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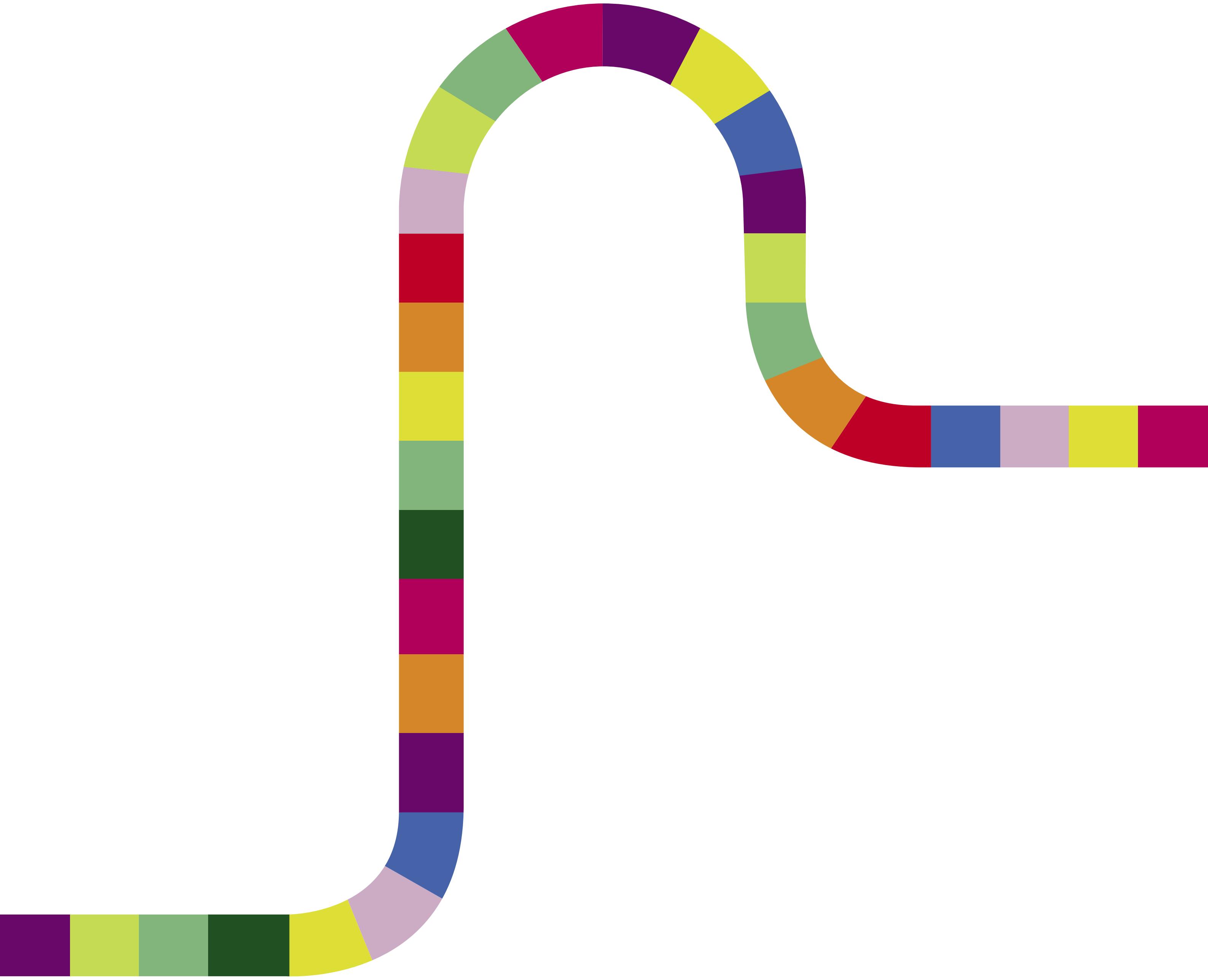
Half-yearly Financial Report at 30 June 2011



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Financial Highlights

Key performance indicators

	1/1–30/6/2011	1/1–30/6/2010
Net operating profit	€1,986m	€1,091m
Cost-income ratio (based on operating income)	47.8 %	52.3 %
Profit before tax	€1,920m	€1,096m
Consolidated profit	€1,320m	€720m
Return on equity before tax[1]	17.1 %	9.9 %
Return on equity after tax[1]	11.8 %	7.0 %
Earnings per share	€1.59	€0.92

Balance sheet figures

	30/6/2011	31/12/2010
Total assets	€359.1bn	€371.9bn
Shareholders' equity	€23.7bn	€23.7bn
Leverage ratio[2]	15.1	15.7

Key capital ratios compliant with Basel II

	30/6/2011	31/12/2010
Core capital without hybrid capital (core Tier 1 capital)	€19.8bn	€19.8bn
Core capital (Tier 1 capital)	€20.6bn	€20.6bn
Risk-weighted assets (including equivalents for market risk and operational risk)	€115.5bn	€124.5bn
Core capital ratio without hybrid capital (core Tier 1 ratio)[3]	17.1 %	15.9 %
Core capital ratio (Tier 1 ratio)[3]	17.8 %	16.6 %

	30/6/2011	31/12/2010
Employees (in full-time equivalents, FTEs)	19,106	19,146
Branch offices	943	927

1 return on equity calculated on the basis of average shareholders' equity according to IFRS
2 ratio of total assets to shareholders' equity compliant with IFRS
3 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	review	C–	22/11/2010	Aaa	Aa1	13/6/2008/ 17/6/2008
S & P	A	A-1	stable	—	15/3/2011	AAA	—	9/3/2010
Fitch Ratings	A+	F1+	stable	a-***	13/12/2010	AAA	AAA*	17/6/2008

* on Rating Watch Negative (10 August 2010, prolonged 1 July 2011)
** on review for possible downgrade (26 May 2011)
*** as of 20 July 2011 Fitch uses the Viability Rating, thus replacing the previous Individual Rating

Financial Review

Underlying conditions and general comments on the business situation

The strong momentum enjoyed by the global economy in the first quarter of 2011 slowed appreciably during the course of the second quarter. Although global trade clearly surpassed pre-crisis levels again, driven by the strong demand from emerging markets, the US economy recorded a lacklustre performance despite the additional fiscal stimulus. Even though the US labour market improved constantly, the unemployment rate remained unusually high at 9.2%. At the same time, the situation in the real estate sector was still difficult, with property prices continuing to fall and the stocks of unsold properties remaining at a high level. Moreover, no lasting solution to the enormous budget deficit is in sight. The Federal Reserve (Fed) continued to buy government bonds until the end of June 2011 and kept the federal funds target rate at a very low level.

The pace of expansion also slowed in emerging markets. The Chinese central bank tightened monetary policy in order to counter an overheating economy and prevent inflation rising further, which served to slow the pace of economic growth. Price pressures increased in other emerging markets as well.

The trend in the eurozone reflected the weakening growth in the global economy. The business climate deteriorated, notably in the peripheral countries. Thus, the austerity packages in countries like Greece, Ireland and Portugal had a very negative impact on the domestic economy in these countries. The European Central Bank (ECB) started to raise interest rates again in the first half of the year and refrained from buying government bonds issued by these peripheral countries in the second quarter, despite a further rise in risk premiums. The German economy again proved highly robust and continued to perform well in terms of both the domestic economy and persistently strong demand for exports. In particular, corporate investment rose tangibly in response to higher capacity utilisation levels.

The European capital markets started very strongly in the first half of 2011 across all asset classes. There was a big correction in mid-March following the disaster in Japan, but the lost ground was regained by a sharp rebound within a few days, followed by a period of volatility caused among other things by the sovereign debt crisis in some EU countries. As of the end of June 2011, Germany's benchmark index, the DAX30, and the eurozone's benchmark index, the EuroStoxx50, had risen by 5.5% and 2.0%, respectively, over their 2010 year-end totals. After yields on ten-year German government bonds had risen in the first quarter, this trend reversed in the second quarter to take them back to the same level as at year-end 2010 as of the end of June. Short-term interest rates similarly climbed higher, and the European Central Bank raised its key benchmark rate by 25 basis points in March to 1.25%, followed by a further increase to 1.5% at the start of July. The first interest rate hike went hand-in-hand with an at times massive strengthening of the euro against the dollar, pound, Swiss franc and yen, although this effect weakened in June.

Following a short period of rapidly narrowing spreads in January 2011, since April the credit market has been characterised by a clear widening of spreads mostly on securities issued by states and banks.

In this persistently challenging capital market environment, HVB Group achieved a very good profit before tax of €1,920 million in the first half of 2011, exceeding the total for the equivalent period last year by a large €824 million or 75.2%. Notably, the strong profit before tax recorded in the first quarter (€995 million) was practically repeated in the difficult second quarter (€925 million). We generated a consolidated profit of €1,320 million after tax in the first half of 2011, which is around 83.3% higher than the year-ago figure of €720 million. This sharp rise in profits can be attributed notably to the strong performance of our commercial operations, with operating income increasing by 11.4% to €3,733 million. Thus, all sources of operating income increased and are demonstrating a sustained trend. Net interest was up €90 million, or 4.4%, on the first half of 2010, while dividends (up €27 million or 36.5%) and net fees and commissions (up €9 million or 1.3%) also performed well. Net trading, hedging and fair value income made a remarkable contribution of €787 million to operating income, up 72.6% on the year-ago figure.

At the same time, net other expenses/income fell by €75 million to €42 million notably on account of the expense for the German bank levy that has been included for the first time in 2011[1]. Administrative expenses were up by 1.8%, to €1,783 million, primarily on account of the expenses for the Austrian bank levy[1]. In spite of this, the cost-income ratio improved to 47.8% in the first half of 2011 (2010: 52.3%) due to the pleasing earnings trend, which is an excellent level by both national and international standards. The net operating profit rose a significant 82.0% to €1,986 million partly as a result of the extremely positive trend in net write-downs of loans and provisions for guarantees and commitments. The healthy lending environment in the first half of 2011 gave rise to a net reversal of €36 million of net write-downs of loans and provisions for guarantees and commitments, whereas a net addition of €509 million to net write-downs of loans and provisions for guarantees and commitments served to depress the income statement during the equivalent period last year.

All the operating divisions contributed higher profits before tax year-on-year to HVB Group's pleasing performance. The Corporate & Investment Banking division (CIB) improved its profit before tax by €691 million to €1,604 million, partly thanks to a significant increase in the operating profit as well as much lower write-downs of loans and provisions for guarantees and commitments. The Family & SME division (F&SME) also increased its profit before tax, on the back of higher earnings from its operating activities and especially lower net write-downs of loans and provisions for guarantees and commitments. At €90 million, the profit before tax represents a sharp rise compared to the first half of last year (2010: €5 million). The Private Banking division (PB) also increased its profit before tax by 9.8% to €56 million, similarly as a result of higher operating profit.

HVB Group continues to have an excellent capital base. The core Tier 1 ratio in accordance with Basel II (ratio of core capital excluding hybrid capital instruments to the total amount of credit risks and equivalent risk-weighted assets for market risk and operational risk) amounted to 17.1% at 30 June 2011 after 15.9% at year-end 2010, which is still an excellent level by both national and international standards. The shareholders' equity shown in the balance sheet totalled €23.7 billion at 30 June 2011. With total assets down by 3.5% compared with year-end 2010 to €359.1 billion, the leverage ratio (calculated as the ratio of total assets to shareholders' equity shown in the balance sheet) improved from 15.7 at the end of December 2010 to 15.1 at 30 June 2011.

HVB Group enjoyed an adequate liquidity base and a solid financing structure at all times during the first half of 2011. The funding risk remained low on account of the diversification in our products, markets and investor groups, meaning 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 a 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 biggest and strongest banking groups in Europe – UniCredit – HVB Group is in a unique position to leverage its regional strengths in the international network of UniCredit for the benefit of its customers.

At this point, we would like to expressly thank our employees and their representatives. Their willingness to embrace change and at the same time to help secure our commercial success forms the basis for our strong performance. This gives us the confidence in our capabilities we need to master the challenges of the future.

Operating performance of HVB Group

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

Net interest

Compared with the result for the same period last year, net interest increased by €90 million, or 4.4%, to €2,113 million in the first half of 2011. This development can be primarily attributed to increases in interest margins in deposit-taking operations in all operating divisions. Furthermore, special effects in the Multinational Corporates unit had a positive effect on net interest.

1 In the first half of 2011, the HVB Group income statement contains expenses totalling €75 million for bank levies for the first time (pro rata for 2011 as a whole). The expenses of €51 million for the German bank levy are carried under net other expenses/income, while the expenses of €24 million for our Austrian activities are shown under other administrative expenses.

Financial Review (Continued)

Dividends and other income from equity investments

Compared with last year, there was an increase of €27 million, to €101 million, in income generated from dividends and other income from equity investments. This is mainly due to higher dividends paid by private equity funds.

Net fees and commissions

At €690 million, net fees and commissions was €9 million, or 1.3%, higher than the pleasing total reached last year (€681 million). This increase is due to a rise in fee and commission income from lending operations (up €47 million to €245 million) and a higher contribution to earnings from other service operations (up €5 million to €15 million). Hence, the lower fee and commission income from management, brokerage and consultancy services (down €39 million to €345 million) and from payment services (down €4 million to €85 million) was more than compensated.

Net trading, hedging and fair value income

In the first six months of 2011, HVB Group generated an excellent net trading income of €787 million, which significantly surpassed the good year-ago figure of €456 million by €331 million, or 72.6%. This result was generated primarily by the Rates and FX (interest- and currency-related products) and Equities (equity and index products) units as well as in credit-related operations. In addition, the effects on net trading income from hedge accounting increased by €44 million year-on-year, to €63 million, and the gains on fair-value-option holdings including the derivatives concluded for the purpose of hedging them rose by €34 million to €10 million. The other net trading income still included in the previous year (€99 million) resulted from a profit from the buy-back of hybrid capital, which did not recur in 2011.

Net other expenses/income

Net other expenses/income declined by €75 million, to €42 million, in the year under review compared with the year-ago figure (€117 million), primarily on account of the expenses for the bank levy imposed for the first time in Germany in 2011 (pro-rata for the whole of 2011: €51 million).

Operating costs

Operating costs rose a slight €32 million, or 1.8%, year-on-year to €1,783 million, which is due to the 6.4% rise in other administrative expenses to €763 million. At the same time, payroll costs declined by 1.1% to €917 million, and amortisation, depreciation and impairment losses on intangible and tangible assets fell by 3.7% to €103 million. The increase in other operating costs can be attributed to the Austrian bank levy included for the first time in 2011 (pro rata for the whole of 2011: €24 million).

Operating profit (before net write-downs of loans and provisions for guarantees and commitments)

Due to the increase in operating income, there was a 21.9% rise in operating profit to €1,950 million in spite of the charges contained in this figure from the expenses for the bank levies to be paid in Germany and Austria (pro rata for the whole of 2011: €75 million). In the first half of 2011, the cost-income ratio (ratio of operating expenses to operating income) improved by 4.5 percentage points to 47.8% (first half of 2010: 52.3%) and is thus still at an excellent level.

Net write-downs of loans and provisions for guarantees and commitments and net operating profit

Net write-downs of loans and provisions for guarantees and commitments improved significantly in the first half of 2011 in a much healthier lending environment than last year. With a net reversal of €36 million, the total is at a historically low level for the first six months of this year. Within this amount, additions of €750 million are more than offset by releases and recoveries from write-offs of loans and receivables of €786 million. In the same period last year, the income statement was still burdened by a net addition in the amount of €509 million. All the divisions were able to benefit from this favourable development, particularly the CIB division (decline of €347 million compared with last year) and F&SME (decline of €105 million compared with last year). At €1,986 million, the net operating profit in HVB Group was thus a substantial €895 million, or 82.0%, higher than the equivalent period last year after the first half of 2011.

Provisions for risks and charges

In the first half of 2011, additions to provisions for risks and charges totalled €174 million after €17 million in the same period last year. The largest individual item included in this financial year results from an obligation in connection with the completion of an offshore wind farm.

Net income from investments

In the first half of 2011, the net income from investments amounted to €108 million after €22 million in the year-earlier period. A gain of €45 million from the partial sale of our shareholding in UniCredit Global Information Services S.C.p.A. (UGIS) previously consolidated using the equity method and in the non-consolidated UniCredit Business Partners S.C.p.A. (UCBP) to UniCredit S.p.A. is included in the reporting period. These transactions took place as part of the implementation of All4Quality, a UniCredit group-wide project for enhancing the quality of internal services. Like last year, net income from investments is also due to gains realised on the sale and valuation of various available-for-sale financial instruments including private equity funds. Last year's figure was weighed down by valuation expenses of €22 million for investment properties.

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

In the first half of 2011, HVB Group generated a very good profit before tax of €1,920 million, which exceeds the figure recorded last year by 75.2% or €824 million. As a result of the good performance in 2011, income tax rose by €224 million to €600 million. After deducting taxes, HVB Group generated a consolidated profit of €1,320 million in the first half of 2011, significantly surpassing the equivalent figure for the same period last year (€720 million) by 83.3%.

Segment results by division

The divisions contributed the following amounts to the very good profit before tax of €1,920 million of HVB Group:

Corporate & Investment Banking	€1,604 million
Family & SME	€90 million
Private Banking	€56 million
Other/consolidation	€170 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 Half-yearly Financial Report. The tasks and objectives of each division are described in detail in Note 27 of our 2010 Annual Report, "Notes to segment reporting by division".

