HypoVereinsbank
UniCredit Group

Quarterly Financial Report at March 31, 2008

Disclaimer
This edition of our annual report is prepared for the convenience of our English-speaking readers. It is based on the German original, which takes precedence in all legal respects.

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Contents

Financial Highlights

Key indicators	1/1–31/3/2008	1/1–31/3/2007[1]
Return on equity after tax, adjusted[2,3]	(14.1)%	18.6%
Return on equity after tax[2]	(14.1)%	29.4%
Return on equity before tax, adjusted[2,3]	(16.9)%	28.0%
Return on equity before tax[2]	(16.9)%	40.4%
Cost-income ratio (based on total revenues)	119.8%	47.6%

Operating performance	1/1–31/3/2008	1/1–31/3/2007[1]
Operating profit/(loss)	€(144)m	€1,050m
Profit/(loss) before tax	€(318)m	€1,105m
Net profit/(loss)	€(282)m	€793m
Earnings per share, adjusted[3]	€(0.35)	€0.70
Earnings per share	€(0.35)	€1.06

Balance sheet figures	31/3/2008	31/12/2007[4]
Total assets	€445.1bn	€422.1bn
Shareholders' equity	€23.7bn	€24.0bn

Key capital ratios compliant with German Banking Act (KWG)	31/3/2008	31/12/2007[4]
Core capital[4]	€23.3bn	€23.6bn
Risk-weighted assets compliant with German Banking Act (KWG)/Principle I	€139.6bn	€131.6bn
Core capital ratio[4]	16.7%	17.9%

	31/3/2008	31/12/2007
Employees	24,723	24,784
Branch offices	858	846

Share information		1/1–31/3/2008	1/1–31/3/2007
Share price:	Reporting date	€39.30	€43.45
	High	€43.64	€45.36
	Low	€38.98	€32.30
Market capitalisation at reporting date		€31.5bn	€34.9bn

1 without discontinued operations
2 return on equity relating to 6.8% tied equity capital as a proportion of average risk-weighted assets compliant with German Banking Act (KWG)/Principle I
3 2007 adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and the gain on disposal of Indexchange
4 pro forma: based on approved financial statements including the transfer of €3.7 billion to reserves to be approved by the Annual General Meeting of Shareholders

Ratings

	LONG-TERM	SHORT-TERM	OUTLOOK	FINANCIAL STRENGTH	PFANDBRIEFS PUBLIC	PFANDBRIEFS MORTGAGE	CHANGED/ CONFIRMED
Moody's	A1	P-1	stable	C–	Aa1[1]	Aa1[1]	06/05/2008
S & P	A+	A-1	stable	—	AAA	—	30/11/2007
Fitch Ratings	A	F1	positive	B/C	AAA	AAA	23/11/2007

1 on "review for possible upgrade" since May 14, 2007

Financial Review

Significant events in the first quarter of 2008 and events after the reporting date

Quarterly results of HypoVereinsbank adversely affected by financial market turmoil

The turmoil on the global financial markets, which has also burdened the financial market in Germany since the beginning of August 2007, produced further adverse effects in the first quarter of 2008. In the process, the capital market environment was marked by extreme market distortions in the first three months of 2008. Important credit indexes deteriorated significantly in this period, leading to a high level of write-downs in the banking sector.

In this environment, HVB Group suffered a sharp decline in profit before tax in the first quarter of 2008, posting a loss before tax of €318 million. At the same time, the widening of the credit spread which hit the financial markets in the first quarter of 2008 resulted in a net trading loss of €647 million and thus to a loss before tax of €640 million in the Markets & Investment Banking division. The remaining operating divisions managed to only partially offset the negative impact, despite increasing their profits.

On the way to a uniform organisational structure: successor to the Management Board spokesman named…

At its meeting on April 9, 2008, the Supervisory Board of HypoVereinsbank nominated Dr Theodor Weimer to succeed Dr Wolfgang Sprissler as spokesman of the Management Board of HypoVereinsbank. Dr Weimer is currently head of Investment Banking in the Markets & Investment Banking division at both HypoVereinsbank and the UniCredit Group and responsible for the division's worldwide M&A, equity capital markets and financing activities. On April 9, 2008, the Management Board of HypoVereinsbank appointed Dr Weimer to act as the Bank's Executive Manager with responsibilities for the Markets & Investment Banking and Corporates & Commercial Real Estate Financing divisions. Subject to the final approval of the supervisory authorities, Dr Weimer has been appointed to the Management Board of HVB with effect from January 1, 2009 and will assume responsibility for the Markets & Investment Banking and Corporates & Commercial Real Estate Financing divisions once he has been elected spokesman of the Management Board. Furthermore, Dr Weimer will be nominated to join the Management Committee of the UniCredit Group.

… and further development of the managerial structure adopted

At the same meeting, the Supervisory Board also adopted a resolution concerning the further development of the managerial structure at HypoVereinsbank. In the course of this initiative, the Management Board will be reduced in size from the previous ten members to six, thus reflecting the principles of lean and effective corporate governance as practiced by other international banks. The Management Board will focus even more closely on its central tasks of governance, allocation of resources, controlling and risk management of the Bank. As before, the sales directors of the Retail and Wealth Management divisions will have the task of managing and assuming responsibility for operations in HypoVereinsbank's domestic market of Germany. The new structure became effective on May 1, 2008.

Rebranding en route to a European master brand

The roll-out of HypoVereinsbank's new brand profile started on April 1, 2008. The new branding strategy is intended to underline more strongly that HypoVereinsbank is an integral part of an international banking group. During the following weeks, the new brand signet was gradually installed at all of our branches. The new brand profile signifies two things: our clear commitment to HypoVereinsbank's identity in the German market, which is an important core market in the UniCredit Group, and simultaneously the international profile in a globally significant banking group. We attach great importance to our customers and other stakeholders continuing to benefit from the competence and service of our four divisions and, at the same time, from our increased internationality.

Squeeze-out approved on April 24, 2008

On April 24, 2008, Munich Regional Court upheld the application filed by HypoVereinsbank in December 2007 for the approval to enter the squeeze-out resolution adopted at the Annual General Meeting in June 2007 in the Commercial Register.

In its decision, the Regional Court confirmed the opinion of HypoVereinsbank that all of the challenges filed against the squeeze-out resolution were evidently unfounded.

Several plaintiffs have already announced that they will lodge an immediate appeal against the first-instance decision.

HypoVereinsbank is expecting a rapid decision from the higher regional court responsible for the appeal because it is an expedited proceeding. If the higher regional court should agree with the decision of Munich Regional Court, the squeeze-out resolution could be entered in the Commercial Register promptly and thus become legally valid. As soon as the squeeze-out is entered in the Commercial Register, the share will be delisted on stock exchanges and the admission to listing will be revoked. The settlement amount of €38.26 per HVB share will be payable immediately after the squeeze-out has been entered. The amount of the settlement may be reviewed as part of a shareholder action.

General situation and industry-specific economic trends

Macroeconomic situation

First quarter data suggests that the US economy is already in recession, although a mild one. The labour market confirmed its downward trend and personal spending was broadly flat, suggesting a further slowdown in consumption. At the same time, manufacturing sector surveys give more cause for optimism, with an improvement in new orders, driven by increasing demand from abroad and, hence, leading to a favourable export performance.

In the eurozone, industrial production data came out strong and first quarter GDP growth should have maintained momentum, with inflation rising to 3.6% despite the appreciation of the euro against the dollar. In the meantime, the ECB signalled no change in its monetary policy stance.

In Germany, GDP growth in the first quarter should have maintained at least the pace of the last quarter of 2007. Here, business confidence currently seems to be stronger than consumer confidence, although the labour market keeps improving. The IFO business climate index stabilised, and even rose a little recently, while consumer confidence seems to have been hit stronger, due in part to increasing concerns about prices.

Specific trends affecting the banking sector in Germany

Notwithstanding the still rather positive economic setting in Germany, banks' profitability in the first quarter has most likely been impaired by the ongoing turmoil on the international financial markets and the increasing uncertainty characterising the global context. Important credit indexes deteriorated in the first quarter of 2008, resulting in a need for further write-downs. The uncertain market environment will have an adverse impact on non-interest income. Loans to corporates are growing healthily, confirming the robustness of the German economy, but household lending is flat. Furthermore, interest rate spreads tightened further during the first quarter of 2008, thus limiting the upside potential for German banks' net interest income growth over 2008 as a whole.

General comments on the business situation

There were two sides to HVB's performance in the first quarter of 2008.

First, we see consistent progress along the path of growth we have successfully taken in recent years, despite the difficult business environment in the divisions not directly affected by the turmoil on the financial markets. Retail, Corporates & Commercial Real Estate Financing and Wealth Management all recorded further increases in profit before tax and stable or slightly improved cost-income ratios.

At the same time, the capital market environment in the first quarter of 2008 was marked by extreme market distortions in the course of the growing financial market turmoil. This had a strong impact on the results of the Markets & Investment Banking division, producing a loss before tax of €640 million in this division.

Financial Review (Continued)

Net trading income was directly depressed by revaluation results as well as by losses on the realisation of ABS products in a total amount of €495 million. The Structured Credit unit was additionally adversely affected by the widening of the credit spread. In this connection, we have applied the same valuation criteria and methods as in previous years and have retained the valuation categories compliant with IAS unchanged. In total, the net trading loss amounted to €647 million.

Negative fair value fluctuations of ABS securities classified as available-for-sale, for which there were no impairment criteria compliant with IAS 39.59 and no impairment losses were otherwise to be recognised, in the amount of €47 million for the first quarter of 2008 are included in the available-for-sale reserve (also known as the revaluation reserve) under shareholders' equity.

LBO finance transactions are stated at amortised cost for the valuation of receivables. Depending on the individual internal ratings, a review is carried out regularly to determine whether an impairment is necessary as defined by IAS 39.58. This resulted in no requirement to recognise impairment losses for LBO finance transactions at an individual exposure level in the first quarter of 2008 due to the good quality of the borrowers. Should no attractive market opportunities arise due to the current market environment, we plan to retain in our portfolio that part of the portfolio which we had originally intended to outplace. This is why we continue to view the risk of the income statement being burdened by fair values which are below the carrying amount as manageable if, as at present, the fair values are based solely on the widening of the credit spread and not by any deterioration of customers' credit standings.

All in all, the adverse effects arising from the turmoil on the financial markets resulted in a sharp decline in profit before tax compared with the first quarter of 2007 to a loss of €318 million. As we forecast in our 2007 Annual Report in the Outlook section of Management's Discussion and Analysis, this is also below the profit before tax posted in the fourth quarter of 2007 which was also already affected by the financial market crisis.

Operating performance of HVB Group

The operating performance of HVB Group is described in detail below.

Net interest income
Compared with last year, net interest income decreased by 13.8% or €148 million to €926 million.

This decline is mainly a result of the non-recurring effect of €93 million generated in the first quarter of the previous year in connection with the sale of the discontinued operations by the inflow of the contractually agreed interest payments on the purchase price for the period between the Extraordinary Shareholders' Meeting in October 2006 and the actual disposal date in the first quarter of 2007.

In addition, net interest income was adversely affected by the investment banking activities transferred from UniCredit Banca Mobiliare S.p.A.[1] (UBM) to HVB AG in April 2007 on account of the refinancing of the trading portfolios as well as the initial consolidation of special purpose entities in the fourth quarter of 2007.

Without the interest payments on purchase prices mentioned above and the effects of initial consolidation, deconsolidation and currency changes, net interest income is almost at last year's level (down 0.5%).

As expected, interest income from dividends and other income from equity investments decreased by €51 million to €16 million, mainly due to the significant decline in dividends under private equity funds in line with the general market trend.

1 the effects caused by the transfer of UBM are similar to initial consolidation and are hence referred to as such below

Net fees and commissions
At €398 million in the first quarter of 2008, net fees and commissions failed to match the exceptionally high figure recorded for the same quarter last year. The decline of €89 million relates in part to the persistent turmoil on the financial markets. In this environment, almost all of the divisions were unable to fully repeat the record figures generated in the first quarter of 2007. This trend can be seen particularly in the Markets & Investment Banking division. Compared with the fourth quarter of 2007, however, all the divisions apart from Markets & Investment Banking, which was especially hard hit by the financial market crisis, generated a significant increase in net fees and commissions, helping to raise the total by 4.5% overall in HVB Group compared with the final quarter of 2007.

Net trading income
In the context of the financial market turmoil which intensified in the first quarter of 2008, the persistent uncertainty on financial markets led to a considerable widening of the credit spread compared with the status at year-end 2007 and thus to a trading loss of €647 million. This followed net trading income of €350 million recorded in the previous year in a very favourable capital market environment.

The inclusion of UBM's investment banking activities with effect from April 1, 2007 helped to boost the result achieved in the first quarter of 2008 by an amount of €72 million.

Operating costs
Operating costs declined by a significant 8.8%, to €871 million, compared with last year despite the net increase in expenses from initial consolidation and deconsolidation effects, due among other things to the transfer of the investment banking activities of the former UBM at April 1, 2007. Adjusted for all initial consolidation, deconsolidation and currency effects, operating costs fell by a sharp 13.5% compared with last year.

At the same time, payroll costs (adjusted for consolidation and currency effects) decreased by 13.8%, essentially as a result of the reduction in headcount and the lower expense for profit-related bonus payments in the Markets & Investment Banking division. Other administrative expenses (down 14.7% adjusted for consolidation and currency effects) and amortisation, depreciation and impairment losses on intangible assets (down 4.7%) similarly fell.

