

Explanatory Report of the Management Board on point no. 2 of the agenda of the day of the Extraordinary Assembly

A divisible share capital increase with consideration and through the issue of a maximum no. of 31,957,295 shares with a nominal value of Euro 2.50 each and underlying UBI Banca 2009/2001 warrants, as issued by the company and to be assigned to all shareholders without consideration

Dear Shareholders,

the Management Board has hereby convened you to this Extraordinary Assembly in order to present you a proposal for the approval of a divisible share capital increase with consideration through the issue of a maximum no. of 31,957,295 shares with a nominal value of Euro 2.50 each underlying UBI Banca 2009/2001 warrants that will be assigned without consideration to all shareholders of the Company on 18 May 2009.

The UBI Banca 2009/2011 warrants will be assigned without consideration and with a ratio of one warrant for each ordinary share of the company, this will be implemented through the payment of coupon no. 8 and will grant the right to underwrite ordinary shares of the company with a ratio of one ordinary share for every 20 warrants and with an exercise price equal to the arithmetic average of the Official Prices of UBI Banca stock in the period between: (i) Tuesday 14 April 2009 (included) and (ii) the day preceding the date in which the Shareholders' Assembly will effectively take place, increased by 20% and rounded to the second decimal place. The underwriting price of the shares underlying the warrants may not, in any case, be less than Euro 10.5.

The UBI Banca 2009/2011 warrants can be exercised by entitled parties for a period of one month as of the date of expiration of the second year from the time of their issue; this will be specified in the warrant regulations.

The warrants will be listed within the Screen-based Stock Exchange organized and managed by Borsa Italiana S.p.A., even after their issue.

1. Justification and allocation of the share capital increase

The assignment without consideration of the UBI Banca 2009/2011 warrants to shareholders aims to provide the latter with the possibility of benefiting from increases in the stock price of UBI Banca during the course of the next two years by underwriting shares at a fixed current price.

In addition and if the shareholders decide to exercise the UBI Banca 2009/2011 warrants at the time of maturity of the latter and thereby underwrite the newly issued shares underlying these warrants, the consequent share capital increase would have the effect of promoting the medium-term financial stability of the company; this stability is necessary for the implementation of ordinary operations and serves the objective of continuing to root activities in local territories of reference.

2. Composition of financial debt

Proceeds deriving from the share capital increase in connection with the UBI Banca 2009/2011 warrants are not allocated to reduce or change the financial debt structure of the company.

3. General information on the performance of the past year and on trends of the current year

The year 2008 – the first complete year of the UBI Banca Group - occurred within the realm of a particularly complex operational environment; this was not only due to the integration that was being implemented but also because of the gradual deterioration of the macroeconomic environment which initially only involved the financial markets - and the relative traded instruments and operators of the sector - but then extended to the actual economy and all related domestic and international productive activities. Due to the difficulties created by the macroeconomic environment, the Group reacted by accelerating the completion of the primary processes of integration, thereby attaining 134% of the expected synergies (134.9 million Euro compared to the forecasted amount of 100.4 million); this was primarily due to the advance attainment of cost synergies and the implementation of a rigorous control of costs, particularly in the second part of the year.

The year closed with normalized net income – i.e. net of non-recurrent items and therefore more representative of operational trends - totaling 425.3 million Euro (-44.8% compared to 770.5 million in 2007). The reported value for net income before the write-down of assets available for sale - which had an effect of 480.7 million Euro - was equal to 549.7 million Euro; following these write-downs, reported net income was equal to 69 million Euro (940.6 in 2007). With regards to a more in-depth analysis of attained results, the income statement reported operating income equal to 4,098.7 million Euro compared to the 4,493.9 million Euro reported in 2007, a slight decrease (-7.9%) with respect to the same period in 2007 despite the unfavorable trends in financial markets.