We have described the change in tasks of the divisions compared with the previous year, in particular the reclassification of customers between CIB and F&SME due to the implementation of the One for Clients programme (One4C), in Note 1, "Accounting and valuation principles", of this Half-yearly Financial Report. The quarterly figures for the previous periods have been adjusted accordingly.

Financial situation

Total assets

The total assets of HVB Group amounted to €359.1 billion at the end of June 2011, representing a decline of €12.9 billion, or 3.5%, compared with year-end 2010.

On the assets side, there was a decline of €16.0 billion in financial assets held for trading, caused primarily by lower positive fair values from derivative financial instruments, reflecting the interest environment. In addition, there was a decline of €4.1 billion in loans and receivables with customers to €135.3 billion compared with year-end 2010. This decrease is attributable to lower volumes of mortgage loans, the reduction of reclassified securities, the decrease in impaired assets and lower other loans and receivables. There was a rise of €4.9 billion in the cash and cash balances compared with year-end 2010 as a result of significantly higher deposits with central banks. Loans and receivables with banks rose by €2.2 billion, to €48.5 billion, due to a substantial rise in bonds contained in these; in contrast the credit balances on current accounts and the holdings of reclassified securities decreased.

Financial Review (Continued)

On the liabilities side, the financial liabilities held for trading fell by €18.4 billion, to €108.7 billion, compared with year-end 2010 in line with the development on the assets side due to the decline in negative fair values from derivative financial instruments. In addition, debt securities decreased by €1.4 billion, to €47.3 billion, on account of issues due. There was an increase of €6.0 billion, to €114.5 billion, in deposits from customers due to significantly higher volumes of reverse repos, while credit balances on current accounts as well as time and savings deposits decreased slightly. There was also a €2.1 billion rise in deposits from banks to €54.0 billion, primarily on account of the increase in credit balances on current accounts and a higher volume of reverse repos, while other liabilities declined on account of fewer time deposits. As a result of the transfer of liabilities under the sale of parts of the private banking business of UniCredit Luxembourg S.A. to DZ Privatbank S.A. at the beginning of the year, there was a decline of €0.6 billion in the balance sheet item "Liabilities of disposal groups held for sale". At €23.7 billion, shareholders' equity remained stable compared with year-end 2010. In the process, the increase resulting from the consolidated profit of €1.3 billion generated in the first half of 2011 was offset by the decrease due to the profit available for distribution for the 2010 financial year paid out in the second quarter of 2011 (€1.3 billion).

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

The risk-weighted assets for credit risk of HVB Group determined on the basis of Basel II (German Banking Act/Solvency Regulation – KWG/SolvV) by applying partial use amounted to €99.1 billion at 30 June 2011 (including counterparty default risk in the trading book). At 31 December 2010, these risk-weighted assets amounted to €111.8 billion. The total risk-weighted assets, including market risk and operational risk, amounted to €115.5 billion at 30 June 2011 (31 December 2010: €124.5 billion).

The total risk-weighted assets of HVB Group decreased by €9.0 billion compared with year-end 2010. This decline is due to the decrease of €12.7 billion in risk-weighted assets for credit risk while the risk-weighted assets for operational risk increased by €2.3 billion and the risk-weighted assets for market risk by €1.4 billion.

The reduction of €12.7 billion in risk-weighted assets for credit risk is chiefly attributable to the significant decline in risk-weighted assets at UniCredit Luxembourg S.A. on account of changing the method applied from the standard approach to partial use (down €6.3 billion). In addition, there was a decline in the credit risk-weighted assets in the banking book and the counterparty risk in the trading book of HVB.

The risk-weighted asset equivalents for operational risk rose by €2.3 billion, primarily on account of the increase in the subsidiaries calculated using the Advanced Measurement Approach (AMA). In the second quarter of 2011, this was partly offset by the change from the Traditional Standardized Approach (TSA) to AMA at UniCredit Luxembourg S.A. The increase of €1.4 billion in risk-weighted assets for market risk is chiefly attributable to the UniCredit group-wide change in market risk model from the previous Monte Carlo method to the new model based on a historical simulation.

The total lending volume of all the current securitisation transactions of HVB Group serving to reduce risk-weighted assets amounted to €8.9 billion at 30 June 2011 compliant with Basel II (31 December 2010: €12.0 billion). We have thereby reduced our risk-weighted assets by €2.9 billion and optimised our capital allocation. The decline compared with year-end 2010 is mainly due to the expiry of the Provide A 2005 securitisation transaction in the first half of 2011.

At 30 June 2011, the core capital of HVB Group compliant with the German Banking Act totalled €20.6 billion (year-end 2010: €20.6 billion) and the equity capital €23.4 billion (31 December 2010: €23.7 billion). Under Basel II, the core capital ratio (Tier 1 ratio; including market risk and operational risk) rose overall to 17.8% (31 December 2010: 16.6%). The core Tier 1 ratio (ratio of core capital excluding hybrid capital instruments to the total amount of credit risk-weighted assets and risk-weighted asset equivalents for market risk and operational risk) amounted to 17.1% at 30 June 2011 (31 December 2010: 15.9%). The equity funds ratio was 20.3% at the end of June 2011 (31 December 2010: 19.1%).

A bank's liquidity is evaluated using the liquidity ratio defined in the German Banking Act/German Liquidity Regulation (KWG/LiqV). 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 1.25 at the end of June 2011 after 1.29 at the end of March 2011.

Corporate acquisitions and sales

In the course of implementing All4Quality, a group-wide UniCredit project for enhancing the quality of internal services, we sold all but ten of our shares in UniCredit Global Information Services S.C.p.A. (UGIS) to UniCredit S.p.A. on 13 May 2011. Upon the sale of our shares (previous shareholding of 24.7%), UGIS, which was consolidated at equity, was deconsolidated.

Other changes in the group of companies included in this Half-yearly Financial Report are listed 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 Wechselbank 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 the UniCredit corporate group from that date.

Since the shares held by minority shareholders of HVB were transferred to UniCredit compliant with Section 327a of the German Stock Corporation Act (Aktiengesetz – AktG), as resolved at the Annual General Meeting of Shareholders in June 2007 and entered in the Commercial Register on 15 September 2008, UniCredit has held 100% of the capital stock of HVB. Thus, trading in HVB shares officially ceased. HVB does, however, remain listed on securities exchanges as an issuer of debt instruments such as Pfandbriefs, bonds and certificates.

Organisation of management and control and internal management

The Management Board of HVB is directly responsible for managing the Bank. The Management Board provides regular, timely and comprehensive reports to the Supervisory Board 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.

The Supervisory Board of the Bank has 12 members and has an equal number of employee and shareholder representatives. At the beginning of 2011, there were changes in the composition of the Supervisory Board. Jutta Streit resigned from the Supervisory Board with effect from 15 January 2011. Werner Habich, who had been elected as a deputy member in the place of Ms Streit compliant with the provisions of the German Act on the Co-determination of Employees in Cross-border Mergers (Gesetz über die Mitbestimmung der Arbeitnehmer bei einer grenzüberschreitenden Verschmelzung – MgVG), replaced her on the Supervisory Board for the remaining term of office. Furthermore, Sergio Ermotti resigned as Chairman of the Supervisory Board and as a member of the Supervisory Board on 1 March 2011. Federico Ghizzoni was elected to take his place on the Supervisory Board for the remaining term of office with effect from 2 March 2011 by an Extraordinary Shareholders' Meeting and was elected Chairman of the Supervisory Board on 4 March 2011.

Andreas Wölfer, previously responsible for the Private Banking division as a member of the Management Board of HVB, left the Bank with effect from 30 June 2011 at his own request and by amicable agreement. At its meeting on 1 June 2011, the Supervisory Board appointed Jürgen Danzmayr as his successor and member of the Management Board of HVB with effect from 1 July 2011.

A list showing the names of all the members of the Management Board and the Supervisory Board of HVB is given in this Half-yearly Financial Report under Note 31, "Members of the Supervisory Board and Management Board".

Financial Review (Continued)

Events after 30 June 2011

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

Outlook

The following comments on the outlook are to be seen in connection with the comments in the outlook in the Financial Review and the Risk Report in the consolidated financial statements for the 2010 financial year (see the HVB Group Annual Report for 2010).

General economic outlook and sector development in 2011

With the global economy weakening over the course of the second quarter of 2011, we assume that it will slow further in the second half of the year. The impetus for growth stemming from the emerging markets will continue, however, albeit in restrained form, helping to keep commodity prices high. Inflationary pressure remains high, particularly in the emerging markets.

The economic outlook in the United States will improve, despite the uncertain budgetary situation. We continue to assume that growth will total nearly 3% over 2011 as a whole. The Fed seems unlikely to raise its interest rates any time soon. Growth is gradually slowing in China, albeit at a consistently high level. We expect Chinese gross domestic product (GDP) to increase by 9.6% (2010: 10.3%).

Growth is also expected to slow in the eurozone. Economic output in countries like Greece and Portugal will even contract sharply. This said, industrial capacity utilisation is projected to be good in the eurozone. Companies are planning for higher capital spending, which is likely to boost the demand for credit. GDP growth of 2.1% is projected for the eurozone in 2011 (2010: 1.7%). Despite the ongoing structural weaknesses in some member states, the ECB is likely to continue gradually raising interest rates. Given the interest rate hikes implemented by the ECB in 2011, in contrast to the low interest rate policy pursued by the Fed, we assume that the euro will go on appreciating against the US dollar.

The German economy remains the motor of growth in the eurozone. We believe that GDP is set to expand by 3.5% growth over 2011 as a whole. The domestic economy will continue to strengthen, although exports should grow at a slower pace on account of the slowdown in the global economy and specifically weaker demand from China. The downward trend in unemployment will persist in the light of increasing capital spending. We expect the number of people unemployed to total less than a seasonally adjusted 2.9 million at year-end 2011 (compared with 3.1 million at the end of 2010). This will encourage private consumption which, however, will be dampened by rising inflation (projected to total 2.3% compared with 1.1% in 2010).

Banks will continue to face challenges in the second half of 2011. Thus, the negative trends on the credit market have persisted during the course of the third quarter to date, caused by market uncertainty regarding the deteriorating credit situation in the United States together with the reduced credit ratings of individual sovereign borrowers, the restructuring of European sovereign debt and its impact on the financial system and the real economy. The set of problems involving states with a high level of debt will lead in structural terms to rising funding costs on account of higher interest rates, exacerbating an already difficult liquidity and funding situation. Furthermore, there remain uncertainties surrounding the yield curve, declining central bank liquidity and possibly also more volatile exchange rates resulting from a potential race to devalue the currencies of major economies.

The final effects of additional regulation, including Basel III, cannot be clearly foreseen, even if some signs of future developments are already visible: the liquidity requirements are likely to be tightened and the requirements regarding the quality and quantity of equity capital will rise. In addition, banks considered too big to fail will be required to hold more equity capital. Furthermore, the new liquidity and capital rules coupled with the fundamental challenges outlined above will further depress the profitability of the banking sector, which will additionally be reduced by the bank levies being charged in some countries as of 2011. Key questions remain regarding how the shape of relations between the financial world and the real economy will evolve and what global restrictions can be expected in the regulatory and political sphere.

Development of HVB Group

HVB Group assumes that the excellent results performance recorded in the first half of 2011 will not be repeated to the same extent in the second half of the year. This can be attributed to both a more volatile market environment and weakening economic growth. We continue to presume for 2011 as a whole that operating income will increase in a generally positive economic environment compared with 2010 and can more than compensate the increase in operating costs. The volatile net trading income will continue to be the crucial driver of the trend in operating income. We expect that net write-downs of loans and provisions for guarantees and commitments will not exceed the 2010 level in the 2011 financial year.

It still remains unclear whether the financial markets will continue to be affected in particular by the sovereign debt crisis in some European countries, the level of sovereign debt in the United States and risks arising from changes in interest and exchange rates. Consequently, our performance over 2011 as a whole still remains dependent on the further development of the financial markets and the real economy as well as other imponderables that still exist. In this environment, HVB Group will continually adapt its business strategy to reflect changes in market conditions and carefully review its risk strategy derived from this on a regular basis. With its strategic orientation and excellent capital resources, HVB Group is in a good overall position to exploit the opportunities that may arise from the changing operating environment.

Risk Report

HVB Group as a risk-taking entity

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

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

Management and monitoring of risks in HVB Group

1 Risk management

For risk management purposes, the Bank defines its overall risk strategy at the level of HVB Group and its divisional risk strategies at the level of the divisions. Starting from this, the available capital cushion is used to assess the risk-taking capacity on the basis of the business strategies and plans.

The individual divisions are responsible for implementing the risk strategies defined for them within HVB Group through the targeted and controlled assumption of risk positions. In doing so, they check that the risks they assume are worthwhile by considering the overall customer relationship and taking risk/return considerations into account.

In addition, limits are applied to basically ensure that the available regulatory capital and risk-taking capacity are not exceeded.

2 Risk monitoring

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

Risk analysis

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

Risk control

In addition to the quantification and validation of the risks incurred and the monitoring of allocated limits, the subsequent risk control process involves risk reporting. This in turn provides management with information relevant to decision-making processes.

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

In the first half of 2011, the back office organisation and credit processes were adjusted as planned to reflect the structures of the sales organisation that were modified in connection with the implementation of the One for Clients programme (One4C).

Apart from this, there were no changes to the structure of the Chief Risk Officer organisation in the first half of 2011 compared with year-end 2010. Modifications will be made to the organisational structures in the second half of 2011 as part of the enhancements and refinements of the risk-control methods and processes.

Risk types and risk measurement

1 Relevant risk types

At HVB Group, we distinguish the following risk types:
– default risk
– market risk
– liquidity risk
– operational risk
– business risk
– risks arising from our own real estate portfolio
– risks arising from our shareholdings/financial investments
– reputational risk
– strategic risk.

2 Risk measurement methods

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

For risk types quantified using the VaR approach, the internal capital is determined in the risk measurement process. It is equal to the sum of the aggregate economic capital, the cushion complete with cushion add-on, and the economic capital of small legal entities. For the calculation, a one-year holding period and a 99.97% confidence level are applied consistently for all risk types.

The aggregate economic capital is determined for all risk types quantified with the VaR approach, taking into account risk-reducing portfolio effects, which encompass both the correlations within the individual risk types between HVB Group's business units and the correlations across the risk types.

The economic capital for small legal entities is calculated for HVB Group entities for which we do not consider it necessary to carry out risk measurement broken down by risk types due to the small amount of risk involved.

The cushion represents an additional component of the internal capital through which possible modelling risks are included in the assessment of economic capital adequacy as well as cyclical fluctuations in the aggregate economic capital. We also use the cushion add-on to show the specific risks of the real estate and investment risks as well as hedge fund positions in market risk, pending finalisation of the advancement in methodology.

Liquidity risk, reputational risk and strategic risk are measured separately.

3 Development of risk measurement and monitoring methods

One of the main tasks of the Chief Risk Officer organisation is to refine HVB Group's risk management system. This results from our own quality expectations as well as the need for HVB Group to take account of the latest statutory – and notably supervisory – requirements. Various measures aimed at enhancing the methods, models and processes used to measure, manage and monitor risk have been defined and, in some cases, already implemented as part of a special project that was launched in 2010. The project timetable calls for the gradual implementation of significant milestones by the end of 2012. These improvements are required to adequately incorporate the insights gained during the financial crisis into risk management and monitoring and especially to reflect the greater requirements for the risk management systems as well as the new version of the Minimum Requirements for Risk Management (MaRisk). In particular, this relates to the further development of the credit portfolio model, the further development of limit system consistency, the improvement of quality-based reporting, the consistent monitoring of the implemented risk strategy and HVB Group's definition of risk governance.

The methods used to measure and monitor risks are subject to an ongoing refinement and improvement process. This results from our own quality standards, the requirements for risk-oriented overall bank management process and the increased statutory – and notably supervisory – requirements. We continue to use the maximum value-at-risk of the last 12 months as the basis for calculating the economic capital for market risk and have made the definition of income more precise for business risk by no longer including trading-related net interest income in business risk. The recent past is given greater emphasis when determining the economic capital for financial investment risk. As of the first quarter of 2011, we have been using new macroeconomic factor model parameters in our internal credit risk calculations that reflect the experience gained in the financial and economic crises in recent years. This resulted in an increase of €1.3 billion, or 15%, in the aggregate economic capital at 31 December 2010.

We introduced a new internal model for determining market risk in cooperation with UniCredit in the third quarter of 2010. In contrast to the previous model, which is based in 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 it is assumed that the changes of market data are equally weighted. At present, the new model is being used to manage risk internally, determine the economic capital and consolidate market risk UniCredit-wide. Our regulatory reporting has been based on the new methodology since the change in our model was accepted by the German Federal Financial Supervisory Authority (BaFin) in April.

