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Remuneration Report
2019 Shareholders' Meeting

UBI  **Banca**

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Introduction

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

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

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

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

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

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

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

SECTION I – Group Remuneration and Incentive Policies for 2019

Executive Summary



Pillars of and persons subject to Remuneration and incentive policies



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

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



The principal changes made in the 2019 remuneration policy

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

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

More precisely:

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

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

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

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

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



Pay for performance

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

A bonus pool mechanism has been put in place to ensure a more direct correlation between results and rewards. Access to it is gradual on the basis of the satisfaction of preliminary trigger conditions (“gates”) by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group, single legal entity and business unit.

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



Ratio between variable and fixed remuneration

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

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



Wage benchmarking

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

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

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



Identification of “*Identified staff*”

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

I. Principles and aims

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

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

<p>Rewarding merit</p>	<p>Our objective is to recognise the merit of each individual, but at the same time to encourage team spirit and a sense of belonging, relating the objectives and results of each person to their own business unit and company and to the Group.</p>
<p>Fairness</p>	<p>Remuneration is set consistent with the role and level of responsibility held in order to foster virtuous conduct and ensure equal development and career opportunities, where the annual "Merit Plan" is one of the prime examples of its application.</p>
<p>Competitiveness</p>	<p>A continuous comparison with best practices and national and international market trends, with analyses of wage positioning for each role with respect to a benchmark peer group. This is revised from year-to-year in order to ensure that the group is as comparable as possible with UBI. Targeted market surveys are carried out to take account of specific areas of business such as investment banking and asset management for example.</p>
<p>Prudence and compliance with the applicable legislation and regulations</p>	<p>The Group gives appropriate consideration in the formulation of its wage policies to risk appetite and compliance with regulatory requirements and in order to guarantee the sustainable growth of the Bank over time. More specifically, the definition of the preliminary trigger conditions ("gates") of the incentive schemes and the underlying rules for their functioning, which ensure the flexibility of variable remuneration, is carried out on the basis of the document "RAF UBI Banca Group - Risk appetite – Risk Appetite Statement 2019"¹, which identifies the risk appetite as that of the Group's official "Risk Appetite Framework – RAF". Other corrective factors are applied for staff in the distribution network such as for example customer satisfaction, the quality of the work and the results of audit inspections.</p>

¹ That internal document sets out strategic Group guidelines in relation to the measurement of current and future capital adequacy and its risk-taking and risk management policies.

1. The value of sustainability for UBI

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

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

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

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

II. Governance process

Governance systems and rules have been defined with the aim of ensuring clarity, transparency and effectiveness in the definition and management of the Group’s remuneration and incentive policies. This is also done by regulation of the main internal processes on the subject, approved by the competent Governing Bodies of the Group.

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

The main protagonists in the process are:



1. Shareholders' Meeting

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



A Shareholders' Meeting is tasked with the approval of:

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

It also establishes the following at the time of appointment:

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

2. Board of Directors and Management Control Committee

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



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

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

3. Remuneration Committee²

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



The Remuneration Committee under the 2018 two-tier model was composed³ of the following board members:

- Alessandra Del Boca, as the Chairwoman;

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

³ Its term of office expires at the time of the 2019 Annual General Meeting.

- Ferruccio Dardanello;
- Patrizia Michela Giangualano.

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

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

4. Risk Committee

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



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

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

The Group's remuneration and incentive policies are then submitted for approval by Shareholders' Meetings of the banks and by the Boards of Directors of the companies, except for the incentive component based on financial instruments, which is subject to approval by a UBI Shareholders' Meeting. Appropriate information is provided to the above bodies by means of the Annual Report on Group Remuneration.



With particular reference to the asset management and insurance companies, their respective Shareholders' Meetings approve special policies, that are in line with Group policies, having been examined in advance by the Parent's Board of Directors and a prior opinion having been received from the Remuneration Committee.

The Boards of Directors of the subsidiary banks and companies, in accordance with the policies set, approve the relative means to implement them and, with the support of Human Resources and the other competent functions, makes recommendations for choices concerning the management and remuneration of staff.

6. Corporate Functions

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



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

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

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

III. Persons concerned

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

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

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

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

1. Policy for the process of identifying “*Identified staff*”

1.1 Governance of the process for the identification of “*Identified staff*”

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

The Board of Directors⁴ approves the identification methodology, the perimeter, possible exceptions, notifications of and/or requests for exclusions to be submitted to the Supervisory Authority.

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

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

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

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

More specifically:

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

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

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

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

More specifically:

- the organisational aspects involved criteria 1, 2, 3, 4, 6, 7, 8, 9, 10 and 14 of Art. 3 of the EU Commission Delegated Regulation, which are analysed on the basis of regulations, policies, organisational units and ranks, responsibilities, powers, authorisations, processes, decision-making autonomy, functional reporting, role and membership of Governing Bodies or committees;
- the risk aspects involved criteria 5, 11, 12 and 13 of Art. 3 of the EU Commission Delegated Regulation, which are analysed by considering risks contained in the supervisory regulations in accordance with Pillar 2 and the relative impact on internal capital, and, with regard to credit and financial risk for transactions on the trading book, by examining the credit approval authorities of the Finance Committee and any operational authorities that may be granted under the applicable regulations. Furthermore, an additional internal criteria was identified based on “risk from substantial assets”, with particular reference to the financial advisor category of IW Bank, identifying a concentration threshold considered high risk – either managed individually or as part of co-ordinated activities – equal to 5% of the Assets Under Management (“AUM”) of the Bank;
- the remuneration aspects involved criteria 1a, 1b and 1c of Art. 4 of the EU Commission Delegated Regulation, which are analysed on the basis of the total remuneration, whether paid on an up-front or deferred basis, paid to staff in the previous financial year on a consolidated basis.

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

1.3. Identification process on a consolidated basis

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

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

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

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

1.4. Exclusion procedure

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

More specifically, the Parent’s Human Resources Function:

- identifies those persons who meet the quantitative criteria set by Art. 4, paragraph 1, letters a) and b) of the regulation, who have not yet been inserted in the perimeter on the basis of qualitative criteria;
- firstly carries out an analysis, with the assistance of the Parent units (Organisation, Risk Management, Corporate Strategy, Management Control and Compliance), for that which concerns them, and possibly also of units in banks or companies, of the responsibilities, powers, authorisations, processes and decision-making independence of the roles filled by the persons identified and carries out an initial assessment of them;
- for the purposes of the request for/notification of exclusion, submits that assessment to Senior Management and to the Remuneration Committee and accepts a positive opinion to proceed if it is given.

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

1.5. Results of the identification process

Overall, in 2019 the “*Identified staff*” perimeter included 240 positions at Group level, accounting for approximately 1.2% of the entire workforce, of which 220 were identified according to qualitative criteria and 20 according to quantitative criteria⁵.

The perimeter was composed as follows:

⁵ In accordance with the options allowed by Art. 4 paragraphs 2 and 3 of Commission Delegated Regulation 604/2014, managers of non-significant operating units and staff who, although working in significant operating units, do not fill roles of responsibility and have no material impact on the risk profile were not included.

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

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

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

IV. Remuneration structure

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

- fixed remuneration;
- a variable remuneration incentive, which rewards performance over a short-term time horizon for all personnel and over a long-term time horizon for “*Identified staff*”;
- other retention and attraction tools, which depending on the type, are classified as either fixed or variable remuneration;
- “benefits”, normally associated with the fixed component of remuneration;
- benefits in view of or at the time of early retirement from an office or termination of an employment relationship, which form part of variable remuneration.

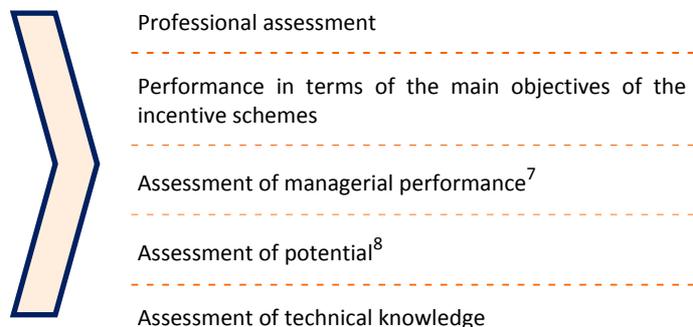
Finally, parts of remuneration are paid in financial instruments and welfare goods and services.

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

1. **a periodic assessment process for positions**, which assigns a value to each role representing the complexity of the position.

Periodic monitoring processes are also in place for measuring adequate job function performance, potential and experience, by means of specific staff management and assessment tools, as follows:

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



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

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

⁸ Through the use of assessment tools, a structured assessment method involving group meetings.

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

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

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

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

1. Fixed remuneration

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

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

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

2. Variable remuneration

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

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

A bonus pool mechanism has been put in place to ensure a more direct correlation between results and rewards. Access to it is gradual on the basis of the satisfaction of preliminary trigger conditions (“gates”) by the Group and the achievement of risk-adjusted profit targets set at the level of both the Group, single legal entity and business unit.

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

The following form part of performance-based variable remuneration:

- short-term incentive schemes;
- long-term incentive schemes;

- other forms of remuneration which form part of variable remuneration, details of which are given in the table below.

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

3. Other features of the remuneration scheme

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

⁹ Normally, pension benefits are not paid on a discretionary basis. Should they be paid, then the rules set by the legislation and regulations in force will apply.

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

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

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

The table below shows the average target pay mix, calculated as a percentage of total remuneration, taking into account the fixed and variable long and short-term components, divided between the various categories of “*Identified staff*” identified¹⁰.

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

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

5. Employee post-employment benefits

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

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

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

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

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

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

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

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

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

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

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

5.1 Limits and criteria

In addition to the provisions of the law on indemnities for failure to give notice, payments for the termination of an employment relationship, which qualify as golden parachutes, may be made up to a maximum amount of 24 months' fixed salary, in addition to the first 12 months of a non-competition agreement, if this has been signed, and up to a maximum amount calculated on the basis of the remuneration for the specific position¹¹.

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

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

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

Any graduation of payments (always within the above mentioned limits) shall be, without prejudice to compliance with the applicable law and supervisory regulations, on the basis of a prudent appreciation of all the circumstances of the individual cases in question, with particular reference to the underlying reasons for the termination of the employment relationship, to the position held, to the long-term performance in terms of the creation of value for shareholders and the appropriateness of the person's conduct. However, there will be no possibility of any automatic adjustment or minimum payment obligation, without prejudice to the constraints required by law and the national trade union agreement.

