UniCredit Group

2006 Annual Report

UniCredit
Italian Joint Stock Company
Registered Office: Genoa, via Dante, 1
General Management: Milan, Piazza Cordusio
Registered in the Genoa Trade and Companies Register (Courts of Genoa)
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 euro 5,222,465,096.50 fully paid in

Michelangelo Pistoletto, “Embraces Differences”, 2005, UniCredit Collection.

Consolidated Report and Accounts
as at **31 December 2006**

2006 Annual Report

Franco Fontana, “Cadaques”, 1976, UniCredit Collection.

Board of Directors, Board of Auditors and External Auditors

Board of Directors

Dieter Rampl *	**Chairman**
Gianfranco Gutty * (first deputy chairman) Franco Bellei * Fabrizio Palenzona * Anthony Wyand *	**Deputy Chairmen**
Alessandro Profumo **	**Managing Director/CEO**
Roberto Bertazzoni ** Manfred Bischoff Vincenzo Calandra Buonaura Giovanni Desiderio Volker Doppelfeld Giancarlo Garino Francesco Giacomin ** Piero Gnudi Friedrich Kadrnoska ** Max Dietrich Kley Luigi Maramotti Dieter Münich ** Carlo Pesenti Hans Jürgen Schinzler Giovanni Vaccarino Paolo Vagnone ** Nikolaus von Bomhard **	**Directors**
Marco Fantazzini	**Company Secretary**

Board of Auditors

Gian Luigi Francardo	**Chairman**
Giorgio Loli Aldo Milanese Vincenzo Nicastro Roberto Timo	**Statutory Auditors**
Giuseppe Armenise Marcello Ferrari	**Alternate Auditors**
KPMG S.p.A.	**External Auditors**

* Member of the Chairman's Committee and of the Executive Committee
** Executive Committee Member

Davide Benati, “Cantico”, 2006, UniCredit Collection.

Contents

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.**

Franco Fontana , “Puglia”, 1978, UniCredit Collection.

Introduction

Welcome to Shareholders

"...the progress made and the speed with which it was accomplished are simply breathtaking."

Dear Shareholders,

It is my pleasure to present our consolidated Accounts for 2006 – the first full year of operation for the new Group created from the combination of UniCredit, HVB and Bank Austria-Creditanstalt.

Looking back at the many key events and initiatives of the last 12 months, both in the integration and operational areas, the progress made and the speed with which it was accomplished are simply breathtaking. I am proud to have been an active contributor to the creation of what has rapidly become one of Europe's best performing financial institutions, and of what we like to call "the First Truly European Bank".

Our 'homegrown' experience and strong presence in 20 European markets, our undisputed leadership position in the important growth region of Central and Eastern Europe and the well-balanced revenue streams from our divisional operations as well as from our diverse geographic footprint indeed set us apart from many of our competitors.

Embracing that diversity is the key not only to retaining a close tie and relationship with our customers, it also is the recipe that we use internally to drive towards a new corporate culture, a common identity. For developing and living this common identity together, is what allows to really unlock the full potential of a global organization. And it is that potential which - together with sound business strategies and good governance and risk management - makes our profit and value creation sustainable.

It is indeed important to note that our speedy integration is being achieved without making any trade-offs on the value creation side. We are accomplishing our strategy and goals strictly in accordance with the ambitious plans of which we previously informed the market.

Being aware of the shareholders' and market's great expectations of our company, the Board of Directors has regularly reviewed the strategic direction of the various business divisions, the evolution of the Group's operating results and its risk management processes. The Board also spent considerable time and effort on initiatives for strengthening our corporate governance system.

A new Corporate Governance Commission was established and is working to continuously explore best practices and propose improvements in this important area.

Our significant achievements and excellent profitability in 2006 form the basis for further growth and high performance in the future. I am confident that in a year's time I shall be able to confirm how our vision for the Group, not least thanks to your support and encouragement, is turning into reality. This allows us to aim even higher, for ever more ambitious value creation targets.

Dieter Rampl

Chairman

UniCredit Group at a Glance

The First Truly European Bank

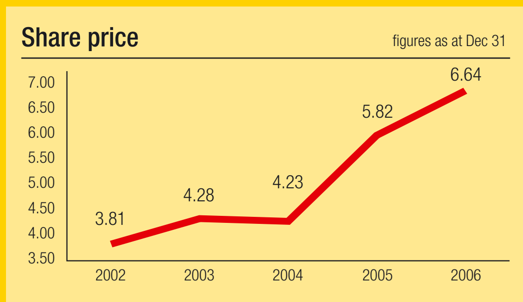
Banking Operations in 20 Countries

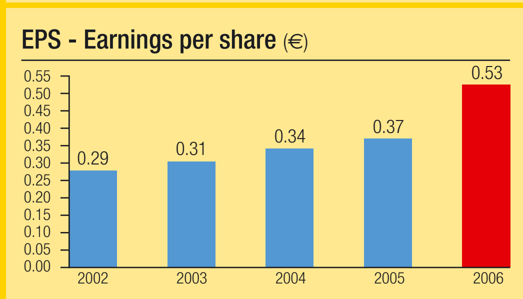
Highlights

UniCredit Group is one of the largest banking and financial services organizations in Europe.

In Europe we are one of the leaders in terms of business size and unique in terms of strategic positioning.

Over the years the UniCredit Group has built up a proven track record of value creation:





Customers: 35 mn

Employees[1]: over 142,000

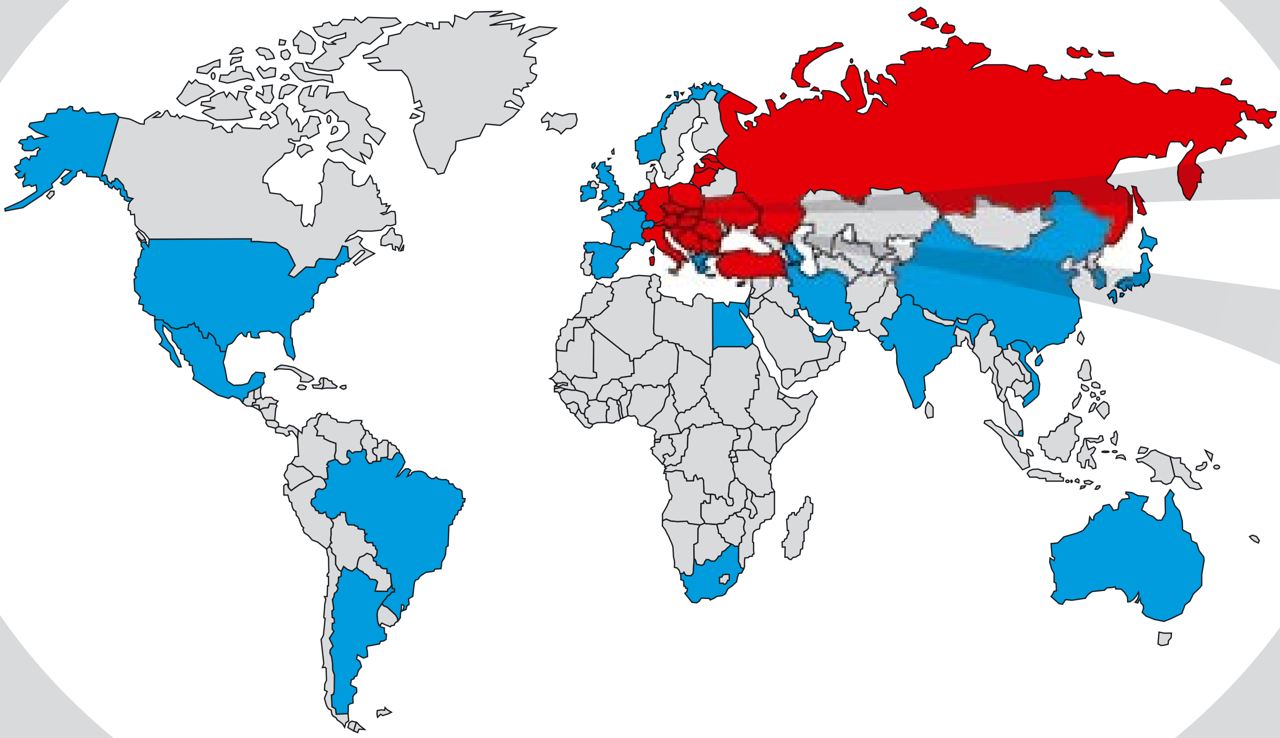
Branches[2]: over 7,200

	(Mln €)
Operating Income	23,464
Operating Profit	10,206
ROE[3]	16.7%
Total Assets	823,284

1. "Full time equivalent". KFS Group considered at 100%.
2. KFS Group considered at 100%.
3. 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).

UniCredit Group at a Glance

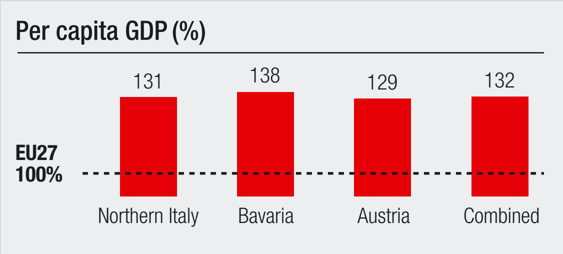
The Geographic Presence



We are a Global Player with Coverage in 5 Continents

- Countries where the Group operates via control of local banks or in which it has a significant equity interest.
- Countries where the Group operates via its own branches, representative offices, small banking subsidiaries, or investment centers (Pioneer).

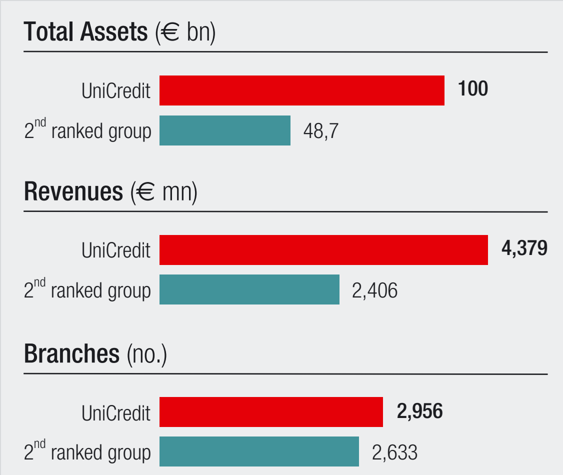
The UniCredit Group has a leading position in one of the richest areas in Europe: Bavaria, Austria and Northern Italy.



Source: CE inforegio Report as at February 2007 (based on the latest available information).

The Group is a leader in Central and Eastern Europe, an area featuring fast rates of economic growth and the fastest growth rates for banking revenues.

The Group has a significant competitive edge in Central and Eastern Europe: in terms of total assets, revenues and the number of branches.



Source: UniCredit New Europe Research Network - As at end 2005.
Note: 100% of total assets and revenues for controlled companies (stake>50%) and share owned for non-controlled companies; 100% of branches (excluding representative offices); including proforma and acquisitions in 2006.

UniCredit Group at a Glance

The Business Model

UniCredit Group

Retail Division	Corporate Division	Private Banking & Asset Management Division	Markets & Investment Banking Division	Poland's Markets Division	CEE Division	Global Banking Services Division

UniCredit has adopted a division-based organisational model that leverages to the utmost the competitive advantages derived from its geographic and business structure, and puts these directly at the service of our customers everywhere in Europe and abroad. The Group's full exploitation of these advantages will also enable it to improve operating efficiency in several areas and to achieve substantial growth in Economic Value Added (EVA) with significant contributions from all business divisions.

UniCredit has identified specialisation as a key success and differentiation factor for establishing a competitive advantage in the European market.

The Group has therefore adopted a division-based business model that can respond with maximum efficiency to the needs of different market segments by offering personalised service models as well as by giving operating divisions full responsibility for determining their own strategies.

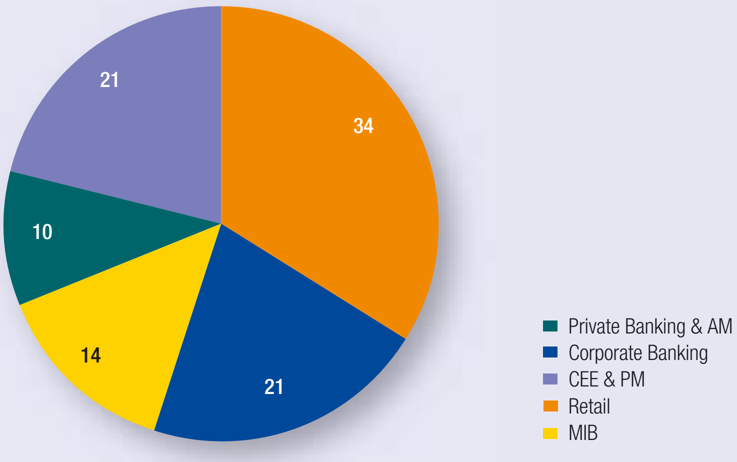
The creation of value for UniCredit's customers and other stakeholders is augmented by specialised product factories which can exploit the significant opportunities offered by global businesses and which can, at the same time, create and derive added value in every market in which the Group operates.

The Group has established centres of excellence in selected product areas at the international level (Asset Management, Investment Banking and global product lines such as leasing and consumer credit) in order to make products increasingly competitive and of the highest quality.

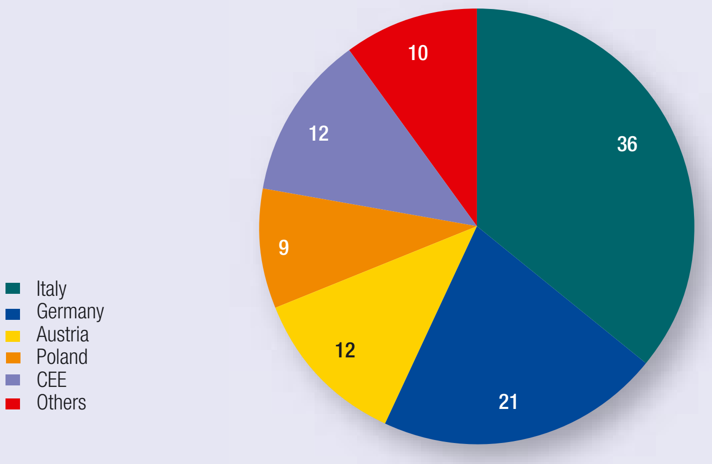
UniCredit has taken the strategic decision to manage commercial banking as a multi-site business in Italy, Germany and Austria and to focus on emerging markets (Poland and CEE) at the local level in order to take full advantage of all the growth and value creation opportunities in those markets.

The Group's aim is to be recognised as a domestic player in every market in which it operates by placing a strong emphasis on its presence in local communities.

Revenues by Division (%)



Revenues by Geographic Area (%)



UniCredit is characterised by the strong diversification of its revenues by business and geographic area. Commercial banking continues to be our main business. Retail banking is the most important source of revenues, generating one-third of the total, followed by corporate banking, which accounts for roughly 20% of total. The Group is highly focused on international markets, as demonstrated by its revenue breakdown by geographic market. Italy remains the principal market for the Group, but substantial revenues are derived also from Germany, the CEE countries and Austria.

UniCredit Group at a Glance

Integrity: a Condition of Sustainability

While profit generation is an essential pre-requisite for ensuring business success and growth, in UniCredit's view it is not, however, sufficient per se.
Profit must be generated with the integrity that promotes reputation, both internally and externally in order to create sustainability.

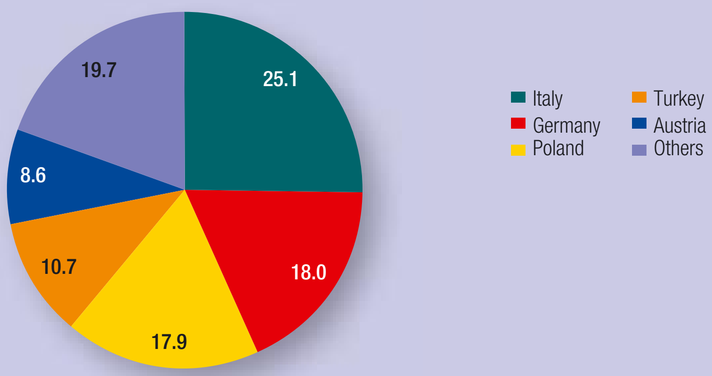
UniCredit Group emphasizes the entrepreneurial ability of its employees. To do that the Group does not simply rely on an effective governance mechanism, but also on a set of shared values to which colleagues can relate in their working life.

The Integrity Charter enshrines the body of these shared values which represent our "Foundations of Integrity": Fairness, Respect, Freedom, Transparency, Reciprocity and Trust.

For each of the main stakeholder groups making up the business (Employees, Investors, Customers/suppliers, Local communities), UniCredit has explained how to interpret those values which are considered essential to transform profit into value in a sustainable way.

The aim is to provide a useful behavioural framework for the resolution of the dilemmas that employees inevitably encounter during their everyday activities, and to help them to make responsible and consistent professional decisions.

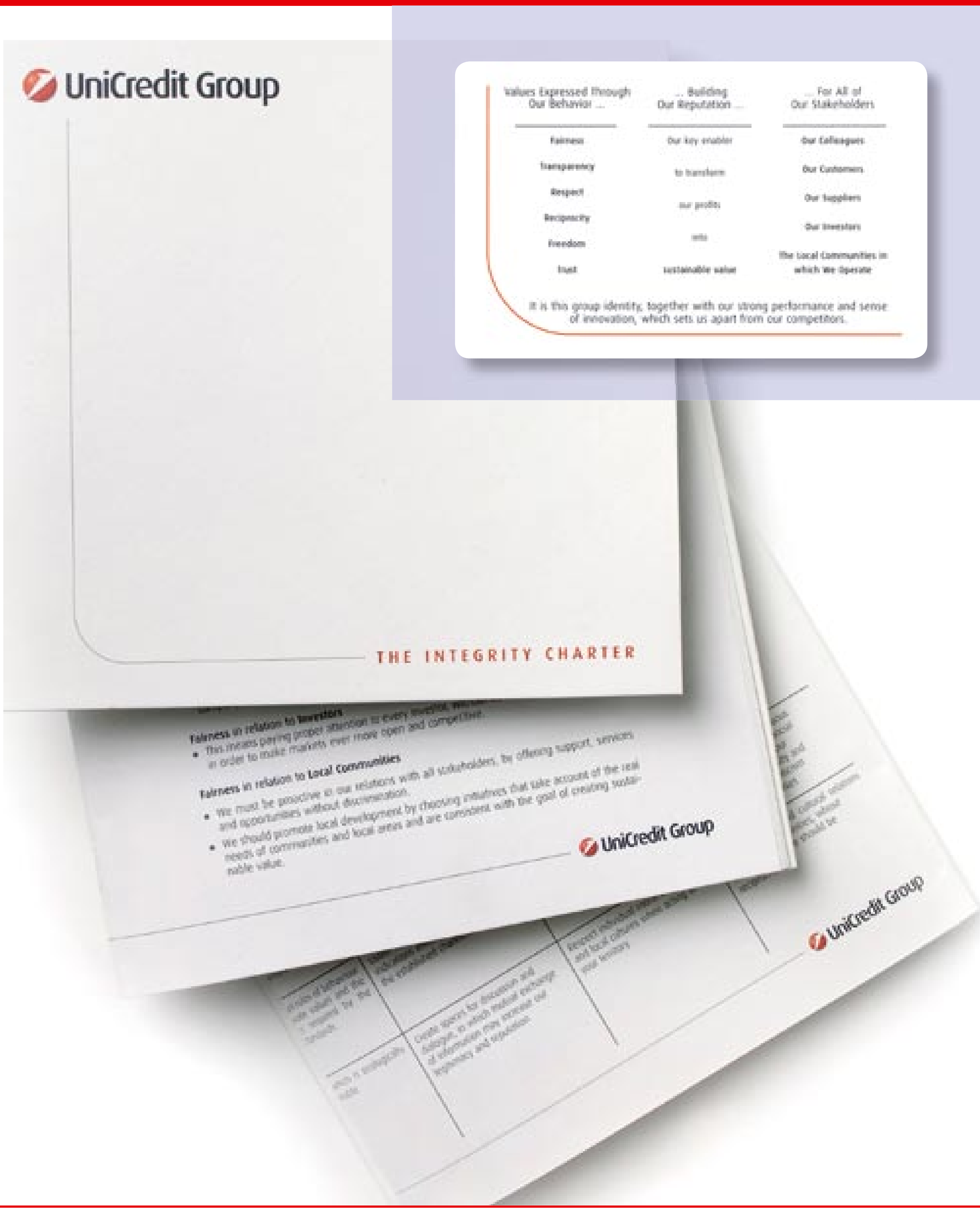
Employee distribution[1] (%)



1. By employee nationality.
Source: internal data as at 31 December 2006.

At UniCredit Group, cultural diversity is embraced and seen as a differentiating strength.

The percentage of people coming from the main geographical regions in which UniCredit operates is well balanced.


UniCredit Group
THE INTEGRITY CHARTER
UniCredit Group
UniCredit Group
Values Expressed Through Our Behavior ...
... Building Our Reputation ...
... For All of Our Stakeholders
Fairness
Transparency
Respect
Reciprocity
Freedom
Trust
Our key enabler
to transform
our profits
into
sustainable value
Our Colleagues
Our Customers
Our Suppliers
Our Investors
The Local Communities in which We Operate
It is this group identity, together with our strong performance and sense of innovation, which sets us apart from our competitors.

Franco Fontana, “Basilicata”, 1985, UniCredit Collection.

Strategy, Business Model and Results

CEO's Letter

"...there is no room for complacency and we must keep driving forward."

Dear Shareholders,

Having concluded the largest cross-border merger in the financial sector in Europe barely one year ago, we have moved decisively and aggressively to integrate operations in our major 'home markets'. But we have never taken our eye off the ball: at the same time we have consistently delivered on our ambitious financial targets. In fact, we have outperformed many of our peers in most of the key performance areas.

On the integration side, the implementation also in Germany and Austria of our business division model aimed at providing leading solutions for each customer segment is now largely concluded.

The transfer to UniCredit of BA-CA's direct control and assignment to the latter of the responsibility to manage the banks operating in Central and Eastern European countries, represented other milestones in the rationalisation of the Group's corporate structure.

The setting-up of the CEE Division not only made it possible to pursue the significant growth opportunities available in this geographical area – where our Group is

the undisputed leader – but also allowed us to optimise the integration of the banks by harmonising their operating systems and governance models.
The year also saw the successful reorganisation of most of the activities of those business lines where international scale and reach are paramount.

In Asset Management, the processes of investment, distribution and product policy were concentrated under the Pioneer brand. Significant progress was made in the reorganisation of investment banking activities, thanks to the creation of a specialised European operator which combines the skills and expertise developed by HVB, BA-CA and UniCredit in this sector.

The purpose of setting up global competence centres was to improve the quality of our products and services throughout the Group. We have therefore centralised both transnational services and correspondent banking, and all leasing business within our Corporate Division, while the international development of Clarima, our consumer finance arm, has been started in our Retail Division.

But in addition to our reorganisation and integration efforts, the past year was also marked by significant value creation: operating profit increased by 27.8% and net profit by 61.3%, while ROE rose to 16.7%, from 10.7% in 2005 proforma. EVA for 2006 was up by €1,500 million on the previous year.
Group revenue rose by 12.5% thanks to the growth seen in all Divisions, especially in the CEE countries (more than 20%).
Cost rationalisation initiatives and synergies deriving from the increased size of the Group determined an improvement in the cost/income ratio of all Divisions. For the Group as a whole, this ratio fell from 61.7% to 56.5%.

The excellent operating results were accompanied by an improvement of asset quality and a strengthening of our capital ratios.

Needless to say, we are extremely proud of our results, both in terms of operations and profit. But, in a dynamic and rapidly consolidating sector like ours, there is no room for complacency and we must keep driving forward.
Our success is also due to our proven ability to anticipate changes in the market and to be ‘first movers’. This is precisely the mindset that we want to continue to cultivate.

Our future strategy is already mapped out.

In the coming months, we will be focusing primarily on the final implementation of our organisational model. The aim is to provide our customers with superior service, thanks to our understanding of their needs at the local level and the economies of scale, scope and experience that only a global network such as ours can provide.

We will also be concentrating on optimising our capital management.
Our goal, beyond maximising resource efficiency, is to ensure that we have the necessary financial flexibility to seize any opportunities presented by the market.

Last, but by no means least, I want to address what I believe is a key objective. The creation of a strong and shared new Group identity and corporate culture, aimed at unleashing the power of diversity must be regarded as a priority to make sustainable and profitable in the long-term the integration already achieved in business terms.

In order to retain our position as one of the leading banking groups in Europe, we need to have effective governance and compliance systems, but we must also empower all our employees to enhance their entrepreneurial and innovation capabilities.

Only by providing a clear values framework we can grant our people the proper degree of freedom and instil a broad acknowledgment of the operational and behavioural models which help reduce the reputational risk of our actions.
This is a long and demanding process, but the first significant moves have already been made. Our Integrity Charter, enshrining the body of shared values which underpin the Group’s identity, has been discussed in working sessions by all Group employees to understand how to put into practice such values in their everyday working life.

To all of our people I would like to say a sincere thank you for their commitment, professionalism, and for the determination they have shown in managing the many changes that were asked of them as part of the integration process. It is to their ability that we owe our good 2006 results and it is their skill that is the Group’s greatest asset.

Alessandro Profumo

CEO

Report on Operations

Notes

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:

- Dividend 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 income (expense) includes the insurance business result and other operating income/expense, but does not include recoveries of costs, which have their own item.
- Payroll, Other administrative expense, value adjustments of Property, plant and equipment and Intangible assets, and General provisions are net of costs connected to integration with the HVB Group, which have their own item. Value adjustments of Property, plant and equipment do not include impairment losses and writebacks on investment property, which are recognised in net investment income.
- Value adjustments of goodwill due to recognition of deferred tax assets relating to previous-year losses disclosed by our sub-group HVB have been reclassified as current tax expense.
- Net investment income includes the gains (losses) and writedowns (writebacks) of available-for-sale financial assets and held-to- maturity financial assets, as well as gains (losses) on equity investments and disposals of investments.

Results by business area are presented on the basis of the new organisational structure with details for the six Business Divisions (Retail, Corporate, Private Banking & Asset Management, Markets & Investment Banking, Poland Markets and Central Eastern Europe) up to profit before tax.

The main changes occurring in this area in 2006 were due to the expansion of the scope of consolidation of the HVB Group with the addition of about 70 companies, and the sale of Splitska Banka (30 June 2006), Uniriscossioni and 2S Banca (end-September 2006) and Banque Monégasque de Gestion (early October 2006). New entries (all in H1) included: in Q1 2006 the 38 companies from the Immobilien Group HVB Bank Latvia, Joint Stock Commercial Bank HVB Ukraine, several companies from the BA-CA sub-group (including Nova Banjalucka Banka, CAIB International Markets and BPH Investment Fund Company) and several other smaller companies were fully consolidated giving a total of 48 companies; while in Q2 2006 the area of consolidation of the HVB Group expanded to include HVB Capital Partners AG and 19 subsidiaries of BA-CA; 17 companies of the latter comprise the real estate sub-group Universale International Realitäten GmbH.

The income statement for fiscal 2005 presented in the report on operations was restated to take into account the significant changes in the scope of consolidation which occurred in late 2005.

The 2005 accounts included a pro-forma income statement for the year, which was prepared as if the date of the combination with the HVB Group was 1 January 2005. In order to ensure the greatest degree of standardisation, this income statement was further adjusted starting with the Q1 2006 report to incorporate the operating results for the Yapi ve Kredi Group before the acquisition (September 2005), and the impact on the income statement of classifying Uniriscossioni and 2S Banca under disposal groups. The Yapi ve Kredi Group income statement used for this purpose was stripped of extraordinary items and minorities' net profit. The HVB Group income statements for the comparable periods, on the other hand, were not restated to take account of the changes in its scope of consolidation. The effects of these changes, along with exchange differences arising from conversion of subsidiaries' profit and loss accounts, are also specified in the notes to the income statements.

Finally, it should be noted that following the completion of purchase price allocation in respect of the business combination with the HVB Group, the 2005 balance sheet fair values of several acquired assets have been restated as described in Section G of the notes to accounts. The new valuations also have a financial impact, in some cases, due to the amortisation of differences vis-à-vis the provisional valuations at the end of 2005. Thus, as required by IFRS 3, income statements drawn up after the acquisition date were restated including the pro-forma 2005 income statement in order to maintain comparability. The pro-forma 2005 income statement recognises higher net interest income (by €62 million) and lower writedowns on loans and receivables (by €10 million) off-set by higher writedowns on plant, property and equipment and intangible assets (by €74 million).

UniCredit Highlights

Profit and Loss Figures

(€ million)

	YEAR		CHANGE
	2006	2005 Pro-forma	
Operating income	23,464	20,850	+ 12.5%
Operating costs	13,258	12,862	+ 3.1%
Operating profit	10,206	7,988	+ 27.8%
Profit before tax	8,210	5,567	+ 47.5%
Net Profit attributable to the Group	**5,448**	**3,378**	**+ 61.3%**

Profitability Ratios

	YEAR		CHANGE
	2006	2005 Pro-forma	
EPS (€)	0.53	0.33	+0.20
ROE[1]	16.7%	10.7%	+ 6.0
Cost/income ratio	56.5%	61.7%	- 5.2
EVA[2] (€ million)	2,392	891	+ 1,501

Balance Sheet Main Items

(€ million)

	AMOUNTS AS AT		CHANGE
	31.12.2006	31.12.2005	
Total assets	823,284	787,284	+ 4.6%
Loans and receivables with customers	441,320	425,277	+ 3.8%
Deposits from customers and debt securities in issue	495,255	462,226	+ 7.1%
Shareholders' equity	**38,468**	**35,199**	**+ 9.3%**

Capital Ratios

	AS AT		CHANGE
	31.12.2006	31.12.2005	
Core Tier 1/Total risk-weighted assets	5.82%	5.33%	+ 0.49
Total regulatory capital/Total risk-weighted assets	10.50%	10.16%	+ 0.34

Staff and Branches

	AS AT		CHANGE
	31.12.2006	31.12.2005	
Employees[3]	142,406	145,842	- 3,436
Employees (KFS Group consolidated proportionally)	132,480	135,573	- 3,295
Branches[4]	7,269	7,184	+ 85

Ratings

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK
FITCH RATINGS	F1	A+	POSITIVE
Moody's Investors Service	P-1	A1	STABLE
Standard & Poor's	A-1	A+	STABLE

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).
2. Economic Value Added, equal to the difference between the NOPAT (net operating profit after taxes) and the cost of capital.
3. "Full time equivalent". These figures include all of Koç Financial Services Group employees, although such Group is consolidated proportionately. The HVB Group figure has been proforma'd to take into account companies first consolidated in 2006.
4. Koç Financial Services Group, which is consolidated proportionately, is considered at 100%.

Report on Operations

Reclassified Accounts

Consolidated Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE	
	31.12.2006	31.12.2005	AMOUNT	PERCENT
Assets				
Cash and cash balances	5,681	3,459	+ 2,222	+ 64.2%
Financial assets held for trading	191,593	172,179	+ 19,414	+ 11.3%
Loans and receivables with banks	83,715	76,099	+ 7,616	+ 10.0%
Loans and receivables with customers	441,320	425,277	+ 16,035	+ 3.8%
Financial investments	59,130	65,752	- 6,622	- 10.1%
Hedging instruments	3,238	4,920	-1,682	- 34.2%
Property, plant and equipment	8,615	7,797	+ 818	+ 10.5%
Goodwill	9,908	9,802	+ 106	+ 1.1%
Other intangible assets	3,428	3,579	- 151	- 4.2%
Tax assets	7,746	6,933	+ 813	+ 11.7%
Non-current assets and disposal groups classified as held for sale	573	3,309	- 2,736	- 82.7%
Other assets	8,337	8,178	+ 159	+ 1.9%
Total assets	**823,284**	**787,284**	**+ 36,000**	**+ 4.6%**
Liabilities and shareholders' equity				
Deposits from banks	145,683	141,682	+ 4,001	+ 2.8%
Deposits from customers and debt securities in issue	495,255	462,226	+ 33,029	+ 7.1%
Financial liabilities held for trading	103,980	107,094	- 3,114	- 2.9%
Financial liabilities designated at fair value	1,731	1,129	+ 602	+ 53.3%
Hedging instruments	3,708	4,499	- 791	- 17.6%
Provisions for risks and charges	6,871	6,535	+ 336	+ 5.1%
Tax liabilities	6,094	5,925	+ 169	+ 2.9%
Liabilities included in disposal groups classified as held for sale	97	1,887	- 1,790	- 94.9%
Other liabilities	17,123	16,871	+ 252	+ 1.5%
Minorities	4,274	4,237	+ 37	+ 0.9%
Shareholders' equity:	38,468	35,199	+ 3,269	+ 9.3%
- Capital and reserves	*30,855*	*31,102*	*- 247*	*- 0.8%*
- Available-for-sale assets fair value reserve and cash-flow hedging reserve	*2,165*	*1,627*	*+ 538*	*+ 33.1%*
- Net profit	*5,448*	*2,470*	*+ 2,978*	*+ 120.6%*
Total liabilities and shareholders' equity	**823,284**	**787,284**	**+ 36,000**	**+ 4.6%**

Note: Pursuant to IFRS 3, some amounts as at 31.12.2005, concerning the fair value of HVB Group assets and liabilities acquired, have been restated following the finalisation of "Purchase Price Allocation".

Consolidated Income Statement

(€ million)

	YEAR		CHANGE			YEAR
	2006	2005 Pro-forma	€M	PERCENT	NORMALIZED[1]	2005 HISTORICAL
Net interest	12,155	11,281	+ 874	+ 7.7%	+ 7.2%	5,394
Dividends and other income from equity investments	705	758	- 53	- 7.0%	- 9.1%	225 [2]
Net interest income	**12,860**	**12,039**	**+ 821**	**+ 6.8%**	**+ 6.1%**	**5,619**
Net fees and commissions	8,348	7,435	+ 913	+ 12.3%	+ 10.8%	4,373
Net trading, hedging and fair value income	1,922	1,530	+ 392	+ 25.6%	+ 25.0%	868 [2]
Net other expenses/income	334	-154	+ 488	n.a.	n.a.	159 [3]
Net non-interest income	**10,604**	**8,811**	**+ 1,793**	**+ 20.3%**	**+ 15.5%**	**5,400**
OPERATING INCOME	**23,464**	**20,850**	**+ 2,614**	**+ 12.5%**	**+ 10.1%**	**11,019**
Payroll costs	-7,845	-7,452	- 393	+ 5.3%	+ 3.6%	-3,720
Other administrative expenses	-4,431	-4,313	- 118	+ 2.7%	+ 0.5%	-2,092
Recovery of expenses	285	236	+ 49	+ 20.8%	+ 21.0%	235
Amortisation, depreciation and impairment losses on intangible and tangible assets	-1,267	-1,333	+ 66	- 5.0%	- 6.6%	-468
Operating costs	**-13,258**	**-12,862**	**- 396**	**+ 3.1%**	**+ 1.2%**	**-6,045**
OPERATING PROFIT	**10,206**	**7,988**	**+ 2,218**	**+ 27.8%**	**+ 24.5%**	**4,974**
Goodwill impairment	-9		- 9	..		
Provisions for risks and charges	-473	-252	- 221	+ 87.7%		-154
Integration costs	-465	-580	+ 115	- 19.8%		- 177
Net write-downs of loans and provisions for guarantees and commitments	-2,233	-2,273	+ 40	- 1.8%		-905 [3]
Net income from investments	1,184	684	+ 500	+ 73.1%		330
PROFIT BEFORE TAX	**8,210**	**5,567**	**+ 2,643**	**+ 47.5%**		**4,068**
Income tax for the period	-2,138	-1,710	- 428	+ 25.0%		-1,396
HVB Group net profit after acquisition	-	-	-	-		59
NET PROFIT	**6,072**	**3,857**	**+ 2,215**	**+ 57.4%**		**2,731**
Profit (Loss) from non-current assets held for sale, after tax	56	69	- 13	- 18.8%		-
PROFIT (LOSS) FOR THE YEAR	**6,128**	**3,926**	**+ 2,202**	**+ 56.1%**		**2,731**
Minorities	-680	-548	- 132	+ 24.1%		-261
NET PROFIT ATTRIBUTABLE TO THE GROUP	**5,448**	**3,378**	**+ 2,070**	**+ 61.3%**		**2,470**

Note: Dividends on Equity Instruments held for trading are included in Net trading, hedging and fair value income.

The 2005 pro-forma income statement has been restated in order to account for the effects of the finalisation of the Purchase Price Allocation associated with HVB Group business combination.

1. Adjusted for first-time consolidation effects and exchange differences.

2. The amount is different from the one reported in 2005 Accounts due to reclassified dividends on equity instruments.

3. The amount is different from the one reported in 2005 Accounts due to the reclassification of gains on disposal/repurchase since March 2006.

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Income Statement - Quarterly Figures

Consolidated Income Statement

(€ million)

	2006				2005 Pro-forma			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	3,250	3,002	2,942	2,961	2,848	2,874	2,806	2,753
Dividends and other income from equity investments	180	150	268	107	259	128	286	85
Net interest income	**3,430**	**3,152**	**3,210**	**3,068**	**3,107**	**3,002**	**3,092**	**2,838**
Net fees and commissions	2,155	1,951	2,109	2,133	1,959	1,908	1,809	1,759
Net trading, hedging and fair value income	234	431	564	693	264	432	230	604
Net other expenses/income	45	96	101	92	-213	39	17	3
Net non-interest income	**2,434**	**2,478**	**2,774**	**2,918**	**2,010**	**2,379**	**2,056**	**2,366**
OPERATING INCOME	**5,864**	**5,630**	**5,984**	**5,986**	**5,117**	**5,381**	**5,148**	**5,204**
Payroll costs	-2,021	-1,926	-1,948	-1,950	-2,010	-1,834	-1,804	-1,804
Other administrative expenses	-1,156	-1,095	-1,057	-1,123	-1,068	-1,109	-1,093	-1,043
Recovery of expenses	100	64	66	55	60	60	62	54
Amortisation, depreciation and impairment losses on intangible and tangible assets	-369	-289	-303	-306	-355	-320	-327	-331
Operating costs	**-3,446**	**-3,246**	**-3,242**	**-3,324**	**-3,373**	**-3,203**	**-3,162**	**-3,124**
OPERATING PROFIT	**2,418**	**2,384**	**2,742**	**2,662**	**1,744**	**2,178**	**1,986**	**2,080**
Goodwill impairment	-9							
Provisions for risks and charges	-274	-56	-79	-64	-139	-38	-4	-71
Integration costs	-361	-52	-52	-	-520	-60	-	-
Net write-downs of loans and provisions for guarantees and commitments	-552	-665	-501	-515	-680	-509	-575	-509
Net income from investments	108	450	449	177	228	107	66	283
PROFIT BEFORE TAX	**1,330**	**2,061**	**2,559**	**2,260**	**633**	**1,678**	**1,473**	**1,783**
Income tax for the period	-345	-442	-634	-717	-243	-488	-447	-532
NET PROFIT	**985**	**1,619**	**1,925**	**1,543**	**390**	**1,190**	**1,026**	**1,251**
Profit (Loss) from non-current assets held for sale, after tax		17	16	23	25	38	5	1
PROFIT (LOSS) FOR THE YEAR	**985**	**1,636**	**1,941**	**1,566**	**415**	**1,228**	**1,031**	**1,252**
Minorities	-92	-174	-230	-184	-128	-187	-108	-125
NET PROFIT ATTRIBUTABLE TO THE GROUP	**893**	**1,462**	**1,711**	**1,382**	**287**	**1,041**	**923**	**1,127**

Note: Dividends on Equity Instruments held for trading are included in Net trading, hedging and fair value income.
The income statements of the previous quarters have been restated in order to account for the effects of the finalisation of the Purchase Price Allocation associated with HVB Group business combination.

UniCredit Share

Share Information

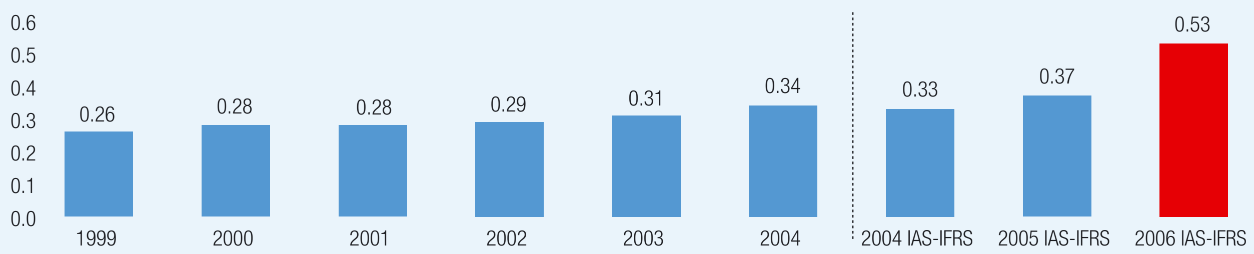
	2006	2005	2004	2003	2002	2001	2000	1999
Share price (€)								
- maximum	6.727	5.864	4.421	4.425	5.255	5.865	6.115	5.787
- minimum	5.564	4.082	3.805	3.144	3.173	3.202	3.586	3.845
- average	6.161	4.596	4.083	3.959	4.273	4.830	4.976	4.606
- end of period	6.654	5.819	4.225	4.303	3.808	4.494	5.572	4.924
Number of outstanding shares (million)								
- at period end [1]	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	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*
- average [1]	10,345.2	6,730.3	6,303.6	-	-	-	-	-
Dividend								
- total dividends (€ million)	2,486	2,276	1,282	1,080	995	724	649	648
- dividend per ordinary share	0.240	0.220	0.205	0.171	0.158	0.141	0.129	0.129
- dividend per savings share	0.255	0.235	0.220	0.186	0.173	0.156	0.137	0.137

1. The number of shares given for 2004, 2005 and 2006 is net of own shares (19.4 million for 2004 average and 87 milllion from end-2004 onwards).

Earnings Ratios

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

EPS - Earnings per share (€)



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Macroeconomic and Banking Scenario

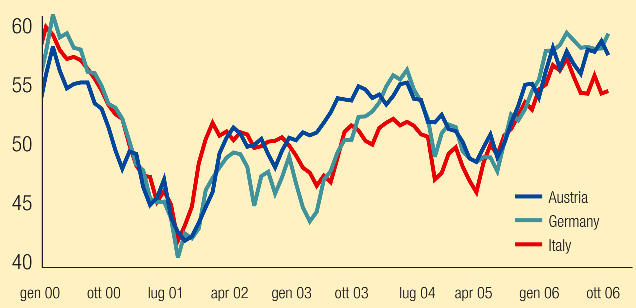
In the second half of 2006 the world economy continued to follow its robust upward growth trend with growth at the end of the year that again exceeded expectations, especially in Europe.

The United States, despite a slowdown in H2'06 showed an overall increase in GDP of 3.3% in 2006.

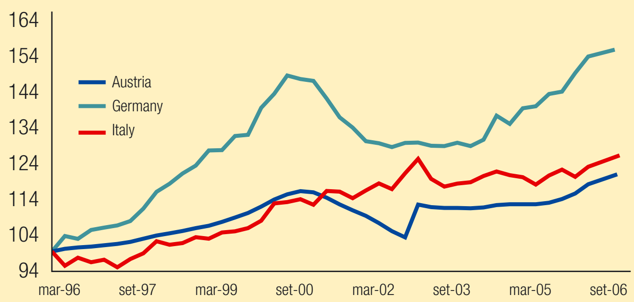
However, it was the fast pace of growth in Europe, and especially in Germany, that was the distinguishing feature of last year's economic cycle. The year ended with a 2.8% growth rate for the euro area, 2.9% for Germany, 1.9% for Italy and 3.2% for Austria. A clear resurgence in domestic demand levels, based on rapid growth in business investments, and a positive contribution to growth coming also from individual consumption and investments in construction (after years of stagnation for the former and decline for the latter) were the new factors for Germany which, thanks also to its significant competitive capacity, saw its exports grow faster than world trade growth rates. There was also a significant recovery in investment growth in Italy after a decline in 2005, and strong growth in individual consumption, which was in line with GDP. With individual consumption growing at the same pace as in previous years, Austria also posted an increase in GDP (3.2% compared to 2.0% in 2005) which was tied to investments.

Business confidence surveys actually reflected particularly positive trends: The German IFO business confidence index ended the year at an all-time high, and surveys conducted by the European Commission showed a high level of business confidence. As a reflection of this, industrial production grew 5.6% for the year in Germany, 2.4% in Italy and over 6% in Austria. On the other hand, the recovery of consumer confidence was slightly more moderate. The unemployment rate dropped from 11.3% to 9.8% in Germany, from 7.5% to 6.8% in Italy and from 5.1% to 4.6% in Austria.

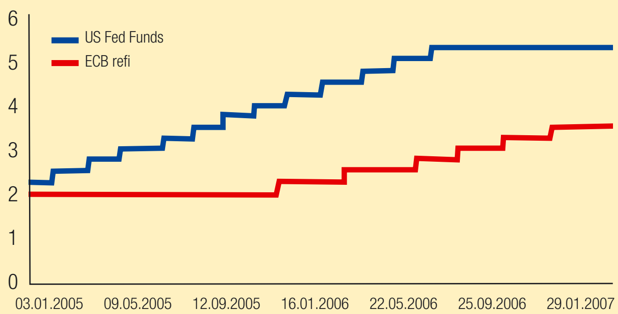
PMI manufacturing Index



Investments (at constant prices) Q1 1996 = 100



Policy rates



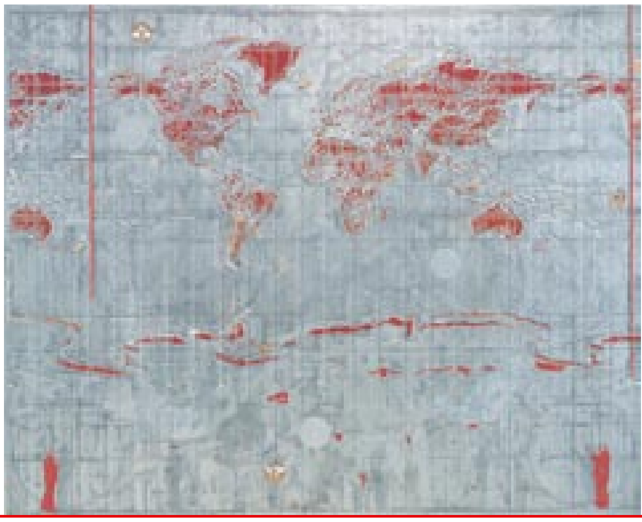
Banking and Financial Markets

These positive trends did not have a material impact on inflation, and all things considered, even the sharp increases in commodity prices had limited effects. Inflation in the euro zone was 2.2% in 2006. However, given the low initial level, and a growing economy, the European Central Bank continued its policy of gradual "normalisation" of interest rates, with 5 rate hikes of 25 bps each during the year, bringing its key interest rate to 3.5% in December.