Risk Report (Continued)

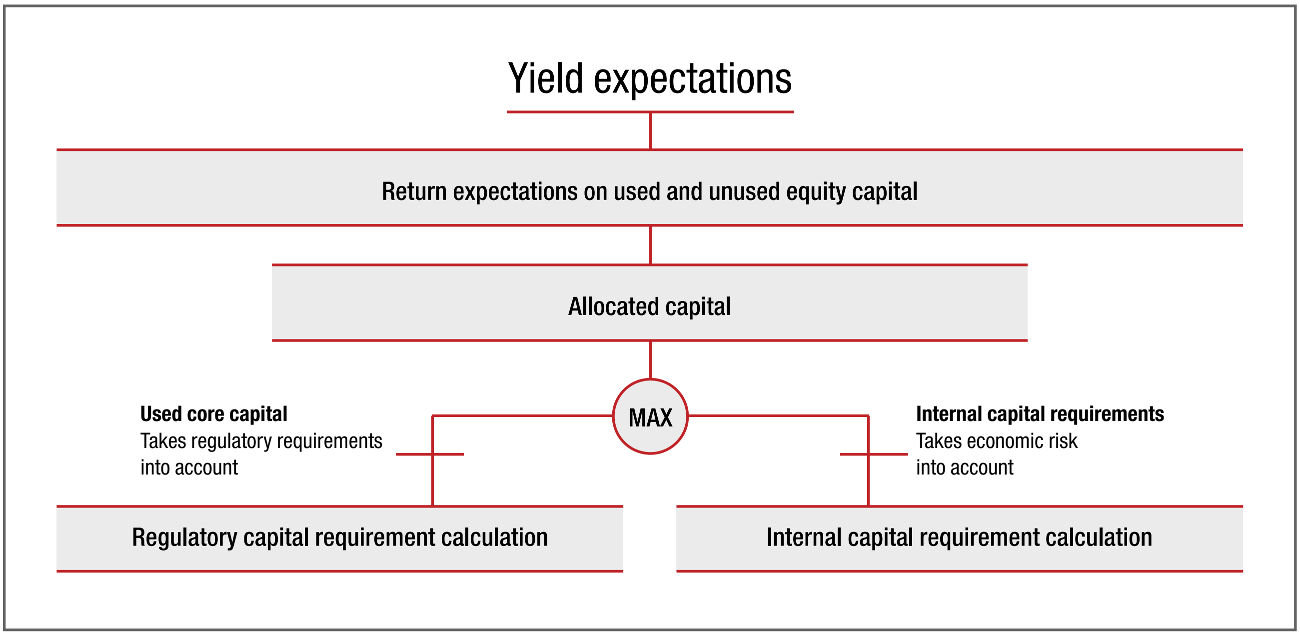
Overall bank management

1 Overall bank management at the Group level

The focus of the value-oriented management of HVB Group is on the measurement of all business activities in terms of risk/return considerations, with risk/return targets set for all of the Group's business segments. Under this concept, risks are seen as costs that are charged to the business areas in the form of standardised risk costs and equity costs. They are specified for the divisions in the annual planning process and monitored over the course of the year, parallel to the management of the overall bank risk based on the calculation of the regulatory and economic capital requirements and the ability to take risk.

Since 2010, the economic yield expectations have been calculated using the allocated capital principle that UniCredit introduced across its entire organisation. Within the scope of this principle, it is ensured that at least the regulatory capital requirement is met at all times. This means that regulatory (or used core) capital is allocated to the divisions that is expected to yield an appropriate return, which is derived from the expectations of the capital market and which has to be earned by our business units. At product and customer level, this capital allocation is performed on the basis of the maximum principle as well; the capital requirement is either derived from the regulatory capital or from the internal capital based on the credit portfolio model. In the future, the internal capital will be used to calculate the allocated capital not only at the micro level but also at the macro level for all divisions and for HVB Group as a whole in accordance with the principle of dual control.

The most important parameters for overall bank management are Economic Value Added (EVA) and RARORAC (risk-adjusted return on risk-adjusted capital).



The EVA expresses the capacity as part of value-based management to create value in monetary terms. It is calculated as the difference between the profit after tax and minorities and the return expectations on invested or allocated capital, adjusted for items that make it impossible to assess the value added on the basis of ordinary activities.

RARORAC is the ratio of economic value added to used core capital (allocated capital) and indicates the value created for each unit of allocated capital.

The hands-on management of sales takes place within the divisions and is individually adapted to specific business needs within the overall bank-management parameters.

2 Regulatory capital adequacy

Used core capital

For purposes of planning and controlling in accordance with Basel II, the divisions are required to have core capital backing for credit, market and operational risks equal to an average of 6.7% of equivalent risk-weighted assets. Furthermore, the expected return on investment is derived from the average used core capital. In line with the management logic, the core capital is carried exclusive of hybrid capital (= core Tier 1 capital).

Management of regulatory capital adequacy requirements

To manage our regulatory capital on the basis of regulatory requirements, we apply the following three capital ratios, which are managed using internally defined minimum levels:

– Tier 1 ratio (ratio of core capital to risk-weighted assets arising from credit risk positions and equivalent risk-weighted assets from market and operational risk positions)
– Core Tier 1 ratio (ratio of core capital, excluding hybrid capital instruments, to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk-weighted assets from market and operational risk positions)
– Equity funds ratio (ratio of equity funds to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk-weighted assets arising from market and operational risk positions).

More detailed information on these ratios in the first half of 2011 is contained in the section “Risk-weighted assets, key capital ratios and liquidity of HVB Group” in the Financial Review.

The description of the process for determining appropriate capital funding can be found in the Risk Report of HVB Group’s 2010 Annual Report.

3 Economic capital adequacy

The future internal capital requirements of the divisions are determined under the annual planning process in close cooperation between the Strategic Risk Management and Control unit and the individual operating units. After approval by the Management Board of HVB Group, the internal capital figures are anchored in the Bank’s relevant control and reporting instruments. A comparison between the targets and the actual values of the figures is produced on a quarterly basis and reported to the divisions and the Chief Risk Officer. An overview summarising the risk situation of HVB Group is provided by the trend in internal capital and the assessment of HVB Group’s risk-taking capacity (liquidity scenario). In addition, a sustainability analysis is carried out with a corresponding internally defined forecasting horizon as a component of our planning process. A further essential component of our risk strategy is the analysis of our risk-taking capacity.

According to our bank-internal definition, the capital cushion is made up of IFRS capital components, participatory certificates and hybrid capital, and the actual result. Minority interests are included and goodwill is deducted. The capital cushion for HVB Group amounted to €24.0 billion at 30 June 2011 (31 December 2010: €22.8 billion). The increase can be attributed to the consolidated profit achieved in the first half of the year, which more than offset the reduction of hybrid

Risk Report (Continued)

capital instruments and expiration of qualifying subordinated capital. With internal capital of €13.0 billion, the capital cushion of HVB Group divided by the internal capital yields a ratio of approximately 184% (31 December 2010: 201%). We see this as a comfortable value because the capital cushion would be sufficient to cover the potential economic loss determined by us for a second event in the same order of magnitude. The decrease of 17 percentage points compared with the year-end figure for HVB Group is attributable to an increase of 15% in internal capital, which is more significant than the 5% increase in the capital cushion. The development of the internal capital is significantly affected by credit risk. As of the first quarter of 2011, we have been using revised macroeconomic factor model parameters in our internal credit risk calculations that reflect the experience gained in the financial and economic crises in recent years. This update has caused the credit value-at-risk to rise. With regard to the assessment of capital adequacy, we believe that we are still in a good position.

Internal capital after portfolio effects (confidence level 99.97%)

	JUNE 2011		DECEMBER 2010	
Broken down by risk type	**€ millions**	**in %**	**€ millions**	**in %**
Market risk	1,557	11.9	1,714	15.1
Default risk	5,304	40.7	4,029	35.6
Business risk	717	5.5	477	4.2
Operational risk	1,079	8.3	995	8.8
Risks arising from our own real estate portfolio	346	2.7	363	3.2
Risks arising from our shareholdings/financial investments	697	5.4	784	6.9
Aggregated economic capital	**9,701**	**74.4**	**8,362**	**73.9**
Cushion[1]	3,289	25.2	2,835	25.1
Economic capital of small legal entities[2]	43	0.3	115	1.0
Internal capital of HVB Group	**13,032**	**100.0**	**11,312**	**100.0**
Capital cushion of HVB Group	**24,026**		**22,786**	
Utilisation, in % HVB Group	**184.4**		**201.4**	

1 additional components of the internal capital through which possible modelling risks are included in the assessment of economic capital adequacy as well as cyclical fluctuations in the aggregate economic capital
2 HVB Group units for which we do not consider it necessary to measure risk broken down by risk type on account of the low risk content

Risk types in detail

Where minor developments affecting individual risk types have taken place, these are described under the risk type concerned.

1 Default risk

The €5.7 billion (3.0%) decrease in credit and counterparty exposure through June 2011 can be attributed to a general reduction of risk at HVB in 2011. At the same time, the exposure of UniCredit Leasing has increased a slight €0.1 billion during the first half of 2011.

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

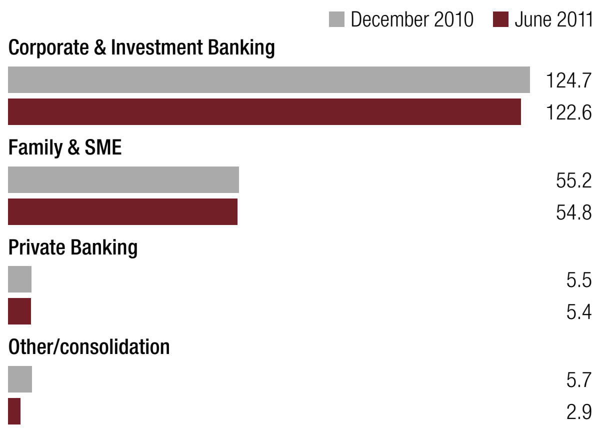
Industry sector	JUNE 2011	DECEMBER 2010
Construction	31.0	31.2
Banking and insurance	29.9	33.9
Retail customers	24.2	25.9
Food, consumer goods, services	20.4	21.0
Public sector	16.7	12.4
Transportation	10.5	11.7
Other	10.4	8.8
Chemicals, health, pharmaceuticals	9.6	10.5
Utilities	8.8	9.4
Mechanical engineering, steel	7.4	8.3
Automotive	6.3	7.1
Mineral oil	4.6	5.0
Electrical, IT, communications	4.5	4.4
Media, printing, paper	3.2	3.6
HVB Group	**187.5**	**193.2**

The general reduction in credit and counterparty exposure encompasses almost all industry sectors. The increase recorded for the public sector is offset above all by the decrease recorded for banking and insurance.

The rating structure of the credit and counterparty exposure has improved greatly in the first half of 2011. While exposure in the non-investment segment and to unrated customers declined, positions were increased in the investment segment.

The decline in credit and counterparty exposure can be observed across all divisions.

Breakdown of credit exposure and counterparty exposure by division – core portfolio (€ billions)[1]



1 the figures have been adjusted in line with the reorganisation outlined in Note 1

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

	JUNE 2011		DECEMBER 2010	
Rating	€ billions	in %	€ billions	in %
Not rated	6.0	3.2	8.4	4.4
Rating classes 1–4	98.3	53.0	95.9	50.2
Rating classes 5–8	74.9	40.3	79.9	41.8
Rating classes 9–10	6.5	3.5	6.9	3.6
HVB Group	**185.7**	**100.0**	**191.1**	**100.0**

Issuer risk had risen by €11.4 billion, or 25.9%, as of June 2011, almost all of which can be attributed to HVB. The increase in issuer exposure is seen mostly in the investment segment.

Risk Report (Continued)

Breakdown of issuer exposure by industry sector

(€ billions)

Industry sector	JUNE 2011	DECEMBER 2010
Public sector	29.2	20.6
Banking and insurance	24.4	20.8
Other	0.6	0.8
Utilities	0.3	0.3
Food, consumer goods, services	0.2	0.5
Transportation	0.2	0.1
Electrical, IT, communications	0.2	0.2
Construction	0.1	0.3
Mechanical engineering, steel	0.1	0.1
Chemicals, health, pharmaceuticals	0.1	0.1
Media, printing, paper	0.0	0.1
Automotive	0.0	0.1
Retail customers	0.0	0.0
Mineral oil	0.0	0.0
HVB Group	**55.4**	**44.0**

The increase in issuer exposure is concentrated primarily in the public sector and the banking and insurance industry sectors.

Breakdown of issuer exposure by rating class – core portfolio

	JUNE 2011		DECEMBER 2010	
Rating	€ billions	in %	€ billions	in %
Not rated	6.4	11.6	4.3	9.8
Rating classes 1–4	47.6	85.9	38.3	87.0
Rating classes 5–8	1.0	1.8	1.0	2.3
Rating classes 9–10	0.4	0.7	0.4	0.9
HVB Group	**55.4**	**100.0**	**44.0**	**100.0**

A net release of €36 million has been recognised in the income statement for the net write-downs of loans and provisions for guarantees and commitments of HVB Group for the first half of 2011. For more information about net write-downs of loans and provisions for guarantees and commitments, and allowances for losses on loans and receivables with customers and banks, please refer to Notes 9 and 21.

Development of country risk in the first half of 2011

The exposure of HVB Group entailing country risk rose by €2.6 billion to €53.1 billion compared with December 2010. This increase was mostly in trading operations in countries with good or very good credit ratings. HVB Group is continuing to pursue a conservative business policy in its 2011 risk strategy. The well-diversified portfolio has a clear regional focus on western Europe, with €27.3 billion (51%), followed by North America, with €11.0 billion (21%), Asia/Pacific (10%) and eastern Europe (10%).

Country exposure[1] by region and product category (€ millions)

	LENDING		TRADING		ISSUER RISK		TOTAL	
Region	JUNE 2011	DECEMBER 2010	JUNE 2011	DECEMBER 2010	JUNE 2011	DECEMBER 2010	JUNE 2011	DECEMBER 2010
Western Europe	7,800	8,103	18,445	16,724	1,046	982	27,291	25,809
North America	1,152	1,232	8,666	5,991	1,139	1,491	10,957	8,714
Asia/Pacific	2,046	2,358	3,277	4,485	233	394	5,556	7,237
Eastern Europe	3,046	3,407	1,625	1,540	503	391	5,174	5,338
Central and South America	847	690	2,063	1,542	911	756	3,821	2,988
Africa	261	402	74	92	1	—	336	494
HVB Group	**15,152**	**16,192**	**34,150**	**30,374**	**3,833**	**4,014**	**53,135**	**50,580**

1 without euro countries; net of collateral, excluding transactions with loan-loss provisions

Financial derivatives

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

The positive fair values are relevant for purposes of default risk as replacement values for the OTC derivatives, which represent the potential costs that HVB Group would incur to replace all of the original contracts with equivalent transactions in case of simultaneous default by all counterparties.

Without taking risk-reducing effects into account, the maximum counterparty risk (worst-case scenario) for HVB Group at 30 June 2011 totalled €77.2 billion (31 December 2010: €92.8 billion).

In accordance with the banking supervision regulations under Basel II (German Banking Act/Solvency Regulation – KWG/SolvV), with so-called partial use based on individual risk weightings and the risk-reducing effects of existing, legally enforceable, bilateral netting agreements as well as the collateral provided by borrowers, risk-weighted assets for HVB Group amounted to €14.1 billion at 30 June 2011 (31 December 2010: €14.9 billion).

The following tables provide detailed information on the nominal amount and fair values of the overall derivative transactions and credit derivative transactions of HVB Group.

Risk Report (Continued)

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	30/6/2011	31/12/2010	30/6/2011	31/12/2010	30/6/2011	31/12/2010
Interest rate derivatives	**1,013,399**	**1,241,576**	**937,817**	**3,192,792**	**3,222,556**	**52,485**	**64,696**	**50,272**	**63,319**
Foreign exchange derivatives	**372,121**	**163,928**	**71,389**	**607,438**	**639,439**	**12,929**	**14,268**	**12,664**	**14,162**
Equity/index derivatives	**62,700**	**88,729**	**5,080**	**156,509**	**144,118**	**7,994**	**9,321**	**10,322**	**11,868**
Credit derivatives	**47,652**	**171,101**	**26,425**	**245,178**	**271,561**	**3,613**	**4,103**	**3,765**	**4,515**
– Protection buyer	23,002	83,551	12,890	119,443	131,046	2,591	2,913	1,134	1,275
– Protection seller	24,650	87,550	13,535	125,735	140,515	1,022	1,190	2,631	3,240
Other transactions	**5,606**	**4,608**	**1,472**	**11,686**	**10,152**	**317**	**403**	**622**	**718**
HVB Group	**1,501,478**	**1,669,942**	**1,042,183**	**4,213,603**	**4,287,826**	**77,338**	**92,791**	**77,645**	**94,582**

Derivative transactions by counterparty type (€ millions)

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	30/6/2011	31/12/2010	30/6/2011	31/12/2010
Central governments and central banks	1,938	1,378	918	724
Banks	56,792	72,245	57,052	74,848
Financial institutions	15,320	15,479	17,915	17,433
Other companies and private individuals	3,288	3,689	1,760	1,577
HVB Group	**77,338**	**92,791**	**77,645**	**94,582**

2 Market risk

Besides the new market risk model being used for internal risk measurement and management, regulatory reporting is now also based on the new methodology following acceptance of the change in our model by the German Federal Financial Supervisory Authority (BaFin) in April 2011.

We check the appropriateness of the methods used to measure market risk by means of regular back-testing that compares the value-at-risk calculations with the market value changes derived from the positions. In the first half of 2011, there were no back-testing exceptions to report. An overshoot is reported if the hypothetical loss is greater than the forecasted value-at-risk value.

