

G O O D P R A C T I C E

***Social
and Environmental
Report 2003***



UniCredito Italiano - Italian Stock Company
Registered office: Genoa, Via Dante, 1
General Management: Milan, Piazza Cordusio
Registered in Genoa Trade and Companies Register (Court of Genoa)
Tax Code and VAT Reg. No. 00348170101
Entered in the Register of Banks and Parent Company
of the UniCredito Italiano Banking Group
Banking Group Register No. 3135.1
Member of the Interbank Deposit Protection Fund
Capital stock: € 3.158.168.076 fully paid in

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and Environmental
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Letter of the Chairman and Managing Director/CEO

The publication of this fourth edition of the Social and Environmental Report provides UniCredit with an opportunity to reflect on the importance and ongoing issues of a movement that has accompanied the Group's growth in recent years.

The effort has focused primarily on the gradual "construction" of a strong identity that would clearly rely on shared values and behaviour, gradually leading to the concept of "social responsibility". To strengthen these values, each year we have put more effort into designing initiatives enabling us to achieve commitments and improve the consistency of related action taken.

And just as we expected, the further we went down this path, the more complex the issues we faced, and the higher expectations of the various stakeholders rose.

With the carrying out of the S3 project, the company successfully brought to a close an extraordinary organisational transformation. Then, in order to reinforce the three new banks, which are specialised by customer segment, it was necessary to oversee and monitor the entire transformation

«The further we went down this path, the more complex the issues we faced, and the higher expectations of the various stakeholders rose»



process, and overcome the understandable initial disorientation and resistance by redefining and strengthening the tools needed to build the Group's identity.

Internally this meant increasing opportunities for formal and informal meetings among various organisational levels with a positive approach to dialogue and the exchanging ideas.

Externally, in those areas where our former federated banks had the greatest presence, we aimed to embody the values that defined each of them. Their enhancement is currently one of

the most topical issues from the standpoint of creating a "new way of banking". We involved our main associates in each area including institutions, members of the business community, associations, cultural and voluntary organisations and created the first Local Committees charged with promoting development and growth at the local level.

Towards the end of the year, our attention was focused on events surrounding the default of Argentina, Cirio and

Parmalat bonds, which had significant implications from the standpoint of social responsibility also for our Group. Investors in fact believe that banks are one of the main parties responsible for what happened.

It is obvious that events of this significance gave us and the banking industry as a whole cause to reflect on how such events could have happened. The result will be a thorough rethinking of organisational and individual tools, relationships and actions.

The issue raised does indeed centre around the ability of our structures to embrace change and the need to assess them, but most of all, it stresses that the quality of our Group and staff, our personal and professional integrity, and our openness and desire to discuss matters will ensure that harmful situations will not be repeated, especially for our customers.

The action taken in response to these events (described in greater detail on the following pages) confirms these convictions, and in particular the steps taken in the past have allowed us to be considered as a proper and trustworthy organization.

«The focus on aspects of social responsibility is essential for maintaining an environment of trust and credibility, both internally and with our customers»



In light of all these events, the focus on aspects of social responsibility in business management represents the key element for maintaining an environment of trust and credibility, both internally and with our customers. We must continually strive to improve our efforts in this area.

External events and internal maturity have confirmed the absolute importance of the professionalism and personal ethics of human resources in their relationships with savers. Despite the problems that remain in a troubled environment, the work done by the Group continues to be of high quality, and the performance of individuals is nothing short of remarkable. As our accounts demonstrate, our vision of social responsibility also has tangible results. We are on the right path, and we will follow it with the utmost determination.

Carlo Salvatori
Chairman

Alessandro Profumo
Managing Director/CEO

Introduction

Markets and society have a growing perception that the factors that allow a company to achieve long-lasting growth include a number of aspects in addition to the ability to generate profits. The focus on the development and the satisfaction of human resources, environmental protection, the safeguard of health and safety in the workplace, the guarantee of transparent and truthful communication of relevant information, and the attention paid to the needs of society as a corporate citizen have now become essential for the social legitimacy of each corporate organisation.

These aspects concern corporate values, corporate identity, the rules and procedures through which its identity emerges.

It is not just a matter of stating the values and codes of behaviour adopted, but also of providing information that will make it possible to understand how these are actually disseminated, shared and put into practice within the organisation, and especially how they are used in operations (definition of strategic guidelines, policies, goals and related action plans).

The UniCredit Group responds to this need with the annual publication of the social and environmental report, which is now in its fourth edition.

When applied at the socio-environmental level, the concept of an “annual report”, which brings to mind disclosure based on rigid accounting principles, acquires a broader meaning, best expressed by the concept of “accountability”. This method of reporting, when applied to the broad variety of issues that concern corporate interlocutors, requires a commitment to identify their requirements, gather data and information that meet these needs and provide transparent, accurate and precise communication.

In 2003, this commitment was demonstrated in several areas.

■ The area of reporting efficiency, it focused on finding a form of expression and reporting based on a clear representation of information in line with the communication strategy. As a result, the report covers the Group and its experience in four sections that describe:

- the Group: a presentation on the Group and its organisation;

- the identity: a description of the values that guide our activities, the principles of action that underly the policy of social responsibility, and a presentation of the strategic goals for 2004
- the actions: a description of operations during the year, in keeping with the obligations assumed and action principles defined.
- the measure of value: a presentation of the procedures we intend to use to measure and report the value created.

The need for providing greater clarity is met by including a summary of data and ratios used, compared with the best useful indicators identified by guidelines of the main reference standards and tables (criteria defined by the Italian Banking Association and international guidelines of the Global Reporting Initiative, 2002 edition).

■ In the area of involvement and dialogue with stakeholders, efforts were continued with a focus on analysing, identifying and managing the needs of the main corporate interlocutors by taking several significant steps (customer projects, spending a week in branches, transparent contracts, people satisfaction and local committees). These activities fall under

the process of managing relationships with stakeholders. This process attaches a broader meaning to reporting and sees it as a tool for governance, self-regulation and management of good corporate citizenship.

■ In the area of broader scope of reporting a project was launched for defining the methods and tools for the systematic gathering of data and information for all Group banks and companies. This will make it possible to broaden the scope of the report, which until now has been restricted (given the continual evolution of the organisational model) by the availability of complete data, which we intend to gather in a more structured form through the creation of a “tableau de bord”.

■ In the area of measuring value a model for measuring UniCredit’s intangible assets (human, organisational and relationship assets) is being researched and defined. These are those intangible assets that contribute significantly to the generation of value and economic growth. Thus, the social and environmental report aims to cast light on, communicate and disseminate, those aspects that are not found in traditional annual reports.

Indicators view

This table provides the information, which, in our opinion, should be included in the Social and Environmental Report. At present, not all items are fully covered in the document. Thus, this table will make it possible, through a year-to-year comparison, to show our path towards consolidated social and environmental reporting. The table also lists all the data and information contained in the report with an indication, where in-depth information on various topics can be found within the document.

LEGEND	●	TOTAL COVERAGE OF REFERENCE AREA	○	INFORMATION NOT AVAILABLE IN DOCUMENT	
	◐	PARTIAL COVERAGE OF REFERENCE AREA	QL	QUALITATIVE INFORMATION	QN

	TOPICS	INFORMATION/DATA	COVERAGE	TYPE	PAGE	NOTES	
GENERAL	VISION AND STRATEGIES	LETTER OF MANAGING DIRECTOR/CEO AND CHAIRMAN	●	QL	4 - 5		
		MISSION	●	QL	31		
		VALUES	●	QL	31		
		STRATEGIC DIRECTION OF SOCIAL RESPONSABILITY	●	QL	32 - 33		
		SOCIAL RESPONSABILITY POLICIES	◐	QL	34 - 35		
		ORGANISATION FOR SOCIAL RESPONSABILITY	○				
	PROFILE	HISTORY	●	QL	12		
		ORGANISATIONAL MODEL	●	QL	12 - 17		
		BOARD OF DIRECTORS, BOARD OF AUDITORS	●	QL	22 - 23		
	CORPORATE GOVERNANCE	COMPOSITION AND OPERATION OF BOARD OF DIRECTORS AND BOARD OF AUDITORS	●	QL	24 - 26		
		POWERS DELEGATED TO DIRECTORS	●	QL	27		
	SUPPLEMENTAL INFORMATION	CODE OF CONDUCT	○			IN PROGRESS	
		CONTACTS	●	QL	102		
METHODOLOGICAL ELEMENTS		●	QL	6 - 7			
REFERENCE STANDARD		●	QL	7			
SOCIAL AREA	EMPLOYEES PROFILE	TOTAL EMPLOYEES	●	QN	46		
		COMPOSITION OF STAFF BY CATEGORY	●	QN	47 - 48		
		LOCATION OF EMPLOYEES	●	QN	18 - 20		
		DEGREE	●	QN	53		
		BREAKDOWN BY AGE CATEGORY	●	QN	53		
		COMPENSATION	◐	QN	55		
		STOCK GRANT	●	QN	55		
		STOCK OPTION	●	QN	55		
		CORPORATE SERVICES	◐	QL	55		
		EMPLOYEE SATISFACTION INDEX	○			IN PROGRESS	
		INVOLVEMENT SYSTEMS	◐	QL - QN	48 - 52		
		ASSESSMENT, COMPENSATION AND INCENTIVE SYSTEMS	●	QL - QN	54 - 56		
		INCENTIVES ORIENTED TOWARDS SOCIAL RESPONSIBILITY	○				
		TURNOVER	○				
	TRAINING	HIRES - REDUCTIONS	◐	QN	47		
		CONTRACTUAL HIRING FORMS	●	QL	46		
		HOURS OF TRAINING	●	QN	54		
		TRAINING PROGRAMMES	●	QL	52 - 54		
		EQUAL OPPORTUNITY	RATIO OF MEN TO WOMEN	●	QN	46	
			PART TIME VS. FULL TIME	●	QN	46	
			PROTECTED CATEGORIES	◐	QN	46	
		INDUSTRIAL RELATIONS	COMPOSITION OF SENIOR MANAGEMENT	●	QN	48	
			RATE OF UNION PARTICIPATION	●	QN	56	
			NEGOTIATING POLICIES AND PROCEDURES	○			
	HEALTH AND SAFETY	EMPLOYEE DISPUTES	○				
		SAFETY MANAGEMENT	●	QL	56		
		NO. OF ACCIDENTS	●	QN	57		
	INTERNAL COMMUNICATIONS	ABSENTEE DAYS DUE TO ILLNESS	◐	QN	56		
		COMMUNICATION TOOLS	◐	QL	48 - 49		
		NO. OF VISITS TO PORTAL	●	QN	48		
SECURITY		ACTIVITY	◐	QL	57		
	NO. OF ROBBERIES	◐	QN	57			
SOCIETY ACTION POLICIES CONTRIBUTIONS INVOLVEMENT	GUIDELINES FOR ASSESSING SOCIAL IMPACT	○			IN PROGRESS		
	AMOUNT	●	QN	73, 82			
	GROUP	●	QL - QN	73 - 75, 79			

	TOPICS	INFORMATION / DATA	COVERAGE	TYPE	PAGE	NOTES	
SOCIAL AREA	INVOLVEMENT	FOUNDATION	●	QL - QN	76 - 78		
		RELATIONSHIPS WITH LOCAL AREA	●	QL	60		
	ADDED VALUE	MANAGEMENT METHODS	●	QL	60		
		ACTIVITY	●	QL - QN	61 - 62		
	CUSTOMERS PROFILE	REPRESENTATIVES INVOLVED	●	QL	61		
		CALCULATION AND DISTRIBUTION	●	QN	82		
	CUSTOMERS	PROFILE	NO. OF CUSTOMERS	○			
			NO. OF CUSTOMERS BY DIVISION	○			
			NO. OF INTERNET BANKING CUSTOMERS	○			
			GEOGRAPHIC LOCATION	○			
			SATISFACTION INDEX	⦿	QN	38, 91	
			COMPLAINT MANAGEMENT	⦿	QL	44	
			NO. OF COMPLAINTS RECEIVED	⦿	QN	44	
			TYPE OF COMPLAINTS RECEIVED	⦿	QL	44	
			AMOUNT PER PAID COMPLAINT	⦿	QN	44	
			POLICIES	CREDIT POLICIES BY TYPE OF ACTION	⦿	QL	68 - 69
	RESPONSIBLE LENDING	PRODUCTS AND TOOLS	●	QL	69 - 72		
	OUTSIDE COMMUNICATIONS SECURITY	TOOLS AND TYPES	○				
		TREATMENT OF "SENSITIVE DATA"	⦿	QL	44 - 45		
	INVESTORS	INFORMATION ON CAPITAL REMUNERATION-RISK	COMPOSITION OF CAPITAL STOCK	●	QN	59	
			STOCK PERFORMANCE	●	QN	59	
			RISK LEVEL OF STOCK	●	QN	96	
FINANCIAL COMMUNICATION		TYPES	⦿	QL	58 - 59		
		NUMBER	⦿	QN	59		
SUPPLIERS		PROFILE	TYPE	○			
	NUMBER		○				
	SATISFACTION		○				
	PERFORMANCE	SELECTION POLICIES	⦿	QL	72		
NO. SELECTED		⦿	QN	72			
ENVIRONMENTAL AREA	MANAGEMENT	POLICY	●	QL	64		
		METHOD	⦿	QL	65		
		ENVIRONMENTAL AUDITS	⦿	QN	65		
	DIRECT ASPECTS	POWER CONSUMPTION	⦿	QN	66		
		WATER USAGE	⦿	QN	66		
		WASTE PRODUCED	⦿	QN	68		
		RAW MATERIALS USED	⦿	QN	68		
		CO ₂ EMISSIONS	⦿	QN	67		
		MOBILITY MANAGEMENT POLICIES	○				
	INDIRECT ASPECTS	CREDIT POLICIES	●	QL	68		
		LOAN RISKS	⦿	QL	69		
		FINANCIAL SERVICES AND TOOLS	⦿	QL	69 - 72		
		CREATING AWARENESS AMONG SUPPLIERS	⦿	QL	72		
		SELECTION OF SUPPLIERS	⦿	QL - QN	72		
	TRAINING	TRAINING PROGRAMMES	⦿	QL	68		
		HOURS OF TRAINING	⦿	QN	68		
	ECONOMIC AREA	ECONOMIC AND ASSETS DATA	BALANCE SHEET	●	QN	83	
			INCOME STATEMENT	●	QN	84	
DISTRIBUTION OF GROSS GLOBAL VALUE ADDED			●	QN	85		
ANNUAL COMPOSITE REVENUE GROWTH			●	QN	85 - 86		
COST / INCOME RATIO			●	QN	93		
FINANCIAL DATA		RETURN ON EQUITY	●	QN	93		
		MARKET CAPITALISATION	●	QN	93		
		VALUE CREATION	●	QL - QN	92 - 93		
		RISK REMUNERATION	●	QL - QN	92 - 93		





The Group

ORGANISATION

CORPORATE GOVERNANCE

Organisation

The UniCredit Group was formed in 1998 in Italy through a combination of Credito Italiano and Rolo Banca 1473 with Cassa di Risparmio di Torino, Cassamarca and Cariverona. In 1999 Cassa di Risparmio di Trento e Rovereto and Cassa di Risparmio di Trieste joined the Group.

Between 1999 and 2000 the Group embarked on a strategy to penetrate markets in the New Europe: a controlling interest was acquired in Bank Pekao (the largest private bank in Poland), in the Slovakian Polnobanka (currently UniBanka), in Bulbank (the largest bank in Bulgaria), in Demirbank Romania (currently UniCredit Romania) and in the Croatian banks Zagrebacka Banka and Splitska Banka (sold to Bank Austria in 2002).

In addition, in 2000, the companies operating in the asset management sector were acquired from the Pioneer Group in Boston to form Pioneer Global Asset Management.

At the end of 2001, S3 project was launched for the structural and functional reorganisation of the Group's seven Italian banks already mentioned based on a business model that led to the establishment, at the beginning of 2003, of three new banks specialised by customer segment:

■ UniCredit Banca, targeting households and small businesses (retail segment);

■ UniCredit Banca d'Impresa, specialising in the distribution of financial products for medium and large companies and for government agencies (corporate segment);

■ UniCredit Private Banking, specialising in wealth management for high net-worth individuals and wealth management for medium to high net-worth households (the private segment).

In 2002 the Group's expansion in Europe continued with the signing of an agreement with the Koç Group (one of the largest private groups in Turkey) for an equal partnership in banking and financial services. In 2003, Zivnostenska Banka, one of the largest commercial banks in the Czech Republic, was acquired.

Nowaday, UniCredit is a multi-specialist, international banking group that operates in Italy and Central and Eastern European countries through an operating network of banks, finance companies and other service companies. It also has a presence in other parts of the world through an international network consisting of 7 branches and 11 representative offices.

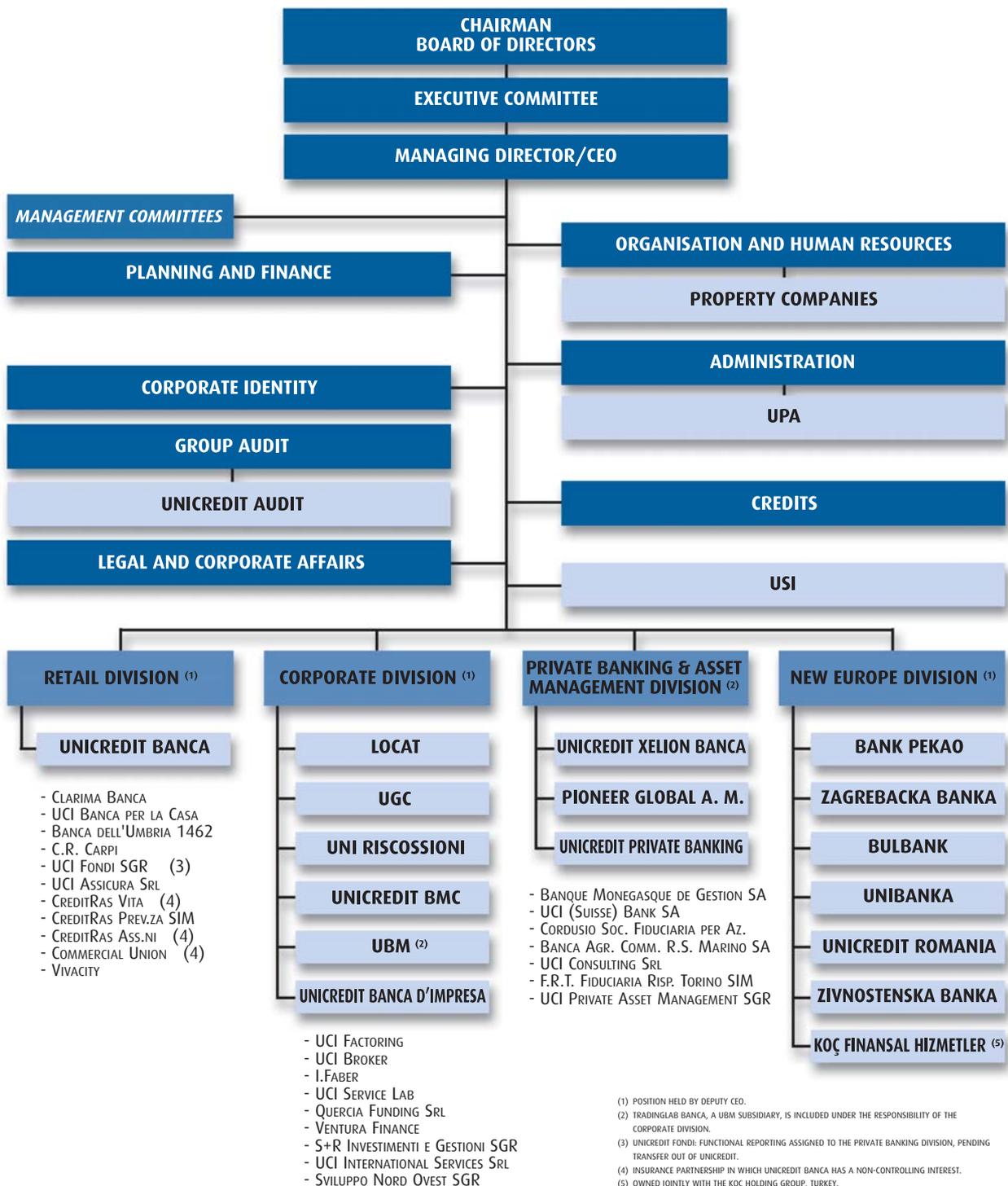
The Group is divided into the following divisions:

- Retail Division;
- Corporate Division;
- Private Banking and Asset Management Division;
- New Europe Division.

This structure reflects the adoption of the S3 Project and aims to take full advantage of benefits derived from the centralised administration of individual customer segments and growth opportunities offered by the market through leveraging specialised skills available to customers and through a strong presence in local areas.

The centralised administration of operations is assigned to the Parent Company, UniCredito Italiano SpA, which maintains the responsibility for maximising the Group's overall value through the strategic planning and control of the Divisions' activities, the management of profit centres under their responsibility, and the provision of common services which are not structured as dedicated companies.

STRUCTURE OF GENERAL MANAGEMENT AND DIVISIONS



(1) POSITION HELD BY DEPUTY CEO.

(2) TRADINGLAB BANCA, A UBM SUBSIDIARY, IS INCLUDED UNDER THE RESPONSIBILITY OF THE CORPORATE DIVISION.

(3) UNICREDIT FONDI: FUNCTIONAL REPORTING ASSIGNED TO THE PRIVATE BANKING DIVISION, PENDING TRANSFER OUT OF UNICREDIT.

(4) INSURANCE PARTNERSHIP IN WHICH UNICREDIT BANCA HAS A NON-CONTROLLING INTEREST.

(5) OWNED JOINTLY WITH THE KOÇ HOLDING GROUP, TURKEY.

Organisation

BUSINESS DIVISIONS

Retail Division

The Division includes UniCredit Banca and UniCredit Banca and its subsidiaries, especially Clarima Banca and UniCredit Banca per la Casa. The Division also includes all insurance companies in which UniCredito has significant equity investments, and which are instrumental in the distribution of specific products.

Corporate Division

The Division includes UniCredit Banca d'Impresa as well as UniCredit Banca Mobiliare, TradingLab Banca, Locat, UniCredit Banca MedioCredito, UniCredito Gestione Crediti, Uniriscossioni. The Division also includes UniCredit Factoring, UniCredit Broker, I-Faber and the other equity investments allocated to UniCredit Banca d'Impresa. The foreign branch network, Correspondent Banking, Custodian Banking Services and institutional customer relationships also fall under the Corporate Division.

Private Banking and Asset Management Division

The Private Banking and Asset Management Division is made up of UniCredit Private Banking, the sub-holding company Pioneer Global Asset Management and UniCredit Xelion Banca. The Division also includes the Group's foreign offices specialising in private banking, Cordusio Fiduciaria Company and other subsidiaries allocated to UniCredit Private Banking.

New Europe Division

The New Europe Division concentrates on the planning and co-ordination of the Group's banks in Central and Eastern Europe. It is in charge of promoting and managing the Retail and Corporate banking operations in these foreign markets with the goal of maximising the Group's value and becoming the leading Banking Group in New Europe. The Division also supports banks in the preparation of strategic and operating plans; in management controls; the implementation of excellent methods, processes and loan management, together with Credits Department; and the implementation of projects involving organisational changes and the development of information systems.

HEAD OFFICE DEPARTMENTS

Legal and Corporate Affairs

Legal and Corporate Affairs is responsible for ensuring accurate legal and corporate compliance, reviewing changes in regulations and providing standard interpretation at the Group level. This unit has the task of identifying the best corporate method for implementing acquisition and Group restructuring projects, the ongoing review of legal changes, preparation of legal opinions, drafting of intra-group service contracts and general legal consulting services.

Group Audit

Group Audit is responsible for contributing to the protection of Group assets and corporate stability by providing a "reasonable guarantee" that the organisation can achieve its objectives in an efficient manner. The unit is charged with assessing the functionality of the entire internal control system at Group level, the effectiveness and efficiency of operating processes, and with monitoring the correctness of operations and their compliance with laws, regulations and the Parent Company's plans.

Corporate Identity

Corporate Identity is responsible for formulating and disseminating a strong Group identity through brand co-ordination, the management of public and institutional relations, the management of internal communications in collaboration with Organisation and Human Resources, and public communications, the development of environmental policy, the preparation of the Social and Environmental Report, the coordination of local committees and co-ordination of dealings with the Unidea Foundation.

Credits

Credits is responsible for strategic planning in the area of credit risk management and control, overseeing the assessment of the creditworthiness of major groups, the planning and implementation of excellent processes and tools for the loan approval process, monitoring and recovery, and the management of major loan restructuring.

Administration

Administration is responsible for managing the Group's centralised acquisition processes, optimising operating expenses, accounting and tax compliance, making reports for regulators, compliance in the area of the Group's equity investments and overseeing operating risks. Administration includes the Group's centralised production company (UniCredit Produzioni Accentrate).

Planning and Finance

Planning and Finance is responsible for Asset and Liability Management, the management of the Group's Treasury, planning activities and oversight of the holding company. Planning and Finance is also responsible for co-ordinating planning at Group level, Investor Relations, Mergers and Acquisitions, the management of market risk, the consolidation of overall risk and the related process of capital allocation.

Human Resources and Organisation

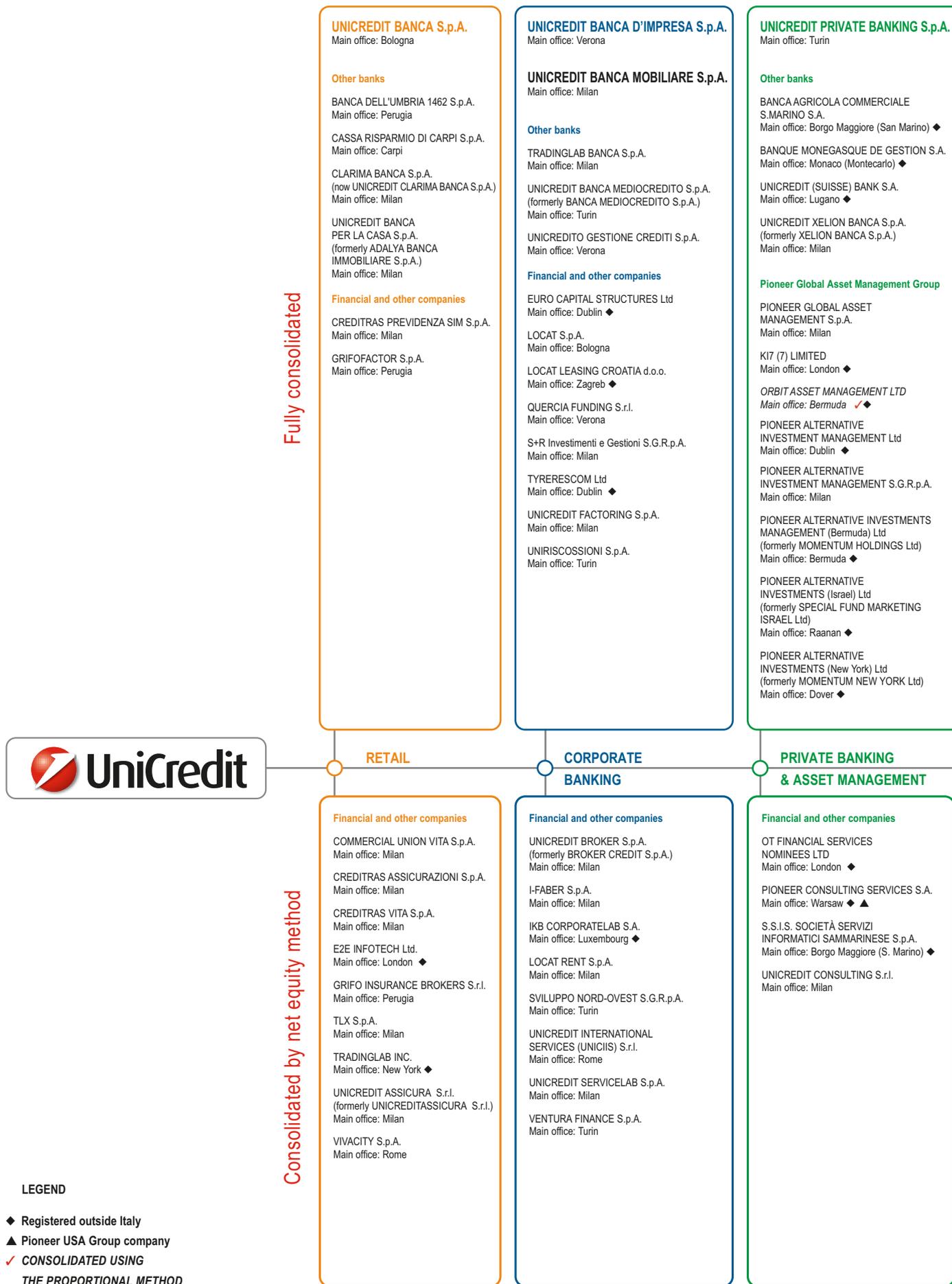
Human Resources and Organisation is responsible for supporting the Group's strategic and organisational development and optimising the human capital of the Parent Company and individual entities by providing the capacity to recruit, keep and developing high quality human resources and ensuring the close,

consistent management of payroll costs. Human Resources and Organisation provides the entire Group with an appropriate organisational structure, development and management policies for human resources, the optimal management and development of key employees and individuals with high potential, and the management of industrial relations in Italy and questions of labour law.

Human Resources and Organisation is also responsible for co-ordinating the Group's reorganisation projects, overseeing Group processes with a high degree of inter-business activity and Parent Company processes, overseeing the quality of growth in order to ensure that the Group's operating model evolves in keeping with providing quality service to customers, managing physical security at Group level and maintaining property assets (through the functional co-ordination of the Group's property companies).



