UniCredit Group

2007 Annual Report: Annual Review

UniCredit S.p.A
Registered Office: Roma, via Minghetti 17
General Management: Milan, Piazza Cordusio
Registration number in the Rome Trade and Companies Register, tax Code and VAT No. 00348170101
Entered in the Register of Banks
Parent Company of the UniCredito Italiano Banking Group
Banking Group Register No. 3135.1
Member of the Interbank Deposit Protection Fund
Capital Stock: € 6,683,084,257.50 fully paid in

UniCredit Group

The Art Experience

2007 was a formative year for the bank's international activities in culture. It was a year that saw intense engagement in all the territories in which we operate.

We believe that culture, when viewed as a strategic resource, can bring tremendous value and foster new ideas. These new ideas are fundamental to innovation and sustainable social and economic growth.

In this year's annual report, we have decided to focus on images of the international events which comprised our work with important partners in art and culture rather than on individual pieces from our collection. Notable among these were events in partnership with the Education Department of the Castello di Rivoli Contemporary Art Museum.

These initiatives involving the broader public in art experiences illustrate the importance UniCredit Group attaches to entertain and promote an active dialogue with the communities in which our Group operates.
The large gatherings pictured in this report were held in city squares and museums and involved thousands of people. What you see is a single spontaneously generated expression of thousands of hands united together in a joyful and creative concert.

Contact with international artists and leading facilitators of culture, through diverse languages, styles and techniques, shows how art stimulates the development of relational and cognitive skills and the potential of the individual. Art, above all, generates significant positive energy which can connect people, bridge differences and promote dialogue. It offers an extraordinary repertoire for learning, exploring, experimenting and interpreting the present to build the future.

Art brings people together.

Which is why we say: ART TALKS.

2007 Annual Report: Annual Review

Board of Directors, Board of Statutory Auditors and External Auditors

Board of Directors

Dieter Rampl	**Chairman**
Gianfranco Gutty	**Deputy Vice Chairman**
Franco Bellei Berardino Libonati Fabrizio Palenzona Anthony Wyand	**Vice Chairmen**
Alessandro Profumo	**Managing Director/CEO**
Manfred Bischoff Vincenzo Calandra Buonaura Enrico Tommaso Cucchiani Donato Fontanesi Francesco Giacomin Piero Gnudi Friedrich Kadrnoska Max Dietrich Kley Salvatore Ligresti Salvatore Mancuso Luigi Maramotti Antonio Maria Marocco Carlo Pesenti Hans Jürgen Schinzler Nikolaus Von Bomhard Franz Zwickl	**Directors**
Lorenzo Lampiano	**Company Secretary**

Board of Statutory Auditors

Giorgio Loli	**Chairman**
Gian Luigi Francardo Siegfrid Mayr Aldo Milanese Vincenzo Nicastro	**Standing Auditors**
Massimo Livatino Giuseppe Verrascina	**Alternate Auditors**
KPMG S.p.A.	**External Auditors**


BABY

Contents

2007 Annual Review (Volume one)

Introduction	**7**
Chairman's message to the Shareholders	**8**
UniCredit Group Profile	**10**
At a Glance - our Unique Franchise	10
Strenghtening our Home Markets	12
Business Model	14
People and Values	18
Master Brand Strategy: in Unity there is Strength	20
Strategy, Business Model and Results	**23**
CEO's Letter to the Shareholders	**24**
Report on Operations	**28**
Corporate Governance	**119**
Corporate Governance	**120**
Management Committee	**128**
General Management	**130**
Group Management Team	**132**

Note to the Report on Operations:
The following conventional symbols have been used in the tables:
- **A dash (-)** indicates that the item/figure is inexistent;
- **Two stops (..)** or **(n.s.)** when the figures do not reach the minimum considered significant or are not in any case considered significant;
- **"N.A."** indicates that the figure is not avalailable.

Unless otherwise indicated, all amounts are in **millions of euros.**

2007 Financial Statements (Volume two)

Financial Statements
- **Consolidated Accounts**
- **Notes to the Consolidated Accounts**

Annexes

Certification pursuant to Art. 81-ter of CONSOB Regulation no. 11971/99, as amended

Report of the External Auditors

Corporate Social Responsibility information is being provided in the separate Sustainability Report volume

Introduction

Chairman's message to the Shareholders	**8**
UniCredit Group Profile	**10**
At a Glance - our Unique Franchise	10
Strenghtening our Home Markets	12
Business Model	14
People and Values	18
Master Brand Strategy: in Unity there is Strength	20

Chairman's message to the Shareholders

> "It was a year in which UniCredit Group continued its robust growth in international markets, both organically and through strategic external initiatives."

Dear fellow Shareholders,

It is my great pleasure to present our results for 2007, which was an important year for us. It was a year in which UniCredit Group continued its robust growth in international markets, both organically and through strategic external initiatives. It was also a year marked by turmoil in the financial sector, as a result of the sub-prime crisis in the United States. The UniCredit Group not only performed well in this challenging context but, as a result of our sound risk management, was one of only a few major players in the banking sector able to avoid taking any substantial charges against sub-prime-related exposure.

The most important strategic external initiative of 2007 was the acquisition of the Capitalia Group in Italy. The merger is well underway and we will complete the integration by the end of 2008. As a result, the UniCredit Group's position in one of its core markets has been significantly strengthened.

In pursuit of this goal, we successfully completed our ambitious initiative to better manage UniCredit Group's presence in Central and Eastern Europe (CEE).

We completed the transfer of our CEE banking shareholdings (with the exception of Bank Pekao S.A.) to Bank Austria.
This transfer was the logical next step in consolidating Bank Austria in its key role within the UniCredit Group, as the hub for our CEE banking activities.
Poland saw much activity in 2007. We successfully concluded the merger of BPH and Bank Pekao S.A., creating the largest bank in the CEE in terms of capitalization. Additionally, Poland saw the listing of UniCredit ordinary shares on the Warsaw Stock Exchange in December.

In the same spirit, corporate governance was the focus of much of your Board's attention in 2007. We believe that only by the adoption and implementation of clear and effective rules is it possible to fully leverage the benefits of our diverse network.

In this context, and with the aim of aligning the organization with international best practices, we revised the Board Committee structure and scope. In doing so, we established a Permanent Strategic Committee and a Corporate Governance, HR and Nominations Committee while the Remuneration Committee and the Internal & Risks Committee (former Audit Committee) remained in place.

The Permanent Strategic Committee is in charge of advising the Board on long-term and annual plans of the UniCredit Group, strategies on capital allocation, relevant M&A transactions and major changes in organizational structure.

The Corporate Governance, HR and Nominations Committee oversees nominations and evaluation of Board of Director appointments, policies for top management, policies related to the nomination of Corporate Officers of UniCredit Group subsidiaries and works continuously to further strengthen the corporate governance practices of the UniCredit Group.

The Remuneration Committee is in charge of advising the Board on the remuneration of UniCredit Directors, the CEO, CEO Office Members and the remuneration policy for our elite management and Corporate Officers in UniCredit Group subsidiaries.

The Internal & Risks Committee supports the Board ensuring that all principal corporate risks are being correctly identified and adequately measured, managed and monitored. It also supports the Board in determining criteria for ensuring the compatibility of such risks with the sound and proper management of the Company.

Moreover, in order to strengthen effective governance, three Deputy CEOs were appointed to focus on supporting the Group CEO in the implementation of the divisional model across all major territories.

The revised Committee structure and the new division of responsibilities will support the Board of Directors by allowing it to more effectively focus on the strategic issues facing the UniCredit Group.

We have worked diligently to implement a proper and sound system of governance and we commit to continue pursuing the best solutions available.

Our structure, our size and our geographical diversity require that we constantly seek to explore unknown paths, that we strive to project our core strengths internationally and that we continue to bring clear, strong and effective corporate governance to bear on our fast growing business in this rapidly changing sector.

We know, however, that rules and policies alone are not enough. Therefore, we will maintain our commitment to meeting today's challenges while seeking solutions to assure sustainable future growth for the benefit of all of our stakeholders and of the communities in which we operate.

Living UniCredit's Integrity Charter values in our everyday life lies at the heart of securing sustainable growth. This is the reason we invested in the Restorative Justice System, based on a large network of Ombudsmen, strongly committed to putting our values into practice every day. The Restorative Justice System is now fully operational in nine countries and will be extended to all the territories in which we operate.

The strong focus on improving our governance, ensuring sustainable growth, and realizing the full value of our unique strategic position and business model will continue to be the focus of your Board.

The significant efforts we have made in fostering our new group identity and bringing our Integrity Charter to life are all focused on our most important asset, our people. Together we are building a lasting business, appreciated in the communities in which we live and work. This is something of which we can all be proud. To my colleagues I offer my heartfelt thanks and appreciation for their hard work and the results of the past year.

Dieter Rampl
Chairman

UniCredit Group Profile

At a Glance: our Unique Franchise

Highlights

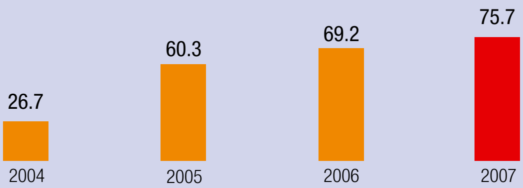
UniCredit Group is a major international financial institution with strong roots in Europe. It has a strong presence in 23 European countries, as well as representative offices in 27 other international markets, and employs around 170,000 people throughout the Group.

It provides a powerful combination of distribution and production capabilities as well as the full spectrum of financial services, financial products, and investment vehicles.

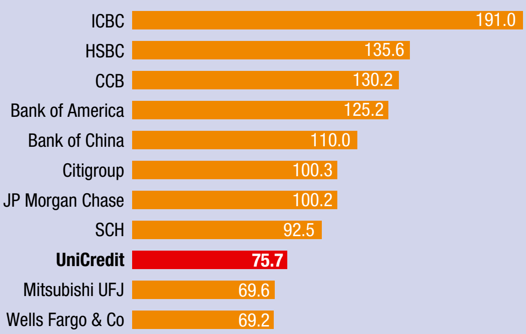
Over the years it has demonstrated its ability to generate profitable, sustainable growth and create significant value for its stakeholders.

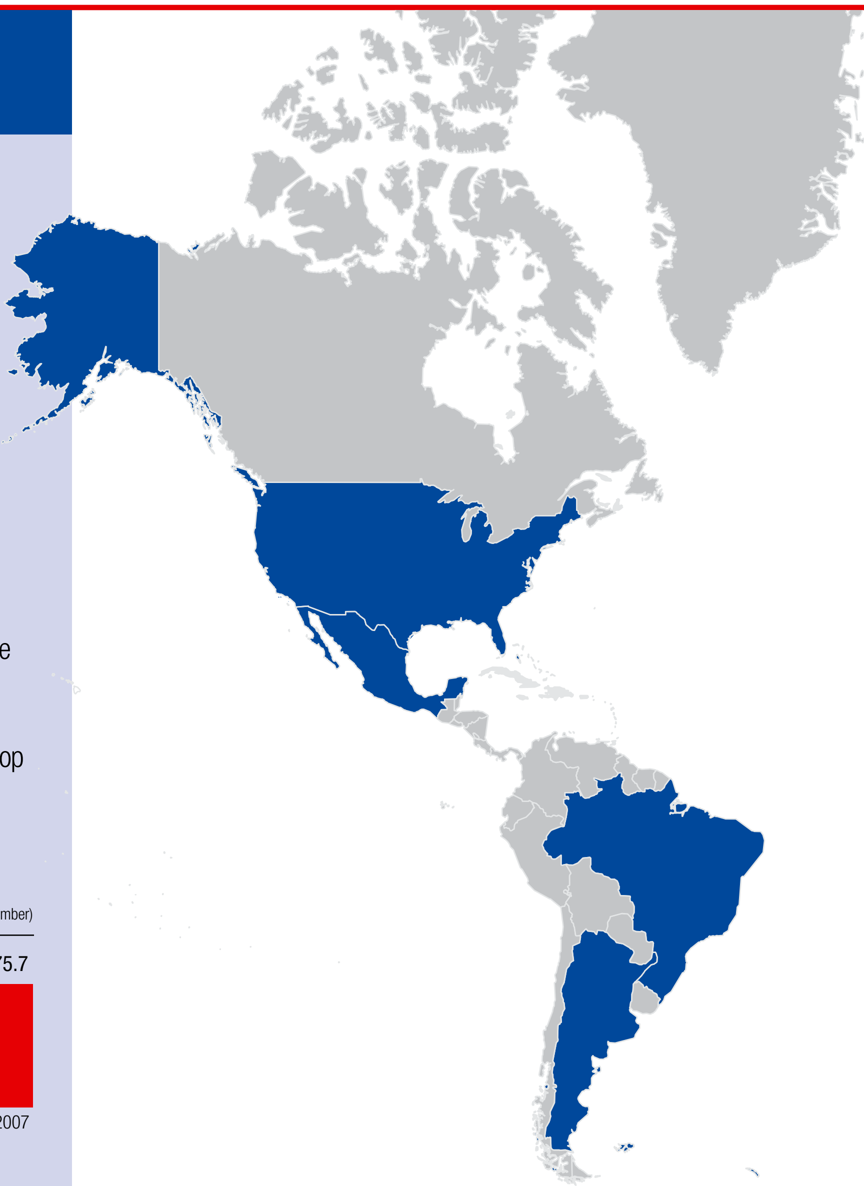
UniCredit Group is well-positioned as one of the top European players in the global banking industry.

Market Capitalization (€ billion) (as at 31 December)



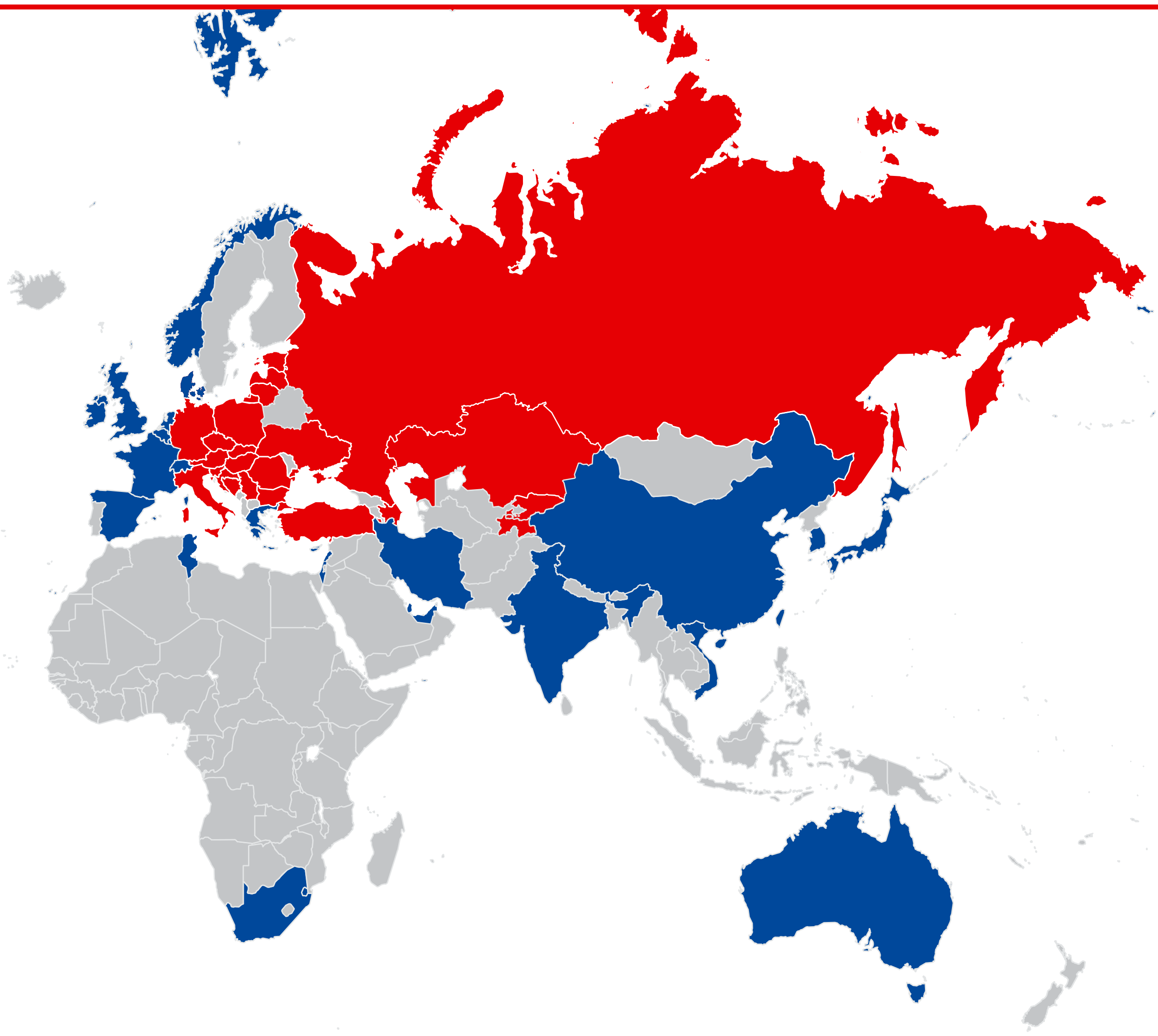
Banking Sector Global Market Capitalization
(€ billion) (as at 31 December 2007)





Countries where the UniCredit Group has banking subsidiaries or banks in which it has a significant equity interest.

Countries in which the UniCredit Group operates via its own branches, representative offices, small banking subsidiaries, or investment centers (Pioneer).



Customers: 40 million

Employees[1]: 170,000

Branches[2]: 9,714

(€ million)

Operating Income*	29,655
Operating Profit*	13,346
ROE*[3]	17.0%
Total Assets	1,021,758

* Pro-forma figures determined as if the business combination with Capitalia had occurred on January 1, 2007.

1. "Full time equivalent" data, calculated according to a new methodology which does not include unpaid leaves. These figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.
2. These figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services Group branches.
3. Calculated on the basis of the average pro-forma shareholders' equity (estimated using year-end capital and reserves, excluding reserves relating to AfS assets and cash-flow hedge, and including average non-distributable pro-forma net profit), net of goodwill arising from the business combinations with HVB and Capitalia, which were carried out with an exchange of shares and recorded in accordance with IFRS 3.

UniCredit Group Profile (Continued)

Strenghtening our Home Markets

A Powerful Network

Focus on Austria, Germany and Italy

UniCredit Group has its roots and a leading position in one of the wealthiest regions of Western Europe: Austria, Germany and Italy.

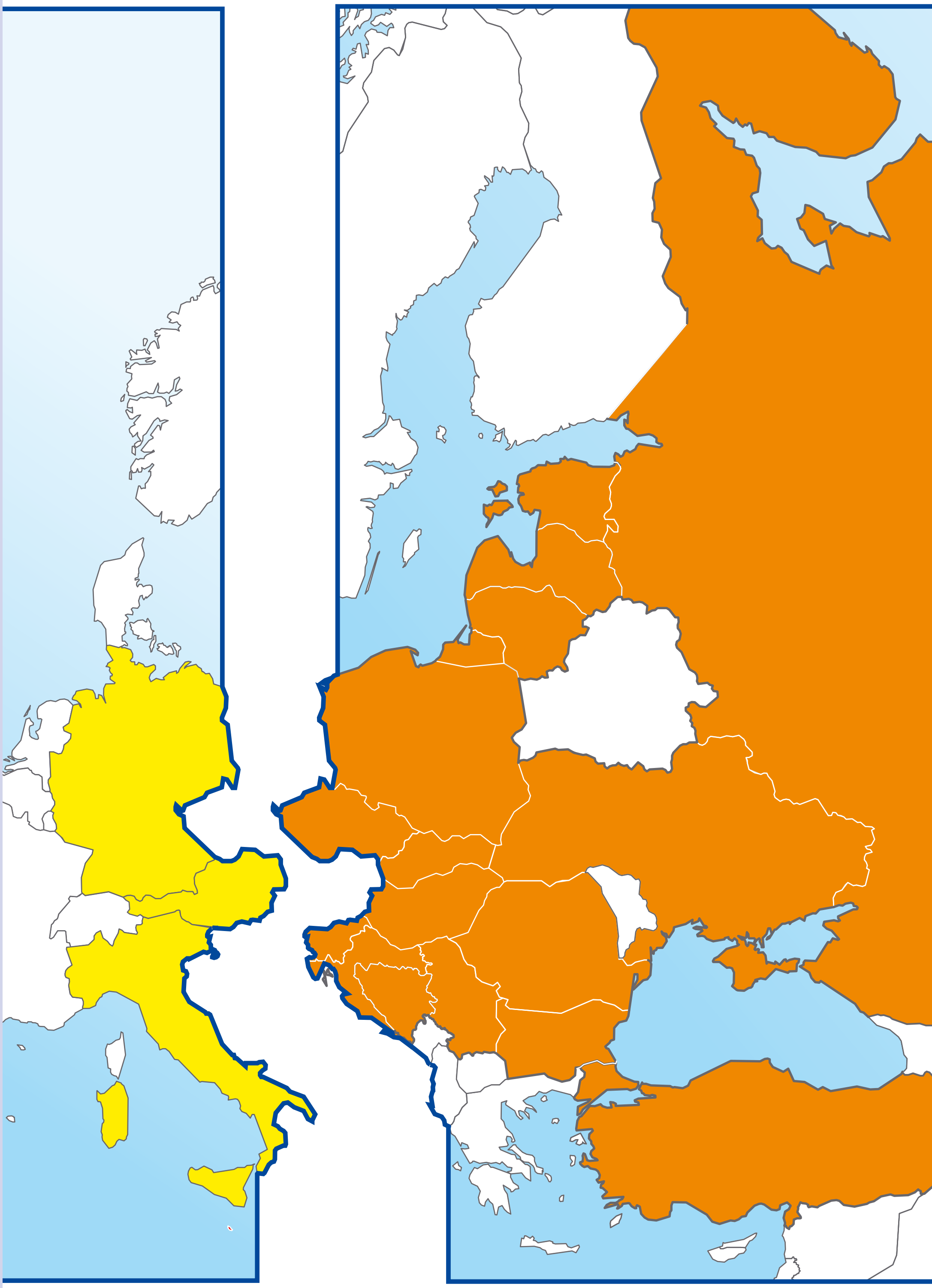
That position was strengthened in 2007 by its integration in Italy with the Capitalia Group. This move strengthened UniCredit Group's presence in one of its core markets, providing a very attractive outlook for the future.

Total assets (€ billion)

2007	805
2006	594

Branches

2007	6,276
2006	4,153

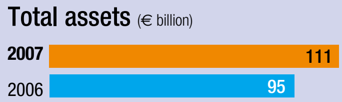


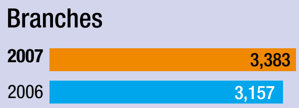
Focus on Central and Eastern European countries

UniCredit Group is the undisputed leader in Central and Eastern Europe with a market share that is double that of its closest competitors.

In 2007 UniCredit Group extended its operations in this area to 20 countries (including Central Asia).

Through the acquisition of ATF Bank, UniCredit Group has entered three new markets: Kazakhstan, Kyrgyzstan and Tajikistan. UniCredit Group has also moved to strengthen its presence in the Ukraine through the acquisition of Ukrsotsbank.





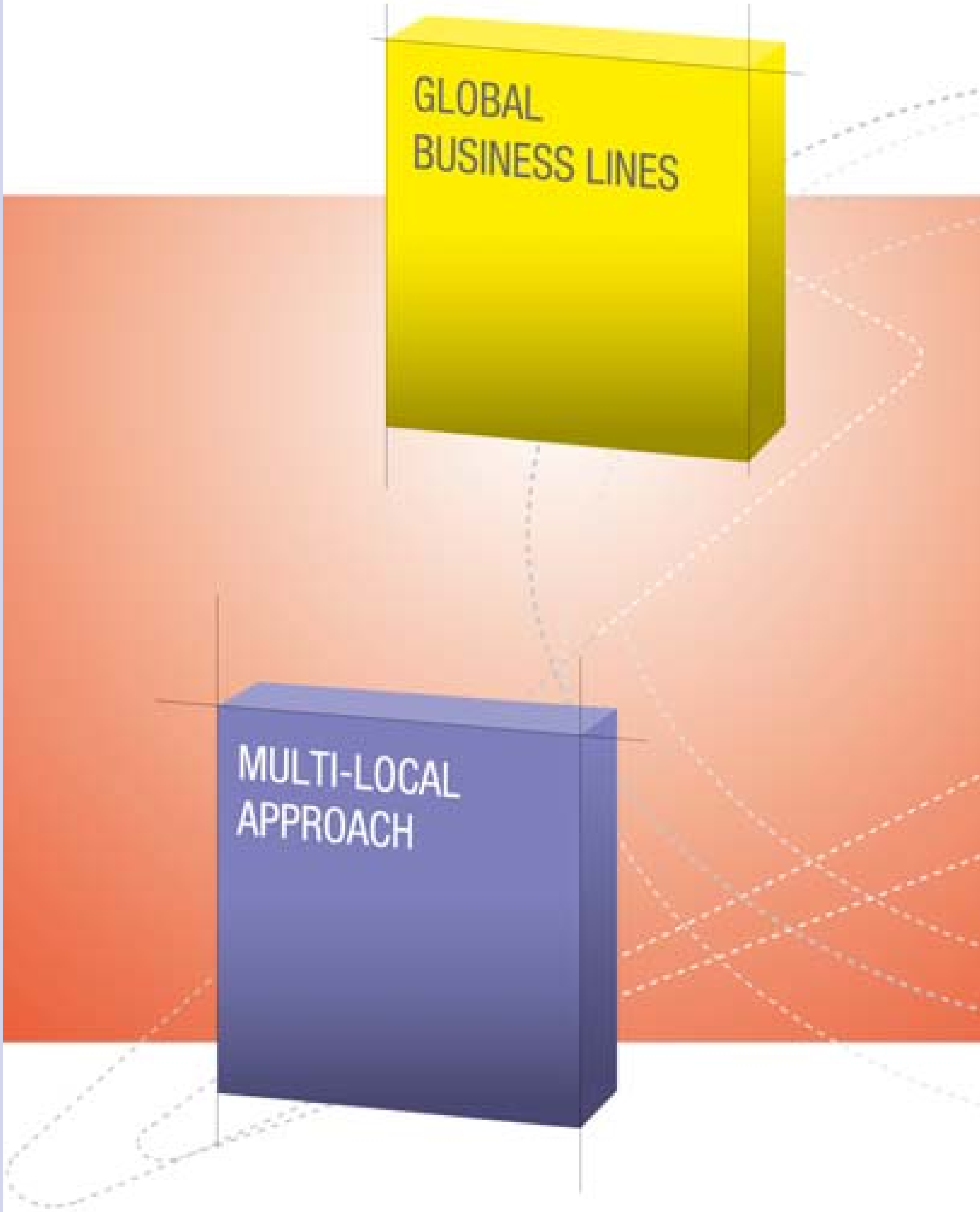
UniCredit Group Profile (Continued)

Business Model

The Pillars

UniCredit Group has adopted a divisional business model.

The goal is to fully leverage its network by generating value in all of the businesses in which UniCredit Group is involved and by capitalizing on growth opportunities as they occur.



This business model is based upon four pillars:

Delineating clear business lines - such as retail, corporate, private banking, investment banking and asset management - which are all common to the markets in which UniCredit Group operates. These are differentiated by client segment to address customer needs and to maximize their satisfaction.

Creating specific global "factories" for the development of products such as credit cards, consumer loans, mortgages and leasing in order to leverage the growing global potential for such businesses.

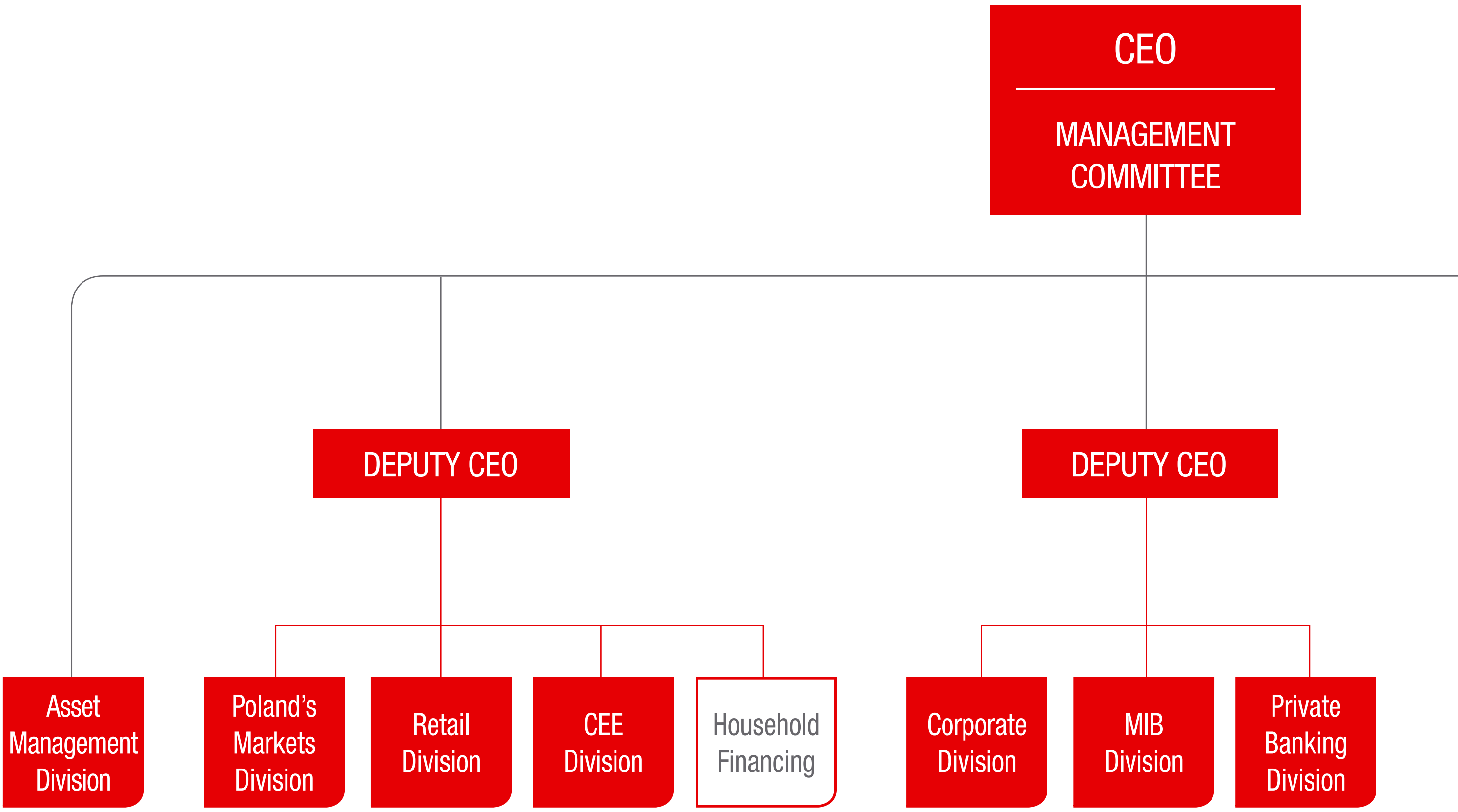
Centralizing support services - such as Information and Communication Technology and back office activities - in support of the daily requests of all UniCredit Group's Divisions.

Adopting a multi-local approach in order to be a true domestic player in each market, empowering UniCredit Group's local banks to oversee distribution networks and customer relationships.

UniCredit Group Profile (Continued)

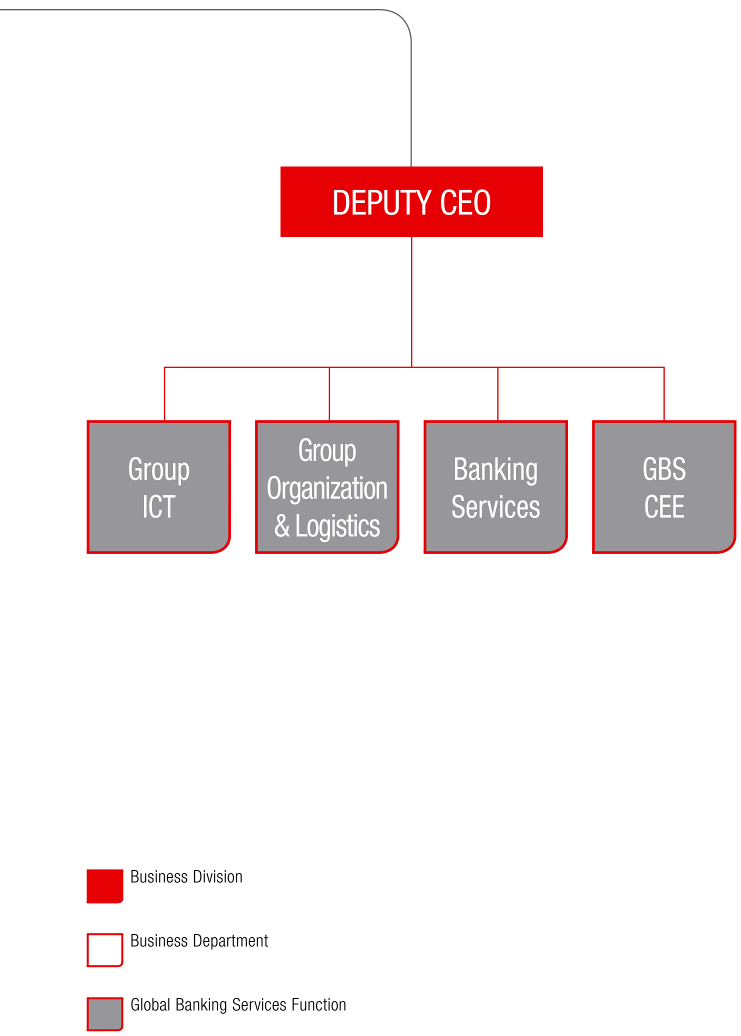
Business Model (Continued)

Organizational Model



The UniCredit Group's business model is enhanced by a consistent organizational approach. Its aim is to fully exploit the dynamic potential of its global network to provide organic growth through deep and historical local roots of its subsidiaries in 23 European countries.

To improve synergies among its Divisions, increase speed of service, and to support continuous innovation, UniCredit Group has adopted an organizational structure with three managerial areas, each headed by a Deputy CEO.



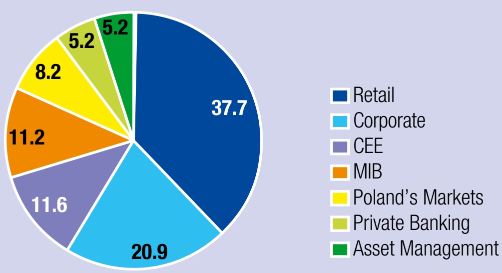
Business Mix

UniCredit Group has a portfolio which is diversified across business and geographical lines, with a strong commercial banking footprint. This business mix allows UniCredit Group to better withstand market turmoil.

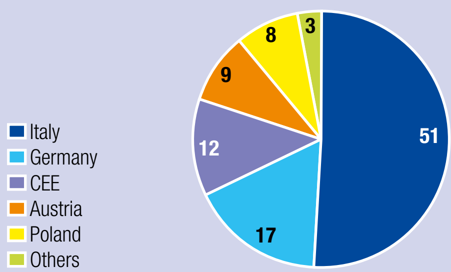
Retail banking is the most important source of UniCredit Group's revenues, generating roughly 38% of the total. This is followed by Corporate banking, which accounts for roughly 21% of total revenues.

UniCredit Group is focused on international markets and this can be seen in its regional revenue breakdown. Italy is the principal market for UniCredit Group, however substantial revenues are derived from Germany, the CEE countries and Austria.

Revenues by Division (%)

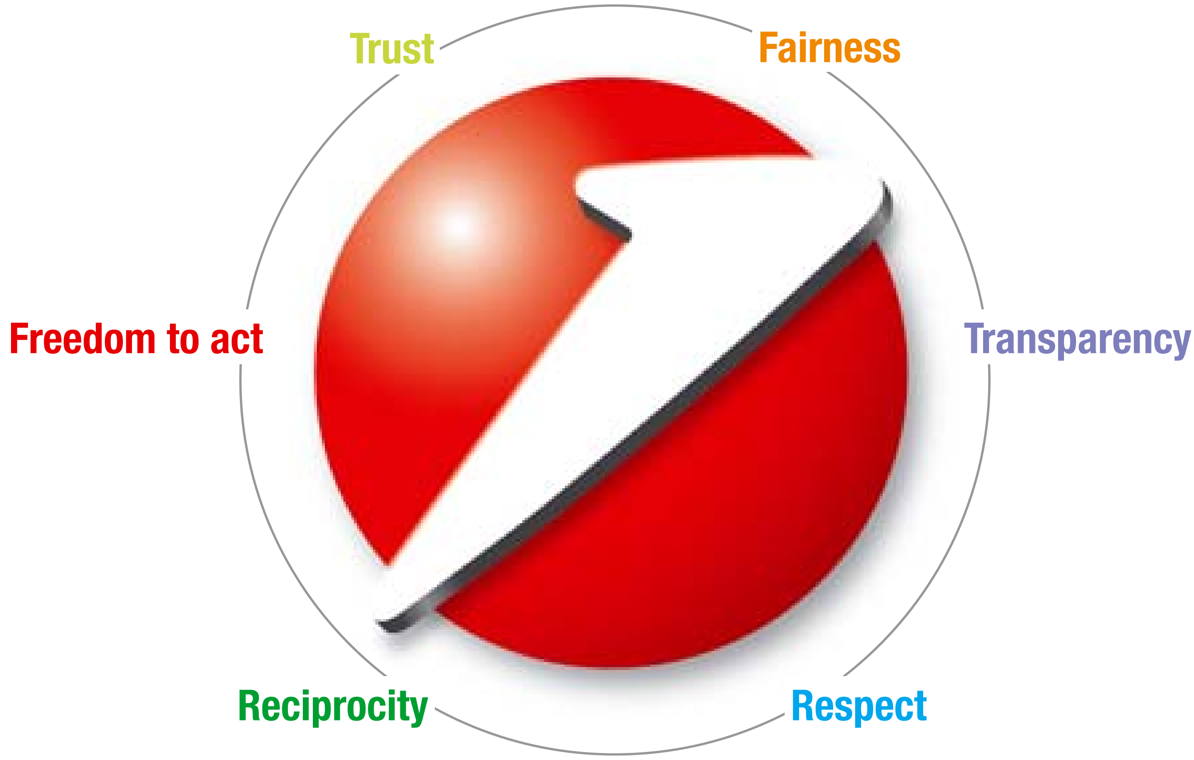


Revenues by Geographic Area (%)



UniCredit Group Profile (Continued)

People and Values



UniCredit Group's people are its greatest asset. It is human capital that powers the profitable, sustainable growth of the UniCredit Group. That is why People Management is one of the mainstays upon which UniCredit Group's "empowering sustainability" strategy relies. And that is why the goal of Human Resources is to make UniCredit Group the Employer of Choice in all the markets in which it operates. The Group faces many challenges. In a relatively short period of time UniCredit Group has become a network of close to 170,000 employees operating in 50 countries.

To reflect this rapid growth, several organizational changes have been introduced, aimed at managing the business of recruiting, training, supporting and empowering the best people for each job, and at supporting the evolution of UniCredit Group's business model, which hinges on focused global Divisions and Competence Lines, and strong local distribution capabilities.
UniCredit Group has a robust recruiting process in place throughout the organization. This process is always consistent with our values and our strict competency models.

The Group also has major training programs in place at all levels of the organization, and in early 2007 opened UniManagement, a dedicated Learning Centre in Turin.
UniCredit Group strategies and policies consider all stakeholders. Unions are involved. Residents of the communities in which we do business are always considered and their needs addressed. When integrating a new organization, an in-depth assessment of existing technical and managerial resources is carried out. Internal "two-way" communication with managers and employees is an on-going priority.

Diversity is key asset and strength of UniCredit Group, which works to create a single culture, based on its values. This serves the company well and fosters the smooth integration into UniCredit Group of staff from merged and acquired companies.

Below are several ways in which UniCredit Group is achieving its goal of becoming the Employer of Choice wherever it does business.

The Integrity Charter

The Integrity Charter is the foundation of UniCredit Group's identity, and provides guidelines for its employees' behavior and support in handling "dilemmas" in their everyday professional life. It is based upon a core of shared values: Fairness, Transparency, Respect, Reciprocity, Freedom to act and Trust. The Integrity Charter is both a guide and a means of applying UniCredit Group's values when interacting with colleagues, customers, suppliers, investors and local communities.

Integrity Charter Day is an annual event in all the countries where the UniCredit Group operates. Each event is preceded by the participation of thousands of employees in focus groups and team meetings to explore how to better apply our core values to our daily working lives.

The Restorative Justice System

UniCredit Group designed the Restorative Justice System to resolve internal conflicts and guarantee the application of the Integrity Charter. It promotes individual responsibility and the voluntary resolution of conflict between parties. If relationships within UniCredit Group have been damaged, the Restorative Justice System serves as a forum in which disputes can be mediated. Currently the Restorative Justice System is fully functioning in nine of the countries in which UniCredit Group operates: Austria, Bulgaria, Croatia, Germany, Hungary, Italy, Poland, Slovenia and Slovakia and it will be expanded to the other countries in the future.

The Ombudsmen Network

The Restorative Justice System is supported by a group-wide Ombudsmen network that works to resolve conflicts. The Ombudsmen are internal appointees who are independent and report directly to the UniCredit Group's Chairman. They are responsible for assessing the validity of the claims of each case.

UniQuest

UniQuest is an international development program for young people with high potential who work in the countries where UniCredit Group operates. This course was established to:

- facilitate the integration of UniCredit Group's various entities and foster the development of a European culture that is distinct but based on shared values and principles for sustainable growth;
- invest in internal growth and ensure a constant supply of young and promising talent in the Leadership Pipeline.

UniQuest is aimed at developing a diverse workplace environment where employees confidently deploy cutting-edge technologies and distance-work systems to collaborate with colleagues from different countries.

Executive Development Plan (EDP)

The EDP is the centerpiece of UniCredit Group's plan to develop leadership throughout the organization. Its central objective is to accelerate the professional growth of Group Leaders and introduce a culture of continuous development in order to build a strong Group Leadership Team.

The EDP is a structured, annual process that focuses on individual and organizational performance and development and is the primary means by which UniCredit Group invests in its top managers.

The EDP process is based on the UniCredit Group Leadership Model, which embraces professional knowledge, a strong sense of integrity and performance-oriented personal traits distinctive to the company and crucial to its long-term sustainable growth.

UniCredit Group Profile (Continued)

Master Brand Strategy: in Unity there is Strength

The UniCredit Group will now go forth as one bank under one banner in order to achieve our one goal: to be one of the top banks both in Europe and the world.

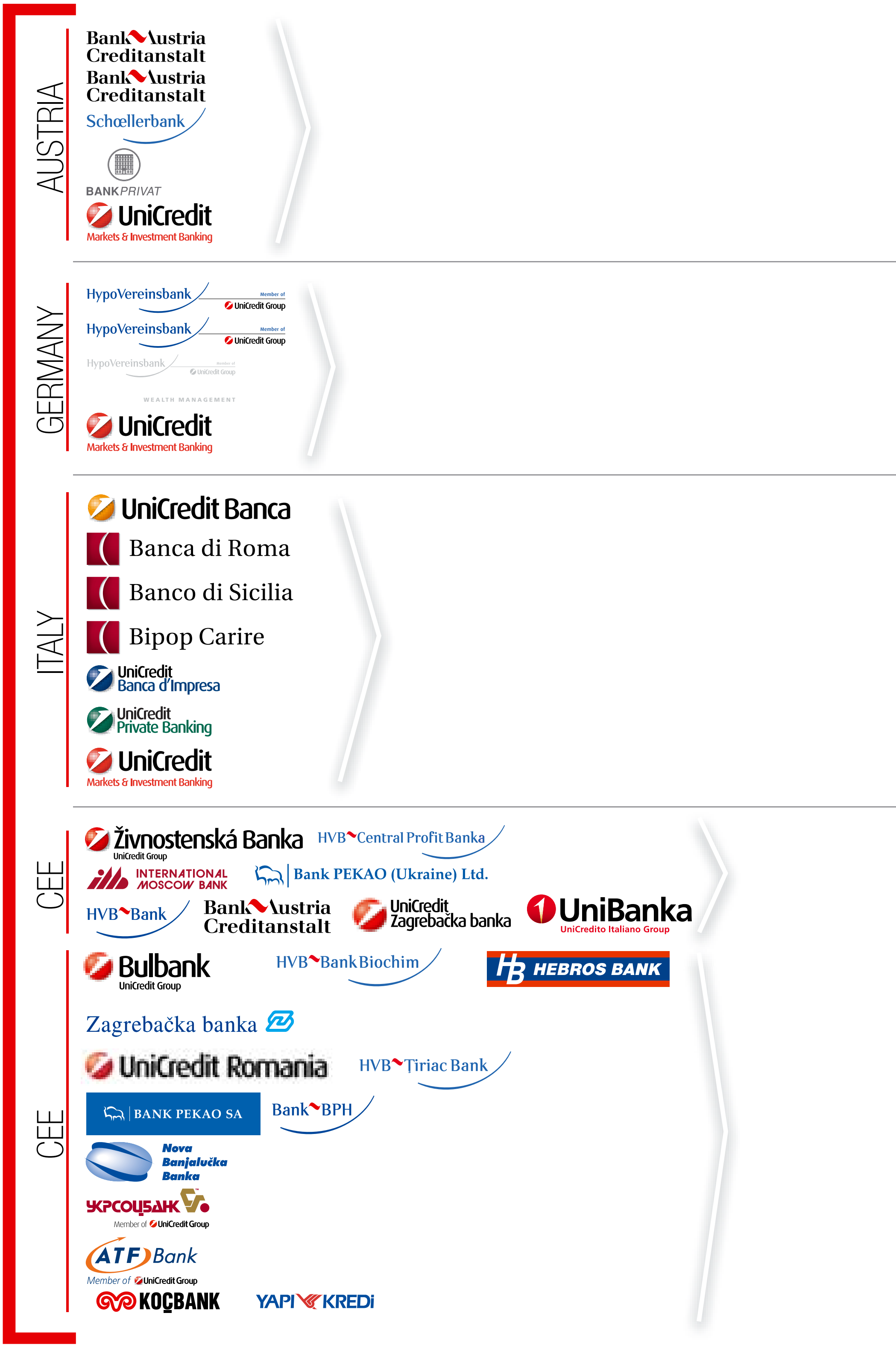
We will deliver one brand idea. We will live by one set of values. We will stake out one position. We will have one corporate mission. We will share one vision. We will be one brand – with one spirit, one identity, one personality.

That is the single-minded objective of our master brand strategy, which will unify all of our business Divisions, and all of our communications, in all 23 countries in which we operate. It is being implemented now throughout UniCredit Group.