Operating profit
Despite the decline in expenses, an operating loss of €144 million (2007: €1,050 million) was generated on account of the impact on trading profit of the turmoil on the financial markets. The effect on results in the Markets & Investment Banking division led to a cost-income ratio of 119.8% (percentage of total revenues made up by operating costs) in the first quarter of 2008, which is not reliable as a measure for assessing sustained profitability. However, we succeeded in improving the cost-income ratio to 55.3% overall, down from 60.1% in the previous year (adjusted for the non-recurring effects from interest payments on purchase prices), for all other divisions.

Net write-downs of loans and provisions for guarantees and commitments
With net write-downs of loans and provisions for guarantees and commitments at €187 million after the first three months of 2008, we were still 10.5% below the figure recorded for the same period last year (€209 million). However, we far exceeded the total in the fourth quarter of 2007, which, at €40 million, was exceptionally low as a result of the net reversals in the Markets & Investment Banking division and the success achieved in the reduction of the remaining portfolios of the former Real Estate Restructuring segment.

Financial Review (Continued)

Net income from investments
Net income from investments amounted to €13 million at March 31, 2008. The total of €270 million recorded in the previous year benefited primarily from the gains of €218 million realised on the sale of Indexchange Investment AG to Barclays Bank PLC and of €47 million on the sale of Norddeutsche Investment-Gesellschaft mbH (Nordinvest) to the Pioneer Group.

Profit before tax, income tax and net profit
Profit before tax decreased in the context of the financial market crisis to a loss of €318 million compared with the previous year's profit of €1,105 million which benefited from non-recurring effects. (Adjusted for the non-recurring effects from interest payments on the purchase price relating to the sale of discontinued operations amounting to €93 million and the gain of €218 million on the disposal of Indexchange, last year's profit before tax stood at €794 million.)

We report income of €81 million under income tax due to the pre-tax loss, while a tax expense of €291 million resulted for the previous year.

The loss after tax and minorities stood at €282 million after the first three months of 2008 after a profit of €793 million in the previous year (profit adjusted for non-recurring effects in the previous year: €522 million).

Segment results broken down by division
The divisions contributed the following amounts to the loss before tax of HVB Group of €318 million:

Markets & Investment Banking	loss of €640 million
Corporates & Commercial Real Estate Financing	€206 million
Retail	€84 million
Wealth Management	€49 million
Other/consolidation	loss of €17 million

The income statements of each division and comments on the performance of the divisions are provided in Note 3, "Segment reporting", in the present Quarterly Financial Report. The components and targets of divisions are described in detail in Note 26, "Notes to segment reporting by division", in the 2007 Annual Report.

Financial situation

Total assets
The total assets of HVB Group amounted to €445.1 billion at March 31, 2008. This represents an increase of €23.0 billion or 5.4% compared with the 2007 year-end total.

The increase in total assets is primarily due to the widening of the loans and receivables with banks at €12.6 billion and the €6.6 billion increase in financial assets held for trading. At the same time, there was a rise of €2.3 billion in loans and receivables with customers and €1.4 billion in financial instruments at fair value through profit or loss on the assets side.

The increase in total liabilities is largely attributable to the strong increase of €13.0 billion in financial liabilities held for trading, the €11.9 billion growth in deposits from banks and the €3.3 billion rise in deposits from customers. In contrast, our debt securities in issue declined by €5.5 billion.

The slight decrease of €0.3 billion in shareholders' equity, to €23.7 billion, is due to the loss of €0.3 billion reported in the first quarter of 2008. The €207 million decline in the available-for-sale reserve compared with year-end 2007 results largely from the negative fair value fluctuations of our shareholdings in the difficult stock market environment in the first quarter. Negative fair value fluctuations arising from ABS securities in the "available for sale" category for which there were no impairment criteria compliant with IAS 39.59 and otherwise no impairment losses were to be made, accounted for €47 million in the first quarter of 2008.

Risk-weighted assets, key capital ratios and liquidity of HVB Group

The risk-weighted assets of HVB Group compliant with the German Banking Act (KWG)/Principle I (without market risks) increased by €8.0 billion, to €139.6 billion, compared with year-end 2007. This increase was driven in particular by the increase in business activities and the decline in the volumes of securitisation activities. Risk-weighted assets totalled €160.1 billion.

The risk-weighted assets for credit risks of HVB Group determined on the basis of Basel II (KWG/Solvency Ordinance (SolvV)) by applying partial use amounted to €140.8 billion at March 31, 2008 (including counterparty default risk in the trading book; without market or operational risk). Risk-weight assets totalled €159.9 billion.

The main differences between KWG/Principle I and Basel II (KWG/SolvV) arise from the more risk-sensitive determination of the risk-weighted assets compliant with Basel II compared with the static definitions of the risk weightings based on KWG/Principle I. This also applies to the determination of the counterparty default risk and the consideration of loan commitments not utilised which also require equity backing even if they have a term of one year or less.

Operational risk is a risk component which also requires equity backing under Basel II.

The total lending volume resulting from the ten current securitisation transactions of HVB Group amounted to €28.3 billion at March 31, 2008. The reduction in risk-weighted assets that this created stands at €21.8 billion under KWG/Principle I and €14.6 billion under Basel II. On the other hand, the Building Comfort 2002-1, Building Comfort 2003-1, PROMISE COLOR 2003-1 and Wolfgang transactions came to an end in the first quarter of 2008 with a total transaction volume of €5.3 billion. In the process, a reduction in risk-weighted assets of €2.3 billion under KWG/Principle I and €1.2 billion under Basel II was reversed.

At the reporting date of March 31, 2008, the core capital (for solvency purposes) of HVB Group compliant with the German Banking Act amounted to €19.6 billion and equity funds to €25.6 billion. This results in a core capital ratio (excluding market and operational risk positions) of 14.1%, or 13.9% compliant with Basel II, and an equity funds ratio of 16.0%, or 16.0% compliant with Basel II. Including the transfer to reserves of €3.7 billion to be resolved by the Annual General Meeting, this results in a pro forma core capital ratio (excluding market and operational risk positions) of 16.7% or 16.5% compliant with Basel II.

A bank's liquidity is evaluated using the liquidity ratio defined in Section 11 of the German Banking Act. This figure is the ratio of cash and cash equivalents available within a month to the payment obligations falling due in this period. Liquidity is considered adequate if the ratio is at least 1.0. At HVB AG, the figure averaged in the first quarter 1.2 of 2008 (2007: 1.2).

Corporate structure and business operations

Legal corporate structure

Bayerische Hypo- und Vereinsbank Aktiengesellschaft (HVB AG) was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich. HVB AG has been an affiliated company of UniCredito Italiano S.p.A., Rome (UniCredit), since November 2005 and hence a major part of UniCredit Group from that date as a subgroup. The business combination of HVB AG with UniCredit is based on the Business Combination Agreement (BCA) concluded on June 12, 2005, which automatically expires five years after completion of the exchange offer, unless extended by UniCredit.

Financial Review (Continued)

Based on the resolution adopted by the Management Board on September 12, 2006 and approved by the Supervisory Board to sell the shares held by the Bank in Bank Austria Creditanstalt AG (Bank Austria) and other units in central and eastern Europe, which was approved by our shareholders at the Extraordinary Shareholders' Meeting on October 25, 2006, the shares held in Bank Austria Creditanstalt AG were transferred to UniCredit, in Joint Stock Commercial Bank Ukraine (HVB Bank Ukraine) to Bank Pekao S.A. and in Closed Joint Stock Company International Moscow Bank (IMB) and AS UniCredit Bank (formerly HVB Bank Latvia AS, Riga) to Bank Austria in the first quarter of 2007; the sale of the HVB AG branches in Tallinn, Estonia and Vilnius, Lithuania to AS UniCredit Bank was completed in the third quarter.

On March 30, 2007, the Board of Directors of UniCredit Banca Mobiliare S.p.A. (UBM) and the Management Board and Supervisory Board of HypoVereinsbank approved the contribution of the investment banking activities of UBM, based on a valuation report by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC), against the issue of 51,684,532 new shares of common stock. The transfer took effect on April 1, 2007. This transaction was an essential step towards pooling the investment banking activities of the entire UniCredit Group within HVB.

At the Bank's Annual General Meeting of Shareholders on June 26/27, 2007, a majority of 98.77% of the votes cast approved the transfer to UniCredit of the shares in HypoVereinsbank held by minority shareholders as part of a squeeze-out procedure in exchange for a suitable cash compensation (€38.26 per share).

On April 24, 2008, Munich Regional Court granted the application filed by HypoVereinsbank in December 2007 for the approval to enter the squeeze-out resolution adopted at the Annual General Meeting in June 2007 in the Commercial Register.

Several plaintiffs have already announced that they will lodge an immediate appeal against the decision of the first instance. If the higher regional court responsible for the appeals should agree with the decision of Munich Regional Court, the squeeze-out resolution could be entered in the Commercial Register promptly and thus become legally valid. Until the completion of the squeeze-out, which takes effect when entered in the Commercial Register, HVB AG's shares of common bearer stock will continue to be admitted to official trading on all German stock exchanges as well as on the Vienna stock exchange, Euronext in Paris and the SWX Swiss Exchange. As soon as the squeeze-out is entered in the Commercial Register, the share will no longer be listed on the stock exchanges and the admission to listing will be revoked. The cash settlement amount of €38.26 per HVB share will be payable immediately after the squeeze-out has been entered.

The numerous legal proceedings initiated notably by shareholders of HVB AG with regard to the reorganisation are discussed in detail in the section of the Risk Report entitled "Operational risk".

Outlook

The following comments on the outlook are to be viewed in connection with the comments on the outlook in the Management's Discussion and Analysis and the Risk Report in the consolidated financial statements for the 2007 financial year.

General economic trends

The first half of the year is set to be characterised by a very mild recession in the United States. Monetary and fiscal easing together with the positive effect of the weak US dollar on the manufacturing sector should help the United States to return to growth in the second half of the year. Although fundamentals are more solid in Germany and in the eurozone, financial worries together with the appreciation of the euro and commodities constitute a quite demanding external scenario, which makes some kind of slow-down in exports and investment spending unavoidable. In contrast, consumer spending should strengthen slightly in Germany and the eurozone. Especially in Germany, a stronger impulse to consumption should finally come from the ongoing improvement of labour market conditions.

Due to the mild recession in the United States, the Fed funds rate could be lowered to 1.75% in the first half of the year, while the dollar should not weaken any further before climbing again as soon as better news on the United States arrives. In the eurozone, with inflation staying well above the 2% threshold, we expect the ECB to keep interest rates on hold for a good part of the year.

Earnings performance of HVB Group

As explained in the 2007 Annual Report under the Outlook in Management's Discussion and Analysis, HVB Group assumed in its plans prepared at the end of 2007 that the financial markets, particularly the problems caused by the turmoil on the financial markets, would normalise again in the course of 2008.

On the basis of this assumption, we anticipated a further tangible increase in total revenues and a moderate rise in operating costs with only a slight change in the group of consolidated companies, which would lead to an improvement in the cost-income ratio and total revenues.

In the first quarter of 2008, the conditions on the capital markets continued to significantly deteriorate in the course of the financial market turmoil, which also led to the adverse effects on the results of HVB Group. Despite the first signs of stabilisation in April 2008, we still think the situation on the financial markets will remain very uncertain over the course of this year. Our performance over the year as a whole depends on how the turmoil on the financial markets develops. Consequently, it is hard to provide any definitive forecast.

The Global Banking Services division (GBS) at HypoVereinsbank intends to optimise the business and operating model with a view to reinforcing HVB Group's profitability. The goal is to achieve further cost advantages and greater efficiency for the divisions by pooling all back office activities, especially in IT, facility and logistics management – including the optimisation of space utilisation – and service processes.

In 2008, we do not expect to be able to repeat the low level net write-downs of loans and provisions for guarantees and commitments of 2007, which partly arose due to the net reversals in the Markets & Investment Banking division and through the reductions in the remaining portfolios of the former Real Estate Restructuring segment. However, we assume that net write-downs of loans and provisions for guarantees and commitments for 2008 will be lower than the levels recorded for 2006 and 2005.

Risk Report

HVB Group as a risk-bearing entity

As a rule it is not possible to earn income in the banking business without incurring risk. By definition, risk entails the possibility of a negative future development of the economic state of HVB Group. Consequently, the conscious handling, active management and ongoing monitoring of risk are core elements of the profit-oriented management of business transactions by HVB Group.

We therefore regard it as one of our core tasks to apply these considerations in order to achieve a consistent integration of profitability and risk criteria in all divisions and functions of the Bank.

Management and monitoring of risks in HVB Group

1 Risk management
For risk management purposes, the Bank defines its overall risk strategy at HVB Group level. In particular, this means determining, on the basis of the available capital cushion, the extent and manner of permissible risk exposure for the various divisions. This means that whenever risk is taken, it must be determined whether it is possible to do so, based on risk cover calculations, and whether it is worth doing so in terms of risk/reward calculations.

Through the targeted and controlled assumption of risk, the various divisions implement – with profit responsibility – the risk strategies defined for them within HVB Group. In doing so, they utilise the regulatory and economic capital allocated to them within the framework of limit systems.

2 Risk monitoring
The risk management process is accompanied by comprehensive risk monitoring, which is functionally and organisationally independent and encompasses the following tasks:

Risk analysis
Risk analysis involves the identification and analysis of risks from business activities and the development of methods for measuring them. Parallel to these activities, the available capital cushion is defined and quantified.

Risk control
In addition to the quantification and validation of the risks incurred and the monitoring of the allocated limits, the subsequent risk control process involves risk reporting, which at the same time provides management with recommendations for action when making future risk-related decisions.