The table below shows the aggregate market risks of our trading positions in HVB Group for the first half of 2011.

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

	AVERAGE 2011[1]	30/6/2011	31/3/2011	31/12/2010	30/9/2010	30/6/2010
Interest rate positions						
(incl. credit spread risks)	16	15	17	29	37	62
Foreign exchange derivatives	4	3	4	4	7	1
Equity/index positions[2]	7	8	6	8	7	12
Diversification effect[3]	(3)	—	(5)	(8)	(10)	(9)
HVB Group	**24**	**26**	**22**	**33**	**41**	**66**

The asset classes are broken down by business unit.
1 arithmetic mean of the last two quarter-end figures
2 including commodity risk
3 due to the diversification effect between the risk categories, the total risk is less than the sum of the individual risks

Banking book positions are included in the market risk limits in addition to trading book positions. Whereas the holdings reclassified in accordance with IAS 39.50B were excluded from this in 2010, the reclassified positions have also been included in the market risk limits with effect from 2011, as a result of which the overall limit has been increased to €173 million.

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

		AVERAGE 2011[1]	30/6/2011	31/3/2011	31/12/2010	30/9/2010	30/6/2010
HVB Group	Market risk	48	47	48	62	66	93
	Limit	173	173	173	143	143	143

1 arithmetic mean of the two quarter-end figures 2011

At 30 June 2011, the banking book of HVB Group contained market risks of €39 million with a one-day holding period (31 December 2010: €83 million). The market risks of the reclassified portfolios, taken in isolation, amounted to €21 million (31 December 2010: €54 million). The market risks of the remaining banking book positions show a market risk of €27 million (31 December 2010: €45 million).

A 10% appreciation of all foreign currencies (FX sensitivity) results in an increase of €4.77 million in the portfolio value (0.02% of the regulatory capital) in the banking book of HVB Group (31 December 2010: a decrease of €20 million with an appreciation of foreign currency positions).

Value change in case of a 10% FX appreciation
at 30 June 2011 (€ millions)

HVB GROUP BANKING BOOK	
Total	4.77
USD	23.47
GBP	(16.68)
CHF	9.77
JPY	(10.13)
CAD	(0.93)
HKD	(0.97)
Other	0.44

A 20% decline in all equity and hedge fund prices results in a decrease of €31.51 million in the portfolio value (0.13% of regulatory capital) in the banking book of HVB Group (31 December 2010: a decrease of €44.19 million).

Value change in case of a 20% decrease in equity prices
at 30 June 2011 (€ millions)

HVB GROUP BANKING BOOK	
Total	(31.51)
Equity products	(0.26)
Hedge funds	(31.25)

When determining the effects of a shift in the yield curve, we consider two different variations:
– without the hedging effect from the equity capital model book (pursuant to the guidelines from the update of the Minimum Requirements for Risk Management, MaRisk)
– with the hedging effect (as in internal risk management).

An upward shift in yield curves by 100 basis points (interest sensitivity) at 30 June 2011 results in a decrease in value of €340.0 million (1.46% of the regulatory capital) in the banking book of HVB Group. If the hedge effect of the equity capital model book is taken into account, this scenario results in a value increase of €106.70 million (31 December 2010: €131.41 million).

Value change in case of an interest shock of +100 BPS at 30 June 2011 (€ millions)

	TOTAL	UP TO 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS
HVB Group banking book – without hedge effect of equity capital model book	(340.0)	(0.08)	(348.05)	8.13
HVB Group banking book – with hedge effect	106.70	63.75	33.03	9.92

Risk Report (Continued)

Any financial impact resulting from the present value (PV) valuation in interest-rate changes, FX devaluations and price reductions in the area of equities and index-linked products are reflected in interest income and trading income.

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

In compliance with the Circular issued on 6 November 2007 by the German Federal Financial Supervisory Authority (BaFin), the change in the market value of the banking book in case of a sudden and unexpected interest shock of +130/–190 basis points is compared with the Bank's eligible equity funds. We also carried out this valuation with and without the hedging effect from the equity capital model book. With a notional utilisation of 0.89% (31 December 2010: 0.64%), or 1.84%, excluding the model book (31 December 2010: 2.03%), of its regulatory equity capital at 30 June 2011, HVB Group is well below the reportable outlier value of 20% stipulated by the banking supervisory authorities. Without the valuation effects of the reclassified portfolios, the rate of equity capital utilisation is 0.70% (31 December 2010: 0.43%).

In addition, a dynamic simulation of the net interest income is carried out for HVB on a quarterly basis. The future trend in net interest income is simulated in various scenarios in relation to business volume and interest rates. Assuming a constant volume of business, a parallel interest shock of minus 100 basis points would result in a €76 million decrease in net interest income within the next 12 months (31 December 2010: minus €175 million).

The fully diversified economic capital for market risk of HVB Group totals €1.56 billion, which is €0.16 billion lower than the equivalent figure at 31 December 2010 (€1.71 billion). Under the maximum method that is still used, the maximum value declines over time, leading to a lower economic capital for market risk accordingly. We continue not to take account of the hedge effect of the equity model book.

Market liquidity risk

Market liquidity risk (the risk that the Bank will only be able to liquidate assets on the market at a discount) is managed by the people responsible for the various portfolios as they perform their defined market-related tasks. Reference should essentially be made to the measurement and monitoring instruments listed for market risks. Appropriate stress tests are used for quantification purposes.

Fair value adjustments (FVAs) are used to reflect valuation uncertainties related to the market liquidity of securities and derivatives in the accounts for both the trading book and the banking book. The FVAs include among other things a premium for close-out costs and non-liquid positions related to the assessment of fair values.

In the course of stress tests, the risk from deteriorating market liquidity is analysed. For June 2011, the tests showed a potential loss of €364 million for the trading book positions of HVB.

3 Liquidity risk

Conditions on the money markets and capital markets were still dominated by uncertainty in the first half of 2011. In particular, the discussion on budget deficits in some European countries increased nervousness around the world. Despite the tense situation in the markets, the liquidity of HVB Group remained at an adequate level at all times during the first half of 2011. It is possible that the market movements could again become more pronounced, for instance through persistent problems in some countries, which could further upset the money and capital markets.

Short-term liquidity

Within the framework of our limit system, which operates under conservative assumptions, we showed an overall positive balance of short-term liquidity of €17.8 billion in HVB Group for the next banking day at the end of June 2011 (31 December 2010: €28.3 billion). The portfolio of highly liquid securities eligible at short notice as collateral for central bank borrowings and available at short notice to compensate for unexpected outflows of liquidity amounted to €22.6 billion at 30 June 2011 (31 December 2010: €29.2 billion).

The stress tests we conduct on a regular basis showed that liquidity reserves in the first half of 2011 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 year to date. The funds available to HVB exceeded its payment obligations for the following month by an average of €42.7 billion in 2010 and by €31.8 billion at 30 June 2011.

Funding risk

The structural funding risk of HVB Group was again quite low in the first two quarters of 2011 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.

With their high credit quality and liquidity our Pfandbrief covered bonds still remain an important funding instrument.

4 Operational risk

The economic capital for operational risk of HVB Group amounted to €0.97 billion at 30 June 2011.

Our UniCredit Luxembourg S.A. subsidiary received approval to use the Advanced Measurement Approach during the first half of 2011.

The business activities of the former CAIB AG acquired from Bank Austria AG were absorbed by HVB on 1 July 2010 and will continue to operate with a modified structure as HVB's Vienna branch. The preparations for supervisory approval to integrate these activities in the Advanced Measurement Approach used by HVB were completed.

Outsourcing and IT projects

Processing of the prepaid credit card was outsourced to the UniCredit internal service provider, Quercia S.C.p.A. in the first half of 2011 as part of the roll-out of a new credit card product. The organisational unit already responsible for overseeing payments and the credit card providers has also assumed responsibility for managing and supervising these outsourced activities.

A strategic realignment of the Global Banking Services division (GBS) is taking place in connection with UniCredit's objective of developing a uniform global business model. UniCredit has launched the All4Qualilty project with a view to enhancing the quality of the various services provided by GBS throughout the corporate group. This represents a systematic continuation of the measures that have already been implemented to globally pool activities for the GBS units. To achieve this goal, the structures within the GBS activities are to be better consolidated and simplified, and other measures carried to do things like improve workflows and processes. The structures are being streamlined at national level in Italy, Germany and Austria.

The goal is to consolidate the branches of UniCredit Business Partners S.C.p.A. (UCBP) and UniCredit Global Information Partners S.C.p.A. (UGIS) in Germany with GBS units from HVB and almost all the units of HVB Immobilien AG (Immo) in a separate group company under German law, known as UniCredit Global Business Services GmbH (UGBS GmbH). This central service provider will then serve all HVB Group companies.

Various GBS units at HVB and its wholly owned HVB Immobilien AG subsidiary (notably including Purchasing, HR Shared Services and Facility Management) will be transferred to UGBS GmbH with effect from 1 August 2011; in this context, HVB Secur GmbH also became a subsidiary of UGBS GmbH. Steps are planned for the fourth quarter to transfer the back office functions from the Financial Markets Services units in both Germany and the foreign branches of HVB to UGBS GmbH; in this context, it is also planned to transfer various IT assets currently still held by HVB to UGBS GmbH.

Management is convinced that consolidating the GBS and Immo units in Germany within UGBS GmbH will help to enhance the quality of the services they provide their customers and make a significant contribution to the success of not only UniCredit as a whole but also the group companies involved, HVB and the HVB Group companies.

Risk Report (Continued)

Service Management & Governance, the retained organisation responsible in the future and outsourcing tracking office, have been heavily involved in this process and will continue to manage and monitor moving forward. Close attention has been paid to the identification of risk, the wording of contracts and service level agreements (SLAs), and the setup of the controlling units. These will be optimised in a constant review process and modified to match the respective circumstances.

As last year, a project team of tax specialists is closely overseeing the implementation of the modified rules regarding the flat tax on capital income. Nevertheless, there were again delays in mailing the associated tax certificates this year. The project has achieved some success in establishing a sustainable organisation in the first half of 2011 in addition to the primary objectives of implementing the complex statutory requirements. The efficiency and effectiveness of the tax-processing workflows have been improved significantly and permanently.

EuroSIG core banking system

The EuroSIG core banking system that was rolled out in the summer of 2010 proved successful for both year-end closing and the first half of 2011. The temporary workarounds still in place at year-end were successfully removed during the first half of 2011 or integrated in the standard processes. This means that the remedial work involved in the system changeover had also been completed by 30 June 2011.

Business continuity management

The focus in the first half of 2011 was on checking the appropriateness of the business continuity function at HVB, during which the contingency plans were tested and found to be appropriate.

On Saturday, 22 January 2011, a water pipe feeding the sprinkler system burst at a central facility. Among other things, this caused risk systems to fail. This situation was successfully handled by the HVB crisis team, so that the effects were kept to a minimum and damage was avoided.

Involvement in a simulation exercise run by the Bank of Italy demonstrated how well organised the business continuity and crisis management setup is. The purpose of the exercise was to see how UniCredit and HVB respond to unexpected circumstances. The focus was on the appropriateness of the business continuity plans, internal and external communication processes and the activation of a special organisation during an emergency or crisis.

Outlook

Operational risk management activities will also focus on ongoing projects in the second half of 2011.

Moreover, closer attention will also be paid to analysing and incorporating statutory requirements. In particular, this will include activities aimed at ensuring compliance with the further stricter legal requirements for investment advice in their entirety.

Litigation/legal risks

Medienfonds lawsuit

Various investors in VIP Medienfonds 4 GmbH & Co. KG (Medienfonds) have brought legal proceedings against HVB. HVB did not sell shares in the Medienfonds fund, but granted loans to all private investors for a part of the amount invested in the fund; moreover, to collateralise the fund, HVB assumed specific payment obligations of certain film distributors with respect to the fund.

The investors in the Medienfonds fund initially enjoyed certain tax benefits which were later revoked by the tax authorities. The plaintiffs argue that HVB did not disclose to them such particular tax risks and make HVB, together with other parties, responsible for alleged errors in the prospectus used to market the fund. Additionally some plaintiffs have also invoked rights under German consumer protection law. The courts of first and second instance have issued various rulings, of which several were unfavourable for HVB. Munich Higher Regional Court is dealing with the issue relating to prospectus liability, including that of HVB, through a specific procedure pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz). One individual case is pending before the German Federal Court of Justice (Bundesgerichtshof). Besides the civil proceedings pending before the fiscal courts, no final ruling has been issued regarding whether the tax benefits were revoked lawfully. HVB and other German banks involved in said proceedings have proposed a settlement. HVB has set up provisions which are, at present, deemed to be appropriate.

Real estate finance/financing of purchases of shares in real estate funds

HVB will not suffer negative legal consequences if customers cancel their property loan agreements under the Doorstep Transactions Act (Haustürwiderrufsgesetz). According to the law and the opinion on this subject expressed in the German Federal Court of Justice's established practice, the customer, who is required to prove that the conditions for cancelling the contract have been met, must repay the loan amount to the bank, including interest at customary market rates, even after cancellation of the loan agreement.

Under a well-established body of court decisions, the bank would be required to assume the investment risk because of its failure to notify the customer of his right to cancel the contract only if the customer could prove that he would not have made the investment if he had been aware of this right; in addition, the German Federal Court of Justice has decided that the bank would only have to assume the investment risk in case of culpable actions. On the basis of court rulings issued so far, HVB does not expect any negative effects.

The Bank's claim to repayment remains in effect even if the borrower issued an invalid power of attorney to a third party, and the Bank relied on the validity of the power of attorney when entering into the loan agreement. Based on the experience gained to date, the Bank assumes that legal risks will not arise from these cases.

Judgements from the German Federal Court of Justice also confirmed the already narrow conditions for a possible obligation on the part of HVB to give information and advice. The German Federal Court of Justice makes it easier for investors to provide evidence of violations of a bank's obligation to give information only in cases of institutionalised collaboration between the bank funding the acquisition of the property and the seller of the property. Recent judgements indicate that a bank's liability cannot be ruled out completely if it has advised the customer on the acquisition of the property and received commission from the seller for selling the property. Based on its experience so far, HVB does not expect any negative effects in this respect either.

If a bank finances the purchase of shares in real estate funds for the borrower with a loan not secured by a real property lien, the borrower can – if the transaction is a so-called related transaction – contest the claim of the financing bank to repayment on the basis of objections which the borrower is entitled to assert against the seller or agent in the fund transaction on account of having received incorrect advice. Consequently, the bank has no claim against the customer to repayment of the loan if it utilised the sales organisation of the agent arranging the sale of shares in the fund, the loan was disbursed directly to the fund, and the investor was misled when purchasing the shares, or if the borrower has a right of rescission. The borrower in each individual case would have to demonstrate that these prerequisites were met. From today's standpoint, HVB expects these circumstances to apply, if at all, only in exceptional cases.

Lawsuits in connection with the financial crisis

Because of the continued unstable conditions on the financial markets, the number of complaints from customers invested in securities that have been negatively affected by the financial crisis remains at a high level. Some customers have taken legal action with respect to the losses from securities transactions based on information that was allegedly not suitable for the relevant investor or on investment advice that was allegedly inappropriate with respect to the investment.

There has also been an increase in the number of complaints and lawsuits filed by customers who have suffered losses on derivative transactions or entered into derivative transactions with negative market values at present. Generally, the courts have tended to issue investor-friendly rulings in lawsuits relating to derivatives. Latest rulings confirm this trend but also demonstrate that the characteristics of the relevant product and the individual circumstances of each case are decisive.

At the beginning of 2011, HVB and UCI together with more than ten other banks were sued by the Region of Lazio for alleged damages suffered by the Region of Lazio in connection with several derivative transactions. The legal predecessor of HVB's Milan branch was not a party to derivative transactions with the Region of Lazio. The Bank has been sued for an assumed contractual responsibility – without an amount specified in relation to the Bank – in connection with advisory

Risk Report (Continued)

activity it allegedly performed in favour of the Region of Lazio in relation to its debt restructuring but not for any relevant transaction involved. HVB together with UniCredit as one of the defendant banks are duly evaluating the case. At this stage, it is not possible to reliably estimate the outcome of the proceedings. No provisions have been set up in relation to this litigation.

Three class actions were raised in the United States against our American brokerage subsidiary, UniCredit Capital Markets, Inc., along with numerous other defendants. The reason behind these actions is that both Lehman Brothers Holding and Merrill Lynch issued securities. Although UniCredit Capital Markets was part of the underwriting consortium for some of the securities in dispute, it neither received nor sold the securities specified in the claims. Based on the appraisals of our external lawyers, HVB has decided not to set up any provisions in this regard.

Lawsuit in connection with Primeo notes

HVB had issued several tranches of notes whose potential return was to be calculated by reference to the performance of a synthetic hypothetical investment in the Primeo fund. The nominal value of the notes issued by HVB was around €27 million for the Primeo-referenced notes. Legal proceedings have been commenced in Germany in connection with the issuance of said Primeo-linked notes, which also named HVB as a defendant. From today's perspective, the outcome of the proceedings is open.

Securitisation – financial guarantee

HVB has been sued by another financial institution in respect of a structured finance transaction. The parties are in dispute as to the validity of an early termination notice served by HVB on the financial institution in question. HVB believes the claim against it is without merit and is defending itself.

