HypoVereinsbank Member of UniCredit

Make it simple. It’s *easy* with UniCredit.

# Interim Report at 30 September 2010

We UniCredit people are committed to generating value for our customers.

As a leading European bank, we are dedicated to the development of the communities in which we live, and to being a great place to work.

We aim for excellence and we consistently strive to be easy to deal with.

These commitments will allow us to create sustainable value for our shareholders.

# Contents

# Financial Highlights

## Key performance indicators

| | 1/1–30/9/2010 | 1/1–30/9/2009 |
|---|---|---|
| Operating profit | €2,384m | €2,856m |
| Cost-income ratio (based on total revenues) | 52.3 % | 47.6 % |
| Profit before tax | €1,686m | €720m |
| Consolidated profit | €1,139m | €396m |
| Return on equity before taxes[1] | 10.2 % | 4.2 % |
| Return on equity after taxes[1] | 7.0 % | 2.0 % |
| Earnings per share | €1.39 | €0.42 |

## Balance sheet figures

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Total assets | €411.7bn | €363.4bn |
| Shareholders' equity | €23.0bn | €23.6bn |
| Leverage ratio[2] | 17.9 | 15.4 |

## Key capital ratios compliant with Basel II

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Tier 1 capital | €20.5bn | €20.4bn |
| Core Tier 1 capital[3] | €19.6bn | €19.3bn |
| Risk-weighted assets (including equivalents for market risk and operational risk) | €127.8bn | €115.1bn |
| Tier 1 ratio[4] | 16.0 % | 17.8 % |
| Core Tier 1 ratio[4] | 15.3 % | 16.7 % |

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Employees | 19,943 | 20,459 |
| Branch offices | 898 | 852 |

1 return on equity (annulised) calculated on the basis of average shareholders' equity according to IFRS
2 ratio of total assets to shareholders' equity compliant with IFRS
3 Core Tier 1 capital is equivalent to Tier 1 capital excluding hybrid instruments
4 calculated on the basis of risk-weighted assets, including equivalents for market risk and operational risk

## Ratings

| | LONG-TERM | SHORT-TERM | OUTLOOK | FINANCIAL STRENGTH | CHANGED/ CONFIRMED | PFANDBRIEFS | | CHANGED/ CONFIRMED |
|---|---|---|---|---|---|---|---|---|
| | | | | | | PUBLIC | MORTGAGE | |
| Moody's | A1 | P-1 | stable | C– | 7/10/2008 | Aaa | Aa1 | 13/6/2008/ 17/6/2008 |
| S & P | A | A-1 | stable | — | 18/3/2009 | AAA | — | 9/3/2010 |
| Fitch Ratings | A + | F1+ | stable | C | 24/7/2009 | AAA | AAA* | 17/6/2008 |

* on Rating Watch Negative (10/8/2010)

# Business Performance of HVB Group

## Underlying conditions and general comments on the business situation

The global economy has registered a solid growth in 2010, although the pace of expansion slowed during the third quarter of the year as more of the various government stimulus packages came to an end and austerity measures were implemented, above all in heavily indebted countries. This had a dampening effect.

The unemployment rate in the United States remained high at just under 10%. Transactions in the residential property market fell to a low level as government subsidies finally petered out.

The pace of expansion in the European Union also slowed in the third quarter of the year, which can be attributed notably to developments in peripheral countries. The European Central Bank continued to boost liquidity by purchasing more government bonds issued primarily by structurally weak and highly indebted peripheral countries.

Germany had the fastest-growing economy in the euro area, although the dynamism of the second quarter was not repeated. Economic growth, for one, was dampened mainly by declining exports and construction activity over the summer months. At the same time, the domestic economy and private consumption both picked up pace. A continuing rise in industrial capacity utilisation led to both stronger investment activities and further stabilisation on the labour market.

Overall, the European capital markets proved to be highly volatile during the first nine months of the year. Even so, concerns expressed by market participants regarding a number of heavily indebted countries in the second quarter of 2010 lessened somewhat during the third quarter. The stock markets recovered strongly towards the end of the third quarter. In the credit markets, a slight calming followed on from a second quarter characterised by quickly widening spreads. The euro recovered from the losses it suffered in the first half of the year, notably against the dollar.

Yields on ten-year German government bonds fell to an all-time low, while short-term interest rates have risen again slightly since the end of the first half of 2010 due to the reduction of liquidity in the system.

Despite this persistently challenging capital market environment, HVB Group generated a profit before tax of €1,686 million in the first nine months of 2010, which is nearly a billion euros higher than the previous year's result. With a consolidated profit of €1,139 million after tax, we were able to almost triple last year's total of €396 million. This strong performance can be attributed above all to net write-downs of loans and provisions for guarantees and commitments of €664 million, less than half the amount recorded last year. Compared with last year, we also benefited from the non-recurrence of restructuring costs (year-on-year effect on earnings: gain of €268 million) and expenses under net income from investments (year-on-year effect on earnings: gain of €268 million). HVB Group achieved a pleasing rise in net fees and commissions, which increased by 7.3%, to €967 million, despite our customers' continuing restraint in the wake of the financial crisis. Net other income/expenses were also up 41.5% on last year, to €174 million. Net trading income of €749 million delivered a significant contribution to profit, even if it failed to match last year's sound figure (equivalent period in 2009: €1,018 million). Net interest income declined by around 9% compared with last year on the back of low interest rates. Thanks to the lasting success of our cost management measures, operating costs were kept largely stable (up 0.8%), so that the cost-income ratio, at 52.3% (equivalent period in 2009: 47.6%), remained at a very good level.

The Corporate & Investment Banking division made a significant contribution to the pleasing rise in the profit before tax of HVB Group. The division improved its profit before tax by €816 million, to €1,407 million, largely as a result of the substantial decline in net write-downs of loans and provisions for guarantees and commitments and non-recurrence of the expenses arising from restructuring costs and net income from investments compared with last year.

The Private Banking and Retail divisions also made a positive contribution to earnings. Profit before tax amounted to €82 million in the Private Banking division and €13 million in the Retail division. The increase in profit in the Retail division compared with last year is a result of non-recurring restructuring costs incurred in 2009 as well as lower operating costs and lower net write-downs of loans and provisions for guarantees and commitments. When evaluating the relatively low profit basis of the Retail division, it should be taken into account that the first phase in implementing the One4C initiative, an initiative that provides for the resegmentation of affluent retail customers and small and mid-sized companies, was completed in the second quarter of 2010. In the process, customers with free assets of at least 500,000 euros were moved from the Retail division to the Private Banking division, and customers with assets of less than 500,000 euros were moved from the Private Banking division to the Retail division. This reorganisation resulted in an overall shift in customers from the Retail division to the Private Banking division and, with it, a disproportionate net transfer of total revenues. In the second phase of One4C, which is scheduled to take place at the beginning of 2011, small and mid-sized companies with revenues of up to €50 million will be transferred from the Corporate & Investment Banking division along with any associated income and expenses. As a result of the resegmentation, the Retail division reports a temporarily lower income and profit basis that does not fully reflect the future profitability of the division.

HVB Group continues to show an excellent capital base. The core capital ratio (Tier 1 ratio) in accordance with Basel II totalled 16.0% at the end of September 2010 after 17.8% at year-end 2009, which still represents an outstanding level by both national and international standards. With the core capital remaining practically unchanged (€20.5 billion), the decline in the core capital ratio is attributable to the increase of €12.7 billion in risk-weighted assets (including market and operational risk equivalents), which is primarily due to the end of the relief provided by several securitisation transactions and the initial consolidation of UniCredit CAIB AG, Vienna (CAIB), which was purchased from UniCredit Bank Austria AG, Vienna. The shareholders' equity shown in the balance sheet amounted to €23.0 billion at 30 September 2010. As the total assets increased from €363.4 billion at year-end 2009 to €411.7 billion at the end of September 2010, due in part to the first-time inclusion of CAIB (initial consolidation effect of CAIB: €21 billion), the leverage ratio (ratio of total assets to the shareholders' equity shown in the balance sheet) increased from 15.4 at the end of December 2009 to the still very good figure of 17.9 at 30 September 2010.

At all times, HVB Group displayed an adequate liquidity base and a solid financing structure throughout the first three quarters of the current financial year. The funding risk remained low on account of the diversification in terms of products, markets and investor groups, so that adequate funding of our lending operations was ensured at all times. Our Pfandbriefs continued to represent an important source of funding thanks to their very good credit rating and liquidity.

With our diversified business model, high capital base, solid funding foundation and good market position in our core business areas, we remain a reliable partner for our customers and investors. As an integral part of one of the largest and strongest banking groups in Europe – UniCredit Group – HVB Group is in a unique position to leverage its regional strengths in the international network of UniCredit Group for the benefit of its customers.

## Operating performance of HVB Group

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

### Net interest income

Compared with the same period last year, total net interest income was down by €300 million, or 8.8%, to €3,107 million after the first nine months of the present financial year.

# Business Performance of HVB Group (Continued)

Within this total, the net income from original net interest within the framwork of a low interest rate level fell by €359 million, to €3,013 million, mainly on account of a decline in the Corporate & Investment Banking division. This can be attributed primarily to lower trading-related interest income together with the limited effects arising from the amortisation of reclassified holdings compliant with IAS 39.50. Net interest income also decreased in the Retail and Private Banking divisions, although this was chiefly due to falling interest margins, particularly in the deposit-taking business.

At €94 million, the income generated to the end of September 2010 from dividends and other income from equity investments rose sharply as a result of higher dividends paid by private equity funds.

**Net fees and commissions**

Net fees and commissions developed very well in the first three quarters of 2010, increasing considerably by 7.3%, to €967 million, over the equivalent total last year. Most notably the Corporate & Investment Banking division (15.8%), but also the Retail division (2.1%) contributed to this rise, recording increases in their net fees and commissions. The sharp rise in HVB Group's net fees and commissions results mostly from the significant rise of around 15%, to €288 million, in fee and commission income from lending operations, notably on account of higher income from the Corporate Finance unit in the Corporate & Investment Banking division, together with a growth of around 7%, to €513 million, in fee and commission income from management, brokerage and consulting services.

**Net trading income**

The net trading income of €749 million generated by HVB Group as of the end of September 2010 provided a strong contribution to profits, even though the high level reached last year (€1,018 million) could not be matched. The main reason for this is that the unusually high contribution to profits from held-for-trading financial instruments last year benefited from a strong recovery in the market as a whole, an effect that has not been repeated this year.

At €582 million, we nevertheless succeeded in achieving a considerable contribution to profits from held-for-trading financial instruments in the first nine months of 2010. This was generated primarily by the Rates (interest-related products) and Equities (equity and index products) units. Compared with last year, there was an increase in the effects on net trading income arising from hedge accounting (up €60 million), the gains on fair-value-option holdings (up €55 million) and other net trading income (up €49 million). The increase in other trading income can be attributed notably to the positive effect from the buy-back of hybrid capital that is higher than last year.

**Operating costs**

The total operating costs of €2,613 million continue to reflect the success we have achieved with our consistent cost management, remaining largely unchanged (up 0.8%) compared with the equivalent figure last year. Within this total, payroll costs are at the same level as last year (up 0.2%), while other administrative expenses including depreciation and impairment losses on property, plant and equipment rose slightly by 1.4%, to €1,244 million. At 52.3%, the cost-income ratio after nine months of the current financial year is still at a very good level (first nine months of 2009: 47.6%).

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

Net write-downs of loans and provisions for guarantees and commitments fell by a significant €824 million, or 55.4%, to €664 million after the first three quarters of 2010 in a much healthier lending environment than last year. The vast majority of this decrease (down 58.7%) was recorded by the Corporate & Investment Banking division. There was also a notable decline (down 38.2%) in the Retail division.