Organisation



PIONEER ALTERNATIVE INVESTMENTS (UK) Ltd (formerly MOMENTUM UK Ltd)
Main office: London ◆

PIONEER ASSET MANAGEMENT S.A. (formerly PIONEER INSTITUTIONAL INVESTMENT MANAGEMENT S.A.)
Main office: Luxembourg ◆

PIONEER CZECH FINANCIAL COMPANY Sro
Main office: Prague ◆

PIONEER CZECH INVESTMENT COMPANY A.S.
Main office: Prague ◆

PIONEER FONDS MARKETING GMBH
Main office: Munich ◆

PIONEER GLOBAL FUNDS DISTRIBUTOR Ltd
Main office: Hamilton ◆

PIONEER GLOBAL INVESTMENTS Ltd
Main office: Dublin ◆

PIONEER GLOBAL INVESTMENTS (Australia) (PTY) Ltd (formerly MOMENTUM AUSTRALIA (Pty) Ltd)
Main office: Melbourne ◆

PIONEER GLOBAL INVESTMENTS (HK) Ltd (formerly MOMENTUM ASIA (Hong Kong) Ltd)
Main office: Hong Kong ◆

PIONEER INVESTMENT MANAGEMENT Ltd
Main office: Dublin ◆

PIONEER INVESTMENT MANAGEMENT S.G.R. p.A.
Main office: Milan

PIONEER INVESTMENT MANAGEMENT USA Inc.
Main office: Delaware ◆

PIONEER PEKAO INVESTMENT MANAGEMENT S.A.
Main office: Warsaw ◆

PIONEER PEKAO TFI S.A.
Main office: Warsaw ◆

Pioneer USA Group ◆

PIONEER FUNDS DISTRIBUTOR Inc.
Main office: Boston

PIONEER INVESTMENT MANAGEMENT Inc.
Main office: Wilmington

PIONEER INVESTMENT MANAGEMENT SHAREHOLDER SERVICES Inc.
Main office: Boston

Financial and other companies

BAC FIDUCIARIA S.p.A.
Main office: Dogana Repubblica di San Marino ◆

CORDUSIO Società Fiduciaria per Azioni
Main office: Milan

F.R.T. FIDUCIARIA RISPARMIO TORINO SIM S.p.A.
Main office: Turin

UNICREDIT PRIVATE ASSET MANAGEMENT S.G.R.p.A. (formerly ROLO PIONEER S.G.R.p.A.)
Main office: Bologna

Pekao Group ◆

BANK PEKAO S.A.
Main office: Warsaw

BANK PEKAO (UKRAINA) Ltd
Main office: Luck

CDM PEKAO S.A.
Main office: Warsaw

DRUKBANK Sp.zo.o.
Main office: Zamosc

LEASING FABRYCZNY Sp.zo.o.
Main office: Lublin

PEKAO FAKTORING Sp.zo.o.
Main office: Lublin

PEKAO FUNDUSZ KAPITALOWY Sp.zo.o. - Main office: Lodz

PEKAO LEASING Sp.zo.o.
Main office: Warsaw

PEKAO PIONEER PTE S.A.
Main office: Warsaw

Zagrebacka Group ◆

ZAGREBACKA BANKA D.D.
Main office: Zagreb

POMINVEST D.D. - Main office: Split

PRVA STAMBENA STEDIONICA D.D.
Main office: Zagreb

UNIVERSAL BANKA D.D.
Main office: Sarajevo

VARAZDINSKA BANKA D.D.
Main office: Varazdin

ZAGREBACKA BANKA BH D.D.
Main office: Mostar

ZAGREB NEKRETNINE D.O.O.
Main office: Zagreb

ZB INVEST D.O.O.
Main office: Zagreb

Koç Financial Services Group ◆

KOÇ FINANSAL HIZMETLER A.S.
Main office: Istanbul ✓

KOÇBANK A.S. - Main office: Istanbul ✓

KOÇBANK (AZERBAIJAN) LTD
Main office: Baku ✓

KOÇBANK NEDERLAND N.V.
Main office: Amsterdam ✓

KOÇFAKTOR - KOÇ FAKTORING HIZMETLERI A.S.
Main office: Istanbul ✓

KOÇLEASE - KOÇ FINANSAL KIRALAMA A.S.
Main office: Istanbul ✓

KOÇ PORTFOY YONETIMI A.S.
Main office: Istanbul ✓

KOÇ YATIRIM MENKUL DEĞERLER A.S.
Main office: Istanbul ✓

Other banks ◆

BULBANK A.D.
Main office: Sofia

UNIBANKA A.S.
Main office: Bratislava

UNICREDIT ROMANIA S.A.
Main office: Bucharest

ZIVNOSTENSKA BANKA A.S.
Main office: Prague

Financial companies ◆

DEMIR ROMLEASE S.A. (now UNICREDIT LEASING ROMANIA S.A.)
Main office: Bucharest

DEMIR SECURITIES ROMANIA S.A.
Main office: Bucharest

XELION DORADCY FINANSOWI Sp.zo.o. (formerly PEKAO INFORMATYKA Sp.zo.o.)
Main office: Lodz

ZB ASSET MANAGEMENT A.S.
Main office: Prague

ZB TRUST INVESTICNI SPOLECNOST A.S.
Main office: Prague

Banks

UNICREDITO ITALIANO BANK (IRELAND) Plc - Main office: Dublin ◆

Financial and other companies

CARIVERONA IRELAND Plc - Main office: Dublin ◆

C.R. TRIESTE IRELAND Ltd - Main office: Dublin ◆

FIDA SIM S.p.A. - Main office: Turin

ING SVILUPPO FINANZIARIA S.p.A. (now SVILUPPO FINANZIARIA S.p.A.) - Main office: Milan

ING INVESTMENT MANAGEMENT ITALIA S.g.r. S.p.A. (now PIXEL INVESTMENT MANAGEMENT S.G.R.p.A.) - Main office: Milan

ING SVILUPPO FIDUCIARIA SIM S.p.A. (now SVILUPPO FIDUCIARIA SIM S.p.A.)
Main office: Milan

ING SVILUPPO INVESTIMENTI SIM S.p.A. (now SVILUPPO INVESTIMENTI SIM S.p.A.)
Main office: Milan

UNICREDIT DELAWARE Inc. - Main office: Dover ◆

UNICREDITO ITALIANO - CAPITAL TRUST I - Main office: Newark ◆

UNICREDITO ITALIANO - CAPITAL TRUST II - Main office: Newark ◆

UNICREDITO ITALIANO - FUNDING LLC I - Main office: Dover ◆

UNICREDITO ITALIANO - FUNDING LLC II - Main office: Dover ◆

Ancillary companies

CORDUSIO IMMOBILIARE S.p.A.
Main office: Milan

QUERCIA SOFTWARE S.p.A. - Main office: Verona

TRIVIMM S.r.l. - Main office: Verona

UNICREDIT AUDIT S.p.A. - Main office: Milan

UNICREDIT PRODUZIONI ACCENTRATE S.p.A. - Main office: Milan

UNICREDIT REAL ESTATE S.p.A.
Main office: Milan

UNICREDIT SERVIZI INFORMATIVI S.p.A.
Main office: Milan

NEW EUROPE

Pekao Group ◆

ANICA SYSTEM S.A.
Main office: Lublin

BDK CONSULTING Ltd
Main office: Luck

CENTRAL POLAND FUND LLC
Main office: Wilmington

CENTRUM KART S.A.
Main office: Warsaw

FABRYKA MASZYN Sp.zo.o.
Main office: Janov Lubelski

FABRYKA SPRZETU OKRETOWEGO "MEBLOMOR" S.A.
Main office: Czarnkow

GRUPA INWESTYCYJNA NYWING S.A.
Main office: Warsaw

HOTEL JAN III SOBIESKI Sp.zo.o.
Main office: Warsaw

JUPITER NFI S.A.
Main office: Warsaw

KRAJOWA IZBA ROZLICZENIOWAS.A.
Main office: Warsaw

MASTERS S.A.
Main office: Legnica

PEKAO ACCESS Sp.zo.o.
Main office: Warsaw

PEKAO DEVELOPMENT Sp.zo.o.
Main office: Warsaw

PEKAO FINANCIAL SERVICES Sp.zo.o.
Main office: Warsaw

POLONIT Sp.zo.o.
Main office: Lodz

TOMTEX S.A.
Main office: Tomaszów Mazowiecki

TRINITY MANAGEMENT Sp.zo.o.
Main office: Warsaw

ZASLAW ZPIN Sp.zo.o.
Main office: Zagorz

Zagrebacka Group ◆

ALLIANZ ZAGREB DIONICKO DRUSTVO ZA OSIGURANJE
Main office: Zagreb

ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE DOBROVOLJNIM MIROVINSKIM FONDOM
Main office: Zagreb

ALLIANZ ZB D.O.O. DRUSTVO ZA UPRAVLJANJE OBVEZNIM MIROVINSKIM FONDOM
Main office: Zagreb

CENTAR GRADSKI PODRUM D.O.O.
Main office: Zagreb

CENTAR KAPTOL D.O.O.
Main office: Zagreb

ISTRATURIST UMAG HOTELIJERSTVO I TURIZAM D.D.
Main office: Umag

LIPA D.D.
Main office: Novi Marof

MARKETING ZAGREBACKE BANKE D.O.O.
Main office: Zagreb

ZABA TURIZAM D.O.O.
Main office: Zagreb

ZANE BH D.O.O.
Main office: Sarajevo

UPI POSLOVNI SISTEM D.O.O.
Main office: Sarajevo

Financial and other companies ◆

AGROCONS CENTRUM A.S.
Main office: Bratislava

KOÇ ASSET MANAGEMENT S.A.
Main office: Geneva

ZIVNOSTENSKA FINANCE B.V.
Main office: Amsterdam

Banks

BANCA C.R. SAVIGLIANO S.p.A.
Main office: Savigliano

CASSA DI RISPARMIO DI BRA S.p.A.
Main office: Bra

CASSA DI RISPARMIO DI FOSSANO S.p.A.
Main office: Fossano

CASSA DI RISPARMIO DI SALUZZO S.p.A.
Main office: Saluzzo

Financial and other companies

CONSORZIO CA.RI.CE.SE.
Main office: Bologna

FIDIA S.G.R. S.p.A.
Main office: Milan

LISEURO S.p.A.
Main office: Udine

IMMOBILIARE LOMBARDA S.p.A.
Main office: Milan

ING AGENZIA ASSICURATIVA S.p.A. (now XAA AGENZIA ASSICURATIVA S.p.A.)
Main office: Milan

ING EMPLOYEE BENEFITS S.p.A. (now EMPLOYEE BENEFITS S.p.A.)
Main office: Milan

ON INVESTMENT SERVICES S.r.l.
Main office: Milan

SELEZIONE TERZA S.r.l.
Main office: Milan

S.F.E.T. S.p.A. Società Friulana Esazione Tributi
Main office: Udine

SYNESIS FINANZIARIA S.p.A.
Main office: Turin

S.T.T. S.p.A.
Main office: Verona

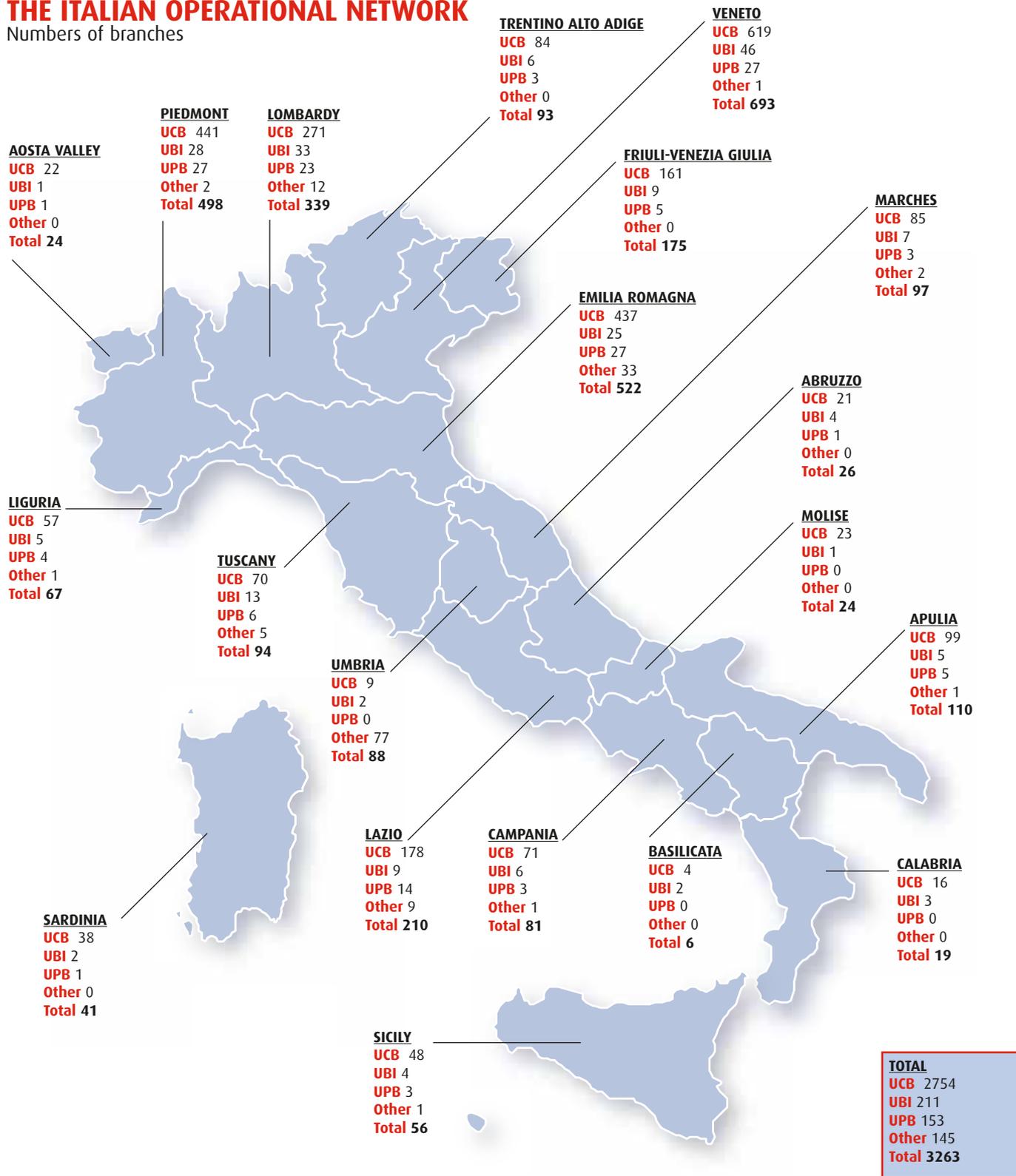
UNICREDIT ENERGIA S.c.r.l.
Main office: Milan

UNI IT S.r.l.
Main office: Trento

Organisation

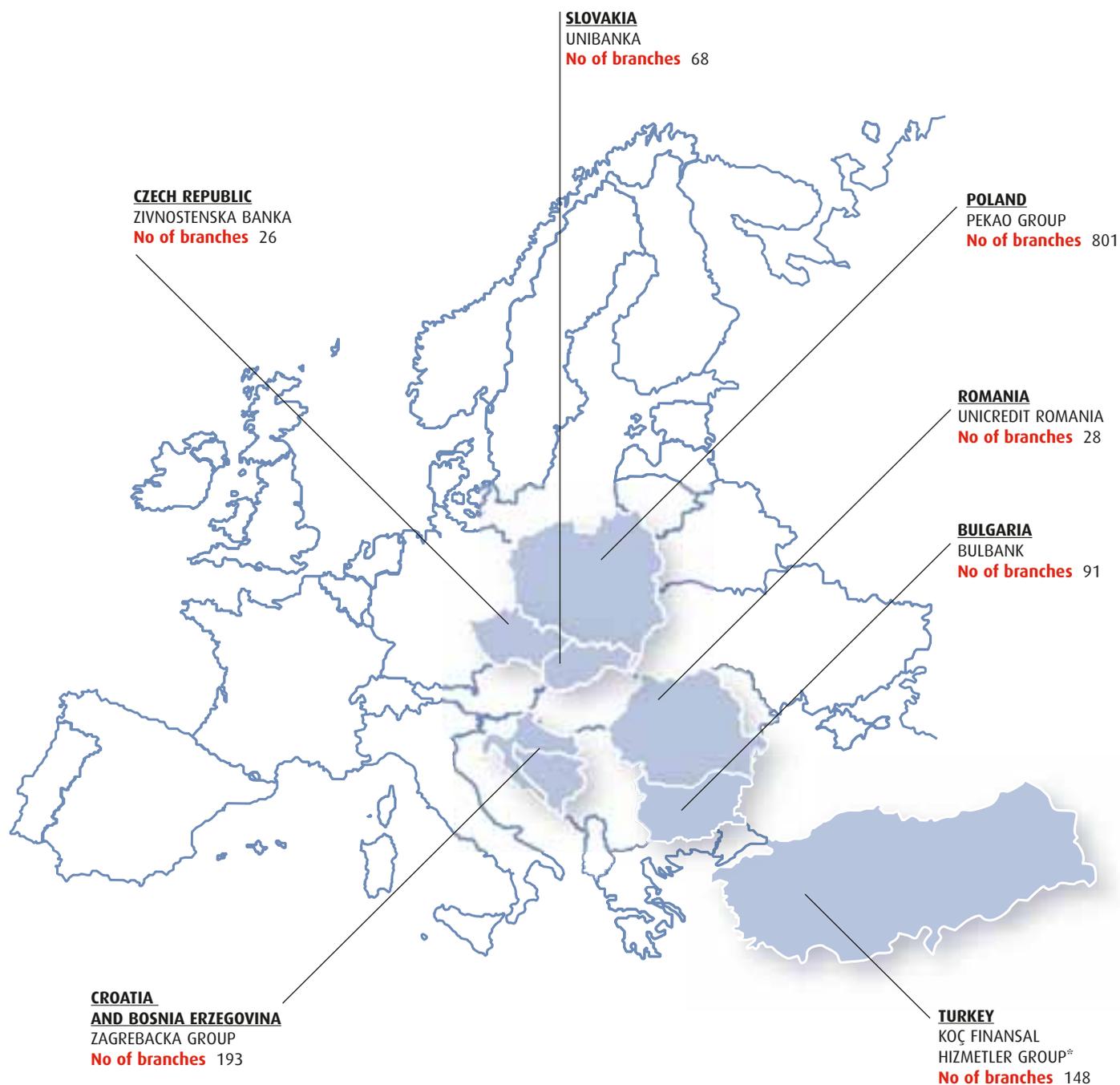
THE ITALIAN OPERATIONAL NETWORK

Numbers of branches



LEGEND	UCB	UniCredit Banca	UBI	UniCredit Banca d'Impresa	UPB	UniCredit Private Banking	Other	Other
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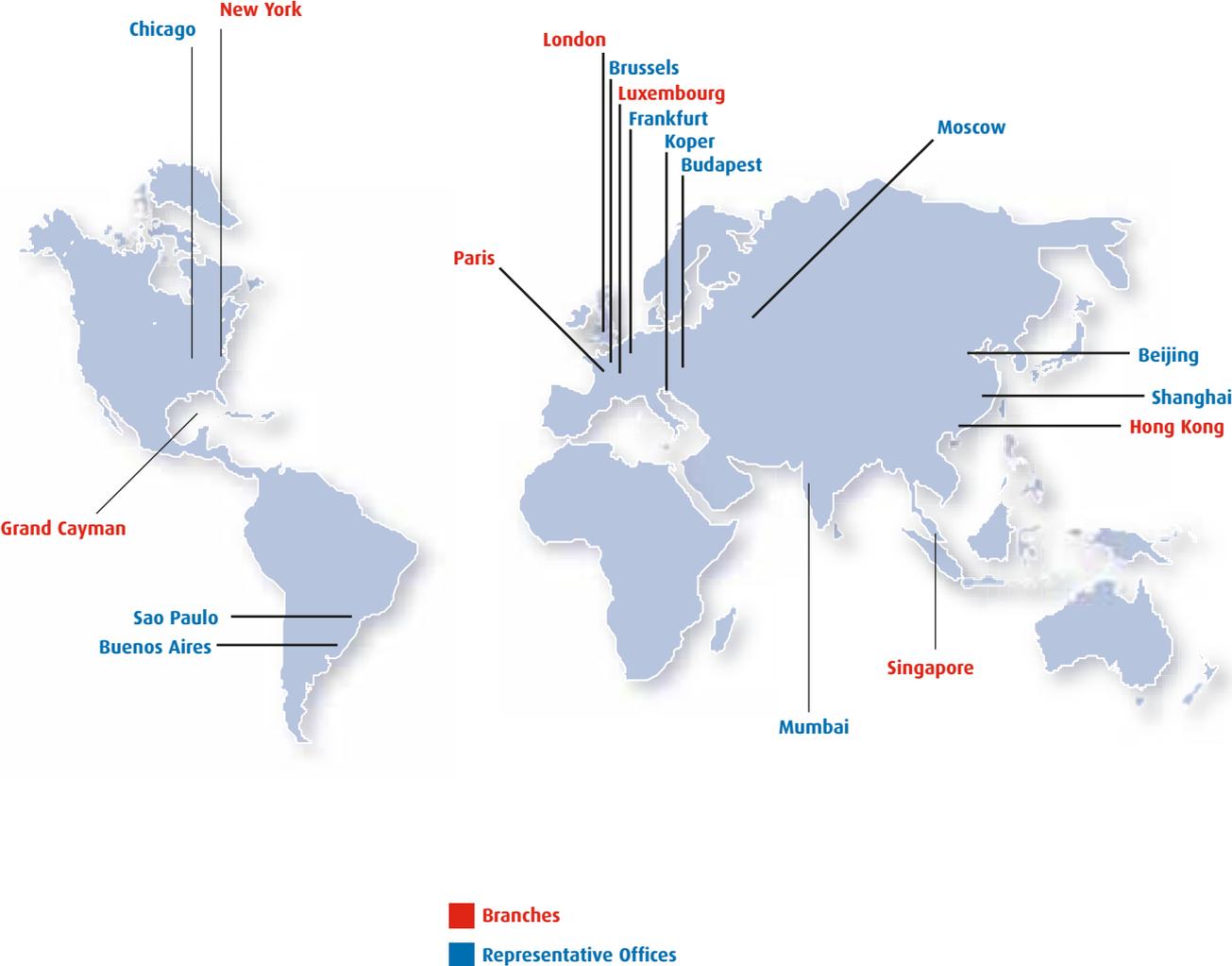
NEW EUROPE BRANCH NETWORK



* FOR THE PURPOSES OF CONSOLIDATED ACCOUNTS, 50% OF THE FIGURE IS USED.

Organisation

INTERNATIONAL NETWORK



UniCredit's overall "corporate governance", which is defined as the system of rules and procedures which serves as the basis for corporate bodies to form their strategy and to fulfil their various responsibilities to their stakeholders, was defined in keeping with current regulations and related recommendations issued by the Italian stock exchange. The Group accordingly adopted a code of conduct for intermediaries that provide investment services. This code complies with the code of conduct for the banking and financial sector prepared by the Italian Banking Association and with the code of conduct of listed companies that are aimed at ensuring market transparency. It also prepared a code of conduct for internal dealings with the goal of monitoring financial transactions carried out by individuals that hold significant positions in the Group. Against this backdrop, an internal debate is taking place at all company levels, which will lead to the drafting of a new code of conduct for the Group. The idea is to have a code that reflects a progressive awareness of

the link between duties and consequences (considering the multiple cultures that are part of the Group and encouraging them to share common principles). The effectiveness of this code will be commensurate with the extent of the involvement of those that are called upon to apply it.

In a more general sense, we are aware that an appropriate "expanded" governance system must support the obligations of social responsibility with respect to a large number of entities with which the company comes into contact. Reconsidering the definition of corporate governance means going beyond the debate over the regulation of relationships between management and shareholders to consider all relationships with stakeholders (including the identification of mechanisms and tools to manage potential conflicts within corporate structures and processes) in the context of the new rule-based culture, and in support of an equally new market culture.



Corporate Governance

Board of Directors, Board of Auditors

Board of Directors as at 31 December 2003

CHAIRMAN	Carlo Salvatori*
DEPUTY CHAIRMEN	Eugenio Caponi * (with vicarious duties) Franco Bellei * Fabrizio Palenzona *
MANAGING DIRECTOR/CEO	Alessandro Profumo **
DIRECTORS	Roberto Bertazzoni ** Vincenzo Calandra Buonaura Mario Cattaneo Philippe Citerne Ambrogio Dalla Rovere Giovanni Desiderio Guidalberto di Canossa Francesco Giacomini ** Piero Gnudi Mario Greco ** Achille Maramotti Gianfranco Negri-Clementi Carlo Pesenti ** Giovanni Vaccarino Anthony Wyand
COMPANY SECRETARY	Marco Fantazzini

Board of Auditors as at 31 December 2003

CHAIRMAN	Gian Luigi Francardo
STATUTORY AUDITORS	Giorgio Loli Aldo Milanese Vincenzo Nicastro Roberto Timo
ALTERNATE AUDITORS	Giuseppe Armenise Marcello Ferrari

* MEMBER OF THE CHAIRMAN'S COMMITTEE AND OF THE EXECUTIVE COMMITTEE
** EXECUTIVE COMMITTEE MEMBER

General Management

General Management as at 31 December 2003

MANAGING DIRECTOR/CEO	Alessandro Profumo
DEPUTY CEOs	Paolo Fiorentino Pietro Modiano Andrea Moneta Roberto Nicastro

Managers in charge of the main operating divisions and head office departments

RETAIL DIVISION	Roberto Nicastro
CORPORATE DIVISION	Pietro Modiano
PRIVATE BANKING AND ASSET MANAGEMENT DIVISION	Andrea Moneta
NEW EUROPE DIVISION	Paolo Fiorentino
LEGAL AND CORPORATE AFFAIRS	Maurizia Angelo Comneno
GROUP AUDIT	Franco Grosso
CORPORATE IDENTITY	Pier Luigi Celli
CREDITS	Fausto Galmarini
ADMINISTRATION	Elisabetta Magistretti
PLANNING AND FINANCE	Ranieri de Marchis
ORGANISATION AND HUMAN RESOURCES	Antonio Andrea Monari
ACCOUNTS	Franco Leccacorvi
INDUSTRIAL RELATIONS, SAFETY AT WORK	Matteo Montagna

External Auditors

PRICEWATERHOUSECOOPERS S.p.A.

Corporate Governance

BOARD OF DIRECTORS

Composition

The Board of Directors is made up of nine to twenty members with a term of three years unless another term is set at the time of the appointment.

It generally meets at least every three months and whenever the Chairman deems necessary, or when the Chairman is requested to do so by the Managing Director/CEO or at least three directors. A meeting can also be called at the request of at least two internal auditors.

This year 14 meetings were held, one of which was extraordinary. The following individuals may be invited to attend meetings without voting rights to report on specific topics: Deputy General Managers, Senior Managers and Central Co-Managers, as well as other Senior Managers of General Management.

At present, twenty members have been appointed*:

	POSITION	PLACE AND DATE OF BIRTH	DEGREE
Carlo Salvatori (*)	Chairman	Sora (Frosinone) il 7.07.1941	Economics, business and banking sciences
Alessandro Profumo (**)	Managing Director/CEO	Genoa, 17.02.1957	Business management
Eugenio Caponi (*)	Deputy Chairman (Vicarious)	Florence, 8.03.1936	Law
Franco Bellei(**)	Deputy Chairman	Modena, 24.04.1944	Biological science and sociology
Fabrizio Palenzona(*)	Deputy Chairman	Novi Ligure (Alessandria), 1.09.1953	Law
Roberto Bertazzoni(**)	Director	Guastalla (Modena), 10.12.1942	Economics and business
Vincenzo Calandra Buonauro	Director	Reggio Emilia, 21.08.1946	Law
Mario Cattaneo	Director	Genoa, 24.07.1930	Economics and business
Philippe Citerne	Director	Lens Pas de Calais, 14.04.1949	Economic sciences
Ambrogio Dalla Rovere	Director	Thiene (Vicenza), 15.01.1940	Dip. Acc.
Giovanni Desiderio	Director	Bosconero (TO), 4.05.1948	Dip. Des.
Guidalberto di Canossa	Director	Verona, 31.07.1949	Political science
Francesco Giacomini(**)	Director	San Polo di Piave (TV), 2.08.1951	Law
Piero Gnudi	Director	Bologna, 17.05.1938	Economics and business
Mario Greco (**)	Director	Naples, 16.06.1959	Economics and business
Achille Maramotti	Director	Reggio Emilia, 7.01.1927	Law
Gianfranco Negri-Clementi	Director	Rome, 12.06.1931	Law
Carlo Pesenti(**)	Director	Milan, 30.03.1963	Mechanical engineering
Giovanni Vaccarino	Director	Tronzano (VC), 1.04.1941	Political science
Anthony Wyand	Director	Crowborough (UK), 24.11.1943	BA 1st Class Honours, MA King's College

* MEMBER OF THE CHAIRMAN'S COMMITTEE AND OF THE EXECUTIVE COMMITTEE

** EXECUTIVE COMMITTEE MEMBER

Within the Board, certain directors with consulting and advisory functions have been assigned specific duties related to certain areas of internal controls, appointments in the Group's corporate governance bodies, the compensation of such appointments and of senior management. In the appointment of these directors, who meet in committees, a significant role is given to non-executive directors who:

- a) do not directly, indirectly or on behalf of third parties maintain, nor have they recently maintained, business relationships with the company, its subsidiaries, executive directors, shareholders or groups of shareholders who have a level of control in the company that would affect their ability to be objective;
- b) do not directly, indirectly or on behalf of third parties own an equity interest in an amount that would allow them to exercise control or significant influence over the company, or do not participate in agreements among shareholders in order to control the company;

- c) are not close family members of executive directors of the company or individuals that find themselves in the situations indicated in paragraphs a) and b) above.

However, all directors (each of which must evaluate in advance his authority to carry out his duties diligently and effectively) must act and vote with full knowledge of the facts, objectivity and a time commitment in order to pursue the goal of creating value for shareholders, including by supervising the general performance of the company.

Function

The Board is vested with all powers of ordinary and extraordinary administration with the exception of those designated to the shareholders' meeting by law and the bylaws.

Operating in accordance with the provisions, duties and authorities

* THE FOLLOWING INDIVIDUALS ARE "INDEPENDENT" AS DEFINED IN ARTICLE 3 OF THE SELF REGULATING CONTROLS FOR LISTED COMPANIES: MESSRS. SALVATORI, BELLEI, PALENZONA, BERTAZZONI, CALANDRA BUONAURO, CATTANEO, CITERNE, DALLA ROVERE, DESIDERIO, DI CANOSSA, GIACOMINI, GNUDI, MARAMOTTI, PEsENTI, VACCARINO.

set by law and the bylaws as well as general rules indicated in the code of conduct for listed companies that are currently in effect, the Board of Directors has sole authority to:

- A) determine criteria for coordinating and administering Group companies and for implementing instructions of the Bank of Italy, and within the framework of exercising power granted to the Parent Company by legislative and regulatory provisions, to give instructions to members of the Group for the purposes noted above, and to verify that such instructions are actually carried out. Thus, the Board is responsible for:
 - A.1) determining general management guidelines for the Group's development policies in preparation for the drafting of multi-year plans and budgets, approving these and verifying that they are properly implemented;
 - A.2) approving partnership, joint venture and any collaboration agreements, including at the industry level, with related parties and other bank groups;
 - A.3) defining guidelines for internal control systems and periodically verifying the adequacy and actual operation of such systems ensuring that the main corporate risks have been identified and are properly managed; analysing periodic reports of the control systems; assessing mechanisms to control corporate and Group results and the accounting of such results;
 - A.4) defining procedures for providing information to outsiders on documents and information regarding the Parent Company and the Group, and also with regard to price sensitive information and information on transactions involving financial instruments carried out by individuals who, due to their position, have access to relevant information (internal dealing);
 - A.5) identifying criteria for determining compensation for the Group's senior management;
 - A.6) approving stock option and stock granting plans for Group personnel.
- B) examine and approve the company's strategic, industrial and financial plans and the Group's corporate structure headed by the company;
- C) oversee general operating performance with a specific focus on the status of conflicts of interest, taking into consideration, in particular, information received from the Executive Committee, Managing Director/CEO and Audit Committee, and periodically comparing actual to budgeted results;
- D) approve the acquisition and sale of equity investments, companies or divisions in amounts greater than 1% of shareholders' equity, and in any event, the acquisition and sale of equity investments that change the Group's composition;

- E) review and approve transactions with a significant operational, financial and cash-flow impact, and particularly with regard to transactions with related parties, subject to the definition of criteria for identifying them;
- F) verify the appropriateness of the organisational and administrative structure of the company and Group as prepared by the Managing Director/CEO;
- G) after reviewing the proposal of the appropriate committee and consulting with the Board of Auditors, determine the compensation of Managing Directors/CEOs and directors filling specific positions, and if not already handled by the shareholders' meeting, determine the breakdown of overall compensation due to individual members of the Board and Executive Committee;
- H) report to shareholders at shareholders' meetings.

The Board may assign, modify and revoke powers of attorney by setting their limits and the methods for exercising them, as well as the frequency with which the bodies granted powers must report to the Board on activities performed in the exercise of the powers granted.

Decisions made by the Board of Directors regarding management guidelines and the Group's main strategic initiatives are clarified by the Managing Director/CEO at meetings of Management Committees when required, with information and consulting functions in the regulation of the Group.

COMMITTEES

In order to foster an efficient information and consulting system, enabling the Board of Directors to assess more effectively certain issues under its responsibility, two committees were established, to advise and/or make limited research-based recommendations, each for its own area of responsibility.

Audit Committee

This Committee is made up of five non-executive directors, the majority of whom are independent. The Chairman of the Board of Directors and Deputy Chairman (vicarious) are ex-officio members; if no appointment has been made for the latter, a member of the Committee is identified among the members of the Chairman's Committee. This member will automatically be removed in the event a Deputy Chairman (vicarious) is subsequently appointed and he does not fill this position. The other members must be selected based on the best skills and their willingness to fill the position.

The Committee elects among its members, other than those who participate ex officio, a Chairman and a Secretary. The latter may also be appointed from outside the Committee's membership, and prepares appropriate minutes for each meeting.

