

REPORT ON THE CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF UBI BANCA Scpa

*(Translation from the Italian original
which remains the definitive version)*

Web site: www.ubibanca.it

Financial year: 2011

Date: 27th March 2012

CONTENTS

GLOSSARY

1. PROFILE OF THE ISSUER
2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to Art. 123 bis, paragraph 1 of the Consolidated Finance Act)
 - a) *Structure of the share capital (pursuant to Art. 123 bis, paragraph 1, letter a) of the Consolidated Finance Act)*
 - b) *Restrictions on transfer of securities (pursuant to Art. 123 - bis, paragraph 1, letter b) of the Consolidated Finance Act)*
 - c) *Significant investments in share capital (pursuant to Art. 123 - bis, paragraph 1, letter c) of the Consolidated Finance Act)*
 - d) *Securities with special rights (pursuant to Art. 123 - bis , paragraph 1, letter d) of the Consolidated Finance Act)*
 - e) *Employee shareholdings:
mechanism for exercising voting rights (pursuant to Art. 123 bis, paragraph 1, letter e) of the Consolidated Finance Act)*
 - f) *Restrictions on voting rights (pursuant to Art. 123 bis, paragraph 1, letter f) of the Consolidated Finance Act)*
 - g) *Shareholders' agreements (pursuant to Art. 123 bis, paragraph 1, letter g) of the Consolidated Finance Act)*
 - h) *Change of control clauses (pursuant to Art. 123 bis, paragraph 1, letter h) of the Consolidated Finance Act) and by-law provisions concerning public tender offers to purchase (pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1)*
 - i) *Powers to increase the share capital and authorisations to purchase treasury shares (pursuant to Art. 123 bis, paragraph 1, letter m) of the Consolidated Finance Act)*
 - l) *Management and co-ordination activities*
3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, letter a) of the Consolidated Finance Act)
4. SUPERVISORY BOARD
 - 4.1 *Appointment and replacement (pursuant to Art. 123 bis, paragraph 1, letter l) of the Consolidated Finance Act)*
 - 4.2 *Composition and role (pursuant to Art. 123- bis, paragraph 2, letter d) of the Consolidated Finance Act)*
 - 4.3 *Chairman of the Supervisory Board*
5. INTERNAL COMMITTEES OF THE SUPERVISORY BOARD (pursuant to Art. 123 bis, paragraph 2, letter d) of the Consolidated Finance Act)
6. APPOINTMENTS COMMITTEE
7. REMUNERATION COMMITTEE
8. REMUNERATION AND SUCCESSION PLANNING
Indemnities for board members in the cases of resignation, dismissal or termination of contract following a public tender offer (pursuant to Art. 123 - bis, paragraph 1, letter i) of the Consolidated Finance Act)
9. INTERNAL CONTROL COMMITTEE
10. ACCOUNTS COMMITTEE
11. RELATED PARTIES COMMITTEE

12. MANAGEMENT BOARD

- 12.1 Appointment and replacement (pursuant to Art. 123 bis, paragraph 1, letter l) of the Consolidated Finance Act)*
- 12.2. Composition (pursuant to Art. 123 bis, paragraph 2, letter d) of the Consolidated Finance Act)*
- 12.3 Role of the Management Board (pursuant to Art. 123 bis, paragraph 2, letter d) of the Consolidated Finance Act)*
- 12.4 Executive officers*
- 12.5 Chairman of the Management Board*
- 12.6 Other executive board members*
- 12.7 Independent board members*

13. BOARD OF ARBITRATORS

14. GENERAL MANAGEMENT

15. SYSTEM OF INTERNAL CONTROL

- 15.1 Executive board member responsible for the internal control system*
- 15.2 Organisational model pursuant to Legislative Decree No. 231/2001*
- 15.3 Independent Auditors*
- 15.4 Chief Financial Officer and Senior Officer Responsible for the preparation of the corporate accounting documents*

16. INTERESTS OF BOARD MEMBERS AND RELATED PARTY TRANSACTIONS

17. TREATMENT OF CORPORATE INFORMATION

18. RELATIONS WITH SHAREHOLDERS

19. SHAREHOLDERS' MEETINGS (pursuant to Art. 123-bis, paragraph 2, letter c) of the Consolidated Finance Act)

ATTACHMENT A

SUMMARY TABLES

Table 1 information on the ownership structure

Table 2 Structure of the Supervisory Board and Committees

Table 3 Structure of the Management Board

ATTACHMENT 1: Section on the “main characteristics of the risk management and internal control systems in relation to the financial reporting process” pursuant to Art. 123 bis, paragraph 2, letter b) of the Consolidated Finance Act

Glossary

Code/Corporate Governance Code: the Corporate Governance Code for listed companies approved in March 2006 (and amended in 2010) by the Corporate Governance Committee and recommended by Borsa Italiana S.p.A. Where not otherwise specified, references to principles, criteria and comments are to be understood as to the 2006 Code.

Civil Code/C.C.: the Italian Civil Code.

Issuer: the issuer of the shares to which this report relates.

Financial year: the financial year to which this report relates.

Consob Issuers' Regulations: the regulations issued by the Consob (Italian securities market authority) with Resolution No. 11971 of 1999 (as subsequently amended) for issuers.

Consob Markets Regulations: the regulations issued by the Consob (Italian securities market authority) with Resolution No. 16191 in 2007 (as subsequently amended) for markets.

Consob related party regulations: the regulations issued by the Consob with Resolution No. 17221 of 12th March 2010 (as subsequently amended) concerning transactions with related parties.

Report: this report on corporate governance and ownership structure which companies are required to prepare pursuant to Art. 123 *bis* of the Consolidated Finance Act.

Consolidated Finance Act: Legislative Decree No. 58 of 24th February 1998.

The Consolidated Banking Act: Legislative Decree No. 385/1993.

1. Profile of the Issuer

The purpose of this report is to provide shareholders and the market with an analysis of the system of corporate governance adopted by *Unione di Banche Italiane Scpa* (hereinafter “UBI Banca”), a system which takes account of the provisions and principles contained:

- in the regulations governing listed issuers set out in the Consolidated Finance Act and in the related rules to implement them adopted by the Consob (Italian securities market authority);
- in legislation governing banks - with particular reference to specific legislation for co-operative banks – contained in the Consolidated Banking Act;
- in the Corporate Governance Code for listed companies of *Borsa Italiana Spa*.

UBI Banca is a “popular” bank incorporated in the form of a joint stock co-operative company. As such, UBI Banca is required to comply with the provisions of the Italian Civil Code concerning co-operatives (excluding those expressly listed in Article 150 *bis* of the Consolidated Banking Act) and also with those governing joint stock companies, to the extent that they are not in conflict with the laws governing co-operatives, as indicated in Article 2519 of the Italian Civil Code. Express details of the Bank’s particular characteristics as a co-operative are given in the separate company financial report of UBI Banca Scpa, an integral part of the management report, which was drawn up in compliance with Article 2545 of the Italian Civil Code and states the criteria followed in company operations to pursue the Bank’s mutual objects.

The legal nature of a “popular” co-operative bank lies in the circumstance that each registered shareholder of the co-operative is entitled to one vote whatever the number of shares possessed and no one can hold more than 0.50% of the share capital, in accordance with Art. 30 of the Consolidated Banking Act. An exception to the maximum 0.50% limit is made for collective investment organisations, for which the regulatory limits specific to each of them apply.

UBI Banca has adopted a two tier system of management and control, which is considered better suited to the governance requirements of the Parent, UBI Banca, and at the same time as providing stronger protection for registered and unregistered shareholders, especially through the activity of the Supervisory Board, a body appointed directly by the registered shareholders and representing them.

The distinguishing features of the two tier system lie in the distinction between:

- the strategic supervision and control functions, assigned to the Supervisory Board, which combines some of the powers assigned by traditional systems to shareholders' meetings (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 some "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 Bank and the Group and also on strategic operations indicated in the Corporate By-laws (article 46 of the Corporate By-laws – available on the corporate website www.ubibanca.it in the section corporate governance – corporate documents);
- corporate management functions, assigned to the Management Board, which has exclusive authority to perform all ordinary and extraordinary operations necessary for the pursuit of the company’s objects, in compliance with the general guidelines and strategic policies approved by the Supervisory Board (Article 37 of the Corporate By-laws).

This division of functions identifies distinct features of the operational life of the Bank and assigns them to the corporate bodies just mentioned which, with their respective roles and responsibilities, give rise to a corporate governance model that is more appropriate to the structure of the Bank and the Group in the context of a single business plan, characterised by continuous dialogue and inter-functional co-operation.

The Bank is listed on the *Mercato Telematico Azionario* (electronic stock exchange) organised and managed by *Borsa Italiana Spa*. Accordingly, UBI Banca is also required to comply with the regulations for listed issuers contained in the Consolidated Finance Act and in the regulations to implement that act issued by the Consob.

* * *

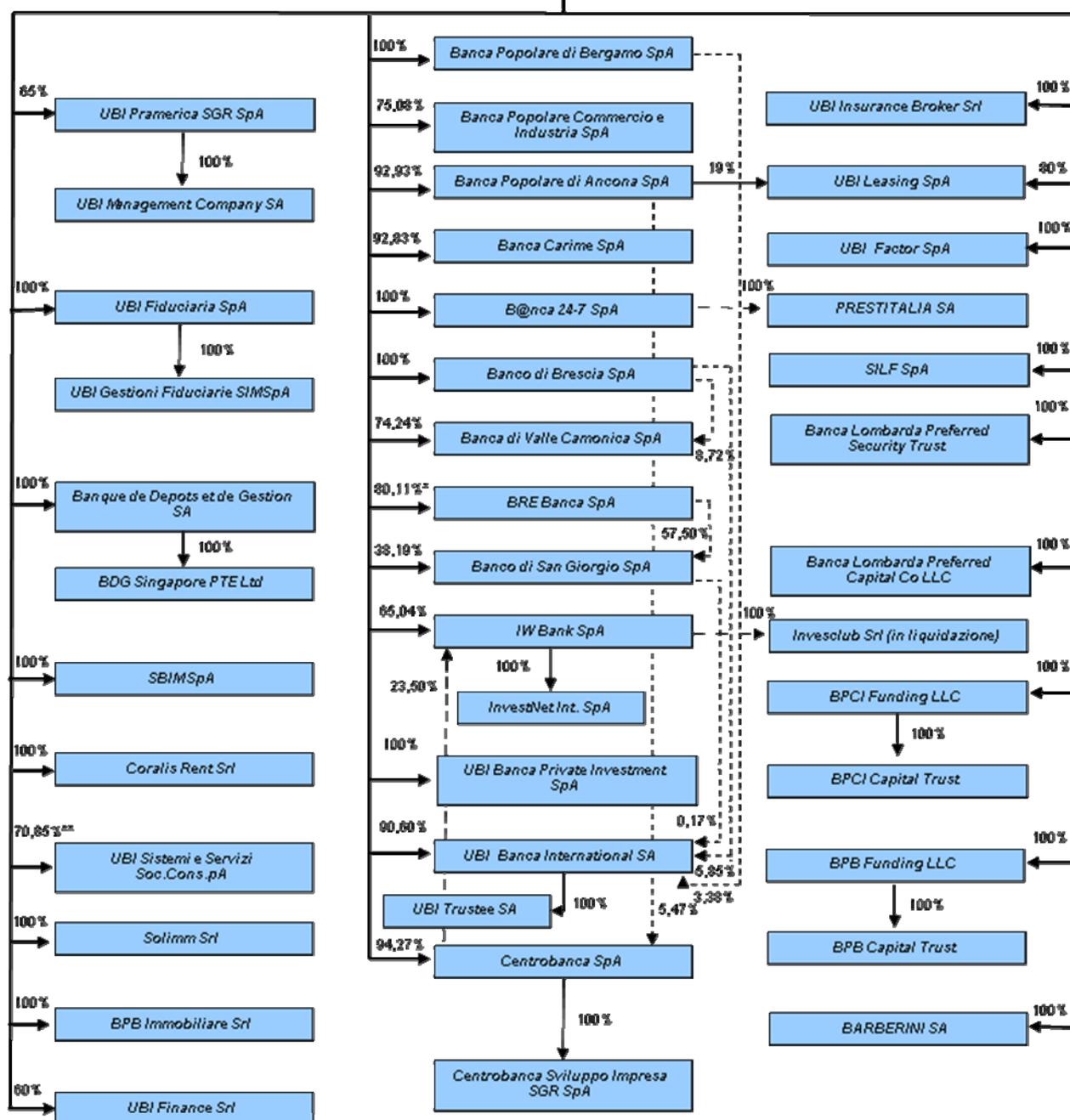
UBI Banca is the Parent of the Unione di Banche Italiane Group, organised in accordance with a federal, multi-functional model, integrated with its listed ‘popular’ Parent, which sets strategic policies and performs functions of co-ordination and control over all the organisational units and companies in the Group.

In implementing its management and co-ordination activities in compliance with both specific regulations laid down by the Supervisory Authority and civil law, UBI Banca sets the strategic objectives of the Group, mainly through the Group budget and Business Plan. Moreover, without prejudice to the Corporate By-Laws and operational independence of each company in the Group, it also defines the strategic lines of development for each of them, just as they are called upon on the one hand to achieve those objectives in terms of a single business plan and on the other to benefit from the overall results of the management and co-ordination activities.

UBI Banca pursues its entrepreneurial mission while at the same time maintaining the strong sense of social responsibility that is typical of “popular” banks which are tightly rooted in their local communities. This sense of community is demonstrated by policies underlying the Charter of Values, Code of Ethics and the Social Report.

The chart that follows illustrates the composition of the UBI Group as at 31st December 2011.

Gruppo Societario UBI > Banca al 31/12/2011



UBI BANCA GROUP AS AT 31/12/2011

(*) Percentage relating to the ordinary share capital

(**) The Group also holds 27.67% as follows: BP Ancona (2.96%), BPCI (2.96%), Banco di Brescia (2.96%), Banca Carime (2.96%), BP di Bergamo (2.96%), BRE (2.96%), B@nca 24-7 (1.48%), BV Camonica (1.48%), UBI Banca Private Inv. (1.48%), Banco di San Giorgio (1.48%), UBI Pramerica (1.48%), Centrobanca (1.48%), UBI Factor (0.74%), SILF (0.07%), UBI Insurance Broker (0.07%), IW Bank (0.07%) and Prestitalia (0.07%). The remaining 1.48% is held by UBI Assicurazioni.

2. Information on the ownership structure (pursuant to Art. 123 bis, paragraph 1 of the Consolidated Finance Act) as at 27th March 2012

a) Structure of the share capital (pursuant to Art. 123 bis, paragraph 1, letter a) of the Consolidated Finance Act)

The share capital of UBI Banca Scpa is composed entirely of ordinary shares traded on the *Mercato Telematico Azionario* (electronic stock exchange) managed by Borsa Italiana Spa and as at 31st December 2011 it amounted to €2,254,366,897.5 divided into 901,746,759 shares with a nominal value of €2.50 each, and on that same date registered shareholders numbered 81,891.

* * *

In implementation of powers granted by the shareholders' meeting and authorised by the Supervisory Board, the Management Board made the following decisions:

- to issue bonds convertible into ordinary shares of the Bank for a maximum amount of €640,000,000 to offer as an option to those who were shareholders of the Bank on the date of the beginning of the subscription period in proportion to the number of shares possessed;
- to increase the share capital at the service of the conversion of the bonds by a maximum amount of €640,000,000, inclusive of the share premium, through the issue of a maximum of 256,000,000 ordinary shares of UBI Banca, with a nominal value of 2.50 euro each, normal dividend entitlement and having the same characteristics of the ordinary shares of UBI Banca outstanding on the date of issue.

The issuance of the note "*UBI 2009/2013 convertible con facoltà di rimborso in azioni*" was therefore completed in July with the issue on 10th July 2009 of 50,129,088 convertible notes with a nominal value of €12.75, a maturity of four years (10th July 2013) and paying a fixed gross annual coupon of 5.75%, for a total nominal amount of €639,145,872. The conversion ratio was four convertible bonds for every 51 shares owned, which may be granted in more than one tranche through the issuance of a maximum of 255,658,348 ordinary shares with a nominal value of 2.50 euro.

The convertible bonds have been traded on the *Mercato Telematico Azionario* (electronic stock exchange) managed by Borsa Italiana since 20th July 2009.

Effective 10th January 2011, holders of the convertible bond issue "*UBI 2009/2013 convertibile con facoltà di rimborso in azioni*", became entitled to convert the bonds into UBI Banca ordinary shares at any time except in those instances provided for in the terms and conditions. Since no event pursuant to the terms and conditions has occurred that would result in a modification of the conversion ratio for the bonds set when they were issued, it is currently one UBI ordinary share for each bond, where the bonds have a nominal value of €12.75 and pay a gross coupon of 5.75% per annum in annual instalments.

In 2011, following the conversion of the UBI 2009/2013 bonds, the following changes in the share capital occurred:

- 3rd March 2011: UBI 2009/2013 bonds with a nominal value of €3,417 were converted into 268 new UBI Banca shares;
- 3rd June 2011: UBI 2009/2013 bonds with a nominal value of €1,224 were converted into 96 new UBI Banca shares;
- 3rd July 2011: UBI 2009/2013 bonds with a nominal value of €3,060 were converted into 240 new UBI Banca shares;

* * *

In April a Shareholders' Meeting passed a resolution pursuant to Art. 2443 of the Italian Civil Code to empower the Management Board, subject to authorisation from the Supervisory Board, to increase the share capital by payment in cash, in one or more issues, within twelve months of the date of the shareholders' resolution, by a total maximum amount of €1 billion, inclusive of any share premiums, by the issue of ordinary shares of the same class as those already outstanding, to be offered for payment in cash to the holders of option rights, and to the holders of the convertible bond "*UBI 2009/2013 convertibile con facoltà di rimborso in azioni*".

On 1st June 2011, the Management Board, after receiving authorisation from the Supervisory Board, decided to issue a maximum number of 262,580,944 ordinary shares with a nominal value of €2.50 each, of the same class as those in issue and with normal dividend entitlement, to be offered as an option to shareholders and to the holders of the convertible notes "*UBI 2009/2013 convertibile con facoltà di rimborso in azioni*", at a price of €3.808 per share, inclusive of a share premium of 1.308 euro, for a maximum nominal amount of 656,452,360 euro and for a total maximum amount (inclusive of the share premium) of 999,908,234.75 euro. The newly issued shares were offered at a ratio of eight new shares for every 21 shares and/or "*UBI 2009/2013 convertibile con facoltà di rimborso in azioni*" convertible bonds owned.

