

Social Report 2011

FARE BANCA PER BENE



UBI  **Banca**

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1. Strategy and Analysis

1.1 STATEMENT FROM THE CHAIRMEN

We have worked as bankers for over 150 years with a reputation for soundness and reliability. This means that we have always placed social responsibility as part of everyday practices and sustainability as a measure of our objectives at the heart of all our strategic policies, as much in periods of favourable economic environments and as in those of crisis like today.

The market context in 2011 was affected by further deterioration in the economic and financial crisis which has afflicted Europe and some countries with particular intensity for some years now. Italy with its high public debt and weak prospects for growth in the medium-term is one of these. Growing fears of insolvency for sovereign issuers had repercussions on the banking industry and caused a sudden deterioration in the terms and conditions for wholesale funding offered to Italian banks, which were trapped between requests to strengthen capital and demands to support small and medium-sized businesses, the backbone of the country's economy, particularly threatened by the crisis.

In this context, thanks to the strategic policies pursued over the years and in particular to the adequacy of the increase in the share capital concluded in July 2011, UBI Banca was again able to continue to benefit from good capital strength, a well-balanced capital structure and low levels of risk, the primary conditions for the sustainability of business. Consequently, although operations were again severely affected by the economic situation and by probable future scenarios and although these resulted in a loss for the year due to impairment losses, which – like other major banks – we recognised and which reflected the loss in value of our goodwill and other intangible assets, we nevertheless decided to pay a dividend to our registered and unregistered shareholders even if it was very small.

At the same time we continued to invest in improved services for customers by streamlining processes, increasing the efficiency of our organisational model and the development of new products and services. We have continued to provide staff with high levels of training and welfare and we have continued to support the bank's social role as a local community institution. This has been achieved, for example: through support for families and businesses in difficulty; involvement in financial education programmes; the launch of the new UBI Community service model and the related range of products and services for the development of the third sector; attention to the environment both through the reduction of direct impacts and the supply of "green" products and services; and lastly, but no less important, through our support for charitable, social and cultural activities, to which special reserves of profits are allocated in accordance with our articles of association.

Activities will still be affected in the short and medium-term by the particular nature of the economic and financial situation, which means above all that the economic sustainability of each decision must be verified, by selecting, on the basis of an appropriate cost-benefit ratio, those investments and projects which are most consistent with strategic objectives, which are as follows:

- *a return to earnings that are consistent with the cost of capital;*
- *the maintenance of high capital strength;*
- *improved structural balance with balanced growth in assets and liabilities and low risk profiles;*
- *improved customer satisfaction;*
- *a stronger sense of Group identity among employees;*
- *consolidation of the general perception of UBI Banca as a "Quality Bank" by customers, staff, investors and local communities as a whole.*

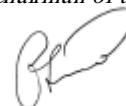
We therefore intend to resume – compatibly with the performance of the economy and with respect for our history, values and principles as laid down in our Code of Ethics and the universal principles of the Global Compact, which we have signed up to and to which we are renewing our commitment - a growth path which ensures adequate creation of wealth for registered and unregistered shareholders and for all our stakeholders. While of course we will do this by looking for short-term results as the market requires us to, we also have an eye on long-term sustainability.

*The Chairman of the Management Board
Board*

Emilio Zanetti



The Chairman of the Supervisory



1.2
KEY IMPACTS, RISKS
AND OPPORTUNITIES

UBI Banca's Code of Ethics identifies stakeholders on which the Group's activities have a significant impact or those who may have a substantial influence on those activities. A map of important issues and the relative risks and opportunities in the different areas of sustainability has been drawn up for each category of stakeholder and this translates into commitments which must be considered when formulating policies and setting operating objectives. The evolving context and the performance of operations in relation to social responsibility and sustainability strategies and objectives are monitored as part of strategic planning processes. This is performed through analysis of the following: the social and economic context, customer satisfaction surveys and other consultation and dialogue activities, ratings given by agencies, analysts and CSR investors opinions and indicators calculated as part of the CSR reporting process in the Social Report.

A few lines of action have been identified in the 2011-2013/15 Business Plan in relation to the prevention of reputational risk, which is particularly in evidence in the financial sector, and to grasping opportunities arising from the emergence of new demands and concerns of a social and environmental nature. General objectives have been defined for each of these and the table below reports the initiatives carried out and the results achieved by giving references to the pages which address them. It also reports aspects where room for improvement exists from the viewpoint of operations and/or reporting.

PERSONNEL COHESION AND MOTIVATION	
Development and enhancement of each person's potential, through management systems and remuneration and incentive criteria aligned with sector best practices	Initiatives and results on pages 53-54, 85-91
Maintenance of a high level of social services and monitoring and prevention for health and safety at the workplace risks	Initiatives and results on pages 79-80, 81-84 Improvement objectives for the reporting of occupational disease indicators
Work life balance and diversity management	Initiatives and results on pages 91-92 Improvement objectives for the enhancement of female membership of senior management and consistency of remuneration levels
INTEGRATION IN LOCAL ECONOMIC AND SOCIAL COMMUNITIES	
Support for socially useful organisations and initiatives and the development of partnerships with local non economic entities	Initiatives and results on pages 56-65, 103 Improvement objectives for the transparency of criteria for the selection and measurement of the social repercussions of interventions
Growth in high social value and economic potential commercial activities	Initiatives and results on pages 42-47, 97-98
Development of micro-finance for social inclusion	Initiatives and results on pages 42-45 Improvement objectives for the development of a specific project, partly in relation to the cease of collaboration with PerMicro
REPUTATION AND RISK MONITORING	
Attention to ethics in commercial activity	Initiatives and results on pages 38-40, 93-94, 98-100
Inclusion of governance, social and environmental criteria in assessing the creditworthiness of businesses	Initiatives and results on pages 39-41, 47 Improvement objectives for experimentation with regard to a pilot project launched by the Italian Banking Association
Monitoring involvement in "controversial" economic sectors	Initiatives and results on pages 38-39 Improvement objectives for the development of guidelines for sectors with a high social and environmental impact
Responsible lending in relation to risks of over indebtedness for households and businesses	Initiatives and results on pages 93, 109
ENVIRONMENTAL POLICIES	
Rational use of resources – energy, paper and toner in particular – and sustainable mobility	Initiatives and results on page 66-69, 72-73 Improvement objectives for the introduction of an environmental management system and greater attention to sustainable mobility
Use of renewable energy and/or lower emission levels	Initiatives and results on pages 71-72 Improvement objectives for the reduction of mobility related emissions
Reduction or waste that is not recycled or recovered	Initiatives and results on page 73 Improvement objectives for separate waste collection in offices
Green financing for individuals and businesses	Initiatives and results on pages 47-48

2. Group Profile

2.1 NAME OF THE ORGANISATION

Unione di Banche Italiane Scpa (UBI Banca in abbreviated form) – the Parent of the UBI Banca Group – was formed on 1st April 2007 following the merger of Banca Lombarda e Piemontese into Banche Popolari Unite, with the consequent integration of the two groups of the same name.

2.2 PRIMARY BRANDS, PRODUCTS AND SERVICES

The UBI Banca Group is mainly a Retail group, at the service of families and businesses in local communities. Its business is divided into three main segments termed Markets as follows:

- the **Retail Market**, which comprises 97.3% of Group customers, consisting of **private individuals** (sub-divided into the Mass Market and the Affluent on the basis of the financial wealth owned – less than €50 thousand for the former and less than €500 thousand for the latter), **small economic operators** and **small businesses** with turnover of less than €15 million;
- the **Private Market**, which includes the private individual customers with financial wealth of greater than €500 thousand; the Group is the third largest operator in the country in this market;
- the **Corporate Market** consisting of businesses with turnover of greater than €15 million.

UBI Banca provides a wide range of savings, lending and insurance products and services on the Retail Market for the **private individual** segment – including **Clubino**, **I Want tUBI**, the **Enjoy** card and the **Duetto** line of current accounts – and for the **Small Business** segment which includes the **Utilio** line.

The **UBI Community** brand is the name given to the new service model and the new products and services provided for non profit organisations in what is termed the **Third Sector**.

☞ [FS7 and Reports and Accounts 2011 p. 42](#)

UBI Private Banking is the brand name under which the Group operates on the Private Market with specialist advisory services that include **Pro-Active Wealth Advisory** and **Family Business Advisory**, for which it makes use of an advanced Financial Planning and Advisory platform.

☞ [Reports and Accounts 2011 p. 51](#)

The approach to the Corporate Market is based on the concept of integrated products and services, backed by the creation of Corporate Advisory Teams in the Commercial Departments of the Network Banks, which operate on the basis of **Mid Corporate Advisory** and **Large Corporate Advisory** specialist programmes. Their function is to create synergies between the Network Banks and the Product Companies with the aim of maximising the quality and variety of the Group's products and services, with particular attention paid to high value added services and to the foreign- trade sector.

In consideration of the particular macroeconomic environment and the situation on markets in 2011, priority was given in the development of business to Mid Corporate counterparties on local markets with recourse made, where possible, to subsidised lending and funding instruments in order to offer competitive solutions notwithstanding the impact of the liquidity crisis.

☞ [Reports and Accounts 2011 p. 52](#)

2.3 OPERATIONAL STRUCTURE

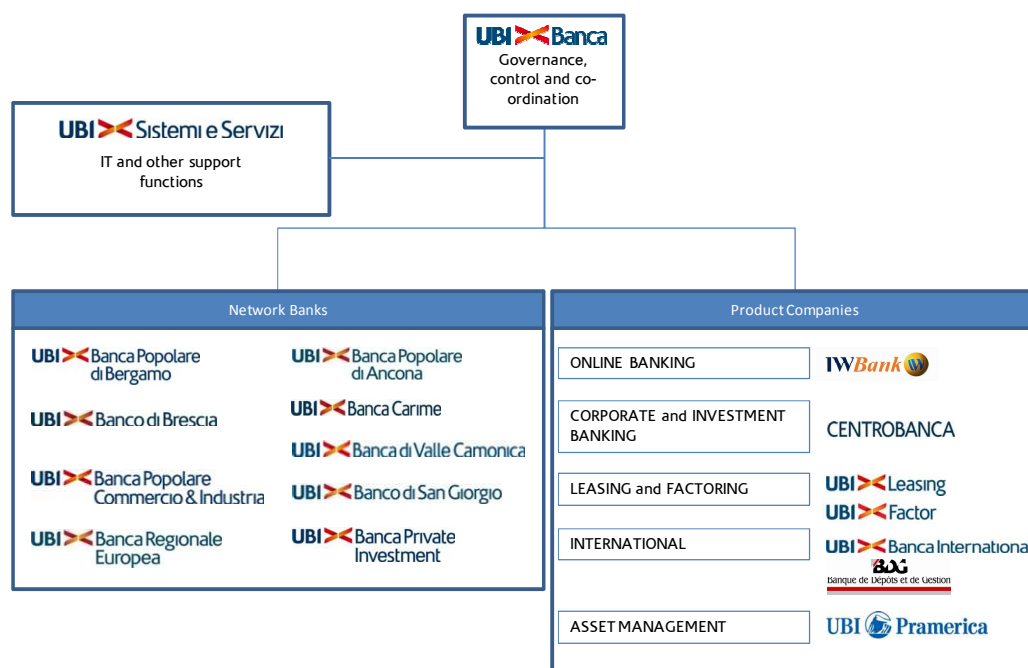
The UBI Banca Group is a **multi-functional, federal** and **integrated group** in which:

- the functions of management, control and co-ordination are centralised at the **Parent**, which, through the subsidiary consortium company UBI Sistemi e Servizi, also oversees IT activities and other support functions;
- eight regional banks and a national network of financial advisors and private bankers – termed the **Network Banks** – fulfil the function of a distribution network for an integrated set of banking, financial and insurance products and services;
- a series of other specialist banks and financial companies – termed the **Product Companies** – fulfil the function of supplying the network banks with a full and constantly updated range of

products and services designed to meet the demands of the different customer segments, with high quality, value for money solutions; the partnership between Prudential Financial (a leading American financial institution, which operates throughout the world) in the subsidiary UBI Pramerica is continuing well in the asset management sector, while controlling interests are no longer held in the insurance sector, although important alliances exist with Cattolica Assicurazioni and Aviva.

☞ Reports and Accounts 2011 p. 10

The operational structure of the Group



All the Network Banks are adopting a New “hour glass” Distribution Model, applied on a flexible basis to take account of the specific characteristics of local markets and the customer portfolios of individual Banks.

2.4 LOCATION OF HEADQUARTERS

The registered address is at Piazza Vittorio Veneto 8, Bergamo (Italy) and the General Management operates from offices in Bergamo and Brescia.

2.5 COUNTRIES WHERE THE GROUP OPERATES

☞ FS13

The UBI Banca Group is present in all the **regions of Italy**, except for Sicily, with 1,875 branches, 98 Corporate Banking units and 107 Private Banking units. The branches of the Network Banks cover the Retail Market and also provide support to specialists units operating on other markets (Private Banking units and Corporate Banking units).

In 2011 UBI Banca performed a gradual and progressive rationalisation and reorganisation of its geographical market coverage, designed to eliminate overlap between brand names, improve efficiency in customer relationships and increase market presence in high potential growth areas at the same time.

☞ Reports and Accounts 2011 p. 39

GEOGRAPHICAL DIMENSION		2011	2010	2009
Total branches including branches abroad		1,884	1,901	1,966
Branches in Italy		1,875	1,892	1,955
of which:				
	Banca Popolare di Bergamo	358	365	382
	Banco di Brescia ¹	364	362	372
	Banca Popolare Commercio e Industria	235	234	261
	Banca Regionale Europea ²	229	229	227
	Banca Popolare di Ancona	238	248	256
	Banca Carime	294	294	295
	Banca di Valle Camonica	66	64	59
	Banco di San Giorgio	57	57	58
Market share ³		5.6%	5.6%	5.7%
of which:				
	North West	11.0%	11.0%	11.2%
	North East	1.2%	1.2%	1.2%
	Central	3.5%	3.6%	3.7%
	South	8.3%	8.3%	8.3%
Provinces with market share over 10% ³		18	19	17

¹ Includes 1 foreign branch for 2009.

² Includes 3 foreign branches for 2011 and 2010, 2 foreign branches for 2009.

³ Figure as at 30th September of the reporting year.

With the exception of the cities of Milan and Rome, each Network Bank has its own exclusive geographical area, which includes the areas in which it has its historical roots and areas for possible expansion as follows:

- Piedmont for Banca Regionale Europea, which transferred its headquarters from Milan to Turin in January 2011;
- the Lombard provinces of Milan and Pavia for Banca Popolare Commercio e Industria as well as Emilia to be developed;
- the Lombard provinces of Bergamo, Varese, Como, Lecco and Monza-Brianza for Banca Popolare di Bergamo;
- the Lombard provinces of Brescia, Lodi, Cremona and Mantua for Banco di Brescia as well as Triveneto to be developed;
- Sondrio and Valle Camonica (Province of Brescia) for Banca di Valle Camonica;
- Liguria for Banco di San Giorgio;
- the central regions of Marche, Abruzzo, Molise, Umbria and Campania (Naples, Avellino, Benevento) for Banca Popolare di Ancona, while development is planned, centred on Romagna and Latium;
- the southern regions with a focus on Apulia, Calabria, Campania (Salerno) and Basilicata for Banca Carime.

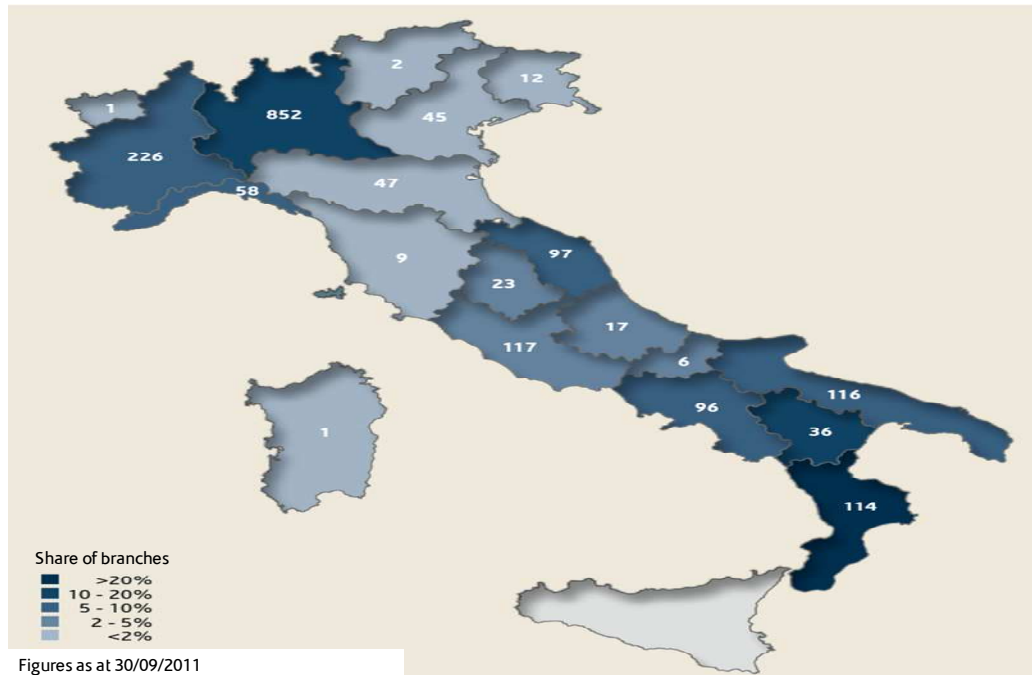
☞ Reports and Accounts 2011 p. 57 and p. 64

International presence is based on concrete and direct application of a policy to serve corporate clients. The foreign distribution network consists of 2 banks, 5 representative offices and 4 branches of Italian Group banks and companies. Its function is to support the international activities of our corporate clients, especially in emerging markets, where Italian small to medium-sized enterprises have the greatest difficulty in gaining access to financial services appropriate to their requirements.

The Group is not present in "tax havens" and other financial centres that have not yet complied with international taxation standards, as listed by the OECD.

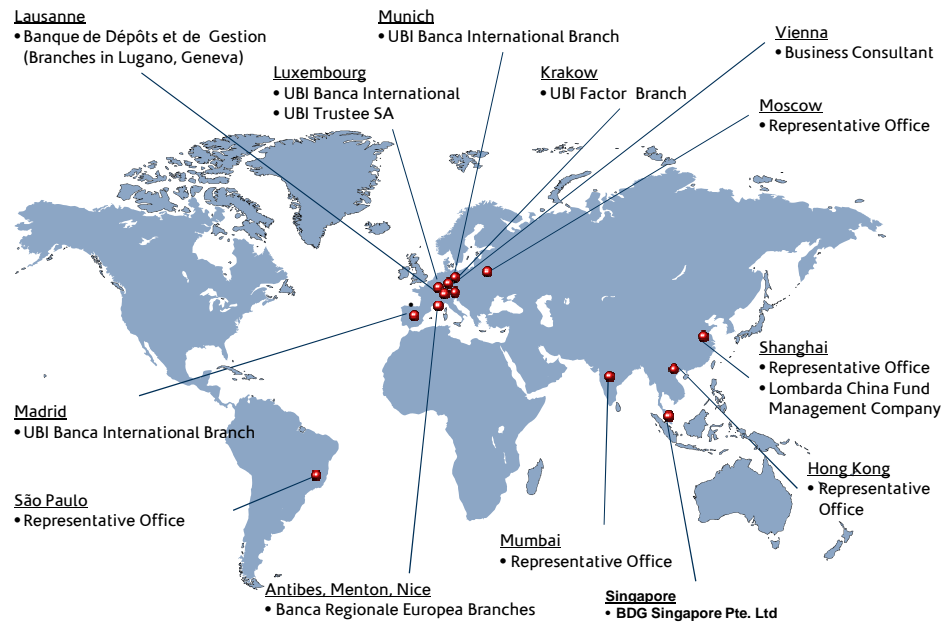
☞ Reports and Accounts 2011 p. 60

The Group branches in Italy



Figures as at 30/09/2011

International presence of the Group

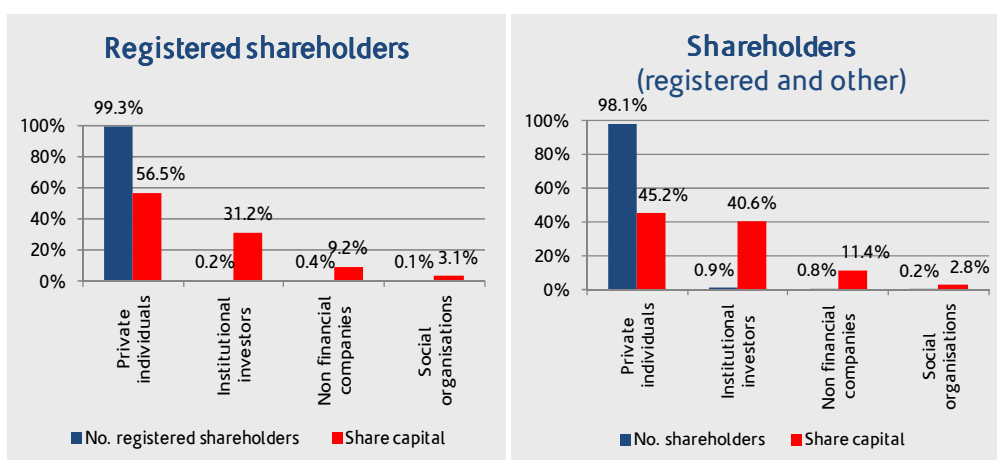


The physical branch network is completed by **Multi-channel Banking** services for consultation of accounts and to carry out banking transactions remotely, with lower costs, no opening hour limitations and without the need to move physically. These include Internet banking (with 900,600 customers) and mobile banking (50,000 applications downloaded), a contact centre, self service channels – Bancomat kiosks and ATMs (2,451 of which 309 evolved and 26 for partially and non sighted persons) – and evolved payment systems, Interbank Corporate Banking and POS terminals

(61,224). Additionally, **IWB**Bank, the Group's internet bank - which has specialised for over ten years in the provision of banking and financial services and products, and in online trading in particular, almost exclusively via internet - has 112,140 customers and receives an average of 36,576 orders each day.

☞ Reports and Accounts 2011 p. 61

UBI Banca, the Parent, is a "popular" bank formed with the legal status of a joint stock co-operative company. It has a broad shareholder base with a large number of registered shareholders. No shareholder may hold more than 0.5% of the share capital, except for collective investment companies, and each registered shareholder may cast only one vote in shareholders' meetings, no matter how many shares are owned and may hold a maximum of three proxies. The co-operative status distinguishes between ordinary and registered shareholders. UBI Banca has **151,804 shareholders** on the basis of the last dividend payment made in May 2010 (up by 8,171 compared to the last dividend payment), of which **81,891 registered shareholders** (up by 3,551 compared to 2010). Group employees account for 6.7% of registered shareholders.



While no differences exist in terms of capital rights, because there are no different share classes and all shares have the same dividend entitlement, only registered shareholders may participate in shareholders' meetings and cast a vote on items on the agenda. Admission as a registered shareholder is decided by the Management Board, on written request from an applicant, exclusively on the basis of the objective interests of the Bank – including that of its independence and autonomy – and in observance of the spirit of a co-operative bank and general criteria set by the Supervisory Board. In 2011, 3,731 applications for admission to registered shareholder status were received (2,525 more than in 2010), which were all accepted; a total of 2,686 registered shareholders participated in the AGM, either in person (77%) or by proxy (23%), 30% of whom were Group employees.

The registered shareholders have formed associations, which have notified UBI Banca of their existence: the Banca Lombarda e Piemontese Association (located in Brescia), the Gli amici di UBI Banca Association (located in Bergamo), the Tradizione in UBI Banca Association (located in Cuneo), the Azionisti UBI Banca Association (located in Bergamo) and the Futuro UBI Association (located in Milan). The Bank has learnt from a press release of the formation of the Associazione dei cittadini e dipendenti soci di UBI Banca Association (located in Brescia).

☞ Reports and Accounts 2011 p. 11**

As a result of the size it has reached and the Parent's status as a co-operative bank, the UBI Banca Group today remains an autonomous and independent banking group and its strategic and operational decisions are determined by its corporate mission based on sound and prudent principles of management.

In order to maintain the Group's capital strength which has always distinguished it and to provide it with the means to compete on the market in a period of macroeconomic difficulty and a shortage of liquidity, in compliance with the highest standards for capital set by national and international authorities, in 2011 UBI Banca submitted a proposal to its registered shareholders, who approved it, to increase the share capital by €999,908,234.75. This was fully subscribed with the issue of 262,580,944 new shares.

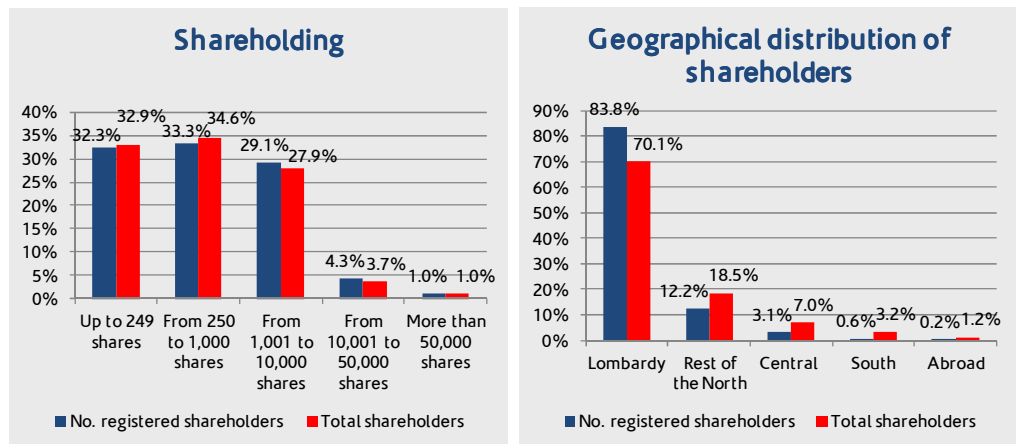
☞ Reports and Accounts 2011 p. 36

The share capital of UBI Banca as at 31st December 2011 was composed of **901,746,759 ordinary shares** with a nominal value of €2.50 each, **listed by Borsa Italiana on the MTA (*Mercato Telematico Azionario* – electronic stock exchange) among the blue chip companies** (those with the highest stock market capitalisation) and on the After Hours Market.

In 2011 the share reached a high of €7.970 and low of €2.192 per share. At the official price of €3.122, at the end of year the Bank had a total stock market capitalisation of €2,815 million. In March 2012, it was covered by 17 international analysts and 6 national analysts who made 3 positive, 10 neutral and 10 negative recommendations, with a target revised upwards following the presentation of the 2011 annual results and within a range of between €1.8 and €4.6 (an average of €3.5 compared to €3.35 before). The 2012 AGM approved the distribution of a dividend of €0.05 per share (compared to €0.15 the year before), which represents a return of 1.1% on the average price for the year.

☞ Reports and Accounts 2011 p. 44*-46*

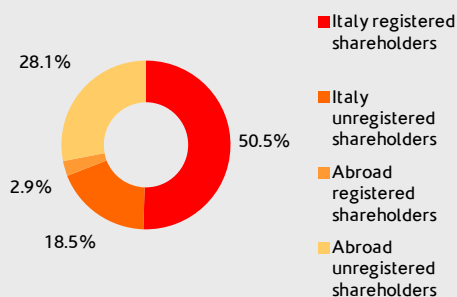
The UBI Banca share is also included in 31 of the main international share indices¹ and also in the following indices: ECPI Ethical EMU Equity, Axia Ethical Index and Axia CSR Index (in both of these with an A+++ rating), Axia Sustainable Index and Carbon Disclosure Leadership Index.



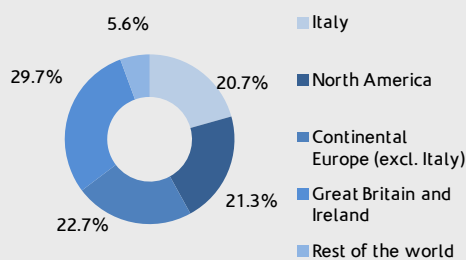
The 31% of the share capital is held by **foreign investors**, who account for 1.2% of the shareholders. Institutional investors hold 40.6% of the share capital (79.3% of which foreign), the majority of whom (53.5%) operate with a medium to long-term style of investment (40.6% Value, 12.4% GARP, 0.5% Growth). The main shareholders who hold significant interests within the meaning of Art. 120 of the Consolidated Finance Act are Silchester International Investors LLP (5.001% of the share capital), Blackrock Inc (2.854%), Norges Bank (2.214%) and two Italian banking foundations: the Cassa di Risparmio di Cuneo Foundation (2.230%), which also holds a stake in Banca Regionale Europea, and the Banca del Monte di Lombardia Foundation (2.224%), which also holds a stake in Banca Popolare Commercio e Industria.

¹ Source Bloomberg 2nd April 2012.

Geographical distribution of share capital



Geographical distribution of share capital held by institutional investors¹



¹ Identified by name in February 2012

2.7

MARKETS SERVED

☞ 2.2, 2.3 and 2.5

The UBI Banca Group operates mainly on the Italian domestic market integrating Retail banking business with the activities of the Product Companies.

2.8

SCALE OF THE GROUP

☞ FS16

UBI Banca is the fourth largest Italian banking group by stock market capitalisation², funding and lending³, while it is the fifth largest Italian banking group by number of branches⁴ and accounts for around one fifth of lending by “popular” banks⁵.

☞ Reports and Accounts 2011 p. 64

ECONOMIC DIMENSION (thousands of euro)	2011	2010	2009
Funding from customers	174,876,223	184,838,914	176,006,239
of which:			
indirect funding	72,067,569	78,078,869	78,791,834
assets under management	36,892,042	42,629,553	41,924,931
Net loans to customers	99,689,770	101,814,829	98,007,252
Total assets	129,803,692	130,558,569	122,313,223
Stock market capitalisation ¹	2,815,253	4,212,547	6,431,533
Equity ²	8,939,023	10,979,019	11,411,248
Revenues ³	5,718,861	5,300,029	6,120,325
Profit for the year ⁴	349,373	172,121	270,099
Economic value created	2,849,160	3,047,802	3,209,377
Contributions to communities for donations and sponsorships ⁵	14,842	16,241	19,949

¹ Official price at the end of year.

² Inclusive of profit/loss for the year.

³ Sum of items 10, 40, 70, 80, 90, 100, 110, 150, 220 and 240 of the consolidated income statements.

⁴ The figure for 2011 is profit before impairment. Inclusive of impairment losses on goodwill and other intangible assets performed in consideration of the unfavourable economic situation, the result for the year was a loss of €1,841,488 thousand.

⁵ Exclusive of professional sports sponsorships.

² End of year 2011 figure.

³ Figures as at 30/09/2011 – processed by the Planning and Management Control Area.

⁴ Figures as at 30/09/2011.

⁵ Figure as at 01/01/2012.

SOCIAL DIMENSION		2011	2010	2009
Personnel ¹		19,516	19,957	20,571
of which:	employees ²	19,391	19,616	19,910
	permanent	99.4%	99.0%	97.5%
Women in management positions (out of total senior managers)		9.8%	9.4%	8.0%
Customers (thousands)		3,759	3,698	3,702
	of which private individuals	88.7%	88.5%	88.1%
Shareholders		151,804	143,633	146,610
	of which registered shareholders	81,891	78,340	81,111
Suppliers		10,749	11,405	12,967
	of which strategic and/or regular on the approved list	755	913	787

¹ The figure includes the average number of workers during the year.

² Recognised on the payroll.

ENVIRONMENTAL DIMENSION	2011	2010	2009
Total floor area of offices and branches (sq.m.)	1,034,379	1,077,975	915,595
Energy consumption (Gj)	746,879	624,325	845,295
CO ₂ Emissions (tons) ¹	12,250	15,045	28,195
Paper consumption (tons)	2,001	2,049	1,630
Waste products (tons)	2,161	2,153	2,101
Portfolio of loans granted for environmental investments (€million)	735	768	436

¹ Does not include emissions relating to corporate geographical mobility.

2.9 SIGNIFICANT ORGANIZATIONAL CHANGES

☞ 2.3, LA11 and Reports and Accounts 2011 p.30

In August of 2011 a new **Distribution “hour glass” Model** was rolled out, in October of that year preliminary and preparatory work began on **Mass Market Team** and **Developer** projects (operational since January 2012), which revised customer segmentation perimeters and the relative service models, while in December the sale to BNL of the interest held in PerMicro by UBI Banca was concluded.

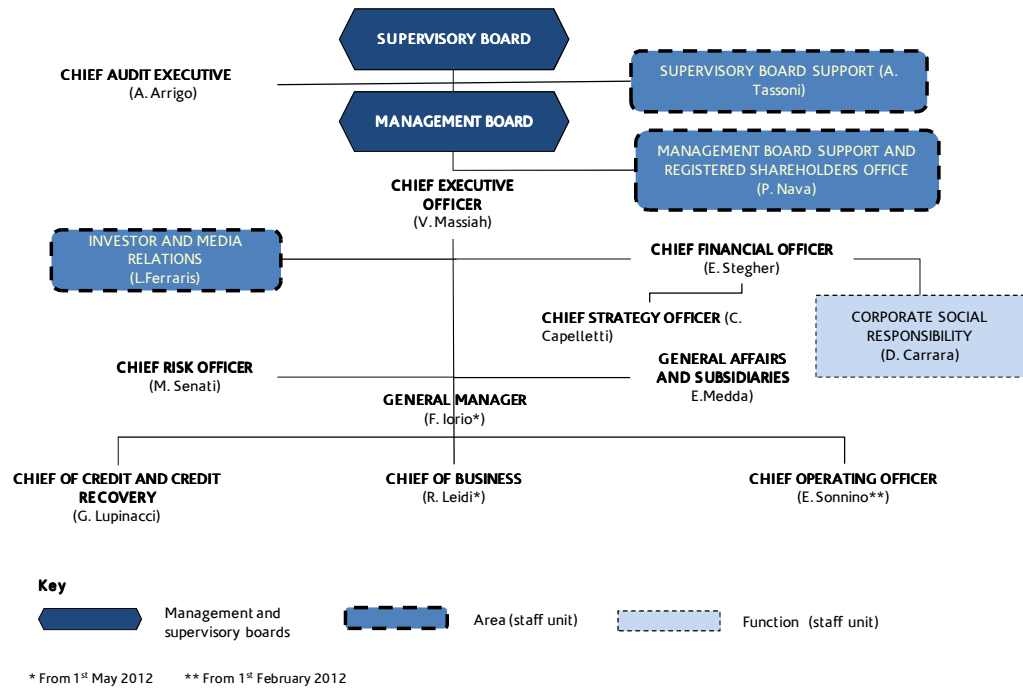
After completing, in January 2011, the programme to rationalise the distribution networks of the Network Banks which led to the current structure of the Group branch network, in 2012 UBI Banca has launched a large programme to **simplify the organisational structure**, improve efficiency and respond more effectively to customer requirements as follows:

- **Group rationalisation**, with the merger of Banco di San Giorgio into Banca Regionale Europea to create a single North West banking operation (to be executed before the end of year 2012) and the merger of Banca 24-7 and Centrobanca into UBI Banca (the former already executed in 2012 and the latter planned for the end of 2012/beginning of 2013);
- **improvement of the local banking functions** of the Network Banks, through the introduction of an “hour glass” distribution model with the formation of single Local Departments for the three markets, to support more streamlined and incisive loan approval processes and Local Loan Approval Committees as a single unit to oversee credit processes and quality;
- **improved operational efficiency**, through the simplification of processes for the sale of the main banking and financial products, for branch operations and for internal regulations;
- **streamlining of the distribution network**, with the closure of 32 branches and 46 mini-branches, the transformation of 40 branches into mini-branches and of one mini-branch into a branch and the opening of two branches and one mini-branch, as a necessary condition for improving market coverage in high growth potential areas.

The **new organisational structure of the Parent, UBI Banca**, became operational on 1st February 2012, based on criteria of the maximum simplification and ordered management of the Group.

☞ Reports and Accounts 2011 p. 3*

New organisational structure of UBI Banca



The foundation of **UBI Academy**, the new corporate university of the Group, is planned for the second quarter of 2012. It is a service consortium company and its business purpose will be the planning and provision of services for life long learning and the professional and managerial development of the personnel of the UBI Banca Group.

2.10 AWARDS RECEIVED IN THE REPORTING PERIOD



The corporate social responsibility section of the Group website (www.ubibanca.it) achieved 13th position overall and 4th position among banks in the **2011 CSR Online Awards Italy** league table. The classification, drawn up each year by the communication company Lundquist, assesses the quality of communication on social and environmental, ethical and corporate governance issues and on the level of dialogue with stakeholders.

UBI Banca won two first places among the 12 categories which form part of the **2011 MF Innovation Award**, a classification drawn up each year by the financial newspaper Milano Finanza (MF) in co-operation with Accenture. It assesses the level of innovation and value for money of the products and services of all banks in Italy which adhere to the PattiChiari Consortium. Our products **I Want Tubi** (see GRI F57) and **Utilio Click and Go** achieved recognition in the categories "Accounts for children and young people" and "Corporate accounts and cards". Customer relationship advertising and marketing activities for **Clubino**, a savings book for children aged from birth to twelve, received two prestigious awards: **GrandPrix Relational Strategies** and **Premio Freccia d'Oro Assocomunicazione**.



Centrobanca also received four important awards – **Europe Renewable Deal of the Year**, **Project Finance Deal of the Year Award**, **Global M&A deal of the Year**, **European Oil & Gas Portfolio Financing Deal of the Year** – made by Thomson Reuters and Project Finance Magazine for two Project Finance operations performed in 2011: *Terna Rete Rinnovabile*, in the photovoltaic installations field, and *Progetto Fenice*, in the gas distribution field.