**Net income from investments**

The net loss from investments amounted to €9 million at the end of September 2010 after a loss of €277 million in the equivalent period last year. This results mainly from changes in the valuation of investment properties that are largely offset by gains realised on the sale and valuation of available-for-sale financial instruments. Last year's net loss from investments was primarily attributable to impairments on private equity funds, direct investments and co-investments.

### Profit before tax, income tax for the period and consolidated profit

In the first nine months of 2010, HVB Group generated a profit before tax of €1,686 million, which is €966 million higher than the figure recorded for the equivalent period last year.

Income tax rose by €223 million, to €547 million, at the end of September 2010. This increase is mainly due to the significant improvement in performance in 2010.

After deducting taxes, HVB Group generated a consolidated profit of €1,139 million in the first nine months of 2010, exceeding the equivalent figure for the same period last year (€396 million) by a factor of almost three.

### Segment results by division

The divisions contributed the following amounts to the very good profit before tax of €1,686 million of HVB Group:

| | |
|---|---|
| Corporate & Investment Banking | €1,407 million |
| Retail | €13 million |
| Private Banking | €82 million |
| Other/consolidation | €184 million. |

Income statements for each division and comments on the economic performance of the individual divisions are provided in Note 3, "Segment reporting", in this Interim Report. The tasks and objectives of each division are described in detail in Note 27 of our 2009 Annual Report, "Notes to segment reporting by division". We have described the change in tasks of the segments compared with last year and the previous quarters of 2010, in particular the reclassification of customers from the Retail division to the Private Banking division due to the gradual implementation of the One4C initiative, in Note 1, "Accounting and valuation principles", and Note 3, "Segment reporting", of this Interim Report as part of the description of the Retail division. The quarterly figures for the current and last year have been adjusted accordingly.

## Financial situation

### Total assets

The total assets of HVB Group amounted to €411.7 billion at the end of September 2010, representing an increase of €48.3 billion, or 13.3%, over year-end 2009. Compared with the end of June, the total assets are practically unchanged (down 0.1%).

The €48.3 billion increase in total assets compared with year-end 2009 results, in part, from the initial consolidation of CAIB in June 2010 (initial consolidation effect: €21 billion). The rise in total assets is mainly attributable to the increase in financial assets held for trading by €36.8 billion, to €170.2 billion (initial consolidation effect of CAIB: €14.1 billion). The positive fair values from derivative financial instruments, in particular, rose by €40.6 billion (initial consolidation effect of CAIB: €13.2 billion), while the financial instruments recognized in the balance sheet fell by €3.8 billion. The rise of €11.7 billion in financial instruments at fair value through profit or loss is primarily attributable to the larger holdings of fixed-income securities. The rise of €8.4 billion in loans and receivables with banks (CAIB effect: €5.5 billion) is mainly due to a higher volume of current accounts, repurchase agreements and other loans and receivables, while reclassified securities declined. In contrast, loans and receivables with customers fell by €7.6 billion, to €138.3 billion, compared with year-end 2009. In particular, the decline is attributable to lower volumes of mortgage loans, the reduction of reclassified securities and the decrease in other loans and receivables.

On the liabilities side, there was also a substantial increase of €41.5 billion, to €162.7 billion, in the financial liabilities held for trading as a result of the €39.1-billion rise in negative fair value from derivative financial instruments due in part to the initial consolidation of CAIB (CAIB effect: €11.5 billion). Deposits from banks rose by a total of €3.1 billion, to €53.8 billion, which – apart from higher credit balances on current accounts and time deposits – is mainly attributable to higher volumes of repurchase agreements. The increase of €11.9 billion, to €108.4 billion, in deposits from customers is primarily a result of much higher volumes of repurchase agreements and higher levels of savings and demand deposits, while time deposits declined. In contrast, debt securities fell by an aggregate of €11.1 billion, to €50.2 billion, on account of issues due.

# Business Performance of HVB Group (Continued)

At 30 September 2010, shareholders' equity totalled €23.0 billion and had thus declined by €0.6 billion compared with the 2009 year-end total although it had increased by €0.3 billion since 30 June 2010. The reason for this decline compared with year-end 2009 is the dividend payout of the profit of €1.6 billion available for distribution in 2009 to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome. This decline is partially offset by the consolidated profit reported for the first nine months of 2010 (€1.1 billion).

The leverage ratio (ratio of total assets to the shareholders' equity shown in the balance sheet) increased from 15.4 at year-end to the still very good figure of 17.9 at 30 September 2010, in particular due to the increase in total assets brought about in part by the initial consolidation of CAIB.

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

By applying partial use, the risk-weighted assets for credit risks of HVB Group determined on the basis of Basel II (German Banking Act/Solvency Regulation, KWG/SolvV) amounted to €114.3 billion at 30 September 2010 (including counterparty default risk in the trading book). At 31 December 2009, the comparable risk-weighted assets amounted to €102.9 billion. This total includes the holdings reclassified compliant with IAS from the trading book to the banking book. The total risk-weighted assets, including market and operational risks, increased to €127.8 billion at 30 September 2010 after €115.1 billion at year-end 2009. Compared with the mid-year, the total risk-weighted assets declined by €6.2 billion (30 June 2010: €134.0 billion).

The total risk-weighted assets increased by €12.7 billion compared with the 2009 year-end total. This rise is due to an increase of €11.4 billion in credit risk, €0.6 billion in market risk and €0.7 billion in operational risk. The rise in credit risk is chiefly attributable to the end of the relief provided by various securitisation transactions and the acquisition of CAIB.

The total lending volume under the nine current securitisation transactions of HVB Group serving to reduce risk-weighted assets amounted to €14.6 billion at 30 September 2010 (31 December 2009: €43.7 billion). The decline is primarily due to the ending of several securitisation transactions. As a result of the current total lending volume of the securitisation transactions, we have optimised our capital allocation and reduced the strain on our risk-weighted assets by €4.7 billion gross.

At 30 September 2010, the core capital of HVB Group compliant with KWG/SolvV totalled €20.5 billion and the equity capital €23.4 billion. Under Basel II, this gives rise to a core capital ratio (Tier 1 ratio, including market risk and operational risk) of 16.0% and an equity funds ratio of 18.3%.

A bank's liquidity is evaluated using the liquidity ratio defined in Section 11 of the KWG/Liquidity Regulation. 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 1.00. At HVB, this figure amounted to 1.29 at the end of September 2010 after, 1.26 at the end of June 2010 and 1.43 at the end of December 2009.

### Corporate acquisitions and sales

As part of pooling the investment banking activities of UniCredit Group into HVB Group, HVB acquired UniCredit CAIB AG, Vienna, including its subsidiary UniCredit CAIB Securities UK Ltd., London, from UniCredit Bank Austria AG with effect from 1 June 2010. The purchase price, which was determined on the basis of an independent, external expert appraisal, amounts to €1.24 billion plus the overcapitalisation kept on the books. Both companies were included in the group of fully consolidated companies of HVB Group as of 1 June 2010. UniCredit CAIB AG was merged by HVB with effect from 1 July 2010. After the technical integration at 24 September 2010, it will continue to operate within a modified structure as UniCredit Bank AG, Vienna branch.

Other changes concerning the companies included in this Interim Report are provided in Note 2, "Companies included in consolidation".

# Corporate structure

## Legal corporate structure

UniCredit Bank AG (HVB) 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 has been an affiliated company of UniCredit S.p.A. (UniCredit), Rome, Italy, since November 2005 and hence a major part of UniCredit Group from that date as a subgroup.

Since the transfer of the shares held by minority shareholders of UniCredit Bank AG to UniCredit S.p.A., as resolved at the Annual General Meeting of Shareholders in June 2007, was registered in the Commercial Register maintained by Munich Local Court compliant with Section 327a of the German Stock Corporation Act (Aktiengesetz, AktG) in September 2008, 100% of the capital stock of UniCredit Bank AG, Munich, has been held by the majority shareholder, UniCredit S.p.A. Thus, trading in HVB shares has officially ceased. HVB does, however, remain listed on securities exchanges as an issuer of debt instruments such as Pfandbriefs, bonds and certificates.

The capital stock of UniCredit Bank AG had been divided into shares of common bearer stock with voting rights and shares of registered preferred stock without voting rights. However, given the change in the shareholder structure, there was no need to maintain this distinction. Consequently, the shares of registered preferred stock without voting rights were converted into shares of common bearer stock with voting rights and the Articles of Association amended accordingly in line with a resolution adopted at the Extraordinary Shareholders' Meeting held on 22 September 2010. This amendment to the Articles of Association was entered in the Commercial Register on 27 September 2010, at which date it took effect.

## Organisation of management and control and internal management

The Management Board of HVB is the management body of HVB Group. It is directly responsible for managing the Bank. The Management Board provides the Supervisory Board with regular, timely and comprehensive reports on all issues relevant to corporate planning and strategic development, the course of business and the state of HVB Group, including the risk situation as well as compliance issues. Up until the end of the Extraordinary Shareholders' Meeting of UniCredit Bank AG held on 22 September 2010, the Supervisory Board of the Bank had had 20 members; it was subject to the provisions of the German Co-determination Act and consisted of ten employee representatives and ten shareholder representatives in accordance with Sections 95 and 96 of the German Stock Corporation Act and Section 7 (1) No. 3 of the German Co-determination Act. Since the cross-border merger of UniCredit CAIB AG, Vienna, with UniCredit Bank AG, Munich, became effective by being entered in the Commercial Register of UniCredit Bank AG, Munich, on 1 July 2010, the provisions of the German Co-determination Act have no longer applied to the composition of the Supervisory Board. The composition of the Bank's Supervisory Board is now based on Section 24 (1) sent. 2 of the German Act on the Co-determination of Employees in the Event of Mergers of Joint-stock Companies of Different Member States of 21 December 2006 (MgVG) in conjunction with Section 95 sent. 1 and 3 and Section 96 of the German Stock Corporation Act. Against this backdrop, the Extraordinary Shareholders' Meeting of UniCredit Bank AG on 29 July 2010 resolved that the Supervisory Board should consist of 12 members in the future. There will continue to be an equal number of employee and shareholder representatives on the Supervisory Board. New elections for the employee representatives on the Supervisory Board were held in accordance with the MgVG provisions on 24 August 2010. The shareholder representatives were appointed at the Extraordinary Shareholders' Meeting of UniCredit Bank AG held on 22 September 2010. At the subsequent constitutive meeting of the Supervisory Board, Sergio Ermotti was re-elected Chairman of the Supervisory Board, Peter König Deputy Chairman and Dr Wolfgang Sprissler further Deputy Chairman.

# Business Performance of HVB Group (Continued)

Rolf Friedhofen, formerly Chief Financial Officer and member of the Management Board of HVB, left the Bank with effect from 31 May 2010. At its meeting on 21 May 2010, the Supervisory Board of HVB appointed Peter Hofbauer as the new Chief Financial Officer and member of the Management Board of HVB with effect from 1 November 2010. Until the end of October 2010, the Board Spokesman Dr Theodor Weimer was also provisionally responsible for the CFO unit. Peter Hofbauer has assumed the operative and functional management of the unit in his capacity as holder of a general power of attorney with effect from 1 June 2010.

A list showing the names of all the members of the Management Board and the Supervisory Board of HVB is given under Note 29, “Members of the Supervisory Board and Management Board”, of this Interim Report.

## Events after the reporting date

No significant events occurred at HVB Group after the reporting date.

## Outlook

The following comments on the outlook are to be viewed in connection with the comments on the outlook in the Financial Review and the Risk Report in the consolidated financial statements for the 2009 financial year (see the HVB Group Annual Report for 2009).

**General economic outlook and sector development in 2010**

We expect the global economy to expand by 4.6% this year. Nevertheless, a number of leading indicators point towards a clear slowdown in growth in the second half of 2010. There have to date been no signs of a worldwide recession, however, so that we expect global trade to remain robust. Expansion is set to continue apace in the emerging markets in particular, driven by the very dynamic growth in China where GDP could increase by more than 10% this year. The United States, on the other hand, is experiencing several dampening factors, including the ending of the inventory cycle and of fiscal stimulus measures, the high budget deficit and high structural unemployment coupled with heavy indebtedness in many sectors. All in all, the US economy will probably still expand by around 2.5% following a strong start to 2010.

