

Explanatory Report of the Management Board on point no. 3 of the agenda of the day of the Extraordinary Assembly

Assignment of a proxy – in compliance with Article 2420-ter of the Italian Civil Code – to the Management Board for the issue of convertible bonds with a consequent share capital increase for a total of Euro 640,000,000.00; modification of Article 5 of the Articles of Association; related and consequent resolutions.

Dear Shareholders,

the Management Board has convened you in this Extraordinary Assembly in order to present for your approval the modifications of Article 5 of the Articles of Association concerning the assignment of a proxy – in compliance with Article 2420-ter of the Italian Civil Code – to the Management Board which grants the right to issue bonds, one or more times, that are convertible into ordinary shares of the Company - following authorization from the Supervisory Board – by 31 December 2009 and for a maximum amount of Euro 640,000,000.00; these will be offered as options to shareholders with the consequent increase in share capital and with an overall countervalue of Euro 640,000,000.00, including the price premium.

This report, drafted in accordance with Articles 72 and 91 of the Regulations adopted by Consob with resolution no. 11971/99, as subsequently amended, and with Article 3 of Ministerial Decree no. 437/98, aims to illustrate this proposal for modification of the Articles of Association.

1. Reasons for the proposed operation

The proposal in question aims to equip the Company with a rapid and flexible tool for acquiring new financial resources from the market which would allow the Group to maintain financial stability and liquidity in the medium term; this stability currently characterizes the Group and is considered necessary in order to continue to express its traditionally close relationship with the local territory and economy, even in light of the need to sustain companies during the current recession.

2. Issue of convertible bonds with consideration and with a consequent increase in share capital by means of a proxy to the Management Board; relative modalities

The proposal in question concerns the assignment of a proxy – in compliance with Article 2420-ter of the Italian Civil Code – to the Management Board which grants the right to issue bonds, one or more times, that are convertible into ordinary shares of the Company - following authorization from the Supervisory Board – by 31 December 2009 and for a maximum amount of Euro 640,000,000.00; these will be offered as options to shareholders - with the consequent increase in share capital and with an overall countervalue of Euro 640,000,000.00, including the price premium – through the issue of 256,000,000 ordinary shares of the Company with a nominal value of Euro 2.50 each, cum coupon, and whose characteristics are identical to those in circulation on the issue date and which are exclusively provided in connection with the conversion.

It is expected that convertible bonds may have the following primary characteristics:

- overall nominal amount of a maximum of Euro 640,000,000.00;

- reimbursement not subordinated to other payables of the Company (the so-called senior ranking);
- approximate duration of four years;
- a cash coupon with an fixed annual return of not less than 5%;
- the right of bond-holders to convert their bonds at any time as of the eighteenth month following the date of issue and up until the date of maturity;
- the right of the Company, in the eighteenth month following the date of issue and up until the date of maturity, to receive an advance reimbursement of the bonds in shares, or in cash (in certain cases which will be specified in the bond regulations), with the assignment of a premium on the nominal value of the bond;
- reimbursement at maturity of convertible bonds for which the right of advanced conversion was not exercised by the Company either in cash or, alternatively, through the conversion of the convertible bonds into shares of the Company on the basis of the stock market price of UBI Banca in the last month (to be determined within the bond regulations, even with reference to the actual liquidity of the security) and, in any case, for a value not less than the nominal value of the bond;
- listing of the convertible bonds within the Screen-based Stock Exchange of Borsa Italiana S.p.A., even after their issue.

The Management Board will retain the right to determine the modalities, terms and conditions of the operation, in compliance with that stated above and, as a result, may determine the following at the time of initiation of the option offer, after taking into account trends in the stock prices of the Company and market conditions as well as market practices for similar operations:

- (a) the nominal value, the underwriting price and the option ratio of convertible bonds by collecting the required preliminary waivers on the part of shareholders in order to ensure a numerical balancing of the operation; (b) the amount of the coupon of the convertible bonds which must, in any case, not be less than 5%; (c) the conversion ratio for each bond convertible into ordinary shares of the Company; (d) the events and modalities for adjusting the conversion ratio; and (e) the regulations of the convertible bonds as well as a premium and, in any case, the reimbursement modalities pursuant to the above criteria and the duration;

as well as

- (f) the number of newly issued shares and (g) the amount of the share capital increase relative to the conversion of the convertible bonds which overall may not, however, exceed the maximum countervalue of Euro 640,000,000.00, in addition to any other term and condition relative to the issue and offer of the convertible bonds and of the consequent share capital increase.

