HypoVereinsbank Member of UniCredit

Meeting real needs with concrete solutions.

Half-yearly Financial Report at 30 June 2012

Contents

Financial Highlights

Key performance indicators

	1/1–30/6/2012	1/1–30/6/2011
Net operating profit	€1,411m	€1,986m
Cost-income ratio (based on operating income)	51.5%	47.8%
Profit before tax	€1,557m	€1,920m
Consolidated profit	€912m	€1,320m
Return on equity before tax[1]	13.9%	17.1%
Return on equity after tax[1]	8.3%	11.8%
Earnings per share	€1.11	€1.59

Balance sheet figures

	30/6/2012	31/12/2011
Total assets	€392.1bn	€385.5bn
Shareholders' equity	€23.3bn	€23.3bn
Leverage ratio[2]	16.8x	16.5x

Key capital ratios compliant with Basel II

	30/6/2012	31/12/2011
Core capital without hybrid capital (core Tier 1 capital)	€19.9bn	€19.9bn
Core capital (Tier 1 capital)	€20.3bn	€20.6bn
Risk-weighted assets (including equivalents for market risk and operational risk)	€119.8bn	€127.4bn
Core capital ratio without hybrid capital (core Tier 1 ratio)[3]	16.6%	15.6%
Core capital ratio (Tier 1 ratio)[3]	16.9%	16.2%

	30/6/2012	31/12/2011
Employees (in full-time equivalents, FTEs)	19,058	19,442
Branch offices	943	934

1 return on equity calculated on the basis of average shareholders' equity according to IFRS and projected profit before tax at 30 June 2012 for the year as a whole
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	A3	P-2	negative	C–	6/6/2012	Aaa	Aa1	8/6/2012
S & P	A	A-1	negative	—	10/2/2012	AAA	—	9/3/2010
Fitch Ratings	A+	F1+	stable	a-*	21/12/2011	AAA	AAA	6/2/2012/ 8/2/2012

* 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

After the global economy lost much of its momentum during the second half of 2011, the situation improved over the course of the first quarter of 2012. However, global economic growth slowed again during the second quarter of 2012 on the back of developments in both the peripheral states of the eurozone and China.

The economic recovery in the United States continued at a moderate pace in the first half of the year. The rise in employment has slowed again recently and unemployment remains at a high level. The residential property sector shows increasing signs of stabilisation, providing a slight lift to the economy. The extension of the tax breaks has so far largely prevented a start being made on the necessary budget consolidation. The Federal Reserve (Fed) had taken no new measures up to the mid-point in the year. It continues to reinvest expiring bonds and is trying to lower long-term interest rates by selling short-term Treasuries and simultaneously buying longer-term Treasuries.

The drastic austerity measures taken by the heavily indebted eurozone countries again caused their economies to shrink. The differences in growth between core and peripheral countries remained in evidence, even if there are now also signs of slowing growth in the core states as well. The business climate has worsened considerably in all countries of late. The highly ambitious austerity efforts in the heavily indebted countries are serving above all to depress their domestic economies. The negative effects are being felt most in Greece, which has moved further away from the reform plan. The European Central Bank (ECB) again massively expanded liquidity in the banking sector during the first quarter of 2012 with its second long-term refinancing operation with a view to countering the volatile situation on the money and capital markets and avoiding market-induced financing bottlenecks. The ECB continues to supply the banking system with adequate liquidity, although this only concerns short-term maturities.

Following on from a strong first quarter of 2012, German GDP is anticipated to have expanded at a slower pace in the second quarter, with the rate of industrial and export growth weakening considerably. While demand from the eurozone fell further, new orders received from other regions had a stabilising effect. Private consumption and demand in the construction industry, which are the main drivers of the domestic economy, continue to develop well on account of the consistently good situation on the labour market, where employment is at its highest level since German reunification, coupled with low interest rates. Capital spending by companies has levelled off due mainly to the uncertainty surrounding the debt crisis. Inflation remained at around 2% in the first half of the year, despite a gradual reduction in price pressures.

The European capital markets proved highly volatile in the first half of 2012. The positive trend in the first quarter, which could be attributed to the ECB's two three-year refinancing operations, was followed by a sharp correction in the second quarter as the sovereign debt crisis worsened. As of the end of June 2012, Germany's benchmark index, the DAX 30, had gained 9.7% since year-end 2011, whereas its eurozone counterpart, the EURO STOXX 50, had lost 2.2%. The yield on ten-year German government bonds continued its downward trend after briefly jumping to over 2% at times: the rate was 1.58% at the end of June after 1.83% at year-end 2011.

The ECB kept its benchmark rate at 1% in the first half of the year before lowering it to 0.75% at the beginning of July 2012. The deposit facility made available by the ECB currently attracts interest of 0%. As is to be expected, the very low level of interest rates is leading to falling earnings for banks from interest-dependent activities on account of the stronger pressure on margins. The euro remained largely stable against the US dollar, British pound, Swiss franc and Japanese yen in the first three months of the year before losing ground heavily as the first half of 2012 wore on. The high level of liquidity on the market led to a considerable narrowing of spreads on the credit markets particularly in the first two months of 2012, especially for sovereigns and banks, although these did widen again as of March 2012. Only at the end of June did a brief rally occur.

In a still difficult capital market environment in the first half of 2012, HVB Group generated a good profit before tax of €1.6 billion. The strong prior-year total of €1.9 billion was generated in far more favourable conditions and is consequently only comparable to a limited extent. At €912 million, the consolidated profit was €408 million, or 30.9%, below the excellent year-ago figure.

The earnings performance in the first half of 2012 results from a decline of €575 million, or 29.0%, in net operating profit to €1,411 million, which can be attributed to both lower operating income and to more normal and thus higher net write-downs of loans and provisions for guarantees and commitments. The decline of €274 million in operating income to €3,459 million was caused by a decrease in net interest (down €317 million to €1,796 million) as a result of low interest rates, lower dividend income (down €39 million to €62 million) and the reduction in net fees and commissions (down €94 million to €596 million) due to the persistent and even greater customer reticence. This trend could not be offset by the rise of €159 million in net trading income to €946 million. The high net trading income in the first half of 2012 can be attributed particularly to the positive effects of €327 million arising from the reversal of the credit value adjustments that it became necessary to take in the second half of 2011. Operating costs (€1,783 million) remained stable on account of consistent cost management. At 51.5% for the first half of 2012 (1st half of 2011: 47.8%), the cost-income ratio was at a very good level by both national and international standards.

All the operating divisions contributed to the good profit before tax of HVB Group. The Corporate & Investment Banking division (CIB) generated a profit before tax of €1,093 million, which is €462 million lower than the high year-ago figure mainly on account of lower operating income and higher net write-downs of loans and provisions for guarantees and commitments. The Family & SME (F&SME) and Private Banking (PB) divisions failed to match the good results recorded in 2011 on account of lower operating income notably due to low interest rates and reticence on the part of investors. Profit before tax fell sharply in the F&SME division, from €86 million in 2011 to €47 million, and in the PB division from €56 million in 2011 to €28 million.

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 risk-weighted assets and equivalent risk-weighted assets for market risk and operational risk) amounted to 16.6% after the first half of 2012, slightly higher than the 15.6% reported at year-end 2011. This remains an excellent level by both national and international standards. At €23.3 billion, the shareholders' equity shown in the balance sheet remained constant compared with year-end 2011. At the same time, the dividend payment of €1.0 billion resolved by the Annual General Meeting was offset by the consolidated profit of €0.9 billion generated in the first half of 2012 and the increase of €0.1 billion in the available-for-sale reserve. With total assets up by 1.7% compared with year-end 2011 to €392.1 billion, the leverage ratio (ratio of total assets to shareholders' equity shown in the balance sheet) amounted to 16.8x at mid-year 2012 after 16.5x at year-end 2011.

HVB Group again enjoyed a very comfortable liquidity base and a solid financing structure at all times in the reporting period. In this context, it is worth mentioning that HVB Group did not participate in the ECB's second long-term refinancing operation either and has also placed a large part of its excess liquidity with Deutsche Bundesbank. 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 good market position in our core business areas, we remain a reliable partner for our customers and investors. As an integral part of 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.

Financial Review (Continued)

We would like to expressly thank our employees at this point. Their willingness to embrace change and at the same time to help secure our commercial success forms the basis for our good performance. We also thank the employee representatives for their constructive cooperation in spite of the difficult issues. This gives all of us the confidence we need to master the challenges of the future.

Operating performance of HVB Group

All the statements regarding the operating performance of HVB Group made in this Interim Management Report refer to the structure of our segmented income statement (see Note 3, "Segment reporting") and thus follow the Management Approach incorporated into segment reporting. The operating performance of HVB Group is set out in detail below:

Net interest

Net interest fell by €317 million, or 15.0%, to €1,796 million in the first half of 2012, resulting from all three operating divisions alike.

In this context, the low level of absolute interest rates again resulted in a substantial decline in interest margins particularly in deposit-taking operations in the first half of 2012 compared with the year-ago figure. Due to the low interest rates, it was also very difficult to achieve adequate interest margins in lending operations. Net interest also fell because the income from special effects generated in the Multinational Corporates unit included in the Corporate & Investment Banking division last year did not recur in 2012.

Dividends and other income from equity investments

Compared with last year, there was a decline of €39 million, to €62 million, in income generated from dividends and other income from equity investments resulting mainly from dividends paid by private equity funds.

Net fees and commissions

At €596 million, net fees and commissions were €94 million, or 13.6%, lower than the very good result posted in the first half of 2011. This figure contains a decline of €48 million, to €297 million, in fee and commission income from management, brokerage and consultancy services. This trend can be attributed particularly to investors' restraint in connection with the difficult financial market environment, which was compensated in part by the successful sale of individual innovative investment products. In addition, there was a decrease in fee and commission income from lending operations (down €42 million to €203 million) and contributions to earnings from other service operations (down €7 million to €8 million). In contrast, there was an increase of €3 million in income from payment services to €88 million.

Net trading income

HVB Group generated very good net trading income of €946 million in the first half of 2012. This pleasing figure benefited from the reversal of the credit value adjustments in the first half of 2012 that it had become necessary to take in the second half of 2011; all in all, positive effects of €327 million from credit value adjustments arose in the first half of 2012 compared with last year. Total net trading income was up by €159 million on the already high year-ago result (€787 million).

The Corporate & Investment Banking division generated net trading income of €835 million during the reporting period (up €55 million), assisted by the income from credit value adjustments described above. Despite difficult market conditions, the Rates & FX (interest- and currency-related products) and Equities (equity and index products, certificates) trading units contributed net earnings to the division's net trading income but were unable to match the very good year-ago figures. In addition, we generated net trading income of €112 million in the Other/consolidation segment mainly due to the buy-back of hybrid equity instruments and supplementary capital.

Net other expenses/income

Net other expenses/income increased by €17 million compared with the equivalent period last year to total €59 million in the first six months of 2012. Net other expenses/income include the pro-rated expenses for the whole year for the bank levy to be paid in Germany in both years (first half of 2012: €54 million pro rata, first half of 2011: €51 million pro rata).

Operating costs

At 1,783 million, operating costs remained unchanged thanks to consistent cost management, despite an inflation rate of around 2% and higher expenses for implementing regulatory and legal requirements. Although payroll costs rose by 2.5% to €940 million, other administrative expenses fell by 1.4% to €752 million, and amortisation, depreciation and impairment losses on intangible and tangible assets declined by 11.7% to €91 million. Total operating costs decreased by 1.9% in the second quarter of 2012 compared with the first quarter.

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

Operating profit declined by €274 million, or 14.1%, to €1,676 million in the first six months of 2012, mainly on account of the lower net interest. The cost-income ratio (ratio of operating expenses to operating income) amounted to 51.5% in the reporting period and is thus still at a very good level.

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

HVB Group posted a net addition of €265 million for net write-downs of loans and provisions for guarantees and commitments in the reporting period in a persistently benign credit environment. This shows that the provisioning requirements are starting to normalise after net write-downs of loans and provisions for guarantees and commitments reached a historically low level last year with a net reversal of €36 million. In gross terms, the expenses of €745 million for additions in the first half of 2012 (2011: €750 million) are partly offset by releases and recoveries from write-offs of loans and receivables amounting to €480 million (2011: €786 million). At €104 million, the largest individual addition in the reporting period relates to our loan exposure in connection with the construction of an offshore wind farm. Adequate provision for this had already been made under provisions for risks and charges in 2011, meaning that a corresponding net release could be recognised in provisions for risks and charges.

Net operating profit declined by €575 million, or 29.0%, to €1,411 million, particularly on account of the beginning normalisation in net write-downs of loans and provisions for guarantees and commitments and the lower net interest.

Provisions for risks and charges

A gain of €76 million was recorded from net reversals of provisions for risks and charges during the reporting period. An amount of €104 million relating to the offshore wind farm mentioned above is the largest individual item in these net reversals. This is offset mainly by additions to provisions for risks and charges which chiefly relate to legal risks. A net addition of €174 million was reported in the first half of 2011.

Net income from investments

Net income from investments amounted to €70 million in the first half of 2012 after €108 million in the previous year. Net income from investments in the reporting period is chiefly attributable to gains on the disposal of land and buildings (€49 million) and available-for-sale financial assets (€22 million). Last year, net income from investments was almost exclusively generated from gains on the disposal of available-for-sale financial assets.

Financial Review (Continued)

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

After the first six months of 2012, HVB Group posted a good profit before tax of €1,557 million in what are still challenging market conditions, although this did not quite match last year's high figure (€1,920 million).

After deducting income tax which rose year-on-year to €645 million, HVB Group generated a consolidated profit of €912 million in the first half of 2012, which fell short of last year's consolidated profit by €408 million or 30.9%.

Segment results by division

The segments contributed the following amounts to the profit before tax of €1,557 million of HVB Group:

Corporate & Investment Banking	€1,093 million
Family & SME	€47 million
Private Banking	€28 million
Other/consolidation	€389 million

Income statements for each segment and comments on the economic performance of the individual segments 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 2011 Annual Report, "Notes to segment reporting by division".

Starting in the first quarter of 2012, the expenses for the bank levies previously allocated to the Group Corporate Centre are allocated to the Corporate & Investment Banking, Family & SME and Private Banking divisions and the costs for the pension fund spread across all the segments. In addition, there were minor adjustments in the area of operating costs in the second quarter of 2012. The figures for the prior year and the previous quarters have been adjusted accordingly.

Financial situation

Total assets

The total assets of HVB Group amounted to €392.1 billion at 30 June 2012, which represents an increase of €6.6 billion, or 1.7%, compared with year-end 2011.

On the assets side, there was a sharp rise of €19.1 billion in cash and cash balances to €23.3 billion, arising particularly from deposits with central banks. This reflects our good liquidity base and the placement of our high liquidity reserves with central banks, notably Deutsche Bundesbank. There was also a €2.1 billion increase to €46.3 billion in loans and receivables with banks, due mainly to a rise in repurchase agreements (repos). By contrast, financial assets held for trading fell by €1.8 billion to €147.2 billion, mainly in relation to fixed-income securities. In addition, financial assets at fair value through profit or loss and held-to-maturity investments decreased – also largely in respect of fixed-income securities – by €7.2 billion to €20.8 billion and by €2.2 billion to €0.3 billion respectively. Loans and receivables with customers declined by €3.7 billion, to €132.8 billion, compared with year-end 2011 due chiefly to a decrease of €3.7 billion in repurchase agreements and a €1.7 billion decline in the volume of mortgage loans.

On the liabilities side, there was an increase of €10.8 billion in deposits from customers to €118.3 billion. Within deposits from customers, there were increases of €6.0 billion in credit balances on current accounts, €4.4 billion in repurchase agreements and €1.0 billion in time deposits. Moreover, financial liabilities held for trading increased by €1.6 billion compared with year-end 2011 to €142.3 billion. By contrast, debt securities decreased by €6.0 billion, to €36.7 billion, on account of issues due. At €57.7 billion, deposits from banks remained almost the same as at year-end 2011.

At €23.3 billion, shareholders' equity remained unchanged compared with year-end 2011. The dividend payment of €1.0 billion made in the second quarter of 2012 as resolved by the Annual General Meeting was offset by the consolidated profit of €0.9 billion generated in the first half of 2012 and the rise of €0.1 billion in the available-for-sale reserve.