Economic growth in CEE countries was also particularly strong in 2006. Individual consumption and investments were the main driving forces of economic growth in nearly all countries. The inflow of new foreign direct investments and continued sound competition at the international level provided further support for this trend.

Exchange rates moved in the direction of a general appreciation with the sole exceptions being the Turkish lira, which was more heavily impacted by the sell-off in financial markets in May and June, and the Hungarian forint, which after being depreciated at the beginning of the year, recovered at the end of the year benefiting from the growing credibility of the Hungarian government's tax reform programme. Inflationary pressures subsided in Q406, resulting in an overall change in monetary policy in many countries in the region. After implementing largely restrictive policies at the beginning of 2006, central banks preferred to return to more prudent "wait and see" positions at the end of the year, leaving rates unchanged.

Low inflation levels and the strong appreciation of the exchange rate led the Slovak and Czech central banks to leave rates unchanged in Q406 following total increases of 175 and 50 bps., respectively, in the preceding months. In the second half 2006, the Turkish central bank also resumed its "wait and see" approach by leaving its reference rate unchanged at 17.5%. In Croatia, monetary policy did not succeed in curbing the growth of bank lending and foreign debt, both of which remained at high levels, while in Romania, rigorous monetary policy successfully bolstered the disinflation process. In Poland, instead, interest rates remained unchanged at 4% after an overall rate cut of 50 bps. at the beginning of the year.



Luigi Carboni,
"In assenza di prove",
2004-2005,
UniCredit Collection.

Profitability in the banking sector in 2006 kept pace with the good performance of the economy.

In the credit market, growth benefitted in particular from the sharp increase in investments. In fact, lending was mainly bolstered by the corporate sector. In Italy total loan growth was 10.9% y/y in December 2006 (up by 8.8% in December 2005), primarily due to non-financial companies whose loan demand grew by 12.4% y/y in December 2006 (up by 5.0% in December 2005). On the other hand, loans to households continued to grow at a strong but slightly slower pace (up by 9.8% compared to an increase of 11.7% in 2005). In Germany, the credit market also showed signs of recovery, although to a lesser extent than in the rest of the euro zone. After over three years of decline, total loans ended 2006 at the same level as in December 2005, again due to the significant recovery in business demand (up by 1.9% y/y vs. a decline of 2.0% in 2005), while households posted growth rates that were nearly unchanged (up by 1.1% y/y in December 2006, compared to 1.4% in 2005). Austria posted solid, but slightly lower, growth (up by 4.7% y/y vs. an increase of 5.3% y/y in 2005) with higher growth rates in loans to households and a slower rate of increase in business loans, which were partly affected by weakness in small and medium-sized businesses.

There was also a strong increase in direct deposit volume in 2006 due to a growing preference in Germany and Austria, and in the euro zone, for less liquid deposits (time deposits) that have a higher return than current accounts. Non-financial companies were again the driving force behind deposit growth. In Austria, deposits on the whole rose by 4.7% y/y in December 2006 as in 2005, while time deposits rose by 14.3%

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compared with 8.5% in 2005. In Germany time deposits rose by 11.4% y/y compared with 1.5% in December 2005, while total deposits were up by 5.2% (3.5% in 2005). In Italy, current account deposits (the prevalent form of bank deposits) were up by 5.2% y/y in November (9.1% in December 2005), and there was again strong growth in bonds issued by banks, which were up by 12.4% in November (10.3% in December 2005).

The growth in banking business in 2006 was accompanied by a gradual widening of bank spreads (difference between the lending and deposit rate). This phenomenon was more pronounced in Italy than in Austria, and still almost negligible on a year-on-year comparison in Germany, since German lending rates began their upward rise only at the end of the year. In Italy spreads widened by 23 basis points (bps) to 3.93% in December 2006, up from 3.70% in December 2005. In Austria spreads were up by only 7 bps from 2.31% at the end of 2005 to 2.38%, while in Germany, spreads were down by 41 bps y/y from 3.63% to 3.22% at the end of 2006.

In 2006 financial markets also posted strong growth levels. At year end, the Morgan Stanley Capital Index Europe was up by 15.9% over December 2005. The Italian equity market reported similar performance (the S&PMib index was up by 16.0% y/y), while both Austrian and German stock exchanges outperformed their peers with increases of 21.7% (ATX) and 22.0% (DAX 30), respectively.

However, even though the mutual fund sector in Austria and Germany solidified gains achieved in 2005 due in part to good market performance, in Italy it ended the year in decline with significant outflows of funds. In Italy, the net fund outflow was €17.9 billion (compared to an inflow of €8.4 billion in 2005) with total assets down by 0.2% at the end of 2006. In Austria, however, the market was up by 7.8% y/y with a net inflow of €9.0 billion (an inflow of €21.2 billion in 2005), and in Germany mutual fund asset growth was slightly lower (up by 6.6% y/y), and the overall inflow was €55.0 billion (€80.0 billion in 2005).

Franco Fontana, “Basilicata”, 1978, UniCredit Collection.

Highlights on Results and Performance for the Year

Our reorganisation and development processes were set in train to maximise value creation for our stakeholders – the people working in our Group, our customers and suppliers, investors and local communities. Our 2006 results show that this objective was reached last year:

- operating profit up by 28%
- net profit up by 61%
- EPS of 53 € cents (up from 33 € cents in 2005 (pro-forma)
- ROE 16.7% (up from 10.7% pro-forma) and
- a €1.5 billion increase in EVA over 2005.

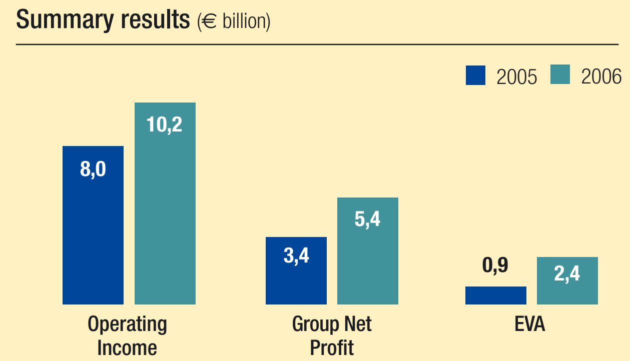
Operating profit was €10.2 billion as against €8 billion in 2005 – this excellent result was mainly due to a 12.5% increase in operating income over 2005 (10.1% at constant exchange rates and scope of consolidation), thanks to a good contribution from all Divisions and especially marked progress of over 20% in the CEE area. This performance stems from our decision to optimise and strengthen our presence in the more mature markets of Italy, Germany and Austria and to expand in the emerging markets of Central and Eastern Europe.

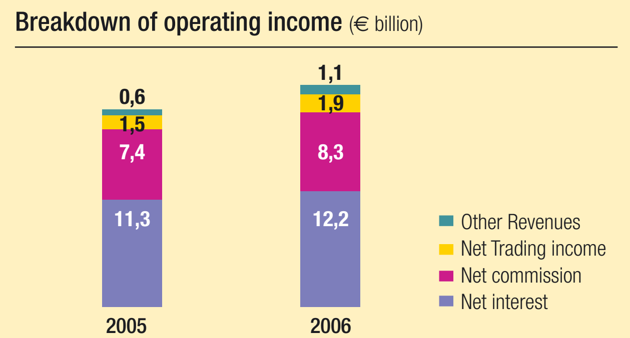
The operating income result is also gratifying in terms of future sustainability and the balance between its various components: net interest income grew significantly (by 7%), as did net fees and commissions (by 12.3%) and trading, hedging and fair value income (by 25.6%).

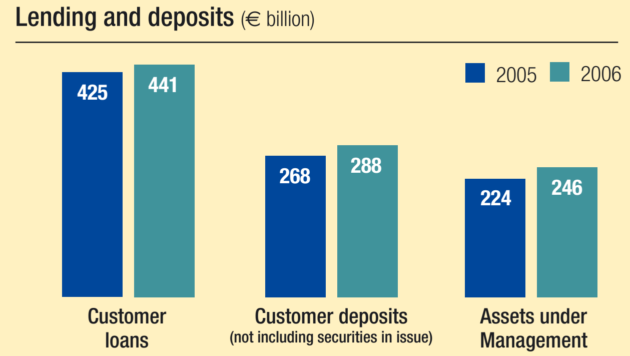
The 7.7% increase in net interest was mainly due to volume growth in customer business.

Customer loans were €441 billion at 31 December 2006 – an increase of 3.8% over 2005, which was driven by CEE (up by 28%) and Italy (up by 11%, with good growth both in Retail and Corporate), while Germany and Austria saw a slight reduction. Consumer credit grew by 28% and overdrafts by 18%. Residential mortgages grew by less than 1%: this was mostly due to a shrinking of the stock in Germany caused by a slowdown in loan production and asset sales.

Customer deposits (not including securities in issue) were €288 billion







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– up by 7% over 2005, with double-digit growth in CEE (up by 16%) and Italy (up by 14%).
The widening of interest-rate spreads following a rise in market rates was also a positive factor due to increased mark-down on deposits, especially Retail deposits.

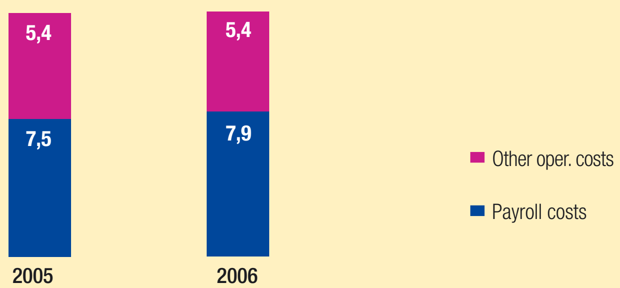
Net fees and commissions were €8.3 billion – here the decisive driver was asset management and administration, which earned €4 billion, increasing by 12% over 2005. The figure reflects positive outcomes in business volume at the Group's asset management companies[1].
At end-2006 assets under management were close to €246 billion – an increase of almost 11% over 2005 – due partly to favourable trends in the financial markets, and partly to net inflows in 2006 of €8.4 billion, half of which were achieved in the US, while the acquisition of the US firm Vanderbilt brought assets of about €10 billion. Our market share trends support the good performance in asset management: in Italy our share grew from 15.17% (January 2006) to 15.57% at year-end; in Austria from 15.73% to 16.02% during the year.
Commissions on payment services also grew sharply, by 19%.

Net fees and commissions

(€ million)

	YEAR		CHANGE	
	2006	2005	AMOUNT	PERCENT
Asset management, custody and administration:	4,030	3,595	+ 435	+ 12.1%
segregated accounts	*295*	*131*	*+ 164*	*+ 125.2%*
management of collective investment funds	*2,169*	*1,946*	*+ 223*	*+ 11.5%*
insurance products	*555*	*437*	*+ 118*	*+ 27.0%*
securities dealing, placement and other services	*1,011*	*1,081*	*- 70*	*- 6.5%*
Current accounts, loans and guarantees	1,917	1,775	+ 142	+ 8.0%
Collection and payment services	1,380	1,159	+ 221	+ 19.1%
Forex dealing	534	501	+ 33	+ 6.6%
Other services	487	405	+ 82	+ 20.2%
Total net fees and commissions	**8,348**	**7,435**	**+ 913**	**+ 12.3%**

Operating costs (€ billion)



The 25.6% increase in trading, hedging and fair value income was mainly due to the Markets and Investment Banking Division (MIB) - specifically, structured derivatives with institutional and corporate clients, and equities in Germany and Austria.
Significant gains on fair value measurement of positions in held-for-trading securities and forex at the Corporate Centre in Germany more than off-set the negative impact of fair value measurement of our option on Generali shares (down €18 million from 2005) and of the fact that the *Convertendo* FIAT bond gains (€75 million in 2005) were not repeatable.

Operating costs grew by 3.1% over 2005 (but by 1.2% at constant exchange rates and scope of consolidation), being a mix of restructuring and efficiency enhancement on the one hand, and development projects on the other.
Payroll was the component that grew fastest – by 5.3% or 3.6% at constant exchange rates and scope of consolidation. This increase was entirely due to the price effect, of contractual increases and the greater impact of variable compensation linked to business results, as well as the alignment of the standards between the various Group entities.
FTE staff numbers were 142,406 at year-end[2], more than 3,400 fewer than in 2005.

1. Data refer to Pioneer Group, Nordinvest and Capitalinvest.
2. The KFS Group is consolidated proportionately in the accounts, but staff numbers are included in full.

This reduction was due to the following factors:

- rightsizing at the Corporate Centre in Germany (-528), in the Retail Division (-680 net of increases in consumer finance and mortgages areas), in Turkey (-235), Poland (-408) and the Czech Republic (-278) and in Global Banking Services
- certain companies leaving the Group (2S Banca, Uniriscossioni, Splitska banka and Banque Monégasque de Gestion)
- business expansion in certain CEE countries, especially Russia (+536) and Hungary, in leasing and in the Private Banking and Asset Management Division.

Other administrative expenses rose by 2.7% over 2005, but by no more than 0.5% at constant exchange rates and scope of consolidation.
This was the result of significant efficiency gains, especially in Germany, which almost entirely off-set not only inflationary increases, but also the cost increase of new branch openings in CEE (Poland, Russia, Hungary and Bosnia), the centralisation in Group HQ in Milan of certain services and the development of strategic projects including Basel II.
Consequently our cost/income ratio markedly improved - down from 61.7% to 56.5%, in line with the path laid down in the strategic plan.

These excellent operating results were matched by an improvement in credit risk.

Impairment losses on loans and guarantee and commitment provisions fell by 1.8% from 2005. The increase reported by the Divisions and the Corporate Centres, in part due to extraordinary provisions made in Austria and Germany in order to comply with Group standards for the coverage of past-due loans and general provisions, will not impact consolidated financial statements insofar as it has already been included in the valuation of HVB Group assets as part of the Purchase Price Allocation (PPA) process.
The cost of credit risk (i.e., the ratio of impairment losses on loans and guarantee provisions, net of write-backs, to average risk-weighted assets for credit risk) was 56bp for the Group - an improvement of 5bp over 2005 including the PPA effect;

Impaired loans to Customers (by type)

(€ million)

	NON-PERFORMING LOANS	DOUBTFUL LOANS	TOTAL	RESTRUCTURED LOANS	PAST-DUE LOANS	IMPAIRED LOANS
As at 31.12.2006						
Face value	17,698	4,847	**22,545**	4,394	1,016	**27,955**
as a percentage of total loans	*3.87%*	*1.06%*	***4.94%***	*0.96%*	*0.22%*	***6.12%***
Write-downs	10,886	1,259	**12,145**	1,388	146	**13,679**
coverage ratio	*61.5%*	*26.0%*	***53.9%***	*31.6%*	*14.4%*	***48.9%***
Carrying value	6,812	3,588	**10,400**	3,006	870	**14,276**
as a percentage of total loans	*1.54%*	*0.81%*	***2.36%***	*0.68%*	*0.20%*	***3.23%***
As at 31.12.2006 comparable						
Face value	14,701	11,128	**25,829**	483	1,643	**27,955**
as a percentage of total loans	*3.22%*	*2.44%*	***5.65%***	*0.11%*	*0.36%*	***6.12%***
Write-downs	9,052	4,339	**13,391**	75	213	**13,679**
coverage ratio	*61.6%*	*39.0%*	***51.8%***	*15.5%*	*13.0%*	***48.9%***
Carrying value	5,649	6,789	**12,438**	408	1,430	**14,276**
as a percentage of total loans	*1.28%*	*1.54%*	***2.82%***	*0.09%*	*0.32%*	***3.23%***
As at 31.12.2005						
Face value	17,105	15,705	**32,810**	491	2,554	**35,855**
as a percenteage of total loans	*4.01%*	*3.68%*	***7.69%***	*0.12%*	*0.60%*	***8.41%***
Write-downs	10,244	6,763	**17,007**	72	622	**17,701**
coverage ratio	*59.9%*	*43.1%*	***51.8%***	*14.7%*	*24.4%*	***49.4%***
Carrying value	6,861	8,942	**15,803**	419	1,932	**18,154**
as a percentage of total loans	*1.61%*	*2.10%*	***3.70%***	*0.10%*	*0.45%*	***4.26%***

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more or less unchanged net of PPA.
The cost of risk grew slightly in Italy (up by 6bp, due mainly to non-repeatable circumstances in UniCredit Banca and Clarima) and in Austria (up by 29bp on account of greater impairment losses in Retail and extraordinary Corporate Centre recoveries in 2005); there were reductions in Germany and CEE.

Preamble to the asset quality discussion: in 2006 the criterion for reclassification of the HVB Group's impaired loans into Banca d'Italia categories (though without any change to the aggregate) was refined, so 2006 figures are shown both before and after this process, not least to enable proper comparison with 2005.
At end 2006 the face value of impaired loans was just under €28 billion, of which €22.5 billion were either non-performing or doubtful. The €8bn reduction in this figure from end-2005 was mainly due to sales of non-performing and doubtful loans in Italy and Germany during 2006 and good recovery results, especially in Germany.
These factors accounted for most of the reduction in the bad debt ratio (i.e., impaired loans to total loans), which fell from 4.26% to 3.23% of book value, and a small decline in the coverage ratio, from 49.4% to 48.9%.

Profit before tax was €8.2 billion – a 47.5% advance over 2005, largely due to non-operating items: net gains on disposal of investments were €1,184 million) and more than offset general provisions amounting to €473 million, of which about €210 million referred to retrospective claims under guarantees, litigation and complaints, and €60 million to guaranteed rental costs relating to premises vacated in Germany), and integration costs of €465 million. The latter include inter alia provisions relating to Austrian leaving incentives in excess of €200 million, restructuring costs relating to our banks in Poland and other CEE countries, the MIB Division and our foreign branches, as well as marketing and rebranding costs.
Gains on the disposal of investments included those relating to the sale of stakes in the four savings banks (*Casse di Risparmio*) of Bra, Fossano, Saluzzo and Savigliano (€80 million in Q1), Splitska banka (€367 million in Q2) and 2S Banca (€401 million in Q3), and part of our shareholding in Munich Re (€172 million).

Net profit attributable to the Group was €5.448 million, an increase of more than 61% over 2005, and more than achieved the target that the Group had set itself for the first year covered by the strategic plan presented last July.

Reconciliation of Parent Company to Consolidated Accounts

(€ million)

	SHAREHOLDERS' EQUITY	OF WHICH: NET PROFIT
Balance as at 31 December 2006 as per UniCredit SpA Accounts	**31,433**	**3,015**
Surplus over carrying values	7,702	5,416
- *subsidiaries (consolidated)*	*7,415*	*5,116*
- *associates accounted for at net equity*	*287*	*300*
Dividends received in the period by the Holding Company	-131	-2,272
Other reclassifications on consolidation	-536	-711
Balance as at 31 December 2006 attributable to the Group	**38,468**	**5,448**
Minorities	4,274	680
Balance as at 31 December 2006 (minorities included)	**42,742**	**6,128**

The following companies hold treasury shares for purposes other than for normal trading purposes: UniCredit (87,000,000 shares of a par value of €0.50 each), UniCredit Gestione Crediti (175,000 shares of a par value of €5.16 each), Banca Agricola Commerciale S. Marino (293 shares of a par value of €25.82 each) and Zagrebacka Banka (2,063 shares of a par value of HRK 380 each). In respect of all these shares, no changes were recorded during the year. HVB and BA-CA trade their own treasury shares as part of their normal business operations.

EVA

Value Creation, Disciplined Capital Allocation and 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)

	DEC-06	DEC-05
Retail Division	**256.7**	**-88.4**
Corporate Division	**537.2**	**317.8**
Corporate	*547.7*	*454.2*
CREF	*-10.6*	*-136.4*
Markets/Invest. Banking Division	**696.8**	**449.1**
Private & Asset Mngmt Division	**606.1**	**430.2**
Asset Management	*468.2*	*330.5*
Private Banking	*137.0*	*96.7*
CEE Region	**801.4**	**503.2**
CEE	*457.0*	*267.8*
Polish Market	*344.4*	*235.4*
Global Banking Services Division	**84.7**	**-75.4**
Corporate Center	**-910.7**	**-669.9**
Total Group	**2.392.2**	**890.8**

Note: at Division level, the Allocated Capital is the maximum between the sum of the Regulatory Capitals and the sum of the Economic Capitals of each LE/BU rather than the sum of their Allocated Capitals. A compensation benefit is therefore attributed to Division Level.

Capital Ratios (€ million)

	DEC-06	DEC-05
Total Capital	44,330	41,699
Tier 1 Capital	29,385	27,987
Core Tier 1 Capital	24,591	22,267
Total RWA	422,291	417,473
Total Capital Ratio	**10.50%**	**10.16%**
Tier1 Ratio	**6.96%**	**6.70%**
Core Tier 1 Ratio	**5.82%**	**5.33%**

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.

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Contribution of Divisions to Group Results

Changes were made during 2006 with the aim of adding to and perfecting the Group's divisional model. The Divisions maintained their focus on business, despite these significant changes, and achieved results that were in line with and in most cases exceeded the targets set at the beginning of the year.

The Divisions' performance was also significant when compared to that of 2005. Operating profit grew by more than 30%, mainly due to cost containment in the Retail Division, and - thanks to good operating income growth - in Private Banking and Asset Management, Poland's Markets and CEE.

The Divisions' profit before tax also increased significantly over 2005 - almost all with double-digit growth - and there were marked improvements in their cost/income ratios. Overall our Divisional results for 2006 bear out the fact that the Group's businesses are well balanced.

Main Divisional Figures

(€ million)

	RETAIL	CORPORATE	MARKETS & INVESTMENT BANKING	PRIVATE BANKING & ASSET MANAGEMENT	POLAND'S MARKETS	CENTRAL EASTERN EUROPE (CEE)	PARENT CO AND OTHER SUBSIDIARES (CONSOLIDATION ADJUSTMENT INCLUDED)	CONSOLIDATED GROUP TOTAL
Operating Income								
2006	7,729	4,851	3,192	2,398	2,132	2,816	346	23,464
Change	*5.3%*	*4.4%*	*10.0%*	*15.2%*	*17.3%*	*28.9%*	*n.s.*	*12.5%*
Operating costs								
2006	-5,214	-1,688	-1,564	-1,326	-1,031	-1,525	-910	-13,258
Change	*-4.4%*	*-0.4%*	*6.5%*	*4.2%*	*6.0%*	*23.7%*	*n.s.*	*3.1%*
OPERATING PROFIT								
2006	2,515	3,163	1,628	1,072	1,101	1,291	-564	10,206
Change	*33.5%*	*7.1%*	*13.5%*	*32.5%*	*30.3%*	*35.6%*	*n.s.*	*27.8%*
PROFIT BEFORE TAX								
2006	1,349	2,286	1,602	1,005	999	1,062	-93	8,210
Change	*109.5%*	*9.6%*	*15.6%*	*34.2%*	*27.4%*	*31.9%*	*n.s.*	*47.5%*
Cost/income ratio								
2006	67.5%	34.8%	49.0%	55.3%	48.4%	54.2%	n.s.	56.5%
Change	*-687 bp*	*-165 bp*	*-161 bp*	*-583 bp*	*-516 bp*	*-228 bp*	*n.s*	*-518 bp*
Employees[1]								
as at 31 December 2006	35.901	9.207	3.210	5.765	26.280	38.944	23.099	142.406
Change	*-629*	*-76*	*-144*	*105*	*-408*	*366*	*-2,650*	*-3,436*

1. Full time equivalent. KFS Group, which is consolidated proportionately, is considered at 100%.

Report on Operations

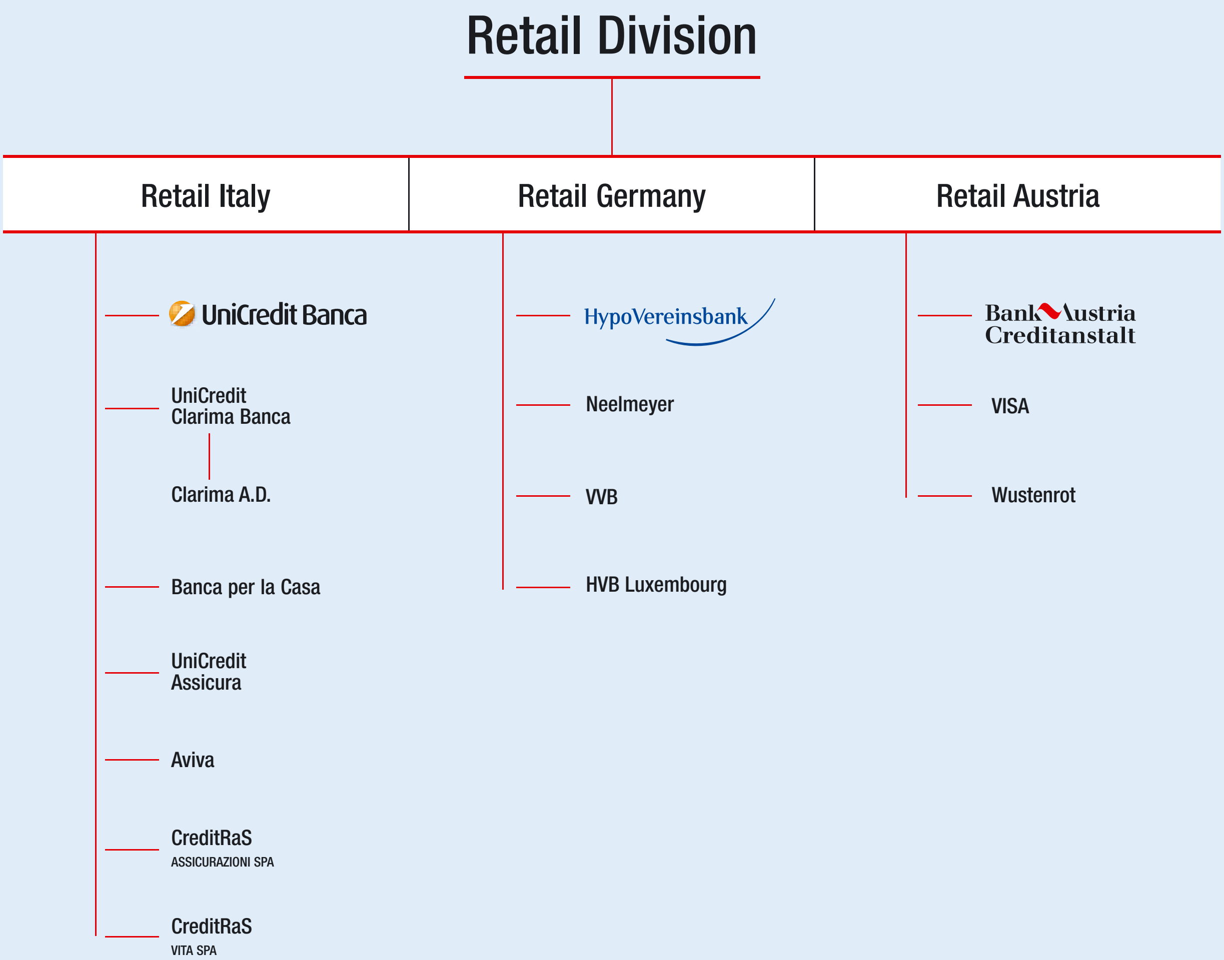
Retail Division

Banking solutions for individuals and small businesses

UniCredit'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 objective of the Division is to pool and leverage all retail banking know-how available in the Group and put it at the service of all of our customers, regardless of their location. This allows for high and sustained growth in a market that changed remarkably over the last years in Europe in terms of increasing competition and monetary and fiscal policies.

Organisational structure

The Retail Division is organized into **three main distribution networks** (UniCredit Banca, HVB and BA-CA), in **global specialized mono-liners on consumer credit** (Clarima and VISA), **residential home financing** (Banca per la Casa), **Bausparkasse** (VVB and Wüstenrot), **services** (HVB Direkt) and **insurance products** (UCA, AVIVA, CreditRas Assicurazioni, CreditRas Vita, Union Versicherungs-Aktiengesellschaft and Versicherung).



Financial Performance

The Retail Division posted a profit before tax of €1,349 million in 2006, representing an increase of €705 million (+110% y/y).

Main drivers of this growth were the effect of increased interest rates on deposits (1-month Euribor rose 80 bp over 2005 average), coupled with cost reductions in Germany (down by 9% y/y) and Austria (down by 15% y/y).
Operating income reached €7,729 million, with a 5,3% increase y/y, bolstered by both net interest income (€4,722 million, +8% y/y) and net fees and commissions (€3,022, +3,2% y/y).

Operating costs totalled €5,214 million, down by 4,4% y/y (€5,455 million in 2005). More specifically, payroll expenses were flat y/y (a decrease of €6 million) with other expenses decreasing (down by 6,9% y/y, from €3,051 to €2,841). The only increase in expenses was registered in Italy (+2,3% y/y) as a result of financing planned growth and start-ups.

The cost-income ratio decreased to 67.5% (nearly -7pp over 2005), as a result of better managerial efficiency.

Cost control management posted solid results on FTE reduction: the service model right-sizing reduced FTE by 1,7% over 2005 (from 36,530 to 35,901) with productivity (operating income/FTE) improving by 7% y/y.

The components described above generated an operating profit of €2,515 million (€631 million, +34% y/y).

Net impairment losses on loans reached €1,074 million (+3,4% y/y), also including the impact of impaired loans rationalizations, mainly in Austria and Italy.

Retail Division customer loans increased to ~139 billion (up by 4% over 2005) and contributed to total loans growth (up by 2.6% y/y). Customer deposits, including Securities in issue, rose by 9% year on year (from 141 billion to 154).

The cost of risk of 119 bp is mainly due in Italy to the adoption of a more conservative model on consumer lending, in Germany and Austria to the alignment of provisioning methodology across the Group.

Retail Division EVA totalled €257 million, switching from value destruction to value creation (+345 million y/y), with a 5% RARORAC (up by 656 bp y/y), thanks to increases on RWA productivity (operating income over average RWA +24 bp y/y) and RWA rationalization (-€2.4 million over September 2006).

Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2006	2005	AMOUNT	%	4Q 06	3Q 06	4Q 05
Operating income	7,729	7,339	390	5.3	1,910	1,895	1,814
Operating costs	-5,214	-5,455	241	-4.4	-1,219	-1,336	-1,372
Operating profit	2,515	1,884	631	33.5	691	559	442
Net write-downs on loans	-1,074	-1,039	-35	3.4	-348	-314	-472
Profit before tax	1,349	644	705	109.5	282	241	-162

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2006	31.12.2005	AMOUNT	%	30.09.06	AMOUNT	%
Total loans	164,360	160,189	4,171	2.6	164,664	-304	-0.2
o/w with customers	*138,838*	*133,936*	*4,902*	*3.7*	*139,114*	*-276*	*-0.2*
Total deposits ((incl. Securities in issue)	154,276	141,254	13,022	9.2	149,905	4,371	2.9
Total RWA	90,026	89,430	596	0.7	92,270	-2,244	-2.4
RWA for Credit Risk	88,611	88,309	302	0.3	90,968	-2,357	-2.6

Key Ratios and Indicators

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	257	-88	345	n.s.
Absorbed Capital (€ million)	5,291	5,164	127	+2.5
RARORAC	4.85%	-1.71%	656bp	
Operating Income/RWA (avg)	8.45%	8.21%	24bp	
Operating Income/FTE (€ thousand)	215	201	14	+7.2
Cost/Income	67.5%	74.3%	-680bp	
Cost of Risk	1.19%	1.18%	1bp	

Staff Numbers

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	35,901	36,530	-630	-1.7

Report on Operations

Retail Division

Contributions by individual business activities

This positive financial performance was also achieved thanks to customer satisfaction index (TRI*M)[1] growth in all three countries. In Italy, TRI*M showed a remarkable increase in 2006, up to 58 from 52. All segments contributed to the growth, with mass market growing from 53 to 59, affluent from 49 to 55 and small business from 50 to 53.

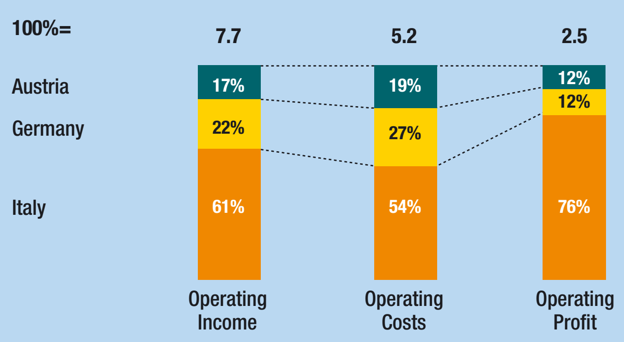
Differentiation from competitors was achieved by strong initiatives aimed at reinforcing the focus on customer care, e.g., the cancellation of exit fees and the new "Q48" system to solve customer claims within 48 hours. Further growth of customer satisfaction indices was realized by the widespread use of "Metodo First" for asset allocation according to affluent customers' needs and the improvements in our small businesses service model, mainly reducing time-to-answer.

Furthermore in Germany and Austria a wide range of initiatives to improve customer satisfaction were started in the year 2006. A key step was to build special units responsible for customer satisfaction management, with complaint handling in both countries directly reporting to the CEO. Different actions were started in the areas of measurement, reporting, bonus integration, process improvement and staff management (training and change management) focusing on customer expectations and service quality. In Germany the results of 2006 were stable positive trend with a TRI*M result of 62; in Austria a proper increase of TRI*M from 67 up to 69 shows a clear trend in the right direction.

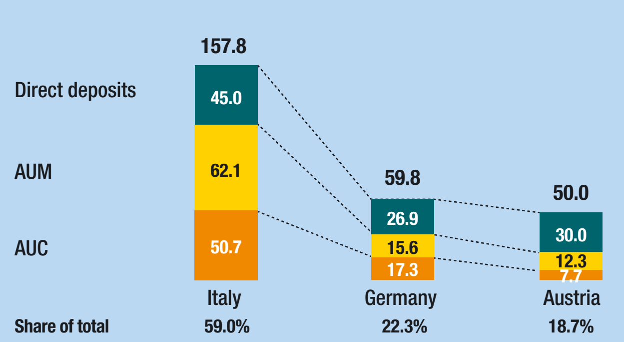
[1] TRI*M Index measures the level of Customer retention through a weighed summation of evaluations that interviewees give to Company based on 4 main components of Retention, 2 of which are related to Satisfaction (Overall Performance and Likelihood to Recommend) and 2 to Loyalty (Likelihood to Repurchase and Competitive Advantage)

The three countries contributed in a very diversified way to the total profitability of the Division: Italy, with 61% of operating income, generated 76% of total Division operating profit, with **Germany** and **Austria** having only recently adopted the divisional model, the impact of which will become more evident in 2007.

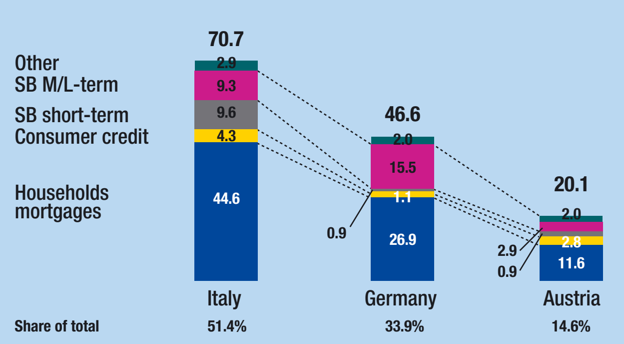
Contribution by Country (€ billion) December 2006



Customer Total Financial Assets (€ billion) December 2006



Total loans to customers (€ billion) December 2006



Product range, volume and market share

Looking at managerial data, with respect to **Customer Total Financial Assets**, the mix in Italy had 71% of indirect deposits (Assets under Management and Assets under Custody), while in Germany (45% of Direct Deposits, 26% of AuM and 29% of AuC) and Austria the mix is (60% of Direct Deposits, 25% of AuM and 15% of AuC) traditionally characterized by higher shares of saving deposits.

The mix of **Total Loans to Customers** was also different in the three countries. Household mortgages (the product with the largest share everywhere), represented 64% of loans in Italy and 58% in Germany and in Austria. Loans to small businesses showed a higher share of short-term in Italy (51% of loans in the segment), then in Austria (23%) and in Germany (only 6%).

The Retail Division offers to 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 global specialized mono-liners.

UniCredit Banca

is the most important bank inside the Retail Division in Italy with a total of 2,592 branches covering the territory.

Concerning **Mass Market** products, a strong effort was aimed to the development of products and services for housing purchase, with the creation of *Mutuo 100% "Top"*, a new mortgage dedicated especially to young families and of *Mutuo Progetto Lavoro*, a mortgage addressed to workers on temporary contracts.

On the current account side particular emphasis was put on young people as witnessed by the launch of *Genius Free Campus*, a package account dedicated to university students. UniCredit Banca in 2006 reached a net new current accounts result of more than 44,000 units, thanks to the improved customer satisfaction and a new pricing policy on current accounts.

With regard to activities dedicated to **Personal Banking Customers**, 2006 was a period of development and consolidation for Metodo First, the new approach to savings management launched by UniCredit Banca in September 2005, with the objective of creating value over time both for the investor and for the bank.
The range of investment products has been constantly updated: the *new Moneybox self-service product* has been launched with on-line subscription only, geared to those wanting to obtain better-than-market returns on their cash balances; the *Fondi Italia product line* has been reviewed and simplified and the *Bancassurance products* have been restyled and updated with the creation of new unit linked policies (Unidiamond Plus New, the new UNIFLEX with new lines of investments and maximum flexibility for payments and the launch of UniCredit Previdenza, the Open-Ended Pension Fund).

On the sales performance side, the €21 billion of investment products gross sales (bond, bancassurance, segregated accounts and mutual funds) were well higher than the annual target expectation: noteworthy is the nearly €5 billion sales of the successful segregated account Focus Invest, and the insurance life recurring premium (up by 23% over 2005). In life bancassurance, gross sales led UniCredit Banca to reach a 10.2% market share (source IAMA).

Asset under Management net sales contributed to the growth of our mutual funds market share (15.57%, up by 40 bp over 2005, Assogestioni methodology).

In 2006 UniCredit Banca continued to support **Small Businesses** with banking activities (with a range of customised products and services and qualified, dedicated consulting) and with institutional activities (organizing events, conferences, and round tables for the discussion of issues of particular interest to this client segment).

July saw the launch of "*Imprendo Revolution*", a new product line in the current accounts package dedicated to business customers and designed to satisfy the demands of the various customer sub-

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segments, by virtue of the differing content present in each of the 4 new Imprendo accounts. The most innovative account is *"Imprendo ONE"*, a product geared towards operating on the internet and the new advanced ATMs with payment facilities. The Imprendo Revolution product line offer resulted in nearly 107,500 current account openings in six months.

Banca per la Casa

Gruppo UniCredit

2006 saw the consolidation of synergies between UniCredit Banca and Banca per la Casa, the specialized platform for mortgages. This generated a new production of €10.8 billion (up by 17% y/y). Thanks to this performance the new production market share grew from 15.6% of 2005 to 17% in September 2006 (source Banca d'Italia).

At the same time, Banca per la Casa achieved an estimated new production market share in excess of 6% (up from 5% at the end of 2005), with a sale performance of €4 billion, up by 39% y/y. This market share performance places Banca per la Casa firmly as one of the top specialist players in the Italian market.

Looking at sales channels, Branches contributed with €3.5 billion (up by 20% over 2005), while Third Partnerships totalled €7.3 billion (up by 15% over 2005).

Consolidation of market leadership was, therefore, sought by:

- developing multi-channel distribution (based on organised allied networks - estate agents, credit brokers, banks, authorised stockbrokers, insurance companies - internal financial advisor networks, networks of branches specialising in single products)
- product innovation (expanding the existing range with new products capable of responding to customers' specific and changing requirements)
- opening up new business segments through a client-centred approach

Meanwhile, profitability and added value were sought via more stringent risk management, operational efficiency and effectiveness and the use of balance sheet optimisation tools.

UniCredit Clarima Banca

Thanks to the synergy with Clarima, the specialized platform for consumer credit, Italian Retail Division (UniCredit Banca and Clarima) achieved 6.42% new production market share (up from 6.22% of 2005, source Assofin) with €3.4 billion of new flow (personal loans, POS financing loans, credit cards and salary guaranteed loans), up by 14.6% y/y.

In 2006 Clarima continued the marketing drive via all the traditional Clarima distribution channels. In the non-captive channels, consumer credit activities continued to grow (+20% y/y), thanks to personal loans granted through Clarima branches and approved retailers. In the captive channel sales efforts intensified, especially in the distribution of credit cards, personal loans as well as credit protection insurance products.

Credit card spending totaled €1.5 billion (up by 37% y/y), with a double digit growth of revolving spending (up by 18% over 2005) and charge cards (up by 47% y/y). The total number of card issued exceeded 1.4 million (up 34% y/y), of which 924 thousand of revolving cards (up 30% over 2005).

In 2006 Clarima AD, a consumer credit company operating in Bulgaria owned by Clarima and Bulbank, commenced trading. The Board of Clarima also approved the set up of a branch in Germany to capture the synergies with HVB's Retail network.

HypoVereinsbank

In 2006, the Retail Division in Germany posted its first positive performance, despite the transfer of the profitable Wealthy Customers with Financial Assets above €1 million, Activest and DAB to UniCredit's Wealth Management Division.

This turnaround was achieved thanks to the positive development of all main financial levers. Revenue initiatives and cost reductions made it possible to more than double gross operating profit from the comparable 2005 amount.
Dedicated actions were also initiated to improve the balance sheet. The reduction of low-margin lending (RWA were reduced by around 12%), together with positive net profit, was the first step towards providing the shareholders with after tax returns above the cost of capital also in this business, in accordance with the 2006-2008 3-year plan.

In particular, revenues were strongly supported by a positive development of interest from the deposit business, due to both volume growth and positive changes in spreads. Savings Account products Plussparen and FC Bayern Sparkarte are very well positioned in the market and gained new customers. Also sight deposits increased in volume, thanks to the success of the new current account Willkommenskonto, which attracted over 50,000 new customers with regular salary inflows in H206 alone, thereby marking the return to a positive customer trend.

In 2006 commission income grew by 8%, featuring an improved structure between recurring and up front commissions. In the investment products area, commissions increased by 10%, thanks to the successful launch of Fund-based Certificates such as HVB Best of Funds and Höchstand-Zertifikat that also helped to generate €1.3 billion in net sales by Group Funds. Insurance products commissions also grew at a high single digit rate, helped by positive developments in life and non-life insurance products.

The structure of revenues was helped by both the positive development of fund inflows, with the associated management fees, and the very successful restyling of the flagship segregated account product Kombianlage Plus, which had €1.2 billion in new inflows in Q406 and for which customers do not pay any upfront fee. Very positive developments were also registered in other recurring commissions products, such as current accounts, payments and credit cards.

The strong reduction in operating expenses was achieved thanks to a containment of staff costs through staff reduction, very disciplined administrative services management and new IT projects. Therefore, compared to 2005, savings were generated mainly by such areas as Facilities, IT, Call Centre, Marketing, Brokerage and Back-Office. Also the effects of the initiatives from the PRO Programme delivered further efficiencies, allowing the Retail Cost/Income Ratio to improve by almost 10% from 91% to 82%.

Other noteworthy achievements in the past year included:

- the redefinition of the Sales organisation in 5 Regions and around 50 Markets and the integration of the Small Business segment;
- the opening of over 10 new branches in the territories where there is a limited presence (Baden Wurttenberg, Hesse, Nord-Rhine Westfalen);
- the very successful execution of the Divisionalisation project, which involved a change in Relationship Manager for 200,000 customers of the Retail Division;
- the revamping of the website, which drove a 50% increase in brokerage transactions;
- the introduction of new, more automated and holistic advisory systems for the mass market and affluent customers;
- the launch of a new deterministic bonus system meant to provide higher rewards to the best performing sales representatives;
- the inclusion of all Bank Channels in CRM so that all contacts between the bank and the customers are tracked and reported to provide a smooth service across channels

Bank Austria Creditanstalt

New service models were implemented following the divisional reorganization in the summer of 2006, with a particular focus on customer service.

Special attention was dedicated to the **Small Business Segment**.

The concentration of all **Small Business Customers** in the Retail division allowed BA-CA to service this customer segment with a tailored approach. Optimisation of loan processes for SB clients is ongoing (e.g. scoring models for credit assessment similar to private customers) and we continued to focus on electronic payment services to reduce transaction costs. Meeting the personal needs of business owners and providing services to their businesses from a single point of contact will benefit our customers by allowing us to take into account medium-term and long-term requirements, both from a business and personal perspective.

In the **Mass Market Segment** BA-CA provides a product range corresponding both to customer needs and the necessity for a cost-efficient supply (e.g. different current account bundles). Looking at the lending product offer, the new *"Speedy Erfolgskredit"* product was introduced in the spring of 2006 with an eye-catching promotion, offering BA-CA customers the possibility to obtain a consumer loan within just 15 minutes.

The financing of private housing continued to represent the growth engine of the Bank. The market share for loans to private households rose slightly from 17.54% (Dec 2005) to 17.64% (Nov 2006).

