



UNICREDIT INTERNATIONAL BANK (LUXEMBOURG) S.A.

(incorporated as a limited liability company under the laws of the Grand Duchy of Luxembourg)

**£350,000,000 Non-cumulative Step-Up Fixed/Floating Rate Subordinated Notes
guaranteed on a subordinated basis by**

UNICREDIT S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

The £350,000,000 guaranteed non-cumulative step-up fixed/floating rate subordinated notes (the **Notes**) are issued by UniCredit International Bank (Luxembourg) S.A. (the **Issuer**) and are unconditionally and irrevocably guaranteed on a subordinated basis by UniCredit S.p.A. (**UniCredit** or the **Guarantor**). The Issue Price of the Notes is 100 per cent.

The Notes will bear interest on a non-cumulative basis (a) from and including 27 June 2008 (the **Issue Date**) to but excluding 27 June 2018 (the **Interest Reset Date**), at a fixed rate of 8.5925 per cent. per annum, payable semi-annually in arrear on 27 June and 27 December of each year commencing 27 December 2008, and (b) from and including the Interest Reset Date, at a floating rate per annum of 3.95 per cent. above 3-month STERLING LIBOR, payable quarterly in arrear on 27 March, 27 June, 27 September and 27 December of each year, commencing 27 September 2018.

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor, as described in Condition 8 (*Redemption and Purchase*) of the Terms and Conditions of the Notes.

The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Interest Reset Date and on any Interest Payment Date (as defined herein) thereafter at an amount equal to their principal amount plus any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*). Interest will accrue on a non-cumulative basis and under certain circumstances described in Condition 6 (*Interest suspension*) of the Terms and Conditions of the Notes the Issuer may elect not to make or be prohibited from making, interest payments on the Notes.

In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Interest Reset Date following the occurrence of a Regulatory Event or a Tax Deductibility Event (all as defined herein) at a redemption price equal to the greater of their principal amount or the Make Whole Amount (as defined herein), or an Additional Amount Event (as defined herein) at an amount equal to their principal amount plus, in each case, any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8(c) (*Redemption due to a Regulatory Event*), Condition 8(d) (*Redemption due to a Tax Deductibility Event*) and Condition 8(e) (*Redemption due to an Additional Amount Event*). Any such redemption of Notes occurring on or after the Interest Reset Date will be at an amount equal to their principal amount together with any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*).

Any redemption of the Notes, save any redemption on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor, is subject to the prior approval of the Lead Regulator (as defined herein).

The Notes are expected to be rated A1 by Moody's Investors Service, Inc. (**Moody's**) and A- by Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc. (**S&P**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

This document (the **Prospectus**) constitutes a prospectus for the purposes of Article 5 of Directive 2003/71/EC (the **Prospectus Directive**). Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority in Luxembourg to approve this document as a prospectus under the Luxembourg Law of 10 July 2005 on Prospectuses for Securities (the **Luxembourg Prospectus Law**), which implements the Prospectus Directive in Luxembourg.

Application has also been made to the Luxembourg Stock Exchange for the Notes issued under this Prospectus to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC.

An investment in the Notes involves certain risks. For a discussion of certain of these risks, see Risk Factors on page 12.

The Notes are in bearer form, in the denominations of £50,000 and integral multiples of £1,000 in excess thereof, up to and including £99,000.

Sole Bookrunner

Goldman Sachs International

Joint Lead Managers

Goldman Sachs International

UniCredit (HVB)

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This Prospectus should be read and construed together with any documents incorporated by reference herein.

Each of the Issuer and the Guarantor has confirmed to the Joint Lead Managers that this Prospectus contains all information regarding the Issuer, the Guarantor, the Banking Group UniCredit (each as defined herein) and the Notes that is (in the context of the issue of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Notes or any information supplied by each of the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers.

No representation or warranty is made or implied by the Joint Lead Managers or any of its respective affiliates, and neither the Joint Lead Managers nor any of its affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) business or prospects of the Issuer, the Guarantor or the Banking Group UniCredit since the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus may only be used for the purposes for which it has been published. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see “Subscription and Sale”. In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. In addition, this Prospectus has not been submitted to the clearance procedure of *Commissione Nazionale per le Società e la Borsa* (the Italian Securities and Exchange Commission or **CONSOB**) and may not be used in connection with any offering of the Notes in Italy other than to professional investors, as defined by and in accordance with applicable Italian securities laws and regulations.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor or the Joint Lead Managers that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise), business and prospects of each of the Issuer, the Guarantor and the Banking Group UniCredit.

In this Prospectus, unless otherwise specified, references to **EUR**, **euro**, **Euro** or **€** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to **GBP**, **Sterling** or **£** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland; references to **US Dollars** are to the lawful currency of the United States of America. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer, the Guarantor and the Guarantor and its consolidated subsidiaries (the **Banking Group UniCredit**, or the **Group**), plans and expectations regarding developments in the business, growth and profitability of the Group and general industry and business conditions applicable to the Group. Each of the Issuer and the Guarantor has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Group or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer and the Guarantor do not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

MARKET STATISTICS

Information and statistics presented in this Prospectus regarding business trends, market trends, market volumes and the market share of the Issuer, the Guarantor or the Group are either derived from, or are based on, internal data or publicly available data from various independent sources. Although the Issuer and the Guarantor believe that the external sources used are reliable, the Issuer and the Guarantor have not independently verified the information provided by such sources.

STABILISATION

In connection with the issue of the Notes, Goldman Sachs International (the *Stabilising Manager*) (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

TABLE OF CONTENTS

<u>Clause</u>	<u>Page</u>
General Overview	5
Risk Factors.....	12
Documents Incorporated by Reference	22
Terms and Conditions of the Notes.....	24
Summary of Provisions Relating to the Notes while in Global Form.....	44
Form of Subordinated Guarantee	46
Use of Proceeds	50
Description of the Issuer	51
Description of the Guarantor.....	54
Summary Financial Information of the Guarantor.....	104
Taxation	106
Subscription and Sale.....	111
General Information	114

GENERAL OVERVIEW

This general overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.

Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this general overview and references to a “Condition” is to such numbered condition in the Terms and Conditions of the Notes.

Issuer:	UniCredit International Bank (Luxembourg) S.A.
Guarantor:	UniCredit S.p.A.
Joint Lead Managers:	Bayerische Hypo- und Vereinsbank AG Goldman Sachs International
Principal Amount:	£350,000,000
Issue Price:	100 per cent. of the principal amount of the Notes
Issue Date:	27 June 2008
Form and Denomination:	The Notes will be issued in bearer form in denominations of £50,000 and integral multiples of £1,000 in excess thereof, up to and including £99,000.
Status of the Notes:	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer ranking subordinate and junior to all indebtedness of the Issuer (other than any instrument or contractual right expressed to rank <i>pari passu</i> with the Notes), <i>pari passu</i> with the most senior non-cumulative preference shares of the Issuer, if any, and senior to the other share capital of the Issuer.
Status of the Guarantee:	The obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor ranking subordinate and junior to all indebtedness of the Guarantor (other than any instrument or contractual right (including any guarantee of any Parity Securities) expressed to rank <i>pari passu</i> with the Guarantee), <i>pari passu</i> with the most senior non-cumulative preference shares of the Guarantor, if any, and senior to the other share capital of the Guarantor, including its <i>Azioni Privilegiate</i> , ordinary shares and <i>Azioni di Risparmio</i> .
Redemption:	<p>The Notes will mature and be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor, in accordance with (a) a resolution of the shareholders’ meeting of the Guarantor, (b) any provision of the by-laws of the Guarantor (currently, the maturity of the Guarantor is set at 31 December 2050), or (c) any applicable legal provision, or any decision of any jurisdictional or administrative authority.</p> <p>The Issuer may, at its option, also redeem the Notes in whole, but not in part, on the Interest Reset Date and on any Interest Payment Date thereafter at an amount equal to their principal amount plus any accrued interest and any additional amounts due pursuant to Condition 10 (<i>Taxation</i>), as described in Condition 8(b) (<i>Redemption and Purchase – Redemption at the option of the Issuer</i>).</p> <p>In addition, the Issuer may, at its option, redeem the Notes in whole, but not in part, at any time before the Interest Reset Date following</p>

the occurrence of a Regulatory Event or a Tax Deductibility Event (each as defined herein) at a redemption price equal to greater of their principal amount and the Make Whole Amount (as defined herein) or an Additional Amount Event (as defined herein) at an amount equal to their principal amount plus, in each case, any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8(c) (*Redemption due to a Regulatory Event*), Condition 8(d) (*Redemption due to a Tax Deductibility Event*) and Condition 8(e) (*Redemption due to an Additional Amount Event*). Any such redemption of Notes occurring on or after the Interest Reset Date will be at an amount equal to their principal amount together with any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*).

Any redemption of the Notes, save in accordance with the first paragraph of this section “*Redemption*”, is subject to the prior approval of the Lead Regulator (as defined herein).

For the avoidance of doubt, any redemption upon maturity of the Notes on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor, in accordance with a resolution of the shareholders’ meeting of the Guarantor or any provision of its by-laws or any applicable legal provision or decision, is not subject to the approval of the Lead Regulator.

For the avoidance of doubt, the Notes may not be redeemed at the option of the holders of the Notes.

Make Whole Amount means the amount equal to the sum of the principal amount of the Note, together with interest payments to be accrued from the relevant redemption date to the Interest Payment Date on 27 June 2018, in each case, discounted to the redemption date on an annual basis (calculated on the basis of the actual number of days in the relevant calendar year and the actual number of days in such period), at the United Kingdom Reference Rate plus 1.70 per cent.

Additional Amount Event means:

- (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Grand Duchy of Luxembourg (**Luxembourg**) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) the Guarantor has, or if demand were made under the Guarantee, would become obliged to pay additional amounts as provided or referred to in the Conditions as a result of any change in, or amendment to, the laws and regulations of Italy or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such

laws or regulations, which change or amendment becomes effective on or after the Issue Date; and

- (ii) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it.

Tax Deductibility Event means:

- (a) interest payable by the Issuer in respect of the Notes or any amount payable by the Guarantor under the Guarantee is no longer, or will no longer be, deductible by the Issuer or the Guarantor, as the case may be, for Luxembourg and/or Italian income tax purposes, as the case may be, or such deductibility is materially reduced, as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards of Luxembourg or the Republic of Italy, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and
- (b) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be taking reasonable measures available to it.

Regulatory Event means that the Guarantor is not permitted under the applicable rules and regulations adopted by the Lead Regulator, or an official application or interpretation of those rules and regulations, including a decision of any court or tribunal, at any time whilst any of the Notes are outstanding to treat the Notes as own funds, on a consolidated basis, for the purposes of the Tier 1 capital (*patrimonio di base*), or, in case of future amendments to the Bank of Italy regulations on regulatory capital of banks, up to such other fraction of the regulatory capital as will apply to non-cumulative perpetual instruments or liabilities pursuant to which the issuer of such securities has a call option which is linked to an increase in the amount of payment due in respect of such securities or any other incentive to redemption with step-up and call in favour of the issuer.

Lead Regulator means the Bank of Italy, or any successor entity of the Bank of Italy, or any other competent regulator to which the Guarantor becomes subject.

Interest:

The Notes will bear interest on a non-cumulative basis (a) from and including the Issue Date to but excluding the Interest Reset Date, at a fixed rate of 8.5925 per cent. per annum (the **Fixed Rate of Interest**), payable semi-annually in arrear on 27 December and 27 June of each year commencing 27 December 2008 to and including the Interest Reset Date, and (b) from and including the Interest Reset Date to the date of redemption, at a floating rate per annum of 3.95 per cent. above 3-month STERLING LIBOR, payable quarterly in arrear on 27 March, 27 June, 27 September and 27 December of each year, commencing 27 September 2018.

Optional suspension of interest:

The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 17 (*Notices*), not to pay all of the interest or to make a partial payment of the interest accrued to an Interest Payment Date if (a) the Guarantor does not have Distributable Profits; and/or (b) since the Guarantor's annual shareholders' meeting in respect of the financial statements for the financial year immediately preceding the

year in which such Interest Payment Date falls, the Guarantor has not declared or paid dividends on any Junior Securities.

Distributable Profits means net profits of the Guarantor that are stated as being available for the payment of a dividend or the making of a distribution on any share capital of the Guarantor, according to the non-consolidated annual accounts of the Guarantor relating to the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls or, where such accounts are not available, the last set of annual non-consolidated accounts approved by the Guarantor.

Mandatory suspension of interest:

The Issuer will be prohibited from (A) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent that a Capital Deficiency Event would occur if the Issuer (or the Guarantor in putting the Issuer in funds or in making a payment under the Guarantee, in each case in respect of such interest) made the payment of interest on such Interest Payment Date; or (B) paying the interest accrued to an Interest Payment Date if (a) if a Capital Deficiency Event has occurred and is continuing on such Interest Payment Date; or (b) if the Guarantor is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event, except that in each case where Condition 6.3 (*Interest suspension – Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding Condition 6.2 (*Interest suspension – Mandatory suspension of interest*).

Capital Deficiency Event means (a) as a result of losses incurred by the Guarantor, on a consolidated or non-consolidated basis, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Guarantor, on a consolidated or non-consolidated basis as calculated in accordance with applicable Italian banking laws and regulations, and either (i) reported in the Guarantor's reporting to the Lead Regulator (currently *Matrice dei Conti*) or (ii) determined by the Lead Regulator and communicated to the Guarantor, in either case, falls below the then minimum requirements of the Lead Regulator specified in applicable regulations (currently equal to 5 per cent. pursuant to the *Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006, as updated on 17 March 2008 and as further amended or updated from time to time); or (b) the Lead Regulator, in its sole discretion, notifies the Guarantor that it has determined that the Guarantor's financial condition is deteriorating such that an event specified in (a) above is likely to occur in the short term.

The Guarantor is prohibited under applicable Italian banking laws or regulations from declaring a dividend or making a distribution on any class of its share capital in the circumstances set out in this definition.

Junior Securities means all share capital of the Guarantor, including its preference shares ("*Azioni Privilegiate*"), ordinary shares and savings shares ("*Azioni di Risparmio*"), now or hereafter issued, other than any share capital of the Guarantor that expressly or effectively rank on a parity with the Guarantee or any Parity Security.

Parity Securities means: (a) any preference shares, guarantees or similar instruments (other than the Guarantee) issued by the Guarantor which rank equally with the Guarantee (including any such guarantee or similar instrument of preferred securities or preferred or

preference shares issued by any Subsidiary); and (b) any preferred securities or preferred or preference shares issued by any Subsidiary with the benefit of a guarantee or similar instrument from the Guarantor, which guarantee or similar instrument ranks equally with the Guarantee (but does not include any such securities or shares issued to the Guarantor (or any other member of the Group) by any such Subsidiary) including the Guarantor's guarantees in relation to the €540,000,000 8.048 per cent. Trust Preferred Securities issued by UniCredito Italiano Capital Trust I, the \$450,000,000 9.20 per cent. Trust Preferred Securities issued by UniCredito Italiano Trust II, the €750,000,000 in liquidation preference of Trust Preferred Securities issued by UniCredito Italiano Capital Trust III and the £300,000,000 in liquidation preference of Trust Preferred Securities issued by UniCredito Italiano Capital Trust IV.

Subsidiary means any person or entity which is required to be consolidated with the Guarantor for financial reporting purposes under applicable Italian banking laws and regulations.

Mandatory payment of interest:

The Issuer is required to pay interest (including without limitation, in the event of a Capital Deficiency Event) on any Interest Payment Date:

- (A) in part, *pari passu* and *pro rata*, if and to the extent that during the six-month period (or three-month period for securities (other than shares) where remuneration is paid, respectively, every three months) prior to such Interest Payment Date the Issuer, the Guarantor or any Subsidiary has declared, made, approved or set aside for payment a dividend or distribution in respect of any Parity Securities; and/or
- (B) in full if and to the extent that during the six-month period prior to such Interest Payment Date
 - (i) the Guarantor has declared or paid dividends or other distributions on any Junior Securities; and/or
 - (ii) the Guarantor has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase) or the Issuer, the Guarantor or any Subsidiary has redeemed, repurchased or acquired any Parity Securities,

save in each case that the Issuer or the Guarantor shall not be required to make any payment of interest on the Notes with reference to any declaration, payment or distribution on, or redemption, repurchase or acquisition of, any other security which is itself mandatory in accordance with the terms and conditions of such security.

Permitted Repurchase means (a) any redemption, repurchase or other acquisition of Junior Securities held by any member of the Group, (b) a reclassification of the equity share capital of the Issuer, the Guarantor or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital, (c) the purchase of fractional interests in the share capital of the Issuer, the Guarantor or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged, (d) any redemption or other acquisition of Junior Securities in connection with a levy of execution for the satisfaction of a claim by the Issuer, the Guarantor or any of its Subsidiaries, (e) any redemption or other acquisition of Junior Securities in connection with the satisfaction by the Issuer, the

Guarantor or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement, or (f) any redemption or other acquisition of Junior Securities in connection with transactions effected by or for the account of customers of the Issuer, the Guarantor or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities.

Non-cumulative nature of Interest

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to Condition 6.1 (*Interest suspension – Optional suspension of interest*) or is prohibited from paying pursuant to Condition 6.2 (*Interest suspension – Mandatory suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

Where the Issuer elects not to pay interest pursuant to Condition 6.1 (*Interest suspension – Optional suspension of interest*) or is prohibited from paying interest pursuant to Condition 6.2 (*Interest suspension – Mandatory suspension of interest*), it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under the Conditions or for any purpose.

Loss absorption:

To the extent that the Guarantor at any time suffers losses (also considering profits and losses relating to previous financial years) which would result in a Capital Deficiency Event, the obligations of the Issuer relating to the principal amount of the Notes will be suspended to the extent necessary to enable the Guarantor to continue to carry on its activities in accordance with applicable regulatory requirements.

In any such case, but always subject to the provisions set out in Condition 6.2 (*Interest suspension – Mandatory suspension of interest*), interest will continue to accrue on the nominal amount of the Notes.

The obligations of the Issuer to make payments in respect of the principal of the Notes, will be reinstated as if such obligations of the Issuer had not been so suspended:

- (a) in whole, in the event of winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Guarantor and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*); and
- (b) in whole, in the event of early redemption of the Notes pursuant to Conditions 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*), 8(c) (*Redemption and Purchase – Redemption due to a Regulatory Event*), 8(d) (*Redemption and Purchase – Redemption due to a Tax Deductibility Event*) or 8(e) (*Redemption and Purchase – Redemption due to an Additional Amount Event*); and
- (c) in whole or in part, from time to time, to the extent that the Capital Deficiency Event is no longer continuing.

Modification following a Regulatory Event or a Tax Event:	The Issuer may in certain circumstances modify the terms and conditions of the Notes without the consent or approval of the Noteholders to the extent that such modification is reasonably necessary to ensure that no Regulatory Event or Tax Event would exist after such modification, provided that following such modification the terms and conditions of the Notes are broadly no more prejudicial than the terms and conditions of the Notes prior to such modification, as described in Condition 14.3 (<i>Modification following a Regulatory Event or a Tax Event</i>).
Taxation:	<p>All payments in respect of the Notes by the Issuer or the Guarantor will be made free and clear of withholding or deduction for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature, imposed or levied by or on behalf of any Tax Jurisdiction (subject to certain customary exceptions), unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor will (subject as provided in Condition 10 (<i>Taxation</i>)) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, in the absence of such withholding or deduction.</p> <p>Tax Jurisdiction means (a) (in the case of payments by the Guarantor) the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax and (b) (in the case of payments by the Issuer) the Grand-Duchy of Luxembourg or any political subdivision or any authority thereof or therein having power to tax and (c) any other jurisdiction or any political subdivision or any authority thereof and therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes.</p>
Governing Law:	The Notes will be governed by English law, except that the subordination provisions thereof will be governed by the laws of the Republic of Italy.
Listing and Trading:	Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange. Total expenses related to admission to trading are estimated to be €17,725.00.
Rating:	<p>The Notes are expected to be rated A1 by Moody's and A- by S&P.</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Italy and Luxembourg see "Subscription and Sale" below.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
ISIN:	XS0372556299
Common Code:	037255629

RISK FACTORS

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes and the Guarantee. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

References to the Group are to the Guarantor and each of its subsidiaries. Otherwise, words and expressions defined in “Terms and Conditions of the Notes” or elsewhere in this Prospectus have the same meaning in this section. References to a “Condition” is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Prospectus.

RISK FACTORS IN RELATION TO THE ISSUER AND THE GUARANTOR

Unforeseen difficulties that may arise from the integration of HVB and Capitalia into UniCredit could have material adverse effects on the business of the Group

The current structure of the Group has been significantly influenced by the acquisition by UniCredit of HVB and UniCredit is still in the process of integrating the HVB Group (including BA-CA sub-group) into the Group. Furthermore, UniCredit has recently completed the business combination with the Capitalia Group, which UniCredit will now proceed to integrate into the business organisation.

The business combination with the Capitalia Group was approved by the extraordinary shareholders’ meetings of UniCredit and Capitalia held on 30 July 2007. The transaction was completed on 1 October 2007, after the necessary prior authorisations were granted by the relevant authorities. The same extraordinary shareholders’ meeting of UniCredit also approved the relevant amendments to its by-laws with regard to the executive committee.

A key part of UniCredit’s strategy is to use the synergies from the terms of the aggregation with the HVB Group and the Capitalia Group to strengthen its competitive position in the markets in which the Group operates.

Although the UniCredit management believes it has the resources necessary to complete the integration of the HVB Group and to integrate the Capitalia Group into the Group successfully, it is possible that further difficulties relating to the integration could arise if the Group were to conclude further significant acquisitions in the near future.

Furthermore, the financial results of the Group may be affected by unforeseen general economic, financial and other business conditions which could have a negative impact on such results.

Risks associated with IT systems

The Group’s banking activities are dependent on highly sophisticated information technology (IT) systems, which are vulnerable to a number of problems including viruses, hacking and other causes of system failure. These risks and the adverse effects resulting from them may be further aggravated by the complex harmonising and integration of the Group’s and Capitalia’s IT systems.

Risks associated with the risk management systems

The Group's risk management system and strategies may fail and the Group may suffer unexpected losses from unidentified or incorrectly evaluated market developments, trends or other circumstances. These risks and the adverse effects from them may be further aggravated by the complex integration of the risk management systems of the Group, the HVB Group and the Capitalia Group (the **Combined Group**).

The Combined Group will be exposed to credit risks

Through their banking operations the Combined Group will be exposed to the risk that receivables from third parties owing money, securities or other assets to them will not be collected when due and must be written off (in whole or in part) due to the deterioration of such third parties' respective financial standing (counterparty risk). This risk is present in both the traditional on-balance sheet uncollateralised and collateralised lending business and off-balance sheet business, for example when extending credit by means of a bank guarantee. Credit risks have historically been aggravated during periods of economic downturn or stagnation, which are typically characterised by higher rates of insolvencies and defaults. As part of their respective businesses, entities of the Combined Group operate in countries with a generally higher country risk than in their respective home markets (emerging markets). Entities of the Combined Group hold assets located in such countries.

The Combined Group monitors credit quality and manages the specific risk of each counterparty and the overall risk of the respective loan portfolios, and the Combined Group will continue to do so, but there can be no assurance that such monitoring and risk management will suffice to keep the Combined Group's exposure to credit risk at acceptable levels. Any deterioration of the creditworthiness of significant individual customers or counterparties, or of the performance of loans and other receivables, as well as wrong assessments of creditworthiness or country risks may have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Non-traditional banking activities expose the Combined Group to additional credit risks

Many of the business activities of the Combined Group that go beyond the traditional banking business of lending and deposit-taking will expose the Combined Group to additional credit risk. Non-traditional credit risk can, for example, arise from:

- (a) entering into derivatives contracts under which counterparties have obligations to make payments to entities of the Combined Group;
- (b) executing securities, futures, currency or commodity trades that fail to settle timely due to non delivery by the counterparty or to systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries (including the Combined Group);
- (c) owning securities of third parties; and
- (d) extending credit through other arrangements.

Parties to these transactions, such as trading counterparties or counterparties issuing securities held by entities of the Combined Group, may default on their obligations to entities of the Combined Group due to insolvency, political and economic events, lack of liquidity, operational failure or other reasons. Defaults with respect to a significant number of transactions or one or more transactions that involve significant volumes would have a material adverse effect on the Combined Group's business, financial condition and results of operations.

A failure of the Combined Group to fully implement its strategy may have a material adverse effect on the Combined Group's business, financial condition and results of operations

The objective of the Combined Group is to create a new force in European banking with leading positions in its core markets in Italy, Germany, Austria and Central and Eastern Europe as well as a balanced business portfolio and enhanced growth prospects and it has defined a number of strategic goals in order to achieve this objective. There can be no assurance that the Combined Group will be successful in achieving these strategic goals or that achievement thereof is sufficient to accomplish the objectives of the Combined Group. A number of factors, some of which are outside the control of the Combined Group (such as market declines and unfavourable macroeconomic conditions in the Combined Group's core markets), the failure to establish

clear governance rules within the Combined Group and to align the strategies of the Combined Group's entities with the strategy of the Combined Group as a whole, as well as the failure to integrate the businesses of the Combined Group, could result in an inability to implement some or all of the Combined Group's strategic goals or to fully realise expected synergies, all of which could have a material adverse effect on the Combined Group's business, financial condition and results of operations.

Risks associated with the integration of recent acquisitions

During the period from 2005 to 2007, UniCredit concluded or negotiated a number of acquisition agreements, including significant acquisitions in Italy, Germany and Central and Eastern European countries. The integration of these acquisitions has involved and will involve integration challenges, particularly where management information and accounting systems differ materially from those used elsewhere in the Group. Although much progress has been made since 2005, there are also ongoing integration challenges associated with the combination of the activities of the predecessor of UniCredit. Although management believes it has the resources needed to successfully integrate these operations, it is possible that further integration difficulties could arise or that unanticipated problems could be discovered in one or more of the acquired entities. If the Group were to conclude further significant acquisitions in the near future, these risks would be enhanced.

The Combined Group's further expansion in Central and Eastern Europe poses challenges

An important element of the Combined Group's strategy is to expand and develop its business in Central and Eastern Europe. The countries of Central and Eastern Europe have undergone rapid political, economic and social change since the end of the 1980s, and this process was accelerated by the accession to the European Union in May 2004 of many of the Central and Eastern European countries in which companies of the Combined Group operate. Economic growth in Central and Eastern Europe may slow in coming years due to European Union legal, fiscal and monetary disciplines, which may limit a country's ability to respond to local economic circumstances. Moreover, a delay in, or the disruption of, the accession process with regard to the Central and Eastern European countries that have not yet joined the European Union (Croatia and Turkey) may have material adverse consequences for the economies of these countries and the Combined Group's business in these countries.

In addition, UniCredit expects that competitive pressures in Central and Eastern Europe will increase, as banking groups already active in the banking markets will seek to expand their presence, and new entrants may also move into these markets.

Risks associated with exposure to Central and Eastern European countries

Management believes that there are significant potential opportunities for the Group in Central and Eastern European countries. While management believes there are opportunities for the Group to attract significant additional higher margin business from its business activities in these countries at what management considers to be an attractive cost, there are also significant risks associated with doing business in those countries. There are significant differences in the nature of the risks from one country to another, but they generally include comparatively volatile economic, foreign exchange and stock market conditions, as well as, in many cases, less developed political, financial and legal infrastructures. There can be no assurance that the Group's financial condition or results of operations will not be materially or adversely affected as a result of one or more of these risks.

Fluctuations in interest rates may affect the Group's results

Fluctuations in interest rates in Europe and in the other markets in which the Group operates may influence the Group's performance. The results of the Group's banking operations are affected, *inter alia*, by the Group's management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Group's financial condition and results of operations.

In particular, lending and deposits activities are strictly dependent on the interest rate risk hedging policies of the Group; in particular the correlation between changes in the interest rates in the reference markets and those in the interest margin. Although UniCredit carries out strategic hedges with the aim of minimising the risk of interest rate fluctuations via entering into derivative contracts, such hedging strategies could be inadequate. As a result, a mismatch between the interest income realised by the Group and the interest

expenses due to them, following the movement in interest rates, could significantly affect the financial position and operating results of the Group.

Continued economic sluggishness and weak financial markets and volatility can materially adversely affect the Group's revenues and profits

The results of the Group are affected by general economic, financial and other business conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may have an adverse impact on the Group's investment banking, securities trading and brokerage activities, the Group's asset management and private banking services, as well as the Group's investments in and sales of products linked to financial assets performance.

Risk connected to an economic slowdown and volatility of the financial markets – credit risk

The banking and financial services market in which the Combined Group operates is affected by several unpredictable factors, including overall economic developments, fiscal and monetary policies, liquidity and expectations within capital markets and consumers' behaviour in terms of investment and saving. Considering traditional lending operations, in particular the demand for financial products could lessen during periods of economic downturn.

Overall economic development can furthermore negatively impact the solvency of mortgage debtors and other borrowers of UniCredit and the Combined Group such as to affect their overall financial condition. Such developments could negatively affect the recovery of loans and amounts due by counterparties of the Combined Group companies, which, together with an increase in the level of insolvent clients compared to outstanding loans and obligations, will impact on the levels of credit risk. The Combined Group is exposed to potential losses linked to such credit risk, in connection with the granting of financing, commitments, credit letters, derivative instruments, currency transactions and other kinds of transactions. This credit risk derives from the potential inability or refusal by customers to honour their contractual obligations under these transactions. As at 31 December 2007, the total exposure of Combined Group companies to non-institutional clients in relation to derivative transactions amounted to €1,245 million (€1,014 million for UniCredit Corporate Banking, formerly UniCredit Banca d'Impresa and €231 million for banks belonging to the Capitalia Group).

The above factors could have a significant impact also in terms of capital market volatility. As a result, volumes, revenues and net profits in banking and financial services business could vary significantly over time.

Intense competition, especially in the Italian market, where the Group has a substantial part of its businesses, could have a material adverse effect on the Group's results of operations and financial condition

Competition is intense in all of the Combined Group's primary business areas in Italy, Germany, Austria and Central and Eastern Europe and in the other countries in which the Combined Group conducts its business. The Combined Group derives a substantial part of its total banking income from its banking activities in Italy, a mature market where competitive pressures have been increasing quickly. If the Combined Group is unable to continue to respond to the competitive environment in Italy with attractive product and service offerings that are profitable for the Group, it may lose market share in important areas of its business or incur losses on some or all of its activities. In addition, downturns in the Italian economy could add to the competitive pressure, through, for example, increased price pressure and lower business volumes for which to compete.

The Group's risk management policies may fail to provide adequate protection

The Group classifies the risk elements in its Italian loan portfolio in accordance with the appropriate requirements of the Bank of Italy and of Italian law, which may not be as strict as the corresponding requirements in certain other countries. The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to

continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Group fails to identify or anticipate. If existing or potential customers believe that the Group's risk management policies and procedures are inadequate, the Group's reputation as well as its revenues and profits may be negatively affected.

The Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty computer or telecommunications systems. The Group's systems and processes are designed to ensure that the operational risks associated with the Group's activities are appropriately monitored. A malfunction or defect in these systems, however, could adversely affect the Group's financial performance and business activities.

Risk connected to the subprime market crisis

UniCredit is not significantly exposed to the U.S.-subprime loan market, and the Group's total direct and indirect exposure to U.S.-subprime loans at 31 December 2007 was €164 million on a consolidated level (including U.S. Residential Mortgage Backed Securities (RMBS's) and Collateralized Debt Obligations (CDO's), which are characterized by the high quality of their underlying assets). In addition, UniCredit recorded retained interests held by Pioneer Investments amounting to €1 million and €2 million in relation to Structured Investment Vehicles (SIV's). Of these, approximately 99 per cent. were rated A1 or higher. Certain companies in the Banking Group UniCredit also sponsor conduits that issued securities to finance the acquisition of mortgage backed loans, which are included in the Group's consolidated accounts starting from the 2007 financial year: as at 31 December 2007, the total exposure in relation to these conduits amounted to €10.1 billion.

The Banking Group UniCredit does not sponsor any SIV's but invests in notes issued by SIV's, therefore, SIV's are not consolidated in the Group's accounts. The total exposure of the Group to securities issued by SIV's amounts to €77 million.

Although management believes that the Group's overall exposure to the U.S.-subprime market is not material, UniCredit may suffer losses as a result of the subprime markets crisis. In particular, the lack of liquidity in the credit markets that has characterised the subprime crisis has effectively increased UniCredit's funding costs and prevented UniCredit from syndicating some loans that UniCredit would have syndicated in the former environment. UniCredit's management also expects that the results of the Group investment banking operations will suffer from the downturn in market activity experienced in 2007, which may continue.

Changes in the Italian and European regulatory framework could adversely affect the Group's business

The Group is subject to extensive regulation and supervision by the Bank of Italy, the Italian Securities and Exchange Commission (CONSOB), the European Central Bank and the European System of Central Banks. The banking laws to which the Group is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Group must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the New Basel Capital Accord (Basel II) on capital requirements for financial institutions, may have a material effect on the Group's business and operations. As some of the banking laws and regulations affecting the Group have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group.

Ratings

UniCredit is currently rated "A+" by Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies Inc. (Standard & Poor's), "A+" by Fitch Ratings Limited (Fitch) and "Aa2" by Moody's Investors Service Limited (Moody's). On 6 May 2008, Moody's changed its outlook on UniCredit and its Italian subsidiaries Banca di Roma and Bipop Carire from "Stable" to "Negative." In determining the rating assigned to UniCredit, these rating agencies have considered and will continue to review various indicators of the

Risk Factors

Group's performance, UniCredit's profitability and its ability to maintain its consolidated capital ratios within certain target levels. If UniCredit fails to achieve or maintain any or a combination of more than one of the indicators, including if UniCredit is unable to maintain its consolidated capital ratios within certain target levels, this may result in a downgrade of UniCredit's rating by Standard & Poor's, Fitch or Moody's.

Any rating downgrades of UniCredit or other entities of the Combined Group would increase the re-financing costs of the Combined Group and may limit its access to the financial markets and other sources of liquidity, all of which could have a material adverse effect on its business, financial condition and results of operations.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Risks in connection with legal proceedings

The Combined Group is subject to certain claims and is a party to some legal and other proceedings relating to the normal course of its business. They are all separate actions in the ordinary course of business that have been duly analysed by UniCredit and the Group companies concerned, where as appropriate or necessary, to effect provisions in the amount believed suitable according to the circumstances or to make a mention thereof in a supplementary note to the balance, in accordance with the appropriate standard of accounting principles. In particular, as at 31 December 2007, the Group had made provisions for approximately €1,329,487,000 to cover the risk and charges associated with such lawsuits and revocatory actions (excluding employment, tax and credit recovery lawsuits) by the Group, which are described further in the consolidated financial statements of the Group as at and for the year ended 31 December 2007 incorporated by reference herein.

The unfavourable outcome of such lawsuits might, however, result in a negative effect on the economic and financial situation of the Group and of companies which are themselves the subject of the proceedings, even though at the present moment it is not foreseen that such negative outcomes will significantly effect their activities or solvency.

RISK FACTORS IN RELATION TO THE NOTES

An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or interest not being paid by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of certain risk factors in relation to the Notes.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a

Risk Factors

way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Issuer has no obligation to redeem the Notes

The Issuer is under no obligation to redeem the Notes at any time before the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor and the Noteholders have no right to call for their redemption.

Redemption risk

The Notes will be redeemed on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor as described in Condition 8 (*Redemption and Purchase*).

The Issuer may, at its option, redeem the Notes in whole, but not in part, on the Interest Reset Date and on any Interest Payment Date of the Notes thereafter at an amount equal to their principal amount together with any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*), as described in Condition 8(b) (*Redemption at the option of the Issuer*). In addition, the Issuer may also, at its option, redeem the Notes in whole, but not in part, at any time before the Interest Reset Date following the occurrence of a Regulatory Event or a Tax Deductibility Event (each as defined herein) at a redemption price equal to greater of their principal amount and the Make Whole Amount (as defined herein) or an Additional Amount Event (as defined herein) at a redemption price equal to their principal amount plus, in each case, any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*) as described in Condition 8(c) (*Redemption due to a Regulatory Event*), Condition 8(d) (*Redemption due to a Tax Deductibility Event*) and Condition 8(e) (*Redemption due to an Additional Amount Event*). Any such redemption of Notes occurring after the Interest Reset Date will be at an amount equal to their principal amount together with any accrued interest and any additional amounts due pursuant to Condition 10 (*Taxation*).