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 €88.7 billion at 30 June 2012 (including counterparty default risk in the trading book) after €92.4 billion at 31 December 2011. The total risk-weighted assets, including market risk and operational risk, amounted to €119.8 billion at 30 June 2012 (31 December 2011: €127.4 billion), representing a €7.6 billion reduction compared with year-end 2011. This can be attributed to the decline of €3.7 billion in risk-weighted assets for credit risk and €6.5 billion for market risk, while the risk-weighted assets for operational risk increased by €2.6 billion.

The reduction of €3.7 billion in risk-weighted assets for credit risk is chiefly attributable to a decline of €3.2 billion in risk-weighted assets at UniCredit Bank AG (HVB). This has resulted largely from lower risk-weighted assets in the derivatives business in the trading book. At the same time, there was also a decline in the risk-weighted assets in the banking book.

The risk-weighted assets for market risk fell by €6.5 billion, mainly due to a reduction in the collateralised debt obligation (CDO) portfolio together with changes in the ratings of CDOs. In addition, a reduction in the holding of Italian government bonds resulted in lower risk-weighted assets.

The risk-weighted asset equivalents for operational risk rose by €2.6 billion. This increase occurred mainly at companies subject to the Advanced Measurement Approach (AMA), which account for most of the risk-weighted asset equivalents. Apart from risk-sensitive adjustments based on standalone calculations and back-testing with realised operational losses, operational risk is allocated under the AMA primarily on the basis of the proportion of gross earnings (3-year average) contributed by the companies subject to the AMA. Consequently, the rise of €2.6 billion in risk-weighted asset equivalents for operational risk is caused by the higher share of gross earnings of HVB Group in the total gross earnings of the UniCredit group companies subject to the AMA.

The total lending volume of all the current securitisation transactions of HVB Group serving to reduce risk-weighted assets amounted to €2.6 billion at 30 June 2012 compliant with Basel II (31 December 2011: €5.1 billion). We have therefore reduced our risk-weighted assets by €0.9 billion gross and optimised our capital allocation by doing so. The decline compared with year-end 2011 is mainly due to the repayment of the Geldilux TS 2007 securitisation transaction that expired in April.

At 30 June 2012, the core capital of HVB Group compliant with the German Banking Act totalled €20.3 billion (31 December 2011: €20.6 billion) and the equity capital €22.0 billion (31 December 2011: €23.4 billion). Under Basel II, the core capital ratio (Tier 1 ratio; including market risk and operational risk) increased overall to 16.9% (31 December 2011: 16.2%). 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 16.6% at 30 June 2012 (31 December 2011: 15.6%). The equity funds ratio was 18.4% at the end of June 2012 (31 December 2011: 18.4%).

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 1.26 at the end of June 2012 and remained constant compared with year-end 2011.

Financial Review (Continued)

Corporate acquisitions and sales
There were no significant acquisitions or sales in the first half of 2012. HVB Capital LLC VIII and HVB Funding Trust VIII left the group of companies included in consolidation after HVB bought back the hybrid financial assets held by them in the first quarter of 2012. This action meant that the object of these two companies no longer applied, resulting in their liquidation in the second quarter of 2012.

See Note 2, "Companies included in consolidation" for details on further changes in the consolidated companies.

Corporate structure

Legal corporate structure
UniCredit Bank AG (HVB) was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich. HVB has been an affiliated company of UniCredit S.p.A. (UniCredit), Rome, Italy, since November 2005 and hence a major part of 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 in 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 the management body of HVB Group. It is directly responsible for managing the Bank. It develops the strategic orientation of the company and is responsible for its implementation. The Management Board provides the Supervisory Board with regular, timely and comprehensive reports on all issues relevant to corporate planning and strategic development, the course of business and the state of HVB Group, including the risk situation as well as compliance issues.

The Supervisory Board of the Bank has 12 members and has an equal number of employee and shareholder representatives.

A list showing the names of all the members of the Management Board and the Supervisory Board of HVB is given in this Interim Report under Note 30, "Members of the Supervisory Board and Management Board".

Events after 30 June 2012

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

Outlook

The following comments on the outlook are to be viewed in connection with the comments in the outlook in the Financial Review and Risk Report in the consolidated financial statements for the 2011 financial year (see the HVB Group Annual Report for 2011).

General economic outlook and sector development in 2012
We expect to see a moderate recovery in the global economy in the second half of 2012. Commodity prices are set to rise slightly overall, which will help to revitalise world trade. This will be reinforced by a loosening of monetary policy together with other stimulus packages in emerging markets, with China leading the way. The recovery in the US economy is projected to continue through the rest of the year.

Economic developments in the eurozone will be heavily affected by the risks arising from the sovereign debt crisis coupled with rising levels of uncertainty among market participants and the austerity measures taken by individual member states. As a result of this, the economies of the highly indebted eurozone countries are expected to shrink and the gap between core and peripheral countries will persist, even if the pace of growth slows in the countries of core Europe. There are no signs at this point of an easing in the sovereign debt crisis. Reforms in Greece have failed to match expectations of late and the steps taken to support Spanish banks have not led to an improvement in the situation in Spain yet either. Debt levels and the need for financial assistance will continue to rise at first as a consequence.

We expect German GDP to grow by 1.1% in real terms this year after 3.1% in 2011. The domestic economy will remain a driver of growth alongside the improvement in industrial output that is expected in the second half of the year. Employment is projected to go on rising, even if at a slower pace, continuing to underpin an ongoing increase in consumption. The risks arising from the debt crisis will remain high for Germany as well as other countries, which could have a negative impact on economic development.

As a result of the uncertainty on the markets surrounding the creditworthiness of significant sovereigns, the credit market will continue to be characterised by wide spreads and marked volatility. The liquidity made readily available to the banking sector merely combats the symptoms but not the underlying causes of the structural problems on the financial markets. The stipulations of Basel III and the European banking regulators with regard to the greater regulatory capital requirements will result in lower profitability. Added to this is the permanent burden of the bank levy.

The banking sector will continue to face persistently high volatility and increasing concerns about the stability of the eurozone in the second half of 2012. In this environment, individual items of bad news can already cause market distortions and have long-lasting effects on the markets and the real economy. Consequently, banks will have to act with caution going forward and be ready to respond quickly and flexibly to changing market conditions.

Development of HVB Group

In its assumptions for the 2012 financial year, HVB Group presumes that operating income will improve slightly on 2011 in a persistently difficult environment. This increase will be driven primarily by improved net trading income. It should be noted in this context that the good net trading income recorded in the first half of 2012 benefited from the reversal of credit value adjustments as well as the market trend. We expect net interest to decline tangibly in the 2012 financial year compared with 2011. Operating costs are anticipated to remain at the year-ago level as a result of our strict cost management. Net write-downs of loans and provisions for guarantees and commitments are expected to normalise further in the 2012 financial year and thus increase to what is still a moderate level compared with the previous year. All in all, we believe that the good earnings performance in the first half of 2012 will not continue to the same extent over the rest of the year. Nevertheless, we expect the profit before tax to improve slightly compared with the good result recorded in 2011 and thus return to a good level.

The financial markets continue to be affected by the unresolved sovereign debt crisis. Consequently, our performance in the 2012 financial year will depend on the future situation in 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 the management stimulus derived from this on a regular basis. With its strategic orientation and excellent capital resources, HVB Group is in a good overall position to effectively exploit the opportunities that may arise from the new operating environment, the volatility that can still be expected on the financial markets and a further expanding real economy.

Risk Report

HVB Group as a risk-taking entity

By their very nature, the business activities of HVB Group are subject to risk. HVB Group defines risk as the danger of suffering losses or foregoing gains on account of internal or external factors. Deliberately taking on risk, actively managing it, and monitoring it on an ongoing basis: these are core elements of profit-oriented management of business transactions and risk by HVB Group. In the course of our business activities, risks are identified, quantified, assessed, monitored and actively managed. We therefore regard it as one of our core objectives to apply these considerations in order to integrate profitability and risk criteria in all Group divisions and functions. These activities are the precondition for providing adequate capital backing and maintaining an adequate liquidity base.

All HVB Group companies that are included in the consolidated financial statements of HVB Group prepared in accordance with International Financial Reporting Standards (IFRS) are incorporated in the risk management programme of HVB Group. These Group companies are classified by applying various criteria as part of the Internal Capital Adequacy Assessment Process (ICAAP), as shown in the following table:

	CLASSIFICATION CRITERION			
COMPANY CLASS	INTEREST HELD	COMPLEXITY	CALCULATION OF ECONOMIC CAPITAL	NUMBER OF GROUP COMPANIES
Large	>€500m	Low/high	Bottom-up (detailed measurement of economic capital	UniCredit Bank AG
			broken down by individual risk type)	
Medium	€100 – 500m	Low/high	see above	7
Small +	<€100m	High	see above	104
Small	<€100m	Low	Top-down (the economic capital is calculated separately in the	78
			“small legal entities” portfolio using a simplified approach)	

The structure of the Risk Report was modified during the preparation of the 2012 Half-yearly Financial Report as part of the refinement of the ICAAP. At the same time, the risk types have been regrouped as described below. Where there have been changes to the methods used to measure the risk types, these are described under the individual risk types concerned.

Risk types

Default risk is defined as potential losses arising from a customer default or a downgraded credit rating. It arises mainly in the Corporate & Investment Banking (CIB) and Family & SME (F&SME) divisions.

Market risk is defined as the potential loss arising from an adverse change in value of positions in the trading and banking books. The companies that have significant capital market positions or conduct trading activities are primarily exposed to such risk. Alongside HVB, these are the subsidiaries DAB Bank AG, HVB Capital Partners AG, UniCredit Capital Markets and UniCredit Luxembourg.

Every business activity entails liquidity risk, operational risk, business risk, strategic risk and reputational risk. Consequently, they are relevant for all companies included in HVB Group’s risk management programme.

Liquidity risk is defined as the risk that the Bank will not be able to meet its payment obligations in full or on time. However, it is also defined as the risk of not being able to obtain sufficient liquidity when required or that liquidity will only be available at higher interest rates, and the risk that the Bank will only be able to liquidate assets on the market at a discount.

We define **operational risk** as the risk of losses resulting from inadequate or failed internal processes, human error, technological breakdowns or external events. **Reputational risk** represents a non-quantifiable portion of operational risk. This is defined as a present or future risk to the earnings or capital situation of the Bank due to a negative perception of the Bank by customers, business partners, shareholders, investors, market analysts, other interest groups, regulatory authorities or employees. Legal risk is also included in operational risk.

We define **business risk** as adverse, unexpected changes in business volume and margins that cannot be attributed to other risk types. **Strategic risk** is a non-quantifiable portion of business risk that results from management being slow to recognise significant developments or important trends in the banking sector or drawing false conclusions about such developments and trends. This may result in policy decisions that may prove after the event to be disadvantageous in terms of the Bank achieving its long-term goals; in the worst case, some of these may be hard to reverse.

HVB Group classifies **risks arising from its own real estate portfolio** and **from its shareholdings/financial investments** as other risks. Risks arising from the real estate portfolio exist primarily in the HVB Group companies that have their own portfolio of real estate. We classify potential losses resulting from market fluctuations of our real estate portfolio under this risk type. Risks arising from our shareholdings/financial investments are potential losses resulting from fluctuations in the prices of our listed and non-listed shareholdings/financial investments and corresponding fund shares.

Integrated overall bank management

Background

The ICAAP requirements are derived from the Minimum Requirement for Risk Management (MaRisk). The German Financial Supervisory Authority (Bundesanstalt für Dienstleistungsaufsicht – BaFin) published the third set of MaRisk rules for the banking sector in December 2010.

When the revised rules were published in 2010, HVB Group started to systematically incorporate the expanded regulatory requirements for an integrated overall bank management process as defined in the ICAAP in its existing processes and to modify and extend the methods and processes used accordingly.

The fourth amendment to the MaRisk rules is currently still in the consultation phase. HVB Group is following these consultations and possible consequences for the Bank are being analysed.

Risk management

HVB Group's risk management programme is built around the business strategy adopted by the Management Board, the Bank's risk appetite and the risk strategies. Implementation of the risk strategies is a task for the Bank as a whole, with key support from the Chief Risk Officer organisation (CRO).

The Bank's ability to bear risk upon achievement of the set targets is assessed in advance using the available financial resources on the basis of the risk strategies and the business and risk plans. At the same time, limits are defined in the planning process to ensure the ability to bear risk.

The divisions are responsible for performing risk management working closely with the CRO within the framework of competencies defined by the Management Board of UniCredit Bank AG. Important bodies for overall bank management operating at HVB Group level are the Risk Committee, the Asset Liability Committee and the Stress Testing Council.

Functional separation

Separate from the risk management function, the process is accompanied by comprehensive risk controlling and risk monitoring, which are functionally and organisationally independent.

Risk controlling

Risk controlling is defined as the operational implementation of the overall risk strategy and the divisional risk strategies in the risk-bearing units. The Senior Risk Management unit (SRM) is responsible for controlling default risk for the CIB and Private Banking (PB) divisions and the Credit RR F&SME Germany (KRI) unit in the F&SME division. The senior risk managers and the credit specialists (KRI) take the lending decisions for exposures. Hence they take on risk positions in a deliberate and controlled manner within the framework of the risk strategies and evaluate whether it is profitable to do so from the overall perspective of the customer relationship and on the basis of risk/return considerations. The Trading Risk Management unit is responsible for controlling market risk, the operational risk managers in the individual divisions are responsible for controlling operational risk and the Asset Liability Management unit in the Chief Financial Officer organisation (CFO) is responsible for controlling liquidity risk.

Risk Report (Continued)

Risk monitoring
The central risk monitoring function within the CRO organisation is responsible for identifying, measuring and evaluating the risks at HVB Group. It is subdivided in accordance with risk types. The risk control functions for the following risk types are grouped together in the Market Risk unit: market risk, operational risk, reputational risk and liquidity risk. Credit Risk Control & Economic Capital (CEC) monitors default risk and consolidates all risk types into an analysis of the ability to bear risk. CEC is also responsible for monitoring business, real estate and investment risk.

The various risk types are classified according to economic criteria and used to determine the required economic capital. Parallel to these activities, the available financial resources are defined and quantified, and compared with the risk capital. A qualitative approach is used to monitor and manage risks that cannot be quantified.

Current developments and controlling measures

HVB Group has set up an efficient and adaptable risk management system (RMS) to enable the Bank to respond promptly to economic developments in Germany, Europe and the rest of the world. The strategic parameters that are compulsory for the sales function may, if necessary, be modified to reflect the current risk situation.

An overview of the underlying economic conditions is provided in the section of the Financial Review in the present Interim Management Report entitled "Underlying conditions and general comments on the business situation".

To provide a detailed analysis of the effects of the sovereign debt crisis on its portfolio, HVB Group has introduced monthly reporting for ailing eurozone countries. A limit has been in place for the exposure to Greece since 2010 and a reduction strategy remains in place in this regard. HVB Group is considering introducing limits for further peripheral countries in 2012. Our restrictive risk policy for exposures to banks in the periphery of the EU was expanded in the first half of 2012 and specified in greater detail. For Italy, Spain and Portugal, the banks have been divided into target groups in line with the risk appraisal; amounts and maturities of transactions have been more closely defined and in some cases completely discontinued. Operations involving business customers in ailing eurozone countries are similarly subject to strict risk monitoring. Appropriate engagement strategies and measures are defined and regularly reviewed at individual counterparty level for portfolio engagements with the fundamental purpose of reducing risk.

Development of selected industries
Among other things, a system of industry limits and control signals is used to restrict counterparty risk. Restrictive limits have again been defined in the risk strategy in 2012 for the portfolio of shipping loans (excluding inland vessels) in particular and a clear reduction strategy has been specified for the renewable energy segment (notably including manufacturers in the solar industry).

Renewable energy
Reduced subsidies have had a negative impact on the renewable energy industry and will go on doing so. Rising price competition due to the massive expansion of capacity worldwide is affecting the manufacturers of solar and wind power plants.

In line with the defined industry strategy, the exposure to manufacturers in the renewable energy sector was reduced further in the first half of 2012. The imminent expiry of favourable subsidy conditions coupled with falling plant prices helped to boost construction activity in the first months of the year. This resulted in a slight rise in the portfolio of project loans in line with the strategy. This trend is forecast to slow in the second half of the year, meaning that a minor reduction in exposure in the portfolio is expected on account of repayments.

