfare" involved approximately 32% of employee personnel.

#### **4. Start and end of employment relationships**

In 2015 one newly recruited person, included within the Key Personnel perimeter from 2016, was awarded a recruitment bonus, limited to the first year and in compliance with Supervisory Regulations on remuneration and incentives, amounting to approximately €80,000 gross, to compensate for losing variable remuneration from the previous employer.

During the year seven employee staff belonging to the 2015 Key Personnel category left the Group, details of which are given below.

- The General Manager of UBI Banca, two General Managers of Group companies and two UBI Area Managers handed in their resignations and received the payments due for the end of the employment relationship (end of year bonus pro rata and post employment benefits accruing on the date of leaving) for a total of approximately €263,000 gross, inclusive of the recovery of notice not provided for one person. In compliance with internal company regulations, the persons concerned lost their right to receive portions of bonuses earned relating to prior year incentive schemes that had not yet been paid.
- For the Deputy General Manager of UBI, with the position of Operational Chairman at UBI Sistemi e Servizi, the employment relationship was terminated by mutual consent in a "protected place" (before a judge, at a provincial office of employment or in the presence of trade union representative) with an upfront payment of approximately €732,000 gross corresponding to twelve months salary relating to the notice due by law and under the national trade union agreement and eleven months salary on the basis of the criteria and

limits for determining remuneration to be agreed in the event of the early termination of an employment relationship or the early vacation of a position, approved by a Shareholders' Meeting on 25<sup>th</sup> April 2015. These amounts were subjected to clawback clauses in compliance with the Supervisory Regulations currently in force. The foregoing was in addition to post employment benefits due on the termination date amounting to approximately €328,000 gross and approximately €27,000 relating to the upfront cash portion of the bonus earned under the 2014 incentive scheme – as reported in the previous Remuneration Report – without prejudice to rights over the remaining portions of the bonus under the provisions of Group Remuneration and Incentive Policies.

- Finally, the employment relationship for one position was terminated with access to funds from the “credit solidarity fund” under Interministerial Decree No. 83486 of 28<sup>th</sup> July 2014 and in accordance with agreements signed with trade unions. Therefore total payments of approximately €130,000 gross were paid for end of the employment relationship and approximately €51,000 gross for bringing supplementary pension contributions up-to-date. Under the provisions of the Framework Agreement, the person concerned will receive approximately €5,500 gross monthly during the period covered by the “solidarity fund”.

As part of programmes for the progressive recovery of efficiency and productivity, on 23<sup>rd</sup> December 2015 the UBI Group signed a Framework Agreement as a continuation of the redundancy scheme commenced with the Agreement of 26<sup>th</sup> November 2014, which provided for access to extraordinary funds from the “Credit Personnel Solidarity Fund” for around 330 employees whose applications had been surplus under the preceding agreement to which a further 70 staff are added who may apply, again on a voluntary basis. The necessary provisions to cover this agreement were made in the 2015 accounts.

A non-competition obligation remuneration agreement with a specific periodic indemnity clause exists with the Chief Executive Officer.

Furthermore, in compliance with Supervisory Regulations, job security agreements still in place stipulated in the interest of the Group for staff in the Key Personnel perimeter were reviewed in December to bring them into line with current regulations, with the application of the criteria set by Group Remuneration and Incentive Policies.

## **5. Incentive schemes based on financial instruments**

Information on incentive schemes based on financial instruments, pursuant to 114-*bis* of the Consolidated Finance Act 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.

## **6. Items of remuneration**

Reference is made to the tables in part two to report below on the main items of remuneration. With regard to the tables included in item 1) Quantitative information by area of activity and category of personnel, the following is reported:

- fixed remuneration, defined as annualised remuneration paid to 31<sup>st</sup> December 2015, payment of which is guaranteed. This includes amounts 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, different from that provided for by the national trade union agreement. Overtime is excluded;
- performance-related variable remuneration with particular reference to the 2015 incentive schemes, calculated on an accruals basis on figures that are not final and not yet paid. This figure is subject to changes when the final accounts are published;
- the procedures for the payment of Key Personnel, on the basis of the results of the incentive schemes mentioned in the preceding point, divided between up-front payments in cash and shares (payment of which is not subject to deferral conditions) and deferred quotas in cash and shares;
- the amounts of deferred remuneration over previous years, that have not yet been granted on the basis of the deferral procedures.

The following information is given in table 1 of the tables contained in item 2) Quantitative information on management and supervisory bodies and the Chief Executive Officer, General Manager, Senior Deputy General Manager and Deputy General Managers of UBI Banca:

- fixed remuneration for the position (column 1);
- remuneration for attendance on committees (column 2);
- variable non-equity remuneration (cash) divided into “bonuses and other incentives”, which include 2015 incentive scheme payments estimated on an accruals basis on preliminary figures and not yet paid relating to the upfront component, any one-off payments, company bonuses and “share of profits”, the latter not paid (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 staff retention 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) falling due in 2015.

Table 2 (as required under Consob Resolution No. 18049 of 23<sup>rd</sup> December 2011) is not included, since there are currently no stock option plans within the Group.

Table 3A contains information relating to schemes based on financial instruments other than stock options. More specifically, it shows:

- the relative incentive scheme (column 1);
- the number of shares accrued in 2012, 2013, 2014 and 2015, that have yet to be paid because they are subject to retention and deferral mechanisms and the relative vesting period (columns 2 and 3);
- the fair value for the year (column 12).

Table 3B, as above, contains information relating to monetary incentive schemes (column 3C). Amounts have also been entered in column 4 for “other bonuses” in which bonuses for the year not explicitly included in schemes defined beforehand are reported.

## II. Part two

Part two contains the following:

1. aggregated quantitative information by area of activity and category of personnel, with a distinction between the fixed component of remuneration and the variable performance-related component;
2. quantitative information by name is given for the management and supervisory functions and also for the Chief Executive Officer, General Manager, Senior Deputy General Manager and Deputy General Managers of UBI Banca. Because there is no total remuneration for other key management personnel that is greater than the highest remuneration paid to the Chief Executive Officer and the General Manager of UBI, aggregate information is given, with the number of persons given in place of the names.
3. finally, the last table of this document gives shares held in UBI Banca and its subsidiaries by members of the management and supervisory bodies and by the Chief Executive Officer, General Manager, Senior Deputy General Manager and Deputy General Manager and other key management personnel of UBI Banca (pursuant to Art. 84 *quater* of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments).