In the **Personal Banking Segment** BA-CA focuses on a lifecycle and need-based

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service approach rather than concentrating on the sales of specific products. As a result, BA-CA developed the new - *Asset Check* - *instrument* allowing the relationship manager together to analyse and optimise the asset portfolio yield and risk with the customer.

On direct deposits BA-CA stopped the negative trend of the market share, going up to 12.43% in November 2006 from 12.38% of December 2005.

With regard to the offer of deposit products, BA-CA launched the *"ErfolgsKapital"* saving deposits and, side investment products and the innovative capital-guaranteed *R.I.C.H*.

Capital guaranteed products achieved the most outstanding sales performance. The gross sales of the 4 lead products in this category totalled €1.38 billion in 2006.

Also to be noted is the share of assets under management on total financial assets which rose from 24.4% in 2005 to 25.2% in 2006.

In 2006 BA-CA's Retail division increased the number of customers by approximately 15,000 (+0.8%). The strongest growth was registered in the Personal Banking segment (+3.3%). To continue this positive trend, BA-CA in November 2006 launched a campaign under the slogan of "Take two, pay none", giving new customers the opportunity to familiarise themselves with the bank's services through free access to an account package valid for one year.

Key Projects in 2006

2006 has been an intensive transformation year for the Retail Division in all three countries, with a strong emphasis on creating cohesion along clear and shared strategy guidelines. Local "transformation programs" where focused on fostering cross-country internal best practice adoption.

The Retail Division also established Planning, Controlling and Change Management units to coordinate strategy implementation and align and create the mechanisms to adequately measure the country's performance.

Furthermore, Centers of Competence have been defined in all Countries on specific topics to coordinate information exchange, ensure internal best practices adoption and support the other Countries in project activity.

As a consequence, cross-country teams have been created to support transformation programs in Germany and Austria or to implement in Italy existing HVB or BA-CA best practices (e.g. CRM model, youth market service line, etc).

and Key Initiatives for 2007

2006

The following initiatives were carried out across the Retail Division in 2006:

ITALY

- Build up **premium price positioning**: foster multi-specialization vs universal one-stop-shopping through the evolution of the small business new highly skilled service model and sector dedicated offer and reaching excellence in Affluent Advice (*"First" method and certified Relationship Managers*), achieve superior multi-channel service customer experience
- **Customers:** effort to enlarge customer base with focus on "Golden" customers through traffic generation activities, partnerships, leadership in the youth market and focusing on emerging ethnic markets with dedicated service lines and specialized branches
- **Customer Satisfaction:** consolidation of leadership in Customer Satisfaction and achievement of the European best practice levels (48h claim management, customer direct link to CEO, etc.); build employee satisfaction, identity and leadership skills as prerequisite for customer satisfaction
- **Improvement of efficiency** through strong attention to cost reduction and a continuous path to branch and service model transformation into lean/sales oriented multi-specialized formats and attentive migration of basic transactions to self service
- **Credit risk cost containment** thanks to attentive risk monitoring and past due processes optimization

GERMANY

- **Creation of the Retail Division organization**, with specialization into three business segments: **Mass Market**, **Affluent**, **Small Business**. Organization of HVB Divisional organization along similar lines as Italy
- **Sales Force empowerment:** Special focus on reinforcing the central role of our Sales Network, through strong sales methodologies and thorough guidance. Simplification and speed up of Mass Market and Affluent customer advise and design of best-in-class service model and tools for Small Business customers. Improvement of CRM system to reach best-in-class model
- **Customer satisfaction:** activation of a comprehensive program to increase customer satisfaction, improving customers claim handling and homogenizing satisfaction measurement across Countries
- **Staff:** Introduction of a new deterministic, performance driven incentive system for staff and network and development of a program to improve Managerial skills and Division identity trough "leadership" trainings and events
- **Improvement of efficiency:** starting of FTE and other direct costs reduction program and implementation of the "zero-based budgeting activity" to promote and contribute to direct and indirect cost reduction. Service model rightsizing to customer needs and value;
- **Risk cost reduction:** initiated activities for credit risk processes and tools improvement and adaptation to Retail needs through simplification and standardization

AUSTRIA

- **Retail Division organization** mirrored German organization in its main parts. Migration of the Small Business customers from the Corporate to the Retail Division
- **Sales Force empowerment:** introduction of high intensity advice methodologies for customers with specific needs (e.g. introduction of First-like method for Affluent). Improvement of Sales Force tools
- **Customer satisfaction:** activation of a comprehensive program to increase customer satisfaction, improving customers claim handling and homogenizing satisfaction measurement across Countries
- **Small Business turnaround:** refocus on most attractive areas (entrepreneur personal advice, high performance sectors, secured lending, ...). Sales network rightsizing to customer needs and value
- **Staff:** Introduction of a new deterministic, performance driven incentive system for staff and network and development of a program to improve Managerial skills and Division identity trough "leadership" trainings and events
- **Improvement of efficiency:** FTE and other direct costs reduction and implementation of the "zero-based budgeting activity" to promote and contribute to direct and indirect cost reduction. Service model rightsizing to customer needs and value
- **Risk cost reduction:** initiated activities for credit risk processes and tools improvement and adaptation to Retail needs through simplification and standardization

In all three Countries

- **Cross Country Divisional projects:** launch of a number of cross-country initiatives, from zero-commission cross-country access to ATM cash withdrawal, to common product initiatives and other facilitation for our customers obtained thanks to our multi-country presence
- **Leading edge Retail strategy:** first steps into development of leading European Retail strategy through markets and competitors observation and focused best practice analysis

2007

In all 3 countries processes are ongoing in order to complete what has been activated in 2006 and to implement new products and initiatives.

Initiatives for 2007 will see further Division wide initiatives like launch of cross-border unique products and services, a comprehensive competition Retail observatory and further focus on worldwide Retail best practices analysis and reasoned adoption, and substantial continuation of existing transformation program.

In **Italy** 2007 will see a particular focus on the improvement of multi-channel customer experience and the extension of the new multi-specialists branch network model will be carried out.

In **Germany** 2007 efforts will center on the improvement of the network sales productivity, on the development of Clarima Germany as a consumer lending specialist, the turnaround of the mortgage business and the increase of the employee satisfaction.

In **Austria**, 2007 will see an acceleration of the Small Business turnaround on top of many of the same initiatives as in Germany, like concentration on the network steering model and sales productivity.

Report on Operations

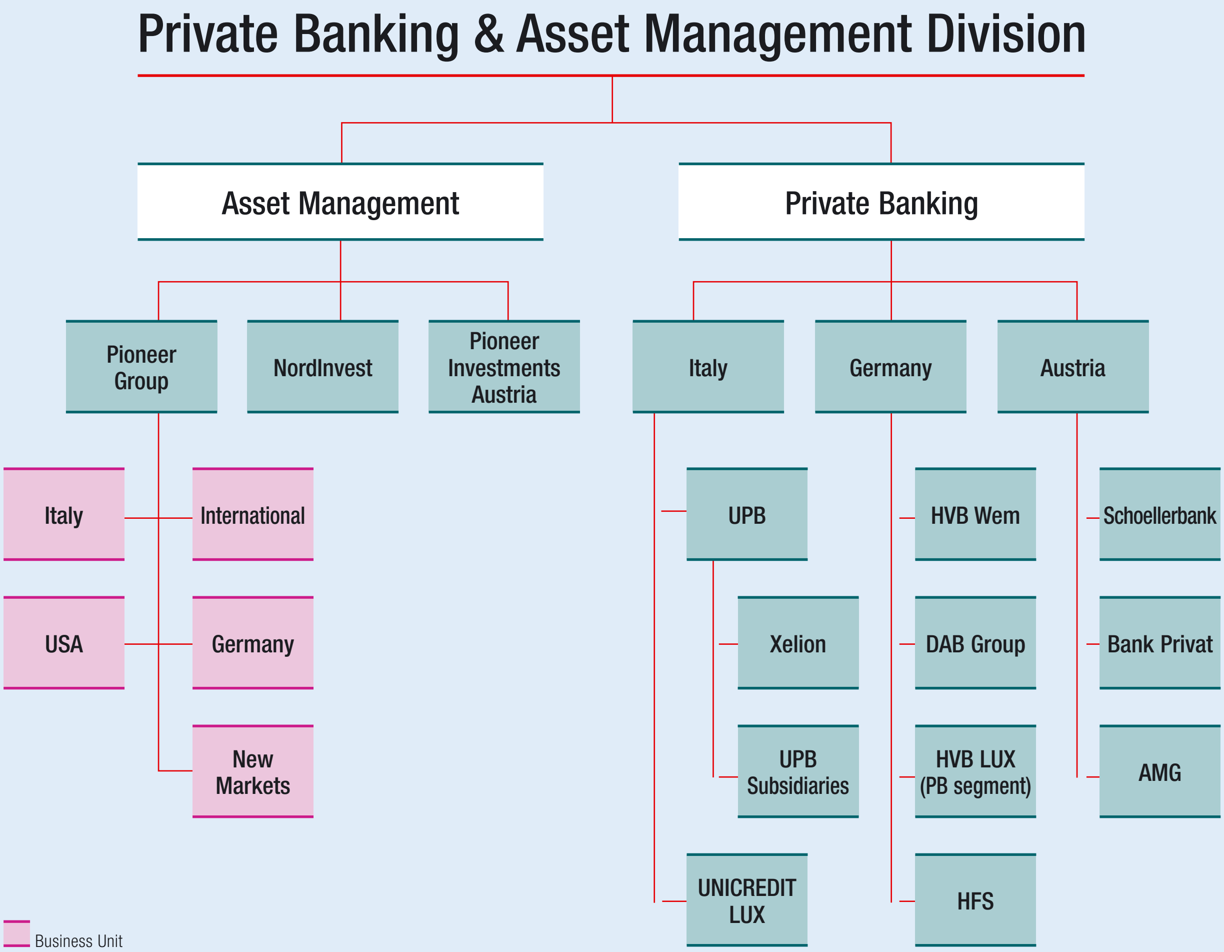
Private Banking & Asset Management Division

The core business of the Division consists of the production, management and distribution of investment products and services aimed at private banking and institutional clients. Within the Division, two areas of activity are identified, which operate in strong industrial synergy:

1. **Asset Management**, which operates in an international context through its Pioneer brand and represents the global investment manager of the Group;
2. **Private Banking**, which, in addition to UniCredit Private Banking, and thanks to the merger with HVB has extended its operational scope to include Austria and Germany, including a distribution model operating via sales networks (Xelion) and online (DAB).

Organisational structure

In 2006 the companies of Pioneer KAG (formerly Activest) became a part of the Pioneer Group, while Nordinvest (a local company specialising in the equity and emerging markets) was acquired in 2007, a year which will also witness its transfer into Pioneer Austria (formerly Capital Invest).
In Germany, the corporate reorganisation of the real estate and private equity management activities (HFS, Blue Capital, HVBFondsFinance) will make it possible to put into effect the skills present within the Group and take up a pre-eminent position in the closed-end fund sector.



Financial Performance

At 31 December 2006, the Private Banking & Asset Management Division's total assets under management and administration stood at €432 billion, an increase of 16.5% (+€61 billion) compared with 2005, thanks to favourable net inflows in both business segments and to the acquisitions of Pioneer US (e.g. Vanderbilt, with approximately €10 billion in assets).
A particularly strong contribution was made to this growth by asset management products (AUM), totalling €284 billion (+€29.4 billion, +11.6% on 2005), and by the administered component (AUC), up by 33.9% (+€21.2 billion), mainly deerived from Private Banking in Italy.
With regard to operating results, thanks to the double-digit growthin average assets (AUM +15.4%) and the cost-controlling policy, the Division achieved an operating profit of €1,072 million (up by 32.5% on 2005) and net profit of €1,005 million (+34.2% on 2005), including the capital gain of €23 million for the sale of Banque Monegasque de Géstion.
These good results are reflected in the value indicators: EVA up by over 40% on 2005 and RARORAC at 40.9% in 2006 (33.1% in 2005).
Operating income, at €2,398 million, showed a clear improvement (+€317 million, +15.2%) due to the positive trend in net commissions (+€235 million, +13%), led by management fees (+17% on 2005) and performance fees (+€18 million), which offset the reduction in up-front fees in Italy (-15%).
There was also a positive contribution from the interest margin, which stood at €323 million (+€48 million, +17.5% on 2005), favoured by the trend in interest rates and the increase in volumes.
The trend in costs, moderately higher than in 2005 (+€54 million, +4.2%), was due principally to payroll costs (+8.7%) arising from the process of divisionalisation of Private Banking in Austria and Germany, the expansion of the scope of the Asset Management business and the increase in the variable remuneration component associated with the excellent performance achieved.
There was a clear improvement in the Division's cost/income ratio, which was down from 61.1% in 2005 to 55.3% (-583 base points), an impressive figure if compared to international benchmarks for the sector.
Q406 showed growth compared with both the previous period and 2005, thanks in particular to the excellent performance of income (+€92 million compared with Q306 and +€62 million compared with Q405).

Total Financial Assets

(€ billion)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2006	31.12.2005	AMOUNT	%	30.09.06	AMOUNT	%
Total Financial Assets (net of duplications)	431.8	370.5	61.3	16.5	413.6	18.2	4.4
Asset Management	*285.0*	*255.8*	*29.2*	*11.4*	*277.4*	*7.6*	*2.7*
Private Banking	*183.5*	*148.9*	*34.6*	*23.2*	*171.6*	*11.9*	*6.9*

Figures in September 2006 and December 2005 are different from the last official data because of the new segmentation in Private Banking.

Asset Under Management

(€ billion)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
CURRENT FX	31.12.2006	31.12.2005	AMOUNT	%	30.09.06	AMOUNT	%
Total Assets Under Management (net of duplications)	283.9	254.5	29.4	11.6	275.9	8.0	2.9
Asset Management	*245.9*	*220.7*	*25.2*	*11.4*	*239.8*	*6.1*	*2.5*
Private Banking	*74.7*	*68.0*	*6.7*	*9.9*	*71.6*	*3.1*	*4.3*

Figures in September 2006 and December 2005 are different from the last official data because of the new segmentation in Private Banking.

Net Sales of Asset Management Product by Sub-division

(€ billion)

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Asset Management	8,4	15,8	-7,4	-46.6
Private Banking	4,9	n.a.	n.a	n.a.

Net sales gross of duplications. 2005 data unavailable for Private Banking Germany.

Private & Asset Management Division: Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
CURRENT FX	2006	2005	AMOUNT	%	4Q 06	3Q 06	4Q 05
Operating income	2,398	2,081	317	15.2	650	558	588
Operating costs	-1,326	-1,272	-54	4.2	-373	-305	-367
Operating profit	1,072	809	263	32.5	277	253	221
Profit before tax	1,005	749	256	34.2	260	211	152

Key Ratios

	YEAR		CHANGE	
CURRENT FX	2006	2005	AMOUNT	%
EVA (€ million)	606	430	176	+40.9
Absorbed Capital (€ million)	1,481	1,300	181	+13.9
RARORAC	40.93%	33.10%	783bp	
ROA (*)	62.8bp	61.8bp	1.0bp	
Cost/Income	55.3%	61.1%	-583bp	
Operating costs/Total Financial Assets (**)	34.7bp	37.8bp	-310bp	

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

Staff Numbers

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	5,765	5,660	105	+1.9

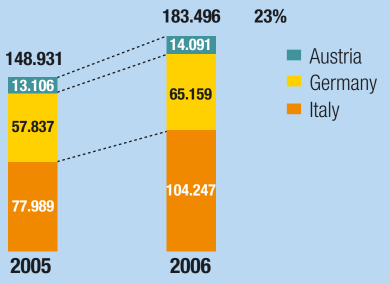
Report on Operations

Private Banking & Asset Management Division

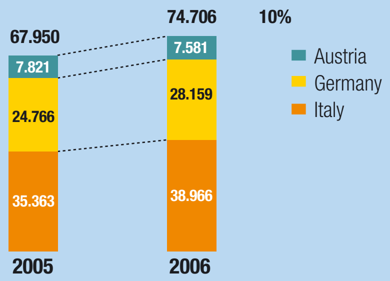
Private Banking
Assets by Geographical Area

Total financial assets managed and administered by the Private Banking division at 31 December 2006 reached €183 billion. The sharp increase in overall assets, equal to 23% from the comparable amount at the start of the year, can be attributed to a large extent to the significant net inflows during the course of 2006 (€26 billion).

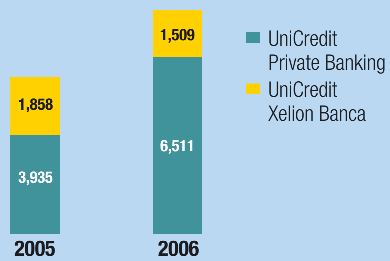
Total Financial Assets
(€ millions)



Asset Under Management
(€ millions)



Net inflows by main Italian entities
(€ millions)



This result is particularly significant considering that, over the course of the year, the principal foreign units were involved in the process of divisional reorganisation and reassignment of the respective customers, a process which has already been completed with success in Germany (90% of the customers contacted agreed to switch over to HVB WEM) and is nearing completion in Austria.
As far as the asset mix is concerned, the amount under management accounted for 41% of total financial assets at the end of 2006, compared to 46% at the end of 2005, influenced by some extraordinary inflows. Net of this effect, it would stand at 45%.

In Italy, despite the highly negative environment for mutual funds (-18€ billion), UniCredit Private Banking and UniCredit Xelion Banca achieved positive AUM flows of €2.1 and €0.5 billion, respectively. To be noted in particular are, on the one hand, the excellent quality of the UniCredit Private Banking inflows, as represented by approximately €1.9 billion in segregated accounts, and, on the other hand, Xelion's confirmation of its position among the leaders in the Financial Promotion Networks sector, with a market share in terms of net inflows of 10.7%. Overall, at 31 December 2006, financial assets in Italy stood at approximately €104 billion, an increase of 34% compared to 2005, and UniCredit Private Banking firmed up its undisputed leadership in the domestic market.
In Germany, despite the activity of reorganisation by division and refocusing of the business model, HVB WEM posted growth in financial assets in the region of 13%, ending 2006 with over €31 billion, ranking second in the German wealth management sector. Even more significant was the growth of AUM, with an increase of +14% over 2005.
In Austria, financial assets stood at over €14 billion in 2006, reflecting a growth rate of 8% compared to 2005 and high quality. The penetration of the AUM out of total assets was close to 54%.

Financial Performance

During the course of 2006, the main events characterising Private Banking's strategic management were:

1. in Germany, the completion of the process of reorganisation by division at HVB AG with the finalisation of the new headquarters and network organisation and the assignment of the pertinent portfolio of customers;
2. in Austria, the creation of a central division unit and the start-up of the process of transferring the Private clientele from BA-CA to Bank Privat;
3. In Italy, the sale of Banque Monegasque and the corporate transaction between UniCredit Private Banking and Xelion Banca.

In terms of operating performance, the Private Banking Division closed 2006 with an operating profit equal to €358 million, a sharp increase on 2005 (+39%), thanks primarily to an excellent growth rate for revenues (+14% over 2005) and contained operating cost growth (+4%).

In terms of revenues, the positive contribution of interest margin stands out, as it reached €292 million (+16% over 2005), thanks to higher interest rates, together with the growth of direct deposit volumes.
Also significant was the increase in brokerage revenues, which reached €775 million (+13% over 2005).

In Italy, in particular, the financial year saw interest margin rise by €27 million (+29% over 2005), while net commissions increased €26 million (+7%), thanks primarily to the higher average asset volume (+21%).
In Germany and in Austria, the increase in revenues was sustained, on the other hand, primarily by growth in brokerage revenues: +€48 million (+21%) and +€23 million (+27%), respectively.

Costs remained under control (+4% over the previous year) and were buoyed primarily by set-up costs for the divisions in Germany and Austria. In Italy, operating costs which were equal to €354 million, grew 1.4% compared to 2005.

The 43% growth in gross profit compared to 2005 benefited from the greater capital gains deriving from the sale of BMG (+€23 million). It must be considered, however, that in 2005 the gross profit benefited from the sale of InvestiKredit and APSS to Schoellerbank (+€15 million). Net of these extraordinary items, the improvement over the previous year would be equal to €94 million (+42%).
Of particular importance within the Division is the contribution provided by so-called alternate channels (Xelion and DAB), which had an overall increase in gross profit of €31 million, compared to 2005.
The excellent operational performance translated into a significant improvement in the performance ratios, with RARORAC rising by over 11 percentage points, to 39.1% (vs 27.2% in 2005), and a creation of value (EVA) equal to some €137 million.
Also significant was the improvement in operating efficiency. The Cost/Income ratio went from 72.6% to 66.4% during the same period of 2005 (-611 basis points).

Private Banking: Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2006	2005	AMOUNT	%	4Q 06	3Q 06	4Q 05
Operating income	1,067	940	127	13,5	282	234	254
Operating costs	-709	-682	-27	4,0	-194	-167	-187
Operating profit	358	258	100	38,8	88	67	67
Profit before tax	339	237	102	43,0	89	57	37

Key Ratios

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	137	97	40	41.7
Absorbed Capital (€ million)	350	356	-6	-1.6
RARORAC	39.1%	27.2%	1,197bp	
ROA (*)	73bp	71bp	2bp	
Cost/Income (%)	66.4%	72.6%	-611bp	
Operating costs/Total Financial Assets (**)	49 bp	51bp	-3bp	

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

Key projects in 2006 and key initiatives for 2007

2006

From a strategic point of view, the primary objective is to create central coordination to engage in a Private Banking model that is unique at the European level, maximising synergies. The chief project started up in this direction during 2006, known as E-TOM (European Target Operating Model), has as its purpose the progressive convergence of the business models and the alignment of the operating and computer platforms.
From a commercial point of view, in 2006 a task force was created with the objective of making the "local" best practices present in the different entities comprising the division a common factor, with reference both to product innovation capability, as well as the specific features of the different sale propositions.
In Germany, in addition, the corporate reorganisation of the real estate management and private equity business (HFS, Blue Capital; HVBFonds Finance) was begun, with the objective of assuming a leadership position in the closed funds sector. At the same time, with a view to better satisfying the increasing demand coming from the market for personalised financial advice, DAB Bank acquired a majority interest in SRQ FinanzPartner AG, a company specialising in the sector and based in Berlin.
Also in Italy, a significant reorganisation was carried out during the course of 2006 between UniCredit Private Banking and Xelion, with the objective of streamlining operational and back office activities, despite the different focus of the business structures.
Worthy of note at UniCredit Private Banking was the strengthening of Wealth Advisory services, with the strategic involvement of Cordusio Fiduciaria, and the creation of a "corporate trustee" in London, as well as the introduction with wide confirmation of the Investment Programme method, an innovative customer relations model.

2007

The chief initiatives for 2007 include
- "Progetto Crescita" [Project Growth] at UniCredit Private Banking, designed to introduce highly professional and experienced Client Managers, giving preference to markets and growth potential without significant additional costs (e.g. staff, overhead costs)
- a series of projects at HVB WEM in Germany, which range from the creation of a new advisory service for customers to the implementation of Network incentives systems, to the optimisation of credit processes, with the objective, on the one hand, of achieving an excellent customer service level and, on the other hand, the utmost commercial effectiveness of the Client Managers
- the "Financial Planning" project in Austria aimed at the implementation of an innovative and far-reaching Financial Planning system able to provide excellent solutions with different degrees of complexity to private customers
- the "top off-shore" projects, which provides, as the first step, for a presence on the Zurich market and the development of a service model focused on German-language customers, as well as on the reorganisation of the presence in Luxembourg.

Report on Operations

Private Banking & Asset Management Division

Asset Management:
Assets by Geographical Area

2006 was a good year for Pioneer, thanks to good financial results and the accomplishment of a number of projects crucial for future growth: **HVB integration**, which made it possible to strengthen geographical presence and product range, the **Vanderbilt acquisition**, which allowed the Group to grow further in US institutional business, the set-up of a **newco in Taiwan** and the opening of two new representative offices, in The **Netherlands** - for the Benelux market - and in **Bahrain**.

Assets under Management increased to €246 billion or 11.4% y/y on comparable businesses and the **increase** was due to a net sales effect of 3.8%, a market effect of 1.6% including the FX effect, an increase of 4.6% due to the Vanderbilt acquisition and an increase in Cash Collateral management.

US
Very important for strategic growth in institutional US and Global was the April 2006 acquisition of Vanderbilt Capital Advisors LLC, one of the best specialised institutional managers of credit structuring products, with more than €10 billion in assets.
The Division closed the year with net sales of €4.8 billion, a very good turnaround as compared to 2005.
Assets under management reached €46.9 billion, increasing by 42.3% since the beginning of 2006 due to net sales (up by 11%) which more than offset a 2.8% negative market effect caused by euro appreciation against the dollar.
In dollar terms Assets under management reached $61.8 billion (up by 20.8% over the beginning of 2006).

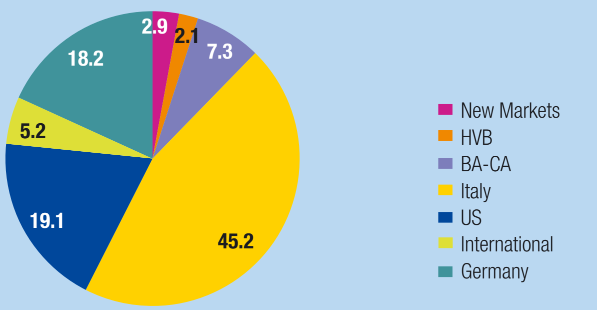
Asset Under Management (net of duplications)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2006	31.12.2005	AMOUNT	%	30.09.06	AMOUNT	%
Italy - Pioneer	**222,916**	**197,506**	**25,410**	**12.9**	**217,005**	**5,912**	**2.7**
Italy	*111,100*	*108,241*	*2,859*	*2.6*	*108,404*	*2,696*	*2.5*
US	*46,941*	*32,981*	*13,960*	*42.3*	*46,303*	*638*	*1.4*
International	*12,849*	*7,174*	*5,675*	*79.1*	*12,575*	*273*	*2.2*
Germany (*)	*44,786*	*43,228*	*1,558*	*3.6*	*43,393*	*1,394*	*3.2*
New Markets	*7,240*	*5,882*	*1,358*	*23.1*	*6,330*	*910*	*14.4*
Nordinvest HVB	**5,075**	**5,486**	**-411**	**-7.5**	**4,932**	**143**	**2.9**
Pioneer Austria BA-CA (**)	**17,925**	**17,724**	**201**	**1.1**	**17,822**	**102**	**0.6**
Total	**245,916**	**220,716**	**25,200**	**11.4**	**239,759**	**6,157**	**2.6**

(*) Germany BU include former Activest Assets under management and Pioneer funds distributed in Germany & Switzerland, previously included in International area.
(**) 2006 and 2005 Assets do not include AMG moved to Private banking sub-division.

AuM by distribution area (%)

December 2006



Italy
Total assets increased by 2.6% in 2006, reaching €111 billion primarily due to market and residual effect. During the year net inflows were €324.6 million, a very good result against the background of massive outflows in the industry (totalling €18 billion). In terms of channel segmentation, outflows were mainly focused in the Retail and IFA segments, whilst net sales were recorded in the Private Banking and Third Parties segments.

Germany
The newly created Germany division ended the year with net sales of €1.2 billion and assets under management of €44.8 billion; the division includes both former Activest companies' assets and the German-Swiss distribution previously included in the International division. Beginning of the year balances were booked pro-forma in order to enable proper comparison.

In addition to the above mentioned assets under management, the numbers also include assets under administration worth €31.6 billion, all pertaining to former Activest companies.

International
The positive trend in the International division continued, net of German-Swiss distribution now included in the Germany division. Net sales were €989.6 million, mainly due to the results achieved in Spain (€405.7 million) and France (€313 million). Assets included the management of cash collateral on securities lending (€3.8 billion as of December 2006), booked pro-forma since the beginning of 2006. During 2006 assets increased by 79.1%.

Financial Performance

New Markets
The New Markets division continued making an exceptional contribution with net inflows of €743.3 million. In Poland, Pioneer Pekao reaffirmed its leadership in the Asset Management market with a share of 23.5%.

Assets under management reached €7.2 billion, increasing by 23.1% since the beginning of 2006.

Alternative Division
The Alternative Investments division closed the year with total net sales of €79 million; Momentum funds recorded net inflows of €126.3 million while in PAI Ltd and in the Italian SGR net outflows were €43 million and €4.2 million respectively. Sales figures and assets under management are already included in the detailed results of the other business areas.

Total assets in Hedge Funds amounted to €4.6 billion, with an increase of 3.5% since the beginning of 2006.

The Asset Management division reported Profit before tax of €667m as against €512m in 2005, an increase of 30.3%.

Looking at the main items that contributed to the result, it should be noted that: **operating income** benefited from an overall increase in liquidity and interest rates both in the dollar area and in the eurozone; the trend in **management fees** was very favourable due to an increase in average volume (up by 10% y/y), **asset mix** and **performance fees**, both in long and alternative business (up by €25m) and the Vanderbilt contribution.

Operating costs in 2006, excluding the Vanderbilt impact (an increase of €12.4m), were kept under control in terms of administrative expense (up by 2.3 % y/y) partly offset by increased compensation costs (the new Irish tax law caused an increase of €7.8m y/y and sales and performance bonuses were driven by the favourable business trend).

The **cost/income** ratio reduction (from 51.7% to 46.2%, ie, around 550 bps) indicates a strong further improvement in operating efficiency.
EVA (up by 41.7% y/y) and risk adjusted return (RARORAC – up by 7.2% y/y) confirm outstanding profitability after remuneration of the capital allocation.

Asset Management subdivision: Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2006	2005	AMOUNT	%	4Q 06	3Q 06	4Q 05
Operate income	1,332	1,142	190	16.6	369	324	334
Operating costs	-616	-590	-26	4.4	-178	-139	-179
Operating profit	716	552	164	29.7	191	185	155
Profit before tax	667	512	155	30.3	172	153	114

Key Ratios

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	468.2	330.5	138	41.7
Allocated Capital (€ million)	1,143	980	162	16.6
Marginal RARORAC	41.0%	33.7%	727bp	
ROA (*)	48.4bp	49.1bp	0.7bp	
Cost/Income	46.2%	51.7%	-542bp	
Operating costs/Total Financial Assets	25.0bp	22.7bp	-2.3bp	

(*) Operating income on Total Financial Assets (average).

Report on Operations

Private Banking & Asset Management Division

Market Shares

Pioneer's market share in **Italy** rose to 15.57%, improving by 43 bps since the beginning of 2006 and by 46 bps over the previous quarter: this year-end trend consolidates our position as second best player in the Assogestioni classification, the only Group to grow its market share in the top ten managers of the ranking.
Market share remained largely stable in **Germany** compared to 2005, while **New Markets** registered a significant increase in the Czech market and a decrease in Poland due to the very high opening level.

Market shares Mutual Funds

	31.12.2006	31.12.2005	ABSOLUTE CHANGE
Italy	15.57%	15.14%	43bp
Poland	23.5%	31.4%	784bp
Germany			
pre HVB integration	*0.58%*	*0.64%*	*-6bp*
after HVB integration	*5.7%*	*5.9%*	*-18bp*
BA-CA (Pioneer Inv Austria)	15.8%	15.5%	+25bp
HVB (Nordinvest)	0.6%	0.6%	-4bp

Key projects in 2006 and key initiatives for 2007

Among the key projects for 2006 and key initiatives for 2007 the following are remarkable:

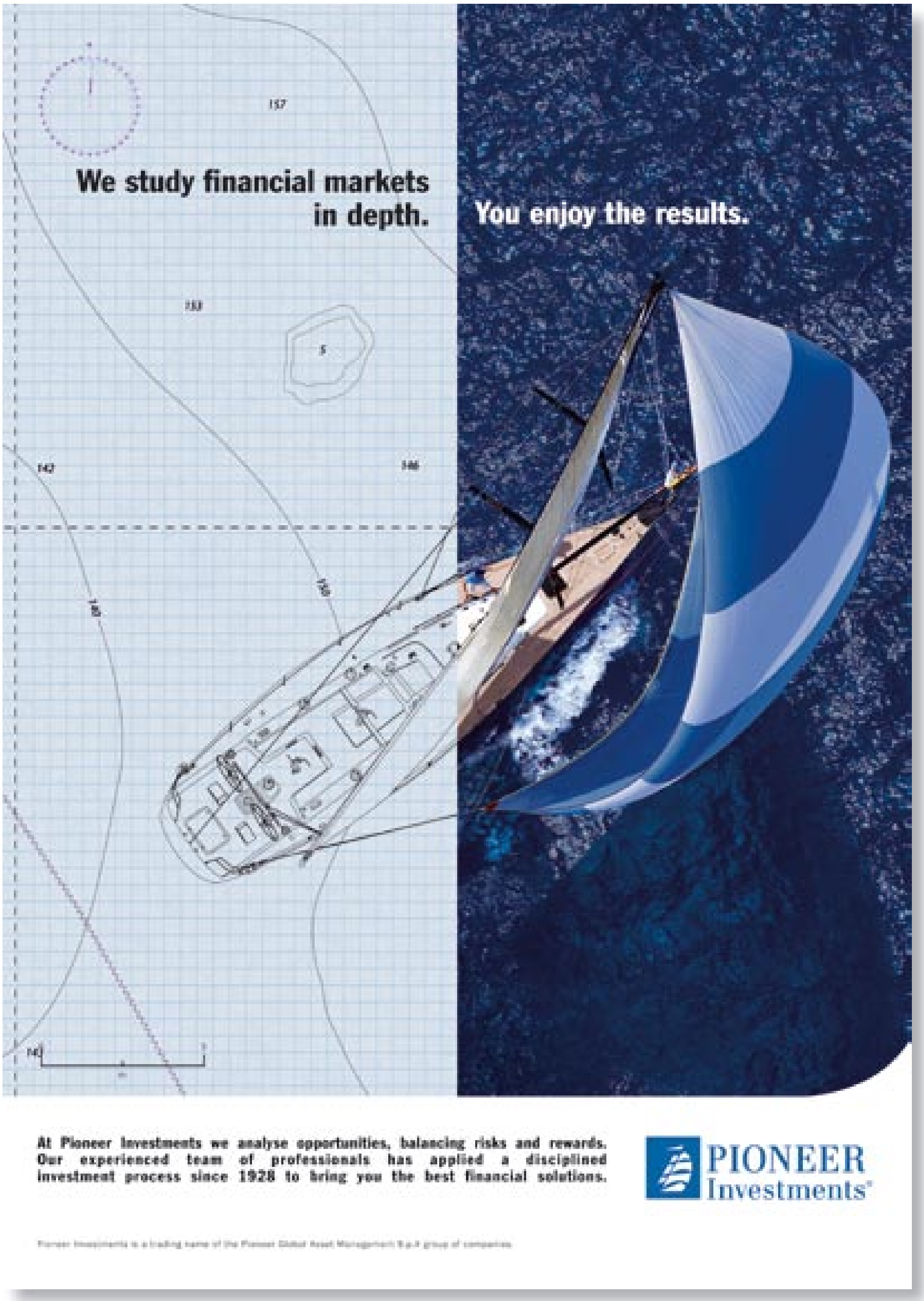
1. Finalizing the definitive structure of **Institutional** business in the US (the Vanderbilt acquisition), Europe, leveraging on Pioneer's strong presence (in Germany, Italy and Austria) and Asia. Particular focus will be given to new areas, like the Middle East, Emerging Asia and Northern Europe (Scandinavia and The Netherlands).

2. A new global relationship business model in all areas (US, Europe, Asia and Latin America) thanks to more effective links at head office level combined with local distribution push.

3. New business initiatives to start operations in Russia, Turkey and India, the latter through strategic alliances with Bank of Baroda, a leading public Indian bank.

4. Improved **strategic infrastructure** by means of a new **front office platform** (GISP) with the aim of creating a fully integrated global model and architecture with state-of-the-art process and technology components; it will improve current process and workflow and/or add potential and new scaleable tools for investment management staff. The model provides a stable and centralized environment that is scaleable, ensures data integrity and reduces operation risks.

5. A new global operating model to achieve organisational scaleability and enhance efficiencies by further centralising processing and support centers.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Report on Operations

Markets & Investment Banking Division

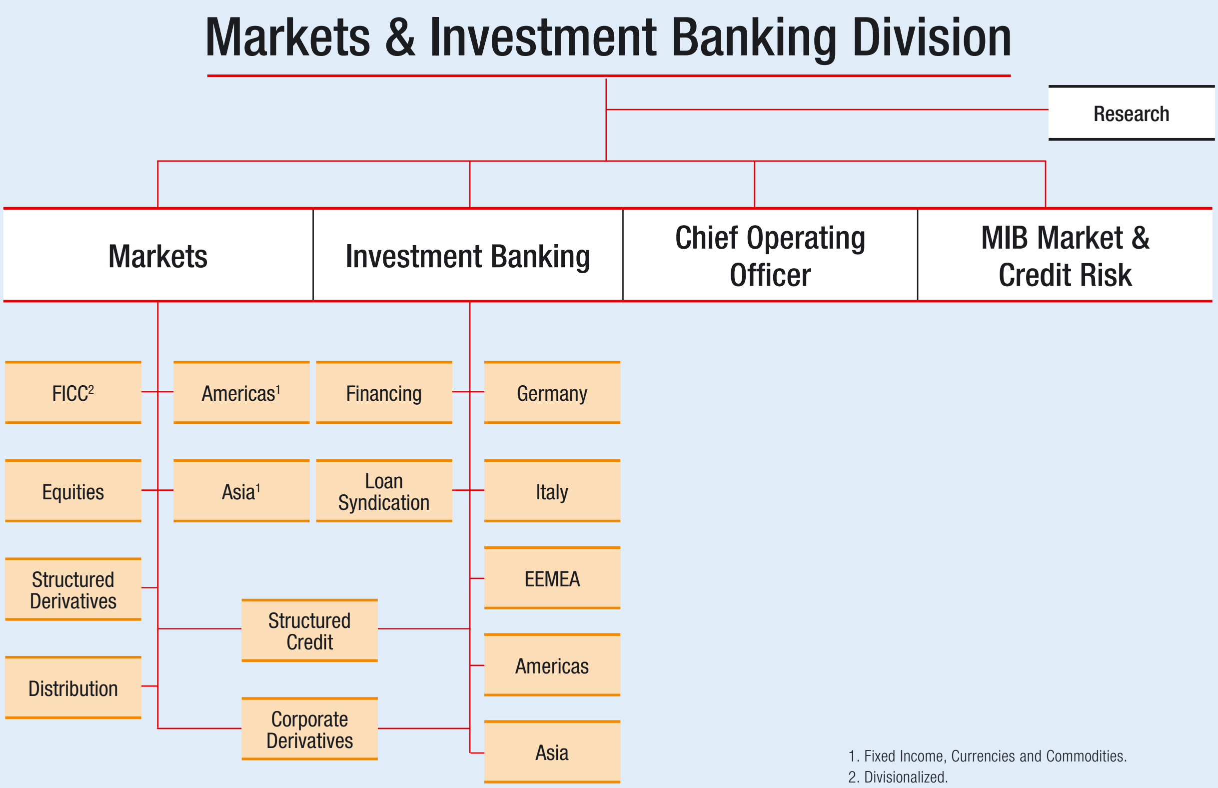
The Markets & Investment Banking (MIB) Division serves as the Group's global product factory and competence center for all global financial markets and investment banking services

With key strategic presences in Munich, London, Milan, Vienna and CEE, as well as the US and Asia, the MIB Division bundles the investment banking activities of Bayerische Hypo- und Vereinsbank AG (HVB), UniCredito Italiano S.p.A. (UniCredit), Bank Austria Creditanstalt AG (BA-CA) and Creditanstalt Investment Bank (CA IB).

To define the global responsibilities of each business line across legal entities, an overlay structure was defined along four areas: Markets, Investment Banking, COO Organization, and the MIB Market & Credit Risk function. Research leverages the entire product franchise and maximizes value across asset classes and client groups.

Organisational structure

The Markets area includes all trading, structuring and distribution activities, whereas the Investment Banking area combines coverage and origination-based business, as well as financing and loan syndication.
The Chief Operating Officer heads all centralized business support functions, while MIB Market & Credit Risk manages divisional credit risk underwriting, market risk, and risk reporting & policies.



1. Fixed Income, Currencies and Commodities.
2. Divisionalized.

Financial Performance

Strong revenue growth, tight cost management and significant reductions in loan loss provisions have led to an increase in pre-tax profit of 15.6% compared to 2005, amounting to €1,602 million. Almost all business lines within the areas Markets and Investment Banking delivered strong increases y/y, with particularly strong growth in Equities and Financing.

Favourable market conditions and steady customer flows enabled the MIB Division to exploit its expertise in derivatives trading and structuring, debt capital markets origination, interest rates trading, FX trading, structured finance and equity capital markets, among others.

Operating income for 2006 amounted to €3,192 million, representing an increase of 10.0% y/y. The underlying performance was driven by a sustained y/y growth in trading income reflecting the overall good performance of the trading units.

Operating cost for 2006 amounted to €1,564 million, representing an increase of 6.5% y/y on overall basis but with personnel costs increasing by 18% as a consequence of higher variable compensation related to performance.
Non personnel costs were held almost constant, due to stringent cost management, and entailing an improved Cost-Income Ratio of 49.0% (versus 50.6% in 2005).

Operating Profit for 2006 increased to €1,628 million, a 13.5% y/y increase from 2005.

€40 million were provisioned in 2006 for restructuring costs related to achieving cost synergies in 2007 and 2008.

Given the positive economic cycle, net writedowns on loans were dissolved considerably compared to the year 2005. Consequently, the cost of risk improved to positive 4 bp.

Efficient capital allocation enhanced the profitability of assets, as reflected in an increase of Operating Income/Risk Weighted Assets (RWA) from 3.8% in 2005 to 5.0% in 2006.

The Economic Value Added (EVA) as of end of year grew 55.2%, from €449 million in 2005 to €697 million in 2006 making MIB as one of the strongest contributors to the EVA of the Group.

Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2006	2005	AMOUNT	%	4Q 06	3Q 06	4Q 05
Operating income	3,192	2,903	289	+10.0	760	697	731
o.w. trading revenues	*1,485*	*1,243*	*242*	*+19.5*	*254*	*313*	*283*
o.w. non-trading revenues	*1,707*	*1,660*	*47*	*+2.8*	*506*	*384*	*448*
Operating costs	-1,564	-1,469	-95	+6.5	-453	-354	-434
Operating profit	1,628	1,434	194	+13.5	307	343	297
Net write-downs on loans	22	-40	62	n.a.	20	-7	-9
Profit before tax	1,602	1,386	216	+15.6	214	355	166

* including one-off effects of integration costs (4Q05: -69.5m and 4Q06: -40.0m).

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2006	31.12.2005	AMOUNT	%	30.09.06	AMOUNT	%
Total RWA (eop)	63,058	62,690	368	+0.6	62,168	890	+1.4
RWA for Credit Risk (eop)	49,039	47,623	1,415	+3.0	47,973	1,066	+2.2

Key Ratios and Indicators

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	697	449	248	+55.2
Absorbed Capital (€ million)	3,732	4,538	-806	-17.8
RARORAC	18.67%	9.90%	877bp	
Operating Income/RWA (avg)	5.04%	3.76%	128bp	
Operating Income/FTE (€ thousand)	994	866	129	+14.9
Cost/Income	49.0%	50.6%	-162bp	
Cost of Risk	-0.04%	0.08%	-12bp	

Staff Numbers

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	3,210	3,354	-144	-4.3

Report on Operations

Markets & Investment Banking Division

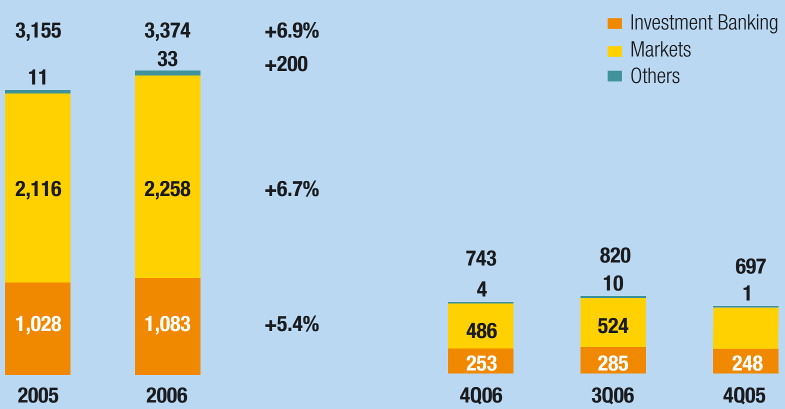
Breakdown by Business Area

The MIB Division's unique character comes from the strong connectivity of UniCredit Group's pan-European banking franchise. The bank's well-established relationships and network give MIB the ability to provide its investor base with direct access to a broad range of investment assets, and to give its corporate customers highly innovative investment and risk management solutions.

From this position of strength, MIB's strategy is to become a leading European investment bank with a clear focus on selected products and client segments. MIB offers differentiated expertise, and targets high returns and high growth by:

1. leveraging the division's leading market position in international structured finance into profitable non-domestic markets;
2. expanding its prominent role as a top provider of structured derivatives for retail, corporate and institutional clients through diversification into the rest of Europe;
3. providing innovative solutions and access to differentiated assets through its leading investment banking advisory capabilities in CEE, Turkey and Russia;
4. continuing to provide the full range of investment banking services including structured finance in the core markets of Germany, Italy, Austria and CEE.

Operating income (economic view*) (€ million)



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

Markets

The business mission of Markets is to become a leading player in our core markets by capturing the entire value chain in existing asset classes and pursuing new business opportunities that benefit clients and generate EVA.

In 2006 Markets generated revenues of €2,258 million (+ 6.7% y/y), equal to 67% of the division's overall performance. The top contributors included Structured Derivatives and FICC, which together generated 68% of the area's revenues. The largest y/y revenue increase was achieved by Equities (+21%).