Our one banner is our new, bold corporate signature with the number one pointing upwards and onwards. The red UniCredit Group logo will be universally applied throughout our organization. It is a fresh, forward-looking brand symbol that is destined to become a new mark of distinction in global finance.

Our one idea, as a leading European financial institution, is empowering optimism in everything we do. What distinguishes our bank and our people from our competitors is the positive, can-do spirit that we bring to every personal transaction and every business transaction that we undertake. We are known for working in a close, forward-looking partnership with our customers, helping to empower them to make the right choices for their own future.

Our one position is *"Shape your tomorrow, today."* It is a core message that states simply and clearly that we are in the business of empowering optimism. It is an uplifting message that speaks to helping people and businesses shape their own future and achieve their full potential. It will not only be the soul of our advertising, and the emotional connection to our customers, it will be the spirit of our brand. And to give our message a call to action, we will sign off with a compelling brand idea: *"Let's start."*



AUSTRIA

Bank Austria UniCredit Group
Bank Austria Corporate Banking
Schoellerbank Private Banking
Bank Privat UniCredit Group
UniCredit Markets & Investment Banking

GERMANY

HypoVereinsbank UniCredit Group
HypoVereinsbank Corporate Banking
HypoVereinsbank Wealth Management
UniCredit Markets & Investment Banking

ITALY

UniCredit Banca
UniCredit Banca di Roma
Banco di Sicilia UniCredit Group
Bipop Carire UniCredit Group
UniCredit Corporate Banking
UniCredit Private Banking
UniCredit Markets & Investment Banking

CEE

UniCredit Bank

CEE

UniCredit Bulbank
Zagrebačka banka UniCredit Group
UniCredit Ţiriac Bank
Under consideration
Under consideration
Under consideration
Under consideration
YapıKredi

Our one set of values is embedded in our Integrity Charter, which now forms the strong backbone of everything we do at UniCredit Group. These brand values are:

- Fairness – having one high standard in all we do, applied evenly and without discrimination
- Trust – a mutual code of honor between people that governs everything we do. It is the strong basis of our reputation, and builds the confidence in our company that is so essential to our profitable, sustainable growth
- Respect – we constantly drive to earn it, and willingly give it to those who deserve it
- Transparency – making certain that everything we do is always honest, relevant, and straightforward
- Reciprocity – actively seeking to help those around us, with the unspoken certainty that the way we treat others will have positive returns for us
- Freedom to act – fostering a culture of openness that enables our people to reach their potential and empowers them to achieve more for our customers and more for our stakeholders.

These are the values and beliefs that drive the behavior of everyone associated with the brand. They are the truths that we all live by.

Our one corporate mission is to apply our financial expertise to create a better future for our customers, to play a leadership role in shaping the future of the financial sector, and to achieve profitable, sustainable growth in a manner that benefits society as well as our stakeholders.

Our one shared vision is the firm belief that everyone has both the right and the responsibility to shape their own future, and that the financial expertise of UniCredit Group can help people – and businesses – shape their future and achieve their potential. We see that by empowering optimism, we empower our customers to achieve more and enable our own people to achieve more.

Our one brand is UniCredit Group.

It is one brand that encompasses many strong financial institutions that have come together in the unshakable conviction that in unity there is strength.

We are one brand united in the spirit of shared values and shared responsibilities, the spirit of openness and accountability, the spirit of total commitment to sustainable growth achieved in a way that benefits not only our stakeholders, but the communities we serve, the economies of the 23 countries in which we operate, and society as a whole.

We are one brand with one clear identity – an identity symbolized by our dynamic red logo with the slanted white number one. A brand known by our customers and by the financial community as a proud and distinguished financial organization.

We are one brand with one personality. There are clear attributes that distinguish the character of our people, our communications, and the attitude we project. The result is a brand personality that is:

- Warm – honest, engaging and nurturing
- Open – democratic and involving
- Progressive – restless for change, ahead of the pack, innovative
- Quietly confident – understated yet intriguing, with a knowledge and strength that is appealing
- Pragmatic – realistic and grounded, not over-promising but over-delivering on expectations.

That is who we are. That is the UniCredit brand. One bank under one banner. Our master brand strategy is now being implemented throughout our organization. It proves that in unity there is strength. *Let's start.*

Strategy, Business Model and Results

CEO's Letter to the Shareholders **24**

Report on Operations **28**

Prefatory Note 28

Financial Highlights 29

Condensed Accounts 30

Income Statement - Quarterly figures 32

UniCredit Share 33

Macroeconomic and Banking Scenario 34

Banking and Financial Markets 35

Group Results and Performance 36

Additional Information on Structured Instruments, US Subprime Risk, Conduits, SIVs and Derivatives with Customers 41

Economic Value Added (EVA) 46

Divisional Results 47

Retail Division 48

Corporate Division 56

Private Banking Division 64

Asset Management Division 68

Markets and Investment Banking Division 72

CEE & Poland's Markets Divisions 78

CEE Division 78

Poland's Markets Division 88

Global Banking Services Division 92

The Business Combination with Capitalia 100

Corporate Transactions and Rationalization of Group Operations 108

Subsequent Events 116

Outlook 117

CEO's Letter to the Shareholders

"Last year was marked by major transactions that significantly strengthened the Group."

Dear Shareholders,

2007 saw significant growth for UniCredit Group. This growth was driven by both external and internal factors and yielded excellent business and financial results, exceeding the objectives we had set for ourselves. And it is important to note, that these results were achieved against the backdrop of a crisis of confidence in the marketplace and a financial sector unsettled by the sub-prime mortgage crisis.

Strengthening our presence in Italy and the Central and Eastern European countries

Last year was marked by major transactions that significantly strengthened the Group. These deals primarily involved the Italian and Central and Eastern European (CEE) markets and further enhanced UniCredit Group's already considerable growth potential.

In Italy, we took advantage of the unique opportunity to acquire the Capitalia Group. This transaction significantly broadened our coverage in Italy – a market which offers significant room for growth – and to achieve a leading position across all main business lines. The deal was managed with special attention to the timing of the integration and to extending our divisional business model. We mapped out a clear integration process with the goal of aligning business segments to relevant UniCredit Group entities. This alignment, and the overall integration are scheduled to be completed by the end of 2008.

In 2007, we also continued the process of strengthening our network in the CEE region through the strategic acquisitions of Ukrsotsbank in the Ukraine and ATF Bank in Kazakhstan. Both deals are perfectly in line with the UniCredit Group's clear objective to strengthen its presence in the CEE and to fully leverage its formidable network in that region.

In the Ukraine, our acquisition enabled the Group to consolidate its presence in one of the most promising markets in the CEE area. The ATF one, allowed us to penetrate three new markets – Kazakhstan, Kyrgyzstan, and Tajikistan – which are important both in terms of their size and their economic and financial growth potential.

Focus on organic growth and structural implementation in our other markets

In Germany and Austria, our focus in 2007 has been on implementing our divisional structure, and on developing organic growth initiatives. With our divisional setup now completed in both countries, the Group can leverage its common products, approaches and tools, and aim to improve results through the use of uniform service models and reporting structures.

The establishment in Munich of the hub for our Markets and Investment Banking Division, and the completion of the transfer to Bank Austria of the Group's banking shareholdings in CEE – consistently with the Bank's assigned role as the competence centre for CEE banking activities – further underlines the key role both countries have in the further development of our Group.

Another important achievement was that of rationalising our existing presence in CEE markets, where we have a strong leadership position overall and which continues to feature major growth opportunities.

More specifically, integration has been completed of Bank Pekao and BPH in Poland, one of the widest ranging initiatives of this type ever undertaken in CEE markets. We have created an operator that is a leader not only in Poland but throughout the region.

This result – together with similar integration and re-branding moves completed in the many other CEE countries where we had several banks – enables us to look ahead to the future knowing that we have significantly improved our ability to create value through the achievement of outstanding cost and revenue synergies.

A unique strategic position

Today, thanks to all of these initiatives, UniCredit Group is able to start leveraging to the fullest the enormous opportunities associated with our unique network - that of having a strong home-grown banking presence in 23 European markets. We believe it is this unequalled geographic presence in Europe, coupled with the ongoing implementation of our divisional model, that sets us apart in the European banking landscape and provides us with a key strategic advantage.
But extracting the full value out of our unique position also requires short decision-making cycles, improved coordination, and enhancing inter-divisional synergies.

To this end, the Group introduced three new operating areas run by three Deputy CEOs. This was an important organisational choice to make, but experience in these past six months has taught us, that the new CEO Office structure is starting to deliver the expected results.

Our identity and our people

Such choice, however, can only express its full value if accompanied by a strong and shared Group identity and the full exploitation of the value of the Group's human resources.

In 2007 we decided to start investing in the creation of a unified European brand, capable of conveying our network's great value and uniqueness. We began an initiative to gradually align our various brand names under the master brand "UniCredit Group". Through this alignment, we seek to convey to all stakeholders a clear message, articulating why the UniCredit Group is distinct from competitors and why it is the ideal partner for all its customers. Our objective is to increase customer retention and acquisition and to offer markets a higher level of value added services.

Developing such strong group brand identity also contributes significantly to further increasing our ability to attract and retain the best talent.

Already today, our extremely diversified profile enables us to benefit from the

CEO's Letter to the Shareholders (Continued)

skills of people contributing their different backgrounds and experiences. And during 2007, we worked extremely hard at enhancing the value of this fundamental asset for our Group, convinced as we are that our people are the key to asserting ourselves as one of the most innovative forces in the European banking industry.

The "engine" underlying and driving this strategy is UniCredit Group's Integrity Charter. It is a set of Values which are increasingly supported on a group-wide level, and which enables our people to act as entrepreneurs without endangering our reputation.

In this letter I would particularly like to highlight two people-related initiatives that I consider important pillars for assuring sustainable growth for the Group over time: "International Mobility" – an initiative encouraging the exchange of professional experiences among people located in different countries – and "UniQuest" – a programme dedicated to developing new talents for an international career in the Group – are tangible demonstrations of our capacity to assure consensus for processes and procedures, thus supporting the values of the UniCredit culture.

During 2007, we once again intensified our executive development and employee training efforts. The creation of "UniManagement" – a dedicated learning centre in Turin, inaugurated in January – has as its mission to develop leaders capable of safely piloting UniCredit Group through the shifting sands of today's rapidly changing and competitive environment.

Weathering the financial turmoil

As you all know, 2007 was also a year featuring particularly challenging events. The crisis of the US real estate sector was in fact joined by marked financial turbulence relating to the valuation of the financial instruments associated with that industry. This caused growing uncertainty in financial markets, which, in turn, translated into higher costs of funding, an increased aversion to risk, and renewed regulatory pressure – which may lead to an increase in compliance costs. All these factors put pressure on the banking industry's profitability, causing many major institutions to book substantial write-downs and suffer sizable losses, which significantly eroded market confidence.

Our discipline in risk management enabled UniCredit Group to reduce an already minor exposure to U.S. sub-prime mortgages (as low as € 164 million at year-end), and profit from a structured loan portfolio of excellent quality (94% of assets at investment grade). Strong risk-control and diversification, together with our unparalleled European franchise and the unity and strength of the Group's employees, are the qualities that enabled us to weather the recent market turmoil with relative ease.

And it is indeed to our people that I express my sincere thanks for their outstanding efforts and professional skills, which have permitted us to achieve these excellent results in 2007.

Alessandro Profumo

CEO

"We believe it is this unequalled geographic presence in Europe, coupled with the ongoing implementation of our divisional model, that sets us apart in the European banking landscape and provides us with a key strategic advantage."

Report on Operations

Prefatory Note

The consolidated accounts of the UniCredit Group are prepared on the basis of IFRS as required by the Banca d'Italia instructions contained in Circular 262 dated 22 December 2005.

The report on operations provides condensed income statement and balance sheet formats. The reconciliation of these with the mandatory formats for accounts is contained in an Annex to the Accounts. The main items reclassified were the following:

- Dividends and other income includes profits (losses) of equity investments valued at equity and does not include dividend on held-for-trading shares (which are added to trading profits, hedging profits and gains on assets and liabilities designated at fair value through profit or loss).
- Net other expenses/income includes the insurance business result and other operating income/expense, but does not include recoveries of costs, which have their own item.
- Payroll costs, Other administrative expenses, Amortization, depreciation and impairment losses on intangible and tangible assets and Provisions for risks and charges are net of costs connected to integration with Capitalia and HVB, which have their own item. Value adjustments of property, plant and equipment do not include impairment losses and write-backs on investment property, which are recognized in net income from investments.
- Impairment of goodwill due to recognition of deferred tax assets arising from losses carried forward by the HVB Sub-Group have been reclassified as income tax for the period.
- Net income from investments includes the gains (losses) and write-downs (write-backs) of available-for-sale financial assets and held-to-maturity investments, as well as gains (losses) on associates and disposals of investments.

During 2007 the most significant changes in the scope of consolidation related mainly to:

- absorption of Capitalia SpA by UniCredit effective 1 October 2007. Initial consolidation of the Capitalia Group, as more fully described in Part G of the Notes to the Accounts, occurred as from that date in accordance with IFRS 3 – Business Combinations. The section of the Report on Operations entitled "The Business Combination with Capitalia" also gives the pro-forma income statement for the year, as if the transaction had been completed on 1 January 2007;
- inclusion in the HVB Group of three Retail Division subsidiaries (Planethome AG and its subsidiaries Planethome GmbH and Enderlein) and one Private Banking Division entity (Wealth Management Capital Holding GmbH) in H1 2007, and the entry of three Aton Group companies purchased by BA-CA in July, as well as of the JSC ATF Bank Group purchased by BA-CA in November 2007. In Q4 the four conduits set up by HVB (BUFCO, Black Forest, Arabella and Salome, while Bavaria TRR has not been consolidated as it was wound up at the end of February 2008) and the Euro Immo Profil property fund were consolidated;
- the exit of Indexchange and HVB Payments & Services GmbH, which were sold by HVB in H1 2007, the exit of LocatRent which Locat sold at the end of August 2007, as well of FMS Bank, sold by HVB in December 2007.

Comparability with the 2006 Income Statement is affected by further changes in the scope of consolidation, viz. the sale of Splitska Banka, Uniriscossioni, 2S Banca and Banque Monégasque de Gestion in 2006. For like-with-like comparison purposes, the condensed income statement also includes the change in individual items over 2006, on a continuing business basis and using the same exchange rates used to translate subsidiaries' income statements.

The main assets recognized under IFRS 5 as "Non-current assets and disposal groups classified as held for sale" in the balance sheet as at 31 December 2007 were those relating to the BPH200 Group to be sold under the agreement reached with the Polish authorities (see the section "Corporate transactions and rationalization of Group operations"), and assets relating to IRFIS-Mediocredito della Sicilia SpA.

Segment reporting is in accordance with the organizational structure approved by the Board of Directors in July 2007, which separated the two components of the former Private Banking and Asset Management Division. The income statements of the seven business divisions (Retail, Corporate, Private Banking, Asset Management, Markets and Investment Banking, Poland's Markets, and Central Eastern Europe) close with gross profit from continuing operations. Poland's Markets and Central Eastern Europe also show net profit in the appropriate section.
In 2007 the Divisions' subsidiaries changed under the following reorganizations:

- transfer of HVB's global financial services from MIB to Corporate Banking
- transfer of two leasing companies from CEE to Corporate following reorganization of leasing within the Corporate Banking Division
- transfer of CAIB International and its subsidiaries from Corporate to MIB
- transfer of LocatRent from Corporate to the Corporate Center.

The Divisions' income statements for previous periods have been restated to take account of these changes.

In order to preserve the broad comparability of the Divisions as between 2006 and 2007, the Q4 2007 results of the former Capitalia Group have not been distributed among the Divisions, but are entirely included in the "Parent Company and Other Subsidiaries (including adjustments)" segment.

Financial Highlights

Income Statement

(€ milion)

	YEAR 2007	YEAR 2006	CHANGE
Operating income	25,893	23,464	+ 10.4%
Operating costs	14,081	13,258	+ 6.2%
Operating profit	11,812	10,206	+ 15.7%
Profit before tax	9,355	8,210	+ 13.9%
Net Profit attributable to the Group	**5,961**	**5,448**	**+ 9.4%**

Profitability Ratios

	YEAR 2007	YEAR 2006	CHANGE
EPS (€)	0.54	0.53	+ 0.01
ROE[1]	15.6%	16.7%	- 1.1
Cost/income ratio	54.4%	56.5%	- 2.1
EVA[2] (€ milion)	2,697	2,392	+ 305

Balance Sheet Main Items

(€ milion)

	AMOUNTS AS AT 31.12.2007	AMOUNTS AS AT 31.12.2006	CHANGE
Total assets	1,021,758	823,284	+ 24.1%
Loans and receivables with customers	574,206	441,320	+ 30.1%
Deposits from customers and debt securities in issue	630,533	495,255	+ 27.3%
Shareholders' equity	**57,724**	**38,468**	**+ 50.1%**

Capital Ratios

	AS AT 31.12.2007	AS AT 31.12.2006	CHANGE
Core Tier 1/Total risk-weighted assets	5,83%	5,82%	+ 0,01
Total regulatory capital/Total risk-weighted assets	10,11%	10,50%	- 0,39

Employees and Branches

	AS AT 31.12.2007	AS AT 31.12.2006	CHANGE
Employees [3]	169,816	137,197	+ 32,619
Employees (subsidiaries are consolidated proportionately)	159,949	127,731	+ 32,218
Branches [4]	9,714	7,357	+ 2,357

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK
FITCH RATINGS	F1	A+	POSITIVE
Moody's Investors Service	P-1	Aa2	STABLE
Standard & Poor's	A-1	A+	STABLE

Note: The Capitalia Group was consolidated as of 1 October 2007 and its income statement is therefore included in consolidation only in respect of Q4 2007.

1. Calculated on the basis of the average shareholders' equity for the period (excluding dividends to be distributed and reserves in respect of AfS assets and cash-flow hedge). For comparability purposes, shareholders' equity of Q4 is included net of goodwill arising from the business combination with Capitalia.
2. Economic Value Added, equal to the difference between NOPAT (net operating profit after taxes) and the cost of capital.
3. "Full time equivalent" data, calculated according to a new methodology which does not include unpaid leaves. These figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.
4. These figures include all branches of subsidiaries consolidated proportionately, such as Koç Financial Services branches. The December 2006 figure has been restated pro-forma to ensure comparability with the subsequent quarterly figures (approximately 90 branches more).

Report on Operations (Continued)

Condensed Accounts

Consolidated Balance Sheet (€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2007	31.12.2006	AMOUNT	PERCENT
Assets				
Cash and cash balances	11,073	5,681	+ 5,392	+ 94.9%
Financial assets held for trading	202,343	191,593	+ 10,750	+ 5.6%
Loans and receivables with banks	100,012	83,715	+ 16,297	+ 19.5%
Loans and receivables with customers	574,206	441,320	+ 132,886	+ 30.1%
Financial investments	62,207	59,130	+ 3,077	+ 5.2%
Hedging instruments	2,442	3,238	- 796	- 24.6%
Property, plant and equipment	14,437	8,615	+ 5,822	+ 67.6%
Goodwill	19,115	9,908	+ 9,207	+ 92.9%
Other intangible assets	5,738	3,428	+ 2,310	+ 67.4%
Tax assets	11,144	7,746	+ 3,398	+ 43.9%
Non-current assets and disposal groups classified as held for sale	6,375	573	+ 5,802	n.s.
Other assets	12,666	8,337	+ 4,329	+ 51.9%
Total assets	**1,021,758**	**823,284**	**+ 198,474**	**+ 24.1%**
Liabilities and shareholders' equity				
Deposits from banks	160,601	145,683	+ 14,918	+ 10.2%
Deposits from customers and debt securities in issue	630,533	495,255	+ 135,278	+ 27.3%
Financial liabilities held for trading	113,657	103,980	+ 9,677	+ 9.3%
Financial liabilities designated at fair value	1,967	1,731	+ 236	+ 13.6%
Hedging instruments	4,944	3,708	+ 1,236	+ 33.3%
Provisions for risks and charges	8,793	6,871	+ 1,922	+ 28.0%
Tax liabilities	7,510	6,094	+ 1,416	+ 23.2%
Liabilities included in disposal groups classified as held for sale	5,027	97	+ 4,930	n.s.
Other liabilities	26,262	17,123	+ 9,139	+ 53.4%
Minorities	4,740	4,274	+ 466	+ 10.9%
Shareholders' equity	57,724	38,468	+ 19,256	+ 50.1%
- Capital and reserves	*50,995*	*30,855*	*+ 20,140*	*+ 65.3%*
- Available-for-sale assets fair value reserve and cash-flow hedging reserve	*768*	*2,165*	*- 1,397*	*- 64.5%*
- Net profit	*5,961*	*5,448*	*+ 513*	*+ 9.4%*
Total liabilities and shareholders' equity	**1,021,758**	**823,284**	**+ 198,474**	**+ 24.1%**

Note: the Balance Sheet as at 31 December 2007 includes the former Capitalia Group.

Consolidated Income Statement					(€ million)
	YEAR		CHANGE		
	2007	2006	€M	PERCENT	ADJUSTED[1]
Net interest	13,965	12,155	+ 1,810	+ 14.9%	+ 9.3%
Dividends and other income from equity investments	878	705	+ 173	+ 24.5%	+ 12.9%
Net interest income	**14,843**	**12,860**	**+ 1,983**	**+ 15.4%**	**+ 9.5%**
Net fees and commissions	9,430	8,348	+ 1,082	+ 13.0%	+ 8.3%
Net trading, hedging and fair value income	1,057	1,922	- 865	- 45.0%	- 45.9%
Net other expenses/income	563	334	+ 229	+ 68.6%	+ 77.3%
Net non-interest income	**11,050**	**10,604**	**+ 446**	**+ 4.2%**	**+ 0.7%**
OPERATING INCOME	**25,893**	**23,464**	**+ 2,429**	**+ 10.4%**	**+ 5.5%**
Payroll costs	-8,210	-7,845	- 365	+ 4.7%	- 1.1%
Other administrative expenses	-4,938	-4,431	- 507	+ 11.4%	+ 4.7%
Recovery of expenses	360	285	+ 75	+ 26.3%	- 2.3%
Amortisation, depreciation and impairment losses on intangible and tangible assets	-1,293	-1,267	- 26	+ 2.1%	- 4.0%
Operating costs	**-14,081**	**-13,258**	**- 823**	**+ 6.2%**	**+ 0.6%**
OPERATING PROFIT	**11,812**	**10,206**	**+ 1,606**	**+ 15.7%**	**+ 11.9%**
Goodwill impairment	-1	-9	+ 8	- 88.9%	- 93.2%
Provisions for risks and charges	-663	-473	- 190	+ 40.2%	+ 29.5%
Integration costs	-1,174	-465	- 709	+ 152.5%	- 92.8%
Net write-downs of loans and provisions for guarantees and commitments	-2,152	-2,233	+ 81	- 3.6%	- 8.2%
Net income from investments	1,533	1,184	+ 349	+ 29.5%	- 20.1%
PROFIT BEFORE TAX	**9,355**	**8,210**	**+ 1,145**	**+ 13.9%**	**+ 17.6%**
Income tax for the period	-2,677	-2,138	- 539	+ 25.2%	+ 29.7%
NET PROFIT	**6,678**	**6,072**	**+ 606**	**+ 10.0%**	**+ 13.3%**
Profit (Loss) from non-current assets held for sale, after tax	-	56	- 56	- 100.0%	
PROFIT (LOSS) FOR THE PERIOD	**6,678**	**6,128**	**+ 550**	**+ 9.0%**	**+ 13.3%**
Minorities	-717	-680	- 37	+ 5.4%	+ 2.1%
NET PROFIT ATTRIBUTABLE TO THE GROUP	**5,961**	**5,448**	**+ 513**	**+ 9.4%**	**+ 14.7%**

Note: The 2007 Income Statement includes Q4 data of the former Capitalia Group. See the Chapter "The Business Combination with Capitalia" for the pro-forma income statement for the whole year.

1. At constant FX and scope of consolidation. 2007 data do not include integration costs relating to the Capitalia business combination and the capital gains from the disposal of Mediobanca stake.

Report on Operations (Continued)

Income Statement - Quarterly figures

Consolidated Income Statement								(€ million)
	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	4,289	3,251	3,188	3,237	3,250	3,002	2,942	2,961
Dividends and other income from equity investments	291	152	325	110	180	150	268	107
Net interest income	**4,580**	**3,403**	**3,513**	**3,347**	**3,430**	**3,152**	**3,210**	**3,068**
Net fees and commissions	2,687	2,134	2,334	2,275	2,155	1,951	2,109	2,133
Net trading, hedging and fair value income	-321	-11	559	830	234	431	564	693
Net other expenses/income	131	166	141	125	45	96	101	92
Net non-interest income	**2,497**	**2,289**	**3,034**	**3,230**	**2,434**	**2,478**	**2,774**	**2,918**
OPERATING INCOME	**7,077**	**5,692**	**6,547**	**6,577**	**5,864**	**5,630**	**5,984**	**5,986**
Payroll costs	-2,445	-1,904	-1,817	-2,044	-2,021	-1,926	-1,948	-1,950
Other administrative expenses	-1,492	-1,155	-1,171	-1,120	-1,156	-1,095	-1,057	-1,123
Recovery of expenses	158	67	70	65	100	64	66	55
Amortisation, depreciation and impairment losses on intangible and tangible assets	-428	-289	-289	-287	-369	-289	-303	-306
Operating costs	**-4,207**	**-3,281**	**-3,207**	**-3,386**	**-3,446**	**-3,246**	**-3,242**	**-3,324**
OPERATING PROFIT	**2,870**	**2,411**	**3,340**	**3,191**	**2,418**	**2,384**	**2,742**	**2,662**
Goodwill impairment	-	-	-1	-	-9	-	-	-
Provisions for risks and charges	-511	-38	-70	-44	-274	-56	-79	-64
Integration costs	- 1,104	-35	-19	-16	-361	-52	- 52,0	-
Net write-downs of loans and provisions for guarantees and commitments	-573	-504	-510	-565	-552	-665	-501	-515
Net income from investments	1,145	73	89	226	108	450	449	177
PROFIT BEFORE TAX	**1,827**	**1,907**	**2,829**	**2,792**	**1,330**	**2,061**	**2,559**	**2,260**
Income tax for the period	-436	-612	-808	-821	-345	-442	-634	-717
NET PROFIT	**1,391**	**1,295**	**2,021**	**1,971**	**985**	**1,619**	**1,925**	**1,543**
Profit (Loss) from non-current assets held for sale, after tax	-	-	-	-	-	17	16	23
PROFIT (LOSS) FOR THE PERIOD	**1,391**	**1,295**	**2,021**	**1,971**	**985**	**1,636**	**1,941**	**1,566**
Minorities	-159	-173	-194	-191	-92	-174	-230	-184
NET PROFIT ATTRIBUTABLE TO THE GROUP	**1,232**	**1,122**	**1,827**	**1,780**	**893**	**1,462**	**1,711**	**1,382**

Note: Q4 2007 data include the former Capitalia Group.

UniCredit Share

Share Information

	2007	2006	2005	2004	2003	2002	2001	2000	1999
Share price (€)									
- maximum	7.646	6.727	5.864	4.421	4.425	5.255	5.865	6.115	5.787
- minimum	5.131	5.564	4.082	3.805	3.144	3.173	3.202	3.586	3.845
- average	6.541	6.161	4.596	4.083	3.959	4.273	4.830	4.976	4.606
- end of period	5.659	6.654	5.819	4.225	4.303	3.808	4.494	5.572	4.924
Number of outstanding shares (million)									
- at period end [1]	13,278.4	10,351.3	10,303.6	6,249.7	6,316.3	6,296.1	5,046.4	5,024.2	4,976.2
- shares cum dividend	13,195.3	10,357.9	10,342.3	6,338.0	6,316.3	6,296.1	5,131.1	5,024.2	5,014.2
of which: savings shares	*21.7*	*21.7*	*21.7*	*21.7*	*21.7*	*21.7*	*21.7*	*21.7*	*21.7*
- average[1]	11,071.6	10,345.2	6,730.3	6,303.6	-	-	-	-	-
Dividend									
- total dividends (€ million)	3,431	2,486	2,276	1,282	1,080	995	724	649	648
- dividend per ordinary share	0.260	0.240	0.220	0.205	0.171	0.158	0.141	0.129	0.129
- dividend per savings share	0.275	0.255	0.235	0.220	0.186	0.173	0.156	0.137	0.137

1. The number of shares is net of own shares.

Earnings Ratios

	IAS/IFRS				ITALIAN GAAP					
	2007	2006	2005	2004	2004	2003	2002	2001	2000	1999
Shareholders' equity (€ million)	**57,724**	**38,468**	**35,199**	**14,373**	**14,036**	**13,013**	**12,261**	**9,535**	**8,644**	**7,708**
Group portion of net profit (€ million)	**5,961**	**5,448**	**2,470**	**2,069**	**2,131**	**1,961**	**1,801**	**1,454**	**1,395**	**1,287**
Net worth per share (€)	4.35	3.72	3.42	2.30	2.21	2.06	1.95	1.89	1.72	1.55
Price/ Book value	1.30	1.79	1.70	1.84	1.91	2.09	1.96	2.38	3.24	3.18
Earnings per share (€)	0.54	0.53	0.37	0.33	0.34	0.31	0.29	0.28	0.28	0.26
Payout ratio (%)	57.6	45.6	92.1	-	60.2	55.1	55.2	49.8	46.5	50.3
Dividend yield on average price per ordinary share (%)	3.97	3.90	4.79	-	5.02	4.32	3.70	2.92	2.59	2.80

Earnings per share (€)

Report on Operations (Continued)

Macroeconomic and Banking Scenario

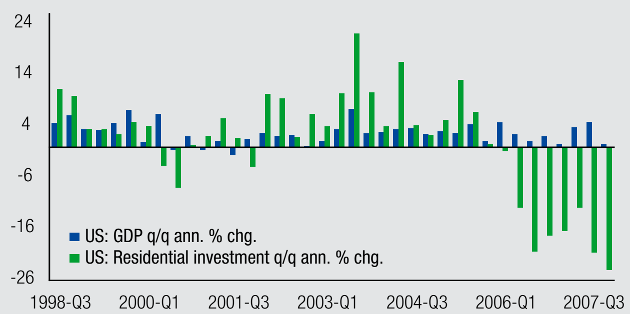
The year 2007 was an unusual one for the global economy and international finance. It started well, with the world economy promising to maintain the strong growth rate of around 5% it had achieved for three consecutive years. The US Federal Reserve kept interest rates unchanged at 5.25% at the beginning of 2007, in view of the moderate but positive rate of economic expansion and despite the relatively high rate of inflation and continuing problems in the real property sector, which had first emerged in 2006.

The European Central Bank, in contrast, continued to tighten its monetary policy by increasing rates to 4% from 3.50% in December 2006. It indicated its intention to maintain a tightening bias in light of the expected growth of the economy and the emergence of inflationary pressures. However, at the beginning of August, the US real property market crisis was compounded by significant turbulence in financial markets. This turbulence stemmed from uncertainties relating to the valuation of securitized financial instruments, such as asset-backed securities (ABS) guaranteed by mortgages to US borrowers (particularly in the US subprime segment) and collateralized debt obligations (CDOs) based on subprime loans, as well as from the actual size of international lenders' exposure to subprime mortgages.

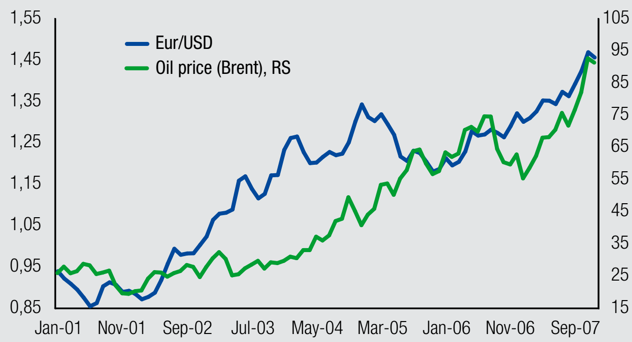
These growing fears led to a sudden crunch in the interbank market, which created a huge liquidity crisis at global level. In Europe, the spread between the three-month interbank rate and the rate on overnight futures with the same maturity date, usually limited to a narrow range of a few basis points (5 on average in the first six months of the year) rose to 70bps at the end of September and to 92bps at the beginning of December. The main central banks acted jointly to inject liquidity into the financial system in order to avoid a worsening of the crisis.

Nonetheless, the liquidity crisis had some negative consequences. Banks' cost of capital increased, and spreads on bank and corporate bonds generally widened. This sudden turmoil created the pre-conditions for a credit crunch in the United States. Unavoidable credit rationing by lenders became a further threat to the US economy, which was already in decline. These tensions were compounded by a surge in the price of raw materials, with Brent crude prices reaching almost $100 a barrel and widespread increases of food prices

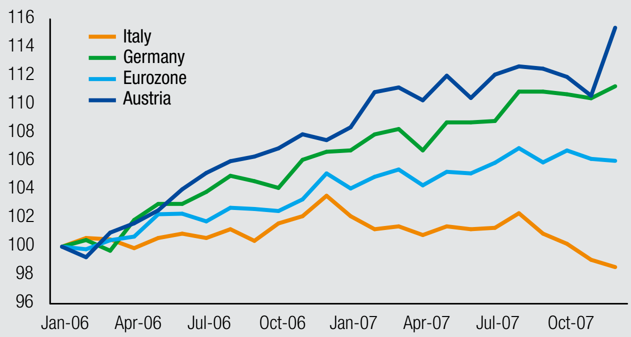
US GDP and residential investments



Oil prices and EUR/USD



Industrial Production Index by Regions



Banking and Financial Markets

creating further inflationary pressures in the second half of the year. These pressures undoubtedly contributed to the further slowdown of the US economy. In Q4 2007, the US GDP slowed sharply, recording annualized growth of 0.6% and resulting in just 2.2% growth for the whole of 2007.

The deterioration of the US economic outlook was matched by the strong appreciation of the euro, which reached an all-time high of almost 1.50 against the dollar in the second half of the year. Clearly, the strengthening of the euro is counterproductive for the EU economies, whose productivity suddenly fell in Q4 2007, particularly in Italy, but also in other European countries. Nevertheless, economic indicators would have shown at year-end a situation not too dissimilar from that of 2006, and in line with expectations. Economic expansion in Germany averaged 2.6% in 2007, broadly in line with EU growth (2.7%), while GDP rose 1.8% in Italy and 3.4% in Austria. Future trends are worrying, however, in light of signs of a slowdown that emerged towards the end of 2007 and of increasing inflationary pressures, which will inevitably affect the ECB's monetary policy.

In 2007, Central and Eastern European (CEE) countries enjoyed, as they did in 2006, a strong rate of economic growth, +6.6% y/y on average for the whole region. This growth was underpinned almost everywhere by investment and consumer spending. Exports also remained favorable in many countries. However, the Hungarian economy suffered from a restrictive fiscal stabilization plan implemented by the government.

CEE countries were only marginally affected by the liquidity and credit crisis that originated in the US subprime loan market in the second half of the year. However, risk aversion has grown among international investors who have now started to avoid CEE markets. Less politically stable countries in the Baltic region and in southeastern Europe suffered the most, with a marked deterioration in their country risk, foreign exchange rates and equity markets.

Despite greater volatility, exchange rates continued to strengthen, particularly in Central and Eastern European countries. The Romanian leu saw a reversal in the trend of excessive overvaluation it witnessed in the past few years, entering a correction phase in the second half of the year, which brought it back to 2005 levels. On the other hand, growing political imbalances and the downgrading of the country's outlook from "stable" to "negative" by Standard & Poor's further contributed to the worsening of Romanian economic trends in November.

Inflationary pressures grew in the second half of the year across the whole region, due to both strong domestic demand, underpinned by a severely restricted offer, and external factors, such as the global increase in oil and wheat prices. Accordingly, central banks opted to implement restrictive monetary policy stances rather than to cut rates. In particular, the central banks of Poland and the Czech Republic increased rates by 100bps to 5.0% and 3.50% respectively. The Romanian central bank, after cutting rates by 1.75% in the first half of the year, reverted to a restrictive policy towards the end of the year, increasing rates by 0.50%. Tightening measures aimed at limiting lending growth were implemented in Bulgaria, Croatia, Serbia and Bosnia. In contrast, the Turkish central bank cut rates by 1.75% in order to avoid a further slowdown in the country's economy. Similarly, in Q4 2007 the Russian central bank implemented measures aimed at facilitating the refinancing of the banking system in order to alleviate the negative impacts of the liquidity crisis.

The main drivers of banking profitability in the major Eurozone economies in the second half of 2007 were only partly affected by the turmoil in the financial markets. In particular, the credit market seemed relatively immune to the liquidity crisis, thanks to the solid growth of lending, especially in the corporate sector. On the other hand, however, the substantial losses suffered by equity markets and continuing volatility strongly affected the investment choices of consumers, whose decision to avoid higher-risk assets had considerable repercussions on the mutual fund sector.

In 2007, lending continued to show robust growth in all main Eurozone economies, particularly in the corporate sector. In Italy, total loans to the private sector grew by 9.9% y/y in 2007 (as compared to 11% in 2006). Loans to non-financial companies increased by 13.1% y/y in 2007 (as against 12.4% in 2006), while household loans continued to grow, albeit not as rapidly as in previous years, continuing the slowdown that began at the end of 2006 (+7.6% in 2007 as against +9.9% in 2006). This was primarily attributable to higher interest rates and a slight deterioration in the real property market.

In Germany, loan demand from corporate borrowers was particularly strong despite the continuing weak trend in the general loan market. Total loans increased slightly at year-end 2007 (+0.7% y/y), after the virtual stagnation shown at the end of 2006 (-0.1%). The faster growth of loans to non-financial businesses, +5.5% y/y in December from +1.9% in December 2006, partly offset the negative trend in household loans (-1.3% in December 2007 vs. 0% in 2006) and public sector borrowing (-7.6% vs. +5.2% in 2006). In Austria, growth in loans to non-financial companies in 2007 (+7.5% in December 2007 vs. +4.6% in 2006) was matched by continued sharp

Report on Operations (Continued)

Banking and Financial Markets (Continued)

increases in residential mortgage loans, +7.2% in 2007, as compared to +7.6% in 2006. However, consumer credit showed a marked slowdown in all main Eurozone economies.

Direct deposit volumes grew strongly in 2007, thanks to a growing preference in Germany and Austria, and in the Eurozone in general, for less-liquid deposits (time deposits) that pay higher interest than current accounts. This positive trend was driven by an increase in demand from non-financial businesses and households. In Austria, deposits overall rose 12.1% y/y in December 2007 from 4.4% in 2006, while time deposits rose 13.6% compared with 4.4% in 2006. In Germany, time deposits grew 16.9% y/y in December compared with 11.4% in 2006, while total deposits were up 7.7% (vs. 5.2% in 2006). In Italy, the best performers were bank bonds (+11.5% y/y in November 2007 vs. 11.4% in 2006) and government securities, while current account deposits grew only 4.3% y/y in November (as against 6.5% in 2006).

In 2007, intermediated volumes improved, and banking spreads (i.e., the difference between lending and deposit rates) gradually widened. This trend was more marked in Italy but less pronounced in Austria and even less so in Germany where the spread further contracted. Italian spread widened by another 18 bps to 4.12% in December 2007, compared to 3.94% in December 2006. In Austria, the spread remained unchanged at 2.38% as in 2006, while German spread narrowed by 37bps y/y from 3.22% in December 2006 to 2.85% in 2007.

In the end, the financial crisis caused equity markets to fall in the last few months of 2007, marking the end of an extraordinary bull market that had lasted three years. Yet the main financial markets still managed to end the year on a positive note compared to the previous period. In 2007, the MSCI Pan-Euro Index closed at +3.3% vs. 2006, while the Austrian Stock Exchange rose by 1.1% y/y. Despite market turbulence and increased volatility, the German DAX index strongly over performed, ending the year with a 22.3% y/y gain. The Italian equity market continued to lose ground however, ending the year 7% lower than in 2006. Overall, the performance of mutual funds was in line with equity market trends.

In Germany, investment funds ended the year posting substantial gains, despite the decline shown in the last few months, while in Italy the sector recorded one of the worst performances ever, and Austrian funds moved only slightly into negative territory.

In 2007, German investment funds recorded a net inflow of €49 billion, with assets under management rising 4.4% y/y. The Austrian market fell 1.9% y/y, with a net outflow of €2.7 billion, while in Italy investment funds showed a net outflow of €53 billion, with assets under management down 6.4% at year-end 2007.

Group Results and Performance

In 2007 the Group was engaged on several fronts in creating value for our stakeholders. Growth was achieved both organically by increasing sales and strengthening customer relationships, as well as increasing the efficiency of our structures and processes, and externally by means of acquisitions in key markets: in October the absorption of Capitalia SpA in Italy, in December the acquisition of ATF Bank in Kazakhstan, and in January 2008 that of Ukrsotsbank in Ukraine.

When analyzing 2007 results, it should be borne in mind that Capitalia's contribution applied to Q4 only. This commentary on 2007 will therefore use, when indicated, like-for-like figures[1] when comparing performance over 2006.

Despite the complexity of its operations and the difficult market situation, the Group reached its objectives: net profit was close to €6 billion, a 9.4% increase over 2006, but 14.7% on a like-with-like basis. Profit per share was 54 €cents as against 53 €cents in 2006. ROE was 15.6% and thus almost in line with 2006's 16.7%. Economic Value Added was €2.7 billion.

Operating profit reached €11.8 billion, a like-for-like increase of 11.9%. This significant improvement over 2006 was due both to revenue growth to €25.9 billion, which grew by 5.5%, and to our continuing cost-containment policy – costs grew only 0.6% year on year.

Almost all our divisions made strong contributions to operating profit: once again Central and Eastern Europe (CEE) and Poland's Markets returned excellent performances with increases of 28% and 16% respectively; Private Banking

1. On a like-with-like basis not including 2007 integration costs relating to the Capitalia business combination or the capital gain on the sale of the Mediobanca shares.

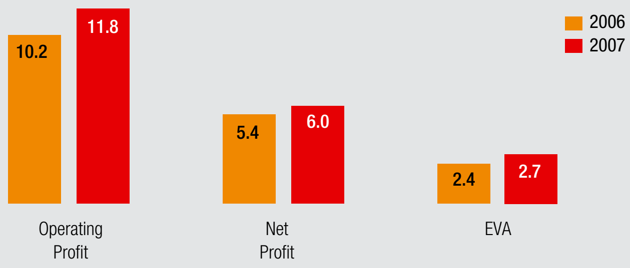
grew strongly, by 30%; and these were accompanied by the results of the divisions that make the largest contributions to the consolidated results, viz., Retail, which grew by 16.4% and Corporate Banking, up by 7.2%. Markets and Investment Banking (MIB) returned excellent results in the first half of 2007, but market turmoil starting in August caused operating profit to decline in the second half and an overall drop of 10.6% for the full year. UniCredit Group's international diversification is also clear from these results. Our core markets – Italy, Germany and Austria – consolidated their performance and central and eastern European markets continued on their growth path.

Operating income grew uniformly across the various businesses. At constant exchange rates and on a continuing business basis, the Group's growth was almost entirely due to net interest income, which rose by 9.5%, while net non-interest income was stable, growing by 0.7%. The latter was mainly due to the performance of MIB: the financial markets' crisis caused a sharp contraction of 45.9% in the Group's net trading, hedging and fair value income. Most of the divisions experienced a reduction: -34% in Corporate Banking, -28% CEE and -54% for MIB itself. A breakdown of the other components of growth shows that it was relatively balanced between the divisions.

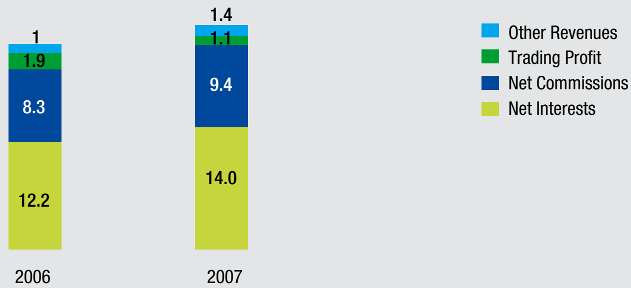
Net interest income was €14 billion: its rate of growth (+9.3% on a like-with-like basis) was due on the one hand to interest rate rises, which boosted the profitability of deposits, and on the other, by a significant increase in lending volume. Retail's net interest income grew by 7%, that of Corporate Banking by 4.9%, CEE's by 22.6%. MIB's performance – a 26.3% increase in net interest income – offset the Markets segment's losses thanks to an excellent performance by Financing.

Net customer loans stood at €574 billion at December 31, 2007 having expanded by 30% in 2007, including Capitalia. Net of Capitalia the stock was €476 billion, an increase of 7.8% over 2006. The main drivers of lending growth were Corporate Banking (+9%) and CEE (+31%, strong growth in Turkey, Russia and Hungary). Product factories also performed well: leases grew by 25% and consumer credit by 25.7% on a like-with-like basis, whereas residential mortgage lending was largely unchanged.

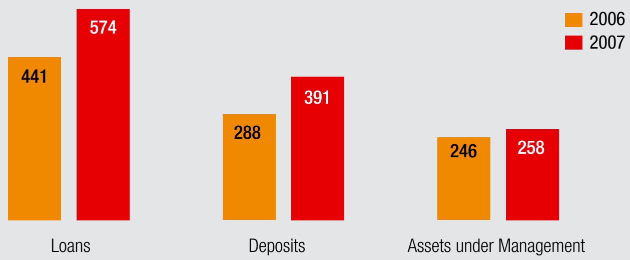
Summary result (€ billion)



Breakdown of operating income (€ billion)



Lending and deposits (€ billion)



Report on Operations (Continued)

Group Results and Performance (Continued)

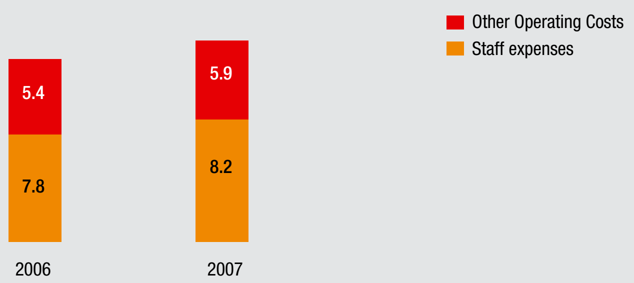
Customer deposits (excluding securities in issue) stood at €391 billion including Capitalia, an increase of 36% over 2006. Net of Capitalia the stock was €328 billion, an increase of 14%: here too Corporate Banking showed impressive growth of 20%, as did Retail (+10%).

Net fees and commissions totaled €9.4 billion, an increase of 8% net of Capitalia. This comprised a significant advance in fees and commission from asset management and administration, which were €4.7 billion and rose by 12.1%, and especially segregated accounts (+19.7%).
This good result was achieved despite a fall in the Group's Asset Management Division's assets under management, which stood at €258 billion at year-end, a contraction of 7% (excluding Capitalia), which was in strong contrast with the trend of the first half of 2007 (+9%) and was caused by the financial markets' crisis in the second half of the year, which affected net inflows adversely.