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

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

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

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

5.2 Payment procedures

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

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

For remuneration paid in an amount less than or equal to €50,000 and 25% of fixed remuneration, the payment is made entirely up-front in cash¹².

5.3 Determination of end of employment relationship payments

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

¹² For Pramerica personnel the applicable amount is €80,000.

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

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

5.4 Management of exceptions

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

V. Remuneration Policies for Governing Bodies

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

It is designed to attract the best skill sets and is based on principles of both fair remuneration for similar roles and differentiation between roles on the basis of the levels of responsibility and risk involved. It also takes account of the professional skills required, the time and commitment employed, and market competitiveness.

In detail, the fee structure involves a cap set by the fee paid to the Chairman of the Board of Directors, which in compliance with supervisory regulations on remuneration is nevertheless lower than the fixed remuneration of the Chief Executive Officer.

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

Members of the Governing Bodies classified as Senior Management may receive forms of remuneration linked to results, while all the other members of the Governing Bodies of the Group receive no variable remuneration; there are no guaranteed bonuses¹³ or golden parachutes.

1. Remuneration of members of the Board of Directors

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

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

The Board of Directors, on the basis of a proposal from the Remuneration Committee, may establish an additional remuneration for Directors invested with particular roles provided by the Articles of Association as well as for the Chief Executive Officer and the Directors who are members of the committees provided for in Art. 32 of the Articles of Association, but not for the Chairman, the Deputy Chairman and the members of the committees provided for by Art. 31 of

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

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

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

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

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

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

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

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

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

3. Chief Executive Officer

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

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

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

The fixed remuneration includes the following:

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

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

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

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

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

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

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

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

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

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

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

4. The Governing Bodies of Group Companies

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

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

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

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

The remuneration paid to members of the supervisory bodies is calculated in fixed amounts (inclusive of the remuneration to be paid to members of the supervisory bodies themselves if they are acting as a “Supervisory Body” pursuant to Legislative Decree No. 231/2001) on the basis of the activities of the subsidiary and according to the principle of proportionality. An increase of approximately 50% of remuneration is payable for the positions of Chair.

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

VI. Remuneration and incentive policies for staff with employee contracts

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

Each year, an overall “bonus pool” at the service of incentive schemes is allocated as part of the Group’s budgeting process. This budget is allocated at the level of each company and business unit, with consideration given to the expected profits, the number and type of staff, the relative theoretical bonus levels, the type of business or context and the capacity to remunerate capital. If significant revisions to the budget are made during the year in question, the bonus pool may be subject to changes by the Board of Directors, after prior consultation with the Remuneration Committee.

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

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

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

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

Once the above mentioned “gates” have been triggered, at the final figures stage the bonus pool may be increased, without prejudice to the proper remuneration of capital and liquidity, up to a predetermined maximum, or reduced as far as zero (malus), both at the overall level and at the level of each legal entity, in accordance with the criteria set out in the implementation regulations and on the basis of the performance with respect to the budget, calculated:

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

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

Group RORAC (% achievement of target)	Change in bonus pool
> 100%	Up to 125%
≥ 75% and ≤ 100%	Up to 100%
> 0% and < 75%	Up to 75%
≤ 0%	0%

¹⁴ The threshold is the same as that for “Risk Tolerance”, plus 0.6% (the “early warning threshold”). If the final figure lies between the Risk Tolerance threshold and the 0.6% increase, triggering of incentive schemes is subject to assessment by the Board of Directors, following consultation with the Risk Committee and the Remuneration Committee, with account taken of the results of the alert process laid down under the “Recovery Plan”.

¹⁵ The “early warning threshold” for the “LR” indicator is 0.25% and if the final figure lies between the Risk Tolerance level (3.5%) and the 0.25% increase, the process to be followed is the same as that already indicated in the previous footnote.

¹⁶ For the asset management company with a low capital absorption, the indicator used is Normalised Net Profit.

If the available budget allocation is overrun, criteria have been set for the bonuses to be redistributed, down to the level of the budget allocated.

In order to also be able to manage unforeseeable and non-determinable exogenous variables, the Management Board may reserve a reduced portion of the budgeted bonus pool, up to a maximum of 15%, to interventions based on qualitative assessments of performance, subject for verification to the approval of the Board of Directors, after receiving an opinion from the Remuneration Committee.

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

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

“*Identified staff*”, with the sole exception of the control functions, the Senior Officer Responsible for the preparation of corporate accounting documents and the UBI Banca Head of the Human Resources Area for whom there are no indicators linked to financial and operating objectives, are subject to further indicators in addition to the Group and company objectives referred to above, as follows:

- normalised *PCOBT*;
- *core revenues*;
- *customer satisfaction*.

Exclusively for the most senior positions at the Parent¹⁷, a quota of the bonus may be adjusted on the basis of the position of the UBI share compared with the listed banks used for the benchmark¹⁸.

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

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

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

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

For the three-year period 2019-2021, the particularly high amount¹⁹ has been set at UBI at €430,000 for variable remuneration, a limit beyond which 60% of the bonuses earned are deferred. More specifically, in cases where bonuses are higher than that amount, the payout takes place as follows:

¹⁷ Chief Executive Officer, General Manager, if appointed, and Senior Deputy General Manager of UBI.

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

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

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

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

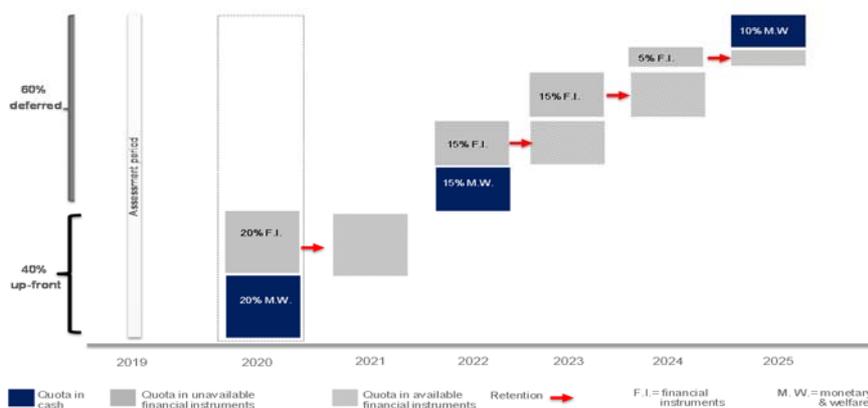
- for “*Identified staff*” belonging to the “Top IS” perimeter, a 50% quota is deferred over five years on a *pro rata* basis and a component is paid in UBI Banca shares amounting to 55% of total variable remuneration, subject to a retention period of one year;
- for “*Identified staff*” belonging to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



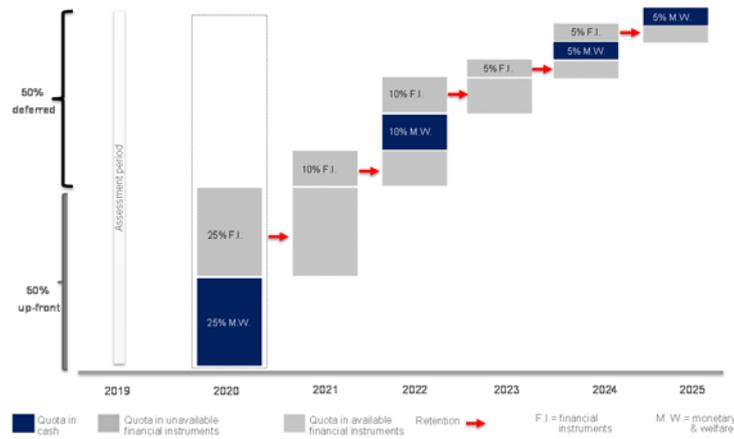
With specific reference to “*Identified staff*” in asset management positions identified as “*Identified staff*” at Group level, a quota of the financial instruments is converted, either in part or totally depending on the role, into mutual investment funds of the company itself, in compliance with regulations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

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

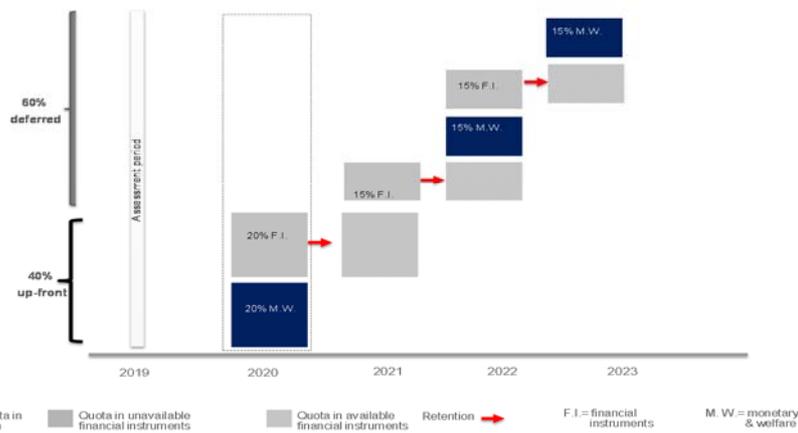
- “Top IS” with bonus of significant amount:



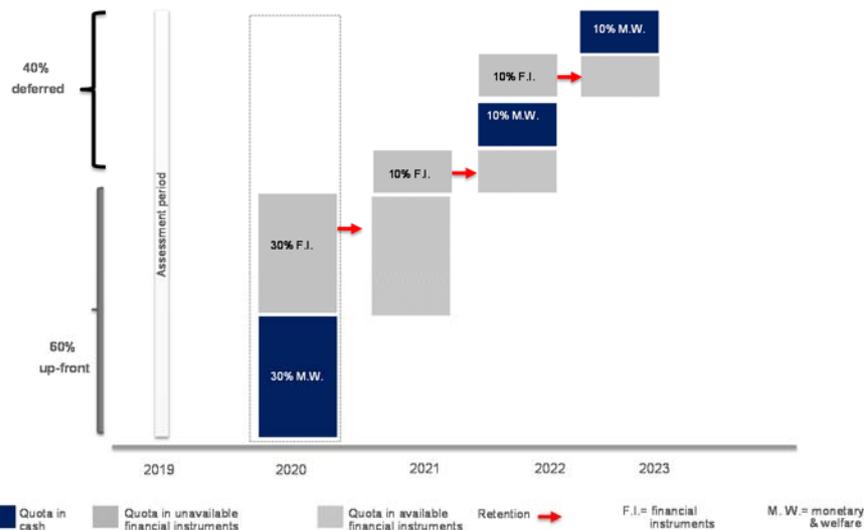
- “Top IS” with bonus less than or equal to the significant amount:



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



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



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

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

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

The variable components paid (inclusive of those paid in the form of job-security agreements) consisting of annual amounts of less than or equal to €50,000 and 25% of fixed remuneration shall be paid on an up-front and “monetary & welfare” basis²⁰.