Any redemption of the Notes, save any redemption on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor, is subject to the prior approval of the Lead Regulator (as defined herein). If the Issuer redeems the Notes in any of the circumstances mentioned above, the Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield.

No limitation on issuing debt

There is no restriction on the amount of liabilities which the Issuer or the Guarantor may issue or guarantee which rank senior to the Notes or on the amount of liabilities which the Issuer or the Guarantor may issue or guarantee which rank *pari passu* with the Notes.

The occurrence of such issue or guarantee may reduce the amount recoverable by Noteholders on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer.

Subordination

The Notes and the Guarantee will be unsecured, subordinated obligations of the Issuer and the Guarantor, respectively. Upon the occurrence of any winding-up proceedings of the Issuer or the Guarantor, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer and the Guarantor (including dated subordinated obligations), except those liabilities which rank *pari passu* with, or junior to, the Notes or the Guarantor's obligations under the Guarantee. In liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer or the Guarantor, the Noteholders may recover proportionally less than the holders of unsubordinated and Less Deeply Subordinated Obligations of the Issuer or the Guarantor, as the case may be.

The Noteholders explicitly accept that, in the circumstances described above, payments in respect of the Notes will be made by the Issuer and the Guarantor pursuant to the Notes and the Guarantee, respectively, only in accordance with the subordination described above.

Optional suspension of interest payments

Noteholders should be aware that the Issuer may, by giving not less than 15 days prior notice, elect in its discretion not to pay all (or part only) of the interest accrued to an Interest Payment Date if (a) the Guarantor does not have Distributable Profits; and/or (b) since the Guarantor's annual shareholders' meeting in respect of the financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution has been declared, made, approved or set aside for payment in respect of any Junior Securities. For further details see Condition 6.1 (*Interest suspension – Optional suspension of interest*).

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to Condition 6.1 (*Interest suspension – Optional suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Securities.

Mandatory suspension of interest payments

Noteholders should be aware that the Issuer will be prohibited from (A) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent that a Capital Deficiency Event would occur if the Issuer (or the Guarantor in putting the Issuer in funds or in making a payment under the Guarantee, in each case in respect of such interest) made the payment of interest on such Interest Payment Date; or (B) paying the interest accrued to an Interest Payment Date if (a) a Capital Deficiency Event has occurred and is continuing on such Interest Payment Date; or (b) the Guarantor is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event. For further details see Condition 6.2 (*Interest suspension – Mandatory suspension of interest*).

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to Condition 6.2 (*Interest suspension – Mandatory suspension of interest*) will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited. As a consequence, if interest is suspended, Noteholders will not receive, and will have no right to receive, such interest at any time, even if dividends or other distributions are subsequently declared made, approved or set aside for payment in respect of any Junior Securities.

Variation of the terms and conditions of the Notes

The Issuer may in certain circumstances modify the terms and conditions of the Notes without any requirement for the consent or approval of Noteholders to the extent that such modification is reasonably necessary to ensure that no Regulatory Event or Tax Event would exist after such modification, provided that following such modification the terms and conditions of the Notes are broadly no more prejudicial than the terms and conditions of the Notes prior to such modification, as described in Condition 14.3 (*Modification following a Regulatory Event or a Tax Event*).

The secondary market generally

The Notes have no established trading markets, and such markets may never develop. If markets do develop, they may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Fixed Interest Rate

Until the Interest Reset Date, the Fixed/Floating Rate Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the **Market Interest Rate**). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such

security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes and lead to losses for Noteholders if they sell Notes before the Interest Reset Date.

Qualification of the Notes under Italian taxation law

Italian tax law does not provide for any specific and proper definition of the categories of “bonds” and “debentures similar to bonds” referred to in Article 1 and following of Legislative Decree No. 239 of 1 April 1996 as amended or supplemented from time to time (Decree No. 239). The statements contained in the section “*Taxation – Italy*”, as for the applicability of the tax regime provided for by Decree No. 239 to the Notes, are based on the clarifications given by the Italian Revenue Agency in Circular No. 4/E of 18 January 2006, according to which bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of the issuing company (as in the case of the Notes whose maturity is linked to the maturity of the Issuer) or to the liquidation thereof, if the company has been set-up with an undetermined maturity pursuant to Article 2328 (2), No. 13, of the Italian Civil Code. Prospective purchasers and holders of the Notes must take into account that the above clarifications (as well as the Italian tax provisions in effect as of the date of this Prospectus) are subject to changes, which could also have retroactive effects. Should, following a change in the Italian tax provisions or in the interpretation followed by the Italian tax authorities, the Notes be qualified as “atypical securities” pursuant to Article 8 of Law Decree No. 512 of 30 September 1983 (instead of being qualified as “bonds” or “debentures similar to bonds” subject to the tax regime described in the section “*Taxation – Italy*”), interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of the Notes could be subject to an Italian withholding tax at a rate of 27 per cent. if owed to certain categories of Italian resident beneficial owners, depending on the legal status of the beneficial owner of such interest and other proceeds. In particular, the 27 per cent. withholding tax mentioned above does not apply to payments made to a non-Italian resident beneficial owner and to an Italian resident beneficial owner which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership or (iii) a commercial public or private institution.

The applicability of such a withholding tax in relation to interest and other proceeds paid to Italian resident beneficiaries would give rise to an obligation of the Issuer or, as the case may be, the Guarantor to pay Additional Amounts pursuant to Condition 10 (*Taxation*) (except in certain circumstances) and would, as a consequence, allow the Issuer to redeem the Notes at their principal amount, together with interest accrued pursuant to Condition 8(e) (*Redemption and Purchase – Redemption due to an Additional Amount Event*).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland). If a payment were to be made or collected through a Member State of the EU which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to EC Council Directive 2003/48/EC.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes are represented by Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream,

Luxembourg. While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

The Notes have a minimum denomination of £50,000 plus integral multiples of £1,000

The Notes have a minimum denomination of £50,000 and integral multiples of £1,000 in excess thereof, up to and including £99,000. Consequently, it is possible that the Notes may be traded in amounts in excess of £50,000 that are not integral multiples of £50,000. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than £50,000 may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £50,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Credit ratings may not reflect all risks

The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Regulatory classification of the Notes

The Guarantor intends the Notes to qualify as own funds for the purposes of the Tier 1 capital (*Patrimonio di Base*). Current regulatory practice by the Bank of Italy (acting as Lead Regulator) does not require (or customarily provide) a confirmation prior to the issuance of the Notes that the Notes will be treated as such. The regulatory treatment of the Notes, at or following issue, may impact the Issuer's (or any Substituted Debtor's) incentive to use the relevant redemption options available.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and form part of, this Prospectus:

Document	Information incorporated	Page numbers
Issuer's audited consolidated annual financial statements as at and for the financial year ended 31 December 2006	Balance sheet	1
	Profit and Loss Account	2
	Explanatory notes	3-28
	Auditors' report	iii-iv
Issuer's audited consolidated annual financial statements as at and for the financial year ended 31 December 2007	Balance sheet	6
	Income statement	7
	Statement of cash flows	9
	Explanatory notes	10-52
	Auditors' report	iii-iv
Guarantor's audited consolidated annual financial statements as at and for the financial year ended 31 December 2006	Balance sheet	146-147
	Income statement	149
	Statement of cash flows	152
	Explanatory notes	157-461
	Auditors' report	545-547
Guarantor's audited consolidated annual financial statements as at and for the financial year ended 31 December 2007	Balance sheet	8-9
	Income statement	11
	Statement of cash flows	14-15
	Explanatory notes	17-360
	Auditors' report	439-441
Guarantor's unaudited consolidated interim financial statements as at and for the three months ended 31 March 2007	Balance sheet	20
	Income statement	21-22
	Explanatory notes	23-50
Guarantor's unaudited consolidated interim financial statements as at and for the three months ended 31 March 2008	Balance sheet	10
	Income statement	8-9
	Explanatory notes	11-42
Audited consolidated annual financial statements of Capitalia Luxembourg S.A. as at and for the financial year ended 31 December 2006	Balance sheet	20-21
	Income Statement	22
	Cash flow statement	23
	Explanatory notes	26-73
	Auditors' report	76-77
Audited consolidated annual financial statements of Capitalia Luxembourg S.A. as at and for the financial year ended 31 December 2007	Balance sheet	3
	Income Statement	4
	Cash flow statement	5
	Explanatory notes	7-77
	Auditors' report	1-2
Issuer's articles of incorporation	Entire document	
Guarantor's articles of incorporation	Entire document	

Any information not listed in the cross-reference list above, but included in the documents incorporated by reference, is given for information purposes only.

The Issuer and the Guarantor accept responsibility for the English translation of their respective financial statements incorporated into this Prospectus.

The Issuer accepts responsibility for the English translation of the financial statements of Capitalia Luxembourg S.A. incorporated into this Prospectus.

Documents Incorporated by Reference

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein. Request for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the principal office of the Fiscal Agent in Luxembourg and on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be endorsed on each Note in definitive form.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes While in Global Form” below.

The £350,000,000 guaranteed non-cumulative step-up fixed/floating rate perpetual subordinated notes (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the Notes) of UniCredit International Bank Luxembourg S.A. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 27 June 2008 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, UniCredit S.p.A. (**UniCredit** or the **Guarantor**) as guarantor, Citibank, N.A., London Branch as fiscal agent, principal paying agent and agent bank (the **Fiscal Agent**, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the other initial paying agents named therein (together with the Fiscal Agent, the **Paying Agents**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are a summary of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the **Noteholders**) and the holders of the related interest coupons and the talons (**Talons**) for further interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons**, which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the specified offices of each of the Paying Agents, the initial specified offices of which are set out below.

1. INTERPRETATION

1.1 Definitions

In these Conditions the following expressions have the following meanings:

Additional Amount Event means:

- (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Grand Duchy of Luxembourg (**Luxembourg**) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) the Guarantor has become, or would become if demand were made under the Guarantee, obliged to pay additional amounts as provided or referred to in the Conditions as a result of any change in, or amendment to, the laws and regulations of Italy or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and
- (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it;

Bank of Italy Regulations means the Regulations of the Bank of Italy relating to the capital adequacy of banks (*Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy’s *Circolare n. 263*, dated 27 December 2006, as updated on 17 March 2008 and as further amended or updated from time to time);

Business Day means a London Business Day;

Terms and Conditions of the Notes

Business Day Convention, in relation to any particular date means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

Calculation Agent means the Fiscal Agent or any successor calculation agent appointed from time to time in connection with the Notes;

Calculation Amount has the meaning given in Condition 5 (*Interest*);

Capital Deficiency Event means:

- (a) as a result of losses incurred by the Guarantor, on a consolidated or non-consolidated basis, the total risk-based capital ratio (*coefficiente patrimoniale complessivo*) of the Guarantor, on a consolidated or non-consolidated basis as calculated in accordance with applicable Italian banking laws and regulations, and either (i) reported in the Guarantor's reporting to the Lead Regulator (currently *Matrice dei Conti*) or (ii) determined by the Lead Regulator and communicated to the Guarantor, in either case, falls below the then minimum requirements of the Lead Regulator specified in applicable regulations (currently equal to 5 per cent. pursuant to the *Nuove Disposizioni di Vigilanza Prudenziale per le Banche*, set out in the Bank of Italy's *Circolare n. 263*, dated 27 December 2006, as updated on 17 March 2008 and as further updated or amended from time to time); or
- (b) the Lead Regulator, in its sole discretion, notifies the Guarantor that it has determined that the Guarantor's financial condition is deteriorating such that an event specified in (a) above is likely to occur in the short term;

Comparable UK Treasury Stock Issue means the United Kingdom government security selected by the Calculation Agent as having a maturity comparable to 27 June 2018 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities having a maturity of 27 June 2018;

Comparable UK Treasury Stock Price means: (a) the average of five Reference UK Treasury Stock Dealer Quotations for the Special Redemption Date, after excluding the highest and lowest such Reference UK Treasury Stock Dealer Quotations; or (b) if the Calculation Agent obtains fewer than five such Reference UK Treasury Stock Dealer Quotations, the average of all such Reference UK Treasury Stock Dealer Quotations;

Coupon Sheet means, in respect of a Note, a coupon sheet relating to the Note;

Decree No. 239 has the meaning given in Condition 10 (*Taxation*);

Distributable Profits means net profits of the Guarantor that are stated as being available for the payment of a dividend or the making of a distribution on any share capital of the Guarantor, according to the non-consolidated accounts approved by the Guarantor relating to the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls or, where such accounts are not available, the last set of annual non-consolidated financial statements approved by the Guarantor prior to the relevant Interest Payment Date;

Extraordinary Resolution has the meaning given in the Agency Agreement;

Fixed Rate Day Count Fraction means in respect of the calculation of an amount for any period of time in an Interest Period when Condition 5.1 (*Interest Fixed Rate*) applies (for the purposes of this definition, the **Calculation Period**), the actual number of days in the Calculation Period divided by the actual number of days in the relevant calendar year;

Fixed Rate of Interest has the meaning given in Condition 5.1 (*Interest Fixed Rate*);

Floating Rate Day Count Fraction means in respect of the calculation of an amount for any period of time in an Interest Period when Condition 5.2 (*Interest Floating Rate*) applies (for the purposes of this definition, the **Calculation Period**), the actual number of days in the Calculation Period divided by 365;

Terms and Conditions of the Notes

Floating Rate Interest Determination Date has the meaning given in Condition 5.2 (*Interest Floating Rate*);

Floating Rate of Interest has the meaning given in Condition 5.2 (*Interest Floating Rate*);

Guarantee has the meaning given in Condition 4.1 (*Guarantee*);

Group means the Guarantor and its Subsidiaries;

Initial Interest Period means each period beginning on (and including) the Issue Date or any Initial Period Interest Payment Date and ending on (but excluding) the next Initial Period Interest Payment Date or the Interest Reset Date, as the case may be;

Initial Period Interest Payment Date means 27 June and 27 December of each year, beginning 27 December 2008 to and including 27 June 2018;

Interest Amount means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

Interest Payment Date means an Initial Period Interest Payment Date or a Step-up Period Interest Payment Date, as the case may be;

Interest Period means an Initial Interest Period or a Step-Up Interest Period, as the case may be;

Interest Reset Date has the meaning given in Condition 5.1 (*Interest Fixed Rate*);

Issue Date means 27 June 2008;

Italian Banking Act means Italian Legislative Decree No. 385 of 1 September 1993, as amended from time to time;

Junior Securities means all share capital of the Guarantor, including its preference shares (*“Azioni Privilegiate”*), ordinary shares and savings shares (*“Azioni di Risparmio”*), now or hereafter issued, other than any share capital of the Guarantor that expressly or effectively rank on a parity with the Guarantee or any Parity Security;

Lead Regulator means the Bank of Italy, or any successor entity of the Bank of Italy, or any other competent regulator to which the Issuer becomes subject as its lead regulator;

Less Deeply Subordinated Obligations means any obligation of the Issuer or of the Guarantor, whether or not having a fixed maturity date, which by its terms is, or is expressed to be, subordinated in the event of liquidation or insolvency of the Issuer or the Guarantor, as the case may be, to the claims of any unsubordinated creditors of the Issuer or the Guarantor, but senior (in the case of the Issuer) to the Notes and (in the case of the Guarantor) to the Guarantee, including, but not limited to, Upper Tier 2 Liabilities, Lower Tier 2 Liabilities and Tier 3 Liabilities;

Liquidazione Coatta Amministrativa means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Italian Banking Act;

London Business Day means a day other than a Saturday or Sunday or a day on which banking institutions in London are authorised or required by law or executive order to remain closed;

Lower Tier 2 Liabilities means *passività subordinate* as defined in Title I, Chapter 2, Section II, paragraph 4.2 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

Make Whole Amount in respect of each Note means the principal amount of such Note, assuming such Note to be due on the Interest Reset Date, together with interest from the relevant Make Whole Event Redemption Date to the Interest Reset Date, assuming all such to be due in full, in each case discounted to the relevant Make Whole Event Redemption Date on an annual basis (calculated on the basis of the actual number of days

in the relevant calendar year and the actual number of days in such period), such discounting to be at the United Kingdom Reference Rate plus 1.70 per cent. calculated by the Calculation Agent;

Make Whole Event Redemption Date means a Regulatory Event Redemption Date or a Tax Deductibility Event Redemption Date in respect of a Tax Deductibility Event, as the case may be;

Parity Securities means: (1) any preference shares, guarantees or similar instruments (other than the Guarantee) issued by the Guarantor which rank equally with the Guarantee (including any such guarantee or similar instrument of preferred securities or preferred or preference shares issued by any Subsidiary); and (2) any preferred securities or preferred or preference shares issued by any Subsidiary with the benefit of a guarantee or similar instrument from the Guarantor, which guarantee or similar instrument ranks equally with the Guarantee (but does not include any such securities or shares issued to the Guarantor or any other member of the Group by any such Subsidiary) including the Guarantor's guarantees in relation to the €540,000,000 8.048 per cent. Trust Preferred Securities issued by UniCredito Italiano Capital Trust I, the USD450,000,000 9.20 per cent. Trust Preferred Securities issued by UniCredito Italiano Trust II, the €750,000,000 in liquidation preference of Trust Preferred Securities issued by UniCredito Italiano Capital Trust III and the £300,000,000 in liquidation preference of Trust Preferred Securities issued by UniCredito Italiano Capital Trust IV;

Payment Business Day means:

- (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
- (b) in the case of payment by transfer to an account, a London Business Day;

Permitted Repurchase has the meaning given in Condition 6.3 (*Interest suspension – Mandatory payment of interest*);

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Rate of Interest means the Fixed Rate of Interest or the Floating Rate of Interest, as the case may be;

Reference UK Treasury Stock Dealer means any broker of gilts and/or gilt-edged market maker selected by the Issuer in consultation with the Guarantor and the Calculation Agent;

Reference UK Treasury Stock Dealer Quotations means, with respect to each Reference UK Treasury Stock Dealer and the Special Redemption Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable UK Treasury Stock Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference UK Treasury Stock Dealer at 11.00 a.m. London time, on the third London Business Day immediately preceding the Redemption Date;

Regulatory Event means that the Guarantor is not permitted under the applicable rules and regulations adopted by the Lead Regulator, or an official application or interpretation of those rules and regulations including a decision of any court or tribunal, at any time whilst any of the Notes are outstanding to treat the Notes as own funds, on a consolidated basis, for the purposes of the Tier 1 capital (*patrimonio di base*), or, in case of future amendments to the Bank of Italy regulations on regulatory capital of banks, up to such other fraction of the regulatory capital as will apply to non-cumulative perpetual instruments or liabilities pursuant to which the issuer of such securities has a call option which is linked to an increase in the amount of payment due in respect of such securities or any other incentive to redemption with step-up and call in favour of the issuer;

Regulatory Event Redemption Date means the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 8(c) (*Redemption and Purchase – Redemption due to a Regulatory Event*) following a Regulatory Event;

Relevant Date means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on

Terms and Conditions of the Notes

Relevant Date means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

Reserved Matter means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to change the provisions contained in Condition 3 (*Status and Subordination of the Notes*) or Condition 4 (*Guarantee*);

Step-Up Interest Period means each period beginning on (and including) the Interest Reset Date or any Step-Up Period Interest Payment Date thereafter and ending on (but excluding) the next Interest Payment Date or date of redemption, as the case may be;

Step-Up Period Interest Payment Date means 27 September, 27 December, 27 March and 27 June of each year beginning on 27 September 2018 up to and including the date of redemption of the Notes;

Subsidiary means any person or entity which is required to be consolidated with the Guarantor for financial reporting purposes under applicable Italian banking laws and regulations.

Substituted Debtor has the meaning given in Condition 15 (*Substitution*);

Tax Deductibility Event means:

- (a) interest payable by the Issuer in respect of the Notes or any amount payable by the Guarantor under the Guarantee is no longer, or will no longer be, deductible by the Issuer or the Guarantor, as the case may be, for Luxembourg and/or Italian income tax purposes, as the case may be, or such deductibility is materially reduced, as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards of Luxembourg or the Republic of Italy, as the case may be, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and
- (b) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be taking reasonable measures available to it.

Tax Event means either a Tax Deductibility Event or an Additional Amount Event;

Tax Event Redemption Date means, as appropriate, the date fixed for redemption of the Notes in a notice delivered by the Issuer pursuant to Condition 8(d) (*Redemption and Purchase – Redemption due to a Tax Deductibility Event*) or 8(e) (*Redemption and Purchase – Redemption due to an Additional Amount Event*) following, respectively, a Tax Deductibility Event or an Additional Amount Event;

Telerate Page 3750 means the display designated as “Page 3750” on the Moneyline Telerate Screen (or such other page as may replace Page 3750 on that service or such other service or services as may be nominated as the information vendor for the purposes of displaying STERLING LIBOR);

Tier 1 Capital means *patrimonio di base* as defined in Title I, Chapter 2, Section II, paragraph 1.1 and Section III, paragraph 1.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

Tier 3 Liabilities means *prestiti subordinati di 3° livello* as defined in Title I, Chapter 2, Section II, paragraph 1.5 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition;

Treaty means the Treaty establishing the European Communities, as amended;

United Kingdom Reference Rate means, with respect to the relevant Make Whole Event Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Comparable UK Treasury Stock Issue,

assuming a price for the Comparable UK Treasury Stock Issue (expressed as a percentage of its principal amount) equal to the Comparable UK Treasury Stock Price calculated by the Calculation Agent; and

Upper Tier 2 Liabilities means *strumenti ibridi di patrimonializzazione* as defined in Title I, Chapter 2, Section II, paragraph 4.1 of the Bank of Italy Regulations or in any provision which, from time to time, amends or replaces such definition.

1.2 Interpretation

In these Conditions:

- (a) any reference to principal shall be deemed to include the principal amount of the Notes, any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions; and
- (c) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement.

2. FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Notes are in bearer form in denominations of £50,000 and integral multiples of £1,000 in excess thereof, up to and including £99,000, with Coupons and Talons attached at the time of issue. No Notes in definitive form will be issued with a denomination above £99,000.

2.2 Title

Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law or as otherwise ordered by a court of a competent jurisdiction or public authority) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

3. STATUS AND SUBORDINATION OF THE NOTES

3.1 Status of the Notes

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank subordinate and junior to all indebtedness of the Issuer (other than any instrument or contractual right expressed to rank *pari passu* with the Notes), *pari passu* with the most senior non-cumulative preference shares of the Issuer, if any, and senior to the other share capital of the Issuer.

3.2 Subordination

By virtue of such subordination, payments to Noteholders will, in the event of the winding up, dissolution, liquidation or bankruptcy of the Issuer, only be made after, and any set-off by any Noteholders shall be excluded until, the payment of any present or future claims of all unsubordinated creditors of the Issuer and of all Less Deeply Subordinated Obligations of the Issuer in any such winding up, dissolution, liquidation or bankruptcy of the Issuer have been satisfied in full or after an arrangement or composition has been agreed between them pursuant to which they have given full discharge against receipt of part of their claim.

4. GUARANTEE

4.1 Guarantee

The payment of the principal and interest in respect of the Notes has been unconditionally and irrevocably guaranteed on a subordinated basis by the Guarantor under a guarantee (the **Guarantee**) dated 27 June 2008 and executed by the Guarantor.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee (if any) will constitute direct, unsecured and subordinated obligations of the Guarantor and rank subordinate and junior to all indebtedness of the Guarantor (other than any instrument or contractual right (including any guarantee of any Parity Securities) expressed to rank *pari passu* with the Guarantee), *pari passu* with the most senior non-cumulative preference shares of the Guarantor, if any, and senior to the other share capital of the Guarantor, including its *Azioni Privilegiate*, ordinary shares and *Azioni di Risparmio*.

4.3 Subordination

By virtue of such subordination, payments to Noteholders under the Guarantee will, in the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Guarantor, only be made after, and any set-off by any Noteholders shall be excluded until, the payment of any present or future claims of all unsubordinated creditors of the Guarantor and of all Less Deeply Subordinated Obligations of the Guarantor in any such winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Guarantor have been satisfied in full or after an arrangement or composition has been agreed between them pursuant to which they have given full discharge against receipt of part of their claim.

5. INTEREST

5.1 Fixed Rate

The Notes will bear interest on a non-cumulative basis for each Initial Interest Period from and including the Issue Date to but excluding the Interest Payment Date falling on 27 June 2018 (the **Interest Reset Date**) at a fixed rate of 8.5925 per cent. per annum (the **Fixed Rate of Interest**), payable, subject as provided in these Conditions, semi-annually in arrear on each Initial Period Interest Payment Date. The first interest payment shall be made on 27 December 2008 in respect of the period from and including the Issue Date to but excluding 27 December 2008 and shall be in the amount of £85.93 for each £1,000 (the **Calculation Amount**) in principal amount of Notes. The amount of interest payable in respect of each Note for any period which is not equal to an Initial Interest Period shall be calculated by applying the Fixed Rate of Interest to the principal amount of such Note, multiplying the product by the Fixed Rate Day Count Fraction and rounding the resulting figure to the nearest pence (half a pence being rounded upwards). The amount of interest payable in respect of each Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the relevant denomination of such Note, without any further rounding.

5.2 Floating Rate

- (a) If the Issuer has not redeemed the Notes in accordance with Condition 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*) on the Interest Reset Date, the Notes will bear interest on a non-cumulative basis for each Step-Up Interest Period from and including the Interest Reset Date to but excluding the date of redemption of the Notes, at the Floating Rate of Interest (as defined below) payable, subject as provided in these Conditions, quarterly in arrear on each Step-Up Period Interest Payment Date.
- (b) The rate of interest applicable to the Notes under clause 5.2(a) above (the **Floating Rate of Interest**) for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) the Calculation Agent will determine the rate for deposits in Sterling for a period equal to the relevant Interest Period which appears on Telerate Page 3750 (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (London time) on the second London

Business Day before the first day of the relevant Interest Period (the **Floating Rate Interest Determination Date**);

- (ii) if such rate does not appear on that page, the Calculation Agent will:
 - (A) request the London office of each of four major banks in the London interbank market to provide a quotation of the rate at which deposits in Sterling are offered by it in the London interbank market at approximately 11.00 a.m. (London time) on the Floating Rate Interest Determination Date to prime banks in the London interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the London market, selected by the Calculation Agent, at approximately 11.00 a.m. (London time) on the first day of the relevant Interest Period for loans in Sterling to leading London banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Rate of Interest for such Interest Period shall be the sum of the rate or (as the case may be) the arithmetic mean so determined and the Margin (as defined below); *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Floating Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, or, where there has been no such previous determination, the Floating Rate of Interest shall be equal to the Fixed Rate of Interest.

For the purposes of this Condition, **Margin** means 3.95 per cent. per annum.

(c) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Floating Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Floating Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period and multiplying the product by the relevant Floating Rate Day Count Fraction and rounding the resulting figure to the nearest half pence (half a pence being rounded upwards). The amount of interest payable in respect of each Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the relevant denomination of such Note, without any further rounding.

(d) **Publication**

The Calculation Agent will cause each Floating Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Floating Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

(e) **Notifications etc**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

5.3 Interest accrual

Each Note will cease to bear interest from (but excluding) maturity or the due date for redemption pursuant to Conditions 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*), 8(c) (*Redemption and Purchase – Redemption due to a Regulatory Event*), 8(d) (*Redemption due to a Tax Deductibility Event*) and 8(e) (*Redemption due to an Additional Amount Event*) unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which case any such amounts of principal improperly withheld or refused will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

6. INTEREST SUSPENSION

6.1 Optional suspension of interest

The Issuer may elect, by giving notice to the Noteholders pursuant to Condition 17 (*Notices*) below, not to pay all (or part only) of the interest accrued to an Interest Payment Date if:

- (a) the Guarantor does not have Distributable Profits; and/or
- (b) since the Guarantor's annual shareholders' meeting in respect of the financial statements for the financial year immediately preceding the year in which such Interest Payment Date falls, no dividend or other distribution has been declared, made, approved or set aside for payment in respect of any Junior Securities,

except that where Condition 6.3 (*Interest suspension – Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding this Condition 6.1.

The Issuer shall give not more than 25 but not less than 15 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 17 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 6.1, it elects not to pay interest and such notice shall include a confirmation of the Issuer's entitlement not to pay interest, together with details of the amount of interest (if any) to be paid on such Interest Payment Date.

Where the Issuer elects not to pay interest pursuant to this Condition 6.1 it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer elects not to pay pursuant to this Condition 6.1 will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

6.2 Mandatory suspension of interest

The Issuer will be prohibited from:

- (A) paying all (or part only) of the interest accrued to an Interest Payment Date if and to the extent a Capital Deficiency Event would occur if the Issuer (or the Guarantor in putting the Issuer in funds or in making

a payment under the Guarantee, in each case in respect of such interest) made the payment of interest on such Interest Payment Date; or

(B) paying the interest accrued to an Interest Payment Date if:

- (a) a Capital Deficiency Event has occurred and is continuing on such Interest Payment Date; or
- (b) the Guarantor is prohibited under applicable Italian legislation or regulation from declaring a dividend or making a distribution on all classes of its share capital, other than in the case of a Capital Deficiency Event,

except that where Condition 6.3 (*Interest suspension – Mandatory payment of interest*) applies, the Issuer shall be required to pay interest notwithstanding this Condition 6.2.

The Issuer shall use its best endeavours to give not more than 25 but not less than 2 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 17 (*Notices*) of any Interest Payment Date on which, pursuant to the provisions of this Condition 6.2, it is prohibited from paying interest and such notice shall include a confirmation of the Issuer's prohibition from paying interest, together with details of the amount of interest (if any) to be paid on such Interest Payment Date.

Where the Issuer is prohibited from paying interest pursuant to this Condition 6.2 it shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default of the Issuer or any other breach of obligations under these Conditions or for any purpose.

Interest on the Notes will not be cumulative and interest that the Issuer is prohibited from paying pursuant to this Condition 6.2 will not accumulate or compound and all rights and claims in respect of any such amounts shall be fully and irrevocably cancelled and forfeited.

6.3 Mandatory payment of interest

The Issuer is required to pay interest (including without limitation, in the event of a Capital Deficiency Event) on any Interest Payment Date:

- (a) in part, *pari passu* and *pro rata*, if and to the extent that during the six-month period (or three-month period for securities (other than shares) where remuneration is paid, respectively, every three months) prior to such Interest Payment Date the Issuer, the Guarantor or any Subsidiary has declared, made, approved or set aside for a dividend or distribution in respect of any Parity Securities; or
- (b) in full if and to the extent that during the six-month period prior to such Interest Payment Date:
 - (i) the Guarantor has declared or paid dividends or other distributions on any Junior Securities; or
 - (ii) the Guarantor has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase) or the Issuer, the Guarantor or any Subsidiary has redeemed, repurchased or acquired any Parity Securities,

save that the Issuer shall not be required to make any payment of interest on the Notes with reference to any declaration, payment or distribution on, or redemption, repurchase or acquisition of, any other security which is itself mandatory in accordance with the terms and conditions of such security.

Permitted Repurchase means (a) any redemption, repurchase or other acquisition of such Junior Securities held by any member of the Group, (b) a reclassification of the equity share capital of the Issuer, the Guarantor or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital, (c) the purchase of fractional interests in the share capital of the Issuer, the Guarantor or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged, (d) any redemption or other acquisition of Junior Securities in connection with a levy of execution for the satisfaction of a claim by the Issuer, the Guarantor or any of its Subsidiaries, (e) any redemption or other acquisition of Junior Securities in connection with the satisfaction

by the Issuer, the Guarantor or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement, or (f) any redemption or other acquisition of Junior Securities in connection with transactions effected by or for the account of customers of the Issuer, the Guarantor or any Subsidiary or in connection with the distribution, trading or market-making in respect of such securities.

7. LOSS ABSORPTION

To the extent that the Guarantor at any time suffers losses (also considering profits and losses relating to previous financial years) which would result in a Capital Deficiency Event, the obligations of the Issuer relating to the principal amount of the Notes will be suspended to the extent necessary to enable the Guarantor to continue to carry on its activities in accordance with applicable regulatory requirements. In any such case, but always subject to the provisions set out in Condition 6.2 (*Interest suspension – Mandatory suspension of interest*), interest will continue to accrue on the nominal amount of the Notes. The obligations of the Issuer to make payments in respect of principal amount of the Notes will be reinstated (in priority to any Junior Securities and on a *pari passu* basis with any Parity Securities), as if such obligations of the Issuer had not been so suspended:

- (a) in whole, in the event of winding up, dissolution, liquidation or bankruptcy of the Guarantor and with effect immediately prior to the commencement of such winding up, dissolution, liquidation or bankruptcy; and
- (b) in whole, in the event of early redemption of the Notes pursuant to Conditions 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*), 8(c) (*Redemption and Purchase – Redemption due to a Regulatory Event*), 8(d) (*Redemption and Purchase – Redemption due to a Tax Deductibility Event*) or 8(e) (*Redemption due to an Additional Amount Event*); and
- (c) in whole or in part, from time to time, to the extent that the Capital Deficiency Event is no longer continuing.

The Issuer shall forthwith give notice of any such suspension and/or reinstatement to the Noteholders in accordance with Condition 17 (*Notices*) below and such notice shall include a confirmation of the Issuer's entitlement to such suspension and/or reinstatement, together with details of the amounts to be so suspended and/or reinstated.

8. REDEMPTION AND PURCHASE

(a) Redemption at maturity

The Notes will mature and be redeemed by the Issuer at their principal amount together with interest accrued (if any) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*), on the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Guarantor, in accordance with (a) a resolution of the shareholders' meeting of the Guarantor, (b) any provision of the by-laws of the Guarantor (currently, the maturity of the Guarantor is set in its by-laws at 31 December 2050), or (c) any applicable legal provision, or any decision of any jurisdictional or administrative authority.

(b) Redemption at the option of the Issuer

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on the Interest Reset Date and on any Interest Payment Date thereafter at a redemption price equal to their principal amount together with interest accrued (if any) up to, but excluding, the date fixed for redemption and any additional amounts due pursuant to Condition 10 (*Taxation*) on the Issuer's giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the date specified therein).

(c) Redemption due to a Regulatory Event

The Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be

irrevocable and shall oblige the Issuer to redeem the Notes in the amount and on the date specified therein) in whole, but not in part, following the occurrence of a Regulatory Event:

- (i) at any time before the Interest Reset Date, at a redemption price equal to the greater of their principal amount and the Make-Whole Amount together with interest accrued (if any) up to, but excluding, the Regulatory Event Redemption Date and any additional amounts due pursuant to Condition 10 (*Taxation*), and
- (ii) on or after the Interest Reset Date, at a redemption price equal to the principal amount of the Notes together with interest accrued (if any) up to, but excluding, the Regulatory Event Redemption Date and any additional amounts due pursuant to Condition 10 (*Taxation*).

(d) Redemption due to a Tax Deductibility Event

The Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes in the amount and on the date specified therein) in whole, but not in part, following the occurrence of a Tax Deductibility Event:

- (i) at any time before the Interest Reset Date, at a redemption price equal to the greater of their principal amount and the Make-Whole Amount together with interest accrued (if any) up to, but excluding, the relevant Tax Event Redemption Date and any additional amounts due pursuant to Condition 10 (*Taxation*), and
- (ii) on or after the Interest Reset Date, at a redemption price equal to the principal amount of the Notes together with interest accrued (if any) up to, but excluding, the relevant Tax Event Redemption Date and any additional amounts due pursuant to Condition 10 (*Taxation*);

(e) Redemption due to an Additional Amount Event

The Notes may be redeemed at the option of the Issuer on giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes in the amount and on the date specified therein) in whole, but not in part, following the occurrence of an Additional Amount Event, at a redemption price equal to the principal amount of the Notes together with interest accrued (if any) up to, but excluding, the relevant Tax Event Redemption Date and any additional amounts due pursuant to Condition 10 (*Taxation*);

provided, however, that no such notice of redemption pursuant to Condition 8(d) or 8(e) shall be given earlier than 90 days prior to the earliest date on which interest starts accruing in respect of which the Issuer or, as the case may be, the Guarantor would be unable to deduct such amounts for, respectively, Luxembourg or Italian income tax purposes in the case of Condition 8(d) (*Redemption due to a Tax Deductibility Event*) or obliged to pay such additional amounts if a payment in respect of the Notes were then due, in the case of Condition 8(e) (*Redemption due to an Additional Amount Event*).

