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**REPORT OF THE
SUPERVISORY BOARD TO THE
SHAREHOLDERS' MEETING
in accordance with Art. 153,
paragraph 1, of Legislative Decree
No. 58 of 24th February 1998
and Art. 38, paragraph 1, letter h) of
the Articles of Association**

Dear Shareholders,

This report has been prepared in accordance with Art. 153 of Legislative Decree No. 58 of 24th February 1998 (Consolidated Finance Act) and Art. 38, paragraph 1, letter h), of the Articles of Association, in compliance with which, the Supervisory Board is required to report to shareholders on the supervisory activities performed, on omissions and reprehensible actions observed relating to the financial year ended 31st December 2018, and in relation to matters within the scope of its responsibilities.

In the introductory part, this report provides both a summary of the composition of the Supervisory Board and all activities related to verification of possession of the requirements established by law, by supervisory regulations, and by the articles of association as well as a summary description of certain aspects that characterised 2018, and in particular:

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

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

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

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Under the current two-tier system of governance adopted by UBI Banca, the Supervisory Board fulfils the functions of strategic supervision and control. The Supervisory Board combines some of the powers assigned by traditional systems to shareholders (e.g. approval of financial statements, appointment of the members of the management body, and determination of the relative fees) and to boards of statutory auditors and assumes certain “senior management” responsibilities, insofar as it is called upon to take decisions on proposals submitted to it by the Management Board on the business and/or financial plans and budgets of the Company and the Group and also on strategic operations indicated in the Articles of Association.

The corporate management functions are assigned to the Management Board, which has exclusive authority to perform all ordinary and extraordinary operations necessary to the pursuit of the company objects, in compliance with the general guidelines and strategic policies approved by the Supervisory Board.

The Supervisory Board, appointed by the shareholders on 2nd April 2016, is composed of 15 members, including a Chairman, a Senior Deputy Chairman, appointed by the shareholders in compliance with the Articles of Association, and two Deputy Chairmen chosen by the Supervisory Board itself from among its members. Following the resignation of a board member on 11th October 2018, the shareholders, in a meeting held on 14th December 2018, appointed a new member of the Supervisory Board to replace the outgoing member. In accordance with the Articles of Association, this member is enrolled in the Register of Statutory Auditors.

Following its appointment and in accordance with the relevant regulations in force, the Supervisory Board successfully ascertained that the requirements for integrity, professionalism and independence were met by all its members and that, on the whole, they were qualified for their roles, while also verifying the composition of the board in qualitative and quantitative terms.

In this context, in compliance with the Bank of Italy regulations concerning corporate governance, an analysis of the lending relationships between each board member and the Group was carried out when independence requirements were verified, as well as the position of the board members concerned within Sindacato Azionisti UBI Banca S.p.A.

In this regard it should be noted that all the members of the Supervisory Board - on the basis of a declaration made by each of them and the information available to the Bank - satisfy the requirements of independence pursuant to Art. 148, paragraph 3 of the Consolidated Finance Law and the Bank of Italy supervisory regulations concerning corporate governance in force (Circular No 285 of 17th December 2013).

With regard to the requirements set by the Corporate Governance Code and also in consideration of the specific nature of the Supervisory Board under a two tier governance system, 11 members of the Supervisory Board out of 15 were found to be independent with regard also to the requirements of the aforementioned code. With reference to the principles and criteria referred to in Art. 3.C.1 of the Corporate Governance Code, the board members Andrea Moltrasio, Mario Cera, Pietro Gussalli Beretta and Sergio Pivato are not independent due to previous positions held over time within the UBI Banca Group.

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

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

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

The Supervisory Board – in relation to its responsibilities, its composition and the characteristics of its members – has elected to establish specific internal committees which have policy-formulation, consultative and fact-finding functions as envisaged under the regulations for the supervision of banks issued by the Bank of Italy.

It should also be noted here that the Board has assigned the supervisory functions specified under Art. 19 (regarding internal control and audit committees) of Legislative Decree No. 39 of 27th January 2010 to its Internal Control Committee. The Board has also granted this

committee the functions of a Supervisory Body in accordance with Legislative Decree 231/01 concerning the administrative liability of entities.

As concerns the composition and functioning of the Supervisory Board, including information on the issue of diversity, as well as the organisation of the board's committees, see the report on the corporate governance and ownership structure of the Bank.