### 1. Quantitative aggregated information by area of activity and category of employee personnel

#### Fixed remuneration

The table below gives the total fixed remuneration at Group level by type of personnel and macro 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	31.12.2015	Number of persons	31.12.2015	Number of persons	31.12.2015	Number of persons	31.12.2015
UBI Chief Executive Officer		1	1,488	1	1,488	-	-	-	-
Senior Deputy General Manager UBI <sup>(4)</sup>	Senior Management	1	689	1	689	-	-	-	-
Other Executive Board Members and General Managers		15	4,146	-	-	10	2,949	5	1,197
UBI Deputy General Managers		2	919	2	919	-	-	-	-
Managers of main lines of business	Material risk-takers	34	6,941	17	3,827	7	1,307	10	1,808
Managers of highest level of control functions		13	2,376	13	2,376	-	-	-	-
Other senior managers	-	271	34,068	106	13,676	114	13,926	51	6,466
Other employees	-	17,380	825,239	1,589	85,349	13,144	616,935	2,647	122,955
<b>TOTAL</b>		<b>17,717</b>	<b>875,866</b>	<b>1,729</b>	<b>108,324</b>	<b>13,275</b>	<b>635,117</b>	<b>2,713</b>	<b>132,426</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) Banca Popolare di Bergamo Spa, Banco di Brescia Spa, Banca Popolare Commercio e Industria Spa, Banca Regionale Europea Spa, Banca Popolare di Ancona Spa, Banca Carime Spa, Banca di Valle Camonica Spa, IV Bank Spa, UBI Banca International Sa.

(3) UBI Sistemi e Servizi SCoA, UBI Leasing Spa, UBI Factor Spa, UBI Pramerica SGR Spa, Prestitalia Spa, UBI Fiduciaria Spa, BPB Immobiliare Srl, S.B.I.M Spa, UBI Academy, UBI Management Company Sa, UBI Trustee Sa.

(4) Part of the cost is incurred by the company in which he occupies the position of General Manager.

The table below gives the total fixed remuneration by type of personnel and macro 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		Lending		Other Functions <sup>(2)</sup>	
	Number of persons	31.12.2015	Number of persons	31.12.2015	Number of persons	31.12.2015	Number of persons	31.12.2015
UBI Chief Executive Officer	1	1,488	-	-	-	-	-	-
Senior Deputy General Manager UBI <sup>(3)</sup>	1	689	-	-	-	-	-	-
UBI Deputy General Managers	2	919	-	-	-	-	-	-
Managers of main lines of business	-	-	5	1,223	3	730	9	1,874
Managers of highest level of control functions	-	-	-	-	-	-	13	2,376
Other senior managers	-	-	51	6,865	11	1,319	44	5,492
Other employees	-	-	395	23,654	335	16,606	859	45,089
<b>TOTAL</b>	<b>4</b>	<b>3,096</b>	<b>451</b>	<b>31,742</b>	<b>349</b>	<b>18,655</b>	<b>925</b>	<b>54,831</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 Financial Officer, Chief of General Affairs and Subsidiaries, Chief Audit Executive, Chief Risk Officer, Compliance, Investor and Media Relations, Customer Care, Chief Operating Officer and Support to the Supervisory Board.

(3) Part of the cost is incurred by the company in which he occupies the position of General Manager.

### 2015 Incentive Schemes – Estimates for Key Personnel

The table below gives an estimate of the number of beneficiaries (approximately 65%) and the amount or performance-related remuneration paid through incentive schemes, divided by type of personnel and areas of activity. It is calculated on the basis of preliminary figures and is subject to possible modifications.

### 2015 Incentive Scheme Estimate <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	31.12.2015	Number of beneficiaries	31.12.2015	Number of beneficiaries	31.12.2015	Number of beneficiaries	31.12.2015
UBI Chief Executive Officer	1	454	1	454	-	-	-	-
UBI Senior Deputy General Manager	1	126	1	126	-	-	-	-
UBI Deputy General Managers	2	144	2	144	-	-	-	-
Other Executive Board Members and General Managers	5	374	-	-	3	264	2	110
Managers of main lines of business	21	911	14	389	2	52	5	470
Managers of highest level of control functions	13	289	13	289	-	-	-	-
<b>TOTAL</b>	<b>43</b>	<b>2,297</b>	<b>31</b>	<b>1,402</b>	<b>5</b>	<b>316</b>	<b>7</b>	<b>580</b>

(1) Company costs are excluded.

(2) Banca Popolare di Bergamo Spa, Banca Popolare Commercio e Industria Spa

(3) UBI Sistemi e Servizi SCpA, UBI Pramerica SGR Spa

The tables below give the means of payment for bonuses earned by Key Personnel according to the relative procedures in terms of financial instruments and deferral in the first table and in terms of upfront payments (because they are less than €50,000 gross and less than 15% of fixed remuneration for staff belonging to the Top and Core perimeter and less than 10% for Other Personnel) in the second table.

### 2015 Incentive Scheme Estimate <sup>(1)</sup>: : upfront and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front portion		Deferred portion	
		Cash 2016 (UBI CEO 20% - Top, Core 30% - Other KP 70%)	Shares 2018 (UBI CEO 20% - Top, Core 30%)	Cash (UBI CEO 30% 2021- Top, Core 20% 2019- Other KP 30% 2018)	Shares (UBI CEO 30% 2022- Top, Core 20% 2020)
UBI Chief Executive Officer	1	91	91	136	136
UBI Senior Deputy General Manager	1	38	38	25	25
UBI Deputy General Managers	2	43	43	29	29
Executive Board Members and General Managers of the Group	4	106	106	66	66
UBI Managers of main lines of business	2	35	17	19	12
Managers of main lines of business of the Group	4	173	118	102	79
UBI Managers of highest level of control functions	2	33	17	18	11
<b>TOTAL</b>	<b>16</b>	<b>519</b>	<b>430</b>	<b>395</b>	<b>358</b>

(1) Company costs are excluded

### 2015 Incentive Scheme Estimate<sup>(1)</sup>: upfront bonuses

Figures in thousands of euro	Number of beneficiaries	Upfront portion	
		Cash 2016 (Top, Core 50% - other KP 100%)	Shares 2018 (Top, Core 50%)
UBI Chief Executive Officer	-	-	-
UBI Senior Deputy General Manager	-	-	-
UBI Deputy General Managers	-	-	-
Executive Board Members and General Managers of the Group	1	15	15
UBI Managers of main lines of business	12	153	153
Managers of main lines of business of the Group	3	50	-
UBI Managers of highest level of control functions	11	113	97
<b>TOTAL</b>	<b>27</b>	<b>331</b>	<b>265</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: key personnel<sup>(1)</sup>