- **Structured Derivatives** deal flow with international institutional clients remained strong across all asset classes. Retail activities in certificates, structured bonds and funds grew by 46%, which was clearly above the market growth of 30-35% and induced a further boost to revenues.
This helped offset the expected decrease of revenues in the Italian corporate derivatives business, where client demand shifted to different, less margin intensive product offerings. The reduction of margins was also determined by new operational limits based on newly introduced customer segmentations, anticipating early the rules of European Directive 2004/39/CEE.

The Structured Derivatives team was named "#1 Cross Asset Structures 2006" (HVB, Deutsches Risk Magazine) and continued to highlight MIB's retail strength in Germany by winning the "#1 Certificate of the Year 2006" (HVB, Certificate Awards).

- The increase in **Equities** (equal to a 19% revenue contribution to Markets) was achieved due to strong market conditions, improved business flows in CEE, and an efficient organizational setup that allowed the unit to boost its share of client business. The new client coverage model across all units is and significantly will improve cross-selling potential. Thanks to the success of MIB's client focus and dedication, the division has been recognized "Best Equity House" and "Best Regional Brokerage House" in New Europe (CA IB, Finance New Europe).

- **FICC** contributed strongly to the overall results of the Markets area despite rising short-term interest rates and a flat interest rate curve in major currencies. The FI/FX business could benefit from good customer flows at the beginning and the end of the year. Regressive volatility, no clear market directions and constantly declining customer flows, which reached their lowest level in July/August, influenced the business. Apart from being awarded the "Best FX Bank" (BA-CA, Global Finance) in CEE, Austria and Italy, the FICC team won a number of industry awards.

- **Structured Credit** reported a successful year with many high profile transactions. The quality of the business and the diversification was clearly stronger than in 2005. Structured Credit has accomplished more deals, lifted the profile of MIB in the market and executed transactions from many regions (UK, Ireland, Nordic, US, Benelux, France, Iberia, Germany, Greece, Italy, Austria).
  Being a top bookrunner for Italian and German corporate bonds in 2006, MIB outperformed global competitors in the bond business. The Debt Capital Market team managed public bonds for Porsche, Deutsche Telekom, Autostrade, Fiat and Eni, among others, and reinforced its **leading role in debt capital markets** by managing 54 jumbo covered bonds issues, the largest number in the market.

  Furthermore, the division launched pioneering asset backed securities in CEE. In fact, MIB was the first in the market that enabled its clients access to the Russian consumer loan market through a euro-denominated ABS issue. "Breeze II," a structured bond transaction for regularly recurring windpark financing with MIB being the sole bookrunner, won the "Senior Debt Deal of the Year" and the "Global Renewable Energy Award" (HVB, Euromoney/Ernst & Young).

Investment Banking

The business mission of Investment Banking is to become a leading investment bank in our core markets by providing innovative solutions and by leveraging our client network and product knowledge within the whole Group's franchise. This initiative involves close co-operation and coordination with the Corporate and CEE Divisions as a way of offering comprehensive investment banking services in an efficient manner. In 2006 Investment Banking contributed revenues of €1,083 million (+5.3% y/y), equal to 32% of the divisional performance.

- From the view of **Regional Investment Banking** the market in 2006 was characterized by abundant liquidity and tight non-risk adjusted margins. There is still high pressure on margins in the classical syndicated loan business. Therefore new deals are entered into with more caution. Nevertheless, the deal flow was in line with expectations until December 2006, mainly driven by large scale facilities for multinationals and for M&A-transactions.

  With around 30 deals successfully placed in emerging markets only, MIB set a new transaction record and once again demonstrated its market leadership in the region. Noteworthy ECM (Equity Capital Market) deals in CEE were the IPO of Multimedia in Poland and of Bulgarian American Credit Bank as well as the SPO of Turkish Airlines.

  Leveraging on the combined strength of MIB, the team also concluded very successful IPOs in Germany and Italy such as the IPO of Wacker Chemie and Poltrona Frau. These transactions were successful as a result of the enlarged sales network of the MIB Division, which made it possible to distribute shares via cross-border sales teams.

- Driven by buoyant markets, **Financing** experienced a record deal flow and revenue generation. The business line served as the main contributor to Investment Banking revenues. Business was driven primarily by the very strong performance with financial sponsors across Europe, equity funds as well as co-investments.

  MIB further strengthened its profile as a leading player in Pan-European **leveraged and structured finance** by winning key market transactions such as Erdemir, which was the first long-term structured financing in Turkey's current privatization programme. Moreover, the division was mandated lead arranger (MLA) and bookrunner of the Kion leveraged buyout (LBO), one of the largest ever German LBOs. As a result of the bank's role in the financing of the acquisition of ProSiebenSAT.1, MIB entered the "mega deal" segment for European LBOs and achieved the #1 Bookrunner and MLA in German LBOs (UniCredit Group, Dealogic).

  In high yield capital markets, we successfully placed floating rate notes for FL Selenia (a former part of Fiat) into the private market. The deal serves as an **example of the excellent cooperation across legal entities** between the UBM and HVB leveraged finance origination teams, leveraged loan syndications in London and high yield capital markets in Munich. In Italy, the team accomplished the # 1 MLA for LBOs (UniCredit Group, Dealogic) for the first time.

  The division was also active in many CEE transactions, such as MLA and bookrunner in the LBO of BorsodChem in Hungary by Permira and the investment finance of Romanian Alro/Macro Industries. MIB's expertise in project finance in CEEMEA has been underlined by having been named the **"Best Project Finance House 2006"** (BA-CA, Finance New Europe).

- **Loan Syndication** has focused its attention on areas where either it has specific market advantages/knowledge or where it can still make a healthy return. Hence, MIB will not necessarily feature at the top of league tables in all areas but has consistently underwritten higher volumes and made more fees in all of its markets. The integration of the three different entities has worked well within syndication, with several instances of successful co-operation between CEE, Italian and HVB teams.

Report on Operations

Markets & Investment Banking Division

Key Projects in 2006 and Key Initiatives for 2007

2006

Integration initiatives

2006 was a significant year in the design and development of the integrated MIB Division. The division reached many key milestones in the integration process while uniting activities under the UniCredit Markets & Investment Banking brand. These milestones included definition of the investment banking business model, design of the financial business case, improvement of capital management, and development of a division-specific risk framework. MIB successfully implemented the cross legal entity overlay structure, developed reporting and MIS structures for the business, and defined its target IT landscape.

On the basis of the newly designed setup, each global business line outlined on a product line level their status quo, key strengths, development potential and **core strategic initiatives** for the next years. This process demonstrated that MIB has substantial growth potential, which will be derived from optimizing and leveraging opportunities from the combination of the three regional players, and creating greater market access.

The division also focused on aligning **the operating model** and realizing cost synergies. In this context, MIB's **international network** was streamlined. While making a clear commitment to the international presence of UniCredit Group, significant synergies were identified within the single locations through sharing of existing resources and capabilities.

The creation of a divisional **identity** as **UniCredit Markets & Investment Banking** was driven by the development of a new global branding and a marketing campaign, and was supplemented by change management activities. A culture and communication audit was also performed to promote the integration of the diverse businesses and cultures that form the new division.

External expansion

At the end of 2006, BA-CA signed an agreement to acquire the institutional business of Aton Capital Group. Aton Capital is among the top 5 investment banks in Russia. With this acquisition MIB will become a leading broker in Russia and strengthen its leadership in Central and Eastern Europe investment banking. Furthermore, the division expects to expand its business in Russia through closer cooperation with UniCredit Group member International Moscow Bank (IMB).

2007

In 2007 MIB will focus on implementation and execution in order to realize strategic and financial goals established during 2006. A central pillar of 2007 initiatives will be the smooth execution of business growth initiatives.

In the **Markets business area** the division will focus on growing its FX and commodities business and leveraging its equities capabilities. In Structured Derivatives the unit's pre-eminent role will be expanded across clients and products, including risk management advisory for multinational corporates. Structured Credit will concentrate heavily on client-related solutions and securitization efforts, while Distribution is expected to expand its customer base and offer new, leading-edge, investment and risk management solutions.

The **Investment Banking business area** will focus on regional setups of the business activities with emphasis on ECM and M&A activities. The strong position in Financing will be further enhanced by entering selected markets where the team has had only a limited presence to date.

A major regional project will be the rollout of the global MIB model to all local CEE banks. In a joint effort between MIB and the CEE/Poland Markets Division, a new **MIB-CEE cooperation model** was developed to fully exploit MIB's strengths within the CEE region, with the ultimate goal of leveraging UniCredit Group's unparalleled franchise of local banks.


Germany
Italy
UK
Switzerland
Bosnia & Herzegovina
Spain
Bulgaria
Luxembourg
Croatia
France
Czech Republic
Estonia
Hungary
Austria
Latvia
Lithuania
Russia
Serbia
Macedonia
Slovakia
Poland
Slovenia
Romania
Greece
Ukraine
Turkey
USA
Brazil
South Africa
Argentina
South Korea
Mexico
India
UAE
China
Japan
Hong Kong
Singapore
Vietnam
A powerful new force with a deep-rooted network at the heart of its DNA
Introducing UniCredit Markets & Investment Banking. A powerful new force that leverages the markets and investment banking strengths of Bayerische Hypo- und Vereinsbank AG, Bank Austria Creditanstalt AG and UniCredit Banca Mobiliare S.p.A.
From the very beginning, it offers the advantage of centuries of experience, three home markets and an unrivalled reach in Eastern Europe. At its core, at its very business DNA, is a deep-rooted global network which can make a vital difference for clients. It is the quality and depth of these connections and its structuring expertise in the capital markets that enable it to create both innovative and ideal financial solutions.
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Report on Operations

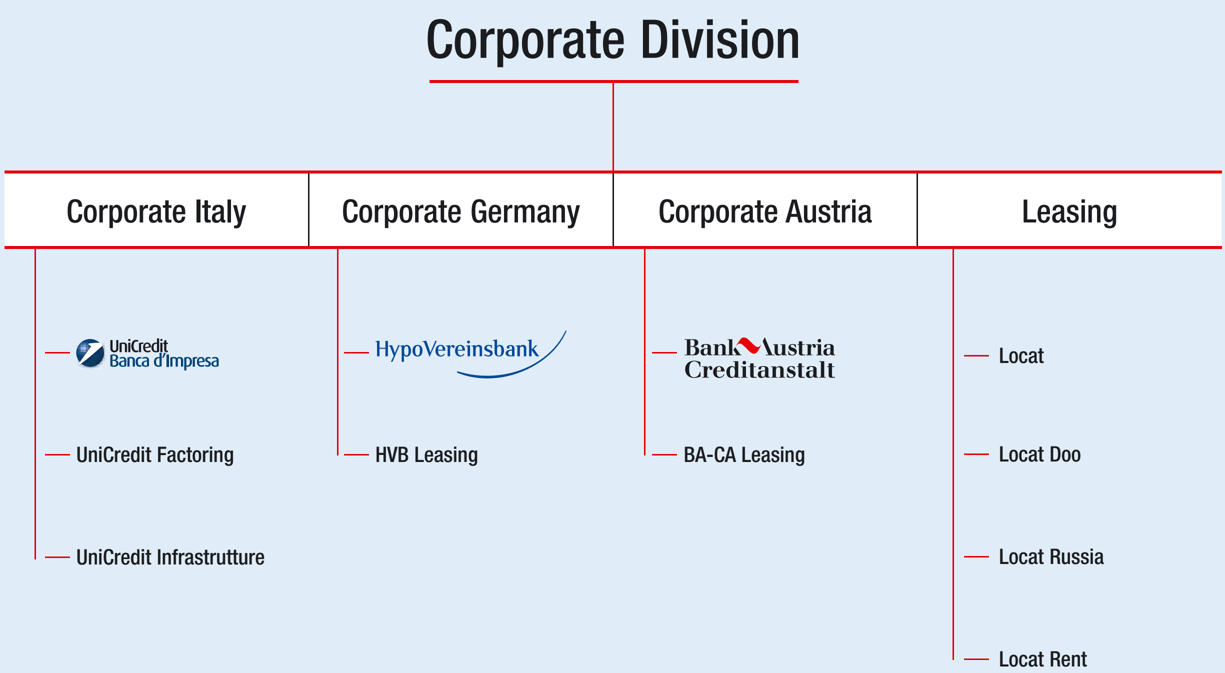
Corporate Division

Corporate banking market services and solutions for medium and large businesses

The Group's Corporate Division mainly serves clients with an annual turnover of over €3 million. It provides a range of dedicated products and services, which may vary according to client requirements, regional presence and growth potential. The Corporate Division transfers best practices developed in each country for its products and services in order to provide innovative products that better meet the requirements of its customer base. The Corporate Division's emphasis on the calibre of its staff and the quality of its service has enabled it to become a partner of choice in the corporate world.

Organisational Structure

In Italy, the Group's **Corporate Division** consolidates the results of **UniCredit Banca d'Impresa**, **UniCredit Factoring** and **UniCredit Infrastrutture**, the corporate divisions of **Hypovereinsbank** and **Bank Austria Creditanstalt**, the **CREF** (Commercial Real Estate Financing) segment of **HVB**, **Locat** and all group leasing companies (excluding those consolidated in the CEE division). At the group level, the Corporate Division operates through 352 branches and offices in three countries, with an additional of about 50 foreign trade centres operating in Italy. The Corporate Division is staffed by almost 9,000 full-time equivalent employees.



Financial Performance

The Corporate Division closed 2006 with better than expected results both in absolute terms and in terms of its overall contribution to Group targets. It showed improvement across all operating and financial metrics.

Income Statement

(€ million)

	YEAR		CHANGE		QUARTERS		
	2006	2005	AMOUNT	%	4Q 06	3Q 06	4Q 05
Operating Income	4,851	4,648	203	+4.4	1,264	1,153	1,122
Operating costs	-1,688	- 1,694	6	-0.4	-430	-419	-413
Operating profit	3,163	2,954	209	+7.1	834	734	709
Net write-downs of loans and provisions for guarantees and commitments	-827	-941	114	-12.1	-286	-204	-305
Profit before tax	2,286	2,086	200	+9.6	498	505	394

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS	CHANGE	
	31.12.2006	31.12.2005	AMOUNT	%	30.09.06	AMOUNT	%
Total Loans	185,805	176,579	9,226	+5.2	171,565	14,240	+8.3
o.w. With customers	*175,124*	*168,084*	*7,040*	*+4.2*	*167,245*	*7,879*	*+4.7*
Total deposits (incl. Securities in issue)	137,472	135,510	1,962	+1.4	127,900	9,572	+7.5
Total RWA	156,712	155,251	1,460	+0.9	161,900	-5,188	-3.2
RWA for Credit Risk	152,050	151,479	570	+0,4	157,445	-5,395	-3,4

Key Ratios and Indicators

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	537	318	219	+68.9
Absorbed Capital (€ million)	9,876	9,540	336	+3.5
RARORAC	5.44%	3.33%	211bp	
Operating Income/RWA (avg)	3.05%	3.02%	3bp	
Operating Income/FTE (€ thousand)	527	501	26	+5.2
Cost/Income	34.8%	36.4%	-165bp	
Cost of Risk	0.53%	0.63%	-10bp	

Staff Numbers

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	9,207	9,283	-76	-0.8

Strong revenues and effective control of both administrative costs and credit risk enabled the Division to achieve a pre-tax profit of €2,286 million, up 9.6% y/y (+21.5% net of 2005 extraordinary items including the recognition at fair value of FIAT's convertible bond held by UBI, which will impact net trading profits by about €74 million, and the sale of Bank of Austria's holding in Investkredit, which will impact net investment profits by over €120 million).

Despite the slow-down in the Italian derivatives market, operating income grew 4.4% y/y to 4,851 million. The increase in revenue was driven by the positive performance of net interest income (+5.2% over 2005, mainly from higher volumes) and net fees and commissions (+12.2% over 2005).

Thanks to effective control of other administrative expenses, partially offset by higher payroll costs (+3.7%) and movements in the value of intangible and tangible fixed assets (mainly stemming from the growth in operating leases), total costs remained materially unchanged (-0.4% y/y).

The cost-income ratio stood at 34.8%, an improvement of more than 150bp over 2005.

The ongoing focus on cost rationalisation was reflected in a staff reduction of 80 full time equivalent employees in 2006.

Strict control over credit quality resulted in lower net impairment losses on loans and provisions (-12.1% over 2005), which drove an improvement in the ratio of net impairment losses to total customer loans compared to 2005.

Report on Operations

Corporate Division

Breakdown by Business Area

Overall, Corporate Division results in 2006 were impacted by different trends in each of its target markets, and with few exceptions the breakdown of its income sources remained unchanged from last year. Operating income (+4.4% y/y) reflected a strong rise in revenues in Italy (+5.2% y/y), Austria (+5,8%) and Germany (2.1%). Stable divisional operating costs were achieved thanks to strict cost control measures in Germany (-3.7% y/y) and Austria (-6,3% y/y, on a like-for-like basis), partly offset by growth in Italy (+5.1% y/y). Due to different trends in the Division's core markets, operating profit grew 13.2% in Germany, 5.3% in Italy and 8.3% in Austria.

Growth in loans extended to customers at the division level increased by 4,2%y/y (+6,2% without taking into account the results for CREF). At the individual country level, we experienced a steady increase in Italy (+10,9% y/y) and a slight decrease in Germany (-2,8% y/y) although the latter became an increase of 1,8% y/y when not consolidating CREF, where a decrease in loans took place due to a reduction in non profitable assets and a successful restructuring. During the last year there was a steady increase in deposits from customers because of abundant market liquidity and some special commercial actions: in particular, during the period analyzed, the total amount of customer deposits grew of 15% y/y.

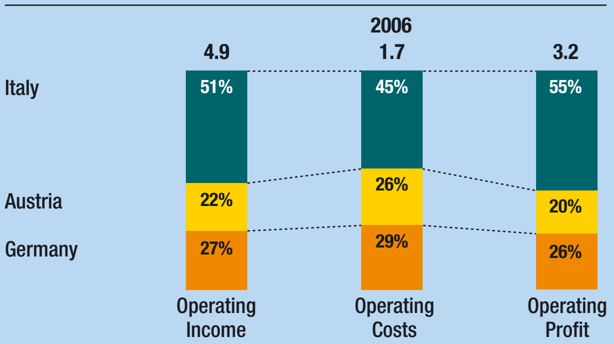
Product Range: focus on Germany

One of the key products offered to customers in 2006 was PREPS^tm (Preferred Pooled Shares), a valuable operating tool that serves as an innovative platform for "profit sharing rights" offered in partnership with CEG. This product allows medium-sized companies to obtain non-bank financing by directly accessing capital markets. HVB's key role was reflected in the fact that in 2006 about €1.8 billion in junior capital was raised using PREPS^tm.

At the same time, the bank's innovative capabilities were proven with the launch of a new product called M-ABS, an asset-backed security for medium-sized companies, which will leverage HVB's expertise in the securitisation market.

Finally, the bank confirmed its strategic decision to provide support to companies operating at the global level, particularly in the fast growth markets of Central and Eastern Europe, where UniCredit has a strong international presence, and also in view of the fact that over 4,000 German companies already operate in one or more of these markets. This policy translated into the offering of a wide range of dedicated services, such as cash management, cross-border credit lines and special terms for opening new accounts.

Contribution by Country (€ billion)



Breakdown of loans by country and deposits (€ million)

	LOANS TO CUSTOMERS		CHANGE	DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES IN ISSUE		CHANGE
	31.12.2006	31.12.2005	%	31.12.2006	31.12.2005	%
Italy	78,516	70,822	+10.9	34,451	27,128	+27.0
Germany	55,511	57,137	-2.8	29,499	28,323	+4.2
Austria	41,097	40,125	+2.4	19,639	17,226	+14.0
Total	**175,124**	**168,084**	**+4.2**	**83,589**	**72,677**	**+15.0**

Key Projects in 2006 and Key Initiatives for 2007

The Corporate Division continued to develop each national market by sharing best practices and products and by introducing a common customer segmentation method. All countries have implemented a strategy involving improved cooperation between banks and companies operating in non-banking sectors (such as leasing and factoring), a wider range of services for corporate clients and pursuing growth opportunities in individual sectors, such as yachts and investments in capital goods.

Growth strategies for Italy focused on organic growth and the expansion of the Division's network coverage by leveraging the Group's international presence, in order to strengthen relationships with companies operating in foreign markets.

In keeping with the group's divisional structure the reallocation of customers in Germany was successfully implemented without a negative impact on revenues. In fact, there was an improvement in customer acquisition. Despite strong local competition and the ongoing alignment to a single organisational model, the Group defended its market position in Austria, where it intends to expand its presence.

2006

Below is a summary of 2006 key projects:

ITALY

UniCredit Banca d'Impresa Revenue Growth Project
The strategic development project "Revenue Growth" seeks to generate additional revenues and loan growth from new customers from 2007- 2009 through customer acquisition and retention. Specifically, such growth will be achieved by:

- **Expanding the branch network:** by opening new branches and premises in certain regions
- Applying **customised service models** to large companies (over €250 million revenues at Group level), corporate customers (between €15 and 250 million revenues at Group level) and small and medium enterprises (SMEs, under €15 million revenues at Group level)
- **Growth** and specific focus on **Large Enterprises**, developing dedicated structures both at the Regional Division level and at the front desk level
- Improving account managers' performance by **automating credit and commercial procedures**
- Penetrating selected **specialist markets**

GERMANY

- **Reviewing the service model** in order to maximise efficiency for all business segments in Germany. In addition to the provision of a complete range of products and services, the offering will be differentiated according to the specific needs and number of customers
- **Reorganisation of the allocation of small and medium-sized corporate customers** in order to prevent a scattered approach to managing this business segment
- **Product innovation** resulting from the group's specific know how
- **Emphasis on international markets** in order to provide financial solutions and integrated services to customers operating in foreign markets
- **Implementation of sophisticated tools** for financial analysis and investment advice
- Centralisation of services provided to large corporate customers at the regional branch level
- Implementation of a targeted service model for government agencies and other public entities using dedicated account managers
- Review of credit procedures in line with the new divisional structure
- Targeted initiatives to contain costs. Great emphasis was placed on cutting general and administrative costs, and also on the implementation of appropriate purchasing policies
- Collaboration with HVB Leasing to broaden the range of services provided by the regional branch network and to create new sources of fee income

In keeping with the objective of creating value for both shareholders and customers, several projects were launched, ranging from an analysis of customer needs and satisfaction levels (basic information was collected in order to develop products and services meeting customer needs) to the integration of credit issuing and loan management procedures (a key factor in developing and maintaining a consistent credit policy).

Report on Operations

Corporate Division

Key Projects in 2006 and Key Initiatives for 2007

2006

AUSTRIA

In 2006 the Group continued to integrate the Austrian bank with the rest of UniCredit Group companies. Specifically, the service model was brought into line with the Group's division-based model which will provide all customer segments with a full range of products and services in view of their specific needs and size. This drive towards service improvement and value creation for shareholders and customers will continue in 2007 under a series of projects aimed at acquiring additional know-how by leveraging best practices in use at other Group companies. In keeping with the strategy of recent years, and in consideration of the positive trend in imports and exports, there will continue to be a strong emphasis on international markets in order to provide financial solutions and services tailored to customers operating in foreign markets, especially in CEE countries.

2007

Below is a summary of 2007 key initiatives:

LEASING: The strategic reorganization plan of the leasing business was approved in 2006 with the scope to establish a global business lines for the whole UniCredit Group. Such a plan involves all the Group's countries and companies in order to set up an effective business model and an organizational structure able to support the commercial network thanks to product and service innovation and know-how exchange.

GFS: In 2007 it will be put on the implementation of GFS (Global Financial Services) - the Group product factory of international transaction services in the corresponding banking sector throughout the focus on three main product lines (Cash Management& e-Banking, International Financial Institution & Trade Finance, Structured Trade &Export Finance).

ITALY

The "Revenue Growth" project will continue widening the territorial coverage in specific regions and strengthening the sales force (Relationship managers and product specialists);

GERMANY

In line with the development plan to increase the domestic market's commercial penetration, it has been planned to open in 2007 new branches and premises in regions not fully covered, while specific new customer acquisition campaigns will run in the areas of traditional presence.

AUSTRIA

Focus will be on strengthening our commercial presence in specific industrial districts and niche markets, to further extend the leadership position held in the domestic market.


HVB BERATERTUGEND Nº 2
VORAUSSCHAUEND
Peter Hähner ist in der Zukunft zu Hause. Auf diese Weise entdeckt er Chancen, wo viele nur Grenzen sehen – und ist damit bei uns in bester Gesellschaft. So haben wir als eine der ersten Banken erkannt, welche Möglichkeiten sich in Mittel- und Osteuropa für Investoren bieten und sind dort heute mit 17 Mio. Kunden in 16 Ländern die Nr. 1. Wenn auch Sie zu den vorausschauenden Unternehmern gehören, die erkannt haben, welche Chancen sich in diesen dynamischen Märkten für Ihr Unternehmen bieten, sprechen Sie mit Peter Hähner. Er wird Sie mit grenzüberschreitenden Finanzlösungen tatkräftig unterstützen – hier, jetzt und in Zukunft.
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HypoVereinsbank
UniCredit Group

Report on Operations

CEE & Poland's Markets Divisions

UniCredit Group is in all aspects the clear market leader in the CEE region, which in 2006 again showed the highest economic growth rates in Europe mainly supported by dynamic domestic demand and lively foreign direct investments. The positive economic trend for the region is expected to continue in the upcoming years in combination with a generally low degree of banking intermediation and the related convergence process towards EU levels. This will help the region to maintain its position as one of the world's fastest growing environments for banking revenues. Acting as a universal bank, UniCredit Group is offering a comprehensive product and service range to about 24 million retail, corporate and institutional customers which are serviced in more than 3.000 outlets all over the region. Leveraging on the competitive advantage of this comprehensive network, the Group is in a position to serve customers and investors on a cross-regional scale. Furthermore, such extensive operations throughout the region allow the Group to benefit from synergies out of the standardization and optimization of internal processes. Such efficiency improvements will also be fostered through the integration and merger projects in many of the countries which are all planned to be completed in the course of 2007.

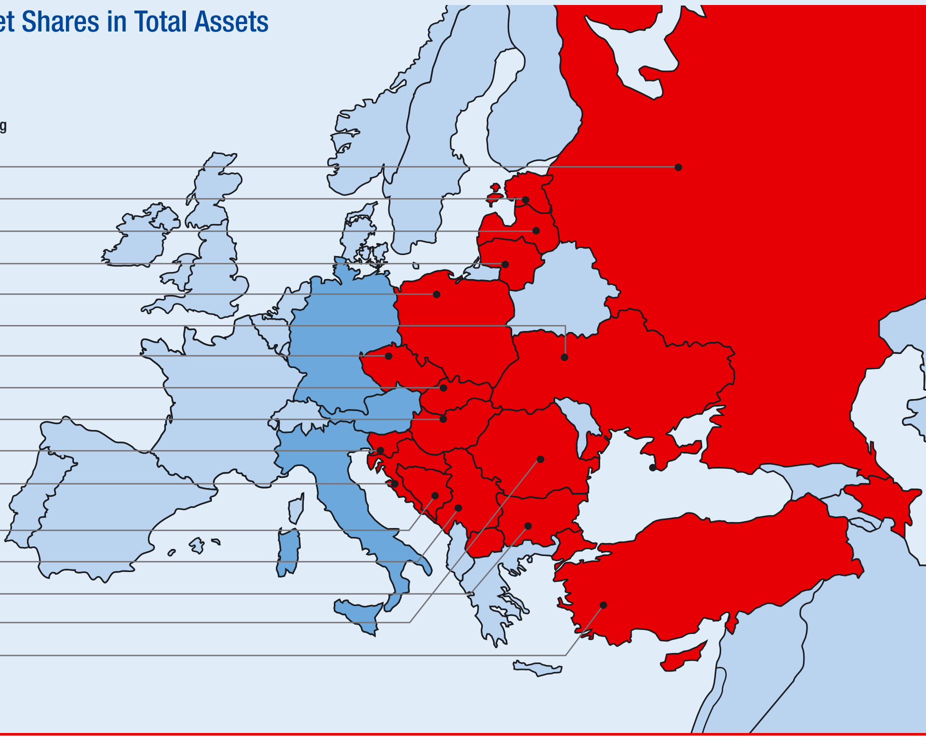
Organisational structure

The area is managed in **two divisions** with a presence in 17 countries.
Within the UniCredit Group, BA-CA has been defined as sub-holding for the banking activities in **CEE**, with the exception of Poland and Ukraine which will be managed directly by UniCredit. A clear structure was established through the following steps: First of all, UniCredit acquired directly the shares in BA-CA previously held by HVB. Secondly, all shares in CEE banks held by either UniCredit or HVB were transferred to BA-CA.
Following this restructuring, BA-CA will be present in the following 15 CEE countries: Azerbaijan, Bosnia & Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey.
The Poland's Markets Division manages the Group's operations in Poland and Ukraine.
The banks comprising the Division are Bank Pekao and BPH Bank in Poland and HVB Ukraine and UniCredit Bank (formerly Pekao Ukraine), which is owned by Bank Pekao, in Ukraine.

UniCredit Group Market Shares in Total Assets

Total Assets Market Share (in %)	As of 3Q 06*	Ranking
Russia**	1,9	8
Estonia**	0,5	8
Latvia**	2,3	10
Lithuania	2,2	6
Poland	20,6	1
Ukraine	1,1	13
Czech Republic	7,3	4
Slovakia	9,2	5
Hungary**	6,4	7
Slovenia**	6,5	4
Croatia**	23,1	1
Bosnia and Herzegovina	25,3	1
Serbia	7,2	5
Bulgaria	19,8	1
Romania	7,2	4
Turkey	10,4	4

* unless indicated otherwise
** as of Q4



CEE Division
Financial Performance

Income Statement

(€ million)

	YEAR		% CHANGE		QUARTERS		
	2006	2005		NORMALIZED[1]	Q4 '06	Q3 '06	Q4 '05
Operating Income	2,816	2,185	28.9	+22.6	777	698	601
Operating costs	-1,525	-1,233	23.7	+16.4	-460	-349	-379
Operating Profit	1,291	952	35.6	+30.7	317	349	222
Net write-downs of loans and provisions for guarantees and commitments	-170	-151	12.6	+3.1	-39	-53	-36
Profit before tax	1,062	805	31.9	+27.8	264	290	174
Net profit (loss) for the period	883	601	46.9	+41.3	212	268	96

1. Change at constant exchange currency rate and constant perimeters.

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS AS AT	CHANGE	
	31.12.06	31.12.05	AMOUNT	%	30.09.06	AMOUNT	%
Total Loans	45,564	37,441	8,123	+21.7	41,873	3,691	+8.8
o.w. With customers	*39,083*	*28,848*	*10,235*	*+35.5*	*34,535*	*4,548*	*+13.2*
Total deposits (incl. Securities in issue)	47,451	38,342	9,109	+23.8	40,115	7,336	+18.3
Total RWA (eop)	47,587	36,663	10,924	+29.8	43,148	4,439	+10.3
RWA for Credit Risk (eop)	44,219	34,380	9,839	+28.6	40,395	3,824	+9.5

Key Ratios and Indicators

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	457	268	189	+70.5
Absorbed Capital (€ million)	3,165	2,496	669	+26.8
RARORAC	14.44%	10.73%	371bp	-
Operating Income/RWA (avg)	6.91%	6.77%	14bp	-
Operating Income/FTE (€ thousand)	72	57	16	+27.7
Cost/Income	54.2%	56.4%	-228bp	-
Cost of Risk	0.45%	0.51%	-6bp	-
Tax rate	16.9%	25.3%	-849bp	-

Staff Numbers

(€ million)

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	38.944	38.578	366	+0.9

In 2006 the CEE Division of UniCredit Group achieved a net profit for the period of €883 million based on the continued operating business growth, but also influenced by mergers and the integration of operations in countries with dual Group presence (costs related to integration amount to €56 million). The consolidated net profit exceeded the original plans with an increase of 41% compared to 2005, adding another milestone in the successful development of the division.

The year on year analysis of the profit and loss components in absolute amounts is positively affected by extensions in the perimeter of consolidated entities during 2005 (e.g. Hebros Bank in Bulgaria, IMB, Banca Comerciala Ion Tiriac in Romania, HVB Bank Serbia & Montenegro, Nova Banjalucka Banka). Relative changes expressed in percentage terms have been normalized in order to exclude perimeter and exchange rate influences.

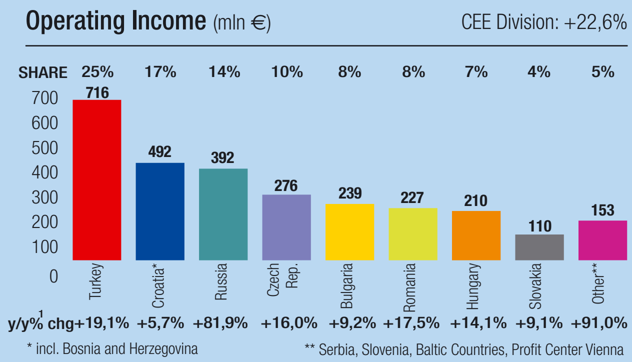
The operating profit totalled €1.291 million, outpacing the respective 2005 results by +€339 million or +30.7% on normalized basis.
The result of the Division was driven by total operating income, reaching €2.816 million, outperforming the year 2005 by €631 million or 22.6% on normalized basis. As a consequence of the continued, favourable development of business volumes in terms of total loans increasing by 21.7% and deposits including securities issued by 23.8%, net interest income with +€313 million posted the highest contribution to the revenue increase in absolute terms. Booming business development in Russia, both in corporate and retail segments led to an increase of +€128 million, followed by Czech Republic with +€35 million driven by corporate lending and Slovakia with +€28 million.

Non-interest income of €1.046 million,

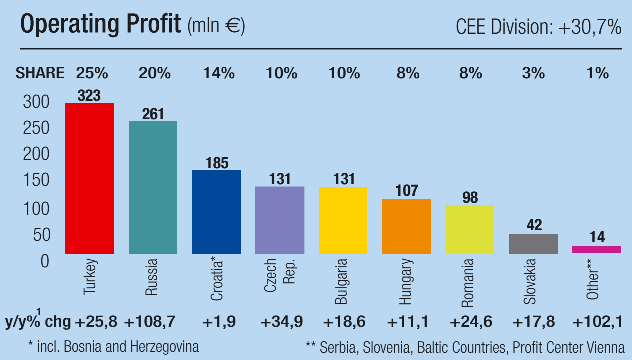
Report on Operations

CEE & Poland's Markets Divisions

Contribution by Country to the CEE Division



1. Change at constant exchange currency rate and constant perimeters.



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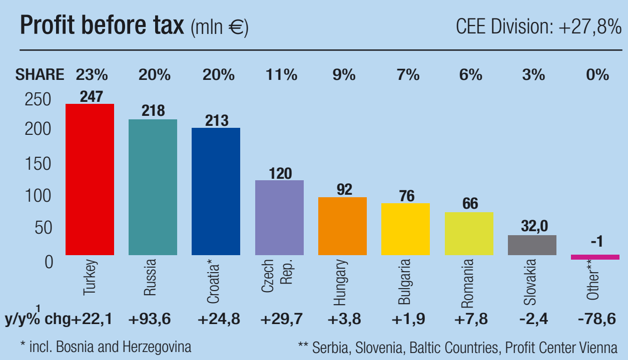


1. Change at constant exchange currency rate and constant perimeters.

consisting of commission, trading and other operating income added another €318 million or 35.6% on top of 2005 results. In a country view Russia stands out with +€104 million driven by FX-gains followed by Turkey with +€75 million and Romania with +€62 million mainly as a consequence of the consolidation of Banca Comerciala Ion Tiriac.

Operating costs increased in 2006 by €292 million to the level of €1.525 million. This is influenced mainly by the effects of newly consolidated subsidiaries in Russia, Romania, Bulgaria, Bosnia and Serbia (+16.4% on normalized basis), costs related to mergers in Turkey and Romania as well as expansion programs implemented in Russia and Hungary. Following the aforementioned events, staff expenses rose by 14% to €688 million as a consequence of restructuring and mergers, while in spite of the mentioned expansion programs, headcount reached the level of about 39.000 employees. Other operating expenses show an increase of 11.9% to €668 million.

In terms of efficiency ratios the CEE Division achieved further improvements. The cost-income ratio standing at a level of 54.2% was more than 2 percentage points lower than in 2005, and total operating revenues per FTE increased by almost 28%. Although total average risk weighted assets increased to €41 billion, exceeding prior year by about 26%, revenues on risk weighted assets improved by 14 bp to 6.9%.

Risk provisions of €170 million reflect an increase of only €19 million over 2005. Cost of risk improved further and stood at about 0.4% of average RWA, owing to prudent risk controls, to effective loan recovery processes but also to the generally favourable credit risk situation in the CEE economies.

Focus on Turkey, Russia and Croatia

TURKEY

In Turkey, 2006 was a turning point for Koç Financial Services (KFS), a 50% joint venture between UniCredit and its local partner Koç Holding. Based on their shared vision on Turkey's long-term growth prospects as well as their strategic focus on growth in the financial services sector, UniCredit and Koç Holding had taken an important strategic step in September 2005 to acquire, through KFS, a 57.4% stake in Yapı Kredi Bank (YKB), one of Turkey's largest private banks at the time and a leading retail franchise. The initial acquisition by KFS was later followed in April 2006 by further increase in KFS shareholding of YKB to 67.3% through the purchase of an additional 9.9% stake. Following the legal merger of YKB and Koçbank, Yapı Kredi has been uniquely positioned as the fourth largest privately-owned commercial bank by asset size in Turkey with a network of about 650 branches, with KFS having leadership positions in credit cards, assets under management, non-cash loans, leasing, factoring, pension and non-life insurance.

Furthermore, at the end of October 2006, YKB successfully completed a very large IT system migration merging two previous networks into one: all banking products and customer records were transferred to a single IT platform. This fundamental step was taken with the objective to equip the Bank with leading technology in order to deliver customers the best and most efficient service quality for the future. Interoperability was established among all Yapı Kredi branches and over 1,700 ATMs through a single platform.

Turkey (€ million)

	2006	2005	% CHANGE NORMALIZED
Operating income	716	648	19.1
Operating profit	323	277	25.8
Net Profit for the period	229	163	50.9
	2006	**2005**	**+/- ABS.**
Cost/Income	54.9	57.3	-2.4 p.p.
FTEs (100%)	15,944	16,179	-235
Branches (100%)	653	642	+11

In addition, as the final step of the integration process, the mergers of the four core subsidiaries owned by KFS and YKB in leasing, factoring, asset management and investment banking/brokerage were completed in December 2006/January 2007 with the aim of fully leveraging on the synergies within the Group.

Positive results achieved through the restructuring and transformation of YKB proved the validity and effectiveness of the KFS management's strategies. With the new shareholding and strong asset & capital structure, the Group has been repositioned in the international markets, taking up a subordinated loan of €850 million, as well as syndicated funds in the amount of USD 700 million and structuring USD 1.2 billion of securitization, the largest DPR (Diversified Payment Rights) securitization not only in Turkey but also in the world.

Despite the challenges of the integration process in 2006, YKB returned to profitability 12 months after its acquisition regardless of the subdued growth and demand conditions in the Turkish market. Led by sound balance sheet and conservative risk management policies, the Bank's profit and loss and equity were almost not affected by the financial market volatility that happened between April and June 2006.

The integration activities notwithstanding, the market share of the Bank in revenues increased to 9.9% (+0.2% versus previous quarter) and the leading positionings in credit cards and pension funds were reinforced with the increase in market shares (+2% in cards, +0.7% in pension fund). As an indication of the successful implemention of the synergies with the Koç Group companies, the purchase turnover of the Worldcard, YKB's market leading credit card, increased by 36% whereas the Worldcard sales volume of Koç Group companies went up by 72%.

Report on Operations

CEE & Poland's Markets Divisions

RUSSIA

As of the 2006 year end, International Moscow Bank (IMB) was the 8th largest bank in Russia, with a market share of 1.9%. 2006 was another year of successful development for IMB. Driven by this rapid growth the bank more than doubled its net profit to €175 million. In early 2006 IMB broadened its predominantly corporate oriented strategy towards a more focused approach to the rapid growing retail business and accelerated its regional network development. In order to efficiently support the bank's growth the shareholders increased the share capital in an amount of €77 million by the end of 2006. Along with the ongoing integration into the UniCredit Group, IMB's shareholder structure changed significantly. After UniCredit Group acquired a 26.4% stake held by Nordea in June 2006 and the shares held by VTB Bank France (a subsidiary of Vneshtorgbank) in December 2006, BA-CA now holds 90.03% of IMB's total share capital which corresponds to 95.19% of IMB's voting capital.

Russia (€ million)

	2006	2005	% CHANGE NORMALIZED
Operating income	392	160	81.9
Operating profit	261	97	108.7
Net Profit for the period	175	65	105.2
	2006	2005	+/- ABS.
Cost/Income	33.3	39.1	-5,8 p.p.
FTEs	2,061	1,525	+536
Branches	47	30	+17

In corporate business, by the end of 2006 the bank had €4.14 billion in loans outstanding to corporate customers, which was almost twice the level of the previous year. As a result IMB expanded its market share in corporate lending from 1.9% to 2.1% and became the 8th largest bank in this segment. Nearly one half of the top 200 companies in Russia are among the customers of the bank. IMB has accelerated its expansion into the regions and further developed its products for midsized regional corporates to provide stronger assistance to this customer group.

Measured by revenue potential, the Russian retail banking market is the largest in CEE. Although starting from a very low base, this segment, particularly consumer finance and mortgages showed impressive growth rates over the last five years. Considering the still low penetration levels, the rising wealth driven by an emerging middle class as well as the increasing importance of the regions we expect retail banking to be the key growth driver in Russia's banking market in the coming years. To leverage on the favorable market environment in the best possible way, IMB has successfully reviewed and optimized its retail strategy. The customer base grew by 77% to 250 thousand individual clients. The volume of retail loans increased 2.5-fold and reached €645 million. As a result, the market share in retail lending grew from 0.8% to 1.1%. The strongest growth was achieved in car lending where IMB is number four in the market with a market share of 6.7%.
In 2006, a significant step forward was reached in expanding the distribution network. During the year 17 new offices were opened, thus, the total number of offices reached 47. IMB is present in Moscow, St. Petersburg and in 17 other regions where the whole product range is offered to our customers. In 2007, the branch expansion will be continued.

CROATIA AND BOSNIA & HERZEGOVINA

As Croatia's largest bank, Zagrebačka banka Group (ZABA) serves over 1 million private customers and more than 70,000 business customers. The bank's leading position is reflected in its market shares. As a percentage of loans, the bank's market share is 23.5%; as a percentage of the deposit base, the market share stands at 25.9%. One of the bank's strengths is also its building society business where ZABA maintains its leading role with a market share of 33%.

ZABA's product range is offered through 127 branches in Croatia as well as alternative sales channels such as electronic banking, telephone and SMS banking. In 2006 Zagrebačka banka Group recorded a net profit for the year of €152 million. Net fee and commission income increased by 16% primarily due to the success recorded in offering service packages, in credit card and domestic payments business. The volume of loans increased by 17% to €6 billion, with growth mainly resulting from building society loans and loans to private customers in the retail segment as well as investment finance and working capital finance in the corporate segment. The Group's deposit base rose by 10% year-on-year to €6.5 billion.

Croatia and Bosnia & Herzegovina (€ million)

	2006	2005	% CHANGE NORMALIZED
Operating income	492	454	5.7
Operating profit	185	183	1.9
Net Profit for the period	171	146	19.9
	2006	2005	+/- ABS.
Cost/Income	62.4	59.8	+2.6
FTEs	6,804	6,766	+38
Branches	301	282	+19

Retail customers:
Private customer deposits increased by 9% to €350 million in 2006. New loan products in the housing sector increased by about €500 million (+44% compared with 2005). Loans to private customers were extended in the amount of c.a. €285 million, mainly due to consumer loans. Placements with business customers exceeded €270 million in 2006. At the same time the bank carried out major technological investments to improve transaction processing (e.g. self-service machines, 24/7 zones for corporate customers) and in internet banking (speed and flexibility). The bank successfully participated in the Croatian government's subsidised financing programmes, extended credit lines to the Croatian Bank for Reconstruction and Development (HBOR) and issued guarantees to the Croatian Small Business Agency (HAMAG) to support projects of small businesses.

Corporate customers:
In 2006, ZABA further extended its market leadership in business with large (multinational) corporate customers. The bank participated successfully in major loan and capital market transactions, particularly in the public sector (infrastructure projects, railways and shipyards). In its market leader role, whether in consortia, as a broker or as an issuing bank, the bank participated in issues totalling over €950 million. The deposit base in the corporate segment increased by over €100 million or 12% year-on-year, loans extended to this segment rose by c.a. €50 million or 3.8%. Total placements with medium-sized businesses were up by 20% to €1.1 billion bn while deposits grew by 16% or €540 million.

Operations in Bosnia & Herzegovina:
The group is present through 3 banks that substantially increased business volumes and profits in 2006. UniCredit Zagrebacka banka, Mostar, and HVB Central Profit Banka, Sarajevo, started an integration process that will lead to the creation of the largest bank in the country be the end of 2007. In Nova Banjalucka banka, seated in Banja Luka, acquired by BA-CA at the end of 2005, a modern organisation structure and a new IT-system as well as group standards were implemented.

Outlook:
In 2007, ZABA plans to maintain its strong current position in Croatia and to achieve improvements in certain areas, e.g. cash management products, card business, in special services to supraregional customers through its European Desk, in loans to private customers and in investment banking. In Bosnia & Herzegovina, the main focus is on the merger process of UniCredit Zagrebacka banka and HVB Central Profit Banka.

Report on Operations

CEE & Poland's Markets Divisions

OTHER COUNTRIES:

CZECH REPUBLIC

In the Czech Republic, the merger of Živnostenska banka and HVB Bank Czech Republic will create the fourth-largest bank in the country. 2006 was a very successful year for both banks, especially based on the strengths in the corporate area and the introduction of innovative products in the retail segment. Their total operating profit increase amounted to almost 35%.