In Europe, the gap in growth rates between the economically stronger core countries and the peripheral countries suffering from structural weaknesses and high levels of debt will remain. The euro zone will, we believe, expand by 1.6% in 2010. Despite successful measures to consolidate government debt, for now it is likely to increase in most EU countries. The ECB is likely to mop up excess liquidity and hold interest rates at the same level. If the Fed continues to buy government bonds, this could contribute to a strengthening of the euro.

Germany is forecast to expand by a robust 3.5% in 2010. Nevertheless, the German economy is entering a phase of more moderate growth following a period of dynamic expansion. Both the good sales taking place in industry and domestic economic activity will continue to provide a positive impetus. Unemployment should also fall further in line with both improved industrial capacity utilisation levels and the demographic trend. The weakening of the global economy coupled with the moderate pay rises that have already been agreed in Germany do not at present suggest any strong inflationary pressure. In light of receding fears of job losses in combination with rising disposable incomes, the upwards trend in private consumption should persist.

Banks will continue to face major challenges including a flat yield curve, declining central bank liquidity and possibly greater exchange rate volatility as a consequence of major economies potentially seeking to devalue their currencies. This situation may be exacerbated by the downgrading of certain states' credit ratings. It is not yet possible to definitively assess the effects of further regulation, even if the general direction is already apparent: liquidity requirements are being tightened, and the requirements on the quality and quantity of equity capital will increase. This will give rise to competition for equity capital among those banks that do not meet the new standards. As a further consequence of the new liquidity and capital rules together with the fundamental challenges mentioned above, the banking sector will become less profitable, a situation that the bank levy to be charged from 2011 will do nothing to ameliorate. The key questions still concern the shape of future relations between the financial sector and the real economy and the likely global limitations in the regulatory and political field. It remains to be seen what resolutions will be adopted at the summit of G20 heads of state held in South Korea.

### Development of HVB Group

HVB Group expects basic economic conditions both worldwide and in Germany, to remain difficult and marked by considerable uncertainty, despite signs of positive trends. This means that the situation will remain challenging for the financial industry in the fourth quarter of 2010.

Against this backdrop, we do not expect the very good performance of the first nine months of the current financial year in terms of profit before tax, which at the end of September 2010 significantly exceeded the figure for the equivalent period last year, to continue to the same extent through the fourth quarter of 2010. We nevertheless assume that we can surpass the very good pre-tax result of 2009 over the whole of the 2010 financial year. We expect to benefit year-on-year from a considerable decline in net write-downs of loans and provisions for guarantees and commitments, from a significant decrease in restructuring costs, from the non-recurrence of the expenses under net income from investments and from largely stable operating costs, thus compensating the decline in net interest income compared with the whole of 2009. The development in total revenues will continue to be heavily affected by the volatility of net trading income. For net fees and commissions, we anticipate a tangible rise over last year in keeping with the economic recovery.

It still remains unclear whether the financial markets will continue to be affected by the debt crisis in some European countries in particular and by risks arising from changes in interest and exchange rates. Consequently, our performance in the fourth quarter of 2010 still remains dependent on the further development of the financial markets and the real economy as well as on other imponderables that still exist. With its strategic orientation and excellent capital resources, HVB Group is in a good overall position to effectively exploit the opportunities that may arise from the new operating environment, the further volatility that can be expected on the financial markets and a recovering real economy.

# Development of Selected Risks

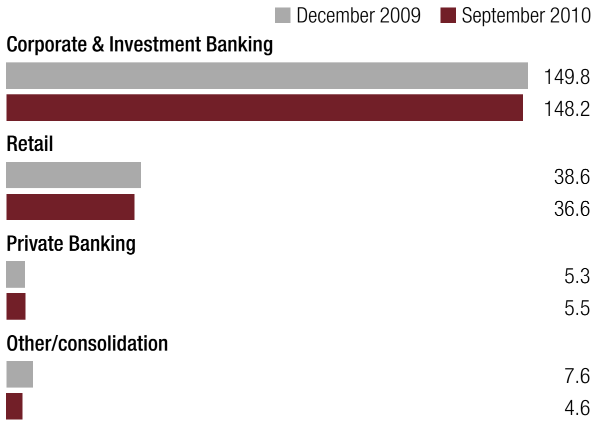
In the 2009 Annual Report, we presented a comprehensive description of the management and monitoring of risks in HVB Group, the essential characteristics of the internal control and risk management systems with regard to the financial reporting process, risk types and risk measurement, overall bank management, and risk types in detail. In light of the expected regulatory changes to market risk and the planned introduction of a new internal model, we conducted a thorough review of the internal capital calculation for all risk types during the first quarter of 2010. We also introduced the announced broadening of internal capital components to include the capital cushion. In the interest of allowing group-wide standardisation and consolidation, we introduced a new internal model for determining market risk in the third quarter of 2010. Furthermore, no essential methodological changes were made to risk management nor to the monitoring of individual risk types, or to the internal control and risk management system. The following sections describe the development of selected risks.

## Credit and Counterparty exposure

**Breakdown of credit exposure and counterparty exposure by industry sector** (€ billions)

| Industry sector | SEPTEMBER 2010 | DECEMBER 2009 |
|---|---|---|
| Banking and insurance | 33.8 | 32.8 |
| Construction | 31.2 | 31.7 |
| Retail customers | 26.8 | 28.7 |
| Food/consumer goods/services | 21.0 | 21.2 |
| Public sector | 14.0 | 14.6 |
| Transportation | 11.7 | 11.8 |
| Chemicals, health, pharmaceuticals | 10.7 | 11.9 |
| Utilities | 9.1 | 9.5 |
| Other | 8.9 | 9.4 |
| Mechanical engineering, steel | 8.3 | 8.8 |
| Automotive | 7.1 | 8.2 |
| Mineral oil | 5.4 | 4.2 |
| Electrical, IT, communications | 4.6 | 5.4 |
| Media, printing, paper | 3.8 | 4.1 |
| **HVB Group** | **196.4** | **202.3** |

**Breakdown of credit exposure and counterparty exposure by division – core portfolio (€ billions)**



### Breakdown of credit exposure and counterparty exposure by rating class – core portfolio

| | SEPTEMBER 2010 | | DECEMBER 2009 | |
|---|---|---|---|---|
| **Rating class** | € billions | in % | € billions | in % |
| Free of default risk[1] | 0.0 | 0.0 | 7.5 | 3.7 |
| Not rated | 7.4 | 3.8 | 9.7 | 4.8 |
| Rating classes 1–4 | 96.3 | 49.4 | 89.4 | 44.4 |
| Rating classes 5–8 | 83.1 | 42.6 | 85.9 | 42.7 |
| Rating classes 9–10 | 8.1 | 4.2 | 8.8 | 4.4 |
| **HVB Group** | **194.9** | **100.0** | **201.3** | **100.0** |

1 to standardise reporting within the UniCredit Group, the rating class "free of default risk" will no longer be assigned as of 2010

# Derivative transactions

### Derivative transactions

(€ millions)

| | NOMINAL AMOUNT | | | | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | RESIDUAL MATURITY | | | TOTAL | TOTAL | POSITIVE | | NEGATIVE | |
| | UP TO 1 YEAR | MORE THAN 1 YEAR UP TO 5 YEARS | MORE THAN 5 YEARS | 30/9/2010 | 31/12/2009 | 30/9/2010 | 31/12/2009 | 30/9/2010 | 31/12/2009 |
| **Interest rate derivatives** | **1,196,125** | **1,147,628** | **883,792** | **3,227,545** | **2,873,119** | **91,534** | **60,896** | **90,372** | **59,833** |
| **Foreign exchange derivatives** | **401,044** | **154,041** | **77,338** | **632,423** | **467,793** | **19,125** | **9,499** | **17,985** | **9,599** |
| **Equity/index derivatives** | **81,962** | **98,443** | **8,153** | **188,558** | **186,805** | **12,377** | **9,212** | **15,018** | **11,742** |
| **Credit derivatives** | **42,689** | **224,433** | **38,060** | **305,182** | **326,438** | **4,195** | **4,318** | **4,533** | **4,684** |
| – Protection buyer | 18,286 | 108,726 | 18,989 | 146,001 | 157,154 | 3,069 | 2,902 | 1,205 | 1,526 |
| – Protection seller | 24,403 | 115,707 | 19,071 | 159,181 | 169,284 | 1,126 | 1,416 | 3,328 | 3,158 |
| **Other transactions** | **4,762** | **3,593** | **314** | **8,669** | **7,313** | **395** | **786** | **724** | **1,104** |
| **HVB Group** | **1,726,582** | **1,628,138** | **1,007,657** | **4,362,377** | **3,861,468** | **127,626** | **84,711** | **128,632** | **86,962** |

# Development of Selected Risks (Continued)

**Derivative transactions by counterparty type** (€ millions)

| | FAIR VALUE | | | |
|---|---|---|---|---|
| | POSITIVE | | NEGATIVE | |
| | 30/9/2010 | 31/12/2009 | 30/9/2010 | 31/12/2009 |
| Central governments and central banks | 2,142 | 593 | 888 | 536 |
| Banks | 105,855 | 67,606 | 109,092 | 70,523 |
| Financial institutions | 15,051 | 12,818 | 16,747 | 14,286 |
| Other companies and private individuals | 4,578 | 3,694 | 1,905 | 1,617 |
| **HVB Group** | **127,626** | **84,711** | **128,632** | **86,962** |

In accordance with the banking supervision regulations under Basel II (German Banking Act/Solvency Regulation), with so-called partial use based on individual risk weightings and the risk-reducing effects of existing, legally enforceable bilateral netting agreements and the collateral provided by borrowers, risk weighted assets for HVB Group amounted to €17.0 billion at 30 September 2010 (31 December 2009: €14.1 billion).

## Market risk

In the interests of allowing group-wide standardisation and consolidation, we introduced a new internal model for determining market risk in the third quarter of 2010. In contrast to the old model, which is founded on a Monte Carlo approach, the new model applies a historical simulation based on the development of the relevant market data over the past 500 trading days. The days are not weighted, so that an uniform weighting of changes in the market data is assumed.

**Market risk of HVB Group** (value-at-risk, 99% confidence level, one-day holding period) (€ millions)

| | AVERAGE 2010[1] | 30/9/2010 | 30/6/2010 | 31/3/2010 | AVERAGE 2009[1] | 31/12/2009 |
|---|---|---|---|---|---|---|
| HVB Group former model | | | 81 | 54 | 113 | 65 |
| HVB Group new model | 75 | 66 | 93 | 67 | | |

1 Arithmetic mean of the quarters

The table below shows the aggregate market risks of our trading positions in HVB Group for the first three quarters of 2010. The reduction in market risks is also due to the underlying timeframe for the historical simulation. In contrast to the end of the second quarter 2010, a number of extremely strong market movements from the financial market crisis in September and October 2008 dropped out from the observation period of 500 days by the third quarter of 2010.