Figures in thousands of euro	2011 scheme		2012 scheme			2013 Scheme			2014 Scheme		
	Number of beneficiaries	Shares (2016)	Number of beneficiaries	Cash (2016)	Shares (2017)	Number of beneficiaries	Cash (2017)	Shares (2018)	Number of beneficiaries	Cash (2018)	Shares (2019)
UBI Chief Executive Officer	-	-	-	-	-	-	-	-	1	177	177
UBI Senior Deputy General Manager	-	-	-	-	-	1	19	19	1	58	58
UBI Deputy General Managers	-	-	-	-	-	1	13	13	3	100	100
Executive Board Members and General Managers of the Group	4	48	5	38	38	3	52	52	5	101	101
UBI Managers of main lines of business	1	11	-	-	-	-	-	-	11	166	166
Managers of main lines of business of the Group	31	248	10	99	99	1	59	59	3	100	100
Managers of highest level of control functions	2	7	-	-	-	-	-	-	1	12	12
<b>TOTAL</b>	<b>38</b>	<b>314</b>	<b>15</b>	<b>137</b>	<b>137</b>	<b>6</b>	<b>143</b>	<b>143</b>	<b>25</b>	<b>714</b>	<b>714</b>

(1) Company costs are excluded

### 2014 incentive schemes - final data

In order to provide full information, the final figures relating to the amounts for the 2014 incentive scheme payments is given below. Compared with the estimates provided in the previous Remuneration Report, they have reduced by approximately 2% overall, down by approximately €326,000 gross.

### 2014 Incentive Scheme Actual 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	31.12.2014	Number of beneficiaries	31.12.2014	Number of beneficiaries	31.12.2014	Number of beneficiaries	31.12.2014
UBI Chief Executive Officer	1	590	1	590	-	-	-	-
UBI Senior Deputy General Manager	1	288	1	288	-	-	-	-
UBI Deputy General Managers	3	498	3	498	-	-	-	-
Other Executive Board Members and General Managers	10	618	-	-	6	458	4	160
Managers of main lines of business	28	1,647	18	969	5	160	5	518
Managers of highest level of control functions	4	186	4	186	-	-	-	-
Other senior managers	155	1,312	67	544	56	361	32	407
Other employees	6,391	10,160	831	1,307	4,507	5,658	1,053	3,195
<b>TOTAL</b>	<b>6,593</b>	<b>15,299</b>	<b>925</b>	<b>4,382</b>	<b>4,574</b>	<b>6,637</b>	<b>1,094</b>	<b>4,280</b>

(1) Company costs are excluded.

(2) Banca Popolare di Bergamo Spa, Banco di Brescia Spa, Banca Regionale Europea Spa, Banca Popolare Commercio e Industria Spa, Banca Popolare di Ancona Spa, Banca Carime Spa, Banca di Valle Camonica Spa, UBI Banca Private Investment Spa, IW Bank Spa.

(3) UBI Sistemi e Servizi Scpa, UBI Factor Spa, UBI Pramerica SGR Spa, Prestitalia Spa, UBI Academy and UBI Leasing Spa (in view of the loss incurred by the latter, the discretionary mechanism permitted was used for management and motivational purposes to allow a payout of approximately €25,000 gross).

With specific reference to Key Personnel, the improvement in the performance of some indicators with respect to forecasts, and for Group RORAC in particular, resulted in an increase in bonuses of approximately €1 million gross.

This increase had no impact on the bonus levels for the Chief Executive Officer, who waived his right to the potential extra bonus, confirming the amount stated in the previous Remuneration Report.

The following tables, divided between bonuses earned by Key Personnel of over €50,000 and bonuses of less than that amount, summarise their composition in terms of deferral and financial instruments.

**2014 incentive Schemes<sup>(1)</sup>: means of payment**  
**Key Personnel – bonus greater than €50,000**

Figures in thousands of euro	Number of beneficiaries	Upfront portion		Deferred portion	
		Cash 2015 (30%, while for UBI CEO 20%)	Shares 2017 (30%, while for UBI CEO 20%)	Cash 2018 (20%, while for UBI CEO 30%)	Shares 2019 (20%, while for UBI CEO 30%)
UBI Chief Executive Officer	1	118	118	177	177
UBI Senior Deputy General Manager	1	86	86	58	58
UBI Deputy General Managers	3	149	149	100	100
Executive Board Members and General Managers of the Group	5	150	150	101	101
UBI Managers of main lines of business	11	254	249	166	166
Managers of main lines of business of the Group	3	150	150	100	100
UBI Managers of highest level of control functions	1	18	18	12	12
<b>TOTAL</b>	<b>25</b>	<b>925</b>	<b>920</b>	<b>714</b>	<b>714</b>

(1) Company costs are excluded

**2014 Incentive Schemes<sup>(1)</sup>: means of payment**  
**Key Personnel – bonus less than €50,000**

Figures in thousands of euro	Number of beneficiaries	Upfront portion	
		Cash 2015 (50%)	Shares 2017 (50%)
UBI Chief Executive Officer	-	-	-
UBI Senior Deputy General Manager	-	-	-
UBI Deputy General Managers	-	-	-
Executive Board Members and General Managers of the Group	5	58	58
UBI Managers of main lines of business	7	67	67
Managers of main lines of business of the Group	7	89	89
UBI Managers of highest level of control functions	3	63	63
<b>TOTAL</b>	<b>22</b>	<b>277</b>	<b>277</b>

(1) Company costs are excluded

## **2. Quantitative information on the management and control bodies and on the Chief Executive Officer, General Manager, Senior Deputy General Manager, Deputy General Managers and other Senior Managers of UBI Banca with strategic responsibilities**

The tables below give detailed information relating to 2014 and more specifically they consist of Table 1 and Table 3A and 3B pursuant to Art. 84 *quater* of the Issuers' Regulations adopted with Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments.