UBI Pramerica received the following awards for its activities in 2011:

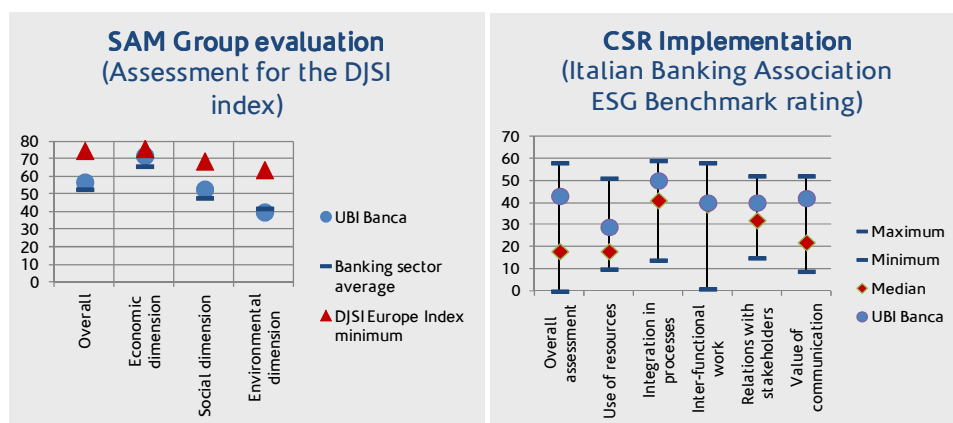
- the **2011 "High Return Prize"**, awarded by the financial newspaper Il Sole 24 Ore to asset management companies and mutual investment funds which produced outstanding results over the last three years. UBI Pramerica achieved



third place overall as the best Italian manager of mutual funds in the BIG Group (a category comprised of companies with assets under management of over €4,000 million) and for the second year running, the UBI Pramerica Obbligazioni Dollari fund was awarded the prize for the best American bond fund;

- the **2011 Morningstar Fund Awards** in third place among the best bond specialisation companies. The UBI Pramerica *Obbligazioni Globali* fund was awarded a "top Morningstar selection" certificate in the international bond category;
- the **2011 Lipper Fund Awards**, prizes awarded by country by Lipper, the rating company of the Thomson Reuters Group, to asset management operations all over the world. UBI Pramerica SGR received the following awards for the performance of four funds:
 - UBI Pramerica *Euro B.T.* best "bond eurozone - short term" fund for the 3,5 and 10 year periods;
 - UBI Pramerica *Euro Corporate* best "bond euro- corporates" fund for the 5 year period;
 - UBI Pramerica *Euro Medio/Lungo Termine* best "bond eurozone long-term" fund for the 5 year period;
 - UBI Pramerica *Portafoglio Moderato* best "mixed asset EUR cons - global" fund for the 5 year period;
- the **2011 Milano Finanza Global Awards**, prize for funds which achieved the best performance in 2010 based on a rating calculated over 36 months. UBI Pramerica SGR received the Milano Finanza *Tripla A Fondi Comuni di Investimento* prize for the results achieved by the *UBI Pramerica Portafoglio Moderato* and *UBI Pramerica Euro Cash* funds;
- the **2011 Mondo Hedge Awards**, given to Italian hedge funds and alternative UCITS III funds which achieved the best performance in their respective categories in 2010 and over 36 months. The Capitalgest Alternative Conservative fund of funds was awarded a prize as the "Best Low & Medium Volatility fund of funds in 2010".

For some years now UBI Banca has taken part in the SAM Group indexing for the Dow Jones Sustainability Index and since its first edition in the Italian Banking Association ESG Benchmark indexing, which assesses the level of the actual integration of social responsibility in corporate strategies and operations. UBI Banca is assessed in the Italian Banking Association indexing in comparison with fifteen of the major Italian banks and banking groups which are included in the index.



3. Report Parameters

REPORT PROFILE

3.1 REPORTING PERIOD

The reporting period of this Social Report is from 1st January 2011 to 31st December 2011, the same as that of the consolidated financial report. It is the fifth report since the foundation of UBI Banca and it was prepared under the supervision of the Management Board and approved by the Supervisory Board.

3.2 DATE OF MOST RECENT PREVIOUS REPORT

This Social Report is published on the corporate website www.ubibanca.it in electronic format (PDF), both in Italian and English language.

3.3 REPORTING CYCLE

Until last year the Social Report was published for presentation at the Annual General Meeting of the Shareholders and distributed to shareholders as they entered the meeting.

For the first time this year a summary document was distributed at the Shareholders' Meeting (Fare Banca per Bene – A Summary of the 2011 Social Report), which is also published in standard internet (www.bilanciosociale.ubibanca.it) and mobile formats (an application for tablets and smartphones). It is a simplified document published in the Italian language only and produced with editorial assistance from the Vita Group (publisher of the weekly "Vita non profit Magazine", a periodical for the nonprofit world) with the objective of making it as interesting and readable as possible – both in terms of the content and the layout and graphics – for stakeholders in general.

3.4 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT OR ITS CONTENTS

The address for requesting information on the report "To be a Good Banker – A Summary of the 2011 Social Report", on the 2011 Social Report and on the social responsibility section of the corporate website of the Group is:

UBI Banca Scpa

Corporate Social Responsibility Function

Piazza V. Veneto, 8

24122 Bergamo

Tel. 035-392925

Fax 035-392996

email: bilancio.sociale@ubibanca.it

Copies of the document "To be a Good Banker" and printed copies of the PDF file of the 2011 Social Report may be requested from the above address or by using the toolbox to be found on the website www.ubibanca.it.

REPORT SCOPE AND BOUNDARY

3.5 PROCESS FOR DEFINING REPORT CONTENT

The Social Report is aimed at those who wish to know the Group's approach to social responsibility and sustainability, to verify the consistency of its operations with its declared system of values and to assess the results achieved.

The contents of the report – principally of a non accounting nature – are therefore defined through a process of identifying the relevant subjects and issues which is based on both the recommendations of the GRI model and indications that have arisen in the course of dialogue with stakeholders and an analysis of articles in the press.

A survey sheet has been prepared for each indicator, accompanied, where appropriate, by tables containing quantitative indicators which give readers of the report precise information on the content of the indicator, on important aspects to be addressed and on how quantitative data has been calculated. Each sheet is accompanied by the request for the relevant corporate information and information that is useful to auditors in conducting their work (e.g. how data is managed, how estimates are made, where used).

A list is given below of the ten most important subject areas, which have been carefully managed during the reporting year and which have been particularly highlighted in this Social Report and in the summary document:

- support for the economic and social needs of local communities;
- financial accessibility and inclusion;
- support for families and businesses hit by the economic crisis;
- financial education;
- product responsibility, transparency and customer satisfaction;
- controversial economic sectors;
- personnel management, development and training;
- trade union relations and organisational changes;
- relations with registered shareholders;
- environmental impacts.

**3.6
BOUNDARY OF THE
REPORT**

The scope of the report, where not otherwise specified, is that of the scope of consolidation defined in the Consolidated Financial Statements, and it is consistent with the guidelines contained in the GRI Boundary Protocol of 2005.

**3.7
SPECIFIC LIMITATIONS
ON THE SCOPE OR
BOUNDARY OF THE
REPORT**

**3.8
BASES FOR
REPORTING THAT
CAN SIGNIFICANTLY
AFFECT
COMPARABILITY
FROM PERIOD TO
PERIOD AND/OR
BETWEEN
ORGANIZATIONS**

No changes occurred during the year in the Group's structure and activities which might affect the comparability of data with that of previous years. Any other reasons which might make the historical data series for an indicator non comparable are given in the respective tables and charts.

**3.9
DATA MEASUREMENT
TECHNIQUES AND
THE BASES OF
CALCULATIONS**

The information reported is drawn from different corporate IT systems, such as for example, the general accounting system, the operational control system, the personnel management system, the CRM commercial database and other systems. Data for which there is no single Group management system has been acquired for each single company and then aggregated centrally. In order to ensure the maximum reliability and significance of the qualitative and quantitative indicators contained in the report, priority has been given to information drawn directly from corporate databases, thereby reducing recourse to estimates as much as possible. Where used, estimates are based on the most accurate information available or on sample data.

**3.10
EFFECT OF ANY RE-
STATEMENT OF
INFORMATION
PROVIDED IN EARLIER
REPORTS AND THE
REASONS OF SUCH
RE-STATEMENT**

It was not necessary to make changes to information contained in previous reports. Where indicators and quantitative data are given for the first time in the report, figures for the previous two years have been calculated where possible.

**3.11
SIGNIFICANT
CHANGES FROM
PREVIOUS REPORTING
PERIODS IN THE
SCOPE, BOUNDARY
OR MEASUREMENT
METHODS APPLIED IN
THE REPORT**

No significant events or important changes occurred during the reporting period in the methods of measurement with respect to previous years, except for the EC8 indicator which from this year onwards involves the use of the model proposed by the London Benchmarking Group (LBG). The following information is given for the purposes of a comparison with prior years:

- **donations** have been divided into “**donations**” and “**investments in the community**” (the latter consist of structured projects, usually lasting more than one year);
- **sponsorships**, termed “**commercial initiatives for the community**”, consist of expenses incurred for third party initiatives which involve consideration in contracts consisting of visibility for the Group.

In compliance with the guidelines issued by ABI Energia, the calculation methods used in 2011 for consumption (energy, water and paper) and waste production per employee was changed with respect to prior years: full time equivalents (FTEs) were used for 2009 and 2010, while the sum of employees at the end of the year and of average workers during the year was used for 2011. The tables below give the coefficients used to calculate energy consumption (EN3 and EN4) and emissions (EN16).

ENERGY SOURCE	COEFFICIENTS FOR CALCULATING CONSUMPTIONS EN3 AND EN4	
Heating		
Natural gas	0.82 TOE/1,000m ³	0.03428 GJ/m ³
Gasoil (density 0,84 kg/l)	1.08 TOE/ton	42.62 GJ/ton
LPG (density 0,54 kg/l)	1.1 TOE/ton	47.3 GJ/ton
Transport		
Petrol (densità 0,74 kg/l)	1.2 TOE/ton	43.7 GJ/ton
Gasoil (density 0,84 kg/l)	1.08 TOE/ton	42.89 GJ/ton
LPG (density 0,54 kg/l)	1.1 TOE/ton	47.3 GJ/ton
Other		
Photovoltaic	0.000187 TOE/kWh	0.0036 GJ/kWh
District heating	0.086 TOE/mWh	0.0036 GJ/kWh
Electricity purchased	0.000187 TOE/kWh	0.0036 GJ/kWh

ENERGY SOURCE	COEFFICIENT FOR CALCULATING EMISSIONS EN16				
	CO ₂	CH ₄	N ₂ O	NO _x	SO _x
Heating					
Natural gas	1,958 g/m ³	0.0857 g/m ³	0.03428 g/m ³	2.417993 g/m ³	0.017271 g/m ³
Gasoil	3,141 kg/ton	298.3 g/ton	85.24 g/ton	2.46877 g/l	4.937541 g/l
LPG	2,984 kg/ton	236.5 g/ton	4.73 g/ton		
Transport					
Petrol	3,109 kg/ton	1,023.3 g/ton	78 g/ton		
Gasoil	3,138 kg/ton	45.3 g/ton	94.7 g/ton		
LPG	6.1 kg/USGal	0.5994 g/USGal	1.0854 g/USGal		
Other					
Electricity	413 g/kWh	0.0167 g/kWh	0.004 g/kWh	0.49 g/kWh	0.54 g/kWh

GRI CONTENT INDEX

**3.12
CONTENTS OF THE
REPORT**

The 2011 Social Report has been prepared according to the table of contents of version G3.1 of the “**Guidelines for Sustainability Reporting**” (2011) and the “**Supplement for the financial sector**” (2008) issued by the Global Reporting Initiative, with the objective of satisfying the minimum content requirements for **level A+**.

Account was also taken when defining the specific contents of the various indicators of the guidelines formulated by the Italian Banking Association in “**Reporting to Stakeholders. A Guide for Banks**” (2006) and **Global Compact** recommendations for periodic “**Communication on Progress**” required of all organisations which have signed the compact.

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
1.1	Core	Statement from the Chairmen	Full	4	
1.2	Core	Key impacts, risks and opportunities	Full	5	
2.1	Core	Name of the organisation	Full	6	
2.2	Core	Primary brands, products and services	Full	6	
2.3	Core	Operational structure	Full	6	
2.4	Core	Location of headquarters	Full	7	
2.5	Core	Countries where the group operates	Full	7	
2.6	Core	Nature of the ownership and legal form	Full	10	
2.7	Core	Market served	Full	12	
2.8	Core	Scale of the group	Full	12	
2.9	Core	Significant organizational changes	Full	13	
2.10	Core	Awards received in the reporting period	Full	14	
3.1	Core	Reporting period	Full	16	
3.2	Core	Date of the most recent previous report	Full	16	
3.3	Core	Reporting cycle	Full	16	
3.4	Core	Contact point for questions regarding the report or its contents	Full	16	
3.5	Core	Process for defining report content	Full	16	
3.6	Core	Boundary of the report	Full	17	
3.7	Core	Specific limitations on the scope or boundary of the report	Full	17	
3.8	Core	Bases for reporting that can significantly affect comparability from period to period and/or between organizations	Full	17	
3.9	Core	Data measurement techniques and the bases of calculations	Full	17	
3.10	Core	Effect of any re-statement of information provided in earlier reports and the reasons of such re-statement	Full	17	
3.11	Core	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Full	17	
3.12	Core	Contents of the report	Full	18	
3.13	Core	Policy and practice for external assurance	Full	23	
4.1	Core	Governance structure	Full	27	1-10
4.2	Core	Executive chairman	Full	29	1-10
4.3	Core	Independent and/or not executive administrators	Full	29	1-10
4.4	Core	Mechanisms for shareholders and employees to provide recommendations to the highest governance body	Full	29	1-10
4.5	Core	Linkage between management compensation and performance	Full	30	1-10
4.6	Core	Conflict of interests	Full	30	1-10
4.7	Core	Qualifications of the administrators	Full	31	1-10
4.8	Core	Mission, values, codes of conduct and principles	Full	31	1-10
4.9	Core	Procedures for the identification and management of economic, environmental and social performance	Full	33	1-10
4.10	Core	Processes for evaluating the highest governance body's own performance	Full	33	1-10
4.11	Core	Modality of application of the precautionary approach	Full	34	7
4.12	Core	Adoption of codes and principles external participation in associations	Full	34	1-10
4.13	Core	Stakeholder groups engaged	Full	35	1-10
4.14	Core	Modality of selection of stakeholders	Full	35	
4.15	Core	Approach to stakeholder engagement	Full	35	

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
4.17	Core	Key topics and concerns that have been raised through stakeholder engagement and responses	Full	35	
FS1	Core	Environmental and social policies applied to business	Full	38	
FS2	Core	Procedures for assessing environmental and social risks in business	Full	39	
FS3	Core	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	Full	40	
FS4	Core	Processes for improving staff competency to implement the environmental and social policies as applied to business	Full	40	
FS5	Core	Interactions with clients, investees and business partners about environmental and social risks and opportunities	Full	41	
FS6	Core	Customers by business lines, region, size and sector	Full	41	
FS7	Core	Products and services with specific social benefit	Full	42	
FS8	Core	Products and services with specific environmental benefit	Full	47	
FS9	Core	Audits on implementation of environmental and social policies and risk assessment procedures	Partial	48	
FS10	Core	Relations with investees on environmental and social issues	Full	49	
FS11	Core	Companies held in the portfolio with which the organization has interacted on environmental or social issues	Full	49	
FS12	Core	Voting policies on environmental or social issues	Full	49	
EC1	Core	Direct economic value generated and distributed	Full	50	
EC2	Core	Financial implications, risks and opportunities due to climate change	Full	52	7
EC3	Core	Coverage of the defined benefit plan obligations	Full	52	
EC4	Core	Significant financial assistance received from government	Full	52	
EC5	Additional	Standard entry level wage by gender compared to local minimum wage	Full	53	1
EC6	Core	Policy, practices and proportion of spending on locally-based suppliers	Full	54	
EC7	Core	Hiring from local personnel	Full	56	6
EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement	Full	56	
EC9	Additional	Significant indirect economic impacts	Full	59	
EN1	Core	Materials used	Full	66	8
EN2	Core	Recycled raw materials	Full	67	8,9
EN3	Core	Direct energy consumption by source	Full	67	8
EN4	Core	Indirect energy consumption by source	Full	68	8
EN5	Additional	Energy saved due to conservation and efficiency improvements	Partial	69	8,9
EN6	Additional	Initiatives to provide energy-efficient or renewable energy based products and services	Full	70	8,9

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	Full	70	8,9
EN8	Core	Total water withdrawal by source	Full	70	8
EN9	Additional	Water sources significantly affected by withdrawal	Not relevant	70	8
EN10	Additional	Water recycled and reused	Not relevant	70	8,9
EN11	Core	Lands in protected or of high biodiversity areas	Full	70	8
EN12	Core	Impacts of activities, products and services on biodiversity	Full	70	8
EN13	Additional	Habitats protected or restored	Not relevant	71	8
EN14	Additional	Strategies and actions for managing impacts on biodiversity	Not relevant	71	8
EN15	Additional	Protected species in area where the organization operates	Not relevant	71	8
EN16	Core	Total direct and indirect greenhouse gas emissions	Full	71	8
EN17	Core	Other indirect greenhouse gas emissions	Full	72	8
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	Full	72	7,8,9
EN19	Core	Emissions of ozone-depleting substances	Full	73	8
EN20	Core	Other significant air emissions	Full	73	8
EN21	Core	Water discharge	Full	73	8
EN22	Core	Waste by type and disposal method	Full	73	8
EN23	Core	Significant pollutant spills	Not relevant	73	8
EN24	Additional	Hazardous wastes	Full	73	8
EN25	Additional	Water habitats affected by discharges	Not relevant	74	8
EN26	Core	Initiatives to mitigate environmental impacts of products and services	Full	74	7,8,9
EN27	Core	Products sold and their packaging materials that are reclaimed	Not relevant	74	8,9
EN28	Core	Significant fines and non monetary sanctions for non-compliance with environmental laws	Full	74	8
EN29	Additional	Significant environmental impacts of transporting products and materials used and of transporting of the personnel	Full	74	8
EN30	Additional	Environmental protection expenditures and investments	Full	74	7,8,9
LA1	Core	Profile of the Personnel	Full	75	
LA2	Core	Turnover	Full	77	6
LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Full	79	
LA15	Core	Return to work and retention rates after parental leave	Full	80	
LA4	Core	Employees covered by collective bargaining agreements	Full	81	1,3
LA5	Core	Minimum notice periods regarding operational changes	Full	81	3
LA6	Additional	Workforce represented in formal joint management-worker health and safety committees	Full	82	1
LA7	Core	Injury, diseases and absenteeism	Partial	82	1
LA8	Core	Education, training, prevention and risk-control for the health and safety of workforce members and their families	Full	83	1
LA9	Additional	Health and safety topics covered in formal agreements with trade unions	Full	85	1
LA10	Core	Average hours of training per employee	Full	87	

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
LA11	Additional	Programs for skill management and lifelong learning	Partial	89	
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	Full	90	
LA13	Core	Composition of governance bodies and of employees per indicators of diversity	Full	91	1,6
LA14	Core	Remuneration of women to men	Full	92	1,6
HR1	Core	Investment agreements and contracts that include clauses on human rights, or that have undergone human right screening	Full	93	1-6
HR2	Core	Suppliers and other business partners that have undergone human rights screening	Full	93	1-6
HR3	Core	Employee training in human rights	Full	94	1-6
HR4	Core	Incidents of discrimination and actions taken	Full	94	1,2,6
HR5	Core	Operations in which the right to freedom of association and collective bargaining may be at risk	Not relevant	95	1-3
HR6	Core	Operations with significant risk of child labour	Not relevant	95	1,2,5
HR7	Core	Operations with significant risk of forced labour	Not relevant	96	1,2,4
HR8	Additional	Security personnel trained on human rights	Not relevant	96	1,2
HR9	Additional	Violations of the rights of indigenous people and actions taken	Not relevant	96	1,2
HR10	Core	Operations that have been subject to human rights reviews and/or impact assessment on human rights	Full	96	
HR11	Core	Grievances related to human rights resolved through formal grievance mechanism	Full	96	
SO1	Core	Operations with implemented local community engagement, impact assessment and development programs	Full	97	
FS13	Core	Branches in low-populated or economically disadvantaged areas	Full	97	
FS14	Core	Initiatives to improve access to financial services for disadvantaged people	Full	97	
SO9	Core	Operations with negative impacts on local communities	Full	98	
SO10	Core	Prevention and mitigation of negative impacts on local communities	Full	98	
SO2	Core	Business units analyzed for corruption risks	Full	99	10
SO3	Core	Employees trained on anti-corruption policies and procedures	Full	99	10
SO4	Core	Actions taken in response to incidents of corruption	Full	99	10
SO5	Core	Public policy development and lobbying activity	Full	100	1-10
SO6	Additional	Contributions to political parties, politicians and related institutions	Full	100	10
SO7	Additional	Legal actions for anticompetitive behaviour, anti-trust and monopoly practices	Full	100	
SO8	Core	Significant sanctions for non compliance with laws and regulations	Full	100	
FS15	Core	Policies for the fair design and sale of products and services	Full	101	
FS16	Core	Initiatives to enhance financial literacy	Full	102	

INDICATOR	TYPE	DESCRIPTION	COVERAGE	PAGE	GLOBAL COMPACT PRINCIPLES
PR1	Core	Lifecycle stages in which health and safety impacts of products are assessed for improvement and significant product and services categories subject to such procedures	Full	104	1
PR2	Additional	Incidents of non-compliance with regulations and voluntary codes concerning health and safety of product and services	Full	105	1
PR3	Core	Product and service information required by company's procedures	Full	105	8
PR4	Additional	Incidents of non-compliance with regulations and voluntary codes concerning product and service information	Full	106	8
PR5	Additional	Practices of customer satisfaction, including results of surveys measuring	Full	107	
PR6	Core	Compliance with laws, standards and voluntary codes related to marketing communication	Full	110	
PR7	Additional	Incidents of non-compliance with regulations and voluntary codes concerning marketing and advertising	Full	110	
PR8	Additional	Complaints regarding breaches of privacy and losses of data of customer	Full	110	1
PR9	Core	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	Full	110	

The table includes only performance indicators. The disclosure on management approach (DMA) is included in the introduction to the specific reporting areas.

ASSURANCE

3.13 POLICY AND PRACTICE FOR EXTERNAL ASSURAN CE

Like previous reports, the 2011 Social Report has been audited by an independent entity. The independent auditors **KPMG Spa** were appointed for the three year period for the social reports from 2009-2011. The auditor also verifies the level of application of the GRI model declared by the bank.



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

Limited assurance report on the social report

To the management board of
Unione di Banche Italiane S.c.p.A.

- 1 We have reviewed the social report for the year ended 31 December 2011 of the Unione di Banche Italiane Group (the "Group"). The parent's management board is responsible for the preparation of the social report in accordance with the Sustainability Reporting Guidelines & Financial Services Sector Supplement issued in 2008 and the updated version of the Sustainability Reporting Guidelines (version 3.1) issued in 2011 by GRI - Global Reporting Initiative, as set out in the "Report parameters" section. It is also responsible for determining the Group's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.
- 2 We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)", issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a social report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the social report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:
 - comparing the information and data presented in the "Economic value generated and distributed" section of the social report to the corresponding information and data included in the Group's consolidated financial statements as at and for the year ended 31 December 2011, on which we issued our report dated 27 March 2012 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia Cagliari
Catania Como Firenze Genova
Lecco Milano Napoli Novara
Padova Palermo Parma Perugia
Pescaia Roma Torino Treviso
Trieste Udine Varese Verona

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20124 Milano MI ITALIA



- analysing how the processes underlying the generation, recording and management of quantitative data included in the social report operate. In particular, we have performed the following procedures:
 - interviews and discussions with management of Unione di Banche Italiane S.c.p.A. and personnel of Banca Popolare di Ancona S.p.A., Banca Popolare di Bergamo S.p.A., Banco di Brescia San Paolo CAB S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Carime S.p.A. and UBI Sistemi e Servizi S.c.p.A., to gather information on the IT, accounting and reporting systems used in preparing the social report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the social report;
 - sample-based analysis of documentation supporting the preparation of the social report to confirm the effectiveness of processes, their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information included in the social report;
- analysing the compliance of the qualitative information included in the social report with the guidelines referred to in paragraph 1 and its overall consistency, in particular with reference to the sustainability strategy and policies and the determination of material issues for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter signed by the legal representative of Unione di Banche Italiane S.c.p.A. on the compliance of the social report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, it offers a lower level of assurance that we have become aware of all significant matters and events that would be identified during an audit.



The social report includes the corresponding information and data of the prior year social report for comparative purposes, with respect to which reference should be made to our report dated 19 April 2011.

- 3 Based on the procedures performed, nothing has come to our attention that causes us to believe that the social report of the Unione di Banche Italiane Group for the year ended 31 December 2011 is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines & Financial Services Sector Supplement issued in 2008 and the updated version of the Sustainability Reporting Guidelines (version 3.1) issued in 2011 by GRI - Global Reporting Initiative, as set out in the "Report parameters" section.

Bergamo, 28 June 2012

KPMG S.p.A.

(signed on the original)

Paolo Andreasi
Director of Audit

4 Governance, Commitments and Engagement

GOVERNANCE

4.1 - GOVERNANCE STRUCTURE

UBI Banca's governance model takes account of the following: measures and principles governing listed issuers contained in the **Consolidated Finance Act** and the relative regulations issued to implement it by the Consob (Italian securities market authority), legislation and regulations governing banks – with particular reference to the specific legislation for “popular” banks – contained in the **Consolidated Banking Act**; the **Corporate Governance Code for Listed Companies** issued by Borsa Italiana Spa (hereinafter the Corporate Governance Code). UBI Banca has adopted a two tier governance system in which governance functions are divided between a Supervisory Board and a Management Board.

☞ Reports and Accounts 2011 p. 5**-7**

SUPERVISORY BOARD MEMBERS (in office until the 2013 AGM)	PROFESSION	GENDER	AGE	INDEPENDENT	NO. OF POSITIONS ¹	ATTENDANCE AT BOARD MEETINGS (%)	ACCOUNTS COMMITTEE ²	INTERNAL CONTROL COMMITTEE ²	REMUNERATION COMMITTEE ²	APPOINTMENTS COMMITTEE ²	RELATED-PARTIES COMMITTEE ²
Corrado Faissola (Chairman)	Former banking executive	M	over 50	x	1	100					100
Giuseppe Calvi (Senior Deputy Chairman)	Lawyer	M	over 50	x	3	100					100 100
Alberto Folonari (Deputy Chairman)	Businessman	M	over 50	x	7	100					100 100
Mario Mazzoleni (Deputy Chairman)	Businessman	M	over 50	x	3	100					100
Battista Albertani	Businessman	M	over 50	x	12	86					
Giovanni Bazoli ⁴	Lawyer	M	over 50	x	4	76					100
Luigi Bellini ³	Lawyer	M	over 50	x	7	86					97
Mario Cattaneo ³	Accountant	M	over 50	x	9	76	100				93
Silvia Fidanza ⁵	Businesswoman	F	30 to 50	x	1	86					100
Enio Fontana	Businessman	M	over 50	x	17	90					
Carlo Garavaglia ³	Accountant	M	over 50	x	10	95	100				100
Alfredo Gusmini	Former banking executive	M	over 50	x	1	62					80
Pietro Gussalli Beretta	Businessman	M	30 to 50	x	6	67					
Giuseppe Lucchini	Businessman	M	over 50	x	6	76					100
Italo Lucchini ³	Accountant	M	over 50	x	13	86					100
Federico Manzoni ^{3,6}	Accountant	M	over 50	x	23	95	73				89 80 100
Salvatore Musumeci Toti	University lecturer - Lawyer	M	over 50	x	4	90					89
Sergio Orlandi	Businessman	M	over 50	x	4	86	100				100
Alessandro Pedersoli ⁴	Lawyer	M	over 50	x	3	48					100
Giorgio Perolari ⁷	Businessman	M	over 50	x	4	90					
Sergio Pivato ³	University lecturer - Accountant	M	over 50	x	6	100					100
Roberto Sestini	Businessman	M	over 50	x	11	81					
Giuseppe Zannoni	Businessman	M	over 50	x	2	95					

In 2011 the Board met 21 times and the average length of meetings was 4 hours	Number of committee meetings	11	30	9	5	4
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¹ 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, as required by Art. 144 *quinquiesdecies* of Consob's Issuers' Regulations, has been published by the Consob and made available on its website: www.consob.it.

² Membership of the committees is given with the percentage attendance of the meetings.

³ Enrolled in the Register of Accounting Auditors.

⁴ Resigned on 29/03/2012. The Shareholders' Meeting held on 28/04/2012 appointed Enrico Minelli and Armando Santus to replace Giovanni Bazoli and Alessandro Pedersoli.

⁵ Appointed on 11/4/2012 as a member of the Accounts Committee to replace Federico Manzoni.

⁶ Appointed on 11/4/2012 as a member of the Appointments Committee to replace Giovanni Bazoli.

⁷ Appointed on 11/4/2012 as a member of the Remuneration Committee.

The **Supervisory Board** has functions of strategic policy-making and control and has internal committees with consultation functions (Accounts Committee, Internal Control Committee, Remuneration Committee, Appointments Committee and Related Parties Committee) to oversee the integrity and transparency of resolutions passed on matters of particular delicacy. Its members are appointed for three years and may be re-elected.

☞ Reports and Accounts 2011 p. 13** - 28**

The **Management Board** is responsible for the management of the Bank in observance of the general strategic policies and programmes approved by the Supervisory Board. Its members remain in office for three 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) and may be re-elected.

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. The members of the Management Board are 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.

MANAGEMENT BOARD MEMBERS	PROFESSION	GENDER	AGE	EXECUTIVE	INDEPENDENT	NO. OF OTHER POSITIONS ¹	ATTENDANCE AT BOARD MEETINGS (%)
Emilio Zanetti (Chairman)	Banker-Businessman	M	over 50	x		3	100
Flavio Pizzini (Deputy Chairman)	Accountant	M	over 50	x		5	94
Victor Massiah (Chief Executive Officer)	Banking executive	M	over 50	x		4	97
Giampiero Auletta Armenise	Banker	M	over 50	x		5	100
Giuseppe Camadini	Former Public notary	M	over 50	x		6	94
Mario Cera	University lecturer- Lawyer	M	over 50	x		2	97
Giorgio Frigeri	Former banking executive	M	over 50	x		8	100
Gian Luigi Gola	Accountant	M	30 to 50		x	4	100
Guido Lupini	Former banking executive	M	over 50	x		1	100
Andrea Moltrasio	Businessman	M	over 50	x		5	97
Franco Polotti	Businessman	M	over 50	x		4	97
In 2011 the Board met 31 times and the average length of meetings was 5 hours						Average	98

¹ Number of directorships or appointments as statutory auditor held in other companies listed on regulated markets including foreign markets, in financial, banking or insurance companies or companies of significant dimensions.

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.

☞ Reports and Accounts 2011 p. 28**.-34**

In view of the co-operative form of the bank, the Corporate By-Laws also provide for a Board of Arbitrators to which any registered shareholder may appeal to settle any disputes relating to the interpretation or application of the Corporate By-laws and to any other resolutions or decisions taken by the governing bodies of the Bank concerning corporate affairs. Its members are appointed for three years and may be re-elected.

MEMBERS OF THE BOARD OF ARBITRATORS (in office for the 3 year period 2012-2014)	PROFESSION	GENDER	AGE
Giampiero Donati (Chairman)	Lawyer	M	over 50
Mario Caffi (Full member)	Lawyer	M	over 50
Giuseppe Onofri (Full member)	Lawyer	M	over 50
Attilio Rota (Alternate member)	Lawyer	M	over 50
Pierluigi Tirale (Alternate member)	Lawyer	M	over 50

4.2 EXECUTIVE CHAIRMAN

The Corporate By-Laws assigns powers and functions to the Chair of the Management Board, which underline his involvement in the management of the Bank. More specifically the Chair 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 Chair of a company's management body, to be performed by liaising with the other by-law regulated bodies where appropriate.

☞ Reports and Accounts 2011 p. 33**.-34**

4.3 INDEPENDENT AND/OR NOT EXECUTIVE ADMINISTRATORS

Possession of the requirements of independence in compliance with current law (Art. 148, paragraph 3, Consolidated Finance Act) has been verified for all members of the Supervisory Board. 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 also meet the independence requirements of the Corporate Governance Code.

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. In view of the decision taken by UBI Banca to form internal committees within the Supervisory Board as provided for by the Corporate Governance Code – for which requisites of independence are required – only one independent board member has been appointed.

☞ Reports and Accounts 2011 p. 19** and 34**

4.4 MECHANISMS FOR SHAREHOLDERS AND EMPLOYEES TO PROVIDE RECOMMENDATIONS TO THE HIGHEST GOVERNANCE BODY

UBI Banca's Corporate By-Laws do not provide for mechanisms available for shareholders and employees to furnish recommendations or give directives to the highest governing body. Nevertheless ordinary shareholders' meetings may be convened by registered shareholders on presentation of a 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. Furthermore, in compliance with the procedures and within the time limits set by law, a number of registered shareholders no fewer than 1/40 (one fortieth) of the Registered Shareholders with the right on the date of the request, may make an application in writing for additions to be made to the agenda to be dealt with in the Shareholders' Meeting, as it results from the notice convening the Shareholders' Meeting. The current **Regulations Governing Shareholders' Meetings** in force,

approved by a Shareholders' Meeting, establishes the right of each registered shareholder to participate in Shareholders' Meetings, to request information and make observations and proposals concerning matters on the agenda.

☞ [Corporate By-Laws Art. 22 and Regulations Governing Shareholders' Meetings](#)

With regard to employees, constant ongoing relations are maintained with company and Group representatives as part of periodic discussions required under the various labour contract procedures and in other opportunities for meetings, such as equal partnership commissions and bi-lateral observatories (company and Group) on corporate social responsibility, corporate climate, training and equal opportunities matters. Furthermore, employees who are registered shareholders may also attend meetings with the right to speak and vote, on a par with other registered shareholders, with the sole limitation that they may not act as proxies.

☞ [LA4, LA5 and Corporate By-Laws Art. 26](#)

4.5 LINKAGE BETWEEN MANAGEMENT COMPENSATION AND PERFORMANCE

☞ [EC5 and Reports and Accounts 2011 p. 23** - 24**](#)

The remuneration of members of the Supervisory board is set by a shareholders' meeting. The remuneration of members of the Management Board is set by the Supervisory Board, subject to consultation with the Remuneration Committee and it is not linked to the operating results of the Bank. No member of the Management Board is subject to incentive schemes, while a part of the remuneration of the Chief Executive Officer, as the highest ranking executive officer of the Bank, is variable, determined on the basis of criteria set for all senior executives.

4.6 CONFLICT OF INTERESTS

☞ [Reports and Accounts 2011 p. 157-159, 24** - 26**, 43** - 46**](#)

UBI Banca pays particular attention when performing transactions with related parties to ensure they are carried out properly both in form and substance. 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 in compliance with the provisions of Art. 136 of the Consolidated Banking Act. 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 article. With Resolution No. 17221 of 12th March 2010, subsequently amended by Resolution No. 17389 of 23rd June 2010, the Consob approved regulations concerning the procedures to be followed for the approval of transactions performed by listed companies and the issuers of shares with a broad shareholder base with parties with a potential conflict of interest, including major or controlling shareholders, members of the management and supervisory bodies and senior managers including their close family members. The competent bodies of UBI Banca approved special regulations, available on the website of the Bank and they defined internal processes designed to ensure compliance with the new measures introduced. An internal Related-Parties Committee has been formed by the Supervisory Board to which transactions falling within the scope of the regulations must be submitted in advance. On 12th December 2011 the Bank of Italy published new measures relating to risk weighted assets and conflicts of interest regarding related parties, which will enter into force at the end of 2012. A special working group was set up at the Parent to make decisions concerning the implementation of those measures by the deadline of 30th June 2012. Finally, 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 approved which provides detailed regulation of obligations concerning personal transactions in financial instruments performed by all those termed "significant parties". In this respect, the adoption of a Code of Conduct further regulated the activities of all Group personnel and introduced, amongst other things, quantitative limits on transactions in financial instruments and a prohibition on investing in some types of highly speculative instruments.

4.7 QUALIFICATIONS OF THE ADMINISTRATORS

The Supervisory Board is composed of 23 members appointed by a Shareholders' Meeting chosen from among those registered shareholders possessing the necessary qualities of integrity, professionalism and independence required by the legislation in force. At least 15 of them must possess the qualities of professionalism required by the legislation in force for persons who perform bank management functions and at least 3 of them must be chosen from among persons enrolled in the *Registro dei Revisori Contabili* (register of auditors), who have practised as legal certifiers of accounts for a period of not less than three years.

☞ [Reports and Accounts 2011 p. 14**](#)

In compliance with the legislation in force, at least the majority of the members of the Management Board has at least three years total experience in management and/or professional activities in financial and/or securities and/or banking and/or insurance institutions in Italy or abroad and at least one member of the Management Board possesses the requirements of independence set forth in Art. 148, paragraph three of the Consolidated Finance Act.

☞ [Reports and Accounts 2011 p. 29**](#)

The curricula vitae of the members of the Supervisory Board, the Management Board and the General Management of the Parent are available on the website of the Parent.

☞ <http://www.ubibanca.it/pagine/Supervisory-Board-EN.aspx>,
<http://www.ubibanca.it/pagine/Management-Board-EN.aspx>,
<http://www.ubibanca.it/pagine/General-Management-EN-5.aspx>

In order to ensure management continuity and certainty and in compliance with Consob recommendations, with the assistance of a leading company in the sector, UBI Banca has introduced **Senior Leadership Succession** which, in compliance with By-Law requirements and internal regulations, will entail the identification and evaluation of management personnel who could be considered as possible candidates for Senior Leadership positions at UBI Banca (Chief Executive Officer and General Manager). The process supports those bodies involved in the selection and nomination of candidates on a series of critical issues such as understanding the value of internal candidates (e.g. strengths, areas for improvement to be made through possible enhancement action) and the corporate and business environment (growth, cost restructuring, internationalisation) in which each candidate may be considered most suitable to fill the role of Chief Executive Officer or General Manager.

Generally the procedure will be reviewed and implemented annually to address planned changes or in order to be prepared to tackle unforeseen situations in a professional and organised manner. The candidates assessed for succession are managers who fill the most important roles within the Group and only if the results of the assessment of in-house candidates is unsuccessful will consideration be given to candidates from outside the Group.

4.8 MISSION, VALUES, CODES OF CONDUCT AND PRINCIPLES

To be a good banker means creating a vision of a bank in which you can trust, a bank recognised on the market for its management style based on a constant sense of ethics, transparency, integrity, dialogue and respect in business. It means believing in strong and shared values and putting them into practice in observance of principles and rules of conduct which are not seen as limitations, but as the way to establish our identity on the market.

The Group's mission, values and principles are formally declared mainly in its Charter of Values and Code of Ethics, which are based, amongst other things, on the principles of the Global Compact.

The **Charter of Values** – approved in January 2008 – identifies the mission, vision and values on which the Group has based its identity and which must guide the conduct of all personnel in their relationships with customers and with all other stakeholders in both strategic choices and everyday business.

☞ [Charter of Values](#)

The **Code of Ethics** approved at the end of 2010 by the Management Board and the Supervisory Board of UBI Banca and subsequently by all subsidiary banks and companies is the result of work performed, which involved the Parent, the network banks and the main product companies at various levels starting with senior management. Other companies in which stakes are held have been informed of the Code. They are asked to commit themselves to the pursuit of conduct consistent with the principles contained in it. It has been communicated to personnel through the consultation of internal regulations on the corporate intranet and in hardcopy form for companies who have no access to that portal and it is also published on the Group website. Copies are delivered to members of corporate bodies when they accept their appointment, to newly recruited personnel and to all those who do business with the Group under contract or who represent the Bank without being subordinate to it (e.g. business partners, agents, consultants, sales persons and other independent associates), when a relationship is established. Major suppliers are required to sign a declaration of acceptance as part of the respective contract documents.