Prior to the publication of any notice of redemption pursuant to Conditions 8(c) (*Redemption due to a Regulatory Event*), 8(d) (*Redemption due to a Tax Deductibility Event*) and 8(e) (*Redemption due to an Additional Amount Event*), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (a) a certificate signed by a legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, (b) in the case of a Tax Deductibility Event or an Additional Amount Event, an opinion of independent legal advisers of recognised standing to the effect that the Issuer or the Guarantor is unable to deduct such amounts for, respectively, Luxembourg or Italian income tax purposes as a result of such change or amendment or as appropriate that the Issuer or the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, as the case may be.

Upon the expiry of any such notice as is referred to in this Condition 8, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.

(f) Approval of Lead Regulator

Any redemption in accordance with this Condition 8, save in accordance with Condition 8(a), is subject to the prior approval of the Lead Regulator (if required by applicable legislation).

(g) No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 8(a), 8(b), 8(c) 8(d) or 8(e). The Notes may not be redeemed at the option of the Noteholders.

(h) Purchase

The Issuer, the Guarantor or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith, subject to the prior approval of the Lead Regulator (if required by applicable legislation).

(i) Cancellation

All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

9. PAYMENTS AND EXCHANGES OF TALONS

9.1 Principal

Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the specified office of any Paying Agent outside the United States by Sterling cheque drawn on, or by transfer to a Sterling account maintained by the payee with, a London bank.

9.2 Interest

Payments of interest shall, subject to Condition 9.6 (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 9.1 (*Principal*) above.

9.3 Payments subject to fiscal laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

9.4 Unmatured Coupons void

On the due date for redemption of any Note upon maturity or pursuant to Conditions 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*), 8(c) (*Redemption and Purchase – Redemption due to a Regulatory Event*), 8(d) (*Redemption and Purchase – Redemption due to a Tax Deductibility Event*) or 8(e) (*Redemption and Purchase – Redemption due to an Additional Amount Event*) all unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof. If the date on which the Notes become due is not an Interest Payment Date, the interest accrued (if any) from the preceding Interest Payment Date (or the Issue Date, as the case may be) on any Note shall be payable only against surrender or endorsement of the relevant Coupon, subject to the provisions of Conditions 5 (*Interest*) and 6 (*Interest suspension*) regarding the payment of interest.

9.5 Payments on business days

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

9.6 Payments other than in respect of matured Coupons

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the specified office of any Paying Agent outside the United States.

9.7 Partial payments

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

9.8 Exchange of Talons

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 11 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

10. TAXATION

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) in the case of payments by the Issuer, in Luxembourg; or
- (b) in the case of payments by the Guarantor,
 - (i) in the Republic of Italy; or
 - (ii) to the extent that interest or any other amount payable is paid to a non-Italian resident where such withholding or deduction is required by Legislative Decree No. 239 of 1 April 1996, as subsequently amended, supplemented or replaced (**Decree No. 239**), unless this is due to the requirements or procedures set forth therein not being met or complied with due to the actions or omissions of the Issuer or its agents; or
 - (iii) by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying out commercial activities (in particular (i) partnerships, *de facto* partnerships not carrying out commercial activities and professional associations, (ii) public and private resident entities, other than companies, not carrying out commercial activities, and (iii) certain other Persons exempt from corporate income tax) or to such other Italian resident entities which have been or may be identified by Decree No. 239; or
- (c) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26 to 27 November 2000 or any other law implementing or complying with, or introduced in order to conform to, such Directive; or

- (e) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (f) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.

As used herein, **Tax Jurisdiction** means (i) (in the case of payments by the Guarantor) the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, and (ii) (in the case of payments by the Issuer) Luxembourg or any political subdivision or any authority thereof or therein having power to tax and (iii) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it in respect of the Guarantee or of principal and interest on the Notes and Coupons.

11. PRESCRIPTION

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons (which for this purpose shall not include Talons) are presented for payment within five years of the appropriate Relevant Date. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 9 (*Payments and Exchanges of Talons*).

12. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its specified office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. PAYING AGENTS

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or calculation agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer and the Guarantor shall at all times maintain a fiscal agent; and
- (b) the Issuer and the Guarantor undertake that they will ensure that they maintain a paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) the Issuer and the Guarantor shall at all times maintain a calculation agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of which require the appointment of a paying agent in any particular place, the Issuer and the Guarantor shall maintain a paying agent having its specified office in the place required by the rules of such listing authority, stock exchange and/or quotation system; and

- (e) there will at all times be a paying agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any change in any of the Paying Agents or in their specified offices shall promptly be given to the Noteholders.

14. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

A meeting may be convened by the Issuer, the Guarantor or Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* a Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Agency Agreement will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

For the avoidance of doubt, articles 86 to 94-8 of the Luxembourg Act dated 10 August 1915 on Commercial Companies, as amended does not apply to the Notes.

14.2 Modification and Waiver

The Conditions may not be amended without the prior approval of the Lead Regulator (if required by applicable legislation). The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree without the consent of the Noteholders to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

14.3 Modification following a Regulatory Event or a Tax Event

In addition, where a Regulatory Event or a Tax Event occurs and is continuing, the Issuer may, without the consent of the Noteholders and without prejudice to its option to redeem under Condition 8(c) (*Redemption and Purchase – Redemption due to a Regulatory Event*), 8(d) (*Redemption and Purchase – Redemption due to a Tax Deductibility Event*) and 8(e) (*Redemption and Purchase – Redemption due to an Additional Amount Event*), modify the terms of the Notes by giving not less than 30 but not more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*), to the extent that such modification is reasonably necessary to ensure that no Regulatory Event or Tax Event (as the case may be) would exist after such modification, provided that following such modification:

- (i) the Notes, as so modified (the **modified Notes**), are held on terms and conditions which are no more prejudicial to Noteholders than the terms and conditions applicable to the Notes prior to such modification (the **existing Notes**), *provided that* any modification may be made in accordance with paragraphs (ii) to (iv) below and any such modification shall not constitute a breach of this paragraph (i);

- (ii) the person having the obligation of the Issuer under the Notes is either (a) UniCredit International Bank (Luxembourg) S.A. or, (b) is substituted in accordance with Condition 15 and, in each case, the Guarantor continues to be UniCredit S.p.A. (other than where the Substituted Debtor is UniCredit S.p.A.);
- (iii) the modified Notes rank at least equal to the existing Notes and feature the same tenor, the same principal amount, at least the same interest rate (including applicable margins and step-up) and the same interest payment dates and first call date as the existing Notes; and
- (iv) the modified Notes continue to be listed on a regulated market of an internationally recognised stock exchange as selected by the Issuer (provided that the existing Notes were so listed prior to the occurrence of the Regulatory Event or Tax Event as the case may be),

and provided further that:

- (1) the Issuer obtains approval of the proposed modification from the Lead Regulator (if such approval is required) or gives prior written notice (if such notice is required to be given) to the Lead Regulator and, following the expiry of all relevant statutory time limits, the Lead Regulator is no longer entitled to object or impose changes to the proposed modification;
- (2) the modification does not give rise to a change in any published credit rating of the existing Notes in effect at such time;
- (3) the modification does not give rise to any right on the part of the Issuer to exercise any option to redeem the Notes prior to their stated maturity, without prejudice to the provisions under Condition 8(b) (*Redemption and Purchase – Redemption at the option of the Issuer*); and
- (4) the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form shown in the Agency Agreement, signed by two of the Issuer's executive officers stating that conditions (i) to (iv) and (1) to (3) above have been complied with, such certificate to be made available for inspection by Noteholders.

In connection with any modification as indicated in this Condition 14.3, the Issuer shall comply with the rules of any competent authority, stock exchange and/or quotation system by which the Notes are then admitted to listing trading and/or quotation.

15. SUBSTITUTION

15.1 Conditions Precedent to Substitution

The Issuer may, without the consent of the Noteholders, be replaced and substituted by any other duly incorporated Subsidiary in good standing under the laws of its jurisdiction, or by the Guarantor as principal debtor (the **Substituted Debtor**) in respect of the Notes provided that:

- (a) a deed poll and such other documents (if any) shall be executed by the Substituted Debtor as may be necessary to give full effect to the substitution (together the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder to be bound by the Conditions of the Notes and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes and the Agency Agreement as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute). Where the Substituted Debtor is not the Guarantor, an unconditional and irrevocable deed of guarantee substantially in the form of the Guarantee shall be executed by the Guarantor whereby the Guarantor shall guarantee in favour of each Noteholder and each Accountholder the payment of all sums payable by the Substituted Debtor as such principal debtor substantially to the extent of, and on the terms specified in, the Guarantee;
- (b) without prejudice to the generality of Condition 15.1(a) above, the Documents shall contain a covenant by the Substituted Debtor and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 10 (*Taxation*) with the substitution for the references to Luxembourg of references to the territory or territories in which the Substituted Debtor is incorporated, domiciled and/or resident for taxation purposes;

- (c) the Documents shall contain a warranty and representation by the Substituted Debtor (i) that the Substituted Debtor has obtained all necessary governmental and regulatory approvals and consents for such substitution and for the performance by the Substituted Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and (ii) that the obligations assumed by the Substituted Debtor under the Documents are all legal, valid and binding in accordance with their respective terms;
- (d) each stock exchange on which the Notes are listed shall have confirmed that following the proposed substitution of the Substituted Debtor the Notes will continue to be listed on such stock exchange;
- (e) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers in the jurisdiction of incorporation of the Substituted Debtor to the effect that the documents shall constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than seven days prior to the date of the substitution of the Substituted Debtor for the Issuer and to be available for inspection by the Noteholders at the specified office of the Fiscal Agent;
- (f) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of English lawyers to the effect that the Documents (including, if relevant, the guarantee to be given by the Guarantor in respect of the Substituted Debtor) shall constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;
- (g) the substitution does not give rise to a change in the published credit rating of the Notes in effect at such time; and
- (h) the Substituted Debtor shall have appointed the process agent appointed by the Issuer in Condition 20 (*Governing Law and Jurisdiction*) or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

By subscribing to, or otherwise acquiring, the Notes, the Noteholders expressly consent to the substitution of the Issuer from any and all obligations in respect of the Notes and any relevant agreement and are expressly deemed to have accepted such substitution and the consequences thereof.

15.2 Assumption by Substituted Debtor

Upon execution of the Documents as referred to in Condition 15.1 above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

15.3 Deposit of Documents

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor or the Guarantor by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Guarantor shall acknowledge in the Documents the right of every Noteholder to production of the Documents for the enforcement of any of the Notes or the Documents.

15.4 Notice of Substitution

Not less than 15 days after execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 17 (*Notices*).

15.5 Substitution of the Issuer in the event of winding up proceedings

The Guarantor has undertaken in the Guarantee to substitute the Issuer with any other duly incorporated Subsidiary in good standing under the laws of its jurisdiction or with itself in accordance with the terms of this Condition 15 in the event that voluntary or involuntary winding up proceedings are instituted in respect of the Issuer. Any such substitution pursuant to this Condition 15.5 shall take effect prior to any such voluntary or involuntary winding up of the Issuer.

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

17. NOTICES

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes which are listed or admitted to trading on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

18. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under these Conditions or such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

19. ROUNDING

For the purposes of any calculations referred to in these Conditions, all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

20. GOVERNING LAW AND JURISDICTION

20.1 Governing law

The Notes are governed by, and shall be construed in accordance with, English law, except that the subordination provisions thereof will be governed by the laws of the Republic of Italy.

20.2 Jurisdiction

Each of the Issuer and the Guarantor agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, **Proceedings** and **Disputes**) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

20.3 Appropriate forum

Each of the Issuer and the Guarantor irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

20.4 Service of Process

Each of the Issuer and the Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to

UniCredit S.p.A., London Branch at its registered office at Moor House, 120 London Wall, London EC2Y 5ET or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

20.5 Non-exclusivity

The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the **Global Notes**) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes (**Definitive Notes**),

- (a) at the request of the bearer of a Permanent Global Note against presentation and surrender of such Permanent Global Note to the Fiscal Agent if Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (b) at the option of the Issuer if, by reason of any change in the laws of the Issuer's taxing jurisdiction, the Issuer is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Thereupon, the Issuer will promptly give notice to Noteholders of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (b) above, shall surrender the Permanent Global Note to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 30 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (a) above, in the place in which the relevant clearing system is located.

2. Payments

On and after the date of exchange of the Temporary Global Notes for Permanent Global Notes, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be prima facie evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 17

(*Notices*), provided that, so long as the Notes are listed on the Luxembourg Stock Exchange, notice will also be given by publication in a daily newspaper published in Luxembourg if and to the extent that the rules of the Luxembourg Stock Exchange so require, notices shall also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an Accountholder) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the) other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date.

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

FORM OF SUBORDINATED GUARANTEE

Set forth below is the text of the Subordinated Guarantee substantially in the form to be executed by the Guarantor.

“THIS DEED OF GUARANTEE is made on 27 June 2008 by UNICREDIT S.p.A. (the **Guarantor**).

WHEREAS

- (A) The Guarantor has agreed to guarantee, on a subordinated basis, the obligations of UniCredit International Bank (Luxembourg) S.A. (the **Issuer**) under the £350,000,000 Non-cumulative Step Up Fixed/Floating Rate Subordinated Notes (the **Notes**) to be issued by the Issuer pursuant to an Agency Agreement dated 27 June 2008 (the **Agency Agreement**) between, among others, the Issuer, the Guarantor and Citibank, N.A., London Branch as fiscal agent (the **Fiscal Agent**).
- (B) Terms defined in the Conditions of the Notes (the **Conditions**) and in the Agency Agreement and not otherwise defined in this Guarantee shall have the same meaning when used in this Deed of Guarantee.

NOW THIS DEED OF GUARANTEE WITNESSES as follows:

1. GUARANTEE

- 1.1 The Guarantor hereby irrevocably guarantees, on a subordinated basis, to the holder from time to time of each Note:
 - (a) the due and punctual payment in accordance with this Deed of Guarantee of the principal of and interest on all Notes issued by the Issuer and of all other amounts payable by the Issuer in relation to the Notes and the Coupons in accordance with the Conditions of the Notes; and
 - (b) the due and punctual performance and observance by the Issuer of each of the other provisions on its part to be performed or observed in relation to such Notes and Coupons issued by it.
- 1.2 If the Issuer fails for any reason whatsoever to pay any such principal, interest or other amount, if and when this payment is due in accordance with the Conditions of the Notes, the Guarantor shall cause each and every such payment to be made as if the Guarantor instead of the Issuer were expressed to be the primary obligor of the relevant Note or Coupon and not merely as surety (but without affecting the Issuer's obligations) to the intent that the holder thereof shall receive the same amounts in respect of principal, interest or such other amount as would have been receivable had such payments been made by the Issuer.
- 1.3 The Guarantor undertakes that, in the event of the institution of proceedings for the voluntary or involuntary winding up of the Issuer, it shall cause the Issuer to be substituted with another duly incorporated Subsidiary which is in good standing under the laws of its jurisdiction of incorporation, or with the Guarantor, and that any such substitution shall take effect prior to the winding up of the Issuer.
- 1.4 If any moneys shall become payable by the Guarantor under this guarantee the Guarantor shall not, so long as the same remain unpaid:
 - (a) in respect of any amounts paid by it under this guarantee, exercise any rights of subrogation or contribution or, without limitation, any other right or remedy which may accrue to it in respect of or as a result of any such payment; or
 - (b) in respect of any other moneys for the time being due to the Guarantor by the Issuer, claim payment thereof or exercise any other right or remedy; (including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the Issuer). If, notwithstanding the foregoing, upon the bankruptcy, insolvency or liquidation of the Issuer any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantor before payment in full of all principal of, and interest on, the Notes and Coupons shall have been made to the Noteholders and Couponholders, such payment or distribution shall

be received by the Guarantor on trust for application in or towards the payment of all sums due and unpaid under these presents.

2. STATUS OF THE GUARANTEE

The Guarantor undertakes that its obligations hereunder in respect of the Guarantee of the Notes will constitute direct, unsecured and subordinated obligations of the Guarantor and rank subordinate and junior to all indebtedness of the Guarantor (other than any instrument or contractual right (including any guarantee of any Parity Securities) expressed to rank *pari passu* with the Guarantee), *pari passu* with the most senior non-cumulative preference shares of the Guarantor, if any, and senior to the other share capital of the Guarantor, including its *Azioni Privilegiate*, ordinary shares and *Azioni di Risparmio*.

3. DEPOSIT OF DEED OF GUARANTEE

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent. The Guarantor hereby acknowledges the right of every Noteholder to the production of this Deed of Guarantee.

4. STAMP DUTIES

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Guarantee, and shall indemnify each Noteholder against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

5. BENEFIT OF DEED OF GUARANTEE

5.1 Deed poll

This Deed of Guarantee shall take effect as a deed poll for the benefit of the Noteholders from time to time.

5.2 Benefit

This Deed of Guarantee shall enure to the benefit of each Noteholder and its (and any subsequent) successors and assigns, each of which shall be entitled severally and not jointly to enforce this Deed of Guarantee against the Guarantor.

5.3 Assignment

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Noteholder shall be entitled to assign all or any of its rights and benefits hereunder.

6. PARTIAL INVALIDITY

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

7. NOTICES

7.1 Address for notices

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter or fax) and shall be sent to the Guarantor at:

Address: Piazza Cordusio, 120123
Milan
Italy
Fax: +39 02 8862 8541
Attention: Philipp Waldstein/Andrea Laruccia/Nicola Grieco

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Noteholders in the manner prescribed for the giving of notices in connection with the Notes.

7.2 Effectiveness

Every notice or other communication sent in accordance with Clause 7.1 (*Address for notices*) shall be effective upon receipt by the Guarantor, provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

8. CURRENCY INDEMNITY

If any sum due from the Guarantor under this Deed of Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under this Deed of Guarantee or such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Deed of Guarantee, the Guarantor shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Guarantor and delivered to the Guarantor or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

9. LAW AND JURISDICTION

9.1 Governing law

The Deed of Guarantee will be governed by, and construed in accordance with, the laws of England, except that the subordination provisions, Clause 2 (*Status of the Guarantee*), thereof will be governed by the laws of the Republic of Italy.

9.2 English courts

The courts of England have jurisdiction to settle any dispute (a **Dispute**), arising from or connected with this Deed of Guarantee (including a dispute regarding the existence, validity or termination of this Deed of Guarantee) or the consequences of its nullity.

9.3 Appropriate forum

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

9.4 Rights of the Noteholders to take proceedings outside England

Clause 9.2 (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Clause 9 (*Law and Jurisdiction*) prevents the Noteholders from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction.

9.5 Service of Process

The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to UniCredit S.p.A., London Branch at its office at Moor House, 120 London Wall, London, EC2Y 5ET and undertakes that in the event of UniCredit S.p.A., London Branch ceasing so to act it will appoint such other person with an office in London as its agent for that purpose. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

10. MODIFICATION

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by supplemental deed poll if sanctioned by an Extraordinary Resolution and shall be binding on all Noteholders.

IN WITNESS whereof this Deed of Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

EXECUTED as a deed)
by UNICREDIT S.p.A.)
acting by)”

USE OF PROCEEDS

The gross proceeds from the issue of the Notes are equal to £350,000,000. The proceeds of the Notes will be used by the Group for its general funding purposes and to improve the regulatory capital structure of the Group.

DESCRIPTION OF THE ISSUER

HISTORY

UniCredit International Bank (Luxembourg) S.A. (UCI Luxembourg, or the Issuer) was incorporated in the Grand Duchy of Luxembourg as a limited liability company (*société anonyme*) on 30 September 2004. Following the extraordinary general meeting of shareholders dated 29 October 2004, its articles of incorporation were amended and restated and its name was changed to UniCredit International Bank (Luxembourg) S.A. with effect as of 1 November 2004.

UCI Luxembourg is registered with the Luxembourg trade and companies register under the number B.103.341 and has its registered office at 1, allée Scheffer, L-2520 Luxembourg, telephone number +352 22 08 42-1 (Switchboard). Since 1 February 2008, the address of its registered office is 8-10, rue Jean Monnet, L-2180 Luxembourg-Kirchberg.

UCI Luxembourg is a wholly owned subsidiary of UniCredit and owns 100 per cent. of a subsidiary named UniCredit Luxembourg Finance S.A., whose object is the issue of a Medium Term Note programme on the US market. The total amount of this programme is USD 10 billion.

RECENT EVENTS

In the context of the take-over of the Capitalia Group by the Banking Group UniCredit effective from 1 October 2007, UCI Luxembourg will absorb Capitalia Luxembourg S.A., with retroactive effect from 1 January 2008. There will be no change in the legal structure of the bank. The new entity will continue to perform the same activities and services described hereunder.

BUSINESS

The range of products sold or services performed by the Issuer are the following:

- a broad spectrum of asset management products and services in an open platform context which will include offering Group and third parties' products and highly personalised solutions;
- advisory work on the administrated portfolio capable of meeting the requirements of both clients geared towards trading and those looking at medium and long term investment;
- individual global wealth management services which, starting from an analysis of the client's present and prospective situation, shall identify optimal strategies for managing his wealth over time, including specialised advice on legal, tax social security and inheritance matters, supporting the main business of managing the client's financial wealth with the support, where necessary, of outside professionals; and
- setting up and administering companies under the laws of Luxembourg (Holding, SOPARFIs).

UCI Luxembourg is engaged in the business of banking and provision of financial services.

PRINCIPAL MARKETS

In market terms, UCI Luxembourg focuses on private individuals with high net investable assets as well as on non-commercial or manufacturing bodies or organisations with significant levels of funds and requirements similar to those of private clients with similar investable assets based in all countries where the Group is present.

RECENT INVESTMENTS

UCI Luxembourg did not make significant investments since the date of the last published financial statements.

SIGNIFICANT OR MATERIAL CHANGE

There has been no significant change in the financial or trading position of UCI Luxembourg since 31 December 2007, and there has been no material adverse change in the prospects of UCI Luxembourg since 31 December 2007.

CONSTITUTION

UCI Luxembourg has been incorporated pursuant to a notarial deed of Maître Frank Baden, notary residing in Luxembourg, on 30 September 2004. The articles of incorporation of UCI Luxembourg have been published in the Mémorial, Recueil des Sociétés et Associations number C-No 1040 of 18 October 2004 on page 49877.

The articles of incorporation of UCI Luxembourg have been amended and restated following a notarial deed dated 29 October 2004 and have been published in the Mémorial, Recueil de Sociétés et Associations number C-No 1183 of 20 November 2004 on page 56741.

CORPORATE OBJECTS

Pursuant to article 3 of UCI Luxembourg's articles of incorporation, UCI Luxembourg's corporate objects are the undertaking for its own account, as well as for the account of third parties, or on a joint account with third parties, either within or outside the Grand Duchy of Luxembourg, of any banking or financial operations, including but not limited to the receipt of sight or term deposits in any currencies whatsoever, the granting of and taking of participations in credits of any nature and in any currency or currencies whatsoever and in any manner whatsoever, the trading of foreign currencies, the safekeeping and managing of securities, the administration and collection of coupons including the powers to make endorsement, the discount, rediscount, selling and settlement transactions, as well as any other transaction relating to bonds, notes, bills of exchange and other obligations of any kind and the power to issue and confirm letters of credit and documentary credits of any kind and the subscription, purchase, holding and disposal of shares, stock, bonds, notes and securities of any kind of and in any other company by any means whatsoever, the organisation and management for its own account, as well as for the account of any natural person or any Luxembourg or foreign company, either within or outside the Grand Duchy of Luxembourg, of any financial or commercial investment, the performance of any operation whatsoever relating to the activity of assets manager in the widest sense of the legislation on the financial sector and of the activities of financial adviser, broker and commissioner, the provision of fiduciary and domiciliation services.

UCI Luxembourg can perform all other operations, whether industrial or commercial or on real estate, which directly or indirectly relate to its corporate object in order to facilitate the accomplishment of its purpose, however without taking advantage of the Luxembourg act dated 31 July 1929 on holding companies, as amended.

MATERIAL CONTRACTS

UCI Luxembourg has not entered into any contracts which could materially prejudice its ability to meet its obligations under the Notes.

TAX REGIME

UCI Luxembourg is a fully taxable company.

TERM

UCI Luxembourg is incorporated for an unlimited duration.

DIRECTORS

UCI Luxembourg is managed by a board of directors composed of at least three members who may, but need not also, be shareholders, who are appointed for a period not exceeding six years by the general meeting of shareholders which may at any time remove them. The directors are re-eligible.

Description of the Issuer

UCI Luxembourg complies with the laws and regulations of the Grand Duchy of Luxembourg regarding corporate governance.

The number of directors, their term and their remuneration are fixed by the general meeting of the shareholders. UCI Luxembourg is bound vis-à-vis third parties in any case by the sole signature of the Chairman, the Vice-Chairman, a Managing Director or by the joint signature of two other directors.

As at the date of this Prospectus, the following are the members of the board of directors of UCI Luxembourg and their respective business addresses:

Name	Title	Address
Jacques Santer	Chairman	69, rue J.-P. Huberty, L-1742 Luxembourg
Dario Prunotto	Vice-Chairman	via Arsenale 21 I-10121 Torino
Vladimiro Rambaldi	Director	via Carlo Alberto I-10100 Torino
Roberto Armand	Director	30, Via Parigi, I-11100 Aosta
Paolo Lupo	Director	via Arsenale 21 I-10121 Torino
Eugenio Calini	Director	63, Via Santa Franca, I-29100 Piacenza
Philipp Waldstein	Director	via San Protaso 3, I-20121 Milano
Marcello Mancini	Director	via San Protaso 3, I-20121 Milano

Below are briefly indicated the principal activities performed by the Directors outside UCI Luxembourg:

Jacques Santer — *Chairman of the Board of Directors*

- Honorary State Minister of the Grand Duchy of Luxembourg.

Dario Prunotto — *Vice-Chairman of the Board of Directors*

- C.E.O. of UniCredit Private Banking S.p.A. Turin

Vladimiro Rambaldi

- Head of General Secretary in UniCredit Private Banking Turin

Roberto Armand

- Private

Paolo Lupo

- Head of Credit Department of UniCredit Private Banking S.p.A. Turin

Eugenio Calini

- Chief Commercial Manager of UniCredit Factoring

Philipp Waldstein

- Head of Strategic Funding in UniCredit Milan

Marcello Mancini

- Manager in UniCredit Milan

CONFLICTS OF INTERESTS

UCI Luxembourg is not aware of any potential conflicts of interests between the duties to UCI Luxembourg of the foregoing directors and their private interests or other duties.

DESCRIPTION OF THE GUARANTOR

UniCredit S.p.A. (**UniCredit**), established in Genoa by way of a private deed dated 28 April 1870 with an expiry date of 31 December 2050, is incorporated as a company limited by shares and registered in the Rome Trade and Companies Register, having its registered office at Via A. Specchi, 16, 00186, Rome, Italy and having fiscal code and VAT number 00348170101. UniCredit's principal centre of business is at Piazza Cordusio 2, 20123, Milan, telephone number +39 028862 8136 (Investor Relations). The fully issued and paid-up capital of UniCredit as at 31 December 2007 amounted to €6,682,682,747.50.

The Banking Group UniCredit (the **Group**) is a full-service financial services group engaged in a wide range of banking, financial and related activities throughout Italy, Germany, Austria and numerous Central and Eastern European countries. The Group's activities include deposit-taking, lending, asset management, securities trading and brokerage, investment banking, international trade finance, corporate finance, leasing, factoring and the distribution of certain life insurance products through bank branches. At 31 December 2007, the Group served more than 40 million customers through its multi-channel distribution network comprising the 9,714 branches of its main banks, licenced bank subsidiaries in an additional 20 countries and a network of licenced financial consultants (*promotori finanziari*) operating in Italy, as well as internet and telephone banking capabilities.

At 31 December 2007, the Group was the second largest banking group in Italy in terms of market capitalisation (approximately €75.7 billion) and it had 169,816 (full time equivalent) employees. Based on total assets of €1,021,758 million at that same date, the Group was the second largest bank in Italy and Germany and the largest bank in Austria, Poland, Croatia and Bulgaria.

In 2005, UniCredit entered into a business combination with Bayerische Hypo- und Vereinsbank Aktiengesellschaft (**HVB**), a leading Munich (Germany)-based banking and financial services group with substantial operations in Germany, Austria and several Central and Eastern European countries. For additional information, see "*History — The Business Combination with the HVB Group*". Effective 1 October 2007, the Group completed its business combination with Capitalia S.p.A., a major Italian banking and financial services group with a strong presence in Central and Southern Italy. For additional information, see "*History — Business Combination with Capitalia*".

HISTORY AND DEVELOPMENTS

Formation of the Banking Group UniCredit

The Group was formed as a result of the October 1998 merger between the Credito Italiano national banking group and the UniCredit regional banking group. Pursuant to this transaction, these two leading Italian banking groups combined their product strengths and complementary geographic coverage in order to compete more effectively in the Italian and European banking and financial services markets.

Credito Italiano S.p.A., founded in 1870 under the name Banca di Genova, grew to become one of Italy's largest banking institutions with a strong geographic presence throughout Italy as well as numerous branches abroad. In 1993, the Republic of Italy sold its controlling stake in Credito Italiano, making it the first Italian bank to be privatised. In February 1995, Credito Italiano acquired a majority interest in Credito Romagnolo, which subsequently merged with Carimonte Banca to form Rolo Banca 1473 S.p.A. (**Rolo Banca**).

The UniCredit regional banking group was formed by a three-way merger in 1997 among Banca Cassa di Risparmio di Torino S.p.A. (**Banca CRT**), Cassa di Risparmio di Verona Vicenza Belluno e Ancona Banca S.p.A. (**Cariverona Banca**), which were at the time the second and third largest Italian savings banks, respectively, and Cassamarca-Cassa di Risparmio della Marca Trivigiana S.p.A. (**Cassamarca**), under the parent company UniCredito Italiano S.p.A. On 8 May 2008, the UniCredito Italiano S.p.A. extraordinary shareholders' meeting changed the name of the company to UniCredit S.p.A.

Since its formation, the Group has continued to expand in Italy, recently with the merger by incorporation with Capitalia and launched its operations in Eastern Europe through both acquisitions and organic growth. From 2005, the Group substantially expanded its international operations, chiefly in Central and Eastern Europe, through the business combination with HVB. Set forth below is a summary of the principal steps the Group has taken in its expansion process:

Description of the Guarantor

Italy

In November 1999, the Group acquired a 96.81 per cent. interest in Cassa di Risparmio di Trento e Rovereto S.p.A. (**Caritro**), in order to strengthen the Group's presence in the Italian region of Trentino-Alto Adige.

In February 2000, the Group acquired a 36.4 per cent. interest in Cassa di Risparmio di Trieste S.p.A. (**CR Trieste**), and subsequently increased this stake to 79.35 per cent. by the year end.

In June 2000, the Group acquired a controlling interest in Banca dell'Umbria S.p.A. (**Banca dell'Umbria**) and Cassa di Risparmio di Carpi S.p.A. (**CR Carpi**), regional banks based in central Italy with strong ties to their respective home regions. CR Carpi and Banca dell'Umbria were merged into UniCredit as of 1 July 2005.

In December 2002, the Group acquired, by means of a tender offer, a majority shareholding in ONBanca S.p.A. (**ONBanca**), the multi-channel bank created by Banca Popolare Commercio e Industria in 1998. Subsequently, ONBanca was merged into UniCredit effective 31 December 2002 and its network of financial consultants was contributed to the private banking/asset management division of UniCredit Xelion Banca.

In July 2003, the Group agreed to acquire from Gruppo ING Groep N.V. the entire share capital of ING Sviluppo Finanziaria S.p.A. (**ING Sviluppo**), a holding company controlling a group of entities engaged in asset management and distribution of financial and savings products through financial advisers, as well as the retail and private banking assets of ING Bank N.V. (the Italian branch of ING Bank). Following the acquisition, ING Sviluppo was reorganised and its network of financial consultants was transferred to UniCredit Xelion Banca S.p.A. ING Sviluppo was merged into UniCredit as of 1 May 2005.

As of 31 December 2003, the Group acquired, through UniCredit Banca per la Casa S.p.A., the mortgage business of Abbey National Bank Italy, the Italian branch of Abbey National Plc.

Central and Eastern Europe

In August 1999, the Group acquired a 50.09 per cent. stake in Bank Polska Kasa Opieki (**Bank Pekao**). The Group has subsequently increased its stake in Bank Pekao to 52.93 per cent. Other significant shareholders of Bank Pekao include the European Bank for Reconstruction and Development, the Allianz Group and the Polish Ministry of the Treasury, with approximately 37 per cent. of Bank Pekao's share capital being held by the market.

In October 2000, the Group acquired 51.23 per cent. of the capital stock of Pol'nobanka, the sixth largest Slovakian bank by total assets. The Group has subsequently increased its stake in Pol'nobanka to 77.21 per cent. On 1 April 2002, Pol'nobanka changed its name to UniBanka.

In October 2000, the Group acquired a 93 per cent. interest in Bulbank. The Group has subsequently reduced its stake in Bulbank to 85.2 per cent. Following further acquisitions from a minority shareholder, the Group currently owns 86.13 per cent. of Bulbank.

In November 2000, the Group acquired a 9.96 per cent. stake in Zagrebacka Banka (**Zagrebacka**). In January 2002, the Group and its consortium partner Allianz launched a public tender offer to acquire control of Zagrebacka. Approximately 60.06 per cent. of the shares of Zagrebacka were tendered pursuant to this tender offer, which increased the consortium's aggregate stake in Zagrebacka to 80.02 per cent. Following a mandatory residual offer that was launched in March 2002 and completed in May 2002, the Group increased its ownership of Zagrebacka's voting share capital to 82.47 per cent. The Group has subsequently reduced its holding to 81.91 per cent. At 31 December 2007, Zagrebacka had total assets of HRK 90,397 million, operated a network of approximately 145 location and branch offices and had 6,604 employees (full time equivalent).

In June 2002, the Group acquired 82.5 per cent. of the share capital of Demirbank Romania S.A. (subsequently renamed UniCredit Romania S.A.) and 81.88 per cent. of the share capital of Demir Romlease S.A., an affiliate of UniCredit Romania, from DemirBank. In December 2002, the Group acquired an additional 17.34 per cent. equity interest in UniCredit Romania from three investment funds. In October 2002, the Group entered into a 50/50 joint venture with the Koç Group in Koç Finansal Hizmetler A.S. (**KFS**), a leading financial services institution in Turkey providing banking, brokerage, asset management, leasing, factoring and international banking services. Since the Group does not have exclusive control of this entity, KFS does not form part of the Group for Italian bank regulatory purpose. On 29 September 2005, KFS

Description of the Guarantor

acquired 57.4 per cent. of the share capital of Yapi ve Kredi Bankasi A.S. (**Yapi Kredi**), the sixth largest Turkish bank in terms of book assets, whose operations include all areas of banking and financial services. Following finalisation of the transaction and approval from the Turkish Capital Markets Board, KFS launched a public offer for the remaining shares of Yapi Kredi, following which its stake in Yapi Kredi was increased by 0.005 per cent. Koç Bank has subsequently increased its stake in Yapi Kredi to 67.3 per cent. Effective 2 October 2006, Koç Bank was merged into Yapi Kredi and KFS owns 80.27 per cent. of Yapi Kredi.