This result was primarily due to the significant growth of the interest margin which grew by 11% per year, reaching 2,982.1 million Euro from the 2,685.8 million Euro of 2007 (+296.3 million Euro) and has been confirmed – given the current market situation – as the key driving factor for revenues. The favorable increase was primarily due to positive trends in client volumes (+8% growth in deposits and +8.1% in loans net of the large corporate sector); this was possible due to the solid commercial positioning of the Group and was favored by the federal model and its focus on traditional brokerage activities in local territories of operation in addition to an increase in the spread (+6 base points) with respect to 2007. This increase – primarily due to the mark up trend that mitigated the reduction of the mark-down, particularly in the fourth quarter - also benefited from the restructuring of the loans portfolio following rationalization activities relative to exposures to low profitability in the large corporate sector and relative to the re-focusing of loans towards core sectors during the course of the year; this was accompanied by a progressive risk re-pricing policy that is still underway.

Net commissions were equal to 1,188.3 million Euro compared to the 1,357.6 million Euro reported in 2007, a 12.5% reduction which was primarily due to the fall in commissions linked to indirect deposits which fell by circa 170 million Euro.

Dividends received during the year from shareholdings – totaling 71.2 million Euro (83.5 million Euro in 2007), include – for both years - 55.1 million Euro from Intesa Sanpaolo shares held in the portfolio.

Due to the continue negative trend in international financial market and, in particular, the worsening of the phenomenon in the fourth quarter of 2008, the net result from brokerage, hedging and financial asset/liability sales/buybacks activities and from assets/liabilities valued at fair value was negative (-242.3 million) compared to the 101.9 million Euro realized in the preceding twelve months. This result is essentially due to the mark to market valuation of securities held in the portfolio (including -147.1 million Euro attributable to hedge funds) but also includes non-recurrent components such as -58.2 million Euro booked in the fourth quarter

of 2008 in relation to the “Madoff” exposure and whose value was completely zeroed out given the uncertain possibility of recovery; other components include -10.9 million Euro deriving from the write-down of Lehman securities which had already been booked at the end of September 2008 as well as non-recurrent positive effects derived from the sale of certain shareholdings for a total of 30.3 million Euro (20.2 in 2007). It should be noted that UBI Banca did not avail itself of its right to re-classify financial assets subject to trading under assets available for sale, as allowed by the new IAS 39 formulation. Values were therefore updated as of 31 December 2008.

The result from insurance management – which exclusively refers to UBI Assicurazioni (compensation for damages) following the sale of 50% + one share of UBI Assicurazioni Vita (now Aviva Assicurazioni Vita) to Aviva during the course of the year – totalled 9.6 million Euro (39.9 million Euro in 2007); the lower contribution was primarily affected by a more rigorous policy introduced this year for calculating the accidents reserve and which resulted in extraordinary allocations of 35 million Euro which were primarily concentrated in the fourth quarter of the year (20 million Euro). Other operating proceeds, totaling 80.7 million Euro (138.1 in 2007), also reflect – as of the year 2008 - the effects of the various operational modalities adopted in the management of insurance contracts for CPI in relation to mortgages and loans, thereby resulting in lower operating proceeds in connection with lower administrative expenses and include 11.2 million Euro in charges associated with bank drafts. Due to decreases in revenues caused by the economic recession, the UBI Banca Group accelerated measures for containing managerial costs in the second half of the year and managed - despite the current integration process underway – to close the year with a positive trend in normalized operating costs which remain unchanged from the past year at 2.602.9 million Euro (2.559 million Euro in 2007).

More specifically, both personnel expenses totaling 1,584.2 million Euro and other administrative expenses - totaling 749.3 million Euro and influenced by the co-existence of two IT systems (target and transferor) - decreased respectively by 0.3% and 2%, reporting an overall decrease of 1% with respect to that reported in 2007. Aggregate values grew by 0.7% in the first half of 2008 compared the same period in 2007 and was mitigated in the second half of 2008 due to strong cost containment measures which fell by 2.5% with respect to the same period of 2007.