The functional segregation of risk management and risk monitoring is also taken into account in organisational structures.

Compared with year-end 2007, there have been no significant changes in this respect.

Risk types and risk measurement

1 Relevant risk types
At HVB Group we distinguish the following risk types:
– credit risk
– market risk
– liquidity risk
– operational risk
– business risk
– risks arising from the Bank's real estate portfolio
– risks arising from shareholdings/financial investments
– strategic risk

2 Risk measurement methods

With the exception of liquidity and strategic risk, we measure all risk types using a value-at-risk approach under which potential future losses are measured on the basis of a defined confidence level.

The individual risk types are aggregated at HVB Group level as part of the economic capital calculation, applying a uniform one-year holding period and, since January 2008, a 99.97% confidence level across all risk types (confidence level of 99.95% up to December 31, 2007). This standard confidence level has been implemented in the measurement methodologies for the risk types concerned.

This aggregation takes into account risk-reducing diversification effects, which encompass both the correlations within the individual risk types between business units of HVB Group and the correlations across risk types.

Liquidity risk and strategic risk are measured separately.

3 Development of risk measurement and monitoring methods

The methods used to measure and monitor risks are subject to an ongoing development and improvement process. This is the result of our own quality standards as well as a response by HVB Group to the more stringent statutory requirements, and to an even greater extent, the more stringent regulatory requirements, especially the German Solvency Ordinance (SolvV) and the Minimum Requirements for Risk Management.

Overall bank management

1 Dual management principle for overall bank management

The main focus of capital market-oriented management in HVB Group is on investment and the value-oriented allocation of our capital resources to business activities with attractive risk-return ratios. Within the framework of our dual management principle, the divisions are allocated both regulatory (or used core) capital and economic capital. Both resources are expected to yield an appropriate return, which is derived from the expectations of the capital markets and is expected to be earned by our business units. Work started in the first quarter of 2008 on the implementation of key performance indicators in the product costing process after the deal has been closed. These activities will be continued throughout the rest of 2008.

2 Regulatory capital adequacy

Used core capital

The expected return on investment is derived from the average used core capital. In line with the management logic of the UniCredit Group, the core capital is carried exclusive of hybrid capital (= core tier 1 capital). For purposes of planning and controlling, the divisions are required to have core capital backing equal to an average of 6.4% of equivalent risk assets compliant with Basel II (credit, market and operational risks) and 6.8% of the equivalent risk assets compliant with Basel I.

Management of regulatory capital adequacy requirements

To manage our regulatory capital, we apply the following three capital ratios, which are managed on the basis of internally defined minimum values – in terms of both Basel I and Basel II:

- Core capital ratio 1 (ratio of core capital to credit risks)
- Core capital ratio 2 (ratio of core capital to the sum of credit risks and the equivalent risk assets from market and operational risks)
- Equity funds ratio (ratio of equity funds to the sum of credit risks and the equivalent risk assets from market and operational risks)

In this context, operational risks are only relevant for Basel II ratios.

Risk Report (Continued)

During the coming months, we will convert the regulatory component of overall bank management to Basel II, thus including operational risks in the calculation of capital ratios.

More detailed information on these ratios in the first quarter of 2008 is contained in the section entitled "Risk-weighted assets, key capital ratios and liquidity of HVB Group" in the Financial Review.

A description of the processes used to determine the appropriate equity base can be found in the HVB Group Annual Report for 2007.

3 Economic capital adequacy

The future economic capital requirements of the divisions – broken down by risk type – are determined under the annual planning process in close cooperation between Risk Control and the individual operating units. After approval by the Management Board of HVB AG, the economic capital parameters are anchored in the control and reporting instruments of the Bank. A comparison between the targets and the actual values of the parameters is produced on a quarterly basis and reported to the Chief Risk Officer.

The confidence level applied when determining the economic capital has been raised from 99.95% to 99.97% as part of the review and refinement of our risk measurement methods. In addition, the correlation matrix used in the aggregation of risk types for 2008 has been reviewed and updated. The figures at December 31, 2007 have been adjusted accordingly. Taking into account these changes gives rise to a net increase of €0.2 billion, or 4.8%, in economic capital for HVB Group at December 31, 2007. As a result of this, the utilisation of the capital cushion rises by one percentage point to 22.2%. As part of the ongoing review and development of our risk measurement methods, we will start to determine the business risk and real estate risk in the first half of 2008. We are planning an equivalent development for investment risk and the aggregation of the risk types for the second half of the year.

Our aggregated economic capital (including minority interests) for HVB Group totalled €5.2 billion at March 31, 2008, taking into account all risk-reducing portfolio effects, representing an overall increase of 6% over year-end 2007. At €2.0 billion, or 38.9% of the total, the economic capital for credit risk remained the largest risk position at March 31, 2008. The rise in market risk is essentially due to current developments on the capital markets. Investment risk rose primarily on account of the differentiated inclusion of Wealth Management Capital Holding GmbH. We expect the economic capital to have a similar structure in the coming quarters, without taking method developments into account.

Economic capital after portfolio effects
(confidence level 99.97%)

	MARCH 2008		DECEMBER 2007	
	€ millions	in %	€ millions	in %
Broken down by risk type				
Market risk	450	8.7	254	5.2
Credit risk	2,018	38.9	2,032	41.4
Business risk	542	10.5	479	9.8
Operational risk	876	16.9	849	17.3
Risks arising from the Bank's real estate portfolio	596	11.5	653	13.3
Risks arising from shareholdings/financial investments	701	13.5	636	13.0
HVB Group	**5,183**	**100.0**	**4,903**	**100.0**
Capital cushion to cover risks, HVB Group	**25,186**		**22,037**	
Utilisation, in %, HVB Group	**20.6**		**22.2**	

In a quarterly analysis of our ability to support risk, we measure our economic capital against the capital cushion available to us to cover risk. In addition, this sustainability analysis is carried out with an internally defined forecasting horizon as a component of our planning process. A three-year plan was initiated again in the first quarter of 2008 to supplement our detailed one-year plan for 2008. According to our internal definition, the capital cushion is made up of IFRS capital components, participatory certificates and hybrid capital, reserves and the actual result. Minority interests are included and goodwill is deducted. The capital cushion for HVB Group amounted to €25.2 billion at March 31, 2008 (comparable figure at year-end 2007: €22.0 billion). The change compared with year-end 2007 results primarily from the amount of consolidated profit for 2007 proposed for transfer to retained earnings together with the consolidated loss accruing in the first quarter of 2008. With an aggregate economic capital of €5.2 billion, this represents a utilisation of approximately 20.6% of the cushion.

Even taking into account the results of risk type-specific stress results, we had a substantial buffer in the capital cushion at the level of HVB Group.

Risk types in detail

No significant changes were made to risk management or risk monitoring for the individual risk types compared with the 2007 Annual Report during the first quarter of 2008. Consequently, we refer to the statements made starting on page 82 of the HVB Group Annual Report for 2007 in this regard. Where minor developments affecting individual risk types have nevertheless taken place, these are described under the risk type concerned.

As already mentioned, the confidence level and the correlation matrix have been adjusted in the measurement methodology for the individual risk types, apart from liquidity risk and strategic risk.

1 Credit risk

The audit activities of the German supervisory authorities relating to the approval of the IRB Advanced Approach have now been completed. The final results for HVB Group are still outstanding and are expected soon. The rest of the year will see the optimisation of the rating systems and processes that have already been audited. An additional focus will be on the development and implementation of further procedures, notably in the Corporates & Commercial Real Estate Financing division, with a view to facilitating additional business opportunities with adequate capital used. Activities relating to the roll-out of the IRB Advanced Approach at selected subsidiaries are also on the agenda.

A fall of €1.2 billion (0.5%) in the credit and counterparty exposure of HVB Group was recorded in the first quarter of 2008. The structure of the loan portfolio essentially remained stable in terms of industries in the first quarter of 2008. Relatively large declines were seen above all in the categories of retail customers (€1.4 billion), construction (€1.6 billion), food/consumer goods/services (€2.6 billion) and the public sector (€3.1 billion). These are partially offset by increased exposures in banks and insurers (€3.7 billion) and other (€3.2 billion).

The core portfolio, defined as the full HVB Group portfolio minus the remaining exposures assigned to the former Real Estate Restructuring segment, decreased by 0.5% in the first quarter of 2008 to €227.4 billion. The Corporates & Commercial Real Estate Financing division showed the sharpest increase in exposures in the first quarter of 2008, up €3.7 billion (5.0%). The Wealth Management division also recorded a rise of €0.4 billion (6.6%). The exposure in the Retail division fell by €1.3 billion (2.7%) and in the Markets & Investment Banking division by €1.8 billion (2.2%). The decrease under Other is primarily due to the disposal (as planned) of the non-strategic portfolio.

Risk Report (Continued)

There was a slight decline of €1.1 billion (1.0%) in the rating classes 1-4. The €1.5 billion increase in the rating classes 5-8 raised the share of this segment in the total portfolio by 0.9 percentage points. Exposures in rating classes 9 and 10 declined by €0.2 billion to €5.7 billion.

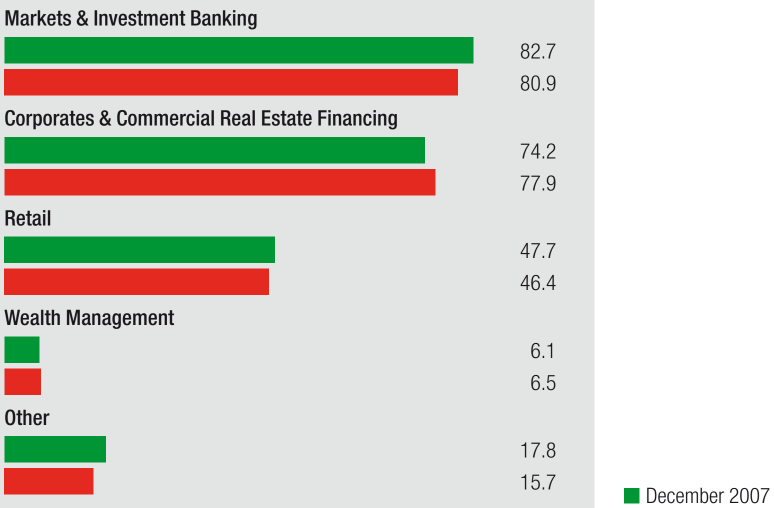
The Bank is planning to reduce its exposure in non-strategic loan portfolios further during the rest of the year, in line with its business strategy.

HVB Group had net write-downs of loans and provisions for guarantees and commitments amounting to €0.2 billion at March 31, 2008. More details on net write-downs of loans and provisions for guarantees and commitments can be found in notes (8) and (19).

Breakdown of loan default exposure and counterparty exposure by industry sector

		€ billions
	March 2008	December 2007
Industry sector		
Banks and insurers	45.2	41.5
Retail customers	40.3	41.7
Construction	36.1	37.7
Food, consumer goods, services	28.0	30.6
Chemicals, health, pharmaceuticals	13.3	13.7
Utilities	11.5	11.0
Transportation	10.5	11.3
Other	9.2	6.0
Mechanical engineering, steel	9.0	8.4
Public sector	7.0	10.1
Electrical, IT, communications	5.3	4.9
Automotive	5.3	5.3
Mineral oil	4.8	4.2
Media, printing, paper	4.2	4.5
HVB Group	**229.7**	**230.9**

Breakdown of loan default exposure and counterparty exposure by division – core portfolio (€ billions)



Breakdown of loan default exposure and counterparty exposure by rating class – core portfolio

	MARCH 2008		DECEMBER 2007	
	€ billions	in %	€ billions	in %
Rating				
Free of credit risk	6.2	2.7	9.3	4.1
Not rated	10.8	4.7	9.0	3.9
Rating 1–4	106.1	46.7	107.2	46.9
Rating 5–8	98.6	43.4	97.1	42.5
Rating 9–10	5.7	2.5	5.9	2.6
HVB Group	**227.4**	**100.0**	**228.5**	**100.0**

Financial derivatives
HVB Group uses financial derivatives primarily to manage market price risk (in particular risk arising from interest rate fluctuations and currency fluctuations) arising from trading activities. They also serve to provide cover for on- and off-balance-sheet items within asset/liability management or, in the case of credit derivatives, to manage credit risk.

The total nominal amount of worldwide derivative transactions of HVB Group amounted to €4,586 billion (December 31, 2007: €4,517 billion).

In accordance with the regulatory requirements (in this instance, the German Banking Act (KWG) / Principle I) taking into account the individual risk weightings, the risk-reducing effects of existing, legally enforceable bilateral netting agreements and the collateral provided by borrowers, risk-weighted assets for HVB Group totalled €11.5 billion (December 31, 2007: €8.3 billion).

Application of the so-called partial use under Basel II (KWG/SolvV) gives rise to risk-weighted assets totalling €19.3 billion for HVB Group at March 31, 2008.

