

Boards and Corporate Governance

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Supervisory Board, Trustees and Management Board

SUPERVISORY BOARD

Alessandro Profumo

Chief Executive Officer
of UniCredito Italiano S.p.A., Milan
Chairman

Peter König

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft,
Haar-Salmdorf
Deputy Chairman

Dr Lothar Meyer

Chairman of the Management Board
of ERGO Versicherungsgruppe AG, Bergisch Gladbach
Deputy Chairman

Aldo Bulgarelli

Attorney,
Verona

Beate Dura-Kempf

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Litzendorf
since March 9, 2006

Sergio Ermotti

Head of Markets & Investment Banking,
member of the Management Committee of
UniCredito Italiano S.p.A., Collina d'Oro
since August 22, 2006

Paolo Fiorentino

Head of Global Banking Services Division,
member of the Management Committee of
UniCredito Italiano S.p.A., Milan

Dario Frigerio

Head of Private Banking and
Asset Management Division,
member of the Management Committee of
UniCredito Italiano S.p.A., Milan

Klaus Grünewald

FB1 unit manager in the Bavarian division
of Vereinte Dienstleistungsgewerkschaft e.V.,
Gröbenzell

Günter Guderley

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Goldbach
since January 1, 2007

Anton Hofer

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Nuremberg
until December 31, 2006

Friedrich Koch

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Kirchheim

Hanns-Peter Kreuser

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Munich

Ranieri de Marchis

Chief Financial Officer,
member of the Management Committee of
UniCredito Italiano S.p.A., Milan

Herbert Munker

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Leinburg
until March 8, 2006

Roberto Nicastro

Head of Retail Division,
member of the Management Committee of
UniCredito Italiano S.p.A., Milan

Vittorio Ogliengo

Head of Corporate Division,
member of the Management Committee of
UniCredito Italiano S.p.A., Parma

Carlo Salvatori

Chairman until January 11, 2006 and
member until August 2, 2006 of the
Board of Directors of UniCredito Italiano S.p.A.,
Managing Director since June 30, 2006 of
Unipol Assicurazioni, Parma
until August 21, 2006

Professor Hans-Werner Sinn

President of the Ifo Institute for Economic Research,
Gauting

Maria-Magdalena Stadler

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Pullach

Ursula Titze

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Neusäß

Jens-Uwe Wächter

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft,
Himmelpforten

Helmut Wunder

Employee, Bayerische
Hypo- und Vereinsbank Aktiengesellschaft, Waischenfeld

Supervisory Board Committees¹

Remuneration and Nomination Committee

Alessandro Profumo
Peter König
Dr Lothar Meyer

Audit Committee

Dr Lothar Meyer, Chairman
Günter Guderley, since January 1, 2007
Anton Hofer, until December 31, 2006
Peter König, since March 9, 2006
Ranieri de Marchis
Herbert Munker, until March 8, 2006
Alessandro Profumo

Negotiating Committee

Alessandro Profumo
Peter König
Dr Lothar Meyer
Ursula Titze

¹ see also Report of the Supervisory Board

TRUSTEES

Trustees for Pfandbrief operations pursuant to Section 7 of the German Pfandbrief Act

Dr Otto Beierl

Ministerialdirektor in the Bavarian State Ministry of Finance, Munich
until December 31, 2006

Dieter Knauer

Leitender Ministerialrat in the Bavarian State Ministry of Finance, Munich
since January 1, 2007

Deputies

Dr Michael Bauer

Ministerialdirigent in the Bavarian State Ministry of Finance, Munich
until December 31, 2006

Ulrich Exler

President of the Bavarian State Tax Office,
Ministerialdirigent a.D., Munich

Dr Ulrich Klein

Leitender Ministerialrat in the Bavarian State Ministry of Finance, Munich
since January 1, 2007

MANAGEMENT BOARD

Johann Berger

born 1960
Corporates & Commercial Real Estate
Financing division,
Austria & Central and Eastern Europe
until August 31, 2006

Willibald Cernko

born 1956
Retail division
since February 23, 2006

Jan-Christian Dreesen

born 1967
Retail division
until February 9, 2006

Rolf Friedhofen

born 1958
Chief Financial Officer (CFO)

Heinz Laber

born 1953
Human Resources Management

Dr Stefan Schmittmann

(deputy Board member until September 11, 2006)
born 1956
Corporates & Commercial Real Estate Financing division

Ronald Seilheimer

born 1959
Markets & Investment Banking division

Matthias Sohler

born 1969
Chief Operating Officer (COO)

Dr Wolfgang Sprissler

born 1945
Board Spokesman
Austria & Central and Eastern Europe division¹

Andrea Umberto Varese

born 1964
Chief Risk Officer (CRO)

Andreas Wölfer

born 1961
Wealth Management division

¹ (from September 12, 2006 to January 9, 2007)

Report of the Supervisory Board

Against the backdrop of an improving economic environment in Germany and a sustained increase in the earnings power of the company, the main focus of the Supervisory Board's work in 2006 was the integration of Bayerische Hypo- und Vereinsbank Aktiengesellschaft (HVB) into the UniCredit Group. This applied both to internal structures, which were adapted to UniCredit's divisional organisational structure, and to the positioning of HVB within the corporate group, focusing on the German market as well as investment banking. The steps planned towards integration were able to be implemented as scheduled, taking into account the framework provided by German law. UniCredit's announcement on January 23, 2007 that it was starting a squeeze-out procedure at both HVB and Bank Austria Creditanstalt is another systematic step in the integration process towards becoming the first truly European banking group.

Focus of discussion during the plenary sessions of the Supervisory Board

The Supervisory Board met at eight plenary sessions last year, one of which was an extraordinary meeting. In addition, thirty-seven resolutions were adopted by written circular. Thirty-three of these concerned approval for lending transactions with companies in compliance with Section 136 of the Italian Banking Act (TUB). This banking supervisory regulation which, in essence, is similar to Section 15 of the German Banking Act ("Loans to managers and members of governing bodies") primarily aims at preventing abuse of special privileges granted to corporate officers. The start of 2006 was initially dominated by the events of late 2005. At an extraordinary meeting convened at the request of two of its members, the Supervisory Board received a report on the reasons why Dr Michael Kemmer had made use of the change of control clause in his employment contract and resigned from the Management Board on December 22, 2005. By means of a resolution adopted by written circular, the Remuneration & Nomination Committee of the Supervisory Board was authorised to retain an external legal expert to prepare a report examining the legal consequences of applying the change of control clause. Furthermore, the Supervisory Board resolved in a written procedure not to appeal against the judgement of Munich Regional Court passed on December 22, 2005 which had allowed legal action to be brought by shareholders challenging the approval of the actions of the Supervisory

Board for the 2004 financial year. Instead, it decided to re-submit a motion to approve the actions of the Supervisory Board in the 2004 financial year together with a revised Supervisory Board report to the Annual General Meeting of Shareholders for approval on May 23, 2006. As already explained in detail in last year's Report of the Supervisory Board, the court had found fault with the report for the 2004 financial year because it does not contain any information on the final judgment passed in favour of the plaintiffs in the legal action challenging the block voting of Supervisory Board members at the Annual General Meeting on May 14, 2003 through the Bank's abandonment of appeal in July 2004.

Against the backdrop of the integration of HVB into the UniCredit Group, the Supervisory Board received reports on the company's strategy and business development at four meetings during the year based on documents presented by the Management Board. The 2006 annual plan, the 3-year plan based on the new divisional structure of the operating business and, towards the end of the year, a preliminary report on the plan drawn up for 2007 were the subject of extensive deliberations at these meetings. Moreover, the Supervisory Board paid special attention to the implementation of each of the steps serving to integrate HVB into the UniCredit Group in 2006. First of all, the most important integration programmes were presented to the Supervisory Board in February. This notably concerned the organisational adjustments needed to match UniCredit's divisional structure with the aim of enhancing corporate management, thus forming the foundation for sustainable earnings growth for all companies in the corporate group. At its meeting in July, the Supervisory Board gained an overview of the status of the divisionalisation, which was completed shortly afterwards, from the short reports provided by the members of the Management Board responsible.

Another step in the re-orientation of the individual corporate units of the UniCredit Group was taken when the Supervisory Board approved the new “Bank of the Regions” agreement notably with Bank Austria Creditanstalt (BA-CA). The Business Combination Agreement signed by HVB and UniCredit on July 12, 2005 had already defined the basis of this new agreement, under which BA-CA becomes the UniCredit sub-holding responsible for Austria and central and eastern Europe. During its July meeting, the Supervisory Board then dealt with a first important change in the Bank’s holdings. The Business Combination Agreement already contained an announcement stating that a decision regarding whether HVB’s asset management companies should be held directly by Pioneer Global Asset Management S.p.A., a UniCredit subsidiary, in future would be taken as a structural measure. An appraisal identified that the planned pooling of the asset management activities would yield high synergy potential for the corporate group and that an attractive sale price could be obtained by HVB. At the same July meeting, the Supervisory Board approved the sale of the three Activest companies in Germany, Luxembourg and Switzerland to Pioneer on the basis of the appraisal prepared by an independent auditor.