As a consequence of the above, on:

- 24th June 2011, following the exercise of option rights, 242,331,448 new shares were issued;
- 11th July 2011 following the exercise of rights on options not exercised, 5,706,984 new shares were issued;
- 18th July 2011, 14,542,512 new shares were subscribed by members of the underwriting syndicate.

* * *

On 30th June 2011, the period for the exercise of the warrants "*Warrant azioni ordinarie UBI Banca 2009/2011*" ended and following the exercise of 386,180 warrants, 19,309 conversion shares were made available to those with rights to subscribe them on 7th July 2011.

* * *

At the date of this report, the share capital of UBI Banca Scpa, therefore amounted to €2,254,366,897.5 divided into 901,746,759 shares with a nominal value of €2.50 each.

There are no share investment programmes for employees at UBI Banca which exclude the direct exercise of voting rights.

b) Restrictions on transfer of securities (pursuant to Art. 123 bis, paragraph 1, letter b) of the Consolidated Finance Act)

No restrictions on the transfer of shares exist, since the shares are transferable in accordance with the law (article 15 of the Corporate By-Laws).

Acceptance clauses exist solely for admission to the status of registered shareholder.

Persons wishing to become registered shareholders must present a certificate of participation in the centralised administration system and a written application to the Management Board containing not only details of the shares possessed but also personal particulars, address, citizenship and all other information and/or declarations required by law or the Corporate By-Laws or requested in general by the Bank. For the purposes of admission as a registered shareholder certificates testifying to the ownership of at least 250 shares must be presented

With account taken of the provisions of the law on 'popular' co-operative banks, all decisions on the acceptance of applications for admission as a registered shareholder are taken by the Management Board, in consideration of the general criteria recommended by the Supervisory Board, with exclusive regard to the objective interests of the Bank, including those of its independence and autonomy and to observance of the spirit of its co-operative status. The

decisions are then communicated to the parties concerned. For the purposes of assessing these requirements, account is taken of any previous relations between the persons applying and group member companies.

Since it is a “popular” bank, there is a limit on shareholdings pursuant to Art. 30 of the Consolidated Banking Act and to article 18 of the Corporate By-Laws, which states that no one may hold more than the maximum limit permitted by law, which is 0.50% of the share capital (this limit does not apply to collective investment organisations for which limits laid down in the rules of each of them apply).

With regard to the limit on the possession of share capital set by the regulations in force, in compliance with article 30 of the Consolidated Banking Act, the Bank has sent communications to those concerned for violation of the limit on holding more than 0.50% of the shares.

In accordance with regulations in force, the time limit for the obligation to dispose of shares has been extended until 31/12/2014 for those who as at 31/12/2009 held an investment in the share capital greater than the limits set, if exceeding that limit is the result of concentration transactions between banks or between investors, while it is understood that the investment may not be increased.

c) Significant investments in the share capital [pursuant to Art. 123 bis, paragraph 1, letter c) of the Consolidated Finance Act]

On the basis of information received directly by the Group, at the date of this report the following investors possessed shareholdings greater than 2%:

- Silchester International Investors LLP (5.001%)
- BlackRock Incorporated (indirect - assets under management): 2.854%
- Fondazione Cassa di Risparmio di Cuneo (2.230%)
- Fondazione Banca del Monte di Lombardia (2.224%)
- Norges Bank (2.214%)

d) Instruments which grant special rights [pursuant to Art. 123 bis, paragraph 1, letter d) of the Consolidated Finance Act]

No shares exist which confer special controlling rights over UBI Banca.

e) Employee shareholdings: mechanism for exercising voting rights [pursuant to Art. 123 bis, paragraph 1, letter e) of the Consolidated Finance Act]

No mechanisms exist for the exercise of voting rights which regard employee shareholdings.

f) Restrictions on voting rights [pursuant to Art. 123 bis, paragraph 1, letter f) of the Consolidated Finance Act]

The exercise of voting rights is subject above all to acquiring the status of registered shareholder which is acquired following approval for admission by the Management Board, with enrolment in the shareholders register.

The rejection of an application to become a registered shareholder, for those who lawfully possess shares in the Bank, has the only effect of not allowing the exercise of rights other than those which have a financial content.

Only persons who have been registered shareholders for at least 90 days from the date of entry in the shareholder register may attend the shareholders’ meetings, exercise voting rights and be eligible for appointment to corporate bodies (article 25 of the Corporate By-Laws).

In compliance with Article 30 of the Consolidated Banking Act and Article 26 of the Corporate By-Laws, registered shareholders have only one vote, irrespective of the number of shares held.

Rights over capital and profits are in proportion to the shares owned (Art. 17 of the Corporate By-Laws); nevertheless if a shareholder fails to transfer ownership of shares in excess of the 0.50% limit of the share capital within one year of the violation being reported by the Bank, the relative ownership rights maturing up to the time of the sale of the excess shares are acquired by the Bank.

g) Shareholders' agreements known to UBI Banca in accordance with Art. 122 of the Consolidated Finance Act [pursuant to Art. 123 bis, paragraph 1, letter g) of the Consolidated Finance Act]

UBI Banca received a communication in relation to the constitution, on 28th May 2007, of an unofficial association named "Associazione Banca Lombarda e Piemontese" located in Brescia. An extract of an updated version of the main clauses of the relative by-laws was published in the daily newspaper "Il Giornale" on 24th January 2012.

While the members do not consider the association as qualifying as a shareholders' agreement pursuant to Article 122 of Legislative Decree No. 58/98, they have nevertheless fulfilled public disclosure obligations as required by the law in relation to some of the clauses of their by-laws, insofar as it may be necessary, in view of the legally binding nature of the decree mentioned and the consequences of failure to comply with it.

UBI Banca also received a letter on 21st November 2011 entitled "Communication pursuant to Art. 20, paragraph 2 of Legislative Decree No. 385/93 and to Art. 122 of Legislative Decree No. 58/98" in relation to the establishment of the association named FuturoUBI", located in Milan on 22nd September 2011. In that letter, the association declared that "*while it does not consider the association as qualifying as a shareholders' agreement pursuant to the above legislation, it has nevertheless fulfilled public disclosure obligations by publishing its by-laws on the website www.futuroubi.it.*

The following communications were also received:

- the constitution, on 23rd November 2007, of the association named "Gli Amici di UBI Banca", located in Bergamo;
- the constitution on 24th January 2011 of an association called "Tradizione in UBI Banca", located in Cuneo.

The Bank has also received notifications from the "Associazione Azionisti UBI Banca", located in Bergamo.

Finally, the Bank learned from a press release of the constitution on 10th November 2011 of the "Associazione dei cittadini e dipendenti soci di UBI Banca" located in Brescia.

h) Change of control clauses [pursuant to Art. 123 bis, paragraph 1, letter h) of the Consolidated Finance Act] and by-law provisions concerning public tender offers to purchase [pursuant to Art. 104, paragraph 1-ter and 104-bis, paragraph 1]

The shareholders' agreement currently in force signed by UBI Banca and the Prudential USA concerning the joint venture, UBI Pramerica SGR Spa ("SGR") grants rights to purchase to the parties (call options) if certain predetermined events occur.

More specifically, in the event of a "change of control" of UBI Banca (this being understood as any operation whereby i) an entity directly or indirectly purchases more than 30% of the share capital with voting rights of UBI Banca; ii) UBI Banca merges or performs another extraordinary operation with another legal entity and as a consequence UBI Banca ceases to exist or the legal entity, party to the operation, holds more than 30% of the share capital with voting rights subsequent to the operation; iii) the sale, rent, transfer or other analogous operation by which UBI Banca transfers all or a substantial part of its business to another legal entity), Prudential USA has the right to make a communication to UBI Banca which allows the latter to exercise a call option on the entire investment held by Prudential USA in the SGR.

If that option is not exercised, Prudential USA has, as an alternative, the right i) to purchase the entire interest held in the SGR by the UBI Banca Group, or an interest which allows it to hold 65% of the share capital of the SGR; ii) to give a mandate to an investment bank to sell the entire share capital of the SGR to a third party.

A "Reciprocal options agreement" currently exists between UBI Banca and F & B Insurance Holdings S.A./N.V. ("F&B"), concerning the UBI Assicurazioni S.p.A. joint venture. Under that agreement, amongst other things, F&B holds options which may be exercised if predetermined events occur including a notification of change of control of UBI Banca. In this event, if a request is made by F&B, UBI Banca may exercise an option right to purchase (call option) the interest held by F&B in UBI Assicurazioni. If UBI Banca does not exercise that right, then F&B has a call option on the interest held by UBI Banca in UBI Assicurazioni. If F&B also does not exercise its call option, then the parties shall give a mandate to a major investment bank for the joint sale of the entire share capital of UBI Assicurazioni.

The Corporate By-Laws make no provision with regard to Art. 104, paragraph 1-*ter* and Art. 104-*bis*, paragraph 1 of the Consolidated Finance Act.

i) Powers to increase the share capital and authorisations to purchase treasury shares [pursuant to Art. 123 *bis*, paragraph 1, letter m) of the Consolidated Finance Act]

No authorisations exist as at the date of this report for increases in the share capital or for the issue of convertible debt instruments.

With regard to the purchase of treasury shares, the shareholders meeting held on 30th April 2011 passed a resolution authorising the Management Board and the Chairman, Deputy Chairman and Chief Executive Officer, individually on its behalf:

- 1) to repurchase, by 30th September 2011, a maximum of 1,200,000 treasury shares, to be assigned to the top management of the Group as part of an incentive scheme for a total maximum amount of €5,500,000 at a price per share of not less than the nominal value and not more than 5% higher than the official price quoted in the market session prior to each individual purchase transaction.

In compliance with that resolution, a total of 1,200,000 ordinary shares of UBI Banca were purchased in the period running from 12/07/2011 until 13/07/2011.

Those shares were purchased at an average price of 3.6419 euro per share.

Following those purchases, UBI Banca held a total of 1,200,000 treasury shares;

- 2) until the shareholders' meeting convened to pass resolutions for the distribution of profits for the year ended 31st December 2011, to purchase treasury shares for the purpose of stabilising trading, in compliance with the regulations in force, at a price not higher than the official price or the closing price in the market session prior to each individual transaction, to be charged to the "reserve for the purchase of treasury shares" amounting to €64,203,000.00, with the further limit that the shares held as a result of trading performed do not exceed a maximum number equal to 1% of the share capital.

That same shareholders' meeting also authorised the Management Board to sell all or part of the treasury shares that the Bank might hold at a price not less than the official price or the closing price in the session prior to each individual sales transaction, with the understanding that the amount from the sale of the shares held returns, up until the carrying amount, to the funds held in the "reserve for the purchase of treasury shares."

The mandate to purchase treasury shares was not exercised in 2011 and in the period until the date of this report.

1) Management and co-ordination activities (pursuant to Art. 2497 *et seq.* of the Italian Civil Code)

The issuer is not subject to management and co-ordination activities within the meaning of article 2497 *et seq.* of the Italian Civil Code.

* * *

As concerns possible further information:

- information required by Art. 123 *bis*, paragraph 1, letter i) of the Consolidated Banking Act is given in the section of the report on the remuneration of board members;
- information required by Art. 123 *bis*, paragraph 1, letter l) of the Consolidated Banking Act is given in the section of the report on the Supervisory Board and shareholders' meetings.

3. Compliance [pursuant to Art. 123 *bis*, paragraph 2, letter a) of the Consolidated Finance Act]

UBI Banca has adopted the Corporate Governance Code (available on the website www.borsaitalia.it), a document designed mainly for listed companies that have adopted a traditional governance model. That code states that if a two tier or single tier system of administration and control is adopted "the preceding articles apply only insofar as they are compatible, by adapting the individual provisions to the particular system adopted, in compliance with the objectives of good corporate governance, transparent reporting and the protection of investors and the market pursued by the Corporate Governance Code and in the light of the application criteria provided by this article".

The objective of this report, which has been prepared in accordance with Art. 123 *bis* of Legislative Decree No. 58/1998, is to furnish details of the manner in which the Code itself is applied in the Bank, with an account also given of those principles subject to full compliance and those which the Bank has decided not to comply with (sometimes only partially) on a "comply or explain" basis. This is partly because the Bank must consider its status as a co-operative bank which, as such, demands strict compliance with regulations contained in the Consolidated Banking Act and with the consequent supervisory instructions issued by Bank of Italy.

Changes were introduced in December 2011 in this respect to the text of the Corporate Governance Code and issuers are invited to apply the amendments made to the Corporate Governance Code by the end of the financial year commencing in 2012 and to inform markets in the Corporate Governance Report to be published in the following year. Amendments which affect the composition of the board and the relative committees, for which the Code allows a longer transition period, constitute an exception to this.

With regard to the invitation for issuers belonging to the FTSE-Mib share index to furnish information on the application of criterion 5.C.2 (succession planning adopted) in the corporate governance report to be published in 2012, UBI Banca has already provided that information in the Corporate Governance Report published in 2011. Analogous information is contained in this report.

* * *

Neither the issuer nor its strategic subsidiaries are subject to foreign laws that influence the corporate governance structure of the issuer.

Details of corporate governance practices are given in the various sections of this report.

4. Supervisory Board

4.1. Appointment and replacement [pursuant to Art. 123 *bis*, paragraph 1, letter l) of the Consolidated Finance Act]

The Supervisory Board is composed of 23 members elected from among the registered shareholders with voting rights, including a Chairman and a Senior Deputy Chairman, appointed by a Shareholders' Meeting in compliance with Art. 45 of the Corporate By-Laws

and two Deputy Chairmen chosen by the Supervisory Board itself from among its members. The members of the Supervisory Board shall remain in office for three financial years and they shall retire from office on the date of the shareholders' meeting convened in compliance with paragraph two of Art. 2364-*bis* of the Italian Civil Code.

The members of the Supervisory Board must be in possession of the requirements of integrity, and independence prescribed by the regulations in force. At least 15 of the members of the Supervisory Board must be in possession of the requirements of professionalism required by the legislation currently in force for persons who perform the functions of directors of banks.

In particular, at least three members of the Supervisory Board must be chosen from amongst persons enrolled in the *Registro dei Revisori Contabili* (register of external statutory auditors) who have practiced as external statutory auditors for a period of not less than three years.

While mandatory regulations of the law, the Supervisory Authority or other regulations must be complied with, persons already holding the office of full statutory auditor, or who are members of other supervisory bodies in more than five listed companies and/or their parent companies or subsidiaries, cannot hold office as a member of the Supervisory Board. If the cause of incompatibility just mentioned is not eliminated within 60 days of election or of communication of the fact to the person concerned, if it occurs subsequently, the member of the board is automatically removed from the position.

Members of the Supervisory Board are elected by a shareholders' meeting on the basis of lists in accordance with the legal and by-law provisions in force.

The election of the members of the Supervisory Board shall take place on the basis of lists presented:

a) either, directly by at least 500 Registered Shareholders who have the right to participate and vote in the Shareholders' Meeting called to elect the Supervisory Board, who provide documentary evidence of such right as required by legislation in force, or by one or more registered shareholders who represent at least 0.50% of the share capital, calculated on the basis of the share capital existing 90 days before the date set for calling the Shareholders' Meeting as stated in the notice of convocation;

b) by the outgoing Supervisory Board on the basis of a proposal of the Appointments Committee and with the approval of at least 17 of the Supervisory Board's members, and supported, as stated in a), above, by at least 500 Registered Shareholders who have the right to participate in and vote in the Shareholders' Meeting called to elect the Supervisory Board, who provide documentary evidence of the right according to the legislation in force, and that is by one or more registered shareholders who represent at least 0.50% of the share capital, calculated on the basis of the share capital existing 90 days before the date set for calling the Shareholders' Meeting and to be indicated in the notice given to call the meeting.

Each Registered Shareholder may participate in the presentation of one list only: if this rule is not observed, the Registered Shareholder's signature is not counted as valid for any list.

Each candidate may be included in one list only on pain of ineligibility.

Lists presented that fail to observe the procedures reported above are considered as not presented.

Each Registered Shareholder may vote for one list only.

The election of the Supervisory Board is performed as follows:

a) in the case of the presentation of more than one list and without prejudice to the provisions of the following letter b), 22 members of the Supervisory Board are taken from the list that obtains a majority of Registered Shareholders' votes in the order of preference stated on it;

b) one member of the Supervisory Board is taken from the list with the second highest number of votes which is not connected within the meaning of the regulations in force with the list mentioned in letter b), and it is the name of the first person on that list. If that list has obtained at least 15% of the votes counted in the Shareholders' Meeting, in addition to the first name indicated on that list, a further two members of the Supervisory Board shall be taken from that list, and they shall be the second and third persons on that list. However, if that list has obtained at least 30% of the votes counted in the Shareholders' Meeting, in addition to the first name indicated on that list a further four members shall be taken from that list, and they shall be the second, third, fourth and fifth persons on that list. Consequently, 20 or 18 members respectively of the Supervisory Board shall be taken from the list that obtains a

majority of Registered Shareholders' votes in the order of preference stated on it.

c) if the minority list mentioned in letter b) should contain the names of only two candidates, the third and if necessary the fourth and fifth members of the board, where at least 30% of the votes are obtained, shall be taken from the majority list consisting of the persons not already elected on that list in order of preference stated on it.

If only one list is validly proposed, then all 23 members of the Supervisory Board shall be taken from that list, if it obtains the majority required for an ordinary shareholders' meeting.

The Shareholders' Meeting shall proceed by a relative majority vote to appoint those members of the Supervisory Board, who for any reason whatsoever could not be elected by means of the procedures mentioned in the preceding paragraphs or if no list at all is presented; in the event of a tied vote the candidate more senior by age is elected.

If two or more lists obtain an equal number of votes, those lists must be voted on again until they no longer receive an equal number of votes.

The positions of Chairman and Senior Deputy Chairman of the Board are reserved to the first and second members respectively on the list that obtains a majority of votes, or on the only list presented or to the members appointed as such by the General Meeting if no list is presented at all.

If, during the course of the year, the Board lacks one or more members, where it is a case of replacing directors elected in the majority list, the first candidate not elected on that list is appointed. In the absence of such a candidate, the appointment is by a relative majority vote with no list obligation, since the Supervisory Board itself may present candidacies, if necessary, upon proposal of the Appointments Committee.