Corporate Governance

The committee has investigatory, consulting and advisory duties. In particular, the audit committee:

- A) assists the Board of Directors in determining guidelines for internal control systems and the periodic verification of their appropriateness and actual operation, and in the activities performed by the Board of Directors to ensure that the main corporate risks have been identified and are managed appropriately; it also analyses periodic reports on control systems;
- B) assesses the work plan prepared by those in charge of risk management controls and audit activities, from whom it receives periodic reports;
- C) together with the company's administrative managers and auditors, it assesses the appropriateness of the accounting principles used and their consistency for the purposes of preparing consolidated accounts;
- D) assesses criteria proposed by the branches for the selection of the auditing firm (or "the Group's auditing firms") and the assessment of the work performed by it (or "by them"), and reviews the status of relationships with auditing firms, including in consideration of any consulting duties assigned to them by the Parent Company and Group companies;
- E) reviews the process for assembling quarterly and half-year reports and the annual accounts on the basis of reports prepared by those in charge of this function;
- F) reviews the processes for assembling accounts, including consolidated accounts, prepared by sub-holding companies for the purposes of preparing a single set of accounts and the consolidated accounts for UniCredito Italiano on the basis of reports prepared by those in charge of this function and meetings with representatives of sub-holding companies;
- G) assesses any observations made in audit reports of the internal audit units of UniCredito and sub-holding companies, which were received through UniCredito Italiano's Audit Department or from Boards of Auditors or investigations and/or reviews of third parties.

This Committee may be consulted to assess transactions with related parties and transactions in which there may be a direct or indirect conflict of interest, when directed to do so by the Board of Directors.

In addition, the Audit Committee reports at least semi-annually to the Board of Directors on the occasion of the approval of accounts and the half-year report, regarding activities performed, the appropriateness of internal controls, and the status of the relationship with the auditing firm.

The Chairman of the Board of Auditors, or another internal auditor designated by the Chairman of the Board of Auditors, participates in the work of the Audit Committee.

The Managing Director/CEO, Accounting Manager, Group Audit Manager and other members of the Parent Company's senior management may be asked to participate in meetings of the Committee, including separately, based on the specific issues covered.

These individuals may always submit topics and questions for the Committee's review, for which they feel an investigation would be useful for subsequent reports to the board.

The Committee is responsible for establishing appropriate relationships with the Board of Auditors to perform those activities deemed to be common to the two bodies in compliance with their specific powers.

Compensation and Nominating Committee

This committee is made up of six members including, by law, the Chairman of the Board of Directors, Deputy Chairmen and the Managing Director/CEO. If there is no Deputy Chairman in office, members of the Chairman's Committee are members by law, in addition to the Chairman and Managing Director/CEO; these members will automatically be removed if one or more Deputy Chairmen are subsequently appointed, and they do not fill this position.

The other members of the Committee are designated by the Board of Directors from its non-executive members. The Secretary, who may be appointed from outside the Committee's membership, prepares the appropriate minutes for each meeting. The Committee is presided over by the Chairman of the Board of Directors.

The Committee has investigatory, advisory and consulting duties. It is requested to provide an opinion on compensation-related matters in the following areas:

- A) the identification of proposals for the compensation of directors with specific positions in the company and in Group companies;
- B) at the instruction of the Parent Company's Managing Director/CEO, and after consulting with the chairmen of the subsidiary banks, the identification of proposals to link a portion of the compensation of Managing Directors/CEOs and general managers of subsidiary banks to performance targets set in advance by the Boards of Directors;
- C) at the instruction of the Parent Company's Managing Director/CEO, the identification of criteria and parameters for determining the compensation of the Group's senior management and for linking all or part of such compensation to pre-set performance targets;
- D) the review of documents for the preparation and audit of stock option and stock granting plans for Group personnel.

The chairman will not participate in meetings regarding the determination of proposals on his own compensation; similarly, the Managing Director/CEO will not participate when meetings are held to set his or the Chairman's compensation.

To carry out the above duties, the Committee may avail itself of the Parent Company's management, and if appropriately substantiated, may propose hiring outside consultants.

This committee, which is convened well in advance of the meeting of the Board of Directors at which the motion will be discussed and the resolution passed in principle, is also in charge of providing an opinion on appointments to be indicated for the positions of directors and internal auditors of Group companies designated as

“key companies” on the basis of the type of activity, operating relevance, existence of partnerships and the presence of appointees at the Group level.

Once appropriate advance consulting has taken place, and taking into account the needs of the local branch network of each company, the Chairman is required to indicate the names to be submitted to the Committee for review.

POWERS DELEGATED TO DIRECTORS

Below is a description of the powers delegated by the Board of Directors by resolution dated 19 December 2002 and as subsequently amended and revised by resolution of 23 January 2003 and by the Executive Committee by resolution dated 13 May 2002 and as subsequently amended and revised with resolutions dated 20 June 2002, 25 July 2002, 19 December 2002 and 23 January 2003.

BY THE BOARD OF DIRECTORS:

■ to the Executive Committee, the right and authority to execute all the transactions that the Bank may perform pursuant to art. 4, paragraph 1 of the Articles of Association, with a number of specifications and restrictions concerning loans, expenses for building, purchasing and restructuring properties and for ordinary expenses and investments necessary for the Bank's management, for the sale of property, the stipulation of property and goods leasing contracts and rental contracts, the appointment and administration of Personnel, the granting of contributions for recreational, sporting and cultural activities, bonuses for organisational schemes and provisions for Personnel in service and retirees, the provision of donations to charitable or public-interest bodies;

■ to the Chairman

• the right to authorise, at the express request of the Managing Director/CEO, the organisation on behalf of the latter of a credit facility within a pre-established limit throughout the Bank's network, for the cash payment of bank cheques drawn on other credit organisations.

• jointly with the Managing Director/CEO, the right to authorise acquisitions/disposals of direct, minority equity investments that do not change the Group's structure, and transactions involving the capital of such affiliates that do not require the prior authorisation of the Regulatory Authorities, in both cases for amounts in excess of the spending levels singly exercisable by the Managing Director/CEO, and at any rate, within pre-established limits;

• jointly with the Managing Director/CEO, the right to express the Company's approval, as Parent Company of the UniCredito Italiano Banking Group, of the acquisitions/disposals of equity investments approved by subsidiaries that do not modify the Group's structure and transactions involving the capital of minority affiliates held by subsidiaries that do not require the

prior authorisations of the Regulatory Authority, in both cases for amounts in excess of the levels of spending singly exercisable by the Managing Director/CEO and at any rate, within pre-established limits;

■ to the Managing Director/CEO, in addition to the authorities indicated above, to be exercised singly or jointly with the Chairman regarding the transaction amounts, the following powers:

• to authorise, at the express request of company officers, the organisation of a credit facility within a pre-established limit throughout the Bank's network, for the cashing of bank cheques drawn on other credit organisations;

• to express the Company's approval, as Parent Company of the UniCredito Italiano Banking Group, regarding obligations upon the representatives of Banks and companies belonging to banking groups, in relation to transactions pursuant to Art. 136 of Legislative Decree No. 385 of 1/9/1993 and for amounts not in excess of the pre-established limits;

• to grant individual members of staff single signing powers for transactions of a specified nature;

• to represent the Bank as the holder of voting rights at ordinary or extraordinary meetings, including those held abroad, or as the proxy of minority interests or shareholders of those foreign companies.

BY THE EXECUTIVE COMMITTEE:

■ to the Chairman, the right to express his approval – in urgent cases – of transactions of amounts in excess of the pre-established limits for the General Management, provided these are under predetermined limits related to loans, dealings in securities and other money market instruments, spending powers, contributions and donations, non-performing loans, doubtful loans, restructured loans and loans subject to restructuring, accidents and disputes;

■ to the Managing Director/CEO, the authority within pre-established limits and with the right to sub-delegate, in all sectors of the Bank's activity, namely: loans; dealings in securities and other money market instruments; treasury activity; foreign exchange; activities relating to the determination of conditions; sale of property; spending powers; rights regarding contributions and donations; personnel administration rights; non-performing loans, doubtful loans, restructured loans and loans being restructured, accidents and disputes.

At its meeting of 6 May 2002, the Board of Directors also assigned to the Chairman's Committee (made up of the Chairman of the Board of Directors and the Deputy Chairmen appointed or, if there is no Deputy Chairman in office, made up of designated members of the Board of Directors) the duty of determining, in agreement with the Managing Director/CEO, the development policies and guidelines for strategic and operational plans to be submitted to the Board of Directors.





Identity

A YEAR OF TRANSFORMATIONS

MISSION AND VALUES

OUR RESPONSIBILITY

LOOKING FORWARD

A year of transformations

A year of new starts is always auspicious and hopeful, but also risky. The Group lived through this period with enthusiasm, its employees felt proud, and together they experienced the difficulty of making sacrifices.

All transformations involve difficulties, put tried practices at risk, and require profound changes in mindsets and value systems. The conviction that they are necessary is only the first step. Persuasive efforts, which ensure that everyone is behind the pre-selected strategy, require time, care and constant dialogue in order to endure periods of doubt and tension that later lead to peace and agreement.

What makes the path taken by UniCredit in 2003 so unique is this dedication to people, the attempt to understand reasons and objections, the search for reasoned approval and a mutual trust beyond processes and organisational directives.

The “machine” worked better than we expected, attesting to the professionalism of the Group’s human resources. And the effort put in was extraordinary.

This says something about the focus required to take the various steps needed to qualify the new banks, which now have a clear presence in their markets, and to give them

«As is often the case when several changes take place, new proposals are made, there is a desire to make contributions, “good practice” took hold»



the identity needed to make them recognizable and appreciated.

New channels of communication have been opened as a necessary attempt not to lose anyone along the way and to give everyone sufficient information to work in the new environment with continuity.

As is often the case when several changes take place, new proposals are made, there is a desire to make contributions and new procedures are established to simplify old practices and correct redundant or questionable habits.

Following the project and based on a forward-looking vision, “good practices” took hold.

The goal of this new edition of the social and environmental report is to discuss these best practices and what it took to arrive at them from previous decisions and values.

We would also like to thank all UniCredit employees for a tiring year of hard work that we will long remember.



Pier Luigi Celli
Responsible Corporate Identity



We have chosen to follow our mission and proclaim our identity by drawing inspiration from strong common principles that have become our values:

Ethics/Responsibility

Ethics is our conviction that “doing business” means following the rules: those connected with our duties to shareholders, those that affect relationships with stakeholders and the community where we operate, and also those dictated by our conscience. This concept is also reflected in the assumption of responsibility as an ethical choice for anyone who deals with the consequences of his actions, and in loyalty as a minimal competitive principle.

Creativity/Entrepreneurship

By creativity we mean the orientation towards innovation and the constant search for better solutions. The incentive to improve and face new opportunities with a positive attitude enhances our spirit of enterprise, which distinguishes our Group as an innovative and entrepreneurial player.

Competence/Growth

Competence is seen as the continuing commitment of individuals

and the organisation to develop skills and build on experience and develop a specific, distinct knowledge base. Thus, growth is the result of enhanced skills and constant striving to achieve important goals.

Listening/Discussing

This business will be built by growing together, involving all individuals and entities that make it up. The collaboration necessary to be effective is possible only when there is a real desire to listen, and open discussion is encouraged including the discussion of differing ideas, which will lead to the creation of better solutions.

Fairness/Openness

For us fairness means giving everyone the same opportunities based on merit, potential and need on the basis of in-depth knowledge and reasonable assumptions of trust. Open dealings and information lead to long-lasting relationships with people, customers, investments and suppliers.

Our responsibility

We wish to create value for our employees, shareholders, customers, suppliers, community and the area we work in by identifying and satisfying their needs with a solution based on our identity and values.

The introduction of these concepts in the approaches and processes of corporate management gives new meaning to the role we play in the community: in fact, it is essential to initiate and maintain the means for an ongoing dialogue and continual involvement of key interlocutors in the areas where we operate, which must be strengthened each day. This must be done with the full awareness of the importance that the trust our stakeholders place in UniCredit and its values, and not just its ability to generate profits, has for corporate growth and strength.

The natural push to generate growing profits must be pursued as a guarantee of independence and the ability to reproduce our corporate image over time. This drive is characterised by principles that guide the company which is a community of people who share common values and their professional skills and experiences.

Thus, it becomes obvious that all factors tied to economic and financial performance continue to be a fundamental part of our operations along with other goals to generate value for our interlocutors, which are a growing part of our identity and may have an impact on our reputation.

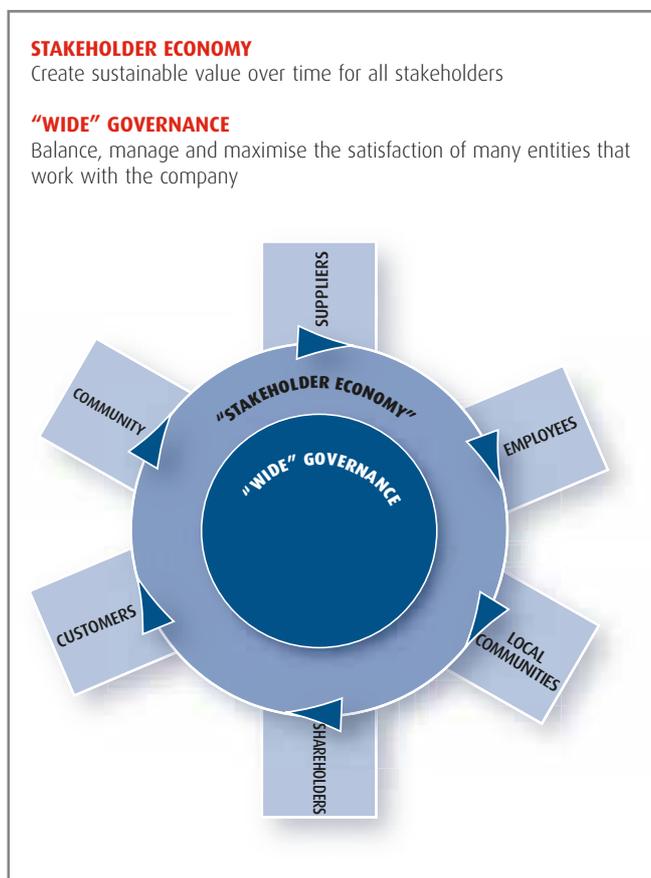
In addition, the nature of our “business” requires us to be increasingly aware of our responsibility: we sell financial products and services that are highly intangible, we deal with household savings and support the growth of businesses by moving around issues, relationships and value, the essence of which is not always easy to understand.

Our “medium of exchange” is trust, and thus our ability to operate openly, clearly and properly on a day-to-day basis is essential for doing our business “well”.

On this basis, we have defined several guidelines that dictate how we develop our projects and operations.

- Develop the ability to listen and respond to the various needs of entities involved in the company’s business. Our goal must be to achieve stakeholder satisfaction, a true index of the ability to generate value in the medium and long term for all our stakeholders.

- Involve our people in the company’s decisions and thus strengthen their sense of belonging, and guaranteeing equal opportunities in careers and compensation. Invest in the professionalism of people, including through personal development, in order to best respond to our customers’ needs by creating trust and long-term relationships, and at the same time, focusing on the quality of life.



- Properly manage relationships with corporate structures by tempering and balancing the interests of various shareholders and defining their ownership structure in a broader sense.
- Improve the quality of our products and services by steering customers and partners towards informed decisions.
- Strengthen our local presence by managing a structured system of socio-economic, institutional and cultural relationships. Promote the growth of local entities by fostering development that is more in line with the needs of our customers and the society in which we operate.
- Respect the unique cultural characteristics of the countries where UniCredit has a presence when creating a banking group with a strong international growth strategy.
- Protect the environment through a policy of environmental efficiency by managing the impact of corporate operations and the repercussions tied to the ability to influence the behaviour and environmental performance of companies through policies and strategies.
- Cultivate an enterprising spirit, integrate with society, take care of problems in the general interest by mobilising our civil passion and our way of feeling we are an active part of society and by always making a clear distinction between charitable and humanitarian efforts and "corporate citizen" programmes.
- Create a clear and broadly shared identity-based culture by respecting our roots and strong base values and attempting to disseminate them internally with determination. Initiate processes focused on internalising consistent and proper principles and behaviour in order to create awareness in the entire corporate structure.
- Define reporting and especially measurement methods in order to assess and communicate the goals we strive to achieve and the results we achieve daily in terms of relationships, reputation and trust.



Looking forward

In keeping with the goals set forth in the new three-year plan, the strategic goals for 2004 have a traditional focus on operating efficiency and profit performance, but also on the systematic growth of business, which is to be achieved by increasing customer satisfaction due in part to the systematic improvement in the quality of services offered.

The goals of systematic growth are as follows:

- the acquisition of new customers;
- greater penetration of the existing customer base;
- geographic growth accompanied by the restructuring of the branch network by maintaining, at the same time, a widespread presence in certain selected areas inherited from the banks that made up the UniCredit Group.

Goals centred on achievement and sustainability of significant growth ratio can only be accomplished with major investments to increase customer satisfaction. This involves:

- improving our ability to listen to customers;
- including parameters that reward customer satisfaction in management objectives;
- a significant investment in training in order to develop the professional skills of human resources and manage customer relationships;

- rigorous compliance with transparency rules (e.g., compliance with the “PattiChiari” and criteria of social responsibility).

Targets may be revised in order to ensure the satisfaction of the three main players: the company (by aiming to increase value); employees (by enhancing their professionalism and development); customers (by improving services and promoting loyalty).

Training and personal development seem to be essential elements of this strategy. In this context, two institutional projects are particularly significant (they are described in the section, “Our People”): Management & Banking Academy and the Young Talents Programme, in addition to the initiative called Job Posting for the development of the internal job market.

Quantitative and qualitative growth targets are stated in the programmes of the various divisions.

In the Retail Division, the “Customer Project,” which targets new acquisitions, is directly tied to a major training programme for the sales structures that support customers.

The projected training investment in 2004 is about 70% higher than the previous year, amounting to a working week for each employee.



Given the extremely large customer base in the Corporate Division, its goal is to increase penetration and at the same time focus on the management of credit risk.

For the Private Banking and Asset Management Division, the goal is to enhance a company's life cycle (two start up and developing business) by taking advantage of opportunities in a growth market with the support of significant investments in human resources, projects and restructuring/integration expenses.

Finally, in the context of a complex macro-economic environment, the New Europe Division intends to continue its strategy of achieving growth, increasing its customer base and rationalising its organisation.

The above goals involve a significant focus on measuring results in terms of value created, the quality perceived by customers, the quantity and quality of training and development generated, the improvement in structural capital (offices, management tools, organisational resources), an increased ability to forecast change and manage it using appropriate commercial models.







The actions

FOCUS ON CUSTOMER

OUR PEOPLE

INVESTOR RELATIONS

CLOSENESS TO THE LOCAL AREA

ENVIRONMENTAL PROTECTION

CORPORATE CITIZENSHIP

Focus on customer

Customer satisfaction is an essential element for our growth. We want our customers to see us as "suppliers" of solutions, and not just of "products", and capable of understanding their needs, providing a broader and more complex product line with better levels of service, and the most highly qualified professional skills. We aim to create a long-term relationship with customers based on trust, dialogue, transparency and practicality. And we would like to do this by fostering the development of their abilities to set a strategy and make decisions by promoting a better financial culture.

DIALOGUE

Customer Project

This programme is aimed at increasing customer satisfaction by defining a measurement system that is able to guide decisions and corporate operations at headquarters and branch levels.

This three-year project was launched in 2002 with the completion of "extensive" market research focused on listening to customer expectations and determining their satisfaction degree.

This survey, which was completed in 2003, is unique in terms of the sample size, which was significantly larger than that identified using traditional statistical methods.

NUMBER OF CUSTOMERS INTERVIEWED	
UniCredit Banca customers	86,679
Customers from other banks	32,814
Total	119,493

An assessment of the results obtained shows that UniCredit Banca is significantly different at the regional and segment levels in terms of average customer satisfaction, but in line with competitors overall. In addition, the results showed that the level of satisfaction was based primarily on the perceived quality of the relationship between customers and branch staff. Relationship issues such as willingness to help, efficiency, flexibility, accuracy and openness were decisive factors in this regard.

These assessments resulted in the planning of significant

programmes in the area of behavioural, motivational and technical staff training. In 2004 approximately 160,000 hours of classroom training are planned for branch staff in order to enhance the importance of this professional position in providing quality service to customers every day.

Thus, the "Customer Project" represents a new way of viewing and dealing with the customer focus issue which is based on actual data for assessing the Bank's efforts to identify and implement measures to fully satisfy customer expectations in terms of products, services and relationships.

Another survey is planned for 2004 using a "comprehensive and ongoing" approach: interviews will be distributed proportionally over time, and a significant number of customers of UniCredit Banca and competitor bank customers will be involved.

"Branch Week"

UniCredit Bank decided to meet its customers at all branches nationwide to explain the bank's mission and values and offer everyone an opportunity to discuss their banking relationship with their branch representative, and thus, to start a direct, local dialogue to improve the "bank-customer" relationship.

The meetings took place from 19 to 23 May and provided an opportunity to strengthen communication between customers and the bank, take suggestions and provide any explanations requested. The most common recommendations concerned greater availability and attentiveness of all staff, the specific desire to create trustworthy personal relationships, especially with branch managers, and a continual desire for change.

This initiative also made it possible to collect over 125,000 questionnaires on the service quality of individual branches.

QUESTIONNAIRE RESULTS	%
Customers were quite satisfied or very satisfied with waiting times at branches	80%
Customers were quite satisfied or very satisfied with the comfort of reception areas	85%
Customers were very satisfied or extremely satisfied with the operation of ATMs	73%
Customers were very satisfied with the visibility of promotional materials	39%
Customers were very satisfied with the procedure for entering the branch	34%

TRANSPARENCY

Transparent contracts

At the end of 2002, UniCredit and Cittadinanzattiva, a movement that has promoted participation in civic affairs and the protection of citizens' rights since 1978, launched a programme aimed at improving transparency and service quality in the various environments where there is a "bank-customer" relationship.

For this purpose, in 2003, 19 types of rules and regulations that Group Banks apply in their relationships with their customers were reviewed.

On the one hand, the analysis pointed out ten "best practices," and on the other hand, it brought to light several critical areas concentrated primarily in the clarity of communications and difficulties in resolving disputes.

As a result of this critical review "by customers," starting 1 January 2004, customers will be given clearer and more transparent current account contracts. This initiative will involve over 3.5 million bank current accounts at UniCredit Banca.

This is the first time that a banking group has agreed to have its forms analysed by a consumer rights organisation, and has accepted their suggestions.

Changes that UniCredit Bank customers will see in 2004 involved both formal and material aspects that translated into the following actions:

- rewording and simplification of the language of contract articles and paragraphs that were not easily understood;
- all conditions applicable to a customer are attached to the contract;

- no expenses debited to customers for revisions of written entries;
- fifteen, instead of seven, days to exercise the right to withdraw from a contract if contractual provisions or terms are changed;
- revisions of contractual provisions or terms are communicated to the customer at home;
- court of competent jurisdiction specified even for individual, non-consumer customer (until now, it was always specified to be that of the bank);
- onerous clauses are highlighted for customers;
- the quality of services provided by bank suppliers to customers is checked periodically (e.g., the sending of communications);
- focus groups for different types of customers to test the ability to comprehend contracts and make their terminology more understandable and make contracts clearer;
- establishment of a joint desk for monitoring and periodically checking the new contract format;
- maximum publicity on compliance with the European code for medium-term loans and mortgages signed by European banking and consumer associations, and on its contents;
- broad dissemination of information on the ability and methods for using the Bank Ombudsman;
- inclusion of conditions and procedures for applying foreign exchange rates in the relevant transactions.

In 2004 a critical review of other types of contracts will be continued. The following contracts will be reviewed using the same methodologies:

- mortgage contracts for private customers;
- imprendero (account package targeting small businesses) contracts;
- electronic card payment (debit and credit cards and point of sale cards) contracts;
- business loan contracts.

In addition, a task force has been planned to analyse all bank-customer communications in general in order to make them simpler, clearer and more understandable. This analysis will begin with account statements.

The bank is also considering the establishment of a panel to review costs and banking services.

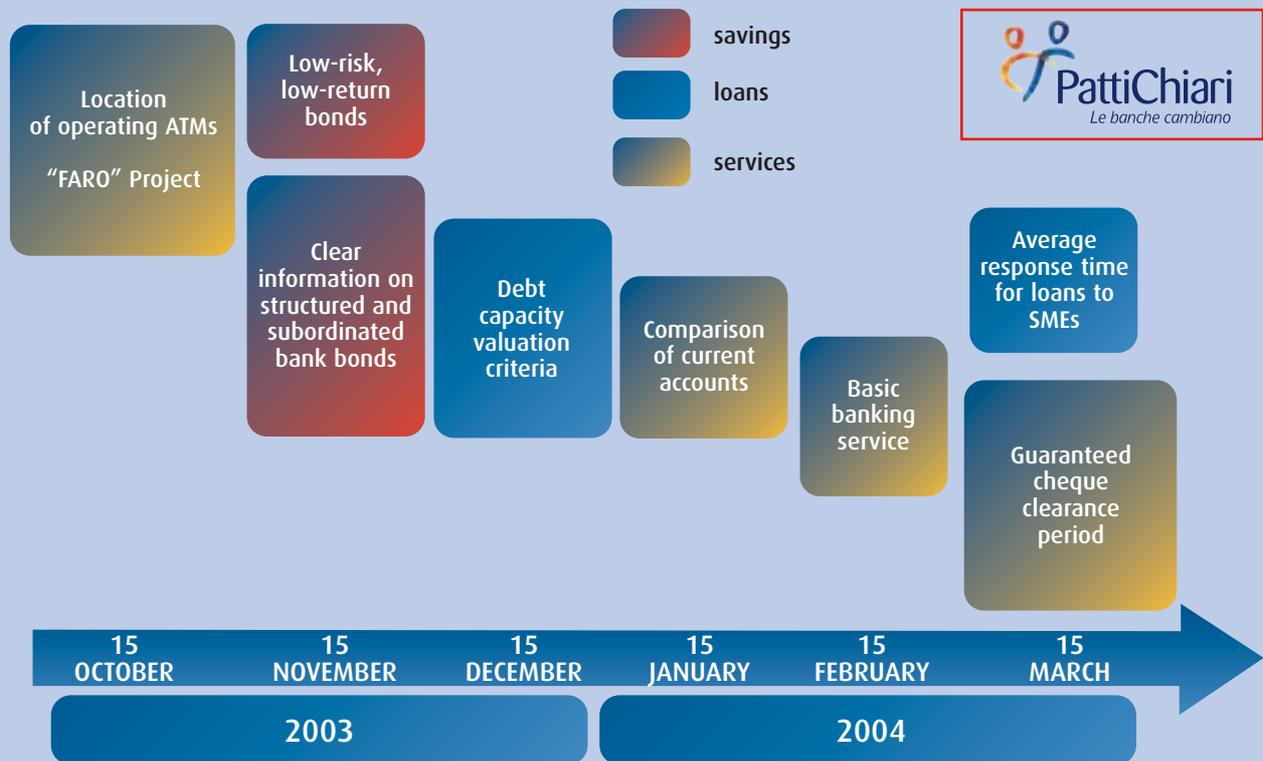
Focus on customer

Patti Chiari

“PattiChiari” is a programme sponsored by the Italian Banking Association with the active participation and support of the UniCredit Group. Its goal is to create customer and bank relationships that place a greater emphasis on trust and dialogue, on the values of clarity and comprehensibility and on providing comparable offers. The strategy is based on the dissemination of information that increases customer awareness and the quality of their requirements so that they are able to reward and provide incentives to banks for their good performance.

As a result, an action plan was created for 2003-2004, which was broken down into eight initiatives for three areas: services, savings and loans. In 2003 the following programmes were already completed:

- FARO (Online ATM Operation Status), to use a mobile phone or the Internet to find the closest ATM.
- Low Risk Bonds - a list of low-risk and low-return bonds provided free of charge and available online.
- Structured Bank Bonds – this programme provides clear information on structured and subordinated bank bonds and a table that compares the features of structured bonds with those of a typical, low-risk security with a similar maturity.
- General Assessment Criteria – shows the public the assessment criteria used for determining the debt capacity of small and medium-sized companies.



PRACTICALITY

The investor hexalogue

On 30 June 2003 UniCredit Banca introduced the “Investor Hexalogue,” six practical rules that use an innovative approach to govern the overall management of customers’ investment portfolios. The definition and adoption of these rules confirms UniCredit Banca’s commitment to its customer investors to provide them with a qualitatively superior service in terms of responsibility, transparency, simplicity and practicality.



The six points of the Hexalogue correspond to the needs of the customer investor starting with the need to be well informed to make conscious decisions (Point 1). For each financial product, UniCredit Banca provides a summary table that always shows both the level of risk and return as well as the mandatory information required by CONSOB and the Bank of Italy. This is supplemented by a number of different information channels: online news flashes,

daily and weekly newsletters, investment magazines and in-depth, single-topic reports. All published analyses are prepared by analysts involved in CFA (Chartered Financial Analyst) programmes. To meet the customer requirement of working with qualified staff (Point 2), financial training was extended to all front-office staff. Since April 2003, training courses, which are managed in collaboration with TradingLab and SDA Bocconi, have been offered to certify all UniCredit Banca consultants in three skill levels over a wide range of subjects from financial mathematics to risk analysis, and from market operation to an in-depth study of various financial instruments. Along these same lines, the consultant bonus system will be based on targets tied not only to sales performance, but also considering the quality of service offered.

With regard to the active protection of investments at risk (Points 3 and 4), UniCredit Banca provides an objective and universal assessment of risk using KILOVAR, a unit of measure created by TradingLab employing the same risk assessment parameters used by institutional investors. Consulting services are provided to customers by presenting a limited number of risk profiles, which are customised to the greatest degree possible to meet the needs of the individual investor in order to ensure that they will be understood. However, high-risk portfolios are always discouraged. The minimum investment rating for the issuer must be at least one level above investment grade, while the investment’s liquidity is protected by a minimum level of outstanding shares.

In order to provide the customer with a clear cost structure (Point 5), UniCredit Banca provides explicit, well-publicised trading commissions, and has eliminated the so-called “baskets,” i.e., packages of securities owned by the Group. Thus, all securities orders are routed towards markets with ongoing competitive auctions.

The sixth and last point responds to the customer need to have a broad selection of products and to sell investments without penalties. UniCredit Banca provides a rather extensive catalogue covering all types of products, though small enough to provide an accurate and competent service. Since 1 July 2003 it has also been possible to trade over the TLX, the Group’s new regulated market that complements the traditional stock market.

Focus on customer



KILOVAR

The level of risk associated with a financial instrument or portfolio is one of the basic factors that must be considered together with return in the process of assessing an investment.

Starting in 1999, TradingLab has been using KILOVAR to provide individual investors with the same risk measurement technology used every day by its dealers. In fact, KILOVAR is a professional analysis tool available to individual investors. It is a simple and precise tool for making investment decisions with a full knowledge of the risks of individual financial instruments and of the portfolio overall risk.

KILOVAR uses a single scale to measure risk values for all types of financial instruments, and this number is calculated daily (instruments with higher risk are assigned higher KILOVAR values).

In 2003, TradingLab Banca S.p.A. obtained the UNI EN ISO 9001:2000 Quality Management System Certification for providing the KILOVAR daily calculation and distribution service as a measurement of the risk of individual financial instruments and portfolios.

Protecting investments and relationships with consumer associations

Recent events tied to the default of several industrial companies affected the financial community and resulted in a major crisis in the relationship of banks with their customers.

The current challenge, with the decline in confidence and increasing risk of damaged reputation, is to give new legitimacy to the company and the financial industry as a whole by finding governance approaches that are more consistent and transparent. Thus, this was a serious crisis that requires us to provide a reasoned and critical response starting with the need to establish cohesion between the corporate mission, values and practices. This will involve defining and internalising a number of business principles to be used as guidelines required for taking any

corporate action. These guidelines are indispensable for providing a new corporate governance culture.

The problems associated with the Argentina, Cirio and Parmalat bonds have, in any case, made it necessary to provide timely answers.

For Cirio, since these are unrated corporate bonds that are not listed in Italy, it is possible that several customers were not fully aware beforehand of the risky nature of the investment even in the context of their overall securities portfolio.

For this reason, UniCredit has decided to initiate a procedure to find a solution for bondholders that will provide a fair, transparent and quick review of individual cases in keeping with our responsibility to properly manage relationships with our customers and improve the quality of service offered.

To provide greater assurances of transparency, an independent commission, headed by the Professor Guido Rossi (the former chairman of CONSOB), was given the task of reviewing our customers' positions and proposing possible compensation by assessing purchase methods on a case-by-case basis.