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

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

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

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

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

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

Particularly for staff who sell banking, financial and insurance products, the indicators do not involve direct links with single services or products, but relate more generally to areas or sectors of activity and are defined with the intention to pursue and safeguard proper relationships with customers and comply with regulations and legislation in force, with particular reference to compliance with the obligations concerning behaviour and conflicts of interest, and those pursuant to the MIFID II Directive.

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

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

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

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

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

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

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

A long-term incentive scheme is in effect for the period 2017-2019/2020 with the goal of supporting the achievement of the objectives of the Business Plan and aligning the interests of management with those of all stakeholders, not only in the short-term, but also with a view to the creation of value in the long-term.

This scheme is intended, amongst other things, to make remuneration target levels more competitive, attributing greater value to the variable component and directing the pay mix towards performance, amongst other things by encouraging the loyalty of key personnel.

The beneficiaries of this scheme are the “*Identified Staff*”, with the exception of the corporate control functions, the Senior Officer Responsible for the preparation of corporate accounting documents and the Head of the Human Resources and certain specific positions, taking account of the related pay mix and levels of responsibility.

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

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

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

Without prejudice to the preliminary trigger conditions (the “gates”), which are the same as those defined for the 2019 and 2020 short-term incentive schemes, specific performance objectives are linked to the creation of value, to strengthening of capital ratios, to sustainable profitability over time envisaged by the Group Business Plan, and also to the performance of the share compared with a benchmark peer group of listed banks.

Performance measurement is calculated on the basis of a performance matrix with two indicators, the results of which are recorded at Group level as at 31/12/2019 and 31/12/2020:

- *Common Equity Tier 1 (CET 1) Ratio*;
- *Return On Tangible Equity (“ROTE”)*.

A percentage of the bonus is earned on the basis of the degree to which objectives are achieved, calculated on the basis of the investment made by the manager in question.

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

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

A remaining 40% of the bonus is calculated on the basis of achieving objectives as at 31/12/2020 according to the chart shown below.

2017-2020 performance matrix				
		ROTE		
		≥7.9% and <9.1%	≥9.1% and <12%	≥12%
CETI	≥13.5%	20%	30%	40%
	≥12.7% and <13.5%	10%	20%	30%
	≥11.6% and < 12.7%	-	10%	20%

An adjustment is made to the bonus earned in each matrix equal to +/- 25% as a function of the performance of the UBI share with respect to the relative benchmark (“TSR”). More specifically if the performance of the UBI share:

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

Examples are given in the chart below.

UBI share performance adjustment	
TSR	Impact
>Q3	+25%
≥Q1 and <Q3	-
<Q1	-25%

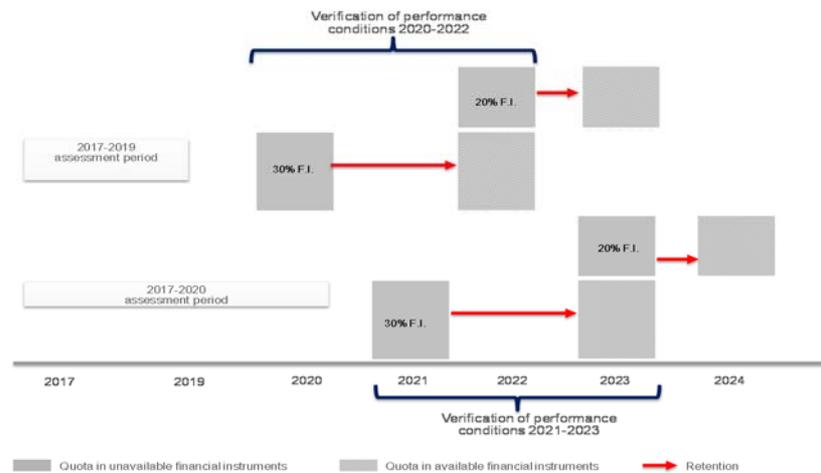
If extraordinary events or events unforeseen at the time of budget occur such as for example, but not limited to, mergers, capital increases and extraordinary accounting normalisations, on the basis of a proposal from the Remuneration Committee, having first consulted the Risk Committee and in collaboration with the competent organisational units, the Board of Directors may assess the possibility of reviewing the thresholds and the objectives identified and increase or reduce the bonuses earned, with account taken of further indicators linked to the Business Plan and in view of more general performances achieved during the period, for example with reference to compliance with the “2017-2020 Policy on Dividends”.

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

Bonuses are paid according to the following payout procedures:

- 60% is paid up-front in UBI shares at the end of the performance measurement period (accrual), with a two-year retention period;
- 40% is paid in UBI shares, deferred by two years and with a one year retention period. This quota is accrued before the end of the deferral period, but subject to a further year of retention to verify that the conditions for the payment effectively exist.

Examples of the payout procedures are given below.



In order to ensure economic and capital stability over time, consistent with long-term strategic objectives, the deferred quota is paid on condition that adequate levels of capital stability (Common Equity Tier 1 Ratio²¹) and liquidity stability (Net Stable Funding Ratio²²) are maintained at the end of the deferral period, consistent with the “Risk Appetite Framework” defined in internal policies. The deferred portion of the bonus shall not be paid if these conditions are not met (a “malus”).

5. Malus and clawback mechanisms

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

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

- conduct leading to a significant loss for the Bank or for customers;
- additional conduct non-compliant with the provisions of the law, regulations, or Articles of Association and any ethical codes of conduct or other codes of conduct applicable to the Bank, in the cases provided for by the Bank;
- breaches of the obligations under article 26 or, when the subject is an interested party, article 53, paragraphs 4 and following of the Consolidated Banking Law or obligations relating to remuneration and incentives;
- breaches of the provisions of the Consolidated Finance Law with regard to obligations under article 6, paragraphs 2-septies, 2-octies and 2-novies, or article 13, or obligations concerning remuneration and incentives according to Art. 190-bis;
- fraudulent conduct or gross negligence causing damage to the Bank.

These provisions are independent of any compensation or disciplinary issues.

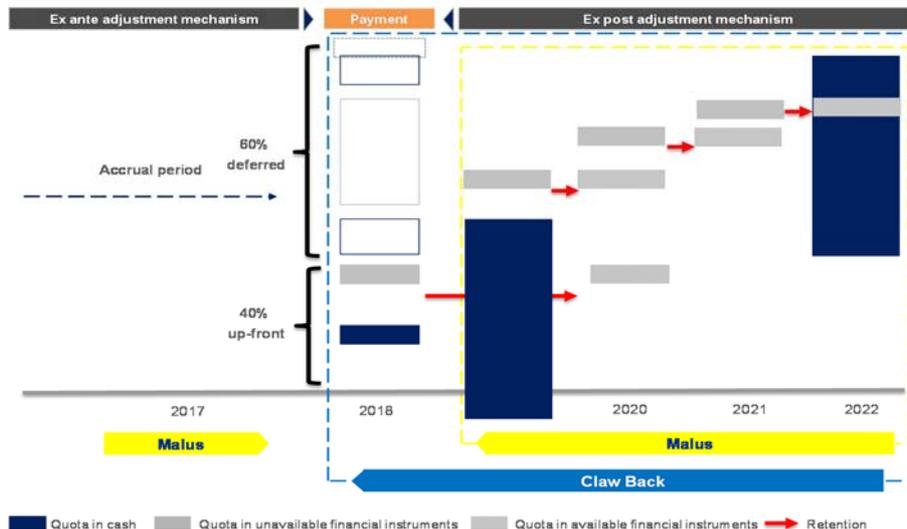
The above also involves the termination of any bonuses currently vesting and of payments of deferred components, earned in previous years and not yet granted (a “malus”).

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

²¹ Risk Tolerance + early warning threshold level.

²² Risk Appetite level

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



6. Personal hedging and avoidance strategies

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

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

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

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

While taking account of particular features of the specific business concerned, the forms of remuneration applicable to associate workers not bound to the Group by regular employee contracts are based on the criteria and guidelines contained in this document and aim to promote responsible conduct by the businesses and the proper treatment of customers as required by the principles specified under Directive 2014/65/EU (“MiFID II”).

Financial advisors and financial agents are particularly important for the purposes of Remuneration and Incentive Policies in regard to the category of associate workers not bound by regular employee contracts.

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

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

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

- a “recurring” component, the “commissions”, that constitute the more stable and regular part of remuneration and are the natural fee for the advisory activity;
- a “non-recurring” component, which typically has an incentive value because it is subject, for example, to the achievement of specific results, such as increasing total net inflows of funds, necessary to support the achievement of the commercial development of objectives and the capacity to generate value over time, while remaining compliant with adjustment criteria linked to the quality and efficiency of products advised.

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

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

- collective incentive schemes, designed to stimulate the activity of all advisors and to reward excellence on the basis of specific objectives;
- individual incentive schemes which, on the basis of individual agreements, reward the achievement of performance targets, inclusive of any extraordinary and non-repeatable inflows of funds, and in any case not attributable to building the portfolio at the entry stage;
- multi-year retention schemes which, in the context of a retention bonus, involve the achievement of determined length-of-service targets and/or the maintenance of predetermined portfolio levels and a scheme for the payment of increased commissions.

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

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

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

In order to reduce and guard against significant risks, the consulting contracts entered into provide for specific reports and control procedures, to ensure compliance with the provisions of the law and the internal regulations in force, inclusive of the “malus and clawback mechanisms” and “personal hedging strategies” which apply to all Employee Personnel.

VIII. Description of indicators, initials and acronyms

Bonus pool: total allocated budget for incentive schemes.

Common Equity Tier 1 (“CET1”) Ratio - In terms of Own Funds, this indicator represents the highest quality core capital (composed of the total ordinary shares issued by the Bank that satisfy the regulatory classification criteria, share premium reserves, retained profits, valuation reserves and other reserves recognised) net of the deductions required by the regulations as a ratio to Risk Weighted Assets (RWA).

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

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

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

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

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

Net Stable Funding Ratio (“NSFR”) - Indicator of structural balance designed to monitor and contain risk associated with the transformation of maturities. It is the ratio of funding (liabilities) to weighted lending (assets), which takes account of the stability of the liabilities and the degree of liquidity of the assets.

“NPL”: “*Non-performing loans*”, the management of which is subject to the guidelines published by the European Central Bank (ECB) on 20th March 2017.