Net fees and commissions (€ million)

	YEAR		CHANGE	
	2007	2006	ACTUAL	NET OF CAPITALIA
Asset management, custody and administration:	4,671	4,030	+ 15.9%	+ 12.1%
segregated accounts	*372*	*295*	*+ 26.1%*	*+ 19.7%*
management of collective investment funds	*2,398*	*2,169*	*+ 10.6%*	*+ 7.1%*
insurance products	*630*	*555*	*+ 13.5%*	*+ 6.1%*
securities dealing, placement and other services	*1,271*	*1,011*	*+ 25.7%*	*+ 23.9%*
Current accounts, loans and guarantees	2,040	1,917	+ 6.4%	+ 0.5%
Collection and payment services	1,509	1,380	+ 9.3%	+ 6.6%
Forex dealing	604	534	+ 13.1%	+ 12.7%
Other services	606	487	+ 24.4%	+ 3.3%
Total net fees and commissions	**9,430**	**8,348**	**+ 13.0%**	**+ 8.0%**

Operating costs (€ billion)



Satisfactory income performance was thus in line with the average development of volumes, which over the year made an increase in management fees possible. Commission earned on forex trading and foreign business grew well (+12.7% net of Capitalia), as did collection and payment services fees (+6.6% net of Capitalia).

The 46% drop in overall net trading, hedging and fair value income was as mentioned mainly attributable to MIB (-53.7%), whose investments and trading positions were seriously under pressure in the situation that emerged: MIB coped well with the crisis and managed the negative scenario containing its losses. The contraction was also due to a repositioning of the business increasing the weight of net interest income. The fair value of its Generali option grew well and contributed some €147 million to the change in the trading result over 2006.

Operating costs were €14 billion, and were in line with 2006 (a slight rise of 0.6%) on a like-with-like basis, due to a balanced combination of restructuring and efficiency increases on the one hand and development initiatives on the other.

Pay roll expense was €8.2 billion: on a like-with-like basis this was a reduction of 1.1%, and was attributable to optimization of the use of human resources, a reduction in variable compensation following MIB's outturns and the effects of Italian and Austrian pension reform, which offset the payroll increases in CEE countries due to network expansion.

2. FTE is a measure including all those on the payroll minus secondees to other companies and those on unpaid leave, and plus secondees from other companies; all staff categories are accounted for pro rata to hours worked (the hours for which the employer bears a cost).
3. These figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.

The full time equivalent (FTE[2]) headcount was 169,816[3] at December 31, 2007, as against the 2006 figure of 137,197. This net increase mainly comprised:

- the absorption of the Capitalia group (+26,750 people);
- the acquisition of ATF Bank, Kazahkstan (+5,260 people);
- newly consolidated companies including Aton (+260 people) and Planet Home (+299 people) and business development in Corporate and Retail;
- the opening of new branches in Russia and Turkey (+2,641 people); and
- a total reduction of some 4,200 people principally in CEE businesses, including Bulgaria (-916 people, o/w 514 following the sale of Optima) and Slovakia (-96 people), through outsourcing in Turkey (-820 people), by PAS (-420 people) and by HVB IS (-316 people) and through rationalisation of former Capitalia subsidiaries (-704 people).

Other administrative expense amounted to just under €5 billion, which was a 4.7% like-for-like increase, mainly due to new branch openings in CEE (especially Turkey, Russia and Hungary), Group HQ developing projects to be used across the Group (e.g., Basel II and Treasury), business expansion in the Divisions (particularly Retail and Corporate) and outsourcing carried out by GBS in Germany (greater administrative expense replaces staff cost).

Depreciation and amortization of tangible and intangible assets fell by 4% at constant exchange rates and businesses, thanks to a reduction in the depreciation and amortization of Global Banking Services assets, especially in Austria and Germany, due to the fact that there was extraordinary depreciation in Germany in 2006 and that 2006 was the last year of depreciation of the ICT systems purchased at the time of the Bank Austria-Creditanstalt merger in Austria. Depreciation and amortization fell in some CEE countries mainly due to the one-off costs recognized in 2006 due to the merging of certain banks, e.g. Tiriac Bank in Romania.

Loans to Customers Asset Quality (€ million)

	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED LOANS	PAST-DUE LOANS	IMPAIRED LOANS	PERFORMING LOANS	TOTAL
As at 31.12.2007							
Face value	27,759	5,937	1,654	1,856	**37,206**	559,895	**597,101**
as a percentage of total loans	*4.65%*	*0.99%*	*0.28%*	*0.31%*	***6.23%***	*93.77%*	
Writedowns	17,827	1,827	449	188	**20,291**	2,604	**22,895**
as a percentage of face value	*64.2%*	*30.8%*	*27.1%*	*10.1%*	***54.5%***	*0.5%*	
Carrying value	9,932	4,110	1,205	1,668	**16,915**	557,291	**574,206**
as a percentage of total loans	*1.73%*	*0.72%*	*0.21%*	*0.29%*	***2.95%***	*97.05%*	
of which: UniCredit net of Capitalia							
Face value	17,723	4,362	1,218	1,177	**24,480**	466,387	**490,867**
as a percentage of total loans	*3.61%*	*0.89%*	*0.25%*	*0.24%*	***4.99%***	*95.01%*	
Writedowns	11,050	1,219	421	107	**12,797**	2,135	**14,932**
as a percentage of face value	*62.3%*	*27.9%*	*34.6%*	*9.1%*	***52.3%***	*0.5%*	
Carrying value	6,673	3,143	797	1,070	**11,683**	464,252	**475,935**
as a percentage of total loans	*1.40%*	*0.66%*	*0.17%*	*0.22%*	***2.45%***	*97.55%*	
As at 31.12.2006							
Face value	17,698	4,847	4,394	1,016	**27,955**	429,108	**457,063**
as a percentage of total loans	*3.87%*	*1.06%*	*0.96%*	*0.22%*	***6.12%***	*93.88%*	
Writedowns	10,886	1,259	1,388	146	**13,679**	2,064	**15,743**
as a percentage of face value	*61.5%*	*26.0%*	*31.6%*	*14.4%*	***48.9%***	*0.5%*	
Carrying value	6,812	3,588	3,006	870	**14,276**	427,044	**441,320**
as a percentage of total loans	*1.54%*	*0.81%*	*0.68%*	*0.20%*	***3.23%***	*96.77%*	

Report on Operations (Continued)

Group Results and Performance (Continued)

Our cost/income ratio thus improved markedly. The Group ratio fell from 56.5% at end 2006 to 54.4% at end 2007.

These good operating results were accompanied by significant improvements in credit risk. Net impairment losses on loans and receivables and provisions on guarantees and commitments amounted to €2.2 billion, a reduction of 8.2% from 2006 on a like-with-like basis. This result was due to a significant contribution by most divisions, thanks to an improvement in Italian, Austrian and German credit processes, and a significant writeback in the MIB Division.
CEE was an exception, with a 25% increase in provisioning due to growth in lending, especially in Russia, Romania and Bulgaria, without impairing the quality of the portfolio. This figure is confirmed by the improvement in the cost of risk, which fell by 7bp in the CEE region and even more markedly in Germany, -24bp, and Austria, -58bp, while in Italy it increased slightly (+4bp).

Asset quality data point up the effectiveness of the risk management rationalization and harmonization carried out in 2007. At end 2007 face-value impaired loans were €37 billion or 6.23% of total loans and receivables; doubtful and non-performing loans were just over €33 billion.

Balance-sheet values show the reduction achieved by the Group: total impaired loans fell from 3.23% to 2.45% of total loans and receivables, net of Capitalia, thanks to the careful and precise risk management throughout the Group. Following the acquisition of Capitalia the ratio rose to 2.95% demonstrating that, despite the addition of a riskier portfolio, the Group retained its restructuring capability. In line with this prospect coverage rose from 48.9% to 52.3%, and reached 54.5% with the inclusion of Capitalia.

Integration costs following the combination with Capitalia were €1.2 billion: this charge related principally to leaving incentives, but also included write-offs of assets mainly in the IT area. It is important to note that almost all these costs were charged in 2007 and that the integration process is proceeding even more rapidly than was planned both at HQ and divisional level: synergies achieved will be greater than expected and will accrue earlier than expected.

Net investment income was €1.5 billion (up by 30%) and was principally due to the sales of stakes in Mediobanca for €600 million, FMS Bank for 290 million, and Borsa Italiana for 190 million.

Taking into account general provisions of €663 million (up by 30% on a like-with-like basis), profit before tax for the year was €9.4 billion, an increase of 17.6% at constant exchange rate and businesses.

Tax was €2.7 billion (up by 30% on a like-with-like basis) and included one-off charges of €360 million due to the effect of Italian and German taxation reform on net deferred tax. This was why the tax-rate rose from 26% in 2006 to 28.6% in 2007 despite greater capital gains from disposal of equity interests.

Group net profit thus reached €6 billion, an increase of 14.7% on a like-with-like basis, which was achieved despite the difficult market situation and thanks to the numerous initiatives in which the Group was involved on several fronts in Italy and internationally.

Reconciliation of Parent Company to Consolidated Accounts (€ million)

	SHAREHOLDERS' EQUITY	OF WHICH: NET PROFIT
Balance as at 31 December 2007 as per UniCredit SpA Accounts	**50,620**	**1,866**
Surplus over carrying values	10,777	6,809
- subsidiaries (consolidated)	*10,492*	*6,586*
- associates accounted for at net equity	*285*	*223*
Reversal of Parent Company reserve from internal business combinations	-3,818	0
Dividends received in the period by the Holding Company	-	-2,706
Other reclassifications on consolidation	145	-8
Balance as at 31 December 2007 attributable to the Group	**57,724**	**5,961**
Minorities	4,740	717
Balance as at 31 December 2007 (minorities included)	**62,464**	**6,678**

Additional Information on Structured Instruments, US Subprime Risk, Conduits, SIVs and Derivatives with Customers

The deterioration of US Subprime Mortgages, which occurred in the second half of 2007, caused credit spreads to widen and reduced the liquidity of the securitized credit market.

This market scenario increased the demand for disclosure of the Group's exposure to these instruments and, more generally, of the measurement and risk management criteria used for the whole structured finance area.

1. Valuation Principles

The Group's business in structured interest-rate, equity and credit instruments (including exposures to US Subprime and US Alt-A) as well as in derivatives closed with customers is mainly concentrated in our Markets & Investment Banking Division.

These instruments are valued in accordance with the instructions contained in the BIS's International Convergence of Capital Measurement and Capital Standards (the "Basel II Report") transposed by Banca d'Italia's Circular 263 in December 2006.

In detail: these positions are valued using available, independent market prices, i.e., they are marked to market provided that the instrument is quoted in active markets. If market prices are not available, the Group marks to model using models that are in line with evaluation methodologies generally accepted and used by market's participants and that refer to market prices as far as possible. Valuation models applied include discounting cash flows techniques as well as techniques for the estimation of volatility. Valuation models are reviewed both when they are developed and periodically in order to grant their consistency.

In order to ensure that valuation models are objective, the Group uses:
- independent price verification (IPV) and
- fair value adjustments.

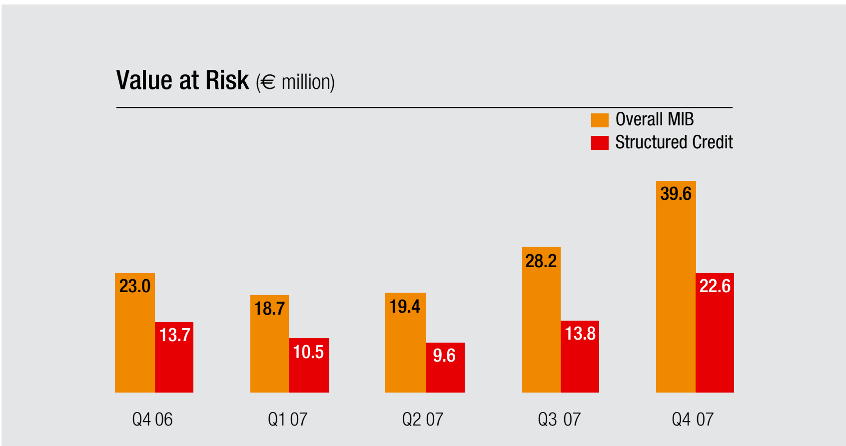
Independent price verification entails the monthly checking of position prices by risk management units which are independent of the units trading the positions. Verification entails comparison of daily prices and adjustments in line with valuations obtained from independent market participants.

In addition to independent price verification the following fair value adjustments are carried out also for accounting purposes:
- Close-Out Costs: this adjustment reflects the cost that the bank would bear to close out the net financial risk in its portfolio by applying the bid/offer spread seen in the market for each risk factor.
- Less Liquid Positions: this adjustment is made whenever market prices are considered unrepresentative of the price at which the position could be unwound, due to the volume or frequency of trades, the limited number of market participants or the size of the position held.
- Model Risk: this adjustment is made, in respect of financial instruments marked to model, to take into account the possibility that the fair value produced by the model differs from the sale price of the financial instrument.

2. Risk Management Principles

As for all the instruments included in the trading portfolio, Value at Risk is the main risk management tool for structured products.

The following chart compares the structured credits portfolio's VaR with the VaR of the whole Markets & Investment Banking Division:



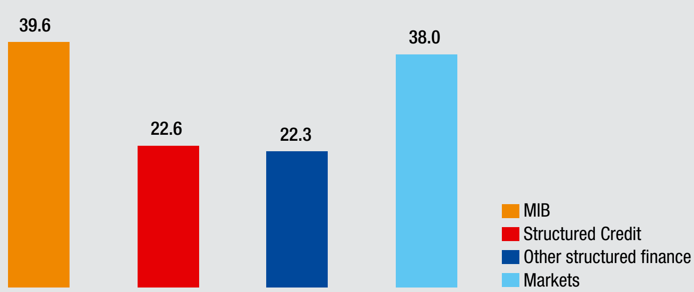
Report on Operations (Continued)

Additional Information on Structured Instruments, US Subprime Risk, Conduits, SIVs and Derivatives with Customers (Continued)

The amount of structured credit exposure did not increase in the second half of 2007; the VaR of these instruments did, however, double since the beginning of the crisis, due to increased market volatility.

The following table compares the VaR of the various structured finance portfolios with the VaR of the whole Markets & Investment Banking Division at end 2007.

VaRas of (31/12/2007) (€ million)



In 2007, the MIB Division areas that deal in structured products recognized no losses, with the exception of Structured Credit which recorded a total loss of €431 million.

The following table summarizes the Q3 and Q4 2007 results of the Structured Credit area:

€ MILLION	Q4 2007	Q3 2007
Losses	- 149	-174
Capital losses on valuation	-277	-282
Other costs	-50	184
Total	**-476**	**-272**

3. Group US Subprime Exposure

The Group's exposure to subprime financial instruments is not significant.

As indicated in the following table, the Group has subprime exposure of €164 million which is due to investments in RMBS and CDOs of ABS (including SIV exposure and retained interests).

€ MILLION	BOOK VALUE	FAIR VALUE	FACE VALUE
US Subprime RMBS	88.5	88.7	94.2
CDOs of ABS with Partial Subprime	72.4	72.4	151.1
Total	**160.9**	**161.1**	**245.3**

Further, the Group also has exposures arising from retained interests held by Pioneer Investments in the amount of €1 million and positions amounting to €2 million arising from investments in Structured Investment Vehicles.

As shown in the following table, 99% of these positions are rated A or better[1].

€ MILLION	RATING					
TYPE	AAA	AA	A	BBB	UNRATED	TOTAL
CDOs of ABS with partial Subprime	61.2	4.2	6.1	-	0.9	72.4
RMBS US Subprime	88.7	-	-	-	-	88.7
Total	**149.9**	**4.2**	**6.1**	**-**	**0.9**	**161.1**

4. Group Exposure to Conduits

The Group acts as sponsor of both Arbitrage and Customer Conduits.

The Group is the sponsor of the following conduits: Arabella, Salome, Black Forest, Bavarian Universal Funding Corporation (BUFCO) and Bavaria TRR. In December 2007 the conduit Maximilan MCC was wound up.

Starting from the 2007 financial period, these conduits are consolidated in the Group's consolidated financial statements, with the exception of Bavaria TRR, which was wound up in February 2008.

These vehicles invest in several type of assets (rated securities, corporate loans, auto loans/leases, equipment leases, consumer loans, small business loans, trade receivables, consumer receivables, health care receivables, residential mortgages and commercial mortgages).

The following table discloses the assets held by Group's conduits together with the measurement criteria used.

CONDUIT	ASSET CLASS	ASSET TOTAL (€ MILLION)	MEASUREMENT STANDARD
Arabella (Customer Conduit)			
	Loans and receivables	1,953	Amortised cost
Salome (Customer Conduit)			
	Loans and receivables	1,854	Amortised cost
Black Forest (Customer Conduit)			
	Loans and receivables	635	Amortised cost
Bufco (Arbitrage Conduit)			
	Financial assets at fair value through profit or loss	326	Fair value
	Financial assets available for sale	436	Fair value
	Financial assets held to maturity	217	Amortised cost
	Total	*979*	
Bavaria TRR (Customer Conduit)			
	Financial assets held for trading	4,744	Fair value
Total		**10,165**	

1. SIVs and retained interests are excluded

Report on Operations (Continued)

Additional Information on Structured Instruments, US Subprime Risk, Conduits, SIVs and Derivatives with Customers (Continued)

Impairment losses recognized on these exposures amounted to €2 million. Additionally the Group incurred further losses of €20 million arising from the sale of ABS by BUFCO to HVB.
Bavaria TRR and Maximilian MCC were wound up without incurring any loss.

The following table reports exposures towards own conduits (in terms of liquidity line, stand by letter of credit and securities subscribed):

EXPOSURES	AMOUNT (€ MILLION)
Liquidity lines granted	5,400[2]
Liquidity lines drawn	-
Guarantees provided	2,460[2]
Securities issued and subscribed by Group's legal entities	4,685[2]

2. Such exposures relates to own conduits which have been consolidated

Exposures related to own conduits have been eliminated in the preparation of consolidated financial statements.

The following table shows liquidity lines and guarantees, in the form of stand-by letters of credit, provided to third parties' conduits:

	AMOUNT (€ MILLION)
Liquidity lines granted	540
Liquidity lines drawn	-
Guarantees provided	10

5. The Group's Exposure to SIVs

Unicredit Group does not sponsor Structured Investment Vehicles, but simply invests in capital notes issued by SIVs. Accordingly, SIVs are not consolidated in the Group's financial statements.

The Group's total exposure to securities issued by SIVs amounts to €77 million. In 2007 the Group recognized losses, both realized and unrealized, of €98 million.

The following table details capital notes held by the Group.

As at 31/12/2007 no liquidity lines or guarantees of any kind granted to SIVs were outstanding.

NAME	ISTRUMENT TYPE	AMOUNT (€ MILLION)	% OF PORTFOLIO	ASSET CLASS	BOOK VALUE (€ MILLION)
Harrier Finance	Capital Notes	10.2	1.5%	HFT	2.2
K2 Corporation	Series 2 - Capital Notes	13.6	2.6%	HTM	-
Nightingale Finance	Capital Notes	13.6	6.6%	HTM	6.8
Parkland Finance	Capital Notes	20	8.5%	HTM	10
Maisnail II ltd.	Capital Notes	17	7.5%	HFT	-
Cheyne Finance	Capital Notes	18.7	4.4%	HFT	-
Sigma Finance	Capital Notes	57.7	2.1%	HTM	57.7
Dorada Corporation	Capital Notes	13.6	3.2%	HTM	-
Total		**164.4**			**76.7**

6. Trading Derivatives with Customers

The business model governing derivatives trading with customers provides for centralization of market risk in the MIB Division, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:

- by the Italian commercial banks that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the MIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g., structured bonds).
- by the MIB Division operating with large corporates and financial institutions, in respect of which it assumes and manages both market and counterparty risk.
- by HVB AG, BA-CA AG and Pekao, which transact business directly with their customers.

The Italian commercial banks' total exposure to non-institutional clients was €1,245 million, of which €1,014 million referred to UniCredit Banca d'Impresa and €231 million to former Capitalia Group banks.

UniCredit Group trades OTC derivatives on a wide range of underlyings, e.g.: interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalization: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and control in terms of principles, rules and processes, as well as by setting VaR limits.

This business with non-institutional clients does not entail the use of margin calls, whereas with institutional counterparties (dealt with by the MIB Division) recourse may be made to credit risk mitigation techniques, for example "netting" and/or collateral agreements.

In addition to the information given in 1. *Valuation Criteria* above, it should be noted that write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:

- Performing exposure to non-institutional clients of the Italian commercial banks is valued in terms of PD (Probability of Default) and LGD (Loss Given Default), in order to obtain a value in terms of 'expected loss' to be used for items designated and measured at fair value.
- Non-performing positions are valued in terms of estimated expected future cash flow according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

The impact on the 2007 Income Statement of write-downs and write-backs of derivatives to take account of counterparty risk totaled a positive contribution of €17 million mainly due to reduction of fair value exposure.

Report on Operations (Continued)

Economic Value Added (EVA)

Principles of Value Creation and Disciplined Capital Allocation. Capital Ratios

With the aim of creating value for our shareholders, the Group's strategic guidelines require that its asset portfolio be optimised through a process of capital allocation to each business line in relation to its peculiar risk profile and ability to generate extra income measured as EVA, which is the main performance indicator related to TSR (Total Shareholder Return).

The business mix determined by this process of capital allocation has enabled the Group to generate constantly increasing EVA over time.

Developing the Group's business with the goal of creating value requires a disciplined process of capital allocation and management through all the phases of the planning and control process, i.e.:

- Proposing risk propensity and capitalisation targets
- Analysing risk associated with value creation drivers and consequent allocation of capital to business lines and individual business units
- Assigning risk adjusted performance targets
- Analysing the impact on the value of the Group and the creation of value for our shareholders
- Drawing up and proposing the financial plan and dividend policy.

The process of allocation is based on a 'dual track' logic, i.e., the higher between economic capital and regulatory capital (Core Tier 1) is allocated at the consolidated level and for each business line/business unit.

EVA generated by the Group and the Divisions (€ million)

	YEAR	
	2007	2006
Retail	692	247
Corporate	691	549
Private Banking	206	128
Asset Management	551	467
Markets & Investment Banking	581	682
Poland Markets	473	351
Central Eastern Europe (CEE)	575	447
Other components[1]	-1,072	-479
Total	**2,697**	**2,392**

1. Global Banking Services Division, Corporate Centre, Splitska banka, Capitalia, interdivisional adjust-ments and consolidation adjustments not associated to individual Divisions.

Capital Ratios (€ million)

	YEAR	
	2007	2006
Total Capital	56,474	44,330
Tier 1 Ratio	36,577	29,385
Core Tier 1	32,570	24,591
Total RWA	558,639	422,291
Total Capital Ratio	**10.11%**	**10.50%**
Tier 1 Ratio	**6.55%**	**6.96%**
Core Tier 1 Ratio	**5.83%**	**5.82%**

If economic capital is higher, this approach makes it possible to allocate the real risk capital which Banca d'Italia does not consider yet and, if regulatory capital is higher, to allocate capital in accordance with the regulatory rules.

The Group manages its capital actively by monitoring regulatory capital ratios, anticipating the changes necessary to achieve its targets and optimising its assets and equity.

Planning and monitoring refer on the one hand to Shareholders' Equity and the composition of regulatory capital (Core Tier 1, Tier 1, Lower and Upper Tier 2 and Tier 3 Capital) and on the other hand to the Risk-Weighted Assets (RWAs).

For each fiscal year the Group sets a Core Tier 1 ratio target ensuring that its rating is in line with the larger international banking groups.

Divisional Results

Despite the great changes taking place, which have affected the UniCredit Group both within and outside Italy, the Divisions successfully focused on their businesses and returned results that were well in line with the objectives set at the beginning of 2007.

Operating profit saw the highest growth and contributed significantly to the UniCredit Group's results as reflected by the achievements of the CEE Division (+28%) and Retail (+16.4%). Efficiency indicators improved markedly, especially the cost/ income ratio.

Pre-tax profit had double-digit increases in all areas. The core businesses of Retail and Corporate Banking strengthened, and the development of non-Italian markets continued. At the same time, UniCredit MIB's slowdown was contained despite the difficulties encountered by the markets in the second half of 2007.

When viewed as a whole, the UniCredit Group continues its intelligent management of a diverse portfolio of businesses, which provides a balanced approach to investment risk helping to protect against market turmoil and economic downturns. This appropriately meets the needs of a broad cross-section of customers in many different locations.

Main Divisional Figures (€ million)

	RETAIL	CORPORATE	PRIVATE BANKING	ASSET MANAGEMENT	MARKETS & INVESTMENT BANKING	POLAND'S MARKETS	CENTRAL EASTERN EUROPE (CEE)	PARENT CO. AND OTHER SUBSIDIARES (CONSOLIDATION ADJUSTMENT INCLUDED)	CONSOLIDATED GROUP TOTAL
Operating Income									
2007	8,132	5,186	1,165	1,395	2,796	2,386	3,367	1,466	25,893
Change over 2006	*5.2%*	*6.1%*	*9.2%*	*4.7%*	*-9.7%*	*11.9%*	*20.3%*	*n.s.*	*10.4%*
Operating costs									
2007	-5,212	-1,714	-712	-607	-1,408	-1,113	-1,729	-1,586	-14,081
Change over 2006	*-0.2%*	*3.8%*	*-0.8%*	*-1.5%*	*-8.7%*	*8.0%*	*13.8%*	*n.s.*	*6.2%*
OPERATING PROFIT									
2007	2,920	3,472	453	788	1,388	1,273	1,638	-120	11,812
Change over 2006	*16.4%*	*7.2%*	*29.8%*	*10.1%*	*-10.6%*	*15.6%*	*28.1%*	*n.s.*	*15.7%*
PROFIT BEFORE TAX									
2007	1,850	2,619	442	805	1,898	1,229	1,342	-830	9,355
Change over 2006	*37.8%*	*10.6%*	*33.9%*	*20.7%*	*23.6%*	*23.0%*	*27.7%*	*n.s.*	*13.9%*
EVA									
2007	692	691	206	551	581	473	575	-1,072	2,697
Change over 2006	*445*	*142*	*78*	*84*	*-101*	*122*	*128*	*-593*	*305*
Cost/income ratio									
2007	64.1%	33.1%	61.1%	43.5%	50.4%	46.6%	51.4%	n.s.	54.4%
Change over 2006	*-345 bp*	*-72 bp*	*-618 bp*	*-273 bp*	*50 bp*	*-171 bp*	*-295 bp*	*n.s.*	*-212 bp*
Employees[1]									
as at 31 December 2007	35,093	9,384	3,549	2,212	3,464	25,469	43,647	46,998	169,816
Change over 31 December 2006	*259*	*569*	*199*	*-66*	*246*	*-177*	*6,199*	*25,390*	*32,619*

Note: the column "ParentCo. and other subsidiaries" included Q4 2007 data of the former Capitalia Group.

1. "Full time equivalent" data, calculated according to a new methodology which does not include unpaid leaves. These figures include all employees of subsidiaries consolidated proportionately, such as Koç Financial Services Group employees.

Report on Operations (Continued)

Retail Division

Financial Performance

The UniCredit Group's Retail Division focuses on the financial needs of the mass-market and of affluent individuals, together with small businesses in Italy, Germany and Austria.

The Division's goal over time is to maintain sustainable growth rates in a European environment of increasing competition, more restrictive regulations and turbulence in financial markets.

The Retail Division (net of the component attributable to the former Capitalia Group) reported profit before tax of €1,850 million, an increase of €507 million or 38% over 2006, which also included a portion of integration costs of about €250 million resulting from the merger with the Capitalia Group. Excluding these costs, profit before tax would have been up by 56% over 2006 (+€757 million y/y).

This excellent performance was due to the combined impact of an increase in interest rates (one-month Euribor rose by 116 basis points over the 2006 average), an increase in loans and (direct and indirect) deposits and significant cost reductions in Germany and Austria (of 3% and 4% respectively). Operating income rose by 5% from 2006 to €8,132 million as a result of both interest income (€5,056 million, +7% y/y) and service revenues (€3,076 million, +2% y/y).

Total operating costs stood at €5,212 million, slightly down from the previous year (-0.2% from 2006). The only increase in expenses was reported in Italy (+3% y/y) and was the result of planned expansion and the international launch of UniCredit Consumer Financing and UniCredit Banca per la Casa.

The cost-income ratio fell to 64.1% (i.e., 3% lower than in 2006), as a result of better operating efficiency.

Cost-control management posted solid results on FTE figures reduction: the service model right-sizing reduced FTE figures by 2.3% over 2006 (from 35,901 – recast including all perimeter changes in 2007 to 35,093)

The components described above generated an operating profit of €2,920 million (representing an increase of €411 million, +16% y/y).

The extraordinary action taken on net impairment losses on loans and provisions in Austria and Germany in 2006 and gradual alignment of credit practices and processes to the UniCredit Group's best practice drove the sharp reduction in net write-downs (€818 million, -24% y/y) with a resulting improvement in the cost of risk, which stabilized at 0,9% (-28 bps y/y).

Retail Division customer loans increased to about €144 billion (up by 4% over 2006). Customer deposits, including Securities in issue, rose by 7% year on year (from €146 billion to €156 billion).

Excellent net profit growth together with the optimization of risk-weighted assets (RWA) produced EVA of €692 million, +445 million y/y. As a result, the RARORAC ratio improved by 832 basis points to about 13%, and the ratio of revenues to average RWA also rose by 49 basis points y/y to 9%.

At year-end, total RWA rose by €1,9 billion over December 2006 due to the combined impact of an increase in loan volume and of transactions to optimize RWA through the securitization of mortgage portfolios (residential mortgage-backed securities with nominal value of €3.9 billion at UniCredit Banca and €4.3 billion at HypoVereinsbank).

The increase in the customer satisfaction index (from the TRI*M stakeholder management research system) contributed to the excellent results, especially in Italy and Germany.

In Italy, the TRI*M index rose considerably in 2007, from 58 to 62. All segments contributed to this growth - especially the Mass Market segment (where it rose from 59 to 63), the Affluent segment (from 55 to 60) and the Small Business segment (from 53 to 59).

Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2007	2006	AMOUNT	%	4Q 07	3Q 07	4Q 06
Operating income	8,132	7,729	403	+ 5.2%	2,032	2,006	1,910
Operating costs	-5,212	-5,220	8	- 0.2%	-1,339	-1,303	-1,221
Operating profit	2,920	2,509	411	+ 16.4%	693	703	689
Net write-downs on loans	-818	-1,074	256	- 23.8%	-256	-180	-348
Profit before tax	1,850	1,343	507	+ 37.8%	199	511	280

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Loans to customers	143,738	138,838	4,900	3.5%	142,012	1,726	1.2%
Customer deposits (incl. Securities in issue)	155,932	146,181	9,751	6.7%	153,345	2,587	1.7%
Total RWA	91,923	90,026	1,897	2.1%	91,646	277	0.3%
RWA for Credit Risk	90,639	88,611	2,028	2.3%	90,299	340	0.4%

Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	692	247	445	+ 180.2%
Absorbed Capital (€ million)	5,357	5,367	-10	- 0.2%
RARORAC	12.92%	4.60%	832bp	
Operating Income/RWA (avg)	8.94%	8.45%	49bp	
Cost/Income	64.1%	67.5%	-345bp	
Cost of Risk	0.91%	1.19%	-28bp	

Staff Numbers

	YEAR		CHANGE	
	31.12.07	31.12.06	AMOUNT	%
Full Time Equivalent	35,093	34,834	259	+ 0.7%

Breakdown of loans by country and deposits

(€ million)

	LOANS TO CUSTOMERS		CHANGE	DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES IN ISSUE		CHANGE
	31.12.07	31.12.06	%	31.12.07	31.12.06	%
Italy	80,334	71,829	+ 11.8%	94,616	87,313	+ 8.4%
Germany	42,649	46,235	- 7.8%	31,852	29,031	+ 9.7%
Austria	20,755	20,774	- 0.1%	29,464	29,837	- 1.3%
Total	**143,738**	**138,838**	**+ 3.5%**	**155,932**	**146,181**	**+ 6.7%**

The ability to stand out from the competition was achieved through significant initiatives aimed at making the sales network more aware of customer satisfaction. Specifically, major investments were made in training (e.g., the "I'm a Customer" project), which involved over 8,500 members of the sales staff in courses dedicated to customer satisfaction.

Analyses of customer satisfaction produced useful information for improving processes, service models and marketing decisions based on customer needs.

In addition, electronic mailboxes for the CEO and General Manager were created, allowing customers to discuss, communicate and complain and receive a response within 24 to 48 hours.

Q48, the process of resolving customer problems within 48 hours, was enhanced and now offers customer solutions in less than 24 hours. This process has substantially reduced the number of written complaints.

In Germany the TRI*M index rose 2 percentage points in 2007, from 61 to 63, reaching 64 points in the second half of the year. All three customer segments posted indexes better than those seen in 2006,especially the Affluent segment, which reported an increase from 57 to 61 points. The driving forces behind the growth in the TRI*M index were the focus on individual products; meticulous, improved management of complaints; and training courses on service quality.

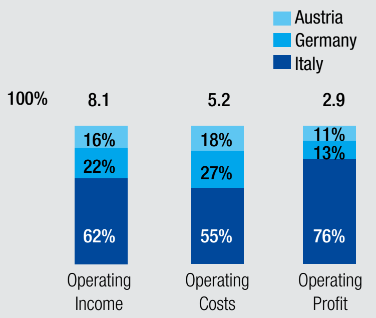
The three countries differed significantly in their contributions to total divisional profits: Italy, with 62% of operating income, generated 76% of the Division's total operating profit, while Germany and Austria are proceeding with their restructuring and growth processes.

Report on Operations (Continued)

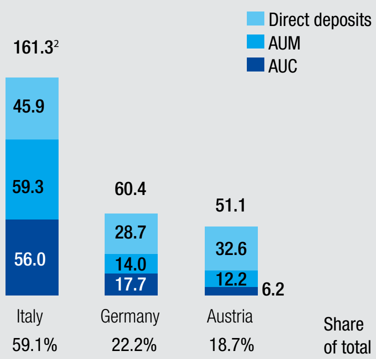
Retail Division (Continued)

Breakdown of Businesses and Strategies by Business/Geographic Areas

Contribution by Country 2007 (€ billion)

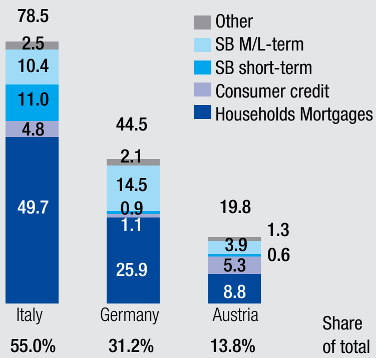


Customer Total Financial Assets[1] (€ billion)



1. Business volumes which have been classified differently from accounts data
2. Excluding Employees and Xelion Financial Promoters

Total Loans to Customers 2007[1] (€ billion)



1. Business volumes excluding non-performing loans

With regard to customers' managerial total financial assets, 59% is invested in Italy, 22% in Germany and 19% in Austria. The portfolio mix showed the majority of indirect deposits (assets under management and under administration) in Italy (71%), unlike Germany and Austria, where the portfolio mix showed a preference for direct deposits (48% in Germany and 64% in Austria).

The mix of total loans to customers also differed across the three countries. Residential mortgages (the product with the largest share everywhere), represented 63% of loans in Italy, 58% in Germany and 44% in Austria. Loans to small businesses showed a higher share of short-term in Italy (51% of loans in the segment), than in Austria (13%) and in Germany (only 6%).

Product Line, Volumes and Market Shares

The Retail Division offers its customers a variety of products tailored to the specific needs of mass-market, affluent and small business clients, through its branch networks in Italy, Germany and Austria, and its portfolio managers, who are specialized by customer segment.

UniCredit Banca

In 2007 UniCredit Banca made a commitment to strengthen its brand positioning by placing an emphasis on trust and customer focus: "Posso contarci" is the slogan that best reflects the bank's desire to do this. Efforts to strengthen this positioning are becoming increasingly specific, with services, products and methods of communication aimed at emphasizing the perception of quality and professionalism. Several marketing initiatives are focused on a specific, tangible response to banking and financial needs with initiatives aimed at innovation and anticipating market trends by fostering competitive market dynamics.

In 2007, activities targeting the Mass Market segment were aimed at product innovation, the sales process, the customer service model and the ongoing program to improve transparency in customer relationships.
In 2007 there was a significant increase in current accounts, with a net total of

171,000 new accounts, and 137,000 net new customers. In February the innovative "Genius Ricaricabile" (Genius Rechargeable) current account was launched. By means of the recharging mechanism, it is possible to eliminate the monthly fee. In 2007, over 75,500 of these accounts were sold. In the same month, to round out the product line targeting young people, the Genius Teen account, which is aimed at the 13 to 17 age group, was developed.

In February, the Trasloco Facile (Easy Move) service was launched with the aim of simplifying the transfer of newly acquired customer relationships to UniCredit Banca.

The success of Trasloco Facile is reflected in the acquisition of €1.8 billion in new financial assets, 40,000 new current accounts and about 19,300 new customers.

With regard to activities dedicated to Personal Banking customers, 2007 was a year of consolidation for Metodo First, the approach to asset management that UniCredit Banca launched in September 2005. Its aim was to create value over time for both the investor and the bank using a new style to emphasize the bank's unique characteristics and recognition. The Personal Banking segment's acquisition rate was 4.6% (up by 1.1% over 2006), with a 1.3% increase in new assets in the portfolio manager channel. However, the closing rate dropped from 3.1% in 2006 to 2.9%.

The bank has continually enhanced and added to its line of investment products. In particular, the self-service MoneyBox product was implemented for the online purchase of repos, with a display of rate grids differentiated by purchase amounts. The self-service MoneyPlan was launched for the online purchase of Pioneer Investment funds-including for initial purchases. The line of Luxembourg Funds was reviewed and better diversified, with the breakdown of sub-portfolios available as a function of their strategic specializations. The guaranteed principal policy using the Unismart catalogue was reviewed, resulting in a reduction in its duration and bringing the time in which maximum performance is guaranteed to two years. To round out the line of retirement products, the UniCredit Previdenza Open-Ended Pension Fund was made available, including the option of collective enrolment.

Total sales volume reached a level of €22 billion for investment products (bonds, bancassurance, segregated accounts and investment funds) despite market turmoil. Of particular interest were the nearly €4.9 billion in sales of singleand recurring premiums on life insurance policies (+31% over 2006). Sales in life bancassurance led UniCredit Banca to a 15.3% market share[1].

Market share in UniCredit mutual funds remained unchanged from 2006 (15.6% according to Assogestioni).

In 2007, UniCredit Banca also upheld its leading position in providing support and assistance to Small Businesses in Italy, which in recent years have shown signs of market growth and a climate of renewed confidence.

Results in 2007 confirmed the long-term growth trend for short-term loans provided by UniCredit Banca to small businesses (+12% y/y), which is reflected in the gradual increase in our market share.

A recent study done by Eurisko on the relationships between small businesses and banks confirms the competitive advantage of UniCredit Banca, which was shown to be the most prestigious, specialized, innovative and customer-focused bank, with the best quality/price ratio, and the first bank that small businesses would consider using for their companies.

In 2007 there was also a special emphasis on product innovation through the broadening of the existing product line, with the aim of being able to better respond to the specific needs of customers and to provide a more tailored service for small businesses.

In this area, the Imprendo current account product line was enhanced with the year-end launch of Imprendo Shop, the first true account package tailor-made for retailing, with a focus on the use of advanced channels and on exclusive POS product offerings; transaction fees are among the lowest in the market.

In 2007 UniCredit Banca stood out for its launch of innovative loan products targeting small-businesses: Seasonal Loans for the tourism sector; Solar Panel Loans for the purchase and installation of company facilities for the production of photovoltaic energy; TFR Loans to help businesses deal with the reduction in sources of internal cash flow resulting from the transfer of TFR monies (employee severance payments); and the Loan for the Restructuring of INPS Debt (debt relating to the Italian national social security institute), targeting the agricultural sector.

As regards the need of small businesses to protect their operations, in June 2007 Creditor Protection Recall was created. This is a combined life and non-life insurance policy that can be combined with existing mortgages and unsecured business loans targeting those who wish to ensure the continuity of their businesses even when faced with unforeseeable events.

1. Figures as at 30 September 2007, source: IAMA.

Report on Operations (Continued)

Retail Division (Continued)

Product Line, Volumes and Market Shares (Continued)

UniCredit Banca per la Casa

In 2007, the bank generated €10.4 billion in new mortgages, including a total from UniCredit Banca of €7 billion, and a total from UniCredit Banca per la Casa (the bank specializing in mortgages) of €3 billion, with contributions in the same amount from both branches and partnership channels. Overall market share was unchanged at 16%[1]. Total mortgages stood at about €49 billion, of which €9.7 billion were securitized, with growth, excluding securitized mortgages, of 19% y/y despite the significant increase in prepayment requests, a phenomenon that affected those mortgage loans having a payback period close to their expiration date (particularly on Unicredit Banca branches channel)

In 2007, the distribution network of Banca per la Casa increased the number of mono-purchasing financial advisor from 122 at the end of 2006 to 144. The number of National Agreements reached 181 (26 more agreements than in 2006). The excellent performance of the online channel for Banca per la Casa was particularly significant. It ended the year with over €120 million disbursed, up 60% over 2006.

In order to improve its competitive edge in the market, UniCredit Banca per la Casa launched its premium mortgage range, Mutuo Premium, which offers a "Loyalty Bonus," allowing clients to benefit from spread reductions over time provided that repayments are made on time and at constant rates. It also introduced a mortgage transfer service, Trasloca Mutuo Plus, which offers a loan that replaces an existing mortgage from another bank while providing additional liquidity. In addition, with the introduction of the recurring premium version of the "Creditor Protection" policy, borrowers may obtain insurance at any time, even after loans are disbursed.

Starting in July following increases in Euribor, letters were sent to those borrowers who made payments on time in the past but could now find themselves in a difficult situation. The letter offered a mortgage restructuring, changing over to a fixed-rate mortgage (in order to stabilize the size of payments) or an extension of the repayment period (in order to reduce the size of payments). This measure was taken in order to allow borrowers to continue to be able to repay their mortgages.

UniCredit Consumer Financing

With €4 billion (+18% over 2006) disbursed in 2007, UniCredit Consumer Financing increased its market share to 6.7%[2] (+27 basis points over the end of 2006), reaching a total year-end loan figure of about €5 billion (+14% vs. 2006). These results were achieved by means of an effective sales strategy that made it possible to make the best use of the various distribution channels available to Consumer Financing, along with ongoing product innovation aimed at satisfying the increasingly sophisticated financial needs of customers.

In specific terms, in the captive commercial channel, which consists of UniCredit Banca branches, €1.54 billion in new personal loans were made (+18% over 2006) as a result of various sales initiatives-including the opening of specialized "corners" at UniCredit Banca branches, the launch of the Credit Express First product (targeting the Personal Banking segment), and Direct Marketing initiatives.

In the credit card business, in 2007 235,000 new credit cards (including 130,000 revolving cards) were issued, bringing to 1.3 million the number of existing credit cards (including about 800,000 revolving cards). In addition, in 2007 the volume of spending reached a total of €1.84 billion, a 22% increase over 2006.

In non-captive channels, new loans totaled €610 million (+8% over 2006), including €167 million in personal loans (+45% over 2006), €283 million in special-purpose loans (-11% from 2006), and €160 million in salary-guaranteed loans (+20% over 2006). Despite significant increases in new personal loans and salary-guaranteed loans, the decline in special-purpose loans was due to a change in sales strategy toward a better qualitative and quantitative selection by agents and authorized dealers. Starting in Q4 2007, several significant initiatives were put into action to re-launch the special-purpose loan segment (including the creation of a specialized sales network in the automotive segment, streamlining of product portfolio and business lines, and an increase in the offering of credit protection insurance products).

Finally, in 2007 there were continued measures to expand the consumer credit business internationally-through the Unicredit Consumer Financing Bank AD subsidiary, which was founded in 2006 and operates in the Bulgarian market (19 million new loans and 44,500 customers acquired through the distribution of special-purpose loans and the beginning of sales synergies with Bulbank aimed at the distribution of personal loans), and through the Munich branch, which was opened in 2007 and initially dedicated to the distribution of credit cards through the HVB branch network (issuance of 110,000 new cards including 52,000 revolving cards with total spending volume of €102 million).

1 Figure as at 30 September 2007. Source: Bank of Italy
2.Figure as at 31 December 2007. Source: Assofin

HypoVereinsbank

In 2007 HypoVereinsbank made a major step in its restructuring process, with initiatives aimed at business support, customer satisfaction and optimizing the loan portfolio. This led to the achievement of positive EVA for the first time.

A new service model led to the reduction of costs and made it possible to tailor services to customers' needs, to free up human resources for sales positions and to focus on the re-qualification of professionals.

There were also positive developments in the cost of risk, due to the improvement of the production cycle-especially for small businesses-and due to measures taken in loans-with a reduction of the riskiest portion of the loan portfolio and progress made in scoring systems to identify creditworthy borrowers.

In 2007 the WillkommensKonto account was confirmed as one of the most popular current accounts (about 220,000 sold) in the German market. This initiative led to cooperation agreements with major sales networks such as Tchibo[1], and was given major recognition in the press (Boerse, Chip and GeldIdee).

Another product worth noting was the WillkommensKonto Start account, which is targeted at students, and the launch of Kidskonto, which is aimed at children.

With an eye on the attractive market segment of the Turkish community in Germany, which numbers two million people, in 2007 HVB began an innovative partnership with Yapı Kredi, the Turkish bank resulting from the merger of Yapı Kredi Bankası and Koçbank. The partnership established three branches that are fully dedicated to Turkish-speaking customers, and 12 "corners" at existing HVB branches offering tailored products and services to meet the needs of Turkish customers.

With regard to the affluent segment, Kunden Monitor recognized HVB as the best German bank in the area of financial consulting.
In Q4 2007, HVB Aktiv Rente was launched (sales volume of €250 million in two months), which meets the needs of customers seeking to obtain the best return from their insurance plans by continuing payment of guaranteed-principal premiums.

Leading products sold include the "Interest Ace" bond (€500 million sold), the indexed "Favorite Certificate" bond (€300 million) and the closed-end "US Life 3" fund (€80 million).

Bank Austria Creditanstalt

2007 was a crucial year for Bank Austria: Bank Austria prevailed as the top player in investment services, and returned to profit in the small business segment.

Of the products launched in 2007 targeting affluent customers, FokusInvest (a segregated account consisting of three investment product lines suitable for different customer risk profiles) achieved sales volume of over €330 million in nine months of sales. In Q4 2007, the product line broadened to include an index-linked insurance product called FokusLife.

ErfolgsKapital served as an effective tool for acquiring new customers and direct deposits (over €600 million in sales including 15% through online banking).