Another major step in the integration of HVB and BA-CA into the UniCredit Group came when the Supervisory Board approved the transfer of BA-CA to UniCredit and the restructuring of HVB’s shareholdings in central and eastern Europe (transfer of HVB Bank Ukraine to UniCredit, transfer of the shares in International Moscow Bank, transfer of HVB Bank Latvia to BA-CA and transfer of HVB’s branches in Vilnius and Tallinn to HVB Bank Latvia). At the Supervisory Board meeting on September 11, 2006, the Management Board explained the major points of the six underlying purchase and transfer contracts which were then submitted to the Extraordinary Shareholders’ Meeting held on October 25, 2006 for approval. The Supervisory Board had access to the contracts and all the Management Board reports regarding the transactions together with the expert appraisals. During the meeting, the Management Board explained the background to the transactions to the Supervisory Board: their purpose is to simplify the corporate structure of the UniCredit Group, provide for clearly defined responsibilities and align the individual Group units with their respective core markets. For HVB, this means focusing as part of intragroup specialisation on business in Germany and investment banking, for which it is to become the competence centre within the

UniCredit Group. In addition, Munich will remain responsible for corporate banking throughout the Group. Also at this meeting, the external auditors commissioned by the Management Board explained the appraisals of each of the transactions to the Supervisory Board and described the appraisal methods applied in detail. In this connection, the Supervisory Board was able to satisfy itself that the appraisals were conducted in compliance with principles recognised in theory, in practice and in court rulings. Moreover, the Supervisory Board had a fairness opinion prepared by an investment bank, which confirmed that the valuations are fair. At the meeting, the Chief Legal Officer of HVB informed the Supervisory Board about the legal admissibility of the transactions with regard to possible disadvantages under corporate law and the Management Board reported on an investment bank’s assessment of the strategic investment opportunities in the next few years. After all the lines of argumentation had been extensively considered in the course of the discussion, a lawyer from a prestigious legal firm additionally called in to act as legal advisor informed the Supervisory Board that, on the basis of the information provided, the transactions could be approved from a legal perspective. As already announced at this Supervisory Board meeting, the Board of Directors of UniCredit confirmed in a resolution on September 12, 2006 that HVB might use the gains realised on the sale of the shareholdings to continue to develop domestic operations through organic growth or acquisitions, and that the intention was to turn HVB into a competence centre for investment banking within the UniCredit Group. In this last regard, HVB is to host investment banking activities for the next seven years at least. It was also decided that resolutions to divide HVB into separate legal entities during the (five-year) term of the Business Combination Agreement signed by UniCredit and HVB on June 12, 2005 would require a majority of fourth fifths of the members of the HVB Supervisory Board. Based in part on these resolutions and the arguments outlined above, the HVB Supervisory Board approved the transactions on the evening of September 12, 2006 by written circular.

Report of the Supervisory Board continued

In the course of the integration into the UniCredit Group, the Management Board also presented the Group Managerial Golden Rules and the Integrity Charter to the Supervisory Board. Compliance with the former is required on a Group-wide basis under the supervisory provisions of Banca d'Italia, whilst the latter defines the standards of conduct expected of all employees. Moreover, the Supervisory Board solicited a report on the restructuring of the Markets & Investment Banking division towards the end of the year. This enabled the Supervisory Board to gain an overview of the business model and each phase of implementation.

During 2006 the Supervisory Board also solicited reports on the further reduction of the Real Estate Restructuring segment (RER) set up at the end of 2004. Workout portfolios of the real estate finance business with a volume of €15.4 billion were pooled in this segment. The portfolio, which includes the Aphrodite loan portfolio that was the subject of resolutions adopted by the Annual General Meeting of May 23, 2006, was reduced by more than €10.4 billion by means of sales and our own workout activities. Another topic of discussion was setting up a new portfolio of non-strategic receivables amounting to €20.5 billion which is to be reduced with priority due to the lack of cross-selling opportunities. Furthermore, the Management Board informed the Supervisory Board about the sale of a portfolio of non-strategic real estate holdings, which is consistent with the Bank's strategy of disposing of business areas that are not part of its core competence.

The Supervisory Board received an extensive risk report from the Chief Risk Officer (CRO) and solicited another report towards the end of the year on the risk strategy, risk situation and risk development, taking special account of individual sectors. Based on the reports and documents presented, the Supervisory Board was able to gain an extensive overview of the development of credit risk, market risk, operational risk and risk provisioning.

A further topic of discussion was succession planning and personnel development. Finally, the Supervisory Board considered changes and measures in the field of shareholdings - particularly the outsourcing of payment processing - and, at several meetings, also the various actions brought by shareholders of the Bank for rescission, annulment and the provision of information in connection with the Annual General Meeting of Shareholders of May 23 and the Extraordinary General Meeting held on October 25, 2006.

In individual cases, the Supervisory Board requested supplementary written and oral information, which the Management Board provided in each instance. Given the volume of information and the frequency of its meetings, however, the Supervisory Board saw no reason to inspect the Company's books or written matter in addition to the documents already made available. The Supervisory Board approved transactions requiring its approval in 37 cases, 33 of which related to transactions requiring approval under Section 136 of the Italian Banking Act.

Corporate governance

The Supervisory Board again addressed corporate governance topics in depth in 2006. The internal regulations were amended after the tasks of the former Strategy and Business Development Committee and the Risk Committee were transferred to the plenary session and the Audit Committee at the end of 2005. In addition, the internal regulations were adapted to cater for some new provisions under the German Corporate Governance Code. To carry out the annual efficiency review, the Chairman of the Supervisory Board sent a questionnaire to Supervisory Board members, the results of which were extensively discussed at the following Supervisory Board meeting. One outcome of the survey was that the Supervisory Board had a sufficient number of independent members within the meaning of section 5.4.2 of the German Corporate Governance Code according to its own evaluation. The Supervisory Board also considered any possible conflicts of interest. Thus, when voting on the Supervisory Board's approval of the internal sale of three Activest companies to Pioneer Global Asset Management S.p.A., two members of the Supervisory Board did not take part on account of their positions with Pioneer and UniCredit. The issue of any possible conflicts of interests was likewise discussed by the Supervisory Board with regard to the voting on the sale and transfer of HVB operations in Austria, central Europe and eastern Europe to UniCredit together with its subsidiaries. Irrespective of the

fact that all the transactions were conducted at market conditions, potential conflicts of interest were avoided by appropriate voting abstentions.

Compliant with the German Corporate Governance Code, the Supervisory Board discussed and examined the structure of the remuneration system for the Management Board. Changes to the annual bonus were made when adjusting HVB AG's structure to the remuneration system of UniCredit. Please see the Compensation Report for further details on this issue.

Furthermore, the Supervisory Board adopted the Statement of Compliance in accordance with Section 161 of the German Stock Corporation Act at the end of the year, whereby four of the Code's recommendations were not followed and another only applied in part in 2006. Further details on this issue are contained in the joint Corporate Governance Report of the Management Board and the Supervisory Board (see the section of this Annual Report headed "Corporate Governance and Compensation Report").

Apart from absences on a few occasions as a result of sickness or other appointments, all members of the Supervisory Board took part in the plenary sessions as a general rule. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings in 2006.

Main focus of committee work

The Supervisory Board has set up three committees that support the work of the Supervisory Board. A description is given of tasks performed by committees in the Corporate Governance report. The composition of the committees is shown in the "Supervisory Board" list elsewhere in this Annual Report.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee met three times in 2006. In addition, a resolution was adopted by telephone vote and two resolutions adopted by written circular. At its meetings, it discussed executive appointments. A topic of discussion was also remuneration levels for the Management Board, in which connection details were defined for the remuneration and targets for 2006. The Remuneration & Nomination Committee repeatedly solicited reports on the status of negotiations with Ms Novakovic, Dr Jentzsch and Dr Kemmer, who applied the change of control clause in their employment contracts at the end of 2005 in the course of the takeover by UniCredit. Based on legal opinions prepared by two external legal advisors, the Remuneration & Nomination Committee finally approved the agreements with the three former Management Board members after intensive deliberations. Moreover, the Remuneration & Nomination Committee granted its approval to Management Board members who wished to accept seats on supervisory boards of other companies and considered loans requiring approval by circular.

Audit Committee

The Audit Committee had four meetings in 2006. Dr Lothar Meyer, Chairman of the Management Board of ERGO Versicherungsgruppe AG, chairs this committee. In particular, the Audit Committee examined the preliminary audit of the annual financial statements and consolidated financial statements, and the report on relationships with related parties, and discussed the interim reports.

To prepare for the election of the independent auditors by the Annual General Meeting of Shareholders, the committee assessed the independence of the proposed auditors. For this purpose, it received a detailed statement from the auditors on facts which might limit their independence. Following this, the Audit Committee reached the conclusion that the facts presented were not detrimental to the auditors' independence. After the election, the committee had the auditors explain their plan and appointed them to perform the audit, specifying the areas to be subject to special scrutiny and setting the fee. In addition, the committee defined the type and scope of non-auditing tasks to be performed by the auditors. In the course of the year, it again solicited reports on the status of the fees paid and fees expected.

Report of the Supervisory Board continued

Another topic of discussion in the Audit Committee were the reports of the Audit department on the internal auditing results from the first half and the third quarter of 2006. Furthermore, the auditor's report on the annual audit of the securities account business was discussed in detail and did not lead to any objections requiring disclosure. After the tasks of the former Risk Committee were transferred to the Audit Committee at the beginning of 2006, the committee had the Chief Risk Officer (CRO) submit an extensive portfolio report at each meeting and had the development of credit risk, market risk and operating risk explained on the basis of the documents.

Compliant with the Minimum Requirements for the Credit Business of Credit Institutions (MaK), the MaRisk report was submitted to the committee at each meeting. The committee also had the credit risk strategy explained to it in great detail. Moreover, the committee was able to satisfy itself from a report that the liquidity and funding situation was satisfactory. Based on the reports and the documents submitted in this connection, the committee is of the opinion that risks are identified extensively at an early stage and are adequately managed.

Negotiating Committee

The Negotiating Committee required by law did not have to convene in the past year.

The chairmen of the respective committees reported to the Supervisory Board meetings on the topics discussed at the committee meetings, and on the results of these discussions and any votes held. The Management Board also informed the members of the Supervisory Board in writing about unusual events between meetings. The Chairman of the Supervisory Board met regularly with the Spokesman of the Management Board for consultations on major developments, and was informed continually on decisions by the Management Board and ongoing events.

Audit and approval of the 2006 financial statements

The annual financial statements and management report of Bayerische Hypo- und Vereinsbank Aktiengesellschaft, as well as the consolidated financial statements and management's discussion and analysis for the 2006 financial year prepared in accordance with International Financial Reporting Standards (IFRS), including the account records, were audited by KPMG. The independent auditors issued an unqualified opinion in both cases.