In February 2003, the Group acquired 85.16 per cent. of the share capital of Zivnostenska Banka a.s. (**ZB**), among the largest commercial banks in the Czech Republic in terms of total assets, from Bankgesellschaft Berlin AG. The Group has subsequently increased its stake in ZB to 96.63 per cent.

In July 2004, through Locat S.p.A. (**Locat**), the Group created a joint venture, ZAO Locat Leasing Russia, owned by Locat S.p.A. (51 per cent.), Simest S.p.A. (25 per cent.), Finest S.p.A. (8 per cent.) and OAO Rosno (16 per cent.), a Russian insurance company. In October 2005, the Group increased its stake in ZAO Locat Leasing Russia by acquiring an additional 11 per cent. of the company's share capital from OAO Rosno.

The Group acquired a 26.4 per cent. stake in International Moscow Bank (**IMB**) from Nordea Bank Finland plc in June 2006, which was increased to 90.03 per cent. in December 2006 through the purchase of additional shares from VTB Bank France (a subsidiary of Vneshtorgbank). Subsequently, in July 2007, the Group acquired the remaining shares in IMB from the European Bank for Reconstruction and Development (**EBRD**), thereby becoming the sole shareholder of IMB. IMB, a universal bank offering a comprehensive product and service range to approximately 20,000 individual, SME and corporate clients through its 55 outlets in 20 out of 88 Regions of the Russian Federation, is now a wholly owned subsidiary of BA-CA. IMB is one of the top ten Russian banks by total assets. To further strengthen the bank's position in the market and to support its growth ambitions BA-CA subscribed a capital increase of US\$300 million that was registered in the third quarter of 2007.

On 30 June 2006, BA-CA (as defined below) completed the sale of its 99.74 per cent. stake in Splitska Banka to Société Générale for an aggregate consideration of €1 billion. Splitska Banka was sold in order to comply with the demands made by the Croatian regulatory authority in relation to the business combination between UniCredit and HVB, in view of the fact that Zagrebacka is a market leader in Croatia.

On 5 July 2007, BA-CA signed an agreement to acquire from a group of investors represented by the Interpipe Group a majority interest of about 95 per cent. of the share capital of JSCB Ukrsotsbank, a Ukrainian bank, for approximately €100 million.

Following authorisation by the Italian Antitrust Authority, on 31 August 2007, Locat finalised the sale of its 50 per cent. stake in LocatRent S.p.A. to ALD Automotive (Société Générale Group). The transaction is consistent with the strategy of efficiently managing the Group's strategic portfolio.

The Group is currently in the process of consolidating its operations in countries where, as a result of the HVB Business Combination, it has more than one bank. The process of reorganisation in the CEE countries where the Group operates has taken place through the following transactions:

- On 1 April 2007, HVB Bank Slovakia was merged into UniBanka to form UniCredit Banka Slovakia A.S.;
- on 27 April 2007, HVB Bank Biochim A.D. and Bank Hebros A.D. were merged into Bulbank to form UniCredit Bulbank A.D.;
- on 1 June 2007, UniCredit Romania S.A. merged into Banca Comerciala HVB Tiriace S.A. to form UniCredit Tiriace Bank S.A.;
- on 5 November 2007, Zivnostenska banka and HVB Bank Czech Republic a.s. merged to form UniCredit Bank Czech Republic a.s.; and
- on 29 February 2008, UniCredit Zagrebacka banka d.d. Mostar and HVB Central Profit Banka d.d. Sarajevo merged into the new UniCredit Bank d.d. Mostar.

Description of the Guarantor

As part of the further expansion of the Group in the CEE region, in November 2007 BA-CA acquired a 91.8 per cent. stake in ATF Bank (ATF), the third largest bank and largest foreign-owned bank in Kazakhstan with consolidated assets of €5.6 billion at year-end and a market share of 9.2 per cent. in total assets as of 30 September 2007. ATF operates through a branch network of 140 branches throughout Kazakhstan, as well as subsidiaries and affiliates in Kazakhstan, Kyrgyzstan, Tajikistan and Russia (Omsk region). In accordance with Kazakh law applicable to joint stock companies, on November 17, 2007 BA-CA launched a mandatory public offering for remaining shares at a price of KZT 10,180.93 (equal to US\$ 84.37) for each ordinary share and KZT 5,675.11 (equal to US\$ 47.03) for each preferred share, which, in both cases, represents the price per share agreed to by BA-CA with ATF's majority shareholders. The offer was blocked by an emergency order from the competent Kazakh court obtained by one of ATF's minority shareholders. At the time the mandatory public offering was blocked, BA-CA had legally purchased additional shares of ATF increasing its stake to 92.9 per cent. of share capital. Total consideration paid for the ATF stake amounted to approximately €1,592 million, plus a post-closing adjustment based on ATF's net asset value at closing.

On 23 January 2008 UniCredit announced that BA-CA had finalised the acquisition of 94.2 per cent. of the total issued share capital of CJSC Ukrspotsbank (USB) from a group of investors represented by EastOne, an international investment advisory firm. The purchase price at closing was €1,525 million and the final consideration included a post-closing adjustment based on USB's net asset value at closing. USB is the fourth largest bank in the Ukraine in terms of loans to customers and deposits listed on the Ukrainian Stock Exchange. As of 31 December 2007, USB had a distribution network of 508 branches and managed assets totalling approximately €4.2 billion.

United States

In October 2000, UniCredit acquired the Global Investment Management division of the U.S.-based Pioneer Group (**Pioneer**). Following this acquisition, the Group consolidated its asset management businesses under a newly formed holding company named Pioneer Global Asset Management S.p.A. (**PGAM**). In November 2002, PGAM acquired 100 per cent. of Momentum Asset Management and its worldwide subsidiaries.

On 13 December 2004, Pioneer Investments Management USA Inc. (**PIM USA**) acquired from Safeco Asset Management, an affiliate of Safeco Life Insurance Company, the management of 22 mutual funds comprising total assets of \$3.6 billion.

In January 2005, Pioneer Investment Management USA Inc. acquired a 49 per cent. shareholding in Oak Ridge Investments LLC, which is mainly active in the separate managed accounts business.

In December 2005, through PIM USA, the Group acquired a 100 per cent. interest in Vanderbilt Capital Advisors LLC, an asset management company incorporated under the laws of the state of Delaware.

On 5 October 2007, Pioneer Investments signed a joint venture agreement with Bank of Baroda in India, in a major strategic move to extend its presence in one of the world's fastest growing mutual fund markets. A memorandum of understanding was signed in February 2008, and the partnership agreement with Bank of Baroda has been notified to the local authorities. The agreement provides for the purchase by Pioneer Investments of a 51 per cent. stake in Bank of Baroda's asset management firm, to be renamed Baroda Pioneer Asset Management Company. The finalisation of this transaction is subject to approval by the regulatory authorities in India and in Italy.

THE BUSINESS COMBINATION WITH THE HVB GROUP

On 12 June 2005 the Group entered into a business combination agreement with HVB (the **Business Combination Agreement**) setting forth the basic agreements and understandings relating to the combination of the Group and HVB Group (the **Business Combination**), the transaction structure and the future organisational and corporate governance structure of the combined group resulting from the Business Combination (also the **New Group**). At the time of the Business Combination Agreement, HVB owned, among others, a 77.5 per cent. stake in Bank Austria Creditanstalt A.G. (**BA-CA**), and, indirectly through BA-CA, a 71.2 per cent. stake in Bank BPH S.A., a Polish listed bank (**BPH**). Therefore, the Business Combination Agreement provided for the terms and conditions of three public tender offers in Germany, Austria and Poland for all outstanding shares of (i) HVB (the **HVB Offer**), (ii) BA-CA (the **BA-CA Offer**), and (iii) BPH (the **BPH Offer** and together with the HVB Offer and the BA-CA Offer, the **Tender Offers**). The Business Combination

Description of the Guarantor

was approved by the Bank of Italy and the Bundesanstalt für Finanzdienstleistungsaufsicht (**BaFin**) on 21 July 2005. On 29 July 2005, the UniCredit shareholders' meeting approved a capital increase of up to €2,343,642,931.00 by means of the issuance of up to 4,687,285,862 ordinary shares of UniCredit against delivery of HVB, BA-CA, and BPH shares in the Tender Offers.

HVB OFFER

On 26 August 2005, UniCredit published the offer document for the purchase of all of the common shares (the **HVB Common Shares**) and for all of the preferred shares of HVB (the **HVB Preferred Shares**). UniCredit offered five new ordinary shares of UniCredit in exchange for each HVB Common Share and HVB Preferred Share. On 1 September 2005, the Management Board and the Supervisory Board of HVB published their opinions (*Stellungnahmen*).

Upon expiry of all applicable acceptance periods for the offer on 11 November 2005, 690,555,346 HVB Common Shares and 14,553,600 HVB Preferred Shares, representing approximately 93.93 per cent. of the registered share capital and of the voting rights of HVB, had been tendered in the HVB Offer and were exchanged for 3,525,544,730 newly issued UniCredit ordinary shares. UniCredit's ordinary shares were admitted to listing on the Frankfurt Stock Exchange on 21 November 2005, with trading commencing on 23 November 2005.

In January 2007, UniCredit initiated procedures to effect the squeeze-out of minority shareholders of HVB. At that time UniCredit held approximately 95.45 per cent. of the share capital of HVB after having acquired an additional 1.23 per cent. on the market.

The squeeze-out transaction of HVB was approved by its shareholder meeting on 27 June 2007. Subsequently, certain shareholders of HVB challenged this transaction, alleging that the squeeze-out price was not fair and seeking damages. See "*Business – Litigation*".

BA-CA Offer

Also on 26 August 2005, UniCredit published the offer document for the purchase of all no-par-value bearer shares and all registered shares of BA-CA that HVB did not then hold (the **BA-CA Shares**). UniCredit offered 19.92 newly issued UniCredit ordinary shares or, alternatively, €79.60 in cash for each BA-CA share. Upon expiry of all applicable acceptance periods for the offer on 18 November 2005, 25,657,724 BA-CA Shares had been tendered, representing approximately 17.45 per cent. of the share capital and voting rights of BA-CA. Of these, 25,598,893 were tendered in the share-for-share exchange offer and 58,831 were tendered in the cash offer. Such shares, when added to HVB's 77.53 per cent. shareholding in BA-CA, represented approximately 94.98 per cent. of the aggregate share capital of BA-CA. On 30 November 2005 the Board of Directors approved the issuance of 509,929,948 new UniCredit ordinary shares to be paid as consideration in the share-for-share exchange portion of the BA-CA Offer.

On 4 August 2006, the board of directors of UniCredit and the supervisory board of BA-CA approved:

- (i) the transfer to UniCredit of BA-CA's 71.03 per cent. stake in BPH; and
- (ii) the contribution by UniCredit to BA-CA of its New Europe banks, excluding Bank Pekao, which includes UniCredit's holdings in Koç Finansal Hizmetler (50.00 per cent.), Zagrebka (81.91 per cent.), of Bulbank (86.13 per cent.), Zivnostenska (100.00 per cent.), UniBanka a.s. (97.11 per cent.) and UniCredit Romania (99.95 per cent.).

The transfer to UniCredit of the 71.03 per cent. stake BA-CA held in BPH took place on 3 November 2006 and it was made against a total consideration of €4.3 billion to be paid in four instalments, while the New Europe banks will be contributed to BA-CA in exchange for 55,000,000 newly issued BA-CA shares. Following completion of the contribution in kind, UniCredit's direct and indirect stake in BA-CA is expected to increase from 94.98 per cent. to 96.35 per cent. In subsequent steps of the same project, HVB transferred to UniCredit its 77.53 per cent. stake in BA-CA for a total consideration of €12.5 billion and its 100 per cent. participation in HVB Ukraine for a total consideration of €83 million. In January 2007, UniCredit initiated procedures to effect the squeeze-out of minority shareholders of BA-CA. At that time UniCredit held approximately 96.35 per cent. of the share capital of BA-CA.

Description of the Guarantor

The squeeze-out transaction of BA-CA was approved by its shareholder meeting on 3 May 2007. Subsequently, certain shareholders of BA-CA challenged this transaction, alleging that the squeeze-out price was not fair and seeking damages. This litigation was settled on 21 May 2008. See “*Business – Litigation*”.

BPH Offer

On 29 July 2005, UniCredit filed a request with the Polish Banking Supervisory Commission (BSC) for authorisation to acquire indirect control of BPH and to exercise voting rights at BPH’s shareholders’ meeting for over 75 per cent. of BPH’s share capital. Following (i) the introduction of new Polish tender offer legislation in October 2005 and (ii) the acquisition of control of HVB on 17 November 2005, UniCredit became subject to the obligation to launch a mandatory public tender offer for all outstanding BPH shares on or before 17 February 2006.

On 20 January 2006, UniCredit communicated to the Polish Securities and Exchange Commission, the Warsaw Stock Exchange and the Polish Press Agency its mandatory public tender offer for the 8,318,645 shares (representing 28.97 per cent. of the share capital) of BPH that UniCredit did not already indirectly own.

The price offered for each Bank BPH share was Polish Zloty 702.11 in cash, which was determined in compliance with the minimum price requirements provided by applicable Polish law. The acceptance period of the BPH Offer expired on 1 March 2006. Upon expiry of the acceptance period, no BPH shares had been tendered in the offer.

On 5 April 2006, the BSC authorised UniCredit to exercise its voting rights in BPH (through BA-CA).

On 19 April 2006, UniCredit entered into an agreement with the Polish Treasury Minister (MST) pursuant to which UniCredit agreed to (i) sell 200 existing branches of Bank Pekao and BPH together with the support services and infrastructure necessary for carrying out their business, (ii) not implement any staff reductions in the Bank Pekao and BPH banks by lay-offs prior to 31 March 2008 and (iii) grant the MST the right to appoint two members to the BPH supervisory board.

THE BUSINESS COMBINATION WITH THE CAPITALIA GROUP

On 20 May 2007 UniCredit’s board of directors and the board of directors of Capitalia S.p.A. (Capitalia) approved the merger of Capitalia into UniCredit, which was subsequently approved by the shareholders’ meetings of both UniCredit and Capitalia on 30 July 2007 (the **Merger**).

The Merger was effected by way of incorporation of Capitalia into UniCredit and each Capitalia ordinary share was exchanged for 1.12 ordinary shares of UniCredit. As a consequence of the Merger, Capitalia ceased to exist and all of its assets, rights and obligations have been transferred to UniCredit.

The Merger was authorised by the Bank of Italy on 26 June 2007. It also received the authorisation of the Italian Antitrust Authority on 19 September 2007, conditional upon the fulfillment of certain remedies proposed by UniCredit during the investigation carried out by the regulator. Such measures have been considered to be appropriate in order to avoid any anticompetitive effects deriving from the Merger and include:

- the sale by UniCredit of a number of branches comprised between a minimum of 155 and a maximum of 180 (selected according to the level of average deposits per branch in the relevant district) in 16 Italian districts to one or more third parties who are not shareholders in the new bank;
- a significant reduction of commissions for ATM cash withdrawals at other banks’ outlets, cancellation of commissions for ATM withdrawals at approximately 8,000 branches of competing banks located in approximately 4,000 municipalities in Italy where the Group will not have ATMs and cancellation of commissions for ATM withdrawals made by clients of the new bank abroad at the ATMs of banks belonging to the Group;
- the sale by UniCredit of its entire shareholdings in Assicurazioni Generali S.p.A. (representing 4.5 per cent. of its share capital, including 0.051 per cent. of shares held in pledge) and a commitment (i) not to create, or to participate in, future shareholder agreements relating to Assicurazioni Generali Group’s

Description of the Guarantor

shares; (ii) not to enter into partnerships or production and/or distribution agreements with Assicurazioni Generali S.p.A. or any other company in the Generali Group and not to hold, directly or indirectly, shareholdings in Assicurazioni Generali S.p.A. or any other company in the Assicurazioni Generali Group, as long as UniCredit is a shareholder of Mediobanca S.p.A.;

- the prohibition of the members of UniCredit's Board of Directors, who hold an office in the corporate bodies of Mediobanca S.p.A. and/or Assicurazioni Generali S.p.A., from participating in the discussion and adoption of resolutions concerning the Italian investment banking and insurance markets;
- the adoption by UniCredit of organisational measures aimed at not disclosing confidential information concerning the above investment banking and insurance markets to such members of UniCredit's Board of Directors;
- a reduction of the equity stake held by UniCredit in Mediobanca S.p.A. by means of the sale of an interest representing 9.4 per cent. of its share capital;
- the prohibition on UniCredit to increase, directly or indirectly, the 8.68 per cent. stake in Mediobanca S.p.A. that it will hold after completion of the sale described above.

UniCredit and Capitalia executed the merger deed on 25 September 2007, which became effective as of 1 October 2007.

Capital Increases Instrumental to the Merger

Further to the Merger and on the basis of the exchange rate, UniCredit authorised the issuance of up to 2,947,094,176 new ordinary shares with a par value of €0.50 each, which were issued in exchange for the outstanding Capitalia ordinary shares as of the effective date of the Merger, pursuant to the Merger exchange rate.

The shareholders' meeting of UniCredit also approved four capital increases for an overall maximum nominal amount of €17,731,028 through the issuance of up to 35,462,056 ordinary shares to serve the subscription rights to be assigned in exchange of the warrants issued by Capitalia pursuant to the incentive plans already approved and exercisable.

The issue of UniCredit's ordinary shares for the purposes of the exchange rate resulting from the Merger would lead to a dilution of the participations of UniCredit's current shareholders of approximately 22 per cent.

Dissenters' rights in connection with the Merger

Under Italian law, holders of shares absent, abstaining or voting against the Merger in the Capitalia extraordinary shareholders' meeting were entitled to exercise dissenters' rights and request liquidation of their Capitalia shares pursuant to Articles 2437 *et seq.* of the Italian Civil Code. This is due to the fact that UniCredit's by-laws set a limitation on voting rights at 5 per cent. of its voting capital, to which the Capitalia shareholders would have become subject by effect of the Merger. Pursuant to Article 2437-*ter* of the Italian Civil Code, such liquidation value is calculated solely on the basis of the simple average of the closing price for the Capitalia shares on the stock exchange for the six-month period preceding the date on which the extraordinary shareholders' meeting convened to approve the Merger was called, and was determined to be €7.015 for each Capitalia share.

Shareholders of Capitalia exercised dissenters' rights in connection with the Merger with respect to 82,702,150 Capitalia shares, representing approximately 3.2 per cent. of the total share capital of Capitalia at the time of the Merger. Pursuant to the liquidation procedure provided for in Article 2437-*ter* of the Italian Civil Code, such Capitalia shares were offered for purchase, at their liquidation value indicated above, *pro-rata* to the other holders of former Capitalia shares, who had not exercised their dissenters' rights. Upon expiration of the offer period on 3 October 2007, 7,851,704 shares were allocated to other former shareholders of Capitalia and exchanged into 8,793,908 UniCredit ordinary shares effective 15 October 2007. The remaining 74,851,696 Capitalia shares, equal to 83,833,899 UniCredit ordinary shares on the basis of the 1.12 Merger exchange ratio, will be liquidated by means of an offer on the market and, subsequently,

Description of the Guarantor

through mandatory purchase by UniCredit using distributable reserves, pursuant to Art 2437-*quater*, paragraphs 4 and 5, of the Italian Civil Code.

Transaction Rationale

Management believes that merging with Capitalia will allow the Group to grow further by means of consolidation in its core markets, Italy, Germany, Austria, and Central-Eastern Europe, in order to strengthen its position in markets where it already operates and benefit from economies of scale in both production and distribution. Management also expects the Merger to make it possible to achieve further growth options both in the Italian and in other European markets, thanks to the greater scale of the product factories and to the Group's larger size.

In the Italian market, the Merger is first of all expected to make it possible for the Group to strengthen its distribution network and increase its market share in certain Italian regions that are attractive in terms of profitability but where it is currently under-represented (including Lombardia, Lazio, Sicily and Apulia), thereby enabling it to establish a more balanced coverage of the Italian market. Following the Merger, the Group's branches will be almost equally distributed between the North West, the North East, the Centre, the South and the islands of Italy, thereby rebalancing its representation in all areas, previously more concentrated in Northeastern Italy. Management also expects the Merger to result in the strengthening of the Group's position in certain specialised businesses, including leasing, factoring and bancassurance. UniCredit will also significantly increase its network of financial promoters, from approximately 1,900 to more than 3,000, and significantly expand its online banking business, following the integration of FinecoBank S.p.A.

Management believes that the Merger will also generate economies of scale in the production businesses, by allowing the Group to benefit from an increase in assets under management as well as in the scope and depth of its large corporate and investment banking businesses. Furthermore, the specialist skills developed by Capitalia in certain business segments, such as structured finance and subsidised loans, will enrich the Group's know-how and may be put to wider use on a European scale.

In the international market, the increased scale of the Group's business will increase the possibility of generating economies of scale and allow it to position itself as an aggregation centre in the global markets. UniCredit will however maintain its distinctly European character, as management expects more than 50 per cent. of the Group's post-merger revenues to continue to originate from outside Italy.

Management estimates that UniCredit will become the third largest European bank in terms of market capitalisation and the largest in the Euro zone. This will allow the negotiation of possible further international combinations, granting the Group a position of greater strength and at the same time ensuring greater financial solidity. The Merger will also enable the Group to increase the proportion of its revenues deriving from the retail business, consequently giving greater stability to its profitability.

Organisational Model of the Group resulting from the Merger

Following the Merger, the Group's organisational model continues to be based on business lines focused on customer segments and common product factories.

Immediately prior to the Merger, Capitalia operated through the following five business segments (see "*Segment Reporting Capitalia Business*"):

- Retail
- Corporate
- Wholesale and Investment Banking
- Financial Services
- Corporate Centre

Also, similar to the Group, Capitalia's business organisational structure separated the distribution network from product factories. Management believes that the great similarities between the organisational structure

Description of the Guarantor

of the two Groups will enable an easier, smoother and faster integration of Capitalia into the Group, despite certain differences due to the smaller scale of certain business lines of the Capitalia Group and to its almost exclusive concentration on the Italian market.

In particular, in connection with the retail business line in the Italian market, management foresees the adoption of a regional distribution structure and the creation of three retail banks in Italy, leveraging on the position of UniCredit Banca the Italian retail bank of the current Group in Northern Italy, of Banca di Roma S.p.A. (**Banca di Roma**) in Central and Southern Italy and of Banco di Sicilia S.p.A. (**Banco di Sicilia**) in Sicily. Banco di Sicilia will however maintain its three historic branches in Milan, Rome and Turin, and management expects to add the UniCredit name to that of each of these banks. From an operational viewpoint, the reorganisation will involve the transfer of certain businesses related to private banking and corporate client segments currently carried on by Capitalia's commercial banks to UniCredit Private Banking and UniCredit Banca d'Impresa, the consolidation of Bipop Carire S.p.A. (**Bipop Carire**) into UniCredit Banca and the transfer of UniCredit's branches located in Central-Southern Italy and Sicily to Banca di Roma and Banco di Sicilia, respectively.

With reference to the Markets & Investment Banking business line, Mediocredito Centrale S.p.A. (**MCC**) will become the Group's house bank for public sector entities in Italy, in order to take advantage of the specific expertise developed there.

Product development will be carried out by global product factories, with the complete integration of Capitalia's and UniCredit's current product factories:

- Consumer credit, credit cards and mortgage business, currently managed by FinecoBank for Capitalia, will be transferred to UniCredit's specialised factories, UniCredit Clarima Banca (consumer credit and credit cards) and UniCredit Banca per la Casa (mortgages), respectively;
- Activities related to trading on-line will continue to be managed by FinecoBank, currently a leader in the Italian market in this business;
- MCC's and Capitalia's leasing, factoring and investment banking activities will be transferred to UniCredit's specialised companies (Locat, UniCredit Factoring and HVB, respectively).

With reference to the Private Banking and Asset Management business line, FinecoBank S.p.A. (**FinecoBank**) will become the Group's reference company for asset gathering. With regard to asset management, however, in order to benefit from Pioneer's scale and brand recognition at a global level, and to achieve cost savings in overlapping areas, shareholdings in Capitalia Asset Management and Capitalia Investimenti Alternativi will be transferred to Pioneer Global Asset Management, UniCredit's sub-holding company for this segment.

Information technology and operations activities, including activities currently managed by Capitalia Informatica, will be integrated into UniCredit Global Information Services and UniCredit Produzioni Accentrate. The Global Banking Services business line will maintain responsibility for improving the cost structure and the internal processes of the Group, providing services to the other business lines in the area of information technology services, organisation, operations, traditional services, procurement and real estate management.

Governance of the Group

Following the Merger, UniCredit, as the Group's parent company, maintains responsibility for managing and coordinating the new Group.

UniCredit maintains a traditional governance system, i.e. a board of directors with management functions and a board of statutory auditors (*collegio sindacale*) with internal control functions. Simultaneously with the approval of the Merger, the boards of directors of UniCredit and Capitalia have approved a "Supplementary Agreement" providing, *inter alia*, the governance structure of UniCredit. Pursuant to such agreement, three directors of Capitalia were appointed to the board of directors of UniCredit, together with Mr. Libonati, who took the place (as deputy chairman of the Group's board of directors) of Mr. Geronzi, formerly the Chairman of the board of directors of Capitalia. It is also provided that 40 per cent. of the directors of Banca di Roma, Banco di Sicilia, Fineco and MCC will be selected, alternatively, either among the current directors of such

Description of the Guarantor

companies or among primary representatives of the local business community for the first mandate after the Merger.

The registered offices of the new Combined Group were moved to Rome.

The Capitalia Group

Information contained in this Prospectus that concerns Capitalia, or the results of the integration of Capitalia into the Group, is based on publicly available information (including filings made by Capitalia with Consob). Prior to acquisition of control of Capitalia on 1 October 2007, UniCredit had only very limited, or no, access to its business or operations and the Group is only in the early stages of preparing for the integration of Capitalia into the Group. As a result, UniCredit has not verified and cannot take responsibility for any such information, which may be inaccurate or incomplete, including as a result of Capitalia's failure to make disclosures that would correct such inaccuracies or remedy such incompleteness.

Capitalia is the parent and holding company of the Capitalia Group, which at 30 June 2007 was Italy's fourth largest banking group with €9.7 billion in shareholders' equity. As a result of the merger with UniCredit, effective 1 October 2007, Capitalia was merged with and into UniCredit and ceased to exist, and all of its assets, rights and obligations were transferred to UniCredit.

At 30 June 2007 and for the six-month period then ended, the Capitalia Group reported direct deposits and securities in issue of €103 billion, total loans to customers of €104 billion, assets under management of about €28.5 billion, total revenues of €2.5 billion and net profit of €531 million. At 30 June 2007, it had more than 2,000 branches in Italy and was present in 26 foreign countries with branches and representative offices. At the same date, the Capitalia Group served approximately 5 million customers and had approximately 29,000 employees.

The Capitalia Group provides the full range of traditional banking products and services through its three main "Commercial Banks": Banca di Roma, Banco di Sicilia and Bipop Carire, to retail, private, corporate and institutional customers. The Capitalia Group also offers, through MCC, sophisticated lending and other products and services tailored to the needs of corporate customers, including project finance, leasing and factoring, industrial long-term loans, development loans and export finance, either directly or through the Capitalia Group's commercial banks, and provides through FinecoBank, one of Europe's largest on-line banks, online banking and brokerage services, mortgage and personal finance, as well as credit card processing. MCC and FinecoBank are part of the business line called "Specialist Banks and Product Factories." Capitalia also owned Capitalia Informatica, Capitalia Services JV and Capitalia Solutions S.p.A., which comprised its "Providers of Shares Services" business line, providing together with other companies which were part of the Capitalia Group, several specialist services for the entire Capitalia Group. These lines were integrated into the Group's divisions and corporate functions structure as part of the reorganisation process commenced after the Merger was completed.

Capitalia controlled 100 per cent. of its two sub-holdings, Capitalia Partecipazioni S.p.A. and Capitalia Merchant S.p.A., responsible for the management of strategic and non-strategic participations, respectively. In addition, Capitalia held direct participations in the insurance companies CNP Capitalia Vita S.p.A. (CNP Capitalia Vita, 16.9 per cent. directly owned by Capitalia, and 38.8 per cent. by the Capitalia Group as a whole) and Capitalia Assicurazioni S.p.A. (Capitalia Assicurazioni, formerly Fineco Assicurazioni S.p.A., now 49 per cent. owned by the Capitalia Group, following the transfer of 51 per cent. of its share capital to Fondiaria-SAI in 2006).

On 20 May 2007 the board of Directors of Capitalia approved the merger of Capitalia into UniCredit, a process that was completed on 1 October 2007.

Capitalia S.p.A.

Capitalia S.p.A., formerly the parent and holding company of the Capitalia Group, was in charge of, *inter alia*, strategic and governance guidelines, credit and risk policies, finance and monitoring of commercial activities for the entire Capitalia Group.

Capitalia was responsible for managing the business lines through which the Capitalia Group operated: Commercial Banks, Specialist Banks and Product Factories, Corporate, Credit Policy, Finance & Markets. It

Description of the Guarantor

also controlled the following operational units: systems and organisation, tax and financial reporting, human resources, operations, legal and corporate affairs. The organisation of Capitalia also comprised seven staff areas, reporting directly to its board of directors, including internal audit, risk measurement and control and investor relations.

Capitalia was also responsible for coordination and support of the subsidiaries of its sub-holding Fineco, previously provided by Fineco and coordinated and monitored the activities carried out by the companies that provided services for the entire Capitalia Group, i.e., Capitalia Informatica, Capitalia Service JV and Capitalia Solutions.

Pending the reorganisation of the combined group following the Merger into UniCredit, these functions have been transferred to UniCredit.

RECENT DEVELOPMENTS

Sale of Shareholding in Bank BPH

On 17 June 2008, UniCredit transferred an approximately 66 per cent. shareholding in Bank BPH to GE Money Bank, a Polish Bank belonging to the global consumer lending division of General Electric. Prior to the sale, UniCredit held 71.03 per cent. of the corporate capital of Bank BPH. The transaction also envisaged the sale by CABET Holding, a wholly-owned subsidiary of BA-CA, of its 49.9 per cent. shareholding in BPH TFI (a wholly-owned subsidiary of Bank BPH operating in the asset management sector) to GE Capital Corporation on 18 June 2008. The aggregate purchase price of the transaction amounted to €625.5 million in cash, and will generate a positive impact on UniCredit's Core Tier 1 ratio equal to approximately 7 basis points. This transaction represented the last step of the agreement between UniCredit and the Polish Ministry of State Treasury of 19 April 2006 (see "*The Business Combination with the HVB Group – BPH Offer*", above).

First Quarter 2008 Consolidated Results

On 8 May 2008, UniCredit announced its consolidated results for the first quarter of 2008, approved by the Board of Directors on 7 May 2008. The Group's net profits were approximately €1 billion, a 51 per cent. decrease from the first quarter of 2007, but showed a 15 per cent. growth in the commercial banking sector. The first quarter results were influenced by the current negative conditions in the international financial markets; however, the losses registered in the Markets and Investment Banking division were balanced by the positive results of the Group's commercial banking activities which benefited from the geographic and sector diversification policy adopted by the Group.

THE CURRENT ORGANISATIONAL STRUCTURE

In 2008, the Group reorganised its business divisions structure into eight operating divisions, which are client-based and territorially focused, "product factories" and "Global Service Factories", companies which provide common services.

Within the Group there is a clear distinction between distribution activities, which are undertaken by commercial banks, and global specialised companies, which focus on specialised services and products distributed through their own networks, the Group's networks and third parties.

In July 2007 the Group adopted an organisational structure based on three different management and coordination areas, allocated to three different Deputy CEOs, to whom the divisions, divided according to the business and geographical area covered, report.

In order to increase its competition capacity and improve its policy functions and its control of governance and risk profile functions, UniCredit structured itself in the following way:

- **Policy, support and control functions**, which have as their main objective the orientation, control and support of the Group as a whole and of its individual entities in relation to Planning, Finance and Administration, Risk Management, Compliance and Corporate Affairs, Human Resources, Internal Audit, Group M&A and Business Development, Institutional and Regulatory Strategic Advisory.

Description of the Guarantor

- **Organisational and service functions**, which ensure quality and efficiency of the services provided by UniCredit and the Group's Global Service Factories, and also provide legal support functions in relation to M&A activities, Group Information and Communication Technology, Group Organisation & Logistics and Banking Services (which together constitute the "Global Banking Services"), Human Resources Global Services, Legal Affairs, Legal Merger & Acquisition, Group Identity & Communications.
- **Operating divisions**, whose main objective is to maximise long-term value in their relevant markets, focusing mainly on client management, product development, marketing, sales and distribution and having primary responsibility within the Group for strategy implementation.

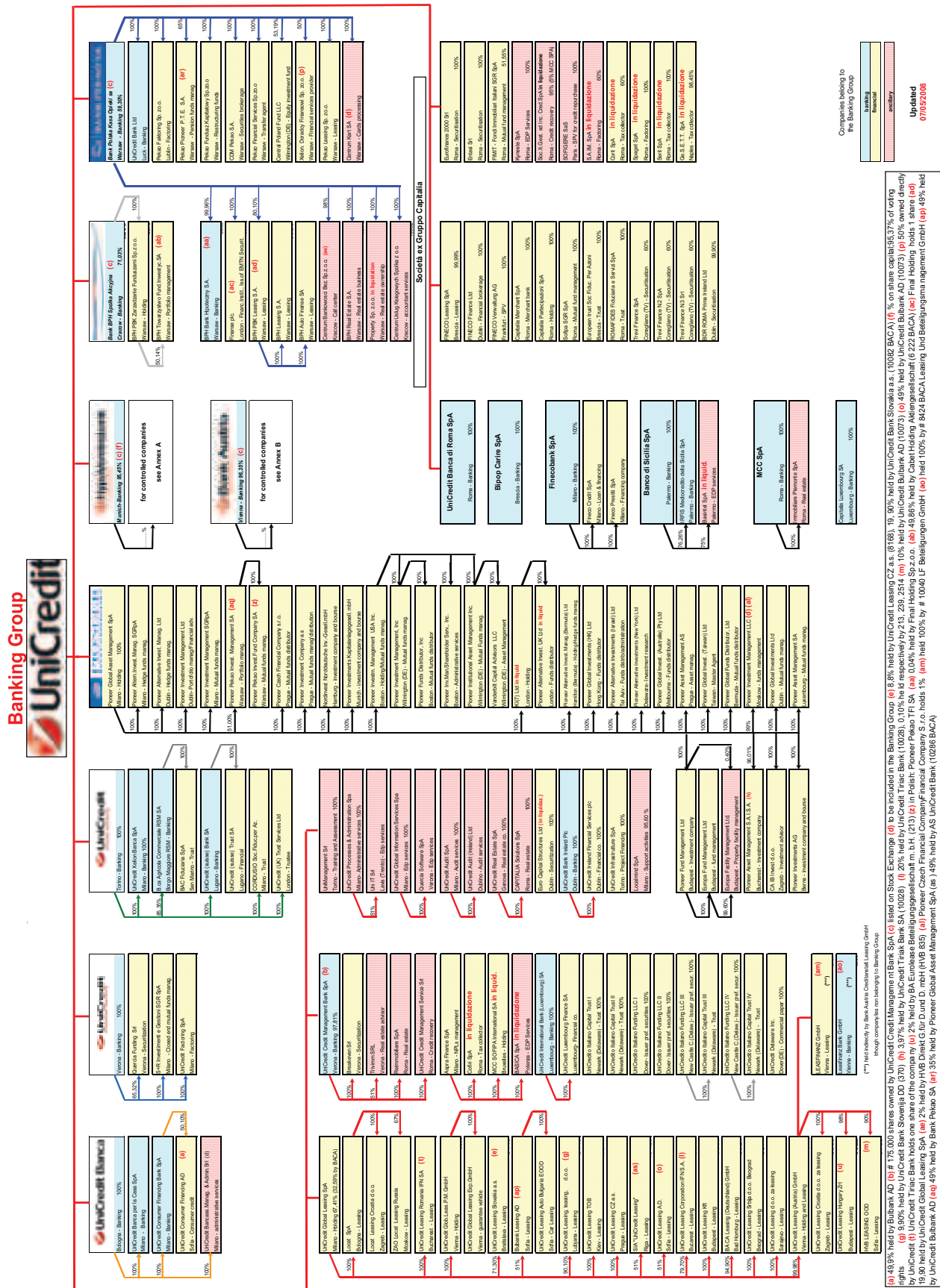
The operating divisions are:

- Retail
- Household Financing
- Corporate
- Markets & Investment Banking (MIB)
- Private Banking
- Asset Management
- Poland's Markets, and
- Central Eastern Europe (CEE)

The CEE and Poland's Markets divisions focus on the long-term development of the central eastern European and Polish markets, respectively, through the development of the Group companies in those regions. The CEE division operates through BA-CA which acts as a sub-holding company of the Group for the banks in the region (except Poland).

