Segment Reporting (Continued)

28 Income statement broken down by division

	MARKETS & INVESTMENT BANKING	CORPORATES & COMMERCIAL REAL ESTATE FINANCING	RETAIL	WEALTH MANAGEMENT	OTHER/ CONSOLIDATION	HVB GROUP[2]
						€ millions
TOTAL REVENUES						
2008	(261)	1,612	1,616	443	538	3,948
2007	2,179	1,474	1,761	483	714	6,611
Operating costs						
2008	(1,081)	(586)	(1,313)	(310)	(205)	(3,495)
2007	(1,161)	(561)	(1,354)	(294)	(206)	(3,576)
OPERATING PROFIT/(LOSS)						
2008	(1,342)	1,026	303	133	333	453
2007	1,018	913	407	189	508	3,035
Restructuring costs						
2008	(7)	(1)	—	—	(18)	(26)
2007	(27)	—	3	(2)	39	13
Net write-downs of loans and provisions for guarantees and commitments						
2008	(493)	(384)	(71)	4	184	(760)
2007	74	(143)	(147)	(7)	(313)	(536)
Net income from investments and other items[1]						
2008	(189)	19	(19)	(5)	(68)	(262)
2007	458	(24)	32	21	(37)	450
PROFIT/(LOSS) BEFORE TAX						
2008	(2,031)	660	213	132	431	(595)
2007	1,523	746	295	201	197	2,962

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

2 the profit/(loss) of discontinued operations in 2007 is shown separately in Note 42, "Income statement and earnings per share of discontinued operations"

Income statement of the Markets & Investment Banking division

INCOME/EXPENSES	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
						€ millions
Net interest income	**1,440**	**1,247**	**413**	**426**	**293**	**308**
Net fees and commissions	195	358	74	49	38	34
Net trading income	(1,901)	558	(1,100)	(444)	312	(669)
Net other expenses/income	5	16	7	6	(7)	(1)
Net non-interest income	**(1,701)**	**932**	**(1,019)**	**(389)**	**343**	**(636)**
TOTAL REVENUES	**(261)**	**2,179**	**(606)**	**37**	**636**	**(328)**
Payroll costs	(378)	(508)	(81)	(76)	(104)	(117)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(703)	(653)	(186)	(181)	(165)	(171)
Operating costs	**(1,081)**	**(1,161)**	**(267)**	**(257)**	**(269)**	**(288)**
OPERATING PROFIT/(LOSS)	**(1,342)**	**1,018**	**(873)**	**(220)**	**367**	**(616)**
Restructuring costs	(7)	(27)	(6)	—	(1)	—
Net write-downs of loans and provisions for guarantees and commitments	(493)	74	(260)	(233)	23	(23)
Net income from investments and other items[1]	(189)	458	(44)	(111)	(33)	(1)
PROFIT/(LOSS) BEFORE TAX	**(2,031)**	**1,523**	**(1,183)**	**(564)**	**356**	**(640)**
Cost-income ratio in %	n. a.	53.3	n. a.	694.6	42.3	n. a.

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 rapidly worsening financial crisis in the second half of 2008. As a result of these market distortions, the division recorded a loss of €1,183 million before tax in the fourth quarter of 2008, which was again much worse than in the previous quarter, giving rise to a loss of €2,031 million before tax for the year as a whole. In the previous year, we recorded a profit of €1,523 million before tax on account of the very positive market environment in the first half of 2007.

The situation on the financial markets deteriorated sharply once more in the fourth quarter of 2008. The net trading loss again worsened considerably in the fourth quarter of 2008 as a result of the financial crisis, to €1,100 million, compared with the previous quarter, giving rise to a net trading loss of €1,901 million for 2008 as a whole. Among the main factors causing the net trading loss were losses of €751 million on the valuation of ABS products. At the same time, the net trading loss notably includes negative factors in the Global Credit and Relative Value Arbitrage units. In addition, a loss of €126 million was recorded as a result of the bankruptcy of Lehman Brothers and a loss of €78 million was recorded as a result of trading positions of Icelandic counterparties.