If feasible in terms of market conditions, and subordinate to the attainment of the required authorizations, it is forecasted that the offer of options for the convertible bonds may be implemented within the year 2009.

Mediobanca – Banca di Credito Finanziario S.p.A, acting in the capacity of global coordinator and sole bookrunner, has committed to guaranteeing a positive outcome of the operation for the entire amount. Credit Suisse will participate in the guarantee co-operative in the capacity of lead manager.

3. *Withdrawal rights*

The proposed modifications do not grant shareholders which do not contribute to their approval with the right to withdraw pursuant to Article no. 2437 *quinquies* of the Italian Civil Code.

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Resolutions proposed to the Extraordinary Assembly

In relation to the above, the Management Board - authorized by the Supervisory Board, in compliance with Article 46 of the Articles of Association – hereby presents the following resolution proposal for your approval:

Resolution proposal

“The Extraordinary Shareholders’ Assembly of UBI Banca:

- having reviewed the report of the Management Board and the proposals contained therein, authorized by the Supervisory Board:

resolves

- 1. to assign a proxy – in compliance with Article 2420-ter of the Italian Civil Code – to the Management Board which grants the right to issue bonds, one or more times, that are convertible into ordinary shares of the Company - following authorization from the Supervisory Board – within and no later than 31 December 2009 and for a maximum amount of Euro 640,000,000.00; these will be offered as options to shareholders - with the consequent increase in share capital and with an overall countervalue of Euro 640,000,000.00, including the price premium – through the issue of 256,000,000 ordinary shares of the Company with a nominal value of Euro 2.50 each, cum coupon, and whose characteristics are identical to those in circulation on the issue date and which are exclusively provided in connection with the conversion.*

The bond holders may convert the bonds from the eighteenth month following the date of issue on the basis of the conversion ratio which will be established at the time of issue.

Again from the eighteenth month following the date of issue, the Company will retain the right to receive an advance reimbursement of the bonds in shares, or in cash (in certain cases which will be specified in the bond regulations), with the assignment of a premium on the nominal value of the bond.

On the date of maturity of the convertible bonds, the bonds for which the right of advanced conversion was not exercised will be reimbursed, as selected by the Company, either in cash or, alternatively, through the conversion of the convertible bonds into shares of the Company on the basis of the stock market price of UBI Banca in the last month (to be determined within the bond regulations, even with reference to the actual liquidity of the security) and, in any case, for a value not less than the nominal value of the bond.

2. *To entrust the Management Board with all potential power to determine the modalities, terms and conditions of the issue of the convertible bonds and the consequent share capital increase, in compliance with the limits stated above and including but not limited to the power to determine the following at the time of initiation of the option offer after taking into account trends in the stock prices of the Company and market conditions as well as market practices for similar operations: (a) the nominal value, the underwriting price and the option ration of convertible bonds by collecting the required preliminary waivers on the part of shareholders in order to ensure a numerical balancing of the operation; (b) the amount of the coupon of the convertible bonds which must, in any case, not be less than 5%; (c) the conversion ratio for each bond convertible into ordinary shares of the Company; (d) the events and modalities for adjusting the conversion ratio; (e) the regulations of the convertible bonds as well as a premium and, in any case, the reimbursement modalities pursuant to the above criteria and the duration; (f) the number of newly issued shares and the amount of the share capital increase linked to the conversion which overall may not, however, exceed the maximum countervalue of Euro 640,000,000.00; and (g) any other term and condition relative to the issue and offer of the convertible bonds and of the consequent share capital increase.*