If the positions of Chairman of the Supervisory Board and/or the Senior Deputy Chairman of the Supervisory Board should become vacant, an Ordinary Shareholders' Meeting should proceed without delay to restore the membership of the board and to appoint a Chairman and/or a Senior Deputy Chairman not by using in this case the replacement procedure just mentioned, since the Supervisory Board may present candidates itself for this purpose on the basis of proposals made by the Appointments Committee.

If, however, board members belonging to the minority list must be replaced the following procedure is employed:

- if only one board member has been appointed from the minority list, then the first candidate not elected on the list from which the member to be replaced was drawn is appointed, or, in the absence of such a candidate, the first candidate on any other minority lists there may be is taken on the basis of the number of votes received in descending order. Should this not be possible, the Shareholders' Meeting shall make the replacement in compliance with the principle of the necessary representation of minorities;

- if a further two or four board members have been elected from the minority list, on the basis of the votes cast by the Registered Shareholders, the relative replacements shall be taken from the list from which the member to be replaced was drawn or in the absence of such a candidate from any other minority lists there may be, identified on the basis of the number of votes received in descending order and which have received, according to the case, 15% or 30% of the votes cast by the Shareholders' Meeting. In the absence of such candidates, the board members shall be drawn from the majority list or in the absence of such candidates, the Shareholders' Meeting shall proceed to decide by relative majority vote;

- if two or four board members belonging to the minority list have already been replaced, in accordance with the preceding clause, by drawing them from the majority list or by a relative majority vote of the Shareholders' meeting to appoint them, as just described, the replacement of a further minority board member is by the first candidate named on any other minority lists there may be, on the basis of the descending number of votes received by these. Should this not be possible, the Shareholders' Meeting shall make the replacement in compliance with the principle of the necessary representation of minorities.

The replacement candidates, identified in accordance with the provisions of this article, must confirm that they accept their appointment and also make declarations that no cause for ineligibility and incompatibility exists and that they possess the requirements prescribed by law and by this Corporate Statute for the office.

A member of the Supervisory Board called upon to replace a previous member remains in office until the original mandate of the replaced member expires.

4.2. Composition and role [pursuant to Art. 123- bis, paragraph 2, letter d) of the Consolidated Finance Act]

The functions of the Supervisory Board are set out in article 46 of the Corporate By-laws, according to which the board:

- a) on the basis of proposals from the Appointments Committee, appoints and removes the members of the Management Board and its Chairman and Deputy Chairman, determining their remuneration, in compliance with Art. 22, paragraph 2, letter b), after consulting with the Remuneration Committee. It also determines, after consulting with the Remuneration Committee and in compliance with Art. 22, paragraph 2, letter b), the remuneration of the members of the Management Board vested with special functions, duties or powers or assigned to committees. Without prejudice to the provisions of article 32, paragraph 2, of the Corporate By-laws, and without effect for members of the Management Board who vacate their positions, the Supervisory Board appoints the members of the Management Board in the first meeting following its own appointment by a shareholders' meeting;
- b) on the basis of proposals from Management Board, sets the general guidelines and strategic policies of the Bank and of the Group;
- c) approves the separate financial statements and the consolidated financial statements prepared by the Management Board;
- d) authorises the Management Board to exercise the authority to increase share capital or to issue convertible bonds that may have been granted by a Shareholders' Meeting pursuant to article 2443 and/or to article 2420-ter of the Italian Civil Code;
- e) performs supervisory functions in compliance with article 149, paragraphs one and three of Legislative Decree No. 58 of 24th February 1998;
- f) initiates liability actions against members of the Management Board;
- g) submits the statement to Bank of Italy pursuant to Article 70, sub-section 7, of Legislative Decree No. 385 of 1st September 1993;
- h) reports in writing to the Shareholders' Meeting called pursuant to Article 2364-bis of the Italian Civil Code on the supervisory activity performed, on omissions and irregularities observed as well as, in any other ordinary or extraordinary Shareholders' Meeting called, on matters considered to fall within its authority;
- i) informs the Bank of Italy without delay of all events or facts it may learn of in the performance of its duties, which might constitute a management irregularity or an infringement of banking regulations;
- l) expresses a binding opinion concerning the person in charge of preparing the corporate accounts pursuant to article 154-bis of Legislative Decree No. 58 dated 24th February 1998;
- m) on the basis of proposals submitted by the Management Board, decides on business and/or financial plans and budgets for the Bank and the Group prepared by the Management Board and on the strategic operations listed here below, but nevertheless without prejudice to the responsibility of the Management Board for its actions and while the aforementioned decision of the Supervisory Board shall not be necessary for the operations considered in points (iii), (iv), (v), (vi) and (vii), where these are operations for which the main elements have already been defined in business plans already approved by the Supervisory Board itself:
 - (i) transactions on the share capital, the issuance of convertible bonds and cum warrants in shares of the Bank, mergers and demergers;
 - (ii) amendments to Corporate By-Laws;
 - (iii) operations pursuant to Art. 36, paragraph two, letter b);
 - (iv) purchases by the Bank and by its subsidiaries of controlling interests in companies and transactions involving a reduction in directly or indirectly held investments in subsidiaries;
 - (v) purchases or disposals by the Bank and its subsidiaries of companies, business *en bloc*, business units, spin-offs, and investments or disinvestments which involve commitments where the amount for each transaction is greater than 4% of the supervisory capital eligible for the purposes of calculating the consolidated core tier one capital or affects the core tier one ratio by more than 50 basis points as stated in the latest report to the Bank of Italy in accordance with the regulations in force;

- (vi) purchases or disposals by the Bank and its subsidiaries of investments in companies that are not controlled, the amount of which for each transaction is greater than 1% of the supervisory capital eligible for calculating the consolidated core tier one capital as stated in the latest report to the Bank of Italy in accordance with the regulations in force, or which are significant from an institutional viewpoint or that of the sector nationally;
- (vii) stipulation of strategically important trade, co-operation and corporate agreements, with account taken of the activities and/or volumes involved and/or of the nature of the partners and in relation to programmes and objectives contained in the Business Plan approved;
- n) expresses a non-binding opinion with a vote in favour of at least 17 of its members on the candidates proposed by the Management Board to the position of Board Member and Statutory Auditor of the subsidiary undertakings listed in article 36, paragraph 2, letter b) of the Corporate By-laws (Banca Popolare Commercio e Industria Spa, Banca Popolare di Bergamo Spa, Banca Popolare di Ancona Spa, Banca Carime Spa, Centrobanca Spa, Banco di Brescia Spa and Banca Regionale Europea Spa);
- o) sets, on the basis of proposals from the Management Board, strategic guidelines and policies for the management and control of risks, constantly verifying that they are adequate and implemented by the Management Board;
- p) on the basis of proposals from the Management Board, sets policies for the management of compliance risk and makes decisions for the creation of a regulatory compliance function;
- q) formulates its considerations concerning the basic elements of the general architecture of the internal control system; assesses, with regard to those aspects that concern it, the efficiency and adequacy of the internal control system; expresses its opinion on the appointment and removal by the Management Board of the officer responsible for the internal control function and the officer responsible for the compliance function;
- r) approves and periodically verifies the organisational administrative and accounting structure of the Bank, determined by the Management Board;
- s) approves corporate regulations concerning its functioning and, in co-operation with the Management Board, approves reporting systems between corporate bodies as well as those with the internal control system;
- t) approves remuneration policies for employees or associate workers not linked to the Bank by regular employee contracts;
- u) on the basis of a proposal by the Chairman of the Supervisory Board, drafted in compliance with article 47, paragraph two letter h) of the Corporate By-laws, sets policies and takes decisions on projects for cultural and charitable initiatives and for the image of the Bank and the Group, with special reference to the enhancement of historical and artistic heritage, while it verifies that initiatives planned coincide with the objectives set;
- v) decides on mergers and demergers pursuant to articles 2505 and 2505-bis of the Italian Civil Code;
- z) exercises any other powers conferred by the legislation and regulations currently in force or by the Corporate By-laws.

The Supervisory Board also has exclusive powers, in compliance with article 2436 of the Italian Civil Code, for decisions concerning:

- a) the opening and closing down of secondary offices;
- b) reducing the share capital if a registered shareholder withdraws from the Bank;
- c) amendments to the Corporate By-laws to comply with legislation and regulations, subject to consultation with the Management Board.

The Supervisory Board and its members exercise powers granted under article 151-*bis* of Legislative Decree No. 58 of 24th February 1998, in accordance with the terms and conditions stated therein.

The UBI Banca scpa Shareholders' Meeting of 24th April 2010 appointed Corrado Faissola as Chairman and Giuseppe Calvi as Senior Deputy Chairman of the Supervisory Board for 2010, 2011 and 2012.

The Supervisory Board then appointed Alberto Folonari and Mario Mazzoleni as Deputy Chairmen.

The members of the Supervisory Board are currently:

Faissola Corrado	Chairman
Calvi Giuseppe	Senior Deputy Chairman
Folonari Alberto	Deputy Chairman
Mazzoleni Mario	Deputy Chairman
Albertani Battista	Board Member
Bazoli Giovanni	Board Member
Bellini Luigi	Board Member
Cattaneo Mario	Board Member
Fidanza Silvia	Board Member
Fontana Enio	Board Member
Garavaglia Carlo	Board Member
Gusmini Alfredo	Board Member
Gussalli Beretta Pietro	Board Member
Lucchini Giuseppe	Board Member
Lucchini Italo	Board Member
Manzoni Federico	Board Member
Musumeci Toti S.	Board Member
Orlandi Sergio	Board Member
Pedersoli Alessandro	Board Member
Perolari Giorgio	Board Member
Pivato Sergio	Board Member
Sestini Roberto	Board Member
Zannoni Giuseppe	Board Member

The curricula vitae of the members of the Supervisory Board are available on the website of UBI Banca.

The Shareholders' Meeting appointed the above members of the Supervisory Board, Chairman and Senior Deputy Chairman based on two regularly presented lists as required by Article 45 of the Corporate By-Laws:

- List filed on 6th April 2010 by the Supervisory Board. 691 shareholders representing 24,549,355 shares or 3.84% of UBI Banca scpa's share capital were in favour of this list with the following candidates:
 - 1) Corrado Faissola - Chairman
 - 2) Giuseppe Calvi - Senior Deputy Chairman
 - 3) Battista Albertani
 - 4) Enio Fontana
 - 5) Giovanni Bazoli
 - 6) Carlo Garavaglia
 - 7) Luigi Bellini
 - 8) Alfredo Gusmini
 - 9) Mario Cattaneo
 - 10) Italo Lucchini
 - 11) Silvia Fidanza
 - 12) Mario Mazzoleni
 - 13) Alberto Folonari
 - 14) Toti S. Musumeci
 - 15) Pietro Gussalli Beretta
 - 16) Sergio Orlandi
 - 17) Giuseppe Lucchini
 - 18) Alessandro Pedersoli
 - 19) Federico Manzoni
 - 20) Giorgio Perolari
 - 21) Sergio Pivato
 - 22) Roberto Sestini
 - 23) Paolo Ferro Luzzi

- The “1000 Miglia” list filed on 8th April 2010 by Giuseppe Zannoni. Six shareholders representing 3,197,847 shares or 0.5003% of UBI Banca scpa's share capital were in favour of this list with the following candidates:
 - 1) Giuseppe Zannoni - Chairman
 - 2) Silvana Dall’Orto - Senior Deputy Chairman

Votes:

- 1,860 votes in favour of the list presented by the Supervisory Board;
- 279 votes in favour of the 1000 Miglia list.

Less than 15% of the votes cast at the Shareholders' Meeting were in favour of the 1000 Miglia list.

* * *

Special regulations govern the functioning of the Supervisory Board concerning:

- its calendar of meetings;
- its agenda for meetings and how it is convened;
- prior delivery to members of the Supervisory Board of documents relating to items on the agenda;
- minutes and records of decision making processes;
- disclosures concerning the decisions taken;
- internal committees of the Supervisory Board.

A special section of those regulations deals with reporting systems.

The Supervisory Board must meet at least every 60 days. The location of the meetings alternates between the cities of Bergamo and Brescia and a meeting is held once a year in the city of Milan. The Supervisory Board is validly convened with the attendance of a majority of the members in office and it passes resolutions by a vote in favour of the absolute majority of the board members present. A qualified majority (vote in favour of at least 17 members) is required for amendments to the regulations of the Appointments Committee, for proposals to amend the Corporate By-laws, for resolutions concerning proposals pursuant to article 36, paragraph two, letter b) of the Corporate By-laws and for other matters for which the Corporate By-laws require a qualified majority

Notices to convene meetings shall contain a list of the items on the agenda and this is sent at least four days prior to the date set for the meeting, except in urgent circumstances, when the time-limit may be reduced to one day.

In order to facilitate attendance at board meetings, the Corporate By-Laws allow remote attendance through the use of appropriate audio/videoconference and/or teleconference connections.

During 2011 the Supervisory Board met 21 times and the average length of meetings was four hours.

Thirteen meetings have been scheduled in the ordinary course of events for 2012, of which three have already been held.

The Supervisory Board has had ongoing meetings with the independent auditors, KPMG SpA. The Supervisory Board's report to the Shareholders' Meeting contains specific information on other mandates awarded to KPMG and other companies in its network.

* * *

Following its appointment, 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.

In this respect, considering also the particular nature of the Supervisory Board in the context of a two tier governance model, all the members of the Supervisory Board meet the independence requirements of the Corporate Governance Code.

The Supervisory Board has also assessed itself regarding the size, composition and functioning of the board itself, as well as its internal committees, by means of an analysis conducted in board meetings, after having requested each member to fill in a specific, self-assessment questionnaire.

In addition to the size and composition of the board and committees, the professional expertise of board members was evaluated, as required by the Corporate By-Laws, with respect to supervising enterprises of the same size and business as the Bank.

More specifically, the self assessment was conducted on the following factors:

- the quality and completeness of skills, experience and expertise within the board and the internal committees;
- sufficient number of members;
- degree of effectiveness of each of the internal committees;
- quality of board and internal committee meetings;
- quality and promptness of reporting and presentations to the board;
- effectiveness and efficiency of decision-making processes within the board;
- clarity, agreement and satisfaction with regard to policies, performance and risk objectives and the results achieved;
- benchmarking comparison with boards of other companies and groups in which individual members hold positions.

On conclusion of the self-assessment, the Supervisory Board was unanimous in its findings that its size and procedures were satisfactory and was of the opinion that, taken as a whole, the organisation, knowledge of issues, attendance at meetings and deliberations of the members of the Supervisory Board and its constituent Committees were both effective and efficient.

The Supervisory Board also acknowledged the suggestions made by a significant number of minority members with respect to:

- the search for greater conciseness in the contributions made by members in order to speed discussion on procedural and formal matters;
- the need to examine and focus more on the strategies of UBI Banca which concern key factors for the achievement of performance objectives in a market context that has changed greatly;
- the need to be better prepared for meetings, with greater study of the documentation received before meetings, also as a result of the receipt of summary documents to accompany the detailed documents already distributed.

The self-assessment of the Supervisory Board and its internal committees was specifically addressed in the board meetings of 25th February and 23rd March 2011.

As occurred in 2011, the Supervisory Board commenced a self assessment process again in 2012 regarding the size, composition and functioning of the board itself, as well as its internal committees, by means of an analysis conducted in meetings, after having requested each member to fill in a specific, self-assessment questionnaire. This was performed with the assistance of an external firm, Egon Zehnder International.

The results of the self-assessment in progress will be furnished in the Supervisory Report to Shareholders in accordance with Art. 153, par. 1 of Legislative Decree No. 58/98 and Art. 46, par. 1, letter h) of the Corporate By-Laws.

4.3. Chairman of the Supervisory Board

The Chairman of the Supervisory Board convenes – on his own initiative and, in any event, in the cases prescribed by Law or the by-laws – and chairs the meetings of the Board itself, setting the agendas, taking account of the proposals formulated by the Senior Deputy Chairman and the other Deputy Chairmen and ensuring that adequate information about the topics contained on the agenda are provided to all the members of the Supervisory Board.

The duties of the Chairman of the Supervisory Board are listed in article 47 of the Corporate By-Laws.

5. Internal committees of the Supervisory Board [pursuant to Art. 123 bis, paragraph 2, letter d) of the Consolidated Finance Act]

While it acknowledges the principle of collegial responsibility in performance of its duties, the Supervisory Board - in relation to its responsibilities, its composition and the characteristics of its members - decided to establish internal committees as follows:

- specific committees with proposal making, consultative and investigative functions in compliance with Bank of Italy regulations, the recommendations of the Borsa Italiana Corporate Governance Code and supervisory authority instructions. These committees have been established to allow the Supervisory Board to make its decisions on a more informed basis and they are composed - as recommended by the corporate governance code - of more than three members.
 - Appointments Committee 6 members
 - Remuneration Committee 5 members
 - Internal Control Committee 5 members
 - Accounts Committee 4 members

- a Related Parties Committee composed of three members, in compliance with the "Regulations for UBI Banca Scpa related-party transactions" adopted in implementation of Art. 2391-bis of the Italian Civil Code and Consob requirements with respect to related party transactions adopted with Resolution No. 17221/2010 and subsequent amendments. The procedures and responsibilities of the Related Parties Committee pursuant to the Internal Regulations became effective on 1st January 2011.

The meetings of these committees are properly minuted. They may have access in the performance of their functions to the corporate functions and information required to perform their duties and they may make use of external consultants, with adequate funds provided for that purpose.

6. Appointments Committee

The Appointments Committee (members of which pursuant to Art. 49 of the by-laws include the Chairman of the Supervisory Board with the functions of chairman and the Senior Deputy Chairman) is composed of the following members of the Supervisory Board:

- Corrado Faissola as the Chairman
- Giovanni Bazoli
- Giuseppe Calvi
- Alberto Folonari
- Carlo Garavaglia
- Mario Mazzoleni.

The committee is governed by special regulations which determine its responsibilities and functioning.

In compliance with the Corporate By-laws, the Appointments Committee's duties include the following:

- it identifies candidates for membership of the Supervisory Board to be proposed to the Supervisory Board itself for submission to a Shareholders' Meeting;
- it identifies candidates for membership of the Management Board to be proposed to the Supervisory Board.
- it performs assessment activity for the issue of a non binding opinion which the Supervisory Board may express in accordance with article 46, paragraph one, letter n) of the Corporate By-Laws with a vote in favour of at least 17 (seventeen) of its members on the

candidates proposed by the Management Board to the position of board member and statutory auditor of the subsidiaries listed in article 36, paragraph two, letter b) of the Corporate By-laws;

In 2011, the Appointments Committee performed its duties with regard to the issue of a non binding opinion by the Supervisory Board for appointments to corporate bodies of banks in the Group.