Customers had the option of seeking assistance during the procedure from eleven of the most representative consumer associations, which signed a special Protocol with UniCredit in December (a copy can be found at www.unicredit.it). At the end of the procedure, which is totally free of charge, customers have the option of accepting the settlement proposed by the Commission, or of taking any other steps deemed appropriate to protect their rights. The deadline for reimbursement request is 31 March 2004. The next financial statements will discuss the findings of the commission and the number of reimbursements paid.

This initiative actually served as the beginning of formal institutional relationships with consumer associations. These relationships turned out to be fruitful and provided a motivation for improving the quality of our services. In order to manage relationships with these associations in the best possible way, UniCredit participates in a task force sponsored by the Italian Banking Association aimed at developing a training course and sharing the initial experiences gained in this area.

As to Parmalat's bonds, their diffusion, the issuer's notoriety, the level of control, including by external entities (auditing firms, rating agencies, Consob etc.) and the presence of a rating (which, if it had been correct, would have signalled a 0.45% default probability over a one-year period) were such that the banks had

no reason to treat them differently from other securities issued by prime companies (including foreign companies) in that industry. Further reassurance was given also by the fact that Parmalat's balances in the accounts held with UniCredit were consistent with the aggregate figures shown in the company's published financial statements.

UniCredit's decisions were taken on the basis of the company's financial information. Unfortunately, the events and the investigations under way seem to bear out that the default was due to fraud and misconduct, designed to conceal the actual financial conditions.

The UniCredit Group is helping those customers who hold Parmalat's bonds to file a proof of claim (free of charge) with the Court of Parma, where legal proceedings have been initiated.

The case of Argentina had nothing in common with the first two cases since, instead of a company, this situation involved a sovereign state belonging to a group of countries with good growth potential, even though its economic situation was not very impressive. As is well known, country risk is reflected in the spread between the return offered by securities issued by that country compared to the return offered by countries with a stronger economy.

On 18 September 2002, following a specific resolution made by the Italian Banking Association committee, UniCredit, together with seven other banks, established the Association for the Protection of Investors in Argentine Securities (www.tfargentina.it). The Association provides consulting and assistance services and is financed through a fund to which members contribute, thereby offering a free service to investors. The proposed purpose is to negotiate on behalf of investors with Argentine issuers for the restructuring of debt by presenting petitions and making proposals that it deems to be suitable for the interests of investors who granted the Association a special power of attorney.

These initiatives demonstrate the willingness of UniCredit to assist and support its customers in keeping with its obligation to provide them with transparent and appropriate relationships as a means of restoring trust in relationships at a time of crisis.



In partnership with the Consumer's Foundation, **Bank Pekao SA** launched an information campaign in Poland to make consumer's rights more transparent and more widely known with regard to the distribution of banking products and services.



Focus on customer

Complaints management

The offices that monitor complaints went into operation at the same time as the three segment banks. These offices place the complaint in the "complaint register" and send a preliminary letter while an internal investigation is initiated to assess the case. At the end of the investigation, and after consulting with the legal department if necessary, a response letter is sent to the customer. For complaints concerning investment services, which are governed by CONSOB regulations, the results of the complaint are, in any case, reviewed, and the final decision is acknowledged.

Complaints received by the Parent Company's senior management are handled by a special office. The Managing Director/CEO and Chairman respond directly specifying the approval process required for the complaint and the technical areas that will assess it in anticipation of the final outcome.

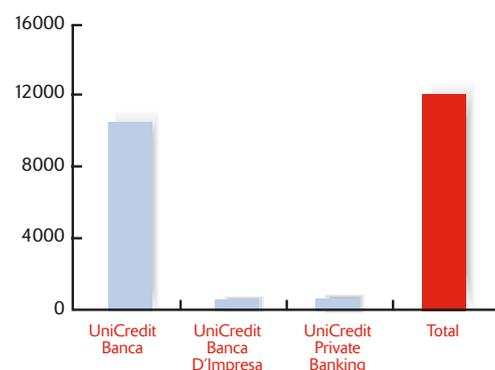
If the customer is a consumer and is not satisfied after contacting the complaint offices, he may present an appeal to the Bank Ombudsman within one year of the complaint. The Ombudsman is responsible for disputes up to an amount of €10,000. The decision is made within 90 days of receiving the request for intervention or within 90 days of the last communication made by the petitioning party, and is binding only for the bank, but not for the consumer. Contacting the complaint offices or the Bank Ombudsman does not deny the customer right, at any time, to appeal the case to judicial authorities, or if required, to an arbitrator or board of arbitration to resolve the dispute.

	UNICREDIT BANCA	UNICREDIT BANCA D'IMPRESA	UNICREDIT PRIVATE BANKING
Complaints paid	895	345	145
Amounts paid in €	998,743	1,246,886	810,584

Information Privacy and Security

All information and data handled within the Group is considered a resource with strategic value. Thus, in 2003 measures were taken to update guidelines for minimum security measures to be taken in data handling within the Group.

Claims number and typology



CLAIMS RECEIVED	UNICREDIT BANCA	UNICREDIT BANCA D'IMPRESA	UNICREDIT PRIVATE BANKING	SECURITIES
To be assessed	206	-	-	206
Current accounts and savings deposits	3316	192	121	3629
Securities	1602	113	164	1879
Other investment products/segregated accounts	106	-	33	139
Other investment products/mutual funds	435	1	25	461
Other investment products - Capital accumulation plans	8	-	-	8
Consumer and personal loans	202	1	14	217
Medium-term loans and mortgages	657	17	2	676
Bank transfers	357	22	6	385
Salaries and pensions	73	4	1	78
Credit cards	492	73	27	592
Automated teller machines/withdrawals	533	1	8	542
Automated teller machines/POS	221	-	3	224
Checks	401	49	13	463
Bills	128	54	4	186
Assicurative Insurance policies	544	2	51	597
Other	891	32	43	966
Arrangement services in general	225	39	213	477
Cross-border bank transfers	27	-	-	27
Credit facilities	92	4	-	96
Special loans	31	12	-	43
Other types of loans	78	40	-	118
Other collection and payment services	152	71	15	238
Non-life insurance policies	19	-	-	19
Total	10,796	727	743	12,266

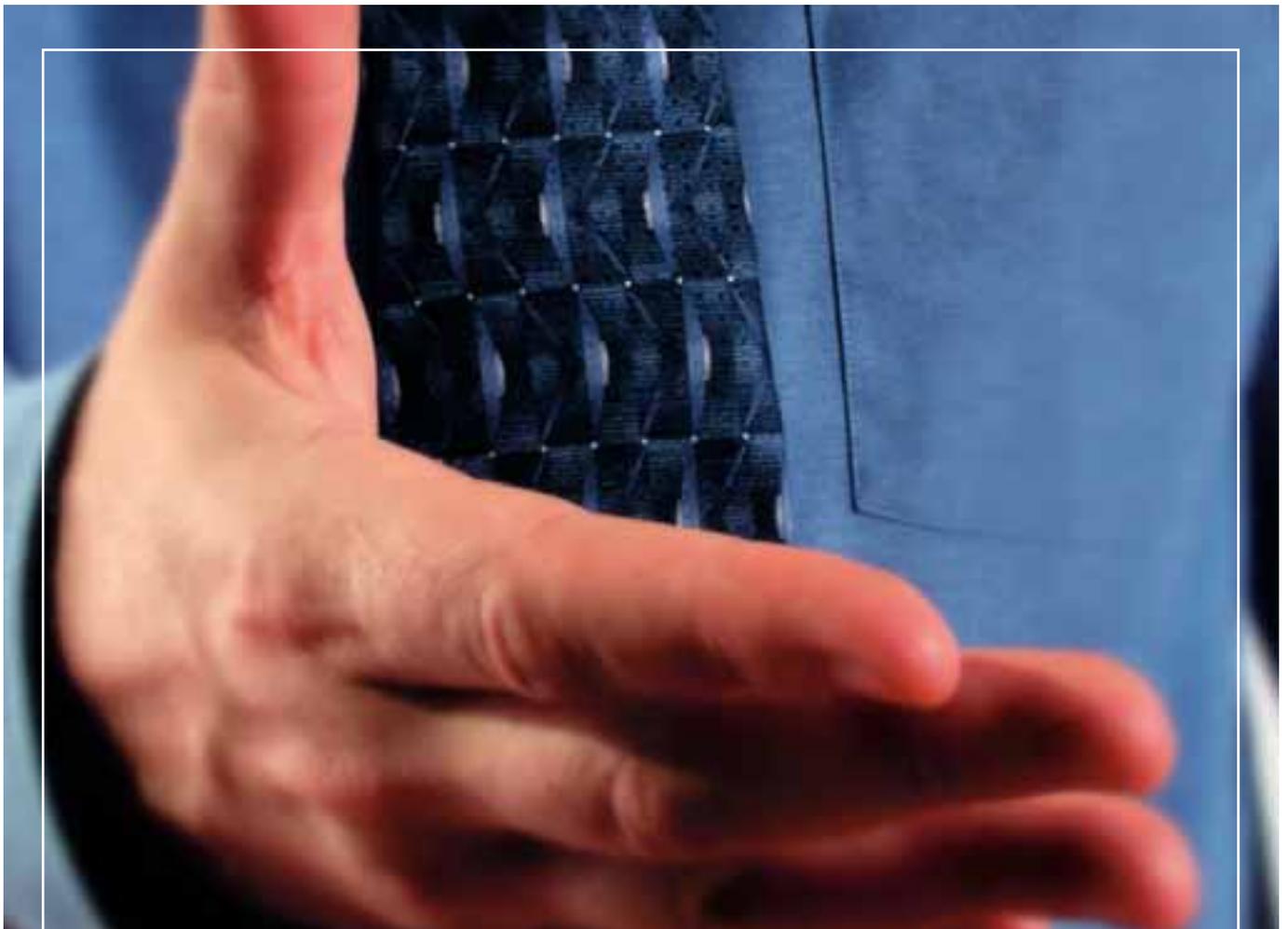


The actions

From 1 January 2004, a new code will be in effect protecting personal data. This code is a total reform of this area and, among other things, introduces new data and system security measures. As a primary focus of its organisational and security measures, UniCredit attaches a high value to training its staff, and starting in December 2003 has made available a multi-media course over the UP corporate portal. This self-teaching course is also available over

the Internet and targets all Group employees with a special course designed for employees with specialist duties.

In order to coordinate compliance with the new Code, special meetings were also arranged with Group banks and companies, and the "centre specialising in privacy and security matters (e-mail: privacy@unicredit.it)", which serves as a consulting body for compliance with the new provisions, was expanded.

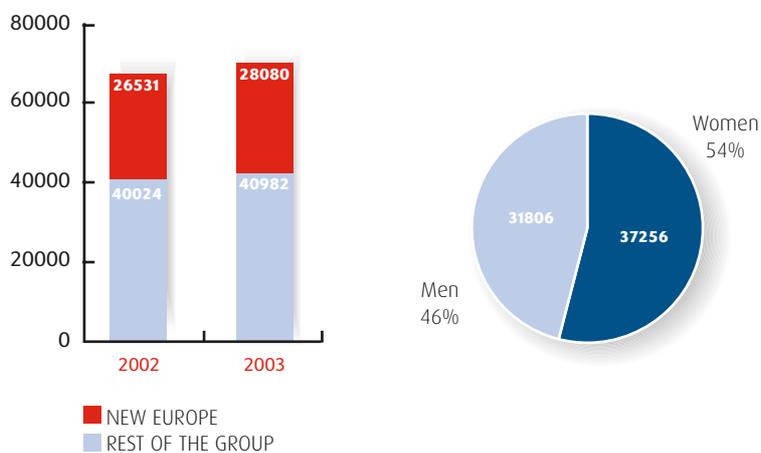


Our people

UniCredit always strives to meet the expectations of its capable and motivated employees. It fosters an environment where dialogue is encouraged, performance is rewarded, and everyone is given the same opportunities to grow.

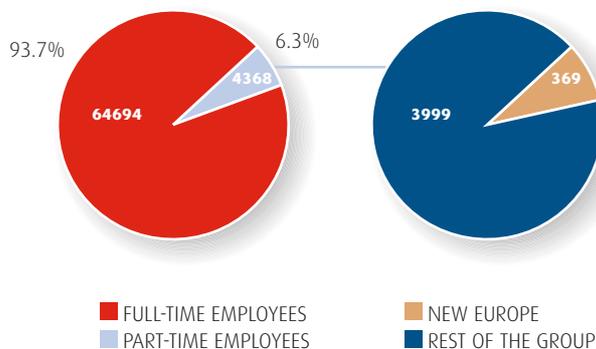
We take care of the professional development of our people through ongoing training programmes with the conviction that cultivating the potential of individuals ensures that the company as a whole will grow.

Overall Group staff structure



TOTAL GROUP EMPLOYEES	NUMBER	CHANGE
2002	66,555	
2003	69,062	+3.8%

Employees by type of contract



EMPLOYEES IN ITALY IN PROTECTED CATEGORIES AS DEFINED BY LAW 68/99:	NUMBER
Disabled	1,793
Orphans, widows and refugees	968
Total	2,761

IMPACT OF "S3 PROJECT" ON EMPLOYEES

The S3 Project had an impact on all companies and thus, on all Group employees in Italy (over 38,000) even though only the seven former federated banks were directly involved affecting about 30,000 employees in seven diverse entities with a significant geographic distribution and with major differences in terms of traditions, history, longevity and differing degrees of specialisation.

When designing the new organisation made up of three banks specialised by customer segment due regard was given to the need to maintain employees from the seven former banks at each of the new entities taking into account an objective identification of the skills needed.

The inevitable development of anxiety, uncertainty and expectations

was handled during the progress of the project by relying on internal communication and the close relationship with management. Care was taken to shorten, where possible, the distance between senior management and staff in an attempt to achieve immediate understanding and face internal problems as they arose.

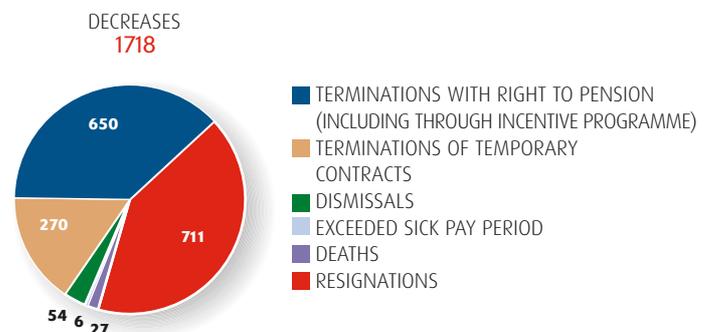
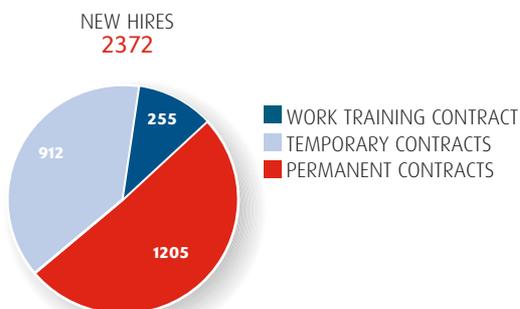
A considerable effort was made to maintain a significant presence in the provinces, where the former banks had their greatest presence, and in the cities where they had their head offices. To this end, the General Management offices of the three new banks were located in Bologna, Turin and Verona, while Regional Management offices and UniCredit Produzioni Accentrate Centres were set up in Trento, Treviso and Trieste. The Parent Company, as well as

several service and product companies, remained in Milan.

Finally, staff relocations, which were inevitable in order to ensure that the right level of essential skills was present at all installations nationwide, were made on a volunteer and joint basis with the individuals concerned, who, among other things, were able to take advantage of attractive professional opportunities.

These staff relocations, which were limited to 2% of staff, and largely involved distances that could be covered with a daily commute, affected a total of 736 employees, of which 253 are currently at UniCredit Banca, 348 at UniCredit Banca d'Impresa, 13 at UniCredito Italiano, 114 at UniCredit Private Banking and 8 at U.P.A.

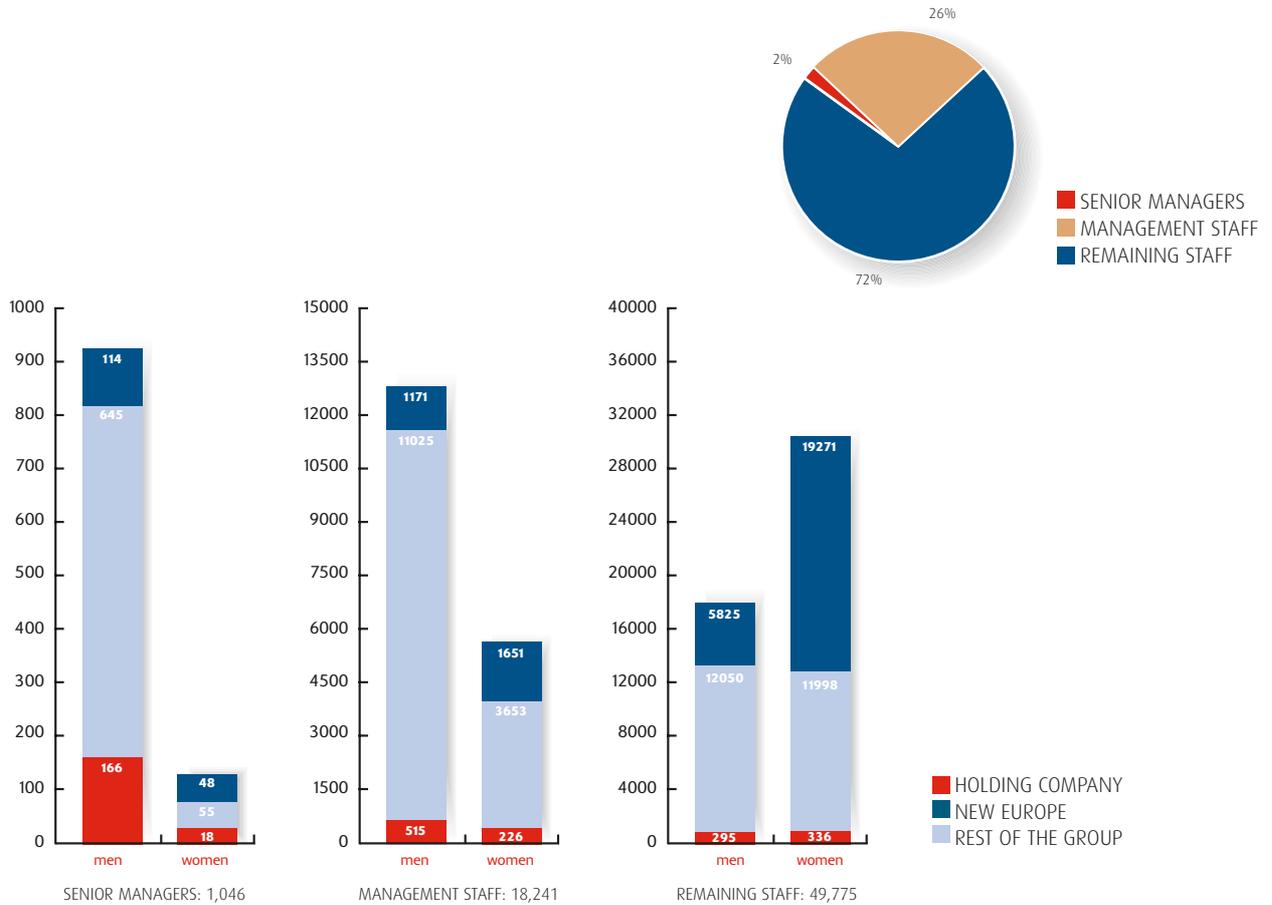
New hires/Decreases*



* DATA REFERS TO THE GROUP EXCLUDING NEW EUROPE BANKS

Our people

Staff composition by category



LISTENING AND DIALOGUE

Internal Communication

Internal communication is a top priority within UniCredit since it contributes to establishing a common corporate culture and comes with organisational changes that have a great impact on people.

To strengthen a shared culture and service model while respecting the differences of each corporate entity, a special channel is used, the "UP" portal. This Intranet platform connects

virtually all UniCredit employees in Italy, and will soon be expanded to the Group's foreign banks.

UP IN NUMBERS	
UP users	about 37,000
Average daily visits	23,389

Created in 2002, UP is now the main internal communication channel. It is gradually changing from a working tool and means to share knowledge and services with an integrated environment, a true “employee desktop” enabling UniCredit’s “new identity and new way of banking” to be communicated and to increase the sense of belonging to the Group in a fast, efficient and satisfying manner.

In addition to the UP portal, an important role is played by Linea Diretta, an internal periodical that is used whenever there is a need to communicate initiatives that have a direct impact on Group staff. An example is the “Gift Matching” programme of the Unidea Foundation which affected all Group staff involved in non-profit and voluntary charitable activities. Due in part to the publication of various fund-raising programmes on the corporate portal, colleagues from different Group banks and companies spontaneously joined forces to promote common projects. The expectation is that gift matching will increasingly become a means to join Group employees under the banner of a jointly shared culture of social responsibility (for more information, see the section called “Corporate Citizenship”).

In order to bring to life the experience of UniCredit's new identity, internal communications have made, and will continue to make use of tools such as road shows and topic-specific conventions and the organisation of local events used to encourage meetings, awareness and exchanges among all Group employees.

Road Shows in numbers

PROMOTER	TOPIC	NUMBER OF ROAD SHOWS	PEOPLE INVOLVED
Parent Company	Corporate Identity	6	about 7,400
UniCredit Banca	Listening to employees	9	about 250

“Listening to grow together”

With the S3 Project, UniCredit developed a new way of banking, not only for customers, but also for employees, who find themselves in a radically changed organisational structure. The organisation is so new that it is necessary for employees to reflect on their sense of belonging to and identification with the new UniCredit environment.

The survey called “Listening to grow together” was developed based on the realisation that to build something together, it is essential to continually listen without bias in order to benefit from, and make the best use of, each person’s contribution. This is the first internal survey of this range at UniCredit and its objective was to:

- provide an initial measurement of the sense of belonging to the Group and each person’s involvement in their work (engagement/commitment);
- determine strengths and weaknesses and identify priorities that need to be addressed to increase employees’ involvement and sense of belonging and improve customer satisfaction;
- develop an employee satisfaction index. If this survey is regularly repeated in the future, this index can be used to measure improvements achieved by implementing action plans.

The survey, which started in mid-June and ended in mid-July was conducted using a questionnaire that allowed people to express their opinions and provide useful suggestions and ideas on various topics.

The implementation of this initiative, which had a very successful response rate, entailed:

- the direct involvement of the Parent Company’s Organisation and Human Resources Department in order to define the questionnaire’s objectives and areas to be measured;
- sharing with personnel managers of the 22 banks/companies involved in the survey in order to identify specific needs in each sector and amend the base questionnaire where appropriate;
- contributions of focus groups made up of a representative sample of employees in order to identify those areas perceived to be the most critical and most strategic for increasing the sense of belonging.

All of these contributions together generated a number of questions grouped by topic that defined the scope of the survey’s contents.

Listening to grow together

SURVEY STATISTICS

Companies involved	22
Response rate	60%
Questionnaires gathered	22,500 about
Answers to open questions	17,000 about

QUESTIONNAIRE TOPICS

engagement/commitment
continuing to work for the company
identification with the bank/company and Group
stereotypes of bank/company and Group
image of bank/company and Group
clarity of goals and objectives
leadership
management/supervision
creating responsibility and involvement
working together and work relations
speed of change and perception of workloads
compensation
job satisfaction
training and development
organisational efficiency

The results showed that there is a widespread sense of belonging and loyalty to the Group; this was expressed by the clear desire to continue working for UniCredit despite the existence of outside alternatives.

In addition, a close review of results was conducted at the bank/company level in order to identify the specific needs of each corporate entity, and at the Group level to determine the inter-area needs that require joint, synergistic action; this revealed about 50 priorities to be acted upon with effective action plans.

Over a hundred projects/measures were initiated as a specific response to requests made on the questionnaires; this is a tangible sign of the Group's commitment to constant improvement, making the survey into a useful and constructive listening exercise.

The main actions in human resources, which cut across several Group units, involved the perceived level of access to top management and the respect and fairness towards employees.

In 2003 about 100 initiatives were undertaken as part of action plans structured at the level of individual companies. At the Group level, the main initiatives to date are as follows:

1. Perceived level of access to top management:

A) Group's "CEO Mailbox"

This communication channel is used to encourage dialogue with the Group's top management by starting theme-based forums that can be accessed through the internal portal. In order to provide the best support for this tool, an editorial structure was created that is made up of the company's senior management. Two sections of this initiative have already been completed. The first was dedicated to employee comments in the survey "listening in order to grow together". The second was focused on current events in the financial industry. The mailbox will be activated whenever it is necessary to establish a dialog with all colleagues on specific topics that affect all Group areas.

"CEO MAILBOX" IN NUMBERS

messages received	441
Total writers	365
Total answers	332
Total unanswered messages	109*

* INCLUDING ABOUT 92 CONCERNING UNRELATED QUESTIONS AND TYPOS OR REPETITIONS, AND THE REMAINDER IS STILL TO BE PROCESSED

B) The Leadership building programme

This is a training project designed to expand skills in support of effective leadership styles in complex organisational environments like those of the Group.

2. Respect and fairness towards employees:

A) Job Posting

Employees can search for jobs within the Group through the Job Posting, a dedicated space on the portal. This tool provides opportunities to grow and a better way for employees to demonstrate their professionalism. This project is a specific and effective response to the professional growth needs expressed by employees since

it allows them to take advantage of opportunities created within the Group.

"JOB POSTING" IN NUMBERS*	
CVs updated by colleagues	2,219
Job offers published	68
Employees registered for positions	456
Searches completed successfully	17

* LAST UPDATE 3 FEBRUARY 2004

B) Management orientation

This project enables individual Group companies to make the best use of their employees using a centralised assessment programme; this identifies individuals for significant management-oriented positions based on demonstrated skills and professionalism. Using a monitoring process with standard, shared criteria, feedback is provided to individual participants in order to raise awareness of their own traits and to improve the effectiveness of their actions.

This project became fully operational in the spring of 2003. About 80 evaluation interviews have been scheduled for 2004.

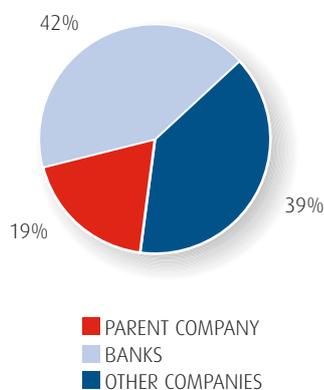
The Value Workshop

This project, which was conceived to bring the Group's values to life by translating them into concrete behaviour, is an important step towards building an identity that is a true reflection of employees and motivates them to contribute to corporate life.

The 12 "Workshops", which started in mid-September and finished at the end of November, were conducted in various areas nationwide and were an opportunity to establish a constructive dialogue. Nearly 1,500 people from all professional levels had open discussions on their professional backgrounds and collectively reflected on ways to bring the values of their personal experience to the working environment.

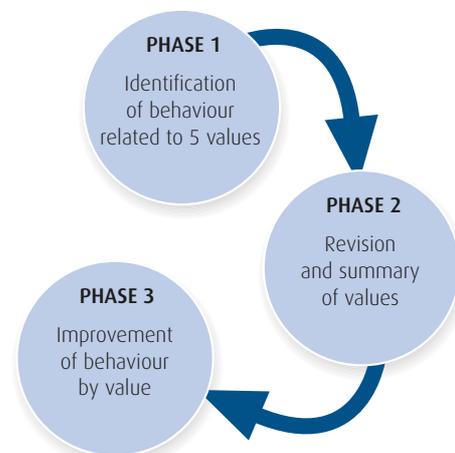
Each Workshop was introduced by a presentation by senior managers of the Parent Company and each bank, who also attended the presentation of the final results. Over a period of a day and a half, 100-120 people from the same bank met from time to time and worked in groups of 10-12 people. To foster the broadest exchange of ideas possible among all participants, groups were reassembled for each phase of the Workshop.

Management Orientation in numbers



People involved in 2003: 43

The value workshop's phases



Our people

The project elicited considerable interest: this programme, which was launched on the corporate portal for the 3 segment banks, received four times more unsolicited applications than the actual positions for direct participation in the Workshops. A virtual space was set up on the corporate Intranet to avoid missing an opportunity to obtain and make the best use of contributions of over 1,000 people who were not able to participate in local meetings. These participants were able to express their opinions on specific behaviour that was consistent with Group values.

About 40% of participants were invited directly by the top managers of their Banks since their positions or professional experience entailed specific responsibilities for personally promoting behaviour consistent with Group values, thereby acting as a promoter of cultural change. The remaining 60% were selected from those who expressed a desire to take part in the initiative, with preference given to those with direct customer contact, as their behaviour demonstrates the Group's values to the outside world on a daily basis.

Once the analysis is completed, Workshop results will be distributed to all staff and available for sharing.

"Identity: Soul-Searching" and "Return to Ithaca: Why did Ulysses return alone?"

These are two unusual, unique programmes that involved the voluntary participation of certain Group managers in a series of itinerant meetings in the area with several prominent individuals from the world of culture and the economy (managers, philosophers, theologians, economists, political scientists and artists). These meetings provided a forum for reflection and discussion in search of ways to make the Group's "soul", which is made up of seven banks, more visible. By searching for a common identity, we thought that the "soul" might be a useful concept for offering an opportunity to identify a joint assessment method and a common ground for discussion.

The time chosen for this exploration was of great significance: the new organisational model raised rather important orientation problems since there was a need to regroup in new forms of shared identities. Being together, listening and discussing readings with authors provided a useful way of bypassing concerns and misunderstandings and instead of searching for ideas to define a new collective identity. This was

the most surprising aspect of the programme: the desire to participate, which was felt during each phase of the cycle, and the cultural and spiritual participation in the project. The spirit of individual participants emerged forcefully allowing each to see the other as a person rather than a colleague. After all, passions and feelings, although problematic, help to overcome certain dry aspects of a job better than routine.

"IDENTITY: SOUL-SEARCHING" IN NUMBERS	
Number of meetings in 2003	17
People involved in each meeting	40/50

"RETURN TO ITHACA: WHY DID ULYSSES RETURN ALONE?" IN NUMBERS	
Number of meetings in 2003	4*
People involved in each meeting	about 50

* OTHER 4 MEETINGS WITHIN FEBRUARY 2004

TRAINING AND PROFESSIONAL DEVELOPMENT

In 2003, to provide the best growth and development opportunities needed to implement UniCredit's Strategic Plan, the Management & Banking Academy (M&BA) was established.

Its proposed objectives are to increase the value of the Group's human capital, stimulate innovation and internal entrepreneurial skills, contribute to the improvement of technical and managerial expertise in new markets where the Group operates, improve professionalism and make the Group more attractive to new talent. The procedural approach used calls for employing different methods of interaction and for topics to be developed through classroom courses, meetings, workshops and seminars. In 2003 activities focused on updates on specialised topics regarding Basel II and new tax regulations, the development of leadership skills through a dedicated training course and specialist programmes for Group managers. This training opportunity was created to develop a system of leadership skills: a manager's ability to communicate, get people involved, delegate and convey energy to his employees is an ingredient of good leadership. The continual internationalisation and specialisation process launched by

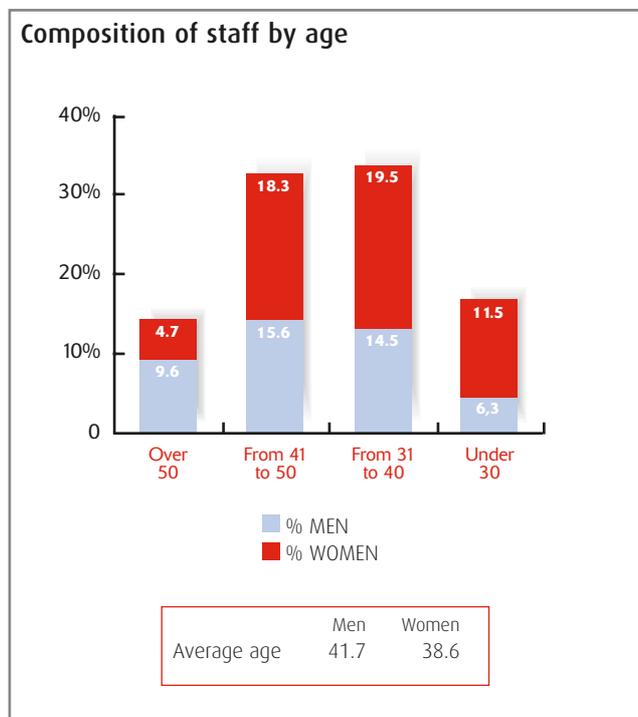
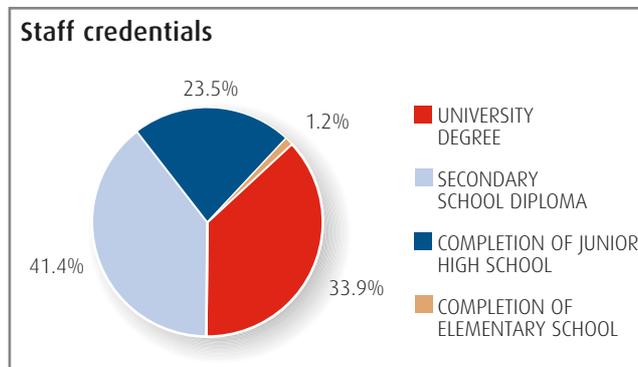
UniCredit requires an investment in management aimed at identifying and defining a leadership approach that supports and feeds the positive drive towards change by providing a clear vision of strategic direction and mobilising the energy of the organisation's resources behind this strategy.