A detailed **training programme** was launched in the second quarter of 2011 for Group personnel, with different activities for different levels of responsibility within the organisation: workshops for senior management, classroom training for unit managers and remote training for all employees. Three reports were received for presumed violations of the Code of Ethics in 2011: one from employees and two from customers. In all three cases the Parent and Group Audit Area, the unit which receives reports and investigates them, found that no violation of the Code had taken place. The customer reports were therefore dealt with through customer complaints procedures. In accordance with the Code, reports, which cannot be anonymous, are kept strictly confidential and those making reports are protected against any form of retaliation, discrimination or penalty.

☞ [Code of Ethics p. 30](#)

At the end of 2011 the Supervisory Board and the Management Board of UBI Banca approved a new **Code of Conduct** prepared on the basis of the principles of the Code of Ethics and aimed at all those in a working relationship with UBI Banca, both on a continuing and casual basis. It is designed to furnish a framework of principles of conduct with which to evaluate concrete situations from time to time and compliance with decisions to be taken with ethical and regulatory norms. Banks and companies belonging to the Group have also adopted the same text, modified, where appropriate, with the consent of the Parent, to meet requirements dictated by specific sectors or residency in foreign countries. Failure to observe the rules of the Code of Conduct constitutes violation of the Code of Ethics: instances of non compliance must be reported and are punished in accordance with the procedures set forth in the Code of Ethics and in compliance with the rules and regulations applicable to the employment contract in question.

Mission

We participate actively in the economic and social life of the communities in which we operate, with a distinctive ability to interpret, serve and encourage the development of local economies.

We pursue the objective of promoting progress and creating value for all our stakeholders. We support the development of a healthy economic and business community to grow together with our customers with the excellence of our products and services.

**4.9
PROCEDURES FOR
THE IDENTIFICATION
AND MANAGEMENT
OF ECONOMIC,
ENVIRONMENTAL
AND SOCIAL
PERFORMANCE**

Much work has been done in recent years on organisational controls and on business innovation, pursuing objectives of sustainability and consistency with customer expectations and those of other stakeholders concerned and on improving dialogue with stakeholders and accountability. The adoption of a Code of Ethics constitutes a fundamental step in the achievement of the social responsibility model of the UBI Banca Group. By identifying our stakeholders and clearly stating the principles followed in our conduct towards them, the Code constitutes a framework of reference we use to integrate ethical, social and environmental aspects in our strategies, policies and corporate operations.

Oversight of the adoption of the Group’s social responsibility model is performed by the Social Responsibility Function of the Parent, which reports directly to the Chief Financial Officer, who in turn reports directly to the Chief Executive Officer.

Corporate social responsibility model

AREAS OF INTERVENTION	OBJECTIVES	MECHANISMS AND TOOLS	CSR AREAS	GLOBAL COMPACT		
CORPORATE GOVERNANCE	System of “organisational consistencies” designed to direct the action of individuals and organisational units in compliance with declared internal and external standards.	<ul style="list-style-type: none"> • Code of Ethics (policies) • Ethical training • Incentive systems • Formal commitments 	Business ethics			
MANAGEMENT OF BUSINESS	Products and services, commercial approach models and distribution processes consistent with the ethical, social and environmental expectations of stakeholders (new combinations of product/segment/channel).	<ul style="list-style-type: none"> • Risk, production, commercial and distribution policies and guidelines • Industrial Plan objectives • Specific projects 	Business innovation	Environment	Human rights and labour	Corruption
MANAGEMENT OF SOCIAL ACTION	Recognition of the value of intervention in the community by means of an organic line of management consistent with identity and business choices.	<ul style="list-style-type: none"> • Policies and guidelines for social investments (sponsorisations, gifts) • Specific projects 	Community involvement			
REPORTING AND CONTROL	An integrated system for monitoring operations and internal and external communication consistent with the models implemented.	<ul style="list-style-type: none"> • Dialogue with stakeholders • Management dashboards • Social Report • Website • Social and environmental certifications 	Social audit			

**4.10
PROCESSES FOR
EVALUATING THE
HIGHEST
GOVERNANCE
BODY’S OWN
PERFORMANCE**

Following its appointment, the Supervisory Board successfully ascertained that the requirements for integrity, professionalism and independence were met by all its members. In compliance with Bank of Italian instructions issued on 12th January 2012 concerning the “organisation and corporate governance of banks” and also in compliance with the provisions of the Corporate Governance Code, the Management Board and the Supervisory Board performed self assessments for the financial year 2011 – similar to those performed for the financial year 2010 – on the size, composition and functioning of the boards themselves. The results were included in a specific section of the Corporate Governance Report. Both Boards unanimously confirmed the appropriateness of their composition, size and functioning and they considered that the board proceedings as a whole, in terms of organisation, analysis of issues, attendance at meetings and participation in discussions, were appropriate to ensure the sound and prudent management of the Bank and the Group.

☞ Reports and Accounts 2011 p. 19**,-20**,30**,60**

The number of meetings held in 2011 and the average rate of attendance at Supervisory Board and

Management Board meetings was 21 and 85.7%, and 31 and 97.8%, respectively. In view of the renewal of the terms of office that will take place in 2013 and in compliance with new the Bank of Italy requirements in relation to improvements in the quality of corporate governance (provision of 12th January 2012), the self-assessment process was brought up-to-date and a specific project was launched to define the optimum composition in terms of quality and quantity of the corporate boards and to provide transparent procedures which will ensure adequate representation of the different components of the shareholder base.

COMMITMENTS TO EXTERNAL INITIATIVES

4.11 MODALITY OF APPLICATION OF THE PRECAUTIONARY APPROACH

☞ Reports and
Accounts 2011 p.
36** - 42**

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 on three levels (managers of organisational units or processes, risk control specialist functions and the Internal Audit function), while it is overseen strategically by the Supervisory Board.

The Internal Control System is **efficiently** organised, without overlap or gaps in control mechanisms, and **consistently** with the organisation process and it ensures that adequate response is made to risks which might hinder the achievement of corporate objectives set on the basis of the corporate mission and values. It **conforms** with legislation and regulations, as a distinctive feature and critical success factor for enhancing customer relationships and in the final analysis for the creation of value for all our stakeholders, over and above any regulatory obligations.

Second level control managers – controls assigned to specialist functions including Risk Management, Compliance, Anti Money Laundering, the Senior Officer Responsible for Accounts and Management Control – are responsible for identifying and preventing the occurrence of risk situations on a continuous basis, by employing appropriate assessment models and contributing to the formulation of adequate risk assumption and management policies.

The Supervisory Board, Management Board and Senior Management are furnished with integrated maps of risks considered “significant” and they also receive reports on current exposure and future operating risks, with the use, amongst other things, of a special *tableau de bord* to monitor and assess the system of internal controls.

4.12 ADOPTION OF CODES AND PRINCIPLES EXTERNAL

Since 2003, BPU Banca (now UBI Banca) has applied the 10 universal principles of the **UN Global Compact** (www.unglobalcompact.org) in the fields of human rights, the protection of labour, the environment and the fight against corruption, for the construction of a global economy that is more inclusive and sustainable.

4.13 PARTICIPATION IN ASSOCIATIONS

The Group CSR Officer attends the proceedings of the **CSR Manager Network Italia**, **EBEN Italia**, the **Banks and Social Activities Committee** of the Italian Banking Association and also, together with other colleagues, various working groups formed by the Italian Banking Association on specific social responsibility issues.

UBI Banca is a member of the **Italian Banking Association Energia Consortium** for energy efficiency in the banking sector. It is also a member of the **Sodalitas Foundation** – whose mission is to contribute to the development of the third sector and the growth of a corporate social responsibility culture – and it participates in the **Science for Peace's** Banks and Civil Society Committee, a project launched by the Umberto Veronesi Foundation with the objective of seeking concrete and scientific solutions for peace. In 2011 it produced a Code of Responsibility for banks with regard to relations with the armaments and defence sector.

UBI Banca supported the activities of **Politeia** in the three year period 2009-2011, a policy and ethics research and training centre.



STAKEHOLDER ENGAGEMENT

4.14 STAKEHOLDER GROUPS ENGAGED

4.15 MODALITY OF SELECTION OF STAKEHOLDERS

☞ Code of Ethics p.
9-10

The UBI Banca Code of Ethics defines Group stakeholders, dividing them into three classes:

- organisations and parties which by the nature of the relationships established or investments made, hold an interest in the operations of the Bank (e.g. employees, customers, suppliers);
- organisations and parties affected by the external impacts of UBI Banca's activities, although they have formed no direct relationships with it (e.g. local communities and economies);
- organisations and institutions which hold the same interests as those described in the previous points and which are able to exert influence over the UBI (e.g. trade unions and other organisations which represent stakeholders).

The relationships from which the expectations of stakeholders arise constitute the basis of the duties of trust which UBI Banca has, in the strict sense of the term, towards its registered shareholders and, more generally, towards all its stakeholders. These duties of trust in a general sense consist of ensuring that UBI pursues its business mission by seeking a fair balance between the interests of all its stakeholders, also taking account of the existence of multiple interests and therefore of possible complementarities and conflicts of interest and of the Bank's status as a listed company and therefore subject to obligations towards the market.

The Group's commitment is designed to continuously improve the quality of relations with its stakeholders by optimising methods of engagement and ensuring appropriate opportunities exist for discussion and consultation. Engagement activities are designed and structured with account taken of the closeness of the relationship and the entity and urgency of the interests held by different stakeholders, in addition to the procedures laid down by legislation and regulations (e.g. Shareholders' Meetings, negotiations with Trade Unions) and established practice (e.g. investor relations).

4.16 APPROACH TO STAKEHOLDER ENGAGEMENT

4.17 KEY TOPICS AND CONCERNS THAT HAVE BEEN RAISED THROUGH STAKEHOLDER ENGAGEMENT AND RESPONSES

☞ PR5

The Group has progressively intensified its stakeholder engagement activities in recent years which now involve registered and unregistered shareholders, employees, customers and organisations representing the community.

Registered and unregistered shareholders

The **Investor Relations** staff manages relations with equity investors (investors in stocks and shares) and fixed income investors (investors in bonds) on a continuous basis and with financial analysts, in full compliance with Consob and Borsa Italiana regulations for the disclosure of information which might influence markets.

FINANCIAL COMMUNICATION ¹	2011	
	NO. OF EVENTS	NO. OF CONTACTS
Conference calls/presentations	5	453
International conferences	7	140
Road shows (all abroad)	7	95
Individual and group meetings	20	74
TOTALE	39	762

¹ Events organised with investors and analysts of the share and with investors in debt instruments. The number of contacts are the number of interactions, which may even be with the same parties, at different events on different dates.

The internet, together with newspaper publications, is the main source of information for the public and is considered the main tool for transparency and the disclosure of corporate information by both the supervisory authority and market regulatory authorities. Yet again in 2011 the English version of the corporate website was assessed by the company Hallvarsson & Halvarsson, by using a broad range of qualitative and functional criteria, which reflect the information requirements of financial journalists, analysts and institutional investors. With a score of 65.25 (out of a maximum

of 100) equal to 73.3% of the best for the sector, UBI Banca occupied 2nd place in the banking sector and 12th place overall.

The **Shareholders Service** is responsible for relations with **registered shareholders** and it proposes and co-ordinates initiatives for them. The registered shareholders section of the Group website provides information specifically of interest to registered shareholders and completes the information already available in the investor relations section. All registered shareholders receive a written communication – the “**Letter to the Registered Shareholders**” – at least annually to keep them up-to-date on the financial and operating position of the Group and on projects in progress. The principal opportunities for engagement are Shareholders' Meetings.

Employees

Engagement with employees takes place above all through regularly organised negotiations with the trade union organisations present in the Group.

Following the adoption of the Code of Ethics, a survey of the perception of ethical conduct in the Group was carried out in 2011 with the support of an outside firm of specialists. The purpose was to draw useful indications from it to improve corporate climate, partly through accurate perception and implementation of the principles of the Code of Ethics. With regard to labour conditions, the survey found very positive perceptions of fair treatment, the absence of discrimination and respect for women. The majority of the judgements on attention to equal opportunities, working mothers and logistical support for disadvantaged persons were positive. Areas for improvement include the real possibilities in general for reconciling work with satisfaction in private life.

The new corporate intranet – **UBI Life** – provides an important opportunity for greater engagement with employees through tools which stimulate discussion and participation (e.g. an ideas box, surveys and, shortly, blog pages on specific issues).

Customers

In addition to the management of complaints as an opportunity to improve services by analysing the reasons for dissatisfaction, a “**consultation project**” has been in operation for some years now with customers. It is a customer satisfaction survey which also surveys aspects concerning the image, reputation and social responsibility of the Group and the specific network bank of the customer.

A satisfaction score is measured monthly at bank, market, local department and branch level, which also forms part of the criteria for setting incentives for Group personnel. The retail market score was unchanged in 2011 at 56 points and the corporate market score increased by two points (54), while the score for the private banking market fell by 3 points (52), which confirmed the difficulties of a crisis which has not yet been resolved.

[☞ Reports and Accounts 2011 p. 53-55](#)

Direct communication is also a determining factor in the establishment of clear and transparent relationships. News about services provided is communicated to customers by using all the available channels (e.g. websites, outbound call center campaigns, dedicated newsletters, detailed information sheets, SMSs, etc.) to ensure the prompt provision of full information. Information is provided in full observance of the privacy consent given by customers, who if they wish may at any time request either via email or directly to operators for commercial communications to cease.

The community

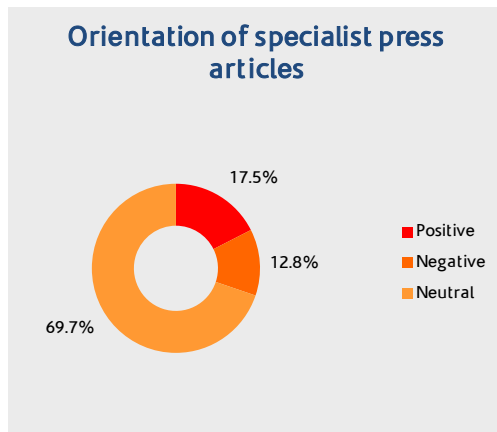
Dialogue with the community takes place both through relations with the press and through specific **discussion activities with trade and nonprofit organisations** in the Group's local markets (focus groups). Meetings were held in Turin, Genoa and Breno in 2011, which concluded a four year cycle that included the main local areas in which the Group has operating headquarters. The overall picture, which again remained unchanged this year, showed a need to make further efforts to improve and to spread tools to communicate Group social responsibility, especially by using new technologies. The requests for greater detail and more organisation in meetings designed to exchange information and to formulate and share policies and projects for local communities, must be set against a persistent lack of awareness of reporting instruments by organisations and

willingness to use them both to furnish knowledge of themselves and to acquire knowledge of the Bank.

Relations with the media are managed by the competent organisational units and are based on the principles of integrity, transparency, independence and equality. They are designed to provide reliable and relevant information on a regular basis on the activities, structure and financial position of the Bank, on its policies and strategies, including social and environmental aspects, and on the impacts of its actions.

The Parent issued 52 press releases in 2011, of which 37 financial and 3 on social initiatives.

Critical analysis of **press articles** helps to identify the issues and operational issues of most interest to the public and how the Bank is perceived by public opinion. In 2011, 8,266 articles were published in the press, 35.7% of which are specialist articles (i.e. containing information on



corporate structure and operating results, statements by senior executives and managers and on products and services which enable the public to form an opinion of the activities of the Bank). While the total number of articles on UBI Banca decreased compared to last year, the number of specialist articles increased considerably (+21.5%), while mere mentions and articles on social activities reduced in number¹. Specialist articles on the Group included 41.9% published in local newspapers, 21.4% in general national newspapers, 18.3% in financial national newspapers, 14.9% in financial periodicals and the remaining 3.5% in other publications.

¹ Analysis of press coverage by the agency D'Antona & Partners

FS. Financial Sector Social and Environmental Aspects

UBI Banca contributes to the sustainable development of the local communities in which it operates, with attention paid to the social and environmental repercussions of its activities. It achieves this through its commercial and credit policies, which consider the demands of all customer segments – especially socially vulnerable consumers and small to medium-sized enterprises – through business innovation to satisfy new needs and development opportunities – for example new services for non profit organisations in the community and affordable solutions for the disadvantaged – and through specific policies to control and reduce social and environmental impacts – for example the Bank's armaments policy to respect human rights and its environmental policy.

All business policies and management approaches to the various economic, social and environmental issues that affect the financial sector are based on the principles and commitments to stakeholders defined in the Group's Code of Ethics.

MANAGEMENT APPROACH

FS1 ENVIRONMENTAL AND SOCIAL POLICIES APPLIED TO BUSINESS

Since 2007 UBI Banca has pursued a **Policy for the management of transactions with counterparties operating in the arms and weapons materials sector**, which bans business relations with companies involved in the production, development, storage, marketing and/or sales of arms of mass destruction and other controversial weapons (e.g. mines) and it involves an authorisation regime, subject to rigorous controls for transactions involving international trade in arms. The policy applies to all the Group's activities – with the exception of asset management, where the investment decisions are made with reference to market benchmarks and therefore cannot be based on screening on specific issues – and it involves periodic assessment of the foreign countries to which arms are destined or from which they come – except for those belonging to the European Union and/or NATO – on the basis of criteria which consider not only international embargos on arms, but also involvement in armed conflicts, violations of human rights perpetrated or tolerated by government authorities, the levels of human development and the level of military expenditure compared to spending on human development (health and education). The spirit, design and criteria for assessing the policy are already basically in line with the **Code of responsibility for finance to the arms industry** proposed by **Science for Peace** and developed by the multi-stakeholder working group Banks and Civil Society, in which UBI Banca participated.

While the report on the implementation of the policy published on the website of UBI Banca may be consulted for full information, a brief summary of the transactions performed in 2011 at Group level is given here on the basis of reports prepared by the Network Banks¹:

- 85 transactions for the receipt of €3.7 million (down by 36.9% compared to 2010) for small arms (82% to the USA and EU countries);
- 267 transactions for the receipt of €110 million (down by 39.5% compared to 2010) for arms and weapons materials of a military nature authorised in accordance with Law No. 185/1990 (75% to EU countries);
- 40 new authorisations requested in accordance with Law No. 185/1990 worth €173 million (up by 1.4% compared to 2010);
- 1 request for €197 million not accepted because not compliant with the policy (country not admissible);
- no transactions performed as exceptions to the policy.

¹ The transactions are reported on the basis of the date of the transactions and the authorisations issued by the Ministry of Foreign Affairs and transactions in foreign currency have been translated into euro at the average exchange rate for the year. The data on exports of arms and weapons materials falling under Law No. L.185/1990 may differ from that published in the Prime Minister's Report to Parliament due to the criteria used to compile the data.

http://www.governo.it/Presidenza/UCPMA/relazione_parlamento.html

☞ Policy for the management of transactions with counterparties operating in the arms and weapons materials sector

☞ http://www.fondazioneveronesi.it/i-nostri-progetti/divulgazione/science-for-peace/i-gruppi-di-lavoro#tab_13

As concerns other economic sectors, which may present high risks from a social and environmental viewpoint or which are nevertheless considered critical by rating agencies and investors who employ ethical criteria, no official policies are pursued, but close attention is paid traditionally throughout the Group to avoid involvement in transactions which may present reputational risks, in compliance with the general principles and rules of conduct in the management of relations with customers contained in the Code of Ethics and the related Code of Conduct.

As a precautionary measure, in April 2011 the Credit Area of UBI Banca furnished specific instructions to the Credit Departments of the Network Banks concerning business in the **gaming and betting sector**². They invited departments to limit this business to a marginal level and to employ extremely rigorous conduct in assessing loan applications: parties operating in this sector must not only meet appropriate credit rating criteria, but must also be known to and approved of by the Bank and in possession of the qualities of absolute integrity, seriousness and reliability.

CONTROVERSIAL SECTORS	2011		
	NO. COUNTERPARTIES	LENDING (millions of euro)	PERCENTAGE OF TOTAL LOANS
Tobacco	42,018	50.1	0.07%
Alcohol	3,093	17.3	0.03%
Furs	2,060	3.6	0.01%
Nuclear	0	0	0.00%
Gambling	9,889	13.7	0.02%
Chemicals for agriculture (pesticides, fertilisers)	1,513	17.3	0.03%
TOTAL	58,573	102.0	0.15%

An **environmental policy** has been in force at Group level since 2008, designed not only to progressively reduce direct environmental impacts, but also to provide incentives for virtuous conduct along the value chain through the choice of commercial, credit and purchasing policies. Special policies and operational and control procedures are in place on the other most important aspects of banking operations concerning consumer protection, market abuse, conflicts of interest, transparency, privacy, usury, money laundering, the fight against terrorism and crimes covered by Legislative Decree No. 231/2001 on the administrative liability of entities. These are constantly updated to comply with changes in legislation and best practices.

FS2 PROCEDURES FOR ASSESSING ENVIRONMENTAL AND SOCIAL RISKS IN BUSINESS

The assessment of environmental and social risks is generally present in all the Group's activities and is also performed by making use of information acquired from qualitative questionnaires to assess the creditworthiness of companies.

The assessment is regulated by special procedures for specific types of transaction. These are receipt and payment transactions for international **arms trade**, which are subject to specific authorisation procedures by the General Management of the individual Group banks and companies involved, and **project finance** operations performed by Centrobanca, for which checks are made to

² The organisation of gaming and betting in those European countries which allow it is managed by central governments which sub-contract operations to private sector companies in return for the payment of license fees. In Italy in particular, laws allow gaming and betting activities to be run by companies authorised by government, which intends in this manner to exercise stringent control over a highly profitable sector which, as such, could attract interest from persons of dubious moral character. As a result of the potential profit margins that the sector offers, a growing number of specialist operators is appearing who offer services using new technologies such as the internet or the installation of new gaming devices in bars, hotels and restaurants and no longer through more traditional channels such as casinos and betting shops. In this context therefore, operators in the sector may appear in a variety of legal forms and with different dimensions and consequently different degrees of financial and operating soundness.

ensure that all finance projects have passed the authorisation procedures required by Italian law (environmental impact assessment, declaration of the start of activity, single authorisations, building permit, etc.) and have passed the technical, administrative and insurance assessments performed on behalf of the Bank by major independent advisors of international standing.

FS3
PROCESSES FOR
MONITORING
CLIENTS'
IMPLEMENTATION OF
AND COMPLIANCE
WITH
ENVIRONMENTAL
AND SOCIAL
REQUIREMENTS
INCLUDED IN
AGREEMENTS OR
TRANSACTIONS

No specific standards or performance expectations are set in finance contracts with companies, except with regard to the implementation of the armaments policy, concerning the involvement of corporate customers in the production, development, storage, marketing and/or sales of arms of mass destruction and other controversial weapons (e.g. mines). All corporate customers which operate in the arms and weapons materials sector are required to sign a declaration to certify that they are not involved in these activities. Compliance with these declarations is monitored on the basis of information disclosed in the press, by analysts, social organisations and pressure groups.

FS4
PROCESSES FOR
IMPROVING STAFF
COMPETENCY TO
IMPLEMENT THE
ENVIRONMENTAL
AND SOCIAL POLICIES
AS APPLIED TO
BUSINESS

Following the adoption of a Code of Ethics, which constitutes a fundamental reference framework for social and environmental policies, whether officially declared in specific documents or implicit in corporate procedures and practices, a specific training programme for all personnel was implemented in 2011 on **Corporate Social Responsibility and the Code of Ethics**, with the aims to:

- promote the diffusion of CSR culture, principles and contents in order to incorporate it more effectively in corporate policies and to make it a source of innovation, good reputation and competitiveness;
- increase awareness of the repercussions that CSR may have on the economic value generated by the Group; to encourage the diffusion and knowledge of corporate values;
- transform corporate values into the responsible conduct of individuals through knowledge of and implementation of the Code of Ethics; to increase knowledge of some commercial aspects which have strong links with social responsibility (e.g. Micro-credit, Third Sector, Migrant Banking).

The training programme consisted of classroom courses for managers of central and Network Bank units and a remote training course for all personnel: over 1,900 employees participated in the classroom sessions and more than 9,000 employees completed the remote course. The training initiative continued in 2012 for employees who had not taken part in 2011 and for new personnel. Specific training initiatives have been put in place to support implementation of the **armaments policy** and the launch of **UBI Community**. The former consisted of a one-off training initiative for personnel in the Foreign Centres of the Network Banks implemented for the first application of the policy. It was designed to teach the details of the contents of the legislation and qualify personnel in Foreign Centres to support distribution network colleagues in everyday business. As concerns UBI Community, approximately 600 branch directors and managers received training in 2011, in addition to some support and co-ordination roles in the commercial and credit departments of the Network Banks and of the Parent. The objective was to increase understanding of the reality and dynamics of non profit organisations in the third sector and of the service model for the related products and services provided by the Group. The initiative is also continuing in 2012, with priority given to personnel in branches with the most customers in this sector.

Interactions on social and environmental issues mainly regards the following:

- both retail and corporate customers through the **Consultation Project**, a systematic customer satisfaction survey in which the level of understanding of these issues and the perception of the performance and the activities of single Network Banks and the Group in general is surveyed. This is also surveyed, but for Corporate customers only, through discussions with account managers when qualitative questionnaires are compiled to assess credit ratings, which also acquire information on sustainability matters;
- local non profit Organisations and trade associations, involved through focus groups organised annually for the presentation and discussion of the Social Report.

Work to increase awareness among customers and consumers in general is also done through marketing campaigns performed to advertise products and services.

EN1

PRODUCT PORTFOLIO

The UBI Banca Group has a total of 4,182,829 customers (down by 0.6% compared to 2010) of which over 3.7 million are customers of the Network Banks and UBI Banca Private Investment (core customers to which all the statistics reported above relate, except for some specific differences in the reporting boundary).

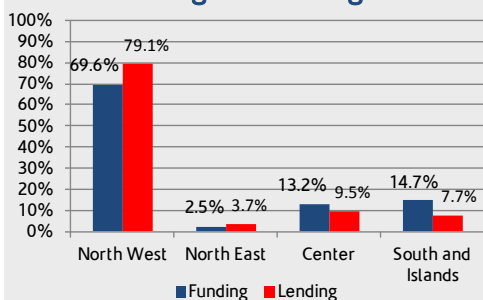
CUSTOMER PROFILE	2011	2010	2009
Number of customers (thousands)	3,759	3,775	3,702
of which:			
Banca Popolare di Bergamo	965.2	968.6	972.2
Banco di Brescia	572.2	579.5	560.6
Banca Popolare Commercio e Industria	372.8	375.5	324.3
Banca Regionale Europea	324.6	328.9	427.5
Banca Popolare di Ancona	450.7	448.9	455.8
Banca Carime	830.3	822.1	804.5
Banca di Valle Camonica	77.7	78.0	77.1
Banco di San Giorgio	90.5	91.4	80.4
Banca Private Investment	75.5	79.3	80.5
Retail Market	97.3%	97.2%	n.a.
of which:			
Mass	69.0%	69.5%	n.a.
Affluent	20.4%	20.0%	n.a.
Small Business (Small Economic Operators and SMEs)	9.7%	9.6%	n.a.
Authorities and institutions	0.9%	0.9%	n.a.
Corporate Market	1.0%	1.0%	n.a.
Private Banking Market	1.7%	1.8%	n.a.
Private individuals	88.7%	88.7%	88.1% ¹
Businesses	10.3%	10.4%	11.9% ¹
Authorities and Institutions	1.0%	0.9%	n.a.
North West	58.7%	59.0%	n.a.
South and Islands	27.1%	26.8%	n.a.
Central	11.5%	11.5%	n.a.
North East	2.7%	2.7%	n.a.

¹ The 2009 figures do not include UBI Banca Private Investment

Of these customers, 88.7% are individuals accounting in 2011 for business amounting to €91.9 billion consisting of €59.4 billion of direct funding (up by 2.4% on 2010) and €32.5 billion of loans (down by 0.2% on 2010, but up by 2.2% net of external distribution network business currently being disposed of). With €35 billion of wealth managed, UBI Banca is the third largest player in Italy in the private banking market.

4.8% of private individual customers are from abroad, mainly from Eastern Europe (38.3%), Latin America (15.5%) and North Africa (14.5%).

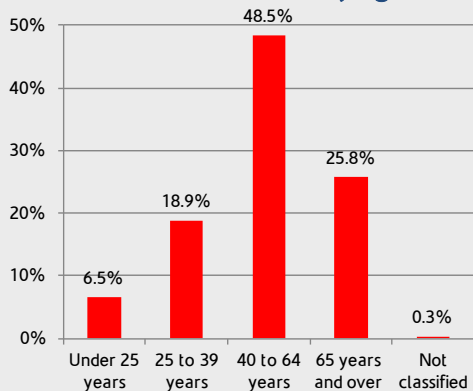
Geographical distribution of lending and funding¹



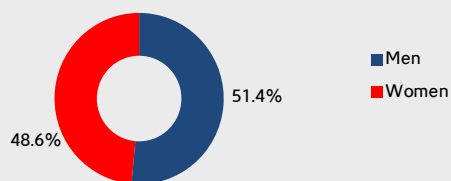
¹ The figures are for banks only (UBI Banca, Network Banks, Centrobanca, Banca24-7, IWBank). The funding includes current account deposits, savings deposits and certificates of deposit.

With almost 356 thousand business customers, 91.2% of which are small business customers – professionals, trades persons and SMEs – the Group transacted business in 2011 amounting to €83.1 billion, consisting of €15.9 billion of direct funding (up by 1.8% on 2010) and €67.2 billion of loans (down by 3% on 2010, but up by 2% net of large corporates and external distribution network business currently being disposed of). The 6% of lending, amounting to €4 billion of which €1.7 billion new loans granted in 2011, consists of loans granted to small to medium-sized enterprises backed by guarantee Bodies and Funds.

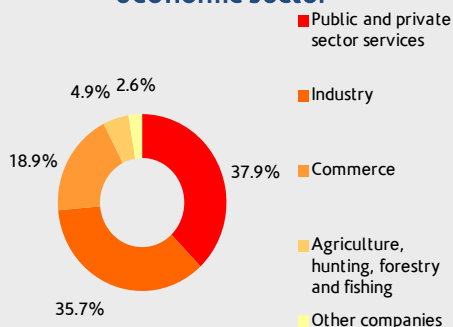
Private customers by age



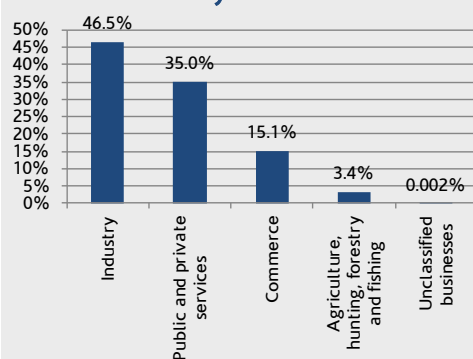
Private customers by gender



Corporate customers by economic sector



Lending to corporate customers by economic sector



FS7 PRODUCTS AND SERVICES WITH SPECIFIC SOCIAL BENEFIT

UBI Banca has identified a series of important social causes or specific expectations of stakeholder groups for which special products and services have been designed or subsidised conditions on products and services are granted.

Access to credit and support for families in difficulty

In order to allow young couples or nuclear families, including single parent families with children who are minors and people with “atypical” or temporary contract jobs to obtain a mortgage for the purpose of their first home, the Group adhered to the **Young Couples Fund** formed by the Italian Banking Association, while in order to facilitate access to credit for single parent families with a

child born or adopted between 2009 and 2011, Group banks offer **New Born Loans** to implement the family policies agreement between the Italian Banking Association and the Presidency of the Council of Ministers (prime minister's office) with the formation of a "New Born Fund". These are loans of up to €5,000 repayable over five years, with no charges and subsidised fixed rate interest. It was not possible to identify mortgages granted under the Young Couples Fund scheme from Group databases, while under the New Born Loan scheme, the Group granted a total of over €2.2 million to 438 families in 2011 (0.06% of total loans granted during the year). A total of €5.2 million has been granted to 1,036 families since the initiative started in 2010.

☞ www.fondonuovinati.it

In recent years the economic crisis has had a strong impact on a growing number of Italian families, reducing their ability both to gain access to credit – even to obtain a fundamental necessity such as a home – and to meet commitments already entered into. Consequently, in 2011 the Banks in the Group participated in new initiatives organised at national or local level and took forward measures launched in previous years to help families in their respective local markets. These included the following:

- the **Italian Banking Association Moratorium**, which forms part of the **Families Programme**, which defers repayments for twelve months of mortgages taken out for the purchase, construction or renovation of a main dwelling for borrowers who have recently suffered a particularly negative event such as the loss of a job or being laid-off, the death of a family bread winner or becoming non self-sufficient. During the year, 521 customers deferred repayments on their mortgages for a total principal amount of €39 million (2,500 customers for a principal amount of over €230 million since the start of the initiative);
- the **Solidarity fund for the purchase of a main dwelling**, created as the result of an initiative by the Ministry of the Economy and Finance, which has been in operation since the end of 2010, to enable debtors in difficulty to apply for the deferment of mortgage repayments on main dwellings not more than twice and for a total maximum period of 18 months. During the year 71 customers benefited from the deferment of repayments for a principal amount of approximately €7 million;
- the **Loan of Hope** to carry out projects for the return to work or to start a small business for families that have lost all income from work, have no unearned income or income other than that generated by the ownership of a home or ordinary or extraordinary state redundancy benefits. Following amendments to the criteria for approval made by the Italian Banking Association and the Italian Episcopal Conference, the effectiveness of the scheme increased with the disbursement during the year of 72 loans for a total of €417 thousand, approximately four times the amount disbursed in 2010.

In 2011 Banca Popolare Commercio e Industria also granted €29.5 million of **loans on a pawn basis** on valuables (gold, gems and watches), with an increase of 8% compared to 2010. Due to the evolution of the economic situation grew especially policies related to gold. During the year the Bank adjusted the conditions to interest rates and to the prices quoted for precious metals, taking into account the social function of this business.

The people of Abruzzo, Veneto and Liguria have been hit not only by the economic crisis, but also by serious **natural disasters** (an earthquake in 2009, floods in October 2010 and in November 2011 respectively), which have caused huge damage to people and local economies. The local banks of the Group acted promptly by adhering immediately to the ordinances of the President of the Council of Ministers to defer mortgage repayments and, for Abruzzo, to the agreement between the Italian Banking Association and the *Cassa Deposito e Prestiti* (CDP – state controlled fund and deposit institution) to grant loans to households hit by the earthquake. The repayments on 16 mortgages were deferred in 2011 for the floods in Liguria on a remaining debt of €380,000, while in Abruzzo repayments on 12 mortgages were deferred on a remaining debt of approximately €2.9 million.

☞ [Reports and Accounts 2011 p. 45-47](#)

One particular aspect of access to credit regards the ability to obtain improved terms and conditions by replacing an existing mortgage with another from a different bank my making use of

mortgage transfer laws. During the year, the Group's Network Banks performed 1,611 transfers to other banks for total of €176.4 million and 1,471 transfers to Group banks for a total of €179.5 million (6.3% of total mortgages granted during the year). A total of 6,820 mortgages have been transferred to the bank amounting to €809.3 million (4% of total outstanding mortgages). Finally, the new changes to the terms and conditions for the Duetto Basic account, with the elimination of charges for withdrawals from branches to make the account even more attractive for customers aged over 65, have also partially met the conditions set by Decree Law No. 201/2011, which requires a **current account** that is free of all fees and charges to be available to **socially vulnerable groups**.

Anti-crisis measures for businesses

To provide credit to businesses – and to SMEs in particular – in order to support economic growth in the community is a high priority and even more so in times of crisis like today. The difficult economic situation has required greater selectivity in the management of lending in order not only to be able to continue to support companies with sound prospects, but also a revision of the terms and conditions applied to bring them into line with the costs of funding and the credit ratings of the counterparties. In this context UBI Banca has decided to lend to large companies selected on a non local basis, in order to be able maintain support to local companies in general.

During the year the Banks in the Group participated in new initiatives organised at national and local level and took forward measures launched since 2009 to support businesses in their respective local markets, co-operating with public institutions (Chambers of Commerce, Regional and Provincial Governments) and Guarantee Bodies.

The main initiatives were the **Agreement on Loans to Small to Medium-Size Enterprises** (the "moratorium") signed by the Italian Banking Association, the Ministry of the Economy and Finance and other business associations to extend the validity of the 2009 **Joint Announcement** until the end of 2012 for the deferment of bank loan repayments by SMEs who have not already taken advantage of a similar benefit, the extension of long-term loans for business who have benefited from the deferment (approximately 16,800 applications for deferments were received since the start of the initiative in 2009 until 2011, of which 14,500 have been approved for a principal amount of €585 million, while 85 applications for loan extensions were approved for a principal amount of €56 million) and recourse to funding from the Cassa Depositi e Prestiti, a state controlled fund and deposit institution for postal savings (the Group disbursed approximately 7,200 loans amounting to over €547 million between 2009 and the end of 2011).

☞ [Reports and Accounts 2011 p. 47-48](#)

The Group also participated in the main subsidised loan initiatives designed to facilitate access to credit by SMEs, with particular attention paid to new **start-ups** and to companies in which mainly **young people and women** are involved. In 2011 Network Bank co-operation continued with SF Consulting, an associate company specialised in the supply of consulting services in the subsidised loans sector, which include: assessment of the eligibility of companies for subsidies, the preparation of investment projects, the assessment of investment plans and general assistance in making and processing applications for subsidised loans.

Credit and services for students

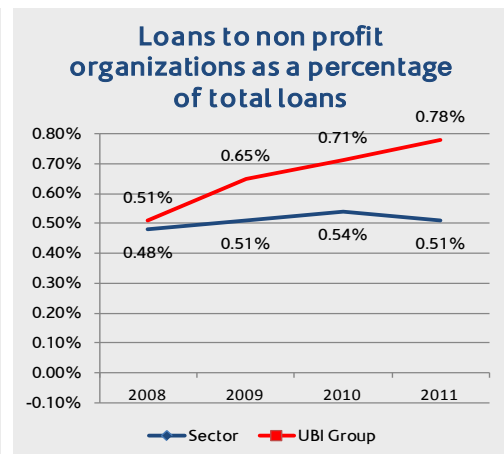
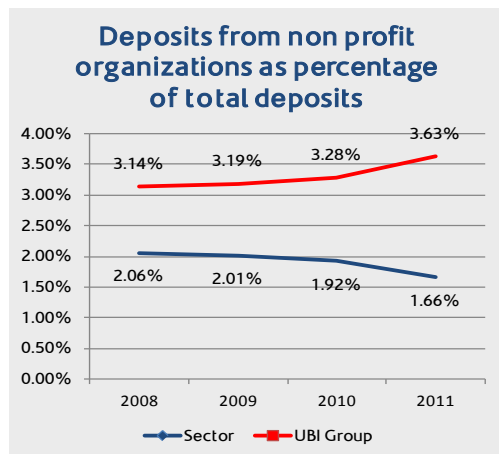
In order to help young people with their education, the banks in the Group were among the first in Italy to offer unsecured loans through convention agreements with local universities. Priority has been given since 2011 to the initiative **Give them a future**, set up by the Youth Ministry and the Italian Banking Association to grant subsidised loans to students between the age of 18 and 40 who satisfy precise academic criteria. The loans – intended to help with expenses incurred to study on first degree courses, specialists courses, research doctorates abroad and language courses – are at a subsidised fixed rate for amounts of between €3,000 and €25,000 payable in annual instalments of up to €5,000. There are no accessory costs for the student and no demands for personal guarantees or collateral. The Group has already received the first applications, but an assessment of the success of the initiative and meaningful figures on the grants made will not be available until 2012. The arrangements with Universities are continuing and intensifying with regard above all to services for students and the distribution of the prepaid card Enjoy in particular. These cards come with an IBAN and C-Less microchip technology. The graphics can be customised and they may be

used for both banking functions and university services. Important agreements have been entered into with the University of Pavia and the LIUC University of Castellanza to create the **Enjoy Ateneo Card** and the **Enjoy LIUC Card**, which can also be used as identity documents for students within the universities. One of the first contact-less projects for automated distributors in Italy was developed with the Enjoy LIUC Card. The two cards were offered to new first year students in the academic year 2011/2012 and they were a significant success: approximately 4,200 Enjoy Ateneo Cards and 400 Enjoy LIUC Cards have been issued.