**Market risk of HVB Group from trading positions of HVB Group** (value-at-risk, 99% confidence level, one day holding period) (€ millions)

| | 30/9/2010 | 30/6/2010 | | 31/3/2010 | AVERAGE 2009[1] | 31/12/2009 |
|---|---|---|---|---|---|---|
| | NEW MODEL | NEW MODEL | FORMER MODEL | FORMER MODEL | FORMER MODEL | FORMER MODEL |
| Interest rate positions (incl. credit spread risks) | 37 | 62 | 45 | 19 | 51 | 22 |
| Foreign exchange derivatives | 7 | 1 | 4 | 3 | 5 | 3 |
| Equity/index positions | 7 | 12 | 6 | 2 | 5 | 5 |
| Diversification effect[2] | (10) | (9) | (10) | (5) | (12) | (9) |
| **HVB Group** | **41** | **66** | **45** | **19** | **49** | **21** |

1 arithmetic mean of the quarters
2 because of the diversification effect between the risk categories, the total market risk is less than the sum of the individual risks

# Liquidity risk

Conditions on the money markets and capital markets were still dominated by uncertainty in the third quarter of 2010. Continually arising discussions on the budgetary situation in some European countries caused nervousness around the world, also in this quarter. Despite the tense situation in the markets, the liquidity of HVB Group remained at an adequate level at all times during the third quarter of 2010. It is possible that the market movements could again become more pronounced, for instance through problems in other countries, which could further upset the money markets and capital markets.

***Short-term liquidity***
Within the framework of our short-term liquidity limit system, which operates under conservative assumptions, we showed an overall positive balance of €24.2 billion (31 December 2009: €41.4 billion) in HVB Group for the next banking day at the end of September 2010. 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 €30.9 billion at 30 September 2010 (31 December 2009: €38.4 billion). Compared with the previous year-end balance, this reduction in the overall positive balance amounts to a normalisation at an adequate level.

The stress tests we conduct on a regular basis showed that liquidity reserves also at the end of the third quarter of 2010 were sufficient to cover liquidity requirements resulting from the defined scenarios.

The requirements of the German Liquidity Regulation (LiqV) were met at all times by the affected units of HVB Group during the period under review. The funds available exceeded the payment obligations for the following month by €37.8 billion at 30 September 2010 (31 December 2009: €49.5 billion).

***Funding risk***
The structural funding risk of HVB Group was again quite low in the first three quarters of 2010 due to our broad funding base with regard to products, markets and investor groups. This ensured that we were able to obtain adequate funding for our lending operations at all times.

# Consolidated Income Statement

## for the period from 1 January to 30 September 2010

| Income/Expenses | NOTES | 1/1–30/9/2010 € millions | 1/1–30/9/2009 € millions | CHANGE € millions | CHANGE in % |
|---|---|---|---|---|---|
| Net interest | | 3,013 | 3,372 | (359) | (10.6) |
| Dividends and other income from equity investments | | 94 | 35 | + 59 | >+ 100.0 |
| **Net interest income** | 4 | **3,107** | **3,407** | **(300)** | **(8.8)** |
| Net fees and commissions | 5 | 967 | 901 | + 66 | + 7.3 |
| Net trading income | 6 | 749 | 1,018 | (269) | (26.4) |
| Net other expenses/income | 7 | 174 | 123 | + 51 | + 41.5 |
| **Net non-interest income** | | **1,890** | **2,042** | **(152)** | **(7.4)** |
| **TOTAL REVENUES** | | **4,997** | **5,449** | **(452)** | **(8.3)** |
| Payroll costs | | (1,369) | (1,366) | (3) | + 0.2 |
| Other administrative expenses | | (1,084) | (1,062) | (22) | + 2.1 |
| Amortisation, depreciation and impairment | | | | | |
| losses on intangible and tangible assets | | (160) | (165) | + 5 | (3.0) |
| **Operating costs** | | **(2,613)** | **(2,593)** | **(20)** | **+ 0.8** |
| **OPERATING PROFIT** | | **2,384** | **2,856** | **(472)** | **(16.5)** |
| Provisions for risks and charges | | (25) | (103) | + 78 | (75.7) |
| Write-down on goodwill | | — | — | — | — |
| Restructuring costs | | — | (268) | + 268 | (100.0) |
| Net write-downs of loans and provisions | | | | | |
| for guarantees and commitments | 8 | (664) | (1,488) | + 824 | (55.4) |
| Net income from investments | 9 | (9) | (277) | + 268 | + 96.8 |
| **PROFIT BEFORE TAX** | | **1,686** | **720** | **+ 966** | **>+ 100.0** |
| Income tax for the period | | (547) | (324) | (223) | + 68.8 |
| **CONSOLIDATED PROFIT** | | **1,139** | **396** | **+ 743** | **>+ 100.0** |
| attributable to shareholder of UniCredit Bank AG | | 1,119 | 334 | + 785 | >+ 100.0 |
| attributable to minorities | | 20 | 62 | (42) | (67.7) |

### Earnings per share

(in €)

| | NOTES | 1/1–30/9/2010 | 1/1–30/9/2009 |
|---|---|---|---|
| Earnings per share (€) | 10 | 1.39 | 0.42 |

## Statement of Other Comprehensive Income
## for the period from 1 January to 30 September 2010

(€ millions)

| | 1/1–30/9/2010 | 1/1–30/9/2009 |
|---|---|---|
| **Consolidated profit recognised in the income statement** | **1,139** | **396** |
| **Income and expenses recognised in equity** | | |
| Changes from foreign currency translation and other changes | 61 | (40) |
| Changes from companies accounted for using the equity method | — | — |
| Actuarial profit on defined benefit plans (pension commitments) | — | — |
| Discontinued operations and assets held for sale | — | — |
| Change in valuation of financial instruments (AfS reserve) | 17 | 111 |
| Change in valuation of financial instruments (hedge reserve) | (125) | (142) |
| Taxes on income and expenses recognised in equity | 53 | 44 |
| **Income and expenses recognised in equity** | **6** | **(27)** |
| **Total recognised in equity** | **1,145** | **369** |
| of which: | | |
| attributable to shareholder of UniCredit Bank AG | 1,087 | 345 |
| attributable to minority interest | 58 | 24 |

# Consolidated Income Statement (Continued)

## for the period from 1 July to 30 September 2010

| | 1/7–30/9/2010 | 1/7–30/9/2009 | CHANGE | |
|---|---|---|---|---|
| Income/Expenses | € millions | € millions | € millions | in % |
| Net interest | 990 | 1,019 | (29) | (2.8) |
| Dividends and other income from equity investments | 20 | 5 | + 15 | >+ 100.0 |
| **Net interest income** | **1,010** | **1,024** | **(14)** | **(1.4)** |
| Net fees and commissions | 286 | 301 | (15) | (5.0) |
| Net trading income | 293 | 597 | (304) | (50.9) |
| Net other expenses/income | 57 | 32 | + 25 | + 78.1 |
| **Net non-interest income** | **636** | **930** | **(294)** | **(31.6)** |
| **TOTAL REVENUES** | **1,646** | **1,954** | **(308)** | **(15.8)** |
| Payroll costs | (442) | (462) | + 20 | (4.3) |
| Other administrative expenses | (367) | (355) | (12) | + 3.4 |
| Amortisation, depreciation and impairment | | | | |
| losses on intangible and tangible assets | (53) | (50) | (3) | + 6.0 |
| **Operating costs** | **(862)** | **(867)** | **+ 5** | **(0.6)** |
| **OPERATING PROFIT** | **784** | **1,087** | **(303)** | **(27.9)** |
| Provisions for risks and charges | (8) | (39) | + 31 | (79.5) |
| Write-down on goodwill | — | — | — | — |
| Restructuring costs | — | (1) | + 1 | (100.0) |
| Net write-downs of loans and provisions | | | | |
| for guarantees and commitments | (155) | (519) | + 364 | (70.1) |
| Net income from investments | (31) | (180) | + 149 | + 82.8 |
| **PROFIT BEFORE TAX** | **590** | **348** | **+ 242** | **+ 69.5** |
| Income tax for the period | (171) | (133) | (38) | + 28.6 |
| **CONSOLIDATED PROFIT** | **419** | **215** | **+ 204** | **+ 94.9** |
| attributable to shareholder of UniCredit Bank AG | 379 | 189 | + 190 | >+ 100.0 |
| attributable to minorities | 40 | 26 | + 14 | + 53.8 |

### Earnings per share

(in €)

| | 1/7–30/9/2010 | 1/7–30/9/2009 |
|---|---|---|
| Earnings per share | 0.47 | 0.24 |

## Statement of Other Comprehensive Income
## for the period from 1 July to 30 September 2010

(€ millions)

| | 1/7–30/9/2010 | 1/7–30/9/2009 |
|---|---|---|
| **Consolidated profit recognised in the income statement** | **419** | **215** |
| **Income and expenses recognised in equity** | | |
| Changes from foreign currency translation and other changes | (49) | (16) |
| Changes from companies accounted for using the equity method | — | — |
| Actuarial profit on defined benefit plans (pension commitments) | — | — |
| Discontinued operations and assets held for sale | — | — |
| Change in valuation of financial instruments (AfS reserve) | 6 | 171 |
| Change in valuation of financial instruments (hedge reserve) | (37) | (49) |
| Taxes on income and expenses recognised in equity | 33 | 10 |
| **Income and expenses recognised in equity** | **(47)** | **116** |
| **Total recognised in equity** | **372** | **331** |
| of which: | | |
| attributable to shareholder of UniCredit Bank AG | 408 | 329 |
| attributable to minority interest | (36) | 2 |

# Balance Sheet

## at 30 September 2010

### Assets

| | NOTES | 30/9/2010 € millions | 31/12/2009 € millions | CHANGE € millions | CHANGE in % |
|---|---|---|---|---|---|
| Cash and cash balances | | 1,836 | 6,400 | (4,564) | (71.3) |
| Financial assets held for trading | 11 | 170,190 | 133,389 | + 36,801 | + 27.6 |
| Financial assets at fair value through profit or loss | 12 | 25,489 | 13,758 | + 11,731 | + 85.3 |
| Available-for-sale financial assets | 13 | 5,243 | 4,441 | + 802 | + 18.1 |
| Shares in associates accounted for using the equity method | | | | | |
| and joint ventures accounted for using the equity method | 14 | 95 | 88 | + 7 | + 8.0 |
| Held-to-maturity investments | 15 | 2,598 | 2,679 | (81) | (3.0) |
| Loans and receivables with banks | 16 | 51,668 | 43,254 | + 8,414 | + 19.5 |
| Loans and receivables with customers | 17 | 138,297 | 145,919 | (7,622) | (5.2) |
| Hedging derivatives | | 5,751 | 3,578 | + 2,173 | + 60.7 |
| Hedge adjustment of hedged items | | | | | |
| in the fair value hedge portfolio | | 155 | 53 | + 102 | >+ 100.0 |
| Property, plant and equipment | | 2,737 | 2,581 | + 156 | + 6.0 |
| Investment properties | | 1,859 | 1,907 | (48) | (2.5) |
| Intangible assets | | 615 | 656 | (41) | (6.3) |
| of which: goodwill | | 424 | 424 | — | — |
| Tax assets | | 3,076 | 2,612 | + 464 | + 17.8 |
| of which: deferred tax assets | | 2,623 | 2,252 | + 371 | + 16.5 |
| Non-current assets or disposal groups held for sale | 20 | 27 | 4 | + 23 | >+ 100.0 |
| Other assets | | 2,082 | 2,101 | (19) | (0.9) |
| **Total assets** | | **411,718** | **363,420** | **+ 48,298** | **+ 13.3** |