The M&BA programme calls for the establishment of departments to oversee specific distinct areas of expertise including through the development of collaborative programmes with universities and research centres.

In August 2003, in collaboration with the Fondazione Cassamarca, the Management and Banking Academy launched the "New Europe Master in Banking and Entrepreneurship" as a way to foster the spread and improvement of technical and managerial expertise in countries in New Europe. This is a post-graduate programme for the academic year 2003-2004 for participants from Eastern Europe and aims to improve expertise and better understand the relationships between banks and industrial companies.

The "Key Resources project", which was started in 2000, will continue with the goal of making the best use of strategic human capital for the Group's success in the medium and long term.

After examining the Group's key positions/resources, computer support was designed and installed (with the support of UniCredit Servizi Informativi, the Group's IT company), which will provide an integrated, consistent management approach at corporate level.



During the year, the third class of the Young Talents Project in Italy was launched as well as the second class for banks in New Europe. These projects are dedicated to the Group's excellent young employees and are aimed at supporting their accelerated professional development for future management positions through the creation of a common training programme, an indicative assessment and the subsequent definition of individual programmes.

In order to complete the standardisation of a minimum level of skills required by the new organisational structure, specialist management and technical training courses were designed (internally and using part-time instructors) for the Group's banks and companies.

The different initiatives carried out in 2003 as part of the

different training plans were:

- Retail Management Programme – a programme aimed at integrating sales managers, increasing their involvement and standardising their expertise in sales strategies, new organisational roles and management techniques.
- TradingLab Bocconi Certificate – a project to provide all employees in sales positions with proper technical training in financial subjects with the certification of an authoritative partner in the financial field.
- Specific training programmes in the financial, management and lending areas. The latter were carried out as a part of compliance with the Basel II Accord standards.
- Intensive training for staff assistants. A considerable investment in training was made for these individuals, focusing

Our people

on basic information concerning the bank's administrative activity.

■ Training programmes dedicated exclusively to Local Organisation Managers with the goal of making them aware of their role, presenting working methods in terms of relationship structures, operating processes and governance tools of the local "operating structure". This project, which was launched in 2003, will be completed in 2004.

■ Programmes designed for new hires to ensure proper training in technical and procedural matters as well as their effective integration in the new working environment and the community in keeping with the Group's values, strategies and mission.

■ The "Reaching Credit Excellence in New Europe" and "Achieving Excellence in Sales Force Management" projects to improve the lending and sales skills of employees working in banks of New Europe through training and development programmes.

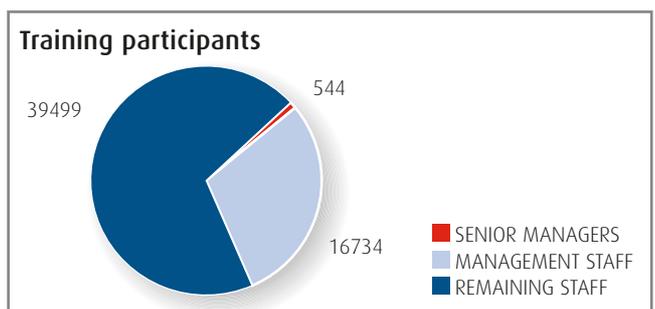
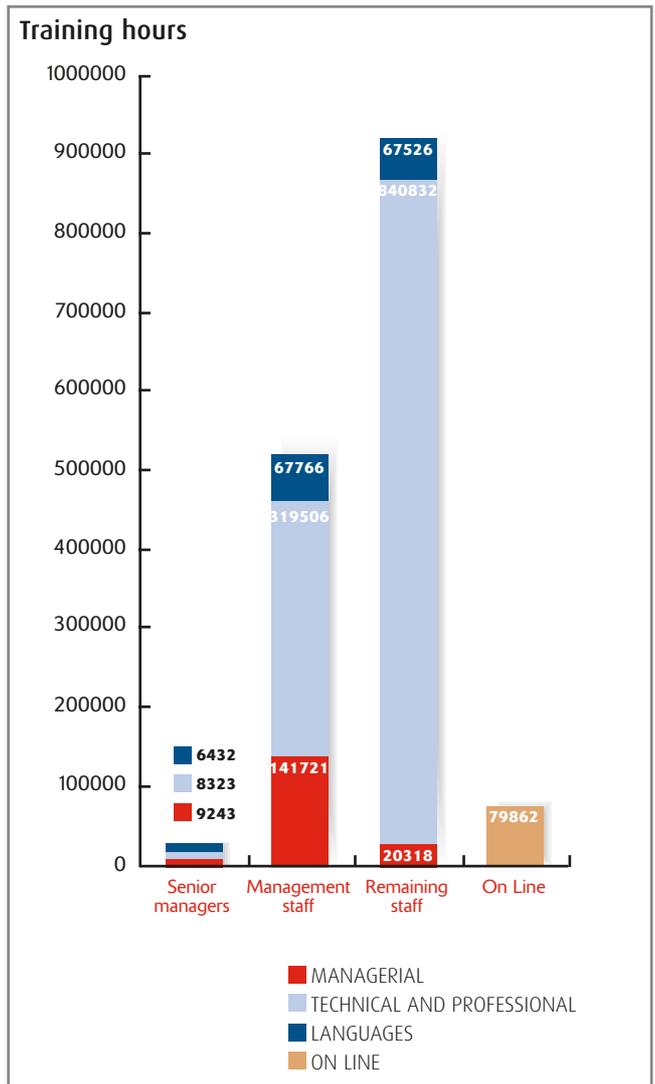
Finally, multi-media courses have been prepared and produced, and the online platform "UCILearning" has been put into operation to provide widespread training in a short period of time, as also required by the "Patti Chiari" Project.

ASSESSMENT, COMPENSATION AND INCENTIVE SYSTEMS

The performance assessment system measures performance of "distinctive skills"; these are defined as the collective professional experience, skills and orientation that are expressed in observable behaviour and contribute to "making a difference" in achieving the Group's strategic goals.

Distinctive skills were defined using the "skill model", and were identified as follows:

■ for non-management staff: professional background; ongoing application and organisation of employee's activity; working independence and flexibility; integration capability; effective sales skills for those who work in the branch network; and effectiveness in achieving goals for those who work at the Parent Company;



■ for management staff: entrepreneurial skills, integration capability, leadership skills, ability to organise and develop human resources, ability to achieve quality results.

On the other hand, the terms of the National Collective Labour Agreement compensation. In 2003 following the Group's reorganisation in Italy, the guidelines were revised for the segment banks' variable bonus system. Each of the former federated banks had its own method for determining MbO (Management by Objective) parameters and assigning incentives. Hence it was necessary to define common principles and adopt a shared Group approach to improve the bank's sales incentive systems, while at the same time keeping in mind the personalisation required by the differences distinguishing each segment's business. It is believed that specialised MbO's in a common environment could serve as a significant sign of UniCredit's desire to assess and compensate its employees in a fair and transparent manner. Each bank then submitted the incentive system parameters to its union organisation as required by the National Collective Labour Agreement, detailing the types of objectives assigned to various professional positions. It is estimated that the incentive system represented about 10% of gross compensation in 2003 for segment banks.

In addition, in order to foster the Group's development in the medium term, an employee shareholding programme was again carried out in 2003 for all staff in the Parent Company and the Italian banks and companies owned by UniCredito Italiano S.p.A. (with a direct or indirect stake of 51%). Thus, throughout the year the following shares were allotted free of charge:

■ UniCredito Italiano SpA shares to about 34,000 Group employees as part of the restructuring of the Corporate Bonus, in order to provide tangible, widespread recognition for the significant commitment made to the Group's success and to strengthen the sense of belonging. This allocation takes full advantage of the tax and social security benefits provided under Italian law;

■ UniCredito Italiano SpA shares to about 2,500 middle managers in order to reward the impressive results achieved.



Zagrebacka Banka placed a special emphasis on the quality of life of its employees: in 2003, social subsidies were granted to 142 employees, and 27 scholarships were financed for children of deceased employees.

Finally, the periods for exercising each of the existing UniCredit Stock Option plans were extended by 5 years in order to bring them in line with international best practices and make them more consistent with the achievement of the Group's strategic goals in the medium and long term.

UniCredit also meets the various needs of its employees by providing several corporate services to staff and their family members.

AVERAGE GROSS COMPENSATION BY CATEGORY**	IMPORTI IN €
Senior managers	115,296
Management staff	47,519
Other staff	29,400

* DATA REFER TO THE GROUP COMPANIES IN ITALY

CORPORATE SERVICES
Supplemental health care
Pension fund
Scholarships for employees' children
Financial contributions for employees' children
Financial contributions for the disabled elderly
Payments linked to seniority
Various payments for children of former employees
Grants to employees in service
Grants to retired personnel
Loans/mortgages for the purchase of homes
Loans for personal use

To accommodate professional commitments in the context of family requirements, the possibility of designating a permanent area for a day care centre has been studied in several of the Group's banks and companies. In 2002 a company day care centre was established at the Cologno Monzese office of UniCredit Produzioni Accentrate (UPA), the Group company that manages administrative requirements, and a second centre is being completed at the office of UniCredit Banca on Via Nizza in Turin which will be inaugurated in the spring of 2004.

INDUSTRIAL RELATIONS

During the first half of 2003 efforts were primarily focused on rationalising existing professional and management staff at the various banks involved in the S3 Project taking into account, in particular, specific areas where duties overlap, differences in existing organisational structures and customer segmentation processes based on the target market.

The year also saw the completion of negotiations concerning transactions aimed at supplementing the three segment banks with specialised operators to provide the bank's customers with an increasingly innovative product portfolio and broaden its distribution capabilities. The trade union negotiations over the acquisition of the divisions of Abbey National Bank Italia and ING Italia were an example of this.

Other significant activities in 2003 were as follows:

- the union agreement signed in June calling for the free allocation of shares to employees;
- the agreement reached on the Group's supplemental social security aimed at revising the institutional, statutory and regulatory sources of UniCredito Italiano's various existing corporate funds for their conversion to the new corporate structure that was created following the implementation of the S3 project;
- the agreement on supplemental health care for 2004, which is the first significant result of complex negotiations, which are still under way, aimed at establishing an Assistance Fund for Group staff. The Group's rate of trade union participation is 71.33%.



A number of preventative measures aimed at achieving the highest possible level of safety were implemented by **Zagrebacka Banka** through the workplace safety and prevention system. The management system was structured and developed in an innovative manner using training programmes, procedures to support disabled individuals and scheduled audits.

SAFETY MANAGEMENT IN THE WORKPLACE

The UniCredit Group's new structure, which led to the segmentation of banking operations into three distinct and separate companies in 2003, led to a number of radical restructuring measures.

As a result, it was necessary to consider a new risk assessment by combining assessment processes and implementing prevention and protection measures at the Group level in order to provide uniform protection for all employees. For

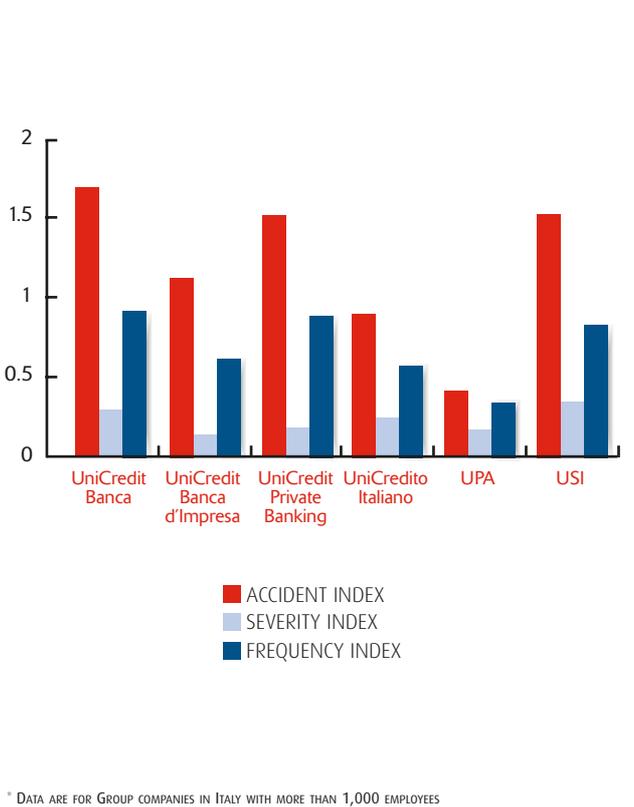
the same reasons, a large-scale revision of emergency management procedures is under way.

One of the most significant goals achieved during the current year was the online training course in health and safety available through the UP portal. The launch of this project made it possible to standardise the training level of the Group's entire staff in real time.

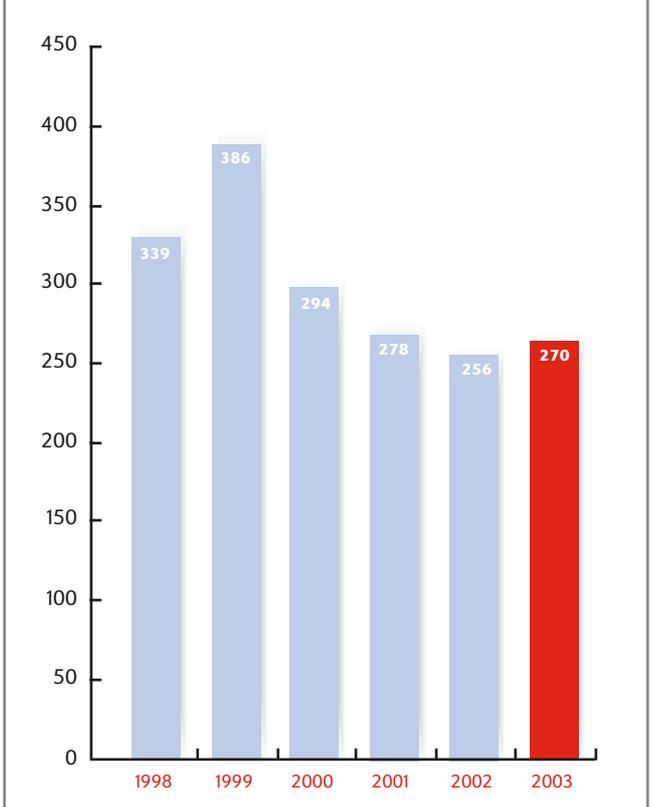
Days of absence full-time equivalent

REASON	DAYS OF ABSENCE
Illnesses, accidents and doctor visits	300,300
Pregnancy and maternity leave	142,300
Family and personal reasons	59,700
Paid time off for trade union leaders	59,340
Blood donation	3,920
Marriage leave	8,230
Other reasons	32,910
Total	606,700

Accident data*



Theft at UniCredit Banca branches



SECURITY

This year's activities focused on preventing theft and robbery. 2003 was characterised by a high number of property-related crimes throughout the banking industry, and our bank branches also registered an increase.

To address this situation, UniCredit agreed to a programme sponsored by the Italian Banking Association for entering into "Letters of understanding for crime prevention in banks" with several Italian police bureaux. These Letters require banks to immediately report to the police any dangerous situation and to keep anti-theft security equipment in good working order. At least three types of this equipment must be selected from a short-list of nine types. On the other hand, the banks may, through the Italian Banking Association, report particularly serious situations to regional committees for public order and safety in order to request the authorities to take measures to protect their branches.

In 2003, work continued on the "Business Continuity" project. The purpose of this project is to manage any risks resulting from natural disasters or criminal acts and to guarantee business continuity under emergency conditions by activating special emergency plans. This calls for an initial analysis of vitally important processes (business impact analysis) and the subsequent determination of strategies depending on the level of severity, which would compromise the functionality of the business (information system). Finally, an emergency plan must be prepared that sets out rules for business continuity management of critical corporate processes. This project involved all Group banks and companies operating in Italy: the analysis phase has been completed for everyone, while strategies are still being determined. Emergency plans, in part based on the official guidelines established by the Bank of Italy, will be prepared later.

Investor relations

In 2003 the relations with institutional investors and financial analyst again served as an opportunity to promote the topic of corporate social responsibility.

The main activity of Investor Relations is to manage the relationship with this category of stakeholders. This unit's goal is to maximise UniCredito Italiano's image through the precise and transparent communication of the results and strategies of the Group as a whole and by division (Retail, Corporate, Private Banking and New Europe).

Investor Relations uses a variety of channels and tools to communicate with the market: presentations, Investor Days, conferences, individual meetings and roadshows. In addition, in 2003 there were further enhancements of the Investor Relations section of the corporate website. In addition to the traditional webcasting of the main presentations on operating and financial results (half year and year-end), we also did live broadcasts of audio recordings of conference calls held by the Managing Director/CEO on quarterly results in keeping with our commitment to provide transparent communication of the Group's economic data to the financial community and to a much broader audience.

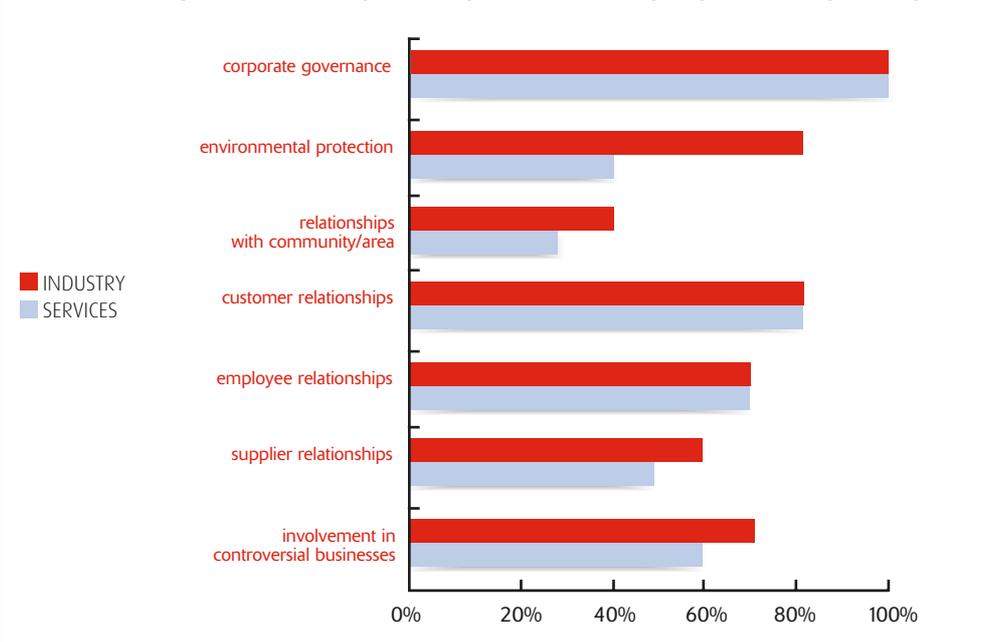
During the year, Investor Relations contributed to a thorough study of topics related to social responsibility in order to communicate to the financial community the Group's commitment in this area, and to report market observations inside the company.

2003 saw an increase in initiatives of this type. To be specific, last February a conference was conducted together with Avanzi SRI Research (an independent company engaged in socially responsible investments) by Italy's largest institutional investors on the topic of the importance of corporate social responsibility in investment decisions. The results of the research were presented and reviewed as a part of a round table discussion organised by UniCredit in collaboration with the Forum on Sustainable Finance, a non-profit organisation promoting the culture of sustainable development in the Italian financial community.

The research showed that the area of social responsibility was focused almost exclusively on topics related to corporate governance and conflicts of interests. This was probably due to the fact that investors were not sufficiently familiar with this subject. In addition, there was continued collaboration with CSR Europe in a study about investor relations' role which concluded with the

publication of a report ("Corporate Social Responsibility and the Role of Investor Relations: From Switchboard to Catalyst" which is available at www.csreurope.org), and participation in a round table discussion organised in conjunction with Sodalitas on the growing importance of Social Responsibility issues and the role of Investor Relations. Last February we also participated in the "Finance and Social Responsibility" convention organised again by Sodalitas.

Elements of corporate social responsibility considered very important or quite important



FINANCIAL COMMUNICATION IN NUMBERS	
Institutional presentations on Group results	6
Investor Day	1
Industry conferences	10
Roadshow	18
including: Europe	14
United States	3
Japan and Singapore	1
One-on-one meetings with investors and analysts, about 30% of which were in Italy and the remaining 70% abroad.	over 300



Bank Pekao has made considerable strides to step up traditional meetings with the financial community in 2003. This commitment to achieve more transparent communication prompted Euromoney magazine to select the bank as the best bank in Poland in terms of corporate governance systems.

SHAREHOLDER RETURN

UniCredito Italiano's capital stock totalled €3,158,168,076.00 and was made up of 6,316,336,152 shares of €0.50 each, including 6,294,629,600 common shares and 21,706,552 savings shares.

As at 31.12.03, the Shareholders' Register showed the following:

- there were approximately 220,000 shareholders;
- resident shareholders held approximately 64% of capital and foreign shareholders the remaining 36%;
- 89% of ordinary capital stock was held by legal entities and the remaining 11% by individuals.

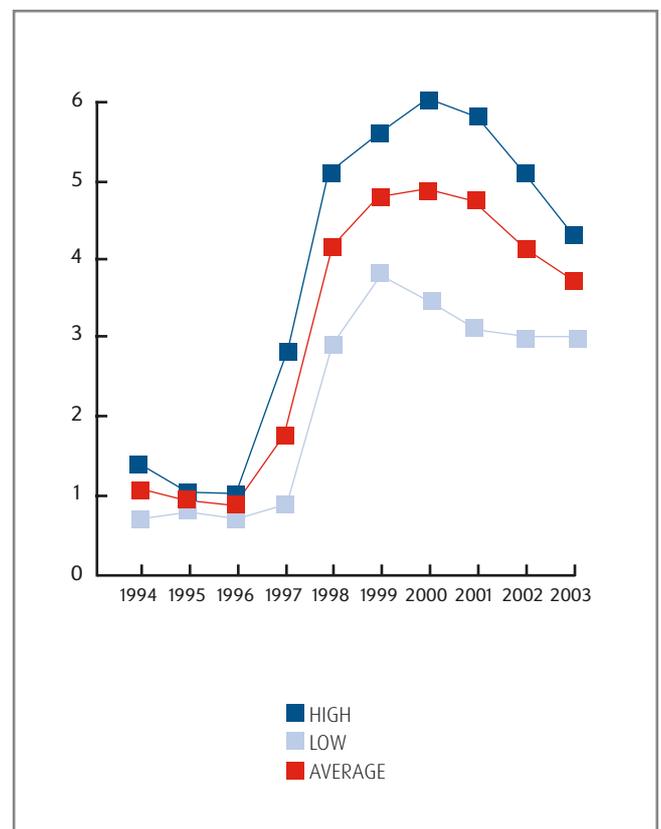
As at the same date, the main shareholders were as follows:

NAME OF SHAREHOLDER	ORDINARY SHARES	% OWNED*
1. Fondazione Cassa di Risparmio di Torino	550,195,265	8.741%
2. Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	454,554,174	7.221%
3. Carimonte Holding S.p.A.	445,467,993	7.077%
4. Allianz Group	309,206,344	4.912%
5. AVIVA Group	180,464,215	2.867%
6. Fondazione CASSAMARCA C.R. della Marca Trivigiana	135,127,774	2.147%

* AS A PERCENTAGE OF ORDINARY CAPITAL. BY-LAWS LIMIT VOTING RIGHTS TO 5% OF CAPITAL.

STOCK PERFORMANCE

Throughout 2003 total trading volume of UniCredito Italiano shares on the stock exchange reached a level of about 177% for common shares and 50% for savings shares.



Closeness to the local area

The search for operating efficiency must be in step with the search for regional efficiency, which is defined as “social responsibility in local development”. This not only takes the form of operating methods used by deposit-collecting branches of Group companies at a local level, but also the desire to participate and support regional economies in the global market place and in order to create value in the medium and long term in all entities where the Group operates.

THE FUNDAMENTAL IMPORTANCE OF THE LOCAL PRESENCE

The complex transformations that take place in regional entities involving industrial and economic systems, and the part of various institutional players encourages anyone with a strong regional presence to reconsider their role and presence.

The interdependent relations between the regional system and corporate system change, and the profile of local players changes, which is increasingly made up of a number of entities and institutional levels.

It is essential to take these changes into consideration and act accordingly. As a company we are convinced that we can create value for our stakeholders in local areas, because it is there that it is possible to create that social legitimacy that is essential for operating successfully in the long run. In regional areas it is tradition and relationships that enable us to build trust, because it is there that needs and projects arise and develop which we must be able to interpret, and to which we must be able to respond. Solutions range from management training to assistance for internationalisation programmes, and from support for research and development to ongoing dialogue and the search for improvements.

The current challenge for being a successful Group is to offer quality services while remaining a proponent of progress in the regions in which we operate.

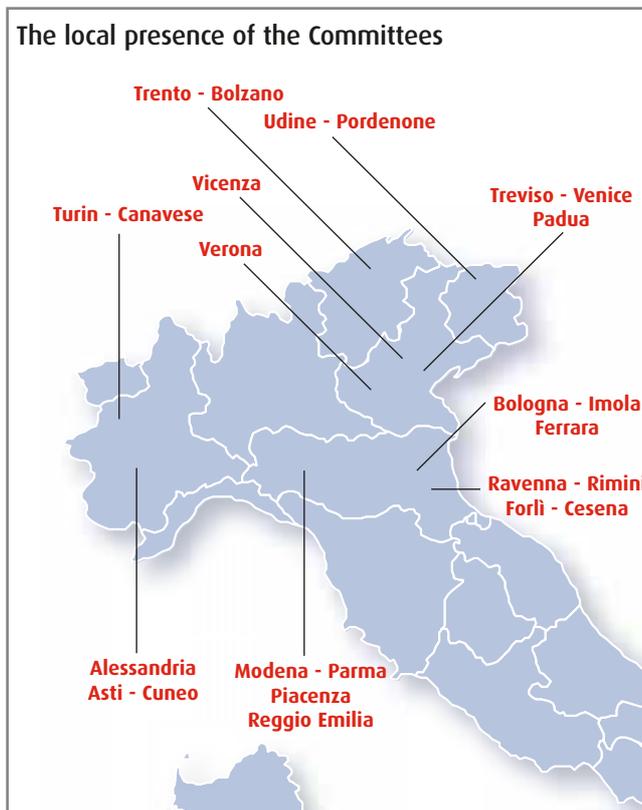
Our operations cannot be separate from the dynamics that give rise to the life and relationships of companies, the desires of investors and savers, the decisions of government operators and the actions of the network of representative offices. Through the use of new mechanisms, local areas continue to be the driving force of growth.

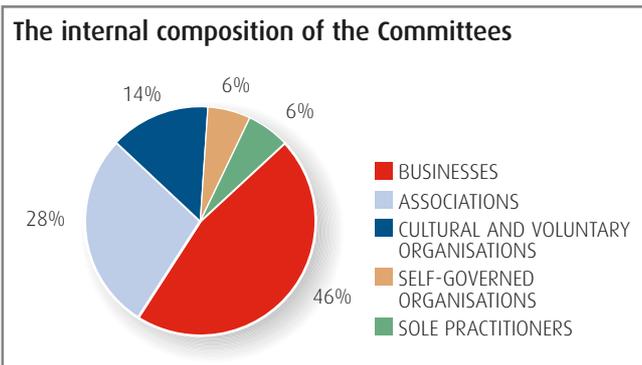
LOCAL COMMITTEES

The conclusion of the ITACA project (Regional Initiative to Guide Local Entities) made it possible to take a fresh, innovative look at local areas. By using a research programme (carried out through 400 interviews with institutional entities, business entities, unions, social and cultural entities and self-governed organisations), this project furthered the understanding of specific socio-economic features of areas that are similar in terms of social and business structure (geocommunities).

This in-depth analysis was the key element that gave life to the first ten Local Committees, which act in a consultancy capacity to the Group and are charged with identifying the main critical areas or prospects for growth in the various regional entities.

Managers from the three segment banks are members of the Committees as well as a variable number of members from





outside the bank and representatives of businesses, associations, cultural organisations and local voluntary organisations.

The goal of the Committees is to report existing socio-economic trends in the various areas and identify specific measures that could contribute to and occasionally trigger appropriate development processes. In a word, these are true permanent laboratories and discussion platforms designed to initiate local coalition programmes among those entities that are the most active in regional development: self-governed organisations, local government agencies and charitable organisations.

In this manner, the intent is to strengthen an action strategy that places transparency and dialog as the essential conditions for establishing the credibility and trust that may come from investors and society.

During its first year of activity, the Committees developed several projects: in Piedmont area efforts were focused on sponsoring the internationalisation of small and medium-sized businesses through a collaborative project with the Foreign Centre of Chambers of Commerce in Piedmont. The purpose is to spread a culture of internationalisation of the entire regional production systems.

Another significant project in Piedmont was carried out in collaboration with Piedmont Confartigianato and SERMIG (Youth Service Missionary) to support and maximise the local artistic handicrafts.

Then, in the Local Committees of the North-East area, some working tables have been developed focused on the following issues:

immigration, training (education) for the young people and the “vital” elderly. The same approach has been followed for the Local Committees in the Emilia Romagna Area with the task of investigate some issues related to the tourism and the multiutilities.

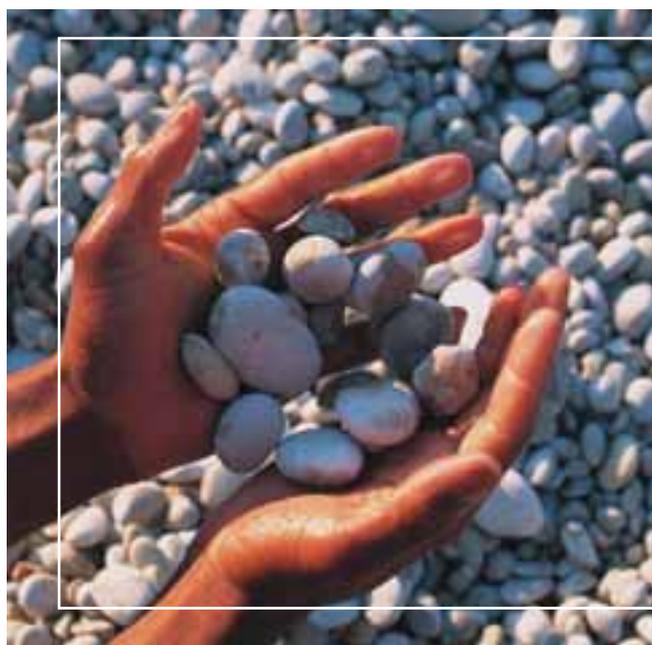
Another programme developed through the Local Committees, which demonstrates the intent of these committees to promote corporate culture, was the organisation of several seminars entitled “Basel II – The changing relationships between banks and companies”. These seminars will provide guidance, consulting services and rewards for decoding, interpreting and complying with the procedures.