Derivatives transactions

€ millions

	NOMINAL AMOUNT					FAIR VALUE			
	RESIDUAL MATURITY			TOTAL	TOTAL	POSITIVE		NEGATIVE	
	UP TO 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS	31/3/2008	31/12/2007	31/3/2008	31/12/2007	31/3/2008	31/12/2007
Interest rate derivatives	**1,166,703**	**1,227,508**	**936,035**	**3,330,246**	**3,382,140**	**36,623**	**32,992**	**35,404**	**31,725**
Foreign exchange derivatives	**420,613**	**104,550**	**37,137**	**562,300**	**481,942**	**17,199**	**9,402**	**16,726**	**8,581**
Equity/index derivatives	**118,521**	**119,389**	**12,822**	**250,732**	**243,342**	**11,722**	**13,560**	**14,629**	**16,929**
Credit derivatives	**27,950**	**299,201**	**110,366**	**437,517**	**405,032**	**8,632**	**3,081**	**8,821**	**3,473**
Protection buyer	12,873	142,210	63,924	219,007	201,435	8,361	2,753	399	598
Protection seller	15,077	156,991	46,442	218,510	203,597	271	328	8,422	2,875
Other transactions	**2,303**	**2,365**	**710**	**5,378**	**4,625**	**443**	**723**	**390**	**669**
Total	**1,736,090**	**1,753,013**	**1,097,070**	**4,586,173**	**4,517,081**	**74,619**	**59,758**	**75,970**	**61,377**

Risk Report (Continued)

Derivatives transactions by counterparty type

€ millions

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	31/3/2008	31/12/2007	31/3/2008	31/12/2007
Central governments (and central banks)	349	321	309	298
Banks	58,244	46,256	59,381	47,417
Financial institutions	13,048	11,071	14,709	11,817
Other companies and private individuals	2,978	2,110	1,571	1,845
Total	**74,619**	**59,758**	**75,970**	**61,377**

Development of country risk in the first quarter of 2008

In the first quarter of 2008, the exposures of HVB Group entailing country risk increased by €4.4 billion to €58.4 billion.

Country exposure[1] by region and product category

€ millions

	LENDING		TRADING		ISSUER RISK		TOTAL	
	March 2008	December 2007	March 2008	December 2007	March 2008	December 2007	March 2008	December 2007
Region								
Western Europe	8,345	8,363	23,103	17,727	1,168	1,053	32,616	27,143
Asia/Pacific	5,048	4,523	5,250	5,376	188	207	10,486	10,106
North America	1,561	1,749	3,570	2,864	816	951	5,947	5,564
Eastern Europe	3,550	3,628	904	827	107	100	4,561	4,555
Central and South America	1,700	1,760	1,622	3,437	1,107	974	4,429	6,171
Africa	297	392	66	71	0	0	363	463
HVB Group	**20,501**	**20,415**	**34,515**	**30,302**	**3,386**	**3,285**	**58,402**	**54,002**

1 net of collateral; excluding transactions with specific loan-loss provisions

2 Market risk

When the main assets and associated liabilities of UniCredit Banca Mobiliare (UBM) were transferred to HVB AG in the second quarter of 2007, its portfolios were included in the Bank's internal model used to measure internal market risk with effect from April 2, 2007. In the rest of 2008, we will be looking to incorporate the portfolios of the former UBM in the internal model at individual transaction level for both internal reporting and the regulatory reports. At present, the regulatory report is based on the sum of the results from HVB AG's internal model and the internal model of the former UBM.

We check the appropriateness of the methods used to measure market risk by means of periodic back-testing that compares the value-at-risk (VaR) calculations with the market value changes (hypothetical P/L) derived from the positions. There were three back-testing exceptions to report in the first quarter. This means that a total of 13 exceptions have been reported in the last 250 days. Six of these exceptions are not attributable to the poor forecasting quality of the risk model. In response to the remaining exceptions, the German Financial Supervisory Authority (BaFin) ordered a temporary increase in the quantitative add-on factor for the regulatory capital requirement as of April.

The aggregate market risks shown in the table arose during the course of the first quarter for our trading portfolios at HVB Group. The increase in market risks in the third and especially the fourth quarter of 2007, as well as the first quarter of 2008, results from widened credit spreads and their greater volatilities, and not from an increase in the portfolios.

At €0.45 billion, the economic capital for market risks at HVB Group has increased since December 2007 because of the current developments in the capital markets.

Market risk of HVB Group

(value-at-risk, 99% confidence level, one-day holding period)

€ millions

	31/3/2008	AVERAGE 2007[1]	31/12/2007	30/9/2007	30/6/2007
HVB Group	**53**	**24**	**36**	**24**	**19**

1 arithmetic mean

Market risk from trading positions of HVB Group

(value-at-risk, 99% confidence level, one-day holding period)

€ millions

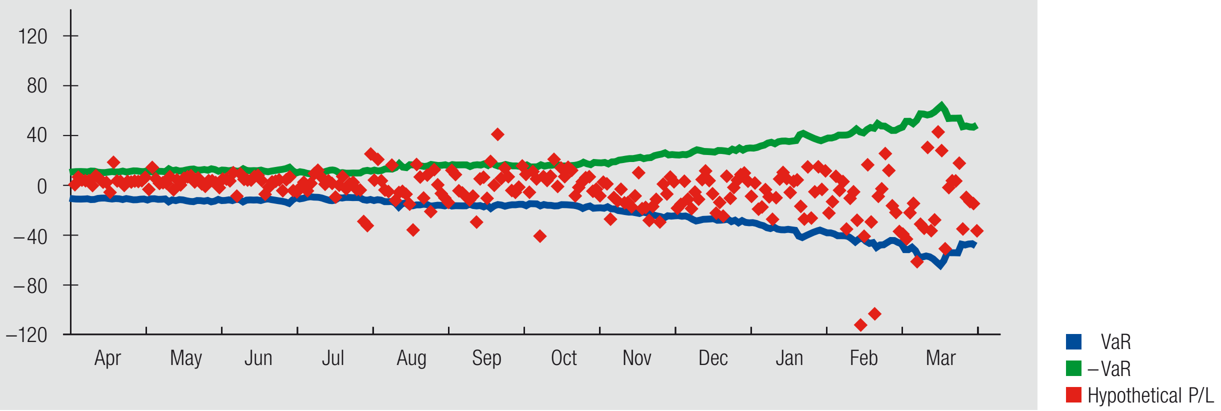
	31/3/2008	AVERAGE 2007[1]	31/12/2007	30/9/2007	30/6/2007
Interest rate positions (incl. credit spread risks)	49	16	31	14	9
Foreign exchange positions	4	3	3	3	3
Equity/index positions	14	8	8	9	9
Diversification effect[2]	**(17)**	**(9)**	**(11)**	**(10)**	**(8)**
HVB Group	**50**	**18**	**31**	**16**	**13**

1 arithmetic mean

2 because of the diversification effect between the risk categories, the total risk is less than the sum of the individual risks

Risk Report (Continued)

Back-testing of internal model: trading activities HVB AG 2007/08 (€ millions)



At March 31, 2008, the banking book of HVB Group contained market risks of €21 million with a one-day holding period (December 31, 2007: €19 million).

A downward shift in yield curve by 100 basis points (interest sensitivity) at March 31, 2008 results in a decrease in value of €0.895 million (0.004% of regulatory equity capital) in the banking book of HVB Group (December 31, 2007: a decrease of €2.335 million).

Value change in case of an interest shock of –100 BP
at March 31, 2008

		€ millions
	HVB GROUP BANKING BOOK	HVB GROUP BANKING BOOK (31/12/2007)
Total	(0.895)	(2.335)
up to 1 year	(7.537)	(9.127)
1–5 years	5.659	5.269
more than 5 years	0.983	1.523

A 10% devaluation of all foreign currencies (FX sensitivity) results in a decrease in the portfolio value by €9.27 million (0.04% of regulatory equity capital) in the banking book of HVB Group (December 31, 2007: a decrease of €24.77 million).

Value change in case of a 10% FX devaluation
at March 31, 2008

		€ millions
	HVB GROUP BANKING BOOK	HVB GROUP BANKING BOOK (31/12/2007)
Total	(9.27)	(24.77)
USD	(1.37)	(4.52)
GBP	4.99	1.35
AUD	(10.23)	(20.03)
CHF	(0.08)	(0.19)
JPY	(3.28)	(3.61)
SGD	1.58	1.00
Other	(0.88)	(1.23)

A 20% decrease in of all equity and hedge fund prices results in a decrease in the portfolio value by €97.71 million (0.46% of regulatory equity capital) in the banking book of HVB Group (December 31, 2007: a decrease of €108.83 million).

Value change in case of a 20% decrease in equity prices
at March 31, 2008

		€ millions
	HVB GROUP BANKING BOOK	HVB GROUP BANKING BOOK (31/12/2007)
Total	(97.71)	(108.83)
Equity products	(1.19)	(1.57)
Hedge funds	(96.52)	(107.26)

Any financial impact resulting from interest rate changes, FX devaluations and price reductions in the area of equity and index-linked products is reflected in interest income and trading income.

In addition, regular stress tests and scenario analyses are carried out on the banking books of HVB Group that reveal the loss potential in case of extreme market movements.

In compliance with the Circular of November 6, 2007 of BaFin, the change in the market value of the banking book in case of a sudden and unexpected interest shock of +130/–190 basis points is compared with the Bank's eligible equity funds. With a notional utilisation of 0.04% (December 31, 2007: 0.01%) of its regulatory equity capital at March 31, 2008, HVB Group is well below the reportable outlier value of 20% stipulated by the banking supervisory authorities.

Risk Report (Continued)

In addition, a dynamic simulation of the net interest income is carried out for HVB AG on a quarterly basis. The future trend in net interest income is simulated in various scenarios in relation to business volume and interest rates. Assuming a constant volume of business, a parallel interest shock of 100 basis points would result in a €91 million decrease in net interest income within the next 12 months (December 31, 2007: a decrease of €88 million).

Market liquidity risk
Persistently low market liquidity for ABS transactions coupled with wider spreads on securities and CDS positions held by financial service providers again demonstrated the impact of the turmoil on the financial markets in the first quarter of 2008. The direct exposure in the subprime loan segment remains negligible.

3 Liquidity risk
Despite the continuing turmoil on the money and capital markets, HVB Group's liquidity situation always remained at a comfortable level during the first quarter of 2008.

Short-term liquidity risk
Within the framework of our short-term liquidity limit system, which operates under conservative assumptions, we showed an overall positive balance for short-term liquidity risk of €25.6 billion (December 31, 2007: €23.8 billion) in HVB Group for the next banking day at the end of March 2008. The portfolio of highly liquid securities eligible as collateral for central bank borrowings and available at short notice to compensate for unexpected outflows of liquidity amounted to €18.5 billion at March 31, 2008 (December 31, 2007: €17.4 billion).

The requirements of the German Liquidity Ordinance (Liquiditätsverordnung; LiqV) were met at all times by the relevant HVB Group units during the first quarter of 2008. The funds available to HVB AG exceeded its payment obligations for the following month by an average of €32.7 billion in the first quarter of 2008 (December 31, 2007: €31.1 billion).

Funding risk
The funding risk of HVB Group is quite low due to our broad funding base with regard to products, markets and investor groups. This ensures that we are able to obtain adequate funding for our lending operations even during difficult market phases. Longer-term funding developed as planned in the first quarter. With their high credit quality and liquidity, our Pfandbrief mortgage bonds still remain one of the most important funding instruments.

4 Operational risk

The economic capital for operational risks of HVB Group amounted to €0.88 billion at March 31, 2008.

Following the implementation of the Advanced Measurement Approach (AMA) at HVB AG and the achievement of AMA capability for some important Group subsidiaries in 2007, the implementation of AMA capability for further Group subsidiaries by mid 2008 is now under way.

Carried out in the first quarter of 2008, the following measures aimed at minimising operational risk and avoiding potential losses at HVB Group are worthy of a special note:

- Production operation of mainframe computers was moved from HVB Information Services GmbH to UniCredit Global Information Services in March 2008. The risks to operation were examined closely in advance and considered equal to the current situation once the assessment had been completed. The greater physical distance between computer centres provides for greater protection against large-scale disasters in some areas.

  The operational IT risks will be reviewed as a whole later in 2008. This will involve examining all IT solutions and assessing the risk arising from their non-availability by means of a revised process flow for the management of operational IT risks.

- A comprehensive analysis of all securities processes in our Markets & Investment Banking division was a further focal point of activity. The realisation of identified potential for improvements is planned over the rest of the year.

Handling crisis situations

The crisis and emergency management organisation demonstrated its ability to perform by its appropriate and effective responses to real situations and drills.

Legal risks

Unless described otherwise below, the statements made in the Risk Report for 2007 relating to significant risks arising from legal disputes remain applicable.

The lawsuit filed regarding the resolutions passed at our Annual General Meeting of Shareholders on May 23, 2006 among other things approving the spin-off and takeover agreement and the master agreement in conjunction with the transfer of a loan portfolio to a company in the Goldman Sachs Group, have been concluded in favour of the Bank by way of a final ruling published by Munich Higher Regional Court on February 29, 2008.

The special representative, lawyer (Rechtsanwalt) Dr Thomas Heidel, immediately filed an appeal against the ruling of Munich Regional Court I dated January 31, 2008 rejecting his joining the suits regarding the resolutions adopted by the Bank's Extraordinary Shareholders' Meeting on October 25, 2006. Munich Higher Regional Court has not yet decided in this regard.

Risk Report (Continued)

In a ruling dated April 24, 2008, Munich Regional Court I upheld our Bank's motion to grant clearance and determined that the suits challenging and asking the courts to declare null and void the resolution adopted by our Annual General Meeting of Shareholders on June 27, 2007 to transfer the shares held by minority shareholders against payment of an appropriate cash settlement (€38.26 per share) do not prevent the transfer resolution being entered in the Commercial Register for the Company; in its decision, Munich Regional Court I rejected the special representative's writ to join the suits as an intervenor as inadmissible. Numerous shareholders have announced their intention of lodging an immediate appeal against this decision; the outcome of the proceedings remains open.