Arbitration proceedings on the cash settlement for Vereins- und Westbank AG

The Extraordinary Shareholders' Meeting of Vereins- und Westbank AG held on 24 June 2004 approved the transfer of shares of minority shareholders of Vereins- und Westbank AG to HVB. After settlement of the legal challenges to this move, HVB paid the minority shareholders of Vereins- und Westbank AG an increased cash settlement of €26.65 per share (the "€26.65 settlement"). Notwithstanding this arrangement, numerous minority shareholders have exercised their right to have the €26.65 settlement reviewed in special judicial proceedings pursuant to Section 1 (3) of the Act on the Procedure Regarding the Compensation of Minority Shareholders (Spruchverfahrensgesetz). In a ruling dated 2 March 2006, the Regional Court (Landgericht) of Hamburg increased the cash settlement to €37.20 per share on the basis of its own assessment. HVB has appealed against this decision. The Bank assumes that, at most, a much smaller payment in addition to the €26.65 settlement will have to be made to the squeezed-out shareholders of Vereins- und Westbank AG.

Court proceedings of HVB shareholders

Numerous (former) shareholders of HVB filed a suit challenging the resolutions adopted by the Annual General Meeting of the Bank on 12 May 2005. Munich Regional Court I (Landgericht) has dismissed the suit insofar as it challenges the election of Supervisory Board members and the auditor of the annual financial statements; the ruling is not yet final.

Legal proceedings relating to the restructuring of HVB

Numerous (former) minority shareholders filed suits challenging the resolutions of the Extraordinary Shareholders' Meeting of HVB on 25 October 2006 approving the sale and transfer of the shares held by the Bank in Bank Austria Creditanstalt AG ("Bank Austria") and in HVB Bank Ukraine to UniCredit S.p.A. and the shares held in Closed Joint Stock Company International Moscow Bank (IMB) (renamed as ZAO UniCredit Bank, Moscow in December 2007, but still referred to as IMB below) and in HVB Bank Latvia AS (later renamed as AS

UniCredit Bank, Riga) to Bank Austria Creditanstalt AG, and the branches of the Bank in Vilnius and Tallinn to AS UniCredit Bank, Riga, asking the court to declare these resolutions null and void. The former minority shareholders filed their lawsuits on the basis of alleged deficiencies of formalities in connection with the invitation and conduct of the Extraordinary Shareholders' Meeting of 25 October 2006 and the allegedly inadequate, too low purchase price paid for the units sold.

In a ruling of 31 January 2008, Munich Regional Court I declared the resolutions passed at the Extraordinary Shareholders' Meeting on 25 October 2006 null and void solely for formal reasons. The court was of the opinion that the Business Combination Agreement ("BCA") entered into by the Bank and UniCredit S.p.A. on 12 June 2005 was not described in sufficient detail in the invitation to the above meeting, particularly with regard to the provisions of the BCA on the court of arbitration and the choice of law. Moreover, the court stated that shareholders' questions regarding the hypothetical effects of specific alternative valuation parameters were not answered adequately. The court did not decide on the issue of the allegedly inadequate purchase price paid for the purchased units. At the same time, based on a petition filed by some minority shareholders, the court declared that the BCA should have been submitted to a general shareholders' meeting of the company for approval to become valid because it represented a "hidden" domination agreement.

HVB believes that such ruling is not convincing since the provisions of the BCA considered by the court to be material were not material for the purchase agreements submitted to the Extraordinary Shareholders' Meeting on 25 October 2006, which contain their own arrangements anyway, and since answering the question regarding individual alternative valuation parameters – even if at all possible to do so correctly at the Extraordinary Shareholders' Meeting and without taking into account contrary effects induced by modified parameters – would have done nothing to change the specific purchase agreements submitted for approval. Consequently, HVB has appealed against this ruling.

As a precaution the resolutions passed by the Extraordinary Shareholders' Meeting of 25 October 2006 were confirmed at UniCredit Bank AG's Annual General Meeting of Shareholders on 30 July 2008. Numerous suits were filed against said confirmatory resolutions some of which are based on formal errors. Most, however, claim that the purchase price for the sale of the participating interests and branches was too low and inadequate. As a precaution, the resolutions and the confirmatory resolutions were confirmed once again at the Extraordinary Shareholders' Meeting of HVB on 5 February 2009.

In a ruling dated 29 October 2008, Munich Higher Regional Court suspended the appeal against the suits challenging the resolutions of the Extraordinary Shareholders' Meeting of HVB of 25 October 2006 until such time as a final court decision is passed on the suits challenging the confirmatory resolutions adopted during the Annual General Meeting of HVB on 30 July 2008. On 10 December 2009 Munich Regional Court I dismissed the suits against the resolutions adopted at the Annual General Meeting on 29 and 30 July 2008, including the suits against the confirmatory resolutions adopted at this meeting. The appeal raised by some shareholders against this ruling was rejected by Munich Higher Regional Court on 22 December 2010. Former minority shareholders of HVB have filed an appeal against this decision and denial of leave to appeal with the German Federal Court of Justice. A final decision has not yet been passed.

Special representative

On 27 June 2007 the Annual General Meeting of Shareholders of HVB passed a resolution in favour of asserting alleged claims for damages against UniCredit S.p.A. and its legal representatives and against the governing bodies of the Bank due to the alleged damages to HVB's assets as a result of the sale of the Bank Austria shares as well as due to the BCA concluded between HVB and UniCredit S.p.A. and appointed Dr Thomas Heidel, a solicitor, to act as special representative. HVB's now sole shareholder, UniCredit S.p.A., filed a lawsuit challenging this resolution. In its ruling of 27 August 2008, Munich Higher Regional Court stated that the resolution adopted during HVB's Annual General Meeting on 27 June 2007 on the assertion of claims for damages due to damages caused to HVB's assets and on the appointment

Risk Report (Continued)

of the special representative was partly invalid, especially insofar as the special representative is not entitled to assert claims for damages in connection with the conclusion of the BCA (lit. d of item 10 of the agenda of the Annual General Meeting in 2007). The special representative and other former minority shareholders of HVB have filed an appeal against this decision and denial of leave to appeal with the German Federal Court of Justice, a step also taken by UniCredit, HVB's sole shareholder since 15 September 2008. A final ruling has not yet been passed.

An Extraordinary Shareholders' Meeting of HVB on 10 November 2008 revoked the resolution dated 27 June 2007 regarding the appointment of the special representative to assert claims for damages due to the sale of Bank Austria and the conclusion of the BCA (item 10 of the agenda of the Annual General Meeting of Shareholders in 2007) and resolved that the appointed special representative be dismissed from office with immediate effect. Munich Higher Regional Court on 3 March 2010 dismissed the claims raised against the revocation of the resolutions to assert claims for damages and to dismiss the special representative from office. The appeal raised by the special representative has been rejected by the German Federal Court of Justice. Therefore the dismissal of the special representative is final and binding.

In letters dated 27 and 28 December 2007, the special representative asked UniCredit S.p.A. to restore to HVB the Bank Austria shares sold. After UniCredit S.p.A. rejected this request, the special representative on 20 February 2008 filed a suit against UniCredit S.p.A., Alessandro Profumo, Dr Wolfgang Sprissler and Rolf Friedhofen as joint and severally liable for the return of the Bank Austria shares (and alternatively for claims for damages of at least €13.9 billion), and in addition to compensate any losses suffered by HVB through the sale and transfer of said shares ("Heidel action"). On 10 July 2008 the special representative extended his suit and asserted additional claims for damages amounting to at least €2.92 billion against the defendants named above. The special representative alleges that HVB suffered damages for at least the amount stated in connection with the contribution of the investment banking business of UniCredit Banca Mobiliare S.p.A. ("UBM"). The defendants are convinced that the asserted claims are unfounded. In a ruling dated 2 June 2009, the stay of said proceedings was ordered until a final decision has been passed with respect to the resolutions of assertion and appointment dated 26/27 June 2007 as well as the resolutions of revocation and dismissal dated 10 November 2008.

5 Business risk

The value-at-risk, without taking into account the diversification effects between risk types, increased by €0.32 billion in the first half of 2011 to €0.98 billion. The calculated economic capital for the business risk of HVB Group amounted to €0.72 billion at 30 June 2011 (31 December 2010: €0.37 billion). Alongside the effects of refining the methodology applied, this figure also reflects the effect of updating the intercorrelation matrix. The refinement in methodology involved making the definition of income more precise, meaning that trading-related net interest income is no longer included in business risk.

6 Risks arising from our own real estate portfolio

UniCredit has launched a project called All4Quality aimed at enhancing the quality of the various services provided by Global Banking Services (GBS) throughout the corporate group. In Germany, HVB Immobilien AG is involved in the project, among others. Almost all units of HVB Immobilien AG will be transferred to UGBS GmbH, probably with effect from 1 August 2011.

The value-at-risk, without taking into account the diversification effects between risk types, declined by €0.06 billion during the first half of 2011 to total €0.56 billion at 30 June 2011. The economic capital for real estate risk for HVB Group amounted to €0.35 billion (31 December 2010: €0.36 billion). This amount includes the effects from updating the variance-covariance matrix. The real estate portfolio of HVB Group is located primarily in Munich, which accounts for 87% of the total.

7 Risks arising from our shareholdings/financial investments

The value-at-risk, without taking into account the diversification effects between risk types, declined by €0.11 billion to €1.11 billion. Excluding small legal entities, the aggregate of the market values and carrying amounts totalled €2.37 billion at 30 June 2011. This means that the economic capital accounts for 47% of the portfolio value. The fully diversified economic capital of HVB Group amounts to €0.70 billion (31 December 2010: €0.78 billion). Based on the 1-year history, the calculation method continues to weight the recent past more heavily than older data, which means that it more accurately reflects the current market situation.

As in 2010, the Bank will continue to dispose of non-strategic shareholdings in 2011. It will also look into fresh investments in line with its business strategy and the current market environment, provided these complement our structure and our business priorities, and generate added value for our Bank and our group.

8 Reputational risk

HVB has a very good reputation in the banking industry and the financial market. Numerous products and services in such areas as investment products, real estate finance, online banking and general customer services have received awards in recent years. These awards help to solidify HVB's reputation as a competent and efficient provider of financial services. In addition to monitoring and evaluating reputational risk, we use a large number of evaluations to constantly analyse the public image of HVB.

Since September 2009, a systematic evaluation of the reputation of HVB has been carried out in accordance with the standards of UniCredit by means of structured interviews with members of various stakeholder groups such as customers, employees and opinion leaders from the media, politics, industry and society. Using the results of the questionnaires, action plans have been drawn up and performance benchmarks developed to enhance our reputation.

Individual transactions in day-to-day operations are assessed with regard to environmental, social and governance risks and forwarded to the HVB Reputational Risk Council, represented by the CRO and the head of the division concerned, for a decision.

9 Strategic risk

The statements made in the 2010 Annual Report regarding strategic risk remain valid. Statements on overall economic trends, in particular in international financial markets, and on the development of HVB Group in 2011 as a whole can be found in the Outlook section of the Financial Review in the present Half-yearly Financial Report.

Consolidated Income Statement

for the period from 1 January to 30 June 2011

Income/Expenses	NOTES	1/1–30/6/2011 € millions	1/1–30/6/2010 € millions	CHANGE € millions	CHANGE in %
Interest income		4,312	4,320	(8)	(0.2)
Interest expense		(2,199)	(2,297)	+ 98	(4.3)
Net interest	4	2,113	2,023	+ 90	+ 4.4
Dividends and other income from equity investments	5	101	74	+ 27	+ 36.5
Net fees and commissions	6	690	681	+ 9	+ 1.3
Net trading, hedging and fair value income	7	787	456	+ 331	+ 72.6
Net other expenses/income	8	42	117	(75)	(64.1)
OPERATING INCOME		**3,733**	**3,351**	**+ 382**	**+ 11.4**
Payroll costs		(917)	(927)	+ 10	(1.1)
Other administrative expenses		(763)	(717)	(46)	+ 6.4
Amortisation, depreciation and impairment losses					
on intangible and tangible assets		(103)	(107)	+ 4	(3.7)
Operating costs		**(1,783)**	**(1,751)**	**(32)**	**+ 1.8**
OPERATING PROFIT		**1,950**	**1,600**	**+ 350**	**+ 21.9**
Net write-downs of loans and provisions					
for guarantees and commitments	9	36	(509)	+ 545	
NET OPERATING PROFIT		**1,986**	**1,091**	**+ 895**	**+ 82.0**
Provisions for risks and charges		(174)	(17)	(157)	>+ 100.0
Restructuring costs		—	—	—	—
Net income from investments	10	108	22	+ 86	>+ 100.0
PROFIT BEFORE TAX		**1,920**	**1,096**	**+ 824**	**+ 75.2**
Income tax for the period		(600)	(376)	(224)	+ 59.6
CONSOLIDATED PROFIT		**1,320**	**720**	**+ 600**	**+ 83.3**
attributable to shareholder of UniCredit Bank AG		1,274	740	+ 534	+ 72.2
attributable to minorities		46	(20)	+ 66	

Earnings per share

(in €)

	NOTES	1/1–30/6/2011	1/1–30/6/2010
Earnings per share (undiluted and diluted)	11	1.59	0.92

Statement of total comprehensive income for the period from 1 January to 30 June 2011

(€ millions)

	1/1–30/6/2011	1/1–30/6/2010
Consolidated profit recognised in the income statement	**1,320**	**720**
Components of income and expenses recognised in other comprehensive income		
Changes from foreign currency translation and other changes	(66)	110
Changes from companies accounted for using the equity method	—	—
Actuarial profit on defined benefit plans (pension commitments)	—	—
Assets held for sale	—	—
Change in valuation of financial instruments (AfS reserve)	69	11
Change in valuation of financial instruments (hedge reserve)	(33)	(88)
Taxes on income and expenses recognised in equity	26	20
Total income and expenses recognised in equity under other comprehensive income	**(4)**	**53**
Total comprehensive income	**1,316**	**773**
of which:		
attributable to shareholder of UniCredit Bank AG	1,324	679
attributable to minorities	(8)	94

Consolidated Income Statement (Continued)

for the period from 1 April to 30 June 2011

Income/Expenses	1/4–30/6/2011 € millions	1/4–30/6/2010 € millions	CHANGE € millions	CHANGE in %
Interest income	2,207	2,167	+ 40	+ 1.8
Interest expense	(1,127)	(1,154)	+ 27	(2.3)
Net interest	1,080	1,013	+ 67	+ 6.6
Dividends and other income from equity investments	36	59	(23)	(39.0)
Net fees and commissions	323	308	+ 15	+ 4.9
Net trading, hedging and fair value income	273	16	+ 257	>+ 100.0
Net other expenses/income	11	52	(41)	(78.8)
OPERATING INCOME	**1,723**	**1,448**	**+ 275**	**+ 19.0**
Payroll costs	(461)	(475)	+ 14	(2.9)
Other administrative expenses	(383)	(364)	(19)	+ 5.2
Amortisation, depreciation and impairment losses on intangible and tangible assets	(51)	(53)	+ 2	(3.8)
Operating costs	**(895)**	**(892)**	**(3)**	**+ 0.3**
OPERATING PROFIT	**828**	**556**	**+ 272**	**+ 48.9**
Net write-downs of loans and provisions for guarantees and commitments	163	(137)	+ 300	
NET OPERATING PROFIT	**991**	**419**	**+ 572**	**>+ 100.0**
Provisions for risks and charges	(116)	(12)	(104)	>+ 100.0
Restructuring costs	—	—	—	—
Net income from investments	50	(5)	+ 55	
PROFIT BEFORE TAX	**925**	**402**	**+ 523**	**>+ 100.0**
Income tax for the period	(286)	(142)	(144)	>+ 100.0
CONSOLIDATED PROFIT	**639**	**260**	**+ 379**	**>+ 100.0**
attributable to shareholder of UniCredit Bank AG	623	272	+ 351	>+ 100.0
attributable to minorities	16	(12)	+ 28	

Earnings per share

(in €)

	1/4–30/6/2011	1/4–30/6/2010
Earnings per share (undiluted and diluted)	0.78	0.34

Statement of total comprehensive income for the period from 1 April to 30 June 2011

(€ millions)

	1/4–30/6/2011	1/4–30/6/2010
Consolidated profit recognised in the income statement	**639**	**260**
Components of income and expenses recognised in other comprehensive income		
Changes from foreign currency translation and other changes	(13)	68
Changes from companies accounted for using the equity method	—	—
Actuarial profit on defined benefit plans (pension commitments)	—	—
Assets held for sale	—	—
Change in valuation of financial instruments (AfS reserve)	47	(41)
Change in valuation of financial instruments (hedge reserve)	(28)	(33)
Taxes on income and expenses recognised in equity	3	7
Total income and expenses recognised in equity under other comprehensive income	**9**	**1**
Total comprehensive income	**648**	**261**
of which:		
attributable to shareholder of UniCredit Bank AG	643	206
attributable to minorities	5	55