## Liabilities

| | NOTES | 30/9/2010 | 31/12/2009 | CHANGE | | | |
|---|---|---|---|---|---|---|---|
| | | € millions | € millions | | € millions | | in % |
| Deposits from banks | 21 | 53,815 | 50,704 | + | 3,111 | + | 6.1 |
| Deposits from customers | 22 | 108,432 | 96,490 | + | 11,942 | + | 12.4 |
| Debt securities in issue | 23 | 50,176 | 61,286 | | (11,110) | | (18.1) |
| Financial liabilities held for trading | | 162,692 | 121,206 | + | 41,486 | + | 34.2 |
| Hedging derivatives | | 2,779 | 1,369 | + | 1,410 | >+ | 100.0 |
| Hedge adjustment of hedged items | | | | | | | |
| in the fair value hedge portfolio | | 2,326 | 1,200 | + | 1,126 | + | 93.8 |
| Tax liabilities | | 2,493 | 1,849 | + | 644 | + | 34.8 |
| of which: deferred tax liabilities | | 1,672 | 1,175 | + | 497 | + | 42.3 |
| Liabilities of disposal groups held for sale | 24 | 610 | — | + | 610 | | |
| Other liabilities | | 4,000 | 4,179 | | (179) | | (4.3) |
| Provisions | 25 | 1,408 | 1,499 | | (91) | | (6.1) |
| Shareholders' equity | | 22,987 | 23,638 | | (651) | | (2.8) |
| Shareholders' equity attributable to | | | | | | | |
| shareholder of UniCredit Bank AG | | 22,187 | 22,870 | | (683) | | (3.0) |
| Subscribed capital | | 2,407 | 2,407 | | — | | — |
| Additional paid-in capital | | 9,791 | 9,791 | | — | | — |
| Own shares | | — | — | | — | | — |
| Other reserves | | 8,987 | 9,034 | | (47) | | (0.5) |
| Change in valuation of financial instruments | 26 | (117) | 5 | | (122) | | |
| AfS reserve | | (171) | (190) | + | 19 | + | 10.0 |
| Hedge reserve | | 54 | 195 | | (141) | | (72.3) |
| Consolidated profit 2009 | | — | 1,633 | | (1,633) | | (100.0) |
| Net profit 1/1 – 30/9/2010[1] | | 1,119 | — | + | 1,119 | | |
| Minority interest | | 800 | 768 | + | 32 | + | 4.2 |
| **Total shareholders' equity and liabilities** | | **411,718** | **363,420** | **+** | **48,298** | **+** | **13.3** |

1 shareholders' equity attributable to shareholder of UniCredit Bank AG

# Statement of Changes in Shareholders' Equity

## at 30 September 2010

| | SUBSCRIBED CAPITAL | ADDITIONAL PAID-IN CAPITAL | OTHER RESERVES | |
|---|---|---|---|---|
| | | | TOTAL | OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19) |
| **Shareholders' equity at 1 January 2009** | **2,407** | **9,791** | **9,996** | **(139)** |
| **Recognised income and expenses** | | | | |
| **Consolidated profit recognised in the consolidated income statement** | **—** | **—** | **—** | **—** |
| **Income and expenses recognised in equity** | | | | |
| Change in valuation of financial instruments not affecting income | — | — | — | — |
| Change in valuation of financial instruments affecting income | — | — | — | — |
| Reserve arising from foreign currency translation and other changes | — | — | (10) | — |
| **Income and expenses recognised in equity** | **—** | **—** | **(10)** | **—** |
| **Total income and expenses recognised in equity** | **—** | **—** | **(10)** | **—** |
| **Other changes recognised in equity** | | | | |
| Dividend payouts | — | — | — | — |
| Changes in group of consolidated companies | — | — | (17) | — |
| **Total other changes in equity** | **—** | **—** | **(17)** | **—** |
| **Shareholders' equity at 30 September 2009** | **2,407** | **9,791** | **9,969** | **(139)** |
| of which: | | | | |
| shareholders' equity of disposal groups held for sale | — | — | — | — |
| | | | | |
| **Shareholders' equity at 1 January 2010** | **2,407** | **9,791** | **9,034** | **(223)** |
| **Recognised income and expenses** | | | | |
| **Consolidated profit recognised in the consolidated income statement** | **—** | **—** | **—** | **—** |
| **Income and expenses recognised in equity** | | | | |
| Change in valuation of financial instruments not affecting income | — | — | — | — |
| Change in valuation of financial instruments affecting income | — | — | — | — |
| Reserve arising from foreign currency translation and other changes | — | — | 19 | — |
| **Income and expenses recognised in equity** | **—** | **—** | **19** | **—** |
| **Total income and expenses recognised in equity** | **—** | **—** | **19** | **—** |
| **Other changes recognised in equity** | | | | |
| Dividend payouts | — | — | — | — |
| Changes in group of consolidated companies | — | — | (66) | — |
| **Total other changes in equity** | **—** | **—** | **(66)** | **—** |
| **Shareholders' equity at 30 September 2010** | **2,407** | **9,791** | **8,987** | **(223)** |
| of which: | | | | |
| shareholders' equity of disposal groups held for sale | — | — | — | — |

1 shareholders' equity attributable to shareholder of UniCredit Bank AG
2 UniCredit Bank AG (HVB)
3 The Annual General Meeting of Shareholders of 21 May 2010 resolved to distribute the 2009 consolidated profit in the amount of €1,633 million as a dividend to our sole shareholder, UniCredit S.p.A. This represents a dividend of around €2.03 per share of common stock and per share of preferred stock, an advanced dividend of €0.064 per share of preferred stock and a retroactive payment on the advance share of profits of €0.064 per share of preferred stock for 2008.

(€ millions)

| CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS | | | | | | |
|---|---|---|---|---|---|---|
| AFS RESERVE | HEDGE RESERVE | CONSOLIDATED PROFIT[3] | PROFIT 1/1 – 30/9[1] | TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDER OF HVB[2] | MINORITY INTEREST | TOTAL SHAREHOLDERS' EQUITY |
| **(306)** | **329** | **—** | **—** | **22,217** | **807** | **23,024** |
| | | | | | | |
| **—** | **—** | **—** | **334** | **334** | **62** | **396** |
| | | | | | | |
| 96 | 6 | — | — | 102 | 1 | 103 |
| 14 | (104) | — | — | (90) | — | (90) |
| 9 | — | — | — | (1) | (39) | (40) |
| **119** | **(98)** | **—** | **—** | **11** | **(38)** | **(27)** |
| **119** | **(98)** | **—** | **334** | **345** | **24** | **369** |
| | | | | | | |
| — | — | — | — | — | (31) | (31) |
| — | — | — | — | (17) | (30) | (47) |
| **—** | **—** | **—** | **—** | **(17)** | **(61)** | **(78)** |
| **(187)** | **231** | **—** | **334** | **22,545** | **770** | **23,315** |
| | | | | | | |
| — | — | — | — | — | — | — |
| | | | | | | |
| **(190)** | **195** | **1,633** | **—** | **22,870** | **768** | **23,638** |
| | | | | | | |
| **—** | **—** | **—** | **1,119** | **1,119** | **20** | **1,139** |
| | | | | | | |
| 53 | (11) | — | — | 42 | — | 42 |
| (25) | (72) | — | — | (97) | — | (97) |
| 4 | — | — | — | 23 | 38 | 61 |
| **32** | **(83)** | **—** | **—** | **(32)** | **38** | **6** |
| **32** | **(83)** | **—** | **1,119** | **1,087** | **58** | **1,145** |
| | | | | | | |
| — | — | (1,633) | — | (1,633) | (25) | (1,658) |
| (13) | (58) | — | — | (137) | (1) | (138) |
| **(13)** | **(58)** | **(1,633)** | **—** | **(1,770)** | **(26)** | **(1,796)** |
| **(171)** | **54** | **—** | **1,119** | **22,187** | **800** | **22,987** |
| | | | | | | |
| — | — | — | — | — | — | — |

# Selected Notes

## 1 Accounting and valuation principles

**IFRS basis**

After trading in HVB shares was officially discontinued during 2008 following the completion of the squeeze-out, we are no longer formally obliged to prepare quarterly financial statements at 31 March and 30 September. We have decided, however, to continue publishing interim reports with a view to retaining a high level of transparency on the market.

The income statement and balance sheet contained in the present Interim Report together with the associated notes have again been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS).

We have applied the same accounting, valuation and disclosure principles in 2010 as in the consolidated financial statements for 2009 (please refer to the HVB Group Annual Report for 2009, starting on page 97). The main new regulations worthy of note in this regard are the revised IFRS 3 “Business Combinations” (IFRS 3 R) and IAS 27 “Consolidated and Separate Financial Statements” (IAS 27 R). Whereas IFRS 3 R defines more closely the application of the purchase method for business combinations, IAS 27 R contains revised regulations for the presentation of minority interests and for disclosure in the event of the loss of controlling influence over a subsidiary in the balance sheet. The new regulations could have an impact on HVB Group should there be future business combinations and transactions.

**Segment reporting**

In segment reporting, the market-related activities of HVB Group are divided into the following globally operating divisions: Corporate & Investment Banking, Retail, and Private Banking. Also shown is the Other/consolidation segment that covers Global Banking Services and Group Corporate Centre activities, and the effects of consolidation.

The same principles were used at year-end 2009 are being applied in 2010. We use risk-weighted assets compliant with Basel II as the criterion for allocating tied equity capital. The interest rate used to assess the equity capital allocated to companies assigned to several divisions (HVB, UniCredit Luxembourg S.A.) was 4.30% in 2009. This rate was redetermined for 2010 and has been 4.09% since 1 January 2010.

In the second quarter of 2010, we launched our One4C initiative, which provides for the resegmentation of affluent private customers as well as small and mid-sized companies. The overall goal of this initiative is the consistent orientation of the Bank towards a sustainable customer business model, using it to achieve even closer and more targeted relationship management for the benefit of customers. In a first Phase, customers with free assets of at least 500,000 euros were moved from the Retail division to the Private Banking division, and customers with assets of less than 500,000 euros were moved from the Private Banking division to the Retail division in the second quarter of 2010. This reorganisation resulted in an overall shift in customers from the Retail division to the Private Banking division. The second Phase in implementing One4C, the transfer of small and mid-sized companies with revenues of up to 50 million euros from the Corporate & Investment Banking, will commence at the beginning of 2011 as planned.

In addition to transferring customers between divisions as a result of the One4C initiative, other smaller reorganisation measures were taken in the second and third quarter of 2010, particularly in administrative expenses. The previous year’s figures or, respectively, those of the previous quarters, have been adjusted accordingly to reflect described changes in segment allocations.

## 2 Companies included in consolidation

In the first nine month of 2010, the following companies and fund assets were added to the group of companies included in consolidation:
- Bank Austria Immobilien Service GmbH, Vienna,
- UniCredit CAIB Securities UK Ltd., London,
- HVB Asset Leasing Limited, London,
- HVB International Asset Leasing GmbH, Munich,
- HVB Export Leasing GmbH, Munich,
- HVB Principal Equity GmbH, Munich,
- RHOTERRA Gesellschaft für Immobilienverwaltung mbH, Munich,
- Salvatorplatz-Grundstücksgesellschaft mbH, Munich,
- Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Saarland, Munich,
- Structured Invest Société Anonyme, Luxembourg,
- UniCredit Beteiligungs GmbH, Munich,
- Elektra Purchase No. 1 Ltd., St. Helier, Jersey,
- Bandon Leasing Limited, Dublin,
- HVB Gesellschaft für Gebäude Beteiligungs GmbH, Munich,
- HVB Global Assets Company (GP), LLC, City of Dover,
- HVB Hong Kong Limited, Hong Kong,
- HVB Realty Capital Inc., New York,
- HVB Verwa 1 GmbH, Munich,
- HVBFF Objekt Beteiligungs GmbH, Munich,
- WealthCap PEIA Komplementär GmbH, Munich,
- Life Management Zweite GmbH, Grünwald,
- Life Management Erste GmbH, Munich,
- AB Immobilienverwaltungs-GmbH, Munich,
- Active Asset Management GmbH, Grünwald,
- "Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung, Munich,
- Status Vermögensverwaltung GmbH, Schwerin,
- BIL Leasing-Fonds GmbH & Co VELUM KG, Munich,
- BIL Leasing-Fonds Verwaltungs-GmbH, Munich,
- BIL V & V Vermietungs GmbH, Munich,
- WealthCap Stiftungstreuhand GmbH, Hamburg,
- BV Grundstücksentwicklungs-GmbH, Munich,
- UniCredit (China) Advisory Limited, Peking,
- Geldilux-TS-2010 S.A., Luxembourg.