Shipping
This industry remains dogged by overcapacity, which is hindering a rapid, lasting rebound in freight rates in many segments. Furthermore, shipping companies are suffering from high fuel prices. Prices on the market for new ships and the secondary market have come under pressure during the course of the ongoing crisis. This is reflected in persistently high risk costs for the Bank. The medium-term goal is to significantly reduce the portfolio.

The Bank has adopted a reduction strategy for its shipping finance business as part of its 2012 risk strategy. Portfolio reports are used to monitor this on a monthly basis. If conducted at all, new business is only written to reduce risks that had already been assumed in the past. The targeted reduction in exposure depends in part on the development of the dollar as most shipping loans are denominated in dollars.

Banking

In response to the ongoing crisis of confidence in the banking industry, external rating agencies have been looking at banks on a large scale throughout the world. The ratings of several banks have been downgraded as a result. As a consequence of this, the banks concerned are facing ever greater challenges in terms of procuring liquidity and capital.

The Bank has deployed the "radar screen for financial institutions/banks" in order to be in a position to promptly identify and counter negative developments in the banking sector. In the event of a bank rating downgrade, measures are taken to reduce the risk from bank exposure.

Overall bank management

Overall bank management at Group level

The focus of the value-oriented management of HVB Group is on the measurement of 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 units in the form of standardised risk costs and the corresponding equity costs. These risk costs are specified for the divisions in the annual planning process and monitored over the course of the year. The overall bank risk is managed in parallel, based on the calculation of the regulatory and economic capital requirements and the ability to bear risk.

The economic yield expectations are 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. In the future, the internal capital will be used to calculate the allocated capital for all divisions and for HVB Group as a whole in accordance with the principle of dual control. Currently, the maximum of the regulatory capital requirements and internal capital is included as the allocated capital in the calculation of the economic yield expectations for the Private Banking division.

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

The EVA expresses the capacity as part of value-oriented management to create value in monetary terms. It is calculated as the difference between the profit after tax and minorities – adjusted for non-operating items such as integration costs that make it difficult to assess the value added on the basis of ordinary business – and the return expectations on invested or allocated capital.

The RaRoRaC is the ratio of EVA to used core capital (allocated capital). It indicates the value created for each unit of allocated capital.

Regulatory capital adequacy

Used core capital

For the purposes of planning the monitoring of risk-weighted assets in accordance with Basel II and in order to meet the stricter European regulatory requirements for systemically important financial institutions or groups of institutions, the divisions are required to have core capital backing for credit, market and operational risk equal to an average of 9% of equivalent risk-weighted assets. Furthermore, the expected return on investment is derived from the average used core capital including capital deductions on the basis of ordinary activities. In line with the management logic, the core capital is carried exclusive of hybrid capital (= core Tier 1 capital).

Risk Report (Continued)

Management of regulatory capital adequacy requirements
To plan our regulatory capital taking account of regulatory requirements, we apply the following three capital ratios, which are managed within the Risk Appetite framework using internal targets, triggers and limit 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 is provided in the section "Risk-weighted assets, key capital ratios and liquidity of HVB Group" in the Financial Review in the present Half-yearly Financial Report.

The description of the process for determining appropriate capital adequacy can be found in the Risk Report of HVB Group's 2011 Annual Report.

Economic capital adequacy
UniCredit Bank AG determines the internal capital for HVB Group on a quarterly basis. In this context, the internal capital is subject to reverse distribution to UniCredit Bank AG and its divisions. The subsidiaries are also included in the reverse distribution process.

The internal capital is the total of the aggregated economic capital and the economic capital for small legal entities. A confidence level of 99.97% and a holding period of one year are applied across the board when calculating all risk types.

The aggregated economic capital is determined for all risk types quantified using the value-at-risk (VaR) approach, taking into account risk-reducing portfolio effects which reflect both correlations within the individual risk types between business units of HVB Group and correlations across risk types.

The economic capital for small legal entities is calculated for HVB Group subsidiaries for which we do not consider it necessary to measure risk separately for each risk type on account of the low risk content.

The internal capital is planned as part of the annual planning and budgeting process of HVB Group taking into account the strategic goals of the Bank in the individual divisions. Planning takes place in an integrated process involving the Planning & Controlling units, the divisions, and the heads of SRM and KRI. The internal capital is allocated to the divisions of HVB Group taking into account the risk appetite and the planned available financial resources.

The internal capital is restricted and controlled in the divisions by setting limits. The utilization and compliance with the limits is monitored regularly and described in the Bank's reports. Handling of the defined thresholds and limits is governed by an escalation process. The adequacy of the industry limits is normally reviewed at the half-way point in the year and the limits are modified, if necessary.

An all-round overview of the risk situation of HVB Group is obtained by regularly assessing the Bank's ability to bear risk, as shown in the following table:

Internal capital after portfolio effects (confidence level 99.97%)

	30/6/2012		31/12/2011	
Broken down by risk type	**€ millions**	**in %**	**€ millions**	**in %**
Market risk	2,512	15.6	1,278	9.7
Default risk	9,785	60.8	5,436	41.3
Business risk	306	1.9	734	5.6
Operational risk	1,968	12.2	1,262	9.6
Risks arising from our own real estate portfolio	382	2.4	329	2.5
Risks arising from our shareholdings/financial investments	1,069	6.6	739	5.6
Aggregated economic capital	**16,022**	**99.5**	**9,778**	**74.3**
Cushion	—	—	3,315	25.2
Economic capital of small legal entities	71	0.5	62	0.5
Internal capital of HVB Group	**16,093**	**100.0**	**13,154**	**100.0**
Available financial resources of HVB Group	**22,216**		**22,675**	
Risk-bearing ability of HVB Group, in %	**138.0**		**172.4**	

In order to calculate the internal capital, the diversification effects across all the quantifiable risk types are included in the aggregation of the economic capital. A correlation matrix is used to this end, which is also stable in economic downturns. The cushion employed to date to cover cyclical fluctuations, possible model risks and specific risks (31 December 2011: €3.3 billion) is no longer applicable as of 2012 and has been offset by changes in methods in the individual risk types.

Alongside the changes in methods used to measure various risk types (as described in the respective sections), the updated correlation matrix that had been modified to reflect the MaRisk rules (taking account of economic downturns, among other things) for diversification between the risk types also led to changes in the amounts in all risk types.

Aggregated economic capital[1] after portfolio effects (confidence level 99.97%)

	30/6/2012		31/12/2011	
Broken down by division	**€ millions**	**in %**	**€ millions**	**in %**
Corporate & Investment Banking	12,207	75.9	7,136	72.5
Family & SME	1,672	10.4	1,053	10.7
Private Banking	200	1.2	216	2.2
Other/consolidation	2,014	12.5	1,434	14.6
Economic capital of HVB Group	**16,093**	**100.0**	**9,839**	**100.0**

1 aggregate of economic capital of the individual risk types and economic capital of small legal entities, excluding cushion

Risk Report (Continued)

Risk-bearing ability

In a quarterly analysis of our risk-bearing ability, we measure our internal capital against the available financial resources. In addition, this sustainability analysis is carried out with a corresponding one-year forecasting horizon as a component of our planning process.

Effective 31 December 2011, HVB Group introduced an updated internal definition for the measurement of the available financial resources, based on a consistent liquidation approach ("gone concern"). Under this approach, the ability to bear risk is defined by comparing maximum potential losses (internal capital) with the ability to absorb losses using the available equity (available financial resources). In the updated definition of the available financial resources, the available resources are seen from the economic viewpoint. Consequently, calculation follows a value-oriented approach under which undisclosed liabilities and reserves are deducted from the shareholders' equity shown in the balance sheet. Furthermore, intangible assets and deferred tax assets are also deducted and minority interests included only up to the proportion of risk assumed. At the same time, subordinated liabilities recognised as equity capital for banking supervisory purposes are included. The available financial resources at HVB Group totalled €22.2 billion at 30 June 2012 (31 December 2011: €22.7 billion).

With internal capital of €16.1 billion, the risk-bearing ability for HVB Group is approximately 138% (year-end 2011 before changes of method: 172%). We see this as a comfortable value, as the available financial resources still leave room at present for further economic losses. The decrease by 34 percentage points for HVB Group compared with year-end 2011 can in large part be attributed to the increase of €2.9 billion (22%) in the internal capital. This is shaped primarily by the changes in methods in the individual risk types. The reduction of €0.5 billion or 2.0% in the available financial resources in the first half of 2012 is caused mainly by the expiry of subordinated capital instruments with limited maturity, which similarly contributes to the decline in risk-bearing ability.

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

Credit, counterparty and issuer risk

The tables and charts for credit, counterparty and issuer risk show exposure values without the remaining exposures assigned to the former Real Estate Restructuring segment or the exposure arising from intercompany transactions. The aggregate credit, counterparty and issuer exposure is called credit risk exposure or simply exposure below.

The presentation of industry groups was switched with effect from the reporting date of 30 June 2012 from the classification used in the official German statistics to the internal management system and now shows the SRM industries. The 2011 figures have been adjusted accordingly.

Breakdown of credit risk exposure by SRM industry group

(€ billions)

SRM industry group	30/6/2012	31/12/2011
Financial institutions	70.5	56.4
Public sector	31.2	33.6
Real estate	23.5	23.5
Energy	14.2	13.8
Mechanical engineering, steel	10.5	10.1
Chemicals, pharmaceuticals, health	9.5	9.3
Shipping	9.0	9.1
Special products	8.1	8.4
Automotive	7.4	7.6
Services	5.8	5.9
Construction and wood	5.3	5.6
Food, drinks	5.1	5.0
Transport, traffic	4.8	4.3
Consumer goods	4.0	3.8
Telecom, IT	2.9	2.7
Media, paper	2.8	2.8
Textiles	2.1	2.2
Electronics	2.1	1.9
Farming and forestry	1.9	2.1
Tourism	1.6	1.8
Retail	22.8	26.2
HVB Group	**245.1**	**236.1**

Besides the developments and management measures described in the section entitled "Development of selected industries", there was a constant increase in the Financial institutions industry sector. This results from the placement of HVB Group's excess liquidity with Deutsche Bundesbank since the start of the year.

The reduction strategy in the shipping portfolio continues to be applied consistently and no new business is being written, except for inland vessels. At the same time, the Bank is granting loans to selected ship owners in order to enhance the risk structure of existing loans, for instance in the sale of ships that have already been pre-financed. The relatively small decrease in the exposure between December 2011 and June 2012 can be attributed to changes in the dollar/euro exchange rate. Repayments were partly offset by currency gains on the dollar.

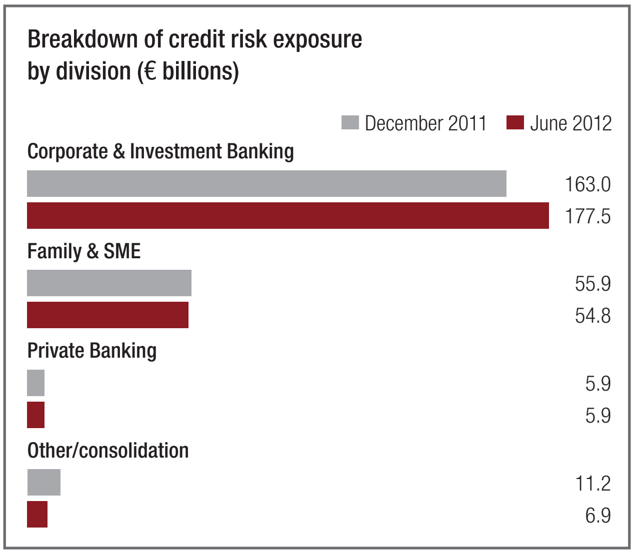
In the Retail industry group, the portfolio of real estate loans dwindled at a slower rate during the first half of the year as a result of the expansion of new business and a greater proportion of rollovers. By contrast, the SME portfolio was kept largely stable.

Intensive care of individual counterparties

HVB Group uses rating-related limits to monitor risk concentrations of individual counterparties. Limit overshoots are reported to the Management Board on a monthly basis.

The energy industry includes exposures relating to the completion of an offshore wind farm. HVB Group has undertaken to finance this offshore wind farm located in the North Sea, around 100 kilometres off the German coast. Risk ensued in particular from delays to the completion of the wind farm in both 2010 and 2011. Furthermore, HVB restructured its commitment to the general contractor commissioned to deliver the wind farm on a turnkey basis during 2011 by way of a restructuring loan. The construction work is progressing as planned in 2012 and the construction of the wind farm is advancing.

Breakdown of credit risk exposure by division



The increase in credit risk exposure in the Corporate & Investment Banking division (CIB) is driven mainly by the placement of HVB Group's excess liquidity with Deutsche Bundesbank. The decline in exposure in the Other/consolidation segment results notably from the reduction of the upstream exposure (exposure to UniCredit and its subsidiaries).

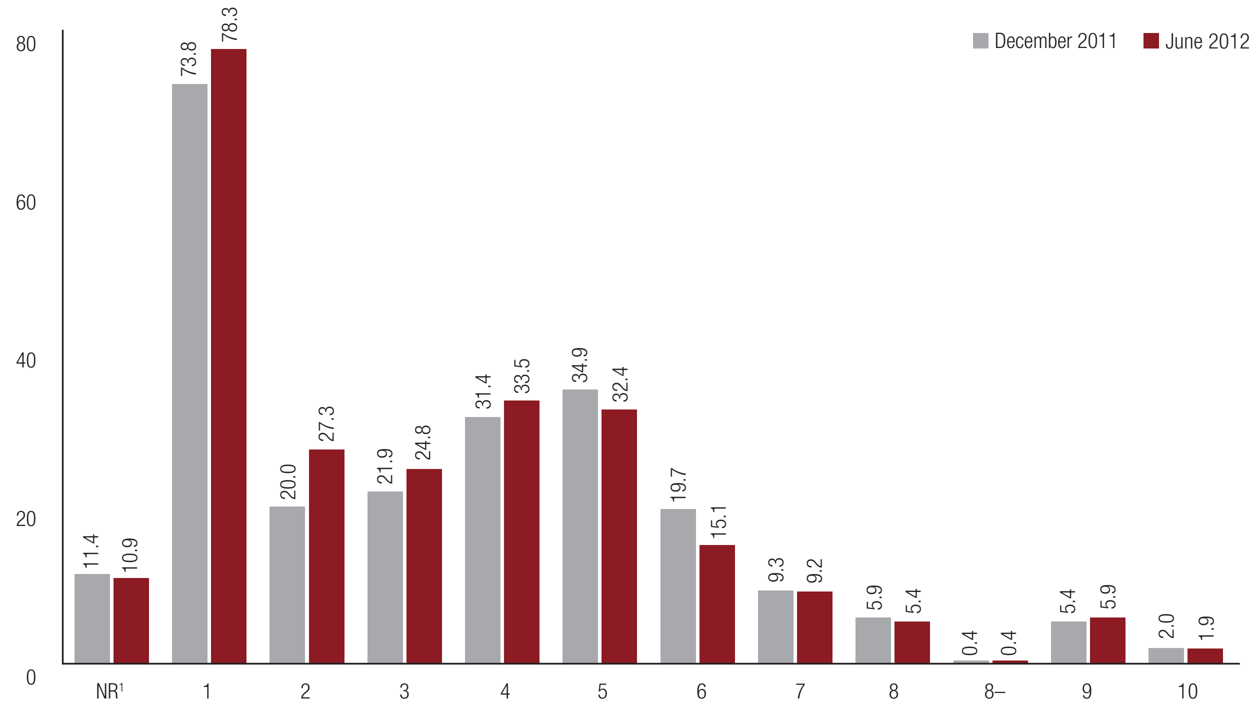
The slight decline in the exposure of the F&SME division results from the dwindling portfolio of real estate in mass market operations, as described earlier.

Risk Report (Continued)

Breakdown of credit risk exposure by rating class

As of June 2012, the rating classes are shown broken down into non-rated partners (NR), rating classes 1 to 8 and the default classes 8-, 9 and 10.

Breakdown of credit risk exposure by rating class (€ billions)



1 not rated

The effect of placing excess liquidity with Deutsche Bundesbank as described above is seen in rating class 1. The rise in the volume of exposure in rating class 2 reflects the downgrades of banks and sovereigns.