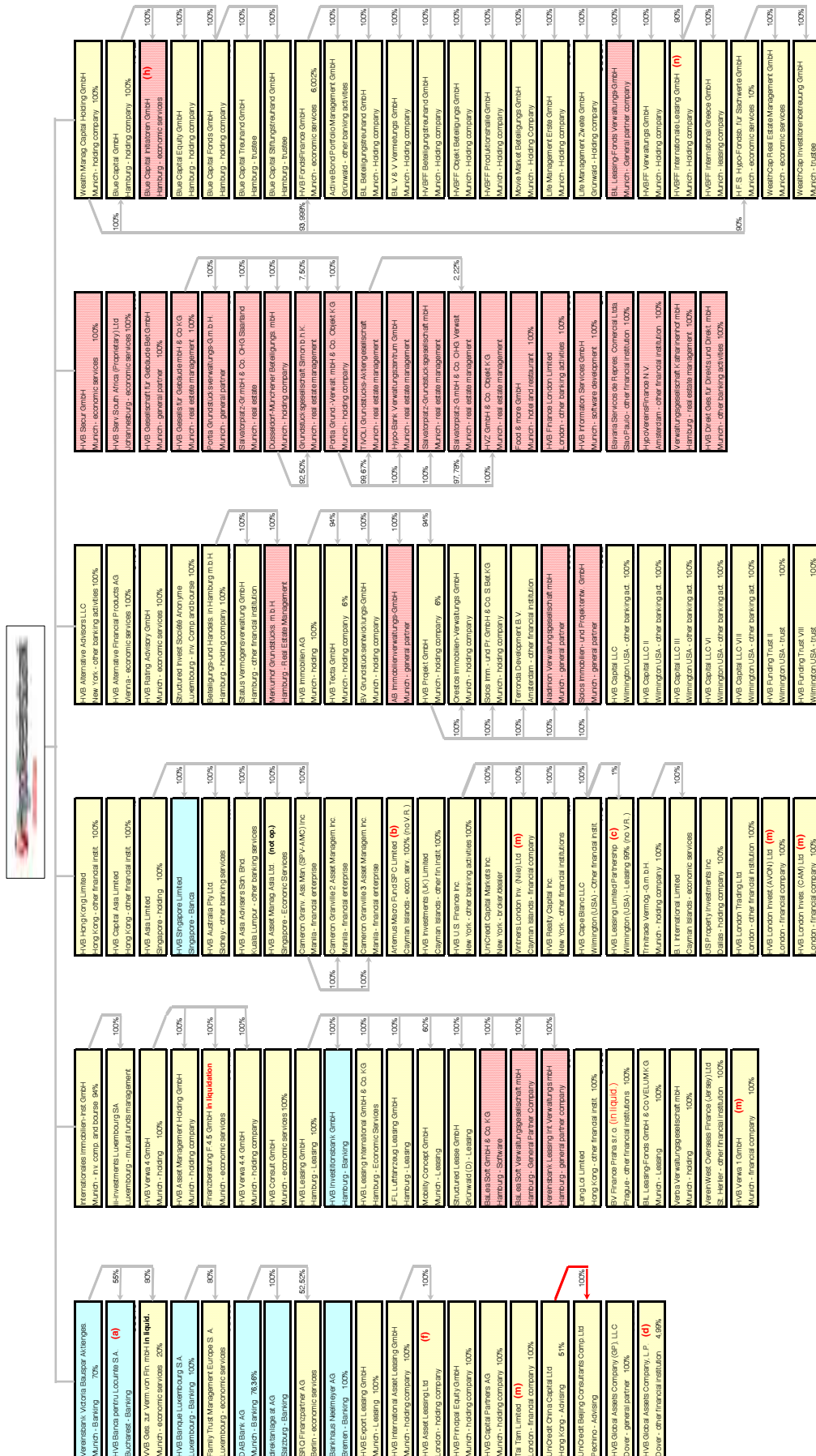
Each of these divisions (except the CEE division) is organised around one or more lead banks that, through its distribution network, channels to its clients products and services engineered and packaged by the other banks and financial services companies comprising the division. The Group holding company is responsible for centralised policymaking, particularly in the areas of credit management, risk management and asset and liability management, and manages the treasury, strategic planning and control, accounting and internal auditing functions for the entire Group. The following diagram illustrates the organisational structure of UniCredit and the main Group companies included in the scope of consolidation (each being fully consolidated unless otherwise indicated).

Description of the Guarantor



The following diagram on the next page illustrates the banking companies controlled by UniCredit belonging to the Group.

Description of the Guarantor

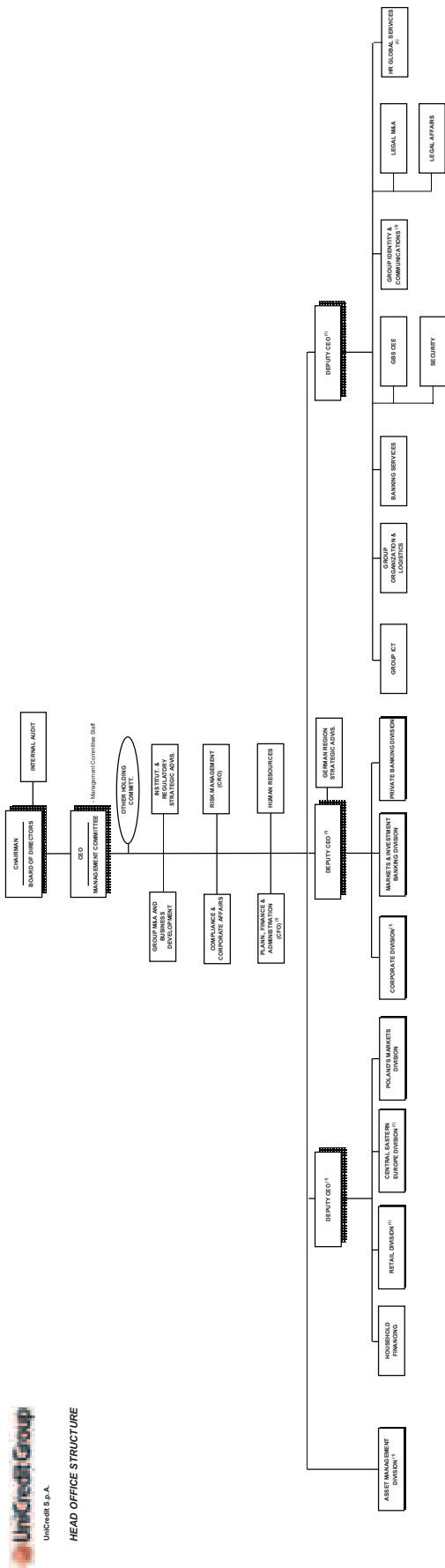
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07/05/2008

(f) **(a)** 35% held by BACA; 10% held by Banca Commerciale HVB on Triatic (BACA n° 10028) **(b)** 100% Voting Rights held by HVB Asset Management Asia Ltd (3653) **(c)** 100% Voting Rights held by HVB Cape Blanc (1757) **(d)** HVB has the power to nominate all Members of the Board 700000003665% held by HVB London Investments (CAM) Ltd (1684) **(g)** listed in Stock Exchange **(h)** to be included in the Banking Group **(m)** not operative **(n)** 10% held by HVBFF verwaltungen GmbH (196)

68



(a) % considering shares held by other Companies controlled by BACA (8347, 9338, 2514, 6193) (b) 19.49%, held by UniCredit, Triinac Bank SA (10028) (c) to be included in the Banking Group (f) Schoellerbank holds only voting rights (m) 19% held by BACA and 19% held by UniCredit, Leasing (Austria) GmbH (6193) (n) 0.05% held by Teledat, C&S g.m.b.h. (774) (o) 100% voting rights held by Grunderfos GmbH (9331) (p) 26% held by BA-CA Administration Services GmbH (9331), 5% held by BA-CA Administration Services GmbH (9331), 1% held by Diners Club GEE Holding AG (6338) (q) 0.01% held by BA-CA (ee) 1.26% held by UniCredit Hungary (6198) (r) listed on Stock Exchange (s) on share capital, 84.44% of voting rights (9331) (t) on share capital, 0.29% interest owned by Pömmi, 0.0004% held by Service Bank AG (6338) (u) not operative



(1) Position covered by Group Deputy General Manager
(2) Reporting also to the CEO for Corporate Identity Strategy definition
(3) Structure dedicated to the priorities and needs of Organization and Service Functions, reporting to the relevant Competence Unit

Description of the Guarantor

BUSINESS OF UNICREDIT

The following table summarises certain key financial and operating data for the Group broken down by division, prior to eliminations, for the consolidated Group as at and for the year ended 31 December 2007:

Division	Year ended 31 December 2007					
	Operating Income	% of Group's Operating Income	Operating Expenses	% of Group's Operating Expenses	Group Portion of Profit before Tax	% of Group's Profit before Tax
<i>(Amounts in € millions, except percentages)</i>						
Retail Banking	8,132	31.41%	(5,212)	37.01%	1,850	19.78%
Corporate Banking	5,186	20.03%	(1,714)	12.17%	2,619	27.99%
Markets & Investment Banking . . .	2,796	10.8%	(1,408)	10%	1,898	20.29%
Private Banking	1,165	4.5%	(712)	5.06%	442	4.72%
Asset Management	1,395	5.39%	(607)	4.31%	805	8.61%
CEE	3,367	13%	(1,729)	12.28%	1,342	14.35%
Poland's Markets	2,386	9.21%	(1,113)	7.9%	1,229	13.14%
Parent company and other companies	1,466	5.66%	(1,586)	11.26%	-830	-8.87%
Total Consolidated	<u>25,893</u>	<u>100%</u>	<u>(14,081)</u>	<u>100%</u>	<u>9,355</u>	<u>100%</u>

UniCredit S.p.A.

UniCredit is the parent company of the Group following the Merger. In such role, UniCredit, pursuant to the provisions of Clause 61 of Legislative Decree No. 385 dated 1 September 1993, issues, in undertaking its management and co-ordination activities, instructions to other members of the Group in respect of the fulfilment of requirements laid down by the Bank of Italy in the interest of the Group's stability. As such, UniCredit engages in the following main strategic functions:

- managing the Group's business expansion by developing appropriate domestic and international business strategies and overseeing acquisitions, divestitures and restructuring initiatives;
- defining objectives and targets for each division and monitoring performance against these benchmarks;
- defining the policies and standards relating to the Group's operations, particularly in the areas of credit management, human resource management, risk management, accounting and auditing;
- managing relations with financial intermediaries, the general public and investors; and
- managing selected operating activities directly or through specialised subsidiaries in order to achieve economies of scale. These activities include asset and liability management, funding and treasury activities and the Group's foreign branches. The Group operates certain centralised functions such as back office administration and information technology through UniCredit Global Information Services S.p.A. and UniCredit Produzioni Accentrate S.p.A.

In January 2003, the Italian Government approved a reform of corporate law (the **Reform**), governing limited liability companies, joint-stock companies and co-operatives. According to certain provisions of the Reform, a company which carries out "direction and co-ordination" of another company is to be held liable vis-à-vis the minority shareholders and/or the creditors of the managed company if such "direction and coordination" is conducted improperly. In particular, according to Article 2497-bis of the Italian Civil Code "The company must indicate that it is subject to the management and coordination of a third party in its acts/documents and in its correspondence. [omissis]". According to Article 2497-sexies of the Italian Civil Code it is assumed that, unless contrary evidence is given, the direction and control activity is exercised by the company or the entity that (a) is required to consolidate the company, or (b) controls the company pursuant to Article 2359 of the Italian Civil Code.

Strategy

Management believes that by establishing specialised divisions, each dedicated to a different client segment and commercial mission, the Group is able to better serve its customers, with the result that customer satisfaction can serve as a driver of increased market shares. The adoption of a divisionalised organisational structure is designed to better leverage the potential and capabilities of the Group to provide high quality, innovative services to its clients, while helping it to achieve efficiency improvements through the redesign of business processes and the exchange of best practices across countries. This strategy is also intended to allow each of the businesses to pursue a wider range of growth opportunities and enjoy increased operating flexibility to meet market demands as they develop, while containing associated costs and risks.

Management intends to create value by pursuing the following principal strategic initiatives at the Group level:

- Restore profitability in Germany while remaining ready to capitalise on opportunities for growth;
- Maintain positive momentum in Italy;
- Complete the restructuring of the Central and Eastern European operations and continue investing in CEE markets;
- Increase the return on risk weighted assets and further optimise the Group's capital allocation;
- Leverage the global product lines and services; and
- Finalise the reconfiguration of the corporate structure.

The principal strategic objectives of each of the operating divisions, including the divisions that will result from the integration process, are described below:

- The Retail division's objective in Italy is to become the main banking partner for customers in the mass market, affluent and small business segments (as hereinafter defined). Leveraging on its customer relationships, the division aims to increase its revenues and market share over time while ensuring customer satisfaction. Acquisition of new customers in the small business segment is expected to drive volume and market share growth in the target customers' group. In Germany, the division intends to enhance its effectiveness in sales both through pursuing customer satisfaction and cross-selling initiatives, while implementing a structural cost reduction with long term effects. In Austria, the division's main objective is to strengthen its mass market and small business segments.
- The Household Financing division aims at coordinating the global development of the Group companies focused on the consumer mortgage market (UniCredit Banca per la Casa) and the consumer credit market (UniCredit Consumer Financing) on all geographic markets, including Poland and the CEE, on a regional level.
- The Private Banking division intends to establish a pan-European platform offering sophisticated services to local customers. In Italy, its main objective is to increase its market share in Italy both by achieving higher penetration of existing customers and by acquiring new customers, focusing on developing tailored product offerings and providing independent advice.
- The Asset Management division intends to further strengthen its position in the asset management industry by enlarging its product offering through new partnerships with third parties, introducing hedge fund products, dynamic asset and liability management (either for institutional or retail clients), retirement products and wealth planning.
- The Corporate division's objective is to become the leading bank in the corporate and small business segments in the key markets of Germany, Austria and Italy by offering high standard added value products, tailor-made "madcap" services and products, the further diffusion of know-how on specialised products and the development of global businesses.

Description of the Guarantor

- The Markets & Investment Banking division intends to become a leading European specialist by taking advantage of intra-group product strength, investing in growth initiatives and building common platforms to realise cost synergies.
- The Central and Eastern Europe division intends to maximise long term value creation in Central - Eastern Europe, becoming a leading bank in the retail/private and corporate area by focusing on its clients.
- The Poland's Markets division intends to maximise long term value creation in the Polish market by consolidating the Group's leading position.

Retail division

The Group's Retail division provides commercial retail banking services to consumer households and small businesses (defined as businesses with annual revenues of less than €3.5 million) in all geographic areas, including Poland and the CEE, predominantly through networks of local branches operated by the three distribution networks, HVB, BA-CA and the Italian retail banks (UniCredit Banca, UniCredit Banca di Roma and Banco di Sicilia). In addition, the results of the Retail division comprise profits from personal banking activities, which include savings, investment and bancassurance products tailored for the division's target customers.

On 13 March 2008, the UniCredit Board of Directors approved the reorganisation plan for the banking activities of the Group, providing for the integration of the banking activities of UniCredit Banca, UniCredit Banca di Roma, Banco di Sicilia and Bipop Carire. The relevant transactions are expected to be effective as of 1 November 2008.

Household Financing division

The Household Financing division coordinates the activities of the Group companies focused on the consumer mortgage market (UniCredit Banca per la Casa) and the consumer credit market (UniCredit Consumer Financing) on all geographic markets, including Poland and the CEE, on a regional level.

Corporate division

The Corporate division's centralised structure is responsible for coordinating, directing, supporting and controlling the activities of its companies, as well as those of the corporate banking business lines of the Group's Regional Banks. Through its 360 branches and offices across three countries and its almost 9,132 full-time equivalent employees, management estimates that the Group serves approximately 280,000 corporate customers.

The Corporate division offers a broad variety of financial services in all geographic markets, including Poland and the CEE, including lending and other traditional commercial banking services, acquisition finance and other medium- and long-term lending services (through UniCredit Corporate Banking, formerly Banca d'Impresa, and the corporate divisions of HVB and BA-CA, which serve as the main relationship banks for the Group's corporate banking customers), corporate financial leasing services (through the Locat sub-group, HVB Leasing and BA-CA Leasing), project finance (through UniCredit Infrastructure S.p.A.), factoring services (through UniCredit Factoring S.p.A. (**UniCredit Factoring S.p.A.**) and, in Germany, commercial real estate financing (through HVB's specialised unit).

Markets and Investment Banking division

The Markets & Investment Banking division bundles the investment banking activities of HVB, UniCredit and BA-CA. Effective 1 April 2007, the Group transferred to HVB the markets and investment banking business of UniCredit Banca Mobiliare (UBM), the Group's sole investment bank prior to the HVB Business Combination, in order to centralise its investment banking activities. The UniCredit Board of Directors approved the merger of UBM into UniCredit on 13 March 2008 and approved the relevant merger plan; the merger became effective on 31 March 2008.

The division covers all areas of financing and investment banking for the Group's corporate clients, including acquisition and structured financing, project finance, classical corporate finance and syndication of loan portfolios as well as advisory services on M&A transactions, support and structuring of capital market

Description of the Guarantor

transactions and consultation on all related issues. Other central product areas are money market, foreign exchange and interest rate hedging transactions, transactions in all market segments with securities and derivatives and the active management of credit portfolios.

Based in Munich, at HVB's headquarters, with approximately 3,203 employees, the division serves approximately 1,100 customers (270 corporate customers), including banks, insurance companies, central banks and other public corporations, as well as large institutional investors. The securities issued by most of the companies served in this division are listed on exchanges in Italy, Germany and other European countries.

The division is divided into four areas of competence: the Markets area includes all trading, structuring and securities distribution businesses, while the Investment Banking area combines coverage and origination based business, as well as financing and loan syndication. The CFO heads all centralised business support functions while MIB Market and Credit Risk manages divisional credit risk underwriting, market risk and risk reporting and policies.

Asset Management division

The Asset Management division coordinates the fund and asset management activities of the Group in all geographic markets, including Poland and the CEE through a specialized sub-holding company and its specialised subsidiaries.

Private Banking division

The Private Banking division is dedicated to high-net-worth clients and aims to be the trusted private banker of families, entrepreneurs and self-employed professionals. The division achieves this by offering high-value-added advice based on long-standing local relationships managed by private bankers with consolidated professional expertise and on the Group's international know-how. The division's strength is its ability to use an integrated approach to protect and increase wealth, to maximise the value of all kinds of assets by recourse to a wide range of financial and non-financial products and services. The Division guarantees the utmost confidentiality, expertise, innovation, personalisation and service quality.

The Private Banking division operates on a regional level through the following main entities:

- UniCredit Private Banking and its subsidiaries, which offer private banking services to mid-net worth (defined as families or individuals with net annual disposable income above €500,000) to high-net worth (individuals with net annual disposable income above €5 million) clients; and
- HVB and BA-CA (through BA-CA's specialised subsidiaries BANKPRIVAT AG and Schoellerbank AG).

CEE and Poland's Markets Divisions

Beginning in 1999, the Group's strategy has been to acquire controlling stakes in financial institutions based in Central and Eastern Europe, which has enabled it to become one of the leading international banking groups operating in New Europe. Through the HVB Business Combination, the Group further reinforced its position and currently controls banks and financial institutions in 17 countries across the region. Following the integration process with the HVB Group, the Group's Central and Eastern European banks have been transferred to BA-CA, which now effectively operates as a sub-holding in this respect, with the exception of the Group's stakes in the Polish and Ukrainian banks, which have been allocated to the newly constituted Poland's Markets division.

Through its banks in Central and Eastern Europe, the two divisions offer the complete range of financial services: retail and corporate banking services, investment banking and leasing and factoring products. In particular in Poland, Turkey, Croatia, Russia, Bulgaria and Bosnia-Herzegovina, the Group's local banks have already grown into full-sized universal banking operations. Customers are serviced through all channels of access, including alternative ones such as mobile sales force, telephone banking and online banking.

BAYERISCHE HYPO- UND VEREINSBANK AG

Information about Bayerische Hypo- und Vereinsbank AG, the parent company of HVB Group

Bayerische Hypo- und Vereinsbank Aktiengesellschaft (HVB) was formed by the merger of Bayerische Vereinsbank AG and Bayerische Hypotheken- und Wechsel-Bank AG in 1998 and is the parent company of the HVB Group. HVB is based in Munich (Germany). BA-CA has been part of the HVB Group since 2000.

HVB Group Overview

The HVB Group is an important provider of banking and financial services in Germany and offers a comprehensive range of banking and financial products and services to private, corporate and public-sector customers. Its range of services extends from mortgage loans and banking services for consumers, private banking, business loans and foreign trade finance through to fund products, advisory and brokerage services, securities transactions and wealth management. Following the transfer of its interests and business activities in Austria, Central and Eastern Europe, Russia, the Ukraine and the Baltic states, HVB Group plans to focus on Germany as its core market within the Group. Moreover, there is the possibility of entering markets in other regions of Europe (notably Scandinavia and Benelux).

Through its Markets & Investment Banking division, as the Group's competence centre for investment banking, the HVB Group has offices at all major financial centres worldwide, including London, New York, Hong Kong and Singapore.

The aim is also to significantly expand investment banking operations and become the centre of competence for investment banking within the entire Group.

As a result of the integration into the Group, the activities of the HVB Group have been restructured into the following global divisions: Retail, Wealth Management, Corporates & Commercial Real Estate Financing and Markets & Investment Banking. The reorganisation primarily affected the former German business segment, from which the Retail, Wealth Management and Corporates and Commercial Real Estate Financing divided into Corporates and Commercial Real Estate Financing operations divisions emerged. Within this, the Retail and Wealth Management divisions were created out of the former Private Customers business unit, whereas the Corporate Customers and Professionals and Real Estate business units formed the basis for the new Corporates and Commercial Real Estate Financing division. In addition, customers were transferred from the former Corporate Customers and Professionals business unit (business customer segment) to the new Retail and Wealth Management divisions. The Markets and Investment Banking division was essentially formed out of the Corporates and Markets segment, but without the activities of the BA-CA Group and International Moscow Bank.

On 30 March 2007 the management board of HVB, with the approval of the supervisory board of HVB, resolved to increase its share capital (€2,252,097,420.00) under partial exercise of the authority conferred to it by the annual general meeting of 29 April 2004 and registered at the Commercial Register of the Munich District Court on 18 December 2006, by €155,053,596.00 to €2,407,151,016.00 against non-cash capital contributions by issuing 51,684,532 new common bearer shares, the new shares will qualify for a dividend as of 1 January 2007. 51,684,532 new shares with no par value were issued at an issue amount pursuant to section 9 (1) of the German Stock Corporations Act (AktG) corresponding to a notional share of the share capital amounting to €3.00 per share with no par value, i.e. a total of €155,053,596.00.

The new shares were subscribed for by UBM. In return, on 1 April 2007 UBM contributed its investment banking business to HVB, representing almost the entirety of UBM's activities, comprising assets, liabilities, rights, obligations, contracts (including employment contracts), deeds, responsibilities, duties and all other components which involve legal rights or obligations, which are organized as a structured business, economic and financial unit to carry out UBM's investment banking activities. The perimeter of the business of UBM being transferred to HVB includes as of year end 2006 total assets of approximately €66 billion and total revenue of approximately €470 million. By virtue of the authority conferred by the annual general meeting held 29 April 2004 and contained in article 5 (2) of the articles of incorporation the statutory subscription rights of the shareholders were excluded in this capital increase. After completion of the capital increase, UniCredit will hold directly and indirectly 95.45 per cent. of HVB's share capital.

Description of the Guarantor

The transaction represents a further step forward in the HVB Group's re-organisational plan and is consistent with the HVB Group's plan to establish a centre of competence for the group investment banking activities at HVB, with the aim of: (i) gaining critical business mass, (ii) building a tailor-made infrastructure, and (iii) streamlining corporate governance, thus ensuring shorter time to market.

Corporate Functions

Global Banking Services

The Group established the Global Banking Services function in July 2004 as part of its ongoing efforts to achieve internal synergies, optimise its business processes and increase the efficiency of its organisational model. This new function is responsible for developing and implementing consistent operating and management processes across the Group, overseeing inter-divisional activity and ensuring cost control in order to free its operating functions to focus even more on product and customer service innovation. Global Banking Services has oversight responsibilities for the human resources, information technology and organisation and quality functions. Its other responsibilities include managing the Group's centralised purchasing processes and providing facility management services for the benefit of the Group's companies.

In addition, through Gestione Credit (formerly known as Mediovenezie Banca S.p.A.) the function services and manages non-performing loans in order to minimise the recovery costs of distressed loans. Gestione Crediti, which provides its services primarily to affiliated Group companies, negotiates out-of-court settlements and purchases non-performing loans. Through Uniriscossioni, the function also offered tax collection services to the Italian tax authorities, particularly in relation to local taxation. Uniriscossioni was sold in September 2006 to Riscossione S.p.A., a company controlled by the Italian tax administration, as part of the reform of the Italian tax collection system.

The function also provided the Group entities with back office and securities services through 2S Banca, which we sold to Société Générale for €579 million on 2 October 2006. Following this disposition, Société Générale, through 2S Banca, has become the preferred provider of such services.

Group ICT

The Group's Information and Communication Technology function, headed by a chief information officer, is responsible for developing and implementing consistent information technology policies and processes across each of the Group's business units, as well as for defining the Group's overall long-term information technology development strategies. Specifically, this unit oversees the Group information technology budget, pursues efficiencies and cost synergies, establishes and maintains common standards for hardware and software solutions, ensures the quality and level of the IT services delivered to Group companies on a daily basis and supports the development of new technological solutions and IT platform integration.

Group Organisation and Logistics

The Group's group and logistics function is responsible for coordinating reorganisation projects, overseeing all of the inter-divisional and inter-business activities, as well as the internal business processes of UniCredit, exercising quality control and devising cost management and resource allocation policies for the Group. In addition, in 2003, UniCredit and UniCredit Banca categorised their real estate holdings as either strategic or non-strategic and contributed them to UniCredit Real Estate S.p.A. and Cordusio Immobiliare S.p.A., respectively, with a view towards continuing to occupy those facilities that are essential to the business mission while reducing property management costs with respect to non-strategic assets. UniCredit Real Estate is also responsible for providing facility management services to all Group companies. In 2004, the Group contributed the non-strategic properties of Cordusio Immobiliare to Modus S.r.l., a joint venture real estate management company which was constituted in partnership with Pirelli & Co and Morgan Stanley Real Estate. In June 2005, the Group merged Cordusio Immobiliare into UniCredit Real Estate S.p.A.

Overview of Other Central Corporate Functions

The central corporate functions at UniCredit, the holding company, are organised into six functions, each of which has specific responsibility for oversight and coordination of an area or areas having Group-wide relevance.

Description of the Guarantor

Human Resources

The Group's human resources function is responsible for developing and implementing consistent personnel policies and systems across the Group, managing recruitment, retention and training programs (including rotation and secondment programs in its foreign banks) and payroll management, all with a view to promoting the integrated implementation of the operating model at the Group, divisional and subsidiary levels. The specific responsibilities of this function also include managing career development programs for key managerial employees and managing the Group's relationships with trade unions in Italy.

Internal Audit

The Group's internal audit function, which reports directly to the Board of Directors, is responsible for assessing the effectiveness of internal control systems and the efficiency of operating processes, as well as for ensuring that operations are conducted in compliance with applicable laws and regulations as well as Group directives. Pursuant to Project S3, the Group has restructured its internal audit function to increase the independence of individual audit areas and improve the quality of controls and information flow to top management. To this end, the Group transferred to UniCredit Audit S.p.A. (effective as of 1 July 2003) all of the internal auditing function resources and assets previously managed by UniCredit Banca.

Credit

The Group's credit function is responsible for strategic planning in the area of credit risk management and control, as well as for overseeing the process of assessing the creditworthiness of major corporate clients, the planning and implementation of processes and instruments for the Group's loan approval, loan monitoring and loan recovery processes, and the management of major loan restructuring initiatives.

Planning and Finance

The Group's planning and finance function, which includes Group Finance and is headed by the Chief Financial Officer, is responsible for overseeing asset and liability management, asset backed securitisation, Group treasury and debt capital markets activities, as well as the planning and control activities of the holding company. This function is also responsible for strategic planning at Group level, investor relations, mergers and acquisitions, managing market risk, and allocating capital to the Group's various business areas based upon a consolidated risk assessment. The Group treasury function is also responsible for overseeing the operations of UCI Ireland, the Group's licensed wholesale bank located in Dublin, Ireland. UCI Ireland is a wholly-owned subsidiary of UniCredit whose principal business areas include credit and structured finance (loans, bonds, securitisation and other forms of asset financing), treasury activities (money market, repurchase agreements, EONIA and other interest rate swaps, foreign exchange and futures) and the issue of certificates of deposit and structured notes.

Legal Affairs, Compliance and Corporate Affairs

The legal affairs, compliance and corporate affairs function is principally responsible for legal and corporate compliance, monitoring legal and regulatory developments and ensuring standard interpretations of law and regulation across the Group. This function also supports the Group's mergers and acquisitions, capital markets and restructuring activities, oversees intra-group service arrangements and provides general internal legal consulting services.

Administration

The administration function is responsible for optimising operating expenses, accounting and tax compliance, reporting to regulatory authorities and monitoring the Group's operational risks. In the integration process, the Administration function will be combined with Planning and Finance.

Group Identity and Communications

The group identity and communications function is responsible for formulating and disseminating corporate identity through brand coordination, managing public and institutional relations, managing internal communications in collaboration with the Group's Human Resources function, developing environmental

Description of the Guarantor

policy, preparing the annual Social and Environmental Report, and coordinating the relationship with Unidea, our charitable foundation.

Risk Management

In the context of the integration process, the Group established a new Risk Management function, headed by the Chief Risk Officer (CRO). This function is responsible for the optimisation of the Group's asset quality and the minimisation of risk through strategic management and the definition of risk management policies and criteria for the evaluation, management and monitoring of risks. The function is responsible for ensuring the consistency of risk management systems at Group level and within individual Group entities, managing the relevant credit activities of UniCredit, monitoring the trends of individual types of risk for UniCredit and Group entities, market risk management, operational risk management and the consolidation of aggregate exposures.

PRINCIPAL MARKETS

The Group is a global financial institution, with an established presence in 23 European countries and offices in a further 27 international markets. In particular, the Group is strategically positioned in its primary markets where it has become a market leader in several geographic areas such as South Germany, Austria, many parts of Italy and central-eastern Europe, where the Group is a market leader.

The Group focuses on full-service financial services and is engaged in a wide range of banking, financial and related activities (including deposit-taking, lending, asset management, securities trading and brokerage, investment banking, international trade finance, corporate finance, leasing, factoring and the distribution of certain life insurance products through bank branches) throughout Italy, Germany, Austria and other Eastern and Central European countries.

SIGNIFICANT OR MATERIAL CHANGE

Save as disclosed in "Recent Developments" above, there has been no significant change in the financial or trading position of UniCredit and its subsidiaries taken as a whole since 31 March 2008 and there has been no material adverse change in the prospects of UniCredit or the Group since 31 December 2007.

LEGAL PROCEEDINGS

UniCredit

Corporate defaults of the Cirio and Parmalat groups; Derivative instruments

Cirio and Parmalat, two large Italian groups engaged in the food industry, defaulted on their corporate bonds in November 2002 and December 2003, respectively. At the time of their default, these two companies had an aggregate of €1,125 million and €7,200 million in bonds outstanding, respectively. As a result of these defaults, both companies are currently subject to temporary receivership (*amministrazione straordinaria*), a special procedure provided by Italian law applicable to large insolvent corporations.

Cirio

UniCredit participated, including through UBM, in the distribution of certain of Cirio's bonds to institutional investors. At the time of these placements, UniCredit had virtually no loans outstanding to Cirio or its affiliates, including members of the Cirio group. Certain Group banks sold Cirio bonds to their customers. Management believes that such bonds were sold in substantial compliance with applicable laws and regulations and at the express request of clients. However, in light of the fact that the Cirio bonds did not have any credit rating, it is possible that some customers were not fully aware of the risky nature of the investment, even in the context of their overall securities portfolio. Accordingly, as widely reported, in December 2003 UniCredit set up an independent commission, formed of professionals who were not related to the Group, to perform a case-by-case review of the positions of non corporate customers who purchased (and held at each of the date of the Cirio default and the date the commission was established) Cirio bonds from the Group banks and who requested that their investment transactions be reviewed by the commission. All unsophisticated Cirio retail investors who purchased Cirio bonds through Group banks received a letter in

which they were informed of the possibility of submitting their case to the commission. The commission's job was to assess the degree of awareness of customers who purchased Cirio bonds and, if appropriate, to make a proposal for compensation. Customers were free to refuse the proposal (and were free not to participate in the procedure at all) and seek compensation otherwise. On 20 October 2004, UniCredit announced that the commission had completed its review, which resulted in proposals for compensation to 1,506 customers, or approximately 50 per cent. of the customers who had applied for review. Forty of these customers received full compensation of the amount of principal they had originally invested. At December 2005, at least 92 per cent. of the customers to whom a proposal for compensation was made accepted the offered indemnity. All customers have retained ownership of their bonds and therefore are entitled to any distribution that may be made by the receiver in bankruptcy of Cirio. Total proposed compensation amounted to approximately €16.9 million, or 41 per cent. of the aggregate principal amount of Cirio bonds owned by customers to whom a proposal was made. Based on an estimate of possible compensation claims by all customers, including those who "opted out" of the commission process, UniCredit made aggregate provisions of €39 million through 2003, which management believes is sufficient to cover the proposed compensation and other losses arising from the Cirio default. Since completion of the compensation procedure, UniCredit made additional provisions if and to the extent required in relation to individual lawsuits, which management believes are not material.

Following an investigation by Consob, in February 2005 the Ministry of Economy and Finance issued certain fines to the former directors, statutory auditors and certain executives and other employees of certain Group banks in connection with alleged regulatory violations by such directors and employees with respect to transactions in Cirio bonds. The charges refer to providing insufficient disclosure to customers and conflicts of interest, as well as non-fully adequate client profiling procedures. The Ministry of Economy and Finance maintained that both UniCredit and UniCredit Banca should be jointly liable for the payment of such fines. Management believes that the amount of these fines is not material to the business. The Ministry of Economy and Finance also maintained that the customer profiling procedures the relevant Group banks had in place at the time of the alleged irregularities, which were substantially similar to those of UniCredit's main Italian competitors, were partially deficient and allowed the sale to unsophisticated retail investors of securities with an inappropriate risk profile. UniCredit has appealed in court against these fines, responding to all charges underlying the fines, but the Court of Appeal upheld the fines. UniCredit is currently further appealing the decision in the Supreme Court. However, since the investigation, UniCredit has improved the procedures relating to its investment services activities to reflect Consob's observations in its investigation report, and has communicated to Consob its new policies in that regard.