With effect from 1 June 2010, HVB acquired UniCredit CAIB AG and its subsidiary, Uni-Credit CAIB Securities UK Ltd., from UniCredit Bank Austria AG, Vienna. As this business combination is a group-internal transaction within UniCredit Group, IFRS 3 does not apply to the acquisition of the two companies (IFRS 3.2c: business combinations involving entities or businesses under common control). Upon its entry into the Commercial Register, UniCredit CAIB AG was merged into UniCredit Bank AG with effect from 1 July 2010. After the technical integration at 24 September 2010, it will continue to operate within a modified structure as UniCredit Bank AG, Vienna branch.

At 30 September 2010, the following companies are no longer consolidated for HVB Group:
- Geldilux-TS-2009 S.A., Luxembourg,
- Geldilux-TS-2005 S.A., Luxembourg,
- Claris Limited – Series 64/2006, St. Helier, Jersey.

# Notes to the Income Statement

### 3 Segment reporting

Income statement broken down by division for the period from 1 January to 30 September 2010 (€ millions)

| | CORPORATE & INVESTMENT BANKING | RETAIL | PRIVATE BANKING | OTHER/ CONSOLIDATION | HVB GROUP |
|---|---|---|---|---|---|
| **TOTAL REVENUES** | | | | | |
| 1/1 – 30/9/2010 | 3,313 | 1,007 | 214 | 463 | 4,997 |
| 1/1 – 30/9/2009 | 3,744 | 1,090 | 233 | 382 | 5,449 |
| **Operating costs** | | | | | |
| 1/1 – 30/9/2010 | (1,372) | (965) | (128) | (148) | (2,613) |
| 1/1 – 30/9/2009 | (1,249) | (1,015) | (133) | (196) | (2,593) |
| **OPERATING PROFIT** | | | | | |
| 1/1 – 30/9/2010 | 1,941 | 42 | 86 | 315 | 2,384 |
| 1/1 – 30/9/2009 | 2,495 | 75 | 100 | 186 | 2,856 |
| **Restructuring costs** | | | | | |
| 1/1 – 30/9/2010 | — | — | — | — | — |
| 1/1 – 30/9/2009 | (212) | (55) | (1) | — | (268) |
| **Net write-downs of loans** | | | | | |
| **and provisions for guarantees** | | | | | |
| **and commitments** | | | | | |
| 1/1 – 30/9/2010 | (574) | (34) | (2) | (54) | (664) |
| 1/1 – 30/9/2009 | (1,391) | (55) | 5 | (47) | (1,488) |
| **Net income from** | | | | | |
| **investments and other items**[1] | | | | | |
| 1/1 – 30/9/2010 | 40 | 5 | (2) | (77) | (34) |
| 1/1 – 30/9/2009 | (301) | (8) | (2) | (69) | (380) |
| **PROFIT/(LOSS) BEFORE TAX** | | | | | |
| 1/1 – 30/9/2010 | 1,407 | 13 | 82 | 184 | 1,686 |
| 1/1 – 30/9/2009 | 591 | (43) | 102 | 70 | 720 |

1 contains the following income statement items: provisions for risks and charges and net income from investments

Income statement of the Corporate & Investment Banking division (€ millions)

| INCOME/EXPENSES | 1/1 – 30/9/ 2010 | 1/1 – 30/9/ 2009 | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 | Q3 2009 |
|---|---|---|---|---|---|---|---|
| **Net interest income** | **2,173** | **2,504** | **703** | **773** | **697** | **733** | **754** |
| Net fees and commissions | 439 | 379 | 133 | 123 | 183 | 137 | 123 |
| Net trading income | 644 | 855 | 242 | 29 | 373 | 72 | 581 |
| Net other expenses/income | 57 | 6 | 10 | 20 | 27 | (3) | 3 |
| **Net non-interest income** | **1,140** | **1,240** | **385** | **172** | **583** | **206** | **707** |
| **TOTAL REVENUES** | **3,313** | **3,744** | **1,088** | **945** | **1,280** | **939** | **1,461** |
| Payroll costs | (577) | (482) | (180) | (212) | (185) | (211) | (178) |
| Other administrative expenses | (778) | (762) | (264) | (269) | (245) | (233) | (253) |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | (17) | (5) | (6) | (6) | (5) | (5) | (2) |
| **Operating costs** | **(1,372)** | **(1,249)** | **(450)** | **(487)** | **(435)** | **(449)** | **(433)** |
| **OPERATING PROFIT** | **1,941** | **2,495** | **638** | **(458)** | **845** | **490** | **1,028** |
| Restructuring costs | — | (212) | — | — | — | 125 | — |
| Net write-downs of loans and provisions for guarantees and commitments | (574) | (1,391) | (162) | (68) | (344) | (145) | (496) |
| Net income from investments and other items[1] | 40 | (301) | (2) | 12 | 30 | (112) | (211) |
| **PROFIT BEFORE TAX** | **1,407** | **591** | **474** | **(402)** | **531** | **358** | **321** |
| Cost-income ratio in % | 41.4 | 33.4 | 41.4 | 51.5 | 34.0 | 47.8 | 29.6 |

1 contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Corporate & Investment Banking division**

In the first nine months of 2010, the Corporate & Investment Banking division recorded a very good profit before tax of €1,407 million, which is a substantial increase of €816 million compared with last year (€591 million).

Net fees and commissions showed a very pleasing development in operations, rising by around 16%, to €439 million. This is attributable to traditional lending operations as well as the income from project and structured finance. At €644 million, the division reported an impressive net trading income in the first nine months of the year under review. This figure does not match the exceptionally high contribution to profits of €855 million generated in the previous year, which was supported by the strong recovery of the overall market at that time. In particular, the Rates (interest-related products), Equities (share and index products) and Capital Markets units made significant contributions to this good performance. In addition, this result was improved by holdings assigned to the fair-value-option, which were still under considerable pressure last year due to widening spreads caused by the more difficult market conditions.

Net interest income decreased by 13%, to €2,173 million, compared with last year. This decrease can be attributed primarily to lower trading-related interest income together with the limited effects arising from the amortisation of reclassified assets compliant with IAS 39. Furthermore, net interest income fell in deposit-taking activities on account of considerably lower margins. However, there was a slight rise in the result for traditional lending operations with corporate customers; the dividends included in net interest income also increased on account of higher dividends paid by private equity funds.

Although operating costs rose in the period under review to €1,372 million, after €1,249 million in the previous year, at 41.4%, the cost-income ratio is still at a very good level.

A significant increase of €816 million, to €1,407 million, in the profit before tax was generated in the first nine months of 2010. This development was largely due to the significant year-on-year decline in net write-downs of loans and provisions for guarantees and commitments and the non-recurrence of last year's restructuring costs as well as a considerable improvement in net income from investments, which included heavy burdens from the impairments of private equity funds in 2009.

# Notes to the Income Statement (Continued)

**Income statement of the Retail division**

In the first phase of implementing our One4C initiative (in which measures were taken to provide a consistent orientation of the Bank towards a sustainable customer business model to achieve even closer and more targeted relationship managment for the benefit of customers), customers were transferred between the Retail and Private Banking divisions during the second quarter of 2010. Customers with free assets of at least 500,000 euros were moved from the Retail division to the Private Banking division, and customers with assets of less than 500,000 euros were moved from the Private Banking division to the Retail division. This reorganisation resulted in an overall shift in customers from the Retail division to the Private Banking division and, with it, a disproportionate transfer of total revenues. Figures from the previous year and previous quarters have been adjusted accordingly.

Since One4C's second phase (transferring specific corporate customers from the Corporate & Investing Banking division as well as any associated income and expenses) will not take place until the beginning of 2011, the total revenues shown in the table below as well as figures found in profit/(loss) before tax have been appropriately understated until One4C has been fully implemented.

(€ millions)

| INCOME/EXPENSES | 1/1 – 30/9/ 2010 | 1/1 – 30/9/ 2009 | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 | Q3 2009 |
|---|---|---|---|---|---|---|---|
| **Net interest income** | **624** | **714** | **211** | **206** | **207** | **222** | **227** |
| Net fees and commissions | 383 | 375 | 112 | 136 | 135 | 113 | 127 |
| Net trading income | 8 | 6 | 1 | 3 | 4 | 4 | 5 |
| Net other expenses/income | (8) | (5) | (3) | (4) | (1) | (10) | (3) |
| **Net non-interest income** | **383** | **376** | **110** | **135** | **138** | **107** | **129** |
| **TOTAL REVENUES** | **1,007** | **1,090** | **321** | **341** | **345** | **329** | **356** |
| Payroll costs | (393) | (422) | (134) | (125) | (134) | (135) | (138) |
| Other administrative expenses | (563) | (583) | (182) | (191) | (190) | (187) | (194) |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | (9) | (10) | (3) | (3) | (3) | (3) | (3) |
| **Operating costs** | **(965)** | **(1,015)** | **(319)** | **(319)** | **(327)** | **(325)** | **(335)** |
| **OPERATING PROFIT** | **42** | **75** | **2** | **22** | **18** | **4** | **21** |
| Restructuring costs | — | (55) | — | — | — | (8) | — |
| Net write-downs of loans and provisions for guarantees and commitments | (34) | (55) | 5 | (27) | (12) | (8) | (13) |
| Net income from investments and other items[1] | 5 | (8) | — | 4 | 1 | 1 | — |
| **PROFIT/(LOSS) BEFORE TAX** | **13** | **(43)** | **7** | **(1)** | **7** | **(11)** | **8** |
| Cost-income ratio in % | 95.8 | 93.1 | 99.4 | 93.5 | 94.8 | 98.8 | 94.1 |

1 contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Retail division**

In a persistently challenging economic environment, the total revenues of the Retail division fell by around 8% in the first nine months of 2010 compared with the equivalent period last year. This decline is primarily attributable to the decrease in net interest income of around 13%, to €624 million. This is essentially due to lower interest margins in deposit-taking activities which, despite an increase in volumes, resulted in a decline in net interest income in the deposit-taking business. On the lending side, there was a decrease in net interest income as a result of falling volumes, whereby a significant rise in new real estate financing business partially offset the decrease in volumes. Furthermore, net interest income declined due to the deconsolidation of Vereinsbank Victoria Bausparkasse in the second half of 2009. In contrast, net fees and commissions developed pleasingly, increasing by €8 million, to €383 million, despite customers' continuing reticence in the wake of the financial crisis. This rise was a result of better year-on-year securities operations driven by the strong demand for mandated products, such as the innovative "HVB Vermögensdepot privat". In addition, the successful sales of pension products and the increased distribution of savings-and-loan products had a positive impact. The cooperations with ERGO and Wüstenrot Bausparkasse AG contributed to this success.

The decline in total revenues was partially offset by applying consistent cost management to savings achieved in operating costs (down 4.9%). In the process, payroll costs fell in particular due to the 6.9% reduction in headcount. In addition, other administrative expenses decreased by 3.4%.

The sharp decline in net write-downs of loans and provisions for guarantees and commitments of around 38.2%, to €34 million, coupled with the non-recurring restructuring costs included last year led to an improvement in the now positive profit before tax of €13 million (1.1. to 30.9.2009: a loss of €43 million) for the first three quarters of 2010. As already explained at the outset, however, the reorganisation completed in the second quarter of 2010 has resulted in a temporarily low income and profit basis that does not fully reflect the future profitability of the Retail division.

