

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

Recommendation with reasons to increase the ratio of the variable and fixed components of remuneration to a limit of 2:1, but solely for senior management of the subsidiary UBI Pramerica SGR S.p.A.

Dear Registered Shareholders,

With reference to remuneration and incentive policies and practices, [Directive 2013/36/EU of the European Parliament and of the Council of 26th June 2013 \(CRD IV\)](#) on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, has introduced specific limits to the ratio between the fixed and variable components of individual remuneration, stating that the variable component should not exceed 100% of the fixed component.

The Bank of Italy has implemented this change in the document presented for public consultation in December 2013, updating the Supervisory Provisions of 30th March 2011 concerning remuneration and incentive policies and practices in banks and banking groups.

The Directive gives Member States discretion to allow the Shareholders' Meeting to set a higher limit (up to 200% of fixed remuneration), under the following conditions:

- a) Registered Shareholders must base their decision on a proposal submitted by the corporate body that performs a strategic supervisory function stating, among other things, the reasons for the proposal to increase the limit and the individuals affected by the increase;
- b) the Shareholders' Meeting must be convened and pass resolutions in accordance with the quorum set in the Directive (in first call it is validly constituted with the attendance of Registered Shareholders accounting for at least half of the share capital and resolutions are passed with the vote in favour of Registered Shareholders representing at least two thirds of the share capital; in second and subsequent calls resolutions are passed with the vote in favour of Registered Shareholders representing at least three quarters of the share capital, whatever the share capital represented at the Shareholders' Meeting);
- c) to avoid conflicts of interest arising, employees are not permitted to exercise any voting rights they may hold in the bank as Registered Shareholders when the resolution concerns their remuneration;
- d) the corporate body that performs a strategic supervisory function must provide the Bank of Italy with appropriate information *ex ante*, regarding the proposal it intends to submit to the Shareholders' Meeting and *ex post*, regarding the decision made by the meeting.

In consideration of the above the [Supervisory Board of UBI Banca, at its meeting of 26th March 2014](#), approved the proposal to submit this recommendation to the Shareholders' Meeting, proposing that the limit between variable and fixed remuneration for the UBI Banca Group should as a general rule be set at 1:1, with the exception of limited and specific situations to be defined on an annual basis and duly reported to the Shareholders' Meeting, in order to ensure that the remuneration of specific activities, markets and businesses is managed in a competitive and flexible way. As concerns 2014, the Supervisory Board proposes to increase this limit to a maximum of 2:1 for a limited number of positions in the asset management business and more specifically, at UBI Pramerica.

The [reasons](#) for this proposal can be attributed to the need to:

- ensure that remuneration is highly competitive compared to the sector, motivating staff to greater specialisation and avoiding the risk that they will leave to work for the competition.
- maintain the lever of variable remuneration as a flexible cost tool, to be used only in the event of outstanding actual performance and when company and Group results ensure profitability and the sustainability of the payments of any bonuses that may be earned.

In addition to these reasons, [the current regulatory uncertainty of the sector](#) concerning remuneration leads to an asymmetry between the treatment of asset management companies that are part of banking groups, such as UBI Pramerica, and companies that are independent or part of other financial groups. The provisions in question are intended to regulate the former, which are thus subject to greater restrictions (such as the limit to a 1:1 ratio between variable and fixed remuneration), while companies that are independent or part of other financial groups are likely to be regulated less strictly, which would allow them to exceed this limit (UCITS V). It should be noted in this regard that on 3rd July 2013 the European Parliament voted against the inclusion of variable remuneration limits for the fixed component within the asset management sector in the UCITS V Directive (on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities – UCITS – as regards depositary functions, remuneration policies and sanctions). This decision appears to result from a heated debate that is still under way at the European level, on the specific nature of the various sectors (retail, asset management, investment banking) and the related methods of remuneration for personnel. UCITS V is due to be published by the European Parliament by the end of April 2014.

As stated above, the [Supervisory Board of UBI Banca is proposing to the Shareholders' Meeting that it should exercise the discretion provided for in the European Directive](#), with particular reference in 2014 (to be assessed on an annual basis) to five positions in the Investment Department of the asset management company. One of these is in the key personnel category, for which variable remuneration will be subject to deferral and retention procedures, and to the grant of financial instruments, in accordance with the current remuneration and incentives policies of the Group and in compliance with Bank of Italy Supervisory Provisions.

If the proposed amendments contained in the Supervisory Provisions that have been presented for public consultation were to be confirmed, taking current timescales into account, the Italian Banking Association has been asked to adopt a transitional regime for 2014.

* * *

Dear Registered Shareholders,

in relation to the above, the Supervisory Board therefore proposes that the Ordinary General Meeting of the Shareholders approves the following resolution:

- “The Shareholders' Meeting of Unione di Banche Italiane Scpa,*
- *having considered the proposal of the Supervisory Board,*
 - *with due consideration for the current applicable regulations and the discretion provided for in the European Directive,*

RESOLVES

to increase the ratio between variable and fixed remuneration to a maximum of 2:1, to be applied in 2014 to five positions in the asset management company, UBI Pramerica, of which one is categorised as key personnel.”

March 2014

THE SUPERVISORY BOARD