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Developments in governance

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

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

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

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

The Strategic Non-Performing Loans Plan

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

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

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

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

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

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

The results of the 2018 stress test

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

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

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

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

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

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

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

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

Remuneration and incentives policies

At the meeting of 7th March 2019, as proposed by the Management Board and having heard the opinion of the Remuneration Committee, the Supervisory Board approved the update to

the remuneration and incentives policies of the UBI Group for 2019 and related update to the scope of application of “Identified Staff”.

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

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

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

Based on the proposals of the Management Board and the observations of the Remuneration Committee, the Supervisory Board has also moved to submit the following for shareholder approval (for more information, see the related reports):

- 2019 short-term schemes based on financial instruments;
- the criteria and limits for the determination of remuneration to be agreed in the event of the early termination of an employment relationship or early retirement from corporate office;
- increase of the limit in the ratio of variable to fixed remuneration up to a maximum of 2:1 for all key personnel, with the exception of personnel within the Control Functions, the manager responsible for preparing the financial reports, and the Parent's Human Resources manager, in order to ensure merit-based, competitive, and flexible management.

The Supervisory Board verified the outcome of the work of the Internal Audit function regarding the consistency of remuneration and incentives practice with the policies approved by the Bank and with applicable laws and regulations related to 2018 as required by prevailing supervisory provisions. These audits have pointed to the operational compliance of remuneration practices established by the policies approved by the governing bodies and the adoption of control mechanisms properly aimed at covering the main risks inherent in the activities conducted.

The new Single Policy for handling potential conflicts of interest

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

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

In terms of their procedural and decision making aspects, the Single Policy and Single Regulation serve to implement the principles and controls required by the provisions relating to the regulation of transactions with related parties, connected persons, “Identified Staff” and significant parties pursuant to Art. 136 of the Consolidated Banking Law, as well as any other

person defined as significant by the Bank on a self-regulatory basis, and also in consideration of the provisions of articles 2391 and 2391-*bis* of the Italian Civil Code.

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

Having the goal of jointly and homogeneously regulating issues falling within the scope of conflicts of interest, the regulation establishes the principles and guidelines that govern and mitigate the risks, of a reputational or other nature, deriving from situations of potential conflict of interest – connected to aspects such as the particular proximity of certain entities with respect to the decision-making centres of the Bank, of UBI Sistemi e Servizi, and of the other banks and supervised intermediaries of the Group – and is part of the process of constant procedural and operational refinement aimed at ensuring transparency and fairness. The policy also sets specific limits and prohibitions on operations with the Bank for parties falling within the scope of its application. These limits are increasingly stringent in relation to the position of the party concerned, including the prohibition on performing certain operations for the parties potentially the most involved (such as board members and their close family members and key management personnel).

A computerised procedure has been activated in order to help facilitate the monitoring and control of the positions that fall within the scope of the regulation in question.

The Single Policy is published on the website of UBI Banca (www.ubibanca.it), along with the Single Regulation.

External Quality Assessment Review of the Internal Audit function

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

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

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

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

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

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

Developments in anti-money laundering legislation

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

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

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

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

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

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In compliance with **Consob Communication No. 1025564** of 6th April 2001 and subsequent amendments to it, specific information is given below on the supervisory activities performed by the Supervisory Board in 2018 in the order of presentation recommended in that Consob communication.

1. The Board, by way of members of the Internal Control Committee both jointly and separately, has attended all meetings of the Management Board.

The Supervisory Board supervised compliance with the law, the Articles of Association and proper management practices and acquired information on the activities of the Bank and its subsidiaries and also on major capital, financial and operating transactions.

Transactions of significance with respect to operations and capital concluded by the Bank and its subsidiaries during the year were performed in compliance with law, the Articles of Association and exclusively and fully in the interests of the respective company. On the basis of information obtained by the Management Board pursuant to Art. 150 of the Consolidated Finance Law, those transactions were neither manifestly imprudent, risky, in conflict of interest, contrary to Shareholder resolutions or such as to compromise the integrity of the Bank's assets.

A full and exhaustive review of transactions of greater significance during the year is contained in the Management Report for the 2018 Consolidated Financial Statements, particularly as concerns the following transactions, as listed in for the foreword to this report, as concerns:

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

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

- 2./3. The Consob approved a regulation regarding related-party transactions with Resolution No. 17221 of 12th March 2010 and subsequent amendments.