# Notes to the Income Statement (Continued)

Income statement of the Private Banking division (€ millions)

| INCOME/EXPENSES | 1/1 – 30/9/ 2010 | 1/1 – 30/9/ 2009 | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 | Q3 2009 |
|---|---|---|---|---|---|---|---|
| **Net interest income** | **75** | **90** | **26** | **24** | **25** | **31** | **30** |
| Net fees and commissions | 138 | 141 | 39 | 47 | 52 | 42 | 45 |
| Net trading income | — | — | — | — | — | — | — |
| Net other expenses/income | 1 | 2 | 2 | (1) | — | 5 | (1) |
| **Net non-interest income** | **139** | **143** | **41** | **46** | **52** | **47** | **44** |
| **TOTAL REVENUES** | **214** | **233** | **67** | **70** | **77** | **78** | **74** |
| Payroll costs | (57) | (55) | (19) | (19) | (19) | (17) | (18) |
| Other administrative expenses | (70) | (77) | (23) | (23) | (24) | (26) | (26) |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | (1) | (1) | — | (1) | — | — | — |
| **Operating costs** | **(128)** | **(133)** | **(42)** | **(43)** | **(43)** | **(43)** | **(44)** |
| **OPERATING PROFIT** | **86** | **100** | **25** | **27** | **34** | **35** | **30** |
| Restructuring costs | — | (1) | — | — | — | (2) | (1) |
| Net write-downs of loans and provisions for guarantees and commitments | (2) | 5 | (1) | — | (1) | (1) | 4 |
| Net income from investments and other items[1] | (2) | (2) | (2) | — | — | (7) | 4 |
| **PROFIT BEFORE TAX** | **82** | **102** | **22** | **27** | **33** | **25** | **37** |
| Cost-income ratio in % | 59.8 | 57.1 | 62.7 | 61.4 | 55.8 | 55.1 | 59.5 |

1 contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Private Banking division**

In the course of implementing the One4C initiative, there was a disproportionate transfer of customers and the related earnings from the Retail division to the Private Banking division in the second quarter of 2010. The previous year's figures and previous quarters have been adjusted accordingly.

Under still challenging market conditions, the operating profit of the Private Banking division in the first nine months of 2010 was €86 millon, down €14 million on the same period last year. In the process, total revenues fell by €19 million, to €214 million, mainly due to the decline in net interest income, which fell by €15 million, to €75 million (down 17%). The decisive reason for this development were unfavourable changes in market interest rates, which led to much narrower margins in deposit-taking activities. In contrast, net fees and commissions developed satisfactorily, which, at €138 million (down 2.1%) are only slightly lower than last year. This reflects our customers' still noticeable reticence in the wake of the financial crisis.

On account of strict cost management, operating costs showed a pleasing development, falling by a total of €5 million, to €128 million (down 4%). At 59.8% (previous year: 57.1%), the cost-income ratio is still at a very good level. Taking into account the negative total effect of €6 million compared with last year (in particular from net write-downs of loans and provisions for guarantees and commitments, and the loss in net income from investments), the Private Banking division generated a profit before tax of €82 million (2009: €102 million) in the first nine months of 2010.

Income statement of the Other/consolidation segment (€ millions)

| INCOME/EXPENSES | 1/1 – 30/9/ 2010 | 1/1 – 30/9/ 2009 | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 | Q3 2009 |
|---|---|---|---|---|---|---|---|
| **TOTAL REVENUES** | **463** | **382** | **170** | **92** | **201** | **135** | **63** |
| **Operating costs** | **(148)** | **(196)** | **(51)** | **(43)** | **(54)** | **(52)** | **(55)** |
| **OPERATING PROFIT** | **315** | **186** | **119** | **49** | **147** | **83** | **8** |
| Restructuring costs | — | — | — | — | — | (17) | — |
| Net write-downs of loans and provisions | | | | | | | |
| for guarantees and commitments | (54) | (47) | 3 | (42) | (15) | 41 | (14) |
| Net income from investments and other items[1] | (77) | (69) | (35) | (33) | (9) | 67 | (12) |
| **PROFIT/(LOSS) BEFORE TAX** | **184** | **70** | **87** | **(26)** | **123** | **174** | **(18)** |

1 contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Other/consolidation segment**
The total revenues of this segment increased by €81 million, to €463 million, in the first nine months of 2010. Within this total, an increase in profit from asset/liability management as well as higher income in connection with the buy-back of hybrid capital were partially offset by the negative effects from exchange rate differences compliant with IAS 21.28.

With operating costs declining by €48 million, an operating profit of €315 million (equivalent period in 2009: €186 million) was generated in the first three quarters of 2010.

The net write-downs of loans and provisions for guarantees and commitments in this segment are due to the Special Credit Portfolio. The total rose by €7 million, to €54 million, in the period under review compared with last year. In the year under review, net income from investments and other items declined by €8 million, to a loss of €77 million, whereby higher impairments of investment properties were partially offset by lower provisions for risks and charges. The profit before tax improved by €114 million, to €184 million, in the first nine months of 2010.

## 4 Net interest income

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| **Interest income from** | | |
| lending and money market transactions | 4,520 | 5,981 |
| other interest income | 1,965 | 2,556 |
| **Interest expense from** | | |
| deposits | (932) | (1,926) |
| debt securities in issue and other interest expenses | (2,540) | (3,239) |
| **Net interest** | **3,013** | **3,372** |
| **Dividends and other income from equity investments** | | |
| Dividends and other similar income | 87 | 35 |
| Companies accounted for using the equity method | 7 | — |
| **Total** | **3,107** | **3,407** |

# Notes to the Income Statement (Continued)

## 5 Net fees and commissions

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| Management, brokerage and consultancy services | 513 | 480 |
| Collection and payment services | 150 | 146 |
| Lending operations | 288 | 250 |
| Other service operations | 16 | 25 |
| **Total** | **967** | **901** |

This item comprises the balance of fee and commission income of €1,611 million (2009: €1,646 million) and fee and commission expenses of €644 million (2009: €745 million).

## 6 Net trading income

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| Net gains on financial assets held for trading[1] | 582 | 1,015 |
| Effects arising from hedge accounting | 84 | 24 |
| Changes in fair value of hedged items | (1,211) | (858) |
| Changes in fair value of hedging derivatives | 1,295 | 882 |
| Net gains/(losses) on financial assets at fair value through profit or loss (fair value option) | (26) | (81) |
| Other net trading income | 109 | 60 |
| **Total** | **749** | **1,018** |

1 including dividends on financial assets held for trading

The effects arising from hedge accounting include the hedge results of the fair value hedge portfolio and the individual micro fair value hedges as a net aggregate total.

The net gains on holdings at fair value through profit or loss (held-for-trading portfolio and fair value option) generally only contain the changes in fair value disclosed in the income statement. The interest income from held-for-trading portfolios is normally disclosed under net interest income. To ensure that the full contribution to profits is disclosed, the interest cash flows are only carried in net trading income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

## 7 Net other expenses/income

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| Other income | 253 | 251 |
| Other expenses | (79) | (128) |
| **Total** | **174** | **123** |

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

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| **Additions/Releases** | **(701)** | **(1,532)** |
| Allowances for losses on loans and receivables | (648) | (1,458) |
| Allowances for losses on guarantees and indemnities | (53) | (74) |
| **Recoveries from write-offs of loans and receivables** | **37** | **44** |
| **Gains on the disposal of impaired loans and receivables** | **—** | **—** |
| **Total** | **(664)** | **(1,488)** |

## 9 Net income from investments

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| Available-for-sale financial assets | 38 | (284) |
| Shares in affiliated companies | — | 32 |
| Companies accounted for using the equity method | — | (6) |
| Held-to-maturity investments | — | 8 |
| Land and buildings | — | 8 |
| Investment properties[1] | (47) | (36) |
| Other | — | 1 |
| **Total** | **(9)** | **(277)** |

1 impairments and write-ups together with fair value fluctuations for investment properties measured at market value

Net income from investments breaks down as follows:

(€ millions)

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| **Gains on the disposal of** | **46** | **123** |
| available-for-sale financial assets | 46 | 59 |
| shares in affiliated companies | — | 47 |
| companies accounted for using the equity method | — | — |
| held-to-maturity investments | — | 8 |
| land and buildings | — | 8 |
| other | — | 1 |
| **Write-downs and value adjustments on** | **(55)** | **(400)** |
| available-for-sale financial assets | (8) | (343) |
| shares in affiliated companies | — | (15) |
| companies accounted for using the equity method | — | (6) |
| held-to-maturity investments | — | — |
| investment properties[1] | (47) | (36) |
| **Total** | **(9)** | **(277)** |

1 impairments and write-ups together with fair value fluctuations for investment properties measured at market value

## 10 Earnings per share

| | 1/1 – 30/9/2010 | 1/1 – 30/9/2009 |
|---|---|---|
| Consolidated profit attributable to the shareholder (€ millions) | 1,119 | 334 |
| Average number of shares | 802,383,672 | 802,383,672 |
| Earnings per share (€) | 1.39 | 0.42 |

# Notes to the Balance Sheet

## 11 Financial assets held for trading

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| **Balance-sheet assets** | | |
| Fixed-income securities | 32,049 | 33,950 |
| Equity instruments | 4,210 | 6,586 |
| Other financial assets held for trading | 12,211 | 11,772 |
| **Positive fair value from derivative financial instruments** | **121,720** | **81,081** |
| **Total** | **170,190** | **133,389** |

The financial assets held for trading include €365 million (31 December 2009: €512 million) in subordinated assets at 30 September 2010.

## 12 Financial assets at fair value through profit or loss

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Fixed-income securities | 23,250 | 11,266 |
| Equity instruments | 1 | 1 |
| Investment certificates | 1 | 1 |
| Promissory notes | 2,237 | 2,490 |
| Other financial assets at fair value through profit or loss | — | — |
| **Total** | **25,489** | **13,758** |

The financial assets at fair value through profit or loss include €292 million (31 December 2009: €274 million) in subordinated assets at 30 September 2010.

## 13 Available-for-sale financial assets

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Fixed-income securities | 3,225 | 2,433 |
| Equity instruments | 770 | 862 |
| Other available-for-sale financial assets | 534 | 475 |
| Impaired assets | 714 | 671 |
| **Total** | **5,243** | **4,441** |

Available-for-sale financial assets include financial instruments of €1,456 million (31 December 2009: €1,444 million) valued at cost at 30 September 2010.

The available-for-sale financial assets contain a total of €714 million (31 December 2009: €671 million) in impaired assets at 30 September 2010. Impairments of €20 million (30 September 2009: €351 million) were taken to the income statement in the period under review. None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets include €426 million (31 December 2009: €257 million) in subordinated assets at 30 September 2010.

## 14 Shares in associated companies accounted for using the equity method and joint ventures accounted for using the equity method

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Associated companies accounted for using the equity method | 95 | 88 |
| of which: goodwill | — | — |
| Joint ventures accounted for using the equity method | — | — |
| **Total** | **95** | **88** |

## 15 Held-to-maturity investments

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Fixed-income securities | 2,594 | 2,675 |
| Impaired assets | 4 | 4 |
| **Total** | **2,598** | **2,679** |

The held-to-maturity investments include €15 million (31 December 2009: €15 million) in subordinated assets at 30 September 2010.

## 16 Loans and receivables with banks

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Current accounts and demand deposits | 18,838 | 14,887 |
| Repos[1] | 12,945 | 10,265 |
| Reclassified securities | 5,487 | 8,349 |
| Other loans to banks | 14,398 | 9,753 |
| **Total** | **51,668** | **43,254** |

1 repurchase agreements

The loans and receivables with banks include €868 million (31 December 2009: €862 million) in subordinated assets at 30 September 2010.

## 17 Loans and receivables with customers

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Current accounts | 6,471 | 6,349 |
| Repos[1] | 741 | 971 |
| Mortgage loans | 51,737 | 56,012 |
| Finance leases | 2,491 | 2,357 |
| Reclassified securities | 6,543 | 8,009 |
| Non-performing loans and receivables | 5,203 | 5,029 |
| Other loans and receivables | 65,111 | 67,192 |
| **Total** | **138,297** | **145,919** |

1 repurchase agreements

The loans and receivables with customers include €1,902 million (31 December 2009: €2,054 million) in subordinated assets at 30 September 2010.