In April 2007, some companies belonging to the Cirio Group that are currently in temporary receivership (*amministrazione straordinaria*) sued UBM and six other banks (including Capitalia and Banca di Roma) for damages allegedly suffered by the plaintiffs as a result of the banks' participation, as arrangers, in six bond issues by companies belonging to the Cirio Group between 2000 and 2002 for a total of €1,125 million. The plaintiffs maintain that those bond issues were arranged by the defendant banks at a time when the insolvency of the issuer, the guarantors and the whole Cirio Group was already clear and irreversible. The plaintiffs maintain that the defendant banks, which are highly qualified entities with a duty to act diligently, fairly and transparently in the interests of customers and the integrity of the market and to acquire all necessary information for customers, could not have been unaware of the situation at the Cirio Group. In addition, the plaintiffs maintain that granting by the defendant banks of credit to an allegedly insolvent entity, is "*per se*" illegal, as it is in violation of the prohibition against allowing an insolvent company to stay in business artificially. On this basis, the plaintiffs are seeking damages under three different claims:

- (i) Damages in an amount ranging from €421,671,050 to €2,082,249,718 (depending on the criteria applied for the increase of difficulties for the claimants;
- (ii) Damages (the amount of which would be determined during the trial) suffered by plaintiff Cirio Finanziaria S.p.A. (formerly Cirio S.p.A.) for being deprived of the possibility of initiating bankruptcy claw-back proceedings (*azioni revocatorie fallimentari*) to recover certain assets disposed of before declaration of insolvency, which the plaintiff could have done had the plaintiff not artificially been kept in business by the banks and declared insolvent instead; and
- (iii) Damages of €9,812,000 for the fees paid by some of the claimants to the lead managers with respect to the placement of bonds,

plus accrued interest and inflation adjustment to the date of payment.

Description of the Guarantor

UBM presently submitted its defence statement in which, among other things, it asserts that the plaintiffs' requests are procedurally flawed and challenges the key assumptions on which their allegations are made. UBM states, among other things, that (i) the subject matter of the lawsuit is simply an analysis of the relationship, during the period of the placement of the bonds, between the issuer and the guarantor, on one side, and the banks, on the other; (ii) UBM duly carried out the obligations undertaken towards the issuer during such period; and (iii) the bond issues were part of a wider project aimed at restructuring the Cirio Group's debt and consolidating its organisational structure, accompanied by a parallel project for the requalification of its business (which envisaged, among other things, the sale of non-strategic assets, the reduction of both its global and bank indebtedness, and a focus on the core business).

On this basis, management believes that the plaintiffs' claims are substantially without merit.

The Court has rejected the request for a preliminary inquiry made by the plaintiffs and the case was heard on 12 June 2008 only on the basis of the documents already produced by the parties. The defendants claim that the temporary receivership of the Cirio group did not have the authority to bring this claim.

In October 2007 International Industrial Participations Holding IIP N.V. (former Cragnotti & Partners Capital Investment N.V.) and Dr. Sergio Cragnotti brought a civil action against UniCredit S.p.A. (as successor to Capitalia) and Banca di Roma S.p.A. for compensation of no less than €135 million allegedly resulting (as actual damage and loss of profits): primarily, from the breach of financial assistance undertakings previously executed in favor of Cragnotti & Partners Capital Investment N.V., of Dr. Sergio Cragnotti, of Cirio Finanziaria and of the Cirio group, causing the insolvency of said group; and subordinately, from the illegal, unfair and contrary to good faith refusal to provide to Cirio Finanziaria S.p.A. and to the Cirio group the financial assistance deemed necessary to repay a bond expiring on 6 November 2002. UniCredit and Banca di Roma believe the claims to be completely groundless. So far no provisions have been made.

Parmalat

Over time, UniCredit extended lines of credit to Parmalat and, including through UBM, participated in the distribution to institutional investors of certain bonds issued by the Parmalat Group's companies. Following the initial sale to institutional investors, these bonds were sold by certain Group banks to their customers. Certain holders of Parmalat bonds have made claims for reimbursement of the bonds alleging that they had not been properly informed of the risky nature of their investment. UniCredit has assisted Group banking customers holding Parmalat bonds to be included in Parmalat Group's insolvency procedures.

The Group has established prudential provisions only in relation to individual lawsuits.

In August 2005, certain companies of the Parmalat Group in temporary receivership (*amministrazione straordinaria*) filed a payment claim in the aggregate amount of approximately €4.4 billion against UniCredit, UniCredit Corporate Banking, formerly UniCredit Banca d'Impresa, UBM and another banking intermediary as joint debtors (a €4.565 billion claim against UniCredit Banca di Roma was filed separately) for the recovery of damages for having acted, together with other banking intermediaries, as co-lead managers in the issuance of bonds from 1997 to the first half of 2001 and having maintained numerous bank accounts with companies of the Parmalat Group. At the hearing held on 19 December 2006, Parmalat Finanziaria S.p.A. (**Parmalat Finanziaria**), the entity that assumed all rights, duties and obligations of Parmalat arising out of the settlement with the creditors in the Parmalat bankruptcy (the so-called *assuntore*) entered the lawsuit and joined the plaintiffs. This proceeding is not yet at the preliminary investigations phase. The next hearing is scheduled for 3 March 2009.

The plaintiffs allege that in acting as lead manager or co-lead manager (and, to a lesser degree, by extending credit through pool and overdraft lending) the companies against which the claim was filed provided funds to the Parmalat Group, which at that point in time (in 1997) was "already in a state of obvious financial distress (at least to professionals), and the same companies thus artificially kept the insolvent group and the companies which, as of today, are in insolvency procedures, in business for more than five years, thereby delaying the declaration of insolvency and worsening its state of financial distress". In particular, the aggregate amount of the joint payment requested in connection with the issuance of bonds on the basis of offering circulars amounts to €4,285 million, broken down as follows: €2,636 million for bond issues jointly arranged by the defendants, €128 million arranged only by UniCredit and €1,521 million arranged by other intermediaries not belonging to the Group. The plaintiffs allege that the companies against which the claim

Description of the Guarantor

was filed are responsible under Articles 2043 and 2055 of the Italian Civil Code for not having operated with the maximum degree of accuracy, diligence and expertise when verifying the pre-conditions for each bond issue (first and foremost the solvency of the issuer and the guarantor). In addition, the plaintiffs allege that the defendants have colluded with the plaintiffs' former directors, auditors and officers in the worsening of the state of the Parmalat Group. The plaintiffs seek, among other relief, payment of €115 million "owed to Parmalat by UniCredit under the overdraft line granted by UniCredit". This amount represents the balance of the current account of Parmalat at December 2003. This amount was not repaid by Parmalat. As evidence the plaintiffs cite in particular numerous sections of the interrogations of some executives in the criminal proceedings, none of which, however, relate to companies of the Group (which are also not mentioned in the files transcribed in the claim filed). The aggregate amount of the alleged claim is higher than the nominal value of the bond issues in which the Group participated. UniCredit believes that claims concerning the role of the Group companies in the issuance of bonds before 30 July 2000 have expired due to the lapse of the statute of limitations. Therefore, the potential responsibility of UniCredit would only relate to the bond issuances in which it was involved after that date, which consists of two bond issues for a total nominal value of €650 million, of which only €40 million was underwritten by the Group. Management also believes that the claim is, in any case, without merit.

At the end of August 2005, certain companies of the Parmalat Group in temporary receivership filed a claim for payment of an aggregate amount of €1,861.8 million jointly and severally against UBM and two other banking intermediaries not belonging to the Group as compensation for damages caused by having first promoted and subsequently participated in the renewal of its Debt Issuance Programme for the issuance on the Euromarket of medium-term bonds through which, between the second half of 2001 and 2003, bonds for a total principal amount of €1,870 million were issued, as well as for damages caused by their activities as "co-lead managers" on another issuance (external to the programme) in 2002 in the principal amount of €306.8 million. During the hearing held on 24 October 2006, Parmalat Finanziaria, as *assuntore*, entered the lawsuit joining the plaintiffs. The proceeding is not yet in the preliminary investigation stage. In December 2007 the two other defendants settled the matter; therefore the proceedings will continue only against UniCredit Banca Mobiliare S.p.A., which has since been incorporated into UniCredit S.p.A. As a consequence the claimed amount must be considered as reduced by at least 50 per cent.

Despite the complexity of both litigation matters, the Group, following consultation with its defence counsel, believes the claims to be groundless and that it can prove that no irregularities were committed by the Group, as it was not aware, nor could it have been, at the time of issue of the bonds and the execution and subsequent renewal of the Debt Issuance Programme, that Parmalat was insolvent. In consideration of the above-mentioned circumstances, and also considering the fact that no new substantial facts have come to light and that both lawsuits are in a preliminary stage, the management of the Group's companies involved have consequently decided not to make any provisions with respect to the alleged claims.

Parmalat's temporary receiver has commenced claw-back proceedings against UniCredit, together with other Italian and foreign banks, including banks formerly belonging to the Capitalia Group, in relation to alleged voidable preferences with respect to repayments it received from Parmalat prior to its default.

With reference to the revocatory actions, provisions have been made for an amount considered consistent with the single lawsuit risk of loss.

More specifically, UniCredit Corporate Banking, formerly UniCredit Banca d'Impresa, is a defendant in four claw-back proceedings for an aggregate amount claimed equal to €618.6 million and UniCredit Factoring is a defendant in an aggregate proceeding in which an aggregate of approximately €34 million is being sought.

Derivative instruments

UniCredit has also been sued by, or is otherwise aware of claims by certain clients seeking damages in connection with losses suffered on derivative instruments purchased from certain of the Group's banks. In most instances, these clients claim that the banks failed to inform them properly in relation to the risks associated with such instruments or that such investments were otherwise not suitable.

Description of the Guarantor

Divania S.r.l

In March 2007 Divania S.r.l. filed a lawsuit against UniCredit Banca d'Impresa S.p.A. relating to certain transactions in financial derivative instruments (on interest rates and forex; in all, 206 contracts were executed). The total amount of the claim is €276.5 million plus costs and interests (with reservation to file an independent lawsuit for the recovery of the alleged suffered damages).

According to UniCredit Banca d'Impresa S.p.A. the claimed amount is absolutely disproportionate since the amount claimed has been determined by making a sum of all the debit entries made (an amount that is much bigger than the effective one) without considering the credit entries which drastically reduce the claimant's demands. In addition, the writ of summons (*atto di citazione*) does not take into consideration the fact that a settlement (executed on 8 June 2005) had been reached referring to the challenged transactions, in which the plaintiff declared to have nothing else to claim for any cause with reference to the transactions now disputed. UniCredit Banca d'Impresa S.p.A. believes that the maximum amount at risk might be determined in the sum of €4,015,000, that is the sum that was charged on the plaintiff's account when the settlement was reached.

For the above reasons, a prudential provision of €2 million has been made.

Current account overdrafts

The Italian banking system is characterised by a relatively large proportion of overdraft financing provided through current accounts. A borrowing is made whenever a customer's drawings exceed the credit balance in the account. An overdraft customer is granted a maximum overdraft limit on the basis of UniCredit's lending policy, and the customer can draw on the overdraft facility. Debit interest on overdraft facilities is typically charged quarterly and at a floating rate.

With a series of judgments rendered in 1999, the Italian Supreme Court (*Corte di Cassazione*) outlawed the Italian banks' practice of capitalising interest on overdraft facilities on a quarterly basis (as a result of capitalising interest, the outstanding interest becomes a part of principal and thereafter interest is charged on the basis of the new principal amount).

After those judgments and the enactment of Legislative Decree No. 342 of 1999, Italian banks adopted a new practice, whereby interest on current account debit balances can be capitalised, either on a quarterly basis or with a different periodicity, provided that interest on current account credit balances is also capitalised on the same basis. Notwithstanding these changes, the legal position with respect to capitalisation of interest on current accounts opened prior to 22 April 2000 (the date on which the new practice was first permissible under Legislative Decree 342/1999) remains uncertain (also in light of the fact that some local Courts did not follow the Supreme Court's approach on this matter).

However, after a new judgment by the Italian Supreme Court full bench that was issued at the end of 2004 the Group banks have not received a material amount of new claims and proceedings of this nature (as compared with the number of claims and proceedings notified after the judgments of 1999). For each new proceeding begun, the Group banks have made, consistent with prior practice, specific provisions, which management believes to be prudent.

Italian law on fixed rate mortgage loans

Law Decree No. 394 of 29 December 2000 on usury became law on 28 February 2001. This law applies to any instalments on fixed-rate mortgage loans due after 2 January 2001, and requires banks to reprice outstanding loans on the basis of a "substitute rate" of 9.96 per cent. for residential and business mortgage loans and of 8 per cent. for residential mortgage loans of up to €77,469 for the purchase of a primary residence (provided it is not considered a luxury home).

Since the enactment of this Law Decree, UniCredit has taken appropriate steps to conform its mortgage lending practices to the law, and the negative financial impact of re-pricing its fixed-rate mortgage loans is gradually decreasing. Going forward, management does not expect this law to have a material adverse effect on UniCredit's operating results or financial condition.

Actions for damages against UniCredit, UniCredit's CEO and HVB's CEO as a consequence of certain share transfer transactions with HVB

In July 2007, eight companies having their respective registered offices in the United States, Virgin Islands, Cayman Islands, British West Indies and in Bermuda have served writs of summons (*Klageschriften*) on UniCredit, Mr. Alessandro Profumo and Mr. Wolfgang Sprißler, chairman of the management board of HVB, before the District Court of Munich for damages allegedly suffered as a consequence of (i) an underestimation of the fair value of the shares sold by HVB to UniCredit in the amount of approximately €13.5 billion, (ii) disregarding a claim BA-CA had against UniCredit in the amount of €1.2 billion, and (iii) disregarding the costs for the restructuring which HVB has had to bear with respect to the takeover by UniCredit and the costs of restructuring incurred by the integration of the investment banking division of UniCredit in HVB. The plaintiffs state that the fact that the above transactions were carried out on the basis of evaluations made by independent advisers does not exclude the defendants' liability and allege that such transactions should have been carried out through competitive auctions, in order to obtain the highest possible price (especially taking into account a premium for the acquisition of control).

The plaintiffs ask (i) for damages, in an aggregate amount of €17.35 billion and (ii) for the District Court of Munich to order UniCredit to pay to HVB, as damages, further amounts starting from 19 November 2006.

The defendants, being aware of the risk that any lawsuit entails, are of the opinion that the claims are unfounded, bearing in mind that all the transactions referred to by the plaintiffs were effected on payment of considerations which were considered to be fair also on the basis of external independent opinions and evaluations. For these reasons no provisions has been made.

The defendants filed their statements of defence with the Munich Court on 25 February 2008; the date of the first hearing has not yet been set by the Court.

HVB

Strukturvertrieb transactions

HVB is involved in civil proceedings with numerous retail customers in Germany relating to financings of tax-driven real estate investments that were originated through external agents (*Strukturvertrieb*) primarily during the years 1989 through 1994. One of the main legal issues in dispute concerns the interpretation of German consumer protection laws, in particular, the provisions of the German Doorstep Transactions Rescission Act (*Hausturwiderrufs-Gesetz*, the *Act*), which implemented into German law Directive 85/577 EC of 20 December 1985 (the *Directive*). The Act grants a unilateral right of withdrawal at any time to a consumer who is party to a transaction that was initiated or concluded in a "doorstep situation", i.e. at the consumer's place of work or private residence or in a public place (other than at the specific request of the consumer) if the consumer was not notified in writing of his statutory right of withdrawal at the time of the transaction. Based on a decision of the European Court of Justice (ECJ) of 13 December 2001, German courts also apply the provisions of the Act to real estate financing agreements. In so applying the Act, the Eleventh Senate of the German Federal Supreme Court (*Bundesgerichtshof BGH*) which, among other things, is in charge of proceedings involving consumer loan agreements, has repeatedly confirmed its long-held view that the rescission of a real estate financing agreement pursuant to the Act will generally not affect the validity of the underlying real estate purchase agreement. Rather, the real estate financing agreement and the real estate purchase agreement have in general to be considered as distinct and separate contracts. Therefore, pursuant to the view of the BGH, a customer of HVB who is able to prove that he entered into the financing agreement in a "doorstep situation" and did not receive the required written notice regarding his statutory right of withdrawal may rescind only the financing agreement and not the underlying real estate purchase agreement. The BGH has held repeatedly that, in the event of such a withdrawal, the customer will not be relieved from his obligations under the financing agreement in exchange for a transfer of title to the relevant real estate but will be obligated to repay the outstanding principal of the loan plus interest at customary market rates to the lender. Several other German courts referred questions to the ECJ on the interpretation of the Directive in light of these BGH decisions.

On 25 October 2005, the ECJ rendered its decisions on whether the decisions of the BGH are in line with European law. According to the ECJ, a customer may withdraw from a financing agreement if the "doorstep situation" has been created by a person that acted in the name or for the account of the bank, whether or not the bank was actually aware of such action. The ECJ decisions do not specify the meaning of "a person acting

in the name or for account of the bank". The ECJ decisions in essence confirm the view of the BGH to the effect that the customer's withdrawal from the financing agreement does not have an impact on the validity of the purchase agreement and that the customer continues to be the owner of the property purchased. If the customer exercises his withdrawal right, he is obliged to repay the loan in full. Pursuant to current German laws, the customer is also obliged to pay to the bank interest at a market rate on the loan granted. These provisions are not contrary to the Directive. However, where the customer has not been notified about his withdrawal right, the member state has to ensure, pursuant to the ECJ decisions, that the risk of the investment which the customer would have avoided if correct information about his withdrawal right had been provided, should not be borne by the customer but by the bank. Accordingly, the national courts should take this into account in their decisions and interpret the provisions of national law in a way that helps achieve this aim.

In a decision of 16 May 2006, the BGH held that the principles articulated by the ECJ only apply to situations where a customer has entered into a financing agreement during a doorstep situation as defined in the Act. In all proceedings involving HVB, the customers did not enter into financing transactions during such a doorstep situation but only some time after such doorstep situation. As a result, the requirements stipulated by the ECJ do not apply.

In addition, the BGH held that in cases where a purchase agreement has been concluded before the financing agreement, the information about the withdrawal right would not have led a customer to avoid investment risk. Consequently, in these cases, customers exercising their withdrawal right will be obliged to immediately repay their loan in full, together with interest thereon at customary market rates.

In cases where the purchase agreement has been concluded after the financing agreement, the BGH, in an *obiter dictum* to its 16 May 2006 decision, recognised that the ECJ requirements do not apply since the bank that concluded the financing agreement may not have been in default for failing to instruct customers of their statutory right to rescind the financing agreement. Accordingly, based on the 16 May 2006 decision of the BGH, it is HVB's position that in situations where the customer may have a right to rescind the financing agreement, the customer in any event will be under an obligation to repay the loan to the bank as well as to pay customary market interest thereon.

Finally, the BGH in its judgment of 16 May 2006 held that a customer may be entitled to damage claims against a bank arising from the bank's failure to hold a customer harmless from and against any liability which would not have arisen if the customer had not acquired the property financed by the bank provided that (i) the bank has cooperated with the seller or agent in the sale of the property and the related financing in an "institutionalised" manner (meaning the bank maintained a permanent business relationship with such seller or agent) and (ii) the seller or agent has fraudulently deceived the customer in such an evident way that it was impossible for the bank not to have knowledge thereof (such elements to be established and proven by the customer), and (iii) the bank in turn is unsuccessful in proving that it had no knowledge of the customer having been deceived.

The lawsuits pending against HVB involve, *inter alia*, financing agreements which were signed by third party fiduciaries authorised by customers to act in their name and on their behalf, rather than by the customers themselves. Several Senates of the BGH have recently held that third party fiduciaries which engage primarily in the handling of real estate purchase transactions without the necessary authorisation to provide legal advice violate the German Act on Legal Advice (*Rechtsberatungsgesetz*). In those cases, the power of attorney underlying a fiduciary's authorisation is invalid. In accordance with the BGH's established decision practice, the contracts signed by such fiduciaries are nonetheless valid if it can be demonstrated that at the time of the conclusion of the agreement concerned the original or a notarised copy of the deed containing the power of attorney was presented to the bank. In the past, HVB has been successful in providing such evidence in the majority of the relevant cases.

If HVB fails to provide such evidence, it may, according to the BGH's established decision practice, still be entitled to a repayment of the loan in question if it can successfully invoke the doctrine of authorisation by estoppel, i.e., if it can show it relied in good faith on the alleged authorisation of the fiduciary acting on behalf of the customer.

If HVB is not able to meet the requirements for invoking the doctrine of authorisation by estoppel, the loan agreement with the customer is invalid. Therefore, HVB's claims for repayment of the funds advanced to the

Description of the Guarantor

customer (or, at the customer's direction, a third party) under an invalid loan agreement can only be based on principles of statutory law, such as unjust enrichment. In the event that funds were advanced to a third party without corresponding instructions from the customer, HVB may have a claim for repayment against such third party.

In its decisions of 20 April 2004, the Eleventh Senate of the BGH has, in general, reconfirmed these principles. In these cases, HVB was not able to provide evidence that the original power of attorney had been presented to it or that the requirements for invoking the doctrine of authority by estoppel were met. The Eleventh Senate of the BGH did not have to decide on the existence of any claim of HVB against the borrowers based on statutory law.

Although the outcome of proceedings concerning *Strukturvertrieb* transactions will depend on the facts and circumstances of each case, based on existing precedent, HVB does not believe that the proceedings relating to *Strukturvertrieb* transactions (including one brought before a U.S. court), considered singly or in the aggregate, have or, in the case of pending or threatened proceedings, would have, if adversely determined, a material adverse effect on HVB's business or financial condition.

Financing of funds

HVB is also involved in civil proceedings with numerous retail customers in Germany relating to financing of tax-driven participations in real estate funds. In two decisions dated 25 April 2006, the BGH held that the qualification of loans as mortgage-secured loans depends on whether the grant of mortgage was already provided for in the loan agreement and whether the loan was granted according to normal conditions for mortgage secured loans.

In the event the financing and the participation are determined to constitute a so-called "linked transaction" (*Verbundenes Geschäft*), the customer can raise objections against the repayment claim of such lender in the event of deception or wrongful advice (*Einwendungsdurchgriff*). The BGH assumes a "linked transaction" exists if the lender made use of the distributor's organisation both to arrange the participation in the fund and to conclude the loan agreement. This would be the case if the distributor mandated by the fund company and the initiator of the fund also arranges for execution of the loan agreement using the standard form documentation of the lender or if the lender uses the standard form loan documentation of the distributor and does not have any direct contact with the customer before the loan agreement is executed. In decisions dated 25 April 2006, the BGH held that in the event of a linked transaction a customer can raise objections against the repayment claims of the lender along with claims the customer has against the seller of the fund and the agent of the fund because of fraud.

In the case where a non mortgage-secured loan was concluded in a doorstep situation and a customer was not properly advised with respect to his or her right of rescission (and may thus in some cases for this reason already be entitled to withdraw from the loan agreement), the BGH held that a lender may not claim repayment of the loan from the customer if the lender had any connection to the fund or to the distributor which exceeded the mere processing of payments and if the loan was not disbursed to the customer but directly to the fund.

At this point in time, the number and volume of loans of HVB which are affected by the new decision of the BGH cannot be determined, because in the past there was no requirement to collect data in accordance with the above criteria and because determining whether there is a linked transaction and whether a customer can raise objections depends on the specific facts of each particular case which would have to be proven by the customer and which are not presently known by HVB.

Shareholder complaints against the appointment of the auditors of HVB and the election of shareholder representatives on the supervisory board

Shareholders of HVB initiated legal proceedings against HVB at the District Court of Munich (*Landgerischt München I*), challenging, *inter alia*, the validity of the shareholders' resolution passed by HVB's annual general shareholders' meeting on 29 April 2004, regarding the appointment of HVB's auditors for fiscal year 2004. On 9 June 2005, the District Court of Munich dismissed the claims; the appeal was dismissed by the Higher Regional Court of Munich on 18 January 2006; the BGH dismissed the shareholders' complaint of non-admission on 7 May 2007. As a result, the shareholders' resolution passed by HVB's annual general

Description of the Guarantor

shareholders' meeting on 29 April 2004, regarding the appointment of the auditors for fiscal year 2004 is valid.

Several shareholders initiated legal proceedings against HVB before the District Court of Munich, challenging the election of two members and one substitute member of the supervisory board and the appointment of HVB's auditors for fiscal year 2005 by the annual general shareholders' meeting on 12 May 2005. The plaintiffs primarily claim that (a) certain members of the supervisory board have not been effectively in office and (b) concerns with respect to the auditors' impartiality have existed since 1999. If the respective members of the supervisory board were not effectively in office at the time of the AGM, the proposals to the AGM on 12 May 2005 would have been invalid which, in turn, would lead to the voidability of the resolutions adopted by the AGM 2005. With respect to the election of the two members and one substitute member of the supervisory board and with respect to the appointment of HVB's auditors for fiscal year 2005, the claims of the shareholders before the District Court of Munich were not successful. The shareholders, however, appealed against this judgment. Based on the decision of the BGH dated 7 May 2007, HVB is of the opinion that the appeal will be held to be without merit.

Shareholder complaints against resolutions approving the hive-down and acquisition agreement and the master agreement relating to the "Aphrodite" loan portfolio and the amendment to Section 4(2) of the articles of association of HVB

HVB has decided to divest itself of a loan portfolio (known as "Aphrodite") essentially consisting of sub performing and non-performing loans. To this end, the loan portfolio has been initially hived-down from HVB to its wholly owned subsidiary HVB Loan Portfolio GmbH & Co. KG. Thereafter, all of the shares and interests in HVB Loan Portfolio GmbH & Co KG and its general partner company have been assigned to a company belonging to Goldman, Sachs & Co. According to the German Transformation Act the corresponding hive-down and acquisition agreement (executed on 29 March 2006) is subject to the approval of the shareholders of HVB. Due to the relationship between this agreement and the master agreement (executed on 16 January 2006), the entire transaction, including the sale and assignment of the shares and interests in HVB Loan Portfolio GmbH & Co. KG and its general partner, was submitted to the annual shareholders' meeting on 23 May 2006 for approval.

Two shareholders of HVB challenged the resolutions adopted by the annual general shareholders' meeting of HVB on 23 May 2006, approving the master agreement and the hive-down and acquisition agreement (agenda items 13 and 14 of said shareholders' meeting) and the resolution modifying Section 4(2) of HVB's articles of association (agenda item 9 of said shareholders' meeting). In its hearing on 27 September 2006, the District Court of Munich stated that these claims were unsubstantiated. HVB therefore believes that the claims against such resolutions will be held to be without merit.

On HVB's request, the District Court of Munich ruled on 27 September 2006 in release proceedings that the claims against the resolutions regarding agenda items 13 and 14 will not prevent the hive-down being entered into the commercial register. Appeals from shareholders against this ruling were rejected by the Higher Regional Court of Munich on 12 February 2007. The transactions therefore were closed in the first quarter of 2007. On 29 March 2007 the District Court of Munich dismissed the claims against the resolutions taken in the shareholders' meeting on 23 May 2006. The plaintiffs appealed against this decision; HVB believes that the appeal will be rejected by the Higher Regional Court of Munich.

Shareholders' complaints against resolutions approving several purchase and transfer agreements, inter alia, the sale and transfer agreement with respect to the BA-CA shares held by HVB, during the Extraordinary Shareholders' Meeting (EGM) on 25 October 2006

Following the EGM, which approved six transactions relating to entities belonging to HVB in Austria (BA CA) and CEE - countries (Ukraine, Russia, Baltics), several applications to grant certain information to shareholders pursuant to Sec. 132 of the German Stock Corporation Act (**AktG**), have been filed by minority shareholders of HVB with the Regional Court of Munich and were served upon HVB. The applications requested HVB (a) to make available to the shareholders a copy, and to disclose the complete wording, of the Business Combination Agreement (**BCA**) concluded between UniCredit and HVB on 12 June 2005 and ask to receive the complete wording of the Restated Bank of the Regions Agreement (**ReBoRA**) or (b) at least to disclose more details on the contents of the BCA and the ReBoRA or to respond to questions relating thereto. When preparing the EGM, HVB and its external legal advisers arrived at the conclusion that it was sufficient

to publish the material contents of the BCA and the ReBoRA in order to fulfill any potential information requirements. In one application, HVB is requested to reveal all payments made to Mr. Rampl by HVB or any third party (including, in particular, UniCredit) since 1 January 2005. With respect to the payments received by Mr. Rampl in 2005, no answer was required as all compensation paid to Mr. Rampl are shown in detail in the “Compensation Report” in HVB’s financial statements for the year 2005; with respect to any payments made in 2006 by UniCredit, HVB is unable to make any statement; in addition, this information was in HVB’s view not required for the shareholders to vote on the transactions. The District Court of Munich ruled in three out of six cases that the applications pursuant to Sec. 132 AktG were unfounded and stated that HVB was not required to make available to the shareholders a copy, or to disclose the complete wording, of the BCA or the ReBoRA. The remaining applications were settled after HVB, without conceding any legal obligation to do so disclosed the BCA to the court and all plaintiffs.

A number of actions to set aside the consenting resolutions with respect to the transactions submitted to the EGM, especially the sale and purchase agreement regarding the shares of BA-CA held by HVB, have been filed by shareholders and shareholders’ associations and were served upon HVB on 13 December 2006. Apart from alleged formal mistakes in preparing and conducting the meeting, the shareholders mainly claim that the purchase prices for the sold entities were not adequate and in turn would contradict Sec. 243 AktG. The management board of HVB determined the purchase prices on the basis of separate evaluations of each single entity by PricewaterhouseCoopers, acting as independent auditor, and therefore is of the opinion that the agreed purchase prices were adequate. Furthermore, a fairness opinion has been given to HVB.

The sale and purchase agreements contain provisions requiring the management board of HVB to obtain from a law firm a legal opinion as to whether the resolutions of the EGM contained any error which could prevent the management board from closing said transactions. The management board asked a law firm to render an opinion in this respect, taking into account all arguments of the claims mentioned before. Having received such opinion, as well as an additional statement from PricewaterhouseCoopers, the management board of HVB came to the conclusion that the closing conditions had been met; following this the participations held by HVB in BA-CA were transferred to UniCredit, those held in HVB Bank Ukraine (after assignment by UCI) to Bank Pekao SA; the participations held in International Moscow Bank as well as those held in HVB Bank Latvia were transferred to BA-CA in the first quarter of 2007; the branches in Tallinn and Vilnius were transferred in August 2007 after further conditions precedent were fulfilled.

In the hearing on 24 May 2007, the District Court of Munich indicated that it was doubtful whether the explanatory notes on the BCA/ReBoRA in the invitation to attend the EGM had been adequate and whether questions from the shareholders with regard to alternative parameters of valuation had been adequately answered. HVB believes that the contention that HVB (according to the District Court of Munich) should have described several clauses in the BCA in greater detail is unfounded; in addition, any such description could not have impacted on the resolution (which is a precondition if a challenge is to be successful). The necessity to answer questions relating to alternative valuation parameters and methods had been rejected by other courts; this would be a reversal in case law. HVB furnished evidence to demonstrate that all questions actually asked to be answered were answered within the scope of what was legally required, possible and reasonable.

During the oral hearing the Court made an attempt at proposing a settlement of the pending claim; such proposal was neither suggested nor accepted by any of the parties. Taking into account HVB’s announcement of the squeeze-out resolution at the end of June 2007, and the shareholder claims against the squeeze-out that were almost certain to result, the court noted that it believed that one could read HVB’s business plans prepared in connection with the squeeze-out as having assumed that HVB would have received €4 billion more from UniCredit than it in fact did. The court, however, did not justify how it reached this particular amount. In any event, the proposal of the Court for a settlement is not legally binding and has not become legally binding nor is it a pre-judgment for further proceedings with respect to the squeeze-out. The court clearly stated that there is no evidence to show breach of trust by HVB’s management bodies, that the management board of HVB has substantial discretion and could rely on the expert opinions from PricewaterhouseCoopers as well as the fairness opinion and – with regard to the valuation parameters applied by PricewaterhouseCoopers – also on the rulings handed down by other courts that had accepted similar valuation parameters in comparable cases. In light of the fact that (a) the BGH expressly emphasised in other rulings that it was not the task of the courts to place their own commercial assessment in lieu of the decisions taken by the management bodies of a company in their entrepreneurial responsibility, and that (b) the management bodies of HVB had acted for the benefit of HVB on the basis of carefully prepared and

Description of the Guarantor

comprehensive information (legal expert opinions, valuation by appraisers, fairness opinion), HVB is of the opinion that the actions challenging the resolutions on the sales of BA-CA/CEE will ultimately prove to be unsuccessful. However, the outcome of these proceedings is uncertain.

The special representative has joined the minority shareholders in their claim contesting the resolution taken at the EGM on 25 October 2006, regarding the sale and transfer of BA-CA to UniCredit. According to a written submission received by HVB on 6 November 2007, the special representative has justified this stance, stating that it believed that the resolution authorising the sale of BA-CA passed at the EGM had been obtained through deception as the written submission to both the EGM and the Supervisory Board had been untrue in its assertion that the transaction would be in the best interests of HVB. The special representative argues that the resolution authorising the sale and transfer, as well as the proposal of the Supervisory Board, should therefore be regarded as invalid.

It is doubtful whether the special representative may in fact join the contesting shareholders against HVB. After a preliminary review of the submission it appears the facts used to support the claim have been taken out of context, are incomplete, tendentious and misleading. HVB clearly rejects the alleged deception and will counter the written submission after further in-depth analysis on the claims therein.

On 31 January 2008 the Regional Court of Munich decided on the voidance action brought forward by HVB minority shareholders against the resolutions passed by the 2006 HVB extraordinary general meeting, and ruled that such resolutions are void for formal reasons. On 29 February 2008, HVB filed an appeal with the Higher Regional Court of Munich. In UniCredit's view, such ruling only concerns the validity of resolutions approving certain intra-group transactions and, given that the Court did not express any view regarding the consideration paid for the BA-CA shares, it does not affect the effectiveness of the transfers of BA-CA and the Central and Eastern European businesses discussed above, which have all been carried out on an arm's-length basis on the ground of independent external opinions and evaluations, and in a fair and transparent manner.

Resolution with respect to the assertion of claims and appointment of a special representative taken during the annual shareholders' meeting (AGM) on 27 June 2007

At the HVB's AGM on 27 June 2007, a resolution proposed by some minority shareholders was adopted to assert claims for compensation against current and former members of the management board and supervisory board of HVB and against UniCredit and its affiliated companies including their legal representatives in each case for alleged financial damages caused by (a) the sale of BA-CA for a price of €109.81 per share (i) against the background of HVB's successful strategy in Eastern Europe, (ii) in light of the fact that the cash compensation granted to the minority shareholders of BA-CA during the squeeze-out proceedings amounted to €129.40 per share whereas six months earlier the fair value of BA-CA shares that were sold by HVB to UniCredit was set at only €109.81, (iii) without performing an auction procedure and (b) the BCA concluded on 12 June 2005 and the provisions therein. A special representative was appointed to file such claims.

Legal action challenging this resolution has been filed by the majority shareholder, UniCredit, especially because it perceived as unclear and much too vague the resolution in terms of content and potential respondents, making the resolution ineffective. This legal action by UniCredit was dismissed on 4 October 2007 by the District Court of Munich. UniCredit so far has not been provided with the written reasoning of the judgment. Depending on the arguments used by the court in dismissing the legal action, UniCredit may appeal against this decision.

Apart from the aforementioned legal proceedings regarding the effectiveness of the resolution itself, other legal proceedings are pending regarding the rights of the special representative. Due to the uncertain outcome of the legal actions filed by UniCredit before 4 October 2007, the special representative had not been provided with the documents or information requested by him nor has HVB taken other measures requested by the special representative; however without conceding any legal obligation to do so, HVB passed on some of the documents requested by the special representative. The special representative operating under the assumption that the resolution adopted by the AGM on 27 June 2007 is effective, has applied for a temporary injunction in order to be able to examine potential claims against some of the respondents. The special representative requested the right to (a) access premises, (b) demand and review documentation, and (c) obtain information from employees, management and contractual partners. HVB opposed this request. In a hearing on the temporary injunction, the District Court of Munich indicated that the resolution could only partially be valid

and that the Special Representative's requests were too broad. However, the District Court of Munich ruled that the special representative may exercise his disclosure and audit rights in his sole discretion. HVB appealed against this judgment and requested a stay of the ruling. The hearing at the Higher Regional Court held on 28 November 2007 restricted the rights of the Special Representative. This decision is final – further appeals are not possible.