Balance Sheet

at 30 June 2011

Assets

		30/6/2011	31/12/2010	CHANGE	
	NOTES	€ millions	€ millions	€ millions	in %
Cash and cash balances		7,920	3,065	+ 4,855	>+ 100.0
Financial assets held for trading	12	117,412	133,389	(15,977)	(12.0)
Financial assets at fair value through profit or loss	13	28,119	26,631	+ 1,488	+ 5.6
Available-for-sale financial assets	14	5,839	5,915	(76)	(1.3)
Shares in associates accounted for using the equity method					
and joint ventures accounted for using the equity method	15	—	94	(94)	(100.0)
Held-to-maturity investments	16	2,518	2,600	(82)	(3.2)
Loans and receivables with banks	17	48,540	46,332	+ 2,208	+ 4.8
Loans and receivables with customers	18	135,264	139,351	(4,087)	(2.9)
Hedging derivatives		3,381	4,205	(824)	(19.6)
Hedge adjustment of hedged items					
in the fair value hedge portfolio		58	100	(42)	(42.0)
Property, plant and equipment		3,021	3,053	(32)	(1.0)
Investment properties		1,711	1,879	(168)	(8.9)
Intangible assets		583	608	(25)	(4.1)
of which: goodwill		424	424	—	—
Tax assets		2,818	3,257	(439)	(13.5)
Current tax assets		348	406	(58)	(14.3)
Deferred tax assets		2,470	2,851	(381)	(13.4)
Non-current assets or disposal groups held for sale	19	8	28	(20)	(71.4)
Other assets		1,861	1,402	+ 459	+ 32.7
Total assets		**359,053**	**371,909**	**(12,856)**	**(3.5)**

Liabilities

	NOTES	30/6/2011	31/12/2010	CHANGE	
		€ millions	€ millions	€ millions	in %
Deposits from banks	22	53,985	51,887	+ 2,098	+ 4.0
Deposits from customers	23	114,501	108,494	+ 6,007	+ 5.5
Debt securities in issue	24	47,296	48,676	(1,380)	(2.8)
Financial liabilities held for trading		108,665	127,096	(18,431)	(14.5)
Hedging derivatives		1,828	2,091	(263)	(12.6)
Hedge adjustment of hedged items					
in the fair value hedge portfolio		974	1,471	(497)	(33.8)
Tax liabilities		2,013	2,203	(190)	(8.6)
Current tax liabilities		741	840	(99)	(11.8)
Deferred tax liabilities		1,272	1,363	(91)	(6.7)
Liabilities of disposal groups held for sale	25	—	598	(598)	(100.0)
Other liabilities		4,109	3,822	+ 287	+ 7.5
Provisions	26	1,978	1,901	+ 77	+ 4.1
Shareholders' equity		23,704	23,670	+ 34	+ 0.1
Shareholders' equity attributable to					
shareholder of UniCredit Bank AG		22,925	22,866	+ 59	+ 0.3
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		9,474	9,485	(11)	(0.1)
Change in valuation of financial instruments	27	(21)	(87)	+ 66	+ 75.9
AfS reserve		(52)	(141)	+ 89	+ 63.1
Hedge reserve		31	54	(23)	(42.6)
Consolidated profit 2010		—	1,270	(1,270)	(100.0)
Net profit 1/1 – 30/6/2011[1]		1,274	—	+ 1,274	
Minority interest		779	804	(25)	(3.1)
Total shareholders' equity and liabilities		**359,053**	**371,909**	**(12,856)**	**(3.5)**

1 attributable to shareholder of UniCredit Bank AG

Statement of Changes in Shareholders' Equity

at 30 June 2011

			OTHER RESERVES	
	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	TOTAL	OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
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	—	—	12	—
Total income and expenses recognised in equity				
under other comprehensive income[3]	**—**	**—**	**12**	**—**
Total income and expenses recognised	**—**	**—**	**12**	**—**
Other changes recognised in equity				
Dividend payouts	—	—	—	—
Changes in group of consolidated companies	—	—	(30)	—
Total other changes in equity	**—**	**—**	**(30)**	**—**
Shareholders' equity at 30 June 2010	**2,407**	**9,791**	**9,016**	**(223)**
Shareholders' equity at 1 January 2011	**2,407**	**9,791**	**9,485**	**(189)**
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	—	—	(16)	—
Total income and expenses recognised in equity				
under other comprehensive income[3]	**—**	**—**	**(16)**	**—**
Total income and expenses recognised	**—**	**—**	**(16)**	**—**
Other changes recognised in equity				
Dividend payouts	—	—	—	—
Changes in group of consolidated companies	—	—	5	—
Total other changes in equity	**—**	**—**	**5**	**—**
Shareholders' equity at 30 June 2011	**2,407**	**9,791**	**9,474**	**(189)**

1 attributable to shareholder of UniCredit Bank AG
2 UniCredit Bank AG (HVB)
3 see Statement of Total Comprehensive Income
4 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. (UniCredit), Rome, Italy. 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.
5 The Annual General Meeting of Shareholders of 18 May 2011 resolved to distribute the 2010 consolidated profit in the amount of €1,270 million as a dividend to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €1.58 per share.

(€ millions)

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS						
AFS RESERVE	HEDGE RESERVE	CONSOLIDATED PROFIT	PROFIT 1/1 – 30/6[1]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDER OF HVB[2]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
(190)	195	1,633	—	22,870	768	23,638
—	—	—	740	740	(20)	720
28	1	—	—	29	(1)	28
(24)	(61)	—	—	(85)	—	(85)
(17)	—	—	—	(5)	115	110
(13)	(60)	—	—	(61)	114	53
(13)	(60)	—	740	679	94	773
—	—	(1,633)[4]	—	(1,633)	(18)	(1,651)
(9)	(58)	—	—	(97)	(1)	(98)
(9)	(58)	(1,633)	—	(1,730)	(19)	(1,749)
(212)	77	—	740	21,819	843	22,662
(141)	54	1,270	—	22,866	804	23,670
—	—	—	1,274	1,274	46	1,320
95	—	—	—	95	1	96
(11)	(23)	—	—	(34)	—	(34)
5	—	—	—	(11)	(55)	(66)
89	(23)	—	—	50	(54)	(4)
89	(23)	—	1,274	1,324	(8)	1,316
—	—	(1,270)[5]	—	(1,270)	(17)	(1,287)
—	—	—	—	5	—	5
—	—	(1,270)	—	(1,265)	(17)	(1,282)
(52)	31	—	1,274	22,925	779	23,704

Cash Flow Statement (abridged version)

(€ millions)

	2011	2010
Cash and cash equivalents at 1 January	**3,065**	**6,400**
Cash flows from operating activities	**6,585**	**4,390**
Cash flows from investing activities	**245**	**(1,979)**
Cash flows from financing activities	**(1,975)**	**(2,189)**
Effects of exchange rate changes	—	—
Less disposal groups held for sale and discontinued operations	—	—
Cash and cash equivalents at 30 June	**7,920**	**6,622**

Selected Notes

1 Accounting and valuation principles

IFRS basis

The present Half-yearly Financial Report has been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS) and complies with IAS 34, which covers interim reporting. Thus, the present Half-yearly Financial Report meets the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) for the half-yearly financial reporting of capital-market-oriented companies.

We have applied the same accounting, valuation and disclosure principles in 2011 as in the consolidated financial statements for 2010 (please refer to the HVB Group Annual Report for 2010, starting on page 104).

The following standards and interpretations newly released or revised by the IASB are applicable for the first time in the 2011 financial year:
– Annual Improvements Project 2010 "Improvements to IFRSs"
– Amendments to IAS 24 "Related Party Disclosures"
– Amendments to IAS 32 "Classification of Right Issues"
– IFRIC 19 "Extinguishing Financial Liabilities with Equity Investments"
– Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement".

The new regulations have not had any material impact.

We have made minor structural adjustments to our income statement as of the 2011 financial year. The aggregate items "Net interest income" and "Net non-interest income" within operating income are no longer shown. The items "Net interest" and "Dividends and other income from equity investments" included in the old aggregate item "Net interest income" continue to be shown separately. Furthermore, we have added a new aggregate item "Net operating profit", which reflects the balance of the aggregate item "Operating profit" and the income statement item "Net write-downs of loans and provisions for guarantees and commitments". No changes have been made to the composition of the individual income statement items.

We did not avail ourselves of the possibility of reviewing the present local Half-yearly Financial Report of HVB Group compliant with Section 37w (5) of the German Securities Trading Act (WpHG).

Segment reporting

In segment reporting, the market-related activities of HVB Group are divided into the following globally active divisions: Corporate & Investment Banking (CIB), Family & SME (F&SME; formerly known as the Retail division), and Private Banking (PB).

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 are being applied in the 2011 financial year as were used at year-end 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) was 4.09% in 2010. This interest rate was redetermined for 2011 and has been 4.08% since 1 January 2011.

Selected Notes (Continued)

The following changes were made to the segment assignments in the first half of 2011:
– The final phase of our One for Clients programme (One4C) was implemented at the start of 2011. This involved the transfer of small and medium-sized companies with revenues of up to €50 million from the Corporate & Investment Banking division to the Retail division, which was renamed Family & SME to coincide with the expansion of the customer base. In the second quarter of 2010, retail customers with free assets of at least €500,000 had already been moved from the Retail division to the PB division and customers with assets of less than €500,000 transferred from the PB division to what at that time was the Retail division.
– The autonomous “Leasing” product unit, which was previously allocated to the CIB division, was transferred to F&SME.
– In order to ensure that the performance of the Private Banking division in 2011 can be compared with previous periods, the contribution to profits generated by the parts of the private banking business of UniCredit Luxembourg S.A. sold at year-end 2010, were assigned to the Other/consolidation segment together with the resulting gain on disposal and the associated restructuring costs.
– The income and expenses of a special purpose entity that were previously shown in the CIB division are now included in the Other/consolidation segment.
– There were further minor reorganisations, especially in operating costs.

The previous year’s figures and those of the previous quarters have been adjusted accordingly to reflect the changes in segment allocations described above.

2 Companies included in consolidation

The following companies were added to the group of companies included in consolidation in the first half of 2011:
– Antus Immobilien- und Projektentwicklungs GmbH, Munich
– BIL Immobilien Fonds GmbH & Co Objekt Perlach KG, Munich
– BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG, Munich
– CUMTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Elektra Purchase No. 27 Limited, Dublin
– Elektra Purchase No. 28 Limited, Dublin
– Elektra Purchase No. 50 Limited, Dublin
– Elektra Purchase No. 52 Limited, Dublin
– Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Grefrath KG, Oldenburg
– Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Mose KG, Oldenburg
– HAWA Grundstücks GmbH & Co. OHG Hotelverwaltung, Munich
– HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung, Munich
– H & B Immobilien GmbH & Co. Objekte KG, Munich
– HVB Expertise GmbH, Munich
– HVB Life Science GmbH & Co. Beteilungs-KG, Munich
– HVB Profil Gesellschaft für Personalmanagement mbH, Munich
– HYPO-REAL Haus & Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG, Munich
– Keller Crossing L.P., Wilmington
– Life Science I Beteiligungs GmbH, Munich
– MILLETERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG, Munich
– Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG, Munich
– Simon Verwaltungs-Aktiengesellschaft i.L., Munich
– Transterra Gesellschaft für Immobilienverwaltung mbH, Munich
– VuWB Investments Inc., Atlanta
– Wealth Capital Investments, Inc., Wilmington.

The following companies have left the group of companies included in consolidation:
– Morgan Stanley Series 2008-2933, New York
– Sofimmocentrale S.A., Brussels
– UniCredit Global Information Services Società Consortile per Azioni, Milan
– Elektra Purchase No. 26 Limited, Dublin.

In the course of implementing All4Quality, a group-wide UniCredit project for enhancing the quality of internal services, we sold all but ten of our shares in UniCredit Global Information Services S.C.p.A. (UGIS) to UniCredit S.p.A. on 13 May 2011. Upon the sale of our shares (previous shareholding of 24.7%), UGIS, which was consolidated at equity, was deconsolidated.

Notes to the Income Statement

3 Segment reporting

Income statement broken down by division for the period from 1 January to 30 June 2011 (€ millions)

	CORPORATE & INVESTMENT BANKING	FAMILY & SME	PRIVATE BANKING	OTHER/ CONSOLIDATION	HVB GROUP
OPERATING INCOME					
1/1 – 30/6/2011	2,483	919	137	194	3,733
1/1 – 30/6/2010	2,018	890	134	309	3,351
Operating costs					
1/1 – 30/6/2011	(792)	(797)	(78)	(116)	(1,783)
1/1 – 30/6/2010	(806)	(768)	(82)	(95)	(1,751)
Net write-downs of loans					
and provisions for guarantees					
and commitments					
1/1 – 30/6/2011	8	(20)	(3)	51	36
1/1 – 30/6/2010	(339)	(125)	(1)	(44)	(509)
NET OPERATING PROFIT					
1/1 – 30/6/2011	1,699	102	56	129	1,986
1/1 – 30/6/2010	873	(3)	51	170	1,091
Restructuring costs					
1/1 – 30/6/2011	—	—	—	—	—
1/1 – 30/6/2010	—	—	—	—	—
Net income from					
investments and other items[1]					
1/1 – 30/6/2011	(95)	(12)	—	41	(66)
1/1 – 30/6/2010	40	8	—	(43)	5
PROFIT BEFORE TAX					
1/1 – 30/6/2011	1,604	90	56	170	1,920
1/1 – 30/6/2010	913	5	51	127	1,096

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

Notes to the Income Statement (Continued)

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

INCOME/EXPENSES	1/1 – 30/6/ 2011	1/1 – 30/6/ 2010	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Net interest	1,305	1,247	686	619	699	599	648
Dividends and other income from equity investments	85	59	25	60	38	14	47
Net fees and commissions	309	278	142	167	156	119	110
Net trading, hedging and fair value income	777	392	271	506	15	239	25
Net other expenses/income	7	42	4	3	(12)	8	17
OPERATING INCOME	**2,483**	**2,018**	**1,128**	**1,355**	**896**	**979**	**847**
Payroll costs	(316)	(337)	(158)	(158)	(96)	(153)	(181)
Other administrative expenses	(469)	(459)	(239)	(230)	(231)	(228)	(242)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(7)	(10)	(3)	(4)	(7)	(5)	(6)
Operating costs	**(792)**	**(806)**	**(400)**	**(392)**	**(334)**	**(386)**	**(429)**
OPERATING PROFIT	**1,691**	**1,212**	**728**	**963**	**562**	**593**	**418**
Net write-downs of loans and provisions for guarantees and commitments	8	(339)	97	(89)	12	(176)	(45)
NET OPERATING PROFIT	**1,699**	**873**	**825**	**874**	**574**	**417**	**373**
Restructuring costs	—	—	—	—	3	—	—
Net income from investments and other items[1]	(95)	40	(97)	2	(522)	(1)	10
PROFIT BEFORE TAX	**1,604**	**913**	**728**	**876**	**55**	**416**	**383**
Cost-income ratio in %	31.9	39.9	35.5	28.9	37.3	39.4	50.6

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

Development of the Corporate & Investment Banking division

The Corporate & Investment Banking division generated operating income of €2,483 million in the first half of 2011, which is €465 million more than the €2,018 million recorded at this point last year. With operating costs down €14 million, the operating profit improved sharply in the first half of 2011 to €1,691 million after €1,212 million in the corresponding period last year.

The €58 million increase in net interest can be attributed to improved margins and volumes in deposit-taking activities coupled with special effects in the Multinational Corporates units. Dividends and other income from equity investments essentially include dividend payments from private equity funds, which were €26 million higher than in the equivalent period last year. Net fees and commissions rose by €31 million to €309 million on account of lower expenses in connection with own securitisation transactions coupled with higher income from structured financing.

Net trading, hedging and fair value income improved significantly on last year, rising by €385 million to €777 million in the first half of 2011. The Rates (fixed-income products) and Equities (equity and index products) units, together with credit-related activities, made a major contribution to this pleasing total. With operating costs declining by €14 million, or 1.7%, to €792 million, the division's cost-income ratio improved by 8.0 percentage points compared with last year to the very good figure of 31.9% during the reporting period on account of the strong operating performance.

A net reversal of €8 million was recorded in net write-downs of loans and provisions for guarantees and commitments in the first half of 2011 on account of the vastly improved lending environment, following on from net additions of €339 million in the first half of 2010. On the non-operating side, there were net expenses of €95 million (net income of €40 million in 2010) resulting from additions to provisions that were only partially offset by net income from investments. All in all, the division generated a very good profit before tax of €1,604 million in the first six months of 2011, which is much higher than the €913 million recorded in the first half of 2010.