OTHER LOCAL INITIATIVES

In addition to the Local Committees, UniCredit has focused its attention on numerous other support initiatives for local entities.

“BrianzaLab”

The goal of the “BrianzaLab” project is to foster the development of industrial activities through initiatives that allow companies to increase their value and competitive position by jointly participating



Closeness to the local area

in the support of regional industrial growth. This project was the result of collaboration between UniCredit Banca d'Impresa and Associazione Industriali di Monza e della Brianza (AIMB).

After developing a full awareness of business requirements in the Brianza area through an in-depth quantitative analysis of the 500 main companies, broken down by industry, the results were checked and thoroughly analysed with a panel of business people (60 interviews) and with several experts from the respective sectors (qualitative analysis).

Based on the need identified, the "Advanced Finance" initiative was successfully launched last December. As a part of this initiative, the BrianzaLab Team worked with about 50 member companies of the AIMB to develop a corporate business plan, and determine any subsequent financing needed.

ADVANCED FINANCE IN NUMBERS	
Available lending limits	100,000,000 €
Loans made	50,000,000 €
Number of companies that benefited from planning support	40

A seminar was then organised for an in-depth look at strategic planning in companies, the development of business plans and the use of the proposed model for businesses with its related strategic and financial implications (40 attendees at the first class).

The website www.brianzalab.it was set up to inform local companies about this initiative. This site lists the products and services made available to members.

Finally, a survey was conducted with a panel of 20 member companies on the topic of support in identifying commercial and/or manufacturing partnerships. The positive outcome of the survey will lead to the formalisation of a joint service provided by AIMB and UniCredit Banca d'Impresa to support commercial penetration in and outside the European Union with a particular focus on countries in New Europe where the UniCredito Group has a direct presence and a considerable regional network of relationships.

"District bonds"

In Vicenza, incentives were developed for the creation of an innovative financing mechanism: the "district securitisation

mechanism", which offers companies an alternative source of financing. This instrument calls for the bank to launch a campaign to issue five-year loans to companies in a particular manufacturing area, and then to transfer the portfolio obtained to a vehicle company that issues a bond. The rating for this bond would be a blend of the ratings of the companies that obtained loans: the best bonds are rated AAA by specialised agencies, while the riskiest portion would be held by the bank with the guarantee of the Loan Syndicate in the reference area. In this way, the guarantees of the Consorzio Fidi, a locally-established loan guarantee consortium, are used to the best advantage, and small and medium-sized companies are able to use instruments available in the capital market to limit bank debt and to reduce borrowing costs.

After the success of this activity in Vicenza and in the Northeast, the initiative was repeated in Piedmont where it will be concluded by the end of March 2004.

GEOGRAPHIC AREA	NUMBER OF SMALL AND MEDIUM-SIZED COMPANIES FINANCED	AMOUNTS FINANCED	PROJECTED BOND ISSUANCE DATE
Northeast	>300	250,000,000	End of March 2004
Northwest	>800	300,000,000	End of July 2004

"There is a loan for you"

A new, pragmatic approach was proposed for listening to the needs of small businesses and craftspeople. This approach provides local small and medium-sized businesses with 257 specialised support structures, called Small Business Centres, in addition to the support and advice from traditional branches of UniCredit Banca.

Through this initiative, called "There is a loan for you", a proposal was put forward in November 2003 to provide loans without further guarantees (and with extremely short terms) to small companies in the service sector, commerce, agriculture, transportation, hotel industry, clothing sector, food and building sectors selected throughout the area based on data obtained and subsequently assessed in accordance with Basel II parameters.

	NORTHERN ITALY	CENTRAL ITALY	SOUTHER ITALY
Companies selected	227,000	105,000	98,000
Potential loan (€)	7,000,000	3,000,000	3,000,000

In order to fully incorporate the environmental element in corporate policies and daily behaviour, we recognise the importance of sharing commitments and international sustainable development programmes, setting concrete goals for improvement, establishing methods to manage our environmental impact, and recognising our role as a cultural promoter and financial motor for a type of development that combines social and environmental goals with economic ones.



OUR COMMITMENT

In 1998 UniCredit signed the Declaration of Banks on Sustainable Development of the United Nations Environmental Programme Financial Initiative (UNEP FI), the UN environmental programme devoted to financial institutions. This was a first step in our strong commitment to environmental protection.

In 2000, this commitment was expressed by a number of principles aimed at the continuous improvement of our performance in order to motivate our decisions and guide our actions in corporate operations. These principles were reviewed and amended in 2003 in light of the key values and guiding behaviour the Group sets for itself.



Environmental protection

THE GROUP'S ENVIRONMENTAL POLICY

Our mission is to make a mark with a new way of banking, capable of generating significant value over time for society, customers, employees, shareholders and present and future generations. Our identity is that of a good corporate citizen, promoting development in the communities in which it operates. We have chosen to follow our mission and proclaim our identity by drawing inspiration from strong common values, which guide our conduct in implementing strategies and concrete actions consistent with them. These values and conduct influence UniCredit's environmental policy.

Ethics/Responsibility

This means most of all taking full responsibility for the consequences of our business decisions on the integrity of natural resources and sustainability in the short as well as the medium and long term. This requires a commitment to manage properly and, if possible, prevent the most significant environmental impacts directly related to our activities (depletion of natural resources, waste production). Also, it involves acting in such a way as to affect in a positive manner so-called "indirect" aspects, resulting from the behaviour of external entities we can check and influence (through purchasing decisions, credit policies and service innovation). Acting responsibly entails following rules. That is why we not only comply with environmental laws but we are constantly on the frontline to participate in voluntary projects and programmes, such as Global Impact, UNEP and the EMAS regulation.

Creativity/Entrepreneurship

Our energies and corporate assets, both tangible and intangible, are constantly devoted to improving our performance. We are committed to pursuing technical and organisational innovation on an ongoing basis, in both our operations and customer relations.

Most of all, our goal is to encourage and promote individual creativity, in order to devise new solutions that allow us to achieve excellence in the management of environmental problems. Our employees have to be aware that their behaviour can contribute to the overall improvement of performance in this area. Moreover, we intend to have our partners increasingly involved in our environmentally-oriented initiatives, particularly by forging new environmentally-friendly forms of cooperation with customers and suppliers.

Competence/Growth

In order to pursue ambitious environmental sustainability goals effectively, it is necessary to develop our people's skills and awareness. We are strongly committed to providing adequate training and involving all employees, at all company levels, to foster their professional growth.

By disseminating and sharing this policy throughout the company it is intended to become one of senior management's main priorities and its values should guide the behaviour of people at all organisational levels. Based on this rationale, we aim to foster teamwork and co-operation among the different functions, so as to achieve an across-the-board approach to environmental management.

We want to develop our skills also by learning from the application of innovative tools and solutions and to the possibility to interact with the most advanced experimentation and research experiences in the field of environmental sustainability.

Listening/Discussing

As we are aware that our efforts alone are not enough to achieve sustainability, we are open for dialogue with all stakeholders, in order to listen to their points of view, to work together to find a common response and to start a relationship that will enable all of us to grow.

We consider it paramount to interact with the public, local communities, environmental groups, consumer and user associations, through a constant stream of information and suggestions or complaints from them.

Listening and dialogue are specifically aimed at building long-term relationships in the geographic areas in which we operate, enhancing their specific features and needs in terms of development of environmental resources and awareness of these issues.

Fairness/Openness

Openness about the actions and results obtained through our environmental management endeavour is the best way to gain credibility for our effort. To this end, we measure and monitor the ability to achieve the goals we set for ourselves through a system of indicators easy to understand and comparable over time, which we submit voluntarily to independent entities for their assessment and review.

ENVIRONMENTAL MANAGEMENT

In order to take informed actions with a proper focus on sustainable growth, it is first necessary to know, and be able to manage, our impact on the environment.

The impact that a company such as ours can have on the environment must take into account direct aspects from conducting its business, and most importantly, those aspects tied to its ability to promote and disseminate environmentally correct values and actions by its intermediaries and partners through corporate strategies and policies.

In order to systematically and continually manage this impact, we developed an ISO 14001 certified Management System that is compliant with EMAS (Eco-Management and Audit Scheme) Regulation No. 761/2001, which is currently applied and managed at the Parent Company level. This system calls for the definition of specific procedures for analysing, controlling and improving various environmental areas:

- reduction in the consumption of power, paper and water and reduced waste and atmospheric emissions (direct aspects);
- creating awareness on the environmental behaviour and performance of economic entities (indirect aspects).

The proper implementation of the system and its efficiency will then be assessed through periodic internal and external audits conducted respectively by an internal audit group and an external certification body.

The audits will cover all activities of the organisation affected by the system. In addition, in 2003 the first visits were made to see the work of outside companies that are engaged in managing technological equipment.

AUDITS CONDUCTED IN 2003	NUMBERS
Internal audits	4
External audits	2



The focus of **Zagrebacka Banka** on environmental issues was particularly significant. The following statements have been developed by the bank:

- a policy for environmental protection and sustainable development: this document sets out principles, guidelines and objectives concerning environmental matters for various segments of the bank's operations;
- a charter for environmental protection and sustainable development: a declaration of intent, distributed internally and outside the bank, in which the bank defines its commitment to promote environmentally friendly development.

A more detailed description of action taken and planned and the systematic approaches used to achieve environmental protection goals in day-to-day activities is included in the UniCredito Italiano Environmental Statement, published annually in compliance with EMAS Regulations and available on our website.

In 2003 a programme was also started to create awareness of the principles and benefits of adopting an environmental management system with the goal of applying EMAS regulations to other Group companies.

DIRECT ASPECTS

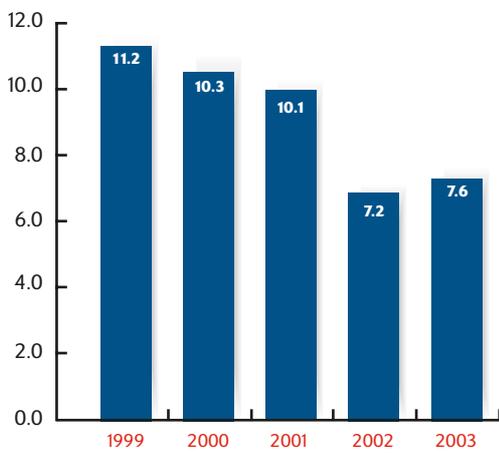
In 2003, the environmental indicators used to check the environmental performance of UniCredito Italiano were affected by changes occurring in various workplaces. The gradual closure of a site and the related move of the business to other buildings resulted in an increase in overall electricity consumption due to the simultaneous use of several buildings during the move period.

* ENVIRONMENTAL DATA REFER ONLY TO UNICREDITO ITALIANO, THE PARENT COMPANY, WHERE THE MANAGEMENT SYSTEM IS CURRENTLY BEING USED.

Environmental protection

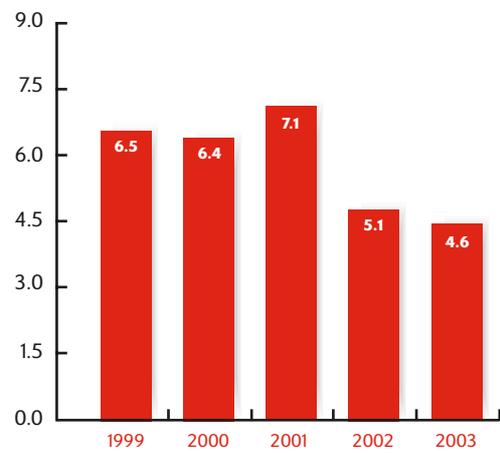
Consumption of fuel oil and methane per square meter

Fuel oil consumption



■ ANNUAL LITRES OF FUEL OIL/SQUARE METER

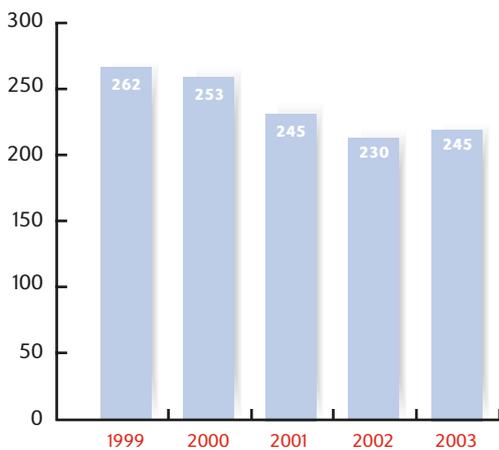
Methane consumption



■ ANNUAL CUBIC METERS OF METHANE/SQUARE METER

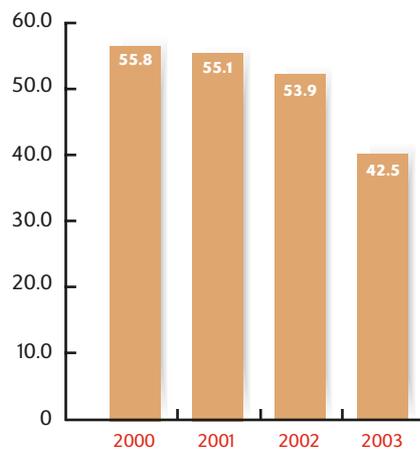
Consumption of electricity per square meter and water consumption per employee

Electricity consumption



■ ANNUAL KWH/SQUARE METER

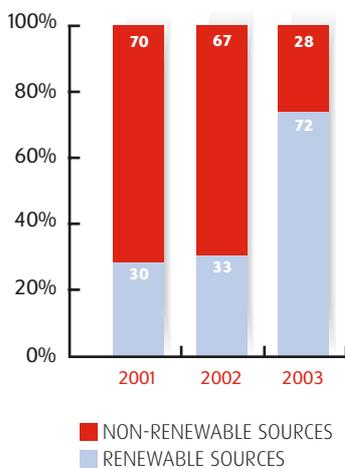
Water consumption



■ ANNUAL CUBIC METERS/EMPLOYEE

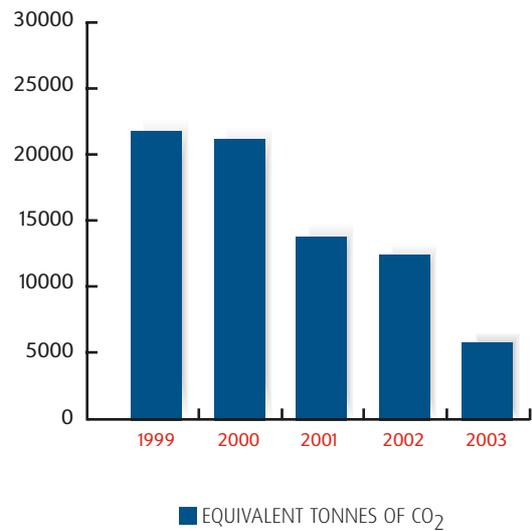
In terms of electricity consumption, the process of gradually converting to energy supplied by Idroenergia (a consortium for the auto-production of electrical power from renewable sources) for the entire Group is continuing in an effort to reduce the use of power produced from fossil fuels and to contribute to the reduction of greenhouse gases. In 2003 152 million KWh were supplied by Idroenergia, nearly twice the amount of the previous year, and a further increase is projected for 2004 until nearly all consumption is covered. These supply arrangements bring the percentage usage of energy produced from renewal sources to nearly 70% of the Group's total requirements.

Parent Company energy sources



In addition, since 2002 UniCredit has participated in the Carbon Disclosure Project. This initiative of the Rockefeller Philanthropy Advisors foundation was created with the support of UNEP FI to assist institutional investors with carrying out an appropriate in-depth study of any environmental impact from climatic changes on the value of their portfolios and to encourage companies to place a greater emphasis on their CO₂ emissions. After agreeing to the project, data were published on greenhouse gas emissions that were calculated using the guide prepared by the World Business Council for Sustainable Development (GHG Protocol Initiative). The data are for the direct combustion of methane and fuel oil and the use of electricity; at the moment, emissions produced from work-related moves have not been quantified.

Parent Company CO₂ emissions



YEARS	EQUIVALENT TONNES OF CO ₂	CHANGE
1999	21,831.40	
2000	21,109.33	-3%
2001	14,719.00	-30%
2002	12,959.83	-12%
2003	6,274.28	-52%

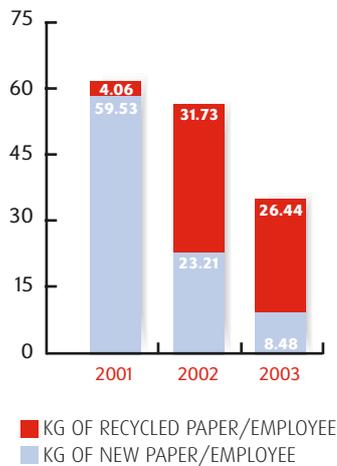
As regards the paper consumption, it can be notice a reduction in paper for office use (A3 and A4 size) due to the greater use of computers in corporate activities and a continually declining use of newly produced paper as well as an increased use of recycled paper, thereby reducing the reliance on raw materials in favour of recycled materials.

Paper consumption

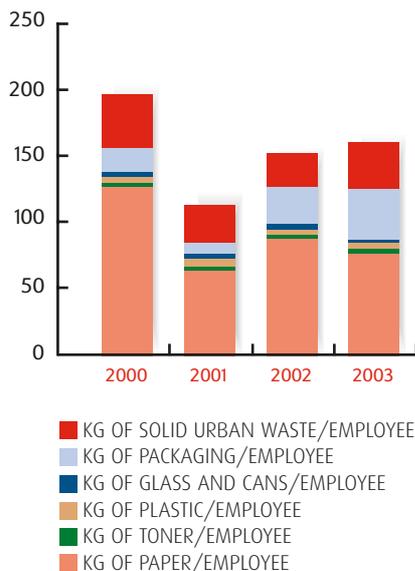
YEAR	RECYCLED	CHANGE IN TOTAL PAPER CONSUMPTION
2001	6%	-
2002	58%	-14%
2003	76%	-36%

Environmental protection

Paper consumption per capita



Production of waste per employee



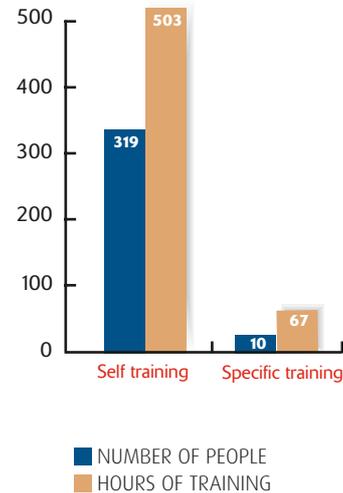
TRAINING

Environmental training is one of the most important management methods. Its aim is to increase the sensitivity, motivation, awareness and skills of all employees in the area of environmentally related topics and their proper management as a part of each person's responsibilities.

In particular, training involves:

- all employees, through an individual training course that offers a basic framework for information and a programme that indicates the specific contribution of each person. The course is provided over the Intranet through the e-Learning platform.
- the corporate areas that are primarily affected by the Management System through specific courses aimed at creating particular skills and expertise.

Training data



INDIRECT ASPECTS

Credit policies

UniCredit has already taken the initiative to factor in the environmental element in the normal assessment of the credit standing of customer businesses, among others through the use of qualitative analysis of customers that make it possible to determine the existence of a potential environmental risk.

With due regard for what has already been implemented, amendments have been made that had an impact on corporate customers.

To be specific, for customers in the corporate and large corporate sectors, the variables indicated until now concern the impact of environmental rules and regulations on companies and their level of competitiveness in the market place in which they operate, as well as the presence of a potential specific risk and legal and tax disputes tied to environmental factors.

However, in consideration of the growing importance of social and environmental issues, several amendments were made in 2003 to the qualitative questionnaire that concerned the number of questions related to environmental risks, and the application of the questionnaire to businesses other than manufacturing, such as companies in the property and financial sectors (holding companies, leasing companies, etc.).

In addition, questions were added to provide an assessment of the clarity and quality of information communicated in accounts from the standpoint of the completeness and accuracy of data presented and the transparency and prudential nature of accounting information.

There was also a request to provide specific critical information attributable to management (e.g., pending proceedings against directors) and to financial transactions and accounting entries contained in the accounts (e.g., speculative or risky transactions, potential tax liabilities, the projection of investments in risky equity investments, etc.).

As a part of the assessment of smaller customers, there was a specific new focus on environmental regulations, and in particular, on whether the company had an ISO 14001 certified environmental management programme and/or an environmental management programme registered in accordance with the European EMAS.

In addition, to monitor the loan portfolio ("productive assets") distribution for the Group's Italian banks in sectors with high environmental risk, a statistic is calculated each quarter that classifies these loans as productive assets with a high, medium or low potential environmental risk. The level of environmental risk is determined based on the classification of productive assets of the EBRD (European Bank for Reconstruction and Development) in its manual for environmental risk management.

In December 2003, assets that could be classified with a potentially high environmental risk level represented 10.1% of UniCredit loans included in productive assets compared to 10.4% in December 2002.

As in the past, the Parent Company also issued specific credit policy guidelines for incorporating environmental risk in the assessment of credit standing for all types of customers. In this regard, restrictive credit policies for companies with a high environmental impact were also adopted by banks in New Europe.

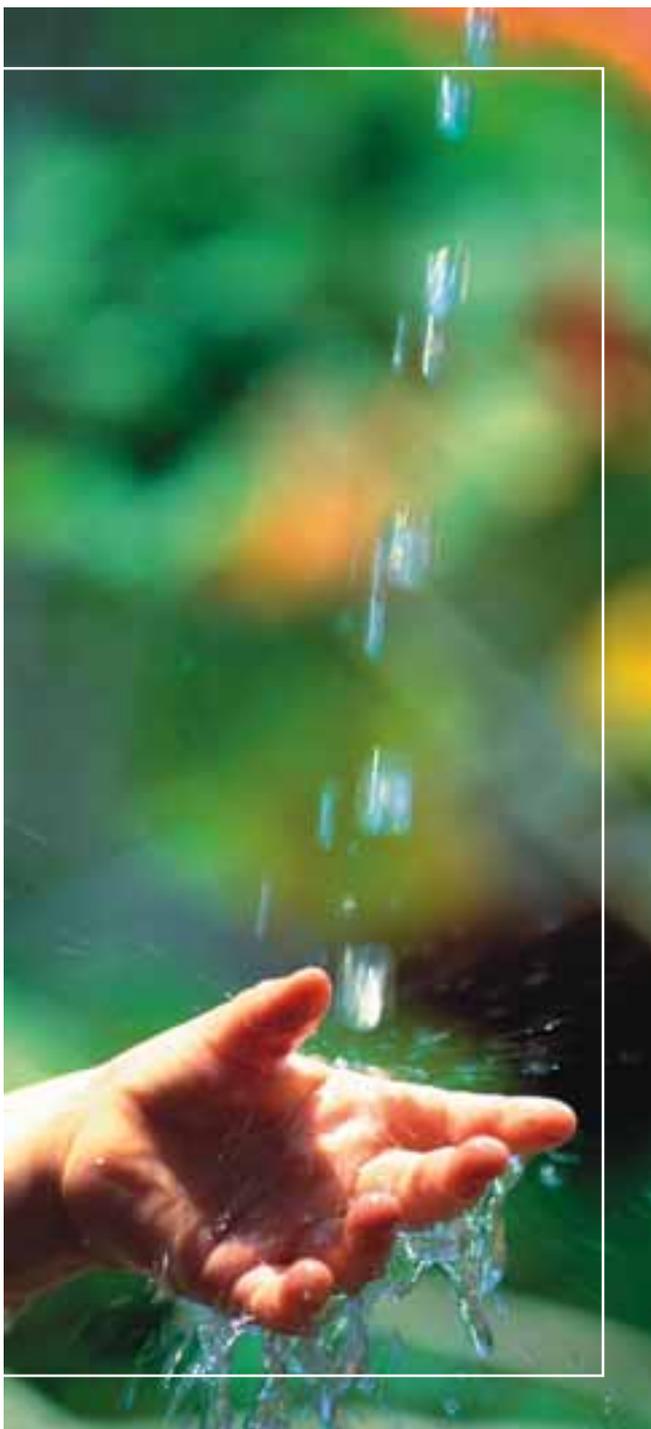
Offer of financial services and instruments

In 2003 UniCredit supplemented its traditional range of bank products for companies with a range of non-financial services through UniCredit ServiceLab. Several of these were in full compliance with the Group's policy of environmental and socially sustainable development:

- a consulting and design service for implementing measures to reduce energy consumption connected with the refurbishment of equipment. The service ranges from the performance of individual activities to providing a complete package.
- an environmental consulting service, which has been operational since November 2003, and which includes the analysis and assessment of corporate activities that could result in various types of impact (environmental and safety audits; due diligence; assessment of environmental risks; analysis of the economic value generated by environmental management; environmental and safety management systems; training, information and instruction), and measures to define the best internal and external methods for socio-environmental communication. Business customers were selected on the basis of their inclusion in sectors that are potentially more sensitive to ecological issues (e.g., those with a high environmental impact, with an indication of sectors subject to the most restrictive regulations) and have been contacted in order to propose the potentially interesting service.
- an information service on innovations in the environmental and safety sector with online consulting support provided by an industry expert. Updating occurred daily and responses to questions were sent within 48 hours of receipt.

* THIS CALCULATION IS FOR PERFORMING LOANS INCLUDED IN THE PRODUCTIVE ASSETS OF THE ITALIAN BANKS - MATRIX SOURCE OF ACCOUNTS.

Environmental protection



In 2003, in anticipation of the entry into force of the Kyoto Protocol and the European Directive on Emission Trading, UniCredit set up an internal task force made up of UniCredit Banca Mobiliare and UniCredit Banca d'Impresa.

Their activities focused primarily on an in-depth study of topics connected with climatic changes in order to acquire the expertise necessary to define an active role in the management of these problems.

The agricultural sector has been the subject of considerable attention due to size issues (a high number of small and very small operators) and its typically close relationship to the area and environment. In addition to its special line of Lineagricoltura products, which were conceived as part of an innovative service that facilitates communication between the bank and companies, UniCredit Banca signed an agreement with the General Federation of Agriculture for Emilia Romagna to support investment requests and promote the development of agricultural businesses in the region according to the terms and conditions set forth in regional law 33/2002. The purpose of the agreement is to ensure a high level of product quality for end users through a system that tracks product availability in the agricultural and food production chain from the certification of all production and distribution phases to environmental considerations (ISO14001 and EMAS).

The Group is also active in the area of project finance through UniCredit Banca MedioCredito and carries out structured finance transactions for investments in industrial and infrastructural projects.

The Group has been involved in several sectors including the environmental sector, water resources, healthcare, transport and logistics, energy, oil and gas and major urban renewal projects. The environmental and landscape impact of various projects to be financed is assessed during the due diligence period, a crucial phase in the structuring of a project finance transaction.

Significant projects financed in 2003 include the acquisition and upgrading of the Maritza East III 840-megawatt electric power plant, which uses lignite fuel and is located in Stara Zagora in south central Bulgaria. This is the first project in the electricity sector sponsored by private entities with a total investment of €650 million and is the largest foreign direct investment in Bulgaria to date. One of the main goals of the project, which required bank

financing of € 348 million, was to allow the power plant to continue production by achieving greater efficiency and a lower environmental impact due to better emission controls and improved handling and disposal of waste and residual ash. Qualified independent consultants conducted an environmental impact assessment study, which also included lengthy consultation with the government. The study was conducted in accordance with the requirements of Bulgarian environmental regulations and to meet the standards set by the World Bank, EBRD and the European directive on large plant combustion.

The project also represents an important example of collaboration with the Group's foreign banks (in this case, Bulbank), which may be repeated in other similar projects that are currently being researched and developed.

In 2003 the focus on the development of a range of socially responsible investment products led to the launch of a new ethical fund under Italian law called UniCredit Obbligazionario Euro Corporate Etico.

The unique features of the management process of the new fund can be summarised as follows:

- securities are selected on the basis of rigorous socio-environmental criteria;
- operating support provided to manager by the Ethical and Environmental Committee of Pioneer Investments;
- ethical advisory support by Ethical Capital Partners, an independent financial consulting company.

The fund makes it possible to take advantage of investment opportunities in the corporate securities market and distributes income annually.

These features resulted in the fund's favourable acceptance by investors. From its launch at the end of September, € 230 million has been raised.

The introduction of UniCredit Obbligazionario Euro Corporate Etico is in addition to the existing international stock fund, Pioneer Global Environmental & Ethical Fund, which was up by 6% in 2003 as a result of its exposure to the raw material, telecommunications and energy sectors, and decisions made in the banking area.

Being fully aware that there are no sectors without critical environmental issues, the Ethical and Environmental Committee

analysed specific indicators to identify companies that employ corporate practices that minimise critical problems. If, however, the sector being analysed shows signs of general critical problems that are deemed to be excessive, it is excluded from the fund's potential target investments.

During the year, the Ethical and Environmental Committee arrived at a favourable assessment of the paper, energy and petroleum sectors. The assessment of the indicators selected made it possible to establish new positions in UPM Kymmene in the paper sector, and South Energy and ENI in the energy sector. In addition, the fund took an overweight position in the pharmaceutical industry with the addition of Celesio (one of the largest European companies) in the portfolio. During the last quarter the fund took profit on part of its investments in the Asian area, and reinvested the proceeds in the American market.

SECTOR	INDICATORS IDENTIFIED
PAPER	<ul style="list-style-type: none"> % of environmental management system certified % of wood coming from certified forests % use of TCF (total chlorine free) milling processes
ENERGY	<ul style="list-style-type: none"> % of energy produced from fossil fuels % of energy produced from renewable sources investments in nuclear-related research and development emissions (absolute level and trend) of CO₂, NO_x and SO₂ investments in R&D as a % of revenues location of plants and geopolitical situation existence of an ethical code
PETROLEUM	<ul style="list-style-type: none"> emissions of greenhouse gases leaks of gas associated with extraction processes existence of a division engaged in research and development in the area of alternative energy sources dumped volume trends emissions of SO₂, NO_x, CO_v consultation with stakeholders procedures for implementing principles and policies that specifically cover the safeguarding of human rights and prevention of corruption.

Environmental protection

UNICREDIT AND THE CERAMIC DISTRICT

UniCredit participated in the project called "EMAS applied to the ceramics district in Modena and Reggio Emilia" in order to promote the dissemination of proper environmental management and the adoption of management systems that have been certified in accordance with recognised standards. The purpose of the project is to facilitate the access of companies in the district to the regional environmental analysis and the environmental improvement programme

that was already defined and jointly approved by local government agencies and trade associations. This eases the initial phases of the environmental certification process and allowing small and medium-sized companies to focus on the application of the management system and amelioration projects consistent with the area's real needs.

UniCredit and its banks operating in the area (UniCredit Banca and UniCredit

Banca d'Impresa) participated in a task force established by an EMAS-accredited environmental auditor and other local banks, in order to validate the district's environmental programme. UniCredit's efforts were focused on analysing the economic feasibility of the programme, but its participation in the project was made driven by a desire to spread EMAS registration and to share the aims of this voluntary tool.



Relationship with suppliers

Actions with an indirect impact include the selection of suppliers and increasing their environmental awareness. Since last year, all suppliers of the Parent Company are qualified using environmental and safety criteria. In 2003 this procedure was also applied to supply arrangements with Group banks and companies.

	GROUP	PARENT COMPANY
Questionnaires sent	438	229
Suppliers evaluated	225	150

The selection method has now been enhanced to include specific environmental requirements, such as ISO14001 certification, for companies participating in competitive bids and for tenders related to products or services with a high environmental relevance.

In addition, preventative environmental audits have been planned for companies participating in the bids; the results of the audits are assessed using the traditional methods for awarding contracts. This approach was used for the first time in 2003 for awarding the contract for nationwide waste sorting with audits of the administrative offices of the selection, recovery and disposal plants of competing companies.



Our vision of the concept of “corporate citizenship” is based upon two fundamental elements: the commitment to spread the culture of social responsibility and the support of social cohesion policies. The Group’s contribution is developed around these key elements and confirms its desire to be an “active citizen” by caring passionately about problems in the general interest.

In 2003, the Group made progress on several projects in these two areas, both directly, through its dialogue and partnership with various entities at national and international levels, and indirectly through the Unidea Foundation, which was established in March to promote social assistance initiatives and projects.

In 2003 the Group allocated € 15,069,000 to support these initiatives, of which € 10,000,000 was designated for the Unidea Foundation.