HUNGARY

In Hungary, HVB Bank Hungary again reached an excellent performance. Total Assets increased by 30% lifting up the market share to 6.4%. Through an ambitious branch expansion project, the number of offices was increased in 2006 from 54 to 76. All business segments performed above budget, the number of clients was increased by more than 60.000 bringing it up close to 200.000 clients. This is mainly due to the increased number of branches and various sales initiatives in retail segment. Despite the costs related to the expansion effort, the bank was able to increase its operating profit by more than 11%.

BULGARIA

In Bulgaria, a triple merger of UniCredit banking subsidiaries, i.e. Bulbank, HVB Bank Biochim and Hebros Bank, is envisaged for the second quarter of 2007. Business development was strong, especially in consumer and mortgage loans as well as in business with mid-size corporates. This translates into an increase in operating profit by close to 19% for the three banks. The comparably low growth in profit before tax is attributable to significant one-off costs for the forthcoming integrations.

ROMANIA

The development in Romania was characterized by integration activities. In a first step, HVB Bank Romania and Banca Tiriac were merged in August 2006. Immediately afterwards an integration project between the new HVB Bank Tiriac and UniCredit Romania was launched with the goal to create the fourth largest bank in Romania with a market share of above 7%.

SLOVAKIA

The two banks in Slovakia, HVB Bank Slovakia and UniBanka, expand loan and deposit volumes substantially while preparing their merger in early 2007. The successful sales efforts led to an increase in operating income of more than 9% and based on strict cost management, operating profit grew by almost 18%. As expenses related to the integration have largely been reflected in 2006 accounts already, profit before tax shows a slight decrease of about 2%.

Strategy: Key Initiatives, Completion of the Mergers

INTEGRATION PROGRAM

At the beginning of 2006 the CEE Division set up a cross-regional project management structure for implementing integration projects relating to our 22 banks in 16 countries. It comprises 12 local projects:

- Merger countries: In countries with a multiple presence - Slovakia, the Czech Republic, Bulgaria, Romania, and Bosnia and Herzegovina - we are working on local integration of the entire business operations, processes and IT, with the objective of completing the mergers in 2007. Decisions concerning the core banking systems were an integral part of the projects, without losing sight of the long-term objective of a uniform IT platform. Banking operations in Slovakia, Romania and Bosnia and Herzegovina will use CORE02, BA-CA's standard application system for CEE, while the system introduced in the Czech Republic is the new UniCredit Group system EuroSIG. For Bulgaria we decided to use FlexCube of iFlex, a system which will also be implemented in Russia.
- Integration countries comprise Russia, Estonia, Latvia and Lithuania, as well as Croatia and Turkey. In these countries without local mergers, work concentrates on full integration in the Group in respect of governance, management, regulatory reporting, management information system and risk management.
- Transformation countries refer to existing BA-CA subsidiaries (Slovenia, Serbia and Hungary). Here we concentrate on rebranding in line with Group standards.
- Rebranding: UniCredit has decided to use a uniform brand structure for CEE to underline its performance capabilities and the standing of a leading international banking group. The Group will use the UniCredit Bank brand, amended by the local brand name for countries with a strong local presence, e.g. UniCredit Zagrebačka banka, UniCredit Bulbank, UniCredit Tiriac Bank. The rebranding process is to be completed by the end of 2007.

CROSS-BORDER INITIATIVES

Various cross-border initiatives are aimed at using the competitive advantages of our comprehensive network of operating units in 16 countries while benefiting locally from the strength and expertise of an international banking group. We want to use this double advantage in business with our customers. The above-mentioned brand architecture underlines the most visible feature of the CEE Division: the ability to serve customers across borders while meeting their individual needs by incorporating local specifics.

Some 20 cross-regional initiatives have been launched to meet this objective at three levels: in customer business; in management and organisation; and in HR management, communications and Global Banking Services.

In customer business, homogeneous customer segments and shared business models as well as efforts to standardise 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.

Global product lines such as Global Trade Finance, leasing, commercial real estate business have been established. They act as a vehicle for know-how transfer in the entire UniCredit Group, giving effect to the advantages of a large bank in smaller countries, too. Moreover, global product lines act as hubs linking supply (e.g. Western institutional investors) and demand.

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

Uniform cross-regional management information systems (MIS) are preparing the ground for accountability and transparency of performance as a management principle for our Group. They are also a prerequisite for meeting Basel II requirements and for coordinating bank treasury operations and capital management.

We have also set up a cross-regional HR integration programme with tasks divided among different locations in the network. The objective of the programme is to develop local talent and a pool of cross-regional executives.

Global Banking Services (GBS), a global UniCredit division, performs an essential function in the entire integration process, maintaining cost effectiveness, unlocking synergies and using locational advantages in the long term with a best practice approach. Projects range from process design to IT harmonisation, facility management and Groupwide procurement. The cost synergies which GBS seeks to achieve are not only “quick wins” but will also enhance performance in customer business on a sustainable basis.

Report on Operations

CEE & Poland's Markets Divisions

Poland's Market Division

Financial Performance

The **Poland's Markets Division manages** the group's operations in Poland and Ukraine.

In **Poland**, thanks to Bank Pekao and BPH the Group has a combined market share of over 20%, being the leading bank in terms of total assets, loans to customers and assets under management. They can leverage on the nationwide network of

Income Statement

(€ million)

	YEAR		% CHANGE		QUARTERS		
	2006	2005		AT CONSTANT EXCHANGE RATES	4Q '06	3Q '06	4Q '05
Operating income	2,132	1,818	17.3	+13.4	579	517	457
Operating costs	-1,031	-973	6.0	+2.4	-265	-248	-248
Operating profit	1,101	845	30.3	26.1	314	269	209
Net write-downs on loans and provisions for guarantees and commission	-113	-121	-6,6	-9,2	-19	-31	-28
Profit before tax	999	784	27,4	+23,3	278	248	225
Net Profit (loss) for the period	804	624	28,8	+24,4	227	197	182

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE		AMOUNTS AS AT	CHANGE	
	31.12.06	31.12.05	AMOUNTS	%	30.09.06	AMOUNT	%
Total loans	23,906	18,974	4,932	+26.0	21,079	2,827	+13.4
o.w. with customers (bn)	*18,154*	*15,768*	*2,386*	*+15.1*	*17,283*	*871*	*+5.0*
Total deposits (incl. securities in issue)	29,038	24,764	4,274	+17.3	28,301	737	+2.6
Total RWA (eop)	21,028	16,781	4,247	+25.3	19,601	1,427	+7.3
RWA for credit risk (eop)	19,939	16,154	3,785	+23.4	19,084	855	+4.5

Key Ratios and Indicators

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
EVA (€ million)	344	235	109	+46.4
Absorbed Capital (€ million)	1,003	807	196	+24.3
RARORAC	34.34%	29.17%	517bp	-
Operating Income/RWA (avg)	11.31%	11.72%	-41bp	-
Operating Income/FTE (€ thousand)	81	68	13	+19.1
Cost/Income	48.4%	53.5%	-516bp	-
Cost of Risk	0.62%	0.81%	-19bp	-
Tax rate	19.52%	20.41%	-89bp	-

Staff Numbers

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	26,280	26,688	-407	-1.5

branches (over 1300 branches), strongly present in all major cities in the country and on the biggest ATM network (over 2500) enabling the customers to have full flexibility and easy access to bank channels all over the country (already available to customers of both banks free of charge).

In **Ukraine**, UniCredit Group (HVB Ukraine and UniCredit bank) has a market share of ca. 1% in terms of total assets and loans to customers, but with ambitious plans for growth, in both the retail and corporate segments, considering the positive macroeconomic and banking sector developments of the country. Corporate banking is as of today the core business of the Group in the country, contributing for ca. 2/3 of revenues, accounting for ca. 1% market share of corporate loans. Retail banking is in the start-up phase of its development and has strong potential for further growth.

In 2006 the Poland's Markets Division (which included HVB Ukraine from the beginning of 2006) posted a **net profit for the period** of €804 million representing an increase of 24% y/y at constant exchange rates (+29% y/y at historical exchange rates).

The Division's results were driven by **operating income**, which totaled €2.132 million, representing an increase of 13% y/y at constant exchange rates (+17% y/y at historical exchange rates). These increases were the combined result of:

- net interest which rose by 15% y/y at constant exchange rates. This was primarily due to the growth in loan to customers, up by 14% y/y at constant exchange rates, as well as the inclusion of HVB Ukraine from 2006 (impacting the y/y growth by ca. 2%);
- excellent growth in **net fees and commissions** which rose by 26% y/y at constant exchange rates thanks to the good sales of mutual funds, retail loans and structured products, and also due to the consolidation of the mutual fund company TFI into Bank BPH starting in 2006 (impacting y/y growth by ca. 3%)
- a reduction in **net trading, hedging and fair value income** which dropped by 60% y/y at constant exchange rates. This decrease is more than offset by a correspondent increase in net interest income, while the remainder was primarily due to a reduction in the valuation of the securities portfolio as a result of interest rates increase.

In 2006 **operating costs** were rising by only 2% y/y at constant exchange rates. Staff expenses were up by 5% y/y (of which 1% was due to the inclusion of HVB Ukraine from 2006) while other operating costs were stable due to effective cost containment policies.
At the end of December, there was a total of 26,280 employees (FTE), a reduction of 407 employees from December 2005.

In terms of efficiency, the **cost-income ratio** reached outstanding level at 48,4% representing a significant improvement over 2005 (53,5%).

Operating profit for 2006 totaled €1.101 million (up by 26% y/y at constant exchange rates and by 30% at historical exchange rates over 2005).

Effective credit risk control and loan recovery policies translated into a 9% y/y reduction at constant rates of **net loan write-downs**, reaching a cost of risk of 0,6% (-0,2% absolute reduction y/y), with continual improvements in loan quality.

The Division's positive performance was driven by the two major banks, and in particular:

- **Pekao Bank** (together with Xelion Poland) reported a 17% increase in **net profit** for the period at constant exchange rates over the previous year (+21% y/y at historical exchange rates). This increase was mainly driven by the growth in operating income and contraction in operating costs.
- **Bank BPH** reported a 30% increase y/y **net profit** for the period at constant exchange rates over the previous year (+36% y/y at historical exchange rates). The increase was primarily due to growth in operating income and declining net loan write-downs.

As of 31 December 2006 the Division's **loans to customers** totaled €18 billion, a 14% y/y increase at constant exchange rates (15% y/y at historical exchange rates), without HVB Ukraine in 2005, while deposits (including securities in issue) stood at €29 billion, a 17% y/y increase at constant exchange rates (and at historical exchange rates), without HVB Ukraine in 2005

The Division reached excellent results in 2006 also in terms of value creation, with EVA at €344 million, increasing 38% y/y at constant exchange rates (46% at historical exchange rates over 2005) and Rarorac at 34%, increasing 5% 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. In the same period the Operating income/RWA stood at 11,3%, decreasing by 0,4% over 2005.

Report on Operations

CEE & Poland's Markets Divisions

Commercial Achievements and Key Initiatives

Commercial achievements, product range and services offered

2006 has been a particularly successful year for the 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. Also, very high dynamics were observed in mutual funds, one of the key products in both banks, with a combined market share in excess of 30%, reaching an increase over 30% y/y in terms of outstanding volumes.
On the country level, the key commercial focus within the Retail segment will stay on mortgages, consumer, small business loans and mutual funds, aiming to maintain double digit growth rates. In the Corporate segment, the key commercial actions are focused on further acquisition of mid and large corporate customers, leveraging on the leadership position.

In Ukraine, the Retail segment, although in the start-up phase, has already developed a wide range of products among which on the lending side are mortgages, car loans, consumer loans and credit cards (including gold/platinum card), while on the deposit side the main retail products available at present are current accounts with ATM debit card, savings plan and term deposits (both local and foreign currency). 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. The bank has successfully opened 11 new branches in 2006 which allowed the Group to rapidly acquire new clients - since the launch of the Retail business in September 2006 the Bank has acquired more then 10,000 clients. Several new branches will be opened in 2007 building a widespread branch network with a presence in all major cities, allowing the Group to reach the ambitious growth targets.

In the Corporate segment the focus has been on large corporate clients, offering a wide range of products among which standardized loans, trade finance and structured finance, cash management services, etc. The Group is ranked second in terms of custody business in the country, closing important deals in 2006 acting as an agent in various acquisitions in the country with western clients.

Strategy: Key initiatives, highlights of the integration/merger situation

In **Poland**, Pekao and BPH initiated the integration process in mid-2006. From a corporate point of view and pursuant to agreements with local authorities and to the recently-approved new law, a spin-off and the integration process will lead to the creation of two new banks: the new BPH (with 200 branches) to be disposed in the course of 2007, and the new Pekao bank (which will integrate the remaining 285 ex-BPH branches).

The spin-off and integration process will bring new value to the Polish banking landscape thanks to:
- the creation of “New Pekao”, the clear leader in the Polish banking sector. The “New Pekao” will assume market leadership in key areas and will further expand its nationwide coverage with ambitious aspirations to become the undisputable leader in sustainable revenue growth and profitability and the clear benchmark in Central and Eastern Europe, in particular in:
  - Retail family banking: to become leading bank for families, providing 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: undisputable market leader thanks to full range of lending products and service model based on advisors and state of the art credit scoring
  - Corporate: position of best recognized corporate bank, covering 360° of customers needs, supported by relationship managers and dedicated product specialists
  - Risk: excellence in risk management in terms of loan quality and time-to-market
- the “New BPH” is to remain an independent entity as a strong platform for growth that will guarantee full continuity of all products and services with:

- a nationwide footprint of 200 outlets, among the 10 largest networks in the country
- all current retail and business BPH products
- all head office and IT needed to support the retail activity and corporate systems transactions
- 5th biggest asset manager (TFI) in the Polish market, with a market share of ca. 6%
- well-known BPH's trademarks and corporate name
- effective organization and possibility to continue offering the current range of competitive BPH product offers through a qualified and experienced staff.

As a consequence Pekao-BPH is a unique integration process which has been articulated into three parallel streams of successful integration:

1. Effective spin-off process with
   - focus on customers and people
   - proper integration of governance processes and effective management in place
   - dedicated and high-skilled team
   - uninterrupted focus on day-to-day business
2. Designing “New Pekao”
   - creating clear leader in the Polish banking landscape
   - building on “best of both” practices
   - leveraging cost synergies and efficiency opportunities
3. Setting-up “New BPH”
   - developing active and viable bank ready to grow
   - continuing best retail practices of BPH
   - creating attractive acquisition target

The integration team has reached visible and significant achievements:
- top talents retained in line with initial plan and strong integration team established
- aggressive legal timelines kept, i.e., spin-off plan submitted in November 2005, received positive auditor opinions for spin-off plan and in-kind contribution, and applications to banking supervisory commission submitted in January 2007
- maintained strong focus on business (i.e. low customer churn, low turnover of employees) with shared responsibility to manage country level business performance
- business model, product offer and network concept for new Pekao developed leveraging best practices from both banks, at the same time preserving new BPH value and growth potential

Despite the tremendous effort for the integration, thanks to full dedication and hard work, the banks have been able to achieve excellent financial results, managing to combine good commercial performance and focus on customers, with the preparation of the merger.

The Group is placing a strong emphasis on Ukraine in light of the enormous growth potential of the local market. UniCredit UA is focused on expanding the retail business and has launched the retail network development project in all of Ukraine's major cities achieving the first branch opening in September 2006. During 2006 UniCredit UA has opened 11 branches reaching a total of 12 branches as of end 2006 (10 in Kiev, 1 in Odessa and 1 in Lutsk) and is planning to open ca. 50 more branches in 2007. HVB UA is currently focused on the large corporate segment and plans to penetrate further in to the mid-sized corporate achieving significant growth, with a network of 6 branches.
HVB UA is in the process of being transferred to Bank Pekao, which as future sole shareholder of HVB UA and UniCredit UA, is planning to merge these two very complementary banks. The merged bank will be well positioned to grow and gain relevant market shares in both Ukrainian retail and corporate businesses.

Report on Operations

Global Banking Services Division

Banking Services for the entire Group

The Global Banking Services Division as preferred provider of banking services to Group entities through its Global Service Factories has the primary objective of:

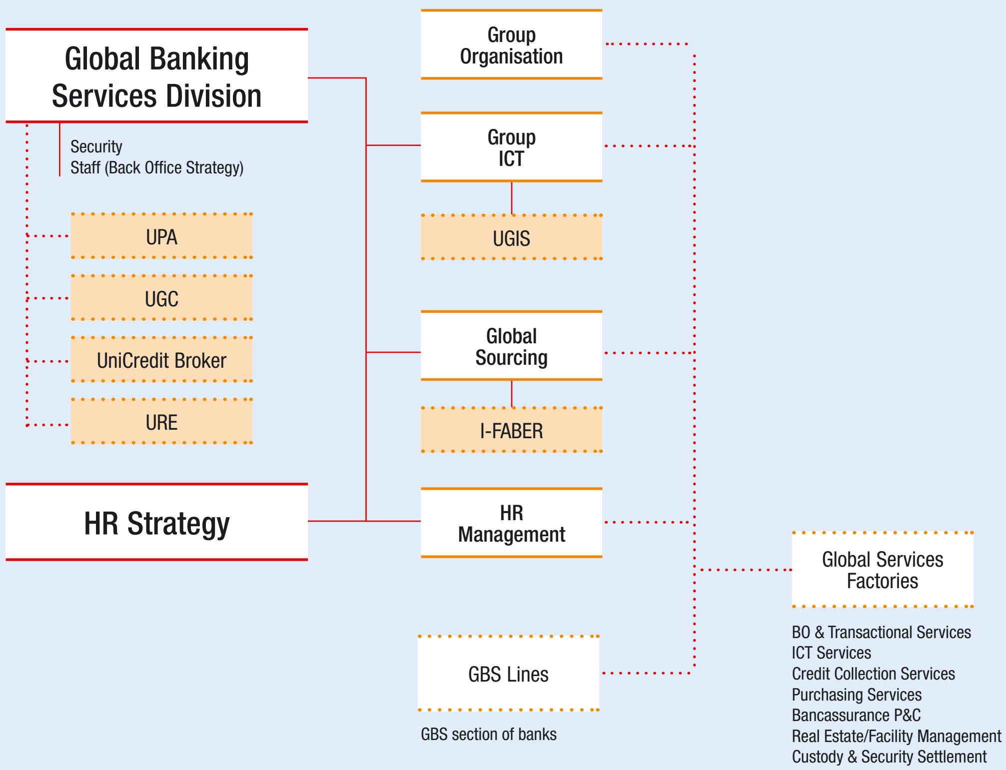
- ensuring strategic support for the sustainable growth of the Group's businesses and generating added value to the benefit of Group entities, ensuring the maximum quality and efficiency of the services offered, and dealing with specific needs and local requirements. All activities are based on Key Performance Indicators and Service Levels and are determined together with internal customers
- optimising the Group's cost structures and internal processes, ensuring maximum synergies and savings, as well as operational excellence, by fostering a culture of cost management and process re-engineering, as well as the continual search for best practices.

Organisational structure

The GBS Division's mission is performed through the following macro-functions: **Group Organization, Information & Communication Technology (ICT), Global Sourcing (Procurement and Purchasing), Back Office Strategy, Management of Security, HR Management** (as far as HR cost structure's optimization).

The GBS Division guides, supports and oversees the GBS lines of Group entities and, through the Division's competent departments, functionally coordinates the Group's Global Service Factories, including the:

- Back-Office Companies
- Credit collection and services Companies
- ICT service Companies
- Purchasing/Procurement Companies
- Insurance Brokerage Company (P&C)
- Real Estate/Facility Management Companies



Financial Performance

2006 was a particularly significant year for the Division, one in which the rationalisation activities were fully running, whether they were connected with the integration process or tied to situations in individual countries.
Direct costs - which approximate the expenses base under the Division's control - were over €2.7 billion in 2006, with a clear trend: they not only absorbed inflation and salary increases, but also generated a reduction of €150 million or 5.2% y/y. Even net of the effect of the reduction of some extraordinary writedowns posted by HVB in the real estate sector (approximately €80 million), the reduction in direct costs of €70 million or 2.6% remained significant.
Among the many efficiency initiatives undertaken or continued by the Division during the course of 2006, the following are to be noted:

- the PRO project, geared toward the rationalisation of back-office centres in Germany
- the relocation of some back-office activities from the Italian banks to the UPA Romanian branch
- local IT Optimisation measures in Germany and Austria, aimed at reviewing and rationalising project initiatives in the IT area
- the real estate costs optimisation initiative for the Group in Italy, in particular space occupancy in Italy and Austria.

It is worthy of note that the GBS Division's cost performance reflects only in part some important initiatives in purchasing and cost management, which, although under the full responsibility of the Division itself in terms of control and implementation, produced their operational effects on each individual Division's direct cost stricture locally.
A breakdown of costs shows that the ICT component is preponderant within the GBS Division, accounting for over 45% of the overall cost base, while Real Estate and back office accounted for 28% and 19%, respectively. The remaining services (primarily Procurement and Credit Recovery) complete the picture, with a difference of 7%.
Shifting the analysis to breakdown by type, it is evident that costs were concentrated in Other Administrative Expense (approximately 50%), including the contribution of Information and Communication Technology and the Real Estate area, while Payroll represented 34% of the total. The back-office area, with typically labour-intensive activities, contributes in a preponderant manner.
Analysis of the change in FTE numbers confirms how rationalisation efforts have been focused on employees with the highest cost per capita (Italy, Germany and Austria), bringing a reduction of 1,856 FTE or 13.5% compared to 2005, and producing a total of 11,919 FTE at the end of 2006. Conversely, activities continued to increase in the countries of Central and Eastern Europe (up by 566 FTE), which have nearly tripled their presence, not least in support of the banks operating in these geographical areas. This growth was financed furthermore by the banks themselves, which transferred activities and resources (primarily in the back-office area) with a view to centralising management under the responsibility of the GBS Division.
It is to be emphasised, however, that the human resources dynamic was significantly impacted by the effects of some important extraordinary transactions, such as:

- the transfer of the Securities Services activities in Italy into a dedicated company (2S Banca) and its subsequent sale to Société Générale (approximately 370 FTE)
- the sale of the tax collection business (Uniriscossioni S.p.A) to the Italian Government (approximately 800 FTE)

Other significant changes, although formally finalised during the course of 2006, began to show their effects as of 1 January 2007:

- in Germany: outsourcing of the payment services through the sale of HVB Payment & Services to PostBank (approximately 410 FTE)
- in Germany once more: outsourcing of some software development services from HVB Information Services to IBM (approximately 310 FTE).

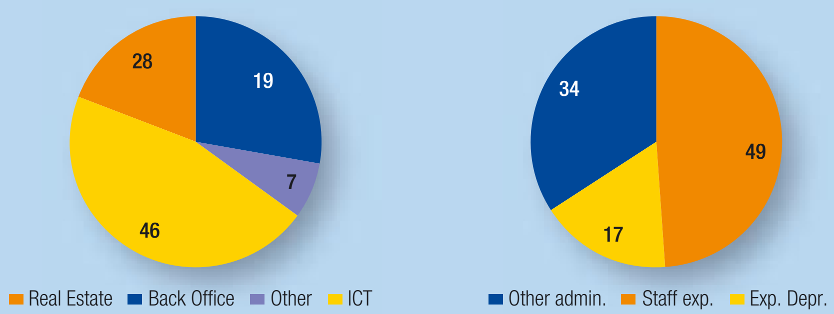
GBS Direct Costs trend (€ million)

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Direct Costs Base	2,729	2,879	-150	-5,2

Staff Numbers (€ million)

	YEAR		CHANGE	
	2006	2005	AMOUNT	%
Full time equivalent	12,800	14,090	-1,290	-9.2
of which domestic	*11,919*	*13,775*	*-1,856*	*-13.5*
of which CEE countries	*881*	*315*	*+566*	*+180*

Direct Costs Structure (%)



Report on Operations

Global Banking Services Division

Key Projects in 2006 and Key Initiatives for 2007

ICT

2006

2006 was the first year of Information and Communication Technology (ICT) integration within the new Group.

Consequently, initial activities included the drawing up a management organisational model and medium-term plans, both in line with changes in the business. Accordingly, the following were prepared:
- a medium- to long-term ICT strategy
- the Group ICT 2006-2008 three-year plan.

In implementing these plans in organisational terms, the following actions were taken:
- creating the Group ICT Department within the Parent company, as a central governance office
- founding a virtual community of the Group's ICT users (about 7,000 people) and equipping it with cooperative tools
- initiating integration of the Group's operating companies, identifying the staff with the Italian experience of UGIS - UniCredit Global Information Services, unifying the two pre-existing German information system companies within HVB IS (HVB Information Systems), and launching their corporate integration programme
- starting up the implementation of the ICT Skill Centres model, distributed geographically in Europe with the aim of extending the value of local best practice to the entire Group.

Another area where action was taken concerned the start-up of multi-year integration programmes, including, among others:
- the unification of the Global Business for Investment Banking (MIB) and Asset Management (Pioneer)
- common Group solutions for Basel II, Card Processing and Consumer Credit
- the adoption in Germany of the "EUROSIG" commercial banking application platform programme, which is an internationalisation of the Italian base and was launched in the Czech Republic in May 2006
- increasing ICT efficiency in Austria
- the integration, nation by nation, of the Group Banks operating in CEE countries, with the completion in 2006 of the transactions in Turkey and the first phase of those in Romania and Bosnia.

Further activities focused on sustaining the domestic business, ensuring support organisation by division, product development, service improvements, and compliance.

Innovation focused on support to distribution channels, particularly direct ones (Internet Banking and advanced ATM's) and their security.
From the standpoint of operating efficiency, the synergies expected by the Group ICT department for the year 2006 in the integration plans were fully achieved.

2007

In 2007, the development and integration programmes set out in the Three-year Plan will continue. Particularly relevant is the preparation of the EUROSIG platform for its adoption in Germany.
Support for the integration of our Czech, Slovak and Bulgarian banks will be continued, as will the completion of transactions in Bosnia and Romania.
From the organisational standpoint, the integration of the German information system company into UGIS will constitute a fundamental stage for the achievement of a single information system company for the entire Group.

BACK OFFICE

2006

During the course of 2006, the Back Office area focused its efforts on significant reorganisation and efficiency improvement activities.
In particular, in Germany:
- the implementation of Project PRO aimed at rationalising back-office structures and procedures, both with the planned reduction in the number of sites, as well as with a further increase in the level of process automation, with significant benefits also in terms of production costs
- as of 1 January 2007, HVB Payments and Services GmbH ("PAS"), a payments service company, was sold to Deutsche Postbank AG.
- significant synergies were achieved with the rationalisation of the back-office areas in the Foreign Branches in countries were HVB and UniCredit operate. This action will continue in 2007
- in the security services area a project to centralise securities processing in the Corporate, Private Banking and Retail segments was started.

As far as Italy is concerned:
- simultaneously with the satisfaction survey (Listening to Customers) launched by Group HQ regarding services provided by its own Factories, in December 2006 UPA obtained ISO 9001:2000 Quality Certification and ISO 14001:2004 Environmental Certification, for the overall management model (organisational structure, planning activity, responsibility, practices, procedures, processes and resources, degree of consistency of the managerial factors adopted with customer requirements and with the concept of ongoing improvement, the latter principle being the basis of the ISO standards)
- implementation of Project Romania continued. This project was launched in 2005 with the objective of creating a European skill centre for the operations area capable of providing services to our Italian banks and companies and in the future to the entire Group, thanks not least to a lower cost structure. The branch has grown well above the Plan forecasts (330 staff members forecast for the end of 2006 and 500 for the end of 2007), reaching a total of 440 staff at 31 December 2006, being almost one year ahead of schedule, the target for the end of 2007 was accordingly revised to 640 total staff
- thanks to the technical and banking know-how progressively acquired, the Technical School of UPA continued its central role as provider of basic technical training for all Group entities and in particular for new recruits' introduction to specific roles and training courses. The Course Catalogue boasts almost 100 internal courses, plus 20 training programmes intended for Group entities, the UniCredit Personnel Redeployment course, and numerous workshops. Over 900 Group employees and another 2,000 UPA employees received training at the UPA Technical School in 2006 amounting to a total of nearly 200,000 hours.

In Austria:
- Administration Services ("AS") completed the centralisation of activities at the headquarters in Vienna, as planned. This made it possible to optimise the production processes, while maintaining a high level of quality at a lower cost. In addition, the first pilot programme for off-shoring payment activities to Banking Transaction Services Prague ("BTS") was successfully started up
- BTS was incorporated in July 2005 as a Group Shared Service Centre for CEE countries in the International Payments and Card Processing area. Growing progressively, it now serves 8 Banks in connection with payment services and 3 Banks for Card Processing. In the first half of 2006, it took on the entire Back-office and settlement area for the Group banks present in the Czech Republic (HVB Bank and Zivnostenska Banka). With almost 300 employees, BTS serves 11 clients (including 1 outside the Group) in 9 different European countries
- Security settlements experienced a significant increase in both quantitative as well as qualitative terms.

2007

In January 2007, the GBS Back Office area started the integration phase of its activities (at present in 5 countries: Austria, Germany, Italy, Czech Republic and Romania) with the objective of creating International Service Factories.
Going beyond local markets and emphasising products and processes, currently 8 European Business Lines have been created (for Payments, Securities, Finance and Treasury, Trade Finance, Loans, Mortgages, Cards and Core Banking operations), with each being called upon to manage its area of responsibility across borders, cost optimisation, the growing focus on quality, risk , and the implementation of effective cross-country data back-up solutions (including from the standpoint of Business Continuity). The centralisation actions in the different countries expanding geographical scope will further eventual cross-country mobility, where linguistically possible, as well as the development of near-shoring initiatives, fostered inter alia by the evolution of the Group's Information Systems Platform and technological solutions for common and local process automation.

Report on Operations

Global Banking Services Division

PROCUREMENT

2006

In 2006 the Global Sourcing Area completed a reorganisation of its structure, the fundamental elements of which included the following activities:
- creation of a structure dedicated to the unified management of global procurement categories, i.e. those distinguished by standard characteristics and by the presence of global suppliers. The determination of single reference standards and the consolidation of purchasing volumes have made it possible to obtain significant economies of scale and considerable business savings. This function is overseen by the Strategic Sourcing Manager
- decentralised execution in the different countries of purchases in local spending categories, i.e., those of a strictly domestic nature and for which negotiations cannot be conducted globally. This activity, overseen by the domestic Procurement Office managers, is coordinated centrally by a specific figure, who harmonises negotiation tools and strategies throughout the different countries
- increased use of e-procurement tools provided by the 1city.biz digital market, managed by the Group company i-Faber S.p.A.
- unified management of planning and control of operations
- launching processes and tools that allow for realisation and growth of the cross-country professional procurement family and the organisation of the function.

In 2006, the Global Sourcing area and the domestic Procurement Offices achieved synergies on purchases in global and local categories, which exceeded initial estimates thanks, as noted, to intensive trading in the 1city.biz virtual market (30% of total transactions), in accordance with the Group's Golden Rules.

2007

In 2007, Global Sourcing proposes the following as its chief objectives:
- obtaining further synergies in accordance with the Group's three-year plan
- further consolidation of purchasing volumes in global categories in Austria, Germany and Italy
- consolidation of the purchasing volumes in global categories provided by CEE and Poland
- ever increasing recourse to the 1city.biz virtual market.

REAL ESTATE & FACILITY MANAGEMENT

2006

In Italy, Real Estate:
- decided a new organisational model to better respond to business needs
- expanded the range of services offered, including security-related services
- continued the activities associated with space rationalisation and optimisation
- in energy management it focused its attention on renewable energy sources and invested in high-technology equipment to optimise consumption.

In Germany:
- all the functions supplying Logistics and Facility Management Services in Germany were united within a Corporate Logistics and Facility Management unit
- the HVB Real Estate companies contributed to the overall optimisation of the Group's portfolio of assets through the sale of 216 non-strategic buildings located in Germany (typically buildings not in use in the business).

In Austria:
- facility management services were reorganised with a resulting significant reduction in related costs
- implementation of the space optimisation project continued, not least in consideration of the surface areas freed up as a result of the planned staff reduction
- localisation strategy to generate additional synergies is in the development stage.

2007

In 2007, a new project will be launched in connection with the UniCredit Group's planned integration activities.
The primary objective is to measure and increase the performance of the UniCredit Group's Real Estate area, taking into consideration the geographical characteristics, the market trends, and specific local issues. The project's output will be uniform guidelines, selection of KPIs for the Real Estate business and, at individual country level, the determination of an action plan for space rationalisation and optimisation.

2006

ORGANISATION

The Group Organisation Department worked on two primary objectives during the course of 2006:
- ensuring the consistency of changes in the Group's organisational and operational models in terms of the business strategies
- supporting and improving the quality of the services offered within the Group

In terms of the first objective, the Organisation Department cooperated, together with the Business Divisions, to implement the projects closely related to the need to provide organisational models consistent with the strategies and with the size of the Group after the business combination with HVB and BA-CA.

Specifically the Organisation Department determined the Group's governance rules, both from the managerial standpoint (issuing the "Group Managerial Golden Rules") and from the standpoint of organisational functioning. It extended the Group's divisional model to both HVB and BA-CA (mainly by dividing activities between the Corporate Centre and Business Divisions) and created the organisational governance model for the banks in Central and Eastern Europe, for the MIB Division, for the Global Leasing Business and Global Financial Services.
Group Credit Risk Governance guidelines were drawn up, as were Group Organisation Guidelines, and the M&A Process Guidelines were brought up to date.

Lastly, the organisational model for the Holding company was completed in a manner consistent with the the integration process with HVB and BA-CA and implementation of the Group's governance model.

The Credit Process Redesign project led to the assessment and redesign of credit processes (particularly retail) in HVB and BA-CA and at the same time to the identification of the target model. In addition, a new credit process was determined for cross-border customers.
As well as the redesign of Holding credit processes, organisational support was provided to the Basel II project and to the adoption of the Sovereign State rules (the first group-wide models), the coordination of activities aimed at ensuring the maintenance of the quality of personal data (Data Quality), support for the classification and management of non-performing loans, as well as drawing up our Organisational Credit Policies.

Other important activities involved the mapping of compliance processes, where attention was focused on Reporting to the Italian agency Consob and to the SEC in the US on significant shareholdings, market abuse and tax assessments.
In addition, a substantial contribution was provided in the management of the 2S Banca project and to the Italian Banking Association (ABI) in its payment systems and cash management task forces in connection with the approaching SEPA (Single European Payment Area).
As regards the second objective: in close cooperation with the Business Divisions, the subsidiaries and the Group HQ units involved, the Department focused its activity on the following:
- monitoring and overseeing the efficiency and quality of the services provided to internal customers by the Group's Service Companies and by Group HQ units (CRO, Legal etc.)
- achieving better operational efficiency.

From the standpoint of monitoring and overseeing service efficiency, the projects included the implementation of the GBS Indicators, geared toward measuring the actual quality of the services rendered to internal customers by the service companies of the Global Banking Services Division by monitoring clear, objective, shared and relevant indicators with related customer service expectation thresholds and carrying out, for all the GBS Service Companies and for the Group HQ Legal Department, initiatives involving Listening to the Internal Customer aimed at measuring the quality of service provided to, as well as perceived by, the Group's internal users. In order to make the indicators contained in the Tableau de Bord fully operational, intra-group contracts and the respective levels of service were reviewed.

The objective of improving the Group's internal efficiency was pursued thanks to specific programmes and projects in Italy and abroad. Chief among these were "Organisation Set-up Programmes" carried out at HVB and BA-CA, the Competence Line and Organisational Mapping project for all the resources operating in the Group, the new Holding sizing project, as well as the specific sizing projects undertaken at HVB and BA-CA, all aimed at identifying the optimum size for these structures, with particular attention to operating efficiency.

Over the course of 2006, the central Security activities were reorganised, allocating them to other companies in the Group (in particular to URE and to UniCredit Banca). In addition, Business Continuity projects were regularly completed at all the Group's Italian banks, within the deadlines set by Banca d'Italia.

Report on Operations

Global Banking Services Division

ORGANISATION

2006

The Cost Management unit helped to improve the Group's operating efficiency by optimising operating procedures and actions aimed at continual non-HR cost cutting, focusing its activities on the following areas:

- operating Cost (Other Administrative Expenses) containment actions at the Group level, including by identifying, realising and disseminating new (cross) operating and process re-engineering models
- implementing strong cost savings activity at HVB by analysing and redefining service procedures and levels
- managing the support and incentives for the achievement of the extraordinary savings plan associated with the Koç Yapi merger.

2007

2007 will be devoted both to the development and consolidation of the objectives achieved in 2006, as well as to opening up new initiatives capable of grasping the initiatives deriving from integration with the HVB Group.

In terms of organisational models and rules of governance, the primary activities will be aimed at:
- rules of governance for Group Finance and Market Risks
- a new Chief Risk Officer organisational model with division-oriented focus
- a new organisational/operational model for the MIB Division
- governance models for our CEE Banks, Leasing and Global Financial Services.

As far as credit processes are concerned, the primary activities will be focused on:
- completing the redesign of the Holding procedures (Non-Binding Opinion and rating and override assignment)
- organisational support for the Basel II Project and issuance of the rules regarding group-wide procedures
- monitoring and support for the implementation of new credit processes at HVB and BA-CA
- execution of a single group personal information database
- coordination of the activities intended to ensure maintenance of the quality of the data present in the Group's systems.

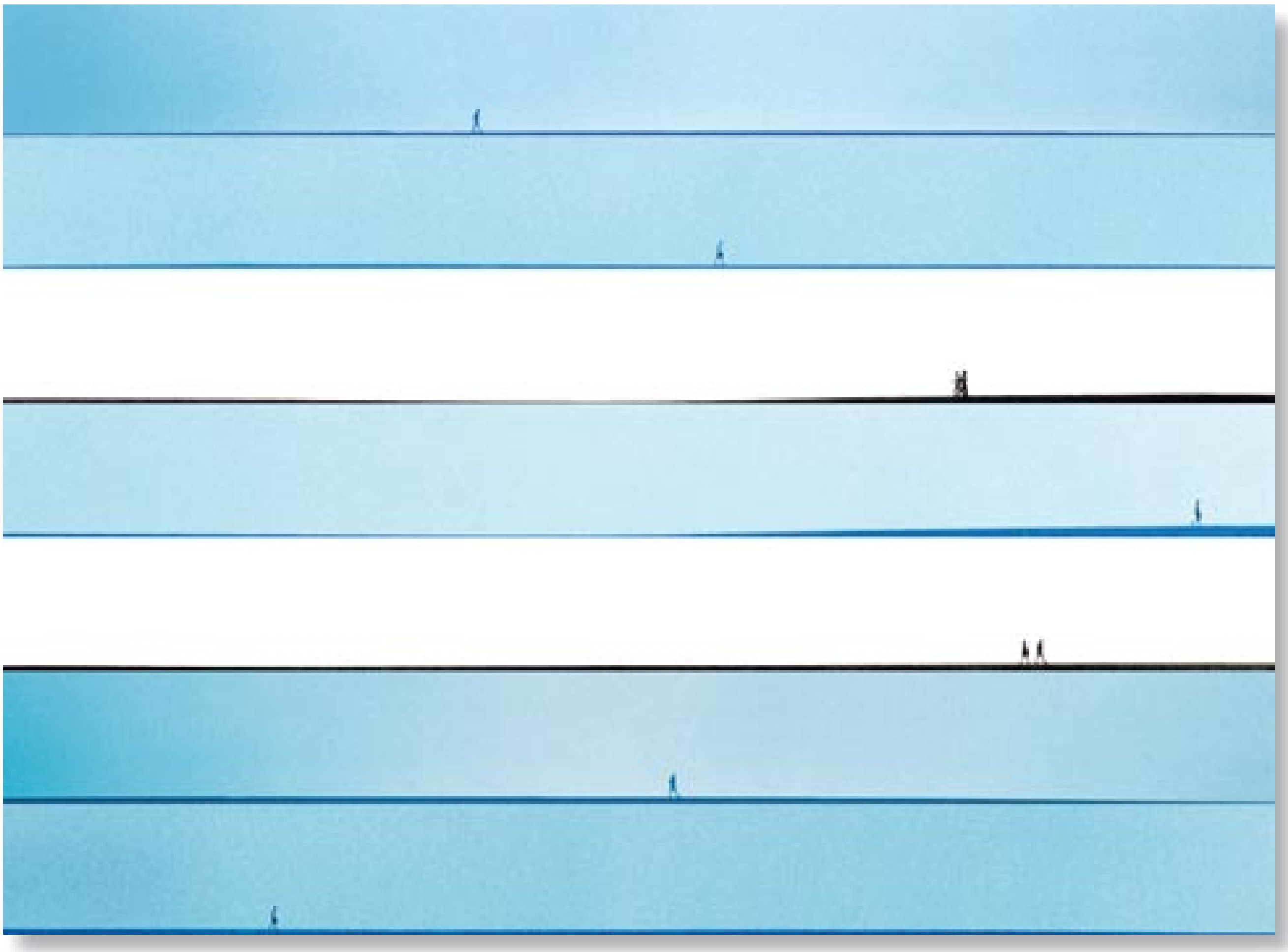
The projects concerning the quality of internal services will be focused on Italy and abroad. In Italy the projects involving listening to internal customers, development of GBS Division Indicators, indicators for Group HQ and for Quality Process will continue. In addition, in relation to the Legal Compliance project, support will be provided for the determination and implementation of the new organisational model consistent with the instructions provided by the Banca d'Italia Compliance Consultation Paper.

Internationally, the activities will focus on the expansion and implementation at the Group level of guidelines for a methodological approach based on a common measurement language (Indicators, Listening to Inside Clients, Services Level Agreement Approval Process), on the creation of a reporting process, and on starting up an initial cross-country comparison of these service areas.

Other relevant projects will involve the fine-tuning of processes suitable for achieving compliance with the EU Markets in Financial Instruments Directive (MIFD) and in relation to some rule changes (including anti-money laundering and anti-terrorism).

Cost management will focus on:
- its extension to all the remaining CEE Banks and other Sub-Holdings of the Group, giving rise to a true cost management community
- implementing, within the existing scope, the list of Group Policies available, as well as the use of new tools for disseminating know-how (dedicated Internet site, forum, etc..), at the same time as cost containment activities are carried out.

On the sizing of the Group's Legal Entities, analyses will be conducted on the staff of the different Corporate Centre sections to improve the overall level of efficiency either by staff reductions or by optimising structures, on the basis of an internal Group benchmarking analysis, which will also highlight internal best practices.



Francesca Rivetti, “Humans N. 1”, 2003, UniCredit Collection.

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Corporate Transactions

The following is a description of the main transactions performed by the Group in 2006 with the aim of rationalising its activities in various businesses, in keeping with the Group's structure, and achieving synergies and cost savings.

There is also a description of transactions undertaken to achieve external growth in order to strengthen the UniCredit Group's leadership position in the market.

Process of integration with the HVB Group and BA-CA

As a part of the process of integration with the HVB Group, which is aimed at simplifying the Group structure, reducing control lines, achieving cost savings and increased revenue and managing the subsidiaries' business in line with the Group's new divisional model, in H2 2006, the Parent's Board of Directors approved the following transactions:

- the integration into Pioneer Global Asset Management SpA (PGAM) of the HVB and BA-CA operations in the asset management area;
- the transfer from HVB to UniCredit of the stake held in BA-CA (77.53%);
- the reorganisation of banking operations in Central Eastern Europe, centralised under BA-CA (excluding Poland and existing banking operations in Ukraine - UniCredit Bank Ltd. and HVB Bank Ukraine JSC);
- the transfer to UniCredit of banking operations in Poland and Ukraine managed by BA-CA and HVB respectively;
- the reorganisation of leasing operations.

INTEGRATION INTO PGAM OF THE OPERATIONS OF HVB AND BA-CA IN THE ASSET MANAGEMENT SECTOR

At its meetings in July and September 2006, the UniCredit Board approved the proposal to integrate the operations of certain companies related to HVB and BA-CA operating in the asset management sector into the sub-holding company Pioneer Asset Management S.p.A.. In order to implement the proposal, last July PGAM purchased:

- from HVB Asset Management Holding GmbH, the controlling shareholdings in Activest Investment Gesellschaft Luxembourg SA ("Activest Luxembourg") (90%), Activest Investment Gesellschaft GmbH ("Activest Germany") (100%) and Activest Investmentgesellschaft Schweiz AG ("Activest Switzerland") (100%);
- from HVB Luxembourg SA, the 10% interest in Activest Luxembourg.

The transactions amounted to a total of €600 million (price supported by a valuation carried out by Ernst & Young and Merrill Lynch), paid by PGAM also thanks to a capital contribution of €400 million received from the Parent.

Last October PGAM moved forward with the merger between Activest Luxembourg and Pioneer Asset Management SA, a PGAM subsidiary operating in Luxembourg. As a part of the above integration, and in order to simplify the Pioneer Group's presence in Germany, which consisted of several overlapping positions following PGAM's acquisition of the entire equity investment in Pioneer Investments Kapitalanlage gesellschäft mbH ("Pioneer KAG"), PGAM will move forward with the merger between Pioneer Fonds Marketing GmbH ("PFM") and Pioneer KAG. Since Pioneer KAG is also able to sell funds of hedge funds as well as hedge funds, the Munich branch of Pioneer Global Investments Ltd (whose existence was justified solely by its ability to sell the above funds) will also be closed, with the procedure to be completed by the end of Q107. In a note dated 11 December 2006, the German regulator (BaFin) did not raise any objections to the proposal.

With regard to BA-CA's asset management operations, towards the end of 2006 PGAM acquired from Pioneer Investments Austria GmbH (formerly Capital Invest GmbH, wholly owned by BA-CA) a 100% interest in Pioneer Fund Management Ltd (formerly CA IB Securities Investment Fund Management RT) and 100% of CA IB Investment DOO for a total price of €41.5 million.
Finally, last February PGAM completed the purchase of 95% of the Romanian subsidiary Pioneer Asset Management SAI SA (formerly CA IB Asset Management SAI) from Capital Invest GmbH at a price of €1 million. UniCredit completed the valuation of the 3 above equity investments with the support of Merrill Lynch, while BA-CA/Capital Invest used Citigroup.