In a ruling dated April 29, 2008, Munich Regional Court I upheld the suits filed by Hypo Real Estate Bank AG and Hypo Real Estate International AG demanding repayment of alleged overpayments of trade tax allocations. Subject to closer examination of the reasons for the decision, which are not yet available to the Bank, the intention is to appeal against this decision. The ruling is not yet final.

5 Business risk

The calculated economic capital for business risks of HVB Group amounted to €0.54 billion at March 31, 2008.

We will continue to prioritise cost control during the rest of 2008.

6 Risks arising from the Bank's real estate portfolio

The economic capital relating to our real estate portfolio amounted to €0.60 billion at March 31, 2008. The real estate portfolio of HVB Group is located primarily in Munich, which accounts for 36% of the total.

Further disposals of property were completed in the first quarter as planned. We expect to further reduce the portfolio by means of sales as planned during the rest of the year.

7 Risks arising from shareholdings and investments

The economic capital of HVB Group rose to €0.70 billion due primarily to the differentiated incorporation of Wealth Management Capital Holding GmbH. The value-at-risk, without taking into account the diversification effects between risk types, amounted to €1.2 billion, the same as at year-end 2007.

As in 2007, the Bank will continue to reduce its portfolio of non-strategic holdings in 2008 as well as examine purchases where these supplement our structure and main business activities and generate value for our Bank and our Group.

8 Strategic risk

The statements made regarding strategic risk at year-end 2007 are still applicable. For statements regarding general economic trends and current developments on the international financial markets, please refer to the Financial Review in the present quarterly financial report.

The HVB Share

The price of the HVB share declined by approximately 9% in the first quarter of 2008, from €43.03 on January 2, 2008 to €39.30 on March 31, 2008. This performance reflects the bear trend on the global financial market in the first quarter of the year. Nevertheless, the capital market is continuing to support the squeeze-out procedure announced by UniCredit in January 2007, offering to transfer the shares held by minority shareholders to UniCredit against a suitable cash settlement. The transfer was approved by 98.77% of the votes cast in the Annual General Meeting of HypoVereinsbank on June 26 and 27, 2007.

During the same period, the benchmark Prime Banks and Prime All Shares indexes fell by 21.83% and 17.14%, respectively. At the end of March 2008, the HVB share was weighted at 2.46% in the Prime Banks index and 0.18% in the Prime All Share index.

With a remaining free float of 4.6%, the average daily turnover of the HVB share increased sharply compared with the fourth quarter of 2007, by around 47% to 193,076 shares.

On April 24, 2008, Munich District Court upheld the application filed by HypoVereinsbank in December 2007 for the approval to enter the squeeze-out resolution adopted by the Annual General Meeting of Shareholders in June 2007 in the Commercial Register. For more details, please refer to the section entitled "Corporate structure and business operations" in the Financial Review.

Investor Relations again kept analysts, institutional investors, rating agencies and private shareholders up to date on the Bank's economic development and strategic decisions in the first quarter of 2008.

Consolidated Income Statement

for the period from January 1 to March 31, 2008

Income/expenses

	NOTES	1/1–31/3/2008	1/1–31/3/2007	CHANGE	
		€ millions	€ millions	€ millions	in %
Net interest		926	1,074	(148)	(13.8)
Dividends and other income from equity investments		16	67	(51)	(76.1)
Net interest income	4	**942**	**1,141**	**(199)**	**(17.4)**
Net fees and commissions	5	398	487	(89)	(18.3)
Net trading income	6	(647)	350	(997)	
Net other expenses/income	7	34	27	+ 7	+ 25.9
Net non-interest income		**(215)**	**864**	**(1,079)**	
TOTAL REVENUES		**727**	**2,005**	**(1,278)**	**(63.7)**
Payroll costs		(505)	(571)	+ 66	(11.6)
Other administrative expenses		(305)	(320)	+ 15	(4.7)
Amortisation, depreciation and impairment losses					
on intangible and tangible assets		(61)	(64)	+ 3	(4.7)
Operating costs		**(871)**	**(955)**	**+ 84**	**(8.8)**
OPERATING PROFIT		**(144)**	**1,050**	**(1,194)**	
Provisions for risks and charges		—	(6)	+ 6	(100.0)
Write-down on goodwill		—	—	—	—
Restructuring costs		—	—	—	—
Net write-downs of loans and provisions					
for guarantees and commitments	8	(187)	(209)	+ 22	(10.5)
Net income from investments	9	13	270	(257)	(95.2)
PROFIT BEFORE TAX		**(318)**	**1,105**	**(1,423)**	
Income tax for the period		81	(291)	+ 372	
NET PROFIT/LOSS		**(237)**	**814**	**(1,051)**	
Minorities		(45)	(21)	(24)	>+ 100.0
CONSOLIDATED PROFIT/LOSS OF HVB GROUP		**(282)**	**793**	**(1,075)**	

Earnings per share

		€
	1/1–31/3/2008	1/1–31/3/2007
Earnings per share of HVB Group	(0.35)	1.06
Earnings per share of HVB Group (adjusted)[1]	(0.35)	0.70

1 2007 adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and the gain on disposal of Indexchange

Reconciliation with the consolidated income statement for 2007, including the results of discontinued operations

	€ millions
INCOME/EXPENSES	1/1–31/3/2007
NET PROFIT OF HVB GROUP	**793**
Net profit after tax of discontinued operations	3,689
Minority interest in the net profit of discontinued operations	—
NET PROFIT OF HVB GROUP including discontinued operations	**4,482**

Earnings per share including discontinued operations

	€
	1/1–31/3/2007
Earnings per share in €	**5.97**

Since no conversion rights or option rights on conditional capital existed at March 31, 2008, there is no calculation of diluted earnings per share.

Balance Sheet

at March 31, 2008

Assets

	NOTES	31/3/2008	31/12/2007	CHANGE	
		€ millions	€ millions	€ millions	in %
Cash and cash balances		447	551	(104)	(18.9)
Financial assets held for trading	12	187,432	180,855	+ 6,577	+ 3.6
Financial assets at fair value through profit or loss	13	14,321	12,937	+ 1,384	+ 10.7
Available-for-sale financial assets	14	6,945	6,739	+ 206	+ 3.1
Investments in associates, joint ventures and non-consolidated subsidiaries	15	265	317	(52)	(16.4)
Held-to-maturity investments	16	2,999	3,058	(59)	(1.9)
Loans and receivables with banks	17	61,433	48,866	+ 12,567	+ 25.7
Loans and receivables with customers	18	162,557	160,246	+ 2,311	+ 1.4
Hedging derivatives		633	500	+ 133	+ 26.6
Property, plant and equipment		1,368	1,337	+ 31	+ 2.3
Investment properties		1,872	1,890	(18)	(1.0)
Intangible assets		757	770	(13)	(1.7)
of which: Goodwill		424	421	+ 3	+ 0.7
Tax assets		2,137	2,180	(43)	(2.0)
Assets of discontinued operations and non-current assets or disposal groups held for sale	20	27	265	(238)	(89.8)
Other assets		1,904	1,618	+ 286	+ 17.7
Total assets		**445,097**	**422,129**	**+ 22,968**	**+ 5.4**

Liabilities

	NOTES	31/3/2008	31/12/2007	CHANGE	
		€ millions	€ millions	€ millions	in %
Deposits from banks	21	98,651	86,702	+ 11,949	+ 13.8
Deposits from customers	22	111,973	108,626	+ 3,347	+ 3.1
Debt securities in issue	23	74,039	79,568	(5,529)	(6.9)
Financial liabilities held for trading		128,273	115,228	+ 13,045	+ 11.3
Hedging derivatives		567	473	+ 94	+ 19.9
Changes in fair value of portfolio hedged items		112	87	+ 25	+ 28.7
Tax liabilities		1,249	1,316	(67)	(5.1)
Liabilities of discontinued operations and					
of disposal groups held for sale	24	5	10	(5)	(50.0)
Other liabilities		4,928	4,581	+ 347	+ 7.6
Provisions	25	1,576	1,540	+ 36	+ 2.3
Shareholders' equity		23,724	23,998	(274)	(1.1)
Shareholders' equity attributable to shareholders of HVB AG		22,934	23,190	(256)	(1.1)
Subscribed capital		2,407	2,407	0	0.0
Additional paid-in capital		9,791	9,791	0	0.0
Own shares		(2)	(2)	0	0.0
Other reserves		6,917	6,913	+ 4	+ 0.1
Change in valuation of financial instruments	27	29	7	+ 22	>+ 100.0
AfS reserve		412	619	(207)	(33.4)
Hedge reserve		(383)	(612)	+ 229	+ 37.4
Consolidated profit 2007		4,074	4,074	0	0.0
Net profit/loss 1/1–31/3/2008		(282)	—	(282)	
Minority interest		790	808	(18)	(2.2)
Total shareholders' equity and liabilities		**445,097**	**422,129**	**+ 22,968**	**+ 5.4**

Statement of Changes in Shareholders' Equity

at March 31, 2008

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OWN SHARES	OTHER RESERVES	OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at January 1, 2007	**2,252**	**8,886**	**(3)**	**4,061**	**(814)**
Change from capital increase against cash contribution	—	—	—	—	—
Change from capital reductions	—	—	—	—	—
Change in valuation of financial instruments not affecting income	—	—	—	—	—
Change in valuation of financial instruments affecting income	—	—	—	—	—
Change in net income (loss)	—	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—	—
Changes in holdings of, and net income from, own equity instruments	—	—	—	—	—
Dividend payouts	—	—	—	—	—
Transfers from net income	—	—	—	—	—
Changes in group of consolidated companies	—	—	—	850	590
Reserve arising from foreign currency translation and other changes	—	—	—	—	—
Shareholders' equity at March 31, 2007	**2,252**	**8,886**	**(3)**	**4,911**	**(224)**
including:					
shareholders' equity of discontinued operations					
and disposal groups held for sale	—	—	—	(1)	(2)
Shareholders' equity at January 1, 2008	**2,407**	**9,791**	**(2)**	**6,913**	**(189)**
Change from capital increase against cash contribution	—	—	—	—	—
Change from capital increase against contributions in kind	—	—	—	—	—
Transaction costs of capital increase	—	—	—	—	—
Change from capital reductions	—	—	—	—	—
Change in valuation of financial instruments not affecting income	—	—	—	—	—
Change in valuation of financial instruments affecting income	—	—	—	—	—
Change in net income (loss)	—	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—	—
Change in holdings of, and net income from, own equity instruments	—	—	—	—	—
Dividend payouts[1]	—	—	—	—	—
Transfers from net income	—	—	—	—	—
Changes in group of consolidated companies	—	—	—	(2)	—
Reserve arising from foreign currency translation and other changes	—	—	—	6	—
Shareholders' equity at March 31, 2008	**2,407**	**9,791**	**(2)**	**6,917**	**(189)**
including:					
shareholders' equity of discontinued operations					
and disposal groups held for sale	—	—	—	—	—

1 The Management Board will propose to the Annual General Meeting of Shareholders that a dividend of €402 million be paid to the shareholders out of the consolidated profit which amounts to €4,074 million and that a further €3,672 million be transferred to retained earnings. The total dividend payout of €402 million represents a dividend of €0.50 per share of common stock and per share of preferred stock and an advance dividend of €0.064 per share of preferred stock.

€ millions

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS: AfS RESERVE	CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS: HEDGE RESERVE	CONSOLIDATED PROFIT	PROFIT/ (LOSS) 1/1–31/3/2008	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF HVB AG	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
1,195	**(323)**	**622**	**—**	**16,690**	**3,298**	**19,988**
—	—	—	—	—	—	—
—	—	—	—	—	—	—
142	(93)	—	—	49	—	49
(30)	23	—	—	(7)	—	(7)
—	—	—	4,482	4,482	21	4,503
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	(15)	(15)
—	—	—	—	—	—	—
(405)	136	—	—	581	(2,448)	(1,867)
—	—	—	—	—	(7)	(7)
902	**(257)**	**622**	**4,482**	**21,795**	**849**	**22,644**
—	—	—	—	(1)	—	(1)
619	**(612)**	**4,074**	**—**	**23,190**	**808**	**23,998**
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(215)	177	—	—	(38)	—	(38)
6	52	—	—	58	—	58
—	—	—	(282)	(282)	45	(237)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	(13)	(13)
—	—	—	—	—	—	—
—	—	—	—	(2)	2	—
2	—	—	—	8	(52)	(44)
412	**(383)**	**4,074**	**(282)**	**22,934**	**790**	**23,724**
—	—	—	—	—	—	—

Cash Flow Statement

(abridged version)

		€ millions
HVB GROUP	2008	2007
Cash and cash equivalents at January 1[1]	**551**	**508**
Cash flows from operating activities	**1,450**	**(2,878)**
Cash flows from investing activities	**(1,713)**	**3,192**
Cash flows from financing activities	**159**	**(374)**
Effects of exchange rate changes	—	(5)
Less non-current assets or disposal groups held for sale and discontinued operations	—	(18)
Cash and cash equivalents at March 31	**447**	**425**

1 The cash and cash equivalents are identical to the cash and cash balances shown in the balance sheet. The other balances with central banks are carried under loans and receivables with banks and hence no longer form part of cash and cash equivalents

Selected Notes

1 Accounting and valuation principles

IFRS basis

The present quarterly financial report has been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS) and complies with IAS 34, which covers interim reporting. At the same time, this quarterly financial report prepared in accordance with IFRS meets the requirements in place since the 2007 financial year for capital-market oriented companies to provide financial reports during the year. These requirements have arisen under the German Securities Act (WpHG) as a result of the implementation of the EU Transparency Directive.