The requirement relates to the procedures to be followed for the approval of transactions concluded by listed companies with parties that could create a conflict of interest.

In implementation of article 53, paragraphs 4 *et seq.* of the Consolidated Banking Act and Inter-Ministerial Credit Committee Resolution No. 277 of 29th July 2008, the Bank of Italy also, on 12/12/2011, issued the ninth update of the New regulations for the prudential supervision of banks regarding risk assets and conflicts of interest concerning parties related to banks or banking groups. The purpose of these measures was to limit the risk that the proximity of certain "related parties" to a bank's decision-making powers could compromise the objectivity and impartiality of decisions concerning the granting of financing or other transactions.

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

The Supervisory Board oversees compliance with applicable laws and regulations and reports to the Shareholders in accordance with article 153 of Legislative Decree No. 58 of 24th February 1998.

- Related parties

The Supervisory Board periodically reviewed lists of all the related party transactions concluded in the preceding quarters, contained in quarterly reports received from the Management Board. They included those not subject to a prior opinion from the committee in accordance with the regulation adopted, with specification of the related party, the type of transaction and the amount and, if the transaction was not subject to prior examination by the committee, the underlying grounds for the exemption.

With regard to transactions between companies in the Group and all of its related parties, no atypical and/or unusual transactions were performed during the year (as defined by Consob Communication No. DEM/1025564 of 6-4-2001 and subsequent amendments). Furthermore, no transactions of that type were even performed with counterparties that were not related parties.

Normal commercial and financial intragroup and related party transactions have been properly disclosed by the Management Board in Part H of the notes to the UBI Banca separate and consolidated financial statements.

The Management Report provides information pursuant to article 5, paragraph 8 of Consob Regulation No. 17221 of 12th March 2010.

The information provided by the Management Board in its report has been found to be sufficient.

- Connected Persons

During the year, as concerns transactions with “connected persons”, the Supervisory Board has periodically examined the list – as provided by the Management Board – of all transactions executed in the previous quarter within the Group, including those not subject to the prior opinion of the committee in accordance with the rules. The information included in the periodic reports also concerned the profile of new connected persons as a result of the acquisition of the New Banks

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

In 2018, the UBI Banca Group always remained within the limits specified under supervisory regulations.

The Report on Corporate Governance and the Ownership Structure describes the main contents of the monitoring, reporting and decision-making regulations adopted for the performance of transactions with related parties and connected persons by the Bank, distinguishing between legislation in effect prior to 1st November 2018 and legislation that went into effect by way of the Single Policy and Single Regulation.

The transactions with senior managers of the bank, with senior officers of Group member companies, and with companies controlled by these subsidiaries are conducted under normal market conditions and the provisions of article 136 of the Consolidated Banking Law are carefully complied with for those transactions. The Supervisory Board has also overseen the adequacy of the system for ensuring compliance with Art. 136 of the Consolidated Banking Law.

All the transactions performed by Group companies with their related parties and connected persons were carried out in compliance with correct principles both in substance and form under conditions analogous to those applied for transactions with independent parties and are considered as being consistent with and responding to the interests of the company. They were performed in accordance with the organisational structure adopted.

It should be noted, in particular, that the UBI Banca Related Parties and Connected Persons Committee has:

- opinions, in relation to the investigations requested from the governing bodies, concerning relationships between the Purchasing Department of UBI Sistemi e

Servizi, in the name of and on behalf of UBI Banca, and suppliers that are related parties and/or connected persons;

- periodically monitored activities in progress and the main results achieved in relation to the “Related Parties and Connected Persons Stabilisation” and “Managing Conflicts of Interest” projects, both intended to create a single oversight in order to optimise the proper management of potential conflicts of interest on the part of the UBI Group in relation to transactions with related parties, connected persons and those categorised as "Identified Staff", with the involvement of the Corporate Affairs and Relations with Authorities, Compliance and Organisation units of UBI Banca.

4. On 30th April 2011, the Shareholders, on the basis of a reasoned proposal by the Supervisory Board and based on the favourable opinion of the Internal Control Committee, approved the engagement of the auditing firm Deloitte & Touche S.p.A. for the statutory audits of the UBI Banca separate and consolidated financial statements and corporate accounts for the financial years from 2012 to 2020 and for the audit of the proper recognition of transactions in said accounts, as well as for the limited audit of the half-year interim consolidated financial statements of the UBI Group, while also establishing the related fees to be paid in accordance with the proposal of the Supervisory Board and in compliance with article 13 of Legislative Decree 39/2010.

