



Dear Registered Shareholder,

As is known, Article 1 of Decree Law No. 3 of 24th January 2015, converted into Law No. 33 of 24th March 2015, amended some of the provisions of the Consolidated Banking Act (Legislative Decree No. 385/93, TUB) on the question of “popular” co-operative banks.

More specifically, the reform of the regulations for “popular” co-operative banks requires those that exceed the threshold of €8 billion of total assets to take the necessary measures to ensure compliance with the law within twelve months of exceeding it, consisting of one of the following:

- reduction of the assets below the threshold;
- transformation into a joint stock company; or
- voluntary liquidation (*article 29, paragraph 2-ter of the Consolidated Banking Act*).

In the event of failure to undertake the necessary initiatives designed to ensure compliance with this law, the Bank of Italy, having taken account of the circumstances and amount of the excess assets may:

- enforce a ban on undertaking new operations in accordance with article 78 of the Consolidated Banking Act, or it may take the measures provided for in Title IV, Chapter I, Section I of the Consolidated Banking Act (extraordinary administration); or
- propose to the European Central Bank that it revoke authorisation to carry on banking business and to the Ministry of the Economy and Finance to put the bank into forced administrative liquidation.

“Popular” banks authorised on the date of entry into force of the decree must comply with the provisions of article 29 of the Consolidated Banking Act within 18 months of the entry into force of the implementation provisions issued by the Bank of Italy in June 2015.

In this context UBI Banca decided to start without delay the process to implement the provisions of the new laws both to grant stability to the bank as soon as possible, as required by sound and prudent management, and to reach the 2016 Shareholders’ Meeting that must appoint new governing bodies already in the new legal form, setting clear rules under which

the shareholders meetings will be able to define governance for the next three years.

There is also the knowledge that, given the provision of the law to proceed to transformation, any failure to approve the proposed resolution for transformation into a joint stock company would have serious consequences which would be reflected on the price of the share, on the possibility of being able to continue normal banking business which, in the event of intervention by the supervisory authority, could be interrupted with repercussions on the general context and on support to the community in terms of lending; this would also result in negative impacts in terms of employment. This is a set of consequences which would extremely impair the image and reputation of the Bank.

The project to transform the Bank into a joint stock company, which will be submitted to a Shareholders' Meeting convened in first call on 9th October 2015 at 10:00 a.m. and in second call on 10th October 2015 at 9:30 a.m. at the premises of the Brescia Trade Fair at No. 5, Via Caprera, Brescia, is fully illustrated in the report available on the corporate website of UBI Banca to which the new text of the articles of association is attached. This has been drawn up by following an approach that focuses specifically on amendments to the provisions of the current articles of association that are no longer compatible with the new joint stock company status and on other changes that are in any case related to, connected with and a consequence of the amendments mentioned. We invite you to carefully read the illustrative report published for a detailed examination of the new provisions of the articles of association.

Even in the new configuration of a joint stock company, our **values** and our **history** will continue to be reflected in our way of banking expressed as "*Fare Banca Per Bene*" (to bank fairly and well), with which we have identified until now and which will continue to guide our steps.

The right of withdrawal

The law recognises the right of withdrawal from the company to those shareholders and registered shareholders who do not vote to approve the resolution to transform the Bank. As disclosed to the market on 9th September 2015, the amount per share to be paid for UBI Banca shares should they be subject to withdrawal is €7.2880. The amount was calculated in compliance with article 2437-ter, paragraph 3 of the Italian Civil Code, by making exclusive reference to the arithmetic average of the closing prices in the six months prior to the date of publication of the notice to convene.

With reference to the redemption of the shares should they be subject to withdrawal, as part of the provisions of the aforementioned Law No. 33 of 24th March 2015, paragraph 2-ter was introduced to article 28 of the Consolidated Banking Act and it states "*The right in 'popular' banks to the redemption of shares in the event of withdrawal, even following transformation, death or exclusion of the registered shareholders, is limited according to the provisions made by the Bank of Italy, even as an exception to the provisions of the law, where that is necessary to*

ensure the inclusion of the shares in the Common Equity Tier 1 regulatory capital of the bank. The Bank of Italy may limit the right to the redemption of other capital instruments issued, for the same purposes”.

The Bank of Italy therefore issued the relative implementation regulations, stating that the articles of association of the Bank shall grant the body responsible for strategic supervision (based on proposals from the body with the management function and having received an opinion from the control functions) with the power to limit or postpone, wholly or in part and with no time limit, the redemption of shares and other capital instruments of registered shareholders withdrawing from the company, even as an exception to the provisions of the Italian Civil Code and other provisions of the law.

The decision to postpone or limit the redemption may only be taken subsequently to the approval of the transformation resolution, once the amount of the capital held by the withdrawing shareholders is known to the Bank and once the procedures for the offer in option of the shares subject to withdrawal and for their possible placement on the stock exchange are completed.

Furthermore, in order to allow informed exercise of the right to withdraw, it is felt best to report now the basic criteria which the Bank intends to follow in decisions on any possible withdrawal communications, here too in line with observations on the matter made by the supervisory authority.

That criteria, as identified by the Supervisory Board on the basis of a proposal from the Management Board and having received an opinion from the Internal Control Committee, at the date of this letter, consists of compliance with a threshold of 11.74%, below which the **“fully loaded”** (i.e. when fully phased in) Common Equity Tier 1 ratio (CET1 ratio), may not fall as a consequence of the repurchase of shares subject to withdrawal, thereby *de facto* limiting the total amount of the shares that can be redeemed.