Breakdown of expected loss by division

(€ millions)

Breakdown by division	EXPECTED LOSS 30/6/2012	EXPECTED LOSS 31/12/2011
Corporate & Investment Banking	619	611
Family & SME	158	188
Private Banking	7	10
Other/consolidation	48	69
HVB Group	**832**	**878**

A reduction in the expected loss is evident at HVB Group in the first half of 2012. This development is attributable to a general improvement in the probabilities of default. In the Private Banking division, the decline in the expected loss reflects the more favourable risk structure overall. The reduction in the upstream exposure in the Other/consolidation segment is leading to a reduction in this division's expected loss. The slight increase in the CIB division can be attributed to its increased exposure.

Country risk

The tables and charts for the country risk of eurozone countries at 30 June 2012 also show exposure values including the remaining exposures assigned to the former Real Estate Restructuring segment and without exposure arising from intercompany transactions and relating to the political country of the risk partner.

Exposure of eurozone countries, broken down by risk type

The following table shows the exposure at default (EaD) of HVB Group with eurozone countries in the narrow sense.

(€ millions)

	LENDING BUSINESS		COUNTERPARTY RISK		ISSUER RISK IN BANKING BOOK		TOTAL		ISSUER RISK IN TRADING BOOK	OF WHICH SOVEREIGN
EaD	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	30/6/2012
Italy	2,434	3,029	1,828	5,825	5,639	7,057	9,901	15,911	4,183	5,354
Luxembourg	4,791	2,638	1,312	995	1,658	326	7,761	3,959	439	—
France	2,319	1,719	886	653	1,792	1,459	4,997	3,831	1,469	1,175
Netherlands	2,953	3,871	356	321	1,255	1,302	4,563	5,494	625	17
Austria	1,441	1,148	278	409	1,547	3,572	3,268	5,129	548	743
Ireland	2,319	2,099	99	654	769	2,470	3,187	5,223	371	8
Spain	1,697	1,811	130	52	1,214	1,450	3,041	3,313	630	413
Greece	660	796	91	46	—	35	751	877	2	—
Malta	381	358	7	2	—	—	388	360	3	—
Portugal	217	244	67	20	88	112	372	376	291	31
Belgium	72	151	42	25	156	210	269	386	50	21
Finland	153	100	46	25	15	15	215	140	123	14
Cyprus	202	208	6	3	—	—	208	211	—	—
Slovenia	41	50	119	46	39	10	199	106	3	29
Slovakia	99	133	88	57	2	—	189	190	38	40
Estonia	10	10	—	—	—	—	10	10	—	—
HVB Group	**19,789**	**18,365**	**5,355**	**9,133**	**14,174**	**18,018**	**39,319**	**45,516**	**8,775**	**7,845**

Risk Report (Continued)

Development of the weaker eurozone countries in the first half of 2012

Eurozone countries are not included in classical country risk but are managed in accordance with default risk standards. They are shown with the EaD of the customers based in the respective eurozone country and, with the exception of Greece, do not have any limits at the present time. A hard limit structure was imposed for Greece in 2010. This is based on the unsecured portion of the exposure, imposing limits on issuer risk in the banking book as well as credit and counterparty risk. This limit has been constantly reduced since that date as part of a reduction strategy.

Strict monitoring is applied to ailing eurozone countries. They are reported to the management on a monthly basis and are subject to a restrictive risk policy (see the section entitled "Current developments and controlling measures"). Business with Greek banks was completely discontinued in the first half 2012 and Cyprus added to the strict monitoring programme. The restrictive approach is also reflected in the year-on-year comparison after six months. The portfolio of the weaker eurozone countries of Italy, Ireland, Spain, Greece and Portugal was reduced by 28%.

HVB specifically considers its core markets for operations involving business customers in the eurozone to be Luxembourg, France and Belgium alongside Germany. Responsibility for the markets in Spain, the Netherlands and Scandinavia is being transferred to UniCredit Bank Austria. Apart from multinational corporates, which will continue to be overseen by UniCredit Bank AG, no new business will be written and the portfolio successively reduced.

Development of exposure to country risk in the first half of 2012

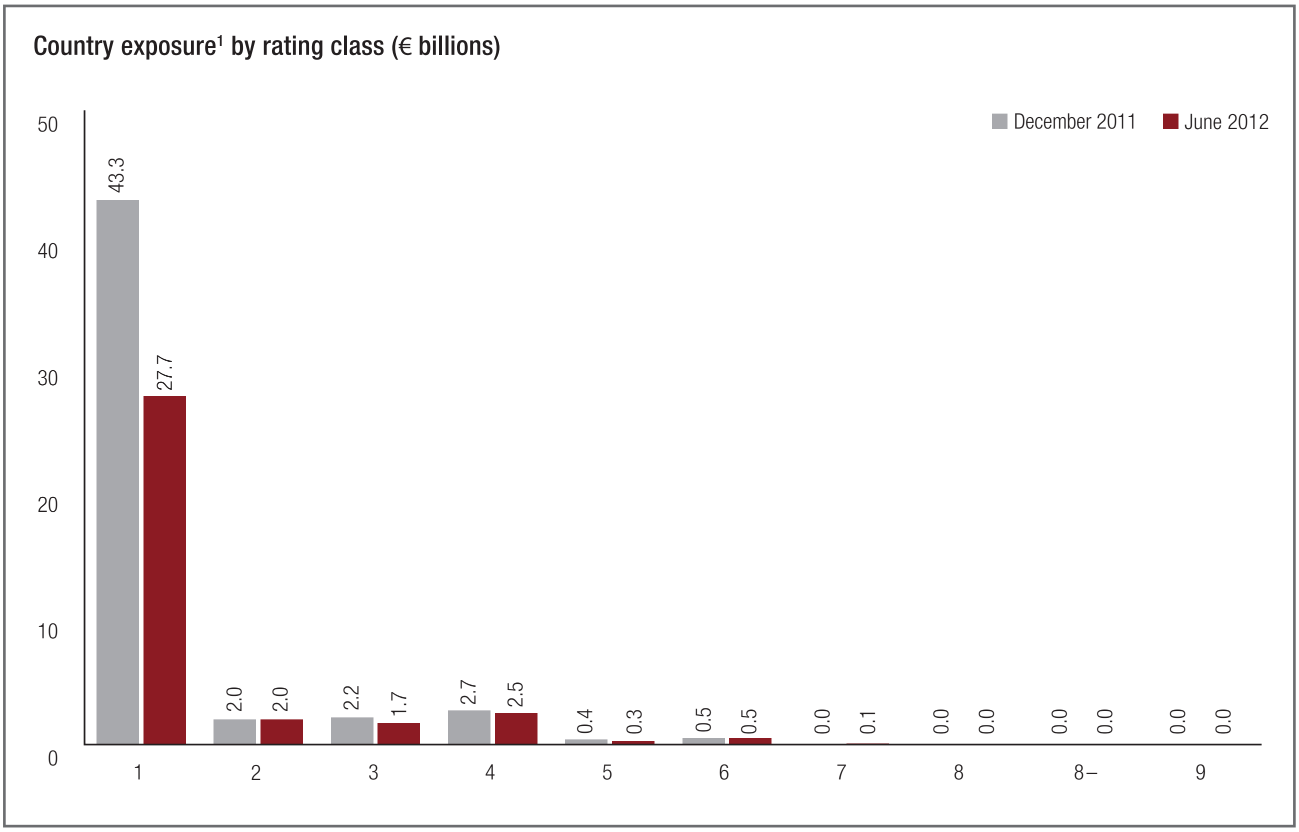
At 30 June 2012, the exposure of HVB Group to country risk totalled €34.6 billion, which is down by a tangible €16.5 billion (32.0%) compared with 31 December 2011. The decline can be attributed primarily to lower exposures in trading activities, of which money trading activities accounts for the largest share (€9.4 billion). The trading volume was down above all in the UK, the United States, Hong Kong and Singapore, which among other things reflects the volatile liquidity management of the branch activities of UniCredit Bank AG in these countries.

At 92%, the largest part of the portfolio has investment grade ratings, down slightly on 2011 (94%).

In terms of the percentage distribution of the portfolio across the rating classes, there was only a larger reduction in rating class 1. The share of rating class 1 has declined from 85% in December 2011 to 80%. This can be attributed to the lower trading volume in the countries listed above.

Within eastern Europe, Hungary was under observation by the "radar screen for financial institutions/banks". The exposure has been reduced from €495 million (2011) to €320 million. The exposure in the North Africa sub-region was also reduced further.

In non-eurozone countries, HVB Group focuses on supporting its corporate customers in international markets, primarily in Switzerland and the UK as well as Asia and the Americas.



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

Country exposure[1] by region and product category

(€ millions)

	LENDING BUSINESS		COUNTERPARTY RISK		ISSUER RISK		TOTAL		ISSUER RISK IN TRADING BOOK
Region	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012
Western Europe	7,123	7,728	9,912	19,552	832	789	17,867	28,069	2,155
North America	1,057	1,214	4,336	7,269	449	686	5,842	9,169	451
Asia/Pacific	2,654	2,485	1,183	3,730	105	272	3,942	6,487	92
Eastern Europe	2,584	3,092	1,476	1,555	14	81	4,074	4,728	177
of which Hungary	19	20	301	419	—	55	320	495	42
Central and									
South America	666	729	907	425	819	850	2,392	2,004	43
Africa	463	547	43	110	—	—	506	657	26
of which North Africa	256	297	31	43	—	—	287	340	8
HVB Group	**14,547**	**15,795**	**17,857**	**32,641**	**2,219**	**2,678**	**34,623**	**51,114**	**2,944**

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

Risk Report (Continued)

HVB Group: top ten countries by exposure[1] at 30 June 2012

(€ millions)

	EXPOSURE	
Country	**30/6/2012**	**31/12/2011**
UK	10,969	20,199
Switzerland	5,137	5,726
USA	4,852	7,819
Russian Federation	1,541	1,933
Turkey	1,396	1,479
Cayman Islands, offshore	975	524
Cayman Islands, onshore	933	930
Denmark	812	888
China	796	865
Hong Kong	577	1,882
HVB Group	**27,988**	**42,245**

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

Exposure to UniCredit S.p.A. and its subsidiaries

The exposure to UniCredit and its subsidiaries (upstream exposure) has been continually reduced since the second half of 2011. At 30 June 2012, HVB Group had upstream exposure of €12.5 billion gross and €10.0 billion net (after collateral). HVB Group has been in contact with the regulatory authorities regarding this exposure. The Bank is continuing to pursue a strategy for further reducing the upstream exposure in 2012.

The gross exposure (before collateral) comprises a business-driven exposure of €7.8 billion arising from derivatives and other business activities (such as export finance and guarantees) and an exposure of €4.7 billion resulting from bonds and money trading activities.

The business-driven exposure of €7.8 billion reflects business activities resulting from the strategic orientation of HVB within UniCredit overall. During the integration of HVB Group into UniCredit, HVB Group became the centre of competence for markets and investment banking at UniCredit group-wide, enabling it to systematically leverage business opportunities arising from its handling of the UniCredit-wide markets and investment banking business. The majority of the business-driven exposure can be attributed to derivative transactions (pre-settlement and settlement risk of €3.7 billion).

The exposure of €4.7 billion results from the fact that HVB placed its excess liquidity with other UniCredit companies. Within the framework of the regulatory requirements, UniCredit S.p.A. provided various instruments with a collateral value totalling €2.4 billion to secure this exposure, leaving a net amount of only €2.3 billion for this exposure after collateral at 30 June 2012.

Financial derivatives

Financial derivatives are used primarily to manage market price risk (in particular, risk arising 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. Besides market risk, they bear counterparty risk or, in the case of credit derivatives which serve to manage credit risk, 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 2012 totalled €126.7 billion (31 December 2011: €124.2 billion).

In accordance with the banking supervision regulations under Basel II (German Banking Act/Solvency Regulation), risk-weighted assets for HVB Group amounted to €12.9 billion at 30 June 2012 (31 December 2011: €14.2 billion) 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.

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

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	30/6/2012	31/12/2011	30/6/2012	31/12/2011	30/6/2012	31/12/2011
Interest rate derivatives	**1,104,490**	**1,262,966**	**958,800**	**3,326,256**	**3,326,548**	**110,396**	**101,262**	**109,534**	**100,046**
Foreign exchange derivatives	**252,566**	**34,093**	**918**	**287,577**	**317,891**	**3,859**	**5,284**	**4,016**	**6,012**
Cross-currency swaps	**43,513**	**131,535**	**72,562**	**247,610**	**254,022**	**5,183**	**6,207**	**5,770**	**6,794**
Equity/index derivatives	**74,415**	**53,754**	**4,311**	**132,480**	**123,340**	**3,967**	**5,104**	**4,993**	**6,064**
Credit derivatives	**72,734**	**103,945**	**12,018**	**188,697**	**222,915**	**3,318**	**5,384**	**3,149**	**5,434**
– purchased	33,302	53,026	5,780	92,108	107,605	2,891	5,031	440	378
– written	39,432	50,919	6,238	96,589	115,310	427	353	2,709	5,056
Other transactions	**3,700**	**2,263**	**972**	**6,935**	**9,169**	**140**	**1,161**	**207**	**1,407**
HVB Group	**1,551,418**	**1,588,556**	**1,049,581**	**4,189,555**	**4,253,885**	**126,863**	**124,402**	**127,669**	**125,757**

Derivative transactions by counterparty type

(€ millions)

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	30/6/2012	31/12/2011	30/6/2012	31/12/2011
Central governments and central banks	3,806	3,564	1,759	1,712
Banks	91,854	90,633	95,841	95,154
Financial institutions	27,409	26,045	28,901	27,457
Other companies and private individuals	3,794	4,160	1,168	1,434
HVB Group	**126,863**	**124,402**	**127,669**	**125,757**

2 Market risk

Market risk is defined as the potential loss arising from an adverse change in value of positions in the trading and banking books. Market risk comprises the following risk categories: interest rate, foreign exchange, equity, credit spread and commodity risk, and also includes option risk.

For purposes of day-to-day risk measurement and management, we quantify the value-at-risk on the basis of a confidence level of 99% and a holding period of one day. Alongside the value-at-risk, the new market risk metrics required by the new German Solvency Regulation have been used for internal management since July 2011 and for the purposes of regulatory reporting starting at 31 December 2011:

Risk Report (Continued)

– Calculation of the potential stressed value-at-risk. The amount calculated for the regulatory report relates to a holding period of ten days and a confidence level of 99%. Notwithstanding this, the stressed value-at-risk based on a one-day holding period is calculated and a limit applied for the purposes of internal risk management. The stressed value-at-risk limit was reduced from €135 million to €80 million during the first half of the year.
– For non-securitised credit products: Internal approach used to determine the additional default and migration risk in the net interest positions (IRC). Both the change in ratings (migration) and the potential default on a credit product are taken into account. The calculated amount relates to a holding period of one year and a confidence level of 99.0% for both regulatory and internal reporting. The limit for the IRC risk value was increased from €600 million to €700 million during the first quarter.
– For the correlation trading book: Internal approach used to calculate the value change risk (CRM). Both the crisis scenarios required by the supervisory authorities and the internal crisis scenarios must additionally be calculated by the risk system for the correlation trading book on a weekly basis. The calculated amount relates to a holding period of one year and a confidence level of 99.9% for both regulatory and internal reporting. The limit for the CRM risk value was reduced from €585 million to €450 million during the second quarter. A large reduction in the Correlation Trading Portfolio (CTP) by the end of 2012 has been agreed, as a result of which further limit reductions are planned for the second half of the year.
– Standard Approach for (re-)securitisations: The regulatory Standard Approach for the specific interest rate risk is applied to securitised credit products that may not be held in the correlation trading portfolio (illiquid CDOs, re-securitisations and NtD credit derivatives). The market risk totals are used to limit the positions. Separate limits are not defined for the risk disclosed using the Standard Approach.

The following risk amounts were calculated for the regulatory report at 30 June 2012:
– Average 10-day value-at-risk for the last 60 trading days: €74 million (31 December 2011: €102 million)
– Average 10-day stressed value-at-risk for the last 60 trading days: €87 million (31 December 2011: €103 million)
– Eligible amount for the IRC: €561 million (31 December 2011: €591 million)
– Eligible amount for the CRM: €104 million (31 December 2011: €363 million).