UBI Community for the third sector

In recent years the growing diversification of social needs has transformed demand for welfare making the standard responses of public sector provision insufficient, penalised also by the greater scarcity of economic resources. New space has therefore opened up for intervention by the third sector, which is increasingly called upon to play a fundamental role in society in the provision of care services as an operator with ever greater autonomy, in the financial sense as well as others. The role of the banking sector is therefore central in supplying non profit organisations with funding for their current activities and for their investments, which the public sector is no longer able to provide.

Historically the Group holds a quota of deposits from and loans to non profit organisations that is higher than for the sector nationally, (+1.97 percentage points for funding and +0.27 percentage points for lending compared to the sector). At the end of 2011³ business with non profit organisations consisted of €1.8 billion of funding (57.7% in Lombardy), with a market share of 9.1%, and €754 million of lending (64.1% in Lombardy), with a market share of 7.5%.



As a result of the changes currently in progress, a new service model and a specific range of products and services was launched in July 2011 under the brand name **UBI Community**, to provide concrete answers to the needs of the third sector. These were developed after a period of analysis and consultation with various types of organisation.

The Network Banks organised a series of meetings for the launch of UBI Community, designed mainly for operators in the sector in the principal towns and cities in which they operate. The road-show got off the ground in Milan on 10th November 2011, moving to Pavia, Jesi, Genoa and Bergamo and it will continue in 2012 to reach other important towns and cities: Brescia, Turin, Varese, Rome, Monza and Erba.

The UBI Community service model involves the presence of willing and qualified branch personnel, specially trained to understand the specific nature of the very many different types of non profit organisation, and special management units in the commercial departments of the Network Banks and the Parent.



FS4

³ Processing of Bank of Italy BIP data (online *Base Informativa Pubblica* – tables TDB 10290 and TDB 10295) by the UBI Banca Studies Area. The funding includes current account deposits, savings deposits and certificates of deposit.

The products and services, which will be progressively increased as time goes on, consist of **solutions for everyday business** (e.g., a “non profit account”, treasury management, POS terminals for fundraising, insurance policies and a “solidarity bank transfer” to be rolled out in the near future), financial services to **pay advances on donations and income**, designed above all for organisations which work with public and private sector entities and a range of **loans for development and growth**, consisting of products and services supplied with subsidised terms and conditions for employees, associate workers, volunteers, association members and users of the services provided by the organisations themselves).

Important features of the service model include particularly detailed information kept on customers, which allows different types of organisation to be accurately profiled and products and services to be calibrated more accurately, and new tools for measuring credit worthiness. These take account of the specific characteristics of individual organisations by acquiring information of a non accounting and qualitative nature.

Agreements are currently being defined with “umbrella” organisations (institutions and organisations which represent operators in the sector) to provide their members with products and services on the basis of those agreements and to develop areas of co-operation for initiatives to assist non profit organisations, with a particular focus on the issue of access to sources of funding.

The following is planned for 2012: the launch of **Social Bonds**, which constitute a new development in the Italian banking industry, for funding particularly significant social initiatives; a new training programme centred on the measurement of the credit ratings of non profit organisations and, with technical assistance from AICCON (Italian Association for the promotion of a co-operation and non profit culture); the creation of the first **National Observatory on Finance and the Third Sector** to process and distribute data on the financial requirements of non profit organizations.

In December 2011, an **Enjoy Special Edition** card account was launched in relation to the UBI Community project, reserved to employees of the UBI Banca Group, with customised graphics and the ability to make donations to support social and charitable activities. Each employee, may select a project from those proposed, to which, by waiving them, the Bank donates its charges on the payment transactions made during the year using POS terminals. In the short period since the initiative has been in operation, over 2,600 cards have been distributed, the majority of which have been linked to the charitable projects proposed.

Treasury services

The commercial authorities segment includes public authorities and those entities to which Group banks provide treasury and collection services (2,174 services managed at the end of 2011, slightly down on the previous year).

In November the Group was subject to an audit in accordance with regulations for the renewal of its certification for the Quality of Treasury Services provided to Public Authorities (standard **UNI EN ISO standard 9001:2008**). The audit was concluded successfully and the certification was renewed for the three year period 2012-2014.

In order to increase the efficiency of services, reduce operational risks and improve “dialogue” between banks and authorities, the roll out continued in 2011 of **Ordinativo Informatico's**, sets of IT procedures used to integrate the accounting system of an authority with the payments and receipts procedures of the “Treasury” Bank. The service was introduced in over 50 Authorities in the course of 2011 and the first months of 2012, with the replacement by paperless automation of the management of approximately 480,000 hardcopy documents.

Convention loans for businesses

Agreements with guarantee bodies and trade associations and the use of instruments to mitigate credit risk towards the public sector in order to facilitate access to credit for small to medium-sized enterprises – also through more favourable rates and charges – represent an important factor in our relationship with local businesses, and in these difficult times for the economy they have also taken on a substantial anti-crisis value.

Total outstanding loans backed by guarantee bodies and guarantee funds amounted to almost €4 billion at the end of 2011, while new loans granted during the year amounted to €1,666 million and related to over 20,800 loans.

Partly in view of the growth in business with guarantee authorities, a new service model was adopted during the year designed to standardise processes in all Group banks for stipulating

conventions, for assessing guarantee bodies, setting budgets and monitoring operations for all the banks in the Group.

At present 190 active convention agreements exist with guarantee bodies in different local areas, of which over 125 participating on the **UBI-Confidi Web** platform, a tool to which new functions have recently added, designed by the Group to facilitate information exchange between the Bank and Guarantee Bodies with which agreements are held and also to manage business.

Loans backed by guarantee bodies and funds include "**Anti-usury**" credit lines, which give better terms and conditions than ordinary loans because of the collateral. At the end of 2011, outstanding loans numbered 1,181 and amounted to over €31 million (0.78% of total lending through Guarantee Bodies and Funds).

In response to continuing strong concerns over the rationing of credit to the real economy, initiatives are being studied, to be implemented in the near future, for the acquisition, through "local group systems" (consisting for example of trade associations), of new liquidity to "put back into circulation" by making special credit lines available under competitive conditions, to support businesses in local communities.

☞ [Reports and Accounts 2011p. 47-49](#)

FS8
PRODUCTS AND
SERVICES WITH
SPECIFIC
ENVIRONMENTAL
BENEFIT

In recent years, a series of initiatives already developed over the years by various banks in the Group have been integrated into a single range of products and services to finance household and corporate investments in the environmental field with regard above all to the development and use of alternative energy sources.

The **Forza Sole** (Sun Strength) solution is for loans to individual customers for the purchase and installation of photovoltaic systems in main or secondary dwellings, accompanied by dedicated insurance policies, which saw the grant in 2011 of 442 loans for a total of €10.9 million.

A variety of products are available to corporate customers which differ according to the type of loan and investment. The **Energie Rinnovabili** (Renewable Energies) loan is for investments to produce energy using renewable energy sources such as for example solar powered power plants or biomass cogeneration plants. In 2011, 6 loans were granted for €9.3 million (0.2% of total loans granted during the year), while total outstanding loans numbered 57 and amounted to €29.1 million (0.1% of total outstanding loans). The **Nuova Energia Fotovoltaico** (New Energy Photovoltaic) loans are granted specifically to finance photovoltaic plants and allow the possibility to also finance tangible investments (e.g. purchase of land, or buildings) in connection with the installation of plant and equipment, as well as consulting services, feasibility studies, designs and technical appraisals. The grant of loans is subject to a series of verifications, including valuation of the project (business plan and technical report), verification of the authorisations and permits required by the regulations in force and also, for loans of over €350,000, verification of the request for a technical appraisal of project. In 2011, 514 loans were granted for €121.6 million (2.5% of total loans granted during the year), while total outstanding loans numbered 1,166 and amounted to €541.3 million (1.8% of total outstanding loans).

PROJECT FINANCE ACTIVITIES	2011	
	TOTAL	OF WHICH GREEN PROJECT
Financing granted during the year		
number of contracts	34	15
of which for renewable energy	25	15
amount authorised (€million)	889	89
of which for renewable energy	253	89
amount disbursed (€million)	451	83
of which for renewable energy	221	83
as percentage of total financing disbursed	23.8%	4.4%
of which for renewable energy	11.7%	4.4%
Financing outstanding at the end of the year		
number of contracts	118	40
of which for renewable energy	94	40
amount authorised (€million)	1,814	243
of which for renewable energy	1,007	243
amount disbursed (€million)	1,324	232
of which for renewable energy	944	232
as a percentage of total financing outstanding	26.6%	3.6%
of which for renewable energy	14.8%	3.6%

In addition to banking products, **Full Power lease** products were also distributed by the subsidiary UBI Leasing for investments in renewable energy (136 new leases financed in 2011 for €142.6 million and a total of 358 outstanding leases amounting to €609.2 million) together with **project finance** operations by the subsidiary Centrobanca for investments in energy, the environment and infrastructures. Normally the size of the transactions managed varies from a minimum of 10 to a maximum of €100 million, with a life which normally for the energy and environment sectors is not longer than 15 years. However with **Green Project** Centrobanca made project finance also available for smaller projects.

PROJECT FINANCE OPERATIONS IN PORTFOLIO	2011					
	OF WHICH GREEN NO.	OF WHICH GREEN PROJECT	INSTALLED POWER (MWh)	OF WHICH GREEN PROJECT	Power financed (MWh)	OF WHICH GREEN PROJECT
Energy	94	40	1,975	69	480	69
of which:						
wind farms	18	2	1,578		205	
photovoltaic plants	70	34	282		188	
other renewable energy plants	6	4	46		19	
Environment	6	0				
of which:						
waste treatment plants	4	0				
other activities	2	0				
Infrastructures	18	0				
of which:						
hospitals	2	0				
highways	2	0				
metropolitan railways	1	0				
water facilities and gas pipeline networks	11	0				
airports	2	0				

AUDIT

FS9 AUDITS ON IMPLEMENTATION OF ENVIRONMENTAL AND SOCIAL POLICIES AND RISK ASSESSMENT PROCEDURES

As part of auditing activity conducted by the various functions which contribute to the implementation of the system of internal controls – compliance, auditing, risk management, line units – consideration is also given to the actual implementation of the principles and commitments set out in the Group Code of Ethics and the policies and procedures adopted with regard to social and environmental aspects of operations.

An objective was set for 2012 to improve reporting on audit activities and risk assessment procedures.

ACTIVE OWNERSHIP

FS10 RELATIONS WITH INVESTEES ON ENVIRONMENTAL AND SOCIAL ISSUES

UBI Banca has no ongoing active ownership programmes on social and environmental issues in investee companies. Nevertheless companies in which an interest of greater than 2% of the share capital is held (including foreign investees in which interests are held either directly or indirectly except for the special purpose entities formed in connection with the issue of preference shares) are sent a copy of the Code of Ethics and they are asked to ensure that their conduct complies with principles similar to those contained in it.

FS11 COMPANIES HELD IN THE PORTFOLIO WITH WHICH THE ORGANIZATION HAS INTERACTED ON ENVIRONMENTAL OR SOCIAL ISSUES

All transactions involving finance to businesses are approved on the basis of credit rating assessment models which consider, among the qualitative factors, also the quality of their governance and compliance with regulations concerning work and the environment. With regard to asset management activities, social and environmental criteria are only applied in the selection of investments for the **UBI Pramerica Azionario Etico** fund, managed by the subsidiary UBI Pramerica, which is designed for customers who wish to invest not only on the basis of conventional financial criteria but also according to ethical and social responsibility criteria. The fund invests exclusively in the financial instruments of issuers who are known for their attention to respect for humankind and the environment and for their application of clear and transparent governance rules and who are not involved in: the production and/or trade in arms, pornographic material, alcohol, tobacco or other products harmful to health; the promotion of gambling; the production or construction of plant for the generation of nuclear energy; research in the development or production of genetically modified organisms. The benchmark for the fund is the Ethical Index Euro, produced by ECPI, a leading independent European company in ethical finance services.

UBI PRAMERICA AZIONARIO ETICO	2011¹	2010²	2009³
Assets under management (million of euro)	13.18	16.58	17.96
as a percentage of total assets managed in funds	0.08%	0.08%	0.09%

¹ Data as at 29/02/2012.

² Data as at 28/02/2011.

³ Data as at 28/02/2010.

UBI Pramerica donates 5% of the management commissions from the fund each year to charitable institutions and/or associations. In 2011 it donated €6,920 to CESVI and to the Save the Children Fund.

<http://www.ubipramerica.it/pagine/Scheda-dettaglio-fondo.aspx?isin=IT0003851034>

FS12 VOTING POLICIES ON ENVIRONMENTAL OR SOCIAL ISSUES

No policies are pursued on voting on social and environmental issues in other companies in which the right to vote in Shareholders' Meetings is held or where advice or a judgement may be expressed during voting.

EC. Economic Performance

It is the business mission of UBI Banca to create value for its registered and unregistered shareholders and for all its stakeholders, in a manner that is sustainable in the long-term, by building long lasting relationships of trust and mutual satisfaction with customers. Financial transactions and operations are governed by policies that are consistent with the general ethical principles set forth in the Code of Ethics through a process of planning, control and reporting overseen by the Chief Financial Officer.

ECONOMIC PERFORMANCE

EC1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED¹

The UBI Banca Group ended 2011 yet again with strong capital levels (Core Tier 1 Ratio of 8.56%), good balance sheet structure (ratio of loans to direct funding of 97%), adequate liquidity (already fully compliant with Basel 3 requirements), a low risk profile (ratio of financial assets to total assets of 8.5% and no exposure to government securities of countries at risk) and a strong focus on service to “core” customers (funding +2.3%).

On a par with other major Italian banking groups, in consideration of the unfavourable economic environment – affected also by “Italy” risk developments – and probable future scenarios, UBI Banca has recognised gross impairment on its goodwill and other intangible assets totalling €2,396.8 million (relating to the merger between the former BPU Banca and Banca Lombarda e Piemontese Groups). Without those impairment losses, which resulted in a net loss of €1,841.5 million, a net profit of €349.4 million would have been earned (up by 97.1% on 2010).

DETERMINATION OF THE ECONOMIC VALUE CREATED (thousands of euro)	2011	2010	VARIATION
Interest and similar income	4,047,546	3,525,312	+14.8%
Interest expense and similar	(1,925,857)	(1,378,714)	+39.7%
Commission income	1,351,827	1,378,117	-1.9%
Commission expense	(159,893)	(196,892)	-18.8%
Dividends and similar income	19,997	24,099	-17.0%
Net trading income (loss)	10,711	(56,891)	n.s.
Net hedging income	8,938	67,209	-86.7%
Income (loss) from disposal or repurchase of:	26,529	17,057	+55.5%
a) loans and receivables	2,464	(3,850)	n.s.
b) available-for-sale financial assets	11,929	31,245	-61.8%
c) held-to-maturity investments	-	-	-
d) financial liabilities	12,136	(10,338)	n.s.
Net income (loss) on financial assets and liabilities at fair value	(38,849)	6,669	n.s.
Net impairment losses on:	(742,221)	(756,653)	-1.9%
a) loans	(607,078)	(706,932)	-14.1%
b) available-for-sale financial assets	(128,182)	(42,364)	+202.6%
c) held-to-maturity investments	-	-	-
d) other financial transactions	(6,961)	(7,357)	-5.4%
Net insurance premiums	-	-	-
Other income/expense on insurance operations	-	-	-
Other net operating income	243,065	239,430	+1.5%
Profits of equity investments (for the part from disposals)	301	81,233	-99.6%
Profits on disposal of investments	6,818	14,458	-52.8%
Post-tax profit from discontinued operations	248	83,368	-99.7%
TOTAL ECONOMIC VALUE CREATED	2,849,160	3,047,802	-6.5%

¹ The Economic Value statement is compliant with the scheme proposed by the Italian Banking Association in December 2010.

DISTRIBUTION OF THE ECONOMIC VALUE CREATED (thousands of euro)	2011	2010	VARIATION
b) other administrative expenses (exclusive of indirect taxes, grants and donations)	661,994	706,522	-6.3%
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS	661,994	706,522	-6.3%
a) personnel expense ¹	1,423,196	1,451,584	-2.0%
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES	1,423,196	1,451,584	-2.0%
Profit (loss) for the year attributable to non controlling interests	(20,603)	13,602	n.s.
ECONOMIC VALUE ATTRIBUTABLE TO NON CONTROLLING INTERESTS	(20,603)	13,602	n.s.
Share of profit destined to dividend payments ²	45,027	95,872	-53.0%
ECONOMIC VALUE DISTRIBUTED TO SHAREHOLDERS (REGISTERED AND UNREGISTERED)	45,027	95,872	-53.0%
b) other administrative expenses: indirect and capital taxes	214,707	210,714	+1.9%
Current taxes on income for the year ³	699,000	360,790	+93.7%
ECONOMIC VALUE DISTRIBUTED TO CENTRAL AND LOCAL PUBLIC ADMINISTRATIONS	913,707	571,504	+59.9%
b) other administrative expenses – grants and donations ⁴	4,352	6,354	-31.5%
Share of profits allocated to the fund for social purposes ⁵	6,883	6,526	+5.5%
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY AND THE ENVIRONMENT	11,235	12,880	-12.8%
TOTAL ECONOMIC VALUE DISTRIBUTED	3,034,556	2,851,964	+6.4%
Net provisions for risks and charges	31,595	27,209	+16.1%
Net impairment losses on property, equipment and investment property	110,888	109,838	+1.0%
Net impairment losses on intangible assets	672,608	130,500	+415.4%
Profits (losses) of equity investments (the fair value part: write-downs/write-backs, impairment losses/reversals, other expenses/income)	(9,947)	(17,794)	-44.1%
Change in fair value of property, equipment and investment property and intangible assets	-	-	-
Net impairment losses on goodwill	1,873,849	5,172	n.s.
Change in deferred tax assets and liabilities	(970,991)	(128,810)	+653.8%
Profit allocated to reserves	(1,893,398)	69,723	n.s.
TOTAL ECONOMIC VALUE RETAINED	(185,396)	195,838	-194.7%

¹ Inclusive of board members' fees and expenses for external distribution networks (e.g. agents and financial advisors).

² The figures for 2011 are based on the allocation of profits proposed to the Shareholders' Meeting.

³ Includes the changes in current taxes of prior years and the reduction in current taxes for the year.

⁴ Includes sponsorships, inclusive of the professional sports sector, with social and environmental value (e.g. cause-related marketing).

⁵ Includes the shares of profits allocated by the network banks to their respective funds for social purposes.

As a sign of appreciation for the support that shareholders continued to show the Group in a particularly difficult year, which included the subscription of a substantial increase in the share capital decided and concluded in 2011, the Management Board decided to submit a proposal to the Shareholders' Meeting, which approved it, to declare a dividend of €0.05 on each share. The payment of the dividend totalling €45.1 million and the payment of a substitute tax of €525.6 million for the tax realignment of goodwill and other intangible assets pursuant to art. 23 of Decree Law No. 98/2011, resulted in the distribution of value which exceeded the economic value degenerated by €185.5 million, by drawing on reserves.

☞ Reports and Accounts 2011 p. 90, 100-102, 53*

EC2
FINANCIAL
IMPLICATIONS, RISKS
AND OPPORTUNITIES
DUE TO CLIMATE
CHANGE

In consideration of the activities performed by the Group it has no significant direct exposure to risks connected with climate change.

Minor impacts may occur in relation to supply processes, especially with regard to fuel and electricity costs and commercial and lending processes relating to the occurrence of extreme climatic events which may affect the operating capacities and solvency prospects of corporate clients (a risk which is, however, mitigated by the high sector diversification of the Group's lending).

The issue of the fight against and adaptation to climate change involves investments by private individuals and businesses, both to comply with changes in regulations and the efficiency standards for production processes and products and also to develop and use renewable energy sources. The Group has developed specific financing, financial lease and project finance products for these purposes.

☞ FS8

EC3
COVERAGE OF THE
DEFINED BENEFIT
PLAN OBLIGATIONS

All employees benefit from supplementary pension plans through either internal or external pension funds, which involve a **defined contribution** by the employer as part of supplementary company labour agreements. Employees may also allocate a part of their salaries to supplementary pension schemes.

Coverage for commitments resulting from internal funds, consisting of **defined benefits**, is performed by allocating amounts to the "Provision for risks and charges: pension and similar obligations", which are subject to periodic actuarial measurement in compliance with IAS 19 "Employee benefits".

☞ Reports and Accounts 2011 p. 327

EC4
SIGNIFICANT
FINANCIAL
ASSISTANCE
RECEIVED FROM
GOVERNMENT

The UBI Banca Group has received no financing from government, but it has used funds belonging to the banking sector, earmarked for training activities and the implementation of redundancy leaving incentive schemes. These are funds which the Group has contributed to together with other banks.

The redundancy scheme implemented by the UBI Banca Group on the basis of the trade union agreement of 14th August 2007 was concluded in 2011. The last 60 personnel left during the year through access to the sector Solidarity Fund which brought the total number of redundancies to 960.

☞ Reports and Accounts 2011 p. 67

Group companies contribute to joint Inter-professional Funds for *FONDIR* Continuous Professional Development (fund for senior management training) and to the F.B.A. (fund for the training of the employees working in the credit and insurance sectors - *Fondo Banche Assicurazioni*). In 2011 the two funds issued 5 notices for applications to be presented to fund general and specialists training programmes. Applications in the form of training plans and vouchers for access to the relative contributions were filed in compliance with the contents and the specifications of the notices and they were subsequently approved by the F.B.A. and FONDIR funds, which resulted in the recovery of approximately 53% of the total cost of the training programmes approved for funding. Eight Group plans, five plans for individual masters courses and 59 vouchers were presented and approved for a total of approximately 112,000 training hours with over 18,000 participants in 16 Group Companies. All the training programmes presented were agreed with the trade union organisations of the individual banks and companies involved except for the FONDIR notices for which the trade unions signed agreements at national level. With regard to commercial activity, the Group makes use of public sector funds, and of EU funds in particular, for the development of small and medium-sized enterprises in local economies. The first tranche of an EIB covered bond loan subscribed in April 2010 was fully drawn on during the year and a new agreement was signed in November which allowed a further loan fund of €250 million to be created.

MARKET PRESENCE

At least once a year, the Supervisory Board, which has an internal Remuneration Committee, sets and reviews remuneration policies. It also oversees proper implementation of them and formulates remuneration schemes for Senior Management and Control Functions ensuring that they are compliant with legislation and regulations and consistent with general policies of the Bank in terms of risk assumption, strategies, long-term objectives, corporate governance and internal control approaches.

In accordance with changes in legislation² and supervisory authority recommendations, in 2011 UBI Banca updated its Group **Remuneration And Incentives Policies**, in order to bring them into line with long-term strategies and objectives, by linking them to results, with account taken of the risks and capital and liquidity levels needed to perform the activities undertaken. At the same time those personnel identified as key management personnel³ (termed senior management) and members of the highest management level of the control functions were revised through a careful process of self-assessment. The most prudent criteria have been applied for those personnel, with at least 50% of the variable component of remuneration consisting of shares with an adequate retention period and at least 40% of remuneration subject to deferred payment systems and retrospective adjustment mechanisms.

☞ [Reports and Accounts 2011 p. 465](#)

In compliance with human resource management and development policies, the key **principles** of the Remuneration and Incentives Policies are as follows:

- fairness, interpreted as the recognition of equal opportunities for each person, on the basis of their possession of the required characteristics and the roles and responsibilities undertaken;
- competitiveness, interpreted as a comparison of remuneration against market benchmarks;
- meritocracy, applied by placing value on the merits of each individual;
- uniformity, through the constant and across-the-board use of consistent approaches and parameters;
- consistency over time, with regard to medium to long-term objectives and the risk management policies pursued by the UBI Banca Group.

The **variable component of remuneration** is set by using instruments designed to involve and motivate personnel to achieve medium and long-term Group policies and also to recognise team and individual contributions.

Board members and CEOs may receive forms of remuneration linked to results, while all the other members of the governing bodies of the Group receive no variable remuneration.

A variable bonus is reserved to the Chief Executive Officer of UBI Banca related solely to his fixed remuneration resulting from his position as a senior executive.

The **incentive schemes** are designed to support value generation by Group companies and to reward the achievement of risk-adjusted objectives, while maintaining adequate capital levels and liquidity over time, through the identification of specific trigger conditions. The parameters employed are mainly quantitative and measurable, based at times on qualitative aspects and normally also related to levels of satisfaction by “external and internal customers”. The calculation methods are designed to allow graduated payment of bonuses, depending on the degree to which objectives are attained, and also to prevent conduct subject to the risk of “moral hazard”. Bonuses are related to the complexity of the role and normally to the results achieved at individual, team, company and Group level, with significant reductions and even no payment if performance is lower than expected or negative. The right to bonuses is withdrawn if company regulations or instructions are violated and a clawback clause⁴ exists for senior management in particular, applied in cases of fraudulent behaviour or serious misconduct. Bonuses may not exceed a predetermined maximum

² In 2011 the Bank of Italy issued specific supervisory instructions concerning remuneration and incentive policies and practices in banks and banking groups. Similarly, the CONSOB amended its Issuers’ Regulations to implement Art. 123-ter of Legislative Decree No 58/1998 on the Transparency of the Remuneration of the Directors of Listed Companies.

³ Classes of personnel whose work has or may have a significant impact on the risk profile of the Bank.

⁴ A clause which states that a bonus paid must be returned in cases of fraudulent behaviour or serious misconduct.

limit, set in relation to gross fixed annual remuneration and in proportion to the group considered, consistent with the principle of a balance between fixed and variable components of remuneration. Special treatments such as guaranteed bonuses⁵ and leaving bonuses which exceed those provided for by collective labour agreements are excluded.

For personnel belonging to corporate control functions, the incentive scheme is based in on parameters relating to the position occupied and the risks managed and objectives of an operating results and financial nature are excluded. It is paid according to the same conditions for payment set for other personnel and may be related to operating, financial and/or capital metrics.

Special communication procedures are employed for all personnel involved in incentive schemes – through the use of various tools such as regulations, circulars, the corporate intranet – designed to provide the broadest, most complete and transparent information possible.

The remuneration policies and practices pursued are subject to examination by the Compliance, Risk Management and Audit Functions each according to its specific competencies in order to ensure that the remuneration policies and practices pursued comply with the relevant legislation and regulations and that they function properly.

AVERAGE GROSS SALARY (thousands of euro)	2011			
	FIXED	VARIABLE ¹	TOTAL	VARIABLE TO TOTAL
Senior managers				
Men	138.9	8.5	147.4	6.1%
Women	125.2	6.5	131.7	5.2%
Middle managers				
Men	59.2	2.5	61.7	4.2%
Women	52.0	2.2	54.2	4.2%
Professional areas				
Men	37.2	1.3	38.5	3.5%
Women	34.3	1.2	35.5	3.5%

¹ The figures relate to 98% of employees.

The figures are inclusive of: Incentive Schemes, One-off Bonuses, Company Bonuses and Commercial Contests.

AVERAGE SALARY, FIRST JOB ¹ (thousands of euro)	2011
Men	26.0
Women	26.4
Trade Union minimum ²	25.0

¹ Average pay as at 31/12/2011 was used to calculate the figures for personnel appointed in 2011 with a “first employment” contract (inclusive of any indemnities for particular types of work there may be - e.g. cash indemnity for cashiers).

² The base salary set in the national labour contract for the 3rd level 2nd area.

EC6 POLICY, PRACTICES AND PROPORTION OF SPENDING ON LOCALLY-BASED SUPPLIERS

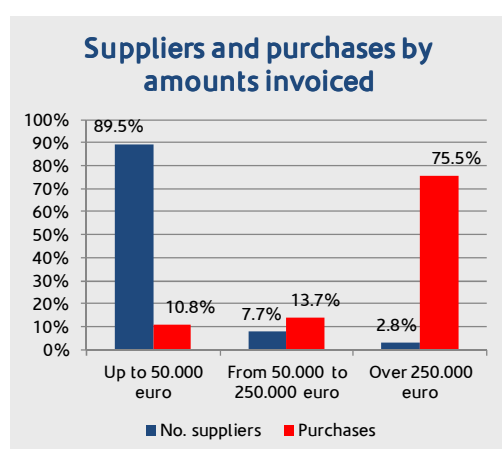
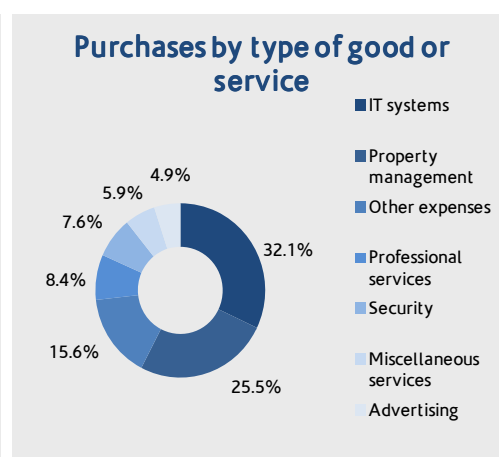
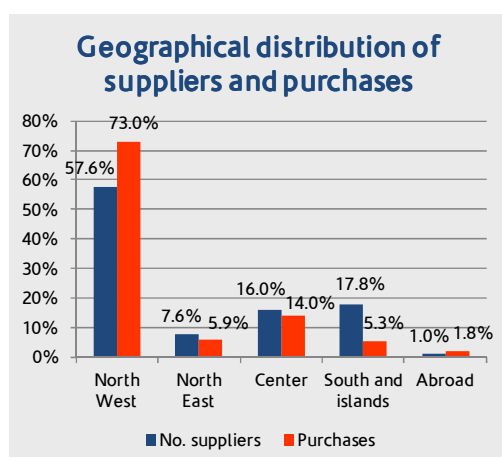
The Group operates almost exclusively in Italy and over 98% of purchases are from local suppliers that are resident in Italy. Where appropriate, depending on the type of services required, use is made of suppliers who operate in the vicinity of our operating premises.

Relations with suppliers are designed to ensure mutual satisfaction and are based on the observance of the principles of transparency, fairness, loyalty, integrity and competition. All the Group Member Companies comply with Group Spending Regulations, which in general identify the roles and responsibilities of the parties involved in the process of managing budgets and incurring expenses with the separation of roles between those requesting supplies and authorising payments, those that sign contracts and handle negotiations with suppliers and those keeping the accounts and paying the invoices.

Suppliers, and strategic and recurring suppliers in particular, are selected with care on the basis of cost, service quality and technical, commercial and financial reliability. The Group’s Code of Ethics states that where requirements are the same, preference is given to those suppliers who demonstrate the implementation of good practices of social responsibility and/or possession of

⁵ Without prejudice to exceptions allowed by legislation and regulations.

social or environmental certifications.



To ensure the independence of suppliers, we seek to avoid the establishment of exclusive business relationships, or those characterised by excessive financial dependence on the Group. The criterion of economic independence means that the total paid to each individual supplier must not exceed 25% of the total turnover of the supplier.

In 2011 Group suppliers numbered 10,749 with a total volume of purchases of over €633 million (-11.1% compared to 2010). Seventy five percent of purchases were generated by 2.8% of the suppliers.

Suppliers who provide goods and services to the

Group on a regular basis or occasional suppliers who supply goods and services for amounts greater than €30,000 are registered on a **list of approved suppliers** managed by the Purchasing Department of UBI Sistemi e Servizi.

The approved list contains preferred suppliers for each type of good and service, listed on the basis of quality (50% weighting), competitiveness (25% weighting) and financial and capital soundness (25%) and we periodically assess them using a transparent and objective assessment system in which budget managers, the Purchasing Department and an outside database are involved.

Suppliers of utility services (local water companies, gas companies), landlords of rented properties and institutional suppliers (e.g. Italian Banking Association - and CONSOB - Italian securities market authority) are excluded from management on the list of approved suppliers

Suppliers on the list numbered 755 in 2011 (-158 compared to 2010), as a result of 103 new suppliers and 261 removed from the list.

Contractual conditions are constantly updated to comply with the legislation in force and with market conditions on the basis of periodical monitoring.

All suppliers are required to fully comply with legislation and regulations to protect the rights of workers used to provide goods and services, which in particular means observation of national trade union agreements for the sector to which they belong and of pension, accident prevention and insurance legislation along with specific legislation on health and safety. Additionally, all suppliers are required to comply with the principles of the Group's Code of Ethics either when orders are placed or contracts signed.

Supplies which are not regular or for small amounts, and considered not strategic and which do not carry a high operational risk are regulated by the general conditions of a standard contract, while specific contracts are drawn up for recurring, strategic supplies, which carry high operational risk or which are for large amounts. The terms and conditions of payment follow prevailing market conditions.

**EC7
HIRING FROM LOCAL
PERSONNEL**

The value of local communities, comprised within the Group's Charter of Values, is applied in recruiting activity through constant attention to the profiles of candidates who are resident in the areas in which the Group operates.

The recruitment policies of Network Banks for personnel in commercial roles is to give priority to the assessment of candidates who are resident in the operating areas of the branches in which they are to work, in order to exploit their knowledge of the local community. Particular attention was paid to selection processes in areas of southern Italy, in order, amongst other things, to implement generation turnover plans contained within the Group's business plans, with specific selection sessions carried out locally.

Constant co-operation with schools, training institutes and local universities enables the Group to offer opportunities to young people who live and study in the local areas in which the Group operates.

Eight senior managers were appointed in 2011, of which two from abroad, four from Lombardy, one from Latium and one from Piedmont.

INDIRECT ECONOMIC IMPACTS

**EC8
DEVELOPMENT AND
IMPACT OF
INFRASTRUCTURE
INVESTMENTS AND
SERVICES PROVIDED
PRIMARILY FOR
PUBLIC BENEFIT
THROUGH
COMMERCIAL, IN
KIND OR PRO BONO
ENGAGEMENT**

The Group pays great attention to promoting social and cultural activities and also to local economic development as an expression of its mutual spirit as a co-operative, by above all allocating a part of the economic value created to support organisations and socially useful initiatives. This activity contributes to strengthen the identity of the Group and the individual Network Banks and has no direct correlation with the achievement of commercial objectives, except for cause-related marketing initiatives.

In 2011 the Group paid out a total of approximately **€15 million** in donations (down by 8.6% compared to 2010, partly the result of excluding professional sponsorships – €2.5 million – in compliance with the LBG model)⁶.

From this year onwards, the procedures proposed by the London Benchmarking Group (LBG) have been adopted for reporting activity and this involves a discontinuity with the disclosures made in prior year reports. For comparison purposes, donations have been divided into gifts and community investments (recurring donations or donations made over more than one year on the basis of projects which are more structured and long-lasting), while commercial initiatives for the community (sponsorships) represent expenses incurred for third party initiatives which involve consideration in contracts consisting of visibility for the Group.

Intervention is performed basically with resources resulting from allocations of profits in accordance with Corporate By-Laws both for the Parent and for almost all the Network Banks (maximum percentage of allocations, where set, ranging from 1% to 4% of profit available for distribution).

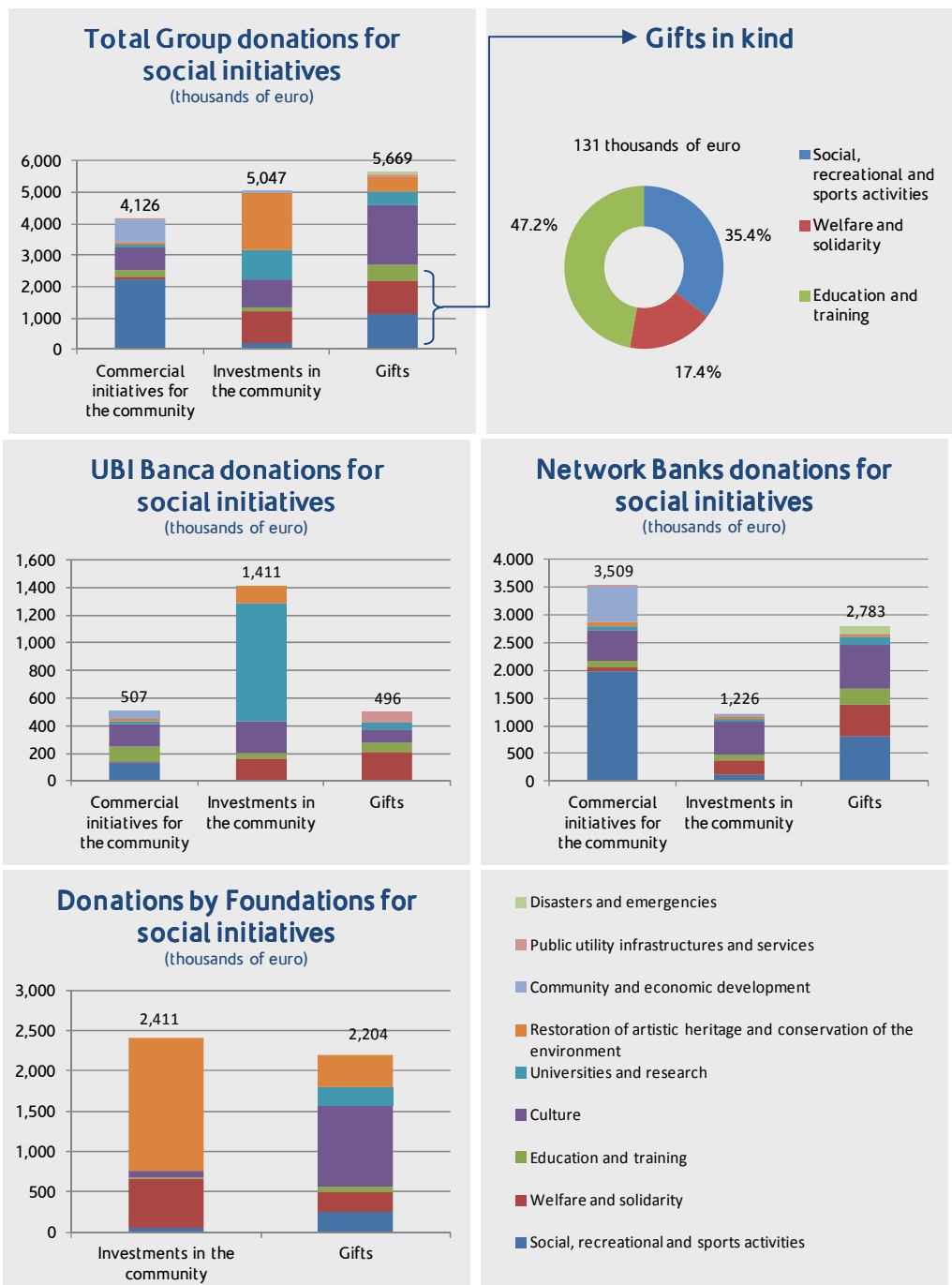
RESERVES OF PROFITS AVAILABLE IN ACCORDANCE WITH BY-LAWS TO GOVERNING BODIES FOR SOCIAL PURPOSES (thousands of euro)	BALANCE AS AT 31.12.2010	2011 ALLOCATIONS FROM 2010 FINANCIAL STATEMENT	2011 DONATIONS¹	BALANCE AS AT 31.12.2011
UBI Banca	9,253	1,522	1,896	8,879
Banca Popolare di Bergamo	3,470	2,028	3,538	1,960
Banco di Brescia	5,892	1,368	1,645	5,615
Banca Popolare Commercio e Industria	136	208	269	75
Banca Popolare di Ancona	411	600	804	207
Banca Carime	351	700	836	215
Banca di Valle Camonica	145	100	156	89
TOTAL	19,658	6,526	9,144	17,040

¹ The 2011 donations include 3.375 million euro granted to the Group's Foundations.