That threshold is the arithmetic average of (i) the CET1 ratio of 9.50%, required of the UBI Group by the ECB in a note dated 25th February 2015, the latest received (known as the **“SREP decision”**), plus 150 bps¹ and (ii) the European average of 12.48% recorded by the ECB as at 31st December 2014 with reference to banks subject to Single Supervision Mechanism. In this respect it is pointed out with regard to the procedures for calculating the 11.74% threshold, that the said threshold may vary, up or down, if at the date on which the Supervisory Board of UBI Banca is called upon to decide whether to limit the redemption of the shares subject to withdrawal, the ratios used to determine it (i.e. the CET1 ratio required of the UBI Group by the ECB and the average European ratio recorded by the ECB) were to have changed compared with those used as a reference at the date of publication of the report to the Shareholders’ Meeting.

This said, if the value of the shares subject to redemption by the bank should be higher than the amount available, then, with full and meticulous respect for the equal treatment of withdrawing shareholders, the Bank could (i) redeem the shares subject to withdrawal on a proportionate basis up to the amount available by granting the amount of the payment calculated in accordance with article 2437-ter of the Italian Civil Code and (ii) remove the

constraint of unavailability on the shares in excess of that amount, which as a consequence could be freely transferred by the owner.

On the basis of the criteria defined, once the option grants and the possible placement on the stock exchange procedures have been completed and having verified the existence of remaining shares subject to withdrawal, by making reference to the latest figure for the “**fully loaded**” CET1 ratio available, the Supervisory Board will calculate the amount available for the redemption. That amount will be divided by the payment price per share (amounting to €7.2880) thereby determining (i) the number of shares that will be redeemed – which, as a result, will be paid proportionately to withdrawing shareholders, subject to obtaining the required authorisation from the Bank of Italy – and, consequently, (ii) the number of shares that will be made available again to the withdrawing shareholder.

Completion of the procedure for the payment of the shares subject to withdrawal, as described above, may last a period of six months from the date of communication of the withdrawal, with the consequent unavailability of the relative shares for the entire period.

¹ The buffer is an estimated prudential assessment of the margin needed to withstand both growth in lending and potential market shocks.

Procedures for participating in the Shareholders’ Meeting

Registered shareholders who satisfy the following may participate in Shareholders’ Meetings:

- they have been enrolled in the Shareholders’ Register for at least 90 days and therefore those who were enrolled with a resolution of the Management Board held on 7th July 2015 at the latest;
- they are the owners of at least 250 shares (article 8, paragraph 2 of the Articles of Association);
- they have requested the last intermediary who keeps the books in which the UBI Banca shares belonging to the Registered Shareholders are recorded, to issue a communication to the issuer for participation in the Shareholders’ Meeting.

The request to be able to participate must have been made by the end of the day of 6th October 2015, as reported in the Notice to convene published on 9th September 2015 on the main national and local newspapers and available on the Bank’s web site www.ubibanca.it in the Shareholders’ section.

In order to facilitate the participation of the largest number of registered shareholders possible in such an important decision for our Group, and in compliance with article 24 of the Articles of Association, arrangements have been made to employ remote connection systems at the following locations:

- the Giovanni XXIII Congress Centre, at 106 Viale Papa Giovanni XXIII, Bergamo;
- the Centro Direzionale of Banca Popolare di Ancona at 4 Via Don A. Battistoni, Jesi;
- the PalaBREBanca, at Via Viglione s.n., Cuneo;
- the Sala Conferenze of Banca Popolare Commerce Industria at 1 Via F.lli Gabba, Milan.

These connections will allow Registered Shareholders – who do not intend to travel to the place in which the meeting is convened at No. 5, Via Caprera, Brescia and who

therefore do not intend to speak and participate in the discussions – to nevertheless follow the proceedings of the shareholders' meeting and to cast their vote during the course of the meeting.

Each Registered Shareholder has the right to one vote only no matter how many shares are held and the vote may not be exercised by correspondence.

Voting will be by an open ballot.

Each Registered Shareholder has the right to be represented by a written proxy issued to another Registered Shareholder entitled to attend the Meeting, with the signature authenticated in accordance with the law and that is by Senior Managers, managers of the UBI Banca Branch or Branches of other banks in the UBI Banca Group, or by the intermediary who issues the communication granting the right to participate in the Shareholders' Meeting pursuant to article 83 sexies of Legislative Decree No. 58 of 24th February 1998. For these purposes the proxy form may be used reproduced at the foot of the communication issued to the registered shareholder by one of the banks in the UBI Banca Group or alternatively the proxy form available on the corporate website of Bank (www.ubibanca.it, shareholders' section).

Proxies may not be granted to any members of the Management Board or the Supervisory Board, or to employees of the Bank, or to any of its subsidiaries or to any member of the management or control bodies, or employees of the aforesaid subsidiaries, or to the firm of external auditors appointed or to the person responsible for the statutory audit of the Bank, or to parties to whom one of the other conditions of incompatibility apply according to the law.

The maximum number of proxies that may be granted to a single Registered Shareholder is 10.

We feel certain that also at this important stage in the life of our Group, the active and informed participation of each Registered Shareholder will not fail us at such a fundamental Shareholders' Meeting and we send our very best wishes.

*The Chairman of
the Management Board*

Franco Polotti

*The Chairman of
the Supervisory Board*

Andrea Moltrasio

21st September 2015

UNIONE DI BANCHE ITALIANE S.c.p.A. - The company is a Member of the National Guarantee Fund and a Member of the Interbank Deposit Protection Fund Enrolled in the Register of Banks with No. 5678 - ABI (Italian Banking Association) No. 3111.2 Parent of the "UBI Banca Group" enrolled in the Register of Banking Groups with No. 3111.2 Registered Address and General Management: 8 Piazza Vittorio Veneto, Bergamo. Share capital €2,254,371,430.00 Tax Code, VAT number and Bergamo Company Registration No. 03053920165.