Table 1 pursuant to Attachment 3 of the Issuers' Regulations

Remuneration paid to members of the management and control bodies and to general management and other Senior Managers with strategic responsibilities (Art. 84 quater of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments)

(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					
Moltrasio Andrea	UBI BANCA:											
	- Chairman of the Supervisory Board	01.01/31.12	AGM 2016	375,000.00						375,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Chairman of Appointments Committee	01.01/31.12	AGM 2016									
	<b>TOTAL</b>			455,000.00						455,000.00		
Cera Mario	UBI BANCA:											
	- Senior Deputy Chairman of the Supervisory Board	01.01/31.12	AGM 2016	250,000.00						250,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2016									
	- Chairman of the Remuneration Committee	01.01/31.12	AGM 2016									
	<b>TOTAL</b>			330,000.00						330,000.00		
Folonari Alberto	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	AGM 2016	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2016									
	<b>TOTAL</b>			120,000.00						120,000.00		
Santus Armando	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	AGM 2016	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2016									
	- Member of the Remuneration Committee	01.01/31.12	AGM 2016		17,500.00					17,500.00		
	<b>Total UBI Banca remuneration</b>			120,000.00	17,500.00					137,500.00		
	BANCA POPOLARE DI BERGAMO: other remuneration (notary services)								3,060.00	3,060.00		
	BANCA POPOLARE COMMERCIO INDUSTRIA: other remuneration (notary services)								2,895.00	2,895.00		
	BANCA POPOLARE DI ANCONA: other remuneration (notary services)								540.00	540.00		
	BANCA REGIONALE EUROPEA: other remuneration (notary services)								1,200.00	1,200.00		
	BANCO DI BRESCIA: other remuneration (notary services)								1,440.00	1,440.00		
	BANCA CARIME: other remuneration (notary services)								450.00	450.00		
	BPB IMMOBILIARE: other remuneration (notary services)								865.00	865.00		
	CORALIS RENT : other remuneration (notary services)								350.00	350.00		
	UBI ACADEMY: other remuneration (notary services)								65.00	65.00		
	UBI FINANCE: other remuneration (notary services)								450.00	450.00		
	CENTROBANCA SVILUPPO IMPRESA: other remuneration (notary services)								65.00	65.00		
	UBI LEASING: other remuneration (notary services)								39,661.60	39,661.60		
	<b>TOTAL</b>			120,000.00	17,500.00				51,041.60	188,541.60		

(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					
Agliardi Dorino Mario	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Accounts Committee	01.01/15.09	15/09/2015		28,369.57					28,369.57		
	- Member of the Risk Committee	16.09/31.12	AGM 2016		11,630.43					11,630.43		
	<b>TOTAL</b>			80,000.00	40,000.00					120,000.00		
Bardoni Antonella	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Related and Connected Parties Committee	01.01/31.12	AGM 2016		20,000.00					20,000.00		
	<b>TOTAL</b>			80,000.00	20,000.00					100,000.00		
Bellini Cavalletti Letizia	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	<b>TOTAL</b>			80,000.00						80,000.00		
Brogi Marina	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Accounts Committee	01.01/15.09	15/09/2015		28,369.57					28,369.57		
	- Member of the Risk Committee	16.09/31.12	AGM 2016		11,630.43					11,630.43		
	- Member of the Remuneration Committee	01.01/31.12	AGM 2016		17,500.00					17,500.00		
	<b>TOTAL</b>			80,000.00	57,500.00					137,500.00		
Camadini Pierpaolo	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2016		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2016		9,000.00					9,000.00		
	<b>TOTAL</b>			80,000.00	69,000.00					149,000.00		
Cividini Luca Vittorio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	<b>TOTAL</b>			80,000.00						80,000.00		
Del Boca Alessandra	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	AGM 2016		17,500.00					17,500.00		
	<b>TOTAL</b>			80,000.00	17,500.00					97,500.00		
Faia Ester	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	<b>TOTAL</b>			80,000.00						80,000.00		
Gallarati Marco Giacinto	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Chairman of Related and Connected Parties Committee	01.01/31.12	AGM 2016		45,000.00					45,000.00		
	<b>TOTAL</b>			80,000.00	45,000.00					125,000.00		
Garavaglia Carlo	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2016		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2016		9,000.00					9,000.00		
	<b>TOTAL</b>			80,000.00	69,000.00					149,000.00		

(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					
Gola Gian Luigi	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2016		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	AGM 2016		9,000.00					9,000.00		
	<b>TOTAL</b>			80,000.00	69,000.00					149,000.00		
Guerini Lorenzo Renato	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Chairman of the Accounts Committee	01.01/15.09	15/09/2015		56,739.13					56,739.13		
	- Chairman Risk Committee	16.09/31.12	AGM 2016		23,260.87					23,260.87		
	<b>TOTAL</b>			80,000.00	80,000.00					160,000.00		
Gusmini Alfredo	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Secretary of the Supervisory Board	01.01/31.12	AGM 2016	40,000.00						40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	AGM 2016		60,000.00					60,000.00		
					9,000.00					9,000.00		
	<b>TOTAL</b>			120,000.00	69,000.00					189,000.00		
Manzoni Federico	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Accounts Committee	01.01/15.09	15/09/2015		28,369.57					28,369.57		
	- Member of the Risk Committee	16.09/31.12	AGM 2016		11,630.43					11,630.43		
	<b>TOTAL</b>			80,000.00	40,000.00					120,000.00		
Mazzoleni Mario	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2016									
	<b>TOTAL</b>			80,000.00						80,000.00		
Minelli Enrico	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Related and Connected Parties Committee	01.01/31.12	AGM 2016		20,000.00					20,000.00		
	- Member of the Appointments Committee	01.01/31.12	AGM 2016									
	<b>TOTAL</b>			80,000.00	20,000.00					100,000.00		
Pivato Sergio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Chairman of the Internal Control Committee	01.01/31.12	AGM 2016		100,000.00					100,000.00		
	- Chairman of the Supervisory Body	01.01/31.12	AGM 2016		15,000.00					15,000.00		
	<b>TOTAL</b>			80,000.00	115,000.00					195,000.00		
Resti Andrea Cesare	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	AGM 2016		17,500.00					17,500.00		
	<b>TOTAL</b>			80,000.00	17,500.00					97,500.00		