Exclusion of minority shareholders of HVB AG and other resolutions taken by the AGM on 27 June 2007

The AGM of HVB on 27 June 2007 approved the transfer to UniCredit of the shares held by minority shareholders in return for a cash compensation of €38.26 per share by a majority of 98.77 per cent. of the votes cast. The same AGM approved the discharge of the members of management board and supervisory board of HVB, while motions to appoint a special auditor were rejected. Since August 2007 more than 100 claims have been filed against said resolutions, especially against the squeeze-out resolution and the resolution regarding the discharge of the members of the management board and the supervisory board of HVB. On 7 December 2007, HVB, which believes that such lawsuits are evidently ungrounded, filed a motion ("unblocking motion") asking the Court to grant clearance for the transfer resolution to be entered in the commercial register, notwithstanding the claims challenging this resolution.

At the hearing of 21 February 2008 concerning both the avoidance actions and the unblocking motion, even though the judge did not give any clear indication whether he would rule in favour of HVB with respect to the unblocking motion he indicated that the alleged defaults could not justify the contestation of the squeeze-out resolution and therefore the various avoidance actions by minority shareholders could be deemed ungrounded. The ruling on the main avoidance actions will be issued on 28 August 2008.

On 24 April 2008 the Court granted the unblocking motion, and the minority shareholders filed an appeal. If the higher Court were to reject the shareholders' appeal such decision would be final, and UniCredit would then be able to proceed with the registration of the squeeze-out with the Commercial Register even if the avoidance action was still pending.

Legal proceedings challenging the validity of the financial statements 2006 as a consequence of certain share transfer transactions

The same plaintiffs who filed damage claims before the District Court of Munich, as well as one further shareholder, have also served a claim on HVB asserting that the HVB financial statements for fiscal year 2006 are void due to an alleged breach of accounting rules because claims against UniCredit in the amount of €17.35 billion were not recorded. Based on the same considerations as above, HVB believes that the claim challenging the accuracy of its 2006 financial statements will be held to be without merit.

Exclusion of minority shareholders of Vereins- und Westbank AG award proceedings

The extraordinary shareholders' meeting of Vereins- und Westbank AG (VuW), held on 24 June 2004, approved the transfer of the 2,788,090 shares of VuW's minority shareholders to HVB in exchange for €25.00 per outstanding share of VuW. Various shareholders of VuW initiated legal proceedings at the District Court of Hamburg (Landgericht Hamburg), challenging the validity of this resolution. By way of mutual agreement, HVB, after having joined the action for the purpose of a settlement, increased the cash payment to €26.65 for each outstanding share of VuW. Upon registration of the transfer resolution in the commercial register of VuW on 29 October 2004, all shares of the minority shareholders of VuW passed to HVB. However, certain shareholders considered the increased cash payment to be insufficient and filed actions with the District Court of Hamburg (Landgericht Hamburg), asking the court to determine a higher cash compensation in so-called award proceedings (*Spruchverfahren*). In a decision dated 2 March 2006, Hamburg Regional Court fixed the compensation at €37.20 per share, notwithstanding the fact that the appropriateness of the original cash compensation had been evaluated and substantiated by external auditors and reviewed by a court-appointed independent auditor. HVB appealed against this decision.

Dispute regarding trade tax allocation with Hypo Real Estate

Hypo Real Estate Bank AG and Hypo Real Estate International AG were members of the HVB trade tax group. On the basis of special rules which were effective until 2001, HVB collected from, as well as refunded to, several subsidiaries which belonged to the trade tax group of HVB or to the trade tax group of its

Description of the Guarantor

predecessors for the relevant time period trade tax allocations. Hypo Real Estate Bank AG and Hypo Real Estate International AG allege trade tax allocations to their disadvantage in the aggregate amount of €74 million plus interest, and demand to be provided with additional information regarding the calculation of tax allocations and figures applied by HVB until 2001.

On 29 April 2008 the court of Munich awarded €75.5 million in damages, plus interest and expenses for a total of €105.5 million. HVB will appeal this decision, but has meanwhile made provisions for €59 million.

Claw-Back claims by insolvency administrator against HVB as member of a syndicate of banks

In 2002, a corporate customer of HVB filed a petition for insolvency proceedings; following the commencement of such insolvency proceedings, the insolvency administrator asserted claw-back claims against a syndicate of banks of which HVB was a member. HVB accounted for approximately 9.25 per cent. of the syndicate's total outstanding credit facilities. The syndicate banks mandated an expert in insolvency law to examine all questions relating to the potential claim of the insolvency administrator; the expert found the legal position of the insolvency administrator not to be very strong and advised the syndicate banks to reject the asserted claims. No court proceedings have been filed yet. Although HVB believes that the aforementioned claims do not have any merit, any legal proceedings initiated by the insolvency administrator, if adversely determined, may result in a maximum liability for HVB in a low triple-digit million figure in Euro. However, at present, the outcome of the claw-back claims is uncertain.

BA-CA

BA-CA and its subsidiaries are involved in various litigation and claims incidental to the normal conduct of its business. Although it is impossible to predict the outcome of any outstanding litigation, BA-CA believes, except as discussed below, that such litigation and claims would not have a material adverse effect on its business or consolidated financial position.

Settlement of claims regarding squeeze-out of BA-CA free-float shareholders

On 21 May 2008, UniCredit announced that the squeeze-out of Bank Austria's free float shareholders has been registered with the commercial register of the Commercial Court of Vienna as a result of a final settlement regarding all challenge claims in Austria. The total consideration for the squeeze-out amounts to approximately €1,045 million, which includes statutory interests and the cost of settlement with the plaintiffs who have challenged the resolutions rendered in Bank Austria's shareholders' meeting dated 3 May 2007. The squeeze-out price and relevant interests will be paid to the minority shareholders within mandatory terms following the publication of the registration of the squeeze-out; the payment is therefore expected to take place by the end of July.

Valauret S.A. litigation

In the context of their claim against the French company Rhodia S.A. (**Rhodia**) for €129.8 in damages incurred as a result of a depreciation of their shareholding caused by alleged fraud committed by Rhodia's management board, in 2004 Valauret S.A. and Mr. Hughes de Lasteyrie du Saillant sued Aventis S.A. (Rhodia's controlling shareholder), its board of directors and its auditors and other defendants, for a total of 14 entities including BA-CA in 2007 as successor of Creditanstalt AG (**Creditanstalt**). The next hearing is scheduled for 3 September 2008. Management believes the claim against Creditanstalt to be groundless.

Claims of Austrian consumer protection associations

In June 2002, the European Commission imposed a fine in the amount of approximately €30 million on BA-CA for alleged illegal fixing of interest rates, prices of several banking products for retail customers as well as other terms. Similar fines in an aggregate amount of approximately €94 million were imposed on seven other Austrian banks. BA-CA challenged the imposition and the amount of the fine before the European Court of First Instance, which rendered its decision on 14 December 2006 and upheld the European Commission's decision regarding the fines imposed on seven of eight banks (including BA-CA). BA-CA filed an appeal against this decision to the ECJ. The fine imposed would not materially affect BA-CA's financial position or results of operation even if the ECJ were to reject its appeal.

Certain Austrian consumer protection associations and politicians have announced that they are considering bringing claims for damages against certain banks (including BA-CA) involved in EU proceedings regarding alleged price-fixing that resulted in fines being imposed under Article 81 of the EC Treaty (and which are now under appeal by the banks). BA-CA believes that, as a legal matter, it is uncertain whether a violation of Article 81 of the EC Treaty may give rise to private claims for damages by individual customers or consumer protection associations. As at the date of this Prospectus, no actions have been filed against BA-CA on this basis. BA-CA would consider such actions to be without merit for a variety of reasons. Furthermore, Austrian consumer protection associations have alleged that banks in Austria have been charging their customers excessive interest and fees in contravention of Austrian consumer protection laws. Whether and to what extent such claims are justified depends on individual circumstances and various legal issues which, to date, have not been finally resolved by the Austrian courts. In view of the uncertain legal situation, the Austrian Savings Banks Association entered into two settlement arrangements with Austrian consumer protection associations. In order to avoid litigation with customers or consumer protection associations, BA-CA declared that it will act in accordance with the settlement arrangements. However, other Austrian credit institutions are still involved in civil proceedings, and court decisions rendered against those credit institutions may have adverse consequences for the entire banking industry in Austria. BA-CA believes that the declaration made should largely avoid such adverse consequences for BA-CA. In January 2006, a decision of the Austrian Supreme Court concerning the adjustment of interest rates of savings books was issued against a competitor. Currently the amounts of interest which might have to be refunded cannot be evaluated. No serious risk assessment of a potential litigation against BA-CA can be made at the moment. At present there are no legal proceedings pending against BA-CA in this regard.

Proceedings relating to pension benefit plans

On account of the restructuring of company pensions effected by BA-CA's predecessors in 1999, legal proceedings were instituted against BA-CA by certain former employees. In 1999, Bank Austria AG, the former Creditanstalt AG and other Austrian savings banks outsourced their company pension and retirement benefits plans for employees retiring after 31 December 1999 to two external pension funds as service providers and at the same time converted them from defined benefits to defined contribution plans. The vast majority of pension rights of active employees of Bank Austria AG and Creditanstalt AG were either outsourced based on company agreements founded on collective settlements in the savings bank sector or based on individually negotiated agreements. For employees whose entitlements to a company pension were outsourced, this meant a conversion of their rights to a company pension from their entry into retirement directly by BA-CA to a right to a share in the investment performance of a pension fund. Bank Austria AG and Creditanstalt AG paid a gross amount of approximately €690 million to the external pension fund in consideration of its assumption of liability for the term of service of affected employees prior to 1 January 2000, whereas for periods of service on or after such date, Bank Austria AG and Creditanstalt AG agreed to pay current pension fund contributions.

Following the worldwide downturn in the capital markets since 1999 and the resulting failure of pension funds to meet the performance targets assumed within the scope of the outsourcing, there were material reductions in the relevant payments. As a result, legal proceedings against BA-CA were instituted by former employees of Länderbank, Creditanstalt und Villacher Sparkasse, each set of claims thus being subject to different terms. The plaintiffs are still demanding compensation for all suffered losses, current and future, owing to the weak performance of the pension funds, as well as compensation for what they would have been entitled to receive in the absence of the pension rights outsourcing initiative.

In June 2004, the Austrian Supreme Court stated in a test case initiated by the Federation of Austrian Trade Unions against the Federation of Austrian Savings Banks that the transfer of pension obligations to pension funds complied with applicable legal requirements as far as collective agreements were concerned and that there was no obligation on the part of BA-CA to guarantee those employees affected by the transfer a certain amount following their retirement. Nevertheless, BA-CA was mandated to make payments in the form of a subsequent allocation to employees who at the time of the transfer were about to retire. In accordance with this obligation, BA-CA made a subsequent allocation of €1.3 million (approximately 0.1 per cent. of BA-CA's annual reserve for pensions) to approximately 150 employees who were considered as being about to retire.

However, on account of disagreements about which employees should be included in this category and the method for calculating amounts to be subsequently allocated, legal action was taken against BA-CA by

Description of the Guarantor

employees as well as by the staff council. BA-CA believes the risks emerging from these proceedings to be low in view of the Supreme Court ruling mentioned above.

Furthermore, there are other legal proceedings against BA-CA that have been instituted by employees who had agreed to the outsourcing of their pension rights on an individually negotiated basis. In the ruling described above, the Austrian Supreme Court did not concern itself with transfers based on individually negotiated agreements. The outcome of these proceedings will also depend on the factual question of whether the information given to these former employees of Bank Austria AG and Creditanstalt AG prior to the outsourcing of their pension rights meets the criteria which the Supreme Court will apply to assess the duty to furnish information. As any such determination depends on the particular circumstances and experience of each employee affected, no general statement on the outcome of the proceedings is possible at this time.

In the meantime, a number of the cases dealing with the employees' claims have been decided upon in favour of BA-CA, some in the first instance and others in the second instance. There are still some remaining uncertainties concerning the interpretation of the judgments in these proceedings of former employees, and therefore adequate provisions will be recorded.

Treuhandanstalt litigation

Long pending litigation exists involving purported claims of Treuhandanstalt, the German entity responsible for the development of new *Länder* which is the predecessor of *Bundesanstalt für vereinigungsbedingte Sonderaufgaben* (BvS), against Bank Austria (Schweiz) AG, a former subsidiary of BA-CA. One of the claims in the proceedings, which were initiated by a claim lodged on 29 June 1994 at the Zurich district court, is that Bank Austria (Schweiz) AG participated in the embezzlement of funds of two companies based in the former German Democratic Republic (the GDR). BvS seeks damages in the amount of approximately €128 million plus interest. BA-CA would be liable for the obligations of its former subsidiary. The proceedings before the Zurich district court were suspended in 1997 pending a final decision by the German administrative courts as to whether the appointment of BvS as a trustee for the companies based in the GDR was legal. Following the final decisions of the German administrative courts concerning the legality of BvS acting as a trustee for the companies based in the GDR, the Swiss proceedings have been resumed. Although Swiss courts are not bound by decisions of German administrative courts and will independently assess and decide the preliminary questions at issue, BA-CA still believes that the claims against its former subsidiary are without merit, and no provisions have been made.

Capitalia

In the 12 months prior to the date of this document, Capitalia has not been a party to any administrative, legal or arbitration proceedings (including any pending or future proceedings of which Capitalia is aware) which, in the opinion of Capitalia's management, may have, or have had in the recent past, a material adverse effect on the financial results of Capitalia and/or the Capitalia Group.

The following section provides information on significant criminal and civil proceedings involving certain former directors and managers of Capitalia.

Capitalia/Cirio – Court of Rome

Between the end of 2003 and the beginning of 2004, certain members of the board of directors and managers of Banca di Roma were named defendants in pending criminal proceedings before the Court of Rome, relating to default by the Cirio Group. They are charged with fraud and complicity in fraudulent bankruptcy. During April 2006, certain managers of Capitalia were notified that they were to be committed for trial. Cirio's temporary receiver and certain note-holders have joined the proceedings claiming damages, but the judge for the preliminary hearing has denied their claim of civil liability against Capitalia. In September 2007 said employees and managers were committed for trial. The first hearing was held on 14 March 2008 in the Court of Rome, and in the following hearing held on 14 May 2008 several additional claims by new plaintiffs were added and have been examined in subsequent hearings held on 6 and 11 June 2008. The next hearing is scheduled for 3 July 2008.

Description of the Guarantor

In addition, at the beginning of May 2008, several creditors of the Cirio group filed a civil claim for damages against UniCredit.

In April 2004, the temporary receiver of Cirio Finanziaria S.p.A. notified Mr. Sergio Cragnotti, the former managing director of Cirio, and various banks, including Capitalia and Banca di Roma of proceedings to obtain a judgment declaring the invalidity of an allegedly illegal agreement with Cirio S.p.A., for the sale of the dairy company Eurolat to Dalmata S.r.l, an affiliate of Parmalat. At the hearing held on 28 May 2007, the case was submitted to the judge for decision. No provisions were made for this litigation due to management's opinion that the case was groundless. However, in February 2008 the Court held Capitalia and Mr. Sergio Cragnotti liable for damages for €222.3 million, adjusted for inflation, plus accrued interest from 1999. UniCredit has decided to appeal.

Capitalia and Banca di Roma are also defendants in the proceedings relating to Cirio's bonds described in "*Legal Proceedings – UniCredit – Cirio*". The Capitalia management believed that the plaintiffs' claims are substantially without merit and did not make provisions to cover for the potential risks arising from these cases, also in consideration of the fact that the lawsuits are not in the preliminary phase yet.

Court of Parma – Declaration of insolvency of the Parmalat Group

Between the end of 2003 and the end of 2005, certain former members of the board of directors and managers of Capitalia Group banks were put under investigation by the Parma Public Prosecutor as part of an inquiry into the default of the Parmalat Group. The investigation resulted in three different proceedings which relate to three transactions made by Parmalat: the "Eurolat" proceedings, which relate to the acquisition of the Cirio Group's dairy business; the "Ciappazzi" proceeding, which relates to the acquisition of Ciappazzi's mineral water business; and the "Parmatour" proceeding, involving certain managers of the Capitalia Group for the financing of HIT S.p.A., jointly with certain managers of the Parmalat Group. The charges are contribution to bankruptcy and extortion in the first case, complicity in bankruptcy and usury in the second case, and complicity in bankruptcy in the third case. In relation to "Eurolat", the public prosecutor has formalised a request for dismissal concerning some individuals involved. In relation to "Ciappazzi", the public prosecutor has formalised a request of committal for trial. The judge for the preliminary hearing has decided to commit Capitalia for trial, as a party allegedly responsible for damages. Concerning the "Ciappazzi" and "Parmatour" proceedings, employees and managers were committed for trial. The "Ciappazzi" hearing has been committed to trial on 16 October 2008, the "Parmatour" proceeding on 4 July 2008 and the "Eurolat" proceeding on 18 June 2008.

Capitalia, Banco di Sicilia, MCC, and Banca di Roma were named as defendants in the "Ciappazzi" proceeding, and Capitalia was named as defendant in the "Parmatour" and "Eurolat" proceeding, in each case as parties allegedly responsible for civil liability.

For the "Parmalat" lawsuits, with the agreement of the charged lawyers, even though there is a potential risk for UniCredit which is civilly responsible, UniCredit does not have sufficient information in this preliminary phase, to allow it to quantify the potential loss in a reliable manner. This also applies to the initial stages of the "Ciappazzi", "Parmatour" and "Eurolat" proceedings.

Pursuant to Articles 26 and 109 of Legislative Decree N. 385/1993 (the **Consolidated Banking Law**) and Article 5 of Ministerial Decree of the Treasury N. 516/1998, the members of the board of directors of banks, in order to qualify for election to their posts must meet certain requirements as to their professional competence (*professionalità*), honourableness (*onorabilità*) and independence (*indipendenza*). In the event of a lack or loss (e.g. due to a criminal act) of these requirements, the members can no longer carry out their duties and the board of directors must declare their removal from office. In this event, the matter is brought to the attention of the shareholders at the next shareholders' meeting for a decision, which can resolve to re-establish the former directors or appoint new ones.

On 22 February 2006, Mr. Geronzi, the former chairman of the board of directors of Capitalia received an order suspending him from carrying out his duties as a member of the board of Capitalia, by the Court of Parma in relation to the "Ciappazzi" and "Parmatour" proceedings. The board of directors of Capitalia, as a consequence, declared his removal from the board of directors pursuant to the provisions of the Consolidated Banking Law. Subsequently, on 20 April 2006, the shareholders' meeting of Capitalia re-established the chairman to his office. Mr. Geronzi did not become a director of UniCredit following the Merger.

Description of the Guarantor

In December 2004, Parmalat's temporary receiver commenced claw-back proceedings against Banca di Roma, Bipop Carire for an aggregate claim equal to €629.2 million, together with numerous other Italian and foreign banks, including banks belonging to the Group, in relation to alleged voidable preferences with respect to payments received from Parmalat prior to its default. See also "*Business – Legal Proceedings – UniCredit*".

With reference to the revocatory actions, provisions have been made for an amount considered consistent with the single lawsuit risk of loss.

Banca di Roma is also a defendant in the claim for damages for approximately €4.5 million brought by Parmalat in temporary receivership in which it is alleged that Capitalia and other banks, including UniCredit Banca d'Impresa, contributed to artificially keep Parmalat in business despite its evident state of financial distress, thereby exacerbating it. See also "*Business – Legal Proceedings – UniCredit*". Banca di Roma's management believed the claim to be groundless.

During the last hearing on 9 April 2008 the court accepted the request to change the civil damages claim into criminal proceedings. The civil claim was suspended for Parmalat S.p.A. ("*Assuntore*").

Court of Brescia. Declaration of Insolvency of Italcasse Berlelli Group

On 7 December 2006, the Court of Brescia issued its judgment in connection with the Italcasse Bertelli Group default, a criminal proceeding which involved certain members of the board of directors and managers of Banca di Roma as defendants. Those individuals were charged with complicity in "preferential" bankruptcy and "simple" bankruptcy. The Court of Brescia convicted Mr. Geronzi, the former Chairman of Capitalia and another Capitalia director for the alleged crimes. The board of directors therefore suspended them from their office pursuant to Articles 26 and 109 of the Consolidated Banking Law. The shareholders meeting of Capitalia, on 19 April 2007, re-established them to their previous offices. Neither one became a member of UniCredit's board of directors. The judgment has been appealed and the proceeding is pending.

Appointment of Special representative following sale of BA-CA

HVB in the Annual General Meeting on 27 June 2007 passed a resolution in favour of asserting alleged damage claims against UniCredit, its legal representatives and the members of the management board, as well as the supervisory board of HVB, due to alleged damage to the Bank's assets through the sale of Bank Austria Creditanstalt (BA-CA) shares and through the Business Combination Agreement (BCA) entered into with UniCredit, and appointed Dr. Thomas Heidel, a solicitor, as Special Representative of the company. The Special Representative was granted the authority to examine documents and get further information from the company to find out whether or not a ground for such claims exist.

Having performed part of his investigations within HVB, in December 2007 the Special Representative called on UniCredit to return the BA-CA shares sold to it. In January 2008 UniCredit replied to the Special Representative stating that in its view such a request was completely unfounded. On 20 February 2008 Dr. Heidel in his capacity as Special Representative of HVB filed a claim against UniCredit, its CEO, Mr. Alessandro Profumo, as well as against the HVB's CEO, Dr. Wolfgang Sprißler, and its CFO, Mr. Rolf Friedhofen, asking the defendants to give back the BA-CA shares and to reimburse HVB for any additional damages in this context or – if this application is not granted by the Court – to pay damages in the amount of at least €13.9 billion. The claim has been served only upon Dr. Sprißler and Mr. Friedhofen.

General Broker Service S.p.A.

At the beginning of February 2008 General Broker Service (GBS) started an arbitral proceeding against UniCredit whose final goal is to obtain: (a) a declaration that the withdrawal from the insurance brokerage agreement notified by the Capitalia Group in July 2007 is illegitimate and ineffective; (b) the re-establishment of a right of exclusivity originated by a 1991 agreement; (c) a declaration of the violation of the above-mentioned right of exclusivity for the term 2003-2007; (d) compensation for damages calculated in the amount of €121.7 million; (e) a declaration that UniCredit is not allowed to participate in any public auctions through its controlled companies if not in association with GBS. The 1991 agreement, which contained an exclusivity obligation, had been executed between GBS and Banca Popolare di Pescopagano e Brindisi.

Description of the Guarantor

This bank, in 1992, merged with Banca di Lucania and became Banca Mediterranea. In 2000 Banca Mediterranea was merged into Banca di Roma which later became Capitalia (merged into UniCredit in October 2007). The brokerage relations with GBS, having their roots in the 1991 contract, were then ruled by (a) an agreement signed in 2003 between GBS, AON Spa and Capitalia, whose validity has been extended to May 2007 and (b) a similar, newer agreement signed in May 2007 between GBS, AON Spa and Capitalia Solutions Spa, in its own name and as proxy of commercial banks and in the interest of the previous Capitalia Group holding included. With reference to the abovementioned contract, in July 2007 Capitalia Solutions, in the name of the entire Capitalia Group, exercised its right of withdrawal in line with the conditions provided in the contract (in which it is expressly recognised that the entities/banks of the former Capitalia Group should not be obliged to pay to the broker any amount for whichever reason).

Taking into consideration that UniCredit is still in the preliminary phase of the arbitral proceeding and believes that the request raised by GBS is ungrounded, no provisions have been made.

CORPORATE OBJECTS

The purpose of UniCredit, as set out in Article 4 of its articles of association, is to engage in deposit-taking and lending in its various forms, in Italy and abroad, operating in accordance with prevailing norms and practice, and to execute all permitted transactions and services of a banking and financial nature. In order to achieve its corporate purpose, UniCredit may engage in any activity that is instrumental or in any case related to its banking and financial activities, including the issue of bonds and the acquisition of shareholding in Italy and abroad.

MAJOR SHAREHOLDERS

As at 8 May 2008, UniCredit's issued and paid-up capital totalled €6,683,084,257.50 and was made up of 13,366,168,515 shares of €0.50 each, including 13,344,461,963 common shares and 21,706,552 savings shares.

As at 8 May 2008, the main shareholders were as follows:

As at 8 May 2008, Italian resident shareholders held approximately 56 per cent. of the share capital, while foreign resident shareholders held 44 per cent. Legal persons held 93 per cent. of the share capital and the remaining 7 per cent. was held by natural persons.

MAIN SHAREHOLDERS

Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	4.829%
Fondazione Cassa di Risparmio di Torino	3.829%
Gruppo Munich Re	2.664%
Carimonte Holding S. p. A.	3.351%
Gruppo Allianz	2.392%
Credit Suisse Group	2.092%

As a percentage of common capital. UniCredit's by-laws set a limitation on voting rights at 5 per cent. of voting capital.

MATERIAL CONTRACTS

UniCredit has not entered into any contracts which could materially prejudice its ability to meet its obligations under the Guarantee.

PRESENTATION OF FINANCIAL INFORMATION

Until 31 December 2004, UniCredit maintained its books and records and prepared its financial statements in euro in accordance with Italian accounting principles prescribed by applicable Italian law, Legislative Decree no. 87 of 1992 and Bank of Italy regulation no. 166 of 1992, as supplemented by the accounting principles issued by the *Consiglio Nazionale dei Dottori Commercialisti* and the *Consiglio Nazionale dei Ragionieri* (collectively, accounting principles generally accepted in Italy or **Italian GAAP**). Since the financial year beginning on 1 January 2005, UniCredit has reported its consolidated financial information in accordance with the IFRS, as prescribed by European Union Regulation no. 1606 of 19 July 2002.

Description of the Guarantor

European Union Regulation no. 1606 of 19 July 2002 requires that, starting in 2005, all European Union companies having equity securities listed on a European stock exchange adopt international financial reporting standards (**IFRS**) (known as international accounting standards, or IAS, until May 2002) in the preparation of their consolidated financial statements. Standards introduced prior to the renaming of IAS as IFRS are still referred to as IAS; the combined body of IAS and IFRS standards is referred to as “IFRS”. The same European Union Regulation also provides a mechanism for inclusion (**endorsement**) of the IFRS into the European Union’s body of laws. Accordingly, pursuant to Regulation no. 1725 of 29 September 2003, the IFRS and their respective interpretations were officially adopted as of 19 July 2002.

IFRS standards relating to financial reporting have been implemented in Italy pursuant to Legislative Decree No. 38 of 28 February 2005 (the **IFRS Decree**) and require Italian listed companies, banks, insurance companies and financial services companies to prepare consolidated financial statements (effective from 2005) and non-consolidated financial statements (effective from 2006) in accordance with IFRS. The introduction of IFRS resulted in a significant change in the way companies’ results and balance sheets are presented. Previously applied Italian accounting principles, which are based on historical cost, are governed mainly by criteria whose purpose is to show financial results actually realised and that can be distributed. The goal of IFRS, however, is to provide information aimed mainly at investors, presenting changes in the economic value of company capital.

In April 2005, CONSOB revised Articles 81 and 82 of the regulations concerning issuers (CONSOB Regulation no. 11971/99, as amended) regarding quarterly and half-yearly reports, respectively, and amended the issuer regulations to cover the transition mechanism for 2005 (Articles 81-*bis* and 82-*bis*). In particular, this mechanism enabled gradual implementation of IFRS for quarterly and half-yearly reports in 2005.

The Group’s audited annual consolidated financial statements as of and for the year ended 31 December 2004 and its unaudited consolidated financial statements as of and for the six months ended 30 June 2005 were prepared in accordance with Italian GAAP as applicable at the time of the preparation of the respective consolidated financial statements, including the notes thereto, incorporated by reference in this Prospectus.

The Group started preparing its consolidated financial statements for the financial year ending 31 December 2005 onward and its interim report in accordance with IFRS.

Description of the Guarantor

MANAGEMENT OF UNICREDIT

BOARD OF DIRECTORS

The board of directors of UniCredit (the **Board**) is responsible for the ordinary and extraordinary management of UniCredit and the Group. The Board may delegate its powers to one or more managing directors.

The Board is elected by UniCredit's shareholders at a general meeting for a term of three years, unless a shorter duration is designated upon appointment, and directors may be re-elected following the expiration of their terms. The Board consists of nine to 24 directors.

The current Board is composed of 23 members. The Board may also appoint, in lieu of or in addition to the managing directors, one chief general manager and one or more deputy general managers (and determines their responsibilities and term of office). The Board has appointed Mr. Alessandro Profumo as Managing Director and Chief Executive Officer. It has also appointed Messrs de Fiorentino, Ermotti, and Nicastro as deputy chief executive officers. The following table sets out the name, age, position and year of appointment of the current members of the Board:

Name	Age	Position	Year First Appointed
Dieter Rampl	60	Chairman	2005
Alessandro Profumo	49	CEO	2005
Gianfranco Guty (*)	69	Deputy Chairman (Vicarious)	2005
Franco Bellei	62	Deputy Chairman	2002
Fabrizio Palenzona	53	Deputy Chairman	2005
Berardino Libonati (*)(**)	73	Deputy Chairman	2007
Anthony Wyand (**)	63	Deputy Chairman	2005
Enrico Tommaso Cucchiani	57	Director	2007
Dr. Manfred Bischoff (**)	63	Director	2005
Vincenzo Calandra Buonauro (**)	59	Director	2002
Donato Fontanesi (*)(**)	64		2007
Salvatore Ligresti (*)(**)	75	Director	2007
Francesco Giacomini (**)	55	Director	2000
Piero Gnudi	69	Director	2002
Friedrich Kadrnoska (**)	56	Director	2005
Max Dietrich Kley (**)	66	Director	2005
Luigi Maramotti (**)	51	Director	2005
Antonio Maria Marocco (**)	73	Director	2007
Carlo Pesenti (**)	44	Director	2002
Dr. Hans-Jürgen Schinzler (**)	67	Director	2005
Franz Zwickl (**)	53	Director	2007
Dr. Nikolaus von Bomhard	51	Director	2005
Marianna Li Calzi	58	Director	2008

(*) *Director appointed after the merger with Capitalia*

(**) *Independent Directors*

The business address for each of the foregoing directors is UniCredit S.p.A., Via A. Specchi, 16, 00186 Rome, Italy.

Dieter Rampl was appointed chairman of the Board of UniCredit in 2005. Prior to that, beginning in 1998, Mr. Rampl worked for HVB where he served as a member of the board of managing directors and, from 2003 onwards, as Chairman of the board of managing directors. From 1983 to 1998, Mr. Rampl held several posts at BHF Bank including senior vice president and manager of its New York branch, general manager for domestic and international corporate business and general manager for corporate finance. He currently is chairman of the supervisory boards of Koenig & Bauer AG and Bayerische Borse AG, and deputy chairman of the supervisory board of Mediobanca S.p.A. Mr. Rampl holds a degree in economics from the University of Munich.

Description of the Guarantor

Alessandro Profumo was appointed director of Credito Italiano, the predecessor company, in 1994 and managing director and chief executive officer of UniCredit in 1999. Prior to that, Mr. Profumo worked for prestigious consultancy firms and, starting in 1991, joined RAS Riunione Adriatica di Sicurtà as general manager with responsibility for the banking and related sectors. He joined Credito Italiano in 1994 as its deputy general manager in charge of Planning and Group Control, and he became chief general manager in 1995 and chief executive officer in 1996. Mr. Profumo has held numerous posts within the Group and is currently the chairman of UniCredit Banca and a member of the board of directors and of the executive committee of Mediobanca Banca di Credito Finanziario. He is also a member of the supervisory board of Deutsche Borse and a member of the executive Board of the Association for the Development and Study of Banks (the Institut International d'Etudes Bancaires), and of the executive board of AIRC Italian Association for Cancer Research. Mr. Profumo holds a degree in business economics from the Luigi Bocconi Business University of Milan.

Gianfranco Guty was appointed deputy chairman of the Board in 2005. Mr. Guty is also a member of the boards of directors of ABI and UniCredit Banca. He is also the chairman of Assindustria Gorizia, a member of the supervisory board of Bank Medici AG and a former President of IRIS Isontina Reti Integrate e Servizi. Mr. Guty holds a degree in economics, *honoris causa*, from the University of Trieste.

Franco Bellei was appointed deputy chairman of the Board in 2002. Mr. Bellei is a management consultant and a chartered accountant. From 1996 to 2002, Mr. Bellei was the managing director of Rolo Banca 1473. Mr. Bellei is the chairman of Private Leasing and a member of the board of directors of Nomisma S.p.A. Mr. Bellei is a member of the boards of directors of ABI and UniCredit Banca. He has also been a member of the boards of directors of Carimonte Holding, S+R Investimenti e Gestioni and UniCredit Private Asset Management. Mr. Bellei holds a degree in biology from the University of Modena and a degree in sociology from the University of Urbino.

Fabrizio Palenzona was appointed as deputy chairman of the Board in 1999. Mr. Palenzona is the chairman of each of Aviva Italia S.p.A., FAISERVICE Scarl and Norman 95 S.p.A., and the former chairman of Commercial Union S.p.A. Among other posts, he is also a member of the board of directors of ABI and the chairman of Confrtrasporto, the Italian association for transport. He has also been Vice Chairman of Confcommercio, the Italian association for commerce and tourism. Mr. Palenzona is also a member of the boards of directors of UBM, Rete Autostrade Mediterranee S.p.A., Schemaventotto and ADR S.p.A. and a member of the supervisory board of Mediobanca S.p.A. Mr. Palenzona holds a degree in Law from the University of Pavia.

Berardino Libonati was appointed as deputy chairman of the Board in 2007. Prior to that, he was the chairman of Alitalia S.p.A. from February 2007 to July 2007, the chairman of Swiss Re Italia S.p.A. from 1996 to 2006, a director of Nomisma S.p.A. from 2003 to 2007 and a director of Mediobanca S.p.A. from 2001 to 2007. Mr. Libonati was also the chairman of TIM Telecom Italia S.p.A. from 1998 to 1999, the chairman of Finnat Euramerica SIM S.p.A. from 1995 to 1997, the chairman of Banco di Sicilia S.p.A. from 1994 to 1997 and statutory auditor for ENI S.p.A. from 1992 to 1995. He has also served as the chairman of Banca di Roma S.p.A. since 2002, as a director of ESI Edizioni Scientifiche Italiane S.p.A. since 2003, director of Pirelli S.p.A. since 2005 and as a director of RCS Media Group S.p.A. since 2006. Mr. Libonati has also served as the president of the Unidroit – *Institut pour l'unification du Droit Privé* and as a professor of Corporate and Business Law at University of Rome “La Sapienza” since 1981. He holds a Degree in Law.

Anthony Wyand was appointed as a member of the Board in 1999. Previously Mr. Wyand worked for Aviva as an executive director and is a member of its board of directors. In addition to numerous other posts, Mr. Wyand is a member of the board of directors of Société Générale, Société Foncière Lyonnaise S.A. and Grosvenor Group Limited. Mr. Wyand holds a BA Degree from the Royal Military College of Canada and an MA Degree from King's College, London University.

Enrico Tommaso Cucchiani was appointed member of the Board in 2007. He currently holds several posts inside the Allianz Group. He also serves as a member of the boards of directors of Illy Caffé S.p.A., Pirelli S.p.A., and Editoriale FVG S.p.A. Mr. Cucchiani is the chairman of Acit S.p.A., RAS Holding BV and Lloyd Adriatico S.p.A., and the CEO of RAS S.p.A. In 2005, he joined the International Executive Committee of Allianz and in 2006, the board of management of Allianz SE. In 1996, he became the general director of Lloyd Adriatico and in 1998 he became its managing director and CEO. He has also worked for McKinsey as an

Description of the Guarantor

advisor for Merrill Lynch and Chase Manhattan Bank. Mr. Cucchiani holds a degree in economics from the Bocconi University of Milan.