## 18 Application of reclassification rules defined in IAS 39.50 et seq.

No further assets held for trading have been reclassified as loans and receivables in 2010. The intention to trade no longer exists for the assets reclassified in 2008 and 2009 since the markets in these financial instruments had become illiquid as a result of the extraordinary circumstances created by the financial crisis through to the time of reclassification. Given the high quality of the assets concerned, HVB intends to retain the assets for a longer period. HVB has not reclassified any assets from the available-for-sale portfolio.

The following table shows the development of the reclassified holdings:

(€ billions)

| RECLASSIFIED ASSET-BACKED-SECURITIES AND OTHER SECURITIES | CARRYING AMOUNT OF ALL RECLASSIFIED ASSETS[1] | FAIR VALUE OF ALL RECLASSIFIED ASSETS | NOMINAL AMOUNT OF ALL RECLASSIFIED ASSETS |
|---|---|---|---|
| **Reclassified in 2008** | | | |
| Balance at 31/12/2008 | 13.7 | 11.8 | 14.6 |
| Balance at 30/9/2010 | 7.1 | 6.4 | 7.7 |
| **Reclassified in 2009** | | | |
| Balance at 31/12/2009 | 7.3 | 7.4 | 7.4 |
| Balance at 30/9/2010 | 4.9 | 5.0 | 5.0 |
| **Balance of reclassified assets at 30/9/2010** | **12.0** | **11.4** | **12.7** |

1 before accrued interest

# Notes to the Balance Sheet (Continued)

The fair value of the financial instruments reclassified as loans and receivables with banks and customers amounts to a total of €11.4 billion at 30 September 2010. If these reclassifications had not been carried out in 2008 and 2009, mark-to-market valuation (including realised disposals) would have given rise to a net gain of €432 million in net trading income in the first three quarters of 2010. In 2008 and 2009, a net loss of €633 million would have accrued in net trading income from the accumulated reclassified holdings. These effects reflect a theoretical, pro-forma calculation, as the assets are measured at amortised cost on account of the reclassification.

We have built up loan-loss provisions of €24 million on the reclassified assets in the first nine months 2010 (financial years 2008 and 2009 cumulated: a loss of €143 million). The fair value at the date when the reclassification takes effect represents the new acquisition costs, some of which are considerably less than the nominal value. Accordingly, this difference (discount) is to be amortised over the remaining term of the reclassified financial assets. This and the reclassified securities that had matured or been partially paid off gave rise to an effect of €126 million (financial years 2008 and 2009 cumulated: €335 million) at 30 September 2010, which is recognised in net interest income.

A gain of €45 million (financial years 2008 and 2009 cumulated: €83 million) on reclassified securities that had been sold was recognised in the income statement in the first nine months of 2010.

In the first nine months of 2010, the reclassifications carried out in 2008 and 2009 resulted in a decline in the profit before tax by €285 million. Since the reclassification took effect up to the reporting date, the accumulated net impact on the income statement from the reclassifications already carried out totalled €623 million before tax.

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

Analysis of loans and receivables:

(€ millions)

| | SPECIFIC ALLOWANCES | PORTFOLIO ALLOWANCES | TOTAL |
|---|---|---|---|
| **Balance at 1 January 2009** | **4,305** | **536** | **4,841** |
| Changes affecting income | 1,385 | 73 | 1,458 |
| Changes not affecting income | | | |
| Changes due to make-up of group of consolidated companies and | | | |
| reclassifications of disposal groups held for sale | (9) | (2) | (11) |
| Use of existing loan-loss allowances | (613) | — | (613) |
| Effects of currency translation and other changes not affecting income | 25 | — | 25 |
| Non-current assets or disposal groups held for sale | — | — | — |
| **Balance at 30 September 2009** | **5,093** | **607** | **5,700** |

| | SPECIFIC ALLOWANCES | PORTFOLIO ALLOWANCES | TOTAL |
|---|---|---|---|
| **Balance at 1 January 2010** | **4,641** | **581** | **5,222** |
| Changes affecting income | 604 | 44 | 648 |
| 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 | (467) | — | (467) |
| Effects of currency translation and other changes not affecting income | 74 | 1 | 75 |
| Non-current assets or disposal groups held for sale | — | — | — |
| **Balance at 30 September 2010** | **4,852** | **626** | **5,478** |

## 20 Non-current assets or disposal groups held for sale

In September 2010, UniCredit Luxembourg S.A. agreed to sell the private banking business of UniCredit Luxembourg S.A. to DZ Privatbank S.A. For this reason, we are reporting the relevant assets separately in the balance sheet compliant with IFRS 5.

(€ millions)

| ASSETS | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Loans and receivables with customers | 24 | — |
| Investment Properties | 3 | 4 |
| **Total** | **27** | **4** |

## 21 Deposits from banks

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| **Deposits from central banks** | **5,199** | **8,385** |
| **Deposits from banks** | **48,616** | **42,319** |
| Current accounts and demand deposits | 14,491 | 13,553 |
| Reverse repos[1] | 8,346 | 5,574 |
| Other liabilities | 25,779 | 23,192 |
| **Total** | **53,815** | **50,704** |

1 repurchase agreements

## 22 Deposits from customers

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Current accounts and demand deposits | 43,273 | 41,281 |
| Savings deposits | 14,809 | 13,183 |
| Reverse repos[1] | 14,984 | 1,834 |
| Other liabilities | 35,366 | 40,192 |
| **Total** | **108,432** | **96,490** |

1 repurchase agreements

## 23 Debt securities in issue

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Bonds | 48,144 | 59,265 |
| Other securities | 2,032 | 2,021 |
| **Total** | **50,176** | **61,286** |

## 24 Liabilities of disposal groups held for sale

Due to the sale of the private banking business of UniCredit Luxembourg S.A., as shown in Note 20, we are reporting the liabilities allocated in this regard in the balance sheet compliant with IFRS 5 separately.

(€ millions)

| LIABILITIES | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Deposits from customers | 609 | — |
| Financial liabilities held for trading | 1 | — |
| **Total** | **610** | **—** |

# Notes to the Balance Sheet (Continued)

## 25 Provisions

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Provisions for pensions and similar commitments | 50 | 50 |
| Allowances for losses on guarantees and commitments | 261 | 237 |
| Restructuring provisions | 80 | 121 |
| Other provisions | 1,017 | 1,091 |
| **Total** | **1,408** | **1,499** |

## 26 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments declined by €122 million to a loss of €117 million at 30 September 2010 compared with year-end 2009, also due to the impact of the first-time inclusion of UniCredit CAIB AG. The cash flow hedge reserve fell by €141 million to €54 million, while the available-for-sale reserve fell by €19 million to a loss of €171 million at 30 September 2010. The increase in the AfS reserve is mainly attributable to the positive fair-value fluctuations in our shareholdings and fixed-income securities classified as available for sale. This was partially offset by the sale of available-for-sale securities. There was also a slightly positive, market-related increase in the value of ABS holdings in the available-for-sale portfolio, for which there were no impairment criteria as defined in IAS 39.59 and hence no impairment losses needed to be recognised.

## 27 Subordinated capital

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

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| Subordinated liabilities | 3,438 | 4,232 |
| Participating certificates outstanding | 205 | 205 |
| Hybrid capital instruments | 1,338 | 1,671 |
| **Total** | **4,981** | **6,108** |

# Other Information

## 28 Contingent liabilities and other commitments

(€ millions)

| | 30/9/2010 | 31/12/2009 |
|---|---|---|
| **Contingent liabilities**[1] | **17,459** | **19,544** |
| Guarantees and indemnities | 17,459 | 19,544 |
| **Other commitments** | **66,893** | **56,787** |
| Irrevocable credit commitments | 41,609 | 37,252 |
| Other commitments | 25,284 | 19,535 |
| **Total** | **84,352** | **76,331** |

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

# Other Information (Continued)

## 29 Members of the Supervisory Board and Management Board

### Supervisory Board

**Sergio Ermotti**
Chairman

**Peter König**
Deputy Chairman

**Dr Wolfgang Sprissler**
Deputy Chairman

**Gerhard Bayreuther**
until 22 September 2010

**Aldo Bulgarelli**

**Beate Dura-Kempf**

**Paolo Fiorentino**
until 22 September 2010

**Giulio Gambino**
until 22 September 2010

**Klaus Grünewald**

**Karl Guha**
until 22 September 2010

**Beate Mensch**
until 22 September 2010

**Dr Lothar Meyer**

**Marina Natale**

**Roberto Nicastro**
until 22 September 2010

**Klaus-Peter Prinz**
since 22 September 2010

**Panagiotis Sfeliniotis**
until 22 September 2010

**Professor Hans-Werner Sinn**
until 22 September 2010

**Jutta Streit**

**Michael Voss**
until 22 September 2010

**Jens-Uwe Wächter**

**Dr Susanne Weiss**

**Management Board**

**Peter Buschbeck**
Retail division

**Lutz Diederichs**
Corporate & Investment Banking division

**Rolf Friedhofen**
Chief Financial Officer (CFO)
until 31 May 2010

**Peter Hofbauer**
Chief Financial Officer (CFO)
since 1 November 2010

**Heinz Laber**
Human Resources Management
Global Banking Services

**Andrea Umberto Varese**
Chief Risk Officer (CRO)

**Dr Theodor Weimer**
Board Spokesman
Chief Financial Officer (CFO)[1]

**Andreas Wölfer**
Private Banking division[2]

1 from 1 June 2010 until 31 October 2010 provisionally
2 formerly Wealth Management division; renamed Private Banking division as of 1 April 2010

Munich, 9 November 2010

UniCredit Bank AG
The Management Board

Buschbeck  Diederichs  Hofbauer  Laber

Varese  Dr Weimer  Wölfer

# Summary of Quarterly Financial Data

(€ millions)

| OPERATING PERFORMANCE | Q3 2010 | Q2 2010 | Q1 2010 | Q4 2009 | Q3 2009 |
|---|---|---|---|---|---|
| Net interest income | 1,010 | 1,072 | 1,025 | 1,121 | 1,024 |
| Net fees and commissions | 286 | 308 | 373 | 286 | 301 |
| Net trading income | 293 | 16 | 440 | 56 | 597 |
| Net other expenses/income | 57 | 52 | 65 | 18 | 32 |
| **TOTAL REVENUES** | **1,646** | **1,448** | **1,903** | **1,481** | **1,954** |
| Operating costs | (862) | (892) | (859) | (869) | (867) |
| **OPERATING PROFIT** | **784** | **556** | **1,044** | **612** | **1,087** |
| Provisions for risks and charges | (8) | (12) | (5) | (48) | (39) |
| Write-down on goodwill | — | — | — | — | — |
| Restructuring costs | — | — | — | 98 | (1) |
| Net write-downs of loans and provisions | | | | | |
| for guarantees and commitments | (155) | (137) | (372) | (113) | (519) |
| Net income from investments | (31) | (5) | 27 | (3) | (180) |
| **PROFIT BEFORE TAX** | **590** | **402** | **694** | **546** | **348** |
| Income tax for the period | (171) | (142) | (234) | (58) | (133) |
| **CONSOLIDATED PROFIT** | **419** | **260** | **460** | **488** | **215** |
| attributable to shareholder of UniCredit Bank AG | 379 | 272 | 468 | 485 | 189 |
| attributable to minorities | 40 | (12) | (8) | 3 | 26 |
| | | | | | |
| **Earnings per share (€)** | **0.47** | **0.34** | **0.58** | **0.60** | **0.24** |

# Financial Calendar

## Important Dates 2010

| | |
|---|---|
| Interim Report at 30 September 2010 | 10 November 2010 |

## Important Dates 2011*

| | |
|---|---|
| Publication of the 2010 annual results | 18 March 2011 |
| Interim Report at 30 March 2011 | 13 May 2011 |
| Half-yearly Financial Report at 30 June 2011 | 5 August 2011 |
| Interim Report at 30 September 2011 | 15 November 2011 |

* dates planned

### Contacts
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