⁶ Data relating to UBI Banca, the Network Banks including UBI BPI, Banca 24-7, IWBanck, UBI Sistemi e Servizi, UBI Pramerica, UBI Factor, UBI Leasing and the Foundations.

No guidelines or company policies exist to regulate the criteria by which decisions are taken to select activities. These are taken by following an evaluation procedure based on the criteria of consistency with Group values, efficiency, effectiveness and the sustainability of the initiatives. The Network Banks and Foundations operate autonomously, responding as the occasion arises to needs in the community through direct contact with social organisations. There are no particular areas of intervention defined *a priori*, except for the Foundations, formed over the years to promote social and cultural growth in their local areas according to the obligations of their constitutions. Sponsorships are performed almost exclusively by the Network Banks, which associate their brands with organisations and initiatives connected with the local communities in which they operated and which set a positive example. Sponsorships, even when they are of professional sports clubs, are in any case normally of organisations which promote the growth of the moral education of young people through sport.

In addition to gifts and sponsorships there are also contributions made to Local Authorities as part of Treasury and Collection services which amounted to **€7.1 million** in 2011.



The Group makes donations to assist with the activities of **Pro Solidar**, a national fund in the credit sector for solidarity and charitable initiatives consisting of a bilateral entity managed by the Italian Banking Association and the national secretariats of the banking Trade Unions. It is the first body in the world formed by a national trade union agreement and funded on an equal basis by workers and companies. Each employee may contribute a sum of six euro per year deducted directly from salary, against which the company pays in an equal amount.



In addition to providing the capital endowments of the Group's foundations, UBI Banca also develops and supports partnerships with the larger organisations and participates in more far reaching initiatives not strictly linked to particular local areas.

In 2011 the Bank disbursed a total of over €2.4 million, mostly in the form of donations. It was not possible to identify metrics with which to estimate the impact of the donations made and consequently the evaluations are primarily qualitative.

Some of the main donations made during the year in the main areas of intervention are listed below, with mention made, where possible, of the impacts expected or achieved:

- support for the foster care projects of the **Albero della Vita Onlus Association**;
- the initiative, "There is extreme need of... Christmas" in co-operation with the **Exodus Foundation** to help the street homeless and those in various towns and cities in Italy who suffer from particular hardship. The Bank met the expenses for the organisation of Christmas dinners in the eight towns and cities where the headquarters of the Group's Network Banks are located (Milan, Bergamo, Brescia, Turin, Breno, Genoa, Jesi, Bari). A total of 1,420 homeless or particularly needy individuals were invited to spend a peaceful day and enjoy a Christmas dinner, served and entertained by volunteers. They also received a gift package with contents designed to be of comfort in winter;
- support for the anti-smoking campaign "No Smoking be Happy" launched by the **Umberto Veronesi Foundation**, which uses scientific interactive workshops based on experimentation and designed for children aged eight to fourteen;
- support for two **Expo Milan** projects named "Co-development" and "Biodiversity";
- co-operation with **LIUC (Libera Università Carlo Cattaneo di Castellanza) University** international training projects, launched in 1989 by businessmen from the Province of Varese, with the objective of eliminating the gap between university education and the needs of the economy. LIUC's projects include study programmes designed to meet the real needs of the labour market, enabling its graduates to find positions in Italy and abroad;
- renewal of co-operation in 2011 with the **Brescia and Bergamo International Pianoforte Festival Organisation** for the 48th edition of the festival of the same name entitled "The music of the future", dedicated mainly to the works of Franz Liszt and Gustav Mahler, with a programme of concerts to be held in the Teatro Grande of Brescia and the Teatro Donizetti of Bergamo between 1st May and 12th June. This edition's programme included an educational initiative for young people featuring the famous violinist Uto Ughi, who presented and described the music of Beethoven between 7th and 28th May;
- part of the costs for the restoration of the Milan Basilica of **S. Maria dei Miracoli**.

Important investments in the community have already been decided for future years. They total €3.7 million net of the €465 thousand already granted, to be disbursed on the basis of the actual implementation of the projects supported. The main donations include the following:

- the restoration of the **Astino Monastery**, as part of a programme which involves protecting and enhancing the monastery and its properties in the community. The monastery, which was founded in 1070 by the Vallumbrosan monks, lies at the foot of the South Western slopes of the hills on which the ancient heart of the city of Bergamo was built; In 2007 it became the property of the Order of the Misericordia Maggiore of Bergamo - MIA Foundation, to which the

Bank's donation will be made;

- restoration of the ancient religious monument of the Milan **Basilica of S. Maria dei Miracoli** to render it safe and to conserve it. The restoration has been in progress since 2004 and the following has been fully restored to date: the facade and the outer surfaces; the side naves; the chapels; the renaissance and baroque paintings. Restoration of the transept, the dome and the altar zone is currently in progress, while work is still to commence on the central nave and the very broad vault, decorated with renaissance rosettes, above it;
- the **Research Foundation of the Ospedale Maggiore of Bergamo** – of which UBI Banca is one of the founding members – to promote and finance scientific research of particular interest to society;
- the "A hospital in the hospital" project, promoted by the **Brescia Children's Hospital**, which involves the purchase of nuclear magnetic resonance equipment which will be used to improve diagnostic capabilities in the paediatric, imaging diagnosis, neuro science and obstetrics and gynaecology departments of the Azienda Spedali Civili - hospital of Brescia;
- the "A cradle to operate" project of the **Cieli Azzurri Onlus - Friends of Paediatric Surgery Association**, to contribute to the estimated costs of bringing the Policlinico hospital of Milan to the forefront in the treatment of neonates who require surgery, by equipping the new Neonatal Intensive Care Department with six latest generation neonatal intensive care units.

The main beneficiaries of sponsorships of social events and initiatives are as follows:

- in the field of sport, the **San Patrignano Consortium** for the Annual International Equestrian Competition, the **Varese Sports Association** to support the Primavera Varese Calcio football team in the Viareggio championship and the **Goggi Ski Club** of Bergamo;
- in the field of art and culture the **Teatro La Scala of Milan**, with support for the activities of its Foundation and its Academy's international tournée in ten cities in which the Group is present with its foreign network for the 150th Anniversary of the Unification of Italy. Local institutions (Italian Cultural Institute, Embassy, Consulate) assisted in finding venues and board and lodging for the artists. The initiative entitled "**UBI Banca promotes the excellence of Italian Culture in the world**" organised events, each of which saw the participation of numerous representatives of local communities, helping to spread the excellence of Italian art in the world with benefits for the Bank's image;
- the **Avvenire** newspaper "Popotus" initiative in schools, to introduce children to reading newspapers. Every Tuesday and Thursday during the first and second terms of the school year, Avvenire and Popotus were distributed to junior and lower secondary classes in two thousand schools, which also created an opportunity for bank personnel to provide education on the management of money and household budgets;
- the **Sodalitas Foundation's** 2011 Sodalitas Social Innovation project to support the development of for profit-non profit partnerships, providing visibility to the most innovative projects of non profit organisations with the most social value. Sodalitas developed an instrument to help non profit organisations to document the validity of their projects more accurately in terms of the following: social impact, effectiveness and efficiency, financial sustainability, degree of innovation, development of organisational capabilities and networking and opportunities for partnerships with companies. UBI Banca benefited from the initiative by developing its own procedures for assessing non profit organisations as part of its UBI Community customer service model.

Donations were also made to sponsor **Assofranchising**, the **2011 Franciacorta Festival**, the **Oscar di Bilancio** – financial reporting Oscar – organised by FERPI and the eighth edition of the **Cathay Pacific China Trader Award**, a prestigious award made to Italian companies that have excelled in the development of business relations with the Chinese and Hong Kong markets.

In addition to donations in cash, donations were also made in kind by UBI Sistemi e Servizi, the Group's ICT service consortium company. UBISS donates retired equipment, which nevertheless still functions well, to organisations and associations which request it. Beneficiaries numbered 33 in 2011 (5 voluntary associations, 11 schools, 4 parishes and church bodies, 4 police units, 5 administrative authorities, 1 individual) who received 210 personal computers (of which 46 notebooks) and 1 scanner.

CESVI sUBItO for the Horn of Africa



One of the Group's most significant partnerships is definitely that with the **CESVI Foundation**, an important Italian NGO founded in Bergamo, which brings assistance and relief to people hit by humanitarian disasters in different parts of the world.

In August 2011, UBI Banca revived its fund raising system, entitled CESVI sUBItO, for international humanitarian emergencies to support work by CESVI to help Somali refugees fleeing from the areas hit by drought and famine to the capital Mogadishu or to Dadaab, the largest refugee camp in the world, on the border with Kenya. Refugees entering the camp at Dadaab between June and September numbered over 1,000 per day, which brought the camp to its knees, with serious hygiene and sanitation problems and the risk of epidemics. Operating through Group branches, UBI Banca raised funds generated by generous donations from customers which, when multiplied by the support from the bank, totalled €100,000 at the end of 2011.

The funds raised were used by CESVI to distribute hygiene and sanitation kits and to support its established public health activities, with particular attention paid to the protection of infants by means of specialist medical treatment and psychological and social assistance. Following cases, amongst other things, of the kidnap of international humanitarian aid workers and an increase in armed clashes between the Kenyan army and Somali militias, security regulations meant that CESVI had to suspend its field work activities and subject its intervention to decisions made by the United Nations agency.

At the beginning of March 2012, the UNCHR directed CESVI to work with mobile clinics in the Ifo area, where one of the most overcrowded refugee camps is located at Mogadishu. The official bulletin issued at the end of February 2012 by the World Health Organisation reported on the importance of CESVI's work with 1,020 patients examined each week, of which 890 are children under the age of 5. Forty protection areas have been created to protect infants by providing assistance and psychological and social support to over 4,000 children per day. Health and hygiene education campaigns are still ongoing for approximately 40,000 people.



Although the economic situation was difficult, the Bank still continued its traditional support to the local communities in which it operates in 2011, partly through funding the endowments of the **UBI per Varese Onlus Foundation** and the **Banca Popolare di Bergamo Onlus Foundation**. Intervention in the provinces of Lecco, Como, Monza and Brianza continued to increase, alongside the numerous longstanding interventions in the provinces of Bergamo and Varese, which have become the main centres at each end of that geographical belt commonly known as "Pedemontana" (the foothills) in which the Banca Popolare di Bergamo is one of the main high street banks.

In 2011 the connection with and support given to the **Associazione Generale di Mutuo Soccorso** (mutual society) acquired renewed significance with the celebrations for the 150th Anniversary of the Unification of Italy, during which the birth was commemorated. In 1869, of the Banca Mutua Popolare di Bergamo in the premises of the Società di Mutuo Soccorso, whose honorary president was Giuseppe Garibaldi himself.

Important donations included those to the **Comunità Promozione Umana di Don Chino Pezzoli** for the purchase of the Centro Terapeutico di Maiano (Sant'Angelo Lodigiano), which accommodates around 1,500 young persons addicted to drugs and alcohol and to the Comitato Umanitario Casari

Onlus to run the Cochabamba Educational and Recreational Centre in Bolivia – concrete evidence of the Bank's full support for humanitarian action abroad, which continues locally with support for educational action to welcome and integrate young immigrants, like that taken by the **Associazione Fabbrica dei Sogni Onlus** and the "**Bergamo as family city**" project to place value on families as "social capital", in co-operation with the City of Bergamo.

In the cultural field, after the purchase and restoration of the Madonna con bambino tra San Domenico e Santa Maria by Andrea Previtali, the Bank made donations to organise the exhibition "The two Previtali, a comparison" in co-operation with the City of Bergamo, the Accademia Carrara and Italia Nostra. Important support was also given to the Bergamo Teatro Sociale.

Local development also takes place through involvement in local associations, such as **Promoserio** (a new tourist agency for local development in Valle Seriana) and in activities for a better understanding of economic and social dynamics, as was the case of our support for the Bergamo Confindustria (confederation of industry) research project "B.I.C. Best in the class – company best practices in equal opportunities in the province of Bergamo" to support female aptitudes.

Professional sports sponsorships included the following: the 91st edition of the "**Three Varese Valleys**", the 41st **Lombard Cycling Week**, the San Pellegrino stage of the **Giro d'Italia** cycle race, the **National Absolute Summer Diving Championships** in Bergamo and the partnerships with **U.C. Albinoleffe**, **Varese Basketball** and **Busto Arsizio Volleyball**. This confirms the attention paid to promote different sports – including the "minor" sports – and major sports events which have now become part of local history and tradition as important occasions for people to come together.

BancodiBrescia

In addition to funding the Banca San Paolo di Brescia Foundation and the Credito Agrario Bresciano Foundation - Giovanni Folonari Cultural Institute, established to pursue the original ideals of the banks of the same name from which they emerged, the Bank also carefully selects events and organisations to give support directly to local solidarity, cultural and sports initiatives.

The numerous activities supported in 2011 included the following donations worthy of mention: to the Brescia Diocesan Caritas and the Congregation of the Carità Apostolica for the launch of the **Supercent Project**. The project involved the voluntary donation by current account holders of the bank of one euro cent for each banking transaction performed. Donations were also made to the **Brescia Teatro Grande Foundation** and to the **Spedali Civili Hospital** in Brescia for a scholarship for research into diabetes.

In order to help promote the cultural heritage of the local communities in which the Bank operates, in 2011 it organised an art edition for the "2011 Christmas Gift", dedicated to the "Castles and Villas of the plain between Brescia, Cremona and Bergamo".

Sponsorships included the famous **Mille Miglia**, **Brescia Rugby** and **Pro Bixia**, which supports and organises initiatives for the creation of commercial opportunities for Brescia companies on international markets (in 2011 donations were made to finance missions in India, China and Turkey).

Banca Popolare Commercio & Industria

Each year the bank supports and promotes numerous social, charitable and cultural initiatives to contribute to the social, ethical and cultural development of the community in which it operates, as well as to its economic growth. In addition to those of the Bank, donations also included those of the **Banca Popolare di Vigevano Foundation**, formed when the bank of the same name disappeared when in 1991 it was merged into Banca Popolare Commercio e Industria, which supports it financially.

One of the main partnerships is that with **Pavia University** for the 21st edition of the degree day, when the Bank awarded prizes to the nine best students of the university, one for each faculty. Important activity in the cultural field included co-operation with the **Poldi Pezzoli Museum of Milan**, which for the 150th Anniversary of the Unification of Italy, organised an autumn exhibition dedicated to its founder entitled "Gian Giacono Poldi Pezzoli. The Man and Collector of the Risorgimento" and also the management and organisation of the 26th edition of the **Eleonora Duse Theatrical Prize** – awarded to the actress Federica Fracassi – in a renewed form as a result of co-operation between the Bank and the Piccolo Teatro. In 2011, BPCI was listed on the "Golden Roll of Honour" of the supporters of the **Piccolo Teatro of Milan**.

One of the most important interventions in the cultural field was a donation made for the restoration of the **Minerva Armata Statue** in Pavia, while in the sports field, the Bank signed a two year sponsorship contract as a "Gold Sponsor" of the **Milan Olimpia Basketball** team of Milan.



Cultural and sports sponsorships played a prime role in the Bank's advertising again in 2011 through "excellence" links with partners. The donations were made by the Cassa di Risparmio di Cuneo Foundation.

High quality partners were selected during the year, which included the **Turin Museums Foundation** with which events were organised at Palazzo Madama for the 150th Anniversary of the Unification of Italy and the **Superintendence for Cultural Heritage and Activities** for the sponsorship of the exhibition "The gilded halls and baroque painting of Legnanino" at Palazzo Carignano. The co-operation was particularly intense with the Region of Piedmont, the regional division of the RAI and the Cassa di Risparmio di Cuneo Foundation for the organisation of the **Mid August Concert of the Bruni di Cuneo Orchestra** on the Superga hill in Turin.

The Bank was again the main sponsor in 2011 of the A1 division **Bre Banca Lannutti** volleyball team, 2010 champion of Italy and sponsorship of the **Cuneo Country Club-Banca Regionale Europea International Tennis Tournament** continued in the field of tennis. Co-operation with the Pallone Elastico Cup of Italy (type of handball) continued, organised by the **Lega della Società di Pallapugno**, a sport that is very popular in southern Piedmont, where the Bank has its historical roots.



The Bank maintained its strong spirit of solidarity and social and cultural commitment to the local communities in which it operates and in 2011 it made a wide range of different interventions, especially in the cultural field which included co-operation with the following: the **Pergolesi Spontini-Jesi Foundation** for the youth theatre prose season and for the 2nd edition of the **Valeria Moriconi international prize**; the **Teatro delle Muse di Ancona Foundation** for various initiatives including the opera season; the Macerata **Musicultura Association** for the musical and literary events which began at Recanati in 1990; the **FAI-Fund** for the Italian Environment for the restoration of the masterpiece by Vanvitelli located in the Gesù di Ancona Church; and the Municipality of Fermo for the **Festival of traditional Marches products**.

Mention should also be made of donations made for the organisation of the **25th National Eucharistic Congress** at Ancona attended by the Pope and the eFFeMMe23 Municipal Library at Maiolati Spontini.

In the field of sport and recreation the Bank supported the sports activities of the **Ankon Consortium**, the **Aurora Basketball Team** of Jesi, the Jesi Fencing Club (Valentina Vezzali's club) and the **Athlete Friend Competition** conceived of by the Gabriele Cardinaletti Foundation to disseminate, with its Athlete's Code, the Panathlon International Fair Play Charter for a clean sport that acts to strengthen morals in society.

The Bank also sponsored the **Umbria Marches Innovation Start Cup** prize through the University of Camerino, a competition between business ideas set out in a business plan, generated in the university research environment of Umbria and Marches universities.



Again in 2011 the Bank made a strong commitment to the community with a series of activities for the environment, art and culture and society in general supported mainly through donations. The field of culture played a principal role with interventions which included the exhibition "**De Chirico a Castel del Monte – Il labirinto dell'anima**", a tribute to the painter **Josè Ortega**, at Bosco, with the publication of the book "Arte Contro" edited by the historian Bruno Giordano Guerri and the **Exhibition on the Unification of Italy**.

Mention should also be made of the donation to the **Sant'Egidio Community** for a canteen for the poor and the prizes awarded for the ten best essays written by pupils on traces in financial matters as part of the educational programme for schools entitled "**Newspapergame**", organised in co-operation with **La Gazzetta del Mezzogiorno** newspaper.

Co-operation with the Cosenza Confindustria (confederation of industry) in a geographical area like that in which Carime operates was significant with the sponsorship of “**Your idea of a business**” by the Bank of a national Confindustria project with promotes communication between businesses and upper secondary school pupils in the community. It is designed to increase bonds between the worlds of business and education, to diffuse a business culture and stimulate entrepreneurial education for young people.

UBI Banca di Valle Camonica

Again in 2011 the Bank continued its support for development in the local communities in which it operates above all through initiatives for the needy and to support local culture. Important action undertaken included donations: to the **Brescia Community Foundation** for its Valle Camonica community fund; to the **Darfo Valle Camonica Athletics Association** to promote sport among young people; to the **Education Without Borders Association** to promote education in developing countries; to the Parish of Breno for its welfare activities; to the **Società San Vincenzo De' Paoli** for its work to assist the needy; and to the **Opera Caritas San Martino Foundation** for the **Supercent project**.

In the cultural field, the Bank has supported: the archaeological research of the **Camuno Prehistoric Studies Centre**; the Art and Spirituality Association of Brescia, for its work on the conservation and valorisation of the art collection which previously belonged to Pope Paul VI; the **Camun Voice Association** of Breno for the diffusion of local culture; and the Cielivibranti Cultural Association with a donation for the Teatro delle Ali of Breno.

Sponsorships included support for the **G.S.M. Amateur Sports Association** for the organisation of the 7th edition of the Fardell Memorial International Cycling Race and for the **Adamello Ski Tourism Promotion Consortium**.

UBI Banco di San Giorgio

In line with its traditional policy of providing support to local communities, again in 2011 the Bank supported numerous activities and intervened to help **the people of Genoa hit by the floods** in November with the immediate creation of a current account to receive funds raised in co-operation with the Ligurian newspaper Il Secolo XIX.

Sports sponsorships constituted the main part of donations to the community and they included a range of different sports, with, as always, particular attention paid to young people. They included donations to the **Amateur Sports Association Genova Rugby** for the 2011 youth tournament, to the **Amateur Sports Association Nervi** for the first water polo team, to the **Il Porto dei Piccoli Association** for the Ravano youth football tournament, to the **Crociera Stadium**, to **Paladonbosco** and to **Seisport** for the Don Bosco Group, to **CUS of Genoa** for its 1st rugby team and to **U.C. Sampdoria**.

Other interventions included donations to the **Il Porto dei Piccoli** to assist children in hospital, to **A.R.E.O.** to commemorate Gian Vittorio Cauvin with two research scholarships at the Haematology Division of the San Martino Hospital of Genoa and sponsorships of the **Carreras Charity Concert**, the **2011 Exodus Prize** and the **Festa della Marineria** of La Spezia.

Banca Popolare di Bergamo Onlus Foundation

The Foundation was formed in Bergamo in 1991 by the former Banca Popolare di Bergamo–Credito Varesino to promote historical and artistic heritage, health and welfare, charitable activities and the conservation of the environment and nature in the Lombard area. The main commitment, which the Foundation continued in 2011 with a second donation, is to the **Committee for the Beato Giovanni XXIII Hospital** of Bergamo, to build a new church dedicated to Blessed Pope John XXIII and is part of the broader context of the project to build the New Bergamo Hospital. It is a project designed to conserve and enhance the centuries old artistic, religious and historical heritage of the current hospital, confirmation at the same time of the Foundation's strong commitment to it over the years. The Church will offer a spiritual welcome and hospitality to all those persons who come into contact or must live with the daily and often difficult reality of a hospital and who place their hope and expectations in their faith. The project, which began towards the end of 2010, should be completed by the spring of 2012.

Other important intervention included donations to the Diocese of the Bishop of Bergamo as the

first instalment for a project to restore the **Benedictine Abbey of San Paolo d'Argon**, which dates back to 1092, to the **Adriano Bernareggi Foundation**, to **Bergamo Scienza** and to the **Pro Universitate Bergomensis Association**.

The CAB Foundation – Istituto di Cultura Giovanni Folonari

The Foundation, located in Brescia was formed in 1983 to “promote, encourage research into, enhance the value of, analyse and divulge actions and aspects that concern culture, education, instruction, social welfare and scientific research” (Art. 2 of the Constitution). In recent years the Foundation has focused on the restoration and enhancement of artistic and cultural heritage and since last year it has been committed mainly to the recovery and restoration of the **Chiesa del Buon Pastore (Santa Maria della Carità)** church in Brescia, although donations were also granted to the **FAI** (Italian fund for the environment), the **Friends of Museums Association**, the **Brescia Artists Association** the **Ugo da Como** Foundation and to the **Civiltà Bresciana** Foundation.

Intervention continued in other sectors, although to a much lesser extent with support for the **Muse Italia Onlus Association** to reprint the book “Le X Giornate di Brescia narrate da un tamburino”, distributed in schools in Brescia, to celebrate the 150th Anniversary of the Unification of Italy and for the organisation of the annual concert as part of the **Brescia – Bergamo Pianoforte Festival** with the award of the **Benedetti Michelangeli prize** and two important conventions: “**In the period of Pandolfo Malatesta Lord of Bergamo, Brescia and Fano**” and “**Culture, research and society: from Giuseppe Beretta to the intervention of the foundations**”. An important commitment was made for the “**6th National Conference of Local Councillors responsible for culture and tourism**”, held in Rome in September.

Banca San Paolo di Brescia Foundation

Founded in 1998 by the Banca San Paolo di Brescia, its objective is to perpetuate the ideals and catholic inspiration of the bank from which it originated. It operates principally in Lombardy and preferably in the province of Brescia, to support social, civic and church initiatives with special attention given to education, welfare and art, by making donations and working with other similar organisations.

In 2011 it made donations to the activities of the following: the **Opera per l'Educazione Cristiana of Brescia** for the Paolo VI Institute; the **Diocesan Caritas di Brescia** for the people's canteen “Madre Eugenia Menni”; the Brescia Associations **Prison and Community**, **Casa Emmaus Onlus** and **VOL.CA – Volontariato Carcere** to support prison inmates, former prison inmates and their families; **Istituto Cesare Airici** and the **Santa Maria della Pace junior and lower secondary school** to support their teaching and educational activities, the Brescia publishing houses; **Editrici Morcellina** and **Edizioni Stadium**; the **Arte e Spiritualità Concesio Association**, the **Civiltà Bresciana Foundation** and the **Società dei Concerti** to promote their activities programmed for 2011; **EBIS – Ente Bresciano Istruzione Superiore** and the Catholic University of Milan to support the activities of its Brescia section. The Foundation also supports various **church related organisations**, refunding interest paid on loans granted by the Banco di Brescia on the basis of special agreements entered into for restoration and conservation of artistic heritage and of properties belonging to the parishes and dioceses of Brescia.

Unione di Banche Italiane per Varese Onlus Foundation

Founded in 2001 it pursues exclusive aims of social solidarity in the Region of Lombardy and in the Province of Varese in particular. It supports charitable initiatives and initiatives to conserve, promote and enhance, artistic and historical heritage and it also intervenes to support initiatives in the health, welfare and cultural fields and in the sphere of university education.

In 2011 it made donations for the following: restoration of the organ of the **Baptistry of the Parish of San Vittore** of Varese (next to the building which houses the Baptistry branch of the Bank); **Villa Litta Modignani** at Biumo Inferiore; canvases for the **Parish of Bosco Valtravaglia** and the **Parish of B.V. Assunta di Mornago**; educational projects of the **Young Diabetics Association** and of the **Italian Union for the Blind**; a cultural mediation project of the **Soc. Coop. Mediazione Integra**. Other intervention involved donations to: the **Centro Ascolto CAOS** for activities to support women who have undergone breast surgery; the **Province of Varese** for the organisation of the event “**Abbraccio Intorno al Lago**”; the **Pro Loco di Gazzada** to organise the local musical season and the Municipality

of Casalzuigno for reorganising the **Archivio Della Porta Bozzolo**.

Banca Popolare di Vigevano Foundation

Founded in 1991 by the bank of the same name which was merged into Banca Popolare Commercio e Industria, it has continued over the years to support local initiatives of a humanitarian, social, cultural and charitable nature. After the conservation and restoration of the façades of the **Carmin** and **San Bernardo Churches** at Vigevano and after making a donation to build the **Museo dell'Imprenditoria**, recent intervention has included support for the following: the **Lomellina for Cernobyl Committee**, which provides hospitality to children from that city in the Ukraine; the **Società Storica Vigevanese** for a university research scholarship on the local economy; the **Madre Amabile Foundation**, which assists minors removed from their families by the courts; and the **Parish of San Dionigi** to complete the restoration of the church decor.

EC9 SIGNIFICANT INDIRECT ECONOMIC IMPACTS

The financial and economic crisis still in progress has underlined the critical importance of the banking system for sustainable growth, especially in the current context of the globalisation of financial services and the interdependence of local economies.

Given its nature and its distribution network in the community, the UBI Banca Group can generate important indirect impacts on the economy above all at local level:

- the competitiveness of the economy, as a result of support given for investments in small to medium-sized enterprises to promote growth and technological innovation;
- the development of depressed economic areas, through geographical choices for the location and allocation of economic resources;
- the development of new business opportunities and the reduction of environmental costs through support given to investments in households and businesses and through the use of renewable energy and attention paid to environmental factors in lending, purchasing and investing processes;
- the reduction of risks and the maximisation of the social benefits of development through attention to issues such as financial inclusion, a civil economy, financial education, occupational health and safety, non discrimination and equal opportunities.

On a national scale, UBI Banca can help reduce the social costs of economic inequalities, breaches of the law and threats to peace and security to the extent to which:

- it contributes to the stability and efficiency of the financial system through proper risk management, respect for market supervisory authorities and proper commercial practices in dealings with customers and relations with competitors;
- it complies with the law and co-operates with institutions in the performance of all those activities where risks may arise (e.g. money-laundering and terrorism, competition and market abuse, privacy, protection of consumers).

UBI Banca takes responsibility with regard to these aspects for formulating and implementing policies and operational and commercial practices and it seeks to be accountable for them through its financial and non financial reporting (Consolidated Financial Statements and Social Report, even if it is difficult to identify metrics and operating tools to measure impacts).

EN. Environmental performance

In compliance with the principles of the Global Compact, UBI Banca pursues a preventative and proactive approach to environmental issues, as part of its social responsibility with regard to society and the local communities in which it operates, with consideration given to both direct and indirect impacts. To achieve this, in 2008 UBI Banca set an **environmental policy** designed to progressively reduce direct environmental impacts in terms of consumption (principally energy, paper and toner), greenhouse gas emissions (principally CO₂) and the production and disposal of waste and the implementation of initiatives to promote virtuous conduct along the value chain with reference primarily to customers.

[☞ Environmental Policy](#)

The Group **Energy Manager** and **Mobility Manager**, appointed within the UBI Sistemi e Servizi Real Estate Department and the Human Resources Area of the Parent respectively, are the main protagonists assigned the role of promoting and supporting the implementation of the environmental policy through targeted initiatives, in co-operation with the Group Corporate Social Responsibility Function.

RAW MATERIALS

EN1 MATERIALS USED

The use of raw materials in the production process mainly regards paper. For some years now printers have been configured to print on both sides of sheets as the default setting, with the objective of saving on paper. Further initiatives were implemented in 2011 and others are currently being studied.

CONSUMPTION OF RAW MATERIALS ¹	2011 ²	2010 ³	2009 ⁴
Paper (kg) ⁵	2,000,705	2,048,705	1,630,215
per employee (kg)	112	117.72	89.90
of which certified:			
FSC	71%	85%	n.a.
PEFC	71%	85%	n.a.
ECF	98%	100%	100%
Ecolabel	85%	85%	n.a.
Toner (no) ⁶	20,039	n.a.	n.a.

¹ The data is estimated on the basis of actual spending.

² Data relates to 98.5% of the indoor floor space of the Group.

³ Data relates to 98% of the indoor floor space of the Group.

⁴ Data relates to 99% of the indoor space of the Gruppo.

⁵ The purchases department approved the use of 70g A4 paper from September 2011 (currently the proportion is 1/3 for 70g and 2/3 for 75g). This type allows less use of cellulose and greater CO₂ emission benefits especially with regard to transport.

⁶ Toner used by printers operated on the basis of the "Printing life cycle solution" model.

More efficient communications with customers – in order to implement legislation and regulations on transparency and to improve IT processes – has led to an appreciable reduction in their number and frequency, by focusing them in certain periods of the year and enclosing several communications in a single envelope.

The development and popularity of consultation and payment services provided through **Multi-channel Banking** – part of the Business Plan – has accelerated the process of digitalising customer documents and communications, with consequent savings on paper by the Group and customers and at the same time it has reduced the need for customers to physically travel to Group branches with a consequent decrease in atmospheric pollution generated by the means of transport employed. Again in 2011, as part of the Multi-channel Banking project, a competition was organised to support this process entitled "**Activate my accounts and win!**" for customers of the internet

banking services Qui UBI, Qui UBI Affari and Qui UBI I Want tUBI'. The number of current and deposit accounts for which the dematerialisation of correspondence was activated rose from 305,000 in December 2010 to 554,000 in December 2011 (+82%), while the number of customers subscribing to the service rose from 200,000 to 404,000 (+103%).

Further initiatives are in progress for the remote selling (internet) and conventional branch channels to digitalise commercial sales and the signing of contracts for products and services and also post-sales operations with customers (electronic forms for transactions) through the acquisition of **digital signatures** (biometric) from customers.

Again in 2011 a process was also commenced to dematerialise multiple credit transfer forms in order to save on paper, shorten the times required to process hardcopy forms and eliminate possible errors in forwarding them.

EN2
RECYCLED RAW
MATERIALS
EN5

To date the Group has introduced no specific guidelines for the purchase of products produced using recycled materials.

Nevertheless, with regard to paper, in addition to the efforts made to improve consumption, a decision was taken to use paper made using raw materials from sustainably managed forests.

ENERGY

EN3
DIRECT ENERGY
CONSUMPTION BY
SOURCE

The optimisation of energy supplies and consumption is a priority and it is overseen by the Group Energy Manager who, in addition to managing energy supply contracts (electricity, methane, gas oil, etc.), makes recommendations to the different organisational units responsible on the rational and efficient use of energy sources.

DIRECT ENERGY CONSUMPTION¹	2011²	2010³	2009⁴
Electricity from owned photovoltaic panels (kWh)	184,099		
per employee (kWh)	10.30	-	-
by floor area (kWh/sq.m)	0.18	-	-
TOE ⁵	34	-	-
GJ	663	-	-
Heating			
Natural gas (cum)⁶	4,874,428	4,609,386	4,936,139
per employee (cu.m)	272.83	264.86	272.41
by floor area (cu.m/sq.m)	4.71	4.35	5.39
TOE ⁵	3,997	3,780	4,048
GJ	167,095	158,010	169,211
Gas oil (ton)	856	761	1,046
Gas oil (l)	1,019,435	905,582	1,245,611
per employee (l)	57.10	52.04	68.74
by floor area (l/sq.m)	1.00	0.86	1.36
TOE ⁵	925	831	1,130
GJ	36,497	32,421	44,594
LPG (ton)	16	n.a.	n.a.
LPG (l)	28,823	n.a.	n.a.
per employee (l)	1.60	n.a.	n.a.
by floor area (l/sq.m)	0.03	n.a.	n.a.
TOE ⁵	17	n.a.	n.a.
GJ	736	n.a.	n.a.
Fuel for company car fleet			
Petrol (ton)	50	n.a.	n.a.
TOE ⁵	60	n.a.	n.a.
GJ	1,908	n.a.	n.a.
Gas oil (ton)	1,361	n.a.	n.a.
TOE ⁵	1,470	n.a.	n.a.
GJ	50,094	n.a.	n.a.
LPG (ton)	0.13	n.a.	n.a.
TOE ⁵	0.15	n.a.	n.a.
GJ	4.83	n.a.	n.a.
TOTAL TOE⁵	6,503	4,611	5,178
TOTAL GJ	256,998	190,431	213,805
of which: from non renewable sources	256,335	190,431	213,805
from renewable sources	663	-	-

¹ The data is estimated on the basis of actual spending. See 3.11 for a definition of the coefficients used to calculate TOE and GJ.

² Data relates to 98.5% of the indoor floor space of the Group.

³ Data relates to 98% of the indoor floor space of the Group.

⁴ Data relates to 99% of the indoor floor space of the Group.

⁵ Ton oil equivalents.

⁶ The consumption of natural gas in 2010 includes the consumption of LPG (16,056 l).

EN4 **INDIRECT ENERGY** **CONSUMPTION BY** **SOURCE**

The Group is a member of the **Italian Banking Association Energy Consortium**, which acts as a research and training centre for Banks belonging to the consortium on energy savings issues. It provides co-ordination for cost analysis and data acquisition and performs Group energy purchases at attractive conditions.

INDIRECT ENERGY CONSUMPTION ¹	2011 ²	2010 ³	2009 ⁴
Electricity purchased (kWh)	125,293,213	110,426,442	169,601,397
per employee	7,012.9	6,345.3	9,391.0
by surface area (kWh/sq.m)	121.1	104.3	208.4
percentage from renewable sources ⁵	100%	100%	84%
TOE ⁶	23,430	20,650	31,715
GJ	451,056	397,535	610,565
District heating (kWh)	10,784,843	10,099,665	5,812,582
per employee	603.7	580.3	321
by surface area (kWh/sq.m)	10.4	9.5	6
TOE ⁶	927	869	500
GJ	38,825	36,359	20,925
TOTALE TOE⁶	24,357	21,519	32,215
TOTALE GJ	489,881	433,894	631,490
of which: from non renewable sources	38,825	36,359	118,615
from renewable sources	451,056	397,535	512,875

¹ The data is estimated on the basis of actual spending. See 3.11 for a definition of the coefficients used to calculate TOE and GJ.

² Data relates to 98.5% of the indoor floor space of the Group. For shared condominium expenses we have the figure for total spending and we have no drivers to allocate consumption. These are heating expenses (approximately 70% of actual annual spending of approximately €8,342,000).

³ Data relates to 98% of the indoor floor space of the Group.

⁴ Data relates to 99% of the indoor floor space of the Group.

⁵ RECS (renewable energy certification system – www.recs.org) certificates purchased by energy source.

⁶ Ton oil equivalents.

EN5
ENERGY SAVED DUE
TO CONSERVATION
AND EFFICIENCY
IMPROVEMENTS

Printers are fitted with a remote system to monitor paper and toner consumption.

Work station monitors have the following energy efficiency certifications: **TCO display 5.0**, **TCO 03** and **Energy Star**. Also all notebooks, desktops and printers are **Energy Star** certified.

The lighting systems in four large office blocks have been replaced with **LED lighting**, which guarantees operational savings (a cost recovery time of 1.7 years).

A substantial contribution to reducing emissions is made by the characteristics and the **eco-compatibility of buildings**. The Group has adopted a **design system for the refurbishment and construction of offices and branches**, which involves an energy section which intervenes in three areas:

- high energy efficiency **electric lighting**, with a system that guarantees constant levels of lighting and reductions in consumption partly through the possibility of the partial use of individual lamps;
- **machinery**, with high efficiency systems such as inverter heat pumps, condensing boilers and more efficient refrigeration units;
- **architecture and structure**, with greater use of insulation and film on windows to control sunlight. This reflects up to 70% of the incoming heat, maintaining interior temperatures of buildings lower and thereby reducing air conditioning expenses.