“Pay mix”: the various components of remuneration (fixed and variable) as a percentage of total remuneration.

“Payout”: structure and procedures for the payment of bonuses.

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

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

“Accrual period”: performance measurement period.

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

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

Total Shareholder Return (“TSR”) – The increase in the value of the share, calculated as a percentage difference between the daily average in December 2019 (for the annual incentives scheme) or 2019-2020 (for the long-term incentive scheme) and the daily average in December 2018 for the annual incentive scheme and December 2016 for the 2017-2020 long-term scheme, including the value of any dividends paid (excluding the possibility that they could be reinvested). They are compared with banks in the benchmark listed on regulated markets, on the basis of the quartile ranking of the UBI Group. The method involves normalisations in the event of exceptional circumstances (e.g. increases in share capital).

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

Return On Tangible Equity (“ROTE”) - This is an indicator of the operating profitability of the Bank and is calculated as the ratio of net profit to tangible equity (the latter is calculated as the difference between equity excluding profit/loss and intangible assets).

Core Revenue refers to the income indicator, net of the finance result: net interest income (excluding the effects of PPA²³) + net fee and commission income (using normalised data).

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

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

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

Normalised net profit, adjusted for the cost of capital “delta” – Calculated as the algebraic sum of the net profit in the income statement - net of non-recurring extraordinary items and the cost relating to incentive schemes - and of the (positive or negative) difference between the absorbed and allocated capital, measured on the basis of the cost of capital.

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

²³ "Purchase Price Allocation" – in the context of the “purchase method” accounting treatment, this is the recognition in the accounts of the acquirer on the acquisition date of the fair value of the net assets of the companies acquired, even if not previously recognised in the books of those companies, and any surplus (or deficit) arising between the cost of purchase and the fair value of the net assets acquired, recognised in the books of the acquirer as goodwill.

Section II - Implementation of 2018 Remuneration and Incentive Policies

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

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

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

<p>Part one</p>	<p>Descriptive in nature designed to describe and illustrate the items which compose the remuneration of members of the governing and supervisory bodies, of General Management and of “<i>Identified staff</i>” and the procedures used to set and pursue those policies.</p>
<p>Part two</p>	<p>Consisting of tables containing (i) data for the year 2018, presented in the format required by Bank of Italy Circular No. 285/2013 relating to the fixed cost and the variable component for staff of the UBI banking Group divided by area of activity and to the remuneration of those classified within the Group’s “<i>Identified staff</i>” perimeter as at 31st December 2018 and (ii) data on remuneration for the year 2018, presented in accordance with the Schedule 7-<i>bis</i> of Attachment 3A of the Issuers’ Regulations, relating to Directors, Statutory Auditors and other “<i>Identified staff</i>” of UBI Banca.</p>

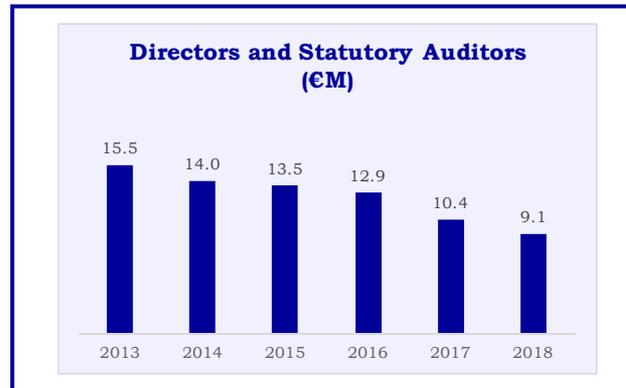
I. Part one

1. The main results for 2018

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

Expenses for Members of Governing Bodies.

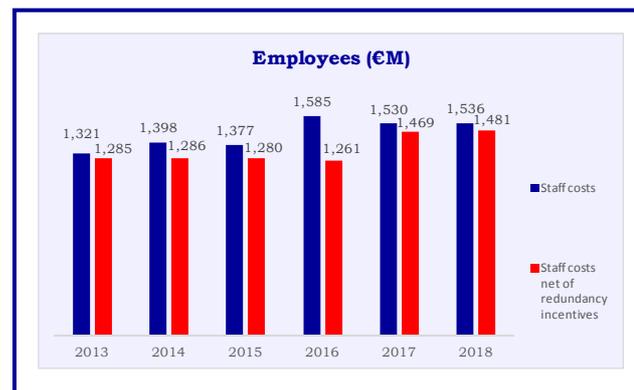
Expenses incurred for the remuneration of Directors and Statutory Auditors of the UBI Group amounted to approximately €9.1 million, (down compared with the €10.4 million reported in the previous year) accounting for approximately 0.6% of total staff costs of the UBI Group.



Expenses for employees

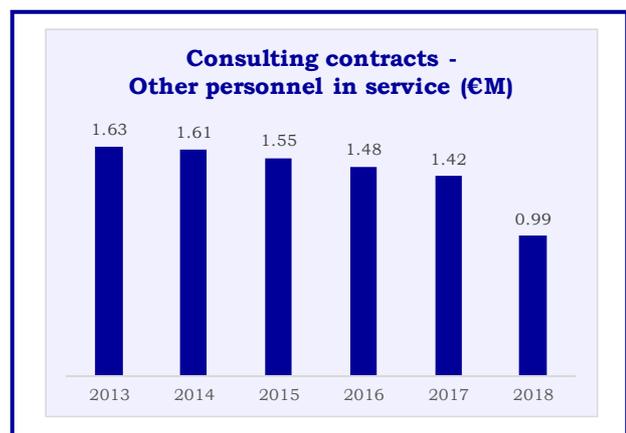
Total expenses for employees of the UBI Group amounted to approximately €1,536 million, largely unchanged compared with the previous year notwithstanding the addition of 4,900 staff from the New Banks since 1st April 2017.

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



Expenses for consulting contracts – Other Personnel in Service

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



Expenses for Financial Advisors

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

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



Positions with total remuneration above €1 million

The following exist within the Group:

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

Action taken on fixed remuneration of Employee Personnel

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

Estimate of the results of 2018 incentive schemes

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

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

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

With regard to the latter, again on the basis of the initial projections, subject to changes at the final verification stage for the qualitative and quantitative indicators, six out of eight Group companies should have access to incentive schemes, although with different budget expense availability based on results achieved.

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

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

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

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

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

If the bonuses earned are less than or equal to €50,000 and if the bonus earned is less than 15% of fixed remuneration, the payment is made entirely up-front, 50%, being paid in “*cash & welfare*” at the time when the conditions are met and the remaining 50% in financial instruments with a two-year retention period²⁵.

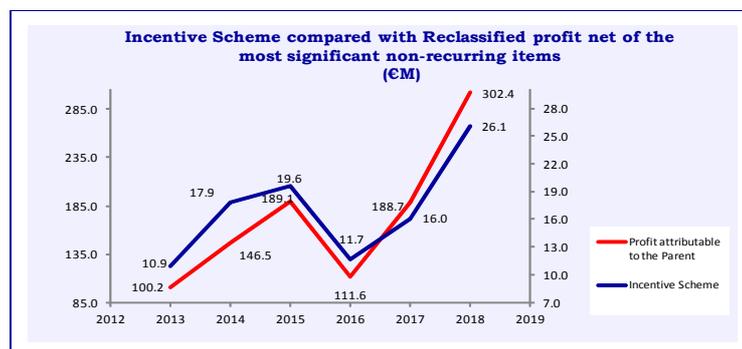
Incentive schemes in previous years

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

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

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

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



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

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

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

2017-2019/20 long-term incentive scheme

Upon completion of the subscription period for new staff included in the scheme starting from 2018, participation in the 2017-2019/2020 long-term incentive scheme for the Group's "Identified staff", launched in support of the Business Plan, was 97% of the participants

The purchase on the market of the treasury shares needed for this scheme will conclude during the first quarter of 2019 in accordance with a resolution passed in the 2018 Shareholders' Meeting.

Other items of remuneration

In 2018, with the exception of the employees of the New Banks, the Company Bonus related to 2017 was paid out, the amounts of which were set consistent with the operating performance of each company concerned, for a total expense of roughly €10 million and with staff having the option to choose payment of bonuses in welfare services.

An agreement was signed with company trade unions in November 2017 relating to a welfare account. More specifically a welfare account was introduced effective from 2018 for a determined set of company personnel on which the company will make a predetermined amount available on an annual basis, to be necessarily used in the form of welfare services.

2. Treatment for start and end of employment relationships

Nine guaranteed recruitment bonuses were paid in 2018, limited to the first year and in compliance with supervisory regulations on remuneration and incentives, amounting to a total of €955,000 gross for staff hired within the "Identified staff" perimeter, appointed in relation to a project to strengthen investment banking and to fill managerial positions in Group companies.

During the year, there were also six terminations of members of the 2018 "Identified staff", details of which are reported below. More precisely:

- three employees voluntarily resigned: the Head of a Macro Geographical Area of UBI Banca and two managers at Pramerica SGR, who were direct reports to the Head of Investments. These three employees were only paid amounts due for the end of the employment relationship (end of year bonus accrued, vacations and post-employment benefits accruing on the date of leaving). The employees at Pramerica SGR lost their right to receive quotas of bonuses relating to incentive schemes for the year and that had been earned in previous years and had not yet been paid. An agreement was reached with the Head of the UBI Banca Macro Geographical Area to replace the extended notice agreement with a commitment not to send this UBI Banca employee away with maintenance of payment of the quota in financial instruments, consisting of 2,963 UBI Banca shares, accruing as part of the 2014 incentive scheme (to be paid in 2019), with the expiration of the long-term incentive scheme at the same time;
- two employees terminated their employment in order to access the "Solidarity Fund" pursuant to the Interministerial Decree No. 83486 of 28th July 2014, in implementation of the relative agreements signed with the trade unions: one Local Manager and one Central Manager of UBI Banca. To-date they have been paid amounts due for end of the employment relationship (end of year bonus accrued, vacations and post-employment benefits accruing on the date of leaving). The Central Manager will be paid an additional amount up-front in cash and deferred equal to 33% of the fixed remuneration as a redundancy leaving incentive;
- the Chief General Counsel of UBI Banca terminated her employment relationship by mutual consent in accordance with Art. 30 of the Collective National Labour Agreement of 13th July 2015 with recognition, consistent with the criteria and limits approved by a Shareholders Meeting, of (i) a leaving incentive amounting to €163,000, corresponding to 6 months' salary paid up-front in cash and (ii) one year's salary amounting to €330,000, subject to a malus and claw back clause to be paid in cash (50%) and financial instruments (50%) according to the payout procedures for short-term incentive schemes relating to the "Identified staff" category.