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

- 5./6. In 2018, the Supervisory Board received no expressly qualified reports from the shareholders such as those envisaged under Article 2408 of the Italian Civil Code. It should be noted that reports received concerned complaints to the Supervisory Authority by customers concerning typical banking services provided. The strategic orientation of the Group, in which the management of disputes is seen as a fundamental tool in supporting the pursuit of a progressive improvement in customer satisfaction, was further consolidated in 2018 in line with a constructive, proactive approach in the management of disputes, which also contributed to a refinement of service levels and the supply model. Of note within this context is the reallocation, beginning in November 2018, of the Claims unit from the Chief Risk Officer to the Chief Commercial Officer within the Customer Satisfaction & Claims area, thereby favouring a greater integration both with the units that handle the first reports of complaints or customer dissatisfaction and with those that oversee the definition of new products, which will make a positive contribution to better prevention of claims.

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

finding under a variety of aspects that no objective evidence existed of the infringement.

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

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

For the sake of full disclosure, it should be recalled that, on 2nd October 2017, the Public Prosecutor's Office of Bergamo formalised the request for no further action for claims of alleged fraud, failure to comply with regulations regarding the duties of senior officers of banks, and the infringement of tax law, which had originally been filed against certain officers of UBI Leasing (amongst others) and which are no longer included in the application for committal for trial. The Preliminary Investigations Judge issued a ruling on the request for no further action that the case should be closed on 4th January 2018.

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

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

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

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

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

The fees shown include any index-based charges and do not include out-of-pocket expenses, supervisory fees and VAT.

8. The fees reported below were paid to companies belonging to the network of the independent statutory auditors, Deloitte & Touche S.p.A, for financial year 2018, in accordance with the law.

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

The fees shown include any index-based charges and do not include out-of-pocket expenses, supervisory fees and VAT. Details of these fees are also given in an attachment to the financial reports as required by Art. 149-*duodecies* of the Issuers' Regulations.

The independent statutory auditors, Deloitte & Touche SpA, furnished the Internal Control Committee (which, in accordance with Art. 41 of the Articles of Association, performs supervisory functions pursuant to Art. 19 of Legislative Decree No. 39/2010) with annual confirmation of its independence pursuant to article 17 of Legislative Decree No. 39/2010. The matter is being constantly monitored by the Internal Control Committee within the scope of the committee's responsibilities of overseeing the independence of auditors, particularly as concerns the performance of non-auditing services, which, as shown in the table above, were minimal.

9. The Supervisory Board also examined the Management Board's decisions concerning proposed fees to be paid to the Boards of Directors and Statutory Auditors of Group companies that had been requested to set remuneration at Shareholders' Meetings. In agreement with the Remuneration Committee in that regard, the Supervisory Board verified the consistency of the Management Board's proposals with Group remuneration policies.

The board also verified consistency of the positioning of remuneration for newly recruited personnel within the category of "Identified Staff" with the Group's remuneration policies.

10. The Supervisory Board met 20 times in 2018. The Chief Executive Officer and the Senior Officer Responsible for the preparation of corporate accounting documents (the "Senior Officer Responsible") were invited to attend meetings where operating and financial results were reviewed and, within the scope of their responsibilities, and, in compliance with Art 29 of the Articles of Association, the Chief Executive Officer reported on activities performed and on transactions of major operating, financial and capital importance carried out by the Parent and its subsidiaries.

While observing the principle of collegial responsibility in the performance of its duties, the Supervisory Board - in relation to its responsibilities, its composition and the characteristics of its members - in compliance with supervisory instructions, with the provisions of the Articles of Association and with the recommendations contained in the Corporate Governance Code of Borsa Italiana, decided to create specific committees with the functions of submitting proposals and advice and performing assessments: an Appointments Committee, a Remuneration Committee, an Internal Control Committee and a Risks Committee. In addition, in accordance with the provisions of Consob regulations concerning related parties and in implementing the

new prudential supervisory provisions, a Related Parties and Connected Persons Committee has been established.

These committees performed their activities as provided for by the Articles of Association and their respective regulations, reporting on their work to the Supervisory Board in the first possible meeting. The Report on Corporate Governance and Ownership Structure may be consulted for details of the issues addressed by these Committees.