Windows have been replaced in 27 branches with profiles and glass compliant with the new architectural and structural criteria, 22 new **remote control operated** heating and air conditioning systems have been installed and 60 windows have been replaced with **insulating panels**. A remote control system is now used to monitor 261 heating and air conditioning systems via intranet, for which the correct settings for the required ambient temperature and on and off times are verified constantly both in winter and summer.

The start of energy diagnosis activity for the server farms is planned for 2012, designed to identify further ways of improving energy efficiency.

**EN6
INITIATIVES TO
PROVIDE ENERGY-
EFFICIENTE OR
RENEWABLE ENERGY
BASED PRODUCTS
AND SERVICES**

FS8

In consideration of the activity carried out, the indicator is held to be significant, not so much with regard to products and services that are energy efficient in themselves or that are based on renewable energy as with regard to the supply of products and services designed to support investments for energy savings and the use of renewable energy as reported in the section on products and investments for environmental purposes.

**EN7
INITIATIVES TO
REDUCE INDIRECT
ENERGY
CONSUMPTION
AND REDUCTIONS
ACHIEVED**

The Group has undertaken initiatives to reduce indirect energy consumption connected with the mobility of employees. These regard the following: a travel policy which gives priority to the use of collective public transport for business travel; increasingly greater use of video conferencing to replace physical travel; and the use of company buses for travel to and from work. No reliable estimate is available for the savings achieved in 2011 compared to the previous year.

WATER

**EN8
TOTAL WATER
WITHDRAWAL BY
SOURCE**

WATER CONSUMPTION (cu.m)¹	2011²	2010³	2009⁴
Water withdrawn from the public mains	671,502	673,464	779,724
per employee	37.6	38.7	43.0

¹ The data is estimated on the basis of actual spending.

² Data relates to 98.5% of the indoor floor space of the Group.

³ Data relates to 98% of the indoor floor space of the Group.

⁴ Data relates to 99% of the indoor floor space of the Group.

**EN9
WATER SOURCES
SIGNIFICANTLY
AFFECTED BY
WITHDRAWAL**

In consideration of the activity carried out and its location, the indicator is not considered significant.

**EN10
WATER RECYCLED
AND REUSED**

In consideration of the activity carried out and its location, the indicator is not considered significant.

BIODIVERSITY

**EN11
LANDS IN PROTECTED
OR OF HIGH
BIODIVERSITY AREAS**

The Group owns over 12 hectares of land located in agricultural areas, but it has no land in protected areas or that is important with regard to the protection of biodiversity.

**EN12
IMPACTS OF
ACTIVITIES,
PRODUCTS AND
SERVICES ON
BIODIVERSITY**

EN13
HABITATS
PROTECTED OR
RESTORED

In consideration of the activity carried out and its location, the indicator is not considered significant.

EN14
STRATEGIES AND
ACTIONS FOR
MANAGING IMPACTS
ON BIODIVERSITY

In consideration of the activity carried out and its location, the indicator is not considered significant.

EN15
PROTECTED SPECIES
IN AREA WHERE THE
ORGANIZATION
OPERATES

In consideration of the activity carried out and its location, the indicator is not considered significant.

EMISSIONS, EFFLUENTS AND WASTE

EN16
TOTAL DIRECT AND
INDIRECT
GREENHOUSE GAS
EMISSIONS

DIRECT EMISSIONS (Tons) ¹	2011				
	CO ₂	CH ₄	N ₂ O	NO _x	SO _x
From heating systems					
Natural gas	9,544.1	0.4	0.2	11.8	0.1
Gas oil	2,659.2	0.2	0.1	1.9	3.9
LPG	46.5	n.s.	n.s.	-	-
From company car fleet					
Petrol	154.6	0.1	n.s.	-	-
Gas oil	4,270.3	0.1	0.1	-	-
LPG	0.3	n.s.	n.s.	-	-
TOTAL	16,675	0.8	0.4	13.7	4.0
per employee	0.9	n.s.	n.s.	n.s.	n.s.
TOTAL CO₂e	16,801				
per employee	0.9				

¹ Data relates to 98.5% of the indoor floor space of the Group and is estimated on the basis of actual spending.

Indirect emissions only relate to electricity purchased, because – in compliance with the guidelines issued by Italian Banking Association Energy for banks – emissions resulting from district heating are not considered because the heat used comes from power generating plants and therefore the relative emissions are reported by the users of the electricity.

Electricity purchased in 2011 was equivalent to 51,948 tons of CO₂ equivalent¹, which was fully offset through the purchase from Energetic Source of RECS certificates for the entire supply.

Net of emissions from the Group's car fleet, not reported in prior years, total greenhouse and/or polluting emissions in 2011 – amounting to 12,250 tons of CO₂, 13.7 tons of NO_x and 4 tons of SO_x – compares with:

- 15,045 tons of CO₂, 17.7 tons of NO_x and 7.9 tons of SO_x in 2010²;
- 28,195 tons of CO₂, 30.5 tons of NO_x and 22.5 tons of SO_x in 2009³.

EN17 Indirect greenhouse gas emissions, which are not covered by the other indicators regard corporate

¹ Corresponding to 51,746 tons of CO₂, 2 tons of CH₄, 0.5 tons of N₂O, 61 tons of NO_x, 68 tons of SO_x.

² Figures for district heating, methane and gas oil.

³ Figures for electricity from non renewable sources, district heating, methane and gas oil.

**OTHER INDIRECT
GREENHOUSE GAS
EMISSIONS**

travel using vehicles other than those in the Group car fleet and they are estimated as totalling 5,215.65 tons of CO₂ per year (5,252 tons of CO₂ equivalent). In detail these consist of:

- 4,449 tons of CO₂ estimated for travel for work performed by employees using their own personal vehicles;
- 765 tons of CO₂ estimated for business travel by air and 1.65 tons of CO₂ estimated travel by train⁴.

Inclusive also of the emissions generated by the use of the Group car fleet, reported for EN16, total CO₂ emissions due to corporate mobility can be estimated at 9,641 tons of CO₂ (9,720 tons of CO₂ equivalent).

**EN18
INITIATIVES TO
REDUCE GREENHOUSE
GAS EMISSIONS AND
REDUCTIONS
ACHIEVED**

With account also taken of the economic crisis in progress and of the consequent necessity to reduce costs, the Group pays particular attention to reducing waste in the use of all forms of energy, giving priority to action which does not require investments. The “**2012 Energy Programme**” proposed by the Group Energy Manager and approved by the General Management of UBISS, mainly consists of action to improve energy consumption at zero cost:

- a **Housekeeping Project** to map inefficiencies in the use of resources (space, energy, water) in branches and to eliminate them in the most economical way possible, rationalising the use of space and increasing the efficiency of lighting and heating and air conditioning;
- **Switching off PCs at night**, a the project to centralise switching them off introduced in network banks in 2010 is now to be extended to include UBI Banca and UBISS;
- **Power factor correction for electric circuits** to improve the performance of the circuits, thereby also reducing penalty payments for reactive energy;
- **LED lighting technology**, with the compilation of the technical specifications for contracts to install luminous signs in branches and a study for a branch lit with LED technology in compliance with photobiological safety standards.

In order to encourage more sustainable to-and-from work mobility, for some years now protected parking areas have been provided for bicycles in some of the main headquarters of the Group and a coach shuttle service runs between Bergamo, Varese, Brescia and Milan (and actually within the city for the latter). In 2011 the service was used on average by 370 employees per day, thereby preventing emissions of well over 1,000 tons of CO₂ compared to the use of car travel⁵. The Group has a number of large business centres consisting of the headquarters of the Parent, the network banks and the product companies on which problems of sustainable mobility and initiatives to solve them are concentrated. These matters are supervised by the **Group Mobility Manager** in the Human Resources Area.

VIDEO-CONFERENCES	2011	2010	2009
Offices equipped	337	134	150
Video rooms	182	185	
Number of video-conferences	3,447	3,067	2500
number of participants	10,341	9,199	n.a.
average number of participants	3	3	n.a.
estimated CO ₂ emission savings (Ton)	298	265	n.a.

UBI Banca has set a travel policy which gives priority and incentivises the use of transport for business travel which has a lower environmental impact and we have increased the use of video-conferencing to limit physical transfers as much as possible. The Group has 519 video-conferencing work stations in use, of which 200 installed in 2011. Video conference meetings held during the year numbered 3,447, 12.4% higher than the year before.

As it does every year, in 2012 UBI Banca participated in the initiative **M'illumino di meno** (I use less light), symbolically switching off the neon signs of the main headquarters of UBI Banca, UBI Sistemi e Servizi and of the network banks and some Group branches and educating employees by publicising the initiative and the energy savings “Decalogue” on the corporate intranet portal

⁴ Data relates to 98% of personnel.

⁵ The figure was estimated using a conversion factor indicated by the 2011 Defra (Department for Environment Food and Rural Affairs) guidelines.

UBILife.

EN19
EMISSIONS OF
OZONE-DEPLETING
SUBSTANCES

The only source of ozone-depleting substances involved in the activity carried out consists of air conditioning systems. Almost all of the new air conditioning systems installed in offices contain the non-polluting R410 refrigerant gas, while existing systems still use the R22 gas as well non polluting R407 and R134 gases.

EN20
OTHER SIGNIFICANT
AIR EMISSIONS

EN16

In consideration of the activity carried out, significant polluting air emissions involved regard those substances reported in table EN16 only, which also gives NO_x and SO_x emissions.

EN21
WATER DISCHARGE

All water consumed is withdrawn from the public water mains and is discharged into the public sewers, except for water used in water-cooled air conditioning systems, for which the discharge cannot be quantified.

EN22
WASTE BY TYPE AND
DISPOSAL METHOD

WASTE SEPARATION (kg) ¹	2011 ²	2010 ³	2009 ⁴
Paper and cardboard/paper packaging	1,936,790	1,991,401	1,985,892
Toner	35,882	18,439	22,530
Glass, cans and iron	861	1,160	1,172
Plastic	3,484	2,096	3,468
Other waste	184,130	139,905	88,097
of which hazardous	10,566	n.a.	n.a.
TOTAL	2,161,147	2,153,001	2,101,159
per employee	121.0	123.7	113.8
by surface area (kg/mq)	2.1	2.0	2.3

¹ Data does not include solid urban waste undifferentiated, handled by the public refuse service.

² Data relates to 98.5% of the floor space of the Group.

³ Data relates to 98% of the floor space of the Group.

⁴ Data relates to 99% of the indoor floor space of the Group.

WASTE BY RECOVERY/DISPOSAL METHOD (kg) ¹	2011
Re-use/Recovery	2,160,566
Recycling	-
To waste dumps	-
Incineration (or use as a fuel)	-
Treatment for disposal ²	581
TOTAL	2,161,147

¹ As defined in attachments B and C of Part IV of Legislative Decree No. 152/2006 "Environmental regulations" and subsequent amendments.

² Transferred to D15 preliminary deposit, before treatment from D1 to D14 of Legislative Decree 152/2006.

EN23
SIGNIFICANT
POLLUTANT SPILLS

In consideration of the activity carried out, the indicator is not considered significant.

EN24
HAZARDOUS WASTES

In consideration of the activity carried out, the 10,566 kg of dangerous waste consisted primarily of retired electronic equipment containing dangerous substances (81% of dangerous waste) and lead batteries (7% of dangerous waste) and they are entrusted to authorised local waste disposal companies.

EN25

In consideration of the activity carried out, the indicator is not considered significant.

**WATER HABITATS
AFFECTED BY
DISCHARGES**

**EN26
INITIATIVES TO
MITIGATE
ENVIRONMENTAL
IMPACTS OF
PRODUCTS AND
SERVICES**

PRODUCTS AND SERVICES

Given the activity carried out, it is not considered possible to identify the environmental impacts of the production and use of the Group's products and services, other than those already reported through the other indicators for environmental aspects of operations.

**EN27
PRODUCTS SOLD AND
THEIR PACKAGING
MATERIALS THAT ARE
RECLAIMED**

In consideration of the activity carried out, the indicator is not considered significant.

**EN28
SIGNIFICANT FINES
AND NON MONETARY
SANCTIONS FOR
NON-COMPLIANCE
WITH
ENVIRONMENTAL
LAWS**

COMPLIANCE

No fines were received in 2011 for non-compliance with environmental laws and regulations. In order to improve recording of fines, a new account has been created in the chart of accounts in all Group companies effective from 2012, to be used to recognise any fines that may be received for environmental damage, classified in accordance with Italian Banking Association guidelines on the matter.

**EN29
SIGNIFICANT
ENVIRONMENTAL
IMPACTS OF
TRANSPORTING
PRODUCTS AND
MATERIALS USED AND
OF TRANSPORTING OF
THE PERSONNEL**

TRANSPORT

In consideration of the activity carried out, the indicator is not considered significant, except in relation to employee mobility, the impact of which has already been reported under other indicators.

☞ EN16 and EN17

**EN30
ENVIRONMENTAL
PROTECTION
EXPENDITURES AND
INVESTMENTS**

OVERALL

No monitoring of expenditures and investments in environmental protection is currently performed.

LA. Labour Practices and Decent Work

Each worker represents an asset with values, capabilities and competencies, the recognition and enhancement of which, considered in terms of capitalising and using the capabilities and competencies of individuals, constitutes an essential condition for achieving UBI Banca's mission. The principles endorsed by ILO (International Labour Organisation) conventions are applied throughout the Group. The local and national standards which Group companies and banks must observe are based on those principles. The policies and processes for personnel management comply with these principles and those of the **Global Compact** and they employ the values of fairness, consistency, meritocracy and uniformity to translate Group objectives into personal, team and corporate results.

EMPLOYMENT

LA1 PROFILE OF THE PERSONNEL

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Accounts 2011 p.
65-67

In recent years the difficult economic situation has focused attention on reducing costs, which has also involved the rationalisation of personnel numbers. UBI Banca has implemented this through voluntary early retirement incentive schemes and generation turnover defined by means of specific trade union agreements.

At the end of 2011, there were 31 workers on personnel leasing contracts and 1,526 employees were on **part-time contracts** accounting for 7.9% of the total workforce (95% of whom female), with peaks which reached 12.0% in some companies. Over the last three years there has been a progressive increase in part-time contracts, which numbered 1,392 in 2009 and 1,440 in 2010.

PERSONNEL	2011			2010			2009		
	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN
Employees at the end of the year	19,391	12,251	7,140	19,616	12,413	7,203	19,910	12,845	7,065
of which:									
permanent	19,270	12,192	7,078	19,420	12,303	7,117	19,407	12,569	6,838
on temporary contracts	104	47	57	171	95	76	474	255	219
apprentices	17	12	5	25	15	10	29	21	8
Average associate workers during the year	125	74	51	341	188	153	661	383	278
of which:									
personnel leasing	68	45	23	274	156	118	518	277	241
other contracts (e.g. internship/agency)	57	29	28	67	32	35	143	106	37
Total personnel	19,516	12,325	7,191	19,957	12,601	7,356	20,571	13,228	7,343

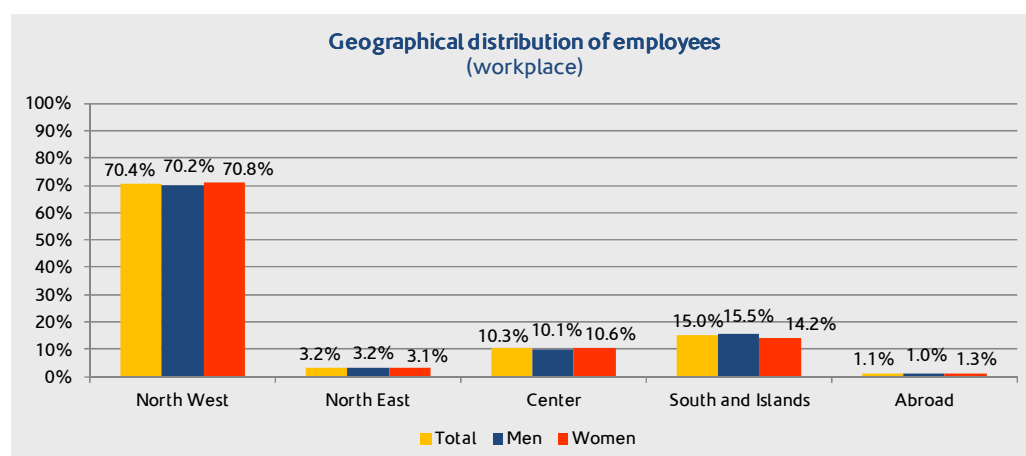
In effect, this opportunity – along with **flexible working hours** and the “**time bank**” scheme introduced in accordance with the National Labour Contract, **moving people closer to their homes** also exploiting where possible intragroup mobility opportunities, **children nurseries** and **shuttle bus services** for to-and-from work mobility – is seen as one of the principal tools for a flexible model to **reconcile work time with family time** and it is implemented by the Group in all the forms provided for under labour agreements (horizontal, vertical, mixed).

Priority is given in allowing part-time work contracts to applicants with good grounds and in particular to those justified by the need to care for children, whether biological or fostered (below maximum junior school age) or by serious family reasons and/or because of the health of the applicant, a spouse, first degree relatives and person's under the legal guardianship of the applicant. Where possible, if compatible with the operating requirements of the company, employment solutions are sought within the organisational unit to which the person belongs or one close to it. Weekly and daily working hours are agreed between the company, the organisational unit in question and the employee, in the context of the provisions of the National Labour Contract and if compatible with service requirements.

PROFILE OF EMPLOYEES	2011			2010	2009
	TOTAL	MEN	WOMEN	TOTAL	TOTAL
Position					
Senior managers	449 (2.3%)	405 (3.3%)	44 (0.6%)	479 (2.4%)	540 (2.7%)
Middle managers	7,645 (39.4%)	5,948 (48.6%)	1,697 (23.8%)	7,551 (38.5%)	7,723 (38.8%)
Professional areas	11,297 (58.3%)	5,898 (48.1%)	5,399 (75.6%)	11,586 (59.1%)	11,647 (58.5%)
Educational qualifications					
High school diploma	59.6%	61.3%	56.7%	62.8%	56.8%
First level (three year) degree	1.1%	0.9%	1.4%	1.1%	0.7%
Former 5 year first degree/second level	26.9%	24.7%	30.6%	26.5%	26.5%
Other	12.4%	13.1%	11.3%	9.6%	16.0%
Length of service					
0 to 10 years	34.2%	32.2%	37.5%	38.2%	39.0%
11 to 20 years	26.4%	26.2%	26.7%	26.0%	25.5%
21 to 30 years	22.1%	22.9%	20.8%	21.3%	22.4%
over 30 years	17.3%	18.6%	15.0%	14.5%	13.1%
Average length of service	18 years			17 years	17 years
Age					
under 30	6.4%	5.3%	8.3%	n.a.	n.a.
30 to 50	62.0%	58.6%	67.8%	n.a.	n.a.
over 50	31.6%	36.1%	23.9%	n.a.	n.a.
Average age	44 years			43 years	43 years
Area of employment¹					
Distribution network	72.0%	71.4%	72.9%	72.3%	73.3%
Organisation, systems and services	10.4%	11.6%	8.1%	9.4%	9.1%
Business and finance	2.2%	2.4%	2.3%	3.0%	2.6%
Governance	15.4%	14.6%	16.7%	15.3%	15.0%

¹ Data relates to 92% of employees.

The maximum number of part-time personnel that may be employed is normally equal to 11% of personnel plus part-time contracts granted for particularly serious situations relating to the applicant, a spouse, first degree relatives living with the applicant and persons under their legal guardianship. The duration of part-time contracts is for a maximum of four years and two-year extensions may be requested. These are granted on the basis of the places available and if they are compatible with service requirements and those of the employee. Female workers on part-time contracts who take leave from work for pregnancy, maternity and postnatal convalescence, may normally request a further part-time contract of four years.



Geographical mobility affects 21% of employees (15.8% of women), in terms working in a different province to that in which they are resident. The Group tries, where possible and if compatible with organisational requirements, to satisfy requests to work close to home made by employees classified as belonging to "professional areas" and special attention is paid to employees who have been working in organisational units at distances of over 40 km (to work and back) from their homes. Moving personnel closer to their homes may result in new or different duties from those

performed in their original organisational units.

The redundancy scheme implemented by the UBI Banca Group on the basis of the trade union agreement of 14th August 2007 was concluded during the year. The last 60 personnel left during the year with access to the sector "solidarity fund" (of which 7 in the 4th quarter) – postponed in relation to measures introduced by Decree Law No. 78/2010 converted into Law No 122/2010 – which brought the total number of redundancies to 960.

As part of the programme to rationalise personnel numbers in accordance with the Business Plan and on the basis of specific agreements with trade union organisations, there is no lack of opportunities for jobseekers, especially young people starting their first job. This is partly due to the related generation turnover programme.

The processes of **finding and selecting** personnel are based on criteria of transparency, independent judgement and respect for personal information on candidates, who are informed of job opportunities available in the Group and about selection methods and timing.

Candidates are acquired mainly through the "**Work**" section of the corporate website of the Group www.ubibanca.it and recruitment is performed on the basis of age, educational achievement, type of education and experience in relation to professional requirements for different roles in the Group. Selection activities are performed centrally by the Parent and they involve aptitude and behavioural tests, group assessment and personal interviews.

Over 34,000 CVs were received during the year (over half from women) and approximately 1,180 candidates were involved in the selection process, with a particular focus, especially in the second half, on specific qualifications and experience and middle management candidates.

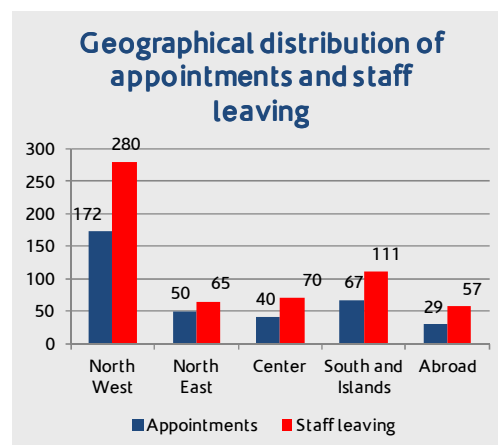
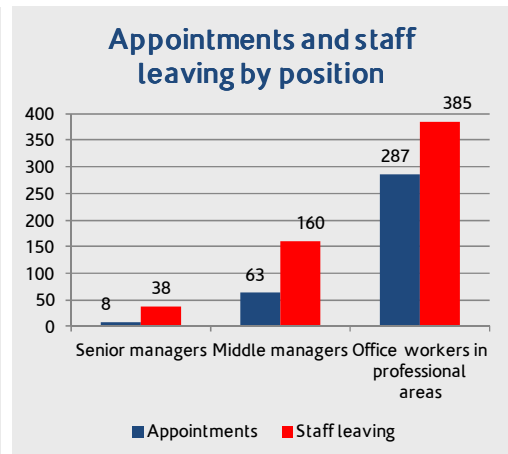
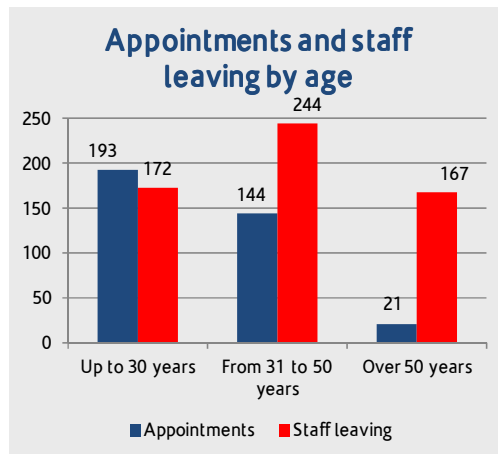
The Group took part in 13 events in 2011 (career days and company presentations) organised above all by schools and universities, in order to let young people know the type of qualifications and experience in which the Group is interested, to acquire candidates and to carry out preliminary and counselling interviews. During the year, 110 persons were appointed on internships in co-operation with these institutions, 80 for university undergraduates and graduates and 30 for school leavers. These provide opportunities for specialist "on-the-job" training above all at the Parent and in the product companies.

APPOINTMENTS		2011		2010	2009
		TOTAL	WOMEN	TOTAL	TOTAL
On temporary contracts		222	56.8%	411	496
of which from:	personnel leasing	4	75.0%	n.a.	n.a.
	apprentices	0	0.0%	n.a.	n.a.
	internship	4	0.0%	n.a.	n.a.
Permanent		136	33.1%	293	182
of which from:	personnel leasing	5	20.0%	n.a.	n.a.
	internship	1	0.0%	n.a.	n.a.
TOTAL		358	47.8%	704	678

CONVERSION FROM TEMPORARY CONTRACTS		2011		2010	2009
		TOTAL	WOMEN	TOTAL	TOTAL
From apprentices		8	62.5%	n.a.	n.a.
Other		82	45.1%	n.a.	n.a.
TOTAL		90	46.7%	510	191

38% of new appointments in 2011 were on permanent contracts. Intragroup transfers also occurred and numbered 472 (41.1% women), 169 less than in 2010.

STAFF LEAVING	2011		2010		2009	
	TOTAL	WOMEN	TOTAL	WOMEN	TOTAL	WOMEN
Business Plan reductions	82	43.9%	545	13.4%	159	37.7%
of which: "solidarity fund"	60	51.7%	153	22.9%	144	40.3%
incentivised redundancies	22	22.7%	392	9.7%	15	13.3%
Voluntary resignations	220	29.5%	250	25.6%	245	27.3%
End of contract	203	53.7%	198	48.5%	419	46.8%
Retirement	7	0.0%	21	28.6%	42	11.9%
Dismissal	23	21.7%	23	26.1%	10	20.0%
Other	48	37.5%	19	10.5%	22	40.9%
TOTAL	583	40.0%	1,056	23.4%	897	37.8%



TURNOVER ¹	2011	
	APPPOINTMENTS	STAFF LEAVING
By position		
Senior managers	1.8%	8.5%
Middle managers	0.8%	2.1%
Other personnel	2.5%	3.4%
By gender		
Men	1.5%	2.9%
Women	2.4%	3.3%
By age		
30 and under	15.5%	13.8%
30 to 50	1.2%	2.0%
over 50	0.3%	2.7%
By geographical area		
North West	1.3%	2.1%
North East	8.1%	10.5%
Central	2.0%	3.5%
South and Island	2.3%	3.8%
Abroad	13.2%	26.0%
TOTAL TURNOVER	1.8%	3.0%
TURNOVER FOR VOLUNTARY RESIGNATIONS		1.1%

¹ Ratio between appointments / staff leaving over workforce at the end of the year.

Turnover has reduced compared to 4.5% in 2009 (1.2% is voluntary turnover) and 5.4% in 2010 (1.3% is voluntary turnover). The data has been recalculated on the basis of the new

definition adopted in 2011.

**LA3
BENEFITS PROVIDED
TO FULL-TIME
EMPLOYEES THAT ARE
NOT PROVIDED TO
TEMPORARY OR
PART-TIME
EMPLOYEES**

All Group employees, whether full-time or part-time, with the sole exclusion of personnel on temporary contracts, can benefit, depending on the company to which they belong, from supplementary forms of pension and health care, insurance policies covering death or permanent disablement, gifts on important occasions such as marriages, births and adoptions, degree awards, scholarship grants for children, paid leave to care for disabled family members, the emergency hospitalisation of family members, the birth or adoption of children and when they start nursery schooling.

LEAVE ¹	2011				2010	2009
	DAYS	EMPLOYEES	MEN	WOMEN	DAYS ²	DAYS ²
Maternity and childcare	92,391	1,801	599	1,202	89,885	88,413
Care for the disabled	19,922	1,020	497	523	17,454	15,484
Government and elected positions	3,232	372	279	93	3,472	4,129
Study	1,249	201	115	86	1,391	1,444
Blood donation	1,832	871	705	166	1,821	1,696
Other personal needs	19,573	5,556	2,814	2,742	19,359	24,064
Trade union leave	30,040	561	432	129	29,251	20,852
TOTAL	168,239	10,382	5,441	4,941	162,633	156,082
North West	121,722	7,535	3,881	3,654	n.a.	n.a.
North East	4,133	331	166	165	n.a.	n.a.
Central	19,838	1,134	608	526	n.a.	n.a.
South and Islands	22,535	1,380	784	596	n.a.	n.a.
Abroad	11	2	2	0	n.a.	n.a.

¹ Data relates to 99% of employees.

² Total leave is different from that reported in prior years because it includes trade union leave.

Cash grants are made to support single income families or families with disabled members. Services include company crèches, eight company cultural and recreational clubs, holiday accommodation facilities at tourist locations at attractive prices and shuttle bus services provided for travel to-and-from work at work places with large concentrations of personnel.

SERVICES AND CONCESSIONS FOR EMPLOYEES	2011				2010				2009			
	AVERAGE USERS	PLACES AVAILABLE	LEVEL OF USE	COSTS INCURRED (thousands of euro)	AVERAGE USERS	PLACES AVAILABLE	LEVEL OF USE	COSTS INCURRED (thousands of euro)	AVERAGE USERS	PLACES AVAILABLE	LEVEL OF USE	COSTS INCURRED (thousands of euro)
Children's nurseries	72	90	80.0%	474	73	95	76.8%	350	71	96	74.0%	370
of which:												
Bergamo	38	46	82.6%		38	46	82.6%		36	51	70.6%	
Brescia	10	20	50.0%		14	25	56.0%		16	25	64.0%	
Milan	12	12	100.0%		9	12	75.0%		12	12	100.0%	
Jesi	12	12	100.0%		12	12	100.0%		7	8	87.5%	
Shuttle coach service	370			833	380			889	300			904
Company cultural and recreational clubs ¹	14,221			586	24,177			598	23,978			484
of which for:												
sport	2,872				2,876				3,006			
tourist activities	2,160				3,817				3,918			
cultural activities	2,726				4,957				5,175			
recreational activities	4,759				10,043				9,649			
activities and services for children	1,704				2,484				2,230			
Supplementary pensions and insurance policies				50,455				48,577				46,849
Study grants and contributions to families				4,218				2,978				2,908
TOTAL COSTS				56,566				53,392				51,515

¹ Crat BPA, Crat BPB, Crat BPCI, Crat BSG, Crat CARIME, Circolo del Personale BRE and G.I.D UBI Banca

Favourable terms and conditions are granted on charges and commissions for banking services along with loans at special rates for the purchase of homes and automatic credit on easy terms in line with the best market conditions.

Clematis Onlus



Clematis Onlus is an association formed in 2002 by retired and in-service employees to assist the families of non self-sufficient disabled children. The association, which is supported by the Group, has signed an insurance agreement to provide the children with an annual supplementary, revaluable, income of €12,000 payable on the death of both parents. The agreement has been signed by 66 families – or which 30 retired employees – for 70 disabled children. Other initiatives to assist families with problems include grants toward the costs of “rehabilitation training” and for the purchase of facilities not reimbursed by public or private sector institutions.

LA15 RETURN TO WORK AND RETENTION RATES AFTER PARENTAL LEAVE LA7

Under Italian law parental leave is compulsory for women employees, normally during the two weeks prior to the presumed date of childbirth and three months after childbirth and leave from work is optional for both parents, normally for a maximum period of six months for each of them during the first eight years of a child's life. In addition to parental leave, legislation and collective national and supplementary company, labour contracts, allow for days of leave to be taken for maternity and to care for children (e.g. nursing babies) and to assist disabled family members.

COMPULSORY PARENTAL LEAVE ¹	2011	2010	2009
Employees taking leave during the year	494	526	505
of which:			
still on leave at the end of the year	170	181	177
returned from leave during the year	323	345	327
resigned when leave ended	1	-	1
Employees in work 12 months after leave ended	345	321	332
Rate of return ²	99.7%	100.0%	99.7%
Retention rate ³	100.0%	98.2%	n.a.

¹ Data relates to 99% of employees.

² At the end of the parental leave.

³ One year after the end of the parental leave.

OPTIONAL PARENTAL LEAVE ¹	2011	2010	2009
Employees taking leave during the year	521	452	408
of which women	95.2%	95.4%	96.1%

¹ Data relates to 99% of employees.

LABOR/MANAGEMENT RELATIONS

There are 8 trade union organisations in the Group to which 84% of employees belong. All trade union organisations operate freely without restrictions and the Group makes adequate operational means available to them to conduct trade union activities. In 2011 trade union representatives took 30,040 days of trade union leave (+2.7% compared to 2010). Relations with trade union organisations are based on the search for agreement, as far as possible, on solutions to the issues which are discussed from time to time, through transparent, concrete and continuous dialogue even beyond the minimum required by institutional procedures.

LA4
EMPLOYEES COVERED
BY COLLECTIVE
BARGAINING
AGREEMENTS¹
☞ LA5, LA7

All employees are covered by national labour agreements and there is no restriction on the freedom of association and participation in trade unions.

Work on trade union relations was intense in 2011 with 124 trade union meetings held for a total of 496 hours, both to carry out negotiations in relation to the new Group Business Plan and to sign various agreements at Group and single company level. The main ones included:

- a memorandum on tax relief for productivity in 2011;
- agreements on the introduction of incentive schemes in all Banks and Group Companies and on company bonuses for 2010;
- agreements signed at UBI Banca, Banca Popolare di Bergamo and Banca Regionale Europea on health Insurance policies and those signed at Banco di Brescia, Banco di San Giorgio and Banca di Valle Camonica to revise banking terms and conditions applied to personnel.

During the year trade union organisations carried out **strikes** for a total of 24,106 hours of absence from work, all at national level for reasons relating to the economic and political affairs of the country. No strikes occurred connected with issues regarding the Group or the banking sector.

LA5
MINIMUM NOTICE
PERIODS REGARDING
OPERATIONAL
CHANGES¹

Important organisational changes were implemented in full compliance with the procedures set out in the Banking National Labour Contract which sets a minimum period of 45 days for negotiations with trade union organisations.

Great attention was paid with the reorganisation measures, which met important requirements to improve and rationalise the organisation, in order to minimise repercussions for workers with regard to retraining, geographical mobility and reconciliation of work with family time. The change of role and retraining processes were managed with priority given to enhancing human and professional resources, pursued also by proposing training programmes.

Intragroup mobility is managed, insofar as it is possible, as an opportunity for the occupational growth and enhancement of individuals, by assigning employees with new duties consistent with their qualifications, experience, potential and aptitudes.

Organisational changes were made in 2011, including action planned under the 2011-2015 Group Business Plan, with trade union negotiations which led to agreements being signed at Group and single company level. They included:

- a memorandum of intent for the transfer of new mortgages originated by BY YOU, previously managed by B@nca 24-7, to the network banks;
- an agreement on action regarding rationalisation in Banca Popolare di Ancona's branch network, carried out without job losses;
- an agreement on the reorganisation of UBI Leasing, designed primarily to improve the efficiency and effectiveness of risk management processes and to better identify centres of responsibility with regard to the activities performed by individual units, implemented without job losses;
- an agreement to rationalise operations of B@nca 24-7 in local centres and the centralisation of some activities at the Parent, implemented with the use of limited geographical and occupational mobility measures;
- negotiations for operations planned under the 2011-2015 Group Business Plan to rationalise the distribution model, with the roll out of mass market teams and the "hour glass" model;
- an agreement for changes in the organisational structure of Centrobanca and the discontinuation of its non-performing loan operations transferred to UBI Banca, with the adoption of limited geographical mobility measures.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety matters are regulated in great detail by Legislative Decree No. 81/2008, the provisions of which are applied in all Group companies.

The Prevention and Protection at the Workplace Service of the Parent is responsible for health and

¹ The data relates to 92% of employees.

safety at the workplace for the entire Group, by setting standard policies and consistent operating procedures. The function is constantly supported both in terms of operations and in regulatory and management matters by a leading consulting company.

**LA6
WORKFORCE
REPRESENTED IN
FORMAL JOINT
MANAGEMENT-
WORKER HEALTH
AND SAFETY
COMMITTEES²**

In accordance with article 35 of the above legislative decree, annual meetings are held in all companies, attended by company representatives (the employer and its representatives), the manager and the staff of the Prevention and Protection Service, the Corporate Physician and workers safety representatives, where appointed. Additional meetings are held, sometimes separately, between the Prevention and Protection Service and each of the parties mentioned above, to study specific issues in detail which regard health and safety at the workplace. These include: developments in the risk assessment process and verification of the state of progress of risk mitigation projects; regulatory reviews and updates made necessary by changes in the legislative framework; operational problems which may emerge in individual environments; special projects launched in the Group.

A total of 71 meetings were held in 2011.

**LA7
INJURY, DISEASES
AND ABSENTEEISM³**

Again in 2011, the banking sector was positioned in the lowest class in terms of absolute severity, the frequency and seriousness of accidents, with the majority of total injuries occurring while travelling. The Group is perfectly in line with the sector and pursues special policies designed to reduce road accident risks at the source by encouraging the use of public transport for work activities and by making collective transport facilities available, where restructuring processes result in significant travelling requirements for personnel.

For potential sources of accident risk normally present at the workplace, such as those connected with the ordinary and extraordinary maintenance of properties and the relative wiring and services, in addition to continuous work to educate personnel performed by staff at UBI Sistemi e Servizi, which manages relations directly with the suppliers who perform the work, in cases of accidents attributable to failings or omissions by maintenance firms, the failings observed have been officially reported, and the firms reminded of the safety obligations agreed to in contracts.

No fatal accidents occurred either travelling to-and-from or at work.

ACCIDENTS	2011								2010	2009
	TOTAL	MEN	WOMEN	NORTH WEST	NORTH EAST	CENTRAL	SOUTH AND ISLANDS	TOTAL	TOTAL	
At work										
No. Of events	57	34	23	33	3	4	17	46	45	
Days lost	1,766	1,392	374	1,235	30	51	450	1,286	860	
Injury rate ¹	0.43	0.38	0.50	0.34	0.72	0.40	0.71	0.37	0.36	
Seriousness index ²	13.19	15.76	8.20	12.89	7.16	5.06	18.90	10.23	6.92	
While travelling										
No. Of events	176	103	73	130	3	20	23	182	195	
Days lost	6,303	3,435	2,868	4,085	79	1,053	1,086	5,195	4,357	
Injury rate ¹	1.31	1.17	1.60	1.36	0.72	1.98	0.97	1.45	1.57	
Seriousness index ²	47.07	38.89	62.90	42.63	18.84	104.43	45.60	41.33	35.05	
TOTAL NO. OF EVENTS										
	233	137	96	163	6	24	40	228	240	
Days lost	8,069	4,827	3,242	5,320	109	1,104	1,536	6,481	5,217	
Injury rate ¹	1.74	1.55	2.11	1.70	1.43	2.38	1.68	1.81	1.93	
Seriousness index ²	60.25	54.65	71.10	55.52	26.00	109.49	64.50	51.57	41.97	

¹ Ratio of number of injuries to total hours worked multiplied by 200,000.

² Ratio of days of injury to total hours worked multiplied by 200,000.

² The data relates to 96% of employees.

³ The data relates to 99% of employees for 2011, 98% for 2010 and 97% for 2009. In consideration of the activity performed by the Group it is extremely difficult to identify and acquire data on occupational diseases. The table therefore gives data for diseases in general. It was not possible to calculate the rate of diseases for 2011. This will constitute a goal for improvement for next year.