In terms of indirect deposits, the four Pioneer funds with seven-year maturities and guaranteed principal (PIA Power Guarantee, PIA Eastern Europe Guarantee, PIA Ecology Guarantee and PIA Greater Europe Guarantee) had issues totaling €1,250 million.

In August 2007 over 19,000 customers holding loans in Swiss currency were contacted. With the extremely advantageous euro-Swiss franc exchange rate, customers were told about possible measures that would reduce exchange risk to a minimum and allow them to use hedging instruments to hedge interest rate risk.

The introduction of Business Service Centers (BSCs) and the new K@r.at software made it possible to optimize service provided to small business customers. BSCs offer one-to-one consulting services to customers by phone, e-mail or fax. After the Vienna pilot program (about 5,500 customers served), the roll-out for the rest of Vienna, Klagenfurt and Salzburg will start in 2008, covering a customer base of 16,400 customers.

The adoption of K@r.at software is expected to lead to significant streamlining of the workload (in terms of data management and contracts with small business customers) and to enable a sharper focus on providing business and personal consulting services to entrepreneurs. This emphasis has already generated a positive customer response.

1. A well-known chain of corner coffee shops in Germany

Report on Operations (Continued)

Retail Division (Continued)

Key Projects in 2007 and Main Initiatives for 2008

2007 was a year of intense transformation for the Retail Division, with several challenging goals in Italy (including the integration with banks from the former Capitalia Group in the second half of the year), as well as in Germany and Austria, where cross-border teams continued the modernization measures, begun in the previous two years, with the aim of implementing the UniCredit Group's best practice.

Measures have already been initiated to integrate the banks of the former Capitalia Group at a rapid pace, and the first concrete results and benefits are now in evidence for the bank's customers.

The various initiatives on this front include: the implementation of the Trasloco Facile service and of the new current accounts in the Genius line; for the small business segment, the launch of the Conto Package Imprendo Shop and Trasloco Facile Piccole Imprese products and expansion of the First method, UniCredit Banca's previously-mentioned innovative asset management approach; the launch of the new debit card with a microchip, including for customers of the former Capitalia group; and the initiation of a process to standardize pricing for all the UniCredit Group banks, which will include, among other things, the elimination of withdrawal fees.

2007

ITALY

- Launch of SQ planned growth project, with the goal of significantly increasing new customers, in existing branches and through the opening of new branches.
- Reorganization of branch distribution structures, including experiments with innovative operating procedures such as highly automated cashless branches without traditional teller services.
- Launch of "corners" specializing in housing finance at high-traffic branches to improve the effectiveness of selling mortgages.
- Launch of Project Italy to improve the process of providing mortgages to individuals by the product company UniCredit Banca per la Casa through UniCredit Banc's branch distribution network.
- Small Business: Further emphasis on entrepreneurs' assets through a comprehensive consulting model and a specific range of products that meet business financing requirements and the needs of entrepreneurs in the area of investments (the pan-European project).
- The first concrete results and tangible benefits for customers to come from the integration with Capitalia, achieved in a very short timeframe following approval of the merger:
  - Free withdrawals in all municipalities in Italy-not only at all 7,000 ATMs of the new UniCredit Group, but also at the ATMs of competitor banks in the 4,000 Italian municipalities where the new UniCredit Group has no presence;
  - Free withdrawals abroad at all ATMs of the UniCredit Group, to be offered also to customers of former Capitalia banks;
  - Launch of joint products leveraging the best practices of the two Groups and a unique advertising campaign (TV commercials) for the four banks (UniCredit Banca, Banca di Roma, Banco di Sicilia, Bipop Carire);
  - Launch of a significant investment program to modernize ATMs and the technological equipment of the former Capitalia branches.

GERMANY

- Careful reallocation of customers to dedicated account executives based on their needs and potential value, in order to improve service levels.
- UniCredit Finance start-up with good sales volume of optional revolving credit cards and 4,300 cards sold per week; preparation of the system to take over the consumer credit business through HVB branches.
- Small Business: Further emphasis on entrepreneurs' assets through a comprehensive consulting model and a specific range of products that meet business financing requirements and the investment needs of entrepreneurs (the pan-European project).
- Integration of Yapı-Kredi branches dedicated to the large Turkish community, and creation of a specific range of services for this segment

- Customer Satisfaction: Increased focus of HVB account executives on customer satisfaction, which showed continual improvements in 2007.
- Staff: Finalization of deterministic MBO system with a differentiation of objectives by segment: commencement of a broad-based program to listen to employees to identify potential improvements in employee satisfaction and productivity.
- Improvement in efficiency through a strong emphasis on cost reductions as a result of continuing "zero-based" budgeting practices, which started in 2006, and the subsequent reorganization of the service model.
- Introduction of the soft-collection process for private individuals, the UniCredit Group's best practice, and establishment of a credit unit in the Retail Division.
- Application of the risk threshold process in consumer credit with a significant reduction in the cost of risk.

AUSTRIA

- Careful reallocation of customers to dedicated account executives based on their needs and potential value in order to improve service levels.
- Reorganization of the service model through sub-segmentation, revision of the ratio of the number of customers per account executive and creation of a new remote inquiry system.
- Small Business: Further emphasis on entrepreneurs' assets through a comprehensive consulting model and a specific range of products to meet business financing requirements and the needs of entrepreneurs in the area of investments (the pan-European project).
- Improvement in efficiency through a strong emphasis on cost reductions as a result of continuing "zero-based" budgeting practices, which started in 2006, and the subsequent reorganization of the service model.
- Launch of "corners" specializing in housing finance at high-traffic branches to improve the effectiveness of selling mortgages.
- Gradual reduction of mortgages in foreign currencies in favor of mortgages based on the safer currency (the euro).

2008

In **Italy**, the merger with the Capitalia Group will be completed with an ambitious plan calling for the standardization of products and the service model among banks, the complete integration of processes and information systems by November 2008, and the incorporation of Bipop into UniCredit Banca.

At the end of 2008, the sales network in Italy will be completely redesigned, resulting in three retail banks in specific geographic areas (UniCredit Banca in the North, UniCredit Banca di Roma in central and southern Italy, and Banco di Sicilia in Sicily).

In **Germany** and **Austria** the focus in 2008 will be on improving employee satisfaction and on the commitment to achieve the goals of the Retail Division through an revolutionary management program that will involve the entire sales force.

In **Germany** a careful, selective approach will be used for loan generation in order to avoid value impairment.

After achieving the goal of creating value in the Small Business sector, **Austria** will turn its attention to restructuring the Mass Market segment.

In keeping with the entire UniCredit Group, the Retail Division will initiate a major re-branding initiative to improve the public perception of a single multinational entity.

Report on Operations (Continued)

Corporate Division

Financial Performance

Corporate Banking Services

The Corporate Division provides products and services designed for corporate clients, with a specific focus on the Mid and Large segment, according to service level requirements and the customer's investment appetite. The Corporate Division operates through over 360 branches and offices in Italy, Germany and Austria, as well as 50 foreign trade centers located in Italy.

Recently the Corporate Division established two global business lines, both designed to strengthen corporate service levels: UniCredit Global Leasing and the Global Transaction Banking Department (GTB). The latter is the UniCredit Group's center of excellence in trade finance and cash management, with strong local sales networks across all the bank's operating regions.

The Corporate Division's 2007 results show a strong improvement in revenues and in every other operating and financial metric.

Operating income grew by 6.1% y/y to €5,186 million (+€297 million y/y), mainly driven by the performance of net interest income (+5.6% y/y). Despite competition in domestic markets, volume growth across all countries improved interest margins. The performance of net non-interest income (+7.1% y/y) was mainly driven by volume growth in operating leases and Bank Austria´s net commissions.

Operating costs increased by 3.8% (€63 million y/y). Payroll costs grew by €7 million (+1.0% y/y) over the previous year, mainly driven by HypoVereinsbank and UniCredit Global Leasing (where FTE staff increased due to expansion). Other operating costs increased by 6.1% y/y (€56 million), mainly driven by higher write-downs of tangible and intangible assets due to expansion in the operating lease business.

Net write-downs of loans and provisions fell by 14.0% (€116 million y/y), driven by write-backs in Commercial Real Estate Financing (CREF) and lower write-downs in Austria. The growth of provisions for risks and charges was driven by an increased number of claims related to derivatives contracts.

As a result of the above, 2007 profit before taxes reached €2,619 million (+10.6% and +€252 million over 2006).

Capital absorption optimization and senior management's strong commitment to value creation produced a strong increase in economic value added (EVA), which reached €691 million (+€142 million and +25.9% y/y), as well as in risk-adjusted return on risk-adjusted capital (RARORAC), which reached 6.5%, up from 5.3% in 2006 (+124bps y/y). The improvement of these key indicators was mainly driven by the performance of non-interest income and by the growth of deposits (+14% over 2006) as well as by the tight control of new business value creation. A strong focus on fee-based revenue and the reduction of non-profitable business relations in all customer segments improved the operating income to risk-weighted assets (RWA) ratio by +11bps over 2006. Operating income performance and cost control brought about an 72bps improvement in the cost-income ratio to 33.1%.

Loans to customers increased by 9% in 2007. There was a sharp increase in Italy (+15% y/y) and a slight increase in Germany (+0,7% y/y), although the latter would have turned in an increase of 3.8% y/y if CREF were excluded. Leasing showed growing volumes in all the main geographies.

Customer deposits in 2007 reported a solid increase, thanks to market liquidity and special promotions: Total customer deposits grew by 14% y/y with a high of +27% in Germany and Austria's grew by 24%.

The increase in FTE staff (+6.5% over year-end 2006) was mainly due to structural changes (about 250 FTEs derived from consolidation of CEE leasing companies and GTB) and to the recruitment of skilled relationship managers as well as to the transfer of staff under expansion plans in CEE.

Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2007	2006	AMOUNT	%	4Q 07	3Q 07	4Q 06
Operating income	5,186	4,889	297	+ 6.1%	1.329	1.260	1,271
Operating costs	-1,714	-1,651	-63	+ 3.8%	-454	-434	-421
Operating profit	3,472	3,238	234	+ 7.2%	875	826	850
Net write-downs on loans	-710	-826	116	- 14.0%	-168	-172	-285
Profit before tax	2,619	2,367	252	+ 10.6%	579	635	526

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Total Loans	242,392	217,095	25,297	11.7%	238,711	3,681	1.5%
o.w. with customers	198,736	182,337	16,399	9.0%	195,506	3,230	1.7%
Customer deposits (incl. Securities in issue)	95,660	83,819	11,841	14.1%	93,607	2,053	2.2%
Total RWA	174,933	161,294	13,639	8.5%	174,063	871	0.5%
RWA for Credit Risk	170,328	156,632	13,696	8.7%	169,665	663	0.4%

Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	691	549	142	+ 25.9%
Absorbed Capital (€ million)	10,600	10,402	198	+ 1.9%
RARORAC	6.52%	5.28%	124bp	
Operating Income/RWA (avg)	3.07%	2.96%	11bp	
Cost/Income	33.1%	33.8%	-72bp	
Cost of Risk	0.43%	0.51%	-8bp	

Staff Numbers

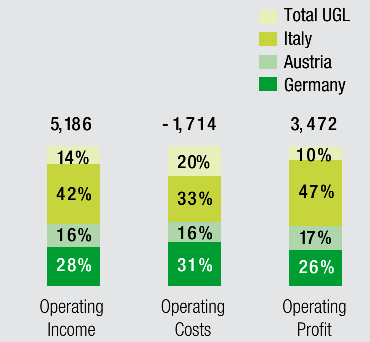
	YEAR		CHANGE	
	31.12.07	31.12.06	AMOUNT	%
Full Time Equivalent	9,384	8,815	569	+ 6.5%

Report on Operations (Continued)

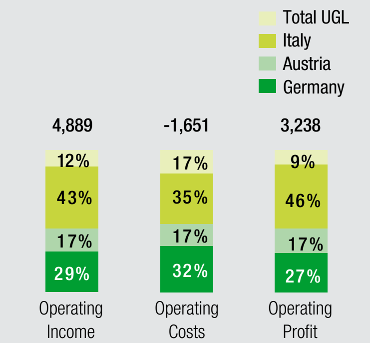
Corporate Division (Continued)

Business Lines, Divisional Strategy and the Contributions of Individual Businesses and Regions

Contribution by Country 2007
(millions of €,%)



Contribution by Country 2006
(millions of €,%)



Breakdown of loans by country and deposits (€ million)

	LOANS TO CUSTOMERS		CHANGE	DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES IN ISSUE		CHANGE
	31.12.07	31.12.06	%	31.12.07	31.12.06	%
Italy	75,354	65,712	+ 14.7%	28,183	28,102	+ 0.3%
Germany	57,594	57,214	+ 0.7%	37,575	29,641	+ 26.8%
Austria	41,935	38,995	+ 7.5%	23,403	18,910	+ 23.8%
Leasing	23,853	20,416	+ 16.8%	6,499	7,166	- 9.3%
Total	**198,736**	**182,337**	**+ 9.0%**	**95,660**	**83,819**	**+ 14.1%**

The Corporate Division's strategy is differentiated according to the domestic market, e.g. expanding coverage in selected Italian regions; implementing strategic growth options in Germany; and consolidating market leadership in Austria.

The new UniCredit Global Leasing business line is already sharing specific product know-how among different entities of the UniCredit Group, as well as cross-selling best practices within both corporate and retail banking networks. To further improve product range and services in accordance with corporate customers' needs, GTB (Global Transaction Banking) is now fully operational. There are significant new opportunities for GTB to explore in international funds transfer, foreign cash management, e-banking, foreign trade and export finance, as well as correspondent banking and financial services for banks.

Operating income growth was mainly driven by the strong rise of new leasing business (+21.6% y/y). Operating costs remained substantially stable in Corporate Division excluding Leasing (-0,6%), thanks to strict cost control measures, while the strong cost increases in UniCredit Global Leasing (+25.5% y/y) were driven by operating lease-related write-downs.

Italy
In 2007 UniCredit Banca d'Impresa, the Corporate Division's main Italian subsidiary, resegmented its customers into three main clusters: (i) Small Business (companies with annual turnover of less than €15 million), (ii) Mid-Corporate (companies with annual turnover of €15-250 million), and (iii) Large Corporate (companies with annual turnover of more than €250 million).

The Corporate Division in Italy reported operating profit of €1,620 million with y/y growth of €115 million (+7.6%), mainly driven by increased loan and deposit volumes (net interest income rose to €1,639 million, +7.5% y/y). The above-mentioned performance was also driven by successful implementation of marketing and strategic actions aiming to increase customers' share of wallet and the rate of new customer acquisition.

Net non-interest income performance (-€13 million, -2.3% y/y) was affected by the drop in revenues from derivatives, while Corporate Finance commissions increased by 32.0% y/y. As a result of the above, operating income reached €2,188 million, up by €102 million and +4.9% y/y.

Staff costs decreased by €23 million (-6.7% y/y). This reduction is due to a release of a HR provision; net of this effect, costs would increase as a consequence of new hirings to support business expansion.

Even if other operating costs accounted an increase of €10 million (+4.2% y/y), total operating costs decreased by 2.2% y/y.

Net write-downs of loans in 2007 grew by €30 million to €437 million (+7.4% y/y), partly driven by specific provisions. The growth of provisions for risks and charges was driven by an increased number of claims related to derivatives contracts.

Given also the impact of the capital gain related to strategic assets disposal, profit before tax rose to €1,084 million, increasing by €24 million y/y (+2.3%); this result would have been +7.6% (+€81 million) net of the effect of the Capitalia integration costs accounted for in 2007.

Also thanks to the decrease in operating costs, the cost-income ratio improved by 189bps to 26.0%.

Germany
The main strategic goal of the Corporate Division in Germany is to increase its penetration of the domestic market.

New branches have been opened in the highly industrialized regions of North Rhine-Westphalia and Southwest, while a focus has been maintained on the development of specific industrial knowledge for well-defined sub-clusters of customers.

In line with the UniCredit Group's best practice, the Corporate Bank network has been developing a new cross-selling agreement with Global Leasing's German subsidiary, which has sharply increased new business volumes (by approximately 40%).

In the German market the Corporate Division's operating income grew by +2.8% y/y to €1,442 million. Interest income increased by 4.4% y/y, mainly due to volume increases in deposits and short-term loans. Despite the strong competition from both public sector banks (Sparkassensektor) and other big domestic banks, specific marketing campaigns have supported these increases. Net interest income growth was partially offset by a slowdown in net non-interest income (-1.0% from 2006), driven by a reduction in net commissions and trading profits.

The German Corporate Division's operating costs were substantially unchanged at €525 million due to a strong reduction in other operating costs (€14 million, -4.2% y/y), increasing staff expenses (€16 million, 8.6% y/y), mainly driven by new hiring plans and additional costs arising from the collective labour agreement.

HypoVereinsbank's operating profit for 2007 rose to €917 million (+€37 million, +4.2% y/y). The cost/income ratio improved by 87bps to 36.4% (from 37.3% in 2006), due to both the slight increase of costs and the revenue boost.

Net write-downs of loans fell by 46.8% y/y to €140 million (€123 million y/y), mainly thanks to write-backs of CREF.

Profit before tax reached €747 million, up by 23.5% over 2006 (+€142 million).

Austria
The UniCredit Group continued the process of Bank Austria's integration into the UniCredit Group, which has led to the successful implementation of a new commercial structure, based on the following business segments: Corporate, Real Estate, International Clients, Public Sector and Financial Institutions.
During the same period, a customer satisfaction project has been launched in order to provide continuous direct and open feedback from customers. Strong senior management commitment to customer satisfaction is demonstrated by the direct link between the customer satisfaction report and the employees' incentive system.

The new commercial structure, together with a strong focus on value creation for all the banks' stakeholders, resulted in an increase in operating income of €23 million, rising to €850 million (+2.8% over 2006), mainly driven by fee-based products, dividends and other income from equity investments, and by loan and deposit volume growth. Despite stronger competition, deposit volumes increased by +24%, mainly driven by term deposits.

Operating costs slightly increased to €277 million (+1.1% y/y) due to higher staff-related costs and higher other operating costs.

Operating profit went up by 3.6% (+€20 million y/y), and profit before tax posted a growth of €47 million to €500 million (+10.4% y/y). Cost/income ratio improved from 33.1% to 32.6% (-54bps).

UniCredit Global Leasing
In 2007 the UniCredit Group combined its domestic leasing companies in Germany, Italy and Austria, along with the companies in the CEE Division, into a new leasing sub-holding company known as UniCredit Global Leasing S.p.A. with the goals of achieving (i) strict cost control; (ii) optimization of capital allocation; and (iii) the spread of the UniCredit Group's best practices for its products and services to all the countries involved. Senior management's strong commitment to the creation of a leading European leasing company was also reflected in the rebranding of local companies under the new name UniCredit Global Leasing.

Report on Operations (Continued)

Corporate Division (Continued)

Business Lines, Divisional Strategy and the Contributions of Individual Businesses and Regions (Continued)

Global Leasing's operating income increased by €133 million to €706 million (+23.2%), mainly due to the growth of operating leasing. Net interest income increased by 4.5% (+€19 million over 2006), and net non-interest income grew by 76.0% y/y (+€114 million) to €264 million. This growth was driven by a strong volume effect, notably in CEE markets (mainly due to strong growth in equipment) and in Germany (thanks to market conditions and to the progress of cross-selling). Specific efforts were made in most of the countries involved to implement cross-selling agreements and to spread specific product knowledge among relationship managers.

Staff resizing, mostly in CEE and Germany, brought about an increase in payroll costs of 11.3% or €12 million over 2006. The increase in other operating costs (+€58 million, +34.5% y/y) was driven by operating lease-related write-downs, and thus total operating costs reached €344 million (+€70 million; +25.5% y/y).

The increase in profits on investments (+€19 million y/y) was due to the sale of Locat Rent S.p.A. in Italy, and was offset by higher net write-downs on loans (-€25 million).

Profit before tax rose by e40 million to e288 million (+16.1% y/y), and the cost-income ratio was 48.7%.

Key Projects in 2007 and Main Initiatives for 2008

In 2007 the Corporate Division started its "Listen to Act" project, which is a new business approach aiming to increase customer satisfaction across all the countries of operation. The mission of the initiative is to develop and implement a new customer satisfaction methodology and to drive, support and coordinate bank entities so that they use compatible methodologies and processes. The project's aim is first to rank customers according to their level of loyalty, and then to identify and address improvements through defined action plans. The program will be completed in the current year by including customer satisfaction as one of the quantitative targets for the management incentive system.

2007

ITALY (Focus on UniCredit Banca d'Impresa)

In 2007 UniCredit Banca d'Impresa ran its "Revenue Growth" project, aiming to generate additional revenue and loan growth both through customer acquisition and retention of existing clients.

This project focused on:
- expanding the branch network by opening new branches and representative offices in certain regions;
- tailoring service models to large companies (over €250 million turnover Group level), corporate customers (between €15 and 250 million turnover at Group level) and small and medium-sized enterprises (SMEs, less than €15 million turnover at Group level);
- growing with large enterprises, by developing dedicated structures both at Regional Division level and at front desk level;
- improving account managers' performance by automating credit and business procedures;
- penetrating selected specialist markets.

GERMANY

In line with the plan to increase domestic market penetration in 2007, five new branches were opened in the expansion areas of North Rhine-Westphalia and the Southwest. Additionally, in Lower Saxony new teams were also set up. The first notable results in acquiring new clients have already been achieved. Thanks to regional expansion of the German Corporate network, the number of relationship managers increased in existing branches.

The focus was on:
- increasing market penetration in the growth regions;
- completing the restructuring of CREF;
- implementing new advisory tool for working capital check;
- activating existing customers with previously low levels of business flow;
- further enhanced collaboration with HVB Leasing, with more services provided to customers;
- expanding global shipping business-increasing the customer base and product offerings;
- improving the credit approval process;
- refining the customer satisfaction survey and implementing corrective actions.

Report on Operations (Continued)

Corporate Division (Continued)

Key Projects in 2007 and Main Initiatives for 2008 (Continued)

AUSTRIA

In order to maintain and extend our market leadership, special efforts have been made to boost cross-border business by launching new products such as the "Cross-Border Plus Credit".

For the purpose of strengthening further Bank Austria's position as the leading Austrian corporate bank, a set of proactive initiatives have been undertaken:

- introducing new customer segmentation and service channels;
- positioning product specialists closer to the client;
- creating regional centers of competence for structured finance and treasury sales;
- acquisition of the Austrian FactorBank (number two in the Austrian market) to increase factoring market share;
- a push on cross-border and CEE business;
- introduction of new cross-border products;
- launch of the iterative customer satisfaction program.

UNICREDIT GLOBAL LEASING

In 2007 the UniCredit Group's Board of Directors approved the strategic reorganization plan of the global leasing business line. The main goals are both to create an efficient business model and to set up a new organizational structure capable of supporting the sales network with innovative products and services, increasing the UniCredit Group's specific know-how and the spread of best practices.

GLOBAL TRANSACTION BANKING

The Global Transaction Banking Department (GTB) is one of the Corporate Division's global business lines.

GTB was established at the beginning of 2007 in order further to broaden the Corporate Division's product offerings according to customer needs, and to set up the UniCredit Group's center of excellence in Trade Finance and Cash Management.

The main strengths of the GTB Global Business Line are:

- an ability to quickly understand and efficiently serve clients in different environments and with different industrial dynamics (from local mid-size companies in agriculture to telecom multinationals expanding into emerging markets);
- the availability of a wide range of products and services across all countries (meeting most complex cross-border as well as specific local country needs);
- an ability to deploy new products and innovative solutions.

The UniCredit Group's Global Transaction Banking has already become one of the largest players in the European landscape in the transaction banking business.

2008

ITALY (Focus on UniCredit Banca d'Impresa)

In 2008 the strategic focus will continue to be on organic growth, integration of the former Capitalia network and increased attention to customer relationships.

As part of the merger of the UniCredit Group and Capitalia Group, specific projects were initiated (e.g. the integration of MCC's operations) with the aim of strengthening the UniCredit Group's market position and improving efficiency of operating processes, in line with senior management's commitment to cost control. This process is continuing in 2008, leveraging and maximizing specific skills, product knowledge and customer retention. Furthermore, the carve-out of the former Capitalia network is producing a necessary process of interaction and organizational change among relationship managers and product specialists, with positive effects in terms of fully exploiting business and managerial skills potential.

GERMANY

The 2008 key initiatives will focus on:

- further increasing market penetration in the growth regions;
- improving the product and service range for corporate customers;
- boosting structured financing and global shipping business.

AUSTRIA

Bank Austria will further focus on its proactive role of delivering the best service to its clients in 2008. Accordingly, innovative products and processes will be developed continuously:

- cross-Border Business Managers;
- further products to enable small-medium clients to enter capital markets;
- development of the structured finance business.

UNICREDIT GLOBAL LEASING

The strategic steps for 2008 are the following:

- integration of former Capitalia Leasing companies and subsequent rebranding in Italy;
- renewed attention to value creation through a better product mix and higher emphasis on low capital absorption products;
- further development of cross-selling agreements with corporate banking channels;
- scouting of opportunities to develop cross-selling agreements with non-corporate banking channels across the three core geographies and in select CEE countries.

GLOBAL TRANSACTION BANKING

In 2008, in order to further enhance business, GTB will continue to focus on:

- aligning best practices and products across the UniCredit Group;
- growing GTB product penetration per client segment and share of wallet per client, by means of:
  - Cash Management, Electronic Banking and SEPA;
  - increasing market share and offering supply chain management solutions along the entire value chain;
  - establishing strong partnership agreements with foreign banks in countries where the UniCredit Group is not directly present;
  - Structuring Trade and Export Finance by setting up new units in emerging markets and focusing on key import markets (e.g. Russia, Ukraine, Kazakhstan and Turkey).

Report on Operations (Continued)

Private Banking Division

Changes in Financial Assets under Management and Administration

The Private Banking Division primarily targets high-net-worth individuals by providing advisory services and solutions for wealth management using a comprehensive approach.

The Division uses traditional channels that are typical for this customer segment (private bankers located in branches throughout Italy) as well as innovative distribution models, such as teams of financial consultants and online banking and trading services.

As of 31 December 2007 financial assets managed and administered by the Private Banking Division stood at over €194 billion, a nearly 6% increase since the beginning of the year.

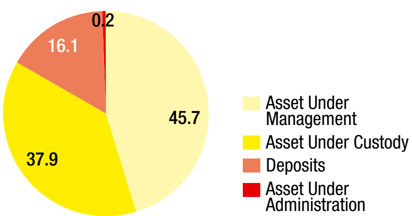
Despite lackluster market performance in the second half of the year, this growth was achieved through net inflows, which, on the whole, remained a net positive figure, resulting in an annual inflow of about € 14,2 billion (including about € 9 billion from ordinary customers and €5.2 billion from extraordinary transactions[1]). These deposits are mainly invested in short-term liquid instruments and securities under administration and custody, given the particularly adverse external environment characterized by significant outflows of assets under management in Italy and Austria.
In this scenario, maintaining a portfolio under management at constant levels is highly satisfying. In fact, at the end of 2007, the amount under management amounted to about € 74 billion, accounting for well over 45% of total financial assets (excluding extraordinary transactions in Italy[1]).

In Italy customer assets totaled nearly €109 billion, a 4.2% increase for the period. UniCredit Private Banking (UPB) and its subsidiaries reported total net inflows of nearly €8 billion (including €2.8 billion attributable to the ordinary component, and €5 billion related to extraordinary transactions[1]) and about € 802 million at Xelion Banca. Despite an environment characterized by a definite crisis in the asset management industry (at the industry level in Italy, outflows in 2007 brought asset levels down nearly 9% from year-end 2006), both UPB and Xelion were able to capably contain the phenomenon to an outflow of about €1 billion in this area (a little over 2.5% of assets under management at the beginning of the period).

In Germany, total financial assets reached € 70 billion, an increase of nearly 7.6% over year-end 2006. The strong growth of HypoVereinsbank's DAB Bank subsidiary (up about 9%) and good results achieved by HVB Wealth Management (up about 7%) contributed to this result. Overall net deposits resulted in an inflow of over € 3 billion, the bulk of which was from DAB. There was also a net inflow of over €1 billion in assets under management.

In Austria assets totaled €15.6 billion as of 31 December 2007, an increase of about 11%. The increase was due to the net inflow at Schoellerbank (+€485 million), and was especially due to the major success of the feeder-model initiative to move high-net-worth customers from Bank Austria Retail to Bank Privat, with over €2 billion in assets transferred to the Private Division.

Breakdown of financial assets as of 31 December 2007[2] (%)



1. Extraordinary transactions are considered to be those, which, due to their timing, large size and little or no profitability, are not attributable to ordinary company operations.
2. Excluding extraordinary transactions (see note above).

Total Financial Assets

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Total	**194.3**	**183.5**	**10.8**	**5.9%**	**195.1**	**-0.8**	**-0.4%**
Italy	108.6	104.2	4.3	4.2%	108.7	-0.1	-0.1%
Germany	70.1	65.2	4.9	7.6%	70.3	-0.2	-0.3%
Austria	15.6	14.1	1.5	10.8%	16.0	-0.4	-2.7%

Financial Performance

Despite the highly unstable market situation, 2007 was a year characterized by strong profit growth in the Private Banking Division, which reported operating profit of € 453 million for the period, a nearly 30% increase over 2006.

The growth in revenues, which totaled €1,165 million (+9.2% y/y), was heavily affected by turbulence in financial markets and customers' clear preference for liquid assets. In fact, net interest income was a driving force, with growth of over 15% over the previous period due to the high volume of customer deposits, the increase in market rates with the resulting broadening of spreads in Italy, and higher dividends in Germany from the closed-end funds business of Wealth Management Capital Holding.

However, the growth in net non-interest income was considerable (+6.8% over 2006), due to strong growth in Germany (+12.2%, with an increase of about 15% at both WEM AG and DAB) and in Austria (+7.4% thanks to Bank Privat).

The Division's effort to contain operating costs at €712 million during the year was particularly effective and resulted in a reduction of about 1% from 2006. In this area, there was an increase of less than 3% in staff expenses, due to higher staffing levels (especially in Germany, as a result of the implementation of the Divisionalization scheme and significant investments in expanding and training human resources), along with a higher percentage of variable compensation.

The Division's full time equivalent headcount at December 31, 2007 was 3,549 – an increase of 199 people since the beginning of the year. Except for 84 new people arising out of the first-time consolidation of Wealth Capital in September 2007, the increase mainly stemmed from businesses in Germany and was due to organic growth and businees development.

On the other hand, there was a significant reduction in other operating costs (-3.8%), due to streamlining and cost-cutting policies concentrated especially at Xelion and in Austria.

In 2007, the cost/income ratio dropped to 61.1%, a sharp improvement (over 6 percentage points) compared to 67.3% in 2006.

Profit before tax totaled € 442 million, including € 9 million in Restructuring charges (on which 7 million related to Capitalia integration, mainly provisions for the new early retirement plan).
The nominal change (+34%) from the previous period rises over 41% if results for both periods are standardized by excluding the above restructuring charges in 2007 and the extraordinary capital gains[1].

Key data by country show the following:

- operating profit in **Italy** rose by 31% over 2006 due to the sharp increase in net interest income (+23.3%) and the concurrent decline in operating costs (down of 2.5%). UPB ended the year with double-digit operating profit growth, due to the good performance of net interest income (up about 20%). This was mainly the result of the growth in deposit income and the containment of operating costs, which remained in line with the previous period. Net profit was €90 million, representing an 18% increase on a comparable basis[2] over 2006. The results achieved by Xelion were particularly impressive: for the first time in its history, it ended 2007 with a net profit (€ 0.3 million), thereby reaching the break-even point ahead of projections. Xelion's strong revenue growth (up about 17%) benefited from an increase in net interest income (up about 26%, due to higher volume as well as the positive rate effect) and from a good performance by net commissions (up about 15%), which was accompanied by a substantial reduction in operating costs (down about 11%);

Income Statement (€ million)

	YEAR		CHANGE		QUARTERS		
	2007	2006	AMOUNT	%	4Q 07	3Q 07	4Q 06
Operating income	1,165	1,067	98	+ 9.2%	320	270	282
Operating costs	-712	-718	6	- 0.8%	-197	-171	-200
Operating profit	453	349	104	+ 29.8%	123	99	82
Profit before tax	442	330	112	+ 33.9%	118	99	83

1. At about 17million in 2007 from Security Services transfer in Germany and 23 million in 2006 from Banque Monegasque de Gestion transfer, respectively.
2. This increase was obtained by removing non-recurring events from both periods, i.e., integration charges (about 3 million after taxes) and the negative impact on deferred tax assets from applying the new IRES rates (about €2 million) on 2007 figures, the capital gain from the sale of BMG and the impact of incorporating the Xelion corporate centre on 2006 figures.

Report on Operations (Continued)

Private Banking Division (Continued)

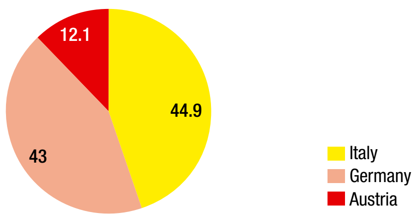
Financial Performance (Continued)

- operating profit was up to 28.3% in **Germany** due to double-digit revenue growth (up about 11%), driven by the excellent results of DAB (up about 11%) and dividends received from Wealth Capital Management (more over doubled from the previous period), as well as cost containment measures. Despite significant investments made in the expansion of the network and staff training, operating costs were up by just down 2%.
  The cost-income ratio stood at 59.7%, a decline of over 5 percentage points from the 2006 figure, while profit before tax rose by 45% due to lower write-downs and provisions and Security Services capital gain of 16.8 million;
- operating profit grew at a faster pace in **Austria**, rising by 31% over 2006 to about €55 million, due to strong revenue performance (up about 9%) and a reduction in operating costs (down about 2.5%). The cost-income ratio dropped from 65.6% in 2006 to 58.6%, and profit before tax rose by about 34% to a level nearly €55 million.
  The results of Bank Privat were particularly impressive. Due to the success of the initiative to transfer customers from Bank Austria Retail, its operating profit more than doubled.

Finally, the contribution of asset gathering (including Xelion and DAB) to the growth of the Division's results continues to rise. In fact, the Division reported total operating profit that was 2.5 times higher than in 2006 (from less than €22 million to nearly € 60 million), and a roughly two-fold increase in the figure as a percentage of the Division's total operating profit (from 6% to about 13%).

The Private Banking Division's EVA was €206 million in 2007, which was a sharp increase of 61% over 2006. RARORAC also increased from 35% to 54%.

Breakdown of Operating Profit as of 31 december 2007 (%)



Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	206	128	78	+ 60.9%
Absorbed Capital (€ million)	382	360	22	+ 6.1%
RARORAC	53.93%	35.56%	1,837bp	
ROA, pb (*)	72.7bp	73.6bp	-1bp	
Cost/Income	61.1%	67.3%	-618bp	
Operating costs/Total Financial Assets**	44.4pb	48.9bp	-5bp	

(*) Operating income on Total Financial Assets (average) net of extraordinary assets
(**) Total cost on total Financial Assets (average) net of extraordinary assets

Staff Numbers

	YEAR		CHANGE	
	31.12.07	31.12.06	AMOUNT	%
Full Time Equivalent	3,549	3,350	199	+ 5.9%

Key Projects in 2007 and Main Initiatives for 2008

2007

Development of a common operating model for the main Private Banking operating units, which began in 2006, continued in 2007. There was further development in advisory services in the three countries, and the impact of the introduction of MiFID (the Markets in Financial Instruments Directive of the EU) was managed.

In 2007 UniCredit Private Banking took measures to strengthen its sales network and made progress with the network's new breakdown into three regional macro-areas (Northern Italy, Lombardy and Central and Southern Italy), designed to provide a more effective presence in markets with high growth potential and to enable a smoother integration of former Capitalia staff and branches. The structure of the Investment Department was redesigned with the aim of maximizing specialist support provided to Client Managers by adding new skills. A new structure was established that is dedicated to the development of foreign banks and key customers, which led to steps to establish a Zurich branch for German-speaking customers. The steady emphasis on meeting customers' needs also led to the introduction of new products that recognize differing preferences in terms of investment risks and returns and enhance wealth advisory services. The inauguration of placement of funds managed by non-UniCredit Group firms had the same aim.

The development of advisory services particularly involved Xelion, where assets affected by these services doubled compared with 2006; a substantial commitment was also made to delivering better quality through improved content and the adoption of targeted sales policies.

In Germany, the highly competitive market environment did not stop HVB WEM AG from achieving significant, rapid improvements in volume and quality in this segment, due to the refinement of the business model and expanded product offerings, including integrated advisory solutions, innovative, MiFID-compliant portfolio management products, and products for the management of liquid assets and transactional business. In addition, an incentive system for the sales network was implemented, and the loan process was optimized.

The main projects in Austria were as follows: the transfer of high-net-worth customers from Bank Austria to Bank Privat, the full success of which was noted above, and the development of new investment products and advisory tools by Asset Management GmbH.

2008

Below are some of the many key projects under development in 2008:

- at the Divisional level, the most significant projects concern the launching of the "feeder" model for customers with the Corporate and MIB Divisions, in order to maximize inter-divisional synergies and to continue the process of harmonizing operating models in the three European countries;
- in Italy, the main project is definitely integration with the Capitalia Group in two key areas: on the one hand, the merger of Xelion with Fineco, including the integration of their financial consultant networks, the migration of Xelion customers to the Fineco platform and the launching of the operating model; on the other hand, the "carve-out" of the private segments of Banca di Roma, Banco di Sicilia and Bipop Carire into UniCredit Private Banking, along with the integration of account managers and customers within its service model. With regard to the latter project, prior to the referenced corporate transaction to transfer the Division, which will occur in the fall, the possibility has been raised of allowing former Capitalia customers to use the investment products and services of UniCredit Private Banking starting at the beginning of 2008;
- in Germany, the key project is the expansion of the sales network of WEM AG through planned growth in the form of investments in human resources and the opening of new branches, thus making it possible to get closer, from a business and geographic standpoint, to target customers, to cover several high-potential areas, and to increase the quality of service offered. Another important initiative is the further strengthening of the DAB brand in direct banking business to enable stronger leadership in this area;
- in Austria, a key success factor is an improved relationship with Bank Privat customers who were transferred by Retail in 2007; another is the analysis of the operating and business convergence between Bank Privat and Schoellerbank;
- there are plans to continue strengthening offshore operations. The first steps in this direction were the streamlining of branches operating in Luxembourg and the expansion of the Zurich branch, which began at the end of 2007;
- at the divisional level, there are plans to define and launch the new private banking and asset gathering model, including the related support areas, in line with the UniCredit Group's three-year plan.

Report on Operations (Continued)

Asset Management Division

Change in Asset Levels: Financial Performance and Commercial Achievements

The Asset Management Division is known for its Pioneer Investments brand, which is a global player dedicated to growing and protecting customer assets and is the UniCredit Group's asset management specialist.

As the partner of leading financial institutions worldwide, the Division is able to offer a complete range of innovative financial solutions, including mutual funds, hedge funds, asset management, institutional portfolios and structured products.

As of 31 December 2007, assets under management and administration totaled €240 billion.

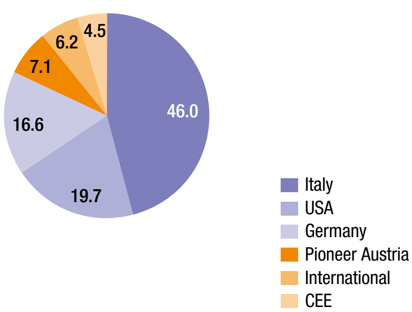
The managed component, €230 billion, contracted by 6.7% from 1 January 2007 due to a net outflow of €10.5 billion (€6.4 billion in Q4 2007 alone), concentrated in the German and Italian divisions, as well as market performance, which produced a loss of €7.1 billion in Q4 2007 and an overall loss of €7 billion since 1 January 2007.

Assets under administration totaled €10.9 billion, a reduction from 1 January 2007 (-€28.2 billion or -72%), mainly due to the sale of the Service KAG division in Germany (€23 billion).

USA
Due to institutional sales at the beginning of the year, the year ended with a net inflow of funds totaling €2.7 billion.

Assets totaling €45.3 billion were down by 3.5% from the beginning of the year as a result of the unfavorable market performance (itself down 9.3%, due largely to the depreciation of the dollar against the euro) which more than offset the positive impact of a net inflow of funds, up 5.8% from the beginning of the year.

AuM by Distribution Area (%)



Closing assets in dollars totaled $66.7 billion, a 7.9% increase over the beginning of the year.

Italy
At the end of 2007 assets in Italy totaled €105.7 billion, a decrease of 4.9% since the beginning of the year due to a net outflow of €5.9 billion (-5.2% from 31 December 2006 asset levels).

However, since 1 January 2007, there was a net inflow of €1.1 billion in structured, unit-linked and hedge fund products, while all other areas had net outflows.

Distribution channels posted negative results with the exception of institutional customers, which saw a €347 million increase.

Pioneer Investments' market share, calculated on the basis of the new Assogestioni criterion which includes foreign-registered funds, stood at 15.58%, which was largely unchanged from 31 December 2006 when it stood at 15.57%, but up by 10 basis points since September 2007.

Germany
The Division in Germany ended 2007 with a net outflow of €9 billion, mainly in mutual funds. This was attributable to redemptions by both institutional and captive retail customers. Assets under management totaled €38 billion, a decrease of 23.8% from the beginning of the year.

Assets under administration totaled €3.4 billion, a decrease due to the sale of the Service KAG division noted above.

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
(€ billion)	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Total Financial Assets	**240.4**	**285.0**	**-44.6**	**-15.6%**	**280.8**	**-40.3**	**-14.4%**
Asset under management	**229.5**	**245.9**	**-16.4**	**-6.7%**	**243.1**	**-13.5**	**-5.6%**
Pioneer	**213.5**	**228.0**	**-14.5**	**-6.3%**	**225.7**	**-12.2**	**-5.4%**
- Italy	105.7	111.1	-5.4	-4.9%	108.4	-2.7	-2.5%
- US	45.3	46.9	-1.6	-3.5%	48.3	-3.0	-6.3%
- International (**)	14.1	13.1	1.1	8.1%	14.9	-0.8	-5.2%
- Germany (*)	38.0	49.9	-11.8	-23.8%	43.8	-5.8	-13.2%
- CEE (**)	10.4	7.0	3.4	48.1%	10.3	0.1	0.9%
Pioneer Austria	**16.0**	**17.9**	**-1.9**	**-10.6%**	**17.3**	**-1.3**	**-7.5%**
Asset under administration	**10.9**	**39.1**	**-28.2**	**-72.2%**	**37.7**	**-26.8**	**-71.1%**

(*) Germany Business Units includes Activest and Nordinvest.
(**) In May Israel and Turkey were moved from CEE to International Business Unit. Data have been like-for-like since December 2006.

International
The international area reported a net inflow of €1.6 billion largely due to the €1.5 billion contribution of the Asian region, which benefited from the award of a new mandate in Japan.
As a result, assets rose by 8.1% over 1 January 2007.

Central and Eastern Europe
The Central and Eastern Europe (CEE) Division, formerly known as "New Markets," continued its positive net inflow trend with flows of €1.7 billion due mainly to the €1.5 billion contribution of Poland.

Pioneer Pekao consolidated its leadership among asset management companies with a market share of 21.31%.

Assets under management reached €10.4 billion, up by 48.1% from 1 January 2007, due in part to the inclusion of €1.2 billion from former Bank Austria companies in the CEE region.

Alternative Division
Assets in hedge funds totaled €5.8 billion, up by 26.5% from the beginning of 2007 as a result of inflows (€992 million) and the market performance effect (€200 million).

Specifically, the Momentum fund family had a net inflow of funds (€560.7 million), as did the Italian SGR (€332.7 million) and the Irish funds (PAI Ltd. +€99 million).

Pioneer Austria
Austria closed 2007 with assets of €16 billion, a 10.6% reduction from the start of 2007 due to a net outflow of funds (€1,585 million) in the institutional channel.

Report on Operations (Continued)

Asset Management Division (Continued)

Key Operating and Financial Indicators

In 2007 the Asset Management Division reported before profit tax of €805 million, a 21% increase over 2006.

The 10.1% increase in operating profit from 2006 to 2007 was the result of revenue growth and ongoing operating cost control.

Operating income for 2007 was €1,395 million, up by 4.7% over 2006, due to an increase in management fees thanks to improvement in average asset under management (+€13 billion or +5.5%) and better product mix.

Operating expenses were €607 million in 2007 showing a decrease of 1.5% from unchanged from 2006 due to the combined effect of:

- an 10.7% reduction in administrative expenses as a result of lower consulting, marketing and advertising costs;
- higher payroll (+3.8%), resulting from incentive plan costs and a changed mix in human resources that was only partially offset by lower variable costs related to sales results and performance;
- higher amortization charges on intangible assets with a defined useful life as a result of recent acquisitions (the founders' shares of Primeo in 2007).

The Division's cost-income ratio stood at 43.5% showing a significant improvement of 273 basis points over 2006, reflecting management efficiencies.

The Division's excellent performance was reflected in value creation indicators for 2007, with an EVA of €551million (up to 18% on 2006) and RARORAC of 44.72%.

As of 31 December 2007, the Division had 2,212 FTE (full time equivalent) employees, a reduction of 66 employees from year-end 2006 (2,278). This decrease was due to the sale of KAG operations to SGSS and the reduction of 160 FTEs, but partly offset by a change in the Division's structure (Croatia and Romania) and new hires during the year.

Income Statement (€ million)

	YEAR		CHANGE		QUARTERS		
	2007	2006	AMOUNT	%	4Q 07	3Q 07	4Q 06
Operating income	1,395	1,332	63	+ 4.7%	354	343	369
Operating costs	-607	-616	9	- 1.5%	-159	-144	-178
Operating profit	788	716	72	+ 10.1%	195	199	191
Profit before tax	805	667	138	+ 20.7%	214	195	172

Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	551	467	84	+ 18.0%
Absorbed Capital (€ million)	1,232	1,166	66	+ 5.7%
RARORAC	44.72%	40.05%	467pb	
ROA, pb (*)	49pb	49pb	0pb	
Cost/Income	43.5%	46.2%	-273pb	
Operating costs/Total Financial Assets(**)	22pb	23pb	-1pb	

(*) Operating income on Total Financial Assets (average) net of extraordinary assets
(**) Total cost on total Financial Assets (average) net of extraordinary assets

Staff Numbers

	YEAR		CHANGE	
	31.12.07	31.12.06	AMOUNT	%
Full Time Equivalent	2,212	2,278	-66	-2.9%

Ongoing Projects

In 2007, the following key strategic projects were launched for Pioneer's long-term growth:

INDIA

On 5 October 2007, PGAM signed a partnership agreement with Bank of Baroda to establish a joint venture in the Indian Asset Management sector through the acquisition of a 51% controlling interest in the Bank of Baroda Asset Management Company.