In 2018, the Appointments Committee met 7 times; the Remuneration Committee, 20 times; the Internal Control Committee, 18 times (once together with the Risk Committee); the Risk Committee, 21 times (once together with the Internal Control Committee); and the Related Parties and Connected Persons Committee met 13 times. In order to provide constant reporting on operating events and as required by Art. 41 of the Articles of Association, at least one member of the Internal Control Committee attended meetings of the Management Board in compliance with regulations in force. The Management Board met 28 times in 2018.

11. Within the scope of its responsibilities, the Supervisory Board acquired information on and oversaw the adequacy of the administrative structure of the Bank and compliance with the law and proper principles of management through channels which included the Internal Control Committee and the Risks Committee. This was performed by making direct observations, by acquiring information from the Senior Officer Responsible for the preparation of corporate accounting documents and by holding periodic meetings with the those functions in the Bank involved in the system of internal controls and with the independent auditors, during the course of regular exchanges of information. Based on these meetings, we feel that the principles of proper management have been consistently applied and observed.

12. The Supervisory Board acquired information through channels which included the Internal Control Committee and it oversaw, within the scope of its responsibilities, the adequacy of the organisational structure of the Bank, the functioning of which is governed by the regulations approved by the board.

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

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

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

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

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

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

As part of the ongoing process of increasing quality, the Supervisory Board approved the new organisational structure, effective as of November 2018, related to the Chief Audit Executive, which calls for the establishment of four new areas focused on specific fields of responsibility in order to allow for the optimal monitoring of activities, while promoting greater efficacy of execution.

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

13. The assessment of the adequacy of the system of internal controls is conducted annually by the board based on the opinion of the Internal Control Committee and on the internal audit reports prepared, while also taking account of the observations of the company’s other control functions. The Supervisory Board oversees issues concerning the overall system of internal controls and does so, in part, by way of the board’s internal committees.

It should also be noted that, in implementation of the provisions concerning the “System of internal controls, the IT system, and business continuity” issued by the Bank of Italy (Prudent Supervision of Banks – Circular no. 263 of 27th December 2006 – 15th update, subsequently included in Circular no. 285 of 17th December 2013, 11th update of 21st July 2015), UBI Banca adopted the Internal Control System Policy of the UBI Banca Group, which serves as the framework for the UBI Banca Group’s internal control system as it establishes the guiding principles, roles, duties and responsibilities of the corporate bodies and the control functions of the Parent and of the subsidiaries, as well as the related coordination procedures.

In particular, with regard to the latter aspect, in order to ensure profitable interaction in performing the various duties, the control functions and the Senior Officer Responsible ensure systematic co-ordination in the manner deemed most appropriate and, typically, by way of periodic meetings and the exchange of information. This coordination also concerns the sharing of aspects of operations and methodologies in order to identify potential synergies and to avoid potential overlap.

After completing this assessment and examining the internal audit report, and based on the observations of the Internal Control Committee, the Supervisory Board verified the overall adequacy of the organisation and functioning of the system of first, second

and third-level internal controls and of the Group's risk management process. The Board also verified the measures to correct the deficiencies and irregularities that emerged and the proper targeting of the areas of weakness encountered. Within this context, the Board confirmed the importance of respecting the established timetables for completing the projects under way in consideration, in part, of the changing landscape.

When assessing the overall system of internal controls, the Supervisory Board was supported, in particular, by the Board's internal committee, the Internal Control Committee.

The following are the fact-finding activities conducted by the Internal Control Committee concerning the most significant issues related to the Bank's system of internal controls:

- the main legislative and regulatory changes in areas of importance to the general architecture of the Group's system of internal controls, with a particular focus on issues relating to the governance of the Bank, in relation to the development of the Corporate Governance Plan for the adoption of the one-tier management model. In this context, specific attention has been paid to the system of powers, the definition and attribution of responsibilities, the management of resources (with particular reference to remuneration and incentive schemes);
- the management of conflicts of interest, with a particular focus on projects relating to related parties and connected persons, as well as the formulation of the Single Policy for the management of conflicts of interest adopted by the Bank;
- the organisation and structure of the Bank, with a particular focus on the changes to the units of the corporate control functions. In this context the completion of the merger of the New Banks (Banca Adriatica, Banca Tirrenica and Banca Teatina) into UBI Banca, completed in the first quarter of the year, was subject to constant monitoring;
- reporting lines, with particular regard to the reports made by the organisational units responsible for controls. In this context, there was a particular focus on aspects of co-ordination of the corporate control functions, leading to the use of an integrated reporting tool showing the most significant findings of the functions (Top Issues Report and Flash Report), for the benefit of the corporate bodies;
- issues relating to the IT system, with specific reference to the checks carried out by the Chief Information Officer on the adequacy of the Business Continuity Plan of the Group, the updating of the Data Governance policy and the development of projects relating to IT Governance and Data Governance;
- assessment of the adequacy of the organisational structure and accounting systems of the Bank, taking into account information provided by the independent auditors and reports made by the Chief Financial Officer;
- matters concerning Anti-Money Laundering, transparency, usury, compound interest and privacy, with a particular focus on specific projects being developed by the Bank to constantly enhance and improve controls, including reference to the integration of the New Banks;
- developments in efforts related to the management of whistleblowing by personnel using the dedicated procedures, as well as examination of the periodic report prepared by the Chief Audit Executive, who is responsible for the in-house whistleblowing system.

With the support of the Internal Control Committee, the Supervisory Board has overseen supervision of the adequacy of the system for managing and monitoring risk and compliance of the ICAAP process with the regulatory requirements, with reference to both the requirements for the Group to submit periodic reports to the Bank of Italy and the ICAAP and ILAAP processes.

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

With the support of its internal committees, the Supervisory Board has examined the periodic reports of the second and third-level internal control functions, including on the basis of the presentations provided by the heads of the various units, and has assessed the main points of focus that have emerged and the needs for strengthening the levels of control, while monitoring related developments. For the purposes of coordinating the control functions in 2018, the supplemental Top Issue Report and Flash Report were prepared on a half-yearly basis for a more effective presentation to the corporate bodies. By examining the periodic reports of the Corporate Anti-Money Laundering Officer, the Supervisory Board also monitored the adaptation of operations to changes in applicable laws and regulations. In addition, the Supervisory Board is a recipient of the annual report of the Supervisory Body pursuant to Legislative Decree 231/2001.

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

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

The Supervisory Board has also examined the outcome of the inspections of the Bank and its subsidiaries called for by the Supervisory Authority and has assessed the related plans for improvement and the various actions planned to that end, monitoring their implementation based on the established schedule.

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

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

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

The document "Report on the Corporate Governance and Ownership Structure of UBI Banca SpA" may be consulted for a description of the architecture, rules and organisational units of the system of internal controls. It also gives specific information required under article 123-*bis*, paragraph 2 b) of the Consolidated Finance Law (Legislative Decree No. 58/1998) concerning the risk management and internal control systems that govern the financial reporting process.

14. The Supervisory Board assessed and oversaw the adequacy and efficiency of the administration and accounting system and its reliability in recording operating events faithfully, partly by means of internal committees of the Board. This was performed by holding specific meetings with the functions in the Bank involved in the internal control system and with the independent auditors, by acquiring adequate reports from other corporate bodies of the bank and from the heads of the respective

functions, by examining corporate documents and by analysing the results of the work performed by those persons. Within the scope of evaluating the system of internal controls and based in part on the information provided by the Risks Committee, the Internal Control Committee has evaluated the adequacy of the systems of accounting and administration and has found them to be generally appropriate to the size and characteristics of the Group's business.

The adequacy and effective application of administrative and accounting procedures, forming part of the broader system of financial reporting controls, is also subject to specific verification by an external independent consultant, who reports on the activities carried out in a special report issued for each Group company included as part of the investigation pursuant to Law No. 262/2005, defined annually on the basis of significant quantitative or qualitative indicators.

The Supervisory Board received the additional report pursuant to Art. 11 of Regulation (EU) no. 537/2014 from the Internal Control Committee in its role as the committee for accounting audits. The conclusion of the report on the separate financial statements for UBI Banca and the consolidated financial statements for the UBI Group for the year ended 31st December 2018 was that no significant shortcomings in the system of internal accounting controls in relation to the financial reporting process were found. The audit pointed to no cases of actual or presumed non-compliance with laws and regulations or with provisions of the articles of association.

Upon completion of its activities, the independent auditors issued a report that contained no observations of note.

The Chief Executive Officer and the Senior Officer Responsible for preparing the corporate accounting documents have issued a declaration pursuant to Art.154-*bis* of the Consolidated Finance Law concerning the information contained in the separate and consolidated financial statements for 2018.