ILLNESS	2011							2010	2009
	TOTAL	MEN	WOMEN	NORTH WEST	NORTH EAST	CENTRAL	SOUTH AND ISLANDS	TOTAL	TOTAL
Days of illness	133,208	76,140	57,068	89,404	3,573	13,503	26,728	128,176	135,555
Seriousness index ¹	994.70	862.10	1,251.54	932.97	852.18	1,339.12	1,122.39	1,019.84	1,090.46

¹ Ratio of days of illness to total hours worked multiplied by 200,000.

The rate of absenteeism – calculated as the ratio of days of absence for illness, accidents and other personal needs to days worked – was 4.7% in 2011 compared to 4.6% in 2010 and 5% in 2009. An objective was set for 2012 to improve reporting on occupational disease indicators.

LA8
EDUCATION,
TRAINING,
PREVENTION AND
RISK-CONTROL FOR
THE HEALTH AND
SAFETY OF
WORKFORCE
MEMBERS AND THEIR
FAMILIES⁴

Activities in 2011 involved employees only and were focused on the following:

- work-related stress assessment with the completion of the first stage of the assessment procedure, through the acquisition, processing and comparison (against a sector benchmark) of numerically significant corporate data ("alarm bell" events and data relating to the working context and content indicators);
- modifications of the corporate system for the Management of Safety at the Workplace to comply with UNI INAIL (national insurance institute for accidents at the workplace) guidelines, to obtain a more effective organisational model for the prevention of crime risks and also significant savings on the annual accident insurance premium, resulting from the lower tariffs which INAIL charges companies which can demonstrate that they have adopted virtuous practices on prevention and protection from occupational risks at the workplace, having taken additional action with respect to minimum regulatory requirements;
- identification of more appropriate solutions to reduce risks of theft and robberies at source, partly through more effective technical deterrent measures, and also to guarantee the best forms of expert psychological support for personnel involved in robberies.

COSTS INCURRED FOR OCCUPATIONAL HEALTH AND SAFETY (euro)	2011
Intervention required by Law No. 81/08	1,501,515
Prevention and protection at the workplace consulting services	776,957
Occupational health and safety training	185,500
Corporate Physician services (medical visits to monitor health) and post-robbery psychological assistance	102,408
Services provided by the Parent for prevention and protection at work	650,000
TOTAL	3,216,380

Robbery risk is one of the principal risks considered, because although there has been a substantial reduction in the number of robberies in recent years, both in the sector nationally and in the Group (69 in 2011 with a reduction of 67% in the period 2008-2011), the number of robberies defined as serious has increased (e.g. robberies lasting a long time with employees held hostage for long periods), which make **psychological assistance** necessary for the personnel involved (the ratio of total robberies to serious robberies rose from 21% in 2008 to 51% in 2011).

☞ PR1

A joint working group was set up with security units to address this risk in order to identify new solutions of a technical and organisational nature, which will act as a primary deterrent to crime and the number of psychologists who work with the Group was increased to make support for employees involved in serious robberies more effective.

Psychological assistance was recently extended to include personnel subject to **physical or verbal violence** by customers or others and this involves the following:

⁴ The data relates to 96% of employees.

- a voluntary and confidential questionnaire for all personnel present at the violent episode, the answers to which are assessed by the Corporate Physician in co-operation with a team of psychologists, to see whether a need for psychological support exists and the type (individual or group);
- the offer of psychological support, subject to acceptance by the employee and subsequent verification of the effectiveness of that support;
- the opinion of the Corporate Physician on possible counter indications for the continuation of the specific activity or maintenance of the employee in the same operational unit.

Prevention

All operational units are subject to programmed inspections and on site visits on the basis of reports received from Workers' Safety Representatives, trade union organisations and personnel from the operational units themselves. All new units and also those subject to restructuring are inspected within 90 days of becoming operational. The inspections may generate a series of "recommendations" to the functions normally responsible for the removal of the risk (Safety Officer, Real Estate, Security), which are entered into the IT system for managing the state of progress of the action taken to solve the problems.

Health monitoring performed by Corporate Physicians is designed to guarantee the same level of service and protection for health for all personnel and it involves periodic visits⁵ and visits on request for personnel. The doctors promptly report any problems which may be found during visits in order to identify the best solutions to improve or solve them.

PREVENTION AND ASSISTANCE ACTIVITY ¹	2011	2010	2009
Medical visits	956	678	962
On site inspections	308	318	583
Training courses (number of participants)	24,417	2,518	4,213
Evacuation drills with assistance	42	26	33
Environment monitoring	60	60	13
Post-robbery psychological assistance	42	31	43

¹ The data relates to 96% of employees for 2011 and 2009, to 95% for 2010.

TECHNICAL INTERVENTION TO REDUCE RISKS ¹	2011	2010	2009
Fire prevention, emergency management, emergency exits	6,637	3,920	2,386
Plant (machinery, maintenance)	2,737	1,415	911
Premises (floors, walls, window ledges, staircases, architectural barriers)	3,098	592	583
Ergonomics (lighting, work stations, micro-climate)	1,567	626	762
Certificates and documents	174	106	79
TOTAL	14,213	6,659	4,721

¹ The data relates to 96% of employees for 2011 and 2009, to 95% for 2010.

During the year Group companies were subject to inspections by public authorities responsible for monitoring compliance with prevention regulations and the payment of an administrative fine of €1,800 occurred in one case only. The event provided useful information to improve the process subject to inspection for the organisational units responsible.

Training and awareness

Training on health and safety matters plays a role of primary importance in risk prevention. The Group's training catalogue contains numerous courses selected from the Italian Banking Association Training catalogue and they are therefore particularly appropriate for operations in the banking sector and the related risks.

Classroom training is provided by personnel from the Prevention and Protection Service and by the company which provides consulting services to the Group on health and safety matters.

⁵ Where required by legislation each employee is associated with a type of exposure to risk with the consequent scheduling of the necessary medical appointments.

The long-term classroom training programme continued in 2011 for various figures and roles in the health and safety at the workplace field, organised, amongst other things, to comply with Legislative Decree No. 81/2008. It involves continuous training and/or updates for personnel in various company roles, while a remote training course was introduced for almost all employees on risks connected with the use of video terminals.

A special training programme is provided for personnel theoretically exposed to robbery risk (over 11,000 employees). It consists of an entire day of classroom training given by specialist psychologists assisted by staff from the Prevention and Protection Service and of an e-learning session which, by simulating different types of robbery, provides personnel with a useful means of learning the correct behaviour to employ on those occasions.

With a view to increasing personnel awareness of the importance of behaviour consistent with respect for their own health and those of others – also in implementation of the principles and contents of the Code of Ethics – a section has been created on the Group intranet portal which contains the following: references to laws and Group regulations; news on safety organisation in the Group (e.g. emergency plans and exit routes to follow in different premises illustrated by actual photographs); material used in classroom training initiatives, advice and information on correct lifestyles to remain in good physical and mental condition.

TRAINING ON HEALTH AND SAFETY ¹	2011		
	PARTICIPANTS	SESSIONS	HOURS
Video terminal workers	14,344	1	13,985
Emergency personnel	631	49	5,126
of which:			
fire prevention	319	25	1,382
first aid	312	24	3,744
New recruits	9	1	27
Safety figures ²	140	11	1,050
Robbery risk	8,222	47	16,281
Other (updates)	1,071	78	4,257
TOTAL	24,417	187	40,726

¹ The data relates to the Parent and the network banks including UBI BPI, UBI Systems e Servizi, Banca 24/7, UBI Leasing, UBI Factor, Centrobanca and UBI Pramerica.

² Training for senior managers, safety officers, company trade union representatives, etc.

LA9
HEALTH AND SAFETY
TOPICS COVERED IN
FORMAL
AGREEMENTS WITH
TRADE UNIONS

Two agreements were signed with trade union organisations in 2011 to regulate the election and activities of Workers' Safety Representatives in two companies of the Group.

TRAINING AND EDUCATION

UBI Banca guarantees continuous training for all personnel designed to develop and enhance the technical and professional knowledge, managerial experience and capabilities and the ethical and cultural behaviours of each member of the workforce.

The measurement of requirements and the formulation of training programmes is performed on a periodic basis using a variety of complementary tools: annual meetings with the Human Resources Departments of Group banks and companies, focus groups on specific career families, indications from the Group Business Plan and Commercial Plan and training gaps detected from the annual skills survey, in which all Group employees are involved.

Appropriately structured and integrated with other systems for the development of human resources and accompanied by intense internal communication, training proposals are designed to be effective tools for improving specialist skills and for developing corporate identity and culture through the dissemination of Group values and strategies.

The instructors involved in training activity consist of both “facilitator” colleagues from Group banks and companies and also outside professionals. The in-house instructor corps consists of over 400 personnel who delivered almost 13,200 training hours in 2011 (approximately 60% of classroom training).

A satisfaction assessment questionnaire is completed for all activities, whether classroom or remote, and a learning questionnaire must be compiled for technical and occupational courses, which assesses acquisition of the contents and successful completion of the course.

The training supply

The overall training supply, which may be consulted in a special catalogue, accessible on the corporate intranet, includes the following:

- **permanent training programmes for specific roles** (basic training from the catalogue): a carefully designed sequence of courses and periods of job experience to allow the acquisition, development and reinforcement of the abilities required for the role filled or to be filled within the organisation from the viewpoint of technical knowledge and relationship and behavioural skills. Different programmes are employed for distribution network units, central units, new recruits (including professional apprenticeships) and personnel involved in professional retraining schemes. Compulsory qualifying courses are provided with a final examination for positions of particular responsibility (e.g. branch manager) to be completed before the appointment is made;
- **specific training supply** (projects): specific training is also provided designed to meet the needs of particular segments of Group personnel and to support the introduction of organisational strategies and changes, modifications produced by regulatory developments and the more significant innovations in products, instruments and processes;
- a **managerial training** programme designed to improve the skills and capabilities of the main managerial roles, consisting of in-house seminars of a behavioural and personal experience nature and of participation in specialist courses and external refresher seminars and intercompany events to encourage exchange of knowledge and “managerial hybridisation” with others in different professional fields. Particular attention is paid to programmes to develop talented personnel with high growth potential and also to female personnel through specific seminars organised on the subject of “diversity management”.

All Group personnel may freely make use of remote training facilities for courses in **IT literacy** and the **English language**.

UBI Academy

On the one hand, by centralising Group training activity, UBI Academy is designed to provide support to develop and enhance the technical and professional knowledge and the managerial experience and skills of UBI Banca Group personnel and to encourage a sense of a single Group identity. On the other hand, the new company intends to make use of the academic world and the best social and cultural institutions in local communities in order to incorporate the capacity to innovate inherent in these institutions.

Internal communication activities

The task of internal communication is to convey the Group’s values and strategies and its main projects. The goal is to improve – together with training activities – corporate efficiency by facilitating the exchange of knowledge and by creating involvement and participation through information produced continuously, clearly and promptly and also on particular occasions to accompany processes of change with promotional initiatives and to reinforce Group identity.

The corporate intranet portal **UBILife**, which is the main tool for internal communication, was completely redesigned in 2011 with new information functions (e.g. documentation on

employment relationships), participation tools (e.g. an ideas box, surveys) and multi-media content (e.g. videos on Group strategies and on important projects either completed or in progress). The conventional hardcopy house organ (**YOUBI live**) has also been transferred onto the portal where each article published can be commented on to create an interactive blog effect which stimulates participation and the sharing of ideas and knowledge.

A multi-media electronic magazine (**E-Book Assemblea**) was created to inform employees of the main issues addressed at the Annual Shareholders' Meeting held in April 2011, while a special tool (**UBI POD**) was created for the branch managers who took part in the training programme " *ValoRe in Rete*" (distribution network value) based on the same style as a radio broadcast which hosted a direct and informal discussion on the experiences of branch and area managers.

YOUBI New Time was also published to maintain relations with retired personnel together with **Noi Docenti UBI**, a four monthly periodical which provides information for members of the School for Instructors and keeps them up-to-date. Two important events were also organised:

- The Group Convention on the 2011-2013/2015 Business Plan with over 3,000 personnel involved;
- the Group Instructor Corps and the School for Instructors Convention, an important opportunity to share knowledge and discuss the fundamental role of training with in-house instructors in the process of developing the Group's human capital. It was attended by over 140 in-house instructors.

☞ Reports and Accounts 2011 p. 72

LA10
AVERAGE HOURS OF TRAINING PER EMPLOYEE⁶
 ☞ Reports and Accounts 2011 p. 70-72

Training expenses in 2011 – inclusive of the cost of in-house instructors – amounted to €4.8 million. Ninety seven percent of personnel took part in at least one training activity and hours of training (+8.9% compared to 2010) were much higher than the minimum training to be performed during working hours in accordance with the National Labour Contract. Classroom and/or on-the-job experience accounted for 61% of training activity, while the remaining 39% consisted of online training.

TRAINING	2011 ¹	2010 ²	2009 ²
Group			
Hours of training	775,793	712,583	755,385
of which:			
of which: compulsory training ³	331,928		
non compulsory training	443,865		
Employees involved	94%	92%	91%
Average hours of training per capita	42	39	41
Average satisfaction in hundreds (objective 69)	79	79	79
Network Banks			
Employees involved	99%	99%	99%
Average hours of training per capita	48	46	47

¹ The data relates to 97% of employees.

² The data relates to 96% of employees.

³ Includes regulatory training on insurance required by ISVAP (insurance authority).

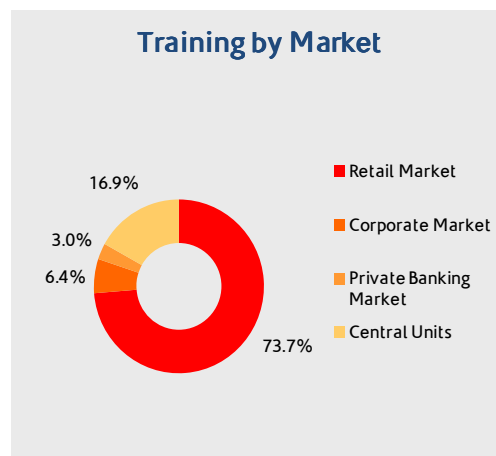
TRAINING BY RANK AND GENDER	2011		
	EMPLOYEES	HOURS	AVERAGE HOURS PER CAPITA
Senior managers	398	12,330	30
of which women	41	801	20
Middle managers	7,324	322,050	44
of which women	1,558	62,800	40
Professional areas	10,411	441,413	41
of which women	4,109	203,050	41
TOTAL	18,133	775,793	42
of which women	5,708	266,651	41

⁶ The data relates to 97% of personnel.

Programming of training involved intense project work designed for the completion and/or introduction of strategic projects destined to improve specific skills and to enhance roles, with particular reference to business management and governance roles.

The main initiatives were as follows:

- completion of the **ValoRe in Rete** project, an innovative programme launched in 2010 to relaunch and enhance branch managers, a true and genuine “workshop” in which over 1,500 branch managers came together to discuss virtuous behaviour to adopt for excellence in the management of branch teams and customers and community relations;
- the completion of the **Excellence in Corporate Banking** programme, a highly specialist two year programme designed to provide all the Corporate Account Managers with a high level of specific expertise and excellence;
- the implementation of training on the **third sector** and the new **UBI Community** service model;
- the launch of a qualification and retraining programme for customer service and customer contact staff involved in the introduction of the new branch **Mass Market Team** unit.



The ValoRe in Rete training methodology will be progressively extended for use with other key roles (Corporate Account Managers, Private Bankers, Small Business and Affluent Account Managers) and the Valore al Centro project will use it with managers of central units to increase a culture of co-operation with the distribution network to constantly improve service to internal and external customers.

Activities to **reinforce basic professional skills** (operational, commercial, credit and finance) accounted overall for 36% of training, while 29% was for insurance operations and 26% was on compulsory regulations.

TRAINING BY SUBJECT AREA	2011			
	HOURS	PARTICIPANTS ¹		
		SENIOR MANAGERS	MIDDLE MANAGERS	PROFESSIONAL AREAS
Insurance	222,870	20	3,446	3,816
Regulatory	182,430	269	6,860	9,648
Finance and MiFID	36,270	47	1,647	1,511
Behavioural/Managerial	72,990	276	2,610	1,296
Credit	85,350	83	3,315	2,268
Operational/IT/languages	86,070	208	5,551	8,088
Commercial	70,568	71	2,796	4,967
Social responsibility and Code of Ethics	19,245	234	4,732	6,056
TOTAL	775,793	398	7,324	10,411

¹Total participants is not the sum of the participants in each subject area, because a given employee may have attended more than one course in different subject areas.

Substantial training was carried out during the year on **sensitive legislation and regulations** which in addition to the preparation of a “Compendium of the main sensitive legislation” also saw the launch of key training projects including the “Revision of the Group Anti Money-Laundering Model” designed to increase knowledge on up-to-date methods for managing and reporting suspect transactions, on adequate customer verification, on the money-laundering risk profiles and on recording obligations. This training programme involved classroom activities for all managers of branches, Private Banking Units and Corporate Banking Units, Corporate Account Managers and Private Bankers, while an online course was provided for all distribution network personnel.

DETAILS OF REGULATORY TRAINING ¹	2011			
	HOURS	Partecipanti ²		
		SENIOR MANAGERS	MIDDLE MANAGERS	PROFESSIONAL AREAS
Administrative liability of entities (Legislative Decree No. 231/2001)	5,174	40	647	771
Transparency and usury	25,951	99	4,369	6,829
PattiChiari (banking services charter)	16,387	27	3,753	6,558
Safety (Legislative Decree No. 81/2008 – formerly Legislative Decree No. 626/94)	40,726	210	5,982	8,641
Privacy	57	n.a.	n.a.	n.a.
Anti Money-Laundering	42,374	71	4,114	5,957
Other regulatory subjects	51,762	n.a.	n.a.	n.a.
TOTAL	182,430	269	6,860	9,648

¹ Does not include regulatory training on the MiFID Directive, which is included in the subject area “Finance

² Total participants is not the sum of the participants in each subject area, because a given employee may have attended more than one course in different subject areas.

Specific online courses and “video lessons” were provided on the subjects of transparency, health and safety at the workplace and commitments resulting from adhesion to the PattiChiari Consortium, while training was completed with specialist training programmes on the subject of the administrative responsibility of entities (Legislative Decree No. 231/2001) commenced in 2010, to which the training programme on corporate social responsibility and the Code of Ethics was related, completed in the first months of 2012.

☞ SO3, LA8 e FS4

LA11 PROGRAMS FOR SKILL MANAGEMENT AND LIFELONG LEARNING

The main tool used to support the management and professional development of human resources and to plan training activities is the **Skill Assessment** process periodically proposed (usually on an annual basis) to all employees of companies in which it has been introduced (for a total of 19,001 employees accounting for 98% of total Group employees), with the sole exception members of the General Management team.

The process consists of three main stages: assessment and self assessment of skills, delivery of the results (by the Human Resources Department of each Company) and individual interviews by managers of workers. All managers are required to assess the skills of their workers, while self assessment is not compulsory, but useful to workers to acquire knowledge of their strengths and areas for improvement. As part of this process managers inform workers of the results of the assessment, propose appropriate skill development action and supervise it and monitor professional advancement throughout the year; workers who take part actively in the direction of their professional development through self assessment may express an opinion on a special form of their degree of agreement with the assessment made by managers, and in discussions with managers they make suggestions and come to an agreement with the skill development action proposed.

Skill assessment was proposed in 2011 to a total of 18,395 employees (96.8% of the employees of the companies involved) with acceptance by 93.8%, in line with previous years.

☞ Reports and Accounts 2011 p. 69

SKILL ASSESSMENT	2011			
	EMPLOYEES INVOLVED		PARTICIPANTS	
Senior managers	393	92.7%	216	55.0%
of which women	40	95.2%	17	42.5%
Middle managers	7,426	98.7%	6,961	93.7%
of which women	1,605	97.4%	1,484	92.5%
Professional areas	10,576	95.7%	10,082	95.3%
of which women	4,919	93.9%	4,635	94.2%
TOTAL	18,395	96.8%	17,259	93.8%

LA12
PERCENTAGE OF
EMPLOYEES
RECEIVING REGULAR
PERFORMANCE AND
CAREER
DEVELOPMENT
REVIEWS

As part of differentiated human resources management, which meets the requirements of the different groups in companies, special attention was paid to **key resources** of strategic importance to the achievement of business objectives, through targeted personnel management and development policies. More specifically, Group management is involved in periodic assessment activity to verify how roles are filled (from the viewpoint of the managerial skills employed) and to take the consequent action for growth consistent with the human resource development initiatives and systems adopted by the Group. This ranges from managerial training to remuneration and incentive schemes, with account taken of both the demands encountered and the opportunities for growth sought and identified.

A specific programme to **enhance talent**, based on an action learning model, with special work shops and talent review sections is designed for **high potential** human resources, in order to guarantee senior management succession. Special retention and fast career programmes are also being studied.

In almost all the Group companies (for a total of 18,601 employees accounting for 95.9% of total Group employees), all employees, with the sole exception of members of General Management, are involved in a **Performance Assessment** process, or in other words in an assessment of the contribution made to achieving company results, which is thereby guided and recognised by the company.

PERFORMANCE ASSESSMENT ¹	2011	
	EMPLOYEES INVOLVED	PARTICIPANTS
Middle managers	7,228 98.6%	6,947 96.1%
of which women	1,559 97.9%	1,470 94.3%
Professional areas	10,845 96.3%	10,322 95.2%
of which women	5,137 96.7%	4,802 93.5%
TOTAL	18,073 97.2%	17,269 95.6%

¹ Performance for senior management personnel formed part of the relative incentive scheme.

The performance assessment process takes place in three stages each year – planning the expected performance, intermediate verifications and final assessment of the performance – and it involves various parties who are in continuous contact with each other: the manager (assessor) who communicates team objectives, assigns individual performance objectives to each worker, supervises them throughout the process and assesses the results achieved; the second level manager (supervisor), who supervises the assessment process and verifies the consistency of the results at the level of the organisational unit; the workers who take an active part in all stages of the assessment, furnishing suggestions for the success of the process. Workers express their degree of agreement with the assessment received by using a special form and they verify the achievement of their objectives themselves.

All managers are required to carry out performance assessments of their workers.

Performance assessment, together with all other human resource management tools, represents an important and indispensable pool of information which supports human resource functions to plan the career development of every worker in the Group. It is connected with skill assessment in particular, because the performance objectives that are set for workers are divided into result objectives (usually operating and project objectives) and skill objectives, which regard capabilities and role knowledge assessed during skill assessment processes.

Result objectives and the knowledge requested (which forms part of the skill objectives) in the assessment of managers vary as a function of the position occupied, while the capabilities required are the same for all. The latter concern risk taking and decision making, the formulation of plans and strategies, human resource management, the management of uncertainties and difficulties and agreement negotiation skills.

[☞ Reports and Accounts 2011 p. 69](#)

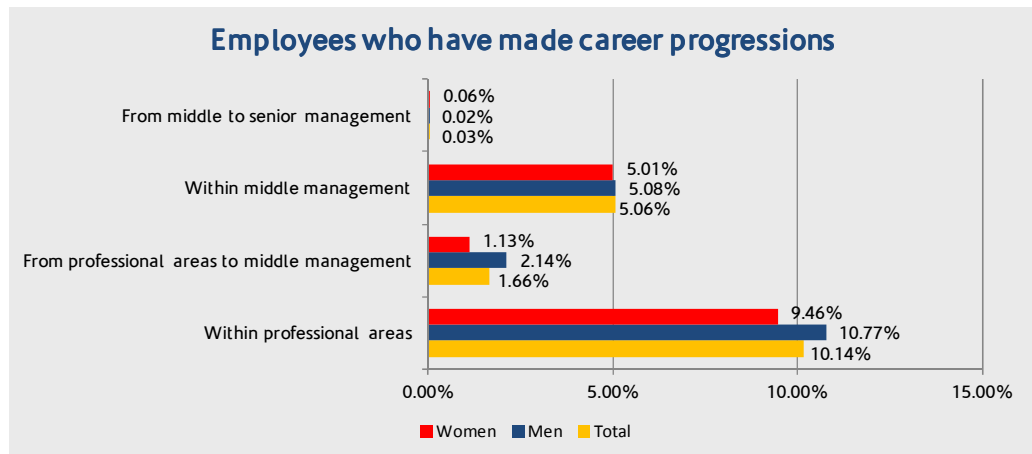
The results of the performance assessment, together with those of the Skill assessment and information from other tools such as position weighting (with the relative external benchmarks), the measurement of potential, managerial appraisal and career paths/growth tables defined

contribute to the definition of **career progressions** on the basis of fairness, consistency, meritocracy and uniformity. Each worker is in fact assigned an organisational role, on the basis of which she/he is required to perform a series of activities which presume the possession of specific occupational skills and experience and the achievement of determined objectives. The degree of acquisition of the skills and the achievement of the objectives constitute the basis for assessments of the

CAREER PROGRESSIONS	2011	
	TOTAL	WOMEN
Within professional areas	1,146	44.6%
From professional areas to middle management	187	32.6%
Within middle management	387	22.0%
From middle to senior management	2	50.0%
TOTAL	1,722	38.2%

suitability to fill more complex roles. The information as a whole is then assessed and set within the broader corporate framework to obtain an overall vision which ensures fair, consistent and professionally valid management for all Group personnel. For some corporate figures (above all in the distribution network) career progressions are governed by agreements entered into with trade unions on job gradings.

On an operational level, activities are also supported by IT tools such as the new Employee Relationship Management system (ERM), which is used to acquire all information on employees and allows a more proactive management of human resources, which is faster to identify development actions focused on single workers. This tool was introduced for use with the Parent, the Network Banks and UBI Sistemi e Servizi in 2011.



DIVERSITY AND EQUAL OPPORTUNITY

LA13 COMPOSITION OF GOVERNANCE BODIES AND OF EMPLOYEES PER INDICATORS OF DIVERSITY 4.1 and LA1

A continuous increase in the **female component** of personnel has been recorded over the last three years. It now accounts for 36.8% of employees compared to 36.7% in 2010 and 35.5% in 2009 and the **number of women in managerial positions** has also increased accounting for 9.8% of senior managers compared to 9.4% in 2010 and 8.0% in 2009.

Immigrant citizens are also increasing, both from the European Union and other countries (24 in 2010 and 27 in 2009) as are individuals belonging to protected categories (the disabled in particular), who numbered 860 in 2010 and 856 in 2009. The number of refugees, however, remains unchanged.

As concerns disabled persons, specific compulsory employment laws exist in Italy with which the group has complied.

EMPLOYEES IN MINORITY GROUPS ¹	2011				
	IMMIGRANTS		PROTECTED		REFUGEES
	EU	NON EU	DISABLED	WIDOWS AND ORPHANS	
Senior managers	-	1	2	-	-
of which women	-	-	-	-	-
Middle managers	5	18	190	98	8
of which women	2	9	44	32	2
Professional areas	78	46	684	201	20
of which women	42	30	238	104	11
TOTALE	83	65	876	299	28

¹ The data relates to 99% of employees.

LA14
REMUNERATION OF
WOMEN TO MEN
EC5

Group remuneration and incentive policies do not provide for any difference in salary treatment based on gender, because it is based on principles of fairness – interpreted as the recognition of equal opportunities for each employee, on the basis of their possession of the required characteristics and the roles and responsibilities undertaken – and meritocracy.

Female personnel salaries are lower than those for men partly because affected heavily by part-time contracts, 95% of which involve female personnel.

The figures are unchanged compared to those for the year before.

AVERAGE GROSS SALARIES OF WOMEN TO MEN ¹	2011		2010	2009
	TOTAL SALARY	FIXED REMUNERATION	TOTAL SALARY	TOTAL SALARY
Senior managers	89.3%	90.1%	90.3%	88.2%
Middle managers	87.8%	87.8%	88.2%	88.1%
Professional areas	92.2%	92.2%	92.7%	92.5%

¹ The data relates to 98% of employees.

HR. Human Rights

UBI Banca is continuing with the commitment entered into in 2003 by the former BPU Banca, to support and promote, within its sphere of influence, the universal principles of the **UN Global Compact** on human rights and in particular, in accordance with the Group Code of Ethics:

- the right to personal integrity and dignity, avoiding any involvement, even indirect and involuntary, in the violation of the fundamental human rights to life, safety and individual freedom, especially with regard to the use of child labour and forced or compulsory labour and to any other form of exploitation of minors, women and minorities;
- the right to health, safety and sustainable economic development, by promoting observance of regulations and the concrete application of the relative international conventions and protocols, with account taken of the standards and recommendations of operators and rating agencies that work at international level in the field of financial ethics and responsible consumption and that of corporate social responsibility in general.

This commitment is implemented in different areas of the Group's activity and in its relations with its various stakeholders both through activities performed by control functions and risk management and compliance functions in particular with regard to money-laundering and the fight against terrorism and through the quality of its business processes and in detail:

- policies and procedures to manage personnel in compliance with Italian law and with the main international standards regarding it;
- the provision of ethical standards in contracts with suppliers;
- commercial and credit policies attentive to the needs of the socially vulnerable, with particular reference to the issue of financial inclusion and the prevention of over indebtedness and the risks connected with involvement in particular economic sectors and the in the arms sector above all;
- support for social organisations that work for the promotion and protection of individuals through action in the fields of health, welfare and humanitarian assistance.

🔗 LA, FS1, FS2, FS7, EC8

INVESTMENT AND PROCUREMENT PRACTICES

HR1
INVESTMENT
AGREEMENTS AND
CONTRACTS THAT
INCLUDE CLAUSES ON
HUMAN RIGHTS, OR
THAT HAVE
UNDERGONE HUMAN
RIGHT SCREENING

HR2
SUPPLIERS AND
OTHER BUSINESS
PARTNERS THAT
HAVE UNDERGONE
HUMAN RIGHTS
SCREENING

The UBI Banca Group operates almost exclusively in Italy, where the laws ensure a high standard of respect for and protection of human rights. Therefore the risks relating to respect for and the protection of human rights are only considered substantial in relation to a few specific areas of activity and that is commercial and lending processes relating to operations in the arms and defence sector and purchasing processes in relation to the supply chain.

As concerns the **arms** sector, UBI Banca has pursued a special policy since 2007, which:

- forbids any relationship with companies involved in the production, development, storage, marketing and/or sale of nuclear, biological and chemical arms of mass destruction, missiles able to carry arms of mass destruction, controversial conventional arms such as cluster munitions, land mines, incendiary and laser arms, as defined by the principal international conventions on the subject;
- puts an authorisation regime in place for financing and payment and receipt activities for transactions involving international trade in arms and armaments systems whether they fall within the provisions of Law No. 185/1990 (arms for military use) or are excluded from it (light arms except for sports and hunting arms and replicas of antique arms), on the basis of an independent assessment of the countries of origin or final destination of the goods and services involved in the transactions which takes account of international sanctions and other criteria connected principally with respect for human rights.

These transactions regard a total of around ten corporate customers and are performed mainly with EU countries and NATO. The number and value of the authorisations granted by the Bank in

accordance with Law No. 185/1990¹ and the transactions performed are absolutely marginal compared to the volumes of business of the Group and they are publicly disclosed by country and type of counterparty and arm on the Group's website.

☞ Policy for transactions with counterparties operating in the arms and materials for armaments sector

As concerns the **supply chain**, since 99% of the Group's suppliers are located in Italy (98.8% of purchases), all the Group's suppliers are required to respect workers' rights and in addition, the largest suppliers and in any case approved suppliers are required to observe principles consistent with those contained in the Code of Ethics as part of the relative contract agreements. A training course is planned shortly, as part of training activity to implement the Code of Ethics, for purchasing personnel on sustainability in the supply chain and this will include human rights among the subjects addressed.

HR3
EMPLOYEE TRAINING
IN HUMAN RIGHTS
☞ FS4

Training on human rights forms part of training activities performed and scheduled to implement the Code of Ethics.

NON DISCRIMINATION

HR4
INCIDENTS OF
DISCRIMINATION AND
ACTIONS TAKEN

The Code of Ethics expressly provides for respect for the **principle of equality and non-discrimination** and therefore conduct is not admissible which might cause damage to the integrity and dignity of persons, nor is discrimination based on preferences or arbitrary exclusion not linked to the importance of the contribution that a relationship with a party may offer or the interest that the party may represent for the achievement of the Group's mission. The Code also lays down the sanctions applicable for failure to observe it which can give rise to disciplinary responsibilities if committed by employees.

No cases of discrimination were recorded in 2011 or in prior years, both with regard to employees and other personnel and with regard to other stakeholders, neither in terms of reports of violations of the Code of Ethics nor from an examination of the existing litigation regarding employment relations in particular.

In 2011, 132 disciplinary measures were adopted (3 less than in 2010), due mainly to operational irregularities and various cases of negligence and 127 legal cases were initiated, while 98 were concluded (of which 28 decided for and 3 against the Group and 67 settlement agreements were reached). The two cases in progress for anti trade union conduct regard issues concerning the transfer of senior trade union officers and the interpretation of a provision of supplementary company labour contracts of a Group companies.

DISCIPLINARY MEASURES	2011 ¹	2010 ²	2009 ³
Verbal or written reprimand	86	99	143
Suspension from work and pay (from 1 to 10 days)	35	29	28
Dismissal for just cause or on justified grounds	11	7	10
TOTAL	132	135	181

¹ The data relates to 92% of employees.

² The data relates to 91% of employees.

³ The data relates to 92% of employees.

¹ In accordance with the provisions of Law No. 185/1990, all import and export transactions and transit of arms and weapons materials for military use must be authorised by the Foreign Ministry with applications submitted by the importing or exporting firm and the relative bank transactions must be authorised by the Ministry of the Treasury, following notification by the bank in question.

CASES PENDING AT THE END OF THE YEAR CONCERNING EMPLOYMENT RELATIONS	2011¹	2010²	2009³
Pension and social security	7	88	47
Remuneration	50	60	65
Termination of contract of employment	30	35	29
Duties and job descriptions	32	31	27
Job appointments and performance of work	18	3	10
Cases in progress (initiated against employees)	6	6	3
Anti trade union conduct pursuant to Art. 28	2	2	2
Other	3	1	2
TOTAL	148	226	185

¹ The data relates to 92% of employees.

² The data relates to 91% of employees.

³ The data relates to 92% of employees.

Because the principle of non-discrimination, which is one of the fundamental principles of the Code of Ethics, is considered particularly important in employment relations, in 2011 the Management Board of UBI Banca laid down specific guidelines for disciplinary procedures which:

- set out official investigation, decision-making and judgement processes which subsidiaries must follow for the more serious cases of contestations and disciplinary provisions for reprimands;
- provide uniform recommendations to the body which must decide sanctions in relation to the type of provision and the position of the employee subject to sanction;
- defines information which companies must report periodically to the Parent for full visibility of disciplinary procedures taken by the Group.

All the Group Companies inform the Parent of the start of disciplinary procedures which immediately appear likely to result in the more serious penalties of a written reprimand and the Parent monitors all procedures, providing advice where requested and also assistance in drafting the contestation, examining the justifications and proposing the relative sanctions to the companies.

Companies are also required to inform the Parent of all litigation, the nature of which could be of importance for the entire Group and the Parent provides advice whenever requested by companies, with support in investigating the case, attendance at meetings with outside advisors to formulate strategies and represent Companies at hearings before judges.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5
OPERATIONS IN WHICH THE RIGHT OF FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK

In consideration of the activity carried out and its location, the indicator is not considered significant.

CHILD LABOUR

HR6
OPERATIONS WITH SIGNIFICANT RISK OF CHILD LABOUR

In consideration of the activity carried out and its location, the indicator is not considered significant. Furthermore, as part of its charitable activities, the Group makes contributions to the fight against child labour through support for non government organisations which work to assist minors with projects in the food, health and educational spheres in Countries where this still exists.

FORCED LABOUR

HR7 OPERATIONS WITH SIGNIFICANT RISK OF FORCED LABOUR

In consideration of the activity carried out and its location, the indicator is not considered significant.

SECURITY PRACTICES

HR8 SECURITY PERSONNEL TRAINED ON HUMAN RIGHTS

In consideration of the activity carried out and its location, the indicator is not considered significant.

INDIGENOUS RIGHTS

HR9 VIOLATIONS OF THE RIGHTS OF INDIGENOUS PEOPLE AND ACTIONS TAKEN

In consideration of the activity carried out and its location, the indicator is not considered significant.

ASSESSMENT

HR10 OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS AND/OR IMPACT ASSESSMENT ON HUMAN RIGHTS FS1

In consideration of the activity carried out and its location, the indicator is only considered significant in relation to Group business in the arms sector, which is regulated by a special policy and by the relative operational measures to implement it.

REMEDATION

HR11 GRIEVANCES RELATED TO HUMAN RIGHTS RESOLVED THROUGH FORMAL GRIEVANCE MECHANISM

A semantic analysis of the texts of complaints found no grievances relating to alleged violations of human rights and the absence of contestations of this type was confirmed by the operational units responsible for processing complaints.

SO. Society

LOCAL COMMUNITIES

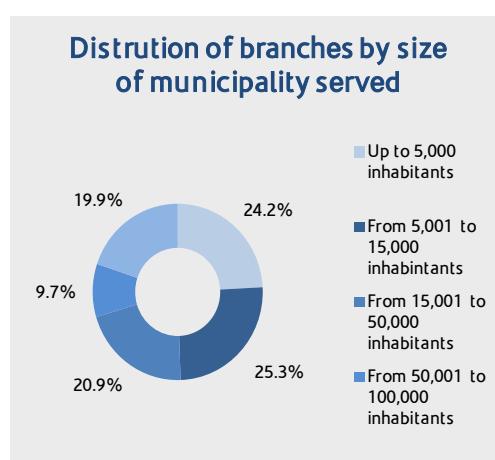
SO1
OPERATIONS WITH
IMPLEMENTED LOCAL
COMMUNITY
ENGAGEMENT,
IMPACT ASSESSMENT
AND DEVELOPMENT
PROGRAMS
FS8

In consideration of the activity carried out and its location, the indicator is not considered significant, except for Project Finance activities which, however, mainly involve investments in infrastructures for the generation of energy from renewable sources.

FS13
BRANCHES IN LOW-
POPULATED OR
ECONOMICALLY
DISADVANTAGED
AREAS¹

Presence in communities is an important value for the Group and it takes the form in a physical sense of the distribution of branches in over 1,800 towns and cities in 82 provinces, with a significant presence (289 branches and 155 mini-branches) in small towns and villages (less than 5,000 inhabitants).

The Group is the only bank present in 99 municipalities and it has 362 branches (19.3% of the total) in regions with low development rates which receive subsidies from the European Union as part of the "Competition and Employment" objective programmes.



http://ec.europa.eu/regional_policy/atlas2007/italia/index_it.htm

FS14
INITIATIVES TO
IMPROVE ACCESS TO
FINANCIAL SERVICES
FOR DISADVANTAGED
PEOPLE

UBI Banca considers the ability to access financial services to be an important condition for the social integration of individuals, which it is committed to pursuing through:

- a range of products and services for socially vulnerable consumers and businesses (young people, "atypical" workers, immigrants and small businesses), partly through co-operation with other institutions and social organisations;
- support for the growth of social enterprises and other non profit organisations, which constitute a significant factor for social cohesion and the development of individuals;
- the elimination of physical and cultural barriers to guarantee the use of services and access to offices and branches to all customers.