Strategic Aims in India:

- achieve assets under management of about $20 billion in 10 years through global and domestic products focused on retail, high-net-worth and institutional products;
- provide a local platform for Pioneer's global customers investing in India;
- take advantage of Pioneer's global investment capabilities for Indian customers that invest outside the country;
- study the feasibility of an investment and operations center in India for the Asia area, to take advantage of the availability of highly qualified English-speaking staff at lower cost.

RUSSIA

On 14 March 2007, Pioneer Investment Management Limited Liability Company was established with headquarters in Moscow.

Strategic Aims in Russia:

- establish a leading domestic asset manager with coverage in all major market segments;
- take advantage of Pioneer's line of global products and the investment platform with the local business for Russian customers and business partners;
- integrate local investment, operations, marketing and other areas with Pioneer's global offices;
- utilize Pioneer's brand and reputation and use its emerging markets expertise to develop new innovative products and services for the Russian market;
- actively promote expertise in investing in Russia to Western clients;
- become a key business partner for the International Moscow Bank (IMB) and for other product distributors;
- become recognized leaders in the business community.

GISP (Global Investment System Program)

GISP is a multi-year project working with various Pioneer business units to develop a standardized global platform for front-office operations including the ability to manage financial instruments and newly created funds by rationalizing the management of corporate data and securities registers.

The project is divided among the following key areas:

- **PFO (Pioneer Front Office)** for the implementation of the Latent Zero solution;
- **PSM (Pioneer Security Master)** for the development of the Golden Source solution;
- **PESB (Pioneer Enterprise Service Bus)** for the implementation of TIBCO middleware;
- **EDM (Enterprise Data Management)**, a tool for managing transactions, positions and accounts. This operation has been launched and will be implemented in 2008.

In December 2007, GISP had 75 users and 45 funds with a total of €50 billion in assets under management.

Key Corporate Transactions

In addition to the above initiatives, several corporate transactions were reported during the year, including:

- the acquisition, effective 31 January 2007, of a 100% interest in Nordinvest Norddeutsche Investment-Gesellschaft mit beschränkter Haftung ("Nordinvest") headquartered in Hamburg, Germany;
- the acquisition, effective 26 February 2007, of a 94.97% interest in Pioneer Asset Management SAI S.A. headquartered in Bucharest, Romania;
- the acquisition by Pioneer Alternative Investment Management Limited on 25 April 2007 of 100% of the founder/management shares of Primeo Fund Limited and Primeo Multi-Strategy Fund Limited;
- the sale, effective 30 November 2007, of Pioneer Investments Fund Services GmbH (wholly owned by PGAM through PIKAG) to EURO VL S.A. (Société Générale Group) by PIKAG.

As a part of the integration of the UniCredit Group and Capitalia, the following corporate transactions will be carried out at the end March 2008:

- absorption of Capitalia Asset Management SpA SGR (CAM) by Pioneer Investment Management SGRpA and product integration;
- absorption of of Capitalia Investimenti Alternativi SGRp.A. (CIA) by Pioneer Alternative Investment Management SGRpA and product integration; and
- absorption of Capitalia Investment Management S.A. (CIM) by Pioneer Asset Management S.A. and product integration.

Report on Operations (Continued)

Markets & Investment Banking Division

The Markets & Investment Banking (MIB) Division serves as the Group's global product factory and competence center for all global financial markets and investment banking services.

MIB coped well with the challenging 2007 business year. MIB delivered - thanks to its broadly diversified business portfolio and its clear regional focus - robust financial results, despite the overall market performance in the second half of 2007.

MIB: A Well Diversified Business Model

The embedded position of MIB within UniCredit Group and concentration on core markets and capabilities give the Division a competitive advantage of a broad business diversification. Furthermore the focus on product innovations has stimulated strong customer demand across its franchise.

With the framework for MIB Division in place, 2007 was also a significant year for the execution of core strategic initiatives in various business areas, as well as several integration initiatives.

The Division successfully completed the integration of UBM, the former Italian investment banking platform, into HVB in line with its strategy of consolidating all MIB activities under HVB in Munich with the aim of:
- streamlining corporate governance
- gaining critical mass in different segments and
- building a tailor-made infrastructure.

This was a significant milestone in the reorganization of the investment banking activities.

MIB is divided into five organisational units:
- the Markets area comprises all trading, structuring and distribution activities.
- The Investment Banking area combines coverage and origination-based business, as well as financing and loan syndication.
- The new established Principal Investments area acts as the global competence centre for proprietary investments in alternative assets.
- The Chief Operating Officer heads all centralised business support functions.
- MIB Market & Credit Risks manages divisional credit risk underwriting, market risk, risk reporting and policies and collateral management.

2007: resilient performance under challenging conditions

The first full business year for MIB, created in July 2006, was characterised by extremely positive market performance in the first half and very difficult conditions in credit markets in the second half of 2007.

The first half of the year saw high revenues across the industry, well above the same period of 2006. The second half saw tremendous turmoil in several areas of the capital markets, increased volatility, weaker activity levels in some areas and heavy markdowns on investment banks' own exposures to certain assets. The distortion of credit markets led to a negative performance impact on our structured credit activities.

Nevertheless MIB achieved robust performance in all other major business lines, especially in FICC (Fixed Income, Currencies and Commodities), Equities, Financing and Principal Investments - where some business lines activity acted as natural hedges.

In 2007 - a year of two extremely different halfs - total operating income for 2007 amounted to € 2,796 million, representing a decrease of 9.7% y/y. This decline was solely driven by the credit market turmoil in the second half of 2007. Excluding the (negative) revenues of the Structured Credit business line, MIB total revenues would have beaten the previous year's figure by +20%.

Operating costs for 2007 amounted to €1,408 million, showing a decrease of 9.4% y/y overall. Staff expenses decreased by 8.7% as a consequence of lower variable compensation related to full-year performance. Non-personnel costs have been kept under control due to stringent cost management and were reduced by 8.1% y/y.

Nevertheless, the cost/income ratio rose slightly to 50.4% (versus 49.9% in 2006), due to the lower revenue base, which is still a very competitive ratio.

Operating Profit - the margin of total revenues and total costs - for 2007 was reduced to €1,388 million, a 10.6% y/y decrease compared to 2006.
As in 2006, net writedowns on loans in 2007 showed a positive figure and amounted to € 78 million (2006: € 23 million) benefitting from the sound credit quality and cash recoveries, leading to a further cost of risk improvement to positive 16bp.

Profit on investment mainly benefited from Indexchange (€219 million) and German security services (€ 259 million) sale.

Despite reduction of Risk Weighted Assets (RWA) by -1.4% y/y as a result of efficient capital management, operating income as percentage of average RWA decreased from 5.3 in 2006 to 4.4% in 2007.

Economic Value Added (EVA) as of end of year decreased by 15%, from 682 million in 2006 to € 581 million in 2007; nevertheless MIB continued to be one of the strongest contributors to the EVA of the Group.

Income Statement (€ million)

	YEAR		CHANGE		QUARTERS		
	2007	2006	AMOUNT	%	4Q 07	3Q 07	4Q 06
Operating income	2,796	3,095	-299	- 9.7%	289	351	735
o.w.:							
trading revenues	*688*	*1,485*	*-797*	*- 53.7%*	*-358*	*-47*	*254*
non-trading revenues	*2,108*	*1,610*	*498*	*+ 30.9%*	*647*	*398*	*481*
Operating costs	-1,408	-1,543	135	- 8.7%	-298	-289	-449
Operating profit	1,388	1,552	-164	- 10.6%	-9	62	286
Net write-downs on loans	78	23	55	+ 239.1%	36	42	20
Profit before tax	1,898	1,535	363	+ 23.6%	218	123	194

Balance Sheet (€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Total RWA	57,999	58,816	-817	-1,4%	66,096	-8,097	-12.2%
RWA for Credit Risk	41,808	44,797	-2,989	-6,7%	50,668	-8,860	-17.5%

Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	581	682	-101	- 14.8%
Absorbed Capital (€ million)	3,829	3,535	294	+ 8.3%
RARORAC	15.17%	19.29%	-412bp	
Operating Income/RWA (avg)	4.43%	5.31%	-88bp	
Cost/Income	50.4%	49.9%	50bp	
Cost of Risk	-0.16%	-0.05%	-11bp	

Staff Numbers

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
Full Time Equivalent	3,464	3,218	246	+ 7.6%

Operating Income (economic view*) (€ million)

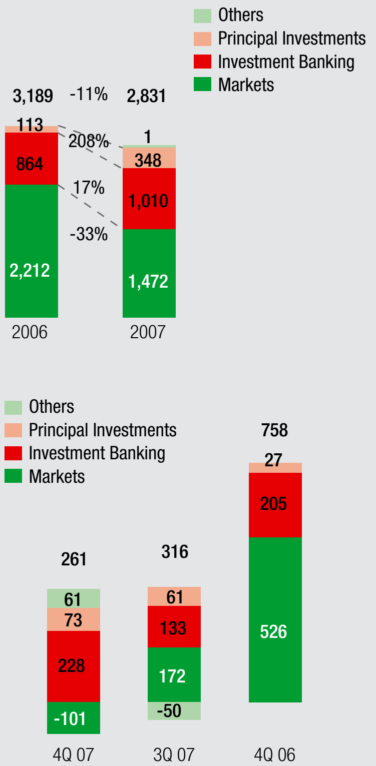
	2007				2006	CHANGE % ON	YEAR		CHANGE
	Q4	Q3	Q2	Q1	Q4(**)	Q4 '06	2007	2006(**)	%
Markets	-101	172	609	791	526	n.s.	1,472	2,212	-33%
Investment Banking(***)	301	194	479	385	232	30%	1,358	976	39%
MIB Others	61	-50	-9	-10	n.a.	n.m.	-7	n.a.	n.m.
Total	261	316	1,079	1,167	n.a.	n.m	2,823	n.a.	n.m.

(*) Total return revenues, incl. change in market value of investment positions
(**) Figures pro-forma
(***) Incl. Principal Investments

Report on Operations (Continued)

Markets & Investment Banking Division (Continued)

Operatig revenues (economic view*)



(*) total return including mark-to-market of investment book positions

Markets: acceptable performance and a series of awards

The main business lines within Markets are FICC, Structured Derivatives, Equities and Structured Credit.

In 2007 **Markets** generated revenues of €1,472 million (-33% y/y), equal to 52% of the division's overall performance. The top contributor in absolute terms was FICC, which generated half of the area's revenues. The largest y/y revenue increase was also achieved by FICC with a growth of +17%.

Excluding the Structured Credit business line, revenues of the Markets business area would have exceeded the comparable 2006 figure by +9%.

Despite difficult market conditions in the third and fourth quarters of 2007, MIB maintained its reputation as a high value provider of complex solutions to global clients. Testimony of the Division's reputation were the awards that MIB won in different business areas.

Fixed Income, Commodities and Currencies (FICC) was able to professionally manage the difficult market situation in the second half of 2007 and contributed an excellent result (€ 748 million, +17% y/y). A clear highlight within Interest Rate Management was the successful launch of a Jumbo Global #12 Pfandbrief in November.

The **Structured Derivatives** business developed equally well (€ 724 million, +2% y/y). Driven by prompt product development and time-to-market cycles for innovative solutions in the equities and index derivatives area, Structured Derivatives continued to broaden its competitive position. Its good performance was rewarded by the Number One ranking for "Structured Products", awarded the second time in a row. MIB also gained the "Derivatives and Risk Management Advice" award given by the German RISK magazine.

Despite the difficult market environment in the second half of 2007, **Equities** reported a very successful year (€ 383 million, +10% y/y) driven by an exceptional performance of its equity finance franchise, its solid institutional sales business as well as very satisfactory commission income growth in brokerage & electronic execution activities, driven by high volatility and increased trade volumes.

Structured Credit had a good start but closed the year with a negative revenue contribution. The turning point for the business was clearly set by the US subprime crisis, which triggered mark dowons on the whole asset class after an unbroken 15 year growth run. ABS turned from a very liquid primary and secondary market driven by the constant demand from Financial Institutions, Conduits, Structured Investment Vehicles (SIV), and Asset Backed Securities (Money Market) funds into a very illiquid, distressed market with substantial supply overhang. After a brief respite in October spreads widened again towards year-end putting some significant mark-to-market pressure on investment and trading positions.

The **Corporate Treasury Sales** unit managed to enlarge the footprint of UniCredit in the market for corporate treasury products, thanks to the well diversified customer base across different countries and the wide variety of asset classes offered to customers.
Bank customers were serviced by offering

new and innovative solutions, with an ongoing focus on active management of opportunities and risks. Strong emphasis was laid on a customer-oriented approach and on improving financial advisory services to meet higher client requirements.

An excellent cooperation with the leveraged finance origination teams in the Investment Banking area allowed the unit to exploit cross-selling opportunities, generating new business flows with large corporate customers. These deal flows serve as an example of how the group wide cooperation within the MIB division brought synergetic effects for all participating units.

Investment Banking: overall success despite difficult market conditions

The main business lines within Investment banking are Financing, Capital Markets and Regional Investment Banking.

In 2007 **Investment Banking** contributed revenues of € 1,010 million (+17% y/y), equal to 36% of the divisional performance.

Despite the difficult market environment in the second half of the year, Investment Banking (IB) met its year-end targets. This is mainly due to the record result delivered by the business line Financing, which once again served as the main contributor to Investment Banking revenues. The team's knowledge of regional markets, depth of transaction experience and access to a wide variety of investors continue to be the foundations of its success especially in the difficult market environment.

2007 was also the year, in which IB systematically built up Mergers & Acquisitions (M&A) expertise in its core markets, resorting to selective talent hiring. MIB Division aim to be one of the major M&A players with a leading role in cross-boarder M&A in core markets.

Financing - consisting of acquisition leveraged finance, project finance, structured commodity finance and other structured transactions - managed to substantially increase its revenues and profit contribution compared to the previous year (€ 743 million, +35% y/y) despite the turmoil in financial markets during the 2nd half of the year.

The **Corporate Solutions** team successfully supported the corporate relationship network in generating lead transactions in the Lending and Capital Markets. This was proven by some landmark transactions like Tognum and TUI in Germany or Barilla and Enel in Italy.

Loan Syndication shifted over € 15 billion of market risk in 2007 spread across approximately 160 deals. 2007 was a seminal year for IB's leveraged finance syndications business, where we underwrote a total of € 37.8 billion, completing landmark transactions such as Pro-Sieben (€ 6.9 billion), Kion (€ 3.7 billion), Boots (€ 17.4 billion) and CBR (€ 1.5 billion). Against a 22% increase in global Project Finance volumes, the Project & Commodity Finance team doubled its underwritings to € 5.2 billion through some 21 bookrunning mandates.

With regard to M&A-related financings, UniCredit was able to win prominent lead mandates in deals such as the € 35 billion ENEL acquisition of Endesa and $ 1.5 billion Luxottica acquisition of Oakley.

Capital Markets achieved important mandates and leadership in core markets.

Debt Capital Markets (DCM) succeeded again in bringing a large number of mandates to the market in its core product "covered bonds", acting as lead manager/lead arranger/ bookrunner. Syndicated bonds for Greece, Italy and the European Investment Bank (including the "Climate Awareness Bond") were well received by the market.

Structured New Issues is the clear market-leader in arranging bond transactions for windfarm portfolios. Breeze has become the brand name for these tailor-made transactions. So far, more than € 1 billion have been placed on the markets by Breeze Finance. Breeze won the Euromoney and Ernst & Young Renewable Energy Award for the Senior Debt Deal of the Year for the second time in a row. Breeze Finance is also proof of the UniCredit Group's commitment to sustainability.

Equity Capital Markets (ECM) continued the successful course of previous years, maintaining its position among the top ten players in terms of transactions as bookrunner in the German equity capital market. In addition to its role as lead manager/lead arranger/bookrunner for the IPO of POLIS Immobilien AG as the first listed company concentrating exclusively on commercial real estate, a further highlight of 2007 was the successful capital increase of Premiere AG, which utilized an innovative price fixing procedure. This was a so-called segregated price fixing mechanism in accordance with the German transparency and disclosure law (TransPuG). Another milestone was reached in the equity-linked sector with the placement of the Tui bond amounting to almost €700 million.

Report on Operations (Continued)

Markets & Investment Banking Division (Continued)

In 2007 MIB also confirmed its leadership position in ECM in Italy. Successful transactions ranged from IPOs (important mandates were Damiani, Il Sole 24 Ore and D'Amico) to rights issues (including the prestigious mandates of Gemina and Credito Valtellinese) and accelerated bookbuilt offers (Fastweb).

The rational behind the new **regional IB** set-up is a stringent focus on the client. Regional clusters are focused on Germany, Italy, Austria, CEE and the US. France, Spain, Switzerland and the United Kingdom are sub-clusters. Non core-markets clients are covered in a different set-up where special attention is paid to emerging global players in the corporates and financial sector. Regional Investment Banks contributed € 216 million (+7% y/y) to the area's revenues in 2007.

Principal Investments - a new business area

Effective from June 2007, MIB established a third business area - Principal Investments (PI). This area bundles the Group's proprietary investment activities in alternative assets.
In 2007 the PI portfolio achieved an excellent performance. With investments in private equity funds, direct equity investments and hedge fund investments, the portfolio is well diversified.
In 2007, the PI business area generated revenues of € 348 million in 2007, trebling the figure for 2006.

Global Research - strong expertise in clearly defined segments

UniCredit Global Research supports clients in strategic and tactical asset allocation, security selection and risk management. Its unrivalled expertise in core and Emerging European Markets leverages UniCredit's leading role in the region as the first truly European Bank. Once again, Global Research achieved a high degree of media coverage and won several awards in 2007.

Outlook

2008 will present MIB with significant challenges in a highly complex financial environment, characterised by the need for normalisation of the credit markets environment, therefore the much hoped return to normal market conditions in Structured Credit, and an intensified fight for market share, especially in high growth areas. Macroeconomic risks can derive from possible recessions in the US and Japan, leading to a global slowdown with repercussions on our core markets in Europe.

The Division will continue to build its business model on the three pillars of high diversification, core product strenght and a clear regional focus. MIB sees strong growth potential in the CEE countries and in a number of business areas, ranging from project finance and fixed income to debt capital markets and structured issues. Furthermore, the speed of integration, improvements of distribution capabilities and cross selling opportunities within MIB and the entire UCI Group are key structural enablers for success in 2008.
Given the increased uncertainties in the capital markets, with further deteriorated credit spreads across an enlarged number of asset classes at the beginning of the year, MIB remains very cautious in its outlook.

Key Projects in 2007 and Main Initiatives for 2008

2007

With the MIB Division's new organisational setup 2007 was the meaningful year for the realisation of core initiatives in terms of strategy and integration.

In line with its core strategy besides to successfully complete the integration of UBM into HVB, MIB reached a significant milestone in the reorganization of the operations in Austria with the consolidation of all the CEE MIB subsidiaries under the newly founded UniCredit CAIB AG.

The acquisition process of Aton Capital Group was completed by BA-CA in the first half of 2007. In the meantime, MIB developed and rolled out its organization and strategy in Russia leveraging not only the leading equity brokerage capabilities of ATON but also the fixed income/fx expertise and corporate franchisee of UniCredit Bank Russia (the former International Moscow Bank).

As in Russia, a governance model as well as an organizational structure have been defined and implemented in Poland - also combined with a cooperation model with the CEE Division.

Following the acquisition of Capitalia by UniCredit Group, MIB Division aims to strengthen its Italian business, both in terms of client penetration and operational platform. A specific integration process was activated in the second half of the year and is well on track as the target set-up of MIB business model has already been defined for Capitalia as well.

Some special initiatives - activated in 2006 - focused on streamlining processes and realizing cost synergies reached important milestones in line with expectations. In particular, the Target Operating Model project completed the design and planning phase that will bring to a consolidation of global back office activities for MIB products by the end of 2009. The *Integration of UCI and HVB international networks* is at the half-way point: a number of efficiency measures (such as consolidation of premises/IT&ops platforms, reduction of headcount) have already been accomplished and the branch organizational model has been revised to fully reflect the Group divisional model.

Beside that, MIB successfully implemented effective steering tools by introducing a MIB specific value management method to support the capital management and further developing its MIS (Management Information System).

2008

In 2008, MIB will focus on further building its international platform, improving both distribution and cross selling activities within the UniCredit Group.

One of the key pillars will be leverage of Division's regional footprint in EEMEA (Eastern Europe Middle East Asia), where the rollout of the global MIB model to the remaining local CEE banks in Turkey, Croatia and Slovakia will take place to fully exploit MIB's strenghts within CEE region, leveraging the UniCredit Group's unparalleled franchise of local banks.

MIB will also focus on the accomplishment of the initiatives already activated in 2007 such as Capitalia integration finalization, the consolidation of all the Markets' activities in Austria and Emerging Europe under the future Austrian Investment Bank, International Network rationalization and the implementation of Target Operating Model.

Report on Operations (Continued)

CEE & Poland's Markets Division

CEE Division

Financial Performance

In 2007 the UniCredit Group again confirmed its leadership in Central and Eastern Europe (CEE).

This was the region with the highest growth rates in Europe as a result of continuing high levels of foreign direct investment, as well as increasing domestic demand due to fast-growing disposable household income.

Despite world-wide financial turbulence starting in the summer of 2007, the CEE banking market and banking revenues are expected to continue to develop strongly, as the level of banking intermediation is still far below the EU average.

The UniCredit Group offers its more than 24 million retail, corporate and institutional customers an extensive range of products and services through 3,383 branches in 20 CEE countries. Due to its unparalleled coverage, the UniCredit Group is the preferred partner of many international customers active in CEE. The UniCredit Group's coverage of the region also gives it the advantage of economies of scale, not least in the provision of back-office services throughout the region.

Integration and merger projects were a central focus in 2007 in many CEE countries; many of these were completed during the year and in Q1 2008.

The area is managed by two divisions: the CEE Division within **Bank Austria** is defined as a sub-holding for the banking activities in CEE, with the exception of Poland and Ukraine, which are managed directly by the **Poland's Markets Division** within UniCredit Holding. Bank Austria manages the banks in the following 18 countries: Azerbaijan, Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan and Turkey.

In 2007 the CEE Division of the UniCredit Group achieved a net profit for the period of €1,091 million based on continued operating business growth. This result also includes one month of operations of the newly acquired ATF Bank in Kazakhstan, contributing €12 million to the Division's 2007 net profit. All relative changes in this chapter expressed in percentage terms have been normalized in order to exclude perimeter and exchange rate influences.

The net profit for the period exceeded initial expectations with an increase of 22.8% on a normalized basis compared to 2006, adding another milestone in the successful development of the Division. The operating profit totaled €1.638 million, outpacing the respective 2006 results by +€359 million or +26.6% on a normalized basis.

The results for the Division were driven by total operating income, reaching € 3,367 million, an increase of €568 million or 18.8% on normalized basis. As a consequence of the continued, favorable development of business volumes in terms of total loans increasing by 37.4% and deposits (including securities issued) by 18.7%, net interest income posted the highest contribution to the revenue increase in absolute terms, increasing by €395 million. Booming business development in Russia, both in corporate and retail segments, led to an increase of net interest income by 46,0% normalized, followed by the Czech Republic with +22.4% normalized, driven by corporate lending, and Croatia / Bosnia with +18.4% normalized.

Commission & fee income of €929 million added another €206 million or 26.7% on a normalized basis to the 2006 results, while trading income at €177 million was 31,0% lower than in 2006, due to significantly deteriorating market conditions in the second half of 2007.

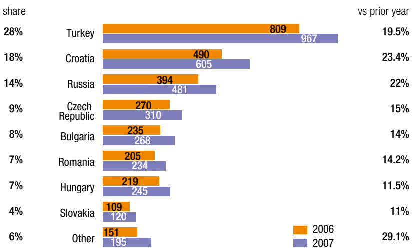
Operating costs increased significantly less in 2007 than revenues, further improving the Division's cost-income ratio by 2.9% to 51.4%. At €1,729 million, total operating expenses increased by 12.3%, on a normalized basis, versus 2006. This also included the expansion programs implemented in Turkey (+85 branches in 2007), Russia (+17), Romania (+9) and Hungary (+7) and a concurrent increase of staff by 939 to 38,387 FTEs. The inclusion of ATF Bank in December 2007 added a further 5,260 FTEs for a total of 43,647 FTEs at the close of 2007.

Risk provisions of €211 million reflect an increase of 22.6% over 2006 on a normalized basis, a somewhat stronger growth than the increase in average Risk-Weighted Assets (RWA), thus increasing the cost of risk from 0.45% in 2006 to 0.47% in 2007. This still reflects an excellent risk performance based on prudent risk controls, effective loan recovery processes and a generally favorable credit risk situation in the CEE economies.

The growth of average RWA, at 15.0% in 2007, was kept below the 19% increase of revenues, thus improving the ratio for revenues on RWA by 12 bps to 7.04% and contributing to a sound value creation: The Division's Economic Value Added (EVA) improved by 28.6% to €575 million, representing a strengthening of the Risk-Adjusted Return on Risk-Adjusted Capital (RARORAC) by 9 bps to 14.08%

Total Revenues December 07 at constant (2005) rates (€ million)

CEE Division: +18.8%



Income Statement

(€ million)

	YEAR		% CHANGE		QUARTERS		
	2007	2006		AT CONSTANT EXCHANGE RATES	4Q 07	3Q 07	4Q 06
Operating income	3,367	2,799	+ 20.3%	+ 18.8%	953	844	772
Operating costs	-1,729	-1,520	+ 13.8%	+ 12.3%	-526	-414	-458
Operating profit	1,638	1,279	+ 28.1%	+ 26.6%	427	430	314
Net write-downs on loans	-211	-169	+ 24.9%	+ 22.6%	-62	-80	-39
Profit before tax	1,342	1,051	+ 27.7%	+ 25.9%	318	345	261
Profit (Loss) for the period	1,091	874	+ 24.8%	+ 22.8%	256	284	210

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Total Loans	62,169	45,260	16,909	37.4%	53,458	8,711	16.3%
o.w. with customers	*50,638*	*38,784*	*11,854*	*30.6%*	*42,713*	*7,925*	*18.6%*
Customer deposits (incl. Securities in issue)	46,261	38,986	7,275	18.7%	41,610	4,651	11.2%
Total RWA	58,891	47,253	11,638	24.6%	48,773	10,118	20.7%
RWA for Credit Risk	55,632	43,885	11,747	26.8%	45,695	9,937	21.7%

Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	575	447	128	+ 28.6%
Absorbed Capital (€ million)	4,084	3,196	898	+ 27.8%
RARORAC	14.08%	13.99%	9bp	
Operating Income/RWA (avg)	7.04%	6.91%	12bp	
Cost/Income	51.4%	54.3%	-295bp	
Cost of Risk	0.47%	0.45%	2bp	
Tax rate	18.70%	16.8%	186bp	

Staff Numbers

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
Full Time Equivalent (KFS group 100%)	43,647	37,448	6,199	+ 16.6%
Full Time Equivalent (KFS Group proportional)	33,796	27,983	5,813	+ 20.8%

Report on Operations (Continued)

CEE & Poland's Markets Division (Continued)

Strategy: Acquisitions, Key Initiatives, Completion of Mergers

Acquisitions

The CEE network of Bank Austria was enlarged in 2007 and in January 2008 by two major acquisitions in Kazakhstan and Ukraine. Programs to fully integrate the two banks into the UniCredit Group in relation to business strategy, operations processes, IT, reporting and standards have already been initiated.

In June 2007 Bank Austria signed an agreement with the shareholders of ATF Bank in Kazakhstan to acquire a majority stake in the bank, and in November 2007 the transaction was closed.

With consolidated assets of €5.6 billion at year-end and a market share of 9.2% in total assets as of 30 September 2007, ATF Bank is the third largest bank and largest foreign-owned bank in Kazakhstan. ATF Bank offers a broad range of financial products through its branch network of 140 branches throughout Kazakhstan, as well as subsidiaries and affiliates (including leasing and pension fund companies). ATF Bank furthermore has subsidiaries and affiliates in Kyrgyzstan, Tajikistan and Russia (Omsk region).

In Corporate Banking, the focus is on diversifying the customer base to different business sectors. In the Small and Medium Enterprises (SME) segment, the bank is engaged in cooperative programs with international institutions such as the World Bank, EBRD (European Bank for Reconstruction and Development) and KfW. A successful integration into the UniCredit Group and a further branch expansion are top priorities for 2008. The bank is also committed to developing its SME banking and intends to open additional branches specifically for servicing SME customers.

In January 2008, the acquisition of 94.2% of CJSC Ukrsotsbank (USB), Ukraine, was finalized. As of 31 December 2007, USB was the fourth largest bank in Ukraine by net customer loans (€3.2 billion, +68% above 2006, representing a market share of 5.8%) and fourth by customer deposits (€1.6 billion, 5.5% market share). On the same date, the bank had total assets of approximately €4.2 billion.

USB's business model is primarily oriented towards retail banking (48% of the loan portfolio and 8.6% market share as of 31 December 2007), coupled with a solid presence in the corporate and SME sector, accounting for the remaining 36% and 16% of the loan portfolio respectively. As of December 2007, USB's network consisted of 508 branches.

Integration Program

Begun in 2006, the integration program of the CEE Division (integration projects relating to our 22 banks in 16 countries) has been successfully completed. It comprised the following projects:

- Merger countries: In Slovakia, the Czech Republic, Bulgaria and Romania mergers of two or even three banks were completed both legally and technically in the course of 2007 and in Bosnia and Herzegovina in February 2008. The merged banks in Slovakia, Romania and Bosnia and Herzegovina now use the Core02 application platform, Bank Austria's standard application system for CEE. The new UniCredit Group system EuroSIG was introduced in the merger program in the Czech Republic. For Bulgaria we chose to use the application FlexCube from the company iFlex, a system which is also currently being implemented in Russia.
- Integration countries included Russia, Croatia, Turkey and the three Baltic countries, Estonia, Latvia and Lithuania. In these countries, where no local mergers were executed, the effort within the integration program concentrated on integration in the Bank Austria sub-holding. The integration focused on regulatory reporting, management information systems and risk management, as well as the establishment of group standards. In the Baltic countries, the integration program also included the transfer of the previous HVB branches in Lithuania and Estonia into the banking subsidiary in Latvia and the implementation of Core02 in the new pan-Baltic bank.
- Rebranding: The UniCredit Bank brand is used in most countries, amended by the previous local brand name for countries with a strong local identity. The rebranding process aiming at using the UniCredit brand throughout CEE to underline its performance capabilities and the international standing of a leading banking group was completed in 2007.

Cross-Border Initiatives

Various cross-border initiatives have aimed at maximizing the competitive advantages of our comprehensive network of operating units in the whole region, while benefiting locally from the strength and expertise of a leading international banking group. The above-mentioned brand architecture underscores the most visible feature of the CEE Division: the ability to serve customers across borders while meeting their individual needs by incorporating local specifics.

In corporate business, homogeneous customer segments and shared business models as well as efforts to standardize the product range are prerequisites for offering our customers access to our entire network from any location. Offering a "single point of entry" is the philosophy behind our Cross-Border Client Group (CBCG) approach, supported by special cross-border products for corporate customers active in more than one country.

Global product lines such as Global Financial Services, leasing and commercial real estate businesses have been established. They act as vehicles for knowledge transfer in the entire UniCredit Group, demonstrating the advantages of a large bank in smaller countries. Moreover, global product lines act as hubs linking supply (e.g. western institutional investors) and demand.

Also in Retail, a Cross-Border Partnership Program with the goal of developing a best-in-class SME service model in selected CEE countries, leveraging the internal best practices, was put in place. The project was built on four key pillars: Products, Segments, Sales & Service Model and Credit Process. The partnership nature of the project is based on a strong cross-functional involvement and cooperation among Business, Risk, Global Banking Services and Human Resources.

In 2007 the project was rolled out in Romania and Bulgaria; and, based on market potential, Russia, Ukraine, Croatia and Poland have been lined up as second-wave countries for 2008.

Furthermore, the CEE Division has been investing in strategic customer satisfaction initiatives across the region in order to extend a strong customer-oriented culture. The UniCredit Group's Global Banking Services Division (GBS) performed an essential function in the entire integration process, maintaining cost effectiveness, unlocking synergies and developing locational advantages in the long term with a best-practice approach. Projects range from process design to IT harmonization, facility management and group-wide procurement. The cost synergies which GBS seeks to achieve are not only "quick wins" but will also enhance performance in customer service on a sustainable basis.

Other initiatives that are under way have been designed to bundle asset management and investment banking activities; in this context, bundling does not mean centralizing but creating a multipolar structure with optimal division of labor.

Uniform cross-regional Management information Systems (MIS) were introduced in 2007 in order to implement control activities in the most efficient way. They are also a prerequisite for meeting Basel II requirements and for coordinating treasury operations and capital management.

Report on Operations (Continued)

CEE & Poland's Markets Division (Continued)

Focus on Turkey, Russia and Croatia

Turkey

Turkey			(€ million)
	YEAR		CHANGE AT
	2007	2006	CONSTANT FX RATE
Operating income	865	716	+ 19.5%
Operating profit	417	323	+ 27.5%
Profit (Loss) for the period	237	229	+ 1.9%
Cost/income	51.80%	54.88%	-308pb
	2007	2006	CHANGE
FTEs	16,619	15,792	827
Branches*	738	653	85

(*) Including subsidiaries.

Yapı Kredi Bank (YKB) is one of the leading commercial and retail banks in Turkey, becoming the fourth largest private bank in terms of total assets following its merger with Koçbank in 2006. Under its ownership structure, 81.8% of YKB is controlled by Koç Financial Services (KFS), the 50-50 joint venture between the UniCredit Group and Koç Group.

KB has leading positions in credit cards, assets under management, non-cash loans, leasing, factoring and private pension funds. YKB has an extensive network of 738 branches throughout Turkey as well as domestic and international (Netherlands, Russia and Azerbaijan) subsidiaries. In addition, Banca di Roma's Istanbul Branch was integrated into YKB in December 2007 following the UniCredit Group-Capitalia merger.

In 2007, YKB initiated a renewed focus on commercial business and efficiency improvements. Many new projects were implemented in light of this new focus, which led to an increased presence of the bank with positive market share gains in both retail and corporate segments. In line with YKB's accelerated growth strategy, an aggressive branch opening plan was announced in July 2007. The target is to reach a total of approximately one thousand branches by 2009. With the opening of 85 retail branches in 2007, the bank closed the year with a total of 738 branches, including subsidiaries.

The transaction migration project was continued in 2007 to reduce transaction load on branches, achieve efficiency in teller and back-office roles and increase customer satisfaction. The focus on customer satisfaction and retention indicators was also sharpened both at bank level and at branch level in 2007, with the use of internationally recognized research methodologies.

Retail Customers:
YKB maintained its leadership in credit cards in 2007, strengthening its credit card brand "World". A partnership with Vakıfbank, bringing together 8.5 million cards, will further strengthen the brand image of Worldcard.

In 2007, YKB achieved above market growth in SME loans in 2007 through its differentiated and focused approach as well as a dedicated service model designed to provide fast and outstanding service to SMEs. The successful implementation of a project that provided pre-approved limits for existing customers contributed to the strong increase in general-purpose loan market share to 10% in 2007. Through increased focus and new product offerings, YKB was also able to steadily increase its housing loan market share through the year to reach 7% in 2007.

Corporate Customers:
YKB's customer-oriented approach in Corporate Banking is based on a selective strategy and concentration on productivity as well as differentiated and structured products. In 2007, YKB strengthened its "consultant bank" image in foreign trade and maintained its leading position in the market by reaching a foreign trade volume of USD 40 billion and a market share of 14%. YKB participated in a number of important project finance deals in 2007, particularly in the energy, transportation, telecommunication and real estate sectors.

2008 Outlook:
YKB considers 2008 the first year fully dedicated to growth following a year of post-merger stabilization in 2007. The accelerated branch expansion plan is targeted to continue with 160 additional branch openings planned for 2008. Alongside the targets for above-sector growth with market share gains and the continuation of the branch expansion plan, a strict focus on cost containment and efficiency measures will be enforced in line with YKB's profitable growth strategy.

Russia

Russia			(€ million)
	YEAR		CHANGE AT
	2007	2006	CONSTANT FX RATE
Operating income	466	392	+ 21.9%
Operating profit	286	261	+ 12.2%
Profit (Loss) for the period	192	175	+ 13.0%
Cost/income	38.64%	33.35%	529pb
	2007	2006	CHANGE
FTEs	2,814	2,000	814
Branches*	73	53	20

(*) Including Leasing.

ZAO UniCredit Bank, the former International Moscow Bank, is one of Russia's leading universal banks measured by profitability and efficiency. With total assets of €10.23 billion the bank holds a market share of about 1.8% ranking among the top ten banks in the country. After the acquisition of two minority stakes, the UniCredit Group, through Bank Austria, is the sole shareholder.

To support its dynamic growth, a capital increase of USD 300 million was carried out.

In 2007 the bank successfully continued its expansion path and increased total assets by almost 50%.
The countrywide distribution network was enlarged by 17 additional branches to the current 64; thus, apart from 27 offices in Moscow and eight in St. Petersburg, ZAO UniCredit Bank is present in 22 other Russian regions serving about 420,000 individual and SME clients and about 3,500 companies with its comprehensive range of banking products and services.

Corporate banking
In 2007 the bank further strengthened its position in the corporate sector and demonstrated again a substantial growth in the lending business, particularly driven by the steadily growing demand from midsized regional corporations. The loan book increased by nearly 57% to RUR €6.20 billion. Over 100 out of the top 200 Russian companies and two-thirds of the top 50 are customers of the bank. Its factoring portfolio increased fourfold during 2007, leading it to fourth among Russian banks offering factoring services. Real estate finance was another segment showing strong growth; the total portfolio increased by about 74%.

To benefit from the rising demand outside the centers of Moscow and St. Petersburg, the bank continued to expand its regional presence and opened new representative offices in Krasnoyarsk, Tyumen and Kemerovo, as well as in Minsk, the capital of Belarus.

Report on Operations (Continued)

CEE & Poland's Markets Division (Continued)

Focus on Turkey, Russia and Croatia (Continued)

Retail banking
Development of its retail banking business is a key strategic target of ZAO UniCredit Bank. In 2007, as in previous years, the bank concentrated its efforts primarily on the lending business, with key products being car loans, residential mortgages and credit cards. In all these products it grew faster than the market. The car loan portfolio increased by 110% and residential mortgages by over 200%, supported respectively by close relations with car manufacturers and their specialized financial companies, and with realtors and commercial agents as well as with builders and developers. Thus the overall retail loan portfolio more than doubled to over €1.40 billion. Our customer base (private individuals and SME clients) increased by more than 65% to roughly 420,000. As a result the market share in retail lending grew from 1.1% last year to the current 1.4%.

The regional network expansion is fully on track. Besides additional offices in Moscow, St. Petersburg, Rostov-on-Don and Magnitogorsk, full branches were opened in Novosibirsk and Nizhny Novgorod. Thus the bank is now present in 22 out of 88 Russian regions. Additionally the ATM network was increased by nearly 64% to the current 480 units, and call center services were considerably expanded.

Outlook for 2008
Main priorities for the coming years are:
- expand market share in retail banking and corporate banking with medium-sized companies, particularly in Russia's regions;
- retain market share in business with large corporations;
- remain one of the most profitable banks in Russia;
- develop and improve quality control systems in retail; optimize and streamline processes;
- in corporate, develop lending further, with focus on more complex products such as investment lending, factoring, leasing, uncollateralized trade finance, etc.

Croatia and Bosnia Herzegovina

Croatia and Bosnia Herzegovina	YEAR 2007	YEAR 2006	CHANGE AT CONSTANT FX RATE
(€ million)			
Operating income	607	492	+ 23.4%
Operating profit	277	185	+ 50.1%
Profit (Loss) for the period	214	171	+ 25.6%
Cost/income	54.30%	62.42%	-812pb

	2007	2006	CHANGE
FTEs	6,604	6,550	54
Branches*	314	311	3

(*) Including Leasing.

Zagrebačka banka is Croatia's leading bank by product quality and innovative technology. In March 2007 the bank's capital was increased by €477 million to support its further growth. In 2007 the bank recorded an increase of market share in total assets, retail and corporate loans, total revenues and pre-tax profit. AUM developments were particularly good (+110% y/y), resulting in further strengthening of a leading position and 32% market share. Zagrebačka banka's 2007 sound profitability was driven by strong growth of net interest income supported by rapid loan growth, the capital increase, and a solid development of client deposits, as well as a remarkable increase in fees and commission income.

The bank and its subsidiaries offer a wide array of banking and non-banking services through 145 branches, the largest ATM network in Croatia and direct distribution channels. It serves over 1.1 million active private customers and almost 80,000 business customers. In 2007 the bank intensively continued work on introducing new products and services: the revolving Go!Card with "3 in 1" functions, internet bill presentment for retail clients, and B2G internet services for corporate clients. Distribution channels were enlarged via the m-banking service - a phone banking service in a highly secure environment.

Retail customers:
Year 2007 ended with €4.51 billion of total private customer deposits (+5.9% y/y). The continuous exercise of an advisory role to our customers resulted in stable deposit growth, alongside strong growth in assets under management, especially for mutual funds in a high-yield environment.

By being flexible and adaptable to client's needs, housing loans reached €2.06 billion (+23.8% y/y), and €640 million of new loans have been made. Consumer loans reached €1.49 billion (+15.9% y/y); more than €681 million of new loans were made over the year, strongly boosted by cash and card loans.

Corporate customers:
In 2007 Zagrebačka banka confirmed its dominant position in financing prime Croatian corporate clients, central and local government, and infrastructure and real-estate projects. Corporate customer deposits grew by 31.7% to €2.09 billion at year-end, while corporate loans increased by 12.6% to €2.83 billion.

Technology, as one of the key elements of the bank's success, received special attention in 2007. Respecting the needs of corporate clients for high quality information that will make their business activities more effective and successful, the bank introduced a solution through its e-banking system that presents to clients all information and data pertinent to their relationship with the bank. The bank also introduced financing products for utilization of EU funds' potential (PHARE and SAPARD). In cooperation with UniCredit Leasing Croatia, the bank also offered lease financing through its sales network.

Report on Operations (Continued)

CEE & Poland's Markets Division (Continued)

Focus on Turkey, Russia and Croatia (Continued)

Markets and Investment Banking (MIB)
Zagrebačka banka is the domestic market's undisputed front-runner in terms of quality and volume of investment banking services provided. The year 2007 proved to be extremely successful, as the bank structured and arranged more significant transactions than any other Croatian bank, both in local and international markets.

During 2007, the local market witnessed strong dynamics in the equity capital markets, and the bank structured and arranged a series of benchmark transactions. In 2007, the bank further strengthened its leading position in the custody segment, with the market value of assets under custody amounting to €10 billion (with 215% annual asset growth rate). The bank's brokerage department ranked among top brokerage service institutions in the country, with annual turnover exceeding €272 million.

Outlook:
In 2008 the bank intends to maintain its leading role within the domestic market by fostering improvement and development of products and services, leveraging its opportunities in advanced technologies, and exploiting the high earnings potential of MIB, real estate, the card business, factoring and leasing.

Other Countries:

The subsidiary in the Czech Republic, UniCredit Bank Czech Republic a.s., began its activities on 5 November 2007 through the integration of Živnostenská banka and HVB Bank. The bank continues to offer a wide range of quality products to corporate and private clients. In Corporate Banking, it is one of the market's strongest banks in the areas of project, structured and syndicated corporate finance. The bank has also built a strong position in acquisition financing and ranks first in financing commercial real estate. With a focus on upper-tier private clients, UniCredit Bank is also growing fast in retail mortgage financing, as well as in investment products and credit cards. It is focused on services for small business clients. With an 11% increase in net profit, the bank completed the merger year successfully.

Following the merger of the former UniBanka and HVB Bank Slovakia in 2007, UniCredit Bank, with market shares of 10% in loans and 7% in deposits, is the fourth largest bank in Slovakia. The bank's current 96 branches well cover the Slovak market. At the same time the bank is one of the market leaders in corporate financing. The bank serves more than 170,000 clients, of which 6,000 are corporate clients. Its electronic sales channels for customers are renowned, and it holds a strong market position in issued cards and operated ATMs. The bank recorded a profit of SKK €47 million, 70% above 2006 and driven by both an increase in revenues and in cost savings. Although in 2007 the bank fully concentrated on the successful merger, the development of net loans to customers (+12% y/y) and deposits (+10%) was favorable.

In Hungary, after the excellent business year 2006, UniCredit Bank Hungary again showed a very strong performance. Total assets increased in line with the market by 16.5%, keeping the market share at 6.3%. Profit before taxes exceeded expectations, including a significant profit through the sale of GBC, a card service provider. With the branch expansion project, UniCredit Hungary widened its network to 83 offices, keeping a low cost-income ratio of 48.7%. All business segments performed above budget and over market in some areas. The number of clients was increased by more than 48,000 to almost 245,000. This was mainly due to the increased number of branches and a variety of sales initiatives in the retail segment.

In Slovenia, UniCredit Banka Slovenija d.d. has been among the fastest growing banks in recent years and more than doubled its total assets since 2003. The core business of the bank, loans to customers, grew in 2007 by €300 million to €1.6 billion, resulting in a market share of 5.7%. The bank achieved very good results, with a profit before taxes of €19.7 million (+33.7%) despite the major challenge in 2007 posed by the Euro introduction that led to reduced income opportunities in several areas.

In Bosnia and Herzegovina, the main focus in 2007 was on the merger among UniCredit Zagrebačka banka, Mostar, and HVB Central Profit Banka, Sarajevo into the new UniCredit Bank, which was successfully completed in February 2007. Together with Nova banjalučka banka in the Serbian part of the country, the UniCredit Group is the largest bank in the country, with a market share of 22% and serving one million customers through 169 branches.

In the market in Serbia, UniCredit Bank Serbia is ranked eighth, with a 4.2% market share in terms of total assets, loans and deposits and with a customer base of 120,000 private customers and almost 11,000 business customers. It is one of the leaders in the local foreign exchange and money markets. Compared with 2006, the net profit of the bank registered a growth of over 60%. The assets increased by 7%, and off-balance sheet (mainly guarantees) increased by some 40%.

On 31 May 2007 the legal merger in Romania between the former HVB Bank Tiriac and UniCredit Romania was completed, and the new bank was renamed UniCredit Tiriac Bank S.A. After the merger a long-term strategic growth program has been developed, aiming at rapid organic growth, strengthening of sales activities and sustainable value creation. Despite a challenging merger process, the bank reported good financial performance in 2007. Total revenues increased by 14.1% to €258 million. The net profit amounted to €79 million, 50% above 2006 results. Customer loans grew by 6%, and the outstanding customer deposit base increased by nearly 15%. The bank served almost 600,000 customers at the end of 2007, including more than 45,000 companies.

In Bulgaria, UniCredit Bulbank is the result of a three-way merger of Bulbank, HVB Bank Biochim and Hebros Bank, which was completed in 2007. UniCredit Bulbank is Bulgaria’s largest bank and serves over 1.1 million customers through an optimized network of 263 branches. Its leading position is evidenced by its market shares: 15.3% in total assets, 14.0% in total loans and 16.6% in total deposits as of year-end. In spite of the challenging merger, the bank almost doubled its net profit to €128 million. Gross loans increased by 25.3% while further growth in the already strong deposit volume ensures a reliable base for future loan growth.