The Supervisory Board has overseen observance of the law with regard to the preparation of the consolidated non-financial disclosure required by Legislative Decree no. 254/2016, which was approved by the Management Board of UBI Banca S.p.A. on 19th February 2019 as an supplemental, integral part of the consolidated Management Report and was submitted to the Supervisory Board as required by law. The Supervisory Board has no observations to report concerning the consolidated, non-financial disclosure of UBI Banca S.p.A. as at 31st December 2018.

15. The Supervisory Board worked, both directly and through its internal committees and the corporate functions involved in the system of internal controls, to ensure that the conduct of subsidiaries was consistent with the objectives set by the Parent. No shortcomings were found concerning the adequacy of instructions given by the Parent to its subsidiaries pursuant to Art. 114, paragraph 2 of the Consolidated Finance Law nor on the reporting performed by subsidiaries to the Parent in order to comply with disclosure obligations required by law.
16. No significant issues requiring specific investigation emerged from the periodic meetings and exchanges of information that occurred through the Risk Committee and Internal Control Committee with the independent statutory auditors, Deloitte & Touche S.p.A., pursuant to paragraphs 3 and 5 of Art. 150 of the Consolidated Finance Act.
The Risks Committee and the Internal Control Committee also held meetings between the end of 2018 and the first months of 2019, with the independent auditors and with the Senior Officer Responsible in preparation for approval by the Supervisory Board of the separate and consolidated financial statements as at and for the year ended 31st December 2018
17. UBI Banca SpA complies with the Corporate Governance Code for listed companies of Borsa Italiana and it has prepared a Report on the Corporate Governance and

Ownership Structure of UBI Banca SpA which is attached to the Annual Report. That report was prepared in compliance with Art 123 *bis* of the Consolidated Finance Law and its purpose is to furnish shareholders and the market with an analysis of the system of corporate governance adopted by UBI Banca SpA. It gives details of the procedures by which the code itself has been complied with by the Bank and also provides an account of those principles with which the Bank has complied in full and those that it has chosen not to observe, even only partly, on the basis of the principle of either “comply or explain”, including in relation to the necessary respect of the specific characteristics of banks, which must strictly comply with the provisions of the Consolidated Banking Law and applicable supervisory provisions.

In this regard, it should be noted that, in accordance with Art 41.6 of the Articles of Association, the Chairman and the Senior Deputy Chairman of the Supervisory Board are members of the Appointments Committee by rights. The former serves as chairman of the committee and neither qualify as independent as defined by Art. 3 of the Corporate Governance Code.

Also, in view of his professional characteristics, *Dott.* Pietro Gussalli Beretta was identified as an additional member; he is also not independent pursuant to the same Art. 3 of the Corporate Governance Code (since he has held senior positions in the UBI Banca Group during the last three years).

The Supervisory Board thus resolved, on the basis of the Articles of Association and in order to benefit from the professional experience of the members appointed to the Appointments Committee, that it was appropriate not to comply, for this specific point only, with the requirements of Art. 3 of the Corporate Governance Code of Borsa Italiana, which require the majority of the members of the Appointments Committee to be independent. The other members of the committee are in possession of the requirements of independence required by the Corporate Governance Code.

18. In conclusion, we would refer the reader back to the information provided above for details of the supervisory activities carried out by the Supervisory Board. We can also confirm that no omissions, reprehensible actions or irregularities requiring mention to Shareholders emerged, other than as reported under points 5 and 6 above. For a full description of the disputes and audits involving the Group during the year, see the Management Report for the 2018 Consolidated Financial Statements. Furthermore, the Supervisory Board did not use its powers to convene a Shareholders' Meeting or a meeting of the Management Board.

* * *

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

On 7th February 2019 the Management Board approved the draft separate and consolidated financial statements for the year ended 31st December 2018 which, together with the related Management Report, were then provided to the Supervisory Board.

Finally, the Supervisory Board informs the shareholders that in a meeting held on 7th March 2019, having verified that they complied with the provisions of the law and having taken note of the documentation provided, it has unanimously approved the following:

- the consolidated and separate financial statements as at and for the year ended 31st December 2018 of Unione di Banche Italiane SpA, composed of the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes to the financial statements;
- the proposal to shareholders concerning the allocation of earnings;
- the proposal to the Shareholders' Meeting to distribute a dividend of €0.12 on each of the ordinary shares outstanding, excluding treasury shares held.

7th March 2019

The Supervisory Board