In fulfilment of their professional obligations under Section 317 (4) of the German Commercial Code, the independent auditors also examined the monitoring systems used by the Bank to detect risk at an early stage. The independent auditors came to the conclusion that the monitoring systems installed are suitable for the management, identification and monitoring of the risks incurred by HVB Group, and confirm that the management report for HVB AG and management's discussion and analysis for the Group present a true and fair view of the risks of future business development. The Chairman of the Audit Committee attended the final discussion of the Management Board with the independent auditors.

The financial statements listed above were forwarded to the Supervisory Board, together with Management Board's proposal for the appropriation of profits and the auditors' report. The Audit Committee examined these documents in great detail during the preliminary audit. The lead auditor reported on the findings of the audit and provided detailed answers to the questions of the members of the Supervisory Board at the preparatory meeting of the Audit Committee as well as at the subsequent meeting of the Supervisory Board devoted to the annual financial statements. In addition, the Management Board explained the financial statements in detail at these meetings. The Supervisory Board concurred with the results of the audit. It determined that, on the basis of its own examination of HVB AG's financial statements and management report together with the consolidated financial statements, management's discussion and analysis and proposal for the appropriation of profits, no objections were to be raised. At its meeting on March 20, 2007, the Supervisory Board therefore approved the annual financial statements prepared by the Management Board. At the same meeting, the Supervisory Board also approved the consolidated financial statements prepared by the Management Board. The Supervisory Board approves the proposal put forward by the Management Board concerning the appropriation of the profits.

UniCredito Italiano S.p.A. has held a majority interest in the share capital of HVB AG since November 17, 2005. Consequently, the Management Board has produced a report on relationships of Bayerische Hypo- und Vereinsbank AG with related companies for the 2006 financial year in accordance with Section 312 of the German Stock Corporation Act. The report contains the following concluding statement by the Management Board:

“We declare that, based on the circumstances known to us at the time in which the legal transactions mentioned in this report were entered into or the measures mentioned in this report were taken or omitted, Bayerische Hypo- und Vereinsbank AG received appropriate consideration for each legal transaction and that the Bank was not put at a disadvantage by these measures having been taken or omitted.”

KPMG audited this report and issued the following opinion:

“On the basis of our statutory audit and assessment, we confirm that

1. the actual information contained in the report is correct,
2. the company’s performance was not unreasonably high for the legal transactions mentioned in the report or disadvantages have been compensated,
3. no circumstances speak in favour of a significantly different assessment to the one given by the Management Board concerning the measures mentioned in the report.”

The report of the Management Board on relationships with related parties and the related audit report by KPMG were also forwarded to the Supervisory Board. In the course of the preliminary audit, the Audit Committee and then the Supervisory Board considered these documents in depth at the meeting devoted to the annual financial statements. KPMG took part in the deliberations of the Supervisory Board and the preparatory meeting of the Audit Committee, and gave a report on the principal findings of their audit. The Supervisory Board concurred with the results of the audit by KPMG. Based on the final outcome of its own examination of the report on relationships of Bayerische Hypo- und Vereinsbank AG with related parties in the 2006 financial year prepared by the Management Board compliant with Section 312 of the German Stock Corporation Act, which did not identify any deficiencies, no objections are to be made about the final declaration of the Management Board in this report.

Further explanations pursuant to Section 171 (2) 2 of the German Stock Corporation Act (Section 289 (4), Section 314 (4) of the German Commercial Code)

The share capital of HVB consists of 736,145,540 shares of common bearer stock and 14,553,600 shares of registered preferred stock without voting rights. The shares of preferred stock, which constitute a holding of 1.9% of the share capital, result from the merger with Bayerische Staatsbank in 1971 and are held solely by UniCredit. The shares of preferred stock are not listed and can only be transferred with the approval of the Company. Shares of preferred stock have no voting rights and receive a retroactively payable advance share in profits and a dividend equivalent to the amount due for common shares.

In 2005, UniCredit submitted a tender offer which was accepted by a large majority of the shareholders. As a result of this offer, UniCredit has held 93.9% of the share capital of HVB since November 17, 2005. On January 23, 2007, UniCredit announced that it now held 95% of the share capital of HVB and intended to initiate a squeeze-out procedure. Assuming that this announcement is also implemented, UniCredit will hold 100% of the share capital of HVB in the foreseeable future.

HVB does not have any shares with special privileges granting control rights. Insofar as HVB employees hold shares in HVB, there are no special rules governing the exercise of their control rights. All holders of shares with voting rights can exercise their voting rights in person or through a proxy, or authorise a designated proxy of the Company to carry out their instructions.

Report of the Supervisory Board continued

Under Section 84 of the German Stock Corporation Act, the Supervisory Board appoints Management Board members for a maximum of five years. The Supervisory Board is entitled to revoke the appointment to the Management Board for good cause. Under Article 7 of HVB's Articles of Association, the Management Board of the Bank must consist of at least two members. In line with HVB's organisational structure in divisions, there are currently nine members of the Management Board. The terms of office of seven members of the Management Board expire on December 31, 2008 and of the two other members of the Management on February 22 and March 31, 2009, respectively. None of the Management Board contracts contain a change-of-control clause.

According to Section 179 of the German Stock Corporation Act, any amendment of the Articles of Association requires a resolution to be passed by the Annual General Meeting of Shareholders. Under Section 181 (3) of the German Stock Corporation Act, an amendment to the Articles of Association does not take effect until entered in the Commercial Register. The amendment to Article 4 of the Articles of Association resolved by the Annual General Meeting on May 23, 2006 has been challenged and hence not yet entered in the Commercial Register. The Annual General Meeting can transfer the authority to make amendments to the Articles of Association which only concern the wording, but not the content, to the Supervisory Board. Under Article 21 (3) of HVB's Articles of Association, this authority was granted to the Supervisory Board. The Supervisory Board generally makes use of this right for capital increases from the authorised capital, for example, which lead to an amendment of Article 5 of the Articles of Association (share capital).

The authorised capital increase of €990 million still existing in full at the time the present Report of the Supervisory Board was approved on March 20, 2007 was resolved by the Annual General Meeting in 2004 and may be used up to April 29, 2009. The authorised capital increase was entered in the Commercial Register on December 18, 2006. In particular, it allows for a capital increase against non-cash contributions with the exclusion of shareholder subscription rights. At the same time, conditional capital of €375 million is available to grant common shares of HVB to holders of debt securities or participating certificates with an option or conversion right and/or conversion obligation. The authorisation granted to the Management Board by the Annual General Meeting in 2003 to issue appropriate debt securities or participating certificates up to May 14, 2008 has not been used

either. In accordance with Section 71 (1) No. 7 of the German Stock Corporation Act, the company was authorised to buy or sell treasury stock for the purpose of securities trading by the resolution of the Annual General Meeting of May 23, 2006. The Company made use of this authorisation on more than one occasion in 2006. The information in this regard is provided in the notes to the 2006 annual financial statements and the notes to the consolidated financial statements. This authorisation will become null and void when the squeeze-out is entered in the Commercial Register. There is currently no authorisation compliant with Section 71 (1) No. 8 of the German Stock Corporation Act to purchase treasury stock for other purposes, such as to withdraw it.

There are no significant agreements at HVB that are subject to the condition of a change of control following a tender offer.

No compensation agreements have been reached with members of the Management Board or employees in the event of a tender offer.

Personnel changes

The following people were appointed to the Management Board with effect from January 1, 2006 following the business combination with UniCredit: Jan-Christian Dreesen, Rolf Friedhofen, Heinz Laber, Ronald Seilheimer, Matthias Sohler, Andrea Umberto Varese and Andreas Wölfer. Dr Wolfgang Sprissler, who already served on the Board as Chief Financial Officer, was elected to succeed Dieter Rampl, who retired from the Management Board with effect from December 31, 2005, as Spokesman of the Management Board after consulting the Remuneration & Nomination Committee of the Supervisory Board. In addition, Dr Stefan Schmittmann was elected deputy member of the Management Board with effect from January 1, 2006. Jan-Christian Dreesen amicably resigned from office for personal reasons on February 9, 2006. Willibald Cernko was elected to the Management Board as his successor with effect from February 23, 2006. On August 31, Johann Berger resigned from the Management Board at HVB and from the Management Committee of UniCredit after he considered that his task of combining the commercial real estate finance and corporate banking operations in one division based on his proposal had been completed. Johann Berger had been a member of the Management Board since April 1, 2005, gaining much credit particularly for reducing the workout portfolios of the real estate financing operations pooled in the Real Estate Restructuring segment. The Supervisory Board would like to thank Johann Berger for his successful work on the Management Board. Johann Berger's duties on the Management Board were assumed by Dr Schmittmann, who was appointed a regular Management Board member with effect from September 12, 2006.

At the Annual General Meeting of May 23, 2006, Alessandro Profumo, Chief Executive Officer of UniCredit, Carlo Salvatori, former Chairman of the Board of Directors of UniCredit, Aldo Bulgarelli, lawyer, Ranieri de Marchis, Chief Financial Officer of UniCredit, Paolo Fiorentino, Head of Global Banking Services of UniCredit, Dario Frigerio, Head of Private Banking and Asset Management of UniCredit, Roberto Nicastro, Head of Retail of UniCredit, and Vittorio Ogliengo, Head of Corporates of UniCredit, were re-elected to the Supervisory Board for their remaining term of office, being until the end of the Annual General Meeting of Shareholders in 2008. The gentlemen named had been previously appointed to the Supervisory Board in the course of the business combination with UniCredit under an order issued by Munich Registry Court on November 29, 2005. Alessandro Profumo was re-elected Chairman of the Supervisory Board at the Supervisory Board meeting held on May 23, 2006 following the Annual General Meeting of Shareholders.