Segment Reporting (Continued)

In net interest income, falling dividends from private equity funds were more than offset by higher trading-related interest and lower funding expenses for trading portfolios in the investment banking activities of UniCredit Banca Mobiliare transferred to HVB AG. Net interest income increased by a strong 15.5% overall. The Investment Banking subdivision made a notable contribution to this development, enabling it to report a net profit. Both customer-related financing activities (acquisition loans, structured loans, project and commodity loans) and advisory services regarding M&A and capital market transactions, which are built primarily on customer relationships in the core markets of the UniCredit Group, performed particularly well. Thus the M&A activity set up in 2007 enjoyed success in 2008 and has already reached fourth place in the league tables for M&A transactions in Germany. The Capital Markets unit, which is responsible for the issuance of equity and debt by companies and financial institutions among other things, was also able to record a very sound performance. In addition, the Fixed Income unit within the Markets subdivision was able to generate a very strong result primarily with customer-generated transactions. Nevertheless, net fees and commissions fell by almost 46% year-on-year, due especially to reluctance on the part of market players against the backdrop of the financial crisis.

Despite the inclusion of UBM's investment banking activities, operating costs fell by €80 million, or 6.9%, as a result of much lower payroll costs (down 25.6%) on account of lower expenses for performance bonuses.

Among other things, net write-downs of loans and provisions for guarantees and commitments totalling €493 million also include €136 million for risks relating to exposures to Iceland.

In 2007, net income from investments and other items included the gain of €219 million on the disposal of Indexchange Investment AG and the gain of €259 million on the disposal of FMS Bank; the net loss of €189 million recorded in the year under review can be attributed primarily to valuation expenses associated with the financial crisis.

Income statement of the Corporates & Commercial Real Estate Financing division

€ millions

INCOME/EXPENSES	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net interest income	**1,199**	**1,061**	**323**	**310**	**288**	**278**
Net fees and commissions	400	402	96	94	100	110
Net trading income	(2)	2	(1)	(1)	1	(1)
Net other expenses/income	15	9	2	7	—	6
Net non-interest income	**413**	**413**	**97**	**100**	**101**	**115**
TOTAL REVENUES	**1,612**	**1,474**	**420**	**410**	**389**	**393**
Payroll costs	(244)	(219)	(63)	(64)	(61)	(56)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(342)	(342)	(94)	(81)	(86)	(81)
Operating costs	**(586)**	**(561)**	**(157)**	**(145)**	**(147)**	**(137)**
OPERATING PROFIT	**1,026**	**913**	**263**	**265**	**242**	**256**
Restructuring costs	(1)	—	—	(1)	—	—
Net write-downs of loans and provisions for guarantees and commitments	(384)	(143)	(167)	(96)	(66)	(55)
Net income from investments and other items[1]	19	(24)	(18)	23	9	5
PROFIT/(LOSS) BEFORE TAX	**660**	**746**	**78**	**191**	**185**	**206**
Cost-income ratio in %	36.4	38.1	37.4	35.4	37.8	34.9

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

Developments in the Corporates & Commercial Real Estate Financing division

The Corporates & Commercial Real Estate Financing division recorded a decidedly pleasing profit before tax of €660 million in 2008. The division represents an especially stable pillar in our business model in times of financial crisis like the present. Despite the difficult operating conditions and intense competition on the German market, the division succeeded in generating an excellent operating profit of €1,026 million, which was up a strong 12.4% on the already high total for the previous year.

The year-on-year increase in operating profit can be attributed to the clear increase of 9.4% in total revenues. The main factor behind this was the 13.0% rise in net interest income resulting from revenue growth in lending and deposit-taking operations from larger volumes together with a stepping up of lease operations. Higher dividend income was also realised in 2008. The high figure for net fees and commissions in 2007 was matched in 2008, with a decline in derivative operations offset by higher contributions to revenues from structured loans and from payment and foreign-trade products marketed by the Global Transaction Banking unit. Operating costs rose by 4.5% year-on-year. The higher payroll costs reflect the increase in the workforce undertaken as part of the division's growth strategy, whereas other administrative expenses remained unchanged as a result of strict cost management. At 36.4%, the cost-income ratio was at an outstanding level in 2008 and even better than the 38.1% recorded in the previous year on account of the excellent operating profit.

The increase in net write-downs of loans and provisions for guarantees and commitments compared with last year (2008: €384 million, 2007: €143 million) can be attributed to the effects of the financial crisis, serving to reduce the profit before tax by 11.5% year-on-year, to €660 million.