Net value adjustments of tangible and intangible assets were equal to 277.9 million Euro, a 13.5% growth following major investments in the Group’s IT system. This increase was less than forecasted in the budget for the year 2008. During the course of 2009, this item is expected to decrease following the divestment of the transferor’s IT system. In 2008, no value adjustments were booked for the deterioration of tangible and intangible fixed assets.

Due to the trends described above, the **operating result** totaled 1,478.4 million Euro compared to the 1,889.5 million Euro of 2007.

Net value adjustments for the impairment of receivables for the year 2008 were equal to 566.2 million Euro compared to the 342.9 million Euro reported in 2007, a 65.1% increase. The increase is due to both trends in overall adjustments (119.5 million Euro in 2008 compared to 94.4 in 2007) and analytical adjustments (446.7 million Euro in 2008 compared to 248.9 in 2007) which grew as of the third quarter of 2008, with strong growth in the fourth quarter of 2008; this was particularly due to rather prudential write-downs which took into account the deterioration of the macroeconomic environment in the last months of the year. Overall, the incidence of net adjustments on the customer loans portfolio increased to 0.59% (0.37% in 2007). On the basis of available evidence and budget forecasts, the trends in adjustments which characterized the fourth quarter of the year are not indicative of the trends expected in 2009 despite the continuing prudential approach which characterizes the Group. The Group, in fact,

believes that it can maintain a medium-long term advantage in terms of credit quality which has historically been its hallmark.

Given the strong and continuing falls in stock prices, the Group has proceeded – in accordance with IAS 39 – with booking value mark to market reductions of shares classified as available for sale within the income statement. This resulted in net value adjustments for the impairment of other assets/liabilities totaling 510.6 million Euro, of which 459.7 million Euro in reference to the shareholding in Intesa Sanpaolo, 24.6 million Euro relative to the shareholding in the London Stock Exchange and 19.7 million Euro in the company A2A. A valuation of the shareholding value in Intesa Sanpaolo on the basis of shareholders' equity as of 31 December 2008 would have led to the booking of adjustments for 269 million Euro rather than 459.6 million Euro. It should be noted that the item of net value adjustments for the impairment of other assets/liabilities also includes 6.4 million Euro as an additional and final write-down of the shareholding in Hopa (previously written down for 19 million Euro in 2007). The impairment test confirmed the recoverability of the goodwill values booked in the financial statements on the basis of valuations supported by assessments of authoritative independent experts.

Operations also generated **net income from the transfer of investments and shareholdings** totaling 85 million Euro. Due to the trends described above, **operating income gross of taxes** totaled 452.1 million Euro compared to the 1,502.9 million Euro of the previous year. **Income taxes of the year** from continuing operations were equal to 221.6 million Euro, a decrease with respect to the 597.3 million Euro in 2007, while the tax rate reached 49.01% compared to the preceding 39.74%.

Net integration charges booked during the year were equal to 67.2 million Euro (previously 166.7 in 2007). The **profit/loss from non-current assets being disposed, net of taxes**, reported a negative value of 15.7 million Euro which essentially refers to the balance of the transfer price of 61 branch offices of Banca Popolare Vicentina. In 2007, profits from non-current assets being disposed, net of taxes, reported an overall value of 308.5 million Euro, including the capital gains relative to this transfer which was equal to 291 million Euro as well as that relative to the transfer of 15 branch offices of Banca Carime alla Banca Popolare Pugliese for a total of 17.6 million Euro. Finally, **the net income of the period pertaining to third parties** totaled 78.6 million Euro compared to the 106.9 million Euro of 2007.

Aggregate balance sheet data

In the last part of the year, the policy of re-balancing loans and deposits - announced in the second part of the year – was implemented, thereby bringing the loans/total deposits ratio to 99% on 31 December 2008 (104% on 30 September 2008 and 103% on 31 December 2007) with positive effects on net interbank debt. The latter fell to 0.9 billion Euro (4.3 billion Euro on 30 September 2008 and 4 billion Euro on 31 December 2007). Assets which can be allocated for re-financing within the Central European Bank currently total 9 billion Euro.