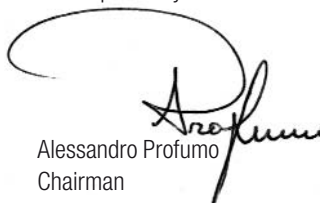
Herbert Munker and Anton Hofer resigned from the Supervisory Board with effect from March 8 and December 31, 2006, respectively. Beate Dura-Kempf and Günter Guderley, who had been elected deputy members of Herbert Munker and Anton Hofer by the Bank's employees according to the provisions of the German Co-Determination Act, were elected to the Supervisory Board in their places. With effect from August 21, 2006, Carlo Salvatori announced his resignation from the Supervisory Board. Based on an order issued by Munich Registry Court on August 22, 2006, Sergio Ermotti, Head of Markets & Investment Banking of UniCredit, was appointed to the Supervisory Board in his place. The Supervisory Board would also like to use this opportunity to thank the members who have left the Supervisory Board for their successful service on this body. Their great personal commitment and extensive professional experience was a decisive gain for work on the Supervisory Board.

Rolf Heffner passed away on November 14, 2006. He had been a member of the Management Board of Bayerische Hypotheken- und Wechsel-Bank from 1975 to 1984 and then a member of the Bank's Advisory Board until 1993. Johann Rütth passed away on December 28, 2006. He was appointed to the Management Board of Bayerische Staatsbank in 1961 and, after the merger with Bayerische Vereinsbank, was a member of the merged bank's Management Board until 1979. He then served as a member of the Bank's Advisory Board until 1990. Karl Wüst passed away on January 31, 2007. He had been a member of the Management Board of Bayerische Hypotheken- und Wechsel-Bank from 1973 to 1976 and remained closely connected with the Bank as a member of its Advisory Board until 1988. With tireless commitment, great skill and sound judgement, the deceased gentlemen made an exemplary contribution to the Bank's development. The Supervisory Board will hold the memory of the deceased gentlemen in the highest esteem.

The Supervisory Board would like to thank the Management Board, the employees and employee representatives for all their hard work in the past year, which was essentially marked by the integration of HVB into the UniCredit Group and a sustained increase in the earnings power of the Company. The Supervisory Board wishes the Management Board and the employees every success for the future.

Munich, March 20, 2007

The Supervisory Board



Alexandro Profumo
Chairman

Corporate Governance and Compensation Report

CORPORATE GOVERNANCE: GUIDING PRINCIPLE

Good corporate governance entails the responsible management of enterprises. It is of vital importance for achieving corporate objectives and a sustained increase in company value, which in turn strengthens the confidence of shareholders and investors in the capital market. Exemplary corporate governance is not characterised merely by adherence to formal regulations but above all by responsible management put into action. Bayerische Hypo- und Vereinsbank (HVB AG) lives up to this maxim of responsible management through the close and efficient co-operation between the Management Board and the Supervisory Board, and through the openness and transparency of its communication.

Legal basis

As it is headquartered in Germany, HVB AG operates within the legal framework provided by the German Stock Corporation Act, the German Co-Determination Act, capital market law and the German Corporate Governance Code. In 2006, HVB AG complied with the recommendations given by the German Corporate Governance Code as amended on June 2, 2005 and June 12, 2006 with five exceptions, and will comply with it in future with two exceptions. The deviations are described in detail in accordance with the “comply or explain” principle in the Statement of Compliance of the Management Board and Supervisory Board of December 5, 2006. The full text of the statement, complete with comments on the deviations, is reproduced below under the heading “2006 statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act”. The statement of compliance has also been made permanently available to shareholders on the Company’s website.

HVB AG follows the series of suggestions provided in the Corporate Governance Code with three exceptions:

- On co-determined supervisory boards, the shareholder representatives and employee representatives are required to prepare Supervisory Board meetings separately, if appropriate in conjunction with members of the Management Board. In 2006, no preparatory meetings were held by the shareholder representatives and no regular preliminary talks took place on the employee representatives’ side.
- There are no plans to introduce varying terms of office for the shareholder representatives on the Supervisory Board because such a move would be at odds with the desired continuity of the Supervisory Board’s work. It would also apply only to the shareholder representatives, and would thus amount to unequal treatment of Supervisory Board members.
- The remuneration paid to members of the Supervisory Board does not include any components linked to the company’s long-term success. A large majority of our Supervisory Board members are required to surrender the Supervisory Board compensation, which means that no individual member of the Supervisory Board would profit from a corresponding regulation. Hence, we do not believe that a rule governing compensation with a long-term incentive is advisable for our Supervisory Board.

The German Securities Trading Act, as amended by the German Act on the Improvement of Investor Protection and the German Act on the Implementation of the EU Transparency Directive, contains additional statutory regulations aimed at promoting transparency and preventing misuse of insider information. In particular, these statutes contain regulations covering a ban on insider trading, ad-hoc publications, the publication of directors’ dealings and announcements of investments in listed companies when the stake reaches, exceeds or falls below certain thresholds. In addition, the statutory regulations on combating money laundering and the directives issued in this connection must be observed. There is a separate unit in the Bank responsible for ensuring compliance with, and implementation of, these regulations.

Articles of Association, internal regulations, guidelines, compliance

Apart from defining legal principles regulating the management and monitoring of joint stock companies, other rules governing these matters at HVB AG are the Articles of Association adopted by the Annual General Meeting of Shareholders and the respective internal regulations adopted by the Management Board and the Supervisory Board. In particular, the Supervisory Board's by-laws contain statements on transactions requiring approval and details on disclosure and reporting obligations. The Bank has introduced Compliance Guidelines and employee guidelines for dealings in securities and real estate. Compliance with these regulations is monitored by the Bank's compliance officer. As a member of the UniCredit Group, HVB also adopted the Integrity Charter of UniCredit last year. The Integrity Charter is a common set of values connecting all the companies in the UniCredit Group. It contains guidelines on employees' conduct at the workplace and lays down obligatory standards of behaviour for all employees in companies belonging to the UniCredit Group. In addition, the Code of Conduct adopted several years ago by the Management Board of HVB remains in force. This code summarises existing regulations and principles of ethical conduct to create a binding standard of conduct for the Management Board and all HVB employees.

Effective corporate supervision Supervisory Board, committees

The Bank's Supervisory Board has 20 members. In compliance with the German Co-Determination Act, it includes equal numbers of representatives of the shareholders and employees. When new members are nominated for election to the Supervisory Board, care is taken to ensure that they have the required knowledge and skills and do not serve on governing bodies or perform advisory functions for key competitors. The members of the Supervisory Board are obliged to act in the interests of the company. Under the Supervisory Board's by-laws,

any conflicts of interest must be disclosed to the Supervisory Board. To avoid any conflicts of interest, individual members of the Supervisory Board did not take part in corresponding voting procedures in 2006. Further details in this connection are provided in the Report of the Supervisory Board in this Annual Report. A summary of the mandates held by members of the Supervisory Board on other statutory supervisory boards or comparable supervisory bodies is published in the notes to the annual financial statements of HVB AG. In view of the composition of the Supervisory Board, sworn interpreters are present at Supervisory Board meetings to simultaneously translate the contributions made by each Supervisory Board member to ensure that they are understood.

Under the German Stock Corporation Act, the tasks of management and supervision must be strictly separated. The task of the Supervisory Board is to monitor and advise the Management Board as it conducts business. Key tasks of the Supervisory Board include the appointment and dismissal of members of the Management Board. In addition, certain types of transactions require the Supervisory Board's approval, either by law or because the Supervisory Board has made them subject to this restriction. This applies primarily to capital measures and – in accordance with the internal rules of the Supervisory Board of HVB AG – to investments or disposals exceeding a certain amount. To support its work, the Supervisory Board has set up three committees. The composition and tasks of the committees are as follows:

Remuneration & Nomination Committee

- The Remuneration & Nomination Committee, comprised of the chairman of the Supervisory Board and the two deputy chairmen, is primarily concerned with succession planning for the Management Board and determines the remuneration of its members, including the remuneration structure.

Corporate Governance and Compensation Report continued

Audit Committee

– The Audit Committee, which usually conducts four meetings a year, has five members. It is responsible in particular for preparing the Supervisory Board's decision on the approval of the annual financial statements and consolidated financial statements, for conducting a preliminary audit on the report on relationships with related parties and for elucidating the quarterly financial statements. In addition, this committee prepares the Supervisory Board's proposal for the election of the independent auditor by the Annual General Meeting of Shareholders. This includes an assessment of the independence of the auditor and the specification of the type and extent of non-auditing tasks to be performed by the auditor. The Audit Committee is also responsible for the appointment of the auditor for the annual financial statements and consolidated financial statements on the basis of the resolution passed by the Annual General Meeting of Shareholders, including the specification of the main areas subject to special scrutiny and the fee. The regular reports prepared by the internal auditing department on its findings are another topic addressed by the Audit Committee. As required in the Corporate Governance Code, this committee has also performed the tasks carried out previously by the Risk Committee since January 1, 2006. The risk situation and the early identification of risks are of fundamental importance for the company's continuing existence. The Minimum Requirements for the Risk Management at Credit Institutions laid down by the German Financial Supervisory Authority require risk reports to be presented to the Management Board and the Supervisory Board each quarter. Moreover, the management must review the risk strategy at least once each year and discuss it with the Supervisory Board.

This ensures that the Supervisory Board is provided with detailed reports on a regular basis, particularly on the risk strategy, credit risks, market risks and operational risks as well as liquidity and reputation risks.

Negotiating Committee

– The Negotiating Committee, which has two shareholder representatives and two employee representatives, is responsible for submitting proposals to the Supervisory Board pertaining to the appointment or dismissal of members of the Management Board when a vote by the Supervisory Board does not yield the required two-thirds majority. The Negotiating Committee required by law did not have to convene in the past year.

The chairmen of the committees report in detail on the committees' activities at plenary meetings.

Management Board

The Management Board is the company's management body. Under the Business Combination Agreement between HVB AG and UniCredit, an arrangement was made to adapt the organisational structures of HVB AG to those of UniCredit in order to create clear leadership and management structures across the entire group. The restructuring of the divisions was mostly completed by the end of July 2006. In the period from January 1 to August 31, 2006, the Management Board had ten members, one of whom was a deputy member. Since then the Management Board of HVB has consisted of nine regular members. These are the Board spokesman, the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Operating Officer (COO) and the Head of Human Resources Management (HRM), who also acts as Director of Labour Relations, and the heads of the other four operating divisions: Retail, Wealth Management, Corporates & Commercial Real Estate Financing, and Markets & Investment Banking. Thus the new structure and breakdown of responsibilities on the Management Board of HVB AG match the organisational structure in the other units of the UniCredit Group, which is divided into customer groups (business divisions) and functions. The Board spokesman, Dr Sprissler, is also a member of UniCredit's Management Committee, which advises and supports the Chief Executive Officer of UniCredit in implementing management decisions.