The IFRS changes regarding the disclosure of financial instruments imlemented in the 2007 financial statements have been continued in the present Quarterly Financial Report.

The IFRIC interpretations 11, 12 and 14 to be applied for the first time in the 2008 financial year have had no material consequences for accounting and valuation.

Moreover, we have applied the same accounting and valuation principles in 2008 as in the consolidated financial statements for 2007 (please refer to the HVB Group Annual Report, starting on page 135).

Segment reporting

Largely the same methodology and assignment principles have been applied in segment reporting as at year-end 2007. The interest rate for assessing the equity capital allocated to the companies assigned to more than one division (HVB AG, HVB Banque Luxembourg) amounted to 3.8% in 2007. This rate was revised in line with the change in the interest level for the 2008 financial year and has totalled 3.97% since January 1, 2008. This change has no materially significant effects overall, so the figures for the previous periods have not been restated.

In addition, the Commercial Real Estate Financing subdivision, which up until now reported separately, has been integrated into the Corporates subdivision.

At the same time, a number of smaller reorganisations took place with a view to giving the divisions a strategic orientation and changes were made in the cost allocation, which led to modified assignments of operating costs. The figures for the previous year have been adjusted to take account of the integration of the Commercial Real Estate Financing subdivision into the Corporates subdivision and the reorganisations in the area of operating costs.

Selected Notes (Continued)

2 Changes in the group of companies included in consolidation

The following companies, among others, have been consolidated in the financial statements of HVB Group for the first time in the first quarter of 2008:

– BaLea Soft GmbH & Co. KG, Hamburg
– BaLea Soft Verwaltungsgesellschaft mbH, Hamburg
– HVB Investitionsbank GmbH, Hamburg
– LFL Luftfahrzeug Leasing GmbH, Hamburg
– Mobility Concept GmbH, Munich
– SRQ Finanzpartner AG, Berlin
– Structured Lease GmbH, Grünwald
– Blue Capital Equity GmbH, Hamburg
– Blue Capital Equity Management GmbH, Hamburg
– Blue Capital Fonds GmbH, Hamburg
– Blue Capital GmbH, Hamburg
– Blue Capital Treuhand GmbH, Hamburg
– Blue Capital USA Immobilien Verwaltungs GmbH, Hamburg
– H.F.S. Immobilienfonds GmbH, Ebersberg
– HVB FondsFinance GmbH, Munich
– V.M.G. Vermietungsgesellschaft mbH, Munich
– WealthCap Investorenbetreuung GmbH, Munich
– WealthCap Real Estate Management GmbH, Munich

The following company left the group of companies included in consolidation by HVB Group in the first quarter of 2008:
– HVB Capital LLC V, Wilmington (wound up as of January 30, 2008)

When comparing figures for the first quarter of 2008 with the results achieved in the first quarter of 2007, those companies which were consolidated after March 31, 2007 in the 2007 financial year also have an impact. Essentially, this concerns HVB Asset Management Holding GmbH, Munich; Euro ImmoProfil, Munich (a special property fund compliant with Section 66 et seq. of the German Investment Act), and the following special purpose entities compliant with SIC 12: Bavaria Universal Funding Corporation (BUFCO), Delaware; Black Forest Funding Corporation, Delaware; Arabella Funding Ltd., St. Helier; and Salome Funding Plc., Dublin. In addition, the investment banking activities of UniCredit Banca Mobiliare S.p.A. (UBM) transferred to us with effect from April 1, 2007 against the issue of new bearer shares has the same economic effect as initial consolidation.

Notes to the Income Statement

3 Segment reporting
Income statement broken down by division for the period from January 1 to March 31, 2008

						€ millions
	MARKETS & INVESTMENT BANKING	CORPORATES & COMMERCIAL REAL ESTATE FINANCING	RETAIL	WEALTH MANAGEMENT	OTHER/ CONSOLIDATION	HVB GROUP[2]
TOTAL REVENUES						
1/1–31/3/2008	(328)	393	440	129	93	727
1/1–31/3/2007	828	383	470	123	201	2,005
Operating costs						
1/1–31/3/2008	(288)	(137)	(325)	(77)	(44)	(871)
1/1–31/3/2007	(303)	(135)	(351)	(73)	(93)	(955)
OPERATING PROFIT						
1/1–31/3/2008	(616)	256	115	52	49	(144)
1/1–31/3/2007	525	248	119	50	108	1,050
Net write-downs of loans						
and provisions for guarantees						
and commitments						
1/1–31/3/2008	(23)	(55)	(50)	(3)	(56)	(187)
1/1–31/3/2007	(1)	(51)	(67)	(4)	(86)	(209)
Other items[1]						
1/1–31/3/2008	(1)	5	19	—	(10)	13
1/1–31/3/2007	215	(1)	—	1	49	264
PROFIT BEFORE TAX						
1/1–31/3/2008	(640)	206	84	49	(17)	(318)
1/1–31/3/2007	739	196	52	47	71	1,105

1 contains the following income statement items: provisions for risks and charges, write-down on goodwill, restructuring costs and net income from investments
2 see Note 10, “Income statement and earnings per share of discontinued operations”, for information on amounts attributable to discontinued operations in 2007

Selected Notes (Continued)

Income statement of the Markets & Investment Banking division

					€ millions
INCOME/EXPENSES	1/1–31/3/2008	1/1–31/3/2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	**308**	**392**	**346**	**226**	**283**
Net fees and commissions	34	79	86	54	139
Net trading income	(669)	355	(286)	26	463
Net other expenses/income	(1)	2	17	(9)	6
Net non-interest income	**(636)**	**436**	**(183)**	**71**	**608**
TOTAL REVENUES	**(328)**	**828**	**163**	**297**	**891**
Payroll costs	(117)	(158)	(76)	(78)	(196)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(171)	(145)	(151)	(175)	(182)
Operating costs	**(288)**	**(303)**	**(227)**	**(253)**	**(378)**
OPERATING PROFIT	**(616)**	**525**	**(64)**	**44**	**513**
Restructuring costs	—	—	(27)	—	—
Net write-downs of loans and provisions for guarantees and commitments	(23)	(1)	32	44	(1)
Net income from investments and other items[1]	(1)	215	220	16	7
PROFIT BEFORE TAX	**(640)**	**739**	**161**	**104**	**519**
Cost-income ratio in %	n.a.	36.6	139.3	85.2	42.4

1 contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Markets & Investment Banking division
The performance of the Markets & Investment Banking division was heavily affected by the consequences of the turmoil on the international financial markets. This is reflected in an operating loss of €616 million. This total includes a trading loss of €669 million, compared with an outstanding trading profit of €355 million generated in the equivalent period last year in a favourable market environment.

Overall, €495 million of the trading loss in the quarter under review was directly attributable to net valuation results together with net realisation results on asset-backed security products. In addition, the result of the Structured Credit unit was affected by the widening of credit spreads.

Net interest income declined by €84 million, essentially due to lower dividend income together with the refinancing expenses for UBM's investment banking activities not yet included in the previous year, but which are offset by far higher earnings recognised in net trading income. Net fees and commissions fell by €45 million due to the very high earnings generated by structured finance operations in the previous year.

Operating costs fell by €15 million (down 5%), despite the inclusion of UBM's investment banking activities, under which much lower payroll costs (down 26%) on account of lower expenses for performance bonuses are partially compensated by higher other administrative costs (up 18%).

"Net income from investments and other items" included the gain of €218 million on the sale of Indexchange Investment AG in 2007; this line contains no significant items in the quarter under review. The loss before tax totalled €640 million (Q1 2007: profit of €739 million).

Income statement of the Corporates & Commercial Real Estate Financing division, Corporates subdivision[1]

INCOME/EXPENSES	1/1–31/3/2008	1/1–31/3/2007	Q4 2007	Q3 2007	Q2 2007
					€ millions
Net interest income	**256**	**242**	**249**	**236**	**260**
Net fees and commissions	98	109	71	85	94
Net trading income	(1)	1	2	(1)	(1)
Net other expenses/income	5	1	1	3	3
Net non-interest income	**102**	**111**	**74**	**87**	**96**
TOTAL REVENUES	**358**	**353**	**323**	**323**	**356**
Payroll costs	(52)	(49)	(56)	(50)	(46)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(73)	(72)	(83)	(76)	(71)
Operating costs	**(125)**	**(121)**	**(139)**	**(126)**	**(117)**
OPERATING PROFIT	**233**	**232**	**184**	**197**	**239**
Restructuring costs	—	—	—	—	—
Net write-downs of loans and provisions for guarantees and commitments	(53)	(51)	(6)	(36)	(51)
Net income from investments and other items[2]	5	(1)	(17)	(9)	3
PROFIT BEFORE TAX	**185**	**180**	**161**	**152**	**191**
Cost-income ratio in %	34.9	34.3	43.0	39.0	32.9

1 including the income and expenses of the Commercial Real Estate Financing subdivision still shown separately in 2007
2 contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Corporates subdivision
The profit contributions of the Commercial Real Estate Financing subdivision, which were still shown separately in the previous year, are being included in the Corporates subdivision for the first time in 2008. In order to ensure a meaningful presentation of performance, the previous-year quarters have been adjusted accordingly.

The Corporates subdivision generated an excellent profit before tax of €185 million in the first quarter of 2008, which represents an increase of 2.8% over the already high previous-year figure.

This can be attributed to the subdivision's operating performance, under which total revenues climbed 1.4% over the strong total at this point last year. The sharp 5.8% rise in net interest income results primarily from profits in the Cash Management and Trade Finance units. In net fees and commissions, on the other hand, it proved impossible to match the high previous-year level, which benefited from strong derivative operations. Operating costs rose by 3.3% year-on-year. Within this total, payroll costs grew in particular due to the deliberate expansion of the workforce as part of the continued growth strategy. In all, the operating profit of €233 million was slightly higher than the already excellent figure for the previous year. The cost-income ratio remains practically unchanged, at 34.9%, reflecting the excellent profitability of HVB Group's corporate banking operations.

Based on the good operating performance, the profit before tax rose by 2.8% to €185 million year-on-year.

Selected Notes (Continued)

Income statement of the Corporates & Commercial Real Estate Financing division, Global Transaction Banking subdivision

€ millions

INCOME/EXPENSES	1/1–31/3/2008	1/1–31/3/2007	Q4 2007	Q3 2007	Q2 2007
Net interest income	**22**	**19**	**19**	**18**	**18**
Net fees and commissions	12	11	10	10	12
Net trading income	—	—	1	—	—
Net other expenses/income	1	—	—	1	—
Net non-interest income	**13**	**11**	**11**	**11**	**12**
TOTAL REVENUES	**35**	**30**	**30**	**29**	**30**
Payroll costs	(4)	(5)	(5)	(3)	(5)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(8)	(9)	(8)	(9)	(10)
Operating costs	**(12)**	**(14)**	**(13)**	**(12)**	**(15)**
OPERATING PROFIT	**23**	**16**	**17**	**17**	**15**
Restructuring costs	—	—	—	—	—
Net write-downs of loans and provisions for guarantees and commitments	(2)	—	2	(1)	—
Net income from investments and other items[1]	—	—	—	—	—
PROFIT BEFORE TAX	**21**	**16**	**19**	**16**	**15**
Cost-income ratio in %	34.3	46.7	43.3	41.4	50.0

1 contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Global Transaction Banking subdivision
The Global Transaction Banking subdivision (formerly known as Global Financial Services), which is primarily responsible for the Export Finance, Cash Management and eBanking units, recorded a very good start to 2008, with operating profit climbing a very strong 43.8% compared with the previous year.

Total revenues rose a sharp 16.7% compared with the first quarter of 2007. This performance trend in a good market environment was driven by both net interest income (up 15.8%), which benefited primarily from higher profit contributions from deposit-taking business, and the expansion of fee-generating activities. The pleasing growth of 9.1% in net fees and commissions results from higher income in foreign payment activities together with operations involving foreign guarantees. As a result of the impressive progress achieved on both the income and expense side, the cost-income ratio of the Global Transaction Banking subdivision reached an excellent 34.3%, which represents a significant year-on-year improvement of 12.4 percentage points.

Thanks to the excellent operating performance in the first quarter of 2008, the profit before tax recorded in 2007 was exceeded by a strong 31.3%.

Income statement of the Retail division

					€ millions
INCOME/EXPENSES	1/1–31/3/2008	1/1–31/3/2007	Q4 2007	Q3 2007	Q2 2007
Net interest income	**263**	**271**	**269**	**269**	**269**
Net fees and commissions	177	195	151	151	172
Net trading income	—	1	—	1	—
Net other expenses/income	—	3	3	4	2
Net non-interest income	**177**	**199**	**154**	**156**	**174**
TOTAL REVENUES	**440**	**470**	**423**	**425**	**443**
Payroll costs	(149)	(161)	(154)	(146)	(150)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(176)	(190)	(188)	(184)	(181)
Operating costs	**(325)**	**(351)**	**(342)**	**(330)**	**(331)**
OPERATING PROFIT	**115**	**119**	**81**	**95**	**112**
Restructuring costs	—	—	3	—	—
Net write-downs of loans and provisions for guarantees and commitments	(50)	(67)	(52)	(15)	(13)
Net income from investments and other items[1]	19	—	34	(2)	—
PROFIT BEFORE TAX	**84**	**52**	**66**	**78**	**99**
Cost-income ratio in %	73.9	74.7	80.9	77.6	74.7

1 contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Retail division

The Retail division recorded a pleasing increase of 61.5% in profit before tax, to €84 million, compared with the first quarter of 2007. This can be attributed to both a 25% reduction in loan-loss provisions and €18 million in net income from investments.