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 (hypothetical gain or loss) derived from the positions. In the first half of 2012, there were no back-testing exceptions to report. On days with a back-test overshoot, the amount of the hypothetical loss would have been greater than the forecast value-at-risk.

The table below shows the aggregate market risks of our trading positions in HVB Group in the first half of 2012.

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

	AVERAGE 2012[1]	30/6/2012	31/3/2012	31/12/2011	30/9/2011	30/6/2011
Interest rate positions (incl. credit spread risks)	28	23	33	45	24	15
Foreign exchange derivatives	2	1	2	10	2	3
Equity/index positions[2]	9	6	11	7	14	8
Diversification effect[3]	(16)	(12)	(19)	(27)	(4)	—
HVB Group	**23**	**18**	**27**	**35**	**36**	**26**

1 arithmetic mean of the last two quarter-end figures
2 including commodity risk
3 because of 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 limits for market risk in addition to positions from the trading book.

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

		AVERAGE 2012[1]	30/6/2012	31/3/2012	31/12/2011	30/9/2011	30/6/2011
HVB Group	Market risk	68	63	72	74	74	47
	VaR warning level	130	130	130	173	173	173

1 arithmetic mean of the last two quarter-end figures

In addition to the market risks shown in the table above, there are also market risks that are allocated directly to the full Management Board. In the second quarter of 2012, their value-at-risk amounted to €28 million (31 December 2011: €32 million), with a limit of €40 million. Including the risks from this portfolio, the total risk at 30 June 2012 amounted to €83 million (31 December 2011: €92 million).

At 30 June 2012, the banking book of HVB Group contained market risks of €51 million with a one-day holding period (31 December 2011: €70 million). The market risks from the reclassified portfolios, taken in isolation, amounted €23 million (31 December 2011: €27 million). The market risks of the remaining banking book positions show a market risk of €31 million (31 December 2011: €41 million).

In compliance with the circular issued on 9 November 2011 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 +/– 200 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 1.5% (31 December 2011: 0.6%), or 2.8%, excluding the model book (31 December 2011: 3.1%), of its regulatory equity capital at the end of June 2012, HVB Group is well below the 20% above which the banking supervisory authorities consider a bank to have increased interest rate risk. Without the valuation effects of the reclassified portfolios, the rate of equity capital utilisation is 1.7% (31 December 2011: 0.6%).

In addition, a dynamic simulation of the net interest 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 €236 million decrease in net interest income within the next twelve months (31 December 2011: €88 million).

The economic capital for the market risk of HVB Group amounts to €3.3 billion and is up by €1.4 billion on the total at 31 December 2011 (€1.9 billion). The increase results from the additional inclusion of the new market risk metric and the addition of reclassified holdings in the banking book. Any hedging effect of the model book for equity is not included in the economic capital.

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 risk. An appropriate stress test is 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. This involves determining the amount of losses that would result from the liquidation of trading and banking book positions of HVB Group in a market environment with greatly expanded bid-offer spreads. For June 2012, the tests showed a potential loss of €429 million (31 December 2011: €548 million).

3 Liquidity risk

The banking industry again felt the effects of the European sovereign debt crisis in the first half of 2012. Various measures taken by the European Union in particular only partially calmed the markets. It is not yet possible to predict for how long and to what extent the financial markets will be impacted by the debt crisis in some European countries together with risks arising from changes in interest and exchange rates.

Risk Report (Continued)

HVB Group put in a solid performance in the first half of 2012 in this challenging market environment, thanks to a good liquidity situation, a solid financing structure and the liquidity management measures it undertook. Based on our forward-looking risk quantification and scenario analysis, we expect our overall liquidity to remain very comfortable.

Short-term liquidity risk
Within the framework of our limit system, we showed an overall positive balance of short-term liquidity risk of €37.3 billion in HVB Group for the next banking day at the end of June 2012 (30 June 2011: €17.8 billion). The portfolio of highly liquid securities eligible as collateral for central bank borrowings and available at short notice to compensate for unexpected outflows of liquidity amounted to €20.1 billion at the end of the first half of 2012 (30 June 2011: €22.6 billion).

Our stress tests showed that the liquidity reserves available at the end of the first half of 2012 were sufficient to cover funding requirements from Bank-specific, market-wide and combined scenarios for a period of up to two months.

The requirements of the German Liquidity Regulation (Liquiditätsverordnung – 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 €30.0 billion for HVB in the first half 2012 (first half of 2011: €34.5 billion) and €28.8 billion at 30 June 2012. This means that we are comfortably above the internally defined trigger.

Funding risk
The funding risk of HVB Group was again quite low in the first half of 2012 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 in terms of volume and maturity within the framework of our limit system. HVB Group obtained longer-term funding with a volume of €2.8 billion on the capital market during the first half of 2012. At the end of June 2012, 96.8% of assets with an economic maturity of more than one year were covered by liabilities with an economic maturity of more than one year. Consequently, we do not expect to face any significant liquidity risk in the future. With their high credit quality and liquidity our Pfandbrief covered bonds still remain an important funding instrument.

4 Operational risk
Operational risk
The economic capital for operational risk at HVB Group, without taking account of the diversification effects between the risk types, amounted to €2.5 billion at 30 June 2012 (31 December 2011: €2.3 billion). Among other things, this slight increase in risk can be attributed to a higher number of expected loss events for selling risks and the expansion of the group of subsidiaries included.

Business continuity management
The focus in the first half of 2012 was on reviewing the appropriateness of business continuity at HVB. In particular, the test activities have been evaluated. The appropriateness of the contingency plans and their tests has been confirmed by UniCredit Business Continuity Management.

The performance capability of the crisis and emergency organisation at UniCredit Bank AG was confirmed by the appropriate, effective response to two real-life situations.

Outsourcing and IT projects
Outsourcing involves the transfer of activities and processes to external service providers. This also involves a transfer of some of the operational risk while contractual risks arising from the outsourcing arrangement remain in the Bank. The operational risk managers and the central Operational Risk function help the project managers and the heads of the retained organisations (RTO) to prepare and/or update the related risk analysis.

The Outsourcing Tracking Office is the centre of competence for HVB responsible for managing the outsourcing process and enhancing the transparency of existing outsourcing activities. As a part of the Global Banking Services division (GBS), it ensures high quality and comparable risk assessment standards, which involves close cooperation with the operational risk organisation.

The Bank's IT services are mostly provided by the Group company UniCredit Business Integrated Services S.C.p.A. (UBIS). The IT operating processes of UniCredit Bank AG that were modified during the EuroSig roll-out also require adjustments to be made to the internal control system for IT in order to be able to suitably monitor and manage all significant IT risks. The development of appropriate metrics and review processes was started in winter 2011/2012 and they will be successively implemented during the course of 2012.

The share of CRO and CFO projects in the total portfolio for modifying IT systems has risen sharply compared with previous years. Around half of the IT budget for 2012 has been earmarked for enhancing the technical equipment and processes in CRO and CFO, of which 54% was already utilised in the first half of the year. Major projects in this context include the implementation of a counterparty credit risk model, the implementation of the ICAAP, the optimisation of the impairment process, the extension of the liquidity model and the development of a data warehouse. Numerous projects aimed at enhancing data quality and cross-system data flows continue to be carried out across the entire Bank.

HVB completed an outsourcing deal classified as significant as defined by the MaRisk rules in its F&SME division during the first half of 2012. The opening of a new distribution channel via "financial partner branches" represents a significant outsourcing without substantial consequences that will be subject at first to a test phase lasting several months. The purpose of the new distribution model analysed in depth in a new market process compliant with MaRisk is to facilitate fast, successful market entry in areas where HVB has not had a presence to date or only an insignificant presence. The finance partners are legally independent enterprises. They arrange services and products in the name of and for account of HVB and other partners, and are managed by an RTO in the F&SME division.

GBS is to be strategically realigned in connection with UniCredit's objective of devising a uniform global business model. This will include better structuring and simplifying the structures within GBS activities. Various GBS units from HVB, almost all the units of HVB Immobilien AG, domestic and international units of the Financial Markets Services unit and HVB Secur GmbH were transferred to UniCredit Global Business Services GmbH, a wholly owned subsidiary of HVB, during 2011. The Group companies UniCredit Global Information Services S.C.p.A. (UGIS) and UniCredit Business Partner S.C.p.A. (UCBP) merged on 1 January 2012 to form UniCredit Business Integrated Services S.C.p.A. (UBIS).

The goal remains to consolidate these two units in an independent Group company under German law. This central German service provider will then deliver services for all HVB Group companies.

In its function as the retained organisation responsible and outsourcing tracking office, the Service Management & Governance unit closely followed this process and will continue to manage and monitor it going forward. Particular attention was paid to the identification of risks, the wording of contracts and service level agreements (SLAs), and the setup of management units. The Transitional Issues project to fine-tune the governance processes for the Financial Market Services unit was completed as planned in June 2012.

As last year, a project team of tax specialists has closely tracked the implementation of the modified regulations regarding the flat tax on capital income. The efficiency and effectiveness of the tax-handling processes have been improved such that HVB was one of the first banks in Germany to complete mailing of tax certificates in March 2012. Oversight by a project team remains essential to permanently secure this success.

Fraud risk in trading

There is no information currently to hand regarding instances of fraud in the Bank's trading activities in the first half of 2012.

An implementation programme has been started for the project commenced in May 2011 to analyse the trading process with a special focus on the Bank's control mechanism. Implementation is running as planned.

Risk Report (Continued)

Outlook
The focus will remain on the action areas identified as part of the risk strategy for operational risk when enhancing the way we manage operational risk in the second half 2012.

Reputational risk
For methodological considerations, we do not view a quantitative analysis as being suitable for reputational risk because reputational risk involves decisions or estimates that cannot be corrected with capital due to their rather unique nature. Their secondary effects are already taken into account in other risk types. Hence reputational risk is primarily classified by qualitative means. To this end the national and international political and economic environment is continually monitored by the Corporate Sustainability unit, which is responsible in this connection, and measures are taken for our strategic positioning.

Instances that could represent a potential reputational risk are decided upon by the Management Board on a case-by-case basis and documented by Corporate Sustainability. Computer-aided documentation is not currently envisaged. We retained this process also in the first half of 2012; a separate half-yearly report was submitted to the Management Board in connection with operational risk.

Legal risks
Legal risks/arbitration proceedings
HVB and other companies belonging to the HVB subgroup are involved in various legal proceedings. The following is a summary of pending cases against HVB which have a value in dispute exceeding €50 million or are of significance for HVB for other reasons.

HVB is required to deal appropriately with various legal and regulatory requirements in relation to issues such as conflict of interest, anti-money-laundering laws, privacy and data-protection rules. Failure to do so may lead to additional litigation and investigations and subject HVB to damage claims, regulatory fines or other penalties. In many cases, there is a substantial uncertainty regarding the outcome of the proceedings and the amount of possible losses. These cases include criminal or administrative proceedings by the relevant authority and claims in which the petitioner has not specifically quantified the amounts in dispute. In all legal cases where it is possible to reliably estimate the amount of possible losses, and the loss is considered likely, appropriate provisions have been set up based on the circumstances and consistent with IAS accounting principles applied by HVB.

Medienfonds lawsuit
Various investors in VIP Medienfonds 4 GmbH & Co. KG 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; 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 claimants argue that HVB did not disclose to them such particular tax risks and make HVB, together with other parties, responsible for presumed errors in the prospectus used to market the fund. Additionally some plaintiffs invoke rights under German consumer protection laws. The courts of first and second instance have passed various rulings, several of which were unfavourable for HVB.

On 30 December 2011, Munich Higher Regional Court (Oberlandesgericht) decided on the issue relating to prospectus liability through a specific procedure pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG). The court stated that the prospectus was incorrect concerning the description of tax risks, loss risk and the fund's forecast. The court further holds HVB liable along with the promoter of Medienfonds for such errors. HVB has appealed to the German Federal Court of Justice (Bundesgerichtshof). However, any final decision in this proceeding will affect only a few pending cases since a general settlement has already been reached with the vast majority of the investors. Besides the civil proceedings, the fiscal courts have not yet published a final decision regarding whether the tax benefits were revoked rightfully. 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.

Furthermore there are a number of separate lawsuits from investors pending regarding other closed-end funds (mainly media funds, but also other asset classes). The changed view of the fiscal authorities regarding tax benefits granted earlier often represents the economic background to the respective litigation. Among other things, the plaintiffs base their claims on alleged inadequate advice and/or on supposed errors in the prospectus. With their claims the investors demand restitution of their equity contribution and offer in return the transfer of the related fund share to the Bank.

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 German Doorstep Transactions Act (Haustürwiderrufsgesetz). According to the law and the opinion on this subject expressed in the German Federal Court of Justice (Bundesgerichtshof) 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 the rates determined in accordance with market customs, 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 HVB relied on the validity of the power of attorney when entering into the loan agreement. Based on the experience gained to date, HVB 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 also 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 for HVB 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.

Risk Report (Continued)

Lawsuits related to securities
On account of the persistently unstable conditions of the financial markets, the number of complaints from customers invested in securities that have been negatively affected by the financial crisis remains unchanged at a high level. Some customers have taken legal action with respect to 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 relevant investment or alleged negative performance of securities of other transactions.

Complaints and lawsuits by German customers whose derivative transactions have suffered losses or currently have a negative market value have also substantially increased. Among other things, the arguments made are that the Bank allegedly did not sufficiently inform the customer with respect to the relevant investment and potential risks related to such transactions. Generally, there has been a trend for investor-friendly judgments with respect to derivative-related lawsuits. Latest rulings confirm this trend but also demonstrate that the characteristics of the relevant product and the individual circumstances of each case are decisive. HVB has set up provisions for those cases which are, at present, deemed to be appropriate.

A class action has been filed against several members of an underwriting consortium, including UniCredit Capital Markets, Inc. (UCCM). This class action is based on mortgage-backed securities issued by Bank of America. HVB is of the opinion that the claim is unfounded and UCCM will defend itself accordingly.

Lawsuit in connection with Primeo-linked notes
HVB 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 is around €27 million. Legal proceedings have been commenced in Germany in connection with the issuance of said Primeo-linked notes, which also named HVB as a defendant.

Securitisation – financial guarantee
In 2011, another financial institution filed suit against HVB with regard to a securitisation transaction. The parties dispute 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 accordingly.

Insolvency of Landsbanki Islands
In 2008, HVB concluded money market deposit transactions with Iceland-based Landsbanki Islands, among others, which were duly settled. The Winding-up Board of Landsbanki has recently challenged in court the repayment at that time of the money borrowed and sued HVB for payment of a middle double digit million euro sum. HVB has filed statements demanding the dismissal of the claims.

Repo transactions
Two customers belonging to the same group of companies have recently filed claims against HVB with a total amount in dispute of €491.4 million (plus interest). The dispute results from the termination of their repo-transactions with HVB. The claimants assert that the compensation paid by HVB to the clients following the clients' default was insufficient. The Bank intends to defend itself against said claims.

Proceeding relating to German tax credits
A client has filed suit against HVB with an amount in dispute of €124 million based on alleged incorrect advice and breach of duty relating to transactions in German equity securities. Such transactions were entered into by the client based on the expectation of receiving dividend withholding tax credits on dividends in relation to German equities which were traded around dividend dates. Pursuant to a tax audit of the client, the tax authorities have demanded repayment from the client, who is primarily liable vis-à-vis the tax authorities, of the withholding tax credit previously granted to the customer plus interest, summing up to the amount in dispute. HVB understands that the customer and his tax advisor are challenging the tax authorities' position. The client in his claim requests HVB to indemnify him against said and potential future payment obligations vis-à-vis the tax authorities with respect to the transactions.

The tax authorities served upon HVB a secondary liability notice requesting payment of the tax credits previously granted to the client, including interest, summing up to €124 million on the basis of alleged issuer liability for tax certificates. HVB challenged the notice.

There is a risk that HVB could be held liable for damages to the customer in civil proceedings or to the tax authorities on the basis of the liability notice. In addition, HVB could be subject to interest claims in relation to this matter, as well as fines and profit claw backs, and/or criminal penalties. HVB continues to take steps under civil and administrative law which HVB and its advisers consider appropriate in order to protect its position in the context of the above-mentioned matters.

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 dated 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 (by now already expired) Business Combination Agreement (BCA) entered into by HVB 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 (by now already expired) 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 HVB's Annual General Meeting of Shareholders on 29 and 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 29 and 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. The German Federal Court of Justice has suspended this decision and remanded the case to Munich Higher Regional Court for further hearing and decision.