The Management Board of HVB AG provides the Supervisory Board with regular, timely and comprehensive reports on all issues relevant to corporate planning, including budget deviations, strategic development, the course of business and the state of the company, including the risk situation. The reports are generally submitted in text form; documents relevant for decision-making are made available to the Supervisory Board before the meeting. Given the composition of the Supervisory Board, presentations, reports and other documents are issued in two languages.

Directors' dealings and shares held by members of the Management Board and Supervisory Board

Compliant with Section 15a of the German Securities Trading Act, members of the Management Board and the Supervisory Board, and certain people closely related to them, are required to disclose transactions involving shares of HVB AG, or financial instruments based on such shares to the extent that such transactions exceed a figure of €5,000.00 in a calendar year.

The following transactions were notified to HVB AG for the 2006 financial year:

Directors' dealings

NAME, FUNCTION	TYPE OF TRANSACTION	NAME OF SECURITY	GERMAN SECURITIES IDENTIFICATION NUMBER/ISIN NUMBER	COMPLETION DATE	UNITS	PRICE PER SHARE	VOLUME
Helmut Wunder, member of the Supervisory Board of HVB AG	Sales	Common bearer stock of Bayerische Hypo- und Vereinsbank AG	WKN: 802200 ISIN DE 0008022005	September 14, 2006	500	€33.50	€16,750.00

All transactions have been published under Corporate Governance on the Bank's website at www.hvb.com/dealings.

Members of the Management Board did not hold any shares of HVB AG at December 31, 2006. At December 31, 2006, the members of the Supervisory Board held less than 1% of the entire stock issued by HVB AG.

Shareholders, Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting of Shareholders. The ordinary Annual General Meeting of Shareholders, to which the annual financial statements are submitted, takes place in the first half of the fiscal year. The "one share, one vote" principle applies for all holders of shares vested with voting rights. All holders of shares vested with voting rights can exercise their voting rights in person or through a proxy (such as a shareholder association or a bank), or authorise a designated proxy of the company to carry out their instructions. Voting instructions for the proxy by the company can also be issued via the internet – and hence via electronic communications. Shareholders will receive details with the invitation to the Annual General Meeting of Shareholders. The Annual General Meeting adopts resolutions on such matters as the appropriation of net income, the discharge from liability of the Management Board and the Supervisory Board, the election of shareholder representatives to the Supervisory Board, the appointment of the independent auditor, amendments to the Articles of Association, capital-raising and conversion measures.

Risk management

HVB AG conducts extensive risk monitoring and risk management, encompassing its subsidiaries. The monitoring systems are geared to identifying risks at an early stage. Risk control and risk management are combined under the area of responsibility of the Chief Risk Officer, who reports to the Audit Committee of the Supervisory Board on a regular basis. Please refer to the Risk Report for further details.

Communication, transparency

The Bank greatly values regular and prompt communication with its customers, shareholders, employees and the general public. Press releases and reports provide information on the state of the company. Information that could have a substantial impact on the share price is published in ad-hoc communications and is also made available on the company's website. In addition, the spokesman of the Management Board and the CFO report on issues important to the company and current business results at regular analyst conferences and press conferences. The dates of these conferences are published in a financial calendar.

Corporate Governance and Compensation Report continued

2006 statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act

The Supervisory Board and the Management Board issued the following statement of compliance on December 5, 2006, which has also been made permanently available on the website of HVB AG.

“The Management Board and Supervisory Board of Bayerische Hypo- und Vereinsbank Aktiengesellschaft (“HVB AG”) hereby declare that the recommendations of the ‘Government Commission German Corporate Governance Code’, as amended on June 2, 2005 and June 12, 2006, announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette was complied with in fiscal 2006, with the following deviations:

– Annexes 1.2, 1.3.3, 1.3.4–1 to 1.3.4–12 and 3.1 to the Master Agreement of January 16, 2006 as well as the relevant annexes to the Hive-Down Agreement of March 29, 2006 (cf. agenda items 13 and 14 of the Annual General Meeting of May 23, 2006) have not been published on the Internet for the reasons stated in the invitation to the Annual General Meeting. Accordingly, the recommendation in Section 2.3.1 (3) of the Code was not followed.

– Section 3.8 (3) of the Corporate Governance Code stipulates that an appropriate deductible must be agreed if the Company takes out D&O insurance for the Management Board and Supervisory Board.

Responsible action is an obvious duty for all Board members and therefore no deductible is required in this regard.

– According to Section 4.2.3 (6) of the Code, stock options and comparable instruments shall be related to demanding, relevant comparison parameters. In addition, according to Section 4.2.3 (8) the Supervisory Board shall agree for extraordinary, unforeseen developments a possibility of limitation (cap).

As “HVB AG” is a Group member company of UniCredito Italiano S.p.A., in 2006 the remuneration of the members of the Management Board of “HVB AG” was handled on a similar basis as that used in the UniCredit Group. As in the past, remuneration comprises three components: an individual basic salary, an annual performance-based bonus, and an annual long-term incentive. The long-term incentive plan of UniCredit comprises stock options on UniCredit shares and performance shares in the form of UniCredit shares. In departure from Section 4.2.3 of the Code, this long-term incentive plan provides neither for parameters to be drawn on for comparison purposes, nor – in relation to the stock options – for any performance targets; moreover, no form of limitation (cap) was agreed for extraordinary, unforeseeable developments.

– According to Section 4.2.4 (2) of the Code, as amended on June 2, 2005, the particulars of remuneration of Management Board members are to be disclosed individually in the Notes to the Consolidated Financial Statements.

In fiscal 2005, this recommendation was only partly complied with, because only the remuneration for the spokesman of the Management Board is disclosed individually in the Notes to the Consolidated Financial Statements for 2005. For the other Management Board members, the previous practice of presenting only the total remuneration was continued. In the Notes to the Consolidated Financial Statements and in the Corporate Governance Report, the remuneration components, namely the fixed remuneration, performance bonuses and long-term incentives, were disclosed. In our view, the disadvantages would outweigh the advantages for the company if we reported remuneration on a more individualized basis.

Meanwhile, at the Annual General Meeting of May 23, 2006, the so-called opting-out clause under the Act concerning the disclosure of Management Board remuneration was used and, following a proposal by the Management Board and Supervisory Board, it was resolved that in the Company’s Annual and Consolidated Financial Statements for fiscal 2006 through 2010, at the latest until May 22, 2011, however, the information required in Section 285 (1) No. 9 a and (5) to (9) and Section 314 (1) No. 6 a (5) to (9) of the Commercial Code is not to be disclosed.

- According to Section 5.4.3.(2), an application for the judicial appointment of a Supervisory Board member shall be limited in time up to the next annual general meeting.

In 2006, this recommendation was only followed in the sense that when the judicial appointment of Mr. Ermotti was applied for, he was to be appointed a member of the Supervisory Board until the following ordinary General Meeting. In contrast, Mr. Ermotti's election as a member of the Supervisory Board was not on the agenda of the Extraordinary Shareholders' Meeting of October 25, 2006.

For clarification purposes, the appraisals by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, of the enterprise value of the HVB AG units sold in Austria, central and eastern Europe (cf. the specific agenda items of the Extraordinary Shareholders' Meeting of October 25, 2006) were not published on the Internet in line with the parameters laid down by PricewaterhouseCoopers in order to confine access by non-shareholders to these appraisals. However, the Management Board and Supervisory Board of HVB AG do not perceive this as a deviation from Section 2.3.1 of the Corporate Governance Code, in terms of which the reports and records required for the General Meeting by law are also to be published on the Company's website.

The Management Board and Supervisory Board of Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("HVB AG") further declare that the recommendations of the "Government Commission German Corporate Governance Code", as amended on June 12, 2006, announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette will also be complied with in future, with the exception of Section 3.8 (3) (deductible under D&O insurance) and Section 4.2.3 (no parameters for comparison purposes and – in relation to stock options – no performance targets or forms of limitation (caps) to UniCredit shares within the scope of the long-term incentive plan)."

COMPENSATION REPORT

In compliance with the German Corporate Governance Code, the basic principles underlying the system of compensation for the Management Board of Bayerische Hypo- und Vereinsbank (HVB AG) are explained below. In addition, the amount of compensation paid to members of the Supervisory Board is described in detail and shown individually, broken down into remuneration components.

1. Structure of compensation paid to members of the Management Board for 2006

The compensation paid to members of the Management Board is determined by the Remuneration & Nomination Committee of the Supervisory Board. The direct compensation has three components comprising fixed and variable elements: fixed compensation, variable compensation as a bonus featuring profit-related components (short-term incentive) and a long-term incentive.

The variable components are especially important as these are linked to the achievement of the targets agreed for the financial year and the targets in the strategic plan and can exceed the fixed salary. Competitive profit-related compensation and postponing payment to the near or far future as a result of participation in the long-term incentive plan of the UniCredit Group is intended to ensure that the management is bound to the company.

To ensure that the compensation for the responsibilities assumed by Management Board members is commensurate with market conditions, an external specialist performed a market survey on behalf of HVB AG which included similar companies. The compensation paid to members of the Management Board for 2006 was stipulated by the Remuneration & Nomination Committee taking account of this survey.

1.1 Fixed salary

The fixed salary is equivalent to the level paid in similar companies. It is disbursed in 12 monthly amounts.

1.2 Bonus (short-term incentive)

The bonus is a short-term incentive, the size of which depends on certain targets agreed at the beginning of the year with all members of the Management Board being met. In 2006, these targets were specified in detail in the course of the year after completion of the three-year planning. The targets are shown in scorecards and include team targets, core targets and integration targets.