(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					
Zucchi Maurizio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	AGM 2016	80,000.00						80,000.00		
	<b>TOTAL</b>			80,000.00						80,000.00		
Polotti Franco	UBI BANCA:											
	- Chairman of the Management Board	01.01/31.12	AGM 2016	375,000.00						375,000.00		
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
<b>TOTAL</b>			495,000.00							495,000.00		
Frigeri Giorgio	UBI BANCA:											
	- Deputy Chairman of the Management Board	01.01/31.12	AGM 2016	100,000.00						100,000.00		
	- Member of the Management Board	01.01/31.12	AGM 2016	65,000.00						65,000.00		
<b>Total UBI Banca remuneration</b>			165,000.00						165,000.00			
BANCA POPOLARE DI BERGAMO												
	- Chairman of the Board of Directors	01.01/31.12	AGM 2017	89,000.00						89,000.00		
	- Director	01.01/31.12	AGM 2017	36,000.00						36,000.00		
	- Executive Committee	01.01/31.12	AGM 2017		10,000.00					10,000.00		
<b>Total Banca Popolare di Bergamo remuneration</b>			125,000.00	10,000.00					135,000.00			
<b>TOTAL</b>			290,000.00	10,000.00					300,000.00			
Messiah Victor	UBI BANCA:											
	- Senior manager	01.01/31.12	the position has no termination date	652,431.81		92,062.56		114,992.52	(*) 100,287.08	959,773.97	88,412.58	
	- General Manager	01.06/31.12	AGM 2016									
	- Chief Executive Officer	01.01/31.12	AGM 2016	500,000.00						500,000.00		
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
<b>TOTAL</b>			1,272,431.81		92,062.56		114,992.52	100,287.08	1,579,773.97	88,412.58		
Fidanza Silvia	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
<b>TOTAL</b>			120,000.00						120,000.00			
Gattinoni Luciana	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
<b>Total UBI Banca remuneration</b>			120,000.00						120,000.00			
BPB IMMOBILIARE:												
	- Chairman of the Board of Directors	01.01/31.12	AGM 2017	10,000.00						10,000.00		
	- Senior manager	01.01/31.12	AGM 2017	5,000.00						5,000.00		
<b>Total BPB Immobiliare remuneration</b>			15,000.00						15,000.00			
<b>TOTAL</b>			135,000.00						135,000.00			
Lucchini Italo	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
<b>TOTAL</b>			120,000.00						120,000.00			

(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					
Medda Ettore	<b>UBI BANCA:</b>											
	- Deputy General Manager	01.01/31.12	the position has no termination date	340,379.91		30,271.50		78,386.38	20,086.04	469,123.83	34,771.00	
	- Member of the Management Board	14.07/31.12	AGM 2016	56,219.18						56,219.18		
	<b>Total UBI Banca remuneration</b>			<b>396,599.09</b>		<b>30,271.50</b>		<b>78,386.38</b>	<b>20,086.04</b>	<b>525,343.01</b>	<b>34,771.00</b>	
(*)	<b>BANCA REGIONALE EUROPEA</b>											
	- Director	01.01/31.12	AGM 2017									
	- Executive Committee	01.01/31.12	AGM 2017									
	<b>Total Banca Regionale Europea Remuneration</b>											
(*)	<b>BANCA VALLE CAMONICA:</b>											
	- Director	01.01/31.12	AGM 2017									
	<b>Total Banca Valle Camonica remuneration</b>											
	<b>TOTAL</b>			<b>396,599.09</b>		<b>30,271.50</b>		<b>78,386.38</b>	<b>20,086.04</b>	<b>525,343.01</b>	<b>34,771.00</b>	
Pizzini Flavio	<b>UBI BANCA:</b>											
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			<b>120,000.00</b>						<b>120,000.00</b>		
	<b>UBI SISTEMI E SERVIZI:</b>											
	- Deputy Chairman of the Board of Directors	01.01/31.12	AGM 2016	45,000.00						45,000.00		
	- Director	01.01/31.12	AGM 2016	5,000.00						5,000.00		
	<b>Total UBI Sistemi e Servizi remuneration</b>			<b>50,000.00</b>						<b>50,000.00</b>		
	<b>TOTAL</b>			<b>170,000.00</b>						<b>170,000.00</b>		
Sonnino Elvio (**)	<b>UBI BANCA:</b>											
	- Senior Deputy General Manager	01.01/31.12	the position has no termination date	466,461.67		39,209.06		81,953.32	20,130.74	607,754.79	48,577.11	
	- Member of the Management Board	01.01/31.12	AGM 2016	120,000.00						120,000.00		
	<b>Total UBI Banca remuneration</b>			<b>586,461.67</b>		<b>39,209.06</b>		<b>81,953.32</b>	<b>20,130.74</b>	<b>727,754.79</b>	<b>48,577.11</b>	
(*)	<b>UBI BANCA INTERNATIONAL:</b>											
	- Director	01.01/31.12	AGM 2016									
	<b>Total UBI Banca International remuneration</b>											
(*)	<b>UBI SISTEMI E SERVIZI:</b>											
	- Director	01.01/31.12	AGM 2016									
	- General Manager	09.02/31.12	the position has no termination date									
	<b>Total UBI Sistemi e Servizi remuneration</b>											
(*)	<b>UBI ACADEMY:</b>											
	- Director	01.01/31.12	AGM 2018									
	<b>Total UBI Academy remuneration</b>											
(*)	<b>IW BANK</b>											
	- Director (co-opted)	10.06/31.12	AGM 2016									
	- Deputy Chairman	10.06/31.12	AGM 2016									
	<b>Total IW Bank remuneration</b>											
	<b>TOTAL</b>			<b>586,461.67</b>		<b>39,209.06</b>		<b>81,953.32</b>	<b>20,130.74</b>	<b>727,754.79</b>	<b>48,577.11</b>	