As of 31 December 2008, receivables due from clients of the Group totaled 96.4 billion Euro, a 3.7% increase (+3.4 billion) compared to the 93 billion Euro in December 2007. In 2008, a policy for the rationalization of loans within the large corporate sector has been implemented with a reduction of overall exposure totaling 3 billion Euro compared to 2007; this will be allocated for the gradual increase in loans versus the core clientele of the Group. Net of the large corporate sector, receivables due from clientele grew, in fact, by 8.1%. With regards to the quality of the receivables portfolio on 31 December 2008 and in relation to the worsening of the economic recession and the automatic re-classification of overdue receivables as operating impaired receivables following the expiration of a 60-day deadline, the ratio between net non-performing receivables and net loans was equal to 0.88% compared to the 0.75% value of

December 2007 while the ratio between net impaired receivables and net loans was equal to 1.20% compared to the 0.81% value of December 2007.

Direct deposits reported a particularly strong increase of 8% (+7.2 billion) over the year, reaching circa 97.6 billion Euro from the 90.4 billion Euro reported on 31 December 2007. As of 31 December 2008, Group funding was composed of circa 85.5% of deposits from ordinary clientele and 14.5% from issues on international markets, underwritten by institutional investors. In relation to institutional funding – and in addition to preference shares totaling 0.6 billion Euro - the French *Certificats de Dépôt* and the *Commercial Paper* listed in the London Stock Exchange were launched in June 2008, yielding revenues totaling circa 1.3 billion Euro at the end of December, while volumes relative to the EMTN program – given the absence of public issues – decreased to 12.3 billion Euro from the 13.4 billion Euro of December 2007. Finally, indirect deposits from private clientele continued to be affected by the unfavorable performance of the financial markets, decreasing year by year on a like for like basis by 18.5%, reaching 74.1 billion Euro from the 90.9 billion Euro in 2007. Both managed deposits and managed revenues were affected by the recession in the financial markets which started in the second half of 2007 and which is currently underway, reporting respective decreases of 23.7% to 29.2 billion Euro and 11% to 34.9 billion Euro.

At the end of December 2008, consolidated **shareholders' equity** of the UBI Banca Group, excluding net income of the year, was equal to 11,071 million Euro compared to the 10,849 million Euro reported in December 2007.

Future prospects

In 2009, the continuing economic recession is expected to continue with effects on both revenue generation as well as on risk assessments for the overall banking system.

With regards to the UBI Group and in terms of revenues, the interest margin is expected to significantly fall; this will essentially be due to a reduction in market interest rates and pressure on the cost of deposits, even of institutional nature. Similarly, net commissions are expected to continue to fall, particularly as a result of the continuing negative environment for asset management.

The forecast for the Finance Area is consistent with the highly conservative allocation of capital with positive results expected for the entire year of 2009.

The expected trends in revenues should be balanced by a more favorable trend in costs which are expected to decrease with respect to 2008; this is due to the essentially completed integration projects as well as the additional cost containment measures which were deliberated and which are currently being implemented.

During the course of 2009, the careful and prudent management of credit will continue and should lead to a cost of credit below the levels attained in the second half of the year.

Again during the course of 2009 – and once the economic environment and extreme market volatility has stabilized – the process of ordinary updating of the Industrial Plan will be finalized.

4. *Existence of a guarantee co-operatives as well as the latter's composition and modalities and conditions of operation*

No establishment of guarantee co-operatives is expected for the underwriting of the ordinary shares underlying the UBI Banca 2009/2011 warrants.

5. *Potential other forms of placement*

The UBI Banca 2009/2011 warrants will be assigned without consideration to the shareholders of the Company on 18 May 2009, the date set for the payment of coupon no. 7 for the dividend with the ration of one warrant for each ordinary share of the Company, by means of the payment of coupon no. 8 without any placement activities. In order to ensure the balancing of the operation, one shareholder who already expressed his/her availability to renounce the free assignment of two UBI Banca 2009/2011 warrants.