Operating profit totalled €115 million after the first three months of 2008, down a minor €4 million on the high total last year.

At €440 million, total revenues failed to match the very good level of the previous year (€470 million). Net interest income fell a slight 3.0%, due above all to the further strategic reduction in the volume of real estate loans. This development was partially offset by higher volumes in deposit-taking operations. In terms of net fees and commissions, the unusually high previous-year total could not be repeated (down 9.2%), partly on account of the far more difficult stock-market environment than last year. Nevertheless, it again proved possible to sell innovative investment products with a volume of over a billion euros in the first quarter of 2008. Alongside the HVB 3x5% bond and the HVB Relax Express certificate with a total volume of around €450 million, it is worth noting the very successful distribution of the newly developed HVB Vermögensdepot Privat, which is specially geared to the new flat tax on capital income, with a sales volume of around €650 million.

Continued strict cost management helped to reduce operating costs by 7.4%, reflecting a decline of 7.5% in payroll costs as well as a fall of 7.4% in other administrative expenses (including amortisation, depreciation and impairment losses) caused by better capacity utilisation in the back office. This cost reduction led to an improvement in the cost-income ratio to 73.9% in the first quarter of 2008, despite the fall in total revenues, after 74.7% in the equivalent period last year.

Selected Notes (Continued)

Income statement of the Wealth Management division

INCOME/EXPENSES	1/1–31/3/2008	1/1–31/3/2007	Q4 2007	Q3 2007	Q2 2007
					€ millions
Net interest income	**38**	**37**	**50**	**45**	**40**
Net fees and commissions	86	87	77	70	79
Net trading income	2	(1)	1	1	(7)
Net other expenses/income	3	—	5	(1)	—
Net non-interest income	**91**	**86**	**83**	**70**	**72**
TOTAL REVENUES	**129**	**123**	**133**	**115**	**112**
Payroll costs	(28)	(23)	(25)	(22)	(24)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(49)	(50)	(56)	(46)	(48)
Operating costs	**(77)**	**(73)**	**(81)**	**(68)**	**(72)**
OPERATING PROFIT	**52**	**50**	**52**	**47**	**40**
Restructuring costs	—	—	(2)	—	—
Net write-downs of loans and provisions for guarantees and commitments	(3)	(4)	(1)	—	(2)
Net income from investments and other items[1]	—	1	14	1	5
PROFIT BEFORE TAX	**49**	**47**	**63**	**48**	**43**
Cost-income ratio in %	59.7	59.3	60.9	59.1	64.3

1 contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Wealth Management division
The Wealth Management division encompasses the Wealth Management Sales of HVB AG (WEM HVB AG), the DAB Bank Group, the private banking activities of HVB Banque Luxembourg and Wealth Management Capital Holding GmbH, Munich, complete with their participating interests (essentially Blue Capital GmbH, HVB Fonds-Finance GmbH and H.F.S. Immobilienfonds GmbH) which were consolidated for the first time in January 2008.

With profit before tax of €49 million, the Wealth Management division was able to repeat the good quarterly results of the previous year in the first three months of 2008; compared with the first quarter of 2007, profit was up 4.3%. It is important to note in comparisons with 2007 that the proportion of the gain on disposal of Financial Markets Service Bank GmbH (FMS Bank) attributable to the division, around €17 million, is included in net income from investments in the fourth quarter of last year. Adjusted for this amount, profit before tax increased by 6.5% over the fourth quarter of 2007.

The new business model implemented by WEM HVB AG of providing service tailored specifically to the target group of very wealthy customers proved to be a strong cornerstone in the sustained positive performance in a difficult market environment at the start of 2008. In contrast to its competitors, WEM HVB AG is positioned as a generalist offering its clientele credit facilities from a single source alongside the typical wealth management investment products. The development of fee and commission income at WEM HVB AG in the first quarter of 2008 was shaped by market happenings, but this was partially offset by the higher net interest income compared with the first quarter of 2007 resulting from stronger demand for demand and term deposits. A clear trend towards secure deposit-taking activities can be observed.

With 2.2 million transactions in the first quarter, the DAB Bank Group was able to record a respectable result in its customer operations despite uncertain capital markets. Thanks to cost savings and a trading profit, the DAB Bank Group succeeded in improving its operating profit by more than 10% compared with the equivalent period last year.

The total revenues of the Wealth Management division increased by €6 million, or 4.9%, over the first quarter of 2007, despite the difficult market environment at present. The initially consolidated holdings of Wealth Management Capital Holding GmbH had a beneficial effect overall in this regard. Net fees and commissions declined slightly, whereas net interest income increased a small amount.

The €4 million increase in operating costs (up 5.5%) can essentially be attributed to the initially consolidated holdings as well as the targeted increase in the sales force compared with the first quarter of 2007, which is intended to generate further sustainable organic growth. At 59.7%, the cost-income ratio matched the good level posted last year.

Income statement of the Other/consolidation division

					€ millions
INCOME/EXPENSES	1/1–31/3/2008	1/1–31/3/2007	Q4 2007	Q3 2007	Q2 2007
TOTAL REVENUES	**93**	**201**	**212**	**151**	**150**
Operating costs	**(44)**	**(93)**	**(37)**	**(50)**	**(30)**
OPERATING PROFIT	**49**	**108**	**175**	**101**	**120**
Restructuring costs	—	—	45	(3)	(3)
Net write downs of loans and provisions					
for guarantees and commitments	(56)	(86)	(15)	(98)	(114)
Net income from investments and other items[1]	(10)	49	(159)	(6)	79
PROFIT BEFORE TAX	**(17)**	**71**	**46**	**(6)**	**82**

1 contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Other/consolidation division

The Other/consolidation segment encompasses the Global Banking Services and the Group Corporate Centre subsegments together with the profit contributions from the Special Credit Portfolio (including the remaining holdings in the Real Estate Restructuring portfolio) and consolidation effects.

The total revenues of this segment declined sharply, from €201 million in 2007 to €93 million in the first three months of 2008. This development results almost exclusively from net interest income, which benefited in the previous year from a non-recurring item of €93 million arising from the interest payments on purchase prices in conjunction with the disposal of discontinued operations. There was a sharp decline in operating costs, from €93 million to €44 million, which can essentially be attributed to strict cost management in the internal service units and the related reduction in the headcount. Net write-downs of loans and provisions for guarantees and commitments relating to the Special Credit Portfolio declined by 34.9% to €56 million. The higher profit contribution recorded under "Net income from investments and other items" in the previous year can be attributed notably to the gain of €47 million on the disposal of Nordinvest realised in the first quarter of 2007. The loss before tax totalled €17 million in the first quarter of 2008. It was down on the profit of €71 million recorded last year primarily as a result of the non-recurring income from interest payments on purchase prices mentioned above and the gain on the disposal of Nordinvest.

Selected Notes (Continued)

4 Net interest income

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Interest income from		
lending and money market transactions	2,657	2,910
other interest income	1,681	820
Interest expense from		
deposits	(1,756)	(1,711)
debt securities in issue and		
other interest expenses	(1,656)	(945)
Net interest	**926**	**1,074**
Dividends and other income		
from equity investments		
Dividends and other similar income	15	65
Companies accounted		
for using the equity method	1	2
Total	**942**	**1,141**

5 Net fees and commissions

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Management, brokerage		
and consultancy services	222	290
Collection and payment services	51	57
Lending operations	84	106
Other service operations	41	34
Total	**398**	**487**

This item comprises the balance of fee and commisssion income of €712 million (2007: €604 million) and fee and commission expense of €314 million (2007: €117 million).

6 Net trading income

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Net gains on financial assets held for trading	(741)	264
Dividends on financial assets held for trading	114	26
Private equity realisation gains[1]	—	46
Effects arising from hedge accounting	2	(1)
Changes in fair value of hedged items	110	121
Changes in fair value of hedging derivatives	(108)	(122)
Net gains on financial assets at fair value		
through profit or loss	(13)	26
Other net trading income	(9)	(11)
Total	**(647)**	**350**

1 the gains on the disposal of actively managed holdings in the private equity business are recorded here

The net gains on holdings at fair value through profit or loss (held-for-trading portfolio, fair value option) generally only contain the changes in fair value disclosed and gains realised on disposal in the income statement. The interest income from these holdings is disclosed under net interest income. The interest cash flows are only shown in net trading income for the pure interest swap book in the held-for-trading portfolio.

7 Net other expenses/income

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Other income	66	51
Other expenses	(32)	(24)
Total	**34**	**27**

8 Net write-downs of loans and provisions for guarantees and commitments

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Additions	**(420)**	**(408)**
Allowances for losses on loans		
and receivables	(380)	(397)
Allowances for losses on guarantees		
and commitments	(40)	(11)
Releases	**217**	**190**
Allowances for losses on loans		
and receivables	215	189
Allowances for losses on guarantees		
and commitments	2	1
Recoveries from write-offs of loans		
and receivables	**16**	**9**
Total	**(187)**	**(209)**

The effect of €17 million arising from the unwinding to be carried out compliant with IFRS is disclosed under net write-downs of loans and provisions for guarantees and commitments as part of the uniform Group accounting policies.

9 Net income from investments

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Available-for-sale financial assets	(1)	(1)
Shares in affiliated companies	19	265
Companies accounted for using		
the equity method	—	—
Held-to-maturity investments	—	—
Land and buildings	2	6
Investment properties[1]	(7)	—
Total	**13**	**270**

1 impairments and write-ups

Net income from investments breaks down as follows:

		€ millions
	1/1–31/3/2008	1/1–31/3/2007
Gains on the disposal of	**25**	**270**
available-for-sale financial assets	—	(1)
shares in affiliated companies	23	265
companies accounted for using		
the equity method	—	—
held-to-maturity investments	—	—
land and buildings	2	6
Write-downs and value adjustments on	**(12)**	**—**
available-for-sale financial assets	(1)	—
shares in affiliated companies	(4)	—
companies accounted for using		
the equity method	—	—
held-to-maturity investments	—	—
investment properties[1]	(7)	—
Total	**13**	**270**

1 impairments and write-ups

The gains on disposal arising from the sale of shares in affiliated companies in 2007 relate to a gain of €218 million on the disposal of Indexchange and of €47 million on the disposal of Nordinvest.

Selected Notes (Continued)

10 Income statement and earnings per share of discontinued operations

There were no discontinued operations to be defined in the first quarter of 2008. Apart from the HVB AG branches in Tallinn und Vilnius, the Bank Austria Group, IMB, HVB Bank Ukraine, AS UniCredit Bank, Riga and the HVB AG branches in Tallinn and Vilnius defined as discontinued operations at year-end 2006 were fully sold or transferred in the first quarter of 2007. Consequently, the gains of €3,771 million on the disposal of the transferred companies in the first quarter of 2007 are included in the income statement of discontinued operations shown below before taxes. The taxes accruing on these gains on disposal compliant with IFRS totalled €82 million. At the same time, the income and expenses of the HVB AG branches in Tallinn and Vilnius not transferred until the third quarter of 2007 are included up to and including March 1, 2007 (economic completion date).

The income statement of discontinued operations in the first quarter of 2007 was as follows:

	€ millions
	1/1–31/3/2007
Net interest income	1
Net fees and commissions	—
Net trading income	—
Net other expenses/income	—
TOTAL REVENUES	**1**
Operating costs	(1)
OPERATING PROFIT	**—**
Provisions for risks and charges	—
Write-down on goodwill	—
Restructuring costs	—
Net write-downs of loans and provisions	
for guarantees and commitments	—
Net income from investments	3,771
PROFIT BEFORE TAX	**3,771**
Income tax for the period	(82)
PROFIT AFTER TAX	**3,689**
Minorities	—
NET PROFIT	**3,689**

Earnings per share of discontinued operations

	€
	1/1–31/3/2007
Earnings per share in €	**4.91**

11 Earnings per share

HVB GROUP	1/1–31/3/2008	1/1–31/3/2007
Net profit (€ millions)	(282)	793
Net profit (adjusted, € millions)[1]	(282)	522
Average number of shares	802,383,672	750,699,140
Earnings per share (€)	(0.35)	1.06
Earnings per share (adjusted, €)[1]	(0.35)	0.70

1 2007 adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and the gain on disposal of Indexchange

12 Financial assets held for trading

		€ millions
	31/3/2008	31/12/2007
Balance-sheet assets		
Fixed-income securities	61,678	64,391
Equity instruments	17,580	18,084
Other financial assets held for trading	34,188	39,122
Positive fair value from derivative financial instruments	**73,986**	**59,258**
Total	**187,432**	**180,855**

The financial assets held for trading at March 31, 2008 include €2,202 million (December 31, 2007: €1,706 million) in subordinated assets.

13 Financial assets at fair value through profit or loss

		€ millions
	31/3/2008	31/12/2007
Fixed-income securities	11,753	10,389
Equity instruments	—	—
Investment certificates	1	3
Promissory notes	2,567	2,545
Other financial assets at fair value through profit or loss	—	—
Total	**14,321**	**12,937**

The financial assets at fair value through profit or loss at March 31, 2008 include €471 million (December 31, 2007: €276 million) in subordinated assets.

14 Available-for-sale financial assets

		€ millions
	31/3/2008	31/12/2007
Fixed-income securities	3,670	3,545
Equity instruments	2,512	2,460
Other available-for-sale financial assets	655	619
Impaired assets	108	115
Total	**6,945**	**6,739**

Available-for-sale financial assets at March 31, 2008 include financial assets of €1,381 million (December 31, 2007: €1,209 million) valued at cost.