THE TRANSFER FROM HVB TO UNICREDIT OF THE HOLDING IN BA-CA (77.53%)

As a part of the Group's reorganisation plan, in September the Board of Directors of the Parent (which already owned a 17.45% stake in BA-CA) approved the purchase from HVB of the entire stake held by the latter in the Austrian bank (77.53% of capital) at a price of €109.81 per share, generating proceeds of about €12.5 billion for the entire holding, as determined on the basis of an appraisal performed by an independent expert. This transaction was finalised on 9 January 2007.

REORGANISATION OF BANKING OPERATIONS IN CENTRAL AND EASTERN EUROPE (EXCLUDING POLAND AND UKRAINE)

The proposed reorganisation of operations in Central and Eastern Europe (CEE), which was approved by UniCredit's Board in August 2006, calls for centralising under BA-CA the equity investments and banking operations in the CEE area held by UniCredit and HVB (excluding those in Poland and those currently in Ukraine - UniCredit Bank Ltd and HVB Bank Ukraine JSC).

UniCredit's transfer of the above operations is to take 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.S. (the share includes the 19.9% acquired last August from the European Bank for Reconstruction and Development at the overall price of €40.7 million) 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 the Management Board and Supervisory Board of BA-CA, which met in Q406, and confirmed in an appraisal prepared by an independent expert, was €105.33.

The newly issued BA-CA shares will have no entitlement to the dividends for 2006. With reference to the same period, UniCredit is in turn to retain the right to dividends distributed by the aforementioned banks operating in CEE.

The transaction was finalised with the registration of the BA-CA capital increase in March 2007 after obtaining approval from the 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. The transfer of equity investments held by HVB in the CEE area was completed in January 2007. Specifically, HVB transferred to BA-CA:

- 70.26% of International Moscow Bank (IMB) for approximately €1,015 million (including the 26.4% stake acquired in October from Nordea Bank Finland Plc for an amount of about $395 million). In addition, BA-CA purchased from VTB Bank SA (of France), in two instalments (at the end of December and beginning of January) 19.77% of IMB for approximately €316 million bringing its stake to 90.03% of capital stock (95.19% of share capital with voting rights). With a market share of 1.5% in terms of total assets, IMB is one of the top ten Russian banks and the second largest foreign-controlled bank in Russia.
- 100% of HVB Latvia for the sum of approximately €75 million taking into account the Latvian bank's capital increase of €40 million underwritten by HVB in August 2006. HVB Latvia will open branches in Estonia and Lithuania, and HVB will transfer to these branches assets and liabilities held by its own branches in these countries reflecting goodwill of €1 million and €9 million respectively, plus the difference between the book value of the assets and liabilities transferred.

In October the Parent's board of directors also approved the completion of the process to reorganise operations in CEE countries by integrating the banks located in the same country as indicated below:

- UniBanka A.S. and HVB Bank Slovakia A.S. in Slovakia;
- Zivnostenska banka A.S. and HVB Bank Czech Republic A.S. in the Czech Republic;
- Bulbank A.D., HVB Bank Biochim A.D. and Bank Hebros A.D. in Bulgaria;
- Banca Commerciala HVB TIRIAC S.A. and UniCredit Romania S.A. in Romania and;
- UniCredit Zagrebacka banka d.d. and HVB Central Profit Banka d.d. in Bosnia-Herzegovina;

All integration processes should be completed in 2007.

TRANSFER TO UNICREDIT OF BANKING OPERATIONS IN POLAND AND UKRAINE MANAGED RESPECTIVELY BY BA-CA AND HVB

The banking operations in Poland were brought directly under the management of Group HQ, within which the Poland Markets Division has been set up. This area is responsible for maximising the creation of value in the Polish market in the long term, by consolidating the Group's leading position in this market.

In this regard, taking account of the agreements reached with the Polish Banking Regulatory Commission and in accordance with the corporate integration agreement signed last March with HVB, BA-CA, AVZ (an Austrian foundation) and BR Funds (the fund linked to the employees' council), last November the Parent acquired BA-CA's holding in BPH (71.03%) for a total sum of about €4.3 billion made up of:

- three annual cash payments between 2007 and 2009 equivalent to 71.03% of the BPH earnings expected for the period,

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currently estimated to be about €0.7 billion overall, and
- a fixed cash payment at the end of 2009 amounting to €3.6 billion.

This transaction is UniCredit's first step towards combining Bank Pekao S.A. (Bank Pekao) and Bank BPH S.A. (BPH) with the aim of implementing the integration of the two banks.

This reorganisation was launched by the Supervisory Boards of Bank Pekao and BPH, which on 15 November:
- gave their approval to move forward with the integration through the pro rata spin-off of Bank BPH into Bank Pekao, and
- proposed an exchange ratio on the basis of which, in exchange for the assets spun off, each BPH shareholder will receive 3.3 newly issued ordinary shares of Pekao for each share of BPH held.

BPH's spin-off to Bank Pekao is in keeping with the agreement signed on 19 April 2006 by the Polish Treasury Ministry and UniCredit with the aim of integrating the Group's banking operations in Poland.

Based on pro-forma figures as at 1 October 2006, the BPH operations that will be transferred to Bank Pekao consist of 280 branches with €7.2 billion (PLN 27.3 billion) in loans to customers, €8.9 billion (PLN 33.8 billion) in deposits and €1.3 billion (PLN 4.9 billion) in shareholders' equity.

Following the transfer of BPH's assets and liabilities, Bank Pekao will be able to achieve economies of scale in a broad sense. Thus, both retail and corporate customers will benefit from a broader assortment of products and services offered. At the same time, following the spin-off, BPH, which will be sold as required by the agreements signed with the Polish Treasury Ministry, will maintain its independence and will be one of the top ten banks in Poland as a result of:
- its ability to conduct banking operations competitively through a network of 200 branches with the support services and facilities necessary to steadily conduct its operations (including IT, back office and other related services),
- its right to use the widely respected BPH brand and corporate name,
- its efficient organisation,
- the ability to keep the same product line currently offered, with a specialised and highly qualified staff,
- the asset management operations of Towarzystwo Funduszy Inwestycyjnych,
- its significant growth potential.

Again on the basis of pro-forma figures as at 1 October 2006, after the spin-off, BPH's total assets should be equal to €2.3 billion (PLN 8.6 billion) with loans of €1.4 billion (PLN 5.3 billion) and shareholders' equity of €0.4 billion (PLN 1.4 billion).

It is estimated that the spin-off will be completed by mid-June 2007 provided approval is given by the extraordinary shareholders' meetings of Bank Pekao and BPH (scheduled at the end of March 2007), and authorisations are provided by the competent Polish authorities.

In November 2006, UniCredit initiated the process to sell BPH after the spin-off which is expected to be completed by the end of the summer of 2007.

In order to complete the process of reorganising the other operations, which, together with the Polish operations, fall under the responsibility of UniCredit's Poland's Markets Division, HVB will sell its entire stake in HVB Bank Ukraine (100%) to Bank Pekao (at a price of €83 million), which already has a controlling interest in UniCredit Bank Ltd. The purpose of this move is to integrate the Group's presence in Ukraine under Bank Pekao.
This transaction is expected to be finalised by the end of H107 with the subsequent integration of UniCredit Bank Ltd and HVB Bank Ukraine scheduled for the second half of 2007.

THE REORGANISATION OF LEASING OPERATIONS

In order to ensure the best management and coordination of the Group's leasing operations and to foster their growth over time, in H206 the Parent company started a process aimed at creating a global business line leasing company at the Group level with the goal of assigning to a sub-holding company the activities of planning, coordinating and controlling the business concerned in Italy, Germany, Austria and CEE countries. In the latter area, this will be done in co-partnership with banks located in the area.

Once operational, this project calls for the following Group structure:
- UniCredit and BA-CA will have direct stakes in the sub-holding company in proportion to the value of the assets to be transferred by each of them. Specifically, UniCredit will transfer the leasing business which consists of its equity investments in Locat S.p.A. and UniCredit Leasing Romania and other assets related to the business concerned, such as the resources and know-how necessary to conduct business and the business-related tangible assets used for the corporate governance of the entire area. BA-CA will transfer its equity investment in Bank Austria Creditanstalt Leasing GMBH ("BA-CAL"), a leasing company which in turn holds equity investments in several companies operating in the same sector and SPVs (special purpose vehicles) tied to specific agreements;

- The sub-holding company will rely on a permanent establishment headquartered in Vienna to coordinate CEE-related operations;
- On the other hand, HVB Leasing will continue to be held by HVB in order to maintain the benefits that can be achieved by belonging to the local tax group, but it will report to the sub-holding company for operating purposes;
- At least 51% of the equity investments held in leasing companies in the CEE area will be transferred to the sub-holding company.

The intended structure of the global business line leasing company at the Group level calls for UniCredit's establishment of a company that will act as such a sub-holding company. While the process to establish this company is completed, Locat will act as the sub-holding company on an interim basis and continue to directly manage business in Italy.

The NewCo being established will have initial capital of €180,000,000, which is considered appropriate for the requirements connected with the purchase of other equity investments in this sector as specified by the project.

Operations will commence effectively upon the transfer of the UniCredit business operations and the equity investment in BA-CAL (and its subsidiaries), as described above, constituting payment for the shares issued respectively to UniCredit and BA-CA, in connection with the corresponding capital increase.

It is estimated that the entire project will be finalised by the end of H107.

Intra-group rationalisation transactions in Italy

MERGER OF FRT FIDUCIARIA SIM S.P.A. INTO PIONEER INVESTMENT MANAGEMENT S.G.R.P.A.

In February 2006 the Group launched the integration of the operations of FRT Fiduciaria SIM S.p.A. (an intermediary authorised to provide investment portfolio management services through a trust vehicle) and Pioneer Investment Management S.G.R.p.A. (a company that carries out asset management activities both in collective and individual form). Both companies are 100% owned by the sub-holding company Pioneer Global Asset Management S.p.A. This project is to be implemented through the merger of FRT Fiduciaria SIM S.p.A. (FRT SIM) into Pioneer Investment Management S.G.R.p.A. (PIM SGR).

The scheme is consistent with our asset management strategy whereby a single company at Group level – identified as PIM SGR – is designated to carry out all Italian asset management business. The aim is to make the corporate structures more efficient and optimise their performance, achieve operating synergies and cost savings, as well as to offer our clients products that are valid in quality and commercial terms, with a brand name of maximum appeal. The project for the merger by incorporation of FRT SIM into PIM SGR was approved by the shareholders' meetings of both companies that were held on 28 April 2006. The merger was effective for legal purposes on 1 October 2006.

REORGANISATION OF ASSET GATHERING OPERATIONS

A plan to reorganise the asset gathering operations of the Private Banking & Asset Management Division was created in order to share the business expertise and operating model of UniCredit Private Banking SpA (UPB) and UniCredit Xelion Banca SpA (UXB) and to improve the Group's competitive position based on the existing and potential synergies of this division.

To be specific, this plan was carried out through the absorption of UXB into UPB (this merger took effect on 31 December 2006) after transferring the banking business, including the network of financial consultants, from UXB to a new banking entity (resulting from the transformation of Xelion Servizi Srl, a company established for this purpose at the end of 2005 and directly controlled by UPB) which assumed the name of UniCredit Xelion Banca effective 1 January 2007.

The integration plan will generate business synergies from the alignment of operations on a shared operating and IT platform, the centralisation of several middle-office functions and access for key customers to the new UniCredit Xelion Banca to the wealth management services of UniCredit Private Banking.

New external growth initiatives for the Group

THE PIONEER CONGLOMERATE

Pioneer Investment Management USA Inc. (PIM USA) pursued its objective of developing new products for its clients and in April 2006 completed the acquisition of 100% of the share capital of Vanderbilt Capital Advisors LLC, an asset management

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company formed under the laws of the State of Delaware. This company, mainly focusing on structured bonds issues (Collateralised Debt Obligations) and individual portfolio management (Separate Managed Accounts), is primarily involved in the management of institutional investors' assets totalling $7.5 billion. The closing of the transaction took place on payment of $44.3 million, with the undertaking to make another two payments linked to the company's results and deferred to the 2nd and 4th anniversary of the closing, totalling at least $35.5 million but in any event no more than $98 million.

This acquisition will enable PIM USA to offer a new class of products to its clients as part of the institutional and separate managed account business, and will enhance the potential for accessing a market complementary to the equity products market, on which the investee company Oak Ridge is focused. Access to the Collateralised Debt Obligation market will allow the whole Pioneer conglomerate to develop its global position in the credit risk segment within the context of long-term institutional mandates (typical duration 7 years).

In addition, on 1 January 2006, a new company was incorporated under US law with the name Pioneer Institutional Asset Management Inc. designed to deliver investment services for the institutional and separate managed accounts sector, with the aim of optimising the organisation of the Pioneer sub-conglomerate in the United States. On the other hand, Pioneer Investment Management Inc. (also controlled by PIM USA) continues to manage mutual funds.

May 2006 saw the formation in Taiwan of Pioneer Global Investments (Taiwan) Ltd (PGI), with share capital of $2.2 million held entirely by PGAM. The purpose of PGI is to represent, in its capacity as Master Agent, the Pioneer funds registered on the Taiwanese market and distributed there. The formation of PGI is related to the change in Taiwanese regulatory legislation for the sector which has made it obligatory for each fund promoter to nominate on an exclusive basis a local Master Agent for the funds to be distributed on that market.

In order to take advantage of business opportunities in Russia, where the Group is represented by International Moscow Bank (a subsidiary of BA-CA), and in keeping with its strategy, PGAM decided last September to establish in that country a new, wholly-owned PGAM company to manage domestic funds and individual asset management accounts in the local market.

The capital base of the company needed to commence operations and support growth in future years totalled €6.5 million.

PGAM will mainly use the branch network of International Moscow Bank (27 branches which are projected to double by the end of 2007) and several outside retail banks, with which PGAM has already established a productive working relationship, to distribute its products in Russia.

As a further means of developing business in strategic markets, in February 2007 PGAM signed a memorandum of understanding with Bank of Boroda 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.

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 (in India and abroad), and the ability of the latter to interact with the competent authorities.

UNICREDIT PRIVATE BANKING

UniCredit Private Banking (UPB) has set up a company in London incorporated under English law to act as trustee under the name UniCredit (U.K.) Trust Services Ltd with the aim of improving its service range and bringing it into line with its most respected competitors.

UPB's trustee activities through a subsidiary will improve its range of services to private customers. The trust represents an effective asset planning tool, and particularly for family governance, i.e., for resolving family inheritance issues.

NEW INITIATIVES IN BULGARIA

In attuazione della delibera consiliare di Implementing a UniCredit Board resolution of October 2005, which authorised two corporate initiatives in Bulgaria in fast expanding sectors such as consumer credit and factoring:

- April saw the finalisation of the incorporation process for UniCredit Clarima AD, a financial firm based in Sofia with an initial share capital of BGN 500,000. The company, in which UniCredit Clarima Banca S.p.A. has a 50.1% stake and Bulbank AD holds the remaining 49.9%, is to focus its activity on consumer credit transactions, with an initial concentration on loans for the purchase of durable consumer goods (non-auto in the main, given that the auto segment is dominated by the leasing companies) and the subsequent development of personal loans and revolving cards;
- In July UniCredit Factoring EAD was formed with an initial share capital of

BGN 250,000, which is entirely held by Bulbank AD. The Company's operations are to be focused primarily on "with recourse" factoring transactions (i.e., with right of recourse against the transferor, should the debtor fail to fulfil its payment obligations at maturity), initially concentrating on loans originating from domestic transactions, but with the option to take part in foreign transactions if certain preconditions are met. Non-recourse transactions are not expected before 2008, when the market conditions and the experience gained by the company will make them possible. The reason for this initiative lies with the investment opportunities offered by the Bulgarian factoring market, which in recent years has recorded significant growth and high profitability. Based on the business plan, it is expected that the Company will acquire a 16% target market share in 2007.

BAWAG/PSK (BA-CA)

The Austrian subsidiary Bank Austria Credit Anstalt ("BA-CA") has subscribed to the rescue plan for BAWAG/PSK Bank ("BAWAG/PSK"), the fourth largest Austrian bank in terms of number of customers. This plan, proposed by the Austrian government, is designed to minimise the negative repercussions (in terms of temporary loss of liquidity) arising from the bankruptcy of Refco, the largest commodities and futures broker in the USA and partner of BAWAG/PSK in numerous transactions.

The plan provides for – amongst other things – a total cash contribution of €450 million by prime Austrian banks and insurance companies through two separate SPVs (one funded by banks accounting for €350 million and the other by insurance companies for €100 million). Their aim will be - on the one hand – to restore the regulatory prudential requirements in terms of Tier1 Capital for BAWAG/PSK and – on the other – to safeguard the funds provided by those subscribing to the plan. As far as this second aspect is concerned, the capital raised by the vehicles will in fact be invested in low-risk bonds, which will be segregated from the BAWAG/PSK assets.

In implementation of the above, in June BA-CA paid €100 million to the vehicle subscribed by the banks.

ATON (BA-CA)

In order to achieve 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 up to $424 million.

In order to separate institutional assets from assets that will not be a part of the acquisition, Aton Capital reorganised its assets into separate companies by concentrating those with institutional customers into a newly created brokerage company in Russia (ZAO Aton Broker) and a Cyprus-based company (Aton International Ltd). Before finalising the transaction, the companies being acquired will be transferred by current shareholders to a newly created Austrian holding company that will be acquired by BA-CA.

The transaction is expected to be finalised in the first half of 2007 subject to the fulfilment of certain conditions precedent such as the completion of the reorganisation of Aton Capital's institutional business and its transfer to the Austrian holding company.

Other overseas Transactions

YAPI VE KREDI BANKASI

On 23 February 2006 Koçbank A.S. (99.8% owned by Koc Financial Services A.S., the 50-50 joint venture between UniCredit and the Koc Group) launched a mandatory public offering for the benefit of minority shareholders of the Turkish bank Yapi ve Kredi Bankasi A.S. (YKB), in which it had acquired a controlling interest (57.42%) in September 2005. The cash price offered per share by Koçbank for each YKB share was equal to YTL 6.50 with the obligation to pay additional sums of money (earn outs) to offer participants if certain conditions described in the offering document were met. At the end of the acceptance period (9 March 2006) subscriptions to the bid amounted to 37,331.41 YKB shares representing 0.005% of the bank's share capital.

In April Koçbank acquired, off market, 54.8 million YKB shares from Credit Suisse Holdings (Netherland) BV, for a sum in the region of YTL 445 million (about €275 million at the exchange rate current at the time of the transaction), and another 19.6 million YKB shares (including 5.9 million already held indirectly by Koçbank through Anatolia Investment Fund, itself controlled by Yapi), for a sum of about YTL 161 million (about €99 million), raising the shareholding to 67.31% of the YKB capital.

As the threshold of two thirds of the capital had been exceeded, April also saw the start of the process to integrate the two banks.

On 21 September, the shareholders' meeting of Kocbank A.S. and the shareholders' meeting of Yapi ve Kredi Bankasi A.S. (Yapi

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Kredi) approved the merger of Kocbank into Yapi Kredi. The merger was completed on 2 October 2006 subject to the necessary local authorisations being obtained and registration at the competent Chamber of Commerce.

The bank resulting from the merger, which is 80.3% owned by Koc Financial Services A.S., is one of the main players in the Turkish banking market with balance sheet assets of about €23 billion; it operates through a network of more than 570 branches staffed by about 14,000 employees, and is active in all segments of banking and financial service operations.

ZIVNOSTENSKA BANKA

In January 2006, the Parent company acquired the remaining shares (3.37% of capital) held by the minority shareholders in Zivnostenska Banka A.S., thus becoming owner of 100% of the Czech bank's share capital. The squeeze-out was performed at a price of CZK 5,000 per share for a total of about CZK 229 million, or approximately €8 million.

PEKAO DEVELOPMENT

On 15 February 2006 Bank Pekao S.A. signed a contract for the sale of 75% of Pekao Development to Pirelli Real Estate. The remaining 25% will stay in Bank Pekao which, by virtue of its shares, will take part in the governance of Pekao Development, the name of which has been changed to Pirelli Pekao Real Estate Sp. z.o.o.

The transaction was completed on 3 April 2006, after authorisation had been obtained from the local Antitrust authority, following which Bank Pekao received the sum of PLN 60 million (about €15 million).

BANK PEKAO (UKRAINE) LTD

In June UniCredit's Board of Directors gave its approval for a capital increase for the subsidiary Bank Pekao (Ukraine), in which Bank Pekao S.A. ("Bank Pekao") holds an 82.84% stake and Drukbank Sp. z.o.o. 17.16% (itself 100% controlled by Bank Pekao), for an amount equal to $50 million, to be underwritten in full by Bank Pekao. This transaction aims to promote expansion in the Ukrainian retail market and selective growth in the corporate segment, as well as bring the bank's capital into line with the minimum regulatory requirements laid down by the Ukraine Central Bank from the end of 2006. The change of the bank's name to "UniCredit Bank Ltd," which also occurred in June, forms an integral part of the same process.

HVB SPLITSKA BANKA

In June BA-CA sold its entire holding in HVB Splitska Banka d.d. (99.74%) at a total price of about €1 billion for a gain of €684 million (at BA-CA group level). Taking into account the valuations carried out at first consolidation, the gain at consolidated level amounts to €367 million.

This subsidiary was sold to comply with requests made by the Croatian regulator on the basis of local antitrust provisions. Zagrebacka banka, which is a Group subsidiary, is in fact the leading player in the Croatian market.

Transactions within Italy

2S BANCA

On 31 January 2006 UniCredit's board approved the sale of 2S Banca S.p.A. – a company responsible for the Group's securities services operation since 1 January 2006 – to Société Générale and the signing of a strategic long-term agreement regarding the offering of these services by the Société Générale Group.

The sale of 2S Banca and the outsourcing of its operations are consistent with UniCredit's strategic objectives of managing its business portfolio efficiently, improving the level of customer service and optimising capital employed.

The completion of the transaction became effective on 30 September 2006, for an amount in the region of €580 million. Before the disposal to Société Générale, 2S Banca paid UniCredit an extraordinary dividend of about €22.7 million.

UNIRISCOSSIONI AND S.F.E.T.

As part of the proposed reform of the national tax collection service, under which the existing concessionary tax collection companies are to be bought by the company controlled by the Tax Office with the name of Riscossione S.p.A., UniCredit signed a contract for the sale of UniRiscossioni S.p.A. (owned 100% by UniCredit) and Società Friulana Esazione Tributi S.p.A.-S.F.E.T (33.33% owned by UniCredit) to the aforesaid Riscossione S.p.A.

The sale price of each company was calculated on their adjusted net equity, determined by applying the criteria identified under the national tax collection service Reform Law.

In connection with these sales, UniCredit is to acquire an equity stake in Riscossione S.p.A., which the State is to buy back by 2010.

The sale of these companies was completed on 27 September 2006, effective 30 September 2006. Before the sale, UniRiscossioni and S.F.E.T. paid UniCredit an extraordinary dividend of €2.5 million in addition to about €22 million in ordinary dividends distributed by UniRiscossioni with respect to the accounts as at 30 June 2006.

OLIMPIA

On 4 October 2006 in accordance with agreements entered into earlier by the parties, and following the exercise of its right to withdraw which was notified last March, UniCredit sold to Pirelli & C. SpA its equity investment in Olimpia (4.77% of share capital) for a total of about €585 million (corresponding to the total amount invested by the Parent).

CONSORTIUM

Last May a Mediobanca shareholders' agreement approved the early winding up of Consortium through transactions designed to assign to the members, on a prorated basis according to their shareholdings in Consortium, direct ownership of its assets (Mediobanca and Assicurazioni Generali stakes were 4.02% and 0.47% respectively). The final capital distribution of Consortium will be effected by the sale to third parties at net equity of the equity investment in that company, after distribution by the latter of a dividend and available reserves as well as a reduction in share capital.

In relation to this transaction, on 28 June 2006 UniCredit purchased from Consortium, on a prorated basis according to its stake (31.24%), Mediobanca and Generali shares equal to 1.25% and 0.15% of their share capital, respectively, for a total price of €205 million – determined on the basis of the average official market prices for the month preceding 28 June – the settlement of which took place by offsetting a portion of the amounts due to the Parent for the distribution of earnings and reserves and reducing the share capital of Consortium for a total of €263 million.

At the end of 2006 the Generali stake (0.15%) was liquidated generating proceeds totalling around €55 million.

SCHEMAVENTOTTO

In view of the Group's current complexity in terms of equity investments, particularly minority holdings, it was considered opportune to allocate them, where possible and in line with the divisional model, to the segment banks, when such holdings are directly instrumental to the development of the respective business.

Within this framework and in view of the future prospects for consolidating the business relationships of UniCredit Banca d'Impresa with Autostrade SpA, of which Schemaventotto SpA holds 50.1% of the capital, on 7 July 2006 the Parent sold to UniCredit Banca d'Impresa the share held (6.67%) in Schemaventotto SpA at the total price of €417 million (based on the average price of the Autostrade stock in the month prior to the transaction).

ASSICURAZIONI GENERALI

Last July the Parent sold – at market values – to the subsidiary Unicredito Italiano Bank (Ireland) Plc the shareholding in Assicurazioni Generali (45 million shares, equal to 3.52%) to release a capital increase of €1,235 million. This operation is related to the fact that the Irish subsidiary has in turn issued a debenture loan convertible to Generali shares.

Disposals of Equity Investments

Disposal of Group equity investments that are no longer considered to be strategic continued. Last March the Parent sold its interests in Cassa di Risparmio di Bra SpA (31.02%), Cassa di Risparmio di Fossano SpA (23.08%), Cassa di Risparmio di Saluzzo SpA (31.02%) and Banca Cassa di Risparmio di Savigliano SpA (31.01%), to Banca Popolare dell'Emilia Romagna for a total of €148.5 million generating gains of about €80 million.

UniCredit also sold the holdings in Infracom Italia SpA (11.24%), Immobiliare Lombarda SpA (3.25%), Trentino Servizi SpA (1.92%) part of IKB Deutsche Industriebank AG (0.23%), Iniziative Urbane Spa (27.78%) and Euroclear Plc (0.33%) for about €96 million producing a gain in the region of €39 million. The subsidiary UniCredit Banca d'Impresa also sold its interest in Immobiliare Lombarda (5.76%) for a total of €46 million and a gain of about €11 million.

Similar to the Parent, HVB and BA-CA also sold their respective stakes in Euroclear (0.5% and 0.4%) for a total of about €54 million and a gross gain of about €31 million.

Report on Operations

Subsequent Events

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, and thus a formal request is to be sent to the respective management boards.

UniCredit currently holds 95.04% of the ordinary share capital of HVB after acquiring 1.23% on the market, and 96.35% of the share capital of BA-CA, after the sale of the CEE business. Thus, it is possible to initiate this procedure based on the provisions of German and Austrian law respectively.

To carry out the squeeze-out at HVB, UniCredit intends to propose a resolution to shareholders in accordance with Section 327 et seq. of the German Stock Corporation Act, preferably during the annual shareholders' meeting which will take place on 16 May 2007.

Based on legal requirements, UniCredit will offer an appropriate cash consideration for all HVB bearer shares on the basis of an expert opinion. An expert selected and appointed by the court with jurisdiction for Munich will determine the fairness of the consideration.

To carry out the squeeze-out at BA-CA, UniCredit intends to propose a resolution to shareholders in accordance with the Austrian Squeeze-out Act during the shareholders' meeting that will take place on 3 May 2007.

Based on legal requirements, UniCredit will offer an appropriate cash consideration for all BA-CA bearer shares. UniCredit and BA-CA will jointly determine this squeeze-out price based on an expert opinion, and at the joint request of UniCredit and BA-CA, an expert appointed by the Commercial Court of Vienna will determine the fairness of this price. In any event, UniCredit intends to preserve the current position of AVZ and BR-Funds as well as the contractual rights arising from the existing Restated Bank of the Regions Agreement.

With regard to asset management operations, effective 31 January 2007 PGAM acquired 100% of Nordinvest Norddeutsche Investment-Gesellschaft mit beschränkter Haftung headquartered in Hamburg, Germany for a total of €70 million. This entity was previously owned by Beteiligungs- und Handelsgesellschaft in Hamburg mit beschränkter Haftung (HVB Group). This transaction will allow PGAM to move all UniCredit Group's asset management operations to the Pioneer Group as a part of the larger reorganisation project described earlier, and to create value at the Group level by integrating Nordinvest into PGAM's German operations (in this case, into Pioneer Investments Kapitalanlagegesells chaft mbH).

Finally, at its meeting on 14 February 2007 the PGAM board gave its consent to the subsidiary Pioneer Alternative Investment Management Ltd., Dublin ("PAIML") to acquire 100% of Primeo Fund Limited and Primeo Multi-Strategy Fund Limited for a total price of $25.2 million from LB Holding Gesellschaft mbH and Bank Austria Cayman Islands Ltd respectively, both of which are Group companies controlled indirectly by BA-CA. The aim of the above transaction is to integrate the hedge fund business of BA-CA's investment banking division into Pioneer's Alternative Area, to achieve synergies from rationalising investment functions and administrative structures and to boost the marketing of Pioneer products in the Austrian market in order to improve Pioneer's share in that market.

Outlook

The economy will continue to be favourable in 2007 but may be affected by a further relative slowdown, mainly due to slower US growth. It is very probable that the severe crisis of the US property market seen throughout 2006 will have repercussions outside the real estate sector, i.e., on household consumption and the labour market. This may cause a relative slowdown in the eurozone given weaker export demand. Even so – thanks to persistent strong domestic demand – the eurozone economy's growth should stay above 2%. This should be accompanied by a continuance of the ECB's restrictive monetary orientation, with two further policy interest-rate rises in the year to bring the ECB refi rate up to 4% by the end of 2007.

Banking profitability drivers should therefore continue to benefit from a largely favourable environment. Interest income should be sustained by further business volume growth – though a little less lively than in 2006 – and a further widening of the interest-rate spread, especially in Italy. Banking profitability should also continue to benefit from growth in other income, thanks to expected consolidation of stock-exchange gains, which will have a favourable effect on the asset and wealth management market.

Against this background UniCredit Group has set 2007 objectives in line with the three-year strategic plan presented in July 2006, of which the following are the main points:
- unchanged short-term targets, to be met through marked revenue growth in all Divisions, restructuring and rationalisation of the Group's Corporate Centres and careful control of credit risk
- investments to drive future growth, such as new branch opening in Italy and certain CEE countries
- extension of the Group's common IT platform
- international development of global businesses such as consumer credit, leasing and global financial services
- maintenance of the Group's financial flexibility by means of sustained revenue generation, rationalisation of risk-weighted assets and an increase in the latter's profitability.

Milan, 21 March 2007

BOARD OF DIRECTORS

Chairman
DIETER RAMPL

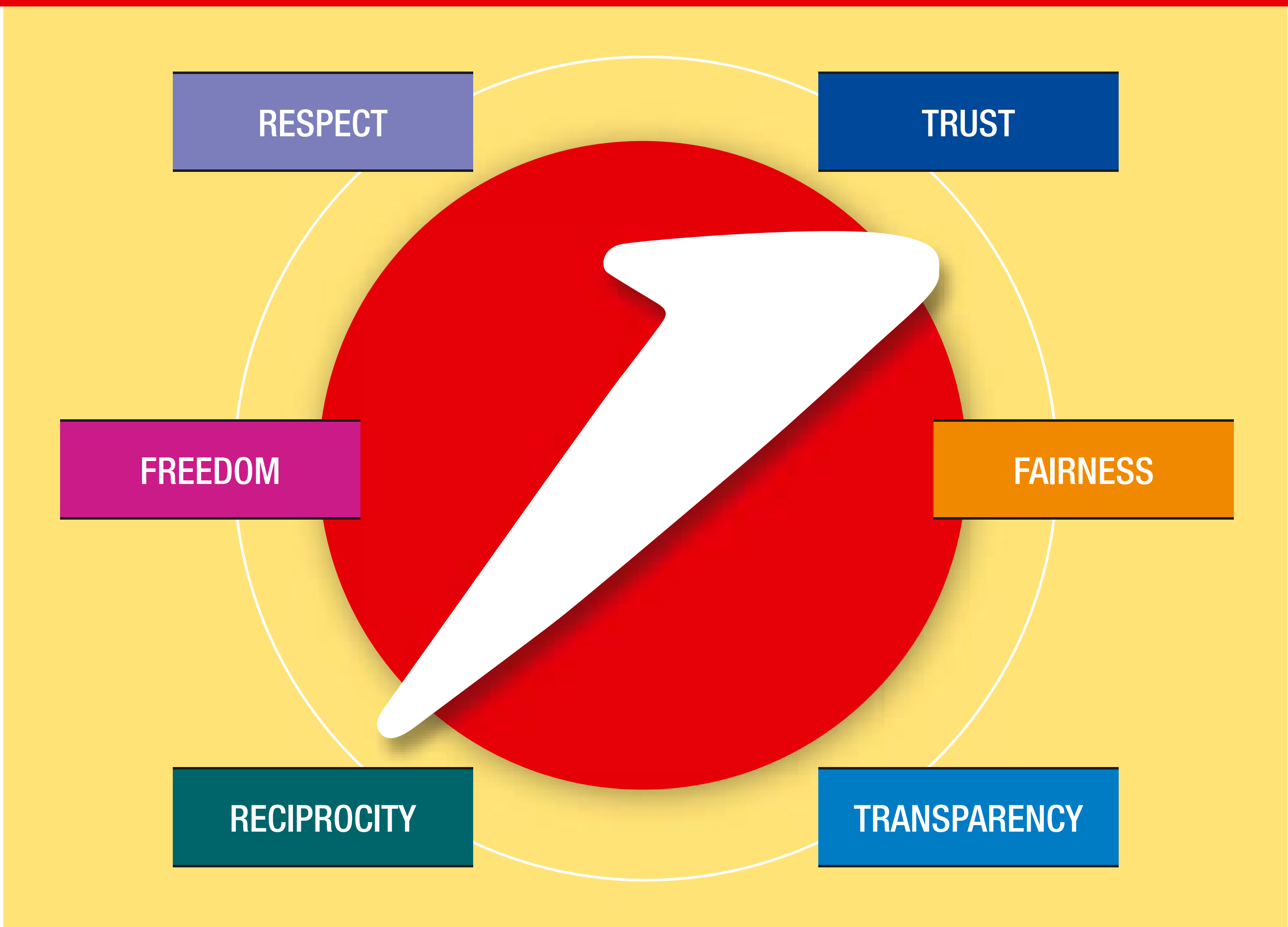
Managing Director/CEO
ALESSANDRO PROFUMO

Massimo Vitali, “Pic Nic Poker”, four-part series, 2000, HVB Collection.

Human Resources and Corporate Social Responsibility

Integrity Charter

The UniCredit Group Integrity Charter: what it is, how it works and how our people are involved



The Integrity Charter represents the **shared values** which are the foundation of our Group identity. These shared values provide **guidelines for our behavior and support in handling "dilemmas"** in our everyday professional life. **Integrity** is achieved if our behaviour as UniCredit Group employees is consistently in line with this core values framework. This is the key to building and sustaining the **Group's reputation** in the market.

The UniCredit Group recognizes **profit as a positive value**, because profit provides the basis for business continuity and freedom without conditions. Integrity, as a key driver of social legitimacy and reputation, guarantees sustainability. Sustainability **allows profit to be transformed into value for our stakeholders**, particularly for our people, customers and suppliers, investors and the local communities. Therefore, it is not only the amount of profit we make that is important, but also the way in which we make it. The UniCredit Group is acutely aware that a business can be a part of the market **only to the extent that it has the reputation** to keep it there.

A business made up of thousands of people cannot be successfully run with a "command and control" approach. Therefore, we have turned to our shared set of values in order to **build the framework that empowers our people to act as entrepreneurs**. The Integrity Charter, as such, plays a vital role in unleashing the full potential of the Group.

The Integrity Charter was drawn up on the basis of a core of shared values, the **Foundations of Integrity**: Fairness, Transparency, Respect, Reciprocity, Freedom and Trust. For each of the four main stakeholder categories that make up the Group's business environment (colleagues, customers and suppliers, investors and local communities), the Integrity Charter is both a guide and a means to facilitate the effective application of our values within these different contexts.

The initiative to develop the Integrity Charter began in 2004 with the review and benchmarking of Italian and international codes of conduct. Next, focused interviews were conducted with senior management and some members of the Board of Directors. Then, a cross-functional working group was set up in order to drive the company commitment process through *ad hoc* focus groups and meetings, while trade unions were invited to join the process via seminars and to provide key inputs. The final product has been successful, with results for all to see.

The Group is committed to fostering an **open and outspoken** discussion within the organization in order to enhance our understanding of the inner meaning of the Integrity Charter. We seek not only to properly apply the charter, but also to bring it to life in the everyday working life of every unit, every division, and every competence line. The Integrity Charter is not a static document. It is a living tool. As such, we are committed to updating the Integrity Charter over time through an iterative process, thereby ensuring that it will stay current with the needs of all entities of the Group in order to retain **diversity** as a key element of the Group's identity.

On 20 September 2006, UniCredit held a Group-wide immersion event on the Integrity Charter. **Integrity Charter Day** was designed to further spread the Integrity Charter, including among our colleagues in those countries which had newly joined the Group.

Activities and events dedicated to the Integrity Charter were carried out in all of the countries where the Group operates. A broad range of manager-led discussions about values and their application to day to day life were held by staff. As a result, the following key features were agreed upon at Group level:

- The CEO and Management Board should play a leading role in embracing the project.
- All our colleagues should have enough time to discuss in their respective teams what it means in everyday working life.
- The direct manager or supervisor should lead this discussion.

Integrity Charter day was made possible by the strong support of the Group and of all local top managers. In each country, employees received a letter signed by their own CEO. Employees also received an Integrity Charter Kit which was made up of the Integrity Charter booklet, a Values Card and a Values Calendar (simple tools to allow employees to always have the Values at hand).

The Group intranet portal OneGate dedicated an entire section to Integrity Charter Day with a message from the Group CEO Alessandro Profumo, news about the Restorative Justice System and the 'Values Survey', an on-line survey designed to let people identify which Value their company should feature in action programmes for the near future. The results of this Survey indicated that the three most popular values at Group level are Fairness, Respect and Transparency.

Restorative Justice

UniCredit is demonstrating its commitment to the values of the Integrity Charter via an innovative approach - the Restorative Justice system
Restorative Justice was introduced to promote **individual responsibility**. Based upon a voluntary mechanism of reconciliation and reparation between the parties, Restorative Justice is also a mechanism that will allow our Group to extract lessons learned and the further grow and mature. Inspired by a culture where mediation is a means of reparation, Restorative Justice is unique to the UniCredit Group.

The Ombudsman Network

The Restorative Justice system is supported by a Group-wide "Ombudsman" network that helps to resolve situations where Integrity Charter values may have been breached.

The network is composed of Ombudsmen and Mediators. Ombudsmen are internally appointed and report directly to the Group's Chairman. It is the responsibility of the Ombudsman to assess the admissibility of each case to the Restorative Justice system. Mediators are third parties, external to the Group, who seek to promote communication and facilitate dialogue between those in conflict. Both Ombudsmen and Mediators guarantee confidentiality in the assessment and mediation of all cases.

The Ombudsmen network is a multi-tiered structure overseen by the Group Ombudsman, who coordinates the work of the Central Ombudsmen. All countries in which a company of the UniCredit Group operates will have a Central Ombudsman directly appointed by the Group Ombudsman. In turn, the Central Ombudsman is fully supported by a Deputy and team of Local Ombudsmen. The Local Ombudsmen teams are composed of dedicated men and women who are the heart and soul of the network.

Investing in our People

We have built our new vision, putting our people at the centre of attention. We have chosen to give substance to our plans and aspirations.

Our people are the key to our success. For this reason, we strongly encourage professional development and offer all our employees countless opportunities to learn and use distinct sets of skills. Only by investing in our people will UniCredit Group achieve long-term sustainable growth and meet the challenges of an increasingly complex market.
Our personnel investment strategy is based on three fundamental pillars:
- **the promotion and development of the Group's identity through the values outlined in our Integrity Charter. We also aim to increase awareness of the Charter and integrate it throughout the entire organisation;**
- **the promotion and development of leadership skills through the Executive Development Plan (a Human Resources program designed to help the organisation meet everyday business challenges by investing in the right resources) and strengthening our core competencies;**
- **the promotion of an informal operating style through a network of relationships in which employees can share best practices, experience and skills.**

Not only do these three initiatives reflect our deep commitment to the development and well-being of our employees, but they also reflect something bigger: our commitment to build the "first truly European bank."

Below are the most important elements of this strategy:

Executive Development Plan (EDP)

The EDP is the centrepiece of our plan to develop leadership throughout the UniCredit Group. Its central objective is to improve the ability of the Group to recognize talent, sustain the processes of internationalisation and diversification within the UniCredit Group Leadership Team, to build a highly competitive managerial team, to bolster the reputation of the Group in terms of leadership development, and to promote a organizational culture that is oriented toward international growth and development.
Key aspects of the EDP include:
- preparing the Group's Leadership Team with the right set of skills to meet the challenges of today's marketplace;
- identifying future Group leaders (via the Leadership Pipeline) and putting them into positions of success;
- developing an adequate "strategic resource plan" to maintain the managerial continuity of the company and reduce the attendant risks of turnover.

Decisions regarding appointments, rewards, and development are made in accordance with the EDP and the leadership model on which the program is based. The leadership model has three objectives:
- investing in Group leaders who demonstrate the capacity and potential to sustain the development of the organisation and who respect its values;
- assigning full and direct responsibility to the Leadership Team and to each individual executive for the promotion of leadership in the Group;
- increasing diversity on the Leadership Team to ensure that the managerial structure of the Group has a talent pool of employees with diverse cultural and professional perspectives.

Team@Work Events

of the Team@Work program is an event-based program designed to:
- encourage creative problem solving;
- increase decision-making efficiency in complex organisations;
- facilitate the integration of nations, cultures and organisational components.

As a part of the program, the Group has held nine events involving more than 200 Group employees.

"Your Voice, Our Future" Survey

The "Your Voice, Our Future" was the first survey distributed to every employee of the Group. The survey was designed to:
- offer everyone in the Group the opportunity to express their opinions and concerns;
- forecast the future of the Group and identify areas of weakness that require investment and areas of strength that require reinforcing. "The people survey," wrote Alessandro Profumo in the letter launching the initiative, "is a central element of our model of governance".

The 61 questions on the survey were designed to cover issues relevant to the entire Group and were translated into 15 languages. About 83,400 people participated in the survey (65% response rate). It also featured a comments section where each employee was able to freely express his or her opinions and concerns and a specific section (optional)

UniCredit Group results vs. 2004

	A	B	C	D	E
Engagement/Commitment	1	0	7	15	-8
Bank/Company and Group Image	8	5	10	16	10
Clarity of Goals and Objectives	0	7	18	18	10
Leadership	3	8	18	14	-7
Management/Supervision	6	0	9	8	7
Empowerment and Involvement	4	3	9	12	4
Cooperation and Working Relationships	2	4	12	6	4
Speed of Change and Workload	4	8	8	18	-2
Pay	-1	-2	10	6	-17
Training and Development	6	1	20	11	0
Organisational Efficiency	4	3	12	10	3
Client Focus	9	6	14	12	-2
Integrity/Corporate Social Responsibility	1	19	15	n/a	n/a

A. UniCredit Italy **B.** Pekao Group **C.** Zagrebacka Banka D.D. **D.** Bulbank **E.** UniCredit Romania

Note: the table gives -for each item of the survey questionnaire- the delta as against the correspondent result of the 2004 survey. The coloured boxes show the significant differences: yellow equals improvements, red indicates worsening.

where the respective banks/companies could survey areas of particular interest.
With the survey now complete, concrete action plans are being developed based on the survey data. Senior Managers, directly identified by the Division Heads, are responsible for developing a detailed analysis of the survey results and for proposing concrete action plans. The Division Heads will present these plans to the Managing Director of the Group in April. Once approved, these plans will be communicated to all employees and monitored constantly. The next survey is planned for the first half of 2008.

Internal Communications

During the course of 2006 internal communications activities were focused primarily along three lines.
Employees were continuously updated on the integration process, with the publication of a monthly newsletter devoted to the activities of the Integration Office within the various countries and with the creation of a new section on the Intranet portal devoted to integration programmes and accessible to all Group companies.
The economic results and the strategy pursued by the Group were another ever-present element of the Group's internal communication. Employees received information on the company's quarterly progress by video, in which the Managing Director himself commented on the results achieved. Such reports were then supplemented periodically with updates on the most significant projects at the business level.
A third line of activity, centring on initiatives geared toward fostering cultural integration, saw the realisation of across-the-board projects common to the whole Group. An example in this regard was the distribution of 142,000 kits intended to increase an understanding of the Integrity Charter in preparation for Integrity Charter Day.
The OneGate Group Intranet portal, online since the Group's date of birth in 2005, was developed in order to facilitate the dissemination of such content. The intranet portal is viewable in all the countries in which the Group is present.
In addition to these three main activities stream, internal communications continued to support the company's corporate responsibility activities during the course of 2006. In this regard, the commitment to the internal appreciation of the Group's artistic assets, in particular of the Contemporary Art Collection inaugurated during the previous year, was reaffirmed, with the involvement of all Group employees in dedicated initiatives, such as UniCredit Art Day; employee participation in the activities of Unidea, the Group Foundation active in the social and humanitarian spheres, and in those of the Italian Cancer Research Association (AIRC); as well as the realisation of projects such as "Bimbo in Banca," a family-oriented open-house day geared toward bringing together the personal and working lives of Group employees.

The Group's general training program can be summarised as follows:

1 Cross-Sectional Management Training
Cross-sectional training exercises for the development of a cohesive Group culture and the diffusion of the management style of UniCredit throughout the Group.

2 Specialist Training
Training exercises of a technical/professional and commercial nature relative to the specific business of each "Legal Entity"

3 Entry-level Training
Entry-level technical/professional training activities are designed to highlight the entrepreneurial spirit and common culture of the Group.