Risk Report (Continued)

Special representative

The Annual General Meeting of Shareholders of HVB passed a resolution dated 26 and 27 June 2007 in favour of asserting alleged claims for damages against UniCredit S.p.A. and its legal representatives and against the governing bodies of HVB due to the alleged damage 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 a special representative.

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 alleged 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.

In December 2007, the special representative demanded that UniCredit S.p.A. return the Bank Austria shares sold to it. 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).

His dismissal from office prevented the special representative from pursuing his claim for damages; these proceedings did not terminate automatically, however. In the meantime, the Supervisory Board of HVB (where suit has been filed against former members of the Bank's Management Board) and the Bank's Management Board initiated a review of this complex matter with the assistance of external consultants to enable them to adopt appropriate resolutions on the basis of their expert opinions. Based on such expert opinions, the judicial proceedings have been terminated.

Other proceedings

There has been increasing scrutiny of the financial institutions sector, especially by US authorities, with respect to combating money laundering and terrorist financing and to enforcing compliance with economic sanctions. The US Treasury Department's Office of Foreign Assets Control (OFAC) administers US laws and regulations in relation to US economic sanctions against designated foreign countries, nationals and others. HVB is currently responding to a subpoena from the New York County District Attorney's Office in connection with an ongoing investigation regarding certain persons and/or entities believed to have engaged in conduct implicating OFAC sanctions and New York State law. HVB also disclosed to OFAC and the US Attorney's Office for the District of Columbia information that it has provided to the District Attorney's office and is involved in ongoing discussions with these authorities and is cooperating fully. In addition, HVB also is conducting an ongoing internal review of the accounts and transactions that are the subject of the investigation. It is not possible at this time to predict the outcome of the ongoing investigations, including the timing and any potential financial impact it may have upon the operating results of the Bank in any future financial period.

Tax proceedings

HVB has notified the Munich tax authorities that HVB may have conducted certain proprietary transactions close to dividend dates and claimed related withholding tax credits. In this context, the Supervisory Board of HVB has simultaneously commissioned external advisors to conduct an audit of such matters. This audit is fully supported by UniCredit. Given that HVB has proactively disclosed this matter to the Munich tax authorities, HVB expects that the German Central Federal Tax Authority (Bundeszentralamt für Steuern) and the Munich tax authorities are likely to examine such transactions. Although German tax authorities have recently denied withholding tax credits in certain types of trades undertaken near dividend dates, there is no clear guidance from the German Fiscal Court (Bundesfinanzhof) on the tax treatment of such transactions. At this time, the impact of any review by the Central Federal Tax Authority and Munich tax authorities is unknown. As the audit commissioned by the Supervisory Board is not yet complete, it is not possible at this time to predict its outcome, including timing for any findings.

HVB could be subject to substantial tax and interest claims in relation to the securities transactions mentioned above, as well as fines and profit claw backs, and/or criminal penalties. HVB is in communication with its relevant regulators regarding this matter.

5 Business risk/strategic risk

Various measures were employed at the start of 2012 to specifically enhance the data used to calculate the business risk. These modifications have been included in the time series with retroactive effect to take account of structural changes in the divisions.

The value-at-risk, without taking account of the diversification effects between the risk types, decreased by €0.3 billion to €0.7 billion in the first half of 2012. The fully diversified economic capital for the business risk of HVB Group amounted to €0.3 billion at the end of the first half of 2012 (31 December 2011: €0.7 billion). Besides the impact of the refinement in methodology, this figure includes the effect arising from the update of the correlation matrix.

The statements made in the 2011 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 the second half of 2012 can be found in the Outlook section of the Financial Review in the present Half-yearly Financial Report.

6 Other risks

Risks arising from our own real estate portfolio

Up until now, a value-at-risk approach based on market values and carrying amounts of the individual properties and the volatilities of real estate indices has been used to calculate real estate risk.

In order to increase the information content of the indices by applying a more granular mapping method, the property type has been included since 2012 in addition to the geographical location. As a result of this, the individual properties are allocated to 20 real estate indices of various (and in some instances composite) segments.

Since the start of 2012, the value-at-risk has comprised a general (using the old methodology) and a specific value-at-risk (includes specific risks not previously considered).

The value-at-risk, without taking account of the diversification effects between the risk types, fell by €10 million in the first half of 2012 to total €0.5 billion at 30 June 2012. The economic capital for real estate risk at HVB Group taking into account diversification effects totals €0.4 billion (31 December 2011: €0.3 billion). This figure also includes the effects arising from the update of the correlation matrix. The real estate portfolio of HVB Group is assigned primarily to the "Office building" segment in Munich, which accounts for 23% of the total.

Risks arising from our shareholdings/financial investments

In order to take account of the specific risk for unlisted and listed yet illiquid shareholdings in particular, the credit portfolio model is now used in modified form. A market risk model that employs share prices for valuation purposes is used for liquid, listed shareholdings to ensure that both fair value losses and specific risks are incorporated. Furthermore, existing residual payment commitments to private equity funds were included in the calculation of investment risk at 30 June 2012.

The value-at-risk, without taking account of the diversification effects between the risk types, has increased by €0.3 billion to €1.4 billion. The fully diversified economic capital of HVB Group amounts to €1.1 billion (31 December 2011: €0.7 billion). The calculation methodology continues to include the recent past from the one-year history more than older periods, thus reflecting the current market situation.

As in 2011, the Bank will continue to dispose of non-strategic shareholdings in 2012. 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.

Consolidated Income Statement

for the period from 1 January to 30 June 2012

Income/Expenses	NOTES	1/1–30/6/2012 € millions	1/1–30/6/2011 € millions	CHANGE € millions	CHANGE in %
Interest income		3,788	4,312	(524)	(12.2)
Interest expense		(1,992)	(2,199)	+ 207	(9.4)
Net interest	4	1,796	2,113	(317)	(15.0)
Dividends and other income from equity investments	5	62	101	(39)	(38.6)
Net fees and commissions	6	596	690	(94)	(13.6)
Net trading income	7	946	787	+ 159	+ 20.2
Net other expenses/income	8	59	42	+ 17	+ 40.5
Payroll costs		(940)	(917)	(23)	+ 2.5
Other administrative expenses		(752)	(763)	+ 11	(1.4)
Amortisation, depreciation and impairment losses on intangible and tangible assets		(91)	(103)	+ 12	(11.7)
Operating costs		(1,783)	(1,783)	—	—
Net write-downs of loans and provisions for guarantees and commitments	9	(265)	36	(301)	
Provisions for risks and charges	10	76	(174)	+ 250	
Restructuring costs		—	—	—	—
Net income from investments	11	70	108	(38)	(35.2)
PROFIT BEFORE TAX		**1,557**	**1,920**	**(363)**	**(18.9)**
Income tax for the period		(645)	(600)	(45)	+ 7.5
CONSOLIDATED PROFIT		**912**	**1,320**	**(408)**	**(30.9)**
attributable to shareholder of UniCredit Bank AG		894	1,274	(380)	(29.8)
attributable to minorities		18	46	(28)	(60.9)

Earnings per share

(in €)

	NOTES	1/1–30/6/2012	1/1–30/6/2011
Earnings per share (undiluted and diluted)	12	1.11	1.59

Consolidated statement of total comprehensive income for the period from 1 January to 30 June 2012 (€ millions)

	1/1–30/6/2012	1/1–30/6/2011
Consolidated profit recognised in the income statement	**912**	**1,320**
Components of income and expenses recognised in other comprehensive income		
Changes from foreign currency translation and other changes	30	(66)
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)	103	69
Unrealised gains/(losses)	102	77
Gains/(losses) reclassified to the income statement	1	(8)
Change in valuation of financial instruments (hedge reserve)	(10)	(33)
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	(10)	(33)
Taxes on income and expenses recognised in the statement of total comprehensive income	(19)	26
Total income and expenses recognised in equity under other comprehensive income	**104**	**(4)**
Total comprehensive income	**1,016**	**1,316**
of which:		
attributable to shareholder of UniCredit Bank AG	973	1,324
attributable to minorities	43	(8)

Consolidated Income Statement (Continued)

for the period from 1 April to 30 June 2012

Income/Expenses	1/4–30/6/2012 € millions	1/4–30/6/2011 € millions	CHANGE € millions	CHANGE in %
Interest income	1,837	2,207	(370)	(16.8)
Interest expense	(959)	(1,127)	+ 168	(14.9)
Net interest	878	1,080	(202)	(18.7)
Dividends and other income from equity investments	40	36	+ 4	+ 11.1
Net fees and commissions	281	323	(42)	(13.0)
Net trading income	139	273	(134)	(49.1)
Net other expenses/income	31	11	+ 20	>+ 100.0
Payroll costs	(468)	(461)	(7)	+ 1.5
Other administrative expenses	(370)	(383)	+ 13	(3.4)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(45)	(51)	+ 6	(11.8)
Operating costs	(883)	(895)	+ 12	(1.3)
Net write-downs of loans and provisions for guarantees and commitments	(175)	163	(338)	
Provisions for risks and charges	75	(116)	+ 191	
Restructuring costs	—	—	—	—
Net income from investments	50	50	—	—
PROFIT BEFORE TAX	**436**	**925**	**(489)**	**(52.9)**
Income tax for the period	(254)	(286)	+ 32	(11.2)
CONSOLIDATED PROFIT	**182**	**639**	**(457)**	**(71.5)**
attributable to shareholder of UniCredit Bank AG	187	623	(436)	(70.0)
attributable to minorities	(5)	16	(21)	

Earnings per share

(in €)

	1/4–30/6/2012	1/4–30/6/2011
Earnings per share (undiluted and diluted)	0.23	0.78

Consolidated statement of total comprehensive income for the period from 1 April to 30 June 2012

(€ millions)

	1/4–30/6/2012	1/4–30/6/2011
Consolidated profit recognised in the income statement	**182**	**639**
Components of income and expenses recognised in other comprehensive income		
Changes from foreign currency translation and other changes	61	(13)
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)	(16)	47
Unrealised gains/(losses)	(19)	41
Gains/(losses) reclassified to the income statement	3	6
Change in valuation of financial instruments (hedge reserve)	(11)	(28)
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	(11)	(28)
Taxes on income and expenses recognised in the statement of total comprehensive income	15	3
Total income and expenses recognised in equity under other comprehensive income	**49**	**9**
Total comprehensive income	**231**	**648**
of which:		
attributable to shareholder of UniCredit Bank AG	192	643
attributable to minorities	39	5

Consolidated Balance Sheet

at 30 June 2012

Assets

	NOTES	30/6/2012 € millions	31/12/2011 € millions	CHANGE € millions	in %
Cash and cash balances		23,320	4,267	+ 19,053	>+ 100.0
Financial assets held for trading	13	147,248	149,056	(1,808)	(1.2)
Financial assets at fair value through profit or loss	14	20,834	28,045	(7,211)	(25.7)
Available-for-sale financial assets	15	5,538	5,476	+ 62	+ 1.1
Shares in associates accounted for using the equity method					
and joint ventures accounted for using the equity method	16	52	49	+ 3	+ 6.1
Held-to-maturity investments	17	283	2,463	(2,180)	(88.5)
Loans and receivables with banks	18	46,338	44,277	+ 2,061	+ 4.7
Loans and receivables with customers	19	132,821	136,561	(3,740)	(2.7)
Hedging derivatives		5,894	5,288	+ 606	+ 11.5
Hedge adjustment of hedged items					
in the fair value hedge portfolio		183	160	+ 23	+ 14.4
Property, plant and equipment		2,875	2,906	(31)	(1.1)
Investment properties		1,646	1,678	(32)	(1.9)
Intangible assets		554	565	(11)	(1.9)
of which: goodwill		418	418	—	—
Tax assets		3,049	3,362	(313)	(9.3)
Current tax assets		458	551	(93)	(16.9)
Deferred tax assets		2,591	2,811	(220)	(7.8)
Non-current assets or disposal groups held for sale		81	131	(50)	(38.2)
Other assets		1,396	1,230	+ 166	+ 13.5
Total assets		**392,112**	**385,514**	**+ 6,598**	**+ 1.7**

Liabilities

	NOTES	30/6/2012 € millions	31/12/2011 € millions	CHANGE € millions	in %
Deposits from banks	22	57,701	57,858	(157)	(0.3)
Deposits from customers	23	118,279	107,442	+ 10,837	+ 10.1
Debt securities in issue	24	36,707	42,667	(5,960)	(14.0)
Financial liabilities held for trading		142,327	140,775	+ 1,552	+ 1.1
Hedging derivatives		2,643	2,324	+ 319	+ 13.7
Hedge adjustment of hedged items					
in the fair value hedge portfolio		2,689	2,417	+ 272	+ 11.3
Tax liabilities		2,560	2,296	+ 264	+ 11.5
Current tax liabilities		795	555	+ 240	+ 43.2
Deferred tax liabilities		1,765	1,741	+ 24	+ 1.4
Liabilities of disposal groups held for sale		52	—	+ 52	
Other liabilities		3,917	4,304	(387)	(9.0)
Provisions	25	1,938	2,113	(175)	(8.3)
Shareholders' equity		23,299	23,318	(19)	(0.1)
Shareholders' equity attributable to					
shareholder of UniCredit Bank AG		22,448	22,492	(44)	(0.2)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		9,400	9,389	+ 11	+ 0.1
Change in valuation of financial instruments	26	(44)	(112)	+ 68	+ 60.7
AfS reserve		(65)	(134)	+ 69	+ 51.5
Hedge reserve		21	22	(1)	(4.5)
Consolidated profit 2011		—	1,017	(1,017)	(100.0)
Net profit 1/1 – 30/6/2012[1]		894	—	+ 894	
Minority interest		851	826	+ 25	+ 3.0
Total shareholders' equity and liabilities		**392,112**	**385,514**	**+ 6,598**	**+ 1.7**

1 attributable to shareholder of UniCredit Bank AG

Statement of Changes in Shareholders' Equity

at 30 June 2012

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES TOTAL	OTHER RESERVES OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
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	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—
Reserve arising from foreign currency translation and other changes	—	—	(16)	—
Total income and expenses recognised in equity				
under other comprehensive income[4]	**—**	**—**	**(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)**
Shareholders' equity at 1 January 2012	**2,407**	**9,791**	**9,389**	**(197)**
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	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—
Reserve arising from foreign currency translation and other changes	—	—	11	—
Total income and expenses recognised in equity				
under other comprehensive income[4]	**—**	**—**	**11**	**—**
Total income and expenses recognised	**—**	**—**	**11**	**—**
Other changes recognised in equity				
Dividend payouts	—	—	—	—
Changes in group of consolidated companies	—	—	—	—
Total other changes in equity	**—**	**—**	**—**	**—**
Shareholders' equity at 30 June 2012	**2,407**	**9,791**	**9,400**	**(197)**

1 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.
The Annual General Meeting of Shareholders of 10 May 2012 resolved to distribute the 2011 consolidated profit in the amount of €1,017 million as a dividend to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €1.27 per share.
2 attributable to shareholder of UniCredit Bank AG
3 UniCredit Bank AG (HVB)
4 see Consolidated statement of total comprehensive income

(€ millions)

	CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS						
	AFS RESERVE	HEDGE RESERVE	CONSOLIDATED PROFIT[1]	PROFIT 1/1 – 30/6[2]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDER OF HVB[3]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
	(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)	—	(1,270)	(17)	(1,287)
	—	—	—	—	5	—	5
	—	**—**	**(1,270)**	**—**	**(1,265)**	**(17)**	**(1,282)**
	(52)	**31**	**—**	**1,274**	**22,925**	**779**	**23,704**
	(134)	**22**	**1,017**	**—**	**22,492**	**826**	**23,318**
	—	**—**	**—**	**894**	**894**	**18**	**912**
	70	—	—	—	70	6	76
	(1)	(1)	—	—	(2)	—	(2)
	—	—	—	—	—	—	—
	—	—	—	—	11	19	30
	69	**(1)**	**—**	**—**	**79**	**25**	**104**
	69	**(1)**	**—**	**894**	**973**	**43**	**1,016**
	—	—	(1,017)	—	(1,017)	(18)	(1,035)
	—	—	—	—	—	—	—
	—	**—**	**(1,017)**	**—**	**(1,017)**	**(18)**	**(1,035)**
	(65)	**21**	**—**	**894**	**22,448**	**851**	**23,299**

Cash Flow Statement (abridged version)

(€ millions)

	2012	2011
Cash and cash equivalents at 1 January	**4,267**	**3,065**
Cash flows from operating activities	**18,894**	**6,585**
Cash flows from investing activities	**2,314**	**245**
Cash flows from financing activities	**(2,155)**	**(1,975)**
Effects of exchange rate changes	—	—
Less disposal groups held for sale and discontinued operations	—	—
Cash and cash equivalents at 30 June	**23,320**	**7,920**

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 2012 as in the consolidated financial statements for 2011 (please refer to the HVB Group Annual Report for 2011, starting on page 116).