(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					
Leidi Rossella	<b>UBI BANCA:</b>											
	- Deputy General Manager	01.01/31.12	the position has no termination date	380,255.85		17,268.86		23,653.86	20,193.54	441,372.11	24,201.39	
	<b>Total UBI Banca remuneration</b>			380,255.85		17,268.86		23,653.86	20,193.54	441,372.11	24,201.39	
	(*) <b>UBI ACADEMY:</b>											
	- Director	01.01/31.12	AGM 2018									
	<b>Total UBI Academy remuneration</b>											
	(*) <b>UBI PRAMERICA SGR:</b>											
- Director (co-opted)	30.06/31.12	AGM 2016										
<b>Total UBI Pramerica SGR remuneration</b>												
(*) <b>PRESTITALIA:</b>												
- Director (co-opted)	24.09/31.12	AGM 2016										
<b>Total Prestitalia remuneration</b>												
<b>TOTAL</b>				380,255.85		17,268.86		23,653.86	20,193.54	441,372.11	24,201.39	
Iorio Francesco	<b>UBI BANCA:</b>											
	- General Manager	01.01/31.05	31/05/2015	250,620.09		(**) -1,661.74		11,025.09	4,223.32	264,206.76		
	- Member of the Management Board	01.01/31.05	31/05/2015	49,643.84						49,643.84		
	<b>Total UBI Banca remuneration</b>			300,263.93		-1,661.74		11,025.09	4,223.32	313,850.60	0.00	
	(*) <b>UBI SISTEMI E SERVIZI:</b>											
	- Director	01.01/22.05	22/05/2015									
	<b>Total UBI Sistemi e Servizi remuneration</b>											
	(*) <b>UBI BANCA PRIVATE BANKING INVESTMENT (now IW Bank)</b>											
	- Director	10.03/22.05	22/05/2015									
	- Deputy Chairman	10.03/22.05	22/05/2015									
<b>Total UBI Banca Private Investment (now IW Bank)</b>												
<b>TOTAL</b>				300,263.93		-1,661.74		11,025.09	4,223.32	313,850.60	0.00	
Rigamonti Pierangelo	<b>UBI BANCA:</b>											
	- Deputy General Manager	01.01/30.04	30/04/2015	121,647.31		(**) -1,661.74		10,744.14	7,477.60	138,207.31	11,821.10	732,000.00
	<b>Total UBI Banca remuneration</b>			121,647.31		-1,661.74		10,744.14	7,477.60	138,207.31	11,821.10	732,000.00
	(*) <b>UBI SISTEMI E SERVIZI:</b>											
	- Chairman	01.01/31.12	AGM 2016									
	- Director	01.01/31.12	AGM 2016									
	<b>Total UBI Sistemi e Servizi remuneration</b>											
<b>TOTAL</b>				121,647.31		-1,661.74		10,744.14	7,477.60	138,207.31	11,821.10	732,000.00
<b>Five key management personnel (*)</b>		01.01/31.12	The positions have no termination date	1,146,814.91		97,524.70		97,891.93	(***) 61,405.47	1,403,637.01	71,388.80	

(\*) The remuneration relating to dott. Victor Massiah, dott. Sonnino, dott. Medda, dott.ssa Leidi, dott. Iorio and dott. Rigamonti and to key management personnel does not include that relating to any posts held by them in other companies in the Group because this is either waived or paid directly to UBI Banca 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 incurred by the company in which he occupies the position of General Manager with the assignment of the relative functions and powers.

(\*) of which €100,000.08 for a non-competition agreement

(\*\*) Recovery of 2015 company bonus for which provision had been made

(\*\*\*) of which approximately €55,385 for job security agreements

Table 3A pursuant to Attachment three of the Issuers' Regulations.

Incentive schemes based on financial instruments other than stock options, for members of the management body and for general management and other key management personnel (Art. 84 *quater* of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999, and subsequent amendments)

			Financial instruments granted in prior years not vested during the year		Financial instruments granted during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments relating to the year
A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Name and Surname	Position	Scheme	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on the grant date	Vesting period	Grant date	Market price when granted	Number and type of financial instruments	Number and type of financial instruments	Value on the vesting date	Fair value
Massiah Victor	- Chief Executive Officer	2015 (**)			12,267 UBI Banca shares	7.014	3	2016	4.9478				24,583.07
		2015 (**)			18,400 UBI Banca shares	6.286	7	2021	4.9478				15,421.65
		2014 (*)	16,055 UBI Banca shares	3									25,582.50
		2014 (*)	24,082 UBI Banca shares	5									22,825.36
		2013											
		2012											
		2011											
		<b>TOTAL</b>	<b>40,137 UBI Banca shares</b>		<b>30,667 UBI Banca shares</b>								<b>88,412.58</b>
Sonnino Elvio	- Senior Deputy General Manager of UBI Banca	2015 (**)			5,129 UBI Banca shares	7.014	3	2016	4.9478				10,278.52
		2015 (**)			3,419 UBI Banca shares	6.630	5	2019	4.9478				4,121.45
		2014 (*)	11,724 UBI Banca shares	3									18,681.36
		2014 (*)	7,816 UBI Banca shares	5									7,408.15
		2013 (*)	4,355 UBI Banca shares	3									5,792.15
		2013 (*)	2,903 UBI Banca shares	5									2,295.48
		2012											
		<b>TOTAL</b>	<b>26,798 UBI Banca shares</b>		<b>8,548 UBI Banca shares</b>								<b>48,577.11</b>
Leidi Rossella	- Deputy General Manager of UBI Banca	2015 (**)			2,166 UBI Banca shares	7.014	3	2016	4.9478				4,340.66
		2015 (**)			1,444 UBI Banca shares	6.630	5	2019	4.9478				1,740.68
		2014 (*)	8,143 UBI Banca shares	3									12,975.29
		2014 (*)	5,428 UBI Banca shares	5									5,144.76
		2013											
		2012											
		<b>TOTAL</b>	<b>13,571 UBI Banca shares</b>		<b>3,610 UBI Banca shares</b>								<b>24,201.39</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	
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	
Medda Ettore Giuseppe	- Deputy General Manager of UBI Banca	2015 (**)			3,698 UBI Banca shares	7.014	3	2016	4.9478				7,410.79	
		2015 (**)			2,465 UBI Banca shares	6.630	5	2019	4.9478				2,971.45	
		2014 (*)	8,457 UBI Banca shares	3										13,475.63
		2014 (*)	5,638 UBI Banca shares	5										5,343.80
		2013 (*)	2,999 UBI Banca shares	3										3,988.67
		2013 (*)	1,999 UBI Banca shares	5										1,580.66
		2012												
		2011												
	<b>TOTAL</b>		<b>19,093 UBI Banca shares</b>		<b>6,163 UBI Banca shares</b>								<b>34,771.00</b>	
Rigamonti Pierangelo (***)	- Deputy General Manager of UBI Banca and Operational Chairman of UBI Sistemi e Servizi	2015												
		2014 (*)	3,715 UBI Banca shares	3									5,919.59	
		2014 (*)	2,477 UBI Banca shares	5										2,347.75
		2013 (*)	2,672 UBI Banca shares	3										3,553.76
		2012												
		2011												
	<b>TOTAL</b>		<b>8,864 UBI Banca shares</b>		<b>0 UBI Banca shares</b>								<b>11,821.10</b>	
Five key management personnel		2015 (**)			10,956 UBI Banca shares	7.014	3	2016	4.9478				21,955.82	
		2015 (**)			3,084 UBI Banca shares	6.630	5	2019	4.9478				3,717.62	
		2014 (*)	15,555 UBI Banca shares	3										24,785.78
		2014 (*)	5,225 UBI Banca shares	5										4,952.35
		2013 (*)	9,853 UBI Banca shares	3										13,104.49
		2012										959 UBI Banca shares	7,34535	463.88
		2012 (*)	640 UBI Banca shares	5										368.29
		2011 (*)	4,282 UBI Banca shares	5										2,040.57
	<b>TOTAL</b>		<b>35,555 UBI Banca shares</b>		<b>14,040 UBI Banca shares</b>						<b>959 UBI Banca shares</b>	<b>7.34535</b>	<b>71,388.80</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 04/01/2016 until 04/02/2016. These instruments will be promised, but not granted.