The Appointments Committee met five times in 2011. The average length of each meeting was approximately one hour.

One meeting has already been held in 2012.

7. Remuneration Committee

The Remuneration committee is composed of the following members of the Supervisory Board:

- Alessandro Pedersoli as Chairman
- Giuseppe Calvi
- Alberto Folonari
- Giuseppe Lucchini
- Toti S. Musumeci.

The Remuneration Committee is governed by special regulations which determine its responsibilities and functioning in compliance with legal, regulatory and by-law provisions.

The Remuneration Committee formulates the following:

- recommendations for decisions which the Supervisory Board must submit to the shareholders for approval concerning the following: setting the remuneration for members of the Supervisory Board; setting policies for the remuneration of the Management Board; remuneration and incentive policies for the corporate bodies of Group companies and for company officers, employees and associate workers not bound to companies by employee contracts;
- opinions on decisions concerning remuneration and incentives for the purposes of verifying the compliance of these with remuneration policies set by the Supervisory Board.

The committee performs advisory functions and makes recommendations concerning remuneration for senior management as specified by article 26 of the Consolidated Banking Act and the relative regulations to implement it and for the officers of the internal control function. It also has advisory duties with regard to setting the remuneration criteria for key personnel, which in the UBI Banca Group comprises senior management as defined in the remuneration and incentive policies of the UBI Banca Group.

The committee also carries out those duties assigned to it by the provisions of the supervisory authority with regard to the remuneration and incentive policies and practices of banks and banking groups.

The remuneration committee was provided with the information and gained access to corporate functions needed for the performance of its duties.

The Committee is permitted to retain outside consultants to assist it in determining matters as required by the regulations.

The Remuneration Committee met nine times in 2011 (the average length of each meeting was approximately one hour) concentrating mainly on the following fields:

- remuneration and incentive policies for employees and associate workers not bound to companies by employee contracts: updating Group policy, with assessment work and the

- submission of recommendations to the Supervisory Board for the formulation of share based incentive schemes to be submitted to shareholders;
- update of remuneration policies for the management board and the governing bodies and company officers of subsidiaries: assessment work and the submission of recommendations to the Supervisory Board;
 - examination of: the report to shareholders on Group remuneration and incentive policies; the proposal for setting remuneration policies for members of the Management Board and the share based incentive scheme for the Parent, UBI Banca;
 - examination of the control functions' report on regulatory compliance of the Group remuneration and incentive policies;
 - amendments to the Regulations of the Remuneration Committee in relation to the update on 30th March 2011 of supervisory authority provisions concerning remuneration and incentive policies in banks;
 - regulations for the 2010 MBO incentive scheme for senior management: assessment work and the submission of recommendations to the Supervisory Board;
 - verification of the trigger conditions and the performance objectives for the 2010 incentive scheme;
 - verification of the incentive scheme for the Group asset management company;
 - assessment work and the submission of recommendations to the Supervisory Board to verify the consistency of the remuneration recommended by the Management Board for the management bodies and senior management of subsidiaries with Group remuneration policies;
 - verification of the consistency of the 2011 bonus scheme with Group remuneration policies;
 - verification of the state of compliance with new supervisory authority provisions;
 - verification of the performance of 2011 incentive schemes;
 - verification of remuneration for control functions: benchmarking analysis.

Three meetings have already been held in 2012.

8. Remuneration and Succession Planning

Indemnities for board members in the event of resignation, dismissal or termination of contract following a public tender offer [pursuant to Art. 123 - bis, paragraph 1, letter i) of the Consolidated Finance Act]

Supervisory Board

Shareholders set the remuneration of Supervisory Board members in addition to total remuneration for individuals with certain specific responsibilities, powers and functions. This amount is subsequently allocated by setting the remuneration of the Chairman, the Senior Deputy Chairman, the Deputy Chairmen and other members of the Supervisory Board with certain specific responsibilities, powers and functions pursuant to the Corporate By-Laws or in accordance with Supervisory Board decisions requiring, among other things, participation in committees.

Management Board

In compliance with the corporate by-laws, after first consulting with the Remuneration Committee, the Supervisory Board sets the remuneration of the Management Board and of its members to whom special offices, duties or powers have been assigned.

The remuneration of the members of the Management Board is not linked to the operating results achieved by the Bank.

No member of the Management Board is a participant in any incentive schemes.

As concerns the Chief Executive Officer, as the highest ranking executive officer of the Bank, a part of his remuneration is variable, determined on the basis of criteria set for all senior executives.

Indemnities for board members in the event of resignation, dismissal or termination of contract following a public tender offer [pursuant to Art. 123 - bis, paragraph 1, letter i) of the Consolidated Finance Act]

The Bank is under no contractual obligation to pay sums to Management Board and Supervisory Board members in the event of dismissal without cause or termination of employment as a result of a takeover.

The Remuneration Report, as required by Art. 123 *ter* of the Consolidated Finance Act, may be consulted for details of remuneration and incentives schemes in place in the UBI Banca Group.

Succession Planning

In 2011 UBI Banca put a structured process in place entitled “senior leadership succession”, designed to select and assess managers within the Group for consideration by the Appointments Committee, the Supervisory Board and the Management Board as potential candidates for senior executive positions and for those of Chief Executive Officer and General Manager in particular.

The “senior leadership succession” is an annual process to assess the managerial skills and potential of each of the managers who fill high ranking roles in the Group.

Each manager was assessed by means of individual interviews conducted by Egon Zehnder International which also acquired a series of across the board indicators on each manager.

Each assessment contains an analysis of the strengths, areas for improvement and all round perception of each manager as well as a summary assessment of general potential and also specific potential for the selection of the best candidates for succession to the position of General Manager and/or Chief Executive Officer.

Each manager received feedback on their strengths to be consolidated and areas for improvement to be developed. This feedback forms part of individual development plans designed to strengthen managerial quality at UBI Banca.

In cases of early or unexpected substitution of the General Manager and/or Chief Executive Officer, the results of the “senior leadership succession” process represent a point of reference for decisions relating to new appointments and for the assessment of potential candidates.

The results of the “senior leadership succession” process were discussed and validated by the Chairman of the Appointments Committee and the Chairman of the Supervisory Board and by the Senior Deputy Chairman of the Supervisory Board jointly with the Chairman and Deputy Chairman of the Management Board during the course of 2011.

UBI Banca has also had a structured “management appraisal” process in place since 2009, designed to enhance the leadership development of Group managers and to enable the selection of successors in the short and medium term for the key positions and/or for managers who report directly to the Chief Executive Officer and the General Manager.

The methodology, output and procedures of the “management appraisal” process are similar to those described above for the “senior leadership succession” process and they were carried out with advisory support from Egon Zehnder International.

The results of the “management appraisal” process, again in 2011, were validated by the Chief Executive Officer and by the General Manager and they were discussed with the Chairman and Deputy Chairman of the Management Board and with the Chairman and Senior Deputy Chairman of the Supervisory Board.

The findings were applied in concrete terms when the management structure of the Group was changed in December 2011.

The succession plans are updated on an annual basis in accordance with the procedures and methods described above.

9. Internal Control Committee

The internal control committee is composed of the following members of the Supervisory Board, all of whom are enrolled in the register of auditors:

- Pivato Sergio, as the Chairman
- Luigi Bellini

- Mario Cattaneo
- Alfredo Gusmini
- Italo Lucchini.

The committee is governed by special regulations which determine its duties and how it functions.

The purpose of the Committee is to support the Supervisory Board by performing assessments, furnishing advice and submitting proposals in those areas overseen by the Board in accordance with regulatory requirements as may be in force from time to time.

The committee's duties also include supporting the Supervisory Board with its supervisory functions pursuant to Art. 149, paragraphs one and three, of Legislative Decree No. 58 of 24th February 1998 having regard to the internal control system and other activities in support of the Supervisory Board oversight activities.

The Committee performs its internal control and audit functions in accordance with Art. 19 of Legislative Decree No. 39 of 27th January 2010, specifically including the following:

- financial reporting;
- effectiveness of the system of internal control, internal audit and risk management;
- statutory audit of annual separate and consolidated financial statements;
- the independence of auditors particularly with respect to the provision of non-audit services.

The committee, by employing the services of the appropriate organisational units of the Bank, can proceed to inspections and controls at any time and exchange information with the control bodies of the companies of the Group with regard to the management and control systems and to corporate activity.

At least one member of the Internal Control Committee attends meetings of the Management Board on a rotating basis in compliance with regulations in force.

The Internal Control Committee met 30 times in 2011 (the average length of each meeting was approximately three hours) concentrating mainly on the following fields:

- on the most important issues concerning the internal control system of the Bank and the legislative framework, as follows:
 - aspects of corporate governance with regard, amongst other things, to the provisions contained in the corporate governance code for listed companies, the regulations of the Supervisory Board and its internal committees and of the relative reporting systems;
 - adoption of the Code of Conduct;
 - work to strengthen the internal control system and, in that respect, modifications to the organisational structure of Group Companies with the introduction of Staff Risk Control Units and the role of an Audit Contact over independent managers, greater co-ordination of first and second level controls, partially through work performed by the Risk Control Macro Area and the adoption of corporate IT tools (RIRIM) used to co-ordinate the circulation of information between corporate control functions;
 - assessment of the adequacy of the internal control system as a whole;
 - the work of the UBI Banca Supervisory Body pursuant to Legislative Decree No. 231/01;
 - methodologies for compliance activity;
 - relations with the boards of statutory auditors of subsidiaries, through specific meetings and amendments to the regulations of the boards of statutory auditors of subsidiaries;
- on remuneration and incentive policies and practices adopted through measures designed to ascertain their adequacy and compliance with the regulations;
- on the organisation, personnel and operating tools of the function, in connection with the project that led to the development of the Internal Audit Function, and also on the interactions between the latter and other corporate units;
- on policy setting and co-ordination activities performed by the Parent, where particular attention was paid to events involving subsidiaries with reference to existing processes in relations between them and the Bank, in order to examine the proper performance of strategic control and management activities by the Parent;

- on matters connected with the risk and capital management system, including the important Basel 2 Project, concerning the adoption of advanced approaches to manager credit and operational risk (AIRB and AMA)
- on the provision of investment services, with regard to provisions introduced by the MiFID directive;
- on covered bonds, including the analysis of the results of internal audits carried out by the Internal Audit Function on the covered bond issuance programme;
- on regulatory matters concerning the prevention of the use of financial systems to launder money for criminal purposes and to finance terrorism and oversight of the “Anti Money Laundering Procedures Improvement Project” launched by the Bank and the approval of the policy entitled “Strategic Orientations and policies to manage risks connected with money laundering and the finance of terrorism”;
- on the Bank's organisational and accounting structure, particularly with respect to the development of the “Business Process Re-engineering Project” and data entry procedures for IT sub-systems;
- on aspects affected by legislation concerning external statutory audits of annual separate and consolidated financial statements, including specific meetings with the “Senior officer responsible for the preparation of corporate accounting documents” and with members of independent auditors;
- on periodic reporting and specific reporting on the results of analyses conducted by the Internal Audit Function;
- on relations with Supervisory Authorities, with specific regard to requests for self-analysis concerning specific operations and inspections carried out at the Bank and at subsidiaries;
- on an examination of the underlying causes of the main damaging events in the Group.

The Internal Control Committee has met five times in 2012.

10. Accounts Committee

The Accounts Committee is composed of the following members of the Supervisory Board:

- Carlo Garavaglia, as Chairman
- Mario Cattaneo
- Federico Manzoni
- Sergio Orlandi.

The purpose of the Accounts Committee is to support the Supervisory Board by performing assessments, furnishing advice and submitting proposals in accordance with regulatory requirements, as may be in force from time to time, relating to the approval of financial statements and interim reports, by providing its support to the Board to reach a reasoned opinion on such statements and reports.

The committee is, in that respect, required to provide the Supervisory Board with a factual and analytical understanding of such financial statements and reports. This is done through fact finding activities performed on the accounts prior to the preparation of annual separate and consolidated financial statements or half year and quarterly reports. The committee then oversees the preparation of accounting documentation through the examination of figures and other relevant information as and when they become available. In order to do this the committee:

- discusses accounting issues common to all Group member companies;
- examines accounting issues relating to individual Group member companies;
- acquires detailed knowledge of issues concerning the measurement of items in the accounts;
- acquires detailed knowledge of issues concerning the presentation of accounts;

- studies issues concerning supervisory regulations for banks, acquiring knowledge of technical and discretionary aspects.

The Supervisory Board may also ask the committee to study specific issues within the scope of its responsibilities.

The committee normally performs its duties using the information provided to the Supervisory Board in compliance with the relevant regulations and any additional information provided by the Senior Officer Responsible for the Preparation of Corporate Accounting Documents.

The Accounts Committee met 11 times in 2011. The average length of each meeting was approximately three hours.

The Accounts Committee focused on an examination of matters concerning the separate and consolidated financial statements of the Parent, the half year financial report and the quarterly reports as at and for the year end at 31st March and 30th September. In this context, the committee acquired detailed information, overseeing the preparation of the aforementioned documents on the basis of information furnished by the Officer Responsible for the Preparation of Corporate Accounting Documents, with a focus mainly on technical aspects of the accounts for which it was considered the involvement of the committee itself was appropriate. Particular attention was paid to the following: recognition of impairment on goodwill and equity investments, tax litigation, the measurement of financial instruments, changes in suspense accounts for the main product companies, hedge accounting, accounting the effects of the introduction of new tax legislation, collective impairment of loans, inventory stocktaking, the composition and measurement of the proprietary securities portfolio.

The Accounts Committee also studied the accounting effects of IT migration and company integration processes and the relative consequences in the financial statements regarding some of the Group's product companies.

Finally, with regard to the Basel 2 Project, attention was paid to the state of progress on project activities, on the detailed master plan and on preliminary validation activities for credit risk and operational risk by the supervisory authority. Attention was also paid to the resultant action plans designed to achieve the objectives set, mainly regarding technical aspects with administrative, accounting and financial reporting impacts.

Three meetings have already been held in 2012.

11. Related Parties Committee

The Related Parties Committee is required to formulate a reasoned opinion on the existence of a UBI Banca interest in the performance of related-party transactions and on the advantages and substantive fairness of the relative conditions.

That Committee is composed of the following Supervisory Board members:

- Federico Manzoni, as Chairman
- Silvia Fianza
- Sergio Orlandi.

The Related Parties Committee's responsibilities and functioning are governed by the aforementioned "*Regulations for UBI Banca Scpa Related-Party Transactions*" which is available on the website www.ubibanca.it.

The procedures and responsibilities of the Related Parties Committee in accordance with internal regulations became effective on 1st January 2011.

The Related Parties Committee met four times in 2011 (the average length of each meeting was approximately one hour) concentrating mainly on the following fields:

- opinions on the existence of an advantage for UBI Banca in the designations made by the members of the Management Board for positions on the boards of directors of subsidiaries and subsequent payment of the relative directors' fees;
- opinions on the existence of an advantage for UBI Banca in entering into contracts with

related parties, and on the advantages and fairness of the relative conditions;
- acknowledgement of the periodic receipt of the list of all the related-party transactions performed, including those not subject to a prior opinion from the Related Parties Committee.

One meeting has already been held in 2012.

12. Management Board

12.1. Appointment and replacement [pursuant to Art. 123 bis, paragraph 1, letter l) of the Consolidated Finance Act]

The Management Board is composed of between a minimum of seven and a maximum of eleven members including a Chairman, a Deputy Chairman and a Chief Executive Officer. The members of the Management Board are appointed from among registered shareholders with voting rights by the Supervisory Board, on the basis of a proposal by the Appointments Committee, after their number has first been set.

The members of the Management Board remain in office for three financial years. Their term of office expires on the date of the Supervisory Board meeting convened to approve the financial statements for their last year in office. They remain in office in any event until a new Management Board is appointed in accordance with article 46, letter a) of the Corporate By-laws and they may be re-appointed.

The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office.

If the positions of one or more members of the Management Board becomes vacant, the Supervisory Board replaces them without delay, again on the basis of a proposal submitted by the Appointments Committee. The term of office of members appointed in this manner expires at the same time as that of those in office when they were appointed.

If for any reason positions of the majority of the members originally appointed by the Supervisory Board become vacant, then the entire Management Board is considered as removed from office from the date of the appointment of new members. The latter remain in office for the remaining term of office that the original board would have served.

At least one member of the Management Board must possess the requirements of independence set forth in Article 148, paragraph 3, of Legislative Decree No. 58 of 24th February 1998.

Furthermore, at least the majority of the members must have a total of at least three years' experience in management and/or professional activities in financial and/or banking and/or insurance companies in Italy or abroad.

In compliance with instructions issued by the Bank of Italy on the organisation and corporate governance of banks, the Management Board consists mainly of executive members, consistent with the function of strategic supervision assigned to the Supervisory Board (see the details provided in summary table No. 3).

The members of the Management Board are in fact actively involved in the management of the Bank in compliance with policies approved by the Supervisory Board and submitted to it by the Management Board itself, which as specifically required by the Corporate By-laws performs its main activities exclusively on a collegial basis with no powers to delegate authority.

In addition to the Chief Executive Officer, the Corporate By-laws (article 39) also assign powers and functions to the Chairman and the Deputy Chairman which underline their involvement in the management of the Bank.

The management commitments and responsibilities of the executive board members apply not

only to the sphere of the Management Board, but also at Group level by appointments to positions in the governing bodies of the main subsidiaries of UBI Banca, which actively helps to ensure that the various member companies of the Group comply with instructions issued by the Parent in the exercise of its management and co-ordination activities.

12.2. Composition [pursuant to Art. 123 bis, paragraph 2, letter d) of the Consolidated Finance Act]

The Management Board was appointed on 27th April 2010 by the Supervisory Board, which established the number of members as ten, unanimously appointed the members and also appointed Emilio Zanetti as the Chairman and Flavio Pizzini as the Deputy Chairman, designating Victor Massiah as Chief Executive Officer, who was then appointed by the Management Board on 28th April 2010.

The Supervisory Board approved a resolution at its meeting on 30th June 2010 to increase the number of members of the Management Board from 10 to 11 and appointed Gian Luigi Gola as the eleventh member.