The following standards and interpretations revised by the IASB are applicable for the first time in the 2012 financial year:
– Amendments to IFRS 7 "Financial Instruments: Disclosures – Transfer of Financial Assets"
– Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets".

These amendments have not had any material impact on HVB Group. The amendments to IFRS 7 give rise to disclosures regarding transfers of financial assets (such as collateralisations) that we will include in the consolidated financial statements.

We have made minor structural adjustments to our income statement as of the 2012 financial year. The income items "Operating income", "Operating profit" and "Net operating profit" are no longer shown. No changes have been made to the composition of the remaining individual income statement items. Compliant with IFRS 8.23, we continue to show the income items listed above in our segment reporting in accordance with the management approach.

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) 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 2012 financial year as were used at year-end 2011. We use risk-weighted assets compliant with Basel II as the criterion for allocating used equity capital. The interest rate used to assess the equity capital allocated to companies assigned to several divisions (HVB, UniCredit Luxembourg) was 4.08% in 2011. This interest rate was redetermined for 2012 and has been 3.70% since 1 January 2012.

Starting in the first quarter of 2012, the expenses for the bank levies previously assigned to the Other/consolidation segment have been allocated to the operating divisions and the costs for the pension fund spread across all the segments. In addition, there were minor adjustments in the area of administrative expenses in the second quarter of 2012.

Last year's figures and those of previous quarters have been adjusted accordingly to reflect the changes described above.

2 Companies included in consolidation

The following company was added to the group of companies included in consolidation in the first half of 2012:
– Chiyoda Fudosan GK, Tokyo.

The following companies left the group of companies included in consolidation in the first half of 2012 due to absorption or liquidation:
– Cosima Purchase No. 13 Ltd., St. Helier
– Cosima Purchase No. 14 Ltd., Dublin
– Cosima Purchase No. 15 Ltd., Dublin
– Cosima Purchase No. 6 S.A. – Compartment 3, Luxembourg
– Elektra Purchase No. 27 Limited, Dublin
– Elektra Purchase No. 50 Limited, Dublin
– HVB International Asset Leasing GmbH, Munich
– HVB Capital LLC VIII, Wilmington
– HVB Funding Trust VIII, Wilmington
– SKB VTMK International Issuer Ltd. – Series 2011-1, Dublin.

Notes to the Income Statement

3 Segment reporting

Income statement broken down by segment for the period from 1 January to 30 June 2012 (€ millions)

INCOME/EXPENSES	CORPORATE & INVESTMENT BANKING	FAMILY & SME	PRIVATE BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,107	547	46	96	1,796
Dividends and other income from					
equity investments	54	4	3	1	62
Net fees and commissions	237	284	69	6	596
Net trading income	835	—	(1)	112	946
Net other expenses/income	(17)	5	1	70	59
OPERATING INCOME	**2,216**	**840**	**118**	**285**	**3,459**
Payroll costs	(308)	(317)	(39)	(276)	(940)
Other administrative expenses	(493)	(479)	(42)	262	(752)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(5)	(9)	(1)	(76)	(91)
Operating costs	**(806)**	**(805)**	**(82)**	**(90)**	**(1,783)**
OPERATING PROFIT	**1,410**	**35**	**36**	**195**	**1,676**
Net write-downs of loans and provisions					
for guarantees and commitments	(384)	(14)	(1)	134	(265)
NET OPERATING PROFIT	**1,026**	**21**	**35**	**329**	**1,411**
Provisions for risks and charges	55	20	(7)	8	76
Restructuring costs	(1)	—	—	1	—
Net income from investments	13	6	—	51	70
PROFIT BEFORE TAX	**1,093**	**47**	**28**	**389**	**1,557**

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

INCOME/EXPENSES	CORPORATE & INVESTMENT BANKING	FAMILY & SME	PRIVATE BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,304	611	52	146	2,113
Dividends and other income from					
equity investments	85	3	3	10	101
Net fees and commissions	309	290	82	9	690
Net trading income	780	2	—	5	787
Net other expenses/income	(44)	12	1	73	42
OPERATING INCOME	**2,434**	**918**	**138**	**243**	**3,733**
Payroll costs	(316)	(301)	(37)	(263)	(917)
Other administrative expenses	(470)	(491)	(41)	239	(763)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(6)	(9)	(1)	(87)	(103)
Operating costs	**(792)**	**(801)**	**(79)**	**(111)**	**(1,783)**
OPERATING PROFIT	**1,642**	**117**	**59**	**132**	**1,950**
Net write-downs of loans and provisions					
for guarantees and commitments	8	(20)	(3)	51	36
NET OPERATING PROFIT	**1,650**	**97**	**56**	**183**	**1,986**
Provisions for risks and charges	(155)	(12)	1	(8)	(174)
Restructuring costs	—	—	—	—	—
Net income from investments	60	1	(1)	48	108
PROFIT BEFORE TAX	**1,555**	**86**	**56**	**223**	**1,920**

Notes to the Income Statement (Continued)

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

INCOME/EXPENSES	1/1 – 30/6/2012	1/1 – 30/6/2011	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Net interest	1,107	1,304	553	554	552	581	668
Dividends and other income from equity investments	54	85	33	21	13	33	25
Net fees and commissions	237	309	92	145	131	157	142
Net trading income	835	780	53	782	(492)	(119)	271
Net other expenses/income	(17)	(44)	(7)	(10)	(23)	(16)	(21)
OPERATING INCOME	**2,216**	**2,434**	**724**	**1,492**	**181**	**636**	**1,085**
Payroll costs	(308)	(316)	(143)	(165)	(111)	(160)	(158)
Other administrative expenses	(493)	(470)	(260)	(233)	(282)	(232)	(240)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(5)	(6)	(3)	(2)	(3)	(4)	(3)
Operating costs	**(806)**	**(792)**	**(406)**	**(400)**	**(396)**	**(396)**	**(401)**
OPERATING PROFIT/(LOSS)	**1,410**	**1,642**	**318**	**1,092**	**(215)**	**240**	**684**
Net write-downs of loans and provisions for guarantees and commitments	(384)	8	(313)	(71)	(227)	(97)	97
NET OPERATING PROFIT/(LOSS)	**1,026**	**1,650**	**5**	**1,021**	**(442)**	**143**	**781**
Provisions for risks and charges	55	(155)	81	(26)	30	(79)	(101)
Restructuring costs	(1)	—	(1)	—	(63)	—	—
Net income from investments	13	60	(1)	14	(48)	—	4
PROFIT/(LOSS) BEFORE TAX	**1,093**	**1,555**	**84**	**1,009**	**(523)**	**64**	**684**
Cost-income ratio in %	36.4	32.5	56.1	26.8	218.8	62.3	37.0

Development of the Corporate & Investment Banking division

The Corporate & Investment Banking division generated operating income of €2,216 million in the difficult market environment of the first half of 2012, which represents a decline of 9.0%, or €218 million, compared with the equivalent period last year (€2,434 million). After taking account of the slight rise in operating costs of €806 million (up 1.8% or €14 million compared with the first half of 2011), the operating profit totalled €1,410 million, which is €232 million lower than the same period last year (€1,642 million).

The decline in operating income is mainly due to the lower net interest (€1,107 million compared with €1,304 million in the same period last year, down 15.1% or €196 million). Last year, the Multinational Corporates unit had posted a large, non-recurring positive effect. Due to the persistently low interest rates, the deposit-taking operations this year were weighed down by much lower margins. Dividend income fell on account of lower dividend payments by private equity funds (€54 million compared with €85 million in the equivalent period last year, down 36.5% or €31 million). Net fees and commissions were unable to match the good year-ago figure, particularly in credit-related operations (€237 million compared with €309 million in the equivalent period last year, down 23.3% or €72 million).

The division generated net trading income of €835 million in the first half of 2012, thus exceeding last year's figure (€780 million) by €55 million. This development was chiefly assisted by the reversal of the credit value adjustments in the first quarter of 2012 that it had become necessary to take in 2011. In total, the division posted positive effects of €327 million from credit value adjustments in the first half of 2012 compared with last year. In addition, the Rates & FX (interest- and currency-related products) and Equities (equity and index products, and certificates) trading units in particular contributed to the pleasing net trading income but were unable to repeat the excellent year-ago result.

The small increase in operating costs can be attributed to a rise in other administrative expenses caused by inflation and other factors while payroll costs as well as amortisation, depreciation and impairment losses on intangible and tangible assets fell slightly. The cost-income ratio of this division amounts to a good 36.4% (2011: 32.5%).

Net write-downs of loans and provisions for guarantees and commitments reached a very favourable figure historically in this period last year with a net reversal of €8 million. A net addition of €384 million to net write-downs of loans and provisions for guarantees and commitments became necessary in the first half of 2012. The largest individual item within this net addition relates to a loan exposure of €104 million in connection with the construction of an offshore wind farm. As sufficient provision for this exposure had already been made in provisions for risks and charges last year, this resulted in a net gain of €55 million in provisions for risks and charges (first half of 2011: net expense of €155 million) due to the reversal of the corresponding provision. Together with the net income from investments of €13 million (first half 2011: €60 million), the division generated a good profit before tax of €1,093 million in the first half of 2012. Last year's very strong result of €1,555 million was generated under far more favourable conditions and is therefore ultimately not fully comparable.

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

INCOME/EXPENSES	1/1 – 30/6/2012	1/1 – 30/6/2011	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Net interest	547	611	269	278	314	316	307
Dividends and other income from equity investments	4	3	4	—	—	—	4
Net fees and commissions	284	290	150	134	124	138	135
Net trading income	—	2	—	—	(4)	(2)	1
Net other expenses/income	5	12	3	2	4	19	8
OPERATING INCOME	**840**	**918**	**426**	**414**	**438**	**471**	**455**
Payroll costs	(317)	(301)	(164)	(153)	(155)	(163)	(151)
Other administrative expenses	(479)	(491)	(231)	(248)	(248)	(245)	(247)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(9)	(9)	(5)	(4)	(5)	(4)	(5)
Operating costs	**(805)**	**(801)**	**(400)**	**(405)**	**(408)**	**(412)**	**(403)**
OPERATING PROFIT	**35**	**117**	**26**	**9**	**30**	**59**	**52**
Net write-downs of loans and provisions for guarantees and commitments	(14)	(20)	—	(14)	8	(18)	4
NET OPERATING PROFIT/(LOSS)	**21**	**97**	**26**	**(5)**	**38**	**41**	**56**
Provisions for risks and charges	20	(12)	2	18	(22)	1	(11)
Restructuring costs	—	—	—	—	(15)	—	—
Net income from investments	6	1	4	2	(1)	(1)	1
PROFIT BEFORE TAX	**47**	**86**	**32**	**15**	**—**	**41**	**46**
Cost-income ratio in %	95.8	87.3	93.9	97.8	93.2	87.5	88.6

Development of the Family & SME division

At €47 million, the profit before tax of the Family & SME division in the first half of 2012 was down €39 million on the equivalent period last year. This decline can be attributed primarily to a decrease of €78 million in operating income to €840 million. In the process, net interest fell by €64 million to €547 million, chiefly in deposit-taking operations on account of the low level of interest rates. At €284 million, net fees and commissions almost matched the excellent level recorded in the first half of 2011 (€290 million) despite ongoing restraint on the part of investors. The substantial increase over the first quarter of 2012 can be attributed to the successful sale of innovative, demand-compliant products. In addition, the building-society business and the sale of unit-linked pension policies developed well.

At €805 million, operating costs remained almost constant compared with the first half of 2011 (€801 million) owing to consistent cost management. Net write-downs of loans and provisions for guarantees and commitments declined by around 30% to €14 million over the first half of last year. After positive effects from provisions for legal risks and the net income from investments have been taken into account, the Family & SME division generated a profit before tax of €47 million in the first half of 2012 (2011: €86 million).

Notes to the Income Statement (Continued)

Income statement of the Private Banking division (€ millions)

INCOME/EXPENSES	1/1 – 30/6/2012	1/1 – 30/6/2011	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Net interest	46	52	21	25	26	30	27
Dividends and other income from equity investments	3	3	2	1	1	1	1
Net fees and commissions	69	82	35	34	34	33	40
Net trading income	(1)	—	(1)	—	—	—	—
Net other expenses/income	1	1	—	1	1	—	1
OPERATING INCOME	**118**	**138**	**57**	**61**	**62**	**64**	**69**
Payroll costs	(39)	(37)	(20)	(19)	(19)	(19)	(19)
Other administrative expenses	(42)	(41)	(20)	(22)	(22)	(20)	(21)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(1)	(1)	—	(1)	(1)	(1)	—
Operating costs	**(82)**	**(79)**	**(40)**	**(42)**	**(42)**	**(40)**	**(40)**
OPERATING PROFIT	**36**	**59**	**17**	**19**	**20**	**24**	**29**
Net write-downs of loans and provisions for guarantees and commitments	(1)	(3)	—	(1)	1	1	(3)
NET OPERATING PROFIT	**35**	**56**	**17**	**18**	**21**	**25**	**26**
Provisions for risks and charges	(7)	1	(7)	—	(25)	(1)	—
Restructuring costs	—	—	—	—	—	(3)	—
Net income from investments	—	(1)	—	—	—	—	(1)
PROFIT/(LOSS) BEFORE TAX	**28**	**56**	**10**	**18**	**(4)**	**21**	**25**
Cost-income ratio in %	69.5	57.2	70.2	68.9	67.7	62.5	58.0

Development of the Private Banking division

The Private Banking division generated a profit before tax of €28 million in the first half of 2012, failing to match the good total recorded in the equivalent period last year. The main reason for this is a decline of €20 million in operating income to €118 million. Within operating income the €69 million recorded for net fees and commissions in particular failed to match the high figure in 2011 on account of generally weak customer demand. Net interest fell by €6 million to €46 million as a result of the sharp decline in interest margins.

The 3.8% increase in operating costs to €82 million can be attributed to a rise in payroll costs and higher other administrative expenses as a result of the allocation of higher indirect costs. The cost-income ratio amounted to 69.5% after 57.2% in the same period last year.

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

INCOME/EXPENSES	1/1 – 30/6/2012	1/1 – 30/6/2011	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Net interest	96	146	35	61	74	67	78
Dividends and other income from equity investments	1	10	1	—	(1)	2	6
Net fees and commissions	6	9	4	2	3	(2)	6
Net trading income	112	5	87	25	47	(27)	1
Net other expenses/income	70	73	35	35	26	38	23
OPERATING INCOME	**285**	**243**	**162**	**123**	**149**	**78**	**114**
Payroll costs	(276)	(263)	(141)	(135)	(135)	(140)	(133)
Other administrative expenses	262	239	141	121	100	119	125
Amortisation, depreciation and impairment losses on intangible and tangible assets	(76)	(87)	(37)	(39)	(37)	(41)	(43)
Operating costs	**(90)**	**(111)**	**(37)**	**(53)**	**(72)**	**(62)**	**(51)**
OPERATING PROFIT	**195**	**132**	**125**	**70**	**77**	**16**	**63**
Net write-downs of loans and provisions for guarantees and commitments	134	51	138	(4)	30	—	65
NET OPERATING PROFIT	**329**	**183**	**263**	**66**	**107**	**16**	**128**
Provisions for risks and charges	8	(8)	(1)	9	47	(28)	(4)
Restructuring costs	1	—	1	—	3	(30)	—
Net income from investments	51	48	47	4	(8)	(11)	46
PROFIT/(LOSS) BEFORE TAX	**389**	**223**	**310**	**79**	**149**	**(53)**	**170**
Cost-income ratio in %	31.6	45.7	22.8	43.1	48.3	79.5	44.7

Development of the Other/consolidation segment

The operating income of this segment amounted to €285 million in the first half of 2012 (first half of 2011: €243 million). While net interest fell by €50 million to €96 million, there was a rise of €42 million in operating income, mainly as a result of the €107 million improvement in net trading income to €112 million. The increase in net trading income was due particularly to gains generated in connection with the buy-back of hybrid capital instruments and supplementary capital.