For the Chief Executive Officer, there is a remuneration agreement with a specific periodic indemnity item related to the non-competition obligation. For details, see the related paragraph of Section I of this report.

Furthermore, one member of staff in the “*Identified staff*” perimeter has entered into a job-security agreement which, in the event of termination of the employment relationship on the initiative of the company, will be paid an indemnity equal to 24 months salary, payment of which will be made in compliance with the supervisory regulations in force and according to the procedures laid down in Group Remuneration and Incentive Policies at the time of the end of the relationship.

As part of plans to progressively regain efficiency and productivity, with a “record of meeting” dated 17th January 2018, the validity and efficacy was confirmed for the purposes of their acceptance, of 650 remaining applications for access to the “Solidarity Fund” who had not been included in the numbers pursuant to the Trade Union Memorandum of Intent dated 26th October 2017. With a “record of meeting” dated 6th September 2018, the UBI Group signed an understanding with trade union representatives designed to accept a portion of the aforementioned remaining applications, set at 369. These redundancies will take place by 1st February 2019 and will lead to additional costs amounting to around €55 million which have been recognised in the income statement for 2018, with expected synergies in line with Business Plan forecasts.

3. *Incentive schemes based on financial instruments*

Information on incentive schemes based on financial instruments, pursuant to 114-*bis* of the Consolidated Finance Law is contained in the proposal submitted to the Shareholders’ Meeting to pay parts of the variable component of the remuneration in the form of financial instruments through the grant of ordinary shares of the Parent, UBI Banca.

II. Part two

Part two contains the following:

1. aggregate quantitative information on remuneration by area of activity and category of personnel, with a distinction between the fixed component of remuneration and the variable performance-related component, *in accordance with Art. 450 of the CRR (Regulation 2013/575 EU), paragraph 1 and the disclosure obligations pursuant to Circular No. 285/2013 (25th update)*;
2. quantitative information by name is given for the management and supervisory bodies and also for the Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers of UBI Banca. Because there is no total remuneration for “*Other identified staff*” that is greater than the highest remuneration paid to the Chief Executive Officer of UBI, aggregate information is given, with the number of persons given in place of the names in accordance with Schedule 7 *bis* of Attachment 3 of the Consob Issuers’ Regulations;
3. finally, the last table of this document gives shares held in UBI Banca and its subsidiaries by members of the management and supervisory bodies and by the Chief Executive Officer, Senior Deputy General Manager and Deputy General Managers and “*Other identified staff*” of UBI Banca²⁶ in accordance with Schedule 7 *bis* of Attachment 3 of the Consob Issuers’ Regulations.

1. **Aggregate quantitative information by area of activity and category of Employee Personnel**

Reference is made to the tables in part two to illustrate the main items of remuneration. The following is reported:

- fixed remuneration, defined as remuneration annualised as at 31st December 2018, payment of which is guaranteed. This includes financial items specified by contract (salary, normal increases, various indemnities, amounts above trade union rates, staff retention agreements during the employment relationship, significant contributions to pension funds made by the company, etc.) and any other sum, however it may be guaranteed, other than those provided for by the national trade union agreement. Extraordinary items are excluded;
- performance-related variable remuneration and 2018 incentive schemes in particular, estimated on an accruals basis on preliminary figures and not yet paid. This figure is subject to changes when the final accounts are published;
- the procedures for the payment of “*Identified staff*”, on the basis of the results of the incentive schemes mentioned in the preceding point, divided between up-front payments in cash and in financial instruments (payment of which is not subject to deferral conditions) and deferred quotas in cash and in financial instruments;
- the amounts of deferred remuneration over previous years, that have not yet been granted on the basis of the deferral procedures.

²⁶ Pursuant to Art. 84 *quater* of Consob Resolution No. 11971 of 14th May 1999 and subsequent amendments.

Fixed remuneration

The table below gives the total fixed remuneration at Group level by type of personnel and general area of activity.

Group fixed remuneration ⁽¹⁾

(employee personnel as at 31/12)

Figures in thousands of euro	CRR Art.450 cluster	Group		UBI Banca		Banks ⁽²⁾		Other companies ⁽³⁾	
		Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018
UBI Chief Executive Officer		1	1,519	1	1,519	-	-	-	-
UBI Senior Deputy General Manager ⁽⁴⁾	Senior Management	1	801	1	801	-	-	-	-
Other Executive Board Members and General Managers		7	1,886	-	-	1	275	6	1,611
UBI Deputy General Managers		2	1,095	2	1,095	-	-	-	-
Managers of main lines of business	Material risk-takers	151	25,597	115	20,274	6	911	30	4,412
Managers of highest level of control functions		25	4,647	20	3,914	-	-	5	733
Other senior managers	-	198	24,920	156	19,699	8	1,116	34	4,105
Other employees	-	20,005	951,738	17,181	818,901	291	12,927	2,533	119,910
Total		20,390	1,012,203	17,476	866,203	306	15,229	2,608	130,771

(1) Company costs and other expense items not considered a part of fixed remuneration are excluded (e.g. overtime, travelling allowances and expense refunds, etc.).

(2) IW Bank Spa.

(3) UBI Sistemi e Servizi SCpA, UBI Leasing Spa, UBI Factor Spa, Pramerica SGR Spa, Prestitalia Spa, BPB Immobiliare Srl, Kedomus Srl, UBI Academy Srl, Pramerica Management Company Sa, UBI Trustee Sa, Bancassurance Popolari Danni Spa and Bancassurance Popolari Spa.

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

The table below gives the total fixed remuneration by type of personnel and general area of activity specifically for the Parent, UBI Banca.

UBI Banca fixed remuneration ⁽¹⁾

(employee personnel as at 31/12)

Figures in thousands of euro	General Management		Business ⁽²⁾		Lending		Other Functions ⁽³⁾	
	Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018	Number of persons	31.12.2018
UBI Chief Executive Officer	1	1,519	-	-	-	-	-	-
UBI Senior Deputy General Manager ⁽⁴⁾	1	801	-	-	-	-	-	-
UBI Deputy General Managers	2	1,095	-	-	-	-	-	-
Other Executive Board Members and General Manager	-	-	-	-	-	-	-	-
Managers of main lines of business	-	-	93	16,052	5	1,078	17	3,144
Managers of highest level of control functions	-	-	-	-	-	-	20	3,914
Other senior managers	-	-	89	11,405	16	2,034	51	6,260
Other employees	-	-	15,099	712,049	718	37,306	1,364	69,546
TOTAL	4	3,415	15,281	739,506	739	40,418	1,452	82,864

(1) Company costs and other expense items not considered a part of fixed remuneration are excluded (e.g. overtime, travelling allowances and expense refunds, etc.).

(2) Chief Wealth and Welfare Officer and Chief Commercial Officer.

(3) Chief Financial Officer, Chief General Counsel, Chief Audit Executive, Chief Risk Officer, Chief Operating Officer, Chief Compliance Officer, Support to the Supervisory Board, Investor Relations, Communication, Suspicious Transactions and Anti-Money Laundering & Investigations.

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

2018 Incentive Schemes – Estimates for “Identified staff”

The table below gives an estimate for “Identified staff”, calculated on the basis of preliminary figures and subject to possible changes, in terms of the number of beneficiaries (68% of the perimeter approx.) and the amounts of remuneration related to performance-related incentive schemes divided by type of personnel and areas of activity.

2018 Incentive Scheme Estimate ⁽¹⁾:

(employee personnel)

Figures in thousands of euro	Group		UBI Banca		Banks		Other companies ⁽²⁾	
	Number of beneficiaries	31.12.2018	Number of beneficiaries	31.12.2018	Number of beneficiaries	31.12.2018	Number of beneficiaries	31.12.2018
UBI Chief Executive Officer	1	1,050	1	1,050	-	-	-	-
UBI Senior Deputy General Manager	1	444	1	444	-	-	-	-
UBI Deputy General Managers	2	544	2	544	-	-	-	-
Other Executive Board Members and General Managers	3	334	-	-	-	-	3	334
Managers of main lines of business	96	6,272	72	5,118	-	-	24	1,154
Managers of highest level of control functions	24	1,018	19	904	-	-	5	114
TOTAL	127	9,662	95	8,060	-	-	32	1,602

The payment procedures for bonuses earned by “Identified staff” are given below. The first table shows payments according to the mechanisms provided for in terms of financial instruments and deferral.

The second table shows up-front payments for amounts less than €50,000 gross and less than 15% of fixed remuneration, and in specific markets the payment is made up-front in cash for asset management positions with the amounts less than €80,000.

2018 Incentive Scheme Estimate ⁽¹⁾: upfront and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota		Deferred quota	
		2019 Cash (Chief Executive Officer 20% - Top IS 25% - Other IS 30%)	2021 Shares (Chief Executive Officer 20% - Top IS 25% - Other IS 30%)	2022 Cash (IS Top 25% - Other IS 20%) 2024 Cash (Chief Executive Officer 30%)	2023 Shares (IS Top 25% - Other IS 20%) 2025 Shares (Chief Executive Officer 30%)
UBI Chief Executive Officer	1	210	210	315	315
UBI Senior Deputy General Manager	1	111	111	111	111
UBI Deputy General Managers	2	136	136	136	136
Executive Board Members and General Managers of the Group	3	86	86	81	81
UBI Managers of main lines of business	61	1,453	1,453	1,017	1,017
Managers of main lines of business of the Group	15	361	251	167	167
UBI Managers of highest level of control functions	18	265	265	176	176
Managers of highest level of control functions of Group companies	-	-	-	-	-
TOTAL	101	2,622	2,512	2,003	2,003

2018 Incentive Scheme Estimate ⁽¹⁾: up-front bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota	
		2019 Cash (Top and Other IS 50%)	2021 Shares (Top and Other IS 50%)
UBI Chief Executive Officer	-	-	-
UBI Senior Deputy General Manager	-	-	-
UBI Deputy General Managers	-	-	-
Executive Board Members and General Managers of the Group	-	-	-
UBI Managers of main lines of business	11	89	89
Managers of main lines of business of the Group	9	208	-
UBI Managers of highest level of control functions	1	11	11
Managers of highest level of control functions of Group companies	5	92	22
TOTAL	26	400	122

(1) Company costs are excluded

The table below gives a summary of deferred remuneration in previous years and the dates when it will be due for payment in the future, once the necessary stability, liquidity and risk-adjusted profit conditions have been verified.