In view of the above, the Management Board is currently composed of the following members:

Zanetti Emilio	Chairman
Pizzini Flavio	Deputy Chairman
Massiah Victor	Chief Executive Officer
Auletta Armenise Giampiero	Board Member
Camadini Giuseppe	Board Member
Cera Mario	Board Member
Frigeri Giorgio	Board Member
Gola Gian Luigi	Board Member
Lupini Guido	Board Member
Moltrasio Andrea	Board Member
Polotti Franco	Board Member

The curricula vitae of the members of the Management Board are available on the website of UBI Banca, while attachment A) lists the positions held by all the board members in companies listed in regulated markets, including foreign markets, and in financial, banking, insurance or large companies.

The Management Board is appointed for three financial years, expiring on the date of the Supervisory Board meeting convened to approve the financial statements for 2012.

It has been verified in this respect that the members of the Management Board are in possession of the current legal requirements to hold their positions.

As a general rule and with the exception of resolutions that must be passed by a qualified majority, the attendance of more than half the members in office is required for meetings of the Management Board to be valid.

The provisions of the “Internal regulations on the limits to the accumulation of positions” apply to the Management Board. They were adopted by the Parent in June 2009 following their approval by the Supervisory Board and they were subsequently sent to the banks in the Group for implementation.

These regulations apply to members of the Management Board and the Supervisory Board of the Parent, to the board members and statutory auditors of the banks in the Group, without prejudice to compliance with mandatory legislation and regulations and the provisions of the supervisory authority, including regulations concerning the limits on the accumulation of positions by members of the supervisory bodies of listed issuers and companies with publicly distributed financial instruments, which the Group’s regulations extend to cover all the statutory auditors of all the banks in the Group.

Those regulations state that not only are board members not permitted to accept more than five appointments in issuer companies that are not Group members, but also they may not accept other appointments as board members in companies in the Group and external to it, above a maximum limit of a total of six points, resulting from the application of a system of calculation that assigns weights to different types of position dependent on the class of company. Furthermore, board members may not accept more than two positions in foreign registered companies outside the Group and in which no interest is held by it.

With regard to Groups of companies, for persons belonging to subsidiaries who also perform the same function in the Parent, the regulations allow a reduction by fifty per cent of the weighting for the position occupied in the subsidiary company, in consideration of the synergies resulting from a knowledge of the facts and conditions that concern the entire group to which they belong and which therefore reduce, other conditions remaining the same, the commitment involved compared that required for activities performed in other similar, but independent companies. Similarly, the regulations allow a reduction of thirty per cent in the weighting for positions occupied by members of the Management Board of UBI Banca in companies in which the UBI Group holds a strategic investment, or in associates.

At the date of this report, an analysis of the accumulation of positions held by members of the Management Board of UBI Banca found a general situation compliant with the contents of the regulations.

Following its appointment, in accordance with the relevant regulations in force, the Management Board successfully ascertained that the requirements for integrity, professionalism and independence were met by all its members.

The Management Board also carried out a self-assessment with respect to its size, composition and procedures. The self-assessment consisted of an analysis at board meetings of self-assessment questionnaires that each member had been asked to complete.

The size and composition of the board, the professional expertise and business acumen of board members with respect to companies of similar size and operations was evaluated, as required by the Corporate By-Laws.

More specifically, the self assessment was conducted on the following factors:

- the quality and completeness of skills, experience and expertise within the board;
- sufficient number of members;
- the quality of board meetings;
- quality and promptness of reporting and presentations to the board;
- effectiveness and efficiency of decision-making processes within the board;
- clarity, agreement and satisfaction with regard to policies, performance and risk objectives and the results achieved;
- benchmarking comparison with boards of other companies and groups in which individual members hold positions.

On completion of the self-assessment, the Management Board was unanimous in its findings that its size and procedures were satisfactory and was, furthermore, of the opinion that, taken as a whole, the organisation, knowledge of issues, attendance at meetings, deliberations of its members were sufficient to assure the effective and efficient management of the Bank and the Group.

The Management Board also acknowledged the suggestions made by a significant number of minority members with respect to:

- the ability to dedicate more time at meetings to decisions concerning fundamental business matters;
- improved timeliness of the distribution of documentation prior to meetings in order to properly prepare for the deliberation of agenda items.

The self-assessment of the Management Board was specifically addressed in the board meetings of 25th January, 22nd February and 22nd March 2011.

As occurred in 2011, the Management Board carried out a self-assessment process again in 2012, with the assistance of an external firm, Egon Zehnder International.

The Management Board completed its self-assessment for 2011 on the basis of a comparison with 2010 and with a view to improvements based on the new 2011 Corporate Governance

Code and in particular on the new provisions for implementation issued by the Supervisory Authority.

On completion of the self-assessment, the Management Board was unanimous also with regard to 2011 in its findings that its size and procedures were satisfactory and was, furthermore, of the opinion that, taken as a whole, the organisation, knowledge of issues, attendance at meetings, deliberations of its members were sufficient to assure the effective and efficient management of the Bank and the Group.

Appreciation was also expressed for the improvements achieved following the 2010 assessment, with regard above all to the improvement in the performance of the board as a whole and in the greater clarity given to the objectives to be pursued.

The Management Board also acknowledged the suggestions made by a significant number of minority members who urged:

- improved timeliness in the distribution of all the documentation prior to meetings in order to be more properly prepared;
- the search for greater conciseness in the contributions made by managers required to report to the board.

The self-assessment of the Management Board was specifically addressed in the board meeting of 13th March 2012.

12.3. Role of the Management Board [pursuant to Art. 123 bis, paragraph 2, letter d) of the Consolidated Finance Act]

The Management Board meets at least once a month and also at any time the Chairman considers it appropriate or when a request is made by five members. Meetings take place alternating between the city of Bergamo and the city of Brescia and once a year in the city of Milan.

The Management Board met 31 times in 2011 and the average length of meetings was approximately five hours.

In order to facilitate attendance at board meetings, article 34 of the Corporate By-laws allows remote attendance through the use of appropriate audio/videoconference and/or teleconference connections.

Resolutions of the Management Board are passed by open vote, with the vote in favour of the majority of the members present.

In compliance with Borsa Italiana regulations, in January UBI Banca announced its calendar of corporate events for 2012 to the market (and published it on its website), with the dates of board meetings for the approval of operating and financial results.

Twenty six meetings have been scheduled for 2012, eight of which have already been held.

At least one member of the Internal Control Committee attends meetings of the Management Board on a rotating basis in compliance with regulations in force.

The Chairman, after consulting with the Chief Executive Officer or on his request, may invite senior managers of the Group and/or external advisors to meetings to report on specific matters, or officers of Group member companies to report on matters in subsidiaries.

The functions of the Management Board are given in article 37 of the Corporate By-laws, according to which the Management Board is responsible for managing the Bank in compliance with the general guidelines and strategic policies approved by the Supervisory Board, with account taken of the proposals made by the Management Board itself. To achieve this, it performs all the operations necessary, useful or in any case advisable to implement the company objects, whether of an ordinary or extraordinary operating nature.

In addition to those matters that cannot be delegated by law and to those pursuant to the last paragraph of Article 36, the Management Board has exclusive responsibility for the following:

- a) setting the general programmes and strategic policies of the Bank and the Group, on the basis of proposals from the Chief Executive Officer, to be submitted to Supervisory Board for approval;
- b) granting and revoking the powers of the Chief Executive Officer. The selection of the member of the Management Board to whom powers are granted must be performed on the

- basis of a non-binding proposal from the Supervisory Board, decided in turn, subject to a proposal by the Appointments Committee. If this proposal has not been made by the Appointments Committee with the quorum required by the relative regulations, the proposal submitted by the Supervisory Board to the Management Board shall be decided with the vote in favour of at least 17 members of the Supervisory Board. Revocation of the powers is decided by the Management Board with the vote in favour of at least eight members of the Management Board (or of all the members minus one, if the Management Board consists of seven or eight members), after consultation with the Supervisory Board;
- c) the formulation, on the basis of proposals from the Chief Executive Officer, of the business and/or financial plans and the budgets of the Bank and the Group to be submitted to the Supervisory Board for approval pursuant to Art. 2409-*terdecies* of the Italian Civil Code;
 - d) the management of risk and internal controls, with exception made for the responsibilities and powers of the Supervisory Board pursuant to Art. 46 of the Corporate By-laws;
 - e) conferring, modifying or revoking authorisations and powers and assigning specific functions or authorisations to one or more board members;
 - f) the appointment and removal of the General Manager and the other members of general management, defining their functions and responsibilities and also appointing the senior management of the Group;
 - g) the designation of members of the Board of Directors and of the Board of Statutory Auditors of the companies belonging to the Group, without prejudice to the provisions of the preceding article 36, paragraph two, letter e) of the Corporate By-laws;
 - h) proposals concerning the acquisition or disposal of controlling investments in companies and the acquisition or disposal of non-controlling investments where the amount is greater than 0.01% of the supervisory capital eligible for calculating the consolidated core tier one capital as stated in the latest report to the Bank of Italy in accordance with the regulations in force;
 - i) opening and closing down of branches and agencies;
 - l) determination of the organisational, administrative and accounting structure of the Bank, to be submitted to the Supervisory Board for approval, and, without prejudice to the exclusive powers of the Supervisory Board pursuant to article 49 of the Corporate By-laws, setting up committees or commissions with advisory, investigative, controlling or coordinating functions, without prejudice to Art. 42, paragraph two of the Corporate By-laws;
 - m) the approval and amendment of the regulations of the Bank and the Group, with exception made for the responsibilities and powers of the Supervisory Board pursuant to Art. 46. paragraph I, letter s) of the Corporate By-laws;
 - n) determination of the criteria for the co-ordination and management of Group member companies and also the criteria for implementing instructions issued by the Bank of Italy;
 - o) subject to the mandatory opinion of the Supervisory Board, the appointment and removal of the financial reporting officer, pursuant to article 154-bis of Legislative Decree No. 58 of 24th February 1998, and determination of the relative remuneration.
 - p) the appointment and removal, subject to the opinion of the Supervisory Board, of the officer responsible for the internal control function, the officer responsible for the compliance function and those officers responsible for functions whose appointment is the sole responsibility by law and regulations in force of the Management Board;
 - q) the preparation of separate financial statements and consolidated financial statements for approval;
 - r) the exercise of powers to increase the share capital granted pursuant to Art. 2443 of the Italian Civil Code and also to issue convertible bonds pursuant to Art. 2420-ter of the Italian Civil Code, subject to authorisation by the Supervisory Board;
 - s) obligations of the Management Board pursuant to articles 2446 and 2447 of the Italian Civil Code;
 - t) formulation of merger or demerger plans;
 - u) proposals for transactions pursuant to Art. 46, paragraph I, letter m) of the Corporate By-laws to submit to the Supervisory Board for approval;
 - v) definition of criteria to identify related party transactions for which responsibility will lie with the board itself.

Special regulations govern the functioning of the Management Board concerning:

- the general organisation of the work of the Management Board;
- the preparation of agendas for meetings;
- procedures, timing and contents of documentation to be sent to members of the Management Board before board meetings, in order to allow members to act in an informed manner;
- performance of meetings;
- minutes and records of decision making processes;
- reporting on the decisions taken.

A special section of those regulations deals with reporting systems.

In compliance with the Corporate By-laws, after first consulting with the Remuneration Committee, the Supervisory Board sets the remuneration of the Management Board and of its members to whom special offices, duties or powers have been assigned.

The relative amounts are reported in detail in the Remuneration Report prepared in accordance with Art. 123 *ter* of the Consolidated Finance Act, which may be consulted.

12.4. Executive officers

Chief Executive Officer

The Management Board, in compliance with the by-laws, has conferred the following powers on the Chief Executive Officer:

- to supervise the management of the Bank and of the Group;
- to supervise the strategic co-ordination and the operational control of the Bank and the Group;
- to supervise the implementation of the organisational, administrative and accounting structure decided by the Management Board and approved by the Supervisory Board;
- to determine working directives for the General Management;
- to oversee the integration of the Group;
- to submit proposals to the Management Board for the formulation of the general programmes and strategic policies of the Bank and the Group and to draw up the business and/or financial plans and budgets of the Bank and the Group to be submitted for the approval of the Supervisory Board and to supervise implementation through the general management;
- to propose budgetary policy and policies on the optimisation of the use and enhancement of human resources and to submit financial statements and periodic financial reports to the Management Board for approval;
- to propose appointments to the senior operational and executive management of the Group to the Management Board, in agreement with the Chairman and Deputy Chairman of the Management Board and after consultation with the General Manager;
- to promote integrated risk management;
- to make extraordinary requests for inspections and investigations to the internal control function through the Internal Control Committee.

In accordance with the Corporate By-laws, the Chief Executive Officer reports quarterly to the Management Board on foreseeable developments and on the most important transactions performed by the Bank and its subsidiaries. The Chief Executive Officer reports monthly to the Management Board on the results of the Bank and the main subsidiaries of the Group as a whole.

Furthermore, on 28th April 2010, the Management Board assigned duties to the Chief Executive Officer pursuant to Art. 43 *bis* of the Corporate By-laws with the support of the General Manager in connection with the overall design of internal control systems.

12.5. Chairman of the Management Board

The duties of the Chairman of the Management Board are listed in article 39 of the Corporate By-laws. More specifically the Chairman of the Management Board, who acts as the Bank's

legally authorised representative and authorised signatory, performs the tasks that are typically carried out by the Chairman of a company's management body, which he performs by liaising with the other by-law regulated bodies where appropriate.

12.6. Other executive board members

In compliance with instructions issued by the Bank of Italy on the organisation and corporate governance of banks, the Management Board consists mainly of executive members, consistent with the function of strategic supervision assigned to the Supervisory Board (see the details provided in summary table No. 3).

The members of the Management Board are in fact actively involved in the management of the Bank in compliance with policies approved by the Supervisory Board and submitted to it by the Management Board itself, which as specifically required by the Corporate By-laws performs its main activities exclusively on a collegial basis with no powers to delegate authority.

In addition to the Chief Executive Officer, the Corporate By-laws (article 39) also assign powers and functions to the Chairman and the Deputy Chairman which underline their involvement in the management of the Bank.

The management commitments and responsibilities of the executive board members apply not only to the sphere of the Management Board, but also at Group level by appointments to positions in the governing bodies of the main subsidiaries of UBI Banca, which actively helps to ensure that the various member companies of the Group comply with instructions issued by the Parent in the exercise of its activities of management and co-ordination.

12.7 Independent board members

In accordance with the Corporate By-laws, at least one member of the Management Board must possess the requirements of independence pursuant to Art. 148, paragraph 3, of Legislative Decree No. 58 of 24th February 1998, in compliance with Art. 147 quater of the Consolidated Finance Act.

Dott. Gian Luigi Gola was identified as the independent member of the Management Board, pursuant to the legislation just mentioned.

The members of the Management Board are not required to meet the requisites of independence in the Corporate Governance Code, due, amongst other things, to the decision made by UBI Banca to form internal committees within the Supervisory Board provided for by that code for which those requisites are required.

13. Board of Arbitrators

Appeal may be made to the Board of Arbitrators to settle any disputes that may arise between the Bank and/or registered shareholders over the interpretation or application of the Corporate By-laws and over any other resolutions or decisions taken by the governing bodies of the Bank concerning its business. It decides as a friendly arbiter by absolute majority vote. Without prejudice to the legislation and regulations currently in force, application to the Board of Arbitrators is not compulsory. Its decisions are not binding on the parties and do not constitute a hindrance to taking disputes before the courts or any other any authority with jurisdiction for settlement. The Board of Arbitrators regulates its own proceedings as it deems appropriate without being bound by procedural formalities. The Management Board and the General Manager or an employee designated by him are required to provide the arbitrators with all the information that they may request concerning disputes to be settled.

The Board of Arbitrators consists of a Chairman, two full members and two alternate members, elected by a shareholders' meeting from amongst the registered shareholders of the Bank or others.

The Board of Arbitrators, appointed by the shareholders' meeting of 9th May 2009 for the three year period 2009-2011, is composed as follows:

<i>avv.</i> Giampiero Donati	Chairman
<i>avv.</i> Mario Caffi	Full arbitrator
<i>avv.</i> Giuseppe Onofri	Full arbitrator
<i>avv.</i> Attilio Rota	Alternate
<i>avv.</i> Pierluigi Tirale	Alternate

The arbitrators provide their services free of charge, except for the reimbursement of expenses.

Grounds must be given for their removal.

If a full arbitrator vacates his position during his three year period of office, he is replaced by the most senior alternate member by age. If the chairman of the arbitrators vacates his position, the chairmanship is taken by the most senior full arbitrator by age for the remainder of the three year period.

The current Board of Arbitrators will conclude its mandate on the date of 2012 Annual General Meeting, which will therefore be called upon to appoint a new Board of Arbitrators for the three year period 2012-2014.

14. General Management

The Management Board, in compliance with the Corporate By-Laws, has appointed *dott.* Graziano Cالدiani to the position of General Manager with the following functions and responsibilities:

- chief operating officer;
- chief of personnel;
- ensuring, as a rule (unless otherwise specified by the competent management bodies), that the resolutions of the Management Board and of the Chief Executive Officer are implemented;
- managing day-to-day business in compliance with the policies set by management bodies;
- attending, with an advisory vote, the meetings of the Management Board;
- supervising the strategic co-ordination of the Bank and the Group.

The Management Board appointed six Deputy General Managers who have been assigned various responsibilities in the Group:

- Francesco Iorio (Senior Deputy General Manager)
- Rossella Leidi
- Giovanni Lupinacci
- Ettore Giuseppe Medda
- Pierangelo Rigamonti
- Elvio Sonnino.

More specifically, the Management Board of UBI Banca took note of the decision taken by the General Manager, *dott.* Graziano Cالدiani, to end his relationship as an employee after the annual shareholders' meeting to be held in April 2012 and designated *dott.* Francesco Iorio (Senior Deputy General Manager since 1st February 2012) as General Manager from 1st May 2012.

Dott. Elvio Sonnino (Deputy General Manager since 1/2/2012) will take up the position of Senior Deputy General Manager, again from 1st May 2012.

15. System of internal control

Internal controls

The system of internal control is a set of rules, procedures and organisational units designed to enable the business of the Bank to be performed in a healthy and proper manner consistent with its objectives by means of an appropriate process of identifying, measuring, managing and monitoring the principal risks. As such it constitutes an essential part of the corporate governance system of UBI Banca and the companies of the Group.