THE COMMITMENT TO SPREADING THE CULTURE OF BEST PRACTICES

In 2003, UniCredit’s actions were based on several fundamental strategies described below.

Partnerships

As a part of its collaboration with Cittadinanzattiva, a civic movement that promotes the protection of rights and citizens, the “Transparent Contract” project was carried out. This project was created to review the various aspects of contractual relationships between the bank and its customers by critically analysing transparency and quality of service. The results and areas for improvement identified, which were already described in the

In 2003, the Active Citizen Network (www.activecitizenship.net), the European network of Cittadinanzattiva created to promote the establishment of a European citizenship, conducted an extensive study to provide a complete overview on public policies concerning civic activism in 28 countries in New Europe.

The initial results of the study were presented and discussed at a conference held in Warsaw on 7-8 November. This initiative was supported by **Bank Pekao**.

section “Focus on customers” in this report, were presented in Milan during a press conference.

UniCredito promoted a campaign called “Objective Barriers”. This is a programme aimed at reducing those obstacles that prevent people with temporary or permanent mobility restrictions, from having full access, this is a significant and timely topic for credit institutions.

It has been also supported the initiative called “Euro-American Talks on Citizenship”, sponsored together with Fondazione per la Cittadinanza Attiva, organising meetings to discuss differences

between American and European citizenship but also to identify and strengthen the next possible common challenges. The meetings were held in New York, Washington and Rome.

In 2003 the partnership continued with Legambiente to promote environmental protection through the campaign called “Let’s clean the world”. This programme consisted of three days dedicated to cleaning parks, squares, streets, rivers and seabeds.

Restoring and managing Italian treasures of art, nature and culture are the objectives of working together with the Italian Environmental Fund.

Frascati Group for “social responsibility”

This Group, which is made up of UniCredit and other companies, was established at the behest of Cittadinanzattiva in 1999 to create a new business culture aimed at combining market needs with the protection of community assets and the general interest.

The regular international meeting took place once again in Frascati on 10 and 11 October; the focus was on assessing joint efforts between companies and citizen organisations. The meeting ended with a reflection on the prospects of corporate social responsibility in light of the change in the social realities of industrialised countries.



Corporate Citizenship



In 2003 a project was sponsored to restore the nineteenth century Villa Gregoriana in Tivoli. The restoration will be completed in the autumn of 2004 after which it will once more be possible to use the villa and its park.

In addition, UniCredit carried on its participation in OSIGA (Observatory for Integrated Environmental Management Systems), which was established in 1997 by the Institute of Energy and Environment Economics and Policy (IEFE) at Bocconi University, to discuss and study topics related to environmental management and offer regular updates on changes in environmental policy at national and international levels.

To investigate the procedures for reducing greenhouse gas emissions adopted under the Kyoto protocol a study has been financed and promoted by the Kyoto Club, to focus on the economic and financial implications of applying the European directive on emission trading for Italian companies.

Relationship with Universities

The Group has taken on a specific role in relationships with universities in order to promote corporate social responsibility and related topics as a subject to be studied and a pre-requisite for students' preparation for a career in this field. In 2003 the following projects were implemented:

- the creation of a university chair called "UniCredit Chair on Economic Ethics and Corporate Social Responsibility" at the University of Trento. The degree programme will be supplemented by two research centres: the "Observatory for ethics, rational decisions and corporate social responsibility" and the "Observatory for corporate social responsibility". The aim is to create an integrated training and research programme aimed at investigating certain corporate aspects and policies;
- the agreement with the University of Verona to set up a masters degree in "Corporate Governance and Corporate Social

Of particular significance is the partnership formed between **Koç Financial Services** and the TEMA Foundation (the Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats), which was founded in 1992 to create a general awareness of the environment and address several problems that could potentially cause serious damage in Turkey in the future: erosion, deforestation, threats to biodiversity, and loss of productivity of farm lands.

The foundation will also develop models and demonstration projects to protect the surrounding environment.

Responsibility" which aims to integrate basic university training and working experience. The objective of the masters programme is to train professionals to manage corporate governance by seeking maximum agreement by understanding and satisfying the needs of different entities that come into contact with the company;

- participation in the "Q-RES" Project at the University of Castellanza in order to define a new quality control system aimed at promoting the creation of a corporate governance model based on the idea of a corporate agreement with stakeholders;

- sponsoring of a scholarship for a masters degree in "Corporate responsibility for the environment" at the Law Department at the University of Milan.

Honorary loans

UniCredit Banca has, in collaboration with universities, developed a new form of financing to provide assistance to all those who are obtaining satisfactory results in their studies and may have difficulties obtaining a loan. The lending criterion favours students who have demonstrated an ongoing commitment to university studies and who have already achieved an intermediate level (at least a first level degree). Loans are provided at below-market interest rates to finance the future development of students while it also holds students responsible for repayment of the loan.

Young people and the work reality

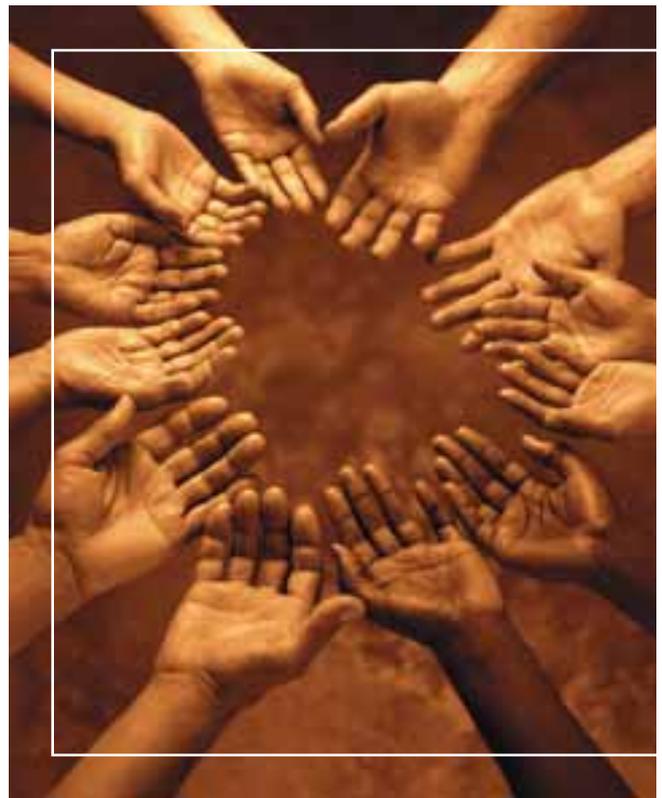
PRIMIMPIEGO DAYS – This is an orientation programme created by UniCredit Banca in collaboration with UnImpiego, the service that recruits and selects human resources and that was formed at the behest of a number of member associations belonging to Confindustria.

INFO-STAGE – UniCredit Banca is a participant in the project to bring companies and universities together in order to provide training and suggestions and advice on how to get around in the working environment. This project was established in collaboration with LEONARDO, the non-profit organisation created to support young students in their educational programmes until they find employment.

Giovanna Crivelli Scholarship

UniCredit once again offered two scholarships in the memory of a colleague who strove for equal opportunities in the business world. These scholarships were created to offer young degree holders the opportunity to further their training. Young Italian university graduates were sent abroad to pursue their studies in the fields of political economy, the economics of financial markets and economic policy.

The unique feature of this programme is that one of the two scholarships is awarded to a woman.



In 2003 the Group decided to join Global Compact, the UN-sponsored programme that asks companies to adopt nine universal principles regarding human rights, working conditions and the environment in their strategies.

The Global Compact principles have been implicitly incorporated in the Group's mission statement and corporate values; they will serve as a further incentive to supervise compliance and to define more effectively an identity and operating and behavioural models. The goal is to contribute to provide a framework for promoting sustainable growth and to instil a sense of citizenship through corporate initiatives that can translate principles into concrete actions.

This confirms the Group's commitment to take greater responsibility with respect to the environment and the communities in which it operates.



Participation in national and international networks

There is an ongoing policy to promote relationships and collaboration with entities active in the area of corporate social responsibility:

- CSR Europe, European network created to promote the acceptance of responsible policies by companies.
- Sodalitas, the association that promotes the development of social entrepreneurship and fosters a socially responsible culture
- Forum for Sustainable Finance. The Forum is the Italian representative on the European Forum for Sustainable and Responsible Investment (EuroSIF), a continental network sponsored by the European Commission.
- OSIF – Observatory for Sustainable Development in Business and Finance promoted, in 2003, by Luiss University, SAM – Sustainable Asset Management and Forum Permanente per il Terzo Settore and Socially Responsible Italia SpA.

SOLIDARITY INITIATIVES

The support for social assistance activities and projects in Italy, developing countries and Central and Eastern Europe falls primarily under the responsibility of the Unidea Foundation. In addition, UniCredit Group's banks and companies have made several significant efforts.

Unidea Foundation

Below is a description of the main projects carried out and/or undertaken in 2003. Specific details can be found in the Foundation's first "Mission Report".



■ Basic health care and regional development programme in the Hauts Bassins and Cascades regions in Burkina Faso.

The goal of this three-year program is to improve the living standards of the rural population by enhancing and developing the healthcare system and small local businesses. It is being carried out in collaboration with the Latin American Laity Movement (MLAL), Progettomondo.

■ "Sidi Bouhmedi" Project: integrated social and healthcare programme for the people of the Beni Klough district in Morocco. The main goal of this programme is to improve basic healthcare services. Healthcare services will be provided by hospitals, healthcare centres and medical clinics. This project is being carried out in collaboration with Soleterre - Strategie di Pace Onlus Peace.

■ The "YSC - Youth Support Centre" project for technical and professional training and small loans in the Pomerania region in Poland.

The objective of this programme is to reduce unemployment among young people, encourage small businesses, and improve the quality of human capital in small and medium-sized businesses. The project is being carried out with the support of the Polish Agriculture Development Foundation (FDPA) in Warsaw.

■ Technical and professional training project in the textile industry, and incentives for the development of independent businesses for young women in the Gabrovo region in Bulgaria.

The aim of this project, which was launched through the VEDA association in Gabrovo, is to improve the professional skills of young women who live in the region through training

programmes. The programmes strive for achieve immediate employment, and are aimed at those manufacturing and service sectors with the greatest growth potential: the textile industry and tourism.

■ The "Gratosoglio Project": regional experiment to help young people with difficulties in Milan.

The project's co-ordinated actions are aimed at helping young people in difficulties, with a special focus on the problem of educational drop-out and the re-integration into social life and the work place of so-called young people "at risk". The goal of this Unidea programme, in collaboration with the San Martino Social Cooperative, is to limit youth-related problems in suburban neighbourhoods with a high risk of social disintegration by working with regional government agencies and associations that are able to support such a major joint programme.

In addition to its own projects, the Foundation has financed projects conceived and carried out by other entities and institutions with which the Group has strong links:

■ "D.R.E.A.M. (Drug Resources Enhancement against AIDS in Mozambique) Project".

This programme, which was initiated in 2002, was carried out in collaboration with the San Egidio Community; it is aimed at preventing and treating AIDS in Mozambique by introducing a network of social and healthcare services with a comprehensive approach linking prevention, healthcare education and rehabilitation of the national healthcare system, support and nutritional advice, specialist training and therapy.

■ Shelter, education and professional training for street children. The purpose of the project is to improve living standards in Ethiopia, especially for street children. The specific objective is to foster the human and social development of vulnerable minors who are at risk of social exclusion through prevention and recovery programmes that provide access to education and basic healthcare services and to professional training, and help young people find jobs. The programme is being carried out in conjunction with VIS - International Voluntary Service for Development.

■ From traditional and preventive medicine to the social role of women in Tshimbulu in the Western Kasai province in the Democratic Republic of the Congo.

This programme, which was developed by COE, the Educational

Orientation Centre, is to instil a culture of health, hygiene and prevention based on the proper use of natural resources. The main purpose is to train those people who are capable of providing value to their traditional culture and spreading best practices.

■ Support of rural communities in the Mangochi District in Malawi. Together with Movimondo, the aim is to promote and enhance procedures to prevent HIV/AIDS and modify behaviour through awareness-building campaigns. These primarily involve the most heavily affected groups (women and young people), and will also be able to address the entire community and contribute to a better quality of life of the most vulnerable groups by promoting income-generating activities.

■ Support of social organisations and cooperatives in Bosnia Herzegovina provided by Arci Cultura e Sviluppo (ARCS).

This project strives to strengthen and promote cooperatives and associations. Given the fragile Bosnian economic and democratic situation, these offer concrete assistance for entrepreneurial, and especially agricultural and social development, which is currently devastated by fragmentation, scarce resources, weak institutions and the lack of international attention.

■ "Charity House" Project.

This project involves the remodelling of a school in the Crescenzago neighbourhood in Milan that will be set up as a social assistance service centre in collaboration with Caritas Ambrosiana.



Corporate Citizenship

"Gift-Matching" Project

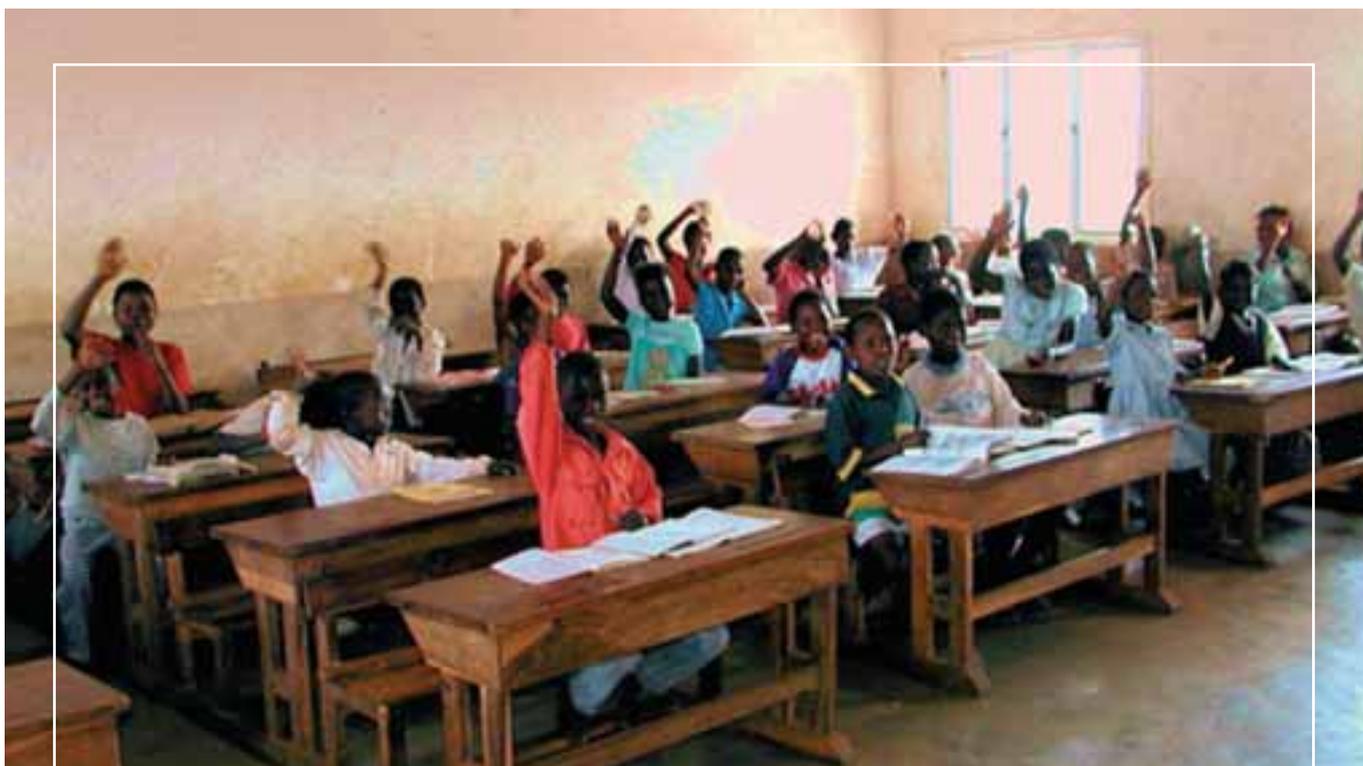
Unidea was one of the first foundations in Italy to adopt and promote the innovative "gift-matching" tool to promote a non-profit and volunteer culture among UniCredit Group employees. The foundation matches contributions made by employees or a group of employees to support a fund-raising project carried out by entities that operate in accordance with the social and humanitarian goals pursued by the Foundation.

The first gift-matching campaign, which started on 1 October and ended on 30 November, involved 3,500 Group employees and raised over €500,000.

Most employees joined the programme in groups; this often made it possible to finance an entire project and resulted in greater involvement of participants. Overall, more than half the contributions were donated to associations operating in developing countries to support healthcare and educational projects. This programme involved all employees in the Group's various banks and companies in Italy and New Europe.

The programme will be repeated in 2004, but only for groups of employees. The intent is to promote staff cohesion through fund-raising projects with a preference for mixed groups of people belonging to the Group's different banks.

Again in 2004, the "employee volunteering" programme will begin. This programme will reshape the Gift Matching project by modifying the purpose of the donation made by employees. The Foundation has agreed to make a financial contribution to non-profit entities at which employees do volunteer work after office hours.



SOLIDARITY INITIATIVES

- Support of fund-raising campaign sponsored by the Italian Cancer Research Association (AIRC) as part of the National Cancer Research Day. The funds raised will allow 60 fund recipients to continue and complete research initiated in 2001. The Group raised over € 1,300,000 in 2003.
- Support for the national information project called ASM Handbook for Safe Maternity developed by the Italian Association for the Study of Deformities to help women have a safe pregnancy.
- Participation in the programmes promoted by the Family for Family Committee, an initiative of the Forum of Family Associations to deal with the problem of disintegrating families in eastern countries by providing direct support.
- Support for the development of a stand at the Book Fair backing the production of books in Eastern European countries. This initiative demonstrates that the Group is not only interested in the economic and financial development of these countries, but also in their social and cultural development, and wishes to confirm this by backing publishers in these countries, who used the Fair as an opportunity to meet Italian publishers and contact visitors.
- Bank Pekao's promotion of the Affair Institute Foundation to promote education and provide in-depth coverage of topics related to Poland's imminent entry into the European Union. In addition, a European Programme was implemented to coordinate the various aspects of the expansion of the European Community to the east.
- Zivnostenska Banka's support of the Kapka Nadeje Fund to help infants suffering from haematological problems. The goal of this fund is to provide ongoing support to the paediatrics department of the Prague-Motol Hospital in the Czech Republic.
- UniBanka's cooperation with the Anti-Drug Fund in Slovakia to advance projects involving drug prevention and the rehabilitation of young people with drug-related problems.
- Implementation of the "You at my table" project to encourage the continuing joint effort with the non-governmental organisation, Amani. This organisation was created last year in order to support various programmes, such as the improvement of water supply at the Mthunzi Centre in Zambia and the construction of a dormitory and classrooms for a school preparing for working life in Kenya. The project was advanced by UPA with a contribution from the Unidea Foundation, which doubled the contribution made by employees.

Our partners







The measure of value

CALCULATION AND BREAKDOWN OF VALUE ADDED

EVALUATION OF INTANGIBLE ASSETS

SUSTAINABILITY INDEXES

Calculation and breakdown of value added

The creation of value over time for all corporate counterparts, which is based on an ongoing discussion with them, is the ultimate goal of corporate governance, and is a key component of UniCredit's mission. The redistribution of value generated by the Group is reported to shareholders, employees and society using time-tested methods for calculating the profit margin, which is defined as the accounting link between the consolidated accounts and the social and environmental report. The calculation of this measure is done by reclassifying entries of the profit and loss account in order to show how the profit margin is formed and distributed by expressing in monetary terms the relationships between the company and the socio-economic system with which it interacts, with a particular focus on several of the main stakeholders covered in this report:

- Shareholders
- Human Resources
- State, Agencies and Institutions
- Society
- Corporate Structure

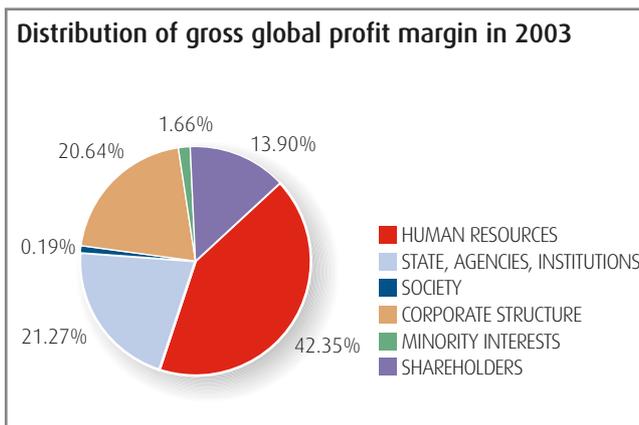
From a methodological standpoint, of the various configurations that value added could assume, depending on the degree to which income components are combined, it was decided to use global value added, which was used in the ABI Model for preparing Social Reports for the credit industry, and which takes the specific features of banks into consideration.

Global value added produced by the Group in 2003, which was calculated by reclassifying the consolidated profit and loss statement, rose significantly (up by 4.61%) over the previous period.

The importance of human resources in the production process was confirmed by the clear predominance of profit margin resulting from this component (42.35%). There was almost no change in percentage breakdowns from 2002, and thus, it seems obvious that the growth in value produced benefited all stakeholders concerned.

The minority interest (1.66%) represents the share of profits generated by companies falling under the Group's scope of

consolidation, which is distributed to third party shareholders of Group companies, while the portion allocated in 2003 to society (over €15 million or 0.19%) includes the allocation of €10 million in profits to the "donation fund" established at Group companies. In fact, of this €10 million, €5.7 million was for the proposed distribution of the profits of UniCredit Banca in 2003, €3.8 million was from profits of UniCredit Banca d'Impresa, and €500,000 was from profits from UniCredit Private Banking.



Reclassified Balance Sheet

AMOUNTS IN THOUSANDS OF EURO

ASSETS	31.12.2003	31.12.2002
1. Cash and deposits with central banks and post offices	1,952,396	1,609,848
2. Loans:		
- Loans to customers	126,709,237	113,824,110
- Loans to banks	32,783,258	28,098,561
3. Trading securities	18,255,405	17,091,514
4. Fixed assets:		
a) investment securities	11,271,184	13,338,324
b) equity investments	3,504,466	2,404,125
c) intangible and tangible fixed assets	4,405,662	4,782,862
d) positive consolidation and net equity differences	1,232,206	1,018,654
5. Other assets	38,141,822	31,181,328
Total assets	238,255,636	213,349,326
LIABILITIES AND SHAREHOLDER'S EQUITY	31.12.2003	31.12.2002
1. Deposits:		
- Due to customers	97,976,155	93,571,701
- Securities in issue	37,297,683	33,173,457
- Due to banks	44,252,285	31,990,884
2. Specific reserves	4,830,106	4,601,440
3. Other liabilities	33,591,090	29,332,778
4. Reserve fund for possible loan losses	69,163	93,791
5. Subordinated debt	6,189,574	7,088,478
Negative differences on consolidation and net equity	64,045	64,306
Minorities	972,978	1,171,598
6. Shareholders' equity:		
- Capital, reserves, and fund for general banking risks	11,051,977	10,459,751
- Net profit for the period	1,960,580	1,801,142
Total liabilities and shareholders' equity	238,255,636	213,349,326

Calculation and breakdown of value added

Reclassified Income Statement

AMOUNTS IN THOUSANDS OF EURO

	2003	2002
Net interest	4,794,502	4,911,184
Dividends and other income from equity investments	293,179	216,268
NET INTEREST INCOME	5,087,681	5,127,452
Net commission	3,316,158	3,189,628
Trading profit (loss)	1,287,537	1,049,345
Other operating income	773,394	732,621
Net non-interest income	5,377,089	4,971,594
BROKERAGE MARGIN	10,464,770	10,099,046
Payroll costs	(3,280,810)	(3,159,658)
Other administrative expenses	(1,935,734)	(1,862,912)
Writedowns of intangible and tangible fixed assets	(486,172)	(459,994)
Operating expenses	(5,702,716)	(5,482,564)
OPERATING PROFIT	4,762,054	4,616,482
Amortisation of goodwill	(263,573)	(244,574)
Provisions for risks and charges	(230,293)	(163,690)
Net writedowns of loans and provisions for guarantees and commitments	(957,279)	(979,270)
Provisions to loan loss reserves	(43,931)	(9,767)
Net writedowns of financial investments	(10,352)	(294,609)
Provisions, writedowns and write-backs	(1,505,428)	(1,691,910)
PROFIT BEFORE EXTRAORDINARY ITEMS AND INCOME TAX	3,256,626	2,924,572
Extraordinary income (charges) – net	214,599	358,537
Change in fund for general banking risks	3,841	(3,836)
EARNINGS BEFORE TAXES	3,475,066	3,279,273
Income tax for the year	(1,385,621)	(1,316,923)
NET INCOME FOR THE YEAR	2,089,445	1,962,350
Income of minority interests	(128,865)	(161,208)
NET INCOME OF THE GROUP	1,960,580	1,801,142

Breakdown of data for determination of value added

AMOUNTS IN THOUSAND OF EURO

REVENUES	2003	2002
Interest income and similar revenues	9,541,310	9,926,722
Commission income	3,877,743	3,719,968
Other revenues		
- dividends and other net operating income	286,185	230,604
- trading profit/(losses) from financial transaction	1,287,537	1,049,345
- net profit (loss) of affiliates valued at net equity	6,994	(14,336)
- other operating income	986,099	988,849
1. TOTAL GROSS INCOME	15,985,868	15,901,152
CONSUMPTIONS	2003	2002
Interest paid and similar charges	(4,746,808)	(5,015,538)
Commission paid	(561,586)	(530,340)
Other operating costs	(212,705)	(256,228)
Other administrative costs	(1,662,592)	(1,577,614)
Provisions for risks and charges	(230,293)	(163,690)
Net writedowns (write-backs) of loans and provisions for guarantees and commitments	(957,279)	(979,270)
Provisions to loan loss reserves	(43,931)	(9,767)
Net writedowns (write-backs) of financial investments	(10,352)	(294,609)
2. TOTAL CONSUMPTIONS	(8,425,546)	(8,827,056)
3. GROSS PROFIT MARGIN FROM ORDINARY OPERATIONS	7,560,322	7,074,096
Extraordinary income	448,079	603,592
Extraordinary charges	(233,480)	(245,055)
NET EXTRAORDINARY INCOME	214,599	358,537
4. GROSS GLOBAL VALUE ADDED	7,774,921	7,432,633
Writedowns/ write-backs of intangible and tangible fixed assets	(749,745)	(704,568)
5. NET GLOBAL VALUE ADDED	7,025,176	6,728,065
Labour costs:		
- direct	(2,367,316)	(2,246,909)
- indirect	(913,494)	(912,749)
Donations and gifts	(5,069)	(5,063)
Indirect and property taxes and duties	(268,073)	(280,235)
6. EARNINGS BEFORE TAXES	3,471,224	3,283,109
Change in fund for general banking risks	3,841	(3,836)
Income tax for the year	(1,385,620)	(1,316,923)
Minorities	(128,865)	(161,208)
7. NET INCOME FOR THE PERIOD	1,960,580	1,801,142

Calculation and breakdown of value added

Breakdown of gross global value added

AMOUNTS IN THOUSAND OF EURO

	2003	2002
REVENUES	15,985,868	15,901,152
CONSUMPTIONS	(8,425,546)	(8,827,056)
NET EXTRAORDINARY ITEMS	214,599	358,537
GROSS GLOBAL VALUE ADDED	7,774,921	7,432,633
Divided among:		
MINORITY INTERESTS - minority interest in consolidated profits	128,865	161,208
SHAREHOLDERS - Dividends distributed to Shareholders	1,080,419	995,116
HUMAN RESOURCES	3,292,310	3,174,658
Labour costs:		
- direct	2,367,316	2,246,909
- indirect	913,494	912,749
Portion of net income for the period allocated to the reserve connected with the medium-term incentive system for Group staff	11,500	15,000
STATE, AGENCIES AND INSTITUTIONS	1,653,693	1,597,158
Indirect and property taxes and duties	268,073	280,235
Income tax for the period	1,385,620	1,316,923
SOCIETY	15,069	15,063
Donations and gifts	15,069	15,063
CORPORATE STRUCTURE	1,604,565	1,489,430
Writedowns of fixed assets	749,745	704,568
Undistributed reserves and profits and change in fund for general banking risks	854,820	784,862
GROSS GLOBAL VALUE ADDED	7,774,921	7,432,633

Experience and several studies, especially in Northern Europe over the last 20 years, have shown that the intangible capital of companies can be broken down into three asset groupings¹.

- **Human Capital:** the knowledge, skills and capabilities of people who work for the organisation.
- **Organisational Capital:** the structures, processes and technologies the company uses, excluding people up to a certain point. This category also includes organisational culture, defined as those values that characterise, unite and guide the organisation.
- **Relationship Capital:** this category relates to the quality and quantity of the company's relationships with its main stakeholders. Its value increases as the number of significant relationships increases (openness of corporate system) and as the quality of the relationship develops. The latter is defined as the satisfaction the company and stakeholder derive from their mutual relationship.

The strategic importance of intangible assets has grown over time and is increasingly a reflection of economic systems. Intangible factors are the basis of innovation that in turn promote economic growth and the generation of value.

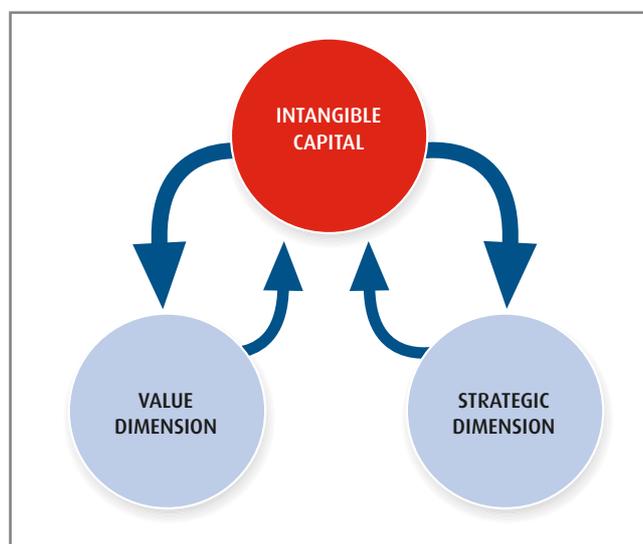
For this reason, this year we have attempted to provide an initial assessment of our intangible capital. In this way, each stakeholder will have the necessary information to express a reasoned opinion on what was done and on what should be done in the near future.

Although this section of the report provides regular information on the value and nature of Unicredit's intangible capital, it uses a reporting method that is as consistent as possible with the entire document. Every effort has been made to reduce technical information, and especially financial information, to the bare minimum.

THE DUAL DIMENSION OF INTANGIBLE CAPITAL

In order to measure and assess the three capital sub-categories (human, organisational and relationship capital), we have adopted a specific analytical model (ViCo2TM)³, which allows for a dual, integrated interpretation of intangible capital by simultaneously looking at the:

- the strategic dimension, through the analysis of the distinctive capabilities that result in the acquisition, maintenance and strengthening of competitive advantages;
- the value dimension, through the calculation of the value of goodwill, which is an expression of the overall value of intangible capital.



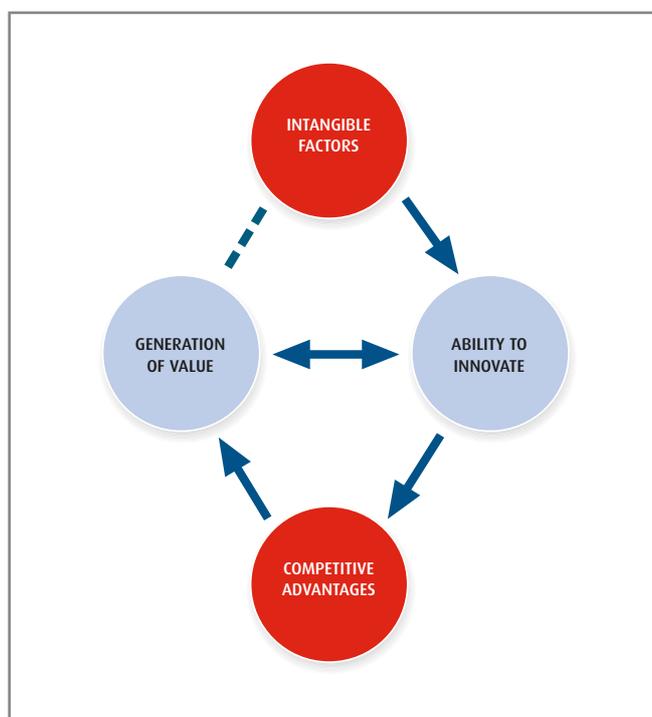
¹ THE DISTINCTION BETWEEN THE THREE CAPITAL GROUPS IS PURELY OPERATIONAL: HOWEVER, THE VALUE GENERATED IS FROM THE SYSTEMATIC OPERATION OF A COMBINED COMPLEX.