Prior year deferred remuneration: "Identified Staff" ⁽¹⁾

Figures in thousands of euro	2014 Scheme		2015 scheme		2016 Scheme			Scheme 2017			
	Number of beneficiaries	Shares (2019)	Number of beneficiaries	Cash (CEO UBI 2021 - Top IS and Core 2019)	Shares (CEO UBI 2022 - Top IS and Core 2020)	Number of beneficiaries	Cash (2020)	Shares (2021)	Number of beneficiaries	Cash (2021)	Shares/ Other Financial Instruments (2022)
UBI Chief Executive Officer	1	177	1	136	136	-	-	-	-	-	-
UBI Senior Deputy General Manager	1	58	1	56	56	-	-	-	-	-	-
UBI Deputy General Managers	3	100	2	73	73	-	-	-	-	-	-
Executive Directors and General Managers of Group Companies	5	101	6	106	106	1	22	22	3	91	91
UBI Managers of main lines of business	11	166	13	169	169	-	-	-	11	127	127
Managers of main lines of business of the Group	2	24	-	-	-	1	5	5	6	114	114
Managers of highest level of control functions	1	12	10	118	118	-	-	-	12	150	150
TOTAL	24	636	33	658	658	2	27	27	32	481	481

(1) Company costs are excluded

2017 incentive scheme – Final figures

Provided below are the bonuses earned by "Identified staff" in relation to the 2017 incentive scheme.

2017 Incentive Scheme Final Figures ⁽¹⁾: (employee personnel)

Figures in thousands of euro	Group		UBI Banca		Banks ⁽²⁾		Other Companies ⁽³⁾	
	Number of beneficiaries	31.12.2017	Number of beneficiaries	31.12.2017	Number of beneficiaries	31.12.2017	Number of beneficiaries	31.12.2017
UBI Chief Executive Officer	-	-	-	-	-	-	-	-
UBI Senior Deputy General Manager	1	50	1	50	-	-	-	-
UBI Deputy General Managers	2	65	2	65	-	-	-	-
Other Executive Board Members and General Managers	5	410	-	-	-	-	5	410
Managers of main lines of business	82	2,049	61	1,162	2	10	19	877
Managers of highest level of control functions	20	893	18	832	-	-	2	61
TOTAL	110	3,467	82	2,109	2	10	26	1,348

(1) Company costs are excluded.

(2) IW Bank Spa.

(3) UBI Sistemi e Servizi SCpA, UBI Leasing Spa, UBI Factor Spa, Pramerica SGR Spa, Prestitalia Spa, UBI Academy Scrl.

With a view to motivation and retention, for a small number of “*Identified staff*” positions (39%), management bonuses have been set with limited average amounts (an average of €11,000 approx.) by using a 15% quota of the bonus pool distributable at the Group level as per the related policies.

The payment procedures for the aforementioned bonuses earned by “*Identified staff*” are given below. The first table shows payments according to the mechanisms provided for in terms of financial instruments and deferral, and the second table shows up-front payments, because they are less than €50,000 gross and less than 15% of fixed remuneration, in accordance with the provisions of the previous 2017 policies.

2017 Incentive Schemes⁽¹⁾: up-front and deferred bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota		Deferred quota	
		2018 Cash (Top IS 25% - Other IS 30%)	2020 Shares (Top IS 25% - Other IS 30%)	2021 Cash (Top IS 25% - Other IS 20%)	2022 Shares (Top IS 25% - Other IS 20%)
UBI Chief Executive Officer	-	-	-	-	-
UBI Senior Deputy General Manager	-	-	-	-	-
UBI Deputy General Managers	-	-	-	-	-
Executive Board Members and General Managers of the Group	3	95	95	91	91
UBI Managers of main lines of business	11	170	170	127	127
Managers of main lines of business of the Group	7	190	190	127	127
UBI Managers of highest level of control functions	12	224	224	150	150
Managers of highest level of control functions of Group companies	-	-	-	-	-
TOTAL	33	679	679	495	495

(1) Company costs are excluded

2017 Incentive Schemes⁽¹⁾: up-front bonuses

Figures in thousands of euro	Number of beneficiaries	Up-front quota	
		2018 Cash (Top and Other IS 50%)	2020 Shares (Top and Other IS 50%)
UBI Chief Executive Officer	-	-	-
UBI Senior Deputy General Manager	1	25	25
UBI Deputy General Managers	2	32.5	32.5
Executive Board Members and General Managers of the Group	2	19	19
UBI Managers of main lines of business	50	284	284
Managers of main lines of business of the Group	14	166	87
UBI Managers of highest level of control functions	6	42	42
Managers of highest level of control functions of Group companies	2	61	-
TOTAL	77	629.5	489.5

(1) Company costs are excluded

2. Quantitative information on the management and supervisory bodies and on the Chief Executive Officer, Senior Deputy General Manager, Deputy General Managers and “Other identified staff” of UBI Banca

The tables below give detailed information relating to 2018 and more specifically they consist of Table 1 and Table 3A and 3B pursuant to Art. 84 *quater* of the Issuers’ Regulations adopted with Consob Resolution No. 11971 of 14th May 1999 and subsequent amendments. More specifically:

- fixed remuneration for the position (column 1);
- remuneration for attendance on committees (column 2);
- variable non-equity remuneration (cash) divided into “bonuses and other incentives”, which include 2018 incentive scheme payments estimated on an accruals basis on preliminary figures and not yet paid relating to the up-front component, any bonuses deferred in prior years and paid in the current year, company bonuses and any “share of profits”, which nevertheless are not envisaged (column 3);
- non-monetary benefits which include insurance policies, pension funds and any other benefits such as cars, guest accommodation, according to the taxable income criterion (column 4);
- other remuneration, such as job-security and non-competition agreements paid during the employment relationship, provisions made for deferred remuneration, length-of-service bonuses and other residual items (column 5);
- the total for the above items (column 6);
- the fair value of remuneration in shares (column 7);
- end of term of office or of employment relationship indemnities (column 8) decided during the year.

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

- the relative incentive scheme (column 1);
- the number of shares accrued in 2013, 2014, 2015, 2016 and 2017 that have yet to be paid because they are subject to retention and deferral mechanisms and the relative vesting period (columns 2 and 3);
- the fair value for the year (column 12).

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

Table 1 pursuant to Attachment 3 of the Issuers' Regulations

Remuneration paid to members of the management and supervisory bodies and to general management and "Other identified staff" (Art. 84 quater of Consob Resolution No. 11971 of 14th May 1999 and subsequent amendments)

(A) Name and Surname	(B) Position	(C) Period in which position was occupied	(D) Date on which appointment ends	(1) Fixed remuneration	(2) Remuneration for attendance on committees	(3) Non-equity variable remuneration		(4) Non-monetary benefits	(5) Other remuneration	(6) Total	(7) Fair value of equity remuneration	(8) Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Moltrasio Andrea	UBI BANCA:											
	- Chairman of the Supervisory Board	01.01/31.12	2019 AGM	375,000.00						375,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of Appointments Committee	01.01/31.12	2019 AGM		35,000.00					35,000.00		
	TOTAL			455,000.00	35,000.00					490,000.00		
Cera Mario	UBI BANCA:											
	- Senior Deputy Chairman of the Supervisory Board	01.01/31.12	2019 AGM	250,000.00						250,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	TOTAL			330,000.00	25,000.00					355,000.00		
Gussalli Beretta Pietro	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	2019 AGM	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	TOTAL			120,000.00	25,000.00					145,000.00		
Santus Armando	UBI BANCA:											
	- Deputy Chairman of the Supervisory Board	01.01/31.12	2019 AGM	40,000.00						40,000.00		
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of Related Parties and Connected Persons Committee	01.01/31.12	2019 AGM		45,000.00					45,000.00		
	- Other remuneration (*)								320.00	320.00		
	Total UBI Banca remuneration			120,000.00	45,000.00				320.00	165,320.00		
	UBI LEASING: Other remuneration (**)								9,468.15	9,468.15		
	TOTAL			120,000.00	45,000.00				9,788.15	174,788.15		
Bazoli Francesca	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Risk Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	TOTAL			80,000.00	40,000.00					120,000.00		
Bellini Cavalletti Letizia	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	- Member of the Related Parties and Connected Persons Committee	01.01/31.12	2019 AGM		20,000.00					20,000.00		
	TOTAL			80,000.00	45,000.00					125,000.00		
Camadini Pierpaolo	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Internal Control Committee	01.01/31.12	2019 AGM		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	2019 AGM		10,000.00					10,000.00		
	TOTAL			80,000.00	70,000.00					150,000.00		

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Carrara Alberto	UBI BANCA:											
	- Member of the Supervisory Board	14.12/31.12	2019 AGM	3,913.04						3,913.04		
	- Member of the Risk Committee	20.12/31.12	2019 AGM		1,304.35					1,304.35		
	- Member of the Internal Control Committee	20.12/31.12	2019 AGM		1,956.52					1,956.52		
	- Member of the Supervisory Body	20.12/31.12	2019 AGM		326.09					326.09		
	TOTAL			3,913.04	3,586.96					7,500.00		
Dardanello Ferruccio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	2019 AGM		30,000.00					30,000.00		
	TOTAL			80,000.00	30,000.00					110,000.00		
Del Boca Alessandra	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of the Remuneration Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	TOTAL			80,000.00	40,000.00					120,000.00		
Fiori Giovanni	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Appointments Committee	01.01/31.12	2019 AGM		25,000.00					25,000.00		
	- Chairman of the Internal Control Committee	01.01/31.12	2019 AGM		100,000.00					100,000.00		
	- Chairman of the Supervisory Body	01.01/31.12	2019 AGM		20,000.00					20,000.00		
	TOTAL			80,000.00	145,000.00					225,000.00		
Giangualano Patrizia Michela	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Remuneration Committee	01.01/31.12	2019 AGM		30,000.00					30,000.00		
	- Member of the Risk Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	2019 AGM		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	2019 AGM		10,000.00					10,000.00		
	TOTAL			80,000.00	140,000.00					220,000.00		
Giannotti Paola	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Chairman of the Risk Committee	01.01/31.12	2019 AGM		65,000.00					65,000.00		
	- Member of the Related Parties and Connected Persons Committee	01.01/31.12	2019 AGM		20,000.00					20,000.00		
	TOTAL			80,000.00	85,000.00					165,000.00		
Guerini Lorenzo Renato	UBI BANCA:											
	- Member of the Supervisory Board	01.01/11.10	11/10/2018	62,173.91						62,173.91		
	- Member of the Risk Committee	01.01/11.10	11/10/2018		31,086.96					31,086.96		
	- Member of the Internal Control Committee	01.01/11.10	11/10/2018		46,630.43					46,630.43		
	- Member of the Supervisory Body	01.01/11.10	11/10/2018		7,771.74					7,771.74		
	TOTAL			62,173.91	85,489.13					147,663.04		
Lucchini Giuseppe	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	TOTAL			80,000.00						80,000.00		
Pivato Sergio	UBI BANCA:											
	- Member of the Supervisory Board	01.01/31.12	2019 AGM	80,000.00						80,000.00		
	- Member of the Risk Committee	01.01/31.12	2019 AGM		40,000.00					40,000.00		
	- Member of the Internal Control Committee	01.01/31.12	2019 AGM		60,000.00					60,000.00		
	- Member of the Supervisory Body	01.01/31.12	2019 AGM		10,000.00					10,000.00		
	TOTAL			80,000.00	110,000.00					190,000.00		

Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Bricchetto Arnaboldi Letizia Maria	UBI BANCA:											
	- Chairwoman of the Management Board	01.01/31.12	2019 AGM	375,000.00						375,000.00		
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	TOTAL			495,000.00						495,000.00		
Pizzini Flavio	UBI BANCA:											
	- Deputy Chairman of the Management Board	01.01/31.12	2019 AGM	200,000.00						200,000.00		
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	Total UBI Banca remuneration			320,000.00						320,000.00		
	UBI SISTEMI E SERVIZI:											
	- Chairman of the Board of Directors	01.01/31.12	2019 AGM	70,000.00						70,000.00		
	- Director	01.01/31.12	2019 AGM	10,000.00						10,000.00		
	Total UBI Sistemi e Servizi remuneration			80,000.00						80,000.00		
TOTAL			400,000.00						400,000.00			
Massiah Victor	UBI BANCA:											
	- Senior manager	01.01/31.12	the position has no termination date	652,431.81		388,636.43		115,917.93	(***) 130,476.08	1,287,462.25	131,137.84	
	- General Manager	01.01/31.12	the position has no termination date									
	- Chief Executive Officer	01.01/31.12	2019 AGM	500,000.00						500,000.00		
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
TOTAL			1,272,431.81		388,636.43		115,917.93	130,476.08	1,907,462.25	131,137.84		
Fidanza Silvia	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
TOTAL			120,000.00						120,000.00			
Ranica Osvaldo	UBI BANCA:											
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	Total UBI Banca remuneration			120,000.00						120,000.00		
	UBI LEASING											
	- Deputy Chairman	01.01/31.12	2019 AGM	6,000.00						6,000.00		
	- Director	01.01/31.12	2019 AGM	8,000.00						8,000.00		
Total UBI Leasing remuneration			14,000.00						14,000.00			
	BANCA TEATINA											
	- Chairman	01.01/25.02	25/02/2018	2,795.83						2,795.83		
	- Director	01.01/25.02	25/02/2018	3,055.56						3,055.56		
Total Banca Teatina remuneration			5,851.39						5,851.39			
TOTAL			139,851.39						139,851.39			

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Sonnino Elvio (**)	UBI BANCA:											
	- Senior Deputy General Manager	01.01/31.12	the position has no termination date	560,000.15		169,918.08		98,022.03	22,933.75	850,874.01	83,344.62	
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	Total UBI Banca remuneration			680,000.15		169,918.08		98,022.03	22,933.75	970,874.01	83,344.62	
(*)	UBI SISTEMI E SERVIZI:											
	- Director	01.01/31.12	2019 AGM									
	- Chief Executive Officer	01.01/31.12	2019 AGM									
	- Acting General Manager	01.01/01.01	01/01/2018									
	Total UBI Sistemi e Servizi remuneration											
(*)	UBI ACADEMY:											
	- Director	01.01/31.12	2019 AGM									
	Total UBI Academy remuneration											
(*)	IW BANK:											
	- Deputy Chairman	01.01/31.12	2019 AGM									
	- Director	01.01/31.12	2019 AGM									
	Total IW Bank remuneration											
	TOTAL			680,000.15		169,918.08		98,022.03	22,933.75	970,874.01	83,344.62	
Stegher Elisabetta	UBI BANCA:											
	- Senior manager	01.01/31.12	the position has no termination date	302,266.55		74,998.53		58,506.09	(****) 40,000.09	475,771.26	41,375.90	
	- Member of the Management Board	01.01/31.12	2019 AGM	120,000.00						120,000.00		
	TOTAL			422,266.55		74,998.53		58,506.09	40,000.09	595,771.26	41,375.90	
Geertman Frederik Herman	UBI BANCA:											
	- Deputy General Manager	01.01/31.12	the position has no termination date	600,540.05		91,473.10		32,216.57	19,198.70	743,428.42	39,110.16	
	Total UBI Banca remuneration			600,540.05		91,473.10		32,216.57	19,198.70	743,428.42	39,110.16	
	(*)	IW BANK:										
	- Director	01.01/31.12	2019 AGM									
	Total IW Bank remuneration											
(*)	PRESTITALIA:											
	- Director	01.01/31.12	2019 AGM									
	Total Prestitalia remuneration											
	TOTAL			600,540.05		91,473.10		32,216.57	19,198.70	743,428.42	39,110.16	

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and Surname	Position	Period in which position was occupied	Date on which appointment ends	Fixed remuneration	Remuneration for attendance on committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Indemnity for end of term of office or end of employment relationship
						Bonuses and other incentives	Share of profits					
Leidi Rossella	UBI BANCA:											
	- Deputy General Manager	01.01/31.12	the position has no termination date	394,833.43		86,528.13		23,703.33	24,633.37	529,698.26	34,913.06	
	<i>Total UBI Banca remuneration</i>		the position has no termination date	394,833.43		86,528.13		23,703.33	24,633.37	529,698.26	34,913.06	
(*)	UBI ACADEMY:											
	- Director	01.01/31.12	2019 AGM									
	<i>Total UBI Academy remuneration</i>											
(*)	PRAMERICA SGR:											
	- Director	01.01/31.12	2020 AGM									
	<i>Total UBI Pramerica SGR remuneration</i>											
(*)	LOMBARDA VITA:											
	- Director	01.01/31.12	2021 AGM									
	<i>Total Lombarda Vita remuneration</i>											
	TOTAL			394,833.43		86,528.13		23,703.33	24,633.37	529,698.26	34,913.06	
No. 16 Identified staff (*) (**)		01.01/31.12	The positions have no termination date	3,954,869.43		362,160.06		292,771.90	(****) 306.928,47	4,916,729.86	199,127.61	(*****) 493.000,00

(*) the remuneration relating to dott. Massiah, dott. Sonnino, dott.ssa Stegher, dott.ssa Leidi, dott. Geertman and to Identified Staff does not include that relating to any posts held by them in other companies in the Group because this is paid directly to the companies to which they belong and it is shown on a pro rata basis with respect to the period in which they occupied the position

(**) part of the cost of the fees is borne by the company in which he occupies the position of Acting General Manager with the assignment of the relative functions and powers

(*) issue of certified true copies

(**) correction of land registry data

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

(****) of which €40,000.09 for job-security agreement

(*****) of which €240,577.39 for job-security agreement

(*****) the amount relating to the Chief General Counsel; see the section entitled "Treatment for start and end of employment relationships" in Section II for details of how it is paid

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

Incentive schemes based on financial instruments other than stock options, for members of the management body and for general management and "Other identified staff" (Art. 84 quater of Consob Resolution No. 11971 of 14th May 1999, and subsequent amendments)

A	B	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Name and Surname	Position	Scheme	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on the grant date	Vesting period	Grant date	Market price when granted	Number and type of financial instruments	Number and type of financial instruments	Value on the vesting date	Fair value	
Massiah Victor	- Chief Executive Officer	2018 (**)			54,822 UBI Banca shares	3.262	3	2021	2.3537				51,094.10	
		2018 (**)			82,233 UBI Banca shares	2.691	7	2025	2.3537				29,505.20	
		2017												
		2016												
		2015									12,267 UBI Banca shares	3.2621	12,291.53	
		2015 (*)	18,400 UBI Banca shares	7										15,421.65
		2014 (*)	24,082 UBI Banca shares	5										22,825.36
		2013												
	TOTAL		42,482 UBI Banca shares		137,055 UBI Banca shares						12,267 UBI Banca shares	3.2621	131,137.84	
Sonnino Elvio	- Member of the Management Board and Senior Deputy General Manager of UBI BANCA	2018 (**)			29,001 UBI Banca shares	3.262	3	2021	2.3537				27,028.93	
		2018 (**)			29,001 UBI Banca shares	2.954	5	2023	2.3537				15,576.17	
		2017 (*)	7,184 UBI Banca shares	3										5,546.05
		2016(*)	7,624 UBI Banca shares	3										6,247.32
		2015									11,293 UBI Banca shares	3.2621	11,315.59	
		2015 (*)	7,528 UBI Banca shares	5										9,074.66
		2014 (*)	7,816 UBI Banca shares	5										7,408.15
		2013										2,903 UBI Banca shares	3.2621	1,147.74
	TOTAL		30,152 UBI Banca shares		58,002 UBI Banca shares						14,196 UBI Banca shares	3.2621	83,344.62	
Leidi Rossella	- Deputy General Manager of UBI BANCA	2018 (**)			11,838 UBI Banca shares	3.262	3	2021	2.3537				11,033.02	
		2018 (**)			11,838 UBI Banca shares	2.954	5	2023	2.3537				6,358.08	
		2017(*)	3,592 UBI Banca shares	3										2,773.02
		2016												
		2015									5,319 UBI Banca shares	3.2621	5,329.64	
		2015 (*)	3,546 UBI Banca shares	5										4,274.54
		2014 (*)	5,428 UBI Banca shares	5										5,144.76
		2013												
	TOTAL		12,566 UBI Banca shares		23,676 UBI Banca shares						5,319 UBI Banca shares	3.2621	34,913.06	