UBI Banca has adopted an internal control system which, in compliance with the principles of the corporate governance code, with instructions issued by the supervisory authority and with the Corporate By-laws of the Bank, assigns functions and responsibilities to the various officers who, in constant consultation with each other and supported also by regular reporting, contribute to the efficiency and effectiveness of the system of control itself.

The process of assessing the internal control system and verifying its adequacy and effective functioning form part of the responsibilities of the corporate bodies which fulfil strategic supervision, control and management functions. In order to accomplish this, the Supervisory Board makes use of the Internal Control Committee which it forms directly itself (the composition, powers and functioning of the Internal Control Committee have already been examined in this report in the section specifically on that committee).

In accordance with Art. 43-*bis* of the Corporate By-laws, the Management Board has assigned duties to the Chief Executive Officer, exclusively in support of the Management Board, with organisational, proposal-making and reporting functions on internal control matters, to be performed in close co-operation with the General Manager, in observance of the responsibilities of the Supervisory Board on those matters and decisions made by it.

Principles for the organisation of the internal control system of the UBI Group

The corporate bodies responsible have approved a document containing the "Principles for the organisation of the internal control system of the UBI Group", designed to favour the most appropriate organisation of the internal control system of the Bank and the Group. These principles are designed for application on a permanent basis to all Group member companies and constitute a point of reference for the definition and implementation of all the components of the system of internal control.

The main contents of the principles can be summarised as follows:

- efficiency avoiding overlap and/or gaps in control mechanisms with a systemic vision of governance and control designed to achieve highly effective risk management;
- consistency in the organisation processes of the Bank and the Group which, based on the Group's mission, identifies values, defines objectives and pinpoints risks which hinder their achievement and implements appropriate responses;
- compliance with legislation and regulations, even before they become compulsory, as a distinguishing feature and key factor of success for enhancing customer relations and, lastly, creating value for all stakeholders.

The senior management of the Bank has also formulated specific risk management policies that apply to the Group operations.

The responsibilities for internal controls of various roles in the Bank are identified within the context of those policies, as follows:

- line controls (first level), the responsibility of the managers of organisational or process units, are integrated in the processes to which they belong or relate and are designed to ensure the proper performance of the activities relating to their mission at different hierarchical levels;
- controls on risks (second level), the responsibility of specialist functions (Risk Management, Compliance, Anti-Money Laundering, Senior Officer Responsible and Operational Control), whose objectives are to assist in the definition of risk measurement and assessment methods, to verify compliance with limits assigned to different operating functions and to verify that the operations of single production areas are consistent with the risk-return objectives set for them;
- internal audit (third level), performed by Internal Audit Function;

in addition to the strategic supervision performed by the Supervisory Board.

The first two types of control (first and second level), not only satisfy the requirements for reporting to the supervisory body, but are also closely related on a practical level to the daily exercise of their responsibilities in relation to internal controls by the management body and the general management.

More specifically, those responsible for second level controls are required to continuously identify, prevent and measure risk situations by adopting appropriate valuation models and to assist in the formulation of risk assumption and management policies with regard, amongst other things, to the maximum limits on exposure to them. Adequate reporting is provided to the Supervisory Board, the Management Board and the General Management on current and future exposure to operating risks which also includes a special *tableau de bord* useful, amongst other things, for monitoring and assessing the system of internal controls.

Furthermore, the Supervisory Board, the Management Board and Senior Management also benefit from an integrated overall outline of risks considered significant, identified by the control functions responsible for monitoring them and furnished using a tool developed in 2012 by the Risk Control Macro Area.

The organisation chart as at 31st December 2011 includes a Risk Control Macro Area, which brings together in one unit the Risk Management, Compliance, Anti-Money Laundering and Customer Care Areas and the Model and Process Validation Service which is a direct report to that macro area. More specifically it confers responsibility for override management activities and the assignment of ratings for the “large borrowers” segment, the formulation of risk assumption policies and activities to verify capital adequacy (ICAAP), previously assigned to the Strategic Development and Planning Area, to the Risk Management Area.

The Strategic Development and Planning Macro Area includes the Planning and Management Control Area.

Finally the staff units under the Senior Officer Responsible and the Management Control Function are located within the Administration and Management Control Macro Area which reports to the General Manager.

The three macro areas mentioned are assigned the following functions with respect to the general regulations of the Bank:

- the **Risk Control Macro Area**: guarantees, under the lead of the Chief Risk Officer, the implementation of guidelines and policies set for the management of corporate risks, ensuring the development of an independent and integrated risk control model. It ensures the measurement and control of the exposure of the Group to different types of risk. In this respect it ensures the supervision and implementation of activities required by regulations concerning risk management, compliance, anti-money laundering and customer care. It contributes to the diffusion of a control culture within the Group and oversees the detection and monitoring of potential failure to comply with legislation and regulations. It supports the Management Board and Senior Management in the creation and maintenance of an effective and efficient System of Internal Controls. It supports the Chief Executive Officer, in his organisational, proposal making and reporting role, on internal control matters through co-ordination with risk management units and liaison with the Parent and Group Audit Macro Area, working on the assessment of the adequacy of the System of Internal Controls.
- the **Strategic Development and Planning Macro Area**: supports senior management in the assessment and preparation of the Group Business Plan, strategic planning, extraordinary finance and/or initiatives with significant impact. It supervises Group planning and budget setting cycles and the development and management of the system of strategic departmental reporting. It monitors macroeconomic developments with particular reference to key variables which have a direct or indirect impact on the operating and capital objectives of the Group. It analyses the competitive positioning of the Group on its markets, identifying the main strengths and weaknesses with respect to industry benchmarks. It oversees the implementation of policies, management tools and activities relating to corporate social responsibility for the Bank and the Group.
- the **Administration and Management Control Macro Area**: guarantees adequate levels of control and directs activities for compliance with Law No. 262/2005 according to which the role of the Senior Officer Responsible of the preparation of accounting documents is required. It prepares compulsory periodic separate and consolidated financial reports in compliance with the legislation and regulations in force. It formulates and diffuses guidelines, principles, methodologies and regulatory interpretations on accounting and

financial reporting matters within the Group. It ensures supervision of accounting, tax, financial reporting and regulatory activities on a separate company (Bank and operating companies) and consolidated basis. It also ensures supervision of processes to close accounts and perform periodic measurement for the preparation of the separate company and consolidated interim and annual financial statements, reporting Group results to Senior Management on a regular basis. It ensures the development and management of the management control system, following its development and overseeing the use of uniform methods within the Group, ensuring that senior management receives proper management reports from Group banks and companies with regard to the competent functions of the Parent (also to support financial reporting) and to the departments of the network banks.

In this context, in the first quarter of 2012 changes were made to the organisational structure of UBI Banca with a view to simplification. These involved the replacement of the units assigned the rank of “Macro Area” with the identification of specific organisational roles and the discontinuation at the same time of that organisational rank.

The following changes were made:

- the role of “Chief Audit Executive” was created to replace the “Parent and Group Audit” Macro Area to which all those units previously under that area now report;
- all those units under the “Risk Control” Macro Area now report to the “Chief Risk Officer”;
- the role of “Chief Financial Officer” was created on the staff of the Chief Executive Officer. All those units previously under the Administration and Management Control Macro Area and those units which reported to the “Strategic Development and Planning” Macro Area, except for the “Strategic Development” Area, report to the new role;
- the role of “Chief Strategy Officer” was also created to replace the “Strategic Development and Planning” Macro Area with the allocation to its staff of the “ALM” Area which was previously under the “Finance” Macro Area and the “Corporate Social Responsibility” Function now reports directly to the “Chief Financial Officer”.

The purpose of the internal audit function (third level) is to make an independent assessment of the organisation and functioning of the system of internal control or parts of it to support the management and supervisory bodies. The mission of that function can be summarised very briefly as the systematic monitoring of the adequacy of risk controls at Group level, to assess the functioning of the Group internal control system and to help to improve it (in terms of effectiveness and efficiency).

The Internal Audit Function reports to the Supervisory Board and has direct access to all the information required for its work and it was allocated a special budget for 2011.

The Internal Audit Function makes use of internal resources and also of outside consultants for work of an extraordinary nature and it conducts auditing activities on UBI Banca and on subsidiaries which have delegated internal auditing to it and more generally to all the companies in the Group as the Parent.

In 2011, in compliance with the policies set and the relative regulations, the Internal Audit Function audited the proper functioning of risks and changes in them and it assessed the general functioning of the Group internal control system reporting to corporate bodies and to senior management on potential improvements that could be made to risk management policies and to measurement instruments and procedures.

More specifically, in consideration of the need to support the Supervisory Board in the performance of its duties under legislation and regulations, and also to assist the Management Board, it focused particularly, in relation to their importance, on organisational units and processes affected by the impact of regulations concerning risk management (business, operational and compliance risk) and it also gave advisory support to project activities in progress with an impact on the internal control system.

Finally, in relation to the specific duties assigned to the Internal Audit Function by Circular No. 263/06 and subsequent updates on supervisory regulations, in 2011 the Internal Audit Function carried out auditing activity in accordance with regulations for the filing of applications with the Bank of Italy for the adoption of advanced approaches for the measurement of credit and operational risk.

The “principal characteristics of the risk and internal control management systems in relation to financial reporting” pursuant to Art. 123 *bis* paragraph 2, letter b) of the Consolidated Finance Act are illustrated in attachment 1 to this report.

15.1. Executive board member responsible for the internal control system

In accordance with Art. 43-*bis* of the Corporate By-laws, the Management Board has assigned duties to the Chief Executive Officer, exclusively in support of the Management Board, with organisational, proposal-making and reporting functions on internal control matters, to be performed in close co-operation and agreement with the General Manager, in observance of the responsibilities of the Supervisory Board on those matters and decisions made by it.

As part of his duties, he initiated the approval by the competent bodies of the "Principles for the organisation of the internal control system of the UBI Group", as described in the initial part of this section.

15.2. The organisational model pursuant to Legislative Decree No. 231/2001

UBI Banca has adopted its own “model of organisation, management and control” (hereinafter the “Model”), which complies with Legislative Decree No. 231/2001 and the relative legislation and regulations that apply and is based on principals that are already rooted in its governance culture and on the recommendations contained in the Italian Banking Association Guidelines.

The Model is presented in the "*Document describing the organisational, management and control model of UBI Banca S.C.p.A.*" approved by the Management Board and Supervisory Board of UBI Banca. It is divided into two parts which contain the following:

- in the general part a description of:
 - the legislative framework;
 - the reality of the company (system of governance and organisational structure of UBI Banca);
 - the structure of the Model and the methodology chosen to define and update it;
 - identification and appointment of the supervisory body of UBI Banca, with specification of the relative powers, tasks and reporting systems;
 - the functioning of the disciplinary system and the relative penalties;
 - the training and communication plan to be adopted to ensure that people have a knowledge of the measures and regulations of the model;
 - criteria for updating the Model;
- in the special part, a description of:
 - the types of crime (and administrative violations) relevant for the purposes of the administrative liability of entities which the Bank had decided to take into consideration in view of the nature of its business;
 - sensitive processes/activities and the relative control procedures.

The types of violations (crimes and administrative violations) covered by the special part of the UBI Banca Model are as follows:

- crimes against public administrations;
- crimes consisting of forgery of coins, public credit notes, duty stamps, identification instruments and distinctive signs;
- corporate crimes;
- crimes of terrorism and subversion of democratic law;
- crimes against the person of individuals;
- the crime of market manipulation and those covered by “market abuse” regulations;
- transnational crimes;
- crimes relating to health and safety at the workplace;
- crimes consisting of the receipt, laundering and use of money, goods or benefits of illicit origin;
- computer crimes and illicit processing of data;

- crimes relating to organised crime;
- crimes against industry and commerce;
- crimes concerning the violation of copyright.

In compliance with Art. 6, paragraph 1, letter b) of Legislative Decree No. 231/2001 and in view of the recommendations of the most representative business associations representing banks and of the Italian Banking Association above all, UBI Banca has formed its Supervisory Body as a collegial body composed of the following:

- two members of the Management Board;
- the Chief of the Legal Affairs and Litigation Area;
- the Chief of the Compliance Area;
- an external professional, with the necessary specific expertise.

The Supervisory Body reports to the corporate bodies on the adoption and effective implementation of the model, on the oversight of the functioning of that Model and on supervision of updates to the Model. It employs two separate lines of reporting to achieve this. The first is on a continuous basis directly to the Chief Executive Officer and the General Manager and the second consists of periodic reporting to the Management Board and the Supervisory Board.

UBI Banca, as the Parent, informs subsidiaries of the policies it has set in relation to the prevention of crimes pursuant to Legislative Decree No. 231/2001 and recommends general criteria which subsidiaries may follow. In this context, UBI Banca supported the revision of the organisational models of Group companies in 2010 by:

- a project to revise the model in each of the principal Italian companies of the Group for compliance with changes in regulations that occurred in June 2009;
- the distribution of Model guidelines for the management of the model contained in a special regulatory project adopted in 2010 by all subsidiaries.

An extract of the UBI Banca Model entitled "*Summary of the document describing the organisational, management and control model of UBI Banca S.C.p.a.*" is available on the website of the Bank.

15.3 Independent auditors

The appointment of the independent auditor for the separate company and consolidated financial statements for BPU was performed on 10th May 2003, for a period of three financial years (from 2003 until 2005 inclusive) with the engagement of KPMG Spa, with registered head office at 25, Via Vittor Pisani Milan 20124. Subsequently a shareholders' meeting of 22nd April 2006 extended the appointment of KPMG Spa for a further period of three years (from 2006 until 2008 inclusive).

On 5th May 2007 an ordinary shareholders' meeting of UBI Banca passed a resolution, in accordance with article 8, paragraph 7 of Legislative Decree No. 303/2006, to extend the appointment of the auditors KPMG Spa for auditing the annual accounts and limited audits of the interim reports for the separate company and the consolidated accounts for the period 2007-2011.

KPMG Spa is enrolled with the Milan Company Registrar under No. 00709600159, Milan 'R.E.A. No' (Administrative and Economic Reg. No.) 512867 and is a member of ASSIREVI (Italian association of auditors).

On 30th April 2011, on the basis of a reasoned proposal submitted by the Supervisory Board, and having received a favourable opinion from the Internal Control and Audit Committee, a Shareholders' Meeting appointed the independent auditors DELOITTE & TOUCHE Spa, with registered address at 25 Via Tortona, Milan. They have been engaged to perform the statutory audits of the separate financial statements of UBI Banca and the consolidated financial statements of the UBI Banca Group, to verify that the corporate accounts are properly kept and that operating events are accurately recorded in those accounts, and also to perform a

limited audit of the condensed interim consolidated financial statements of the UBI Banca Group for the years running from 2012 until 2020, setting the fees and the criteria for adjusting them during the period of the appointment. The engagement of the current independent auditors, having now run for a total of nine financial years, can no longer be renewed pursuant to Art. 17, paragraph 1 of Legislative Decree No. 39 of 27th January 2010.

15.4 Chief Financial Officer and Senior Officer Responsible for the Preparation of Corporate Accounting Documents

The Management Board appointed *dr.ssa* Elisabetta Stegher, with the favourable opinion of the Supervisory Board. She is the current Chief Financial Officer and Senior Officer Responsible for the preparation of corporate accounting documents pursuant to Article 154-*bis* of the Consolidated Finance Act.

The following responsibilities have been conferred on that senior officer;

- to certify that market disclosures together with the related financial reports, including interim reports, are reliably based on the records contained in corporate documents and accounting records;
- to put adequate administrative and accounting procedures in place for the preparation of financial reports and all other financial disclosures;
- to certify – jointly with the Chief Executive Officer, by means of a specific report, attached to the separate financial statements, to the consolidated financial statements and to interim reports – the adequacy and effective application in the relative period of the procedures just mentioned and that the disclosures are consistent with the records contained in the corporate accounting documents and records and provide a true and fair view of the capital, operating and financial position of UBI Banca and the Group.

The Senior Officer Responsible is also required to make special reports to the Chief Executive Officer, the Management Board, the Supervisory Board and the Internal Control Committee. The reports must allow these bodies and officers to assess the adequacy and effective application of the administrative and accounting procedures of the Group and to verify that the powers and means conferred on this officer are appropriate.

Furthermore, for the purposes of concrete implementation of the aforementioned legislation, the Senior Officer Responsible must:

- be able to gain direct access to all the information needed to produce accounting data. The officer may access all sources of corporate information without the need for authorisation;
- be able to rely on internal channels of communication which ensure accurate and proper access to intercompany information;
- be able to form her own office and organisational structure independently, both with regard to personnel and technical means (tangible resources, hardware, software, etc.);
- design administrative and accounting procedures of the Bank autonomously, being able also to benefit from the co-operation of all the offices involved in the supply of significant information;
- have powers to make proposals, evaluate and veto on all “sensitive” procedures within the Bank;
- be able to participate in board meetings in which matters concerning the functions of the officer are discussed;
- be able to make use of external consultants, where particular requirements of the Bank make this necessary;
- to be able to establish reporting systems with other roles responsible for the control of financial reporting, which ensure constant mapping of risk and processes and adequate monitoring of the proper functioning of procedures (independent auditors, General Manager, Internal Control Officer, risk managers, compliance officers, etc.).

With regard to the centralisation at the Parent of the management of administrative and accounting procedures pursuant to the provisions introduced by Law No. 262/2005, a System of Administrative and Financial Governance has been created for subsidiaries of UBI Banca which, amongst other things, regulates internal controls for financial reports produced for listed issuers.

This “system” provides proper management of the various risks connected with financial reporting and it also confers adequate powers and means on the Senior Officer Responsible through a hierarchical system of certifications.

The same certification obligation applies to the executive officers and directors of the Group companies subject to line-by-line consolidation.

The certifications by subsidiaries are brought to the attention of the boards of directors when they approve financial statements and they are then sent to the Parent before the Management Board meeting that approves the draft separate Parent and consolidated financial statements.

The hierarchical system of certification is completed with a specific certification issued for Group companies by an external independent consultant.

As listed issuers with Italy as their member state of origin, Banca Popolare di Bergamo Spa, IW bank and Centrobanca Spa have also appointed a senior officer responsible for the preparation of corporate accounting documents under Art. 154 *bis* of Legislative Decree No. 58 of 24th February 1998.

16. Interests of board members and related party transactions

Transactions with representatives of the bank, with representatives of Group member companies and with companies controlled by them – all of whom may qualify as related parties – are conducted under normal market conditions and the provisions of Article 136 of Legislative Decree No. 385/1993 (Consolidated Banking Act) are carefully complied with.