Manfred Bischoff was appointed as a member of the Board in 2005. Mr. Bischoff is a member of the board of directors of NNC/NNL and member of the supervisory boards of Fraport AG, Royal KPN N.V., SMS GmbH and Vaith AG. Beginning in 1976, Mr. Bischoff has held several offices in DaimlerChrysler AG (formerly Mercedes-Benz), where he remains a member of the supervisory board. These positions have included vice president, CFO and membership on the board of directors of Mercedes-Benz do Brasil and the company's management board. Mr. Bischoff holds degrees in law and economics from the Universities of Tübingen and Heidelberg and a masters degree in economics from the University of Tübingen.

Vincenzo Calandra Buonauro was appointed member of the Board in 2002. From 1996 to 2002, Mr. Calandra Buonauro was a member of the Board of Rolo Banca 1473. He is a professor of company law at the University of Modena. In addition, Mr. Calandra Buonauro is a member of the boards of directors of Carimonte Holding S.p.A. and Credito Emiliano S.p.A. He is also a member of the supervisory board of BA-CA. Mr. Calandra Buonauro holds a law degree from the University of Modena and is a practicing licensed attorney.

Donato Fontanesi was appointed member of the Board in 2007 and prior to that, he was a member of the board of directors of Capitalia. He is president of the foundation COOPSETTE, and is currently a member of the board of directors of Holmo S.p.A., Ariete S.p.A., C.C.P.L. Consorzio, Parco S.p.A. and FinecoBank S.p.A.

Salvatore Ligresti was appointed member of the Board in 2007 and prior to that, he was a member of the board of directors of Capitalia. He is honorary chairman of several listed companies and in particular of Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A., Immobiliare Lombarda S.p.A., Premafin Finanziaria S.p.A. and chairman of the supervisory board of Atahotels S.p.A. Mr. Ligresti is also involved in the management of non-profit institutions, as member of the board of Fondazione Cerba, honorary chairman of Fondazione Fondiaria-SAI and chairman of Fondazione Gioacchino e Jone Ligresti. He holds a degree in civil engineering from the University of Padova.

Francesco Giacomini was appointed member of the Board in 2000. Mr. Giacomini was the managing director of ACEGAS-APS S.p.A., member of the board of directors and executive committee of Interporto di Padova S.p.A., member of the board of directors of ABI and Elettrogas S.p.A. He currently serves as member of the board of Naonis Energia S.r.l., member of the board of Sviluppo Industriale Parks S.r.l. and CEO of IES. Co S.r.l. Mr. Giacomini holds a degree in law.

Piero Gnudi was appointed member of the Board in 2002. From 1996 to 2002 Mr. Gnudi was deputy chairman of the Board of Rolo Banca. He is currently the chairman of ENEL S.p.A. and M.A.I.E. S.p.A. He is also CEO of Carimonte Holding S.p.A., a member of the board of directors of ALFA WASSERMAN S.p.A., D&C Compagnia di Importazione Prodotti Alimentari, Dolciari, Vini e Liquori S.p.A. and Gallotti S.p.A. In addition, he is chairman of the board of statutory auditors of Marino Golinelli &C. S.p.A., and Aequafin S.p.A. He was the chairman of Rai Holding, managing director of UniCredit Banca d'Impresa and a member of the board of WIND, Il Sole 24 Ore and UniCredit Banca. In addition, Mr. Gnudi also served as a member of the board of Liquidators of Filippo Fochi. Mr. Gnudi holds a degree in economics and is a *dottore commercialista*.

Friedrich Kadrnoska was appointed member of the Board in 2005. From 2002 to 2004, Mr. Kadrnoska was member of the board of BA-CA. He is vice-chairman of the supervisory board of Wiener Börse AG and chairman of the supervisory board of Wienerberger AG, VISA Service Kreditkarten AG, Österreichisches Verkehrsforum AG, Wiener Privatbank Immobilieninvest AG, and Allgemeine Baugesellschaft A.Porr AG, and a member of the supervisory board of Convert Immobilieninvest AG, Porr Projekt und Hochbau AG, Porr Technobau und Umwelt AG. In addition, he serves as director of VISA Europe Limited Board Member and is a member of the executive board of Privatstiftung zur Verwaltung von Anteilsrechte. He also serves as chairman of the supervisory board of Infineon Technologies AG and SGL Carbon AG and as a member of the supervisory board of Schott AG and HeidelbergCement AG. Mr. Kadrnoska was also chairman of the supervisory board of Adria Bank AG, Wienerberger AG, RUFA Reisen AG and Adria Bank AG. Mr. Kadrnoska is a director of the VISA Europe Limited Board. Mr. Kadrnoska holds a degree in economics and business administration from the University of Vienna.

Description of the Guarantor

Max Dietrich Kley was appointed member of the Board in 2005. Since 2003, Mr. Kley has been a member of the supervisory board of BASF AG. Prior to that, Mr. Kley has held several posts at BASF AG, including CFO, President of the Energy and Coal division and chairman of the board of executive directors. He is also currently chairman of Deutsches Aktieninstitut e.V. and of the Stock Exchange Expert Commission. He also serves as chairman of the supervisory boards of Infineon Technologies AG and SGL Carbon AG and as a member of the supervisory boards of Schott AG and HeidelbergCement AG. Mr. Kley holds a degree in Law.

Marianna Li Calzi was appointed member of the Board in 2008. In 2001 Ms. Li Calzi was appointed to the judiciary as expert in the advisory and supervisory tributary committee (*Servizio Consultivo ed Ispettivo Tributario*) for the management of goods seized to criminal associations, she held the position up to the end of 2007. In 1994 she was nominated undersecretary to the Ministry of the Interior and was also nominated to the Chamber of Deputies permanent commission (*Commissione Permanente della Camera*) and the bicameral committee of enquiry on the Mafia (*Commissione Bicamerale d'Inchiesta sul fenomeno della Mafia*). She was also appointed as undersecretary for the Ministry of Justice in two previous legislatures. Ms. Li Calzi is a qualified judge.

Luigi Maramotti was appointed member of the Board in 2005. Mr. Maramotti is the vice chairman of the Max Mara Fashion Group and holds posts as director of financial and industrial companies, including Credito Emiliano S.p.A., Cofimar S.r.l., and Abaxbank S.p.A., Credem Assicurazioni S.p.A., Credem Vita S.p.A, Grosvenor Continental Europe SAS. He is also vice chairman of Credito Emiliano Holding S.p.A., Max Mara Finance S.r.l., Max Mara S.r.l., Marella S.r.l. and Marina Rinaldi S.r.l. Mr. Maramotti holds a degree in economics from the University of Parma and a masters degree from the University of Rochester, N.Y.

Antonio Maria Marocco was appointed member of the Board in 2007. He has been notary public in Turin since 1963. Mr. Marocco has been a member of the board of Società Reale Mutua Assicurazioni since 1986, of Società Reale Immobili S.p.A. and IFIL Finanziaria Partecipazioni S.p.A., where he is also chairman of the audit committee. He has served as a member of the board of Banca SANPAOLO IMI S.p.A. and as advisor to Fondazione Cassa di Risparmio di Torino. He holds a law degree from the University of Turin.

Carlo Pesenti was appointed member of the Board in 2002. Mr. Pesenti is the chief operating officer of Italmobiliare S.p.A., and CEO of Italcementi S.p.A. Mr. Pesenti is also a member of the board of Mediobanca Banca di Credito Finanziario S.p.A. He is also a director and member of the executive committee of the RCS MediaGroup. He is vice-chairman of Bravo Solution and of Ciment Franc Lais S.A. Mr. Pesenti holds a degree in mechanical engineering from the University of Milan and a masters degree in economics and management from the Bocconi University of Milan.

Hans-Jürgen Schinzler was appointed member of the Board in 2005. Prior to that, from 1969, he worked at Munich Reinsurance Company, where in 2004, he was appointed chairman of the supervisory board after having served since 1993 as chairman of the management board. He served as a member of the supervisory board of Deutsche Telekom AG and Bonn Metro AG. He is currently chairman of the supervisory board of Münchener Rückversicherungs-Gesellschaft. Mr. Schinzler holds a degree in law from the Universities of Munich and Würzburg.

Franz Zwickl was appointed member of the Board in 2007. He is currently chairman of the supervisory board of many different companies, and in particular of Conwert Immobilien Invest AG, ECO Business Immobilien AG, Wiener Privatbank Immobilien Invest AG. He is also a member of the supervisory board of Österreichische Kontrollbank AG, Österreichisches Verkehrsbüro AG, VISA-SERVICE Kreditkarten AG, ING-DiBa AG, Frankfurt. Mr. Zwickl is managing director of several asset management companies and a member of the board of directors of various Austrian private foundations.

Nikolaus von Bomhard was appointed member of the Board in 2005. Mr. von Bomhard is the CEO of Münchener Rückversicherungs-Gesellschaft. Prior to that, he served as a member of Munich Reinsurance Company's board of directors and head of Munich Reinsurance's office in Brazil. Mr. von Bomhard holds a degree in law from the Universities of Munich and Regensburg.

Description of the Guarantor

Senior Management

The Board appoints the top executives who are responsible for managing the day-to-day operations, as directed by the Managing Director/Chief General Manager/CEO. The senior management of UniCredit is set out below.

Alessandro Profumo	Managing Director, General Manager and Chief Executive Officer
Ranieri de Marchis	Chief Financial Officer
Paolo Fiorentino	Deputy CEO and Head of Global Banking Services Division
Sergio Ermotti	Deputy CEO
Edoardo Spezzotti	Head of Markets & Investment Banking Division
Dario Frigerio	Head of Private Banking & Asset Management Division
Erich Hampel	Head of Central Eastern Europe (CEE) Division
Federico Ghizzoni	Head of Poland's Market Division
Roberto Nicastro	Deputy CEO and Head of Retail Division
Vittorio Ogliengo	Head of Corporate Division
Henning Giesecke	Chief Risk Officer (CRO)
Mark Beckers	Head of Group Identity & Communications
Rino Piazzolla	Head of Human Resources Strategy Division
Wolfgang Spriäler	Head of German Region Strategic Advisory Staff
Maurizia Angelo Comneno	Head of Compliance & Corporate Affairs

Ranieri de Marchis joined the Group as Chief Financial Officer in 2003. Prior to that, since 1990, he has worked with General Electric where he held several posts and in 2001 was appointed vice president, chief financial officer of the General Electric, Oil & Gas Division. From 1987 to 1988, Mr. de Marchis worked for Italcable and from 1988 to 1990 for Procter & Gamble. Mr. de Marchis holds a degree in economics and a masters in business administration from INSEAD, Fontainebleau.

Paolo Fiorentino was appointed Deputy CEO in 2007 having joined the Group as Head of the Global Banking Services division of UniCredit in 2004. Prior to that, since 2003 he has been deputy general manager and head of the New Europe Division. Since 1981, he has held several posts with Credito Italiano. Mr. Fiorentino holds a degree in economics.

Sergio Ermotti was appointed Deputy CEO of the Group in 2007. Prior to that he was general manager and head of the Markets & Investment Banking Division of UniCredit from 2005 to 2007. Since 1987, he has worked with Merrill Lynch & Co., where he held several posts, and from 2001 to 2003 served as senior vice president and co-head of Global Equity Markets. From 1985 to 1987, Mr. Ermotti worked for Citibank, NA in Zurich. Mr. Ermotti holds a Swiss Certified Banking Expert diploma.

Edoardo Spezzotti was appointed head of the Markets & Investment Banking Division in 2007. Prior to that Mr. Spezzotti acted as advisor to the Group while working at Goldman, Sachs & Co., Merrill Lynch and since 2004 as an independent adviser. He has worked for Merrill Lynch as co-head of Investment Banking, Italy country head, chairman of the Investment Banking Operating Committee, chairman of the Family Enterprise Group and head of the Private Investment Bank for Europe, Africa and Middle East Region. He has also worked for KPMG and the Montedison Group. He holds a degree in economics from Trieste University.

Description of the Guarantor

Dario Frigerio was appointed Head of the Private Banking & Asset Management division of UniCredit in 2004 and he is also the managing director of PGAM. Previously, Mr. Frigerio worked for various divisions of Credito Italiano, for CreditRolo Gestioni S.p.A., for EuroPlus Investment Management Ltd and, from 2000 to 2001, was the managing director of Pioneer Investment Management. Mr. Frigerio holds several posts within the Pioneer group and is a Member of the Associazione Italiana Analisti Finanziari and a member of the executive board of Assogestioni. Mr. Frigerio holds a degree in economics from the Luigi Bocconi University of Milan.

Erich Hampel was appointed Head of Central Eastern Europe (CEE) Division of UniCredit in 2006. Prior to that, since 1997, Mr. Hampel has worked with BA-CA and served as a member of its management board since 2000 and as its managing director since 2004. From 1977 to 1997, Mr. Hampel has worked for Österreichische Postsparkasse. Mr. Hampel holds a degree in social sciences and economics.

Federico Ghizzoni was appointed Head of Poland's Market Division of UniCredit in July 2007. He joined UniCredit in 1980 at Piacenza's branch as customer relations manager, as head of Credit & Marketing Department and as Branch Director. He was also deputy general manager of UniCredit's London office, office general manager for UniCredit in Singapore. From 2000 to 2002 Mr. Ghizzoni worked as executive director responsible for Corporate and International Banking and as member of the supervisory board at Bank Pekao S. A. After the acquisition by KFS of Yapi Kredi he became the COO & executive board member of KFS and COO and vice-chairman of Yapi Kredi. He holds a law degree from the University of Parma.

Roberto Nicastro was appointed deputy CEO in 2007 and head of the Retail division of UniCredit in 2003 and he is also the managing director of UniCredit Banca. Mr. Nicastro joined Credito Italiano in 1997 and, in 2001, became deputy general manager in charge of the New Europe Division. Previously, from 1989 to 1991, Mr. Nicastro worked for Salomon Brothers and from 1991 to 1997 for McKinsey & Co. He is deputy chairman of UniCredit Servizi Informativi S.p.A. and Clarima Banca and managing director of Banca d'Impresa. Mr. Nicastro holds a degree in economics.

Vittorio Ogliengo was appointed head of Corporates Division of UniCredit in 2005. Prior to that, since 1994, he has worked for the Barilla group where he held several posts and in 2003 was appointed chief executive officer and chief financial officer of Barilla Holding. Previously, from 1988 to 1994, Mr. Ogliengo worked for FIAT S.p.A. where he had senior management responsibility. From 1985 to 1988 he worked with Citibank, N.A. and from 1983 to 1985 for PricewaterhouseCoopers. Mr. Ogliengo holds a degree in economics.

Henning Giesecke was appointed Chief Risk Officer of UniCredit in 2006. Previously, from 1985 to 1998, he held several posts within Hypo Bank. In 1998 Mr. Giesecke joined the HVB Group where he served, among other positions, as member of the divisional board and chief credit risk officer. Mr. Giesecke holds a degree in economics.

Mark Beckers was appointed head of Group Identity & Communications in 2006. He started his career in communication and brand management in 1979 at GM and, after the period from 1987 to 1989 when he worked as director of External Relations division for Renault Belgium/Luxembourg, he rejoined GM in 1989 until 2006 working as director of Global Product and Brand Communications division at GM Corporation in Detroit and as deputy chairman of Communication division at GM Europe in Zurich. He holds a degree in communications sciences from Hibo Business School in Ghent, Belgium.

Rino Piazzolla was appointed head of Human Resources Strategy Division of UniCredit in 2005. Prior to that, from 1997, he has worked with General Electric where he worked in Human Resources for the Oil & Gas Division and, from 1999, as Global Human Resources Corporate vice president. From 1993 to 1997 he worked for PepsiCo and, from 1981 to 1993, for Johnson Wax. Mr. Piazzolla holds a degree in philosophy.

Wolfgang Sprißler was appointed Head of German Region Strategic Advisory Staff of UniCredit in 2006. Prior to that, from 1976, he worked for the HVB Group where he held several posts and has served as chief financial officer from 1996 to 2006. Since 2006 he has been spokesman of the board of Bayerische Hypo-und Vereinsbank AG. Mr. Sprißler holds a degree in business administration.

Maurizia Angelo Comneno was appointed Head of Compliance & Corporate Affairs in 1999, following the merger between Credito Italiano and UniCredit. She started her career in the legal office of Credito Italiano, the predecessor company, in 1978. Since 2002 she has been senior manager in the Group, and holds office as

Description of the Guarantor

Member of the Board of UniCredit Audit S.p.A. She is also currently a member of the ADR Association of Dispute Resolution over banking, financial and corporate matters, and member of the Commissione Tecnica Legale and of the Commissione Ordinamento Finanziario of ABI. She holds a law degree.

BOARD OF STATUTORY AUDITORS

The board of statutory auditors (the **Board of Statutory Auditors**) must monitor the management of UniCredit and its compliance with laws, regulations and by-laws, assess and monitor the adequacy of the company's organisation, internal controls, administrative and accounting systems and disclosure procedures, and must report any irregularities to Consob, the Bank of Italy and the shareholders' meeting called to approve the company's financial statements.

The Board of Statutory Auditors is appointed by UniCredit's shareholders at a general meeting for a term of three years and members may be re-elected under UniCredit's by-laws. The Board of Statutory Auditors consists of five statutory auditors, including a chairman of the Board of Auditors, and two alternate statutory auditors.

The current members of the Board of Statutory Auditors of UniCredit will hold office until the annual general meeting of UniCredit's shareholders called to approve UniCredit's financial statements for the fiscal year ending 31 December 2007. The following table sets out the name, age, position and year of appointment of the current members of the Board of Statutory Auditors of UniCredit.

Name	Age	Position	Year First Appointed
Giorgio Loli	69	Chairman	1999
Vincenzo Nicastro	67	Statutory Auditor	2002
Aldo Milanese	62	Statutory Auditor	1999
Gian Luigi Francardo	75	Statutory Auditor	1999
Siegfried Mayr	63	Statutory Auditor	2007
Giuseppe Verrascina	62	Alternate	2007
Massimo Livatino	44	Alternate	2007

Compensation

In the year ended 31 December 2007, the aggregate compensation paid to the key management was approximately €104 million.

Conflicts of Interest

UniCredit addresses conflicts of interest in compliance with the provisions of Article 2371 of Italian Civil Code and Article 136 of the Italian Banking Act. There are no family relationships between any of the members of the Board, the members of the Board of Statutory Auditors, and the senior managers of UniCredit.

As of 31 December 2007, there were outstanding loans or guarantees issued by Group entities to senior managers totalling approximately €8,821 million. Amounts include transactions with companies in which the directors of UniCredit have interests. Such loans and guarantees were made in the ordinary course of business, on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions, and did not involve more than the normal credit risk or include favourable features.

THE INTERNAL CONTROL & RISK COMMITTEE

The Group's Internal Control & Risk Committee is composed of five non-executive directors, the majority of whom must be independent. The chairman of the Board and the vicarious deputy chairman are automatically members of the Internal Control & Risk Committee, and the other members of the Internal Control & Risk Committee are elected on the basis of competence and fitness for the roles to be filled. The Internal Control & Risk Committee acts in an advisory capacity and also has powers of inquiry. It may be consulted at all times by the Board for assistance in evaluating conflicts of interest as well as transactions with related parties. The Internal Control & Risk Committee reports directly to the Board on its activities, the adequacy of internal auditing procedures and relationships with external auditors at least semi-annually.

EXTERNAL AUDITORS

UniCredit's annual financial statements must be audited by external auditors appointed by its shareholders. UniCredit's Board of Statutory Auditors expresses an opinion on such appointment. The shareholders' resolution and the Board of Statutory Auditors' opinion are communicated to Consob. The external auditors examine UniCredit's annual financial statements and issue an opinion regarding whether its annual financial statements comply with the IAS/IFRS issued by the International Accounting Standards Board as endorsed by the European Union governing their preparation; which is to say whether they are clearly stated and give a true and fair view of the financial position and results of the Group. Their opinion is made available to UniCredit's shareholders prior to the annual general shareholders' meeting.

Since 2007, following a modification of Legislative Decree No. 58 of 24 February 1998 (the **Financial Services Act**), listed companies may not appoint the same auditors for more than nine years. Until 2007, auditors could be appointed for three consecutive three-year terms. At the annual general shareholders' meeting of UniCredit held on 4 May 2004, KPMG S.p.A. (**KPMG**) was appointed to act as UniCredit's external auditor for a period of three years and during the general shareholders' meeting of UniCredit held on 10 May 2007 KPMG's engagement was extended for a further six years, to complete the nine-year period allowed by the Financial Services Act.

KPMG succeeds PricewaterhouseCoopers S.p.A., which had acted as the external auditor for UniCredit and its predecessor entity, Credito Italiano, for three consecutive three-year terms.

REGULATORY CAPITAL

In compliance with Bank of Italy regulations, UniCredit calculates and reports its capital adequacy on a consolidated and solo basis. From 2008, in order to determine the minimum level of regulatory capital, which is calculated by assessing different risks, UniCredit applies the Advanced Internal Ratings Based Approach (**IRB**) to calculate its exposure to credit risk and the Advanced Measurement Approach (**AMA**) to calculate its exposure to operational risks, and it adopts a method based on internal models for the calculation of capital requirements connected to market risk resulting from trading activities. In addition, in order to comply with regulatory requirements UniCredit further developed and validated its ratings and tools for calculating scores for the assessment of credit risk and its IT tools to support rating and lending procedures. UniCredit also developed, in order to comply with Basel II Second Pillar, methodologies aimed at verifying capital adequacy.

The risk-based capital ratios (**Capital Ratios**) compare core (**Tier I**) and supplemental (**Tier II**) capital requirements to the bank's assets and certain off-balance sheet items, weighted according to risks (**Risk-Weighted Assets**).

In accordance with Bank of Italy regulations, UniCredit is required to maintain a total capital adequacy ratio of at least 8 per cent., on a consolidated basis, having calculated the various risks to which it is exposed. The following table shows the Banking Group UniCredit Tier I and Tier II capital levels and the relative ratios as at 31 December 2007 and 2006, which have been calculated under the previous Basel I regime as Basel II methodologies were not yet implemented.

(in thousands of euro)	Year ended 31 December	
	2007	2006
Tier I Capital	36,576,899	29,384,676
Tier II Capital	20,671,442	17,560,536
Deductions	(1,075,163)	(2,615,153)
Total Capital	56,173,178	44,330,059
Tier I Ratio (Tier I Capital to total Risk-Weighted Assets)	6.55%	6.96%
Total Capital Ratio (Own Funds to total Risk-Weighted Assets)	10.11%	10.50%

SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

Set out below is summary financial information of the Guarantor, derived from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2006 and 2007 (prepared in accordance with IFRS/IAS), which have been audited by KPMG S.p.A. Such financial statements, together with the audit reports of KPMG S.p.A. and the accompanying notes, are incorporated by reference into this Prospectus. The financial information below should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements, reports and the notes thereto. See “*Documents incorporated by reference*”.

UNICREDITO CONSOLIDATED BALANCE SHEET

	31 December	
(in thousands of euro)	2007	2006
Balance sheet – Assets		
Cash and cash balances	11,072,942	5,680,703
Financial assets held for trading	202,343,138	191,593,436
Financial assets at fair value through profit or loss	15,351,953	15,932,989
Available for sale financial assets	31,957,833	29,358,243
Held-to-maturity investments	11,731,544	10,752,057
Loans and receivables with banks	100,011,816	83,715,436
Loans and receivables with customers	574,206,126	441,320,028
Hedging derivatives	2,512,829	3,009,561
Changes in fair value of portfolio hedged items (+/-)	(71,394)	228,048
Investments in associates and joint ventures	3,166,094	3,086,289
Insurance reserves attributable to reinsurers	115	300
Property, plant and equipment	14,436,974	8,615,460
Intangible assets	24,853,738	13,335,985
<i>of which – goodwill</i>	<i>19,115,404</i>	<i>9,908,473</i>
Tax assets	11,144,239	7,746,486
<i>(a) current tax assets</i>	<i>3,704,545</i>	<i>987,754</i>
<i>(b) deferred tax assets</i>	<i>7,439,694</i>	<i>6,758,732</i>
Non-current assets and disposal groups classified as held for sale	6,374,480	572,722
Other assets	12,665,942	8,336,471
Total assets	1,021,758,369	823,284,214
Balance sheet – Liabilities		
Deposits from banks	160,601,450	145,682,687
Deposits from customers	390,632,858	287,978,488
Debt securities in issue	239,900,401	207,276,380
Financial liabilities held for trading	113,656,467	103,980,425
Financial liabilities at fair value through profit or loss	1,966,541	1,730,966
Hedging derivatives	5,569,302	4,070,384
Changes in fair value of portfolio hedged items (+/-)	(625,168)	(362,604)
Tax liabilities	7,510,387	6,094,167
<i>(a) current tax liabilities</i>	<i>2,689,512</i>	<i>1,515,324</i>
<i>(b) deferred tax liabilities</i>	<i>4,820,875</i>	<i>4,578,843</i>
Liabilities included in disposal groups classified as held for sale	5,026,513	96,690
Other liabilities	24,556,142	15,727,198
Provision for employee severance pay	1,528,111	1,233,853
Provisions for risks and charges	8,793,062	6,871,136
<i>(a) post-retirement benefit obligations</i>	<i>4,838,978</i>	<i>4,081,588</i>
<i>(b) other provisions</i>	<i>3,954,084</i>	<i>2,789,548</i>
Insurance reserves	177,848	161,999
Revaluation reserves	1,044,893	2,443,806
Reserves	10,690,592	8,091,079
Share premium	33,707,908	17,628,233
Issued capital	6,682,683	5,219,126
Treasury shares (-)	(363,111)	(362,177)
Minorities (+/-)	4,740,353	4,274,637
Net Profit or Loss (+/-)	5,961,137	5,447,741
Total liabilities and shareholders' equity	1,021,758,369	823,284,214

UNICREDIT CONSOLIDATED INCOME STATEMENT

	31 December	
(in thousands of euro)	2007	2006
Interest income and similar revenues	42,021,881	34,294,958
Interest expense and similar charges	(28,056,647)	(22,140,073)
Net interest margin	13,965,234	12,154,885
Fee and commission income	11,353,707	9,966,526
Fee and commission expense	(1,923,865)	(1,618,851)
Net fees and commissions	9,429,842	8,347,675
Dividend income and similar revenue	1,055,569	823,730
Gains and losses on financial assets and liabilities held for trading	541,281	1,470,347
Fair value adjustments in hedge accounting	21,754	29,729
Gains and losses on disposal of:	1,285,979	493,457
(a) loans	13,654	16,486
(b) available-for-sale financial assets	1,274,808	479,030
(c) held-to-maturity investments	647	3,493
(d) financial liabilities	(3,130)	(5,552)
Gains and losses on financial assets/liabilities at fair value through profit or loss	(3,355)	41,347
Operating income	26,296,304	23,361,170
Impairment losses on:	(2,329,737)	(2,296,038)
(a) loans	(2,140,868)	(2,196,408)
(b) available-for-sale financial assets	(113,020)	(47,440)
(c) held-to-maturity investments	(54,383)	(1,110)
(d) other financial assets	(21,466)	(53,300)
Net profit from financial activities	23,966,567	21,065,132
Premiums earned (net)	114,921	89,058
Other income (net) from insurance activities	(82,431)	(67,817)
Net profit from financial and insurance activities	23,999,057	21,086,373
Administrative costs:	(14,201,269)	(12,409,029)
(a) staff expense	(9,096,947)	(7,860,299)
(b) other administrative expense	(5,104,322)	(4,548,730)
Provisions for risks and charges	(622,161)	(765,131)
Impairment/write-backs on property, plant and equipment	(841,084)	(812,104)
Impairment/Write-backs on intangible assets	(614,939)	(556,664)
Other net operating income	883,164	597,109
Operating costs	(15,396,289)	(13,945,819)
Profit (loss) of associates	223,093	283,443
Impairment of goodwill	(144,271)	(356,880)
Gains and losses on disposal of investments	530,345	794,685
Total profit or loss before tax from continuing operations	9,211,935	7,861,802
Tax expense (income) related to profit or loss from continuing operations	(2,533,713)	(1,790,119)
Total profit or loss after tax from continuing operations	6,678,222	6,071,683
Total profit or loss after tax from discontinued operations	–	56,174
Net Profit or Loss for the year	6,678,222	6,127,857
Minorities	(717,085)	(680,116)
Net Profit or Loss attributable to the Parent Company	5,961,137	5,447,741
Earnings per share (€)	0.538	0.527
Diluted earnings per share (€)	0.537	0.525

TAXATION

The statements herein regarding taxation are based on the laws in force in Italy and Luxembourg as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

ITALIAN TAXATION

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as a subsequently amended (Decree No. 239) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

The Italian tax authorities have clarified (Revenue Agency Circular No. 4/E of 18 January 2006) that bonds may have a maturity which is not scheduled at a specific date, but it is linked to the maturity of issuing company or to the liquidation thereof, if the company has been set -up with an undetermined maturity pursuant to Article 2328 (2), No. 13 of the Italian Civil Code.

Where the Notes have an original maturity of at least 18 months and an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime – see “Capital Gains Tax” below), (b) a non-commercial partnership, (c) a non-commercial private or public institution, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 12.50 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP – the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the **Fund**) or a SICAV, and the Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund accrued at the end of each tax period, subject to an ad-hoc substitute tax applicable at a 12.50 per cent. rate.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period

will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Payments made by an Italian resident guarantor

With respect to payments on the Notes made to certain Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Notes may be subject to an advance withholding tax at a rate of 12.5 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In case of payments to non-Italian resident Noteholders, a final withholding tax may be applied at (a) 12.5 per cent. if the payment is made to non-Italian resident Noteholders other than those mentioned under (b); or (ii) 27 per cent. if the payment is made to non-Italian resident Noteholders which are resident in States or territories having a preferential tax regime pursuant to Italian tax law. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax. In accordance with another interpretation, any such payment made by the Italian resident guarantor will be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

Early Redemption

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

Non-Italian Resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, if the Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.50 per cent. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the “tax declaration” regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (b) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year-end, subject to a 12.50 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is an Italian open-ended or a closed-ended investment fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.50 per cent. substitute tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes (a) are transferred on regulated markets, or (b) if not transferred on regulated markets, are held outside Italy.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, (Decree No. 262), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000;

- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding EUR 100,000; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer Tax

Article 37 of Law Decree No 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (a) public deeds and notarised deeds are subject to fixed registration tax at a rate of €168; (b) private deeds are subject to registration tax only in the case of use or voluntary registration.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the EU Savings Directive), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (the Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

LUXEMBOURG TAXATION

Withholding Tax

(i) *Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the

relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15 per cent. during the first three-year period starting 1 July 2005, at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to withholding tax of 15 per cent.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 (the Law) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

SUBSCRIPTION AND SALE

Bayerische Hypo- und Vereinsbank AG and Goldman Sachs International (the **Joint Lead Managers**) has, pursuant to a subscription agreement relating to the Notes (the **Subscription Agreement**) dated 26 June 2008 and made between the Issuer, the Guarantor and the Joint Lead Managers, agreed to subscribe for the Notes at the issue price of 100 per cent. of their principal amount. The Issuer (failing which, the Guarantor) has also agreed to reimburse the Joint Lead Managers for certain of the expenses incurred in connection with the management of the issue of the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and the relevant implementing CONSOB regulations, as amended from time to time, and in Article 2 of Directive No. 2003/71/EC of 4 November 2003; or
- (b) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (**Regulation No. 11971**).

Subscription and Sale

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

The Grand Duchy of Luxembourg

In relation to the Grand Duchy of Luxembourg (**Luxembourg**), which has implemented the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the **Prospectus Directive**) by the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (the **Prospectus Act 2005**), each of the Joint Lead Managers has represented and agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in Luxembourg other than:

- (a) in the period beginning on the date of publication of the Prospectus in relation to those Notes which has been approved by the *Commission de surveillance du secteur financier* (the **CSSF**), as competent authority in Luxembourg or, where appropriate, approved in another Member State of the European Economic Area which has implemented the Prospectus Directive and notified to the CSSF, all in accordance with the Prospectus Directive and ending on the earlier of the date on which the offer has expired pursuant to the provisions of the Prospectus or the date which is 12 months after the date of the publication of the Prospectus;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and retirement funds and their management companies, insurance undertakings and commodity dealers as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities);
- (c) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations);
- (d) at any time, to any legal entity which has two or more of (i) an average number of employees during the financial year of at least 250, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (e) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Act 2005) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the CSSF;
- (f) at any time, to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Act 2005) subject to obtaining the prior consent of the Joint Lead Managers; or
- (g) at any time, in any other circumstances falling within article 5.2 of the Prospectus Act 2005,

provided that no such offer of Notes referred to in (b) to (g) above shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to article 5 of the Prospectus Act 2005 or to supplement a prospectus pursuant to article 13 of the Prospectus Act 2005.

Subscription and Sale

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in Luxembourg means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

General

No action has been taken by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Authorisations

The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 25 June 2008. The Guarantee has been given pursuant to the Guarantor's By-laws.

Listing and Admission to Trading

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0372556299 and the Common Code is 037255629.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg, is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No Significant Change and no material adverse change

Save as otherwise disclosed in this Prospectus under section "Description of the Guarantor – Recent Developments" above, there has been no significant change in the financial or trading position of the Issuer since 31 December 2007 or the Guarantor since 31 March 2008 and there has been no material adverse change in the financial position or prospects of the Issuer or the Guarantor since 31 December 2007.

Litigation

Save as disclosed in this Prospectus, neither the Issuer nor the Guarantor nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor or the Group.

Auditors

The independent auditors of UniCredit are KPMG S.p.A., Via Vittor Pisani 25, 20124 Milano, Italy, who have audited the annual consolidated financial statements as at and for the financial years ended 31 December 2006 and 2007, without qualification, in accordance with generally accepted auditing standards in Italy.

KPMG S.p.A. is registered under No.13 in the Special Register (*Albo Speciale*) maintained by Consob and under No.70623 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No.88 of 27 January 1992. KPMG S.p.A. is also a member of Assirevi, the Italian association of auditing firms.

The external auditors of the Issuer are KPMG Audit S.à r.l., 9, Allée Scheffer, L-2520 Luxembourg, who have audited the annual consolidated financial statements as at and for the financial years ended 31 December 2006 (according to Luxembourg accounting principles) and 2007 (according to IFRS as adopted by the European Union) without qualification, in accordance with generally accepted auditing standards in Luxembourg. KPMG Audit S.à r.l. is a member of the Institut des Réviseurs d'Entreprises.

The independent auditors have no material interest in the Issuer or the Guarantor.

U.S. Tax Legend

The Notes and Coupons will contain the following legend: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*"

General Information

Documents Available

For so long as the Notes are outstanding, copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg:

- (a) a copy of this Prospectus (including any supplement to this Prospectus);
- (b) Subscription Agreement;
- (c) Subordinated Guarantee;
- (d) Agency Agreement;
- (e) By-laws of the Issuer and the Guarantor;
- (f) Audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2006 (according to Luxembourg accounting principles) and 2007 (according to IFRS as adopted by the European Union);
- (g) Audited consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2006 and 2007;
- (h) Unaudited consolidated interim financial statements of the Guarantor as at and for the three months ended 31 March 2007 and 2008;
- (i) Audited consolidated annual financial statements of Capitalia Luxembourg S.A. as at and for the financial years ended 31 December 2006 and 2007; and
- (j) The most recent available consolidated unaudited interim and audited annual financial statements of the Issuer and the Guarantor as appropriate,

in each case, where applicable, with an English translation thereof.

ISSUER

UniCredit International Bank (Luxembourg) S.A.
1, Allée Scheffer
L-2520 Luxembourg

GUARANTOR

UniCredit S.p.A.
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FISCAL AND PAYING AGENT

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London E14 5LB

JOINT LEAD MANAGERS

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LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR

As to Italian and English Law

Allen & Overy

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Via Manzoni 41-43
20121 Milan

As to Luxembourg Law

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LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to Italian and English Law

Clifford Chance

Studio Legale Associato
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20121 Milan

AUDITORS

Auditors to the Guarantor

KPMG S.p.A.
Via Vittor Pisani, 25
20124 Milan

Auditors to the Issuer

KPMG Audit S.à r. l.
9, Allée Scheffer
L-2520 Luxembourg

LISTING AGENT

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal
L-2955 Luxembourg