Corporate Governance and Compensation Report continued

The team target for all members of the Management Board is based on the results achieved by the HVB sub-group. Some Management Board members responsible for regional divisions also have a divisional target as an additional team target. The main emphasis is placed on what are known as core targets, i.e. especially significant targets from the Management Board members' own area of responsibility. The most important tasks arising during the process of integrating HVB AG into the UniCredit Group are covered by the integration targets.

Targets mainly relating to quantities, but also some quality targets, are agreed with the members of the Management Board. A relatively narrow range is defined for meeting the quantitative targets. If the lowest value of this range is not achieved, no points are awarded for the target. If the highest value is achieved, the Management Board member receives the highest number of points previously defined for this target. The Remuneration & Nomination Committee decides on the quality targets, taking into account the vote given for the target achievement by the head of the division or the function in which the Board member works.

The weighted total amount of points gained from each target results in the target achievement. A bonus is paid if a specified minimum number of points is achieved. Compliant with UniCredit's treatment of this issue, the maximum bonus will be defined as the reference value from 2007. This maximum bonus can be utilised whenever a total number of 120 points is achieved in the scorecard. This means that the bonus has a maximum upper limit and a correspondingly lower percentage of the maximum bonus will be disbursed in future if targets are fully met.

The bonus for one member of the Management Board also includes a long-term incentive. In this case, the amount exceeding the target bonus is disbursed only after two years have passed if the Management Board member concerned is still working for HVB AG at this point (retention award).

1.3 Long-term incentive

Each Management Board member takes part in the Stock Option & Performance Shares Plan of the UniCredit Group (long-term incentive plan of the UniCredit Group). This plan consists of two components.

On the one hand, each Management Board member is granted a certain number of options which can be exercised if the beneficiary is still working for the UniCredit Group after four years (vesting). Each option entitles the Management Board member to purchase a UniCredit share at a price which was fixed before the option was issued. The option may be exercised within a period of nine years after vesting. In 2006, the Management Board of HVB AG was granted a total of 508,633 stock options.

On the other hand, each Management Board member is promised a specific number of UniCredit shares (to be transferred free-of-charge) on condition that the relevant targets in UniCredit's strategic plan are met after three years have passed and the beneficiary is still working for the UniCredit Group. The targets were combined in baskets. There are baskets for the UniCredit Group and for each division. Each basket has five targets, of which three must have been met.

Members of the Management Board working in operating activities receive the shares only if the division has achieved its target. They receive 50% of the shares if only the division has met its targets but 100% of the shares if the Group has also met its targets. The other Management Board members receive the shares if the Group has achieved its targets. The Management Board of HVB AG received 195,333 performance shares in 2006.

HVB AG reimburses the cost of participating in the long-term incentive plan to UniCredit.

The entitled person pays the taxes on the benefits gained, i.e. the value of the share less the fixed purchase price when the stock option is exercised and the value of the share for performance shares upon allotment.

One member of the Management Board, who also has a service contract with UniCredit, only receives a fixed compensation from HVB AG. In other words, he receives neither a bonus nor a long-term incentive. Furthermore, because of the functions he performs at UniCredit this member of the Management Board receives a fixed basic salary from this company; the respective bonuses and participation in the long-term incentive plan for the senior executives of the UniCredit Group are further components of this Board member's compensation which are to be paid by UniCredit. HVB AG reimburses the compensation costs to UniCredit.

Another Management Board member, who also has a service contract with Bank Austria Creditanstalt (BA-CA), receives the same direct components of compensation from HVB AG as the other Management Board members. However, the amount of his compensation takes account of the fact that this Management Board member also works on a smaller scale for BA-CA and thus receives similar compensation in due proportion from BA-CA.

One member of the Management Board, who resigned from the Management Board in 2006 and as a member of UniCredit's Management Committee also had a service contract with UniCredit, received only a fixed salary and an allocation to a retirement pension from HVB in the 2006 financial year

Compensation paid to members of the Management Board for positions on supervisory boards of Group companies is surrendered to HVB AG.

The Annual General Meeting of Shareholders of May 23, 2006 invoked what is referred to as the opt-out clause of the Act on the Disclosure of Management Board Remuneration and resolved that the remuneration received by Management Board members would not be disclosed on an individualised basis.

The compensation paid to members of the Management Board for the 2006 financial year totalled €10 million.

1.4 Compensation paid to members of the Management Board

€ millions	FIXED SALARY		PERFORMANCE-RELATED COMPONENTS		LONG-TERM INCENTIVE ¹		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Members of the Management Board of HVB AG	4	5	5	4	1	7	10	16
Members of the Supervisory Board of HVB AG for supervisory board work	0.8	1	0	0	0	0	0.8	1
Former members of the Management Board of HVB AG and their surviving dependents							11	12
Severance pay/provisions for former members of the Management Board and executives at Bereichsvorstand level							2	25

¹ monetary value of equities-based compensation

Details of share-based compensation

MEMBERS OF THE MANAGEMENT BOARD OF HVB AG	UNITS	MONETARY VALUE in €	MONETARY VALUE in €
		Fair value of each option on the date of granting	Fair value on the date of granting in total
Options			
Stock options 2005	472,000	1.0548	497,865.60
Stock options 2006	508,633	1.269	645,455.28
		Fair value of each performance share on the date of commitment	Fair value on the date of commitment in total
Performance shares			
Performance shares 2005	201,000	4.461	896,661.00
Performance shares 2006	195,333	5.574	1,088,786.14

The fair value on the date of granting is recorded as an expense on the basis of the expected number of options exercised/performance shares granted over the period or vesting period of the respective programme.

Corporate Governance and Compensation Report continued

1.5 Pension commitments

Besides direct remuneration, Management Board members have received pension commitments. Except for three members of the Management Board, the Management Board members take part in the fund-linked deferred compensation scheme (FDC) which is also available to the Bank's employees. HVB AG has fixed the contribution as 20% of the fixed salary and the short term incentive, subject to a cap of €200,000 per year. It has been agreed with the members of the Management Board that this amount of their pay would be converted, which means that, instead of a disbursed sum of money, the Management Board member receives a pension commitment to the same value from HVB AG.

HVB AG credits the deferred compensation amounts to the Management Board member's capital account and invests them in a fund, currently the Pioneer Total Return Fund. HVB AG guarantees an annual return of 2.75%. A higher yield is initially used for allocation to a fluctuation reserve amounting to 10% of the separate funds for FDC. Any surplus return is credited to the Management Board member in due proportion. The fluctuation reserve is used to offset any actuarial losses.

When the beneficiary becomes entitled to receive benefits, the capital credit balance is converted into a pension for life. In the process, the actuarial calculations applicable at the time, in particular the life expectancy, are taken as a basis. An annual adjustment of 1% is granted for the pension; this fulfils the Bank's obligation to adjust pension commitments. Alternatively, the capital can be disbursed if the eligible Management Board member has applied for this two years before the insured event occurs.

Notwithstanding the pension arrangements described, HVB AG had undertaken to provide one member of the Management Board a retirement pension for a fixed amount each year. Contributions will be paid to a pension fund for another member of the Management Board. HVB AG has not agreed a pension commitment with a further member of the Management Board. HVB AG has not agreed a pension commitment with a further member of the Management Board.

A total of €560,000 was transferred to provisions for pensions in 2006, €463,000 of which was deferred compensation invested in a fund in 2006. The compensation paid to former members of the Management Board amounted to €11 million in 2006. At December 31, 2006, the reserves in the HVB sub-group for pension commitments to former members of the Management Board and their surviving dependants stood at €92 million. In accordance with IFRS, the value of the reserves for pension commitments for retired members of the Management Board amounts to €124 million.

1.6 Fringe benefits

Other fringe benefits are of no material significance. The members of the Management Board can use their company car for private purposes. The Bank pays the premiums for an accident insurance policy valid 24-hours a day and a sum insured of €511,000 in the event of death and €1,024,000 in the event of complete disability. Furthermore, members of the Management Board receive the same preferential terms for bank services as the Bank's employees.

1.7 Commitments in the event of the termination of Management Board activities

If a contract is not extended for reasons for which the member of the Management Board is not responsible, a transitional allowance of at least one year's salary (fixed salary and bonus), but a maximum of three years' salary depending on the length of service, is usually paid; the maximum amount is paid after 20 years. The transitional allowance is limited to the annual salaries (fixed salary and bonus) still outstanding until the age of 62 in each case. In the event that his contract is not extended, one member of the Management Board will not receive any benefits from HVB AG on account of another contract he has in the corporate group; another can receive a retirement pension.

2. Compensation paid to members of the Supervisory Board

The compensation paid to members of the Supervisory Board is regulated in Article 15 of the Articles of Association of HVB AG. The currently applicable arrangements under these articles are based on a resolution adopted by the Annual General Meeting of Shareholders on May 23, 2006. The compensation is divided into a fixed and a variable, dividend-dependent component. Under the terms of the arrangements, the members of the Supervisory Board receive fixed compensation of €25,000 payable upon conclusion of the financial year and dividend-dependent compensation of €400 for every €0.01 dividend paid above the amount of €0.12 per no-par share. The chairman of the Supervisory Board receives twice the compensation stated, the deputy chairmen one and a half times the compensation stated. Furthermore, the Supervisory Board is entitled to a fixed annual compensation of €120,000 payable upon conclusion of the financial year, which is used to compensate committee members on the basis of a corresponding Supervisory Board resolution. According to this, the members of the Audit Committee receive annual compensation of €20,000 each for the 2006 financial year. The chairman of the committee receives twice this amount. The members of the Remuneration & Nomination Committee and the members of the statutory Negotiating Committee, which only meets if required, received no separate compensation for committee work. In addition,

the members of the Supervisory Board are reimbursed their expenses and the value-added tax payable on their Supervisory Board functions. Where they sit on the Management Committee of UniCredit, the members of the Supervisory Board surrender to UniCredit the compensation they receive for supervisory board work, as the performance of supervisory board functions at subsidiaries is considered a typical management duty.

Members of the Supervisory Board who belonged to the Supervisory Board for only a part of the fiscal year received pro rata compensation.