² THIS IS THE FIRST REPORT IN WHICH A SECTION DEDICATED TO INTANGIBLE CAPITAL HAS BEEN INCLUDED. THIS HAS INEVITABLY RESULTED IN A PARTIAL VERSION OF THE MEASUREMENT AND ASSESSMENT MODEL, WHICH WILL BE DEVELOPED QUANTITATIVELY AND QUALITATIVELY IN SUBSEQUENT REPORTS.

³ ViCo2TM VALUATION OF INTANGIBLE ELEMENTS: CONTROL AND COMMUNICATION

Evaluation of intangible assets

The two dimensions are closely linked since the generation of value is a function of the company's ability to generate competitive advantages, which in turn depend on the wealth and dynamics of intangible capital.



TECHNICAL DETAILS

The relationship between intangible capital and the value of goodwill can be seen when considering that:

- goodwill can be determined by capitalizing expected economic profits;
- economic profits represent the residual value after paying all factors of production, including risk capital; economic profits occur when the company is able to provide a return on risk capital that is greater than average market conditions;
- a return in excess of normal conditions is possible only if there are competitive advantages, which, as noted, closely depend on the availability of intangible capital.

THE STRATEGIC DIMENSION: UNICREDIT'S UNIQUE CAPABILITIES

The strategic dimension is reflected in the identification and determination of UniCredit's unique capabilities that result in its competitive advantage. In fact, just as intangible capital can be broken down into three sub-categories, the related capabilities can be classified as human, organisational and relationship capabilities⁴:

CAPABILITY \ CAPITAL	HUMAN	ORGANISATIONAL	RELATIONSHIP
technical capabilities in value chain activities (operations, marketing, etc.)		✓	
leadership capabilities	✓		
communication capabilities			
training and development capabilities for the organisational culture			
capabilities to manage relationships			✓
capability to acquire resources			

For this first year it was deemed appropriate to take into account only one type of capability for each sub-category. In subsequent editions, it will be possible to further expand the analysis to consider UniCredit's other significant capabilities.

Thus, the capabilities selected are as follows:

- leadership capability for human capital;
- capability to focus on the needs of customers through reorganisation (S3 project) for organisational capital;
- capability to achieve a local presence by developing a unique attitude in understanding and interpreting the specific characteristics of local communities for relationship capital.

Leadership capability

In an increasingly dynamic and complex market scenario where mutual dialogue is essential, the ability to form a management group that is able to achieve a balance between profits and the focus on individuals represents a unique ability.

⁴ THESE CAPABILITIES REPRESENT THE INTERPRETATION OF A STRATEGIC MATRIX OF INTANGIBLE CAPITAL.

UniCredit has made a considerable commitment and invested enormous energy to create a cultural process, and to create an organisational model that can strengthen the leadership qualities of its managers and enhance the company's true unique capability, which is the source of competitive advantages.

The Group's focus on this capability is expressed in the specific commitment to instil leadership qualities in young people with great potential, to promote the development of these qualities among management, and to enhance their effectiveness and dissemination throughout the corporate organisation. The following are highlights of the many initiatives undertaken:

- the establishment of the Management & Banking Academy;
- the leadership programme developed under the M&BA;
- the development of the Young Talents project.

The report already provides substantial information on these two initiatives in the section dedicated to "our people" on pages 50, 52 and 53.

The main objectives of the leadership training programme developed by the Management & Banking Academy are as follows:

- develop an awareness in people of what motivates them and focusing specifically on the need to exercise a positive influence over others;
- develop abilities that make it possible to "communicate using emotions";
- increase participants' effectiveness when motivating others: empathy and personal influence;
- encourage each participant to create a vision that invites people to get involved, which is desirable for his organisational unit;
- provide participants with the "tools" to translate experience into strong and successful leadership behaviour.

The main goals of the Young Talents project focus on the training of typical leadership capabilities that are consistent with the age and professional profile of the individuals involved.

In particular, from this point of the view, the goal of the programme is to:

- develop capabilities to work in groups and with people who are different in terms of culture, experience and professional skills;

- disseminate different skills in the group at the national and international levels.

Measurement

The following data⁵ are provided for the M&BA:

- about 500 people were enrolled in 2003;
- in 2003, 350 people enrolled in the leadership programme including 80 who completed the training programme within a year;
- in 2003, over 4,080 hours were spent on the leadership development programme.

The following data are provided for the Young Talents project:

- in 2003, 64 young Italians were involved in the project;
- in 2003, 55 young people from New Europe were involved (Poland, Croatia, Turkey, Bulgaria, Czech Republic, Slovakia and Romania).

At the end of 2003, a total of 350 people were involved in the Young Talents project which started in 2000.

Measurable objectives for 2004

The measurable objectives for 2004 concern the development and partial expansion of the M&BA programmes and the Young Talents initiatives.

With regard to the M&BA, in 2004 the start of a training programme on collaboration is scheduled.

To be specific, objectives for 2004 are as follows:

- maintenance of overall number of participants enrolled in the M&BA (500 people);
- new selection regarding the collaboration programme for an as yet undetermined number of people;
- completion of leadership programme by the remaining 270 people;
- launch of Young Talents project with a similar number of participants as in 2003 (about 110 people); a joint training programme will be held in English for young Italians and foreigners. For the moment, it is not possible to indicate the number of training hours in 2004 for the M&BA programme.

⁵ GIVEN THE RECENT LAUNCH OF THE M&BA AND YOUNG TALENTS PROGRAMMES, THE MEASUREMENT OF RESULTS IN 2003 CAN ONLY BE ACHIEVED USING INDIRECT INDICATORS.

Evaluation of intangible assets

Indicators – leadership capability

CODE	2003 ACTUAL	2004 TARGET	NOTE
Banking Academy			
A1 enrolled	500	500	
A2 participants in posed training programme	350	n.a.	In 2004 the collaboration programme will be launched
A3 people who completed the programme	80	270	
A4 total training hours	4,080	n.a.	
Young Talents			
A5 people involved	119	110	Greater efforts will be done to integrazione tra italiani e stranieri

Organisational capability

Using the process that led us to create the major segment banks (S3 Project), we have laid the foundations for combining the strategic aspects of specialisation with aspects of size (details can be found in the section on page 12) The three major Banks, specialised by market segment, operate by simultaneously seeking to:

- focus on specific market segments (thereby meeting the specific needs of different types of customers and also covering “niche” markets with a high marginal value);

- derive benefits from the intrinsic synergies of these segments (reducing costs through economies of scale, defining a product portfolio that relies on size and cross-selling and benefiting from a complex system of relationships that can be managed in a standardised manner).

In summary, the start of the S3 restructuring plan will allow UniCredit to acquire and take advantage of specific competitive advantages resulting from relationships specialised by customer segment and able to provide a service that is closer to the customer.

Measurement

UniCredit believes that the Group’s reorganisation process will make it possible to achieve higher levels of satisfaction for its customers as compared to the banking industry taken as a whole.

Naturally, the increase in customer satisfaction is the result of the combined effect of several variables and not just organisational changes. However, we believe that the Group’s new organisational model will be able to make a significant contribution in this regard.

For this reason, although customer satisfaction (which is assessed through the customer project) could be a useful measure for relationship capabilities, it is used to assess the degree of success of organisational capabilities resulting from the S3 Project.

The results from surveys taken by UniCredit Banca, which is the largest division on a quantitative level (revenues and number of customers), are taken into consideration for this purpose.

For a detailed description of the customer project, see the section on page 38.

The table provides a summary of interviews conducted and their breakdown.

	INDIVIDUALS	SMALL BUSINESS	TOTAL
UniCredit	46,822	39,857	86,679
Competitors	22,081	10,733	32,814
Total	68,903	50,590	119,493

In analytical terms, the assessment concentrated on the following major areas:

- relationship with branch staff
- relationship with branch manager
- relationship with consultant
- branch comfort
- effectiveness of investments
- effectiveness of loans
- effectiveness of current accounts
- other banking services
- bank image

To be specific, a breakdown of results related to the 11 Regional Management Offices is summarised in the table below:

Reg. Mgmt offices with average customer satisfaction with UCB > competitors	4/11
Reg. Mgmt offices with average customer satisfaction with UCB = competitors	3/11
Reg. Mgmt offices with average customer satisfaction with UCB < competitors	4/11

Measurable objectives for 2004

The Group's reorganisation, which started with the S3 Project, takes time and it is projected that it might only be completed at the end of the plan period (2006).

For this reason its success, in terms of customer satisfaction, can only be assessed at the end of this period. However, we believe that it is possible to set a number of related goals for 2004:

- for the development of tools to measure customer satisfaction;
- for customer satisfaction for each of the 11 Regional Management Offices.

Indicators - organisational capability

CODE	2003 ACTUAL	2004 TARGET	NOTES
Customer satisfaction			
B1 No. of interviews	119,493	about 250,000	
B2 No. of our customers interviewed	86,679	about 220,000	
B3 No. of competitor customers interviewed	32,814	about 30,000	
B4 No. of Reg. Mgmt. offices with average customer satisfaction with UCB > competitors	4/11	increase or maintenance of number of Reg. Mgmt. offices	
B5 No. of Reg. Mgmt. offices with average customer satisfaction with UCB = competitors	3/11	reduction or maintenance of number of Reg. Mgmt. offices	
B6 No. of Reg. Mgmt. offices with average customer satisfaction with UCB < competitors	4/11	reduction of number of Reg. Mgmt. offices or reduction in delay vis-à-vis competitors	

Relationship capability

Given the many relationships that UniCredit maintains with its market, it is believed that the capability to develop a strong tie to local areas is one of the core competencies that has the most significant impact on value created.

In order to maintain and strengthen our capability to listen to regional entities, we established a permanent structure, the Local Committees (see page 60-61) made up of representatives from businesses, associations and cultural and voluntary organisations in each specific area.

Measurement

In terms of measurement, the parameters that should be stressed are as follows:

- the number of committees established in 2003;
- the number of meetings held by individual local committees;
- the number of committee participants;
- the number of projects selected, approved⁶ and initiated⁷.

During the year, several topics were covered at meetings, but the main focus was on the analysis of critical situations and the strengths of the local economy, internationalisation processes, Basel 2 and action of a social nature. All of this made it possible to launch several projects and initiatives to be further developed in 2004. Of the projects proposed, 17 were selected for further specification. These projects concerned social assistance, universities, support for cultural and sports events, the development of business entities and charitable organisations.

In the next phase, these projects will have to be closely reviewed for potential approval by these committees. In 2003, two projects were approved and launched.

Measurable objectives for 2004

Due to the importance we place on community relationships and the positive feedback received from various local communities where we have a presence, the activities of the committees will be a regular occurrence. For this reason, the goal for next year is to increase the number of meetings for each committee created in 2003 to at least 4, and to create four new forums for meetings and dialogue with the local communities (Marches, Pedemontana

⁶ REFERS TO THE ASSESSMENT OF THE PROJECT'S FEASIBILITY

⁷ REFERS TO THE ALLOCATION OF RESOURCES NEEDED TO CARRY OUT THE INDIVIDUAL PROJECT

Evaluation of intangible assets

Lombarda, Aosta Valley, Trieste-Gorizia). With the increase in the number of Local Committees, the total number of members is projected to increase from 155 to about 215 people in 2004.

LOCAL COMMITTEES	MEETINGS 2003	MEMBER 2003	MEETINGS 2004
Torino-Canavese	2	17	4
Alessandria-Asti-Cuneo	2	15	4
Bologna-Imola-Ferrara	2	17	4
Ravenna-Rimini-Forli-Cesena	3	17	4
Modena-Reggio Emilia			
Parma-Piacenza	2	15	4
Trento-Bolzano	3	14	4
Udine-Pordenone	2	15	4
Treviso-Venezia-Padova	2	15	4
Verona	3	16	4
Vicenza	2	14	4
Total	23	155	
Marche			4
Pedemontana lombarda			3
Valle d'Aosta			3
Trieste - Gorizia			2
Total			52

The commitment for the following period also consists of reviewing and assessing the feasibility of the remaining 15 projects selected in 2003. The summary table shows the 8 indicators selected for assessing the relationship capability.

Indicators - relationship capability

CODE	2003 ACTUAL	2004 TARGET	NOTES
Local activities			
C1 No. of local committees	10	14	
C2 No. of meetings	23	52	
C3 Average no. of meetings	2.3	3.7	
C4 No. of members	155	215	
C5 No. of proposed projects selected	17	We expect that on average each committee will select at least 2 projects	
C6 No. of projects approved	2	Increase	
C7 No. of projects launched	2	Increase	
C8 No. of projects terminated	0	4	

⁸ THE VALUE CREATION IS CALCULATED ACCORDING TO THE MARKET'S GROWTH EXPECTATIONS THUS IT RESULTS IN AN ESTIMATED VALUE.

THE VALUE DIMENSION: UNICREDIT'S VALUE CREATION

The overall value of UniCredit's goodwill is calculated in the second analytical dimension. This is defined as Value Creation, i.e., the current value of surplus income or economic profit that it is believed UniCredit can generate in the near future, and thus, it is an expression of the overall value of intangible capital.

$$\text{Value Creation} = \text{market value} - \text{risk remuneration}$$

ZOOM IN

If calculated using certain adjustments, the value of Goodwill can be broken down into more specific sub-categories as noted below:

- reportable intangible assets (International Accounting Standard IAS 38);
- intangible assets that are not reportable but can be valued separately;
- remaining intangible assets;

However, for this first year of preparation, in anticipation of the adoption of IAS/IFRS accounting standards, the overall value of goodwill will not be broken down.

Calculation of value creation

UniCredit's Value Creation, which was calculated at the end of 2003, was e 9,380 million, which is the overall value attributable to intangible capital.

This figure is the difference between UniCredit's market value and its risk remuneration, which represents the present value of the cost of capital employed net of internal cashflow generation, i.e., the portion of profits that is not to be distributed to shareholders:

$$\begin{aligned} \text{Value Creation} &= \text{market value} - \text{risk remuneration} \\ 9,380 &= 25,000 - 15,620 \end{aligned}$$

€ MILLIONS

This difference is conceptually attributable to the capitalisation of economic profits since market value expresses expectations of future results for shareholders, while risk remuneration measures the opportunity cost of invested capital.

The amount of € 9,380 million is equal to:

- about 37% of UniCredit's market value;
- about 60% of risk remuneration.

For an initial in-depth discussion of the various steps necessary to calculate market value and risk remuneration, see the technical box at the end of this section.

Value Creation may also be analysed in relation to several of the main objectives contained in UniCredit's First Strategic Plan for 2003-2006, which was approved by the board of directors in June 2003. The objectives will be provided in the following report together with data resulting from the second analytical dimension.

Indicators - value creation

CODE	2003 ACTUAL	2004 TARGET	NOTE
Financial data			
D1 value creation	€ 9,380 mln.		
D2 market value	€ 25,000 mln.		
D3 risk remuneration	€ 15,620 mln.		
Plan data			
D4 annual composite growth (2002-2006) of earnings per share	14%		
D5 annual composite growth (2002-2006) of revenues	8.60%		
D6 cost/income ratio in 2006	50%		
D7 ROE nel 2006	21%		
D8 Core Tier1 in 2006	7.20%		

At the end of the next period, it will be possible to calculate Value Creation for 2004 and compare changes to 2003 in terms of both market value and risk remuneration.

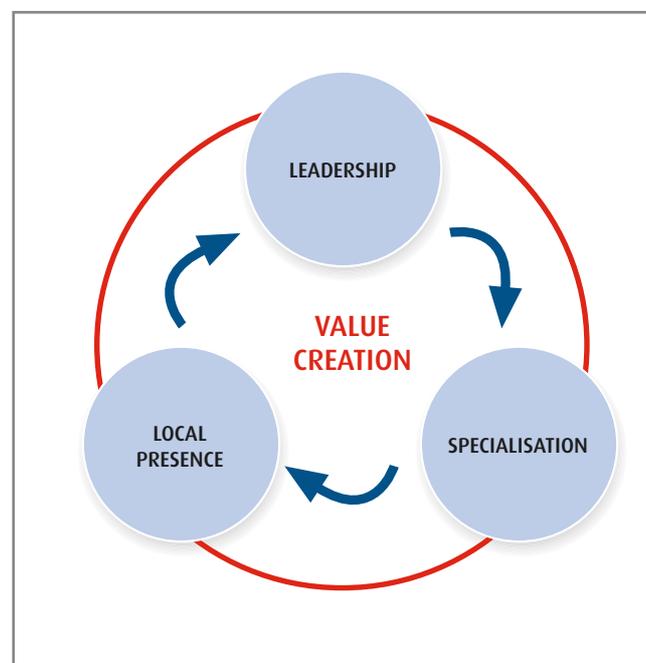
These changes can also be associated with the results actually obtained for the indicators D4, D5, D6, D7 and D8, which can be aligned with the projected trends in the plan, or the most significant changes can be presented.

SUMMARY OF MEASUREMENT AND VALUATION OF INTANGIBLE CAPITAL

The following table provides a summary of all information calculated for the purposes of the valuation of intangible capital. The first part includes the strategic dimension, and more specifically, the analysis of indicators of unique capabilities. The second part covers the value dimension (Value Creation).

Overall, 27 indicators were proposed and monitored, and their changes will be checked in the next report.

Naturally, an overall valuation of intangible capital can be obtained from a combined review of the two dimensions.

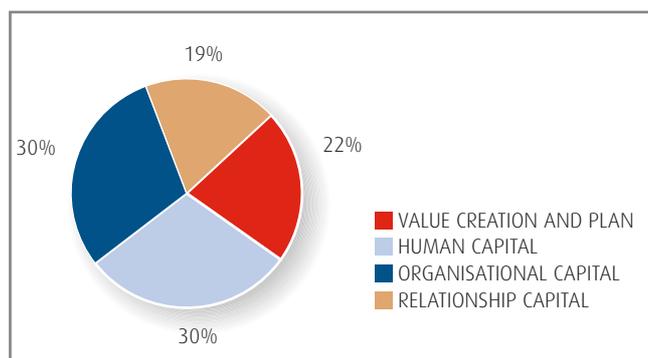


Evaluation of intangible assets

Summary table of indicators

	CODE	2003 ACTUAL	2004 TARGET	NOTES	
HUMAN CAPITAL	Banking Academy				
	A1	enrolled	500	500	
	A2	participants in proposed training programme	350	n.a.	In 2004 the collaboration programme will be launched
	A3	people who completed the programme	80	270	
	A4	total training hours	4,080	n.a.	
ORGANISATIONAL CAPITAL	Young Talents				
	A5	people involved	119	110	Greater efforts will be done to integrate Italians and foreigners
	Customer satisfaction				
	B1	No. of customers interviewed	119,493	about 250,000	
	B2	No. of our customers interviewed	86,679	about 220,000	
RELATIONSHIP CAPITAL	B3	No. of competitor customers interviewed	32,814	about 30,000	
	B4	No. of Reg. Mgmt. offices with average customer satisfaction with UCB > competitors	4/11	increase or maintenance of number of Reg. Mgmt. offices	
	B5	No. of Reg. Mgmt. offices with average customer satisfaction with UCB = competitors	3/11	reduction or maintenance of number of Reg. Mgmt. offices	
	B6	No. of Reg. Mgmt. offices with average customer satisfaction with UCB < competitors	4/11	reduction of number of Reg. Mgmt. offices or reduction in delay compared to competitors	
	Local activities				
RELATIONSHIP CAPITAL	C1	No. of local committees	10	14	
	C2	No. of meetings	23	52	
	C3	Average no. of meetings	2.3	3.7	
	C4	No. of members	155	215	
	C5	No. of proposed projects selected	17	we expect that on average each committee will select at least 2 projects (total of 28)	For 2004 an average figure is provided for the number of projects selected since this is heavily dependant on the quality of proposals
C6	No. of projects approved	2	increase		
C7	No. of projects launched	2	increase		
C8	No. of projects terminated	0	4		
Financial data					
D1	value creation	€ 9,380 mln			
D2	market value	€ 25,000 mln			
D3	risk remuneration	€ 15,620 mln			
Plan data					
D4	annual composite growth (2002-2006) of earnings per share	14%			
D5	annual composite growth (2002-2006) of revenues	8.60%			
D6	cost/income ratio in 2006	50%			
D7	ROE in 2006	21%			
D8	Core Tier1 in 2006	7.20%			

The distribution of indicators in relation to this topic is provided in the following graphic:



In essence, by reporting the various elements monitored using the VICO2TM Model over the years (Value Creation; human, organisational and relationship capabilities), it will be possible to determine the performance of elements that make up the two analysis dimensions and especially the existing relationships between them.

FOOD FOR THOUGHT

Reputational risk

The ability to generate value over time is connected to variables related to reputational risk. For this reason, it is extremely important to have internal processes that make it possible to define and monitor appropriate reputational risk indexes.

UniCredit is developing a model to measure reputational risk capital, and methods to manage these risks are also being studied.

THE FUTURE DEVELOPMENTS

2003 was the first year that UniCredit’s valuation model for intangible capital was used. This has resulted in certain limitations in the application of the model, as already stressed above, and in the preparation of the reports. This is the only time when it is impossible to compare stated objectives to results actually achieved.

Starting in 2004, for the dimension of value analysis, monitoring will concern changes in the Value Creation figure and plan indicators. With regard to the strategic dimension, the comparison may be proposed systematically using the example described in the following table:

CODE	CAPABILITY	ACTUAL AMOUNT 2003	TARGET AMOUNT 2004	ACTUAL AMOUNT 04	ACTUAL VS TARGET	TARGET AMOUNT 05
A1	human					
A2	human					
A3	human					
B1	organisational					
B2	organisational					
B3	organisational					
C1	relationship					
C2	relationship					
C3	relationship					
...	...					

Evaluation of intangible assets

ZOOM IN

Value Creation is calculated as the difference between market value and risk remuneration. The methods for calculating these are summarised below.

- a) Market value is calculated using the arithmetic mean of closing prices for UniCredit stock in 2003; a time horizon of one year was used in order to:
- consider stock price performance over a sufficiently long period of time to reduce the impact from economic performance to a minimum;
 - maintain consistency with the period of time used for the accounts.

The average market price calculated in this manner was about € 3.96 and the number of shares used was over 6 billion. Thus, market value is equal to € 25,000 million.

- b) The determination of risk remuneration, the present value of the cost of capital employed, is more complex. As already noted, risk remuneration represents shareholders' expectations of a return on investment for a risk profile similar to that of UniCredit. Conceptually, the market assesses the stock on a time horizon that is comparable to that used by shareholders when defining their expectations.

Risk remuneration is calculated as the present value of the cost of capital employed net of internal cashflow generated taking into account:

- growth assumptions for loans, portfolio securities, assets under management and securitisation transactions;
- the Group's capitalisation objectives .

For clarity sake, it is appropriate to illustrate the calculation procedure making a distinction between two elements:

- the amount of capital employed over time;
- the cost of capital employed.

The amount of capital employed represents the degree to which the Group funds its operations with capital and reserves each period as a function of capitalisation objectives.

This is obtained by adding:

- the average between the Group portion of consolidated shareholders' equity at the beginning and end of the period, adjusted as necessary;
- the adjusted book value of goodwill, calculated using a straight-line amortisation schedule.

The most significant adjustments to the Group portion of consolidated shareholders' equity are those used to arrive at consolidated shareholders' equity in addition to the adjustments required to determine the adjusted book value of goodwill. In fact, to determine changes in shareholders' equity over the period of time considered, it is necessary to define the profit growth assumption and the degree of internal cashflow generation, i.e., the portion of profits that is not to be distributed to shareholders.

The specific growth assumptions are provided for all Group companies in the 2003-2006 plan.

The cost of capital employed is obtained by multiplying the amount of capital employed by the cost of risk capital (Ke).

The cost of risk capital was 9.08% in 2003. This was obtained by adding the risk-free rate of 3.95% (calculated based on the 5-year swap rate) and the risk premium for investing in UniCredit's stock of 5.13% (calculated using the option based model). The cost of risk capital is also used as the discount rate.

The value for risk remuneration obtained using the procedure described was 15,620 million €.

Thus:

$$\begin{aligned} \text{Value Creation} &= \text{market value} - \text{risk remuneration} \\ 9,380 &= 25,000 - 15,620 \end{aligned}$$

€ MILLIONS

⁹ THE ANALYSIS IS DONE FOR EACH GROUP COMPANY SINCE THE AMOUNT AT THE CONSOLIDATED LEVEL IS THE SUM OF THE RETURNS FOR INDIVIDUAL UNITS.

Sustainability indexes

**The measure
of value**

The growing focus on social responsibility strategies allowed UniCredit to be included, also for 2003, in the following international sustainability indexes:

- Dow Jones Sustainability Index World, the global index by the US company Dow Jones and the Switzerland-based SAM (Sustainability Asset Management);
- FTSE4Good Europe 50 Index, the European index launched by the Financial Times and the London Stock Exchange.



REPORT ON THE "SOCIAL AND ENVIRONMENTAL REPORT 2003" OF UNICREDITO ITALIANO GROUP

To the Shareholders of
UniCredito Italiano SpA

We have performed the agreed-upon verification procedures in order to express an opinion on the Social and Environmental Report 2003 (the "Report") of UniCredito Italiano Group with respect to:

- The reliability of the data reported therein.
- The completeness and clarity of expression of the data and the information disclosed therein.

Our engagement was carried out by performing the agreed-upon procedures summarized below:

1. Testing, on a sample basis, of the correspondence of the economic and financial data reported in the Report with the same data disclosed in the consolidated financial statements to be submitted in the Shareholders' Meeting and of the correspondence of other data and information with management reports or other supporting documentation.
2. Evaluation of the completeness and clarity of the Report with respect to the information generally included in the social and environmental reports already published and to the identified stakeholders.

This report refers to the results of the application of the aforementioned procedures and we cannot exclude that, had we performed additional procedures, other matters might have come to our attention that should have been disclosed in addition to those already reported in the following paragraph.

The results of the application of the agreed-upon verification procedures confirm that the economic and financial data included in the Report correspond to those included in the consolidated financial statements to be submitted in the Shareholders' Meeting and that the other data and information disclosed in the Report are adequately documented by management reports or other supporting documentation.

PRICEWATERHOUSECOOPERS 

Regarding the evaluation of the completeness and clarity of the Report, we base our professional opinion on our experience, on the benchmarking of national and international best practices and on PricewaterhouseCoopers guidelines developed on the basis of the information requirements deriving from:

- Sustainability Reporting Guidelines (Global Reporting Initiative)
- ABI Guidelines (Modello di redazione del Bilancio Sociale per il settore del credito)
- GBS Guidelines (Gruppo di studio per il Bilancio Sociale)

In this respect the Report is complete and well-structured compared to the best social and environmental reports published to date and the data and the information are clearly stated. This fourth edition of the Report presents in an innovative way the themes regarding sustainability and corporate social responsibility, by introducing a model that aims to measure the value of intangibles of the Group. This model will be developed and used to report in the future edition of the Report.

Additionally, we highlight some of the commitments undertaken by the Group and reported in the chapter “Introduction”, with respect to:

1. the already implemented engagement and dialogue with stakeholders, which is important to develop in order to reach a wider and more precise identification of their genuine interests;
2. the growth of the reporting area to those Group companies currently not included in the Report, by defining and implementing a methodology and specific instruments to systematically collect data and information related to it.

Milan, 13 April, 2004

PricewaterhouseCoopers SpA

Signed: Antonio Taverna
(Partner)

This report has been translated from the original which was issued in Italian. We have not performed any control on the Social and Environmental Report 2003 translation.

ABI

The Italian Banking Association.

ACCOUNTABILITY

Principle whereby the person in charge of an organisation (a policy, a project) is “held accountable” by stakeholders for his/her decisions, actions, activities and results.

ADVISOR

Specialist with an in-depth knowledge of a given subject. Usually, when companies are privatised, the appointed advisors are highly regarded Italian or foreign merchant banks and important auditing firms.

ENVIRONMENTAL ANALYSIS

Thorough preliminary analysis of the environmental problems, impact and performance related to the activities of an organisation.

ENVIRONMENTAL ASPECTS

Aspect of the activities, products and services of an organisation that can interact with the environment.

ASSET MANAGEMENT

Management of third party financial investments.

AUDIT

A management tool involving a systematic, documented, periodic and objective assessment of an organisation’s performance, management system and processes designed to protect the environment in order to: i) manage behaviour that might have an environmental impact; ii) ascertain compliance with the organisation’s environmental policy, including its environmental targets and goals.

BOND

A certificate or evidence of a debt on which a legal entity (State, public authority, joint stock company, private company limited by

shares) promises to pay bondholders at maturity an amount representing the nominal value of the bond as well as interest accrued thereon.

CONSOB

The Italian Securities and Exchange Commission.

CORPORATE BANKING

Financial services provided to small, medium and large companies.

CROSS-SELLING

Activity designed to develop customers’ loyalty to a company by providing them with integrated products and services.

DEFAULT

Stated inability to repay one’s debts and interest accrued thereon.

EMAS

EcoManagement and Audit Scheme – Regulation 761/2001 of the European Council allowing voluntary participation by organisations in a Community eco-management and audit scheme.

FULL TIME EQUIVALENT

Number of equivalent full time employees.

GRI

Global Reporting Initiative is an organisation made up of different stakeholders and independent institutions whose mission is to develop and disseminate guidelines for all sectors to prepare disclosures and sustainability reports.

GOODWILL

This reflects the excess amount paid to acquire a shareholding as resulting from the difference between cost and the portion of the shareholders’ equity that cannot be attributed to the acquiree’s assets.

ENVIRONMENTAL IMPACTS

Any positive or negative environmental change arising, in whole or in part, from an organisation's products and services.

INJURY FREQUENCY INDEX

Total injuries x 100,000/number of hours worked.

INJURY SEVERITY INDEX

Total days of absence x 1,000/number of hours worked.

INJURY INDEX

Total number of injuries x 100/number of employees.

ISO 14001

Standard related to environmental management systems issued by the International Standard Organization.

MBO

Management by objective: an employee incentive system whereby specific performance objectives are set by employees and their supervisors, progress achieved with respect to such objectives are checked from time to time and rewards are given on the basis of the percentage of the objectives achieved.

OMBUDSMAN

A unit set by ABI to settle disputes between banks and their customers.

SME

Small and Medium Enterprises.

PRIVATE BANKING

Services to manage the financial needs of high net worth clients.

RATING

Assessment of the default risk associated with a borrower, be it a company or a public authority. Such assessment translates into a rating that reflects the creditworthiness of a borrower.

RETAIL BANKING

Financial services provided to retail customers.

RISK REMUNERATION

Present value of the cost of capital employed, reflecting shareholders' payoff expectations.

ROL

Local organisation manager.

SCORING

Application of points to factors determined in a test to arrive at a score.

STAKEHOLDER

Parties that, one way or another, are concerned with the company's activities, partaking in its results, affecting its performance, assessing its economic, social and environmental impact.

STAFF ASSISTANT

Person responsible for welcoming and assisting customers, handling telephone calls and back-office operations in a branch.

STOCK OPTIONS

Call options that give the holder the right to purchase shares issued within a pre-set period at a pre-established price. Options are utilised as an incentive and loyalty-building form of compensation for certain or all employees.

UNEP

United Nations Environmental Programme, designed to promote sustainable development with companies and citizens.

VALUE CREATION

Estimated value of excess return or economic profit.

The preparation of the Social and Environmental Report for 2003 was made possible thanks to the enthusiasm and precious contribution of the Group's colleagues who were actively involved in gathering information and analysing the data provided.

This edition is also available at www.unicredit.it and can be requested from:

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