(\*\*\*) The cost of the financial instruments is borne by a company in which he holds another position.

Table 3B pursuant to Attachment 3 of the Issuers' Regulations.

Cash incentive schemes for members of the management bodies and for general management and other key management personnel (Art. 84 quater of Consob Resolution No. 11971 of 14<sup>th</sup> May 1999 and subsequent amendments)

A Name and Surname	B Position	(1) Scheme	(2) Bonus for the year			(3) Prior year bonuses			(4) Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
Massiah Victor	- Chief Executive Officer	2015	90,832.00 (*)	136,248.00 (*)	6				1,230.56
		2014						177,244.00	
		2013							
		2012							
		2011							
Sonnino Elvio	- Senior Deputy General Manager of UBI Banca	2015	37,978.50 (*)	25,319.00 (*)	4				1,230.56
		2014						57,527.00	
		2013						18,710.00	
		2012							
		2011							
Leidi Rossella	- Deputy General Manager of UBI Banca	2015	16,038.30 (*)	10,692.20 (*)	4				1,230.56
		2014						39,952.00	
		2013							
		2012							
		2011							

A	B	(1)	(2)			(3)			(4)
Name and Surname	Position	Scheme	Bonus for the year			Prior year bonuses			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/Paid	Deferred	Deferral period	No longer payable	Payable/Paid	Still deferred	
Medda Ettore Giuseppe	- Deputy General Manager of UBI Banca	2015	27,379.20 (*)	18,252.80 (*)	4				2,892.30
		2014						41,495.00	
		2013						12,883.00	
		2012							
		2011							
Rigamonti Pierangelo (**)	- Deputy General Manager of UBI Banca and Operational Chairman of UBI Sistemi e Servizi	2015							(***) -1,661.74
		2014						18,227.00	
		2013							
		2012							
		2011							
Five key management personnel		2015	81,126.90 (*)	22,834.60 (*)	4				6,152.80
		2014						38,450.00	
		2013							
		2012							2,546.00
		2011						10,245.00	
	<b>TOTAL</b>		<b>253,354.90</b>	<b>213,346.60</b>			<b>10,245.00</b>	<b>407,034.00</b>	<b>11,075.04</b>

(\*) Estimate made on the basis of preliminary figures and subject to possible change

(\*\*) The cost of the bonus for one person in this group was incurred by the company in which he is employed.

(\*\*\*) Recovery of 2015 company bonus for which provision had been made

**3. Shares held in UBI Banca and in subsidiaries by members of the management and supervisory bodies and by the Chief Executive Officer, General Manager, Senior Deputy General Manager, Deputy General Managers and other key management personnel 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 31/12/2014	Number of shares purchased in the 2015	Number of shares sold in the 2015	Number of shares owned as at 31/12/2015
Moltrasio Andrea	Chairman of the Supervisory Board	UBI	direct	full ownership	22,000	78,000		100,000
		UBI	spouse (directly)	full ownership	12,000			12,000
Cera Mario	Senior Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	50,007			50,007
Folonari Alberto	Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	1,784,759			1,784,759
		UBI	direct	usufruct	686,693			686,693
		UBI	indirect	full ownership	500			500
		UBI	spouse (directly)	full ownership	513,595			513,595
Santus Armando	Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	263,614	20,000		283,614
Agliardi Dorino Mario	Member of the Supervisory Board	UBI	direct	full ownership	300			300
		UBI	spouse (directly)	full ownership	250			250
Bardoni Antonella	Member of the Supervisory Board	UBI	direct	full ownership	2,250			2,250
		UBI	spouse (directly)	full ownership	253			253
Bellini Cavalletti Letizia	Member of the Supervisory Board	UBI	direct	full ownership	8,965			8,965
		UBI	direct	legal title only	128,357			128,357
		UBI	spouse (directly)	full ownership	6,000			6,000
		UBI	children - minors (directly)	full ownership	500			500
Brogi Marina	Member of the Supervisory Board	UBI	direct	full ownership	10,272			10,272
		UBI	spouse (directly)	full ownership				
		UBI	children - minors (directly)	full ownership	500			250 (*)
Camadini Pierpaolo	Member of the Supervisory Board	UBI	direct	full ownership	253,795	13,526		267,321
		UBI	spouse (directly)	full ownership	1,000			1,000
		UBI	children - minors (directly)	full ownership	3,000			3,000
		BANCA DI VALLE CAMONICA	direct	full ownership	2,401			2,401
Cividini Luca Vittorio	Member of the Supervisory Board	UBI	direct	full ownership	112,996			112,996
		UBI	spouse (directly)	full ownership	250			250
Del Boca Alessandra	Member of the Supervisory Board	UBI	direct	full ownership	250			250
Faia Ester	Member of the Supervisory Board	UBI	direct	full ownership	250			250
Gallarati Marco Giacinto	Member of the Supervisory Board	UBI	direct	full ownership	750			750
		UBI	spouse (directly)	full ownership	251			251
Garavaglia Carlo	Member of the Supervisory Board	UBI	direct	full ownership	386			386
Gola Gian Luigi	Member of the Supervisory Board	UBI	direct	full ownership	338	200		538
		UBI	indirect	full ownership	250			250
Guerini Lorenzo Renato	Member of the Supervisory Board	UBI	direct	full ownership	5,000			5,000
		UBI	spouse (directly)	full ownership	105,000			105,000
Gusmini Alfredo	Member of the Supervisory Board	UBI	direct	full ownership	125,000	25,000		150,000
		UBI	spouse (directly)	full ownership	125,000	25,000		150,000
Manzoni Federico	Member of the Supervisory Board	UBI	direct	full ownership	24,300			24,300
		UBI	spouse (directly)	full ownership	1,000			1,000
Mazzoleni Mario	Member of the Supervisory Board	UBI	direct	full ownership	15,876			15,876