To achieve a stronger market position in the Baltic countries, AS UniCredit Bank, Riga, was transformed into a new pan-Baltic bank operating with its head office in Latvia (Riga) and two branches in Lithuania (Vilnius) and Estonia (Tallinn), as well as two corporate offices in Latvia (Riga) and Lithuania (Klaipeda). All customers of the Vilnius and Tallinn branches of HVB were transferred to the new branches of the bank in Lithuania and Estonia as of 1 September 2007.

Report on Operations (Continued)

CEE & Poland's Markets Division (Continued)

Poland's Markets Division

Financial Performance

The Poland's Markets Division manages the UniCredit Group's operations in Poland and Ukraine.

In Poland, thanks to Bank Pekao and BPH the UniCredit Group has a combined market share of more than 17.5% and is the leading bank in terms of total assets, loans to customers and assets under management. The banks can rely on a nationwide network of 1,278 branches, a strong presence in all major cities in the country and on Poland's biggest ATM network (over 2,500 ATMs, available to customers of both banks free of charge), enabling their customers to have full flexibility and easy access to bank channels all over the country.

In Ukraine, the UniCredit Group (through UniCredit Ukraine Bank) has a market share of about 1% in terms of total assets and loans to customers; but there are ambitious plans for growth, in both the retail and corporate segments, considering the positive macroeconomic and banking sector developments in the country. Corporate Banking is now the core business of the UniCredit Group in Ukraine, contributing about two-thirds of revenues and accounting for a 1.4% market share of corporate loans. Retail banking is in the start-up phase of its development and has strong potential for further growth. UniCredit Ukraine Bank has shown higher than market growth of corporate and retail business volumes, despite the merger process concluded in September 2007.

Income Statement (€ million)

	YEAR		% CHANGE		QUARTERS		
	2007	2006		AT CONSTANT EXCHANGE RATES	4Q 07	3Q 07	4Q 06
Operating income	2,386	2,132	11.9%	9.0%	596	618	579
Operating costs	-1,113	-1,031	8.0%	5.3%	-296	-282	-265
Operating profit	1,273	1,101	15.6%	12.5%	300	336	314
Net write-downs on loans	-79	-113	-30.1%	-29.8%	-6	-19	-19
Profit before tax	1,229	999	23.0%	19.3%	282	321	278
Profit (Loss) for the period	998	804	24.1%	20.4%	229	267	227

Balance Sheet (€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2007	31.12.2006	AMOUNT	%	30.09.07	AMOUNT	%
Total Loans	23,829	23,906	-77	-0.3%	22,357	1,472	6.6%
o.w. with customers	*19,386*	*18,154*	*1,232*	*6.8%*	*18,399*	*987*	*5.4%*
Customer deposits (incl. Securities in issue)	25,891	26,827	-936	-3.5%	25,226	665	2.6%
Total RWA	27,864	21,029	6,835	32.5%	23,703	4,161	17.6%
RWA for Credit Risk	26,116	19,940	6,176	31.0%	22,215	3,901	17.6%

Key Ratios and Indicators

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
EVA (€ million)	473	351	122	+ 34.8%
Absorbed Capital (€ million)	1,253	994	259	+ 26.1%
RARORAC	37.75%	35.31%	244bp	
Operating Income/RWA (avg)	10.38%	11.31%	-94bp	
Cost/Income	46.6%	48.4%	-171bp	
Cost of Risk	0.36%	0.62%	-26bp	
Tax rate	18.8%	19.5%	-72bp	

Staff Numbers

	YEAR		CHANGE	
	2007	2006	AMOUNT	%
Full Time Equivalent	25,469	25,646	-177	- 0,7%

In 2007 the Poland's Markets Division posted a net profit for the period of € 998 million, representing an increase of 24.1% at current rates and 20.4% at constant rates.

The Division's results were driven by operating income, which totaled € 2,386 million, representing an increase of 11.9% (9,0% at constant fx). These increases were the combined result of:

- net interest, which rose by 11.4%, primarily due to the growth in loans to customers, up by 7%;
- growth in net fees and commissions, which rose by 12.6% (10 at constant fx), thanks to strong sales of mutual funds, retail loans and structured products.

In 2007 operating costs rose by only 8.0% (5.3% at constant fx). Staff expenses were up by 11.4% y/y (8.5% at constant fx) due to integration costs and branch expansion in Ukraine (with an impact of about 2% at constant fx). Other administration expenses and depreciation grew 4,2% (2% at constant fx), due to integration costs and unrealized synergies in Poland (due to the delayed BPH spin-off, which took place at the end of November, though budgeted for the first half of the year) and branch expansion in Ukraine (again with an impact of about 3% at constant fx).

At the end of December, there was a total of 25,469 employees (FTEs), representing a reduction of 177 employees from December 2006. In terms of efficiency, the cost-income ratio reached the outstanding level of 46.6%, representing a significant improvement over 2006 (48.4%). Operating profit for 2007 totaled € 1,273 million, up by 15.6% (12.5% at constant fx).

Effective credit risk control and loan recovery policies translated into a 30.1% reduction of net loan write-downs, reaching a cost of risk of 0.36% (a 26 bps absolute reduction), with continuous improvements in loan quality.

As of 31 December 2007 the Division's loans to customers totaled € 19 billion, a 6.8% increase, while deposits (including securities in issue) stood at € 26 billion, a 3.5% decrease impacted by AUM conversion.

The Division also achieved excellent results in 2007 in terms of value creation, with EVA at €473 million, increasing 34.8%, and RARORAC at 37.75%, increasing 244 bps y/y. This improved value creation is driven by the increase in profitability, i.e., by the growth of revenues, cost control and decreasing loan provisions.

Report on Operations (Continued)

CEE & Poland's Markets Division (Continued)

Key Projects in 2007 and Main Initiatives for 2008

The year 2007 has been a particularly successful one for the UniCredit Group banks in Poland, Bank Pekao and BPH, with respect to lending to retail customers. The key products have been consumer loans, mortgages and credit cards, reaching high growth rates in terms of sales and outstanding volumes. Very strong dynamics were also observed in mutual funds, one of the key products in both banks, with a combined market share of ca.30%.

On the country level, the key commercial focus within the retail segment will stay on mortgages, consumer and small business loans and mutual funds, as the banks aim to maintain double digit growth rates. In the corporate segment, commercial activity will focus on further acquisition of medium and large corporate customers, leveraging the UniCredit Group's leadership position.

In Ukraine, the retail segment has already developed a wide range of products, among which on the lending side are mortgages, car loans, consumer loans, salary cards and credit cards (including gold and platinum cards).

On the deposit side, the main retail products available at present are current accounts with ATM/debit cards, savings plans and term deposits (in both local and foreign currency). Internet banking became a new sales distribution channel. More new products will be developed in the present year in transactional services (FX cards, corporate cards), as well as in more sophisticated investment products; in retail, new mortgage and refinancing products, chip cards, FCY cards, business cards, investment products and basic private banking services are all in the pipeline.

A full-fledged cooperation partnership program for real estate agencies will also be started at the beginning of next year. The bank has successfully opened 24 new branches in 2007, which allowed the UniCredit Group to rapidly acquire new clients; since the launch of the retail business in September 2006, the bank has acquired more than 86,000 clients.

In the corporate segment, the focus has been on large corporate clients and on offering a wide range of products, including standardized loans, trade finance and structured finance, cash management services, etc. The UniCredit Group is ranked second in terms of custody business in the country, closing numerous important deals in 2007 and acting as a client agent in a variety of acquisitions.

Strategy: Key Initiatives, Highlights of the Integration/Merger Situation

In Poland, Bank Pekao and BPH finalized their merger on 29 November 2007 after an integration process begun in mid-2006. From a corporate point of view and pursuant to agreements with local authorities, a spin-off and the integration process resulted in the creation of two new banks: the new Pekao Bank (which integrated the 285 retail branches of the former BPH plus the entire corporate business) and the new BPH (with 200 branches). The agreement to sell the latter to GE Money Bank has already been signed; the transaction is expected to be finalized in the first half of 2008.

The spin-off and integration process brought new value to the Polish banking sector thanks to the creation of "New Pekao," the clear leader in the Polish banking sector. The "New Pekao" assumed market leadership in key areas and will further strengthen its nationwide coverage with ambitious aspirations to become the undisputed leader in sustainable revenue growth and profitability and a benchmark in central and eastern Europe, in particular with respect to:

- retail family banking: a leading bank for families, providing the highest service levels by utilizing the best practices from Pekao (e.g., mutual funds) and BPH (e.g., experience in customer acquisition);
- retail small business and affluent segments: the undisputed market leader due to a full range of lending products and a service model based on advisors and state-of-the-art credit scoring;
- corporate: the best-recognized corporate bank, covering all customer needs, supported by relationship managers and dedicated product specialists;
- risk: excellence in risk management in terms of loan quality and time-to-market.

Despite the rigors of the integration, thanks to great dedication and hard work, the banks have been able to achieve excellent financial results, managing to combine solid commercial performance and a focus on customers, even in the midst of the merger.

The UniCredit Group is placing a strong emphasis on Ukraine in light of the enormous growth potential of the local market. In September 2007 the legal and operational merger between UniCredit UA and HVB UA was completed, creating the new Bank UniCredit Ukraine with a market share in loans of about 1%.

The bank throughout 2007 was committed to expanding its retail business and has launched a retail network development project in all of Ukraine's major cities. The project includes an integrated IT platform, consisting of a network, a local core, SSB cards, and Euronet ATMs, along with a customized integration layer and front-end, a central back office, a new call center and a standardized branch model designed to best-practice international standards.

In other words, a fully operational platform was created from scratch. During 2007 UniCredit Ukraine opened 24 branches, reaching a total of 42 branches as of year-end, with 65 contracts for further branch locations already signed.

Report on Operations (Continued)

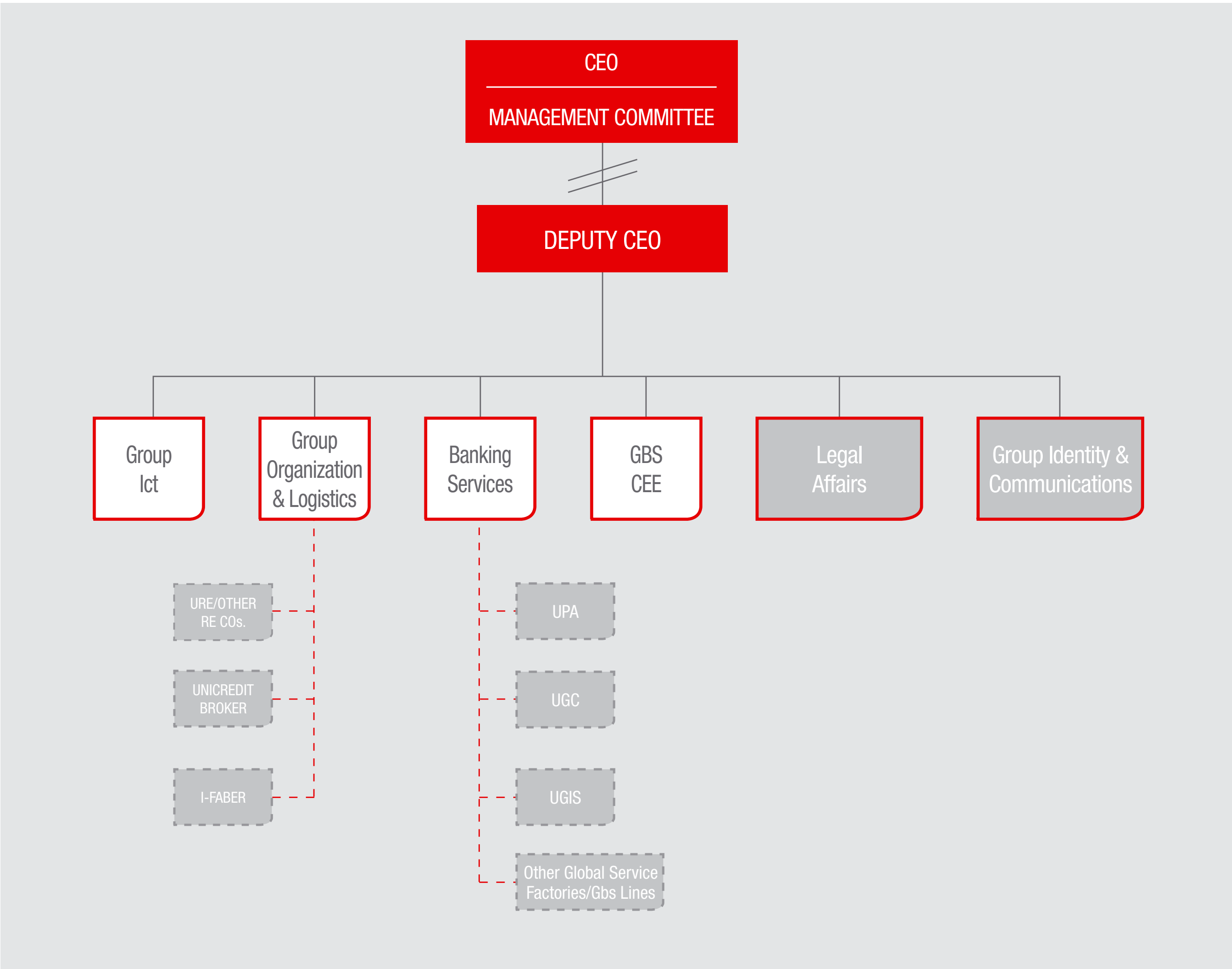
Global Banking Services for the Group

The Global Banking Services[1] acts as the UniCredit Group's preferred provider for a broad range of services to support the business divisions. These include back office, loan recovery, information & communications technology (ICT), purchasing, insurance brokers, property management, securities custodian and settlements.

Through its Global Service Factories, the Division provides strategic support for the sustainable growth of the UniCredit Group's operations by adding value and providing the highest quality for the services offered.

The GBS is also responsible for optimizing internal procedures and the UniCredit Group's cost structures, as well as for controlling costs through centralized procurement services at the group-wide level.

1. On July 17, 2007, the Board of Directors approved the reorganization, under the responsibility of the Deputy CEO in charge of the Organization and Service functions, of the activities of the GBS Division, which became a UniCredit Group HQ Department and was renamed Banking Services and of the related structures. Consequently, at 12/31/2007, the former GBS area comprised the following line structures: Group ICT, Group Organization and Logistics, Banking Services, GBS CEE area (the "GBS functions"), as well as Legal Affairs, Group Identity and Communications and the following staff structures: Management Consultancy, Security, Deputy CEO Legal Project, Internal Customer Satisfaction, Restructuring Integration and Deputy CEO Staff.



Financial Performance

In 2007, Global Banking Services continued integration, consolidation and optimization of services provided within the UniCredit Group. The integration of HypoVereinsbank (HVB) and Bank Austria and the synergies already identified as flowing from the merger with Capitalia generated opportunities for greater improvements in process efficiency.

The rising costs, net of former Capitalia's perimeter, associated with the Division are a result of the process of integration and consolidation of operations that were previously carried out by the business divisions (i.e. €96 million in new operations absorbed by the Division in 2007). Careful management of direct costs made it possible to generate a 4.9% improvement in efficiency, taking into consideration inflation and contractual salary increases. Benefits for the UniCredit Group are therefore estimated at €133 million.

ICT services provided by Service Factories and service departments in Bank Austria and HVB[1] generated cost efficiencies of 2.2% while at the same time incurring additional costs, due to business expansion and the development of related projects. In Italy, the integration and consolidation of ICT from the business divisions, and in particular the CEE banks, continues to increase efficiency at the group-wide level. Another factor contributing to efficiency is the rationalization of operations in German service companies such as HVB Systems GmbH. In summary, the operations acquired in 2007, together with the integration of Capitalia's ICT, will result in gradual improvements in efficiency for the UniCredit Group in 2008.

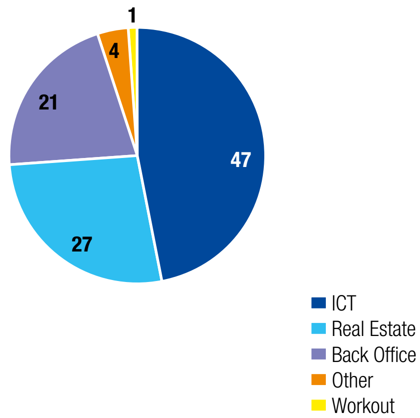
The Global Operational Services area generated a 10.9% improvement in efficiency as a result of the continued process of transferring operations to Romania, rationalization of the operations of Payment Administration Services GmbH in Germany, and the reorganization of Bank Austria Administration Services GmbH in Austria. The ongoing centralization of back-office activities, combined with the integration of Capitalia's information system, will make it possible to achieve further improvements in efficiency in the coming years.

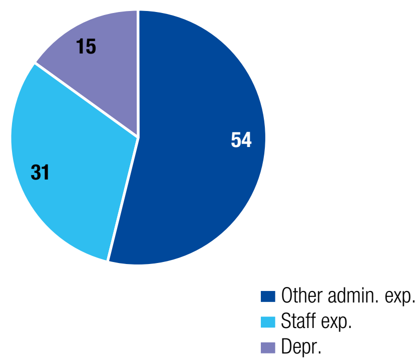
The costs of the Workout Services area decreased during the year and allowed the generation of a 9% efficiency. This was the result of significant measures taken to centralize the management of non-performing loans. The strategy to centralize operations will lead to further benefits in the integration process with Capitalia.

In 2007, the Real Estate Services area continued the "space optimization" project, which, together with the sale of non-strategic assets, resulted in efficiency improvements of 6.7%, partly through a 12% reduction in depreciation. The new opportunities offered by the integration with Capitalia, combined with the results of ongoing projects, will serve as a foundation for improving efficiency and further reducing future costs.

Lastly, the centralization of the purchasing process by the Global Sourcing area generated benefits for the Group both in terms of improved efficiency and greater control over the supply process.

Direct Costs Structure (%)





	2007	2006	AMOUNT	%
Direct costs base[2]	2,752	2,721*	-31	+1.2%

	2007	2006	AMOUNT	%
FTE[3]	10,458	11,612	-1,153	-9.9%
- of which domestic	9,021	10,737	-1,716	-16%
- of which CEE countries	1,438	875	+563	+64%

* Including €8.2 million divisional inter-company
1. Direct costs are those relating to the ICT entities and departments in Italy (UGIS, Quercia and UNIT), Germany (HVB IS and HVB AG ICT Department) and Austria (Wave and BACA AG ICT Department).
2. Figures do not consider former Capitalia's perimeter.
3. See note 2.

Report on Operations (Continued)

Global Banking Services for the Group (Continued)

Key Projects in 2007 and Main Initiatives for 2008

2007

Group ICT Department

In 2007 the operations of the ICT Department focused on supporting business growth through product innovation and service quality, compliance programs and the integration and development programs specified in the current three-year plan. The following projects were carried out and completed:

- development of the UniCredit Group's European platform, called Eurosig, which was successfully launched in the Czech Republic and is the first European installation. This platform will serve as the foundation for future migrations of the former Capitalia banks and those of HVB and Bank Austria;
- integration of banks in CEE countries through projects carried out in the Czech Republic, Romania, Slovakia, Bulgaria and Ukraine (excluding Ukrsotsbank);
- spin-off of 285 Bank BPH branches to be integrated into Bank Pekao;
- launch of the Bank Austria integration program;
- completion of the first phase of integrating the Capitalia Group, the most significant results of which were the integration of Capitalia's holding company, authorization to manage private and corporate customers using a segment approach, and the migration of HR data for all Capitalia employees to the UniCredit Group's platform;
- launch of a project to develop a new group-wide HR solution;
- preparations for the opening (planned for 2008) of the Murex Global Competence Center in Warsaw for the management of the UniCredit Group's treasury operations;
- determination of target IT architecture for the Markets and Investment Banking Division (MIB), which has been designated to support the centralized provision of MIB services in the new international model;
- reorganization of the project to create a single asset management platform for the Pioneer Group;
- opening of the new Basson Data Center in Verona, Italy, which is the target site for the consolidation of the UniCredit Group's mainframe systems.

In 2007 the second edition of the internal customer satisfaction survey (i.e. "Ascolto Cliente") confirmed the excellent results of 2006.

In 2007, the operating synergies projected by ICT were achieved according to plan.

2008

Key operations in 2008 consist of integration with the former Capitalia Group and the development of the Eurosig platform for the future integration of HVB and Bank Austria. In 2008, the UniCredit Group's ICT area will concentrate on the following activities:

- integration of former Capitalia banks and continuation of the program to integrate HVB and Bank Austria on the UniCredit Group's European platform, Eurosig;
- completion of transactions to integrate banks in CEE countries (i.e. Poland and Bosnia);
- consolidation of target IT architecture for the MIB Division;
- finalization and launch of the single Asset Management platform core;
- consolidation of Capitalia's ICT functions into UniCredit Global Information Services;
- finalization of plan to integrate the UniCredit Group's IT operations;
- continuation of launch of ICT international competence centers;
- transfer of HVB's mainframe to the new Basson Data Center in Verona, Italy.

In 2008, an internal process will also be launched to manage innovation made possible by new IT resources.

Banking Services Department

The Global Banking Services Department is composed of the following two areas:

- the Global Operations Services area, which is responsible for the functional coordination of the UniCredit Group's operations companies;
- the Workout Services area, which is responsible for the functional coordination of the UniCredit Group's loan recovery companies.

2007

Global Operations Services Area

In 2007, the Banking Services Department continued the process of integrating the countries under its responsibility (Austria, Germany, Italy, the Czech Republic and Romania) in order to provide better support for the business divisionalization strategy. The breakdown of the main operational lines by product and process provided an opportunity to compare operating and management models in an effort to standardize and bring them into line with best practices. A Risk Committee was established in the Global Operations Services area with the aim of developing global monitoring and business continuity solutions. In 2007, the Back Office area reconfirmed its emphasis on reorganization and efficiency-improvement activities.In Germany, the rationalization of back-office structures and processing continued with the further reduction of sites, an increase in the level of process automation, and significant benefits in terms of production costs. Effective January 2008, HVB Financial Market Services Bank, a company dedicated to the securities sector, was sold to CACEIS. A new Target Operating Model has been established in the investment banking area (under MIB), calling for a reorganization of the finance area with centralization of processes and implementation of a single IT platform. The process of reorganizing and rationalizing back offices at foreign branches continued.

In Italy, the most significant projects in 2007 in the production areas were: the enhanced management of all Italian offices through the closing of the Vicenza and Aosta branches; the launch of the UniCredit Consumer Financing help desk; the completion of the centralization of administrative processing for private mortgages provided by UniCredit Banca with the creation of dedicated competence centers in Romania and Italy; and the implementation of the Certezza Legale (Legal Certainty) project for the audit of guarantees issued by the UniCredit Group banks.

Regarding operations in Romania, the UniCredit Processes & Administration (UPA) branch in Bucharest continued its growth trend by acquiring additional activities in payment processing and correspondent banking. The Bucharest branch also started performing administrative and accounting services for UniCredit Ţiriac Bank, the entity resulting from the merger of UniCredit Romania and HVB Ţiriac. Lastly, a new facility was opened in Iaşi that will make it possible to support the expansion of back-office operations for UniCredit Ţiriac Bank.

In 2007, UPA received confirmation of the ISO9001:2000 and ISO14001:2004 Quality and Environmental Certifications obtained in 2006. The second iteration of the internal customer satisfaction survey called "Ascolto Cliente" was carried out. This yielded results that were better than those in 2006 and better than the European benchmark.

The integration with Capitalia resulted in an increase in processing volume for UPA, especially in the payments, securities and core banking areas. A Back Office Integration Plan was prepared that calls for the enhanced management of operations falling under Capitalia Solutions and Finance Operations.

In Austria, Administration Services launched a reorganization process, moving from a customer-based model to a process-oriented model in keeping with emerging international trends. In the Czech Republic, Banking Transaction Services (BTS) consolidated its back-office role for local banks by providing support for IT migration to the Eurosig platform, as well as support for the bank merger process. Lastly, the Security and Finance area participated in the project to reorganize the UniCredit Group's local investment banks, resulting in the development of a wider sphere of operations in 2008.

2008

In 2008, there are plans to consolidate international integration in the Global Operations Services area, as witnessed by the development of a new corporate organizational model, and the plans for this area may potentially include expansion to additional countries. In 2008, the integration plan is scheduled to harmonize administrative and accounting processes at UPA and Capitalia Informatica with the UniCredit Group's operating model and to centralize back-office operations currently executed by former Capitalia banks. To implement the plan it will be necessary to create a single organizational structure, broken down into 14 geographic offices, to facilitate the assignment of processing tasks according to local capabilities. A substantial training program will support this initiative.

Report on Operations (Continued)

Global Banking Services for the Group (Continued)

Key Projects in 2007 and Main Initiatives for 2008 (Continued)

2007

Workout Services Area

The Workout Services Area was established in the second half of the year with the aim of providing functional coordination for all the UniCredit Group companies and structures involved in the management of problem loan recoveries. UGC Banca S.p.A., the UniCredit Group servicer, which in just a few years has become a leader in the Italian non-performing loans (NPL) market, operates within the Workout Services Area.
At the end of 2007 captive porfolio managed by UGC accounted for the 52% of the total amount.

In 2007, UGC Banca achieved a variety of significant targets in its operations:
- it surpassed the €1 billion threshold of collections in 2007, thereby breaking a record for Italian servicers of NPLs;
- it received consistently high ratings from the major rating agencies: Standard & Poor's assigned it a "Strong" rating, making it the only European servicer to receive this rating, and Fitch Ratings gave it RSS2+IT and CSS2+IT ratings, which, though shared with other companies, were the highest ratings received in Italy;
- it acted as Master Servicer in the restructuring of agricultural tax receivables on the books of the Italian National Social Security Institute (INPS), involving about 700,000 taxpayers for a total of about €7 billion;
- it updated its agreement with outside attorneys, taking a cue from the Bersani law on deregulation and introducing incentive and retention mechanisms;
- it initiated procedures to open the first foreign branch of UGC Banca in Germany.

In 2007 the first edition of the internal customer satisfaction survey (i.e. "Ascolto Cliente") reported results close to top values.

As part of the Capitalia integration, the Workout Services Area (specifically the servicer, UGC Banca) has already completed most of the integration project. It has transferred the management of the NPLs of UniCredit Banca di Roma (formerly Capitalia Holding) and Banco di Sicilia to UGC Banca, established Aspra Finance, to which the problem loans of the banks and companies of the former Capitalia Group will gradually be sold in 2008 and it has revised mandates previously formalized by the Capitalia Group.

2008

The conclusion of the NPL integration process is scheduled for 2008. This will involve the overall management of a portfolio of about 350,000 positions in a total gross amount of approximately €27 billion. With regard to developments abroad, the first foreign branch of UGC Banca will open in Germany, and further contacts will be made with the aim of broadening the geographical coverage of the Workout Services Area.

2007

Organization and Logistics Department

In 2007, the UniCredit Group's Organization and Logistics Department worked to ensure consistency in the development of organizational and operating models in line with business strategy and to support and improve the quality of services and products offered; these considerations included procurement and management costs, either direct or through the relevant service factories. In these projects the Department engaged the support of other group entities (Legal, Risks, Finance, etc.).

The Department was reorganized in 2007 and now is composed of four areas: Organization, Cost Management, Global Sourcing and Real Estate.

The most significant activities performed in 2007 by the Organization area were as follows:
- coordination of the Markets in Financial Instruments Directive (MiFID - a project aimed at implementing new regulatory requirements for Italian legal entities and coordinating MiFID projects in Germany, Poland, Austria and the CEE;
- determination of the authorization process for new financial products designed for professional customers through the establishment of the New Financial Products Committee at the UniCredit Group headquarters;
- coordination of organizational and procedural aspects of the integration with Capitalia finalized on Day One;
- optimization of credit processes with particular regard to corporate and small business performance management at HVB, the management of delinquencies of private customers at HVB, and the credit process for cross-border customers;
- development of organizational and processing aspects in the context of Basel II, with particular regard to the determination of the process to disseminate information on defaults of customers shared by UniCredit Group entities, and the issuance of regulations for group-wide customer processes; development of guidelines for the preparation and approval of the application to Banca d'Italia for the use of internal ratings-based (IRB) methods;
- development of the UniCredit Group model, including: a new senior management structure and a review of the membership of headquarters committees; the reorganization of UniCredit headquarters under the project to integrate former Capitalia human resources and structures; and the reorganization of the Compliance area at the group-wide level.

The most significant activities performed in 2007 by the Cost Management area were as follows:
- Initiation of cost management in Bulgaria, Romania, Hungary, Slovakia, the Czech Republic and Russia;
- Set up and implementation support of an action plan of savings for the aforementioned banks;
- Continuous saving actions on the Italian perimeter (i.e. Printing optimization project).

In 2007, the Global Sourcing area continued to globalize and further focus its operating model on customers. Its most significant activities were as follows:
- integration of CEE countries and consolidation of their purchasing volumes in global categories;
- integration of the Capitalia purchasing structure into the global procurement organization;
- further consolidation of purchasing volumes in global categories in Austria, Germany and Italy;
- achievement of new synergies, as distinct from those anticipated from the integration with HVB;
- increased use of e-procurement tools provided by the 1city.biz digital market, managed by i-Faber S.p.A.;
- launch of a process to create a global e-procurement tool;
- launch of the integration of the purchasing office in Poland into Global Procurement.

In 2007, the Global Sourcing area and the domestic procurement offices achieved synergies on purchases in global and local categories, which exceeded initial estimates, due to the consolidation of purchasing volumes, price standardization, the sharing of best practices and due also, as noted above, to intensive trading in the 1city.biz virtual market (accounting for 35% of total transactions carried out in Italy, Germany, Austria and CEE countries).

Report on Operations (Continued)

Global Banking Services for the Group (Continued)

Key Projects in 2007 and Main Initiatives for 2008 (Continued)

2007

The most significant activities performed in 2007 by the Real Estate area were as follows:

- optimization of the management of the UniCredit Group's real estate assets by completing the 2005-2007 Space Optimization Plan, selling nine properties with a capital gain of 21 millions euro, renewing maintenance contracts for the UniCredit Group's branches and negotiating a new contract for supplying electricity to the entire UniCredit Group (Italian perimeter) using only renewable sources;
- opening of 150 new branches, rebranding of the retail network, restructuring of almost 70 branches and around 800 self-service areas;
- integration of former Capitalia by determining a corporate strategy for acquiring the real estate assets of Capitalia; approval of contractual conditions and supply specifications; determination and application of guidelines for governance activities with respect to Capitalia Solutions in the period preceding the absorption of that entity by UniCredit Real Estate;
- Coordination of the RE Performance project for comparing real estate assets in Austria, Germany and Italy and identifying possible savings areas.

In 2007 the second edition of the Internal Customer Satisfaction survey (i.e. "Ascolto Cliente") on Italian perimeter signed a remarkable improvement (+15%) as compared with previous year. In 2007 the survey was extended for the first time also to Austria and Germany.

2008

The year 2008 will be devoted to both the development and consolidation of the objectives achieved in 2007, as well as to opening up new initiatives to take advantage of the opportunities resulting from integration with the former Capitalia Group. In the Organization area, the main initiatives will be aimed at: beginning the reorganization of risk management duties at the group-wide level; organizational activities and the realignment of areas of responsibility for the completion of the integration with the former Capitalia; the simplification of governance processes; the finalization of MiFID-related procedural aspects; and the implementation of the Retail Division's organizational model in Italy; the outsourcing of securities services.

In the Cost Management area, the main initiatives will be aimed at: establishing a new organizational structure at the group-wide level with accountability for geographical areas and cost categories by making synergies and best practices available throughout the UniCredit Group; developing competence lines by leveraging global and local cost-management structures at every corporate level; expanding the scope of analysis to all the UniCredit Group's cost components, in coordination with the appropriate areas; and standardizing the process of managing expenses and investments by taking advantage of group-wide synergies.

In the Global Sourcing area, the main initiatives will be aimed at: the achievement of further synergy in accordance with purchasing objectives and goals related to the integration of Capitalia; the organizational integration of purchasing offices in Austria, Germany and Italy through activities such as the adoption of the permanent establishment and the merging of parallel organizations; the further consolidation of purchasing volumes in global categories in Austria, Germany, Italy and the CEE; the full integration of Poland into the global organization; the best use of human resources through skill assessments; and increasing the use of the 1city.biz virtual market.

In the Real Estate area, the main initiatives will be aimed at: the integration of the real estate assets of the former Capitalia group, as well as of its human resources and other operations and functions; the rationalization of its sales network after instituting the UniCredit business model; the rationalization of the retail network, in the context of the Private and Corporate Banking carve-outs; and the achievement of significant synergies in terms of space optimization.

Report on Operations (Continued)

The Business Combination with Capitalia

The Business Combination

By a resolution passed on 20 May 2007 UniCredit's Board of Directors initiated a project to combine the UniCredit Group and Capitalia group. A similar decision was made by the Board of Directors of Capitalia S.p.A ("Capitalia") on the same date.

On 30 July 2007 the shareholders of UniCredit and Capitalia met in respective EGMs and approved this combination, which was carried out by absorbing Capitalia into UniCredit (the "Merger").

The merger agreement was signed on 25 September 2007 and registered with Rome and Genoa Trade and Companies Registers on 25 and 27 September 2007, respectively. The merger became effective on 1 October 2007.

REASONS FOR THE BUSINESS COMBINATION

The business combination with the Capitalia group is in line with the strategic goal of further growth including through non-organic transactions in two complementary areas:

- consolidation in our reference markets – Italy, Germany, Austria and Central and Eastern Europe – in order to strengthen UniCredit's position in markets where it already has a presence by benefiting from economies of scale in the areas of production and distribution;
- growth in new markets to achieve economies of scale in the area of production and to create new, significant strategic growth options at the international level.

The combination is certainly consistent with the first development area, domestic growth, but it also allows the implementation of further growth options in both Italian and European markets due to product factories' upscale potential and the Group's greater size.

The post-combination Group benefits from highly diversified geographies (based on data at 31 December 2006) with:

- Four reference markets, viz.: market share of 16% in Italy, 5% in Germany and 19% in Austria; establishments in 17 Central and Eastern Europe (CEE) countries – double the presence of the closest competitor in terms of total assets.
- Over 50% of combined revenues generated outside Italy;

and a well-balanced business mix:

- Significant exposure to retail business (37% of revenue).
- Increased size in global businesses, i.e. Markets and Investment Banking, and Private Banking and Asset Management which account for 14% and 11% of revenue respectively.
- A substantial contribution from the Corporate and CEE divisions (20% and 18% of revenue respectively).

In the Italian market the merger has enabled UniCredit primarily to strengthen its distribution network by increasing market share in economically attractive areas where it was relatively less well represented (Lombardy, Latium, Sicily and Apulia) thereby making it possible to establish a more balanced presence throughout Italy. To be specific, UniCredit's market share, measured in terms of the number of banking branches, has risen from 5% to 9% in Lombardy, from 8% to 27% in Latium, from 4% to 30% in Sicily and from 8% to 13% in Apulia. Following the merger, the Group's branches are almost equally distributed throughout north-western, north-eastern, central and southern Italy and the islands.

The business combination with Capitalia has resulted in an enhancement of UniCredit's position in several specialized businesses. In leasing, market share (measured in terms of the existing portfolio) in Italy will grow from 13% to 21%, in factoring from 6% to 12% (market share measured in terms of the amount of receivables discounted), and in bancassurance from 12% to 18% (market share measured in terms of policies taken out). In addition, UniCredit has significantly expanded its team of financial advisors, the number of which has increased from 1,900 to over 3,000, and it has attained leadership in online banking due to integration of Fineco Bank, the market leader.
Finally, integration allows economies of scale in production, such as asset management and investment banking, while the specialist skills developed by Capitalia in several business segments such as structured finance and subsidized financing enhance the Group's expertise, and these skills may be further exploited Europe-wide.

The adoption of a regional distribution organization following the merger can also facilitate the combination of local banks as described below.
In the international arena UniCredit maintains its strong European profile with over 50% of the Group's revenues after the merger continuing to be derived from markets outside Italy.

DETAILS AND TIMING OF THE COMBINATION

On 30 July 2007 UniCredit's extraordinary shareholders' meeting approved the plan for the absorption of Capitalia into UniCredit. The share swap ratio was set at 1.12 new UniCredit ordinary shares for each Capitalia ordinary share. For the purpose of the combination, UniCredit's extraordinary shareholders' meeting also approved:

- an increase in divisible share capital of up to €1,473,547,088 par value through the issuance of up to 2,947,094,176 ordinary shares with a par value of €0.50 per share to be swapped for Capitalia S.p.A ordinary shares outstanding on the merger's effective date.

As a consequence of the Merger, UniCredit's extraordinary shareholders' meeting also approved:

- four increases in divisible share capital, excluding stock options pursuant to Article 2441 para. 8, Italian Civil Code, up to a total par value of €17,731,028 (equal to up to 35,462,056 ordinary shares) to enable the exercise of new options on UniCredit stock to be allocated as a replacement for an equal number of warrants (originally allocated free of charge to employees of the Capitalia Group, Fineco Group and the network of Fineco Bank financial advisors), which had not been exercised on the effective date of the combination.

The plan for absorption of Capitalia by UniCredit was also approved on the same date, 30 July 2007, by an extraordinary shareholders' meeting of Capitalia. Since UniCredit's articles of association stipulate that no holder of voting rights may exercise such rights for a quantity of shares exceeding 5% of share capital, Capitalia shareholders that did not agree to the merger resolution were given the right to withdraw pursuant to Article 2437 et seq., Italian Civil Code (at a share liquidation price for Capitalia shares of €7.015 per share).

In this regard, the number of Capitalia shares for which the right to withdraw was legitimately exercised totaled 74.8 million. Under Article 2437 quater, paragraph 3, of the Italian Civil Code, the 82,703,400 ordinary Capitalia shares for which the withdrawal right had been exercised, were offered as an option to Capitalia's Shareholders other than those who exercised the withdrawal right for a period ending on 3 October 2007. In the context of this offer, 7,851,704 shares were assigned, both as an effect of the exercise of purchase option rights and of the pre-emption right, pursuant to the above-mentioned Article 2437-ter.

GROUP GOVERNANCE

In accordance with its articles of association (by-laws), UniCredit has adopted a traditional governance system based on a Board of Directors with management functions and a Board of Statutory Auditors with internal control duties.

For the purposes of the integration, together with the combination plan, the boards of UniCredit and Capitalia approved an agreement covering the governance of their respective companies.

Specifically this agreement prescribed that four Capitalia representatives were to be appointed to the Board of Directors of UniCredit (and at the same time, four representatives of UniCredit were to be appointed to the Board of Directors of Capitalia) following the approval of the merger plan by the shareholders' meetings of both companies.

In this regard, at its meeting on 3 August 2007, UniCredit's Board of Directors appointed the following individuals as new directors: Berardino Libonati, Salvatore Ligresti, Donato Fontanesi and Salvatore Mancuso. At the same time, Mr Libonati was appointed as Deputy Chairman of the Board of Directors.

As of 1 October 2007 UniCredit's registered office was transferred from Genoa to Rome, while its headquarters remained in Milan.

The Capitalia Group's presence in regions of central and southern Italy will be enhanced in the new Group not least through the use of the Banca di Roma and Banco di Sicilia brands.

CREATION OF VALUE

It is estimated that the business combination will lead to the generation of gross synergies of about €1.2 billion (net synergies of about €800 million) starting in 2010, about 68% of which will result from cost savings and 32% from incremental revenues due in part to the transfer of best practices. One-time restructuring costs, estimated in the merger project at about €1.1 billion, were recognized in the 2007 Income Statement. The net present value of synergies (after restructuring costs) is estimated to be about €7 billion, which is equivalent to 39% of Capitalia's market capitalization as at 8 May 2007, the last date prior to the significant spread of market rumors.

The Reorganization Plan

Following the Merger, UniCredit also assumed full ownership of those operations, the direct performance of which was not consistent with its operating model. In some cases, UniCredit also assumed direct and indirect control over companies engaged in like businesses already performed by companies of the UniCredit Group.

Thus, in order to translate the objectives communicated to the market into action and operational and business processes that will make it possible to achieve

Report on Operations (Continued)

The Business Combination with Capitalia (Continued)

targets, integration teams were created and assigned to 12 areas (one for each division and competence line). In this context, the Group's overall integration plan for the reorganization process (the "Plan") was prepared, implementation solutions and procedures were identified and the estimated dates for completing the various phases were set. The goal is to complete the entire integration by the end of 2008.
On the one hand corporate changes concern transactions that involve UniCredit SpA directly in the area of the spin-off of operations that are not consistent with the organizational structure adopted, on the other hand the plan covers action designed to integrate common businesses and subsidiaries operating in the same business areas.

ACTION CONCERNING UNICREDIT SPA

Following the Merger, the following business areas, which previously had not been not managed directly by the Group's Parent Company, were transferred to UniCredit:

a) Investment Banking, Call Centre, Large Corporate & Institutional Clients, and Securities Services,
b) Properties, Audit and Non-Performing Loans.

Based on the preliminary work of the integration teams, it was decided to temporarily keep the operations under (a) at UniCredit due to the complexity of the businesses and ongoing assessment of the best transfer methods. These will then be reassigned within the Group or sold to third parties taking into account the Group's strategic objectives and the financial benefits. Moreover, these operations can be performed without altering Capitalia's existing structures and staff responsible for these activities.

On the other hand, for the operations under (b) the following integration methods have been established right from the beginning:

Real Estate

At end-December 2007, property holdings were transferred to UniCredit Real Estate by contributing a Property business, under a capital increase of €880m, i.e. the value of this business, by the transferee.

This business segment consisted of property already owned by Capitalia as well as the assets, liabilities, resources, rights, obligations, responsibilities, legal relationships, powers, charges, expectations, and in general, all substantive legal interests connected with these assets and their management as well as third-party properties being leased and/or other property rights and the 100% equity interest in Capitalia Solutions which is involved in property management.

Internal Audit

At end-December 2007 all human resources and materials needed to perform auditing activities were transferred to UniCredit Audit through the sale of the Internal Audit business.

In summary, the business consisted of the assets, liabilities, resources, rights, obligations, responsibilities, legal relationships, powers, charges, expectations, and in general, all substantive legal interests arranged for performing internal audits at some former Capitalia subsidiaries, in accordance with the UniCredit Group operating model.

To ensure internal audit's management continuity and uniform methods and to avoid adopting organizational solutions that might later have to be changed again when the new structure was perfected, effective 1 October 2007 it was decided to assign to UniCredit Audit only those outsourcing agreements for internal audit services previously entered into with former Capitalia companies. It was also deemed appropriate to second the staff used for auditing to UniCredit Audit ahead of the transfer of auditing as a whole.

Non-Performing Loans

Capitalia's non-performing loans, transferred to UniCredit on absorption, amounted to
€ 4,557 million gross and € 1,317 million net at 31 December 2007, in respect of approximately 34,000 positions.

These loans, together with related lawsuits in which the bank is defendant (including only those claw-back suits already managed by Capitalia's Loans under Restructuring department or outside servicers under specific agreements with Capitalia), were transferred – by means of en bloc assignment of all the legal relationships – to a vehicle intended to be the Group's "bad company". To this end UniCredit acquired 100% of the financial firm Aspra Finance in December 2007, which will have capital of €350 million, sufficient for its operations. Aspra may in future acquire further problem loans from Group entities.

Aspra Finance also holds former Capitalia companies in liquidation with the aim of optimizing this process.

CORPORATE TRANSACTIONS CONCERNING OTHER GROUP COMPANIES

Group reorganization is carried out in accordance with a divisional model under which business lines focus on customer segments and global product factories and ICT, real-estate and back-office operations are centralized. Planned transactions having this character are as follows:

Integration of banking businesses
The post-merger Group maintained a business model consistent with UniCredit's divisional structure with a clear focus on retail, private and corporate customer segmentation. Integration of the three banks Bipop Carire, Banca di Roma and Banco di Sicilia is planned in keeping with this model.

Retail banking will be offered in Italy by three distinct entities (UniCredit Banca, Banca di Roma and Banco di Sicilia) in order to maximize business effectiveness by taking advantage of existing, highly recognizable brands and local capabilities. This goal will be pursued by assigning regional responsibility to UniCredit Banca for northern Italy, Banca di Roma for central and southern Italy, Banco di Sicilia for Sicily, and through the integration of Bipop Carire.

The corporate and private banking operations of the above banks will be transferred to the banks specializing in these businesses, UniCredit Banca d'Impresa and UniCredit Private Banking, and mortgage loans and consumer credit/credit cards will be assigned respectively to UniCredit Banca per la Casa and UniCredit Consumer Financing Bank, formerly UniCredit Clarima Banca.

From a legal, accounting, tax, operating and governance standpoint, the best solution for achieving this integration consists of:
- First, absorption of Bipop Carire, Banca di Roma, Banco di Sicilia and UniCredit Banca by UniCredit which will result in the subsidiaries UniCredit Clarima Banca and UniCredit Banca per la Casa reporting directly to the parent company, and
- secondly, the subsequent transfer of the (i) retail banking division to three new banks, which, for continuity purposes, will retain the names of UniCredit Banca, Banca di Roma and Banco di Sicilia with the regional responsibilities indicated above, (ii) of the private and corporate banking units to UniCredit Private Banking and UniCredit Banca d'Impresa, (iii) of medium-term loans, mortgages and loans to UniCredit Banca per la Casa and UniCredit Clarima Banca, and (iv) of Banca di Roma's and Banco di Sicilia's properties to UniCredit Real Estate.

This Plan will enable the Group to:
- allocate only appropriate businesses to each bank,
- optimize the banks' capital,
- directly allocate branches to the Retail banks according to geographical coverage by anticipating the effect of each, thus reducing the complexity of the corporate transactions necessary for this distribution,
- backdate accounting and tax effects to 1 January 2008, thus simplifying later accounting and tax compliance by using a reorganization model which entails a fiscally neutral transaction (i.e. absorption), and
- allocate other former Capitalia banks' businesses to UniCredit Group subsidiaries in accordance with the business model without recourse to further transactions.

The whole project is expected to be completed and the absorption and asset transfers to be effective on 1 November 2008.
Pursuant to the decision of the Italian Antitrust Authority No. 17283/2007 which cleared the merger for incorporation of Capitalia S.p.A. in UniCredit S.p.A., at the end of October 2007 UniCredit started a process, still ongoing, for the sale of 186 branches located in 16 Italian provinces, in order to eliminate any anti-competitive effects in the provinces with significant market shares.

Integration of Real-Estate, ICT, Back-Office and Workout Businesses
To maximize economies of scale and ensure full integration of the two groups, real-estate (other than the Capitalia real estate described above), IT, and back-office operations will be centralized respectively in UniCredit Real Estate (URE), UniCredit Global Information Services (UGIS), and UniCredit Processes & Administration (UPA) with the aim inter alia of improving the combined Group's cost structure.