The chairman of the Supervisory Board has an office complete with staff at his disposal. In 2006, expense allowances totalling €86,987.73 were paid to members of the Supervisory Board. No remuneration was paid in the 2006 financial year for services provided personally.

The following table shows the breakdown of compensation paid to members of the Supervisory Board for 2006.

Compensation of members of the Supervisory Board

€	FIXED COMPENSATION	VARIABLE COMPENSATION	COMPENSATION FOR COMMITTEE WORK	TOTAL (EXCL. VALUE-ADDED TAX)
Alessandro Profumo, Chairman	50,000.00	22,400.00	20,000.00	92,400.00 (63,155.40) ⁶
Peter König, ¹ Deputy Chairman	37,500.00	16,800.00	16,328.77	70,628.77
Dr Lothar Meyer, Deputy Chairman	37,500.00	16,800.00	40,000.00	94,300.00
Aldo Bulgarelli	25,000.00	11,200.00		36,200.00 (24,742.70) ⁶
Beate Dura-Kempf ²	20,410.96	9,144.11		29,555.07
Sergio Ermotti ³	9,041.10	4,050.41		13,091.51 (8,948.05) ⁶
Paolo Fiorentino	25,000.00	11,200.00		36,200.00 (24,742.70) ⁶
Dario Frigerio	25,000.00	11,200.00		36,200.00 (24,742.70) ⁶
Klaus Grünewald	25,000.00	11,200.00		36,200.00
Anton Hofer	25,000.00	11,200.00	20,000.00	56,200.00
Friedrich Koch	25,000.00	11,200.00		36,200.00
Hanns-Peter Kreuser	25,000.00	11,200.00		36,200.00
Ranieri de Marchis	25,000.00	11,200.00	20,000.00	56,200.00 (38,412.70) ⁶
Herbert Munker ⁴	4,589.04	2,055.89	3,671.23	10,316.16
Roberto Nicastro	25,000.00	11,200.00		36,200.00 (24,742.70) ⁶
Vittorio Ogliengo	25,000.00	11,200.00		36,200.00 (24,742.70) ⁶
Carlo Salvatori ⁵	15,958.90	7,149.59		23,108.49 (15,794.65) ⁶
Professor Hans-Werner Sinn	25,000.00	11,200.00		36,200.00
Maria-Magdalena Stadler	25,000.00	11,200.00		36,200.00
Ursula Titze	25,000.00	11,200.00		36,200.00
Jens-Uwe Wächter	25,000.00	11,200.00		36,200.00
Helmut Wunder	25,000.00	11,200.00		36,200.00
Total	550,000.00	246,400.00	120,000.00	916,400.00 800,624.30⁶

1 member of the Audit Committee since March 9, 2006

2 since March 9, 2006

3 since August 22, 2006

4 until March 8, 2006

5 until August 21, 2006

6 after deduction of 30% supervisory board tax and 5.5% solidarity surcharge

Munich, March 20, 2007

The Management Board

The Supervisory Board

The HVB Share

Solid share performance

The HVB share again posted a significant increase in 2006, climbing 29.0% over the year as a whole to reach a price of €33.03 per share at December 31, 2006. Thus it has risen a remarkable 65% since the business combination with UniCredit was announced on June 12, 2005, showing that the market has truly appreciated the strategic choice made by management.

Our share also put in a solid performance in 2006 when seen against our benchmark indexes, the MDAX and the Prime Banks, whose rises of 28.6% and 21.8% respectively during 2006 failed to fully match the Bank.

The new three-year plan for both the UniCredit and HVB groups, the first since the business combination became a reality, was presented to the financial community in Munich on July 5, 2006. This was clearly very well received, as the HVB share clearly outperformed both the benchmark indexes in the month following the presentation, rising by 15% as against 2.1% for the MDAX and 1.2% for the Prime Banks index.

The weights of the HVB share in the MDAX index and the Prime Banks index increased accordingly, to 1.58% and 1.67% respectively in 2006 (2005: 1.56% in the MDAX and 1.58% in the Prime Banks).

Improved credit ratings

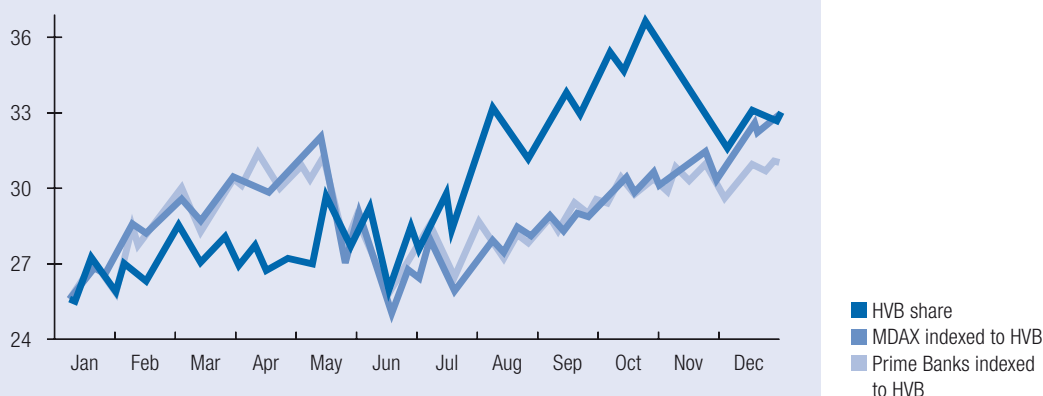
Two of the three main agencies covering us, S&P and Fitch, improved their views of HVB Group during 2006 to reflect the stronger outlook and financial strength of the Bank. S&P reviewed the outlook from negative to stable (maintaining its A/A-1 rating), whilst Fitch improved the outlook from stable to positive and the financial strength rating from C/D to C.

Shareholder structure virtually unchanged

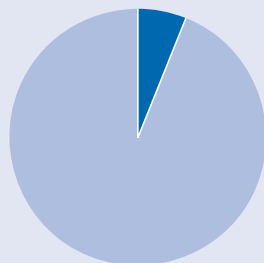
The shareholder structure remained virtually unchanged during the year, with the main shareholder, UniCredit, owning 93.93% of capital stock. The remaining 6.07% of our shares were free float, held by mainly institutional investors and some private investors.

The average daily trading volume during the year declined significantly from the high level recorded in 2005 (which can be attributed in part to the demand associated with the business combination with UniCredit), but the stock remained relatively liquid despite the limited free float, with the daily trading volume averaging 443,000 shares in 2006.

HVB share relative to MDAX and Prime Banks
(HVB share from January 1 to December 31, 2006, in €)



Shareholder structure since November 17, 2005¹ (in %)



■ UniCredit 93.93
■ Free float 6.07

¹ 750,699,140 outstanding shares, of which 14,553,600 preferred shares held by UniCredit

Weightings

	WEIGHTING	RANKING
MDAX	1.58%	27
Prime Banks index	1.67%	6

Key ratios of the HVB share based on average number of shares

in €	2006	2005
Average number of shares (millions)	750.7	750.7
Number of shares at Dec. 31 (millions)	750.7	750.7
Earnings per share (adjusted) ¹	2.88	1.55
Earnings per share	5.89	0.86
Dividend per share of common stock	0.40	0.25
Dividend per share of preferred stock	0.064	0.064
Share price at year end	33.03	25.61
High	36.65	26.85
Low	25.52	16.30

¹ 2006 figures adjusted for the defined non-recurring effects

2005 figures adjusted for restructuring costs and additional provisions for losses on loans and advances

Ratings

	LONG-TERM	SHORT-TERM	OUTLOOK	PUBLIC PFANDBRIEFS	MORTGAGE PFANDBRIEFS
Moody's	A2	P-1	stable	Aa1	Aa1
S & P	A	A-1	stable	AAA	—
Fitch Ratings	A	F1	positive	AAA	AAA

Investor relations activities still significant

The Investor Relations team remained active on many fronts in 2006, keeping a communication channel constantly open with equity and fixed-income analysts, investors and the rating agencies. As of December 31, 2006, our share was still being covered by nine analysts from prestigious banks and brokers, despite the limited free float, reflecting its still relatively high liquidity together with interest in the HVB equity story and the German markets. We participated in the main German banking conferences and held meeting in Frankfurt, London, New York and our corporate headquarters in Munich.

At the end of January 2006 and in May/June 2006, HVB AG successfully issued two global Pfandbriefe – the “Global No. 10” with a volume of €1.5 billion and a maturity of 7 years and the “Global No. 11” with the same volume and a maturity of 10 years – with Investor Relations co-organising the associated roadshow through Europe.

Significant efforts were made to co-ordinate the Bank's investor relations activities with those of UniCredit Group, with a view to explaining the two groups' new strategy and structure to market participants in the best possible way.