A	B	Financial instruments granted in prior years not vested during the year			Financial instruments granted during the year					Financial instruments vested during the year and not granted	Financial instruments vested during the year and granted		Financial instruments relating to the year
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
Name and Surname	Position	Scheme	Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value on the grant date	Vesting period	Grant date	Market price when granted	Number and type of financial instruments	Number and type of financial instruments	Value on the vesting date	Fair value
Stegher Elisabetta	- Member of the Management Board and Senior Manager of UBI BANCA	2018 (**)			12,272 UBI Banca shares	3.262	3	2021	2.3537				11,437.50
		2018 (**)			8,182 UBI Banca shares	2.954	5	2023	2.3537				4,394.48
		2017 (*)	12,567 UBI Banca shares	3									9,701.72
		2017 (*)	8,378 UBI Banca shares	5									3,675.66
		2016											
		2015									4,830 UBI Banca shares	3.2621	4,839.66
		2015 (*)	3,220 UBI Banca shares	5									3,881.56
		2014 (*)	3,635 UBI Banca shares	5									3,445.32
		2013											
	TOTAL		27,800 UBI Banca shares		20,454 UBI Banca shares						4,830 UBI Banca shares	3.2621	41,375.90
Geertman Frederik Herman	- Deputy General Manager of UBI Banca	2018 (**)			23,602 UBI Banca shares	3.262	3	2021	2.3537				21,997.06
		2018 (**)			23,602 UBI Banca shares	2.954	5	2023	2.3537				12,676.42
		2017 (*)	5,747 UBI Banca shares	3									4,436.68
		2016											
	TOTAL		5,747 UBI Banca shares		47,204 UBI Banca shares								39,110.16
Ranica Osvaldo	- Member of the Management Board of UBI Banca	2016											
		2015									6,029 UBI Banca shares	3.2621	6,041.06
		2015 (*)	4,019 UBI Banca shares	5									4,844.72
		2014											
		2013									2,334 UBI Banca shares	3.2621	922.78
	TOTAL		4,019 UBI Banca shares								8,363 UBI Banca shares	3.2621	11,808.56
No. 16 Identified Staff		2018 (**)			64,117 UBI Banca shares	3.262	3	2021	2.3537				60,201.51
		2018 (**)			55,522 UBI Banca shares	2.954	5	2023	2.3537				29,956.25
		2017 (*)	53,438 UBI Banca shares	3									41,254.13
		2017 (*)	26,801 UBI Banca shares	5									11,758.32
		2016(*)	5,798 UBI Banca shares	3									4,751.04
		2015									25,285 UBI Banca shares	3.2621	25,335.57
		2015 (*)	13,031 UBI Banca shares	5									15,708.28
		2014 (*)	10,722 UBI Banca shares	5									10,162.51
		2013											
	TOTAL		109,790 UBI Banca shares		119,639 UBI Banca shares						25,285 UBI Banca shares	3.2621	199,127.61

(*) These instruments have been promised, but not yet granted.

(**) Estimate calculated on the basis of preliminary figures which may be modified. The market price is calculated on the average market value of UBI Banca shares from 08/01/2019 until 08/02/2019. These financial instruments will be promised, but will not be granted until the grant date indicated.

3. Shares held in UBI Banca and in subsidiaries by members of the management and supervisory bodies and by the Chief Executive Officer, Senior Deputy General Manager, Deputy General Managers and “Other Identified staff” of UBI Banca (pursuant to Art. 84 quater of Consob Resolution No. 11971 of 14th May 1999 and subsequent amendments)

Surname and first name	Position	Shareholding in	Type of holding	Ownership title	Number of shares owned as at 31/12/2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares owned as at 31/12/2018 (*)
Moltrasio Andrea	Chairman of the Supervisory Board	UBI	direct	full ownership	152,284			152,284
			indirect	full ownership	58,568			58,568
		UBI	spouse (directly)	full ownership	14,052	27,000 (1)		41,052
Cera Mario	Senior Deputy Chairman of the Supervisory Board	UBI	full ownership	full ownership	117,149	3,000		120,149
Gussalli Beretta Pietro	Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	492			492
Santus Armando	Deputy Chairman of the Supervisory Board	UBI	direct	full ownership	392,426			392,426
Bazoli Francesca	Member of the Supervisory Board	UBI	direct	full ownership	37,338			37,338
			direct	legal title only	101,422			101,422
		UBI	spouse (directly)	full ownership	5,252			5,252
		UBI	children - minors (directly)	full ownership	584			584
Bellini Cavalletti Letizia	Member of the Supervisory Board	UBI	direct	full ownership	168,704			168,704
			UBI	spouse (directly)	full ownership	7,026	165 (1)	
		UBI	children - minors (directly)	full ownership	584			584
Camadini Pierpaolo	Member of the Supervisory Board	UBI	direct	full ownership	300,200			300,200
			UBI	spouse (directly)	full ownership	1,168		
		UBI	children - minors (directly)	full ownership	3,504			2,336 (2)
Carrara Alberto	Member of the Supervisory Board (in position from 14/12/2018)	UBI	direct	full ownership	3,394			3,394
Dardanella Ferruccio	Member of the Supervisory Board	UBI	direct	full ownership	1,934			1,934
Del Boca Alessandra	Member of the Supervisory Board	UBI	direct	full ownership	250			250
Fiori Giovanni	Member of the Supervisory Board				-			-
Gianguialano Patrizia Michela	Member of the Supervisory Board	UBI	direct	full ownership	11,998			11,998
Giannotti Paola	Member of the Supervisory Board				-			-
Guerini Lorenzo Renato	Member of the Supervisory Board (in position until 11/10/2018)	UBI	direct	full ownership	5,000			5,000
			UBI	spouse (directly)	full ownership	105,000		
Lucchini Giuseppe	Member of the Supervisory Board	UBI	direct	full ownership	475,262			475,262
			direct	usufruct	1,086,544			1,086,544
Pivato Sergio	Member of the Supervisory Board	UBI	direct	full ownership	346			346

Surname and first name	Position	Shareholding in	Type of holding	Ownership title	Number of shares owned as at 31/12/2017	Number of shares purchased in 2018	Number of shares sold in 2018	Number of shares owned as at 31/12/2018 (*)
Bricchetto Arnaboldi Letizia Maria	Chairwoman of the Management Board				-			-
Pizzini Flavio	Deputy Chairman of the Management Board	UBI	direct	full ownership	15,028			15,028
		UBI	spouse (directly)	full ownership	1,168			1,168
Massiah Victor	Chief Executive Officer / General Manager	UBI	direct	full ownership	659,075	12,267 (3)		671,342
Fidanza Silvia	Member of the Management Board	UBI	direct	full ownership	9,525			9,525
		UBI	spouse (directly)	full ownership	1,648			1,648
		UBI	children - minors (directly)	full ownership	584			584
Ranica Osvaldo	Member of the Management Board	UBI	direct	full ownership	41,710	10,363 (4)		52,073
		UBI	spouse (directly)	full ownership	7,026			7,026
Sonnino Elvio	Member of the Management Board / Senior Deputy General Manager	UBI	direct	full ownership	42,802	14,196 (3)		56,998
		UBI	spouse (directly)	full ownership	348			348
Stegher Elisabetta	Member of the Management Board/Chief Financial Officer	UBI	direct	full ownership	13,145	4,830 (3)		17,975
Leidi Rossella	Deputy General Manager	UBI	direct	full ownership	20,966	5,319 (3)		26,285
		UBI	spouse (directly)	full ownership	1			1
		UBI	children - minors (directly)	full ownership	400			400
Geertman Frederik Herman	Deputy General Manager				21,200			21,200
No. 16 Identified Staff (**)		UBI	direct	full ownership	207,121	28,285 (5)	4,346	231,060
		UBI	spouse (directly)	full ownership	7,151			7,151

(*) for senior officers who left during the year the figure is for the date of the end of term of office
(**) the balance as at 31/12/2017 for ownership of the shares by Identified staff is different from the staff occurred in 2018. figure published in the 2017 Annual Report because changes in the perimeter of Identified
(1) shares received from inheritance in 2018
(2) the change is because one of the children came of age
(3) shares granted under incentive schemes relating to prior years
(4) of which 8,363 shares granted under incentive schemes relating to prior years
(5) of which 25,285 shares granted under incentive schemes relating to prior years

Internal audit function verifications of compliance of remuneration and incentive practices with policies approved and with the regulatory framework

With regard to the regulatory framework for remuneration and incentive policies and practices in banks and groups of banks pursuant to Bank of Italy Supervisory Regulations (Circular No. 285/2013, 25th update of 23rd October 2018, Part One, Title IV, Chapter 2), it is stated that “*At least once a year, the Internal Audit Function shall verify, amongst other things, that remuneration practices comply with the policies approved and with these regulations. The findings and any irregularities are reported to the competent Governing Bodies and functions for the adoption of any corrective measures required and the latter assess their importance for the purposes of prompt disclosure to either the Central European Bank or the Bank of Italy. The results of the audit conducted are reported annually to a Shareholders’ Meeting*”.

In order to gain a better view of the context of the analysis, mention is made of recent changes which have affected the applicable internal and external context, due to which the Bank has already commenced activities to update the organisational model of the existing Group: i) the future governance structure – new roles provided for by a one-tier model and the relative responsibility profiles, ii) changes introduced by the external regulatory framework, although the framework and key principles of the current national supervisory regulations are largely already in line with EBA guidelines and iii) the introduction of “sustainability” objectives in the management performance structure for senior managers of the Group.

In line with and consistent with previous audits on these matters and with account taken of the principles and recommendations reported in the “SREP – Supervisory Review and Evaluation Process” guidelines on the subject, the analysis carried out by the Internal Audit Function regarded reaching the conditions to trigger the 2017 incentive schemes and the relative calculation mechanism – and the actual payout in 2018 – for incentives for “*Identified staff*” (inclusive of the deferred part). Findings for 2018 also included proper implementation of 2018 Group Policy by the various legal entities affected and compliance with limits set for fees paid to Governing Bodies of the Group, with procedures for determining performance indicators and with the process to identify “*Identified staff*” or “*Material risk takers*”. Finally an assessment was made of the operational use of the credit risk measurement system in Remuneration and Incentive Policies for “*Identified staff*” with respect to the IRB/AIRB approaches.

On conclusion of the audits, substantial compliance of operational activities with the regulatory framework was found, together with compliance of remuneration practices with the policies approved and the adoption of control procedures that were adequately designed to manage the main risks inherent in the activities carried out. In this respect, those procedures were subject to regulatory compliance assessments by the Compliance Function. In this context it was observed that in developing its policies UBI Banca also took into consideration leading practices at national level and best tendencies on the market.

At the same time some recommendations were formulated not only to maintain the company regulatory framework up-to-date with regard to the background scenario, but also to improve certain aspects of organisational oversight designed in particular to: i) ensure, also on a continuous basis, that the remuneration and incentive mechanisms for sales staff (in-house and/or working in indirect networks) are compatible with the duty to act in the “best interests of customers” and ii) to monitor potential conduct that could impact on mechanisms for alignment with risks and more generally on the pursuit of the aims laid down in supervisory regulations.

The remarks of the Internal Audit Function have been shared with the competent company units in order to improve the mechanisms and the relative application procedures underlying the remuneration and incentives process.