6. *Determination of the issue price*

The underwriting price of the shares that will be issued in connection with the warrants will be equal to the arithmetic average of the Official Prices of UBI Banca stock in the period between: (i) Tuesday 14 April 2009 (included) and (ii) the day preceding the date in which the Shareholders' Assembly will effectively take place, increased by 20% and rounded to the second decimal place. The underwriting price of the shares underlying the warrants may not, in any case, be less than Euro 10.5.

7. *Forecasted execution period of the operation*

It is forecasted that the UBI Banca 2009/2011 warrants will be assigned without consideration to the shareholders of the Company on 18 May 2009, the date set for the payment of the dividend coupon relative to the year 2008.

The UBI Banca 2009/2011 warrants which are valid for underwriting the ordinary shares of the company and derived from the share capital increase can be exercised by entitled parties for a period of one month as of the date of expiration of the second year from the time of their issue; this will be specified in the warrant regulations.

8. *Beneficial rights on newly issued shares*

Newly issued shares will retain regular beneficial rights and will therefore grant their owners equal rights with respect to shares in circulation at the time of the issue.

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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 the Company:

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

- *having acknowledged the certification of the Supervisory Board - in reference to Article 2438 of the Italian Civil Code - that the share capital equal to Euro 1,597,864,755.00, composed of 639,145,902 shares with a nominal value of Euro 2.50 each, is fully paid up,*

resolves

1. *to issue 639,145,902 UBI Banca 2009/2011 warrants that will be assigned without consideration to the shareholders of the Company on 18 May 2009 in the ratio of one warrant for each owned share, thereby granting the right to underwrite ordinary shares of the company with the ratio of one share for every 20 warrants.*
2. *to approve a divisible increase in share capital with consideration for an overall countervalue of Euro [•] (including the price premium) by issuing a maximum number of 31,957,295 ordinary shares with a nominal value of Euro 2.50, cum-coupon, and exclusively reserved for the exercise of the UBI Banca 2009/2011 warrants at a price of [·] - for each newly issued ordinary share - equal to the arithmetic average of the Official Prices of UBI Banca stock in the period between: (i) Tuesday 14 April 2009 (included) and (ii) the day preceding the date of today's Assembly (included), increased by 20% and rounded to the second decimal place. The underwriting price of the shares underlying the warrants may not, in any case, be less than Euro 10.5.*
2. *to set 31 December 2011 as the last deadline for implementing the share capital increase and to establish, in accordance with Art. 2439 of the Italian Civil Code, that the share capital increase, if not fully underwritten, will be considered limited to the amount underwritten up until that date;*
3. *to entrust the Management Board with the power to implement the deliberated issue and to provide for any fulfillment required by currently effective and applicable regulations and, in any case, to define any element which is deemed opportune for the issue and listing of the warrants, including the drafting of the relative regulations;*
4. *to modify Article 5 of the Articles of Association as follows in light of the above resolution by inserting the new paragraph five:*

Currently effective text	New proposed text
Art. 5	Art. 5
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.	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>The issue of new shares may be deliberated:</p> <p>a) exceptionally by the extraordinary Shareholders' Assembly, in compliance with what is provided by Article 2441 of 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;</p> <p>b) normally, by the Management Board according to the legal provisions and the prescribed regulations in force in this field.</p> <p>The share capital may be increased both in monetary terms and by contribution in kind.</p> <p>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 sub-paragraph 2, letter a).</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 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;</p> <p>b) normally, by the Management Board according to the legal provisions and the prescribed regulations in force in this field.</p> <p>The share capital may be increased both in monetary terms and by contribution in kind.</p> <p>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 sub-paragraph 2, letter a).</p> <p><i>The Assembly of [29 April/9 May] 2009 resolved to approve a divisible increase in share capital with consideration for an overall countervalue of Euro [•] (including the price premium) by issuing a maximum number of 31,957,295 ordinary shares with a nominal value of Euro 2.50, cum-coupon, and exclusively reserved for the exercise of the UBI Banca 2009/2011 warrants by the date of 31 December 2011:</i></p>
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5. *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

THE MANAGEMENT BOARD