The available-for-sale financial assets at March 31, 2008 contain a total of €108 million in impaired assets for which no impairments were taken to the income statement during the period under review. None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets at March 31, 2008 include €471 million (December 31, 2007: €473 million) in subordinated assets.

15 Investments in associates, joint ventures and non-consolidated subsidiaries

		€ millions
	31/3/2008	31/12/2007
Non-consolidated subsidiaries	232	282
Joint ventures	—	—
Associated companies accounted for using the equity method	32	34
of which: goodwill	—	—
Other associated companies	1	1
Total	**265**	**317**

Selected Notes (Continued)

16 Held-to-maturity investments

		€ millions
	31/3/2008	31/12/2007
Fixed-income securities	2,960	3,017
Other held-to-maturity investments	22	24
Impaired assets	17	17
Total	**2,999**	**3,058**

The held-to-maturity investments at March 31, 2008 contain a total of €17 million in impaired assets for which no impairments were taken to the income statement during the period under review. None of the non-impaired debt instruments are financial instruments past due.

The held-to-maturity investments at March 31, 2008 include €22 million (December 31, 2007: €24 million) in subordinated assets.

17 Loans and receivables with banks

		€ millions
	31/3/2008	31/12/2007
Loans to central banks	**2,841**	**6,081**
Loans to banks	**58,592**	**42,785**
Current accounts and demand deposits	19,690	10,265
Other loans to banks	38,902	32,520
Total	**61,433**	**48,866**

The loans and receivables with banks at March 31, 2008 include €1,146 million (December 31, 2007: €1,126 million) in subordinated loans.

18 Loans and receivables with customers

		€ millions
	31/3/2008	31/12/2007
Current accounts	8,222	8,062
Repos[1]	5,345	3,160
Mortgage loans	69,003	69,956
Finance leases	1,042	929
Other loans and receivables	78,945	78,139
Total	**162,557**	**160,246**

1 repurchase agreements

The loans and receivables with customers at March 31, 2008 include €193 million (December 31, 2007: €197 million) in subordinated assets.

19 Allowances for losses on loans and receivables with customers and banks

Analysis of allowances for loans and receivables

			€ millions
	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES[1]	TOTAL
Balance at January 1, 2007	**5,595**	**473**	**6,068**
Changes affecting income			
Gross additions	362	35	397
Releases	(179)	(10)	(189)
Changes not affecting income			
Changes due to make-up of group of consolidated companies			
and reclassifications of disposal groups held for sale	—	—	—
Use of existing loan-loss allowances	(70)	(23)	(93)
Effects of currency translation and other changes not affecting income	5	—	5
Non-current assets or disposal groups held for sale	—	—	—
Balance at December 31, 2007	**5,713**	**475**	**6,188**
	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES[1]	TOTAL
Balance at January 1, 2008	**4,573**	**520**	**5,093**
Changes affecting income			
Gross additions	326	54	380
Releases	(199)	(16)	(215)
Changes not affecting income			
Changes due to make-up of group of consolidated companies			
and reclassifications of disposal groups held for sale	—	—	—
Use of existing loan-loss allowances	(57)	—	(57)
Effects of currency translation and other changes not affecting income	(15)	(1)	(16)
Non-current assets or disposal groups held for sale	—	—	—
Balance at March 31, 2007	**4,628**	**557**	**5,185**

1 including provisions for country risk

Selected Notes (Continued)

20 Non-currents assets or disposal groups held for sale

Compliant with IFRS 5, non-current assets held for sale and the assets of a disposal group held for sale are shown separately in the balance sheet. This item has developed as follows:

– In December 2007, among other things real estate sold to third parties from Euro ImmoProfil, which was consolidated for the first time at December 31, 2007, was classified as held for sale compliant with IFRS 5. After ownership, benefits and obligations were transferred in the first quarter of 2008, the assets involved were derecognised.

– The investment properties similarly already classified as held for sale compliant with IFRS 5 in 2007 relate to the disposal of a portfolio of non-strategic real estate. Ownership, benefits and obligations relating to the holdings still recognised at March 31, 2008 were not yet transferred in the first quarter of 2008.

€ millions

ASSETS	31/3/2008	31/12/2007
Cash and cash balances	—	—
Financial assets held for trading	—	—
Financial assets at fair value through profit or loss	—	—
Available-for-sale financial assets	—	—
Investments in associates,		
joint ventures and non-consolidated subsidiaries	—	7
Held-to-maturity investments	—	—
Loans and receivables with banks	—	—
Loans and receivables with customers	—	—
Hedging derivatives	—	—
Property, plant and equipment	—	—
Investment properties	27	257
Intangible assets	—	—
Tax assets	—	—
Other assets	—	1
Total assets	**27**	**265**

21 Deposits from banks

€ millions

	31/3/2008	31/12/2007
Deposits from central banks	**12,161**	**16,559**
Deposits from banks	**86,490**	**70,143**
Current accounts and demand deposits	17,566	9,490
Other deposits from banks	68,924	60,653
Total	**98,651**	**86,702**

22 Deposits from customers

€ millions

	31/3/2008	31/12/2007
Current accounts and demand deposits	34,585	37,060
Savings deposits	14,282	14,580
Other deposits from customers	63,106	56,986
Total	**111,973**	**108,626**

23 Debt securities in issue

€ millions

	31/3/2008	31/12/2007
Listed securities	**52,890**	**57,003**
Bonds	51,763	55,286
Other securities	1,127	1,717
Unlisted securities	**21,149**	**22,565**
Bonds	20,772	22,158
Other securities	377	407
Total	**74,039**	**79,568**

24 Liabilities of disposal groups held for sale

The following table shows the breakdown of the liabilities of disposal groups held for sale:

		€ millions
	31/3/2008	31/12/2007
Deposits from banks	—	1
Deposits from customers	—	4
Financial liabilities held for trading	—	—
Tax liabilities	—	—
Other liabilities	5	5
Provisions	—	—
Total	**5**	**10**

For information regarding changes compared with 2007, please refer to Note (20), "Non-current assets or disposal groups held for sale".

25 Provisions

		€ millions
	31/3/2008	31/12/2007
Provisions for pensions and similar commitments	122	105
Provisions for financial guarantees	186	163
Restructuring provisions	124	126
Other provisions	1,144	1,146
Total	**1,576**	**1,540**

26 Own shares

At March 31, 2008, neither HVB AG nor any controlled companies nor any companies in which a majority interest is held had significant holdings of own shares or other equity instruments of HVB AG in their portfolios.

Compliant with Section 71 (1) No. 7 of the German Stock Corporation Act, the purchase of own shares during the reporting period was carried out on the basis of the authorisation issued under the resolution passed at HVB AG's Annual General Meeting on Shareholders on June 27, 2007.

For the purposes of securities trading as permitted under Section 71 (1) No. 7 of the German Stock Corporation Act, a total of 222,001 own shares of treasury stock were purchased by HVB AG and controlled or majority-owned companies at the respective current market prices as part of normal securities trading, and a total of 222,000 own shares of treasury stock were sold at the respective current market prices.

The own shares of treasury stock were purchased at an average price of €40.19 per share and resold at an average price of €40.19 per share. The shares purchased during the period under review amounted to an equivalent of €0.6 million, or 0.03% of capital stock.

Selected Notes (Continued)

The highest number of own shares of treasury stock held during the year was 1 share.

Within the scope of lending operations, we and our controlled or majority-owned companies had, in accordance with Section 71e (1) 2 of the German Stock Corporation Act, received a total of 201,832 own shares as collateral as of March 31, 2008. This represents €0.6 million, or 0.03% of capital stock.

27 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments at March 31, 2008 were practically the same as at year-end 2007. Within the total, the cash flow hedge reserve increased by €0.2 billion while the AfS reserve decreased by €0.2 billion. This decline can essentially be attributed to negative fair value fluctuations in our holdings as a result of the difficult stock market environment in the first quarter of 2008. A deduction of €47 million has been included in the first quarter of 2008 for negative fair value fluctuations of ABS securities classified as available-for-sale for which the impairment criteria defined in IAS 39.59 were not met and for which no write-downs needed to be made in other respects.

28 Subordinated capital

The following table shows the breakdown of subordinated capital included in deposits from banks and customers and debt securities in issue:

		€ millions
	31/3/2008	**31/12/2007**
Subordinated liabilities	7,712	8,014
Participating certificates outstanding	614	614
Hybrid capital instruments	2,347	2,376
Total	**10,673**	**11,004**

Other Information

29 Contingent liabilities and other commitments

		€ millions
	31/3/2008	31/12/2007
Contingent liabilities[1]	**22,874**	**25,355**
Financial guarantees		
(guarantees and commitments)	22,874	25,355
Other commitments	**63,846**	**60,609**
Irrevocable credit commitments	47,514	47,580
Other commitments	16,332	13,029
Total	**86,720**	**85,964**

1 contingent liabilities are offset by contingent assets to the same amount

Selected Notes (Continued)

30 Members of the Supervisory Board and Management Board

Supervisory Board

Alessandro Profumo
Chairman

Peter König
Deputy Chairman

Dr Lothar Meyer
Deputy Chairman

Aldo Bulgarelli

Beate Dura-Kempf

Sergio Ermotti

Paolo Fiorentino

Dario Frigerio

Klaus Grünewald

Günter Guderley

Friedrich Koch

Hanns-Peter Kreuser

Ranieri de Marchis

Roberto Nicastro

Vittorio Ogliengo

Panagiotis Sfeliniotis

Professor Hans-Werner Sinn

Maria-Magdalena Stadler

Ursula Titze

Jens-Uwe Wächter

Management Board

Willibald Cernko
Retail division
until April 30, 2008

Stefan Ermisch
Markets & Investment Banking division
Internal organisation, integration and establishment of global investment banking activities of the UniCredit Group at HVB

Rolf Friedhofen
Chief Financial Officer (CFO)

Henning Giesecke
Chief Risk Officer (CRO)
since May 1, 2008

Heinz Laber
Human Resources Management
Chief Operating Officer (COO)[1]

Dr Stefan Schmittmann
Corporates & Commercial Real Estate Financing division
until April 30, 2008

Ronald Seilheimer
Markets & Investment Banking division
Markets
Corporates & Commercial Real Estate Financing division[1]

Matthias Sohler
Chief Operating Officer (COO)
until April 30, 2008

Dr Wolfgang Sprissler
Board Spokesman
Retail division and Wealth Management division[1]

Andrea Umberto Varese
Chief Risk Officer (CRO)
until April 30, 2008

Andreas Wölfer
Wealth Management division
until April 30, 2008

Munich, May 8, 2008

Bayerische Hypo- und Vereinsbank
Aktiengesellschaft
The Management Board

Ermisch | Friedhofen | Giesecke

Laber | Seilheimer | Sprissler

1 since May 1, 2008

Summary of Quarterly Financial Data

HVB Group					€ millions
	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Operating performance					
Net interest income	942	1,062	923	1,003	1,141
Net fees and commissions	398	381	365	488	487
Net trading income	(647)	(265)	38	469	350
Net other expenses/income	34	106	14	22	27
TOTAL REVENUES	**727**	**1,284**	**1,340**	**1,982**	**2,005**
Operating costs	(871)	(839)	(839)	(943)	(955)
OPERATING PROFIT	**(144)**	**445**	**501**	**1,039**	**1,050**
Provisions for risks and charges	—	(129)	(7)	(19)	(6)
Write-down on goodwill	—	—	—	—	—
Restructuring costs	—	19	(3)	(3)	—
Net write-downs of loans and provisions					
for guarantees and commitments	(187)	(40)	(106)	(181)	(209)
Net income from investments	13	221	7	113	270
PROFIT BEFORE TAX	**(318)**	**516**	**392**	**949**	**1,105**
Income tax for the period	81	132	(309)	(326)	(291)
NET PROFIT	**(237)**	**648**	**83**	**623**	**814**
Minorities	(45)	(45)	(30)	(22)	(21)
NET PROFIT/LOSS OF HVB GROUP NEW	**(282)**	**603**	**53**	**601**	**793**
Earnings per share[1] in €, HVB Group	(0.35)	0.43	0.30	0.60	0.70

1 Q4 2007 figure adjusted for restructuring costs, the gain on disposal of FMS Bank and tax charges arising from German tax reforms; unadjusted earnings per share total €0.76
Q3 2007 adjusted for restructuring costs and tax charges arising from German tax reforms; unadjusted earnings per share total €0.04
Q2 2007 figure adjusted for the gain on disposal of Munich Re and restructuring costs; unadjusted earnings per share total €0.74
Q1 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange; unadjusted earnings per share total €1.06

Financial Calendar

Important Dates 2008	
First-quarter earnings	May 8, 2008
Annual General Meeting of Shareholders	July 29 (30), 2008[1]
ICM International Congress Center Munich	
Neue Messe Munich-Riem, 81823 Munich, Germany	
Half-yearly financial report	August 4, 2008
Third-quarter earnings	November 12, 2008

1 The Annual General Meeting of Shareholders has been convened for July 29, 2008 and also for July 30, 2008 as a precautionary measure in the event that it cannot be concluded on the first day.

Contacts

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You can call up important company announcements as soon as they have been published by visiting our website at www.hvb.com, where you can also register for our e-mail subscription service.

Internet

You can call up user-friendly, interactive versions of our annual and interim reports, including search and other functions, on our website:
www.hvb.com/annualreport
www.hvb.com/interimreport

Shareholder publications

Annual Report (English/German)
Interim reports (English/German)
for the first, second and third quarters
Sustainability Report
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