Special IT procedures have been introduced in this respect which, on the basis of declarations issued by representatives of companies, make it possible to identify in advance the potential assumption of a direct or indirect obligation of a representative and consequently subject the transaction to the procedures required by the aforementioned Art. 136 of the Consolidated Banking Act.

The Bank pays particular attention when performing transactions with related parties to ensure they are carried out properly both in form and substance.

Consob Resolution No. 17221 of 12th March 2010, *subsequently amended by Resolution No. 17389 of 23rd June 2010*, has approved regulations in this connection (Consob Regulations). The new requirements regulate procedures for the approval of transactions entered into by listed companies and issuers with a broad shareholder base with parties that could create a conflict of interest. Such parties include major and controlling shareholders, members of administrative and controlling bodies and senior management and their immediate family members.

The key points of the new requirements are:

- a) they strengthen the role of independent board members at all stages of the decision-making process concerning related-party transactions;
- b) a regime of transparency;
- c) the introduction of detailed corporate governance regulations containing rules designed to ensure substantial and procedural integrity in related-party transactions (a special regime for companies which adopt a two tier system of governance).

The regulations in question apply, within the context of the UBI Banca Group, to UBI Banca as an issuer of listed shares.

As a result of the above, the competent bodies of the Bank have approved a set of regulations concerning related party transactions, available on corporate website, within the set time limits. Internal processes have also been developed to assure compliance with the new rules.

In this respect, the Supervisory Board has created an internal Related Parties Committee to which all related party transactions, falling within the scope of the new regulations, must be referred for prior approval. With regard to this, the scope of UBI Banca Regulations does not extend to the transactions listed below, which are, consequently, exempt from the disclosure requirements of Consob Regulations, subject to the provisions of Art. 5, paragraph 8, where applicable, of the Consob Regulations:

- a) shareholders' resolutions concerning the remuneration of the Members of the Supervisory Board passed in accordance with Art. 2364-bis of the Italian Civil Code, including those concerning the determination of a total sum for the remuneration of the Members of the Supervisory Board assigned particular offices, powers and functions;
- b) remuneration schemes based on financial instruments approved by shareholders in accordance with Art. 22, letter b), of the By-Laws and in compliance with Art. 114-bis of the Consolidated Finance Act and the relative operations to implement them;
- c) resolutions, other than those referred to under the preceding letter a), concerning the remuneration of Members of the Management Board appointed to special positions and other Key Management Personnel and also the resolutions with which the Supervisory Board determines the remuneration of the Members of the Management Board on condition that:
 - i. UBI Banca has adopted a remuneration policy;

- ii. the Remuneration Committee formed by the Supervisory Board in accordance with Art. 49 of the Corporate By-Laws has been involved in the definition of that remuneration policy;
 - iii. a report setting out the remuneration policy has been submitted for approval or a consultative vote to a Shareholders' Meeting;
 - iv. the remuneration awarded is consistent with that policy.
- d) "Transactions of Negligible Amount" are those Related-Party Transactions for which the amount is less than €250,000 (two hundred and fifty thousand). Moreover, if a Related-Party Transaction is concluded with Key Management Personnel or their immediate family members or companies controlled or subject to influence by such persons, it shall be considered a Transaction of Negligible Amount if the amount of the transaction is not greater than €100,000 (one hundred thousand);
 - e) Transactions which fall within the ordinary performance of "Operating Activities" and the related financial activities concluded under Conditions Equivalent to Market or Standard Conditions.
 - f) Transactions to be performed on the basis of instructions for the purposes of stability issued by the supervisory authority, or on the basis of instructions issued by the Parent of the Group to carry out instructions issued by the supervisory authority in the interests of the stability of the Group.
 - g) Transactions with or between Subsidiaries and also venturers in Joint Ventures, as well as transactions with Associates, if no Significant Interests of other related parties exist in the Subsidiaries or Associates that are counterparties to the transaction.

Furthermore, in compliance with Consob instructions, transactions entered into by subsidiaries of UBI Banca with parties related to UBI Banca will also be subject to these regulations provided that under the provisions of the By-Laws or internal procedures adopted by the Bank, the Management Board, the Supervisory Board, in response to a proposal of the Management Board, or even an officer of the Bank on the basis of powers conferred on that officer, must preliminarily examine or approve a transaction to be performed by subsidiaries. Internal regulations also govern transactions of greater and lesser importance as well as strategic transactions, as defined below:

Transactions of Greater Importance: Related-Party transactions in which at least one of the following relevance indicators, which are applicable according to the characteristics of each Related-Party transaction, exceeds 5%.

- a) *Relevance indicator of the amount:* the ratio between the amount of a transaction and the supervisory capital of UBI Banca taken from the most recent consolidated statement of financial position published.
 - If the terms and conditions of the transaction are defined, the following shall be considered for the determination of the amount:
 - (i) for the cash components, the amount paid to or from the contracting counterparty;
 - (ii) for components consisting of financial instruments, the *fair value* determined, at the date of the transaction, in accordance with the international financial reporting standards endorsed with EC Regulation No. 1606/2002;
 - (iii) for lending transactions or the issue of guarantees, the maximum amount payable.
 - If the terms and conditions of the transaction depend totally or partly on amounts not yet known, the amount of the transaction is equal to the maximum amount receivable or payable under the terms of the agreement.
- b) *Asset relevance indicator:* the ratio between the total assets of the entity, that is the party to the transaction, and the total assets of UBI Banca. The data to be used must be taken from the most recent consolidated statement of financial position published by the Bank. Where possible similar data must be used to determine the total assets of the entity that is the counterparty to the transaction.
 - For transactions involving the acquisition and sale of shares in companies that have an impact on the scope of consolidation, the numerator for the ratio is total assets of the investee, regardless of the percentage of the share capital involved.

- For transactions involving the acquisition and disposal of shares in companies that do not have an impact on the scope of consolidation, the numerator for the ratio is as follows:
 - (i) in the case of acquisitions, the amount of the operation plus the liabilities of the company which may have been assumed by the purchaser;
 - (ii) in the case of disposals, the consideration for the asset sold.
 - For transactions involving the acquisition and disposal of other assets (other than the acquisition of shares) the value for the numerator of the ratio is as follows:
 - (i) in case of acquisitions, the greater of the consideration and the carrying amount that will be recognised for the asset following the acquisition;
 - (ii) in the case of disposals, the book value of the assets.
- c) ***Liabilities relevance indicator:*** the ratio of the total liabilities of the entity acquired and the total assets of UBI Banca. The data to be used must be taken from the most recent consolidated statement of financial position published by the Bank. Where possible similar data must be used to determine the total liabilities of the company or company operations acquired.

Transactions of Lesser Importance: Related Party Transactions which are not Transactions of Greater Importance and not Transactions of Negligible Amount (as defined below).

Strategic Transactions: Related Party Transactions in relation to which the Supervisory Board is called upon to pass resolutions in accordance with Art. 46, lett. m) of the Corporate By-Laws.

Generally, in a similar manner to the provisions laid down for the Management Board by Art. 2391 of the Italian Civil Code, the Corporate By-laws also require the members of the Supervisory Board to report all interests which, either directly or through third parties, they may have in a determined transaction, stating the nature, the terms, origin and extent. The relative resolution of the Supervisory Board must give adequate reasons, explaining the interest of the Bank in the transaction, without prejudice to other provisions of the law or regulations which may apply.

In relation to the legislation in force which implements the EC MiFID Directive No. 2004/39/EC, an internal “policy for the management of personal transactions” has been adopted which provides detailed regulation of obligations concerning personal transactions in financial instruments performed by significant parties, as identified in the legislation mentioned.

* * *

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 issued new regulatory measures regarding risk assets and conflicts of interest concerning parties related to banks or banking Groups.

These measures are designed to guard against the risk that the closeness of persons to the decision-making centres of a bank might compromise the objectivity and impartiality of decisions concerning the grant of loans to and other transactions with the those persons.

The measures enter into force on 31st December 2012 and the relative resolutions must be officially passed by the Supervisory Board by 30th June 2012.

Activities have been commenced in relation to the above to identify and put in place all the changes necessary for full compliance with the provisions mentioned within the set time limits.

17. Treatment of corporate information

In order to avoid the risk of improper disclosure of reserved information, the Management Board has approved procedures for managing privileged information to be disclosed to the public and for managing the register of persons with access to privileged information. A procedure has been developed for that purpose, to draw up security measures to be adopted, designed to guarantee maximum confidentiality of information and to define the procedures for handling and disclosing privileged information.

More specifically, these procedures govern how privileged information that relates directly to the Bank or its subsidiaries is disclosed to the public and at the same time it issues instructions to subsidiaries for them to promptly provide the Bank with the information required to fulfil disclosure obligations required by law.

In compliance with article 115-*bis* of the Consolidated Finance Act, the Bank has set up a register of persons who, on a permanent or occasional basis, have access to privileged information directly concerning UBI Banca.

This register is managed in the name of and on behalf of the Group member companies that have delegated the responsibility for keeping and maintaining their register to the Parent.

18. Relations with shareholders

UBI Banca plays particular attention to the continuous management of relations with shareholders, institutional investors and members of the national and international financial community and it guarantees systematic disclosure of reliable, exhaustive and timely information on the Group's activities, results and strategies.

An investor relations staff and a registered shareholders and Management Board support area are provided for this purpose. Information of significant importance to shareholders is also provided in special sections of the corporate website of the Bank (www.ubibanca.it).

The Management Board and Registered Shareholder Support Area oversees all aspects of the Bank's relations with shareholders, assesses applications to become registered shareholders, maintains the shareholders register, in compliance with all company requirements, and also coordinates preparations for the Bank's Shareholders' Meetings and all related activities.

The Bank has created the "UBI Club" for shareholders, which is a series of new banking concessions in addition to the insurance cover that was already available: a current account at particularly attractive conditions and discounts on other products and services such as custody accounts, *Qui UBI* internet banking, safe deposit boxes and payment systems. The insurance cover is free of charge for registered shareholders and their families and consists of a family civil liability policy with a maximum liability limit of €100,000, an accident life or permanent invalidity policy for invalidity equal to or greater than 66%, a policy that pays a daily indemnity in case of hospitalisation caused by an accident and a safe withdrawal policy. The Bank also provides shareholders with the sentinel secure key service which also includes a record of deadlines, documents and important assets, in addition to assistance in the event of a loss or theft of payment cards. The banking concessions are reserved to registered shareholders who hold a current account, while the insurance cover is for registered shareholders in general.

The Investor Relations Staff is responsible for managing relations with the financial community (institutional investors and financial analysts), in accordance with policies set by the senior management of the Bank.

As part of its institutional duties the investor relations officers are responsible for providing clear, prompt and full information, using methods which include press releases, presentations and the use of the Bank's website. A total of 205 price sensitive press releases were published in 2011 in accordance with current regulations and legislation.

19. Shareholders' meetings [pursuant to Art. 123 bis, paragraph 2, letter c) of the Consolidated Finance Act]

Shareholders' Meetings are either ordinary or extraordinary.

An ordinary shareholders' meeting:

- a) appoints and removes members of the Supervisory Board and sets the remuneration (also establishing amounts for attendance tokens) of the members of the supervisory board, as well as an additional total sum for the remuneration for those assigned particular offices, powers or functions, which is allocated in accordance with article 44 of the Corporate By-laws. It elects the Chairman and the Senior Deputy Chairman of the Supervisory Board according to the procedures set out in article 45 of the Corporate By-laws. Proper grounds must be given for the removal of members of the Supervisory Board;
- b) approves remuneration policies for members of the Management Board and remuneration and/or incentive schemes based on financial instruments;
- c) decides on the liability of the Members of the Supervisory Board and, pursuant to Art. 2393 and Art. 2409-*decies* of the Italian Civil Code, on the liability of the members of the Management Board, without prejudice to the concurrent liability of the Supervisory Board;
- d) decides on the distribution of profits, subject to the presentation of the financial statements and of the consolidated financial statements approved pursuant to Art. 2409-*terdecies* of the Italian Civil Code;
- e) appoints and dismisses the external statutory auditors responsible for auditing the accounts;
- f) approves the separate financial statements if the Supervisory Board fails to approve them or if this is requested by at least two thirds of the members of the Supervisory Board;
- g) decides on the other matters that fall within its competence either by law or by the Corporate By-laws.

An Extraordinary Shareholders' Meeting makes amendments to the Corporate By-laws, decides the appointment, removal, replacement and powers of receivers and all other matters for which it is responsible by law.

Moreover, in accordance with Art. 28, paragraph three of the Corporate By-laws, "Without prejudice to any other mandatory provision of the law, the vote in favour of at least one twentieth of all the registered shareholders with voting rights is required, even in a second call of a shareholders' meeting, for the approval of resolutions concerning a change of the company objects, the elimination or closedown of the operational headquarters at Brescia and Bergamo, as provided for and identified in article three, the early dissolution of the Bank, determined by events provided for by law, excluding the case pursuant to number six of Art 2484 of the Italian Civil Code, the repeal or the amendment of articles 23 and 36 of the Corporate By-laws and/or the introduction of any other provision incompatible with those articles, such as the approval of the amendment or repeal of this clause and/or of the quorum for resolutions provided in it.

Without prejudice to any other mandatory provision of the law, the vote in favour of at least one twentieth of all the registered shareholders with voting rights, who also represent at least 20% of the share capital subscribed and paid up on the ninetieth day prior to that of the Shareholder's Meeting is required, even in a second call of a shareholders' meeting, for the approval of resolutions concerning the repeal or amendment of article 45, paragraph six, article 48, paragraph six and article 49, paragraphs six, seven and eight of the Corporate By-laws and also of this clause itself and the quorum for passing resolutions contained in it.

For resolutions to be passed upon request of the Banking Supervisory Authority in relation to amendments to legal regulations, both ordinary and extraordinary shareholders' meetings, pass resolutions by an absolute majority vote. In these cases, the provisions of article 48, paragraph five apply for resolutions for which the Supervisory Board is responsible."

Shareholders' meetings are held in all the cases provided for by law and by the Corporate By-laws and they are convened by the Management Board, or, pursuant to Art. 151-*bis* of Legislative Decree No. 58 of 24th February 1998, by the Supervisory Board or by at least two of its members, without prejudice to the other powers to convene provided by law.

Ordinary shareholders' meetings are convened in any event at least once a year within 120

days of the end of each financial year to pass resolutions on matters for which it holds responsibility by Law or in accordance with the Corporate By-laws.

Ordinary and Extraordinary Shareholders' Meetings may be convened by Registered Shareholders and are held without delay following the presentation of the request, giving the grounds and the agenda, which must be signed by at least one twentieth of the Registered Shareholders in possession of voting rights on the date of the request.

In compliance with the procedures and the time limits set by law, a number of Registered Shareholders equal to not less than one fortieth of those entitled on the date of request, may make an application in writing for additions to be made to the agenda to be dealt with in the meeting, as it results from the notice convening the Shareholders' Meeting. The signatures of the Registered Shareholders must be authenticated in accordance with the law either by employees of the Bank or of its subsidiaries authorised to do so. The legitimacy of the right is given by the validity of the documentation testifying to the possession of the shares on the date on which the application is presented.

Only persons who have been registered shareholders for at least 90 days from the date of entry in the shareholders' register may attend the meetings, exercise voting rights and be eligible for appointment to corporate bodies.

A registered shareholder is entitled to only one vote no matter how many shares are possessed. A registered shareholder is entitled to be represented by issuing a written proxy to another Registered Shareholder having the right to attend the Shareholders' Meeting. Proxies may not be granted to any members of the management or control bodies, or to employees of the Bank, or to any companies controlled by it or to any member of the management or control bodies, or employees of the aforesaid controlled companies, or to the firm of independent auditors engaged to carry out the legally-required audit or the statutory audit of the Bank, or to parties to whom one of the other conditions of incompatibility apply according to the law.

Without prejudice to the provisions of paragraph 2, of Art. 2372 of the Italian Civil Code, proxy authorisations can be issued for individual shareholders' meetings only, with effect also for subsequent sessions, and may not be issued with the name of the representative left blank. No registered shareholder may act as proxy for more than three other registered shareholders. Voting by post is not permitted.

Members of the Management Board and similarly members of the Supervisory Board may not vote on resolutions concerning their areas of responsibility. The right to vote in the case of a pledge or usufruct on shares may be exercised by Registered Shareholders only.

As concerns proceedings in shareholders' meetings, the Bank has adopted regulations for shareholders' meetings, designed to govern the ordered and efficient functioning of meetings and to ensure that each registered shareholder has the right to speak on the items on the agenda.

These regulations have also been published on the Bank's website in the corporate governance section and in the shareholders' section.

Market uncertainties and volatility affected stock market prices throughout 2011. The UBI Banca share ended the trading day on 30th December 2011 at €3.122. The minimum and maximum prices for the year were €2.192 and €7.970 respectively.

The stock market capitalisation of UBI Banca on 30th December 2011 (based on the official price) was €2.8 billion compared to €4.2 billion at the end of 2010, which placed UBI Banca in fourth position among Italian banking groups and in first position among "popular" banks. At European level, the UBI Group lies among the top forty in the classification drawn up by the Italian Banking Association in its European Banking Report, which considers the countries of the European Monetary Union plus Switzerland.

Attachment A

Positions held by the members of the Management Board of UBI Banca Scpa **in other companies listed in regulated markets including foreign markets (*)**, in financial, banking, insurance or large companies.