Investing in our People

Training

Below are some of the most significant projects in the area of professional training:

1. CROSS-SECTIONAL MANAGEMENT TRAINING

1.1 UniQuest

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

- Facilitate the integration of the Group's various entities and foster the development of a European culture that is distinct, but based on shared values and aimed at sustainable growth;
- Invest in internal growth and ensure that there is a constant supply of young and promising talent in the Leadership Pipeline.

Maintain a diverse workplace environment where employees can have international and multicultural experiences using cutting edge technologies and distance-work systems to work with colleagues from different countries.

1.2 UniFuture

UniFuture is a leadership development track for senior managers in the Group. The program has two objectives:

- Promote change, sustainable business and product and process innovation;
- Provide an individual leadership development path.

UniFuture encourages employees to share experiences and take time for individual reflection and learning.

2. SPECIALISED TRAINING

2.1 UCiLearning

UciLearning is a data processing platform that enables distance learning. Available trainings focus on technical/professional subjects, languages and data processing. They consist of multimedia modules in the following areas:

THEMATIC AREAS	AVAILABLE MODULES
Regulatory/Legal	25
Finance	29
Communications/Marketing	23
Credit	17
Data Processing/Procedures	22

2.2 Master in Banking and Entrepreneurship, Master in Private Banking, Master in Corporate Banking

These master's degrees were established in collaboration with prestigious international universities and provide employees with highly-specialised training and an opportunity for professional development and advancement.

3. TRAINING FOR NEW-HIRES

3.1 UPA Technical School

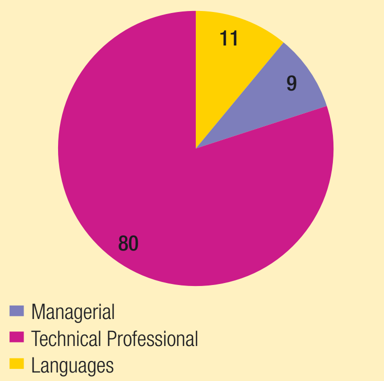
The UPA Technical School was founded to reinforce and deepen the Group's technical, accounting and administrative expertise. UPA's diverse competencies cut across all banking activities. UPA ensures operational continuity within the context of rapid and complex organisational change in the Group.

The UPA Technical School offered training to 900 people from all banks and companies of the Group in 2006. The training is designed to be a basic technical job introductory course. The typical training course for a new hire involves a basic "Introduction to Banking Activities" course that covers all the banks and companies that make up the Group, along with a series of specific courses subdivided by topic area.

3.2 Induction Program

This is a three-year introductory development program in which new hires seek to develop a common set of core competencies and an appreciation of the Group's corporate culture.
The program is an excellent introduction prior to an employee seeking further technical/specialist training.

Type of training (%)

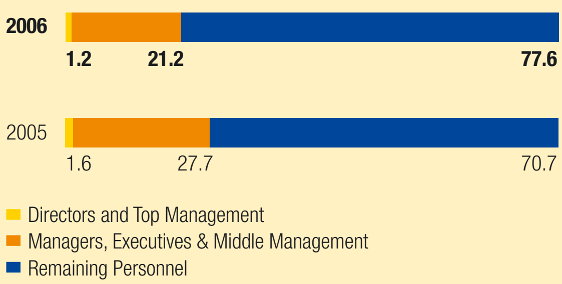


total training hours is 5.276.053

Data on Company Population

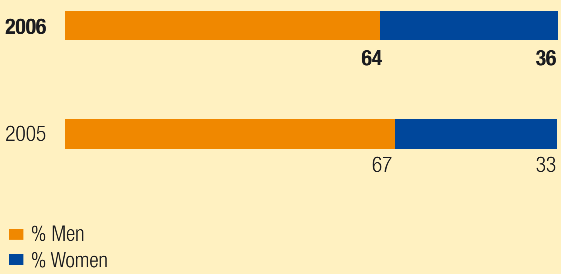
Considering the number of the existing labour contract (headcounts) and that the KFS Group is at 100%, on 31 December 2006, the composition of the UniCredit Group was as follows:

Employees by professional categories
(%)

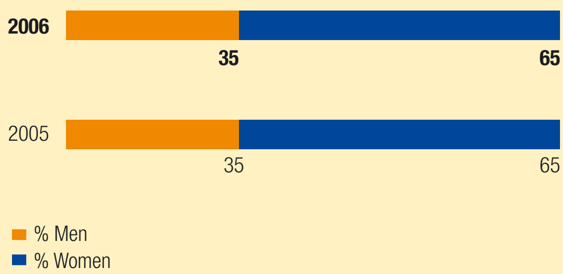


Directors and Top Managers
(%)

Managers, Executives & Middle Management
(%)

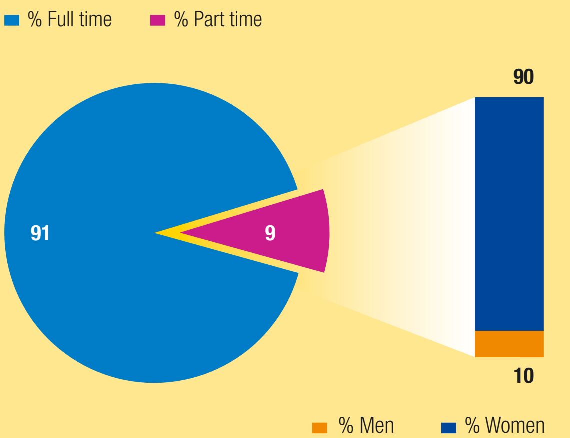


Remaining Personnel
(%)

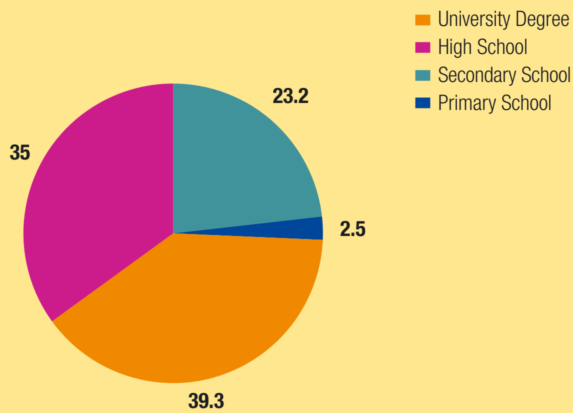


Full time vs part time
(%)

Part time - Men and Women
(%)

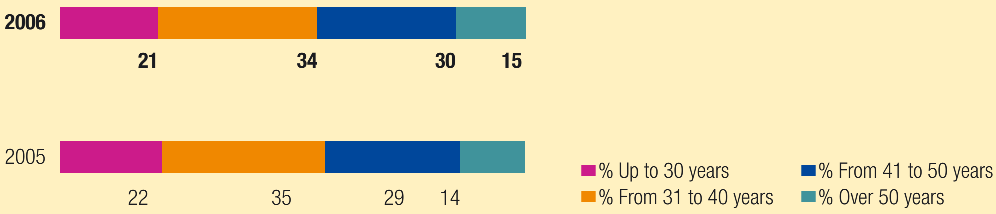


Employees' education level
(%)

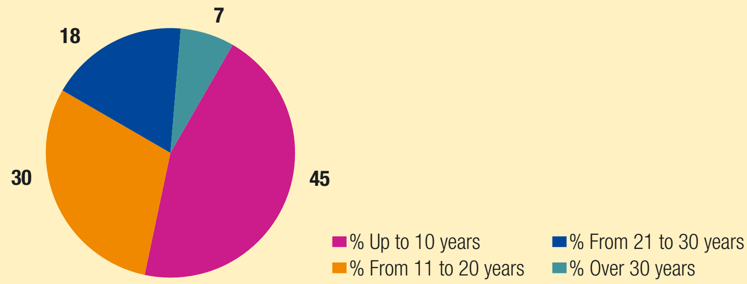


Investing in our People

Composition by Age
(%)



Composition by Seniority
(%)



Average Age and Seniority of Service by Category (based on a representative sample of 2/3 of the population of the Group)

	MEDIAN AGE			MEDIAN SENIORITY		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Directors and Top Management	47.89	45.26	47.63	19.09	16.61	18.84
Managers, Executives & Middle Management	44.72	42.43	43.95	19.40	17.78	18.86
Remaining staff	39.96	37.79	38.59	14.55	13.85	14.11

Industrial Relations

2006 was the first full year in which UniCredit and HVB organizations faced the challenges that lie ahead. Industrial Relations in UniCredit have long been characterised by fairness, trust and transparency, in addition to a continuous and constructive dialogue with employees' representatives, with the aim of reaching common solutions.
Our wish is to continue and improve this approach, building and fostering a new framework of industrial relations and a shared European corporate culture, in particular leveraging on the good experiences and practices of the numerous entities that are part of our Group.
With regard to the principles that govern labour relations, the ILO Tripartite Declaration Concerning Multinational Enterprises and Social Policy, especially the eight ILO core conventions, the Guidelines for Multinational Enterprises of the OECD (Organization for Economic Co-operation and Development) and the European Union's Global Compact remain the main external European reference points.

The European Works Council of UniCredit Group

The very first initiative undertaken at Group level that marked the year 2006 was the establishment of the Group's European Works Council (UEWC) effort, in particular the negotiation between the Group HQ's HR Division and the Special Negotiating Body (comprising Employees' Representatives from the European Union member states where the Group operates).

"European Works Council" is the name of the board instituted by the European Union with the aim of improving employees' rights of information and of consultation in Community-scale groups of undertakings.

The European Works Council of UniCredit Group is the first EWC established in the Italian banking industry and represents the largest EWC among the approximately 700 existing today, thanks to the European dimension of our Group. Assuming that the UEWC is a Group governance body, Management and Employee Representatives agreed on the innovative content of the European Works Council's tasks, creating a strong link between employees and Group HQ on transnational issues. The UEWC, inspired by the Integrity Charter and, more generally, by corporate social responsibility values, will also be able to issue joint declarations with Group HQ on issues of principle such as professional development, non-discrimination, health and safety, and labour environmental issues, whose implementation will be jointly monitored. It will become operational in 2007.

MOST RELEVANT ACHIEVEMENTS 2006

Among the major achievements 2006 of the Group go through the joint work and the agreement of the Employee representatives:

Italy: 1) The Agreements under which UniCredit: established "UniC.A.", the first UniCredit Health Insurance Fund with the aim of offering Group employees working for Italian entities, retired employees and their relatives a supplementary health insurance scheme; increased the Company pension contribution for youngest employees, accepting an invitation of the National Bargaining Agreement; 2) The work of the Joint Training Committee, comprising both Company and Trade Union representatives, which are exploring together the feasibility of introducing of financed vocational training 3) The Agreement, considered well-balanced by both parties, on the transfer of 2S Banca to Société Générale (full continuity of employment, pension schemes and health insurance policy; occupational guarantee provisions).
Germany: 1) The Agreement on the "Alignment of Business Perimeters" (signed on 26 April of the past year), which is important because it leads to corporate restructuring and has also an impact on the sales force due to the re-allocation of staff 2) The Agreement signed on 24 August 2006 on the introduction of a Deterministic Bonus in HVB (which started in H2 2006) and parallel running of this deterministic bonus system with the existing one.
Austria: 1) The BA-CA Company Agreement on the pension system, called "BA-ASVG", in which the raising of pensionable age and cost reduction were crucial issues. A compromise in favour of both sides was reached. 2) The Agreement on the introduction of a new career system with transparent and challenging links to external benchmarks for salaries and benefits according to job families. New performance management is also part of this framework.
Poland: The New Collective Labour Agreement signed in Pekao Bank on 15 December 2006, which specifies general regulations for HR and remuneration policy including rules that link specific benefits to work performance.

Also worth mentioning are the new collective agreements signed in the **Czech Republic** (Zivnostenská Banka, the new UGIS Branch), the **Slovak Republic** (UniBanka) and the addendum to the collective agreement of the **Romanian Branch of U.P.A.**

Investing in Service Quality

Customers

Mechanisms for listening to customers

The ultimate objective of the tools for listening to customers is to improve the bank-customer relationship, focusing attention on customer satisfaction.

Listening to customers and understanding their needs is the basis of the UniCredit service culture. We believe that the relationship must be based on trust and transparency with a view to complying with their requirements.

The two fundamental tools for listening to customers are:
- customer satisfaction surveys
- handling of complaints.

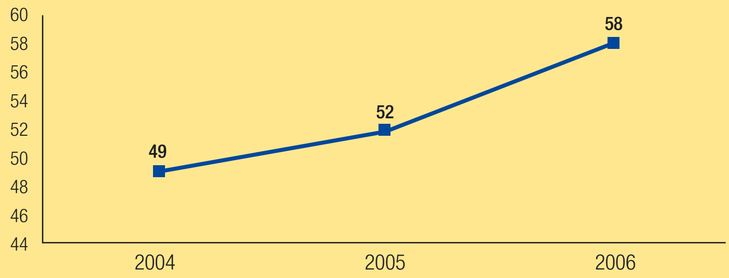
Insofar as measuring the degree of customer satisfaction is concerned, for purposes of analysing critical and timely issues, we carry out extensive research broken down on a regional basis. We are convinced that this tool, given its level of detail and the importance of the indications culled, is a fundamental resource for safeguarding our competitiveness. As proof of the central role of this tool in our method of banking, the variable part of employee compensation is also tied in a decisive manner to the customer satisfaction index. At UniCredit Banca, the customer satisfaction index (TRI*M) showed a notable increase in 2006. The ability to stand out from our competitors was achieved thanks to targeted initiatives focusing attention on customer care, such as, for example, the elimination of closing costs. In addition, the increase in the customer satisfaction index was achieved through the dissemination of "Method First" for asset allocation based on the needs of affluent customers and by improving the small business service model, in particular by reducing response times.

As far as handling complaints, in 2006 UniCredit Banca carried out the "Quality in 48 Hours" project, a customer response model that allows for resolving any delays, malfunctions or errors in only two business days. Providing the guarantee of a fast response is, in fact, one of the chief factors for our customer's trust and satisfaction.

A series of initiatives were also adopted in 2006 at the Retail Divisions in Germany (HVB) and Austria (BA-CA AG), geared towards improving customer satisfaction and service quality. The first step was that of creating special units, reporting directly to the CEO, for the management of customer satisfaction, also including the handling of complaints in both countries. Various actions were undertaken in the areas of measurement, reporting, bonus make-up, improving processes and resource management (training and change management) for purposes of effectively meeting customer expectations and guaranteeing quality service.

The medium-term objective in both countries is to exceed the market average for customer satisfaction and to be a clear competitor for the other financial institutions. In Germany the results for 2006 confirm a stable positive trend with a customer satisfaction index (TRI*M) of 62, while in Austria an increase in the customer satisfaction index (TRI*M) from 67 to 69 shows a clear move in the right direction.

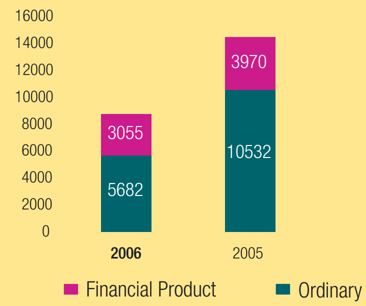
TRI*M UniCredit Banca



Customer Protection

Consumers and businesses can turn to the Bank Mediator [Conciliatore Bancario], an Association for the resolution of bank, financial and corporate disputes, which handles Alternative Dispute Resolution (ADR). The Association, sponsored by the Association of Italian Banks (ABI), was created by UniCredit together with the most important Italian banking groups.The Bank Mediator offers any customer the possibility of quick dispute resolution with the bank in a cost-contained manner through three new services: the Legal Banking Ombudsman, for disputes of amounts up to €50,000; the mediation service, for disputes of any amount, which provides for the intervention

Complaints in Italy (%)



Note: the remarkable decrease in complaints is a consequence of "Quality in 48 Hours", a project aiming to solve directly at branch level disputes up to €1000.

of an independent professional mediator with the duty of helping the parties reach a mutually acceptable agreement; and the arbitration service. In the first and third cases, the proceeding concludes with a trial (which in the case of the Legal Banking Ombudsman is binding only on the bank), while in the second case the parties are assisted in reaching an agreement beneficial to both parties, which puts an end to the dispute.

The mediation attempt is managed by the Bank Mediation Body, recently created within the Association and registered in the register of bodies delegated to manage mediation attempts pursuant to Article 38 of Legislative Decree No. 5/2003. The proceeding must be concluded within 60 business days of the first meeting between the parties and the mediator. If the dispute concerns any of the subjects referred to in Art. 1 of said Decree, the mediation record, in addition to enjoying certain tax breaks, may be approved by the Court and become enforceable. If the mediation does not succeed, the parties remain free to defend their own rights as they see fit (for example, turning to an ordinary judge, or if necessary, referring the dispute to an arbitral tribunal).

Access to the Legal Banking Ombudsman is completely free. The cost of mediation and arbitration, on the other hand, varies depending on the amount of the dispute (mediation, however, is particularly cost-contained).

Olivo Barbieri, "China Shangai", 1997, UniCredit Collection.

Suppliers

The competion for innovation and cost minimisation depends also on the efficiency, reliability and transparency of the "rules of the game" between the company and the system of suppliers. For this reason, i-Faber, a UniCredit Group subsidiary that manages the digital market 1city.biz, has launched the Procurement Executive Circle (PEC) initiative, with the objective of creating a roundtable for the comparison and exchanging of best practices for procurement managers.
In spring 2004, the PEC Board decided to create a roundtable on corporate responsibility in the management of relationships between companies and the system of suppliers (SIRF - Sustainability and Integrity in Relationships with Suppliers), which had the objective of preparing a set of "Guidelines" for self-regulation on the matter.
The project's breadth and strategic relevance entailed the need to determine a working plan for a period of approximately three years (2005-2007). 2005 was devoted to the preparation of the SIRF Guidelines, on the basis of careful comparative analyses of the best practices in terms of CSR (Corporate Social Responsibility) and SRM (Supplier Relationship Management). In 2006, a method was determined and tested for assessing the level of application of the SIRF Guidelines to a limited sampling of companies.
2007 will be devoted to extending the project to all the companies participating in PEC, according to the evolving guidelines, which will provide for specialisation by industry (coinciding with the PEC Vertical Committees) and by company size.

Investing in our Community

Culture

UniCredit Group wants to create value not only for our shareholders, but also for the communities in which we work.

We take pride in our ability to leverage our global reach and our human capital in support of local institutions, initiatives and communities.

Social responsibility and active participation in civil society on a local level for us is not solely for the purpose of promoting sustainable economic, social, and environmental development.

It is also a key element of our competitive strategy. It is to our distinct advantage to foster social cohesion, stability and growth in all of our territories and markets.

**Because of this, UniCredit Group is pursuing a two-pronged strategy for investing in our communities. While we work to revitalise local economies, we also invest in local cultural initiatives. Communities aren't just economic units. They are places where people live. And every community has its own particular character, regional sensibility and history.
It is a strenght of our Group to respect this diversity and enhance it as a positive force for development.**

UniCredit Group welcomes the challenge of integrating the worlds of business and art.

Our goal is to foster a dialogue between different cultures and communities in an effort to identify and build shared values.

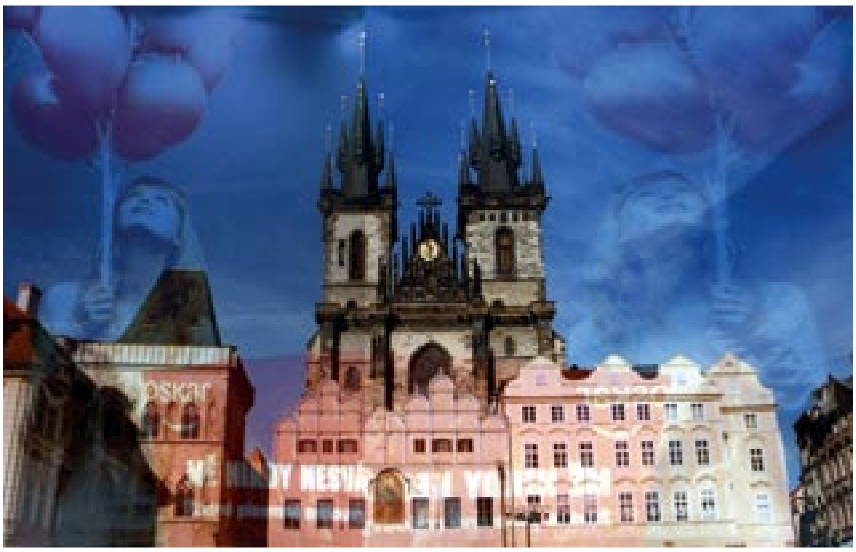
We believe that the universal language of art can help promote these shared values. In Europe, all companies in our Group have been supporting young talent and creativity in the visual arts, music, theatre, and literature.

This historical commitment to supporting music and the conservation of our artistic heritage has been joined by new initiatives vis-à-vis the contemporary art, because the Group believes that these can contribute to expressing key values of its own position.

More information on the cultural activities of the Group can be found at www.unicreditgroup.eu

VISUAL ARTS

The Group maintains an important and well-regarded **art collection** with more than **50,000 works** in Italy, Germany, Austria, Turkey and the other countries where UniCredit operates. The collection includes archaeological artefacts, Gothic sculptures, past masters and present talents. It represents an important instrument for establishing a dialogue between the public and the Group and offers unique opportunities for communication and internal educational activities.



Davide Bramante, “My Own Rave (Praga - Palloncini + Staromestké nàmesti)”, 2005, UniCredit Collection.

Some activities in the visual arts that we support are:

- the participation of artists in management courses that emphasize the importance of creative thinking;
- "UniCredit Art Day," a production with AMACI in Italy, which provides our colleagues and their families the opportunity to visit 20 different museums on a particular day;
- training courses using contemporary art (art-based learning);
- intense communication activity via the company Intranet.

In Italy, the range of the Group's initiatives vis-à-vis contemporary art is vast and includes:

- collaboration with the principal museums of contemporary art: MART in Rovereto, the Castello in Rivoli, the MAMbo of Bologna and the Arnaldo Pomodoro Foundation in Milan;
- active participation in the leading art fairs;
- close collaboration with DARC (Department of Art and Contemporary Architecture of the Ministry of Culture);
- support for AMACI, the Association of Contemporary Art Museums in Italy;
- innovative support for artistic projects in non-standard contests that expose conditions of social marginalisation. In these communities art serves as a means of socialization, integration and recovery;
- funding research, in cooperation with the Agnelli Foundation, on the economics of contemporary art;
- the development of a new publishing series, "The Art of the 20th Century".

The largest commitment we have made to aspiring young artists in Italy has been the establishment of a collection of contemporary art by artists active since the 1980s, with particular attention paid to photography. Through acquisitions, donations and project

Concert for Rome.

support, the collection has grown to 500 works by 95 artists in just three years.
In the HVB Kunst Palais in Munich, a broad series of exhibitions has featured works by famous historical avant-gardes, contemporary artists and emerging young artists that are a part of the Group's collection.

The Kunsthalle of the Hypo-Cultural Foundation attempts, by means of its unique location in the centre of the busy pedestrian area of Munich's Theatinerstraße, to bring art into every day life: since opening in 1985, over **6 million people** have visited more than 71 exhibitions with art ranging from antiquity to the present day.
International exhibitions are held in the BA-CA Kunstforum in Vienna. Emerging art is shown in a space called "Treasure". The bank sponsors young artists with its Georg Eisler Prize, the largest monetary prize in the category. BA-CA also organizes Central, a travelling exhibit for presenting young artists from Eastern Europe.

MUSIC

The UniCredit Group's commitment to music, the universal language par excellence, was born in Italy out of its long-time partnerships with the **Philharmonic Orchestra of La Scala**, the **Arena of Verona**, and the **'900** [Twentieth-Century] **Philharmonic Orchestra of Torino**.
Across Europe, the Group is focused on supporting music. Our support for this important art form is an effective way to

Investing in our Community

bring together the worlds of business, art and the general public.
This year, the Group decided to celebrate the first anniversary of the announcement of the merger with the Hypovereinsbank-Bank Austria Group by organizing a "**Concert for Rome**" in collaboration with the City of Rome. This initiative brought the Philharmonic of La Scala to the capital for the first time in many years and offered a programme of celebrated musical works free of charge to the Roman public.

HVB is also promoting a new generation of cultural innovators in Germany with the Jugend Kulturell, which supports young artists with monetary prizes and opportunities to exhibit in our facilities. Additionally, HVB is actively collaborating with the European Youth Orchestra and its season in the HVB Europakonzert and the "Competizione dell'Opera" international vocal contest. And finally, a particularly important German- Italian musical exchange took place in 2006 when the first concert of the Philharmonic of La Scala of Milan was held in Berlin under the sponsorship of the President of the Italian Republic, Giorgio Napolitano.
In the field of classical music (a traditional pillar of Austrian identity) the Group has been very active through the thirtieth collaboration of BA-CA with the Orchestre Jeunesse, the establishment of the BA-CA Artist of the Year Prize, the support of traditional Austrian musical institutions, including the Vienna Philharmonic Orchestra and its ensembles, the Musikverein theatre and the Gustav Mahler Youth Orchestra. Our promotion of modern expression includes significant support provided to the Porgy & Bess Concert Hall, the Vienna Art Orchestra and its very successful "big band," the Jazz Festival of Vienna, and the prestigious BA-CA Hans Koller Prize, named for a manager for the UniCredit Group in Eastern Europe active in cultural promotion in the region.

And, investing in our shared future along with the Vienna Philharmonic Orchestra, the Group has started master classes for highly talented young musicians in Slovenia.

DIALOGUE

Annually, in collaboration with the Turkish partners of the Centre for Strategic Studies of the Ministry of Foreign Affairs, UniCredit organizes the **Forum for Italo-Turkish Dialogue**. This is a high-level cultural and political event sponsored by the two Ministries of Foreign Affairs and features 80 leaders from the two countries in the fields of politics, economics, culture and media. The purpose of the Forum is to maintain an open dialogue of the most important issues and challenges Italy and Turkey face today. These include everything from European- Middle Eastern relations, human rights and economics and international trade. Following London's "Chatham House Rules," the meetings take place as a private aside to the opening session, which is public and chaired by the respective Foreign Ministers.

Furthermore each year, in collaboration with the City of Venice, the Venice 2000 Foundation and East (an international magazine of culture, politics and economics), UniCredit organizes a **Permanent Forum of European Debate** to bring together a noticeable number of qualified representatives from the world of international politics, economics and academia. The purpose of the Forum is to stimulate debate and identify innovative ideas that can help give new force to the processes driving European integration.

The permanent Forum operates in two dimensions: a "virtual" dimension (www.eastonline.it) that brings together citizens and European institutions, and a "real" dimension with the organisation of the annual conference in Venice.
The first conference, "*A New Motivation for Europe*", was organised on 22 and 23 June 2006 at the Doge's Palace.

In 2007, the Venice Forum will take place on 21 and 22 June at the Cini Foundation of Venice and will deal with the topic of energy at a conference entitled "EU Energy Policy: Enhancing the Security of Supply by Creating a Single EU Energy Market?"

Local Committees

Olivo Barbieri, "Roma", 1995, UniCredit Collection.

The reorganization process of the Group, brought about in 2003 (S3 project) by the establishment in Italy of UniCredit Bank, UniCredit Enterprise Bank and UniCredit Private Banking, resulted in the development of Local Committees, which are designed to maintain our deep and valuable relationship with the community.

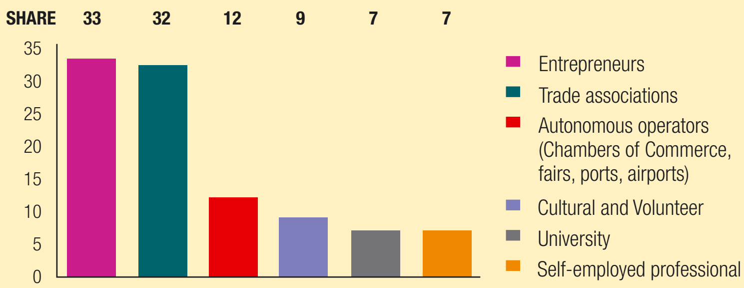
Today the Committees keep track of domestic events in Italy in order to develop a better understanding of local socio-economic issues. The Committees are places where civil society leaders and representatives can gather to discuss important matters and to set priorities.

The UniCredit Board of Directors appoints the Local Committees. The Committees are consultative organs, consisting of a varying number of outside members, selected from the leading ranks of entrepreneurship, trade associations, autonomous operators, volunteerism and research. The managers of the three banks are a party to the Committees as well.

Distributed predominantly in the Centre and North of Italy, the 18 Committees have a total membership of about 300 people. Moreover, in November 2006, with the intention of developing a strategy for strengthening local networks and encouraging an even closer relationship between sector banks in the territory, the UniCredit Group announced the launch of "Project South" through the creation of 3 new regional Committees: Campania, Puglia and Sicily.

The local Committees have successfully completed, many projects, with many others in progress, all focused on local community needs centered around the following themes: *infrastructure, tourism, internationalisation, immigration and agriculture*.

Outside Members of Local Committees (%)



Environmental Management and Performance

Environmental Policy

Banking is not manufacturing, but - like any other human actvity - it still affects the environment. Since 2000 the Group has had an Environmental Policy in place and is therefore committed to taking environmental sustainability into account when making decisions on strategy. This means operating while striving to prevent the most serious direct impacts on the environment (energy, paper consumption and waste production) and ensuring that the impact of outside entities that we can oversee or influence (credit policies, financial products, project financing and suppliers) is scrutinized to the extent possible.

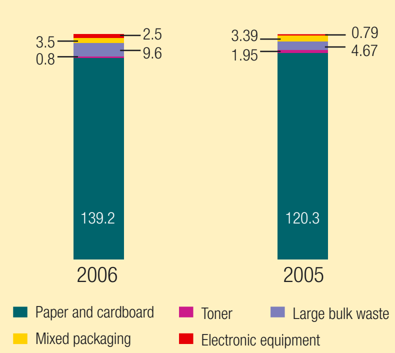
We have joined the United Nations Environmental Program (UNEP) in order to promote and develop integrated banking and environmental sustainability policies. We are actively involved in UNEP through its Finance Regional Task Force in Central and Eastern Europe, in promoting a coherent approach, and defining best practices and control and monitoring tools for environmental risks.

Franco Fontana, “Comacchio, orizzonte, Paesaggio”, 1976, UniCredit Collection.

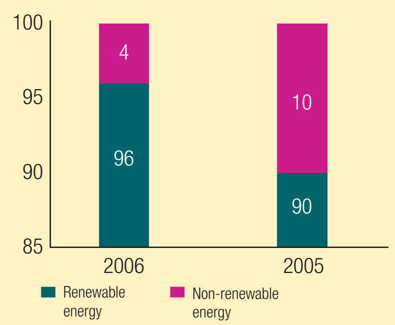
Direct Aspects

We pursue environmental efficiency by adopting certified internal systems for environmental management. We began this process in 2002 by registering UniCredit

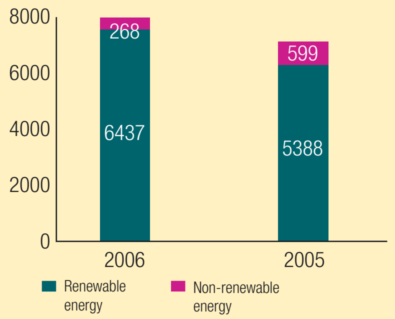
Waste per capita-Italy (kg)



Electric power supply - Italy (%)



Electric energy consumption per capita - Italy (kwh)



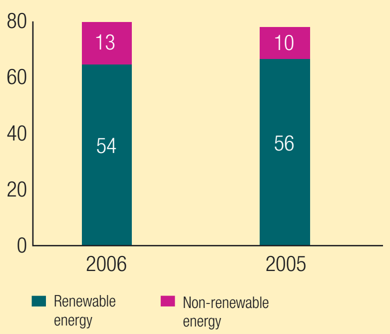
Indirect Aspects

under the **EMAS** regulation and by obtaining **UNI EN ISO 14001** certification. This process has been continuously extended and in 2006 UniCredit Produzioni Accentrate (UPA) and HVB obtained the same certification:

- UPA: ISO 14001 certification for all its business units (of which 8 in Italy and 1 in Bucharest, Romania). EMAS registration is also expected in 2007.
- HVB: ISO 14001 certification for 5 sites in Germany, including its headquarters. EMAS registration is also expected for one of these.

We have also launched various energy-saving and mobility management initiatives. The Group has designated a number of mobility managers and set up cooperation with public sector organisations, associations and private individuals to organise car sharing and car pooling as part of an overall strategy which aims to optimise personal and business travel and to reduce its impact by gathering all pertinent information on it.

Paper consumption per capita - Italy (kg)



for more information about the direct aspects of the UniCredit Group, see **www.unicreditgroup.eu**

The commitment of the Group on **climate change** in 2006 took the form of a Carbon Solutions Team (CST) set up in our Markets and Investment Banking Division (located in Munich and already active in Poland as well). This is a group of bankers who are very knowledgeable in the field of climate change and who:

- negotiate and trade emissions credits assigned to the businesses in certain manufacturing sectors under European Union directive 2003/87/CAE "Emissions trading", with the aim of facilitating the attainment of Kyoto protocol objectives; and
- promote initiatives to finance clean development mechanisms (CDM) and joint implementation (JI) projects, in order to reduce greenhouse gases in countries not bound by the protocol.

UniCredit has also joined the Carbon Disclosure Project, an international initiative designed to encourage companies to publicise their own policies concerning climate change and to make institutional investors aware of the importance of investing in organisations that make a solid commitment to reducing CO2 emissions.

Among renewable energy source **projects financed** in 2006 was the financing of 11 wind generator parks in southern Italy and in Germany for a total of more than 1250 MW of installed power and €1,415,000,000 in structured loans.
In 2006, to support integrated policies to manage urban solid waste, a pool of 19 Italian and international banks underwrote and syndicated the financing of three integrated systems to manage urban sold waste developed by the Falck-Actelios Group (majority partner of the three projects). The project involves 75% of the area of Sicily, with a serviced population of more than 3.8 million people.
Expected investment is in the order of €1,400,000,000 and the structured debt is €1,100,000,000. Developed by UniCredit Infrastrutture, the project resulted in our winning the "Deal of the Year 2006" award, a recognition granted annually by the prestigious international magazine Project Finance Magazine to the largest transactions in each sector of project finance.
Also in 2006 financial advisory was provided for the structuring of project finance to develop and operate the waste energy facility for the city of Turin.

In 2007 the entire Group will sign the Equator Principles (HVB has been a signatory since 2003), guidelines designed to ensure respect for the environment and social equity through project finance.

In order to pursue **credit policies** that increasingly aim to support companies with a greater commitment to the environment, creditworthiness appraisals also include specific questionnaires for the qualitative analysis of borrowers. In various ways these questionnaires aim to specifically detect the existence of possible risks and opportunities related to environmental factors. Great attention is paid during training to all aspects of environmental impacts and their knock-on consequences, with the aim both of raising awareness and of providing essential background knowledge.
The integrity charter provides a framework of values to draw from in our day by day work.

Among other things, the General Group Credit Policy requires that: the legal entities of the Group have to respect these fundamental values in their operations and decline to take part in the following transactions (unless authorised by their

Environmental Management and Performance

own Supervisory/Management Board or Credit Committee and the Credit Committee of the Parent Company):

- loans to companies or projects that do not respect the social and environmental standards of the World Bank and/or the national and international environmental standards that apply in the Country.
- transactions that are not in line with the UNEP Statute signed by Financial Institutions for the Environment and for Sustainable Development (UNEP Declaration). As concerns project finance transactions, the broadest standards of the Equator Principles should be applied.

In October 2006 the Group officially left the consortium created to develop two new nuclear reactors for the power plant in Belene, Bulgaria.
UniCredit's initial involvement was expressed through a simple declaration of interest under a public tender. In-depth social and environmental impact appraisals are not normally conducted during this phase. The actual participation of the Group would have been dependent on obtaining a guarantee to apply the best international security and socio-environmental standards to all phases of the undertaking. In the event of contract award, specialised and independent consultants would have conducted the appraisal.

Our interest in the project gave us the chance of entering into an open and constructive dialogue with various European environmental organisations which had asked us for meetings on the topic.

We are convinced that involvement of all stakeholders is a fundamental condition for the creation of sustainable development. We wish to be accountable for what we do, considering the responsibilities that follow from being an active member of the community.

As regards **Socially Responsible Investments** (SRI), Pioneer Investments (the trademark of the asset and fund management companies of UniCredit Group) is present in the ethical funds market with two managed assets products: one equity product (the Global Ethical Equity Fund) and one bond product (the Pioneer Euro Debt Ethical Corporate Fund).

Stefano Arienti, "Mare verde", 2005, UniCredit Collection.

Sectors and Research Topics appraised by the Environmental Ethics Committee:

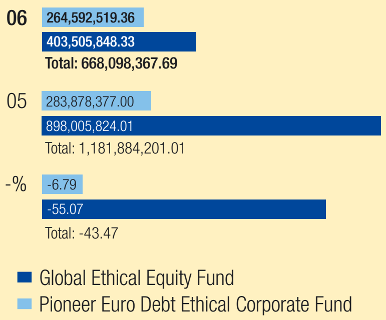
- Medical Devices
- Nanotechnology
- Pharmaceuticals and Biotechnology
- Alternative/Renewable Energy
- Climate Change*

* under appraisal

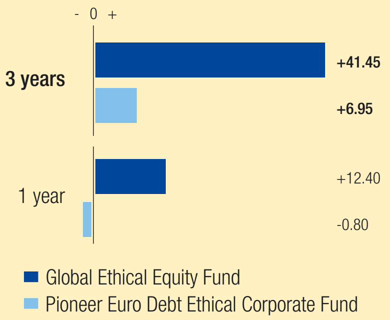
Pioneer Investments has set up an Environmental Ethics Committee in order to direct financial resources to sectors and companies that pursue their objectives according to criteria of social responsibility. The Committee draws up the investment guidelines for socially responsible products and provides fund managers with guidance.

Pioneer Investments' SRI funds are characterised by a special investment process designed to increase the skills of the Committee and direct financial resources incisively and effectively towards particularly deserving businesses. Under this principle, the ethical portfolios of Pioneer Investments include two types of investment:
- the first (larger) one refers to ethical databases which are recognised by

Ethical Funds
Assets under Management (€)



Performance of the Funds since Launch (%)



the financial community (FTSE 4 Good Global for the equity fund and ECPI Ethical Index Euro Corporate Bond for the bond fund).

- the second (smaller) one refers to securities issued by companies whose work is distinguished as significant in terms of ethics and environment ('distinctive investments').

The 2006 research objectives of the Committee (including nanotechnology and renewable energy) indicate the extent of our commitment to this new approach and are the basis for the 'distinctive investments' component which grew to be 11.36% of the the equity fund portfolio (from 7.34% in 2005).

We believe that transparency is an unquestionable value. For these reasons we have signed up to the transparency guidelines promoted by the European Sustainable and Responsible Investment Forum (Eurosif), and we have dedicated a specific section of the Pioneer Investments website to the topic of SRI (http://www.pioneerinvestments.it/it/finanza_etica/home.jhtml). The guidelines aim to clearly explain the processes of research, investment, control and monitoring, according to standards agreed upon by the major ethical funds of Europe. In 2006, Pioneer Investments' assets, managed according to sustainability criteria, were it the number one player in Italy in this sector, with a market share of 29%[1]. At European level, Pioneer Investments is in fifth place (excluding the United Kingdom), with a market share of 3.6%[2].

1. Data: Avanzi SRI Research, end of June 2006
2. Data: Avanzi SRI Research, end of June 2006

Sustainability Indexes

In 2006 UniCredit has been included in the baskets of the followings sustainability indexes:

- **DOW JONES SUSTAINABILITY INDEXES**
- **FTSE4GOOD INDEX SERIES**
- **ETHIBEL SUSTAINABILITY INDEX**

Unidea-UniCredit Foundation

Unidea-UniCredit Foundation is a non-profit foundation established in 2003 by UniCredit Group to implement and sustain international cooperation, solidarity and development initiatives.

Unidea was established as a testament to the Group's operating principles and shared values.
Our Foundation is meant to express, foster and bring to life, through the pursuit of philanthropic aims, those same values both in the internal and external communities.

As a Corporate Foundation, Unidea is a legal entity with its own Board of Directors, composed of experienced and eminent personalities of the non-profit sector and the social research community.

In the first years of activity, Unidea has continued to abide by the principles that first inspired it: self-development, sharing between the communities involved and the sustainability and replication potential of its initiatives. It has also tackled key questions linked to social and economic development, making local communities, and the labour networks and ties of solidarity that unite them, the focal point of its activities.

From the start Unidea has chosen to keep its activities separate, if not exclusively then to a large extent, from operational areas which could refer to the presence of the Founder, and also by choosing to operate in geographical areas where the UniCredit Group is not present.

Unidea operates at a national and international level and is particularly active in the following areas and sectors of intervention:

AFRICA:

Unidea supports basic healthcare projects designed to improve public health (through technical and administrative training, rebuilding and equipping of the basic healthcare centres) and to increase access to healthcare by the communities involved (through literacy courses, backing for revenue generating activities, support for microfinance and mutual healthcare projects).

CENTRAL EUROPE AND THE BALKANS:

The Foundation supports local development through a series of activities aimed primarily at increasing employment among the young and helping them to integrate into society. Initiatives are mainly addressed to rural areas and involve the broad provision of vocational training and micro-credit programmes to act as incentives for micro-business start-ups and self-employment schemes for young people and women.

EUROPE:

The Foundation combines integrated territorial prevention projects for young people at risk of social exclusion, with high profile contributions to learning in the form of research and study initiatives, addressed in particular to new areas of demand, and of occasions to discuss the cultural consequenecs of social work.

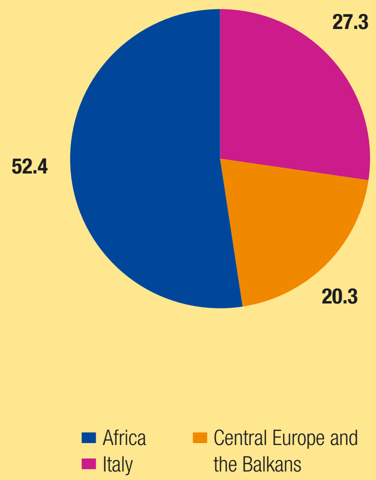
GIFT MATCHING:

One of Unidea's main objectives is to set up programmes to spread and enhance the value of non profit culture and voluntary work among employees of the UniCredit Group. Gift Matching is a mechanism whereby the Foundation supplements donations made by groups of employees to associations that work for the same social and humanitarian ends as those promoted by Unidea.

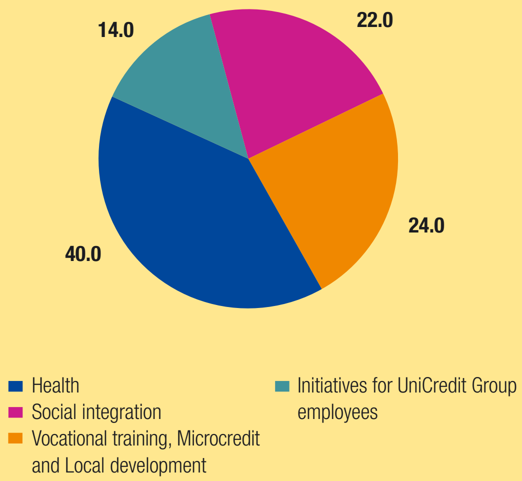
To promote and implement its activities, Unidea is funded exclusively by UniCredit Group.

UNIDEA RECEIVED FROM UNICREDIT GROUP 40.5 MILLION EUROS IN THE PERIOD 2003 - 2006

Distribution of funds by geographical area 2003-2006 (%)



Distribution of funds by sector 2003-2006 (%)



2006 projects:

2006 was important for Unidea in terms of consolidation and continuity, with the pursuit of initiatives launched in previous years and the development of new projects in sub-Saharan Africa, in Central Europe and the Balkans, and in Italy.

Unidea-UniCredit Foundation

In Africa

• "An Ka Here So"

Basic healthcare and territorial development project in Burkina Faso

The "Basic healthcare and territorial development project in Burkina Faso" aims to improve the health of the population in the Hauts Bassins and Cascades regions, to provide better access to healthcare centres and to strengthen community participation.

To achieve this objective, a series of initiatives have been planned:

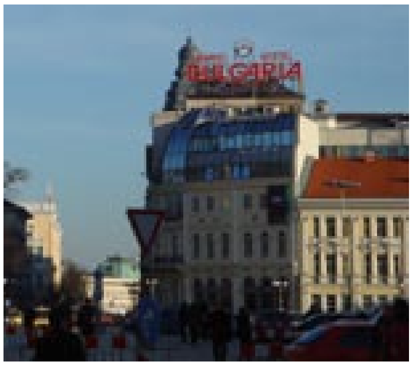
- education and basic training for people in the project area on the subject of hygiene and health with a view to better engagement;
- construction, renovation and rehabilitation of basic healthcare infrastructure - day surgeries and pharmaceuticals dispensaries for example - in the Hauts Bassins and Cascades regions;
- on the job healthcare training and re-qualification for doctors and local nurses to improve their professional skills and optimise healthcare system management in the area;
- improvement of the health care's affordability for the population covered by the project;
- provision of microfinance facilities to the people served by basic healthcare centres to develop independent revenue generating activities and stimulate a self-sufficient economy.

The centres' catchment areas should cover a total population of about 300,000. Other project beneficiaries are the nurses and doctors who attend training courses.

In Central Europe and the Balkans

• "Youth Employment Promotion"

Vocational training and microcredit project in the districts of Razgrad and Vratsa (Bulgaria)



The "Youth Employment Promotion" project, implemented in cooperation with the Bulgarian NGO National Business Development Network (NBDN) offers assistance and support to 100 young people in search of employment and aspiring entrepreneurs. The project targets the two mainly rural districts of Vratsa e Razgrad, where unemployment levels – and particularly youth unemployment – are amongst the highest in the country.