Segment Reporting (Continued)

Income statement of the Retail division

						€ millions
INCOME/EXPENSES	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net interest income	**1,053**	**1,078**	**258**	**266**	**266**	**263**
Net fees and commissions	567	669	106	123	161	177
Net trading income	—	2	—	—	—	—
Net other expenses/income	(4)	12	(5)	—	1	—
Net non-interest income	**563**	**683**	**101**	**123**	**162**	**177**
TOTAL REVENUES	**1,616**	**1,761**	**359**	**389**	**428**	**440**
Payroll costs	(588)	(611)	(147)	(141)	(151)	(149)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(725)	(743)	(192)	(176)	(181)	(176)
Operating costs	**(1,313)**	**(1,354)**	**(339)**	**(317)**	**(332)**	**(325)**
OPERATING PROFIT	**303**	**407**	**20**	**72**	**96**	**115**
Restructuring costs	—	3	2	(2)	—	—
Net write-downs of loans and provisions for guarantees and commitments	(71)	(147)	16	(6)	(31)	(50)
Net income from investments and other items[1]	(19)	32	(17)	(15)	(6)	19
PROFIT/(LOSS) BEFORE TAX	**213**	**295**	**21**	**49**	**59**	**84**
Cost-income ratio in %	81.3	76.9	94.4	81.5	77.6	73.9

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 was able to perform well in the deteriorating economic climate caused by the financial crisis, recording a profit before tax of €213 million (2007: €295 million).

The decline in total revenues resulting from marked cautiousness among our customers was very largely offset by lower costs (down 3.0%) and the halving of net write-downs of loans and provisions for guarantees and commitments to €71 million. Furthermore, the 2007 figures benefited from income recorded under "Net income from investments and other items".

Within total revenues, net interest income decreased by 2.3% year-on-year, to €1,053 million, notably on account of the further strategic reduction of the volume of real estate loans. The weaker lending activities were only partially offset by sharp rises in volumes on the deposit-taking side, primarily affecting time deposits.

The trend for our customers to prefer security-focused investments led to net fees and commissions of €567 million in 2008, which is 15.2% lower than the total for the previous year, with a sharp decline recorded for securities activities among customers. The successful distribution of innovative, new investment products reflecting the greater quality and security needs of our customers did not fully counteract this development. This includes products like our OptiAnleihe bonds or inflation-proof offerings with a total sales volume of €2,390 million in 2008.

The cost-income ratio deteriorated to 81.3% in 2008 after 76.9% in 2007, since the decline in total revenues was only partially offset by savings in operating costs. Payroll costs fell by 3.8%, notably due to a reduction in the headcount. Other administrative expenses (including amortisation, depreciation and impairment losses) declined by 2.4% thanks to systematic cost management and lower amortisation, depreciation and impairment losses. In all, operating costs fell by 3.0% compared with 2007.

Income statement of the Wealth Management division

€ millions

INCOME/EXPENSES	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net interest income	**171**	**172**	**46**	**38**	**49**	**38**
Net fees and commissions	297	313	71	65	75	86
Net trading income	(28)	(6)	(1)	(28)	(1)	2
Net other expenses/income	3	4	2	—	(2)	3
Net non-interest income	**272**	**311**	**72**	**37**	**72**	**91**
TOTAL REVENUES	**443**	**483**	**118**	**75**	**121**	**129**
Payroll costs	(116)	(94)	(30)	(30)	(28)	(28)
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	(194)	(200)	(48)	(47)	(50)	(49)
Operating costs	**(310)**	**(294)**	**(78)**	**(77)**	**(78)**	**(77)**
OPERATING PROFIT/(LOSS)	**133**	**189**	**40**	**(2)**	**43**	**52**
Restructuring costs	—	(2)	—	—	—	—
Net write-downs of loans and provisions for guarantees and commitments	4	(7)	2	(1)	6	(3)
Net income from investments and other items[1]	(5)	21	(7)	1	1	—
PROFIT/(LOSS) BEFORE TAX	**132**	**201**	**35**	**(2)**	**50**	**49**
Cost-income ratio in %	70.0	60.9	66.1	102.7	64.5	59.7

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

Developments of the Wealth Management division

The Wealth Management division encompasses the Wealth Management Sales of HVB AG (WEM HVB AG), the DAB Group, the private banking activities of HVB Banque Luxembourg and Wealth Management Capital Holding GmbH, Munich, including its participating interests consolidated for the first time in January 2008 (essentially Blue Capital Equity GmbH, Blue Capital Fonds GmbH, HVB FondsFinance GmbH and WealthCap Real Estate Management GmbH).