Income statement of the Family & SME division (€ millions)

INCOME/EXPENSES	1/1 – 30/6/ 2011	1/1 – 30/6/ 2010	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Net interest	610	578	306	304	301	290	288
Dividends and other income							
from equity investments	4	4	4	—	1	—	4
Net fees and commissions	290	301	135	155	142	128	150
Net trading, hedging and fair value income	2	7	1	1	6	1	3
Net other expenses/income	13	—	8	5	(3)	—	(1)
OPERATING INCOME	**919**	**890**	**454**	**465**	**447**	**419**	**444**
Payroll costs	(301)	(288)	(151)	(150)	(147)	(147)	(141)
Other administrative expenses	(487)	(473)	(244)	(243)	(249)	(231)	(238)
Amortisation, depreciation and impairment							
losses on intangible and tangible assets	(9)	(7)	(5)	(4)	(7)	(4)	(3)
Operating costs	**(797)**	**(768)**	**(400)**	**(397)**	**(403)**	**(382)**	**(382)**
OPERATING PROFIT	**122**	**122**	**54**	**68**	**44**	**37**	**62**
Net write-downs of loans and provisions							
for guarantees and commitments	(20)	(125)	4	(24)	23	20	(50)
NET OPERATING PROFIT/(LOSS)	**102**	**(3)**	**58**	**44**	**67**	**57**	**12**
Restructuring costs	—	—	—	—	—	—	—
Net income from investments and other items[1]	(12)	8	(11)	(1)	(13)	(2)	7
PROFIT BEFORE TAX	**90**	**5**	**47**	**43**	**54**	**55**	**19**
Cost-income ratio in %	86.7	86.3	88.1	85.4	90.2	91.2	86.0

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

Development of the Family & SME division

The operating income of the F&SME division increased by 3.3% to €919 million in the first half of 2011. Net interest rose by 5.5% to €610 million as a result of higher interest margins in deposit-taking operations. This effect more than offset the lower net interest in lending activities caused by a decline in both volumes and margins. At €290 million, net fees and commissions failed to fully match the strong €301 million recorded in the corresponding period last year. The slight decline in net fees and commissions results primarily from the brokerage of insurance and transactions involving open-ended funds. This could not be offset by higher income from sales of fixed-income securities.

Total operating costs increased by 3.8% to €797 million. There were shifts between payroll costs (higher as a result) and other administrative expenses (lower as a result) on account of the initial consolidation of UniCredit Direct Services (UCDS). The 3.0% rise in other administrative expenses can be attributed primarily to higher marketing costs in connection with the new media campaign and higher indirect costs. The increase in operating income was offset by the 3.8% rise in operating costs, meaning that the operating profit of €122 million is the same as after six months of last year. As a result of much lower net write-downs of loans and provisions for guarantees and commitments compared with the first half of 2010 (down 84% to €20 million), the division generated a net operating profit of €102 million, which is significantly better than the net operating loss of €3 million recorded last year. On the non-operating side, there were net expenses of €12 million resulting notably from additions to provisions. All in all, the F&SME division generated a strong profit before tax of €90 million in the first half of 2011, which is much larger than the total of €5 million reported at the same point last year.

Notes to the Income Statement (Continued)

Income statement of the Private Banking division (€ millions)

INCOME/EXPENSES	1/1 – 30/6/ 2011	1/1 – 30/6/ 2010	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Net interest	51	46	27	24	27	24	22
Dividends and other income							
from equity investments	3	2	1	2	6	1	2
Net fees and commissions	83	87	40	43	35	35	41
Net trading, hedging and fair value income	—	—	—	—	—	—	—
Net other expenses/income	—	(1)	—	—	1	2	(1)
OPERATING INCOME	**137**	**134**	**68**	**69**	**69**	**62**	**64**
Payroll costs	(36)	(35)	(18)	(18)	(18)	(19)	(16)
Other administrative expenses	(41)	(46)	(21)	(20)	(20)	(22)	(23)
Amortisation, depreciation and impairment							
losses on intangible and tangible assets	(1)	(1)	(1)	—	(1)	—	(1)
Operating costs	**(78)**	**(82)**	**(40)**	**(38)**	**(39)**	**(41)**	**(40)**
OPERATING PROFIT	**59**	**52**	**28**	**31**	**30**	**21**	**24**
Net write-downs of loans and provisions							
for guarantees and commitments	(3)	(1)	(3)	—	—	(1)	—
NET OPERATING PROFIT	**56**	**51**	**25**	**31**	**30**	**20**	**24**
Restructuring costs	—	—	—	—	(18)	—	—
Net income from investments and other items[1]	—	—	(1)	1	1	(2)	—
PROFIT BEFORE TAX	**56**	**51**	**24**	**32**	**13**	**18**	**24**
Cost-income ratio in %	56.9	61.2	58.8	55.1	56.5	66.1	62.5

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

Development of the Private Banking division

The Private Banking division is being shown in the reporting period without the contributions to profits provided by the private banking activities of UniCredit Luxembourg that were sold at year-end 2010. The year-ago figures have been adjusted accordingly. The division generated a profit before tax of €56 million in the first half of 2011, which exceeded the high figure reported at the equivalent point last year.

Within operating income, a year-on-year increase of 10.9% was generated in net interest as a result of higher margins in the deposit-taking business. By contrast, the €83 million recorded for net fees and commissions failed to match the year-ago total essentially on account of declining demand for long-term bonds. Nonetheless, operating income rose by 2.2% to €137 million overall.

The cost-income ratio improved by a strong 4.3 percentage points to 56.9%, which can be attributed to both the higher operating income and the 4.9% decline in operating costs achieved by applying strict cost management. The operating profit rose a sharp 13.5% to €59 million.

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

INCOME/EXPENSES	1/1 – 30/6/ 2011	1/1 – 30/6/ 2010	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
OPERATING INCOME	**194**	**309**	**73**	**121**	**149**	**186**	**93**
Operating costs	**(116)**	**(95)**	**(55)**	**(61)**	**(44)**	**(53)**	**(41)**
OPERATING PROFIT	**78**	**214**	**18**	**60**	**105**	**133**	**52**
Net write-downs of loans and provisions for guarantees and commitments	51	(44)	65	(14)	(3)	2	(42)
NET OPERATING PROFIT	**129**	**170**	**83**	**46**	**102**	**135**	**10**
Restructuring costs	—	—	—	—	(22)	—	—
Net income from investments and other items[1]	41	(43)	43	(2)	(6)	(34)	(34)
PROFIT/(LOSS) BEFORE TAX	**170**	**127**	**126**	**44**	**74**	**101**	**(24)**

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

Development of the Other/consolidation segment

The operating income of this segment declined by €115 million in the first half of 2011. This strong decrease can be attributed primarily to gains realised on the buy-back of hybrid capital in the equivalent period last year. These have not recurred in the reporting period. Furthermore, the total also includes the expenses arising from the bank levy that has been charged in Germany for the first time, although this is offset in part by a positive effect arising from foreign currency translation.

Operating costs rose by a total of €21 million, attributable primarily to the bank levy in Austria that has been included here for the first time. Thus, the operating profit posted by this segment in the first half of 2011 amounted to €78 million (first half of 2010: €214 million).

Within net write-downs of loans and provisions for guarantees and commitments, there was a net reversal of €51 million in the first six months of 2011 compared with net additions of €44 million required in the corresponding period last year. With net income from investments and other items amounting to €41 million, the profit before tax totalled €170 million (first half of 2010: €127 million).

4 Net interest

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Interest income from	**4,312**	**4,320**
lending and money market transactions	2,945	2,982
other interest income	1,367	1,338
Interest expense from	**(2,199)**	**(2,297)**
deposits	(761)	(589)
debt securities in issue and other interest expenses	(1,438)	(1,708)
Total	**2,113**	**2,023**

5 Dividends and other income from equity investments

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Dividends and other similar income	95	70
Companies accounted for using the equity method	6	4
Total	**101**	**74**

Notes to the Income Statement (Continued)

6 Net fees and commissions

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Management, brokerage and consultancy services	345	384
Collection and payment services	85	89
Lending operations	245	198
Other service operations	15	10
Total	**690**	**681**

This item comprises the balance of fee and commission income of €980 million (2010: €1,128 million) and fee and commission expenses of €290 million (2010: €447 million).

7 Net trading, hedging and fair value income

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Net gains on financial assets held for trading[1]	710	362
Effects arising from hedge accounting	63	19
Changes in fair value of hedged items	394	(1,095)
Changes in fair value of hedging derivatives	(331)	1,114
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	10	(24)
Other net trading income	4	99
Total	**787**	**456**

1 including dividends on financial assets held for trading
2 also including the valuation results of derivatives concluded to hedge financial assets through fair value at profit or loss

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. To ensure that the full contribution to profits is disclosed, the interest cash flows are only carried in net trading, hedging and fair value income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

8 Net other expenses/income

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Other income	149	168
Other expenses	(107)	(51)
Total	**42**	**117**

In the first half of 2011, other expenses include the German bank levy in the amount of €51 million for the first time.

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

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Additions/releases	**(93)**	**(532)**
Allowances for losses on loans and receivables	(79)	(465)
Allowances for losses on guarantees and indemnities	(14)	(67)
Recoveries from write-offs of loans and receivables	**132**	**23**
Gains on the disposal of impaired loans and receivables	**(3)**	**—**
Total	**36**	**(509)**

10 Net income from investments

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Available-for-sale financial assets	118	45
Shares in affiliated companies	2	—
Companies accounted for using the equity method	(7)	—
Held-to-maturity investments	(4)	—
Land and buildings	—	—
Investment properties	(1)	(23)
Other	—	—
Total	**108**	**22**

Net income from investments breaks down as follows:

(€ millions)

	1/1 – 30/6/2011	1/1 – 30/6/2010
Gains on the disposal of	**111**	**47**
available-for-sale financial assets	110	48
shares in affiliated companies	2	—
companies accounted for using the equity method	(7)	—
held-to-maturity investments	(4)	—
land and buildings	—	—
investment properties	10	(1)
other	—	—
Write-downs, value adjustments and write-ups on	**(3)**	**(25)**
available-for-sale financial assets	8	(3)
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
investment properties[1]	(11)	(22)
Total	**108**	**22**

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

11 Earnings per share

	1/1 – 30/6/2011	1/1 – 30/6/2010
Consolidated profit attributable to shareholder (€ millions)	1,274	740
Average number of shares	802,383,672	802,383,672
Earnings per share (€)	1.59	0.92

Notes to the Balance Sheet

12 Financial assets held for trading

(€ millions)

	30/6/2011	31/12/2010
Balance sheet assets	43,514	44,903
Fixed-income securities	27,227	26,952
Equity instruments	5,861	6,422
Other financial assets held for trading	10,426	11,529
Positive fair value from derivative financial instruments	**73,898**	**88,486**
Total	**117,412**	**133,389**

The financial assets held for trading include €376 million (31 December 2010: €392 million) in subordinated assets at 30 June 2011.

13 Financial assets at fair value through profit or loss

(€ millions)

	30/6/2011	31/12/2010
Fixed-income securities	26,224	24,555
Equity instruments	—	—
Investment certificates	2	1
Promissory notes	1,893	2,075
Other financial assets at fair value through profit or loss	—	—
Total	**28,119**	**26,631**

The financial assets at fair value through profit or loss include €276 million (31 December 2010: €297 million) in subordinated assets at 30 June 2011.

14 Available-for-sale financial assets

(€ millions)

	30/6/2011	31/12/2010
Fixed-income securities	3,902	3,974
Equity instruments	772	778
Other available-for-sale financial assets	429	448
Impaired assets	736	715
Total	**5,839**	**5,915**

At 30 June 2011, available-for-sale financial assets include financial instruments of €1,431 million (31 December 2010: €1,416 million) valued at cost compliant with IAS 39.46.

The available-for-sale financial assets contain a total of €736 million (31 December 2010: €715 million) in impaired assets at 30 June 2011 for which impairments of €12 million (30 June 2010: €19 million) were taken to the income statement during the period under review. None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets include €290 million (31 December 2010: €493 million) in subordinated assets at 30 June 2011.

The available-for-sale financial assets include Greek government bonds with a carrying amount/market value of €4 million, or a nominal amount of €6 million, at 30 June 2011. We have recognised an impairment of €1 million on this holding in previous periods.

15 Shares in associates accounted for using the equity method and joint ventures accounted for using the equity method

(€ millions)

	30/6/2011	31/12/2010
Associated companies accounted for using the equity method	—	94
of which: goodwill	—	—
Joint ventures accounted for using the equity method	—	—
Total	**—**	**94**

In the course of implementing All4Quality, a group-wide UniCredit project for enhancing the quality of internal services, we sold all but ten of our shares in UniCredit Global Information Services S.C.p.A. (UGIS) to UniCredit S.p.A. on 13 May 2011. Upon the sale of our shares (previous shareholding of 24.7%), UGIS, which was consolidated at equity, was deconsolidated.

16 Held-to-maturity investments

(€ millions)

	30/6/2011	31/12/2010
Fixed-income securities	2,518	2,596
Impaired assets	—	4
Total	**2,518**	**2,600**

Held-to-maturity investments include a total of €0 million (31 December 2010: €4 million) in impaired assets. None of the non-impaired debt instruments are financial instruments past due. No impairment losses were recognised in the income statement during the reporting period.

The held-to-maturity investments include a total of €10 million (31 December 2010: €15 million) in subordinated assets at 30 June 2011.

No Greek government bonds are included in held-to-maturity investments at 30 June 2011.

17 Loans and receivables with banks

(€ millions)

	30/6/2011	31/12/2010
Current accounts and demand deposits	14,206	16,222
Repos[1]	12,480	12,343
Reclassified securities	3,668	4,983
Other loans to banks	18,186	12,784
Total	**48,540**	**46,332**

1 repurchase agreements

The loans and receivables with banks include €659 million (31 December 2010: €784 million) in subordinated assets at 30 June 2011.

18 Loans and receivables with customers

(€ millions)

	30/6/2011	31/12/2010
Current accounts	9,869	8,923
Repos[1]	1,237	484
Mortgage loans	48,430	50,062
Finance leases	2,653	2,600
Reclassified securities	5,280	6,068
Non-performing loans and receivables	4,198	5,095
Other loans and receivables	63,597	66,119
Total	**135,264**	**139,351**

1 repurchase agreements

The loans and receivables with customers include €1,912 million (31 December 2010: €2,006 million) in subordinated assets at 30 June 2011.

No Greek government bonds are included in loans and receivables with customers at 30 June 2011.

Notes to the Balance Sheet (Continued)

19 Non-current assets and disposal groups held for sale

(€ millions)

	30/6/2011	31/12/2010
Loans and receivables with customers	—	25
Property, plant and equipment	4	—
Investment properties	4	3
Total	**8**	**28**

20 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 2011. 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 DEBT 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 31/12/2009	9.0	8.0	9.7
Balance at 31/12/2010	6.5	5.9	7.0
Balance at 30/6/2011	5.3	5.0	5.7
Reclassified in 2009			
Balance at 31/12/2009	7.3	7.4	7.4
Balance at 31/12/2010	4.6	4.5	4.6
Balance at 30/6/2011	3.7	3.6	3.8
Balance of reclassified assets at 30/6/2011	**9.0**	**8.6**	**9.5**

1 before accrued interest

The fair value of the financial instruments reclassified as loans and receivables with banks and customers amounts to a total of €8.6 billion at 30 June 2011. 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 €283 million in net trading, hedging and fair value income in the first half of 2011. A net gain of €416 million (2010) and €1,159 million (2009) would have arisen in net trading, hedging and fair value income in the financial years 2010 and 2009 while a net loss of €1,792 million would have accrued in net trading, hedging and fair value income from the reclassified holdings in 2008. These effects reflect a theoretical, pro forma calculation, as the assets are measured at amortised cost on account of the reclassification.

We took write-downs of loans of €8 million on the reclassified assets in the first six months of 2011 (whole of 2010: €8 million, 2009: €80 million, 2008: €63 million). The fair value at the date when the reclassification takes effect represents the new acquisition cost, which in some cases is considerably less than the nominal value. Accordingly, this difference (discount) is to be amortised over the remaining term of the reclassified financial assets. This, together with the reclassified securities that had matured or been partially repaid, gives rise to an effect of €52 million in the first half of 2011 (whole of 2010: €160 million, 2009: €208 million, 2008: €127 million), which is recognised in net interest.

A loss of €2 million (whole of 2010: gain of €19 million, 2009: gain of €83 million) on reclassified securities that had been sold was recognised in the income statement in the first six months of 2011.

In the first half of 2011, the reclassifications carried out in 2008 and 2009 resulted in a profit before tax that was €241 million too low. Between the date when the reclassifications took effect and the reporting date, the cumulative net impact on the income statement from the reclassifications already carried out totalled €422 million before tax (first half of 2011: minus €241 million, whole of 2010: minus €245 million, 2009: minus €948 million, 2008: plus €1,856 million).

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

Analysis of loans and receivables (€ millions)

Balance at 1 January 2010	**5,222**
Changes affecting income[1]	465
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	(338)
Effects of currency translation and other changes not affecting income	108
Non-current assets or disposal groups held for sale	—
Balance at 30 June 2010	**5,457**
Balance at 1 January 2011	**5,059**
Changes affecting income[1]	82
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	(305)
Effects of currency translation and other changes not affecting income	20
Non-current assets or disposal groups held for sale	—
Balance at 30 June 2011	**4,856**

1 the total includes the gains on disposal of impaired loans and receivables

22 Deposits from banks

(€ millions)

	30/6/2011	31/12/2010
Deposits from central banks	**5,168**	**4,396**
Deposits from banks	**48,817**	**47,491**
Current accounts and demand deposits	14,347	12,815
Reverse repos[1]	9,967	8,071
Other liabilities	24,503	26,605
Total	**53,985**	**51,887**

1 repurchase agreements

23 Deposits from customers

(€ millions)

	30/6/2011	31/12/2010
Current accounts and demand deposits	47,375	47,893
Savings deposits	14,431	14,893
Reverse repos[1]	17,630	10,010
Other liabilities	35,065	35,698
Total	**114,501**	**108,494**

1 repurchase agreements

24 Debt securities in issue

(€ millions)

	30/6/2011	31/12/2010
Bonds	44,883	46,142
Other securities	2,413	2,534
Total	**47,296**	**48,676**

Notes to the Balance Sheet (Continued)

25 Liabilities of disposal groups held for sale

(€ millions)

	30/6/2011	31/12/2010
Deposits from customers	—	597
Financial liabilities held for trading	—	1
Total	**—**	**598**

The liabilities of disposal groups held for sale disclosed at year-end 2010 relate to the sale of parts of the private banking activities of UniCredit Luxembourg S.A. to DZ Privatbank S.A. that took effect in December 2010. These have been carried forward to the start of January 2011.