3. *to modify Article 5 of the Articles of Association as follows in light of the above resolution by inserting the new paragraph six:*

Currently effective text	New proposed text
Art. 5	Art. 5
<p>The share capital is open-end and unlimited; it is represented by registered shares with a nominal value of Euro 2.50 (two point fifty) each.</p> <p>The issue of new shares may be deliberated:</p> <p>a) in an extraordinary manner by the extraordinary Shareholders' Assembly, in compliance with what is provided by Article 2441 of</p>	<p>The share capital is open-end and unlimited; it is represented by registered shares with a nominal value of Euro 2.50 (two point fifty) each.</p> <p>The issue of new shares may be deliberated:</p> <p>a) in an extraordinary manner by the extraordinary Shareholders' Assembly, in compliance with what is provided by Article 2441 of</p>

the Italian Civil Code, with the majorities and the quorum provided by these Articles of Association for the establishment and the resolutions of the Shareholders' extraordinary assembly, with the right to assign proxies to the Management Board, but subject to prior authorization of the Supervisory Board - in compliance with the regulations in force - for exercising the rights provided by articles 2420 ter and 2443 of the Italian Civil Code;

b) normally, by the Management Board according to the legal provisions and the prescribed regulations in force in this field.

The share capital may be increased both in monetary terms and by contribution in kind.

As long as the shares of the Company are listed on regulated markets, the issue of new shares may occur only through the resolution of the shareholders' extraordinary assembly, according to what is provided by the previous subparagraph 2, letter a).

the Italian Civil Code, with the majorities and the quorum provided by these Articles of Association for the establishment and the resolutions of the Shareholders' extraordinary assembly, with the right to assign proxies to the Management Board, but subject to prior authorization of the Supervisory Board - in compliance with the regulations in force - for exercising the rights provided by articles 2420 ter and 2443 of the Italian Civil Code;

b) normally, by the Management Board according to the legal provisions and the prescribed regulations in force in this field.

The share capital may be increased both in monetary terms and by contribution in kind.

As long as the shares of the Company are listed on regulated markets, the issue of new shares may occur only through the resolution of the shareholders' extraordinary assembly, according to what is provided by the previous subparagraph 2, letter a).

The assembly of [29 April/9 May] 2009 assigned a proxy – in compliance with Article 2420-ter of the Italian Civil Code – to the Management Board which grants the right to issue bonds, one or more times, that are convertible into ordinary shares of the Company - following authorization from the Supervisory Board – within and no later than 31 December 2009 and for a maximum amount of Euro 640,000,000.00; these will be offered as options to shareholders - with the consequent increase in share capital and with an overall countervalue of Euro 640,000,000.00, including the price premium – through the issue of 256,000,000 ordinary shares of the Company with a nominal value of Euro

	<p><i>2.50 each, cum coupon, and whose characteristics are identical to those in circulation on the issue date and which are exclusively provided in connection with the conversion. The Management Board retains the right to determine: the nominal value; the underwriting price and option ratio of convertible bonds; the amount of the coupon of the convertible bonds which must, in any case, not be less than 5%; the conversion ratio for each bond convertible into ordinary shares of the Company; the events and modalities for adjusting the conversion ratio; the regulations of the convertible bonds as well as a premium and, in any case, the reimbursement modalities pursuant to the above criteria and the duration; the amount of the share capital increase associated with the conversion which may not, in any case, exceed the maximum countervalue of Euro 640,000,000.00; and any other term and condition relative to the issue and offer of the convertible bonds and of the consequent share capital increase.</i></p>
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4. to entrust the Chairman, Vice Chairman and Delegated Director of the Management Board with a mandate - with immediate effectiveness and separation of powers – for the fulfillment of any formalities required by law and to implement any potential modifications to assembly resolutions which may be required at the time of their registration with the Registry of Companies of competence and/or any other competent authority; they are also entrusted with any other action required for the complete execution of the resolutions themselves, including any powers which are needed and opportune for this purpose, without exception.

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Brescia, 10 April 2009

Management Board