Summary of Annual Financial Data

€ millions	HVB GROUP NEW		FULL HVB GROUP	
	2006	2005	2006	2005
Operating performance				
Net interest	3,148	3,166	5,886	5,576
Dividends and other income from equity investments	251	259	479	533
Net interest income	3,399	3,425	6,365	6,109
Net fees and commission	1,753	1,723	3,468	3,198
Net trading, hedging and fair value income	768	376	1,230	656
Net other expenses/income	32	(311)	104	(322)
Net non-interest income	2,553	1,788	4,802	3,532
TOTAL REVENUES				
	5,952	5,213	11,167	9,641
Payroll costs	(2,216)	(2,212)	(3,895)	(3,733)
Other administrative expenses	(1,166)	(1,260)	(2,132)	(2,185)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(313)	(413)	(573)	(690)
Operating costs	(3,695)	(3,885)	(6,600)	(6,608)
OPERATING PROFIT				
	2,257	1,328	4,567	3,033
Provisions for risks and charges	(164)	(87)	(267)	(98)
Write-down on goodwill	—	—	—	—
Restructuring costs	(60)	(438)	(308)	(546)
Net write-downs of loans and provisions for guarantees and commitments	(933)	(979)	(1,661)	(1,482)
Net income from investments	671	69	3,170	392
Other non-operating expenses	(153)	—	(184)	—
PROFIT BEFORE TAX				
	1,618	(107)	5,317	1,299
Income tax for the period	125	(14)	(117)	(262)
NET PROFIT				
	1,743	(121)	5,200	1,037
Minorities	(103)	(6)	(780)	(395)
NET PROFIT				
	1,640	(127)	4,420	642
Earnings per share (adjusted) ¹	1.50	0.39	2.88	1.55
Earnings per share	2.18	(0.17)	5.89	0.86

¹ figures for 2006 and 2005 adjusted for the defined non-recurring effects
(see Income Statement, HVB Group compliant with IFRS 5)

	HVB GROUP NEW		FULL HVB GROUP	
	2006	2005	2006	2005
Key indicators (%)				
Return on equity after taxes, adjusted ¹	15.2	3.8	18.5	10.2
Return on equity after taxes	22.1	(1.7)	37.8	5.6
Cost-income ratio (based on total revenues)	62.1	74.5	59.1	68.5
Balance sheet figures (€ billions)²				
Total assets	358.3	351.7	508.0	493.7
Shareholders' equity	21.9	20.5	20.0	15.4
Key capital ratios compliant with German Banking Act²				
Core capital (€ billions)	15.1	15.4	18.3	17.1
Risk-weighted assets (€ billions)	137.4	150.8	219.3	232.5
Core capital ratio (%)	11.0	10.2	8.4	7.3
Employees	25,738	27,353	50,659	61,251
Offices	788		1,877	2,316

SHARE INFORMATION	2006	2005
Share price (€)		
Year-end (€)	33.03	25.61
High (€)	33.20	26.85
Low (€)	32.50	16.30
Market capitalisation (€ billions)	24.8	19.2

¹ figures for 2006 and 2005 adjusted for the defined non-recurring effects
(see Income Statement, HVB Group compliant with IFRS 5)

² HVB Group new: pro forma figures

Summary of Quarterly Financial Data

HVB Group (compliant with IFRS 5)

€ millions	Q1 2006	Q2 2006	Q3 2006	Q4 2006
Income/expenses				
Net interest income	852	851	803	893
Net fees and commissions	538	447	371	397
Net trading, hedging and fair value income	297	185	191	95
Net other expenses/income	27	16	(4)	(7)
TOTAL REVENUES	1,714	1,499	1,361	1,378
Operating costs	(964)	(906)	(919)	(906)
OPERATING PROFIT	750	593	442	472
Provisions for risks and charges	(21)	(25)	(27)	(91)
Write-down on goodwill	—	—	—	—
Restructuring costs	—	(3)	(16)	(41)
Net write-downs of loans and provisions for guarantees and commitments	(210)	(202)	(226)	(295)
Net income from investments	89	49	551	(18)
Other non-operating expenses	—	—	—	(153)
PROFIT BEFORE TAX	608	412	724	(126)
Income tax for the period	(192)	(123)	(60)	500
NET PROFIT	416	289	664	374
Minorities	(24)	(27)	(14)	(38)
NET PROFIT OF HVB GROUP NEW	392	262	650	336
Profit after tax of discontinued operations	382	1,083	297	1,695
Minorities in profit of discontinued operations	(123)	(290)	(105)	(159)
NET PROFIT OF FULL HVB GROUP	651	1,055	842	1,872
Earnings per share (€) ¹ , full HVB Group	0.87	0.72	0.43	0.86

¹ Q2 2006 adjusted for restructuring costs and the gain on the disposal of HVB Splitska banka; unadjusted earnings per share total €1.40

Q3 2006 adjusted for restructuring costs and the gain on the disposal of the Activest companies; unadjusted earnings per share total €1.12

Q4 2006 adjusted for restructuring costs; change in method of accounting for net write-downs of loans and provisions for guarantees and commitments; gains on disposal of BPH Group and Munich Re; valuation expenses for the announced disposal of a portfolio of non-strategic real estate; and other non-operating expenses; unadjusted earnings per share total €2.50

Full HVB Group

	March 31, 2006	June 30, 2006	Sept. 30, 2006	Dec. 31, 2006
Key indicators (%)				
Return on equity after taxes, adjusted ¹	—	21.0	17.7	18.5
Return on equity after taxes	22.8	30.0	29.8	37.8
Cost-income ratio (based on total revenues)	56.4	57.0	58.6	59.1
Balance sheet figures (€ billions)				
Total assets	498.2	486.8	495.1	508.0
Shareholders' equity	16.3	16.6	18.5	20.0
Key capital ratios compliant with German Banking Act				
Core capital (€ billions)	17.1	16.9	17.1	18.3
Equity funds (€ billions)	25.6	25.3	25.6	27.1
Risk assets (€ billions)	231.7	233.5	236.0	219.3
Core capital ratio (%)	7.4	7.2	7.3	8.4
Equity funds ratio (%)	10.5	10.3	10.4	11.8
Share information				
Share price (€)	27.24	28.28	34.50	33.03
Market capitalisation (€ billions)	20.4	21.2	25.9	24.8
Employees	62,696	62,716	60,881	50,659
Offices	2,461	2,489	2,378	1,877

¹ figures for 2006 adjusted for restructuring costs; change in method of accounting for net write-downs of loans and provisions for guarantees and commitments; gains on disposal of BPH Group, HVB Splitska banka, the Activest companies and Munich Re; valuation expenses for the announced disposal of a portfolio of non-strategic real estate; and other non-operating expenses

Summary of Annual Financial Data

€ millions	FULL HVB GROUP			
	2005	2004	2003	2002
Operating performance				
Net interest income	5,885	5,662	5,881	5,936
Provisions for losses on loans and advances	1,513	1,795	2,313	3,292
Net interest income after provisions for losses on loans and advances	4,372	3,867	3,568	2,644
Net commission income	3,240	2,845	2,795	2,672
Trading profit	926	728	820	787
General administrative expenses	6,582	6,118	6,371	6,896
Balance of other operating income and expenses	(143)	23	620	180
OPERATING PROFIT (LOSS)	1,813	1,345	1,432	(613)
Net income from investments	321	14	(1,806)	587
Amortisation of goodwill	—	165	1,134	395
Restructuring costs	546	250	—	283
Allocation to special provisions for bad debts	—	2,500	—	—
Balance of other income and expenses	(289)	(357)	(638)	(149)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES/PROFIT				
(LOSS) BEFORE TAX	1,299	(1,913)	(2,146)	(853)
Taxes on income	262	224	296	(3)
NET INCOME (LOSS) AFTER TAXES	1,037	(2,137)	(2,442)	(850)
Minority interest in net income (loss)	(395)	(288)	(197)	41
NET INCOME (LOSS) ADJUSTED				
FOR MINORITY INTEREST	642	(2,425)	(2,639)	(809)
Earnings per share (adjusted, €) ¹	1.55	0.70	0.54	(0.77)
Earnings per share	0.86	(3.48)	(4.92)	(1.51)

¹ 2005 figures adjusted for restructuring costs and additional provisions for losses on loans and advances; 2004 figures adjusted for amortisation of goodwill, restructuring costs and allocation to special provisions for bad debts; 2003 figures adjusted for amortisation of goodwill, current income and expenses from norisbank, Bank von Ernst, Bankhaus Bethmann-Maffei and the non-scheduled items defined in the consolidated financial statements for 2003; 2002 figures adjusted for amortisation of goodwill

	FULL HVB GROUP			
	2005	2004	2003	2002
Key indicators (%)				
Return on equity after taxes, adjusted ¹	10.2	3.9	2.1	(2.8)
Return on equity after taxes	5.6	(19.3)	(19.7)	(5.4)
Cost-income ratio (based on total revenues)	68.5	66.1	63.0	72.0
Balance sheet figures (€ billions)				
Total assets	493.7	467.4	479.5	535.8
Total volume of lending	332.6	324.6	338.3	375.8
Shareholders' equity	15.4	14.0	10.3	11.3
Key capital ratios compliant with BIS rules²				
Core capital (€ billions)	16.0	15.7	14.4	14.6
Equity funds (€ billions)	27.4	27.1	25.6	25.9
Risk assets (€ billions)	245.5	238.6	241.8	285.6
Core capital ratio (%)	6.5	6.6 ³	5.9	5.1
Equity funds ratio (%)	10.9	10.4	9.7	8.2
Share information				
Share price (€)				
Year-end (€)	25.61	16.70	17.62 ⁴	15.22
High (€)	26.85	21.13	19.26 ⁴	42.55
Low (€)	16.30	12.86	5.47 ⁴	11.75
Market capitalisation (€ billions)	19.2	12.5	9.8 ⁵	8.2
Employees	61,251	57,806	60,214	64,254
Offices	2,316	2,036	2,062	2,073

1 2005 figures adjusted for restructuring costs and additional provisions for losses on loans and advances; 2004 figures adjusted for amortisation of goodwill, restructuring costs and allocation to special provisions for bad debts; 2003 figures adjusted for amortisation of goodwill, current income and expenses from norisbank, Bank von Ernst, Bankhaus BethmannMaffei and the non-scheduled items defined in the consolidated financial statements for 2003; 2002 figures adjusted for amortisation of goodwill

2 as per approved financial statements

3 6.2% including the effects of consolidation to be incorporated from the start of 2005

4 HVB share price adjusted for rights markdown

5 before capital increase

Financial Calendar

IMPORTANT DATES 2007

Publication of the 2006 annual results	March 22, 2007
Annual General Meeting of Shareholders	June 26 (27), 2007*
ICM International Congress Center Munich	
Neue Messe Munich-Riem, 81823 Munich, Germany	
First-quarter earnings	May 9, 2007
Second-quarter earnings	August 3, 2007
Third-quarter earnings	November 13, 2007

* The Annual General Meeting of Shareholders has been convened for June 26, 2007 and also for June 27, 2007 as a precautionary measure in the event that it cannot be concluded on the first day.

Contacts

Should you have any questions about the annual report, please contact Group Investor Relations calling +49 (0)89 378-25276, faxing +49 (0)89 378-24083, or e-mailing ir@hvbgroup.com

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