26 Provisions

(€ millions)

	30/6/2011	31/12/2010
Provisions for pensions and similar commitments	50	51
Allowances for losses on guarantees and commitments	217	283
Restructuring provisions	74	87
Actuarial provisions	32	35
Other provisions	1,605	1,445
Total	**1,978**	**1,901**

27 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments recognised in equity totalled minus €21 million at 30 June 2011 (31 December 2010: minus €87 million). Whereas the hedge reserve narrowed by a minor €23 million to €31 million compared with year-end 2010, this positive development can be attributed exclusively to the €89 million increase in the AfS reserve to minus €52 million. Within this total, financial instruments classified as available for sale, which still constituted a large negative AfS reserve at year-end 2010, were redeemed early at their face value. In the first half of 2011, there was a 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.

28 Subordinated capital

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

	30/6/2011	31/12/2010
Subordinated liabilities	2,542	2,628
Participating certificates outstanding	155	205
Hybrid capital instruments	721	1,299
Total	**3,418**	**4,132**

Other Information

29 Contingent liabilities and other commitments

(€ millions)

	30/6/2011	31/12/2010
Contingent liabilities[1]	**20,148**	**19,170**
Guarantees and indemnities	20,148	19,170
Other commitments	**67,212**	**65,015**
Irrevocable credit commitments	41,219	39,721
Other commitments	25,993	25,294
Total	**87,360**	**84,185**

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

30 Notes to selected structured products

Additional information regarding selected structured products is given below in order to provide greater transparency. Assets of fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles are shown alongside tranches retained by HVB Group and holdings of asset-backed securities (ABS) transactions issued by third parties, broken down by various criteria.

ABS portfolio

In a securitisation transaction, above all the originator transfers credit receivables and/or credit risks to third parties. The securitisation itself is usually performed via special purpose vehicles (SPVs). In order to refinance the acquisition of receivables, these SPVs issue securities on the capital market that are secured by the receivables acquired. This serves to transfer the associated credit risks to investors in the form of asset-backed securities. The securities issued by SPVs are generally divided into tranches which differ above all in terms of seniority in the servicing of claims to repayment and interest payments. These tranches are generally assessed by rating agencies.

Depending on the underlying assets in a securitisation transaction, the following types of security among others are distinguished in ABS transactions:
– residential mortgage-backed securities (RMBS) relating to mortgage loans in the private sector (residential mortgage loans)
– commercial mortgage-backed securities (CMBS) relating to mortgage loans in the commercial sector (commercial mortgage loans)
– collateralised loan obligations (CLO) relating to commercial bank loans
– collateralised bond obligations (CBO) relating to securities portfolios

Besides this, consumer loans, credit card receivables and lease receivables are also securitised.

Other Information (Continued)

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by rating class (HVB Group without fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles; these are shown separately) (€ millions)

		30/6/2011				31/12/2010
CARRYING AMOUNTS		SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Positions retained from own securitisations		**308**	**87**	**1**	**396**	**469**
Positions in third-party ABS transactions		**3,820**	**1,465**	**32**	**5,317**	**5,139**
Residential mortgage-backed securities (RMBS)		1,915	475	—	2,390	2,320
thereof:						
US subprime		2	—	—	2	—
US Alt-A		2	—	—	2	6
Commercial mortgage-backed securities (CMBS)		701	323	—	1,024	1,018
Collateralised debt obligations (CDO)		78	118	—	196	242
thereof:						
US subprime		—	—	—	—	7
US Alt-A		—	3	—	3	4
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		694	411	28	1,133	913
Consumer loans		154	54	4	212	271
Credit cards		—	—	—	—	3
Leases		200	63	—	263	263
Others		78	21	—	99	109
Total	**30/6/2011**	**4,128**	**1,552**	**33**	**5,713**	
	31/12/2010	**4,133**	**1,461**	**14**	**5,608**	
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2011**	**14**	**89**	**30**	**133**	
	31/12/2010	**15**	**237**	**44**	**296**	

1 the amounts shown in the table represent the carrying amount (fair value)

The positions are classified as senior, mezzanine and junior on the basis of external ratings, or internal ratings where no external rating exists. Only those tranches with the best rating are carried as senior tranches. Only tranches with low ratings (worse than BB- in external ratings) and unrated tranches (known as first loss pieces) are carried as junior tranches; all other tranches are grouped together as mezzanine tranches.

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by region (HVB Group without fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles; these are shown separately) (€ millions)

CARRYING AMOUNTS		30/6/2011 EUROPE	USA	ASIA	OTHER REGIONS	TOTAL
Positions retained from own securitisations		**396**	**—**	**—**	**—**	**396**
Positions in third-party ABS transactions		**4,398**	**642**	**41**	**236**	**5,317**
Residential mortgage-backed securities (RMBS)		2,199	4	28	159	2,390
thereof:						
US subprime		—	2	—	—	2
US Alt-A		—	2	—	—	2
Commercial mortgage-backed securities (CMBS)		829	168	11	16	1,024
Collateralised debt obligations (CDO)		76	107	2	11	196
thereof:						
US subprime		—	—	—	—	—
US Alt-A		—	3	—	—	3
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		832	251	—	50	1,133
Consumer loans		122	90	—	—	212
Credit cards		—	—	—	—	—
Leases		242	21	—	—	263
Others		98	1	—	—	99
Total	**30/6/2011**	**4,794**	**642**	**41**	**236**	**5,713**
	31/12/2010	**4,851**	**452**	**62**	**243**	**5,608**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2011**	**10**	**123**	**—**	**—**	**133**
	31/12/2010	**10**	**286**	**—**	**—**	**296**

1 the amounts shown in the table represent the carrying amount (fair value)

Other Information (Continued)

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by remaining maturity (HVB Group without fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles; these are shown separately) (€ millions)

CARRYING AMOUNTS		30/6/2011 LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Positions retained from own securitisations		**308**	**88**	**—**	**396**
Positions in third-party ABS transactions		**682**	**2,839**	**1,796**	**5,317**
Residential mortgage-backed securities (RMBS)		237	955	1,198	2,390
thereof:					
US subprime		—	1	1	2
US Alt-A		—	2	—	2
Commercial mortgage-backed securities (CMBS)		160	661	203	1,024
Collateralised debt obligations (CDO)		13	88	95	196
thereof:					
US subprime		—	—	—	—
US Alt-A		—	—	3	3
Collateralised loan obligations (CLO)/					
collateralised bond obligations (CBO)		108	744	281	1,133
Consumer loans		50	148	14	212
Credit cards		—	—	—	—
Leases		40	222	1	263
Others		74	21	4	99
Total	**30/6/2011**	**990**	**2,927**	**1,796**	**5,713**
	31/12/2010	**571**	**3,658**	**1,379**	**5,608**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2011**	**2**	**45**	**86**	**133**
	31/12/2010	**—**	**71**	**225**	**296**

1 the amounts shown in the table represent the carrying amount (fair value)

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by class as per IAS 39 (HVB Group without fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles; these are shown separately) (€ millions)

		30/6/2011					
CARRYING AMOUNTS		HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Positions retained from own securitisations		**116**	**—**	**—**	**—**	**280**	**396**
Positions in third-party ABS transactions		**640**	**90**	**4,117**	**97**	**373**	**5,317**
Residential mortgage-backed securities (RMBS)		177	35	2,078	1	99	2,390
thereof:							
US subprime		—	—	1	1	—	2
US Alt-A		—	—	2	—	—	2
Commercial mortgage-backed securities (CMBS)		120	7	854	—	43	1,024
Collateralised debt obligations (CDO)		16	26	123	29	2	196
thereof:							
US subprime		—	—	—	—	—	—
US Alt-A		—	—	3	—	—	3
Collateralised loan obligations (CLO)/							
collateralised bond obligations (CBO)		292	14	643	54	130	1,133
Consumer loans		—	—	202	10	—	212
Credit cards		—	—	—	—	—	—
Leases		35	—	127	2	99	263
Others		—	8	90	1	—	99
Total	**30/6/2011**	**756**	**90**	**4,117**	**97**	**653**	**5,713**
	31/12/2010	**566**	**96**	**4,204**	**42**	**700**	**5,608**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2011**	**133**	**—**	**—**	**—**	**—**	**133**
	31/12/2010	**296**	**—**	**—**	**—**	**—**	**296**

1 the amounts shown in the table represent the carrying amount (fair value)

Other Information (Continued)

Fully consolidated commercial paper conduits and other consolidated special purpose vehicles
Alongside the directly held portfolios of own and external ABS transactions, further structured products are held through commercial paper conduits (SPVs that issue short-term commercial paper to refinance their assets) and other fully consolidated special purpose vehicles that are managed by HVB. Essentially, these involve credit receivables of third parties that are securitised by HVB using the services of the commercial paper conduits. Positions in hedge funds and customer receivables held by fully consolidated special purpose vehicles are also shown. An amount of €269 million out of the total €1,365 million disclosed under "Other" relates to investments under which HVB passes on all the risks and rewards to customers.

Positions held by fully consolidated commercial paper conduits and other consolidated special purpose vehicles, broken down by product category and rating class

(€ millions)

		30/6/2011				31/12/2010
CARRYING AMOUNTS		SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Residential mortgage loans/ residential mortgage-backed securities (RMBS)		—	1,379	217[1]	1,596	1,722
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)		584	—	—	584	992
Collateralised debt obligations (CDO)		—	—	—	—	3
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		—	—	—	—	95
Consumer loans		680	149	—	829	599
Credit cards		—	—	—	—	—
Leases		846	9	—	855	553
Other (including hedge fund investments)		454	519	392[2]	1,365	1,726
Total	**30/6/2011**	**2,564**	**2,056**	**609**	**5,229**	
	31/12/2010	**2,031**	**2,831**	**828**	**5,690**	

1 these assets are impaired
2 the volume shown here relates to investment and hedge funds with no rating and are hence disclosed under Junior

The positions are classified as senior, mezzanine and junior on the basis of external ratings, or internal ratings where no external ratings exist. Only those tranches with the best rating are carried as senior tranches. Only tranches with low ratings (worse than BB- in external ratings) and unrated tranches (known as first loss pieces) are carried as junior tranches; all other tranches are grouped together as mezzanine tranches.

Positions held by fully consolidated commercial paper conduits and other consolidated special purpose vehicles, broken down by product category and region

(€ millions)

		30/6/2011				
CARRYING AMOUNTS		EUROPE	USA	ASIA	OTHER REGIONS	TOTAL
Residential mortgage loans/ residential mortgage-backed securities (RMBS)		1,379	—	217	—	1,596
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)		584	—	—	—	584
Collateralised debt obligations (CDO)		—	—	—	—	—
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		—	—	—	—	—
Consumer loans		829	—	—	—	829
Credit cards		—	—	—	—	—
Leases		846	9	—	—	855
Other (including hedge fund investments)		758	346	19	242	1,365
Total	**30/6/2011**	**4,396**	**355**	**236**	**242**	**5,229**
	31/12/2010	**4,212**	**970**	**248**	**260**	**5,690**

Positions held by fully consolidated commercial paper conduits and other consolidated special purpose vehicles, broken down by product category and remaining maturity

(€ millions)

CARRYING AMOUNTS		30/6/2011 LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Residential mortgage loans/					
residential mortgage-backed securities (RMBS)		384	—	1,212	1,596
Commercial mortgage loans/					
commercial mortgage-backed securities (CMBS)		—	584	—	584
Collateralised debt obligations (CDO)		—	—	—	—
Collateralised loan obligations (CLO)/					
collateralised bond obligations (CBO)		—	—	—	—
Consumer loans		829	—	—	829
Credit cards		—	—	—	—
Leases		855	—	—	855
Other (including hedge fund investments)		1,147	55	163	1,365
Total	**30/6/2011**	**3,215**	**639**	**1,375**	**5,229**
	31/12/2010	**2,974**	**91**	**2,625**	**5,690**

Positions held by fully consolidated commercial paper conduits and other consolidated special purpose vehicles, broken down by product category and class as per IAS 39

(€ millions)

CARRYING AMOUNTS		30/6/2011 HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Residential mortgage loans/							
residential mortgage-backed securities (RMBS)		—	—	1,596	—	—	1,596
Commercial mortgage loans/							
commercial mortgage-backed securities (CMBS)		—	—	584	—	—	584
Collateralised debt obligations (CDO)		—	—	—	—	—	—
Collateralised loan obligations (CLO)/							
collateralised bond obligations (CBO)		—	—	—	—	—	—
Consumer loans		—	—	829	—	—	829
Credit cards		—	—	—	—	—	—
Leases		—	—	855	—	—	855
Other (including hedge fund investments)		392	163	810	—	—	1,365
Total	**30/6/2011**	**392**	**163**	**4,674**	**—**	**—**	**5,229**
	31/12/2010	**409**	**321**	**4,536**	**75**	**349**	**5,690**

Other Information (Continued)

31 Members of the Supervisory Board and Management Board

Supervisory Board

Federico Ghizzoni since 2 March 2011 Chairman since 4 March 2011	**Chairman**
Sergio Ermotti until 1 March 2011	**Chairman**
Peter König	**Deputy Chairman**
Dr Wolfgang Sprissler	**Deputy Chairman**
Aldo Bulgarelli Beate Dura-Kempf Klaus Grünewald Werner Habich since 16 January 2011 Dr Lothar Meyer Marina Natale Klaus-Peter Prinz Jutta Streit until 15 January 2011 Jens-Uwe Wächter Dr Susanne Weiss	**Members**

Management Board

Peter Buschbeck	**Family & SME division**[1]
Jürgen Danzmayr since 1 July 2011	**Private Banking division**
Lutz Diederichs	**Corporate & Investment Banking division**
Peter Hofbauer	**Chief Financial Officer (CFO)**
Heinz Laber	**Human Resources Management, Global Banking Services**
Andrea Umberto Varese	**Chief Risk Officer (CRO)**
Dr Theodor Weimer	**Board Spokesman**
Andreas Wölfer until 30 June 2011	**Private Banking division**

1 formerly Retail division; the division was renamed Family & SME on 1 January 2011 after resegmentation

Munich, 2 August 2011

UniCredit Bank AG
The Management Board

Buschbeck Danzmayr Diederichs Hofbauer

Laber Varese Dr Weimer

Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 2 August 2011

UniCredit Bank AG
The Management Board

Buschbeck Danzmayr Diederichs Hofbauer

Laber Varese Dr Weimer

Summary of Quarterly Financial Data

(€ millions)

OPERATING PERFORMANCE	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Net interest	1,080	1,033	1,087	990	1,013
Dividends and other income from equity investments	36	65	54	20	59
Net fees and commissions	323	367	345	286	308
Net trading, hedging and fair value income	273	514	10	293	16
Net other expenses/income	11	31	65	57	52
OPERATING INCOME	**1,723**	**2,010**	**1,561**	**1,646**	**1,448**
Operating costs	(895)	(888)	(820)	(862)	(892)
OPERATING PROFIT	**828**	**1,122**	**741**	**784**	**556**
Net write-downs of loans and provisions					
for guarantees and commitments	163	(127)	32	(155)	(137)
NET OPERATING PROFIT	**991**	**995**	**773**	**629**	**419**
Provisions for risks and charges	(116)	(58)	(417)	(8)	(12)
Restructuring costs	—	—	(37)	—	—
Net income from investments	50	58	(123)	(31)	(5)
PROFIT BEFORE TAX	**925**	**995**	**196**	**590**	**402**
Income tax for the period	(286)	(314)	393	(171)	(142)
CONSOLIDATED PROFIT	**639**	**681**	**589**	**419**	**260**
attributable to shareholder of UniCredit Bank AG	623	651	584	379	272
attributable to minorities	16	30	5	40	(12)
Earnings per share (€)	**0.78**	**0.81**	**0.73**	**0.47**	**0.34**

Financial Calendar

Important Dates 2011*

Interim Report at 30 September 2011	15 November 2011

* dates planned

Contacts

Should you have any questions about the annual report or our interim reports, please contact Media Relations by
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You can call up important company announcements as soon as they have been published by visiting our website at www.hvb.de.

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Interim reports (English/German)
for the first, second and third quarters
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This edition of our annual report is prepared for the convenience of our English-speaking readers. It is based on the German original, which takes precedence in all legal respects.

Published by:
UniCredit Bank AG
Head Office
D-80311 Munich
www.hvb.de
Registrar of companies: Munich HRB 421 48
Sorter pages: UniCredit
Creative concept: BBH Partners LLP, London
Cover Illustration: James Taylor, Illustrator c/o Debut Arts, London
Graphic development and composition:
Mercurio – Studi di promozione pubblicitaria, Milan – www.mercurioitaly.it
Typesetting: Layoutsatz 2000 GmbH & Co. KG, Munich
Printed by: druckpruskil.gmbh
Print deadline: 4 August 2011
Publication date: 16 August 2011
Printed in Germany

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