(**) Companies belonging to the UBI Banca Group

NAME	POSITION HELD IN THE ISSUER	POSITIONS HELD IN OTHER LISTED COMPANIES OR IN BANKING, FINANCIAL, INSURANCE OR LARGE COMPANIES
Zanetti Emilio	Chairman	<u>Chairman of the Board of Directors:</u> - Banca Popolare di Bergamo Spa (**) <u>Deputy Chairman of the Board of Directors:</u> - Società per l'Aeroporto Civile di Bergamo – Orio al Serio Spa <u>Board Member:</u> - Italcementi Fabbriche Riunite Cemento Spa (*)
Pizzini Flavio	Deputy Chairman	<u>Chairman of the Board of Directors:</u> - UBI Banca International Sa (**) <u>Deputy Chairman of the Board of Directors:</u> - UBI Sistemi e Servizi Scpa (**) <u>Board Member:</u> - Banco di Brescia Spa (**) <u>Chairman of the Board of Statutory Auditors:</u> - Mittel Generale Investimenti Spa <u>Full Statutory Auditor:</u> - Mittel Spa (*)
Massiah Victor	Chief Executive Officer	<u>Board Member:</u> - Banca Popolare di Bergamo Spa (**) - Banco di Brescia Spa (**) - Centrobanca Spa (**) - Istituto Centrale delle Banche Popolari Italiane Spa
Auletta Armenise Giampiero	Board Member	<u>Chairman of the Board of Directors:</u> - Mistralfin Spa - Rothschild Spa Italia <u>Senior Deputy Chairman of the Board of Directors:</u> - Banca Carime Spa (**) <u>Deputy Chairman of the Board of Directors:</u> Banca Popolare Commercio e Industria Spa (**) <u>Board Member:</u> - Banca Popolare di Ancona Spa (**)
Camadini Giuseppe	Board Member	<u>Chairman of the Board of Directors:</u> - Istituto Atesino di Sviluppo Spa <u>Deputy Chairman of the Board of Directors:</u> - La Scuola Spa <u>Board Member:</u> - Società Cattolica di Assicurazioni Scpa (*) - Banco di Brescia Spa (**) - Banca di Valle Camonica Spa (**) - San Giuseppe Spa
Cera Mario	Board Member	<u>Chairman of the Board of Directors:</u> - IW Bank Spa (**) - Banca Popolare Commercio Industria Spa (**)
Frigeri Giorgio	Board Member	<u>Chairman of the Board of Directors:</u> - UBI Pramerica SGR Spa (**) - Centrobanca Sviluppo e Impresa SGR Spa (**) - The Sailor Fund - Sicav <u>Deputy Chairman of the Board of Directors:</u> - Centrobanca Spa (**) <u>Board Member:</u> - B@nca 24-7 Spa (**) - IW Bank Spa (**)

		- UBI Sistemi e Servizi Scpa (**) - Banca Emilveneta Spa
Gola Gian Luigi	Board Member	<u>Chairman of the Board of Statutory Auditors:</u> - F2i Reti Italia Srl <u>Board Member:</u> - Newspaper Milano Srl <u>Chairman of the Supervisory Committee:</u> - Ial Cisl Piedmont in extraordinary administration <u>Full Statutory Auditor:</u> - Sigit Spa
Lupini Guido	Board Member	<u>Deputy Chairman of the Board of Directors:</u> - Banca Popolare di Bergamo Spa(**)
Moltrasio Andrea	Board Member	<u>Chairman of the Board of Directors:</u> - Centrobanca Spa(**) - Clinica Castelli Spa - Icro Didonè Spa <u>Managing Director:</u> - Icro Coatings Spa <u>Board member:</u> - Rizzoli Corriere della Sera Mediagroup Spa(*)
Polotti Franco	Board Member	<u>Chairman of the Board of Directors:</u> - O.R.I Martin Acciaieria e Ferriera di Brescia Spa - Banco di Brescia Spa(**) <u>Deputy Chairman of the Board of Directors and</u> <u>Executive Director:</u> - Mar.Bea Srl <u>Executive Director:</u> - Trafilati Martin Spa

Summary tables

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE (AS AT 31/12/2011)

STRUCTURE OF THE SHARE CAPITAL				
	NO. OF SHARES	PERCENTAGE OF SHARE CAPITAL	LISTED (indicate markets)/UNLISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	901,746,759	100 %	MILAN – <i>MERCATO TELEMATICO AZIONARIO</i> (ELECTRONIC STOCK EXCHANGE)	
SHARES WITH LIMITED VOTING RIGHTS				
SHARES WITH NO VOTING RIGHTS				

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe new share issues)				
	LISTED (indicate markets)/UNLISTED	NO. OF INSTRUMENTS OUTSTANDING	TYPE OF SHARES AT THE SERVICE OF THE CONVERSION/	NO. OF SHARES AT THE SERVICE OF THE CONVERSION/ EXERCISE
CONVERTIBLE BONDS	MILAN - <i>MERCATO TELEMATICO AZIONARIO</i> (electronic stock exchange)	50,128,484	ORDINARY	MAXIMUM 255,658,348

SIGNIFICANT INVESTMENTS IN THE SHARE CAPITAL				
DECLARER	DIRECT SHARE-HOLDER	PERCENTAGE OF ORDINARY SHARE CAPITAL	PERCENTAGE OF VOTING SHARE CAPITAL	
SILCHESTER INTERNATIONAL INVESTOR LLP	YES	5.001%	5.001%	
BLACKROCK INCORPORATED (indirect - assets under management)	NO	2.854%	2.854%	
FONDAZIONE CASSA DI RISPARMIO DI CUNEO	YES	2.230%	2.230%	
FONDAZIONE BANCA DEL MONTE DI LOMBARDIA	YES	2.224%	2.224%	
NORGES BANK	YES	2.214%	2.214%	

TABLE 2: SUPERVISORY BOARD AND COMMITTEES

Supervisory Board									Appointments Committee		Remuneration Committee		Internal Control Committee		Accounts committee		Related Parties Committee	
Position	Members	In office since	In office until	List (M/m) §	Independent	Supervisory Board ****	Management Board ****	No. of positions **	***	****	***	****	***	****	***	****		
Chairman	FAISSOLA CORRADO	10/5/2008	AGM 2013	M	X	100		1	X	100								
Senior Deputy Chairman	CALVI GIUSEPPE	1/4/2007	AGM 2013	M	X	100		3	X	100	X	100						
Deputy Chairman	FOLONARI ALBERTO (appointed DC on 10/5/07)	5/5/2007	AGM 2013	M	X	100		7	X	100	X	100						
Deputy Chairman	MAZZOLENI MARIO	1/4/2007	AGM 2013	M	X	100		3	X	100								
Board Member	ALBERTANI BATTISTA	10/5/2008	AGM 2013	M	X	86		12										
Board Member	BAZOLI GIOVANNI	5/5/2007	AGM 2013	M	X	76		4	X	100								
Board Member	BELLINI LUIGI *	1/4/2007	AGM 2013	M	X	86	19 (°)	7					X	97				
Board Member	CATTANEO MARIO *	1/4/2007	AGM 2013	M	X	76	19 (°)	9					X	93	X	100		
Board Member	FIDANZA SILVIA	24/4/2010	AGM 2013	M	X	86		1									x	100
Board Member	FONTANA ENIO	1/4/2007	AGM 2013	M	X	90		17										
Board Member	GARAVAGLIA CARLO *	1/4/2007	AGM 2013	M	X	95		10	X	100					X	100		
Board Member	GUSMINI ALFREDO	24/4/2010	AGM 2013	M	X	62	26 (°)	1					X	80				
Board Member	GUSSALLI BERETTA PIETRO	1/4/2007	AGM 2013	M	X	67		6										

Continued **TABLE 2: SUPERVISORY BOARD AND COMMITTEES**

Supervisory Board										Appoint-ments Committee		Remuner-ation Committee		Internal Control Committee		Accounts committee		Related Parties Committee		
Position	Members	In office since	In office until	List (M/m) §	Indep-ent	Supervisory Board ****	Manage-ment Board ****		No. of positions **	***	****	***	****	***	****	***	****			
Board Member	LUCCHINI GIUSEPPE	1/4/2007	AGM 2013	M	X	76			6			X	100							
Board Member	LUCCHINI ITALO *	1/4/2007	AGM 2013	M	X	86	23 (°)		13					X	100					
Board Member	MANZONI FEDERICO *	1/4/2007	AGM 2013	M	X	95			23	Sec.	80	Sec.	89			X	73	X	100	
Board Member	MUSUMECI TOTI S.	1/4/2007	AGM 2013	M	X	90			4			X	89							
Board Member	ORLANDI SERGIO	1/4/2007	AGM 2013	M	X	86			4							X	100	X	100	
Board Member	PEDERSOLI ALESANDRO	1/4/2007	AGM 2013	M	X	48			3			X	100							
Board Member	PEROLARI GIORGIO	1/4/2007	AGM 2013	M	X	90			4											
Board Member	PIVATO SERGIO *	1/4/2007	AGM 2013	M	X	100	23 (°)		6					X	100					
Board Member	SESTINI ROBERTO	1/4/2007	AGM 2013	M	X	81			11											
Board Member	ZANNONI GIUSEPPE	24/4/2010	AGM 2013	m	X	9			2											
<p>Quorum required for the presentation of lists by registered shareholders for the last appointments at the Shareholders' Meeting of 24/4/2010 called upon to appoint the Supervisory Board: at least 500 registered shareholders who have the right to participate and to vote or one or more registered shareholders who represent at least 0.50% of the share capital.</p> <p>Quorum currently required for the presentation of lists by registered shareholders: 500 registered holders of voting shares with the right to participate in and vote at meetings or a number of registered shareholders who represent at least 0.50% of the share capital.</p>																				
Number of meetings held during 2011			Supervisory Board: 21				Appointments Committee: 5		Remuneration Committee: 9		Internal Control Committee: 30		Accounts Committee: 11		Related Parties Committee: 4					

continued TABLE 2: SUPERVISORY BOARD AND COMMITTEES

NOTES

(§) M/m, where “M” indicates a member elected from the majority list and “m” from a minority list.

* Enrolled in the Register of Accounting Auditors

** Number of appointments as management or supervisory/auditor board member held by the person pursuant to article 148-*bis* of the Consolidated Finance Act (inclusive of the position at UBI Banca scpa). The full list of appointments has, as required by Art. 144 *quinquiesdecies* of Consob's Issuers' Regulations, been published by Consob and made available at its internet site: www.consob.it.

*** An “X” in this column indicates that the member of the Supervisory Board is a member of the committee.

**** This column contains the percentage attendance of board members at the meetings.

TABLE 3 MANAGEMENT BOARD

Position	Members	in office since	In office until	Independent (in accordance with Art. 147 quater of the Consolidated Finance Act) (**)	Executive	Percentage of attendance at meetings of the Management Board	Number of other positions (***)
Chairman	ZANETTI EMILIO	2/4/2007	(*)		X	100	3
Deputy Chairman	PIZZINI FLAVIO (appointed Deputy Chairman on 10/05/2008)	2/4/2007	(*)		X	94	5
Chief Executive Officer	MASSIAH VICTOR (appointed Chief Executive Officer on 27/11/2008 with effect from 1/12/2008)	27/11/2008	(*)		X	97	4
Board Member	AULETTA ARMENISE GIAMPIERO	2/4/2007	(*)		X	100	5
Board Member	CAMADINI GIUSEPPE	2/4/2007	(*)		X	94	6
Board Member	CERA MARIO	2/4/2007	(*)		X	97	2
Board Member	FRIGERI GIORGIO	2/4/2007	(*)		X	100	8
Board Member	GOLA GIAN LUIGI	30/06/2010	(*)	X		100	4
Board Member	LUPINI GUIDO	27/04/2010	(*)		X	100	1
Board Member	MOLTRASIO ANDREA	27/04/2010	(*)		X	97	5
Board Member	POLOTTI FRANCO	10/05/2008	(*)		X	97	4

Number of meetings held during 2011: 31 meetings

* The members of the Management Board remain in office for three financial years (2010/2012). Their term of office expires on the date of the Supervisory Board meeting convened to approve the financial statements for their last year in office. They remain in office in any event until a new Management Board is appointed in accordance with article 46, letter a) of the by-laws and they may be re-appointed.

** The members of the Management Board are not required to meet the requisites of independence in the Corporate Governance Code, due, amongst other things, to the decision made by UBI Banca to form internal committees within the Supervisory Board provided for by that code for which those requisites are required.

*** Number of positions as management or supervisory/auditor board member held in other companies listed on regulated markets including foreign markets, in financial, banking or insurance companies or companies of significant dimensions. This report contains full details of the appointments (Attachment A).

Attachment 1

Principal characteristics of the risk and internal control management system in relation to the financial reporting process.

1) Introduction

The existing risk and internal control management system in relation to the financial reporting process consists of a set of corporate rules and procedures adopted by various operational units, designed to ensure the reliability, accuracy and promptness of financial reporting.

In this respect of Law No. 262 of 28th December 2005 (and subsequent amendments) “Measures for the protection of savings and to regulate financial markets”, inserted Art. 154 *bis* into the Consolidated Finance Act which introduced the role of the Senior Officer Responsible for the preparation of corporate accounting documents (hereinafter the “Senior Officer Responsible) into the corporate organisation of listed companies in Italy, who is held responsible for the preparation of corporate accounting documents.

One of the objectives proposed by the reform was to strengthen the system of internal controls in relation to the financial reports produced by listed issuers. To achieve this the UBI Banca Group responded to the new legislation by launching a series of projects designed, amongst other things, to identify and concretely adopt an organisational and methodological system (administrative and financial model of governance), in a context of integrated compliance, would make it possible to continuously regulate activities concerning the adequacy and effective application of the supervision of financial reporting risk and consequently to be able to make an accurate assessment of the internal control system in question.

The model developed was approved by the Management Board and the Supervisory Board on 15th January 2008 and 6th February 2008 respectively and then officially implemented in a specific set of regulations, issued with Group Communication No. 166 of 8th August 2008. That model is based on the main reference frameworks recognised nationally and internationally for the development of adequate systems of internal controls for financial reporting, the COSO Framework¹ and the COBIT Framework², and it involves different areas described in detail in the section that follows.

2) Description of the main characteristics of risk and internal control management system in relation to financial reporting processes.

The system of controls for financial reporting is based on three fundamental pillars:

- the existence of an adequate system of internal controls at company level designed to reduce the risk of errors and improper conduct for the purposes of accounting and financial reporting, by verifying that adequate systems of governance and standards of conduct are in place, that risk management processes are correct and that organisational units and reporting systems are effective. Verification at company level is performed by using a special tool known as “CLC Assessment”, which is based on the qualitative assessment of a series of risk factors considered essential for the soundness and reliability of an administrative and financial governance system;
- the development and maintenance of adequate processes to control the production of accounts and financial reports and subsequent verification over time that they are adequate and actually applied. This includes administrative and accounting procedures that guarantee reasonable certainty of the reliability of financial reporting, whether it relates to

¹ COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a private voluntary organisation for the improvement of the quality of financial reporting through the use of ethical principles in business, internal controls and an adequate system of corporate governance.

² COBIT (Control Objectives for IT and related technology Framework) was drawn up by the IT Governance Institute, a United States body which has the objective of defining and improving corporate standards in the IT sector. More specifically, the UBI Group has adopted the Framework IT Control Objectives for Sarbanes Oxley, defined specifically to control financial information.

financial reporting processes in the strict sense of the term or to business and support processes considered nevertheless significant for the purposes of financial reporting;

- the development of controls on the management of technological infrastructures and software applications which regard financial and administrative processes and subsequent verification over time that they are adequate and actually applied.

a) **Stages of the risk and internal control management system in relation to financial reporting processes**

With regard to the development of adequate processes of control over the production of accounts and financial reports and the development of controls over the management of technological infrastructures, the framework adopted involves the following stages of analysis and investigation:

- identification of the scope of application in terms of the companies in the UBI Banca Group and the accounts and processes considered significant. In this respect, under the methodological model, controls over the adequacy of administrative accounting processes for the purposes of Law No. 262/2005 must be performed six monthly on a scope of application that has been appropriately identified as significant;
- documentation of the processes and the relative risks and controls. This activity is designed to assess and document the processes identified as significant for the purposes of Law No. 262/2005 and also the risks connected with financial reporting and the relative controls set in place to oversee them. The production of these documents constitutes a preliminary condition for the subsequent verification of the adequacy of the internal control system. Monitoring the risks of the violation of financial reporting procedures, intrinsic to the life cycle of financial data, is dependent on observance of “financial assertions” which international standards define as the requirements which each item in the financial statements must meet for compliance with legal obligations. “Financial assertions” therefore perform the function of an operational tool which guides the identification and assessment of the controls to perform, the absence or ineffectiveness of which can prejudice the achievement of veracity and accuracy in the representation of the capital, operating and financial position of the Group;
- risk measurement and the adequacy of the controls. The objective of that activity, termed “risk and control assessment”, is to verify the adequacy of the administrative and accounting procedures employed in the preparation of financial statements and in all other financial reporting. It concludes with the definition of corrective action plans for failings found during the adequacy assessment just mentioned;
- verification of the effective and continuous application of controls. This stage, which consists of “effectiveness tests”, is designed to assess the effective application, in the accounting period, of administrative and accounting procedures employed in the preparation of financial statements and in all other financial reporting. In this stage, verification is performed of the implementation of the controls provided for by the system of documentation put in place during the stage when processes and procedures were formulated and introduced. This activity may bring to light failures which require the preparation of appropriate corrective action plans;
- definition and monitoring of corrective action to be undertaken as a result of the verifications performed. The methodology involves the initiation, on the basis of the corrective action plans just mentioned, of a structured course of action which by means of specific monitoring action, leads to effective reinforcement of controls by the involvement and empowerment of the relative process owners and the consequent modification of the related internal system of regulations;
- assessment of the degree of adequacy of the system of internal controls put in place for the production of financial reports. Final assessment is officially performed with a specific certification that is notified to the General Management and the Management Board.

b) **Roles and functions involved**

The operational stages just described are conducted, on the basis of specific methodologies taken from international standards, by a specially created and dedicated unit within the Bank

with the support of various other corporate roles involved for various reasons in compliance with the specific requirements of Law No. 262/05.

The following are involved:

- the Organisation Area of UBI and of UBI Sistemi e Servizi in the organisation and maintenance of document systems, designed to meet the requirements of assessing the adequacy and effectiveness of procedures that impact financial reporting;
- other internal control functions (Parent and Group Audit Macro Area, Risk Management Area) in order to create organisational synergies and consistency in assessment across the various units concerned.

Furthermore, the administrative and financial governance model also employs a hierarchical certification system whereby the executive officers of individual companies and outsourcers of the Group provide the Chief Executive Officer and the Senior Officer Responsible of the Parent with internal certifications.

Before certifications pursuant to Art. 154 *bis* of Legislative Decree No. 58/98 on the annual separate company and consolidated financial statements and on the condensed interim financial statements are issued, a special report is prepared by the staff that report directly to the Senior Officer Responsible which contains, amongst other things, a summary opinion on the soundness and effectiveness of the administrative and accounting internal control system, which is submitted to the General Manager for a prior opinion. This report, approved by the Senior Officer responsible for preparing company accounting documents and the Chief Executive Officer, is submitted to the attention of the Management board on a half yearly basis.