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Report to the Ordinary General Meeting of the Shareholders to be held on 8th April 2020

Proposal to set the ratio of the variable component to the fixed component of remuneration for the personnel of Pramerica SGR S.p.A. belonging to the Investments Area up to a limit of 4:1

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Proposal to set the ratio of the variable component to the fixed component of remuneration for the personnel of Pramerica SGR S.p.A. belonging to the Investments Area up to a limit of 4:1.

Dear Shareholders,

The Shareholders' General Meeting held last year approved setting the ratio of variable to fixed remuneration up to a potential maximum of 2:1 for all "Identified Staff" of the Group (with the exception of "Identified Staff" belonging to the Control Functions, the Senior Officer Responsible and the Head of the Human Resources at the Parent) on the basis of the requirement to render the wage packets of some highly professional staff operating in determined sectors competitive, where strong competition for staff, based mainly on the ability to earn bonuses in line with the high qualitative and quantitative level of performance produced, generates a high retention risk and considerable difficulties with attraction.

With particular reference to the company Pramerica SGR, which operates in the Asset Management business, this company is subject individually to sector regulations, governed by the Joint Bank of Italy-Consob Regulation, which do not place a limit on variable remuneration (except for key "Identified Staff" at Group level), and it operates on markets where the current players are not subject to regulatory constraints on variable remuneration.

Italian regulations, as updated with Bank of Italy Circular No. 285/2013 dated 26th October 2018, recently gave asset management companies belonging to a banking group the option not to apply the rule on the limit of 2:1 on the ratio of the variable to the fixed component of remuneration of "Identified Staff" at Group level. This option was already exercised in 2019 by major banking groups and competitors operating in the Asset Management business who set significantly higher limits.

In view of the above, in compliance with the option allowed by supervisory regulations, a proposal is submitted to this Shareholders' General Meeting to extend the increase in the ratio of variable to fixed remuneration above 2:1 and up to a potential maximum of 4:1, on the basis of the following points:

a) Functions to which those affected by the decision belong

- the increase in this limit is extended to personnel operating in the "Investments" Area of Pramerica, eight of whom belong to the "Identified Staff" perimeter. The Chief Executive Officer and the General Manager of the company are excluded, for whom the limit of 2:1 set for the Group remains valid;
- while at the time of this proposal it potentially regards a total number of 51 staff for the year 2020, of whom six belong to the "Identified Staff" category at the corporate level and two to the "Identified Staff" category at Group level, the actual use of a ratio higher than 2:1 between variable and fixed remuneration could regard a limited number of staff and be used for particularly significant performances, as defined within the models employed to implement Group and Pramerica SGR remuneration policies, for which the final figures will be brought to the attention of shareholders in the report on payments made next year.

b) The reasons underlying the proposal formulated

- to safeguard the attraction and competitive power of wage packets for Asset Management staff and bring them into line with major Italian and foreign competitors, contributing therefore to strengthen this business which is particularly strategic for the Group;
- Asset Management business has a different risk profile to those found in the Banking Group's activities and these are not subject to direct financial risks on investment products, where the capital at risk is that of the client;

- with regard to operational and reputational risks attaching to the implementation of the product investment process, no conflict of interest arises directly for personnel, nor is there a direct incentive for them to increase direct exposure of the company's capital to financial risks beyond the risk appetite of the company itself in order to achieve remuneration objectives.

c) Considerations concerning the ability of the Group to comply with supervisory regulations

The correlation between bonuses and meeting prudential requirements in terms of capital and liquidity is guaranteed by the link between the conditions for triggering incentive schemes ("CET1 ratio", "NSFR", "LCR" and "LR") and the Group's "risk appetite framework".

It is underlined that this increase up to 4:1 in the cap on the ratio does not involve any impact on capital for the Group, because the payment in financial instruments (required by sector regulations) of portions of remuneration for the asset management company's "Identified Staff" will be made in UCITS, as required by the Joint Bank of Italy and Consob Regulation.

Finally, with regard to the operating impact of that increase, the following is underlined:

- the incentive scheme is not triggered for "Identified staff" if the financing condition set at corporate level is below the trigger threshold and in any event it is not triggered for all staff in the absence of stated normalised profit;
- mechanisms are to be put in place which guarantee operating and financial sustainability, because the bonus pool allocated to Pramerica SGR is defined top-down as a percentage of that allocated at Group level, and therefore in the event of a bottom-up requirement higher than the availability in the aforementioned bonus pool, individual bonuses are reduced proportionally;
- The performance measurement systems adopted for the purposes of incentives for personnel operating in the "Investments" Area are to a large extent quantitative and extremely selective. An additional strengthening of the mechanisms to determine bonuses and the related payment procedures will in any case be implemented within the specific models employed to implement the asset management company's remuneration policies.

With regard to the above, the Board of Directors of UBI Banca invites the Shareholders' General Meeting to approve, with a binding resolution, a proposal to set the ratio of variable remuneration to fixed remuneration up to a potential maximum of 4:1 for personnel belonging to the Investments Area of Pramerica SGR for a total of 51 staff, six of whom are "Identified Staff" at corporate level and two of whom are "Identified Staff" at Group level.

In accordance with the provisions of Art. 53, paragraph 4 of the Consolidated Banking Law, personnel who are shareholders of the Bank must in any event abstain from voting on the resolution in the Shareholders' General Meeting to approve an increase in the limit that regards their remuneration.

"Dear Shareholders,

In relation to the above, the Board of Directors therefore proposes that the Ordinary Shareholders' General Meeting approves the following resolution:

"The Shareholders' General Meeting of Unione di Banche Italiane Spa,

- *in view of the last update of Bank of Italy Circular No. 285/2013 dated 26th October 2018 regarding "Remuneration and incentive policies and practices";*
- *having taken note of the Board of Directors' proposal concerning setting the ratio of variable remuneration to fixed remuneration up to a potential maximum of 4:1 for personnel belonging to the Investments Area of Pramerica SGR for a total of 51 staff, six of whom are "Identified Staff" at corporate level and two of whom are "Identified Staff" at Group level;*

- *having verified that the proposal itself does not compromise compliance with supervisory regulations and those regarding requirements for own funds;*

RESOLVES

to grant the power to increase the ratio of variable to fixed remuneration up to a potential maximum of 4:1 for personnel belonging to the Investments Area of Pramerica SGR, for a total of 51 staff, six of whom are “Identified Staff” at corporate level and two of whom are “Identified Staff” at Group level, and to confer a mandate on the Board of Directors to bring to the attention of shareholders a precise and detailed report on the actual use of that power within the Remuneration Report on payments made for each financial year.”

5th March 2020

THE BOARD OF DIRECTORS