In recording a profit before tax of €132 million in 2008, the Wealth Management division was unable to match the figure of €201 million for the previous year in the challenging environment of the financial crisis. In this context, however, it is important to note that the profit for the previous year benefited from the proportion of the gain on disposal of FMS Bank attributed to the division, totalling €17 million, and that the total for the year under review is depressed by a valuation expense at DAB AG (on holdings designated as fair value option) caused by the financial crisis, which led to a net trading loss of €26 million.

Segment Reporting (Continued)

The total revenues of the Wealth Management division fell by €40 million, or 8.3%, year-on-year against the backdrop of the very difficult market environment throughout the year under review. The initially consolidated holdings of Wealth Management Capital Holding GmbH had a beneficial effect overall in this regard. While net fees and commissions declined by 5.1% due to customers' restraint on the securities markets coupled with lower portfolio-dependent securities revenues due among other things to lower prices on the securities markets, net interest income (without dividends) increased by a significant 11.2%. This reflects the current trend of shifting investments in the securities business to short-term forms of investment, especially demand and time deposits. Generally, there is a very clear trend towards secure deposit-taking business, which was particularly noticeable in WEM HVB AG and the DAB Group. HVB Banque Luxembourg's fee-earning activities with wealthy private clients were likewise impacted by market developments during the year under review. The volume placed by Wealth Management Capital Holding GmbH was below last year's level due to the market, with equity capital of €138 million and an investment volume of €238 million.

The rise of €16 million (5.4%) in operating costs results from higher payroll costs (up €22 million), essentially stemming from the holdings fully consolidated for the first time. Without the effects of initial consolidation, operating costs were reduced by more than 5% during the year under review by means of systematic cost management. The cost-income ratio rose by 9.1 percentage points year-on-year. If the valuation expense described above were eliminated from the net trading income at DAB, the cost-income ratio would total 66.1%.

Income statement of the Other/consolidation segment

INCOME/EXPENSES	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
						€ millions
TOTAL REVENUES	**538**	**714**	**215**	**103**	**127**	**93**
Operating costs	**(205)**	**(206)**	**(41)**	**(58)**	**(62)**	**(44)**
OPERATING PROFIT	**333**	**508**	**174**	**45**	**65**	**49**
Restructuring costs	(18)	39	(20)	1	1	—
Net write-downs of loans and provisions for guarantees and commitments	184	(313)	266	(25)	(1)	(56)
Net income from investments and other items[1]	(68)	(37)	(36)	9	(31)	(10)
PROFIT/(LOSS) BEFORE TAX	**431**	**197**	**384**	**30**	**34**	**(17)**

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 segment

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

The total revenues of this segment declined sharply, from €714 million in 2007 to €538 million in 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. In addition, the strategic reduction of volumes in the Special Credit Portfolio (including the remaining holdings from the Real Estate Restructuring Portfolio) among other things resulted in lower net interest income. At the same time, non-interest income remained at around the same level as in 2007 overall.

With hardly any change in operating costs, the operating profit fell to €333 million (2007: €508 million) primarily on account of the development of net interest income described above.

Net write-downs of loans and provisions for guarantees and commitments fell by a net €184 million in the year under review, essentially on account of success in reducing the special portfolios (former Real Estate Restructuring Portfolio and the Special Credit Portfolio). The net loss of €68 million recorded under net income from investments and other items in the year under review can mainly be attributed to impairment losses on investment properties. In the previous year, additions of €169 million to provisions notably in relation to potential take-back obligations arising from real estate transactions and provisions for legal risks arising from operations were offset in this item by the gain of €47 million on the disposal of Nordinvest and the gain of €113 million on the disposal of Münchener Rückversicherungs-Gesellschaft recognised in net income from investments. The profit before tax improved from €197 million in 2007 to €431 million in the year under review on the back of the net reversal recorded in net write-downs of loans and provisions for guarantees and commitments.