In detail:
- Capitalia Solutions (100%) real-estate operation will be transferred to URE as well as the property of MCC - Mediocredito Centrale held through Immobiliare Piemonte (100% MCC) and of Banca di Roma and Banco di Sicilia.
- Capitalia Informatica (100%) IT operations will be transferred to UGIS comprising staff, hardware and software owned by CI and Capitalia Asset Management (100%)
- Capitalia Solutions (100%) invoice payment and administration operation will be transferred to UPA as will the back-office operation of Capitalia Informatica (100%), which will be absorbed by UPA.

Workout operations were transferred to UGC Banca in December 2007 as follows:
- Capitalia Service JV (workout firm – a 51% joint-venture with Archon, a Goldman Sachs subsidiary). Under agreements with Archon concerning CS JV, in February 2008 UGC Banca acquired the stake held by Archon for a total price of € 0.5 million.
- Reimmobiliare (100%), which participates in auction of foreclosed property under an agreement with Pirelli Real Estate.

Report on Operations (Continued)

The Business Combination with Capitalia (Continued)

Private Banking and Asset Management
As regards the Private Banking and Asset Management business area, Fineco Bank, which is already a leader in the online trading sector, will become the Group's specialist company and one of the main players in asset gathering by absorbing UniCredit Xelion Banca, while Pioneer Global Asset Management will consolidate its role as leader in asset management and segregated accounts.

- In respect of asset gathering, it is planned:
  - to concentrate in FinecoBank UniCredit Private Banking's asset gathering business, comprising mainly of its 100% control of UniCredit Xelion Banca as well as through its corporate center servicing Xelion, by means of a split-off
  - that FinecoBank absorbs UniCredit Xelion Banca (100%).

  The plan is expected to be completed by 1 July 2008.
- Asset management and wealth management will be absorbed by Pioneer globally, under the PGAM sub-holding company, with the aim of exploiting the latter's scale and well-known brand, as follows:
  - Capitalia Asset Management SGR (100%, an asset manager) by Pioneer Investment Management SGRpA;
  - Capitalia Investimenti Alternativi SGR (100% UniCredit, of which 5% was acquired in December 2007 by FinecoBank, a hedge fund) by Pioneer Alternative Investments Management SGRpA;
  - Capitalia Investment Management SA Luxembourg (100%) in Pioneer Asset Management SA (Luxembourg);

  The plan is expected to be completed by 1 April 2008.

Bipop Carire, Banca di Roma and Banco di Sicilia's wealth management (segregated accounts) business will be transferred to Pioneer Asset Management SGR by 1 April 2008.

- To consolidate the leadership of Cordusio Fiduciaria in "static" trust business the latter will absorb Romafides (100%) and European Trust (100%) by end June 2008.
- The Luxembourg banking business of Capitalia Luxembourg SA (100%) will be transferred to UniCredit International Bank (Luxembourg) SA (100%) by end June 2008.

Corporate Banking
As regards the corporate business area, the leasing, factoring and corporate banking operations of MCC – Mediocredito Centrale will be concentrated in UniCredit's specialist companies, and specifically:

- MCC's factoring business was sold to UniCredit Factoring comprising factored debt of €2 billion at end December 2007 for €15.5 million. UniCredit Factoring received a capital injection of €104 million to finance this acquisition and business development planned for 2008 as well as complying with the capital requirements laid down for finance houses belonging to banking groups.
- MCC's leasing business will be transferred to Locat by means of a split-off. The best opportunities for the improvement of Fineco Leasing's market positioning are currently under consideration.
- MCC's corporate banking business will be transferred to UniCredit Banca d'Impresa along with that of Bipop Carire, Banca di Roma and Banco di Sicilia.

Retail Banking
Products will continue to be developed by global product factories and business will be fully integrated. Residential mortgages and consumer finance will be concentrated in UniCredit Banca per la Casa e in UniCredit Clarima Banca. In detail:

- FinecoBank's mortgage business will be transferred to UniCredit Banca per la Casa including its 100% stake in Fineco Crediti as will the mortgage business of Bipop Carire, Banca di Roma and Banco di Sicilia, following absorption of these banks by UniCredit.
- Consumer finance and credit card business will be transferred to UniCredit Clarima Banca as follows:
  - Bipop Carire, Banca di Roma and Banco di Sicilia's 'loan' business, following absorption of these banks by UniCredit, to be completed by 1 November 2008.
  - FinecoBank's salary backed loan business, effectively its stake in Fineco Prestiti, already including this business, as well as other assets and staff responsible for this business within FinecoBank, to be completed by end June 2008.
  - Bipop Carire, Banca di Roma and Banco di Sicilia and FinecoBank's "credit card" business following absorption of these banks by UniCredit to be completed by end 2008.

Other Reorganization Action
With the aim of reducing the number of subsidiaries UniCredit will absorb Capitalia Partecipazioni (which is the holding company for strategic stakes in Mediobanca SpA, Camfin Finanziaria SpA, Gemina SpA and Investimenti Infrastrutture SpA) and Capitalia Merchant (which holds certain non-core interests, originally acquired as part of merchant banking or private equity transactions, stakes in property companies and related services, and shares in closed-end investment funds), and a disposal plan has been devised for non-strategic minority stakes held by the wider group after absorption of Capitalia.

Fineco Finance (100%-subsidiary), after having sold to UniCredit Bank Ireland (also a 100%-subsidiary) its assets (bonds, loans and ABSs) for € 3bn, was put under liquidation in February 2008. The liquidation process should end in the first half of 2008.

Purchase price allocation and pro-forma income statement

PURCHASE PRICE ALLOCATION

The transaction was reported for accounting purposes in accordance with IFRS 3, pursuant to which the cost incurred by the purchaser is equal to the fair value of the shares issued on the date control was actually acquired, plus any costs directly attributable to the combination. The increase in capital to service the merger (based on 1.12 new UniCredit shares exchanged for every ordinary Capitalia share) resulted in the issuance of about 2,918 million shares which were valued at the price as of October 1 (€6.004) resulting in a total of €17,518 million. If directly attributable costs of €28 million are also included, the overall cost of the acquisition was €17,546 million.

According to IFRS 3, €9,934 million of the acquisition cost was allocated to the fair value of the net assets acquired, and the remainder (€7,612 million) to goodwill. This allocation, called the "purchase price allocation" (PPA) is considered temporary; it will be finalized within a year of the acquisition as allowed by IFRS 3.

The fair value measurement of the net assets acquired resulted in the following:

- the posting of intangibles related to the brand and customer relationships totaling €2,496 million;
- an overall negative adjustment to net impairment losses on loans and the valuation of Trevi securities totaling €1,122 million. This amount includes the impact from the alignment to UniCredit accounting criteria related to overdue interest recorded only at the time of actual collection, the method of quantifying time value for impaired loans, the coverage of past-due loans, the determination of general provisions, and the impact from the classification and valuation of doubtful loans and non-performing loans;
- a positive adjustment to the book value of other asset items in the amount of €1,426 million related to performing loans to customers, securities, equity investments, properties and other assets;
- a negative adjustment to the book value of liabilities in the amount of €250 million (higher liabilities) related to bonds and CDs issued, provisions for risks and charges, pension funds, the TFR and other liabilities.

As a result, these valuations resulted in the reporting of deferred tax assets and liabilities, the net amount of which was a negative figure of about €1,005 million.

The valuations carried out during the purchase price allocation process had no effect on capital ratios since intangibles were subtracted from capital for regulatory purposes, as was goodwill, while the other valuations largely offset each other.

PRO-FORMA INCOME STATEMENT

As already indicated in the Report, pursuant to international accounting standards, the results of the former Capitalia Group were included in the UniCredit Group's income statement starting on the acquisition date (October 1, 2007). The fourth quarter income statement was negatively affected by the integration costs for the two groups and the effects on the income statement from restating assets and liabilities at fair value (PPA) as stated above. The latter effects primarily concern the amortization of client relationships, which are reported under intangible assets, and the differences between the fair value and previous book value figures for loans to customers and bonds.

This paragraph presents the pro-forma income statement for 2007 also reflecting the results of the Capitalia Group for the first nine months of the year. Therefore, the pro-forma income statement was determined as if the acquisition and consolidation of the Capitalia Group had occurred on January 1, 2007 (the so-called first consolidation). However, the PPA effects on the income statement were not calculated on the basis of hypothetical fair values as of January 1, 2007, which would have differed significantly from those as of October 1 in light of rate and loan spread movements during the summer. Instead, these effects were maintained at the level actually recorded and are reported on a separate line before net profit. This essentially makes it possible to do a line-by-line comparison of the pro-forma income statement for 2007 with previously published income statements for the first nine months of 2007 (included in the interim report for September), the first half of 2007 (included in the updated disclosure document for the merger published in September) and for 2006 (included in the disclosure document published in July).

The pro-forma income statement is prepared solely for illustrative purposes and therefore should not be considered

Report on Operations (Continued)

The Business Combination with Capitalia (Continued)

representative of the results that would have been obtained if the merger had actually occurred at the beginning of the period used as a reference.

The pro-forma income statement for 2007 is reported as the sum of the following three components:

- The income statement of the UniCredit Group excluding the contribution of the Capitalia Group to results for the fourth quarter and the effects of the PPA on the income statement;
- The income statement of the Capitalia Group calculated as the sum of the income statement for the first nine months for the Capitalia Group and the contribution to fourth quarter results of the UniCredit Group. The latter is reported excluding one-time charges in the fourth quarter income statements of the individual companies to bring them into line with the Group's accounting criteria. In fact, these charges, which are included in the PPA, have no effect on the UniCredit Group's consolidated income statement since they were already incorporated in the first consolidation of the balance sheet;
- Consolidation eliminations and adjustments including the effect of the PPA on the income statement on a separate line. Eliminations were mainly for other income and administrative expenses related to service relationships after the merger; while interest, fees and commissions offset each other in the items "net interest" and "net fees and commissions." The adjustments were those applied in the fourth quarter to fees and commissions reported by companies of the former Capitalia Group for the placement of securities issued by companies belonging to the "pre-combination" UniCredit Group in addition to the adjustment to the income statement of the Capitalia Group for the first nine months to standardize the useful life used for the calculation of depreciation of buildings used for operating purposes (annual depreciation rate of 2%) to the useful life used for the same purpose by the UniCredit Group in Italy (annual depreciation rate of 3%) with an impact of €8 million on net profit. Net trading income for the first nine months of the year for UniCredit stock held by the Capitalia Group and for Capitalia shares held by the UniCredit Group did not result in any pro-forma adjustment given its modest amount.

No additions were made to the scope of consolidation for the first nine months in the pro-forma income statement since the year-end scope of consolidation for 2007

Consolidated Pro-Forma 2007 Income Statement (€ million)

	UNICREDIT (EXCLUDING CAPITALIA)	CAPITALIA	ELIMINATIONS AND ADJUSTMENTS	PRO-FORMA
Net interest	13,293	2,906	0	16,199
Dividends and other income from equity investments	822	99	-1	920
Net interest margin	14,115	3,005	-1	17,119
Net fees and commissions	9,021	1,683	-10	10,694
Net trading, hedging and fair value income	1,040	239	1	1,280
Net other expenses/income	576	-5	-9	562
Net non-interest income	10,637	1,917	-18	12,536
OPERATING INCOME	**24,752**	**4,922**	**-19**	**29,655**
Payroll costs	-7,727	-1,943	0	-9,670
Other administrative expenses	-4,671	-1,127	8	-5,790
Recovery of expenses	277	316	0	593
Amortization, depreciation and impairment losses on intangible and tangible assets	-1,209	-220	-13	-1,442
Operating costs	-13,330	-2,974	-5	-16,309
OPERATING PROFIT	**11,422**	**1,948**	**-24**	**13,346**
Goodwill amortization	-1	0	0	-1
Provisions for risks and charges	-617	-136	0	-753
Integration Costs	-506	-802	0	-1,308
Net impairment losses on loans and provisions for guarantees and commitments	-2,050	-418	0	-2,468
Net income from investments	1,530	164	0	1,694
PROFIT BEFORE TAX	**9,778**	**756**	**-24**	**10,510**
Income tax for the year	-2,683	-489	8	-3,164
NET PROFIT	**7,095**	**267**	**-16**	**7,346**
Profit (Loss) from non-current assets held for sale, after tax	0	0	0	0
PROFIT (LOSS) FOR THE YEAR	**7,095**	**267**	**-16**	**7,346**
Minorities	-715	-3	0	-718
NET PROFIT ATTRIBUTABLE TO THE GROUP	**6,380**	**264**	**-16**	**6,628**
CAPITALIA PPA IMPACT			**-62**	**-62**
NET PROFIT ATTRIBUTABLE TO THE GROUP AFTER PPA	**6,380**	**264**	**-78**	**6,566**

did not reflect any additions of companies held jointly by both groups in the period preceding the merger.
As compared to the pre-merger situation, the combination with the Capitalia Group resulted in an increase of over 21% in net interest margin, a 20% increase in operating income and a 17% increase in operating profit. These increases reflect the fact that net interest margin was a higher percentage of total revenues at Capitalia than at UniCredit, and the relatively higher cost-income ratio (60.4% vs. 53.9%). Thus, operating income was nearly €30 billion, while pro-forma operating profit totaled €13.3 billion.

Pro-forma profit before tax (€10.5 billion) reflected the impact of integration costs of €1.3 billion, of which about €1,273 million was related to the combination with Capitalia. The latter mainly consisted of payroll costs totaling €1,037 million including €468 million for UniCredit and €569 for Capitalia. In addition, impairment losses of €159 million were reported on software and other tangible and intangible assets, in addition to provisions of €17 million and other administrative expenses of €60 million.

Net income from investments included the capital gain of €603 million (€549 million after taxes) reported on the sale of a 9.37% stake in Mediobanca.
An opposite effect came from the reduction of tax rates in Germany (€160 million) and in Italy (about €200 million). The latter had a particularly negative effect on the income statement of the former Capitalia Group.

The PPA had a negative impact of €62 million on the income statement for Q4 2007 due largely to after-tax amortization and depreciation charges, fair value adjustments to loans to customers and bonds and the amortization charge for client relationships.

Pro-forma net profit was €6,566 million corresponding to earnings per share of €0.50. Excluding the above extraordinary items (namely, integration costs higher than capital gains on Mediobanca stake, PPA effects on the income statement and impact of the reduction in tax rates) net profit per share is €0.55.

ROE deserves a special analysis since it is significantly affected by the method used for recording corporate combinations as required by IFRS 3. For combinations of listed companies through share exchanges, as noted above, IFRS 3 specifies that the capital increase by the acquiring company must be valued at prices in effect on the date control of the company acquired is obtained. If, as is often the case, the “price/book value” is significantly higher than parity, the group resulting from the combination will have shareholders’ equity that is proportionately higher than the sum of the shareholders equity figures of the two pre-existing groups with a resulting negative impact on ROE. The higher shareholders’ equity, excluding the PPA impact, is reflected in a corresponding increase in goodwill. However, this accounting method has no effect on capital ratios since goodwill is subtracted from capital for regulatory purposes. Similarly, we believe that for the calculation of ROE, the shareholders’ equity used as a reference must also be adjusted for the goodwill reported in assets in order to obtain a comparable amount for shareholders’ equity which is a continuation of shareholders’ equity figures before the corporate combination. It should also be noted that the timing of the combination can have a significant impact on the amount of shareholders’ equity. If the combination with Capitalia had been completed at the beginning of 2007, based on UniCredit’s share price of €6.756, there would have been a capital increase of about €19.7 billion. However, the same transaction completed at the end of 2007 would have resulted in a capital increase of less than about €3.2 billion with a similar reduction in goodwill, assuming no change in PPA. If these differences were not offset by subtracting goodwill from shareholders’ equity, ROE would reflect a difference of about one point. A similar situation occurred in the acquisition of the HVB group. From the time of the announcement of the acquisition of the controlling interest, UniCredit prices rose from €4.095 to €4.620 with an added impact on shareholders’ equity and goodwill of about €2 billion.

For these reasons, we believe it is appropriate to calculate ROE as the ratio of net profit for the period to average shareholders’ equity adjusted for goodwill reported in assets following the HVB and Capitalia acquisitions which were carried out with an exchange of shares and recorded in accordance with IFRS 3.

Pro-forma ROE calculated in this way was 17%. Using adjusted net profit as defined above, ROE would be 18.8%.

Report on Operations (Continued)

Corporate Transactions and Rationalization of Group Operations

2007, as well as being the year of Capitalia's absorption by UniCredit, was also marked by continued intensive Group reorganization following the HVB business combination, which is now complete, and by new non-organic growth initiatives in line with the divisional and segment model, the aim being both to consolidate and increase the Group's leadership in all business areas, and to eliminate overlapping and achieve greater synergy and reduced costs.

INTRA-GROUP RATIONALIZATION TRANSACTIONS

In 2007, as part of the process of integration with the HVB Group, which is aimed at simplifying the Group's structure, reducing control lines, achieving cost and revenue synergies and managing the subsidiaries' business in line with the Group's divisional model, the following transactions were completed:

- the transfer from HVB to UniCredit of its 77.53% stake in BA-CA
- the corporate reorganization of banking operations in Central and Eastern Europe (excluding Poland and Ukraine), centralized under the Sub-Holding Company BA-CA
- the integration of banks operating in Central and Eastern European countries
- the transfer of HVB's banking operations in Ukraine to Bank Pekao
- the transfer of UBM's Investment Banking business unit to HVB as part of the project to reorganize the Group's investment banking operations and
- the reorganization of the Group's leasing business.

TRANSFER FROM HVB TO UNICREDIT OF ITS STAKE IN BA-CA

In January 2007 in order to ensure direct report to UniCredit by BA-CA, which (as mentioned above) is the sub-holding company for operations in Central and Eastern Europe (CEE), the acquisition of the entire 77.53% stake held by HVB in BA-CA (in addition to the 17.45% already held directly) was completed at a price of €109.81 per share corresponding to a payment of about €12.5 billion for the entire holding, determined on the basis of an appraisal performed by an independent expert.

REORGANIZATION OF BANKING OPERATIONS IN CENTRAL AND EASTERN EUROPE (EXCLUDING POLAND AND UKRAINE)

During the year, the proposed reorganization of operations in Central and Eastern Europe (CEE), which was approved by UniCredit's board in August 2006, was completed. The plan is to centralize under BA-CA the CEE area equity investments and banking operations held by UniCredit and HVB (excluding those in Poland and Ukraine).

UniCredit's transfer of the above businesses took place by means of the transfer of the "CEE business division" which includes the following equity investments held directly by UniCredit in banks operating in CEE: 50.00% of Koç Finansal Hizmetler A.S., 81.91% of Zagrebacka banka D.D., 86.13% of Bulbank A.D., 100.00% of Zivnostenska banka, A.S., 97.11% of UniBanka A.Ş. and 99.95% of UniCredit Romania S.A., as well as a number of assets and liabilities closely related to these holdings.

In order to implement the transfer of the above business division, BA-CA approved the issuance of 55 million ordinary shares reserved for UniCredit. The issuance price of the new shares, set by BA-CA's Management Board and Supervisory Board meeting in Q4 2006, confirmed by an independent expert appraisal, was €105.33.

The newly issued BA-CA shares had no dividend entitlement for 2006. UniCredit has in turn retained the right to 2006 dividends distributed by the above CEE banks.

The transaction was finalized with the registration of the BA-CA capital increase (on 16 March 2007) after obtaining approval from the Austrian Financial Market Authority and other competent authorities, as well as an independent expert's confirmation that the value of the assets transferred was at least equal to the capital increase.

Following the above transfer, the total investment held by UniCredit in BA-CA rose from 94.98% to 96.35% of the capital. Upon the completion of the transfer of the Group's banking operations in CEE to BA-CA, in January 2007 HVB transferred the following to BA-CA:

- 70.26% of International Moscow Bank (IMB) for €1,015 million. In addition, BA-CA purchased from VTB Bank (France) SA, in two installments (at the end of December 2006 and beginning of January 2007) 19.77% of IMB for approximately US$ 415.3 million bringing its stake to 90.03% of capital stock (95.19% of voting capital). Finally, in July BA-CA acquired total control of IMB by purchasing the remaining 9.97% of share capital from the European Bank for Reconstruction and Development for a total price of US$ 229.4 million;
- 100% of AS UniCredit Bank (formerly HVB Latvia) for €75 million taking into account the Latvian bank's capital increase of €40 million subscribed by HVB in August 2006. AS UniCredit Bank also opened branches in Estonia and Lithuania, and last September HVB transferred the assets and liabilities held in those countries to those branches. This transaction, which was involving

a payment totaling €10 million for goodwill plus the difference between the book value of the assets and liabilities transferred, completed the Group's reorganization in this area where AS UniCredit Bank will operate as the Group's pan-Baltic bank.

INTEGRATION OF BANKS OPERATING IN CEE COUNTRIES

The process of reorganizing operations in CEE countries where the Group operates has almost been completed through the following transactions:

1. UniBanka A.S. and HVB Bank Slovakia A.S. in Slovakia
2. Zivnostenska banka A.S. and HVB Bank Czech Republic A.S. in the Czech Republic
3. Bulbank A.D., HVB Bank Biochim A.D. and Bank Hebros A.D. in Bulgaria
4. Banca Commerciala HVB TIRIAC S.A. and UniCredit Romania S.A. in Romania
5. UniCredit Zagrebacka banka d.d. and HVB Central Profit Banka d.d. in Bosnia-Herzegovina.

On 1 April 2007 the absorption of HVB Bank Slovakia by UniBanka (which changed its name to UniCredit Bank Slovakia A.S.) became effective, while on 27 April 2007 the absorption of HVB Bank Biochim A.D. and Bank Hebros A.D. by Bulbank (which changed its name to UniCredit Bulbank AD) was carried out.

UniCredit Romania S.A. was absorbed by Banca Comerciala HVB Tiriac S.A., effective 1 June 2007, under the new name UniCredit Tiriac Bank S.A, and on 5 November 2007 the absorption of Zivnostenska Banka A.S. by HVB Bank Czech Republic A.S. became effective, the latter being renamed UniCredit Bank Czech Republic, a.s.. The merger of Group's banks in Bosnia-Herzegovina became effective on 29 February 2008.

REORGANIZATION OF BANKING OPERATIONS IN UKRAINE

To enable the reorganization of existing operations in Ukraine, which, together with the Group's Polish operations, are in UniCredit's Poland's Markets Division, at the end of March HVB transferred the entire stake held in Joint Stock Commercial Bank HVB Bank Ukraine (100%) to Bank Pekao (at a price of about €84 million), which already had a controlling interest in UniCredit Bank Ltd., in order to integrate the Group's presence in Ukraine under Bank Pekao.

In September, the assets and liabilities of HVB Bank Ukraine were transferred to UniCredit Bank Ltd, and the absorption of HVB Bank Ukraine by UniCredit Bank Ltd was completed in February 2008.

REORGANIZATION OF THE GROUP'S INVESTMENT BANKING OPERATIONS

Transfer of UBM's Investment Banking Unit to HVB

As a part of the project to rationalize operations in the Group's Investment Banking area that are related to the Markets and Investment Banking ("MIB") Division, on 1 April 2007, the contribution of UBM's Investment Banking business unit to HVB (Milan branch) took effect. This project calls for centralizing operations in a single legal entity, namely HVB.

The contribution included the assets, liabilities, rights, obligations, agreements, documents, responsibilities, duties, powers and all other positions that involve legal rights or obligations that were organised as the commercial, economic and financial operations for conducting UBM's investment banking business, and that represented on the whole the majority of UBM's operations.

The operations transferred consisted of total assets of about €66 billion and total revenue of about €470 million.

In support of the contribution, HVB issued 51.7 million new shares to UBM representing 6.44% of share capital. It is estimated that the absorption by the parent company will be completed by the and of March 2008.

This reorganization of the Investment Banking area will result in greater efficiency, faster decision making and a more streamlined corporate governance structure. It will also stimulate the creation of a common corporate culture which is a key factor for attracting and retaining talented resources.

Reorganization of Investment Banking in BA-CA and Central Eastern Europe Subsidiaries

As part of the process of concentrating all investment banking in HVB, reorganization of investment banking in BA-CA and Central Eastern Europe subsidiaries was initiated in September 2007. This process will be accomplished in stages and according to several timetables: the target structure to be achieved by the end of Q3 2008 envisages gradual transfer by BA-CA of all Austrian, CEE and Aton Group (Russia) business to UniCredit CA IB Beteiligungs AG, currently a holding company but eventually to become a bank, controlled by an intermediate vehicle, BA-CA Markets & investment Beteiligungs GmbH.

REORGANIZATION OF LEASING OPERATIONS AT THE GROUP LEVEL

The leasing business has strategic importance for the Group, and especially for the Corporate Division, in which this business is included, and which is responsible for the functional coordination

Report on Operations (Continued)

Corporate Transactions and Rationalization of Group Operations (Continued)

of the various companies specializing in this sector that are currently directly and indirectly owned by the parent company.

This business is carried out by a number of companies in 16 European countries in which different organizational models and distribution structures are used in order to adapt to the specific nature of local markets allowing significant potential for business development. Thus, in order to ensure the best management and coordination of leasing operations and to foster their growth over time, the parent company approved the creation of a new organizational and management model for the development of this business segment (called the "global business line leasing company") which calls for a sub-holding company with planning, coordination and control functions for the business concerned in Italy, Germany, Austria and CEE countries. In the latter area, the business will be conducted in co-partnership with banks located in the region.

To this end, in April the new company, UniCredit Global Leasing S.p.A., was established with initial capital of €180 million which was fully subscribed by the parent company.

In order to initiate the above rationalization project, at the end of June UniCredit Global Leasing approved a capital increase from €180 to €762 million which was subscribed and paid for by UniCredit and Bank Austria through contributions in kind.

In detail: (i) the capital increase from €180 to €514 million was subscribed by UniCredit through the transfer of its "leasing business unit" (effective 1 July 2007), which largely consisted of the controlling interests it held in Locat S.p.A. and UniCredit Leasing Romania IFN S.A., in addition to leasing-related assets, liabilities and human resources; (ii) the capital increase from €514 to €762 million was subscribed by Bank Austria through the transfer (effective 27 July 2007) of equity investments held in Bank Austria Creditanstalt Leasing GMBH ("BA-CAL"), a company in this sector which in turn holds equity investments in several leasing companies and SPVs created for specific leases, and in UniCredit Global Leasing Participation Management GmbH.

These transfers will mean that UniCredit's and BA-CA's respective stakes in UniCredit Global Leasing SpA will be 67.41% and 32.59%.

To complete the business structure, it is anticipated that by the end of 2008 UniCredit Global Leasing will acquire a controlling interest in the other leasing companies operating in the Group in order to coordinate their operating management.

SQUEEZE-OUT AT BAYERISCHE HYPO- UND VEREINSBANK AG ("HVB") AND AT BANK AUSTRIA CREDITANSTALT AG ("BA-CA")

At its meeting on 23 January 2007, the UniCredit S.p.A. board of directors, in its capacity as majority shareholder of Bayerische Hypo- und Vereinsbank AG ("HVB") and Bank Austria Creditanstalt AG ("BA-CA") voted to initiate the squeeze-out procedure at both banks.

On that date UniCredit held 95% of the share capital of HVB after acquiring 1.23% on the market, and 96.35% of the share capital of BA-CA. Thus, it was possible to initiate this procedure based on the provisions of German and Austrian law respectively.

With regard to the squeeze-out at HVB, at its meeting on 9 May 2007, the UniCredit board of directors set a cash price of €38.26 for each HVB share.
Based on the fact that after the transfer of UBM's investment banking business unit HVB's minority shareholders held 36,534,957 shares in the company (equal to about 4.55% of total capital), the unit price set corresponds to a total equivalent of about €1,398 million.
The squeeze-out price was determined on the basis of an appraisal performed by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, Germany, based on the German IDW standards "Standards for the Valuation of Companies" (IDW S 1). In addition, an opinion was issued on the appropriateness of the price by Warth & Klein, an independent auditing firm appointed by the competent court of Munich.

With regard to the squeeze-out at BA-CA, UniCredit's board of directors and BA-CA's management board both met in March 2007 and set a cash price of €129.4 for each of the 7,374,016 bearer shares, equal to about 3.65% of total share capital. This amount corresponds to a total cash payment of about €954 million. The squeeze-out price was determined on the basis of an appraisal carried out by Deloitte Valuation Services GmbH in accordance with Austrian valuation standard KFS BW1. In addition, an opinion was issued on the appropriateness of the price by TPA Horwath Wirtschaftsprufung GmbH, an independent auditing firm appointed by the competent court of Vienna.

The squeeze-out transactions of HVB and BA-CA were approved by the respective shareholders' meetings on 26-27 June and 3 May 2007. These resolutions were the object of a voidance action brought forward by HVB's and BA-CA's minority shareholders.

NEW EXTERNAL GROWTH INITIATIVES FOR THE GROUP

THE PIONEER SUBGROUP

In order to take advantage of business opportunities in Russia, where the Group is already represented by International Moscow Bank (a subsidiary of BA-CA), and in keeping with its growth strategy, last March Pioneer Global Asset Management S.p.A. (PGAM) established a new company in Russia called Pioneer Investment Management LLC, headquartered in Moscow, to manage domestic funds and individual asset management accounts in the local market.

The capital base of the newly established company required to commence operations and support growth in future years was projected to be €6.5 million.

Pioneer will mainly use the branch network of ZAO UniCredit Bank Russia, formerly International Moscow Bank, and of several outside retail banks, with which Pioneer has already established a productive working relationship, to distribute its products in Russia.

As a further means of developing business in strategic markets, in October 2007 PGAM signed a partnership agreement with Bank of Baroda – fourth Indian government bank with more than 2,700 branches and over 29 million customers – to establish a joint venture (in which PGAM will have a controlling interest) for the asset management business in India. This will allow PGAM to expand its presence in one of the fastest growing markets. The Memorandum of Understanding was signed in February.

The partnership agreement with Bank of Baroda has already been notified to the local authorities and is the first of its kind in India; it provides for the purchase by Pioneer Investments of a 51% stake in Bank of Baroda's asset management firm, to be renamed Baroda Pioneer Asset Management Company.
Finalization of this transaction is subject to issue of the necessary authorization by regulators including Banca d'Italia and the Securities and Exchange Board of India.

PGAM's contribution to the joint venture will be its expertise in terms of products, investment processes, marketing strategies and professionalism (the hiring of staff and related training), while Bank of Baroda will contribute its knowledge of the local market and customers, a sales force consisting of the bank's distribution network and the ability of the latter to interact with the competent authorities.

In December 2007 UniCredit's Board approved the incorporation by PGAM of a Serbian-law NewCo to manage mutual funds, with starting capital of €1 million. This initiative is part of the growth plan of the Pioneer sub-group and is designed to consolidate the Group's leadership in asset management in CEE. The NewCo will be able to sell through UniCredit Bank Serbia's branches in order to benefit from synergies and stable revenue; it is the eighth-largest bank in Serbia and had a market share of 4% at end September 2007 by total assets and about 120,000 customers. The objective is to become an important player in the local market, initially by selling funds to retail and affluent customers and subsequently to corporate clients.

The NewCo is expected to start business in Q2 2008, once all necessary authorizations have been received.

THE BA-CA SUB-GROUP

Aton

In order to establish a significant presence in the brokerage and investment banking market in Russia, in December 2006 BA-CA signed an agreement with Aton Capital, a financial group headquartered in Russia, in order to acquire its brokerage and investment banking operations carried out with institutional customers at a price of US$ 424 million.

In order to separate institutional assets from assets that are not part of the acquisition, Aton Capital reorganized its assets into separate companies which mainly include a newly created brokerage company in Russia (ZAO Aton Broker) and a Cyprus-based company (Aton International Ltd). Before finalizing the transaction, the companies being acquired were transferred to a newly created Austrian holding company (AI Beteiligungs GmbH). The transaction was finalized in July 2007

JSC ATF Bank

On 13 November 2007, BA-CA finalized the acquisition of a 91.8% stake in the share capital of JSC ATF Bank ("ATF"). To be specific, BA-CA acquired 95.6% of ordinary stock and 85% of preferred stock. In addition, 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 to remain open for 30 days, but one of ATF's minority shareholders obtained an emergency order from the competent Kazakh court that blocked its completion.

Report on Operations (Continued)

Corporate Transactions and Rationalization of Group Operations (Continued)

However, the UniCredit Group believes that the action of the minority shareholder has no merit and has taken all possible steps with the competent authorities to reach a timely solution for the dispute with the resulting completion of the offering period.

Still, it should be noted that at the time the mandatory public offering was blocked, BA-CA had legally purchased additional shares of ATF increasing its stake to 92.9% of share capital. Total payment for the whole stake was about €1,592 million.

As announced on June 21, 2007, pursuant to the agreement signed by BA-CA and several private shareholders of ATF, the price paid will be increased through the pro-rata payment of 50% of ATF's 2007 net profit adjusted for any accounting differences reported in the audited consolidated accounts for 2007 (compared to the accounts for 2006).

As of December 31, 2007, ATF was one of the largest Kazakh banks with customer deposits of €2.2 billion (+8% over 2006 in local currency), net loans to customers of €4.4 billion (+50% over 2006 in local currency) and a network of 140 branches.

THE HVB SUB-GROUP

SRQ Finanz Partners AG

In June 2007 the subsidiary DAB Bank AG (a company listed on the German stock exchange in which HVB holds 76.36% of voting shares) acquired a controlling interest (about 53%) in SRQ Finanz Partners AG ("SRQ"), a financial consulting company that focuses on a customer base made up of affluent individuals, for a total price of about €6 million.

DAB Bank is one of the leading platforms in the German financial investment market (with over €10 billion in assets under administration and over 65,000 total deposits), especially with its offering of direct banking products and services.

About 40,000 DAB retail customers use financial consulting services, 10% of which are provided by SRQ due to the experience amassed by its highly qualified and specialized consultants who are able to offer a wide variety of products and services.

Since the market is showing a growing demand for financial advisers and new products, and especially personal finance services, DAB Bank considered the opportunity of acquiring SRQ, a well-established company in the Berlin area and a leader in the area of asset management consulting.
The company, which focuses on the affluent private sector, manages a customer base consisting of about 4,000 individuals through a network of 70 agents with assets under management totaling about €352 million.

With this acquisition, DAB intends to satisfy growing market demand by acquiring new capabilities to round out the range of consulting products and services, and to strengthen its distribution capabilities.

OTHER TRANSACTIONS AFFECTING SUBSIDIARIES AND AFFILIATES

ITALY

LocatRent SpA

Upon the issuance of authorization by the Italian Antitrust Authority, on 31 August 2007 Locat S.p.A. finalised the sale of its 50% stake in LocatRent S.p.A. to ALD Automotive (Société Générale Group) for a total price of about €29 million. The transaction is consistent with the strategy of efficiently managing the Group's strategic portfolio.

LocatRent was established in 2000 as a 50/50 joint venture between UniCredit and Société Générale that was created out of contributions made by Locat (UniCredit Group) and ALD Automotive (Société Générale Group), a leading European long-term rental company.

Following the sale of its equity investment in LocatRent, Locat will continue to distribute fleet management and rental products developed by ALD Automotive under the LocatRent brand pursuant to a distribution agreement with the purchasing company on an exclusive and ongoing basis.

MEDIOBANCA SPA

In December 2007, UniCredit reached an agreement with Benetton, Financière du Perguet, Fininvest, Gruppo Groupama, Mediolanum, Sal Oppenheim, Santusa Holding and Barclays Bank Plc for the sale of a 9.37% stake in the capital of Mediobanca Banca di Credito Finanziario S.p.A. The Mediobanca shareholders' agreement came out in favor of the transaction.

With regard to the sale of 2% of Mediobanca capital, which was agreed to by Barclays Bank Plc, an equity swap contract, with a duration of up to 6 months, was signed with the same counterparty for an equivalent amount of securities. On the one hand, this will allow UniCredit to maintain exposure to the performance of Mediobanca stock for the aforementioned period, and on the other hand, the cash settlement of the contract ensures that UniCredit will not again hold the securities sold.

The sale was finalized on December 17, 2007.

The sale was valued at about €1,217 million (€15.85 per share) and generated a net consolidated capital gain of about €549 million. The sale of this holding is a part of the commitments made by UniCredit to the Italian Antitrust Authority pursuant to Order No. 17283 dated September 18, 2007 that authorized the merger by absorption of Capitalia into UniCredit.

Following the sale, UniCredit holds an 8.67% stake in the capital of Mediobanca through the subsidiary Capitalia Partecipazioni SpA.

ASSICURAZIONI GENERALI SPA

In December 2007 UniCredit exercised the prepayment option provided in the issuance prospectus for the bond convertible to Generali shares issued by Capitalia in May 2004 and maturing in 2009.
Following the repayment (about €315 million) of the convertible bond, which is still outstanding, through the delivery by UniCredit of Generali shares, the equity investment held by the Group dropped from 4.5% to approximately 3.5% in keeping with the strategy to accelerate the reduction of the equity investment in Generali.

BORSA ITALIANA SPA/LONDON STOCK EXCHANGE GROUP PLC

With regard to the Group's participation in the exchange offer for 100% of the capital of Borsa Italiana promoted by London Stock Exchange Group Plc (4.90 new ordinary LSEG shares for every share of Borsa Italiana) to cover the Group's holding in Borsa Italiana (3.4 million shares equal to 20.90%), the latter was assigned 16.6 million LSEG shares equal to 5.95% of share capital (5.73% UniCredit and 0.22% UniCredit Banca Mobiliare).

The sale was valued at about €397 million and generated a net consolidated capital gain of about €188 million.

FIAT SPA

With respect to the equity investment held in Fiat (about 5% of ordinary capital), which has been subject to financial hedging transactions for some time, at the end of 2007 the subsidiary UniCredit Banca d'Impresa sold its stake in the company's capital since the conditions stipulated by agreement were met. The positive economic impact from exercising the options was about €127 million.

PIRELLI & C. SPA

In December the subsidiary Capitalia Partecipazioni SpA finalized the sale of 1.56% of the ordinary share capital of Pirelli & C., which was tied to a shareholders' agreement with right of first refusal, to other participants in the agreement. The sale was at a total price of about €67 million with an individual capital gain applicable to Capitalia Partecipazioni of about €13 million. However, on a consolidated basis, the transaction resulted in a capital loss of about €2 million, considering that the stake had been revalued at 1 October 2007 prices and entered in first-consolidation Capitalia's balance sheet.

Poland - Bank BPH SA

On November 29, 2007 the partial spin-off of certain assets and liabilities of Bank BPH to Bank Pekao took effect with the concurrent increase in the capital of the latter from PLN 167.1 million to PLN 261.9 million through the issuance of 94.8 million new Pekao shares (with an exchange ratio of 3.3 new Pekao shares for every BPH share) to BPH shareholders. The aforementioned spin-off was approved by the extraordinary shareholders' meetings of Bank Pekao and Bank BPH held on April 27, 2007. As a result of the capital increase, UniCredit's stake in Bank Pekao stood at 59.36%.

On August 3, 2007, UniCredit and GE Capital International Financing Corporation (on behalf of GE Money, the consumer lending unit of General Electric) signed a framework agreement for the sale of a majority interest in Bank BPH after the spin-off. Based on this agreement, UniCredit will transfer a stake of about 65.9% in BPH out of the total equity interest of 71.03% held by UniCredit.
The transaction also calls for the sale by CABET Holding (a wholly owned subsidiary of Bank Austria Creditanstalt) to GE Money of a 49.9% stake in BPH TFI (a company operating in the asset management segment in which BPH already has a 50.1% stake). The total price agreed to was €625.5 million.

UniCredit's sale of the equity investment in BPH is consistent with the agreement signed on 19 April 2006 between the Treasury Ministry of the Polish Republic and UniCredit, and it represents a further step toward the integration of the UniCredit Group's banking operations in Poland.

The sale is expected to be finalized in the first quarter of 2008. With regard to the remaining stake of approximately 5.1% held in Bank BPH, UniCredit will not sign an agreement with GE Money regarding the management of the latter bank since this investment would be merely of a financial nature.

GERMANY - SALE OF HVB'S SECURITIES SERVICES OPERATIONS AND THE PGAM SUB-GROUP

In order to complete UniCredit's strategy in the securities services business, which is considered "non-core," the Group is continuing with the disposal of assets in this sector which began with the sale of 2S Banca in Italy in 2006.

This disposal process involved the Clearing & Custody ("2S Germany") operations detailed below:

Report on Operations (Continued)

Corporate Transactions and Rationalization of Group Operations (Continued)

- Clearing, custody and depositary bank services performed by HVB ("Module 1");
- Transaction services currently offered by Financial Markets Service Bank GmbH, a company wholly owned by HVB, on behalf of HVB ("Module 2");
- Fund administration and "Master" services currently offered by Pioneer Investments Kapitalanlagegesellschaft mbH ("Pioneer Germany"), a company headquartered in Munich and wholly owned by PGAM. These services will be transferred to a company to be established called Pioneer Investments Fund Services GmbH ("Service KAG") with the goal of selling the company on the market ("Module 3").

In June 2007, HVB and Pioneer Germany entered into specific purchase and sale agreements for the sale of the above businesses to CACEIS SAS in Paris and to Euro VL SA (a member of the Société Générale group) respectively.

In December HVB sold all of its operations connected with "2S Germany" ("Modules 1 and 2") and the relationships with the related institutional customers to CACEIS, for a total price of €450 million.

With regard to the aforementioned module 3, after the required authorizations were obtained, on September 3, 2007 the above Pioneer Investment Fund Services GmbH was established and is wholly owned by Pioneer Investments Kapitalanlagegesellschaft m.b.H. On November 30, 2007 it was sold to Euro VL SA for about €39 million.

The prices for the above transactions are subject to adjustments connected with potential losses of customers or revenues that could occur in the 4 months after the closing.

On the basis of the agreements signed with the acquiring companies, including a Service Management Agreement governing the long-term provision of securities services, CACEIS will act as HVB's exclusive partner for providing custody services, while Euro VL SA will provide fund administration services to Pioneer.

RUSSIA – *INTERNATIONAL MOSCOW BANK (IMB)*

In order to comply with current capitalization requirements in Russia (a capital adequacy ratio – N1 ratio – set by the Russian Central Bank at 11% for members of the mandatory deposit insurance system to which IMB belongs) and to support the organic growth strategy adopted for the bank, IMB, which is wholly owned by BA-CA, voted last May to increase capital by US$ 300 million, all of which was subscribed by BA-CA in August. The capital increase will support IMB's ambitious growth strategy with the aim, among other things, of further strengthening its operations in the retail and SME segments, increasing its presence in the region and expanding its distribution network from the current level of 55 branches to 74 at the end of 2007 and 103 in 2008. On 26 December 2007 IMB changed its name into ZAO UniCredit Bank.

SPAIN – BANCO SABADELL

In May 2007 UniCredit acquired a 4% interest in the share capital of Banco Sabadell for about €416 million. This investment strengthens the excellent relationship developed by the two groups which has already led to the signing of a business agreement between Banco Sabadell (Solbank) and HVB for the mutual promotion of products and services of the other bank in the bank's home country. In addition, Banco Sabadell and UniCredit are actively looking into opportunities to develop further agreements for cooperation in other areas with the goal of maximizing the creation of value for their respective shareholders

Report on Operations (Continued)

Subsequent Events

Last January the subsidiary Capitalia Partecipazioni SpA finalized the sale of a 2.05% stake in the ordinary capital of RCS Mediagroup, which was tied to the shareholders' agreement with right of first refusal and a consultation agreement, to other participants in the agreement. The sale was at a total price of about €48 million with an individual capital loss applicable to Capitalia Partecipazioni of about €9 million. However, on a consolidated basis, the transaction resulted in a capital loss of about €12 million.

In January, the parent company also finalized the sale of the 10% stake held in Edipower for a total price of about €278 million resulting in a positive impact of about €1 million on the consolidated profit and loss account.

On January 23, 2008 the subsidiary BA-CA finalized the acquisition of 94.2% of JSCB Ukrsotsbank (USB), the fourth largest bank in Ukraine in terms of loans to customers and deposits listed on the Ukrainian Stock Exchange. Originally USB's operations were focused on the local corporate and SME sectors, but recently the focus has shifted to the retail area. The bank currently intends to further diversify its business in the areas of asset management, financial consulting and pension funds. As of December 31, 2007, USB had a distribution network of 508 branches and managed assets totaling about €4.2 billion. This acquisition strengthens the Group's presence in Ukraine, which is one of the fastest growing markets in the region. UniCredit already has a presence in this market with UniCredit Bank Ltd.

BA-CA paid a price of about €1,525 million (equal to about US$ 2,211 million at the January 23 exchange rate) which includes a pro-rata increase in the capital already subscribed by sellers in July 2007. The final price also calls for a post-closing adjustment on the basis of USB's net asset value at the time the transaction is finalized.

On January 18 the offer made on the automated stock market system (Mercato Telematico Azionario - "MTA"), which is managed and organized by Borsa Italiana S.p.A., was concluded for 83,833,899 ordinary UniCredit S.p.A. shares resulting from the exchange of 74,851,696 Capitalia S.p.A. shares being withdrawn that were not sold during previous phases of the liquidation proceedings pursuant to Article 2437-quater of the Civil Code.

It should be noted that the UniCredit shares were put up for sale at a price of €6.265 per share, corresponding to the withdrawal price of €7.015 per Capitalia share. In this regard, upon the conclusion of the aforementioned offer, the 83,833,899 shares were still entirely unsold. As a result, pursuant to Article 2437-quater, paragraph five of the Civil Code, UniCredit took steps to purchase these shares. The liquidation value for the shares was paid to withdrawing shareholders on January 23 through depository banks.

On February 7 an agreement was signed with Compagnie Monégasque de Banque for the sale of the branch of Capitalia Luxembourg S.A. in Monaco. This branch has assets of about €500 million in funds under administration and over 1,600 customers. The sale is expected to be finalized in March 2008.

On February 11, 2008 a writ of summons before the Regional Court of Krakow, Poland was served on UniCredit by Polygon Opportunities Master Fund. This fund is headquartered in the Cayman Islands and is a minority shareholder of Bank BPH. Polygon's request concerns the alleged invalidity of the agreement to sell BA-CA's majority interest in Bank BPH to UniCredit. The writ of summons concerned was also served on BA-CA and Bank BPH. UniCredit appeared in court to contest the claim made by Polygon Opportunities Master Fund, which it considers to be unfounded.

In February, in keeping with previous transactions in the securities services sector, UniCredit entered into a preliminary agreement with Société Générale for the sale and outsourcing of the clearing, custody, depository bank and fund administration activities of the former Capitalia group to Société Générale Securities Services (SGSS). The securities services operation of the former Capitalia that was sold to SGSS had assets under custody of €102 billion and assets under administration in Italy and Luxembourg of €22 billion and €5 billion respectively. As a part of the transaction, SGSS will become the exclusive provider, in Italy, of securities services to the entities concerned of the former Capitalia group based on the existing outsourcing agreement between UniCredit and SGSS entered into in 2006 following the sale of 2SBanca (currently SGSS SpA) to Société Générale.