[Code of Ethics p. 23, FS6, FS7, EC8](#)

For persons with **physical disabilities**, Group premises and branches are equipped with ramps, stair lifts, elevators and conveniences that are rendered accessible according to actual need. In 2011, 12 new ramps, 5 stair lifts/elevators and 32 conveniences were installed.

With regard to **sensory disabilities** and that of sight in particular, the IT platforms for the internet banking services Qui UBI (for the private individual segment) and Qui UBI Affari (for the small business segment) comply with the main navigation requirements for partially sighted persons – through pages with strong colour contrast, alternative texts to accompany images and functions to enlarge character sizes – and 26 ATMs exist for use by partially and non sighted persons.

Ten ATMs were installed in 2011, of which seven with audio guides for use by persons in wheelchairs, and also two kits for the partially sighted were installed on ATMs already functioning.

¹ The data relates to Network Banks excluding UBI Banca Private Investment.

Also, a series of tests were conducted in co-operation with the **ASPHI Onlus Foundation**² on the commercial internet banking websites by disabled persons (two non-sighted, one partially-sighted, two with motor handicaps and one hearing-impaired) who worked with the methods, timing and support technologies that they normally use. The results were positive. They appreciated the clarity of the texts and the simplicity and completeness of the sites, especially for internet banking, for which the ASPHI reports declared: *"although it was a site which offered sophisticated functions, it is always easy to understand what to do", "the site is workable, learnable and consistent and learning it is facilitated by the excellent online help", "the pages are generally well structured, making effective use of the menu and sub-menu structure"*. The recommendations and suggestions received are now being studied for further improvements.

Finally, with regard to the **cultural disadvantage** – in relation to language and banking literacy – of immigrant citizens, the range of products and services on the Group's commercial site (www.ubibanca.com) is presented in the principal foreign languages (English, French, Spanish and Portuguese) and a toll free number (800,759,759) is available at the Contact Centre with operators able to provide information and assistance in different languages.

In 2011 the Group also worked with the Italian Banking Association to produce and distribute (400,000 copies in non banking places – tax assistance centres, accommodation centres, etc. – in major Italian cities) **Welcome to the Bank**, a leaflet in English, French, Albanian, Arabic and Chinese, which explains the terminology and characteristics of the main banking, financial and insurance products provided by the banking sector. A few thousand copies were also purchased and distributed in the branches of the Group's Network Banks.

SO9
OPERATIONS WITH
NEGATIVE IMPACTS
ON LOCAL
COMMUNITIES

In consideration of the activity carried out and its location, the indicator is not considered significant, except for Project Finance activities which, however, mainly involve investments in infrastructures for the generation of energy from renewable sources.

FS8

SO10
PREVENTION AND
MITIGATION OF
NEGATIVE IMPACTS
ON LOCAL
COMMUNITIES

CORRUPTION

UBI Banca provides full co-operation with the authorities in the fight against **corruption, usury, money laundering and terrorism** and all other types of crime connected with carrying on a business (e.g. in accordance with Legislative Decree No. 231/2001), by making adequate resources and tools available for the prompt performance of the operations requested in observance with the legislation and regulations in force.

Oversight of these issues is performed at Group level by a special organisational unit – the Anti Money-Laundering Area, in the Risk Control Macro Area of UBI Banca – and it is based on the following:

- an effective and efficient IT system, which uses various software applications (e.g. Gianos Gpr, Gianos Inattesi) to monitor all transactions (according to the amount limits set by the relative legislation);
- clear and easy to follow internal regulations, aligned with legislative regulations;
- a precise and systematic plan of controls;
- precise regulations for the conservation of documents acquired to identify customers, to consult their financial profile and to perform accounting operations and so forth in full compliance with civil law regulations and anti money-laundering legislation.

² The ASPHI Foundation works to assist the integration of disabled persons in schools, work and society through the use of Information Communication Technology.

In order to ensure effective oversight, information (lists) is acquired – from reliable and independent sources – on persons politically exposed or on terrorists and special IT procedures have been developed or acquired from major software houses which support adequate controls of customers and complete and accurate recording of transactions and accounts and reporting of suspect transactions.

All transactions – with the amount limits set by the relative legislation – are subject to monitoring by IT software applications to identify activities suspected of being connected with money-laundering or illegal activities. The software applications consider exceptions in order to detect movements on accounts which might give rise to suspicion and which subsequently are assessed by line and/or control functions. The development of new monitoring software is scheduled for 2012 and a special budget has been allocated.

In 2011 a full and detailed training programme was put in place to improve the culture and awareness of personnel on the fight against money-laundering and this commitment – as already programmed – will also continue with a similar effort in 2012.

As concerns the location of operations in Countries at risk, the Group has no presence in any of the countries listed by the OECD as **tax havens**, while it has a marginal presence (a representative office and an asset management company) in two of the companies classified as having a privileged tax regime (Hong Kong and Singapore) and it has no presence in any country classified as at risk of money-laundering or terrorism by the lists of the International Financial Action Group and/or the Italian Ministry of the Economy and Finance.

☞ LA10 and FS7

SO2
BUSINESS UNITS
ANALYZED FOR
CORRUPTION RISKS

By signing the Global Compact, the Group has committed itself to fighting all types of corruption within the sphere of its responsibilities.

This crime is also disciplined in Italy ex. Legislative Decree No. 231/2001 on the administrative liability of businesses in implementation of which UBI Banca has adopted a model of organisation, management and control (Model 231/2001), which provides for rules and procedures designed to prevent the crimes covered by the decree from being committed, for the creation of a Supervisory Body to ensure the proper functioning and for constant updating of the Model and reporting and penalty systems. The Supervisory Body reports to Corporate Bodies on the adoption and effective implementation of the model, on the oversight of its functioning and on the supervision of updates. All activities and organisational units are subject to monitoring connected with implementation of the Model.

As the Parent company, UBI Banca informs subsidiaries of policies set in relation to crimes pursuant ex. Legislative Decree No.231/2001 and it recommends general criteria for them to follow, providing support with activities to update the Model.

SO3
EMPLOYEES TRAINED
ON ANTI-
CORRUPTION
POLICIES AND
PROCEDURES
☞ LA10

All employees are trained in anti-corruption policies and procedures as part of their training to implement Model 231/2001.

In 2011, 5,174 hours of specific training were performed for 1,458 employees and the subject was also dealt with as part of training on Social Responsibility principles and the Code of Ethics. Training was for all Group personnel and differed according to the function and level of responsibility.

SO4
ACTIONS TAKEN IN
RESPONSE TO
INCIDENTS OF
CORRUPTION

No cases of corruption occurred either in 2011 or in prior years.

PUBLIC POLICIES

S05 PUBLIC POLICY DEVELOPMENT AND LOBBYING ACTIVITY

The Group participates in the development of public policies through its active and constructive participation in the initiatives of trade associations (Italian Banking Association, National Association of "Popular Banks", Italian Private Banking Association, *Associazione fra le Società italiane per Azioni* – association of joint stock companies – Italian Association of Financial Analysts, etc.) and other associations active in specific areas (Italian Compliance Association, Italian Anti Money-Laundering Association, etc.), which express the position of the sector on issues of interest, both through making requests to the authorities (e.g. the Bank of Italy) and political decision-makers (e.g. Parliamentary Commissions) and by taking own initiatives.

S06 CONTRIBUTIONS TO POLITICAL PARTIES, POLITICIANS AND RELATED INSTITUTIONS ☞ Code of Ethics p. 27

In compliance with the Code of Ethics, no payments – neither direct nor indirect and in any form – are made within the Group to political parties, movements, committees and other political organisations, their representatives and candidates, congresses or festivals having political propaganda purposes.

ANTI-COMPETITIVE BEHAVIOUR

S07 LEGAL ACTIONS FOR ANTICOMPETITIVE BEHAVIOUR, ANTI- TRUST AND MONOPOLY PRACTICES

Two fines were imposed on two Group Companies in 2011 for a total amount of approximately €351 thousand. One was for excessive delays and hindering practices in the closure of the current accounts of customers and the other was for violation of Art. 187 *nonies* of the Consolidated Finance Act (reporting suspect transactions concerning abuses of insider information and market abuse) and the relative measures to implement it issued by the Consob.

COMPLIANCE

S08 SIGNIFICANT SANCTIONS FOR NON COMPLIANCE WITH LAWS AND REGULATIONS ☞ Reports and Account 2011 p. 201, 205-208

In 2011 two Banks in the Group received three fines for a total amount of over €83 thousand, of which two relating to anti money-laundering for failing to report suspect transactions and one for a modest amount (€1,300), following an inspection of an Area Health Board for violation of health and safety at the workplace regulations. Other procedures are in progress following inspections conducted by the Bank of Italy and the Consob (Italian securities market authority) and tax inspections conducted by the tax authorities of UBI Banca and some Group banks and companies. Full details of the state of the proceedings and the amount of the fines are reported in the consolidated management report.

PR. Product Responsibility

In consideration of the activity performed, the main elements of product responsibility are identified in the Code of Ethics as the commitment to adopt policies, processes and commercial and marketing practices that ensure the following:

- respect for the interests of customers;
- support for economic activities which create value for the community;
- the development of products and services able to produce high social benefits for local communities.

☞ Code of Ethics p. 22-23

FS15 POLICIES FOR THE FAIR DESIGN AND SALE OF PRODUCTS AND SERVICES

The Group has a specific process for the development of new products and services and for the modification of those already marketed by the Network Banks (including UBI Banca Private Investment) and by the Parent, with the exception of products and services for which specific regulations apply or are currently being issued (e.g. subsidised loans), designed to help achieve quality, innovation, competitiveness and compliance objectives.

In terms of **quality**, the process is designed to ensure that products and services are consistent with customer characteristics and needs and with reducing the time taken to respond to market demands (time to market) and it requires the involvement of different organisational units whose responsibilities vary according to the nature of the product or service to be developed or modified. Some organisational units at the Parent must always be involved: Communication and Marketing, Legal Affairs and Litigation, Risk Management, Administration and Tax, Compliance. The characteristics (e.g. age, occupation, investment plans) and needs (e.g. financial, insurance) of the customer are investigated through special consultation procedures, such as focus groups with customers and potential customers and with commercial distribution network personnel who are in constant contact with customers, or systematically through the Consultation Project customer satisfaction survey or through complaints management and the analysis of competitor's products and services. Active participation in observatories and working groups (e.g. through the Italian Banking Association) or research centre initiatives (e.g. at the MIP of the Milan Polytechnic) are also valuable sources of information, for example in relation to the possibilities offered by new technologies.

Technological innovation is pursued mainly through **Multi-channel Banking**, which combines all direct channels available to individual and corporate customers (internet and mobile banking, the contact centre, self service channels - ATMs and kiosks – evolved payment systems, interbank corporate banking networks and POS terminals). For customers, multi-channel banking translates into high quality service in terms of more attractive terms and conditions than those normally applied in branches, high levels of security, unlimited access on different devices (e.g. personal computers, smart phones, tablets, telephones, self-service machines, etc.) and customised service. Each month requests received from bank personnel through the corporate intranet and from customers through website contact forms, emails and the call centre are analysed to assess the feasibility of improvements and to plan the action to implement it.

Competitiveness is based on a pricing policy oriented towards transparency and fairness to customers and it involves analysis and constant monitoring of the relationships between the risk assumed (if present), the return, the costs incurred and the market context and the constant search for the right balance between the return on banking business and financial support to social and business communities.

A **Pricing Excellence** project was developed in 2011, designed to achieve at the same time higher revenues and greater customer satisfaction through better management of prices by commercial units at the Parent and Network Banks, savings on time and therefore shorter response times and also greater flexibility in the range of products and services through operational streamlining, lower operating risks and respect for regulatory and compliance issues through improved operational instruments, monitoring process quality and greater automation and integration of information. Corporate functions responsible for **compliance** intervene right at the conception stage in order to prevent any misalignments with internal regulations, the most important of which are contained in the Group's Code of Ethics and external regulations.

The availability of proficient economic and financial expertise among consumers on the labour market is a key competitive factor in local economic and business communities and also for the Bank. UBI Banca is aware of this and in playing its role as a bank in local communities, it has built relationships over the years and forms of co-operation with schools, training institutes and universities.

Activities in schools

The Group conducts intense activity in schools to educate pupils on financial matters, mainly through participation in the PattiChiari Consortium financial training and education programmes for young people. The commitment of Banks in the Group was concentrated in the 2010-2011 academic year on four programmes of financial education for schools, designed to provide pupils with accurate information on investment and the economy.



An educational programme designed to enable junior school children to understand the basic dynamics of their local economies and the responsible conduct which characterises the good functioning of a community.



An educational programme for lower secondary school pupils based on a learn by doing approach. It introduces school children to the subject of personal economy with the dual objective of teaching them to manage their money responsibly and assisting them in their occupational and educational career decisions.



An educational programme at the test stage, designed to introduce lower secondary school pupils to economic and financial subjects, starting with the problems that they themselves must tackle in person. The programme uses graphics and contents designed for their requirements to stimulate them to reflect on the principal functions of finance and it illustrates their impact on people's everyday lives.



An initiative for upper secondary school pupils, designed to introduce them to economic culture, by providing them with the most appropriate tools to make aware decisions within the economic and financial world. At the end of the course, taught in the classroom with assistance furnished by experts made available by the Banks taking part in the scheme, the project involves a "Develop your business idea" competition, with the preparation of a business plan for the start-up of a socially useful enterprise in the local community.

PATTICHIARI FINANCIAL EDUCATION PROGRAMMES	2011					
	PROVINCES CONCERNED	SCHOOLS	CLASSES	STUDENTS	BANK TEACHERS	HOUR OF TEACHING
Our Community	Bergamo, Varese, Brescia, Monza and Brianza, Lecco, Como, Rome, Cosenza	95	273	6,825	76	918
Io e l'economia (Me and the economy)	Taranto, Brindisi	2	11	275	1	15
L'impronta economica (Economic footprint)	Bergamo, Varese, Brescia, Monza and Brianza, Lecco, Como, Rome, Salerno	52	172	4,300	51	506
PattiChiari con l'economia (ClearPacts with the economy)	Bergamo, Salerno	11	24	600	3	85
TOTAL		160	480	12,000	131	1,524

The significant contribution made by the Group's Network Banks to financial educational programmes – both in terms of the number of pupils involved and in terms of the quality of the work performed – led the Consortium to write an official letter of praise in which the excellence of the educational model and the results achieved was recognised.

Banca Carime also participated in "Newspapergame", an educational programme organised in co-operation with La Gazzetta del Mezzogiorno newspaper. It was aimed at schools and involved 875 pupils from 35 classes in 9 schools in the provinces of Bari and Taranto, with a prize of €500 awarded to the 10 best essays on financial subjects.

NewspaperGame

A national initiative for pupils and teachers in junior schools (4th and 5th classes) and lower and upper secondary schools, through which participants are led through an educational course on the world of communication and information. Pupils therefore have the chance to read the newspaper, write articles and prepare a page of a newspaper just like real editors. NewspaperGame puts schools on the front page and newspapers in the classroom as a teaching tool designed to stimulate debate and thinking on current issues, including economics.

Relations with universities and research centres

The Group has a series of arrangements with the state Universities of Bergamo, Brescia, Pavia, Turin, Genoa and Bari, with the Bocconi, the Catholic and the Bicocca Universities of Milan, with the Insubria University of Varese, the LIUC University of Castellanza, the Polytechnic University of the Marches and the University of Calabria and with the "Campus World" Project. As part of these arrangements the Group also provides unsecured loans and "Enjoy" cards to students and it participates in career counselling days and offers internship programmes.

☞ FS7 and LA1

The Group participates – also financially with donations for study scholarships – in research institute and research centre programmes activities and projects, both for scientific research, above all in the medical field, and for the study of local economies and financial systems and their problems. The main partnerships include those with the ISTAO –Adriano Olivetti Institute and the Azienda Special Marchet of Ancona, the A.O. Spedali Civili - hospital of Brescia, Federmobili, the Circolo Università di Pavia, the Orazio Flacco Institute, some Municipalities and the Aler of Varese and Bergamaschi nel mondo organisations.

Organisation of events

In addition to actions for students and support for university training and research, the Parent and the Network Banks organise a series of training and educational events on current economic issues, which are also important opportunities for visibility, involvement and providing customer service. The principal events organised in 2011 were as follows:

- **"The Crisis which does not end"**, a road show for the presentation of the 16th Report on the Global Economy and Italy organised jointly by UBI Banca and the Centro Einaudi, which visited 10 towns and cities with over 1,000 participants;
- the prize-giving ceremony for the Marches schools which took part in the second edition of the competition **"The school newspaper"**, organised in partnership with the Marches journalists' association, in which 300 pupils took part;
- the cycle of conventions on **"Prospects and value of the social economy. The role of finance for the development of non profit organisations"**, for the presentation of the new service model for the third sector – UBI Community – at Jesi, Milan and Pavia, with over 500 participants;
- the convention **"The Bank-Business Relationship in the context of the crisis: constraints, demands and prospects"**, organised in partnership with Assolombarda, in which 200 businessmen took part;

- the convention “**Incoterms**”, to train 100 international operators in partnership with the CCIAA.

As part of support for the internationalisation of Italian small to medium-sized enterprises, various conventions were promoted and organised for businesses and businessmen who have contributed to the development of international economic relations as follows:

- the fifth edition of the **International Banking Forum**, on the subject “Risk and Trade in the new Emerging Markets: the CIVETS” (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa) attended by 57 counterparties including foreign banks, international bodies and supranational institutions from 23 countries with a total of 130 participants.
- the **UBI International Open Day**, with workshops on different subjects and one-to-one meetings organised in Turin with the participation of 120 businessmen and 40 Group personnel, at Jesi with the participation of 113 businessmen and 40 Group personnel and at Brescia in co-operation with the financial daily Sole 24 Ore and the participation of 500 professionals, businessmen and Group personnel;
- the seminar “**Ethical aspects of banking activities and the social role of banks: experiences in Russia and Italy**”, held under the auspices of and with the collaboration of the Patriarch of Moscow and some social organisations with 70 participants;
- the leaf meeting “**Sun, Work and the Future**” on environmental sustainability, held in co-operation with the Loccioni Group for the presentation of the “leaf metre”, a measurer of sustainability, which displays data on the environmental impact of a building in real time. It was attended by 100 businessmen.

CUSTOMER HEALTH AND SAFETY

Factors concerning the safety and security of customers are important in the field of banking services and the main concerns regard the security of IT systems and internet banking services, operational continuity and physical safety in branches.

UBI Banca has adopted a **Three-Year Safety and Security Plan** which is constantly verified and updated to ensure the maximum safety and security of the products and services supplied on the market. Safety and security is overseen both at the conception and development stage, especially with regard to internet banking services and at the commercial distribution stage, with particular attention paid to physical safety in branches and in general to control of access to and the security of the IT systems which support commercial activities.

The **security of IT systems** involves the adoption of the most advanced standards for data transfer and access to information, constant monitoring both with proprietary tools and in co-operation with the police and prompt reporting in cases of suspected attempts at computer fraud. In order to prevent the most frequent and common types of IT fraud, customers are constantly informed of the most appropriate security procedures and measures for the use of **Internet Banking** services, which include the prompt update of content on online channels. Again in 2011 great efforts were made both with new projects, such as the legally valid electronic storage (dematerialisation) of accounting documents and the relative commercial records, the security of payment cards, IT fraud, operational risks and support for projects for the commercial reorganisation of the Network Banks (e.g. the hour glass model, the Mass Market Team) and also with the performance of controls and periodic tests to monitor attacks on customers (phishing, trojan attacks, etc.) and attempts at home banking and debit card frauds in order to analyse the vulnerabilities of websites, software applications, work stations, servers and other hardware.

A number of measures have been adopted, such as the compulsory use of Qui UBI cards to confirm payment transactions, the certification of the beneficiaries of bank transfer transactions, reloading and payments into postal accounts, SMS and email advice of transactions performed using payment cards and as a consequence the phenomenon of IT fraud has reduced considerably and no cases of fraud were recorded on the Internet Banking services (QuiUBI and CBI) in 2011.

The main actions scheduled for 2012 include the introduction of remote digital signatures on the online sales platform.

Operational continuity is guaranteed by a special plan, which involves both a series of technical

and organisational measures designed to ensure that the most critical processes will be operational even in emergency situations and also a series of periodic disaster recovery controls and tests.

Physical safety concerns safety in branches from the viewpoint of accident prevention and robbery risk. Activities continued in 2011 to upgrade equipment in accordance with Legislative Decree No. 81/08 (emergency exits and “medical emergency alarm systems”) and to improve processes to control and manage robbery risk in compliance with the standards defined in the relative Group policy. This included upgrading branch security systems, certification of a single platform for all the alarm control centres for headquarters and branches and the adoption of biometric identification systems in compliance with the legislation in force.

ROBBERIES AND THEFTS	2011			2010			2009		
	EVENTS	FREQUENCY INDEX ¹	EMPLOYEES INVOLVED	EVENTS	FREQUENCY INDEX ¹	EMPLOYEES INVOLVED	EVENTS	FREQUENCY INDEX ¹	EMPLOYEES INVOLVED
Thefts (inclusive of ATMs)	21	1.1	-	19	1.0	-	14	0.7	-
Robberies committed	38	2.0	216	88	4.67	264	128	6.5	n.a.
TOTALE	59	3.1	216	107	5.67	264	142	7.2	

Data calculated on 1,904 branches in 2011, 1,886 branches in 2010, 1,959 branches in 2009.

¹ Number of events every 100 branches.

If attempted robberies are also included, which numbered 31 in 2011, a sharp reduction was recorded compared to recent years (-66.5% since 2008 with a frequency index down from 10.62 to 3.6).

☞ LA8 and Reports and Accounts 2011 p. 220

PR2
INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING HEALTH AND SAFETY OF PRODUCT AND SERVICES

No cases of non-compliance with regulations and voluntary codes concerning the safety of products and services were recorded.

PRODUCT AND SERVICE LABELLING

PR3
PRODUCT AND SERVICE INFORMATION REQUIRED BY COMPANY'S PROCEDURES

In compliance with the principles of the **Code of Ethics** and in observance of the relative legislation and regulations, UBI Banca is committed to ensuring the maximum transparency with regard to the products and services supplied by means of:

- accurate, clear and non misleading pre-contractual information and full, clear and understandable contract clauses which facilitate full knowledge of the choices and agreements signed;
- clear and prompt communications on the state of existing business relations, on changes in the conditions that govern those relations and on any other changes to existing contracts;
- accurate identification and management of possible conflicts of interest, with adequate information provided on the matter;
- abstention from any improper commercial practices and from any form of advertising that is deceptive or which in any case does not fully reflect the quality of the products and services advertised;
- clear and full information on the complaints procedures and on access to independent bodies to resolve disputes (e.g. Ombudsman and Financial Banking Arbitrator).

☞ Code of Ethics p. 22

In order to achieve this, aspects concerning the transparency and quality of the information not only form part of assessments conducted during the procedures for the approval of products and services, also in the context of the implementation of changes in the relative legislation, but the objectives of a series of projects also include the following:

- the streamlining of the supply of products and services and the simplification of commercial processes;
- reinforcement and development of multi-channel banking;
- redefinition of the operational pricing model;
- automation and streamlining of information documents (contracts, detailed information sheets, summary documents, periodic communications, etc.) and improved communication with customers by the Network Banks.

All the Group's **websites** are maintained constantly up-to-date to comply with the legislation and regulations in force (e.g. for the identification of advertising messages) and they are updated with contents in line with self-regulatory initiatives (e.g. quality commitments and other initiatives of the PattiChiari Consortium). They have a special section on transparency with information and useful documents on the following: features of products and services (information sheets) and the principal rights of customers, details of the average effective all-in interest rates for the purposes of the law against usury, financial education (practical guides and methods for calculating summary cost indicators/effective annual all-in interest rates), the Financial Banking Arbitrator and complaints.

The Group participates in the **Italian Banking Association Simple Transparency** initiative, a programme for co-operation and dialogue between the banking industry and consumers associations. An initial working group addressed the rationalisation and simplification of the contents and language of information on current accounts and it also involved the organisation of joint discussions with the competent authorities (e.g. the Bank of Italy) to take action on the secondary legislative framework. A second working group is currently meeting on mortgages. Individual Network Banks also belong to the **PattiChiari Consortium**, the purpose of which is to encourage better relationships between banks and customers through financial education initiatives for consumers and improvements to the simplicity, clarity and comparability of information provided by banks.

☞ [Reports and Accounts 2011 p. 50-51](#) and www.pattichiari.it

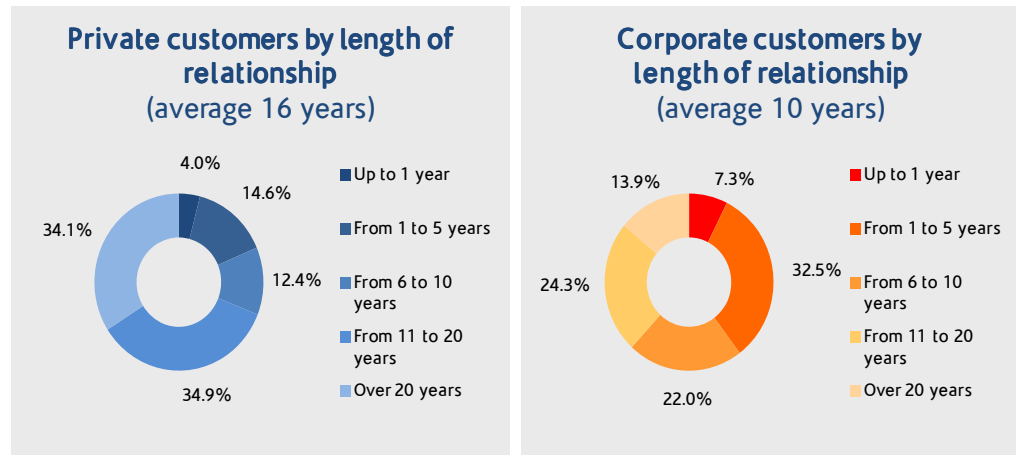
The main changes to the services provided are communicated to customers on all the available channels (e.g. websites, outbound campaigns managed by the Contact Centre, dedicated newsletters, detailed information sheets, SMSs, etc.) to ensure the prompt provision of full information. Direct communication of information (e.g. by email and SMS) is performed in full observance of the privacy consent given by customers, who if they wish may at any time request either via email or directly to operators for commercial communications to cease.

PR4
INCIDENTS OF NON-
COMPLIANCE WITH
REGULATIONS AND
VOLUNTARY CODES
CONCERNING
PRODUCT AND
SERVICE
INFORMATION

No cases of non-compliance with regulations and voluntary codes concerning information and labels on products and services were recorded.

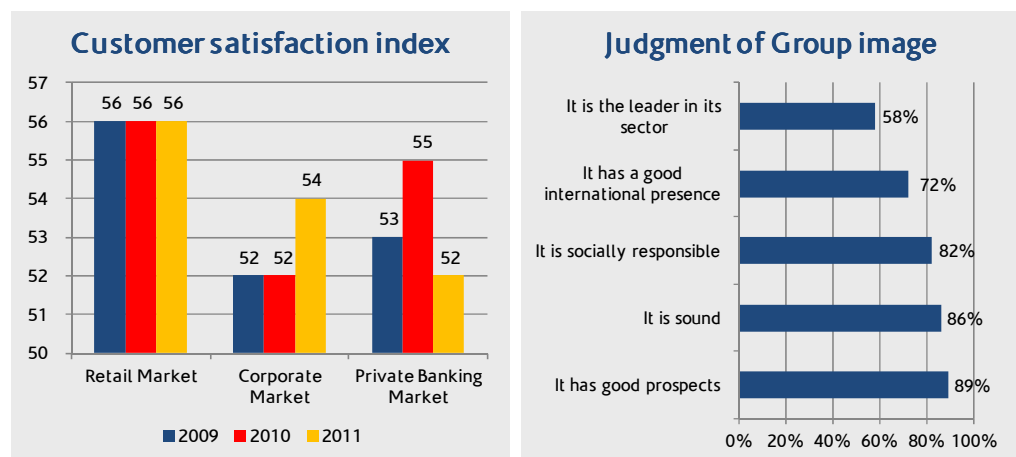
The centrality of the customer is the first of the values declared in the Group Charter of Values and it refers to customer satisfaction as the guide to corporate decision-making, in order to build lasting relations of trust.

Customers satisfaction is monitored constantly both in daily commercial relations and through fidelity indicators such as the duration of customer relationships and also through the results of systematic customer satisfaction surveys (Consultation Project) and the analysis of complaints by the Customer Care Area of the Parent.



The **Consultation Project** monitors customer satisfaction monthly through telephone interviews of a sample of customers representative of the three Markets (Retail, Private and Corporate) on general aspects such as the image, reputation and social responsibility of their specific bank and of the Group and on specific aspects concerning the products and services used, the branches and relations with personnel. The weighted sum of four variables, which measure the degree of satisfaction (overall satisfaction and recommendability) and fidelity (probability of repeat purchases and advantage over the competition) generate an overall **satisfaction index** calculated monthly by Bank, Market, Local Department and Branch, which also forms part of the criteria for setting **incentives** for Group personnel.

Approximately 134,000 interviews were conducted in 2011 with the customers of the various Network Banks and with 21,000 customers of competitors' banks to construct comparison data at local level.



On one aspect which affects customer satisfaction to a large extent – the quality of relationships in branches with habitual contacts – the Group obtained an average score of 8.6 out of 10 for its capacity to keep its promises, the ease of speaking to habitual contacts, its precision with operations and attention to safeguarding the interests of customers. The main areas for improvement regarded requests for more proactive proposal making, improved post-sales care and more effective management of problems (mentioned, however, by just 10% of those interviewed).

The **management of complaints** constitutes a valuable source of information for improving the quality of services to customers.

Complaints management is approached initially at the operational point where the complaint originated and where the contact personnel are called upon to investigate in person. At the next stage, the complaint passes to a central unit (Risk Control Staff Unit) present in each Network Bank, which manages the more structural and administrative stages (entries in the complaints register shared on IT systems, management of replies, decisions, approvals, etc.) required to process official complaints. For this set of activities, the complaints unit of each Network Bank may decide from time to time which central or Parent units to involve to process single complaints, since no “complaints commission” exists within the organisational structure of the Group.

A Complaints Management Unit operates at the Parent to support the whole organisational structure (it forms part of the Customer Care Area in the Risk Control Macro Area) which performs co-ordination and policy functions and interfaces directly with both the other units involved at Parent level (Legal Affairs, Compliance, Organisation Areas), and outside bodies (Italian Banking Association and Financial Banking Conciliator). That same unit also constitutes the operational interface for UBISS units which manage the Complaints Software Application (IT platform shared across all the Group’s Network Banks) and also the operational units of the Parent which manage the complaints sections of the Group’s websites. The Complaints Management Unit also performs interface and specialist support functions with the complaints management units that operate in the Group’s Product Companies, which currently still operate with IT systems not resident on the centralised systems at the Parent.

COMPLAINTS	2011	2010	2009
Total complaints received	4,621	4,256	5,140
of which:			
ordinary on products and services	3,855	3,627	4,323
for compounding of interest	340	242	231
for securities in default	290	211	413
on privacy	136	176	173
on human rights	-	n.a.	n.a.
Complaints received through remote channels	1,561	917	93
Complaints processed ¹	4,518	4,188	5,477
of which accepted	1,759	1,636	1,730
Amounts acknowledged (thousands of euro) ²	649	1,036	1,811
of which settled during the year (thousands of euro)	638	n.a.	n.a.
Average days for response ³	25	22	32
Appeals to the Ombudsman	5	10	127
Appeals to the Ombudsman completed	7	8	107
of which in favour of the customer	3	2	8
Appeals to the Financial Banking Arbitrator	78	64	8
Appeals to the Financial Banking Arbitrator completed	62	32	-
of which in favour of the customer	30	13	
Appeals to the Consob Chamber of Reconciliation and Arbitration	4		
Appeals to the Consob Chamber of Reconciliation and Arbitration	4		
of which in favour of the customer	-		
Mediation cases pursuant to Legislative Decree No. 28/2010	278		
Mediation cases completed	215		
of which with a settlement agreement	39		

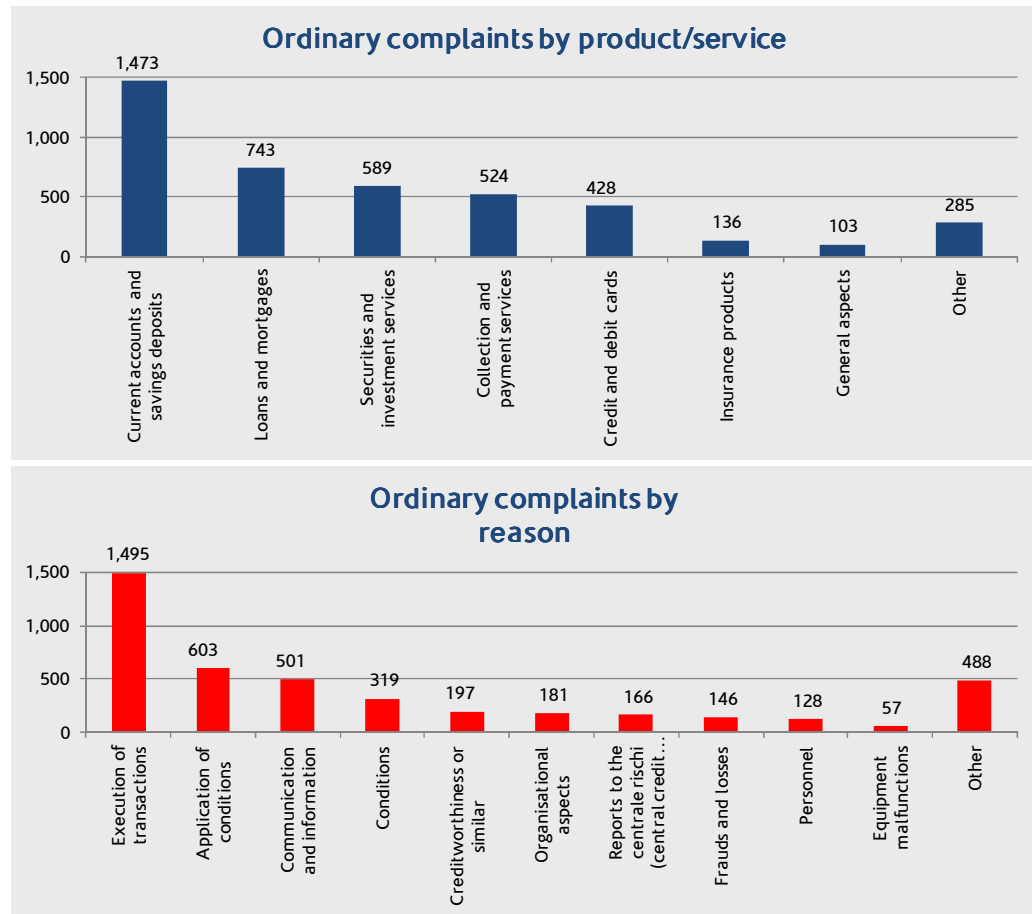
¹ Total complaints concluded in the year, independently of the year of presentation.

² Amounts acknowledged for complaints accepted during the year, independently of the year of presentation.

³ Overall average. inclusive of both ordinary complaints and investment service complaints.

Customers can contact local distribution points directly to present complaints/claims or use a variety of channels for access: ordinary and electronic mail, the websites of the Network Banks and the Parent and via telephone to the Customer Service. All the available channels are widely

advertised on information pamphlets and dedicated sections of the Group's websites. In 2011, 1,655 employees received training on complaints management, both in classroom sessions on specialist subjects and with supplementary modules in the courses catalogue.



LA8 and Reports and Accounts 2011 p. 55-56

MARKETING AND COMMUNICATION

The Group seeks **long-term sustainable commercial development** and pays maximum attention to ensure that activities to sell products and services involve solutions appropriate to customer needs and profiles.

Consequently, proactive customer contact activity for commercial purposes by account managers is supported by central units by signalling potential customers by specific need areas, identified through analysis of individual life cycles, behaviour profiles and possible financial needs not yet satisfied. Commercial activity is assisted by **dedicated IT platforms** for the management of the more complex needs with a high advisory content, especially with regard to investments and financing. In order to prevent possible risks of over-indebtedness with mortgages, account is taken of the standard of living of customers, their sensitivity to possible changes in interest rates and of possible specific requirements to protect the loans. Where businesses are concerned, and especially with regard to "small economic operators" and SMEs, the commercial approach in terms of the loan offered and the relative price combines careful assessment of the current and future risk attaching to the customers with the need to provide maximum support to local business communities.

PR6
COMPLIANCE WITH LAWS, STANDARDS AND VOLUNTARY CODES RELATED TO MARKETING COMMUNICATION

All advertising initiatives are systematically screened by the competent units to ensure compliance with legislation and regulations concerning commercial practices. More specifically, the formulation of advertising messages, including when outside advertising agencies are brought in, is carried out in observance of the relative laws in force concerning privacy, consumer protection and transparency and the provisions of the Voluntary Code on Advertising.

PR7
INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING MARKETING AND ADVERTISING

No cases of non-compliance with regulations and voluntary codes on marketing activities were recorded, inclusive of advertising, promotions and sponsorships.

CUSTOMER PRIVACY

The acquisition and treatment of personal data on customers and all other persons, always takes place in observance of the rights and fundamental freedoms, as well as the dignity of those concerned in compliance with Legislative Decree No. 196 of 30th June 2003 (**Privacy Code**) on the protection of personal data.

☞ Code of Ethics p. 16-17

In order to achieve this the Group employs a "**Protection of privacy**" handbook and a series of organisational and technical measures, with blocks and other protective instruments on IT systems, which ensure not only the necessary compliance with security and data protection requirements, but also systematic observance of the consents granted by customers regarding the treatment of their personal data for commercial and marketing purposes.

PR8
COMPLAINTS REGARDING BREACHES OF PRIVACY AND LOSSES OF DATA OF CUSTOMER

In 2011, 136 complaints were received by the Group's Network Banks relating to the protection of personal data (Privacy), a significant reduction (-23%) compared to 2010. In 82% of cases, the reasons were connected with compulsory reporting to banks of institutional data concerning credit (central credit bureaux: Centrale dei rischi, CRIF, etc.), while the remaining cases consisted of requests to delete and revoke consents and more generic complaints concerned alleged breaches of rights or the administrative update of the data managed.

As concerns data losses or thefts, the current criteria for the classification of complaints based on sector recommendations made by the Italian Banking Association, do not allow accurate identification of any cases there may be.

COMPLIANCE

PR9
FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES

No significant fines were received in 2011 for non-compliance with laws and regulations concerning the sale and use of products and services.



We are interested in receiving the opinions of readers on this report and we will consider any suggestion, indication, criticism or appreciation made as valuable.

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