The selected candidates are supported with the creation and management of small businesses through a training and consulting programme, followed by loans granted to start up micro-enterprises.

In Italy

• Initiatives supporting the social integration of marginalized people

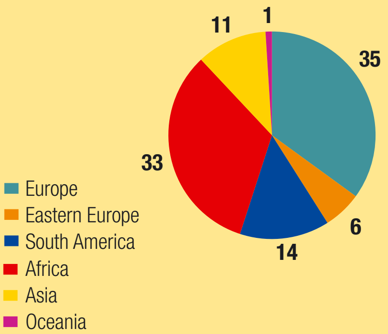
Through Bando Italia 2006, a "Call for bids to support initiatives within Italy to help the socially marginalised", Unidea reiterated its intention to provide incentives and supports action for the social integration of at-risk individuals, either setting up new projects or supporting existing ones. During 2006, Unidea supported 35 projects generally in co-operation with non profit organisations run for the most part by voluntary workers. These initiatives aimed at supporting the social integration of people at risk of exclusion from society, are complemented by high-profile research designed to gain in-depth knowledge of the area and to assess the outcome of the various projects.

Gift Matching

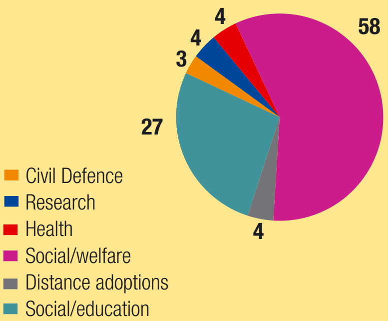
The Gift Matching initiatives organised in 2003 - 2006 were remarkably successful, showing there is a great awareness of social problems among UniCredit employees. In 2006, as the previous year, in order to prevent funds from being spread too thinly and optimise the impact for beneficiary associations, only donations from groups of at least twenty employees for the same project were accepted.
166 groups participated in the fourth year of the scheme - a total of 4894 people. Compared with 2005 a bigger number of groups took part (from 111 to 166), as well as the number of colleagues involved, and the amounts collected almost doubled. This means each individual project was able to benefit from a higher proportion of the total collected sum. Benefiting associations were mainly active in developing countries, particularly in Africa.

For 2007 it is expected to extend the programme also to HVB employees and to encourage more the involvement of countries of the enlarged Europe.

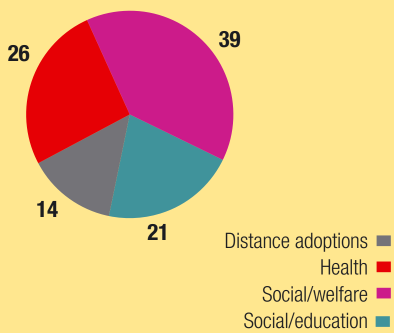
Breakdown of projects by region intervention (%)



Europe - Breakdown of amounts donated by area of intervention (%)



Non-European countries - breakdown of amounts donated by area of intervention (%)



The Value Distribution

Calculation and allocation of value added

Value added is calculated by reclassifying consolidated Income Statement items with the aim of showing how it is allocated and expressing in monetary terms the relationship between the business and the socio-economic system with which it interacts, special reference being made to its main stakeholders: shareholders, the community, our people, our business, the State, organisations and institutions.
As regards the level of aggregation of income components, we chose the form of value added used by ABI [the Italian banking association] for banks. This takes into account the peculiar characteristics of banking business and the new shape of the accounts under IFRS

Breakdown of value added 2006

(€ '000)

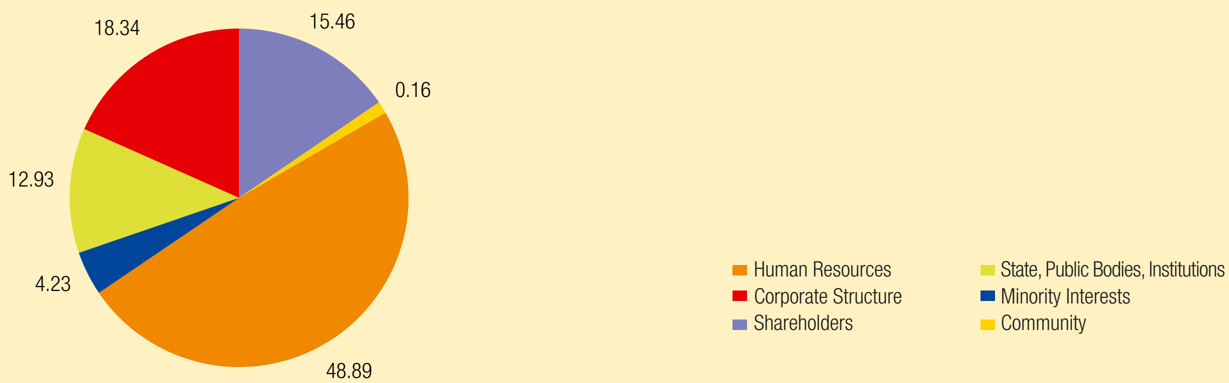
REVENUE	
Interest income and similar income	34,294,958
Fee and commission income	9,966,526
Dividends and similar income	823,730
Trading profit (loss)	1,470,347
Hedging result	29,729
Gains (losses) on disposals of:	493,457
(a) loans and receivables	*16,486*
(b) available-for-sale financial assets	*479,030*
(c) held-to-maturity investments	*3,493*
(d) financial liabilities	*(5,552)*
Gains (losses) on financial assets/liabilities at fair value through profit or loss	41,347
Other operating income	597,109
Profit (loss) of associates	283,443
Gains (losses) on disposal groups held for sale	56,174
1. TOTAL GROSS PRODUCTION	**48,056,820**
CONSUMPTION	
Interest expense and similar charges	(22,140,073)
Fee and commission expense	(1,618,851)
Other administrative expense	(4,246,376)
Net impairment losses (writebacks) of	(2,296,038)
(a) loans and receivables	*(2,196,408)*
(b) available-for-sale financial assets	*(47,440)*
(c) held-to-maturity investments	*1,110*
(d) other financial assets/liabilities	*(53,300)*
Allocation to credit risk provision	(765,131)
Impairment (writebacks) of property, plant and equipment	(812,104)
Impairment (writebacks) of intangible assets	(556,664)
Net writedowns (writebacks) of goodwill	(356,880)
2. TOTAL CONSUMPTION	**(32,792,117)**
Net premiums earned	89,058
Net income (expense) of insurance business	(67,817)
NET RESULT OF INSURANCE BUSINESS	**21,241**
3. GROSS CHARACTERISTIC VALUE ADDED	**15,285,944**
Gains (losses) on property, plant and equipment and intangible assets at fair value through profit or loss	-
Gains (losses) on disposal of investments	794,685
4. TOTAL GROSS VALUE ADDED	**16,080,629**
Cost of labour (staff cost)	(7,860,299)
Other administrative expense: indirect taxation	(288,666)
Other administrative expense: donations	(13,688)
5. PROFIT BEFORE TAX	7,917,976
Current tax expense	(1,790,119)
Minorities	(680,116)
6. NET PROFIT FOR THE YEAR	**5,447,741**

Allocation of value added 2006

(€ '000)

REVENUE	**48,056,820**
CONSUMPTION	**(32,792,117)**
NET RESULT OF INSURANCE BUSINESS	**21,241**
GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	**794,685**
TOTAL GROSS VALUE ADDED	**16,080,629**
Allocated as follows:	
MINORITIES	**680,116**
SHAREHOLDERS - Dividend	**2,486,229**
OUR PEOPLE	**7,861,299**
Cost of labour	
- direct	5,642,514
- indirect	2,217,785
Portion of net profit allocated to the medium-term Group staff incentive provision	1,000
THE STATE, ORGANISATIONS AND INSTITUTIONS	**2,078,785**
Direct and indirect tax	288,666
Tax on profit for the year	1,790,119
THE COMMUNITY	**25,388**
Donations	25,388
THE BUSINESS	**2,948,812**
Retained profit and allocation to reserves	2,948,812
TOTAL GROSS VALUE ADDED	**16,080,629**

Allocation of value added 2006 (%)



2006 figures are not strictly comparable with 2005 figures given changes in the scope of consolidation (2006 value added is in fact double that of 2005).

Almost half (48.89%) of 2006 value added was allocated to our people and a very large proportion (18.34%) was kept in the business in the form of retained profit and reserves.

The shareholders nevertheless benefited from a significant portion of value added: 15.46%.

Sustainability Indicators

For the first time, UniCredit offers a report which combines economic and financial data with elements of social and environmental reporting. It is a move that reflects the real integration of social responsibility into the business policies and strategies of the UniCredit Group, in line with international models of best practice. This represents an innovative approach to business reporting which is: "consolidated", in terms of the content at Group level and "integrated", in combining the Financial Statements with the Social and Environmental Report. The Social and Environmental Report 2006 includes: Human Resources and Social Responsibility sections and the summary scheme of the principal "sustainability indicators" of the UniCredit Group, which reflect its social, environmental and economic performance.
The following summary has been drawn up in accordance with the benchmark methodologies contained in the Global Reporting Initiative 2002 (GRI2), which provides guidelines for sustainability reporting.
The summary is designed to supply an explicit link between the questions of social responsibility featured in the Annual Report and the GRI2 guidelines, and demonstrates the capacity of the document to satisfy the information and content requirements proposed by this standard and to ensure that it is complied with..

Next Steps
In the last years the Group has dramatically grown up, shifting from the Italian contest and becoming a New Truly European Bank. The Group is committed to face in the next future the following issues:
• to enrich the next issues of the social environmental reports with further information and socio-environmental indicators, while improving the related gathering methods;
• to progressively extend the reporting boundary of certain socio-environmental indicators to consolidated companies operating abroad;
• to further broaden the dialogue with stakeholders in Italy and to gradually extend this activity in foreign countries.

Legend	●	Full data	❍	Information not present	◗	Partial data

GRI CODE	INDICATOR	PAGES	COVERAGE
VISION AND STRATEGY			
1.1	Vision and strategy for sustainable development	98,108, 112	◗
1.2	Letter from the Chief Executive	20	●
PROFILE			
2.1 - 2.9	Organisational profile	10-13, 98	●
2.10 - 2.16	Scope of the Report	10, 122	◗
2.17 - 2.22	Outline of the Report	122-125	●
GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS			
3.1	Governance structure of the organisation	130	●
3.2	% of Board of Directors who are independent, non-executive directors	131	●
3.3	Process for determining the skills required of the members of the Board of Directors		❍
3.4	Process at Board level for controlling the Company's identification of environmental and social risks		❍
3.5	Links between directors' remuneration and achievement of financial and non-financial targets		❍
3.6	Organisational structure and key personnel for the control, implementation and auditing of linked economic, environmental and social policies	138-139	◗
3.7	Commitments pertaining to the Mission and the stated values	97- 99	●
3.8	Shareholders' mechanisms for issuing recommendations or instructions to the Board of Directors	137	●
3.9	Principles for identifying and selecting the principal stakeholders	98	●
3.10	Approaches to consultation with stakeholders	98, 100, 106, 110	◗
3.11	Types of information emerging from consultations with stakeholders	98, 100, 106, 110	◗
3.12	Use of information deriving from the involvement of stakeholders	98, 100, 106, 110	◗

GRI CODE	INDICATOR	PAGES	COVERAGE
3.13	Precautionary approach	113	◗
3.14	Voluntary codes of conduct, sets of principles or other initiatives supported or applied by the organisation	105-112	●
3.15	Principal industrial and business associations in which the Company is active, and/or leading national/international pressure groups	113	◗
3.16 - 3.17	Approach policies and/or management systems for ascending/descending and indirect impacts	107, 113	◗
3.18	Principal decisions taken during the reporting period with regard to the location or relocation of activities	20-21	●
3.19	Objectives, programmes and procedures relating to economic, environmental and social performance	122	●
3.20	Certifications relating to environmental, economic and social management systems	113	◗
INDICATORS OF ECONOMIC PERFORMANCE			
EC1 - EC2	Net turnover and geographical subdivision of markets	15	●
EC5	Employees total remunerations	120	●
EC6	Remunerations to providers of capital	120	●
EC7	Increase/decrease in undistributed profits at the end of the period	23	●
EC8	Total taxes and duties paid	120	●
EC10	Donations to the community, civil society and other groups	120	●
INDICATORS OF ENVIRONMENTAL PERFORMANCE			
EN1	Consumption of paper	112	◗
EN2	% paper recycled	112	◗
EN3	Direct use of energy	112	◗
EN5	Total use of water		○
EN8	Emissions greenhouse gases		○
EN11	Total waste products by type and destination	112	◗
INDICATORS OF SOCIAL PERFORMANCE			
LA1	Subdivision of the workforce	103	●
LA2	Net creation of jobs and average turnover of personnel	23	◗
LA3	Percentage of employees belonging to trade unions		○
LA4	Policies and procedures regarding information, consultation and negotiation with workers in relation to changes in the organisation's activities	105	◗
LA5 - LA6 LA7 - LA8	Safety and health		○
LA9	Average annual number of hours of training per category of workers	102	◗
LA10	Description of equal opportunities policies and programmes		○
LA11	Composition of management and governing bodies of the business, and other indicators of cultural diversity	103, 131	●
HR1 - HR3	Policies and procedures relating to the respecting of any human rights relevant to the business	105, 107	◗
HR4	Policies, procedures and programmes to prevent any form of discrimination	98	●
HR5	Freedom of association	105	●
HR6 - HR7	Policies prohibiting child labour and forced labour	105	◗
SO1	Policies and programmes for managing impacts on the community	111, 112	◗
SO2 - SO3	Policies, procedures and management systems relating to corruption and political parties support	98, 141	◗
PR1 - PR2	Policies for the health and safety of consumers and for products disclosure	98, 106	◗
PR3	Policies, procedures and management systems for protecting the privacy of consumers		○

Note: included here are only the core indicators which are significant and applicable to the activities of the UniCredit Group
For any further information please contact: UniCredit - Public and Community Relations, Via San Protaso, 1/3 – 20121 Milano, Fax: +39.02.88623924, email: csr@unicreditgroup.eu

Report of the External Auditors

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI

Telefono 02 6763.1
Telefax 02 67632445
e-mail it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors of the review on the social and environmental report

To the Board of Directors of
UniCredito Italiano S.p.A.

1 We have carried out the review of the social and environmental report of the UniCredito Italiano Group (the "group") at 31 December 2006, composed of the "Human Resources and Corporate Social Responsibility" section of the group's "2006 Annual Report" at the same date, prepared in compliance with the "Sustainability Reporting Guidelines" established in 2002 by GRI - Global Reporting Initiative. The preparation of the social and environmental report is the responsibility of the parent's directors. Our responsibility is to issue this report based on our review.

Our work was solely performed on the social and environmental report as defined above and was not extended to the data and information included in the "Introduction", "Strategy, Business Model and Results" and "Corporate Governance" sections of the "2006 Annual Report" which are not part of the social and environmental report. We audited the consolidated financial statements, with respect to which reference should be made to our report dated 12 April 2007.

2 We carried out our work in accordance with the criteria established for review engagements by "International Standards on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information and International Framework on Assurance Engagements", issued by the International Auditing and Assurance Standard Board (IAASB), carrying out the following procedures:

- verifying that the financial data and information included in "The Value Distribution" paragraph of the social and environmental report are consistent with those included in the group's consolidated financial statements as at and for the year ended 31 December 2006, approved by the Board of Directors on 21 March 2007;

- analysing how the processes underlying the generation, recording and management of quantitative data included in the social and environmental report operate. In particular, we have performed the following procedures:

  - interviews and discussions with management delegates and personnel of certain Italian group companies to gather information on the IT, accounting and reporting systems used in preparing the social and environmental report, and on the processes and procedures used to gather, combine, process and transmit data and information of the various group companies to the office that prepares the social and environmental report;

- sample-based analysis of supporting documentation used in preparing the social and environmental report to confirm the effectiveness of processes and their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information;

- analysing the completeness of the qualitative information included in the social and environmental report and its consistency throughout;

- verifying the stakeholders' involvement process, in terms of methods used and completeness of persons involved, and analysis of the minutes of the meetings or of any other information available, with regard to the salient features identified;

- obtaining the representation letter signed by the legal representative of UniCredito Italiano S.p.A. on the compliance of the social and environmental report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit performed in accordance with generally accepted auditing standards. As a consequence, we do not express an opinion on the social and environmental report.

3 The social and environmental report presents the prior year's figures and information for comparative purposes, in conformity with the guidelines and principles based on which the report has been prepared. With respect to the 2005 social and environmental report, which was presented as a stand-alone document, reference should be made to our report dated 21 April 2006.

4 Based on our review, we are not aware of any material modifications or integrations that should be made to the social and environmental report, referred to in paragraph 1, for it to be in conformity with the guidelines governing its preparation.

5 We draw your attention to the following matters set out in the "Sustainability Indicators" paragraph of the social and environmental report at 31 December 2006:

- the group intends to enrich the next issues of the social and environmental reports with further information and social-environmental indicators, while improving the related gathering methods;

- the group intends to progressively extend the reporting scope of certain social-environmental indicators to include consolidated companies operating abroad;

- the group intends to further broaden the dialogue with stakeholders in Italy and to gradually extend this activity to foreign countries.

Milan, 12 April 2007

KPMG S.p.A.

(Signed on the original)

Mario Corti
Director of Audit

Olivo Barbieri, “Tibet Ganden”, 2000, UniCredit Collection.

Corporate Governance

Corporate Governance

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. (Italian stock market regulator). 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 were improved as a result of acquired experience during recent years.

UniCredit prepares an annual "Report on Corporate Governance" for its shareholders that is drawn up in compliance with the provisions of the "Rules of the Markets Organised and Managed by Borsa Italiana S.p.A.", with which it supplies appropriate information about its system of Corporate Governance and its compliance with the Corporate Governance Code.

An internal dealing procedure has been established to monitor the financial operations managed by relevant persons in the Group. This procedure complies with the legal provisions and current regulations and respects the principles expressed by Consob in its communication n.dem/6027054. The procedure also contains practical instructions on complying with the reporting obligations of Germany's market supervisory authority ("Bundesanstalt für Finanzdienstlei-stungsaufsicht" - "BaFin"), arising from the listing of UniCredit shares on the Frankfurt Stock Exchange, in accordance with the applicable local laws and regulations.

The Governance organisational structure: the Board of Directors and its Committees

UniCredit has a so-called traditional administrative organisational 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.

The control of accounting is entrusted to an external auditing company, in compliance with the laws that regulate this matter.

Board of Directors

The UniCredit Board of Directors is composed of nine to twenty-four members. Their term in office is established as three financial years, unless a shorter term is decided at the time of appointment, and expires at the date of the Shareholders' meeting convened to approve the financial statements of their last year in office.

The Board of Directors has adopted its own Regulations which regulate its powers and duties and rules of procedure.

At the date of 21 March 2007 the number of board members - elected for the years 2006/2008 - is 23.

INDEPENDENCE OF DIRECTORS

In accordance with the criteria in the Corporate Governance Code, Directors' independence shall be periodically assessed by the Board of Directors on the basis of the information provided by each interested party. The results of the Board's assessments shall be communicated to the market.

With reference to the directors appointed by the shareholders on 16 December 2005 and whose term in office ends with the approval of the financial statements for 2008), the Board of Directors confirmed on 21 March 2007 that 16 directors met the qualification of "independent director" based on their declarations.

The independent directors are:
Gianfranco Gutty, Anthony Wyand, Manfred Bischoff, Giovanni Desiderio, Vincenzo Calandra Buonaura, Volker Doppelfeld, Giancarlo Garino, Francesco Giacomin, Piero Gnudi, Friedrich Kadrnoska, Max Dietrich Kley, Luigi Maramotti, Dieter Munich, Carlo Pesenti, Hans-Juergen Schinzler, Giovanni Vaccarino.
The non-independent directors are:
Dieter Rampl (Chairman), Franco Bellei, Fabrizio Palenzona, Alessandro Profumo (CEO), Roberto Bertazzoni, Paolo Vagnone, Nikolaus von Bomhard.

STATUS AND ACTIVITIES OF DIRECTORS

Board of Directors at 31 December 2006

BOARD OF DIRECTORS								AUDIT COMMITTEE			REMUNERATION COMMITTEE			APPOINTMENT COMMITTEE			EXECUTIVE COMMITTEE		
OFFICE	MEMBERS	NON EXECUTIVE	INDIPEN AT 31.12.06	INDIPEN AT 21.3.07	(1)	(2)	N° OF POSITIONS (3)	(4)	(1)	(2)	(4)	(1)	(2)	(4)	(1)	(2)	(4)	(1)	(2)
Chaiman	Dieter RAMPL	YES	YES	NO	100%	13	8	X	100%	8	X	100%	10	X	100%	13	X	100%	11
Deputy Chairman substitute	Gianfranco GUTTY	YES	YES	YES	92,31%	13	4	X	87,50%	8	X	100%	10	X	100%	13	X	90,91%	11
Deputy Chairman	Franco BELLEI	YES	YES	NO	100%	13	5	X	100%	8	X	100%	10	X	100%	13	X	100%	11
Deputy Chairman	Fabrizio PALENZONA	YES	YES	NO	100%	13	7				X	77,78%	10	X	83,33%	13	X	100%	11
Deputy Chairman *	Anthony WYAND	YES	YES	YES	84,62%	13	6	X	100%	8	X	75%	4	X	75%	4	X	80%	5
Chief Executive Officer	Alessandro PROFUMO	NO	NO	NO	100%	13	10							X	100%	13	X	100%	11
Director	Roberto BERTAZZONI	YES	YES	NO	92,31%	13	4										X	90,91%	11
Director	Manfred BISCHOFF	YES	YES	YES	61,54%	13	9												
Director	Vincenzo CALANDRA-BUONAURA	YES	YES	YES	100%	13	1												
Director	Giovanni DESIDERIO	YES	YES	YES	100%	13	3												
Director	Volker DOPPELFELD	YES	YES	YES	61,54%	13	2												
Director	Giancarlo GARINO	YES	YES	YES	92,31%	13	2												
Director	Francesco GIACOMIN	YES	YES	YES	100%	13	3										X	100%	11
Director	Pietro GNUDI	YES	YES	YES	69,23%	13	4												
Director	Friedrich KADRNOSKA	YES	YES	YES	92,31%	13	9										X	90,91%	11
Director	Max Dietrich KLEY	YES	YES	YES	76,92%	13	5				X	0%	10	X	16,67	13			
Director	Luigi MARAMOTTI	YES	YES	YES	100%	13	12												
Director	Dieter MÜNICH	YES	YES	YES	100%	13	3										X	100%	11
Director	Carlo PESENTI	YES	YES	YES	53,85%	13	7				X	55,56%	10						
Director	Hans Jürgen SCHINZLER	YES	YES	YES	76,92%	13	4												
Director	Giovanni VACCARINO	YES	YES	YES	76,92%	13	0												
Director	Paolo VAGNONE	YES	NO	NO	76,92%	13	2	X	87,50%	8							X	72,73%	11
Director	Nikolaus von BOMHARD	YES	NO	NO	30,77%	13	3										X	18,18%	11

(1) In this column it is mentioned the percentage of attendance of the directors to the Board and to the Committees.
(2) In this column it is mentioned the numbers of meetings during the office
(3) In this column it is mentioned the number of positions as director covered by the person involved in other listed companies (even listed on other market than the Italian one) in financing, banking, insurance companies.
(4) In this column it is crossed if the Board member is also member of a Committee.

Number of board meeting held during the year 2006

BOARD OF DIRECTORS	EXECUTIVE COMMITTEE	AUDIT COMMITTEE	REMUNERATION COMMITTEE	APPOINTMENT COMMITTEE
13	11	8	10	13

Corporate Governance

Board of Statutory Auditors

OFFICE	MEMBERS	PERCENTAGE OF ATTENDANCE TO THE BOARD OF AUDITORS' MEETINGS	OTHER TASKS (6)
CHAIRMAN	GIAN LUIGI FRANCARDO	100%	
AUDITOR (5)	GIORGIO LOLI	93,33%	
AUDITOR	ALDO MILANESE	93,33%	2
AUDITOR	VINCENZO NICASTRO	100%	2
AUDITOR (5)	ROBERTO TIMO	100%	
ALTERNATE AUDITOR	GIUSEPPE ARMENISE		
ALTERNATE AUDITOR	MARCELLO FERRARI		
NUMBER OF MEETINGS HELD DURING THE FINANCIAL PERIOD ENDING 31 DECEMBER 2006: 15			
QUORUM TO BE FORMED IN ORDER TO ENABLE THE MINORITY SHAREHOLDERS TO PROPOSE THEIR CANDIDATES AS MINORITY AUDITORS: 1% OF THE CAPITAL SHARE HAVING THE RIGHT TO VOTE AT THE ORDINARY MEETING			

(5) Auditor appointed by the minority shareholders.
(6) Number of appointments as directors or auditors held by the parties involved in other listed companies.

Other provisions

EXECUTION POWERS AND TRANSACTIONS WITH RELATED PARTIES

	YES	NO	BRIEF EXPLANATION OF NEGATIVE POSITIONS DIFFERENT
THE BOARD OF DIRECTORS HAS GRANTED EXECUTION POWERS BY DEFINING:	X		
A) LIMITS	X		
B) HOW TO EXERCISE	X		
C) PERIODICALLY REPORT	X		
THE BOARD OF DIRECTORS HAS RESERVED THE RIGHT TO EXAMINE AND TO APPROVE THE TRANSACTIONS OF PARTICULAR ECONOMIC AND FINANCIAL IMPORTANCE (INCLUDING THE TRANSACTIONS WITH RELATED PARTIES)	X		
THE BOARD OF DIRECTORS HAS DEFINED THE MAIN GUIDELINES IN ORDER TO DEFINE THE "RELEVANT" TRANSACTIONS.	X		
THE GUIDELINES MENTIONED ABOVE ARE DESCRIBED IN THE ANNUAL REPORT.	X		
THE BOARD OF DIRECTORS HAS DEFINED SPECIAL PROCEDURES FOR THE EXAMINATION AND THE APPROVAL OF THE TRANSACTIONS WITH RELATED PARTIES.	X		
THE PROCEDURES FOR THE EXAMINATION AND THE APPROVAL OF THE TRANSACTIONS WITH RELATED PARTIES ARE DESCRIBED IN THE ANNUAL REPORT.	X		

APPOINTMENT OF DIRECTORS AND AUDITORS

	YES	NO	BRIEF EXPLANATION OF POSITIONS DIFFERENT FROM THOSE SET IN THE CODE
THE DEPOSIT OF THE NOMINEES FOR THE POSITION AS DIRECTOR HAS BEEN MADE 10 DAYS IN ADVANCE.	X		Although the deposit of the nominees for the position as a director is not a specific provision of the Articles of Association, the Board of Directors has expressed its satisfaction to such a deposit to be made by the shareholders at least 10 days in advance.
THE NOMINEES FOR THE POSITION AS DIRECTOR INCLUDED A SATISFACTORY REPORT.	X		
THE NOMINEES FOR THE POSITION AS DIRECTOR CONTAINED DETAILS ON HOW TO BE CONSIDERED AS AN INDEPENDENT DIRECTOR.	X		
THE DEPOSIT OF THE NOMINEES FOR THE POSITION AS AUDITOR HAS BEEN MADE 10 DAYS IN ADVANCE.	X		
THE NOMINEES FOR THE POSITION AS AUDITOR INCLUDED A SATISFACTORY REPORT	X		

SHAREHOLDERS' MEETING

	YES	NO	BRIEF EXPLANATION OF POSITIONS DIFFERENT FROM THOSE SET IN THE CODE
THE COMPANY HAS APPROVED A SHAREHOLDERS' REGULATIONS	X		
THE REGULATIONS ARE ATTACHED TO THE REPORT (OR IT IS MENTIONED WHERE THEY CAN BE FOUND/ OR DOWNLOADED)	X		

INTERNAL AUDIT

	YES	NO	BRIEF EXPLANATION OF POSITIONS DIFFERENT FROM THOSE SET IN THE CODE
THE COMPANY HAS APPOINTED THE PERSONS IN CHARGE OF THE INTERNAL AUDIT	X		
THE PERSONS IN CHARGE OF THE INTERNAL AUDIT ARE NOT DEPENDENT FROM THE RESPONSIBLES OF THE PROFESSIONAL AREAS.	X		
BUSINESS UNIT IN CHARGE OF THE INTERNAL AUDIT	GROUP AUDIT MANAGEMENT TEAM		

INVESTOR RELATIONS

	YES	NO	BRIEF EXPLANATION OF POSITIONS DIFFERENT FROM THOSE SET IN THE CODE
THE COMPANY HAS APPOINTED A RESPONSIBLE IN CHARGE OF INVESTOR RELATIONS.	X		
BUSINESS UNIT, PHONE AND FAX NUMBER OF THE RESPONSIBLE	Antonella Massari, Responsabile UO Group Investor Relations, TEL +39 02 8862 8136 E-MAIL investorrelations@unicreditgroup.eu FAX +39 02 8862 8503		

Corporate Governance

Committees of the Board of Directors

UniCredit's Articles of Association specify that the Board of Directors constitutes an Executive Committee and delegates powers and authorities to it. Further, to ensure an effective and efficient system of information that will enable the Board of Directors to perform its functions in the best possible manner, three committees have been created within the Board, as recommended in the Corporate Governance Code, and one Commission, each with specific areas of competence, for the purpose of providing consultation and proposals.

EXECUTIVE COMMITTEE

The Executive Committee is designated by the Board of Directors which establishes the number of members, in any case no less than five, for three financial years. The Chairman, the Deputy Chairmen and the CEO are members of the Committee by right.

The Executive Committee is endowed with all the powers and authority delegated to it by the Board of Directors, with particular reference to granting of loans. Within the limits of its delegated powers, it will establish the criteria for managing and supervising Company activities. The Executive Committee may deliberate on any matter requiring urgent attention. Such deliberations must be submitted to the Board of Directors at the first possible meeting thereafter. The Executive Committee normally meets once a month and, in any case, whenever the Chairman deems it necessary or two Members of the Committee request a meeting. Committee meetings may also be convened at the request of two members of the Board of Statutory Auditors.

For the purpose of informing the Board of Directors about the activities undertaken in execution of the powers and authority delegated to the Executive Committee and the CEO, the internal regulations of UniCredit (hereinafter the "Regulations") specify that the Executive Committee, through its Chairman and the CEO, shall present a quarterly report to the Board of Directors in which the activities undertaken in execution of the delegated powers be described as specified in the proxies themselves.

In particular, at the first possible Board meeting the Executive Committee shall provide the Board of Directors and the Board of Statutory Auditors with adequate information on transactions that significantly affect the economic and equity situation or that can involve problems, and on transactions between group companies or with related parties, or atypical and unusual transactions with respect to the normal conduct of business, carried out by the Executive Committee and any bodies to whom it may have delegated authority.

AUDIT COMMITTEE

The Audit Committee has 5 members who are non-executive directors, the majority of whom are independent. The Chairman of the Board of Directors and the First Deputy Chairman are members of the Committee by right. The other members must be selected on the basis of those best equipped and willing to carry out this function. The Committee elects, from among the other members with the exception of those who are members by right, a Chairman and a Secretary; the latter, who need not be a member of the Committee, takes the minutes of every meeting.

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 Committee. The following officers may be called upon to attend meetings of the Committee, even separately, with regard to specific matters: the Chief Executive Officer, the Chief Accountant, the Head of Internal Audit, and other members of the Headquarters Management.

Duties and procedures

The Committee carries out investigative, consultative and proposal-making functions. Amongst its activities, the Audit Committee:

A. assists the Board of Directors in issuing guidelines for the internal control systems as well as in periodically checking their suitability and effectiveness, and assists the activity of the Board itself to ensure that the main business risks are identified and dealt with appropriately; analyses the periodic reports of the auditing activities;

B. assesses the work plan drawn up by those responsible for risk management control and for auditing activities, and receives their periodic reports;

C. assesses, with the management of the company and auditors, the suitability of the accounting principles used and their uniformity for the purposes of drafting the consolidated financial statements; examines the process of drafting the quarterly and semi-annual reports and the annual financial statements, on the basis of the reports from those responsible for these functions;

The Audit Committee may be consulted, when requested by the Board of Directors, to assess operations with related parties and operations in which there may be, directly or indirectly, a situation of conflict of interests.

The Audit Committee also reports to the Board of Directors at least every six months on the occasion of approval of the financial statements and the semi-annual report on operations, on the adequacy of the internal controls and on the situation of relations with the auditing firms.

NOMINATIONS COMMITTEE

The Nominations Committee is composed of 7 members. The Chairman of the Board, the Deputy Chairmen and the CEO are members by right. The other members of the Committee are designated by the Board among the non-executive Directors. The Secretary, who need not be a member of the Committee, takes the minutes of every meeting. The Committee is chaired by the Chairman of the Board.

Duties and procedures

The Committee carries out investigative, consultative and proposal-making functions. It is called upon to express evaluations on the following matters:

A. on candidates for appointment to the Executive Committee and the Parent Company's consultative committees;
B. on the appointment by co-optation of new members to the Parent Company's Board of Directors, as proposed by the Chairman of the Board;
C. formulation of opinions about candidates for the office of Chairman, Deputy Chairman, Chief Executive Officer, director and statutory auditor in "relevant companies".
D. formulation of opinions about candidates for appointment to the Parent Company's top management.

REMUNERATION COMMITTEE

The Remuneration Committee is composed of 7 members. The Chairman of the Board and the Deputy Chairmen are members by right. The other members of the Committee are designated by the Board among the non-executive Directors. The Committee is chaired by the Chairman of the Board who will not participate in the meetings that must examine the approval of his own remuneration.

Duties and procedures

The Committee carries out investigative, consultative and proposal-making functions, and is called upon to express opinions on the following matters:

A. preparation of proposals for the remuneration of directors who are appointed to particular positions in the Parent Company;
B. formulation of opinions about the definition of proposals for the gross remuneration for members of the Boards of Directors and the Executive Committees of the "relevant companies";
C. preparation of proposals, as directed by the CEO of the Parent Company, to determine the criteria for the remuneration of the Group's Top Management (Alta Dirigenza del Gruppo) and for linking part of such remuneration to the achievement of predetermined targets;
D. to examine preparatory documents and revisions of documents for stock options and stock granting plans for the employees of the Group.

CORPORATE GOVERNANCE COMMISSION

A temporary Corporate Governance Commission has been appointed, composed of 6 Directors, the majority of whom were chosen among independent and non-executive directors; the Commission is charged with the responsibility for reviewing internal corporate governance procedures so that the Board of Directors may exercise its prerogatives in the most profitable manner: in particular, the Commission may evaluate the possibilities of varying the distribution of duties among the Board itself and the delegated bodies.

Corporate Governance

Operations with related parties

It is established company practice, in the performance of its activity, to respect at all times the criterion of substantial correctness in transactions with related parties, as identified by the CONSOB, with reference to the international accounting principle known as "IAS 24".

As regards procedural profiles, as a listed issuer, in the 90's the company had already defined – in compliance with the recommendations made on the subject by CONSOB – a process for monitoring and informing the Board of Directors (and the Board of Auditors) about transactions concluded with related parties. This process is intended to formalise the flow of information to the Board of Auditors, with information about the characteristics, the parties involved and the associated effects on the company's balance sheet, income statement and financial position, for all transactions with related parties. Appropriate information in this connection has also been provided periodically, in the management report that accompanies the annual financial statements.

UniCredit, always conscious of its position as a listed issuer, is also required to respect the information requirements foreseen in the CONSOB regulations in force, in relation to 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 year 2003 the UniCredit Board of Directors deliberated the definition of the criteria of identification of operations carried out with related parties, in compliance with the instructions provided by Consob in its communication no. 2064231 of 30 September 30 2002.

This being the case with regard to intra-group transactions and/or transactions with related parties in general, both Italian and foreign, carried out by UniCredito Italiano, during 2006 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 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.

While complying with the principle set out in art. 2391 of the Italian Civil Code on the subject of directors' interests, the Company must also comply 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 favourable 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. 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 which they appoint their Chairman, and two alternate Statutory Auditors.
The standing and alternate Statutory Auditors may be re-elected. Statutory Auditors may not assume the office of auditor with more than 10 companies not belonging to the UniCredit Group.

The standing and alternate members of the Board of Statutory Auditors are selected from lists of candidates.

The Board of Statutory Auditors is composed of Gian Luigi Francardo (Chairman), Giorgio Loli, Aldo Milanese, Vincenzo Nicastro and Roberto Timo (Standing Auditors). Giuseppe Armenise and Marcello Ferrari are alternate Statutory Auditors.

Shareholders' Meetings

Shareholders' Meetings may be attended by those holders of ordinary shares who, though already registered in the Shareholders' Register, provide a notice from the broker holding their accounts stating that the shares have been lodged according to the law at least two days before the date on which the Meeting is due to take place. During this period and until the Meeting has taken place, shares shall remain unavailable.

Persons entitled to attend Shareholders' meetings may be represented by proxy; the representative need not necessarily be a shareholder in compliance with art. 13 of the Articles of Association, art. 2372 of the Civil Code, and articles 136 to 144 of Legislative Decree no. 58/98.

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 in shareholders' meetings: for this reason, it has for some time put in place a set of regulations for shareholders' meetings designed to ensure smooth conduct of the meetings.

Main Shareholders

As at 31 December 2006 UniCredit's share capital totalled €5,219,125,766.50 and was divided into 10,438,251,533 fully subscribed and paid-up shares of €0.50 each, including 10,416,544,981 ordinary shares and 21,706,552 savings shares.
As at 31 December 2006, the Shareholders' Register showed the following:

- There were approximately 256,000 shareholders.
- Italian resident shareholders held around 54.51% of capital and foreign shareholders 45.49%.
- 92.36% of ordinary capital stock is held by legal entities and the remaining 7.64% by individuals.

As at the same date, the main shareholders were as follows:

Principal UniCredit shareholders (holding of more than 2%) as of January 2007

SHAREHOLDER	ORDINARY SHARES	% OWNED[1]
1. Munich Re Group	499,559,020	4.796%
2. Cassa di Risparmio di Torino Foundation	491,744,753	4.721%
3. Cassa di Risparmio Verona, Vicenza, Belluno e Ancona Foundation	491,718,824	4.720%
4. Carimonte Holding S.p.A.	445,467,993	4.276%
5. Allianz Group	322,239,944	3.093%

1. As a percentage of ordinary capital.

CAPITAL STOCK AS OF JANUARY 2007	SHARES	EURO
Total shares	10,438,571,533	5,219,285,766,50
Ordinary shares	10,416,864,981	5,208,432,490,50
Savings shares	21,706,552	10,853,276,00

Management Committee

This Committee provides advice for the Chief Executive Officer, supports the managing activities within the Group and ensures that decisions are executed.

It meets on a weekly basis.

Paolo Fiorentino

Head of Global Banking Services Division

Born in Naples (Italy) on 23 January 1956

Andrea Moneta

Head of Poland's Market Division

Born in Naples (Italy) on 1 September 1965

Rino Piazzolla

Head of Human Resources Strategy

Born in Milan (Italy) on 5 March 1953

Henning Giesecke

Chief Risk Officer

Born in Munich (Germany) on 6 May 1960

Erich Hampel

Head of CEE Division

Born in Vienna (Austria) on 25 February 1951

Sergio Ermotti

Head of Markets & Investment Banking Division

Born in Lugano (Switzerland) on 11 May 1960

Dario Frigerio

Head of Private Banking and Asset Management Division

Born in Monza (Italy) on 24 June 1962

Ranieri de Marchis

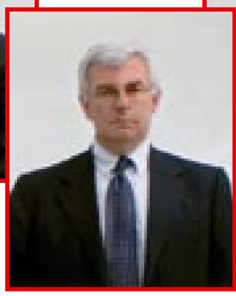
Chief Financial Officer

Born in Livorno (Italy) on 8 January 1961

Roberto Nicastro

Head of Retail Division

Born in Trento (Italy) on 9 December 1964



Alessandro Profumo

Chief Executive Officer

Born in Genoa (Italy) on 17 February 1957

Franz Herrlein

Chief Integration Officer

Born in Regensburg (Germany) on 4 May 1967

Vittorio Ogliengo

Head of Corporate Division

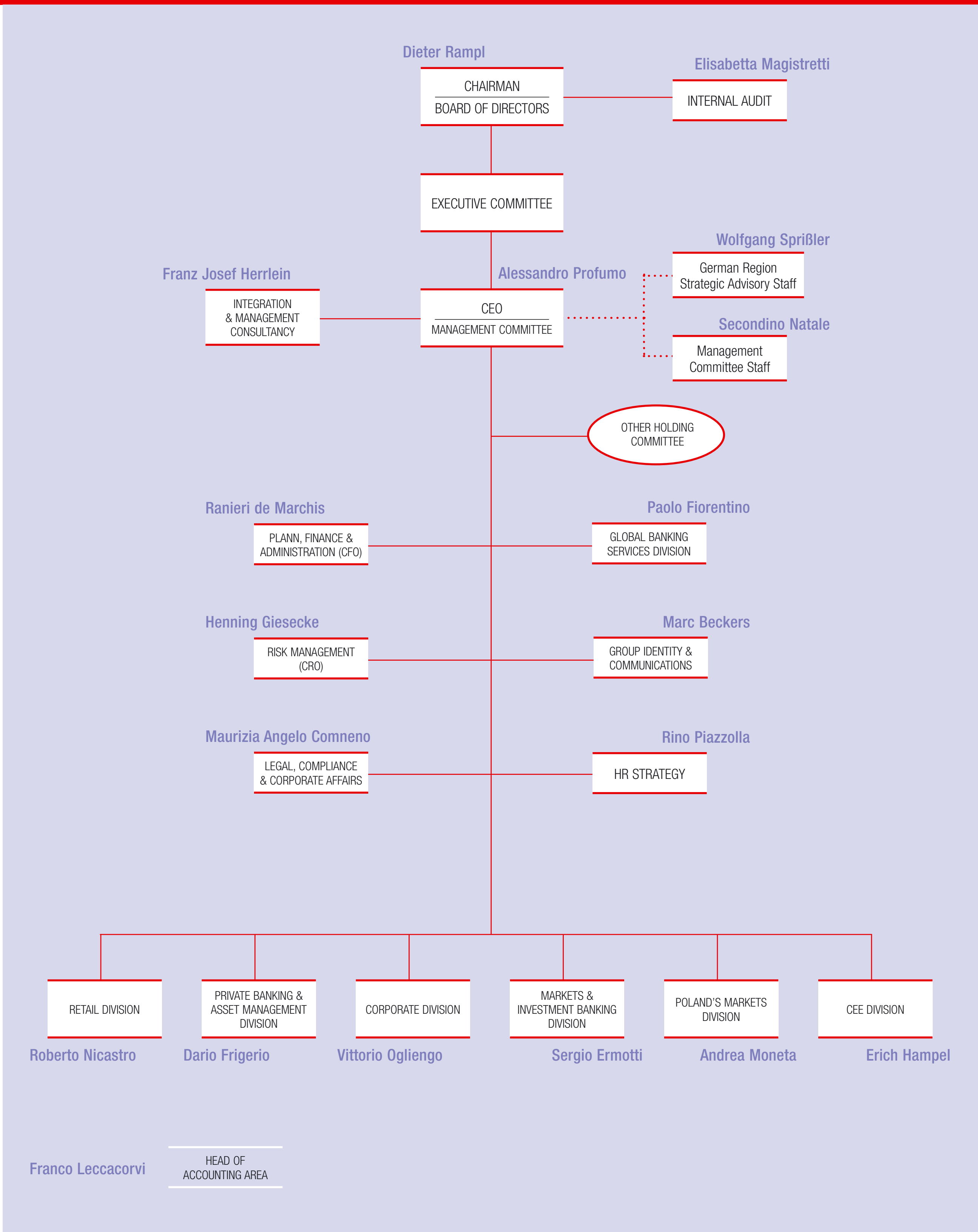
Born in Asti (Italy) on 5 March 1958

Wolfgang Sprißler

Head of the German Region Strategic Advisory Staff

Born in Tübingen (Germany) on 3 December 1945

General Management



LD 231/01 - Company Liability: the Group Organisation and Management Model

In 2004 UniCredit adopted a Group Organisation and Management Model as required by Italian legislation (LD 231/01, which governs company liability in respect of offences committed by directors, managers or employees in the interests of the company) and set up a Supervisory Body with independent powers to take action and control, charged with oversight of the functioning and compliance of the Model and to ensure that it is updated.

Various activities were carried out in 2006 to implement the Model.

As required by the 2006 Plan of Controls the Internal Audit Department carried out follow-up audits on three Group HQ units, viz.: International & Correspondent Banking (now Group Financial Institutions and Trade Finance); M.& A. and Business Development (now Group M & A and Business Development); and Group Treasury. These units had manifested weaknesses in risk management in 2005 audits. The follow-up audits showed that these units had made the necessary internal adjustments to implement the auditors' recommendations. International & Correspondent Banking (now Group Financial Institutions and Trade Finance), Group Shareholding Operations Shareholding Administration and Industrial Relations amended their decision protocols.

Revision of the Model was begun, to take account of the new offences underlying company liability, i.e., misuse of privileged information and market manipulation. To this end all unit heads were asked to undertake a self-assessment to ascertain not only whether the risk that one of these offences might be committed in the course of their unit's operations, but also to assess the risk with reference to offences already mapped previously, on account of the numerous organisational changes that occurred in the meantime. This operation involves 76 unit heads, of which 62 have carried out self-assessment and 50 have been interviewed so far.

A workgroup was set up - with the assistance of Process Analysis and Monitoring, Compliance, and Holding Company Internal Audit - to interview all unit heads and map risk.

Group HQ continued to check the process of adoption of models by Group entities based in Italy. The process is largely complete: out of 34 entities, 28 have adopted the Model. The other six have been asked to complete the work in the shortest possible time.

Maria Grazia Toderi, "Rendez-vous (Gemini 6 e Gemini 7)", 2005, UniCredit Collection.