In this manner, UniCredit is proceeding with the rationalization of its back office operations thereby optimizing its costs and, at the same time, improving the level of service provided to customers.

The transaction is expected to be completed by the end of March 2008.

Outlook

In 2008, the Eurozone will see a widespread economic slowdown as a reaction to the US economic situation, which slowed sharply at the end of 2007.

The financial markets are still unsettled, so it is likely that volatility will continue to be high in 2008. Tension is still evident, especially in the commodity markets, where oil was close to $100 a barrel at the beginning of March, and in the US dollar exchange rate with the euro, which passed $1.50.

The recovery phase in the US economy, which is expected in the second half of the year, should be accompanied by an appreciating of the US dollar by the end of 2008. We expect that starting in the coming months there will be an easing of inflation that should be close to 2% in the Eurozone by year-end. In this environment, the ECB is expected to intervene with two consecutive 25bp cuts in the policy rate in the coming months (i.e., we expect the ECB refi rate to be 3.5% at the end of 2008) primarily in support of economic growth.

The impact of the financial crisis on bank profits will be particularly pronounced in 2008.

Accordingly, a reduction in bank profits might occur in Italy, Germany and Austria. The greatest impact of the crisis is expected to occur in the area of non-interest income, which could fall in certain cases. There may also be slower growth in net interest income due in particular to slower rate of growth in lending. In addition, with the exception of Germany, bank interest rate spreads (the lending rate minus the deposit rate) should again narrow, with a slightly negative impact on the growth of net interest income. However, despite the slowdown, banks' operating income in these three countries should continue to trend upward during the period.

In the current market, UniCredit Group aims to continue developing its solid, well-balanced profitability and financial strength; while potentially facing the effects of market turmoil, UniCredit Group will vigorously meet diverse economic and market situations and will continue its reorganization and expansion.
UniCredit Group's managerial and business policies will be designed to strengthen leadership in those markets in which we operate and will allow us to pursue growth opportunities as they are presented.

The new strategic plan will be comprised of the following initiatives:

- We will significantly increase operating income by leveraging synergies while at the same time maintaining stringent cost and risk controls;
- We will rigorously manage our allocation of capital and will optimize the structure of risk-weighted assets;
- We will complete the integration of the former Capitalia group, primarily by establishing a single information system platform as well as a single platform for processes and business;
- We will develop and consolidate diverse product factories and business lines while simultaneously setting in motion marketing initiatives designed to broaden our customer base and to improve our portfolio of services of offer to existing customers;
- We will complete our vital rebranding project, in order to consolidate our many businesses under a unified brand and to promote a single multinational Group.

UniCredit Group is in the process of developing a new strategic plan, which will be presented by the end of the first half of 2008.

Milan, 12 March 2008

BOARD OF DIRECTORS

Chairman
DIETER RAMPL

Managing Director/CEO
ALESSANDRO PROFUMO


Seck
FLAMES

Corporate Governance

Corporate Governance	**120**
Governance organizational structure: the Board of Directors and its Committees	120
Related-party transactions	125
Board of statutory auditors	126
Main Shareholders	127
Shareholders' meetings	127
Management Committee	**128**
General Management	**130**
Group Management Team	**132**

Corporate Governance

Introduction

The overall corporate governance structure of UniCredit, meaning the system of rules and procedures that serve as guidelines for the conduct of the corporate bodies in carrying out their duties to their stakeholders, has been defined in consideration of the applicable laws and the recommendations included in the new Corporate Governance Code issued by Borsa Italiana S.p.A. in March 2006 (the "Code"). The Code was written with the goal of increasing the clarity of responsibilities and roles, such as those of independent directors and the board's internal committees, and its content was improved as a result of experience acquired during recent years.

Since 2001 UniCredit has prepared an annual "Report on Corporate Governance" for its shareholders in the form of a special report (based on the "comply or explain" principle) intended for its shareholders, institutional and other investors and Borsa Italiana, in which it provides appropriate information on its Corporate Governance system.

In the context of continuing changes in (EU and domestic) legislation and in international best practice in general, Borsa Italiana decided to update its corporate governance principles. This led to the issuance in March 2006 of a new version of the Code, with which UniCredit complied by means of a board resolution dated December 19, 2006.

This "Report on Corporate Governance" is drawn up in compliance with art. 124-bis of Legislative Decree No. 58 dated February 24, 1998 and art. 89-bis of the CONSOB Issuers Regulations, as well as the current instructions of the Rules for Organized and Managed Markets by Borsa Italiana S.p.A..

UniCredit is a company that issues securities in regulated markets in Milan, Frankfurt and Warsaw, and as such, it shall comply with the legal and regulatory obligations connected with listing in those markets.

Unless otherwise indicated, the information provided refers to the period from January 1, 2007 to December 31, 2007.

Governance structure: the Board of Directors and its Committees

UniCredit has a traditional administrative organizational structure, based on the presence of two bodies elected by the shareholders' meeting: the administrative body (Board of Directors) and the Board of Statutory Auditors with administration control functions. Audits of the accounts are entrusted to an external auditing firm in compliance with the relevant legislation.

Board of Directors

UniCredit's board of directors may have from nove to 24 members. As of March 12, 2008, there were 23 board members.

Their term in office is established as three financial years, unless a shorter term is decided at the time of appointment, and expires on the date of the Shareholders' meeting convened to approve the financial statements of their last year in office.

The term of the board of directors currently in office, which was elected by the shareholders' meeting in December 2005, will expire on the date the shareholders' meeting is asked to approve the accounts for 2008.

In May 2007 the shareholders' meeting determined that board members would be elected using a voting list mechanism.

The Board of Directors has adopted its own Regulations which regulate its powers, duties and rules of procedure. The Board of Directors hald 13 meeting in 2007.

INDEPENDENCE OF DIRECTORS

In accordance with the application criteria stipulated by the Code, Directors' independence is to be periodically assessed by the board of directors based on information provided by each interested party, or available to the issuer. The results of the Board's assessments shall be communicated to the market.

With regard to directors in office on March 12, 2008, the company's board of directors confirmed, and announced to the market, that the following directors met the qualification of "independent director":

STATUS AND ACTIVITIES OF DIRECTORS

Board of Directors

NAME	POSITION	IN OFFICE SINCE	LIST	EXEC.	NON-EXEC.	INDEPEN. AS PER CODE	INDEP. AS PER TUF	% BOARD OF DIRECTORS	OTHER POSITIONS
Dieter Rampl	Chairman	16-12-2005	n/a		X	NO	YES	100%	3
Gianfranco Gutty	Deputy Ch. Senior	16-12-2005	n/a		X	YES	YES	100%	-
Franco Bellei	Deputy Ch.	16-12-2005	n/a		X	NO	YES	100%	1
Berardino Libonati	Deputy Ch.	3-8-2007 [1]	n/a		X	YES	YES	100%	2
Fabrizio Palenzona	Deputy Ch.	16-12-2005	n/a		X	NO	YES	92,31%	4
Anthony Wyand	Deputy Ch.	16-12-2005	n/a		X	YES	YES	84,62%	5
Alessandro Profumo	CEO	16-12-2005	n/a	X		NO	NO	100%	3
Manfred Bischoff	Director	16-12-2005	n/a		X	YES	YES	84,62%	2
Vincenzo Calandra Buonaura	Director	16-12-2005	n/a		X	YES	YES	100%	3
Enrico Tommaso Cucchiani	Director	18-9-2007 [2]	n/a		X	NO	YES	50%	16
Donato Fontanesi	Director	3-8-2007 [1]	n/a		X	YES	YES	80%	3
Francesco Giacomin	Director	16-12-2005	n/a		X	YES	YES	100%	-
Piero Gnudi	Director	16-12-2005	n/a		X	YES	YES	92,31%	1
Friedrich Kadrnoska	Director	16-12-2005	n/a		X	YES	YES	100%	8
Max Dietrich Kley	Director	16-12-2005	n/a		X	YES	YES	84,62%	5
Salvatore Ligresti	Director	3-8-2007 [1]	n/a		X	YES	YES	100%	4
Salvatore Mancuso	Director	3-8-2007 [3]	n/a		X	NO	YES	60%	-
Luigi Maramotti	Director	16-12-2005	n/a		X	YES	YES	69,23%	10
Antonio Maria Marocco	Director	20-5-2007 [4]	n/a		X	YES	YES	87,50%	3
Carlo Pesenti	Director	16-12-2005	n/a		X	YES	YES	69,23%	5
Hans Jürgen Schinzler	Director	16-12-2005	n/a		X	YES	YES	92,31%	11
Nikolaus von Bomhard	Director	16-12-2005	n/a		X	NO	NO	38,46%	2
Franz Zwickl	Director	18-9-2007 [2]	n/a		X	YES	YES	100%	8

1. Co-opted on August 3, 2007 2. Co-opted on September 18, 2007 3. Co-opted on August 3, 2007; resigned on March 31, 2008 effective as of April 1, 2008 4. Co-opted on May 20, 2007 and appointed by the Shareholders meeting on July 30, 2007.

LEGEND

Position: Chairman, Senior Deputy Chairman, Chief Executive Officer, Director.
List: M/m depending on whether the director was elected from the list voted by the majority or by a minority (art. 144 (10) of the Issuer Rules (Consob); n/a: not applicable
Exec.: Director who qualifies as executive
Non exec.: Director who qualifies as non-executive
Indep. as per code: Director who qualifies independent according to the criteria set out in the Code
Indep. as per TUF: Director who possesses the independence requirements established by article 148, para. 3 of the TUF (art. 144 (10) of the Issuer Rules (Consob).
% Board of Directors: percentage of the director's participation in board meetings (reference is made to the number of meetings that the director has attended with respect to the number of board meetings held during the period or after taking up the directorship).
Other positions: Total number of positions held in other companies listed on regulated markets (both in Italy and abroad), including financial services companies, banks, insurance companies or other large companies, identified based on the criteria defined by the Board. There is a list of such companies for each director attached to the Report on Corporate Governance, specifying whether the company that the position is held in belongs to the group that the Issuer is related to.

Independent directors according to art. 3 of the new Corporate Governance Code issued by Borsa italiana S.p.A.:
Gianfranco Gutty, Berardino Libonati, Anthony Wyand, Manfred Bischoff, Vincenzo Calandra Buonaura, Donato Fontanesi, Francesco Giacomin, Piero Gnudi, Friedrich Kadrnoska, Max Dietrich Kley, Salvatore Ligresti, Luigi Maramotti, Antonio Maria Marocco, Carlo Pesenti, Hans Jürgen Schinzler and Franz Zwickl.

Non-independent directors according to art. 3 of the new Corporate Governance Code issued by Borsa italiana S.p.A.:
Dieter Rampl (Chairman), Franco Bellei, Fabrizio Palenzona, Alessandro Profumo (CEO), Enrico Tommaso Cucchiani and Salvatore Mancuso and Nikolaus von Bomhard.

Independent directors pursuant to art. 148 of Legislative Decree No. 58/98:
Dieter Rampl (Chairman), Gianfranco Gutty, Franco Bellei, Berardino Libonati, Fabrizio Palenzona, Anthony Wyand, Manfred Bischoff, Vincenzo Calandra Buonaura, Enrico Tommaso Cucchiani, Donato Fontanesi, Francesco Giacomin, Piero Gnudi, Friedrich Kadrnoska, Max Dietrich Kley, Salvatore Ligresti, Salvatore Mancuso, Luigi Maramotti, Antonio Maria Marocco, Carlo Pesenti, Hans Jürgen Schinzler and Franz Zwickl.

Non-independent directors pursuant to art. 148 of Legislative Decree No. 58/98:
Alessandro Profumo (CEO) and Nikolaus von Bomhard.

Corporate Governance (Continued)

Board Committees

NAME	EXEC. COMM. [1]	% EXEC. COMM.	NOMIN. COMM. [1]	% NOMIN. COMM.	CGHRN COMM. [2]	% CGHRN COMM.	REMUN. COMM.	% REMUN. COMM.	AUDIT & RISK COMM.	% AUDIT & RISK COMM.	PERM. STRAT. COMM. [2]	% PERM. STRAT. COMM.
Dieter Rampl	Ch	100%	Ch	100%	Ch	100%	Ch	100%	M	90,90%	Ch	100%
Gianfranco Gutty	SV Ch	100%	M	100%	M	100%	M	100%	M	100%	M	100%
Franco Bellei	DEP. CH.	100%	M	100%	--		M	100%	M[3]	100%	M	100%
Berardino Libonati	DEP. CH.	100%	--		--		--		M	100%	M	100%
Fabrizio Palenzona	DEP. CH.	87,50%	M	88,89%	--		M	83,33%	--		M	100%
Anthony Wyand	DEP. CH.	75%	M	77,78%	--		M[3]	75%	Ch	100%	M	100%
Alessandro Profumo	CEO	100%	M	100%	M	75%	--		--		M	100%
Manfred Bischoff	--		--		--		--		--		M	100%
Vincenzo Calandra Buonaura	--		--		M	100%	--		--		--	
Francesco Giacomin	M	100%	--		M	100%	--		--		--	
Friedrich Kadrnoska	M	100%	--		M	75%	--		--		--	
Max Dietrich Kley	--		M	22,22%	--		M	33,33%	--		--	
Salvatore Mancuso[4]	--		--		--		M	75%	--		--	
Luigi Maramotti	--		--		M	100%	--		--		M	66,67%
Carlo Pesenti	--		--		--		M	50%	--		--	
Hans Jürgen Schinzler -	--		--		--		--		--		M	66,67%
Nikolaus von Bomhard	M	25%	--		--		--		--		--	
Franz Zwickl	--		--		--		--		M	100%	--	

1. valid until August 3, 2007
2. since August 3, 2007
3. position held until August 3, 2007
4. resigned on March 31, 2008 effective as of April 1, 2008

LEGEND

Exec. Comm.: Executive Committee; specify Ch/M for Chairman or Member of the Executive Committee
% Exec. Comm.: percentage of director's participation in the executive committee meetings (reference is made to the number of meetings that the director has attended with respect to the number of executive committee meetings held during the period or after taking up the office).
Nom. Comm.: Nomination committee;
CGHRN.Comm.: Corporate Governance, HR and Nomination Committee
Rem.Comm.: Remuneration Committee
Audit & Risk Comm.: Audit & Risk Committee
Perm. Strat. Comm.: Permanent Strategic Committee
% Nom.Comm., CGHRN Comm., Rem.Comm., Audit & Risk Comm., Perm. Strat. Comm.: percentage of the director's participation in the committee meetings (reference is made to the number of meetings that the director has attended with respect to the number of committee meetings held during the period or after taking up the office)
Ch/M: for Chairman or Member of the Committee

Board Committees

To ensure that there is an effective and efficient reporting and consultation system which will enable the Board of Directors to perform its functions in the best possible manner, several committees have been created within the Board, as recommended by the Code, each with specific areas of competence, for the purpose of providing consultation and proposals.

In order to further improve governance-related processes and models and oversee key aspects of the Group's operations, and in keeping with international best practice, at its meeting on August 3, 2007, the board of directors established the Permanent Strategic Committee and Corporate Governance, HR and Nomination Committee, and renamed the Audit Committee the Audit & Risks Committee. At the same time, the board decided to eliminate the Chairman's Committee, Executive Committee and all board committees with the exception of the Audit Committee and Remuneration Committee.

PERMANENT STRATEGIC COMMITTEE

The Permanent Strategic Committee is comprised of 10 members, the majority of whom are non-executive directors. The Chairman of the Board and Chief Executive Officer are members of the Committee by right. The other members shall be selected on the basis of those best qualified and willing to carry out this function. The Committee is chaired by the Chairman of the Board.
The Permanent Strategic Committee usually meets monthly or whenever it is necessary to discuss issues falling under its responsibility. Meetings of the Committee are normally convened by the Chairman but can also be requested by at least two committee members or two Statutory Auditors.
In the latter case, all Statutory Auditors may participate.
The Permanent Strategic Committee had 3 meetings in 2007.

Duties

The duties of this Committee are to make proposals and provide advice. Specifically, the Permanent Strategic Committee provides opinions to the board in response to proposals made by the CEO to the board concerning, inter alia:

a) the preparation of the Group's three-year plan;
b) the determination of the Group's annual budget;
c) the determination of the Group's annual capital allocation;
d) the identification of the Group's annual strategy concerning equity investment transactions (MandA/reorganizations);
e) the approval of equity investment transactions over specific limits (€300 million for transactions in high-risk countries and €500 million for transactions in low-risk countries);
f) extraordinary transactions involving the Group's capital and the dividend policy of the parent company and Group companies when such policy is not incorporated in the general guidelines for annual capital allocation indicated in paragraph c);
g) other transactions/initiatives with strategic importance for the Group such as: entry into new geographic and business markets and high-profile joint ventures with industrial and/or financial groups.

AUDIT & RISKS COMMITTEE (RENAMED THE INTERNAL CONTROL AND RISKS COMMITTEE ON JANUARY 22, 2008)

The Audit & Risks Committee (formerly, the Audit Committee until August 3, 2007) is comprised of 5 non-executive directors, the majority of whom are independent. The Chairman of the Board and the First Deputy Chairman are members of the Committee by right. The other members shall be selected on the basis of those best qualified and willing to carry out this function. The committee shall appoint a chairman from its members, other than those who participate by right. Meetings shall be held on at least a quarterly basis. Meetings of the committee are normally convened by the chairman but can also be requested by at least two committee members or two statutory auditors. In the latter case, all statutory auditors may participate.

The Chairman of the Board of Statutory Auditors, or another Statutory Auditor designated by the Chairman himself, shall participate in the meetings of the Audit & Risks Committee. All statutory auditors and representatives of the external auditors may also be asked to participate.
The Audit & Risks Committee held 11 meetings in 2007.

Duties

The duties of this Committee are to make proposals and provide advice. Among other things, the Audit & Risks Committee:

A. assists the board of directors in issuing guidelines for the internal control system and on at least an annual basis inspecting their adequacy, efficiency and effectiveness, and ensures that the main business risks are correctly identified and appropriately measured, managed and monitored. It also assists the board in determining the criteria for the compatibility of these risks with the sound and proper management of the company (risk appetite) and ensures that the compliance area applies the policies for the management of non-conforming risks established by the board and that the Audit area implements the board's guidelines concerning the performance of third-level controls. It analyzes the periodic reports of the auditing activities;
B. analyzes the Group's guidelines for auditing activities and assesses the annual control plan prepared by the head of the Internal Audit Department, receives periodic reports and may request the performance of specific audit activities not covered in the annual plan;

Corporate Governance (Continued)

C. reviews information received from the nominated official in charge of preparing accounting and corporate documents concerning the proper application of accounting principles and their standardization for the purposes of preparing consolidated accounts;
D. reviews quarterly and semi-annual accounts and the annual report on the basis of reports prepared by the nominated official in charge of preparing accounting and corporate documents;
E. assists the board in formulating policies for the management of risks during their periodic review in order to ensure their effectiveness over time and make sure the actual functioning of risk management and control processes complies with current laws and regulations;
F. expresses opinions concerning procedures for identifying and managing transactions with related parties of UniCredit and Group companies.

The Audit & Risks Committee also reports to the Board of Directors at least every six months on the occasion of the approval of the financial statements and the first half report on operations and on the adequacy of the internal controls.

Effective January 22, 2008, the Audit & Risks Committee (which was renamed the Internal Control and Risks Committee) was given additional duties that take into account new regulatory and other provisions issued in the meantime.

CORPORATE GOVERNANCE, HR AND NOMINATION COMMITTEE

The Corporate Governance, HR and Nomination Committee (formerly the Nominations Committee until August 3, 2007) is comprised of 7 members, the majority of whom are non-executive and independent directors. The Chairman of the Board and the CEO are members of the Committee by right. The other members shall be selected on the basis of those best qualified and willing to carry out this function. The Committee is chaired by the Chairman of the Board. In general, the committee meets monthly or whenever it is necessary to discuss issues falling under its responsibility. The Chairman convenes the committee's meetings.

In 2007, a total of 13 meetings were held including nine as the Nominations Committee and four as the Corporate Governance, HR and Nomination Committee.

Duties

The duties of this Committee are to make proposals and provide advice. Specifically, the committee provides opinions to the board in response to proposals made by the Chairman or CEO to the board concerning:
A. the establishment of UniCredit's corporate governance system, corporate structure and the Group's governance models and guidelines;
B. the establishment of the policy for the appointment of UniCredit's directors and the policy for the assessment of the board;
C. the identification of candidates for the position of UniCredit director in the event directors are co-opted, and the identification of candidates for the position of independent director to be submitted to UniCredit's shareholders' meeting, taking into account any comments made by shareholders;
D. the appointment of members of the CEO office and other members of the Management Committee (Senior Executive Vice President), members of general management and department managers who report directly to the CEO;
E. the establishment of policies concerning the appointment and succession plan for the position of CEO, members of the Management Committee (Senior Executive Vice President), Group Management Team (Executive Vice President) and Leadership Team (Senior Vice President);
F. the establishment of the policy for the appointment of company representatives (members of boards of directors, boards of auditors and supervisory boards for Group companies) and the appointment of these representatives at key companies (UniCredit Banca, UniCredit Banca d'Impresa, UniCredit Private Banking, Pioneer Global Asset Management, UniCredit Global Leasing, HVB, Bank Austria and Mediobanca. After the merger with Capitalia S.p.A. was finalized, Banca di Roma, Banco di Sicilia, Bipop-Carire, MedioCredito Centrale and Fineco were also included);
G. appointments of members of UniCredit's board committees at the proposal of the Chairman.

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of 7 members, the majority of whom are independent directors. The Chairman of the Board of Directors and the First Deputy Chairman are members of the Committee by right. The other members shall be selected on the basis of those best qualified and willing to carry out this function. The committee is chaired by the Chairman of the Board. The committee usually meets every four months or at any time it is necessary to discuss issues falling under its responsibility. The Chairman convenes the committee's meetings.
The Remuneration Committee met 12 times in 2007.

Duties

The duties of this Committee are to make proposals and provide advice. Specifically, the Remuneration Committee provides opinions to the board in response to proposals made by the CEO to the board concerning:
A. the remuneration of UniCredit directors with specific functions, and especially with regard to the remuneration of the CEO;
B. the remuneration of UniCredit's General Manager if the latter is also the CEO;
C. the compensation structure for members of the CEO office;

D. the remuneration policy for members of the Management Committee (Senior Executive Vice President), Group Management Team (Executive Vice President), Leadership Team (Senior Vice President) and department heads who report directly to the CEO;
E. approval of Group incentive plans based on financial instruments;
F. the remuneration policy for company representatives (members of the boards of directors, boards of auditors and supervisory boards of Group companies).

In the cases specified in paragraphs a) and b), the Chairman will determine the proposals the Committee will be asked to express an opinion on.

Members of the Committee for whom the Committee is asked to provide an opinion on remuneration due in relation to their specific functions may not participate in meetings regarding the determination of any proposal concerning such remuneration.

EXECUTIVE COMMITTEE (THIS BODY WAS ELIMINATED PURSUANT TO THE BOARD RESOLUTION OF AUGUST 3, 2007)

The Executive Committee was appointed for three years by the Board of Directors which established the number of members, which, in any case, were to be at least five. The Chairman, the Deputy Chairmen and CEO were members of the Committee by right.
The Executive Committee held all the powers and duties conferred on it by the Board, particularly with regard to credit matters. As part of its assigned powers, it determined business management criteria, supervised the company's operations and in emergencies it could pass resolutions concerning any business to be brought to the attention of the board of directors at its next meeting. The Executive Committee normally met once a month and, in any case, whenever the Chairman deemed it necessary or two Members of the Committee requested a meeting. Committee meetings could also be convened at the request of two members of the Board of Statutory Auditors.

Related-party transactions

It is established company practice, in the conduct of its business, to observe at all times the principle of substantial correctness in transactions with related parties, as identified by the CONSOB, with reference to IAS 24.

As a listed issuer, in the 1990's the company had already defined – in compliance with the recommendations made on the subject by CONSOB – a process for monitoring transactions concluded with related parties and informing the Board of Directors (and the Board of Auditors) accordingly.

This process was subsequently implemented with the incorporation of the provisions of art. 150 of Legislative Decree 58/98 into No. 23 of the by-laws. The latter is intended to formalize the flow of information to the Board of Auditors, whose responsibilities include transactions of this sort, by providing information about their characteristics, the parties involved and the associated effects on the company's balance sheet, income statement and financial position.

Appropriate information in this connection has also been provided periodically, in the management report that accompanies the annual financial statements.

The company is always conscious of its position as a listed issuer and is also required to respect the information requirements foreseen in the regulations in force (Regulation approved by CONSOB resolution 11971/99 – art. 71-bis) in the case of transactions with related parties, even when carried out through subsidiaries, whenever the object, payments, methods or timing might affect the security of company assets or the completeness and accuracy of the information, including accounting information, about the listed issuer. In this case, the company is required to make a related party disclosure document available to the public, drawn up according to the outline indicated in the aforementioned regulations.

Notwithstanding the frame of reference indicated above, during the 2003 financial year the company's Board of Directors deliberated the definition of the criteria for identifying transactions carried out with related parties in keeping with the instructions provided by CONSOB in its communication No. 2064231 dated September 30, 2002.

The definition of related party was subsequently revised in light of certain measures taken by CONSOB, which, in its communication No. 14990 of April 14, 2005 standardized the definition of related party (for the purposes of issuers' compliance with all disclosure requirements) with the definition required for consolidated accounts, with specific reference to IAS 24. At the same time, CONSOB rescinded its communication No. 2064231 of September 2002.

This being the case with regard to intercompany transactions and/or transactions with related parties in general, both Italian and non-Italian, carried out by UniCredit, during 2007 all such transactions were carried out on the basis of evaluations of reciprocal economic benefits and the definition of the conditions to apply was made strictly on the basis of the criteria of substantial correctness, in line with the

Corporate Governance (CONTINUED)

shared goal of creating value for the entire Group. These transactions were completed, as a rule, under conditions similar to those applied in transactions with unrelated third parties.
The same principle was also applied in relation to the supply of services, which were quantified on the basis of a minimum charge calculated to recover the related costs of production.

With regard to intercompany financial transactions, these are a part of the ordinary business of an operating parent company of a complex bank group, and are also connected to the centralized use of interbank payment systems at UniCredit's Treasury unit involving correspondent, deposit and lending relationships with banks and other companies. In addition, agreements have been entered into between Group companies concerning the distribution of financial products and/or services, providing assistance or consulting services, or more generally, providing ancillary banking services. While complying with the principle set out in art. 2391 of the Italian Civil Code on the subject of directors' interests, the Company also complies with art. 136 of Legislative Decree 385/93 (Consolidated Banking Act) on the subject of the obligations of corporate banking officers, which provides that they may assume obligations, directly or indirectly, to the bank they manage, direct or control, only after unanimous approval of the governing body and the favorable vote of the members of the controlling body, without prejudice to the obligations of the Civil Code regarding directors' interests.
For this purpose, corporate banking officers are required to give notice of the persons, individuals or legal entities, with whom the establishment of possible relations could be construed as generating this type of indirect obligation largely related to banking officers.

It is company practice to use the services of independent experts to issue fairness or legal opinions when the nature of the transaction, including those with related parties, so requires.

Board of Statutory Auditors

Five standing Statutory Auditors are elected by an ordinary shareholders' meeting, among whom they appoint their Chairman, and two alternate Auditors. The standing and alternate Auditors may be re-elected. The standing and alternate members of the Board of Statutory Auditors are selected from lists of candidates.

The Board of Statutory Auditors appointed by the shareholders' meeting in May 2007 and in office until the approval of the accounts for 2009 is made up of Messrs. Giorgio Loli (Chairman), Gian Luigi Francardo, Siegfried Mayr, Aldo Milanese and Vincenzo Nicastro (standing auditors). Massimo Livatino and Giuseppe Verrascina are alternate Statutory Auditors.

Board of Statutory Auditors

NAME	POSITION	IN OFFICE SINCE:	SLATE	INDEPENDENCE AS PER CODE	% PARTICIPATION IN MEETINGS OF BOARD OF STATUTORY AUDITORS
Giorgio Loli	Chairman	10-5-2007	m	YES	100 %
Gian Luigi Francardo	Standing auditor	10-5-2007	M	YES	87,5 %
Siegfried Mayr	Standing auditor	10-5-2007	m	YES	80 %
Aldo Milanese	Standing auditor	10-5-2007	M	YES	87,5 %
Vincenzo Nicastro	Standing auditor	10-5-2007	M	YES	91,6 %
Massimo Livatino	Substitute auditor	10-5-2007	m	-	-
Giuseppe Verrascina	Substitute auditor	10-5-2007	M	-	-

LEGEND
Position: whether chairman, standing auditor, or substitute auditor.
Slate: M/m depending on whether the auditor was elected from the slate voted by the majority or by a minority (art. 144 (10) of the Issuer Rules (Consob).
Independence as per Code: if the auditor qualifies as independent according to the criteria set out in the Code, specifying at the foot of the table if the criteria have been supplemented or modified
% participation in meetings of Board of Statutory Auditors: percentage of the auditor's participation in the auditor meetings (referring to the number of meetings that the auditor attended with respect to the number of auditor meetings held during the period or after taking up the office).

Main Shareholders

Based on entries made in the shareholder register and subsequent communications received by the company, as of December 31, 2007 UniCredit's major shareholders (defined as those with a stake exceeding 2%) were as follows:

NAME OF SHAREHOLDER	NO. OF ORDINARY SHARES	% OWNERSHIP [1]
Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	606,077,204	4.542%
Fondazione Cassa di Risparmio di Torino	505,858,753	3.791%
Munich Re Group	499,559,020	3.744%
Carimonte Holding S.p.A.	446,567,993	3.347%
Allianz Group	319,137,270	2.392%

1. As a percentage of ordinary capital.

SHARE CAPITAL (AS OF DECEMBER 31, 2007)	NO. OF SHARES	TOTAL IN EUROS
Total shares	13,365,365,495	6,682,682,747.50
Ordinary shares	13,343,658,943	6,671,829,471.50
Savings shares	21,706,552	10,853,276.00

Shareholders' meetings

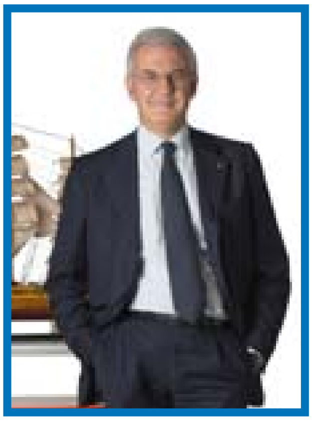
Shareholders' meetings may be attended by those holders of ordinary shares who provide the notice sent to the company by the broker holding their accounts at least two days before the date on which the meeting is to take place. The meeting notice may specify that the mentioned 2 days' advance notice also applies to any subsequent sessions. Persons entitled to attend Shareholders' Meetings may be represented by proxy; the representative need not necessarily be a shareholder in compliance with § 13 of the Articles of Association, § 2372 of the Civil Code and current laws.

The duties and authority of Shareholders' Meetings, and the rights of the shareholders, are clearly defined by Italian law and the Articles of Association.

UniCredit has always encouraged its shareholders to exercise their rights to participate and vote at Shareholders' Meetings: for this reason, it has for some time put in place a set of regulations for shareholders' meetings designed to ensure the smooth conduct of the meetings.

Management Committee

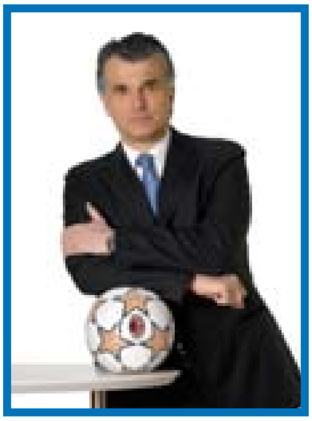
The Management Committee advises the Chief Executive Officer regarding his activities performed for the management of the Group and its members execute the decisions made by the Chief Executive Officer.



Alessandro Profumo

Chief Executive Officer

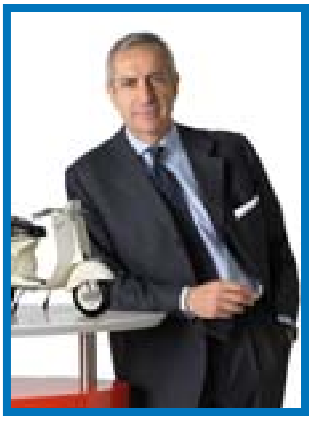
Born in Genoa (Italy) on 17 February 1957



Sergio Ermotti

Deputy CEO

Born in Lugano (Switzerland) on 11 May 1960



Paolo Fiorentino

Deputy CEO

Born in Naples (Italy) on 23 January 1956

Roberto Nicastro

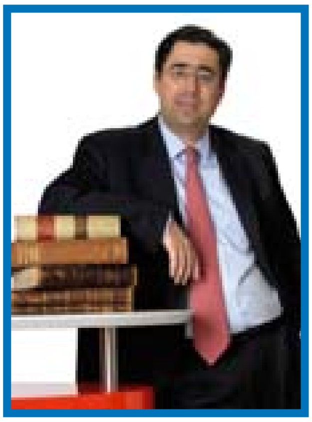
Deputy CEO & Head of Retail Division

Born in Trento (Italy) on 9 December 1964

Dario Frigerio

Head of Private Banking & Asset Management Divisions

Born in Monza (Italy) on 24 June 1962



Ranieri de Marchis

Chief Financial Officer

Born in Livorno (Italy) on 8 January 1961

Rino Piazzolla

Head of Human Resources

Born in Milan (Italy) on 5 March 1953

Erich Hampel

Head of CEE Division

Born in Vienna (Austria) on 25 February 1951

Running the day to day operations of a major financial institution not only requires skill, foresight and a deep knowledge of people and financial markets, but it also requires great passion.

The Management Committee meets regularly to discuss issues having strategic importance, which have been identified by the Chief Executive Officer.

Wolfgang Sprißler

Head of German Region Strategic Advisory

Born in Tubingen (Germany) on 3 December 1945

Maurizia Angelo Comneno

Head of Compliance & Corporate Affairs

Born in Rome (Italy) on 18 June 1948

Marc Beckers

Head of Group Identity & Communications

Born in Antwerp (Belgium) on 9 February 1956

Federico Ghizzoni

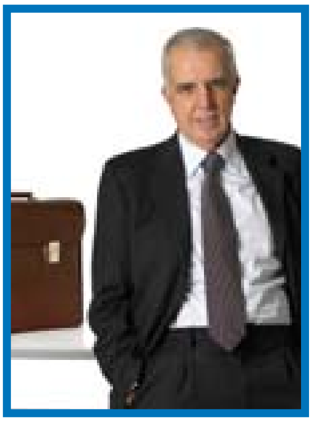
Head of Poland's Markets Division

Born in Piacenza (Italy) on 14 October 1955

Henning Giesecke

Chief Risk Officer

Born in Munich (Germany) on 6 May 1960



Carmine Lamanda

Head of Institutional & Regulatory Strategic Advisory

Born in Salerno (Italy) on 2 June 1941

Vittorio Ogliengo

Head of Corporate Division

Born in Asti (Italy) on 5 March 1958

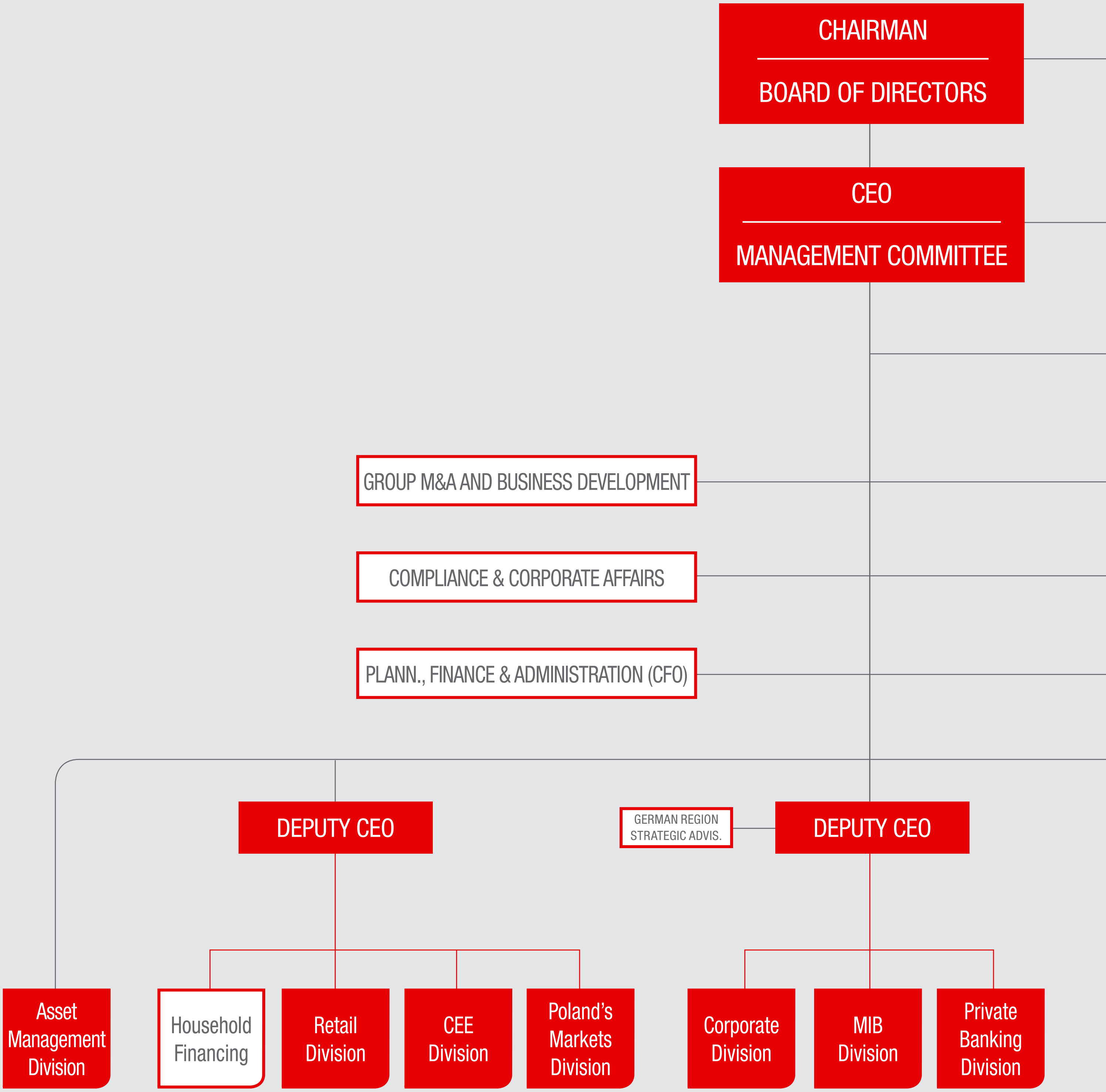
Edoardo Spezzotti

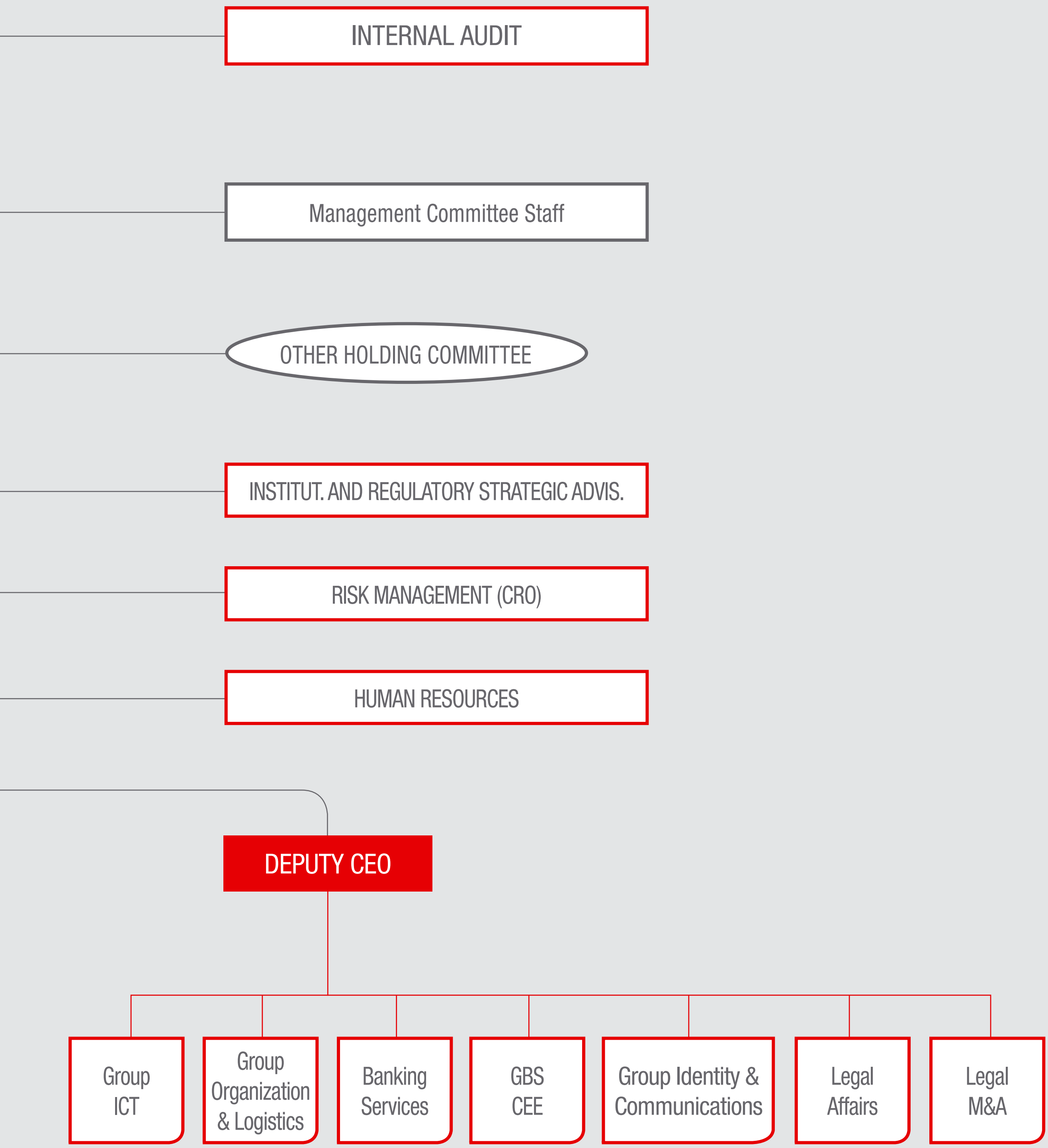
Head of Markets & Investment Banking Division

Born in Udine (Italy) on 14 April 1953

Passion takes many forms and in this year's annual report, we thought to offer you some insight into the passions of our leadership group.

General Management[1]





1. As of March 31, 2008

Group Management Team

A list of other members of the Group Management Team follows hereafter

CORPORATE CENTER - SENIOR EXECUTIVE VICE PRESIDENT

Elisabetta Magistretti
Head of Internal Audit

CORPORATE CENTER - EXECUTIVE VICE PRESIDENT

Patrizio Braccioni
Head of Group Tax Affairs

Chiara Burberi
Compliance Chief Operating Officer

Paolo Cornetta
Head of Executive Development and Compensation

Giorgio Ebreo
Chief Executive Officer UniAudit

Rolf Friedhofen
Chief Financial Officer HVB

Andreas Frueh
Head of Legal HVB

Francesco Giordano
Head of Group Planning, Strategy & Research

Thomas Gross
Chief Risk Officer BA-CA

Heinz Laber
Head of HR HVB

Franco Leccacorvi
Head of Group Accounting

Karl Limmer
Head of Audit Management HVB

Antonella Massari
Head of Group Investor Relations

Bruno Morelli
Head of Shareholdings

Marina Natale
Head of Group M&A and Business Dev.

Secondino Natale
Head of Management Committee Staff

Anna Simioni
Head of Corporate Learning

Andrea Varese
Chief Risk Officer HVB

RETAIL - EXECUTIVE VICE PRESIDENT

Giovanni Albanese
Head of Retail Credit Risks

Silvio Barzi
Head of New Markets

Willibald Cernko
Head of Retail Austria & Germany

Giovanni Forestiero
Head of Retail Sales Austria & Germany

Ralph Mueller
Head of Retail Division BA-CA

Alberto Naef
Head of Retail Marketing & Segments Austria & Germany

Giovanni Chelo
Head of HR Retail Division

Raffaele Cicala
Chief Executive Officer UCIFin, Head of Household Financing

Pasquale Giamboi
Chief Executive Officer UBCasa

Oreste Massolini
Head of Planning & Control Retail Division

Gabriele Piccini
Head of Retail Italy

Roberto Bertola
Chief Executive Officer Banco di Sicilia

Alessandro Cataldo
General Manager Unicredit Banca di Roma

Rodolfo Ortolani
Chief Executive Officer Bipop Carire

Frederik Geertman
Head of Retail Marketing & Segments Italy

CENTRAL EASTERN EUROPE - EXECUTIVE VICE PRESIDENT

Jozef Barta
Chief Executive Officer - Slovakia

Helmut Bernkopf
Deputy President/ General Manager - Russia

Levon Hampartzoumian
Chief Executive Officer -Bulgaria

Andrea Casini
Chief Operating Officer - Bulgaria

Alessandro Decio
Chief Operating Officer - Turkey

Jiri Kunert
Chief Executive Officer – Czech Republik

Franjo Lukovic
Chief Executive Officer - Croatia

Mihaly Patai
Chief Executive Officer - Hungary

Gianni Papa
General Manager - Ukraine

Alexander Picker
Chief Executive Officer - Kazachstan

Klaus Priverschek
Chief Executive Officer - Serbia

Rasvan Radu
Chief Executive Officer – Romania

Doris Tomanek
Head of HR CEE, BA-CA

Carlo Vivaldi
Chief Financial Officer CEE, BA-CA

POLAND - EXECUTIVE VICE PRESIDENT

Jan Krzysztof Bielecki
Chief Executive Officer Pekao

Luigi Lovaglio
Vice President/ General Manager Pekao

CORPORATE - EXECUTIVE VICE PRESIDENT

Marco Bolgiani
Head of Global Transaction Banking

Gianni Coriani
General Manager UBI

Fausto Galmarini
Chief Executive Officer UniCredit Factoring

Juergen Kullnig
Head of Corporate / PB Credit Risks

Oliver Maassen
Head of HR Corporate Division

Alessandro La Porta
Head of HR UBI

Massimiliano Moi
Chief Executive Officer Global Leasing

Luca Lorenzi
Chief Executive Officer Locat

Regina Prehofer
Head of Corporate Division BA-CA

Stefan Schmittmann
Head of Corporate Division HVB

MARKETS & INVESTMENT BANKING - EXECUTIVE VICE PRESIDENT

Erik Banks
Head of MIB Market/Credit Risks

Stefan Ermisch
Chief Operating Officer MIB Division

Ronald Seilheimer
Head of Principal Investments

Theodor Weimer
Head of Investment Banking

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