Surname and first name	Position	Shareholding in	Type of holding	Ownership title	Number of shares owned as at 31/12/2014	Number of shares purchased in the 2015	Number of shares sold in the 2015	Number of shares owned as at 31/12/2015
Minelli Enrico	Member of the Supervisory Board	UBI	direct	full ownership	198,010	17,243 (**)		215,253
		UBI	direct	legal title only	134,152		38,200 (***)	95,952
		UBI	spouse (directly)	full ownership	1,250	6,750		8,000
		BANCA DI VALLE CAMONICA	direct	full ownership	116			116
Pivato Sergio	Member of the Supervisory Board	UBI	direct	full ownership	346			346
Resti Andrea Cesare	Member of the Supervisory Board	UBI	direct	full ownership	250			250
Zucchi Maurizio	Member of the Supervisory Board	UBI	direct	full ownership	1,366			1,366
		UBI	spouse (directly)	full ownership	1,688			1,688
<b>Management Board</b>								
Polotti Franco	Chairman of the Management Board	UBI	direct	full ownership	3,000			3,000
		UBI	indirect	full ownership	3,151,735			3,151,735
		UBI	spouse (directly)	full ownership	80,000			80,000
Frigeri Giorgio	Deputy Chairman of the Management Board	UBI	direct	full ownership	16,822			16,822
		UBI	spouse (directly)	full ownership	11,438			11,438
Massiah Victor	Chief Executive Officer / General Manager (since 1/6/2015)	UBI	direct	full ownership	410,000	40,000		450,000
Fidanza Silvia	Member of the Management Board	UBI	direct	full ownership	8,133			8,133
		UBI	spouse (directly)	full ownership	1,408			1,408
		UBI	children - minors (directly)	full ownership	500			500
Gattinoni Luciana	Member of the Management Board	UBI	direct	full ownership	9,872	15,128		25,000
		UBI	spouse (directly)	full ownership	300	700		1,000
Lucchini Italo	Member of the Management Board	UBI	direct	full ownership	49,603			49,603
		UBI	spouse (directly)	full ownership	90,696			90,696
Medda Ettore Giuseppe	Member of the Management Board (since 14/7/2015) / Deputy General Manager	UBI	direct	full ownership	4,309			4,309
		UBI	spouse (directly)	full ownership	486			486
Pizzini Flavio	Member of the Management Board	UBI	direct	full ownership	12,832			12,832
		UBI	spouse (directly)	full ownership	1,000			1,000
Sonnino Elvio	Member of the Management Board /Senior Deputy General Manager	UBI	direct	full ownership	1,691			1,691
		UBI	spouse (directly)	full ownership	300			300
<b>Supervisory Board</b>								
Leidi Rossella	Deputy General Manager	UBI	direct	full ownership	3,088			3,088
		UBI	spouse (directly)	full ownership	1			1
		UBI	children - minors (directly)	full ownership	692			692
Iorio Francesco	Member of the Management Board and General Manager (until 31/05/2015)	UBI	direct	full ownership	43,813			43,813
		UBI	spouse (directly)	full ownership	250			250
Rigamonti Pierangelo	Deputy General Manager (until 30/04/2015)	UBI	direct	full ownership	7,049			7,049
		UBI	spouse (directly)	full ownership	6,298			6,298
Five key management personnel		UBI	direct	full ownership	21,777	959 (****)		22,736

(\*) THE CHANGE IS BECAUSE ONE OF THE CHILDREN CAME OF AGE IN 2015  
(\*\*) FOLLOWING AN INHERITANCE  
(\*\*\*) TRANSFER OF LEGAL TITLE ONLY  
(\*\*\*\*) SHARES GRANTED BY UBI BANCA UNDER THE 2012 INCENTIVE SCHEME

## **Report on the verification of compliance of remuneration and incentive practices with policies approved by the Bank and with the regulatory framework**

Supervisory regulations require the Internal Audit Function to verify *“on at least an annual basis that remuneration practices comply with the policies approved”* and with the regulatory framework. *“The findings and any irregularities are reported to the competent governing bodies and functions for the adoption of any corrective measures required and the latter assess their importance for the purposes of prompt disclosure to the Bank of Italy. The results of the audits conducted are reported annually to Shareholders’ Meetings.”*

In relation to the above, the Internal Audit Function took action which involved the following areas: *i) the activation of the 2014 incentive scheme paid in 2015; ii) remuneration practices implemented in 2015; iii) the consistency of the public disclosures present in the various reports made in compliance with regulatory provisions; iv) the operational use of the IRB Credit Risk System for the purposes of remuneration and incentive policies in compliance with the “integrity” requirement laid down by Supervisory Regulations; v) the achievement of improvements in the areas described in the Internal Audit Report relating to the previous year, with account also taken of changes to rules and regulations that have occurred in the meantime; vi) monitoring of intervention programmed following the on site inspection by the Bank of Italy in October and December 2014.*

It carried out its audit analyses with due account taken of the principles and recommendations reported in the “SREP – Supervisory Review and Evaluation Process” guidelines that relate to the aspects dealt with under sub-section 5.5 “Remuneration policies and practices”.

The general findings were that the operating procedures and practices audited complied with the remuneration and incentive policies approved and that the control procedures reported by the corporate units involved in the process were properly formulated to manage the main risks inherent in the activities carried out.

More specifically, the findings were as follows: *i) proper implementation by Group Companies in 2015 of the policy approved by the Parent; ii) the proper application of procedures relating to the satisfaction of the conditions necessary to trigger the 2014 incentive scheme and the procedures for the calculation and assignment of variable remuneration for Key Personnel, including with regard to the procedures for the management of “retained” and “deferred” bonuses; iii) compliance with the rules laid down by the 2015 Policy relating to fees set for members of the Governing Bodies of the Group, to the procedures for calculating performance indicators and, although with some room for improvement, to the identification of Key Personnel or Material Risk Takers.*

At the same time, with regard to the process as a whole, the findings already given in previous audit reports concerning the formalisation of the activities carried out, the traceability and documentation of the underlying reasons adopted for decision-making and strengthening the related operational controls still remain. In this context, the overall favourable assessment takes a positive view of the fact that the areas mentioned are addressed in the “Action Plan” drawn up by UBI Banca following the inspection completed by Bank of Italy in December 2014. In detail:

- regulation of the main operational processes is planned by means of the preparation of a set of regulations by the first quarter of 2016 and the subsequent publication of the relative Rule Book;
- the relative focus groups have completed their work on, amongst other things, the following: *i) calculation of the RORAC performance indicator; ii) the treatment of changes to budgets; iii) the management of the components of bonuses for retention purposes; iv) procedures for measurement of the achievement of objectives assigned to the Finance Area and to UBIS.*

The remarks of the Internal Audit Function were shared with the competent owners of corporate units, in order to improve procedures employed in the remuneration and incentive process.