Operating costs declined by €21 million overall as result of the bank levy in Austria that is no longer payable (expenses for bank levy in 2011: €24 million). Consequently, operating profit increased by €63 million in the first half of 2012 to €195 million (first half of 2011: €132 million).

In the first half of 2012, a net reversal of €134 million was recorded in net write-downs of loans and provisions for guarantees and commitments after a net reversal of €51 million had been posted in the previous year. With hardly any change year-on-year in net income from investments at €51 million (first half of 2011: €48 million), the profit before tax totalled €389 million, which is €166 million higher than the year-ago total.

Notes to the Income Statement (Continued)

4 Net interest

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Interest income from	**3,788**	**4,312**
lending and money market transactions	2,667	2,945
other interest income	1,121	1,367
Interest expense from	**(1,992)**	**(2,199)**
deposits	(653)	(761)
debt securities in issue and other interest expenses	(1,339)	(1,438)
Total	**1,796**	**2,113**

5 Dividends and other income from equity investments

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Dividends and other similar income	57	95
Companies accounted for using the equity method	5	6
Total	**62**	**101**

6 Net fees and commissions

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Management, brokerage and consultancy services	297	345
Collection and payment services	88	85
Lending operations	203	245
Other service operations	8	15
Total	**596**	**690**

This item comprises the balance of fee and commission income of €816 million (2011: €980 million) and fee and commission expenses of €220 million (2011: €290 million).

7 Net trading income

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Net gains on financial assets held for trading[1]	1,006	710
Effects arising from hedge accounting	(51)	63
Changes in fair value of hedged items	(587)	394
Changes in fair value of hedging derivatives	536	(331)
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	(67)	10
Other net trading income	58	4
Total	**946**	**787**

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.

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 of these activities to profits is disclosed, the interest cash flows are only carried in net trading income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

8 Net other expenses/income

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Other income	168	149
Other expenses	(109)	(107)
Total	**59**	**42**

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

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Additions/releases	**(290)**	**(93)**
Allowances for losses on loans and receivables	(261)	(79)
Allowances for losses on guarantees and indemnities	(29)	(14)
Recoveries from write-offs of loans and receivables	**25**	**132**
Gains on the disposal of impaired loans and receivables	**—**	**(3)**
Total	**(265)**	**36**

In gross terms, the expenses of €745 million for additions in the first half of 2012 (2011: €750 million) were partly offset by releases and recoveries from write-offs of loans and receivables amounting to €480 million (2011: €786 million). At €104 million, the largest individual addition in the reporting period relates to our loan exposure in connection with the construction of an offshore wind farm. Adequate provision for this had already been made under provisions for risks and charges in 2011, meaning that a corresponding net release could be recognised in provisions for risks and charges.

10 Provisions for risks and charges

A net gain of €76 million was recorded from net reversals of provisions for risks and charges during the reporting period. An amount of €104 million relating to the offshore wind farm mentioned above is the largest individual item in these net reversals. This is offset mainly by additions to provisions for risks and charges which chiefly relate to legal risks. A net addition of €174 million was reported in the first half of 2011.

11 Net income from investments

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Available-for-sale financial assets	14	118
Shares in affiliated companies	—	2
Companies accounted for using the equity method	—	(7)
Held-to-maturity investments	5	(4)
Land and buildings	49	—
Investment properties[1]	2	(1)
Other	—	—
Total	**70**	**108**

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

Notes to the Income Statement (Continued)

Net income from investments breaks down as follows:

(€ millions)

	1/1 – 30/6/2012	1/1 – 30/6/2011
Gains on the disposal of	**84**	**111**
available-for-sale financial assets	22	110
shares in affiliated companies	—	2
companies accounted for using the equity method	—	(7)
held-to-maturity investments	5	(4)
land and buildings	49	—
investment properties[1]	8	10
Write-downs, value adjustments and write-ups on	**(14)**	**(3)**
available-for-sale financial assets	(8)	8
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
investment properties[1]	(6)	(11)
Total	**70**	**108**

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

12 Earnings per share

	1/1 – 30/6/2012	1/1 – 30/6/2011
Consolidated profit attributable to shareholder (€ millions)	894	1,274
Average number of shares	802,383,672	802,383,672
Earnings per share (€)	1.11	1.59

Notes to the Balance Sheet

13 Financial assets held for trading

(€ millions)

	30/6/2012	31/12/2011
Balance sheet assets	**26,462**	**30,103**
Fixed-income securities	14,443	17,444
Equity instruments	3,240	3,578
Other financial assets held for trading	8,779	9,081
Positive fair value from derivative financial instruments	**120,786**	**118,953**
Total	**147,248**	**149,056**

The financial assets held for trading include €190 million (31 December 2011: €228 million) in subordinated assets at 30 June 2012.

14 Financial assets at fair value through profit or loss

(€ millions)

	30/6/2012	31/12/2011
Fixed-income securities	19,368	26,103
Equity instruments	—	—
Investment certificates	2	2
Promissory notes	1,464	1,940
Other financial assets at fair value through profit or loss	—	—
Total	**20,834**	**28,045**

The financial assets at fair value through profit or loss include €316 million (31 December 2011: €308 million) in subordinated assets at 30 June 2012.

15 Available-for-sale financial assets

(€ millions)

	30/6/2012	31/12/2011
Fixed-income securities	3,917	3,727
Equity instruments	654	648
Other available-for-sale financial assets	229	299
Impaired assets	738	802
Total	**5,538**	**5,476**

At 30 June 2012, available-for-sale financial assets include financial instruments of €1,284 million (31 December 2011: €1,402 million) valued at cost.

The available-for-sale financial assets contain a total of €738 million (31 December 2011: €802 million) in impaired assets at 30 June 2012 for which impairments of €13 million (30 June 2011: €12 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 €209 million (31 December 2011: €227 million) in subordinated assets at 30 June 2012.

Notes to the Balance Sheet (Continued)

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

(€ millions)

	30/6/2012	31/12/2011
Associated companies accounted for using the equity method	52	49
of which: goodwill	37	35
Joint ventures accounted for using the equity method	—	—
Total	**52**	**49**

17 Held-to-maturity investments

(€ millions)

	30/6/2012	31/12/2011
Fixed-income securities	283	2,463
Impaired assets	—	—
Total	**283**	**2,463**

The held-to-maturity investments include a total of €10 million (31 December 2011: €11 million) in subordinated assets at 30 June 2012.

Held-to-maturity investments at 30 June 2012 include no impaired assets, neither did held-to-maturity investments at 31 December 2011 include any impaired assets.

18 Loans and receivables with banks

(€ millions)

	30/6/2012	31/12/2011
Current accounts	18,926	17,412
Repos[1]	9,111	5,738
Reclassified securities	2,332	3,154
Other loans to banks	15,969	17,973
Total	**46,338**	**44,277**

1 repurchase agreements

The loans and receivables with banks include €651 million (31 December 2011: €651 million) in subordinated assets at 30 June 2012.

19 Loans and receivables with customers

(€ millions)

	30/6/2012	31/12/2011
Current accounts	10,684	10,228
Repos[1]	2,011	5,728
Mortgage loans	44,361	46,097
Finance leases	1,985	1,982
Reclassified securities	4,134	4,737
Non-performing loans and receivables	4,174	4,216
Other loans and receivables	65,472	63,573
Total	**132,821**	**136,561**

1 repurchase agreements

The loans and receivables with customers include €1,591 million (31 December 2011: €1,753 million) in subordinated assets at 30 June 2012.

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 2012. 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 31/12/2011	4.7	4.0	5.0
Balance at 30/6/2012	3.9	3.4	4.2
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 31/12/2011	3.2	3.2	3.3
Balance at 30/6/2012	2.6	2.5	2.6
Balance of reclassified assets at 30/6/2012	**6.5**	**5.9**	**6.8**

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 €5.9 billion at 30 June 2012. 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 €174 million in net trading income in the first half of 2012. A net gain of €96 million (2011), €416 million (2010) and €1,159 million (2009) would have arisen in net trading income in the financial years 2011, 2010 and 2009 while a net loss of €1,792 million would have accrued in net trading 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 €2 million on the reclassified assets in the first six months of 2012 (whole of 2011: €3 million, 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 €35 million (whole of 2011: €100 million, 2010: €160 million, 2009: €208 million, 2008: €127 million), which is recognised in net interest.

A gain of €22 million (whole of 2011: €14 million, 2010: €19 million, 2009: €83 million) on reclassified securities that had been sold was recognised in the income statement in the first six months of 2012.

In the first half of 2012, the reclassifications carried out in 2008 and 2009 resulted in a profit before tax that was €119 million lower. 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 €559 million before tax (first half of 2012: minus €119 million, whole of 2011: plus €15 million, 2010: minus €245 million, 2009: minus €948 million, 2008: plus €1,856 million).

Notes to the Balance Sheet (Continued)

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

Analysis of loans and receivables

(€ millions)

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**
Balance at 1 January 2012	**4,743**
Changes affecting income[1]	261
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	(304)
Effects of currency translation and other changes not affecting income	11
Non-current assets or disposal groups held for sale	(15)
Balance at 30 June 2012	**4,696**

1 the changes affecting income include the gains on the disposal of impaired receivables

22 Deposits from banks

(€ millions)

	30/6/2012	31/12/2011
Deposits from central banks	**9,747**	**5,507**
Deposits from banks	**47,954**	**52,351**
Current accounts	15,029	10,356
Reverse repos[1]	13,232	21,619
Term deposits	9,375	9,995
Other liabilities	10,318	10,381
Total	**57,701**	**57,858**

1 repurchase agreements

23 Deposits from customers

(€ millions)

	30/6/2012	31/12/2011
Current accounts	58,902	52,881
Savings deposits	13,624	13,797
Reverse repos[1]	13,431	8,989
Term deposits	23,931	22,916
Other liabilities	8,391	8,859
Total	**118,279**	**107,442**

1 repurchase agreements

24 Debt securities in issue

(€ millions)

	30/6/2012	31/12/2011
Bonds	35,652	42,174
Other securities	1,055	493
Total	**36,707**	**42,667**

25 Provisions

(€ millions)

	30/6/2012	31/12/2011
Provisions for pensions and similar commitments	48	47
Allowances for losses on guarantees and commitments	225	201
Restructuring provisions	129	156
Actuarial provisions	28	35
Other provisions	1,508	1,674
Total	**1,938**	**2,113**

26 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments recognised in equity totalled minus €44 million at 30 June 2012 (31 December 2011: minus €112 million). While the hedge reserve declined a slight €1 million to €21 million compared with year-end 2011, the positive development in the reserves arising from changes in the valuation of financial instruments recognised in equity can be attributed almost exclusively to the €69 million increase in the AfS reserve to minus €65 million. This results primarily from positive fair value fluctuations of fixed-income securities classified as available for sale.

27 Subordinated capital

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

	30/6/2012	31/12/2011
Subordinated liabilities	2,154	2,496
Participating certificates outstanding	—	155
Hybrid capital instruments	402	804
Total	**2,556**	**3,455**

Other Information

28 Contingent liabilities and other commitments

(€ millions)

	30/6/2012	31/12/2011
Contingent liabilities[1]	**19,967**	**21,050**
Guarantees and indemnities	19,967	21,050
Other commitments	**36,613**	**40,634**
Irrevocable credit commitments	36,159	40,180
Other commitments[2]	454	454
Total	**56,580**	**61,684**

1 contingent liabilities are offset by contingent assets to the same amount
2 without commitments arising from leases

29 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.

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)

CARRYING AMOUNTS		30/6/2012 SENIOR	30/6/2012 MEZZANINE	30/6/2012 JUNIOR	30/6/2012 TOTAL	31/12/2011 TOTAL
Positions retained from own securitisations		**—**	**114**	**—**	**114**	**322**
Positions in third-party ABS transactions		**3,540**	**1,437**	**32**	**5,009**	**4,829**
Residential mortgage-backed securities (RMBS)		1,633	457	—	2,090	2,139
thereof:						
US subprime		2	—	—	2	2
US Alt-A		2	—	—	2	2
Commercial mortgage-backed securities (CMBS)		914	300	—	1,214	993
Collateralised debt obligations (CDO)		31	77	—	108	145
thereof:						
US subprime		—	—	—	—	—
US Alt-A		—	—	—	—	—
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		628	407	29	1,064	1,134
Consumer loans		214	122	3	339	184
Credit cards		—	—	—	—	—
Leases		118	57	—	175	212
Others		2	17	—	19	22
Total	**30/6/2012**	**3,540**	**1,551**	**32**	**5,123**	
	31/12/2011	**3,596**	**1,522**	**33**	**5,151**	
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2012**	**5**	**26**	**15**	**46**	
	31/12/2011	**27**	**37**	**17**	**81**	

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.

Other Information (Continued)

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		30/6/2012 EUROPE	USA	ASIA	OTHER REGIONS	TOTAL
Positions retained from own securitisations		**114**	**—**	**—**	**—**	**114**
Positions in third-party ABS transactions		**4,134**	**652**	**25**	**198**	**5,009**
Residential mortgage-backed securities (RMBS)		1,916	10	23	141	2,090
thereof:						
US subprime		—	2	—	—	2
US Alt-A		—	2	—	—	2
Commercial mortgage-backed securities (CMBS)		1,047	165	2	—	1,214
Collateralised debt obligations (CDO)		24	84	—	—	108
thereof:						
US subprime		—	—	—	—	—
US Alt-A		—	—	—	—	—
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		729	278	—	57	1,064
Consumer loans		243	96	—	—	339
Credit cards		—	—	—	—	—
Leases		157	18	—	—	175
Others		18	1	—	—	19
Total	**30/6/2012**	**4,248**	**652**	**25**	**198**	**5,123**
	31/12/2011	**4,245**	**671**	**31**	**204**	**5,151**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2012**	**6**	**40**	**—**	**—**	**46**
	31/12/2011	**29**	**52**	**—**	**—**	**81**

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 remaining maturity (HVB Group without fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles; these are shown separately) (€ millions)

CARRYING AMOUNTS		30/6/2012 LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Positions retained from own securitisations		**15**	**99**	**—**	**114**
Positions in third-party ABS transactions		**507**	**3,105**	**1,397**	**5,009**
Residential mortgage-backed securities (RMBS)		188	869	1,033	2,090
thereof:					
US subprime		—	1	1	2
US Alt-A		—	2	—	2
Commercial mortgage-backed securities (CMBS)		137	980	97	1,214
Collateralised debt obligations (CDO)		—	36	72	108
thereof:					
US subprime		—	—	—	—
US Alt-A		—	—	—	—
Collateralised loan obligations (CLO)/					
collateralised bond obligations (CBO)		52	845	167	1,064
Consumer loans		82	230	27	339
Credit cards		—	—	—	—
Leases		45	129	1	175
Others		3	16	—	19
Total	**30/6/2012**	**522**	**3,204**	**1,397**	**5,123**
	31/12/2011	**726**	**2,756**	**1,669**	**5,151**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2012**	**1**	**45**	**—**	**46**
	31/12/2011	**—**	**67**	**14**	**81**

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 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)

CARRYING AMOUNTS		30/6/2012 HELD FOR TRADING	30/6/2012 FAIR VALUE OPTION	30/6/2012 LOANS & RECEIVABLES	30/6/2012 HELD TO MATURITY	30/6/2012 AVAILABLE FOR SALE	30/6/2012 TOTAL
Positions retained from own securitisations		**15**	**—**	**—**	**—**	**99**	**114**
Positions in third-party ABS transactions		**466**	**43**	**4,125**	**94**	**281**	**5,009**
Residential mortgage-backed securities (RMBS)		44	15	1,956	3	72	2,090
thereof:							
US subprime		—	—	1	1	—	2
US Alt-A		—	1	1	—	—	2
Commercial mortgage-backed securities (CMBS)		90	7	1,082	—	35	1,214
Collateralised debt obligations (CDO)		17	5	67	19	—	108
thereof:							
US subprime		—	—	—	—	—	—
US Alt-A		—	—	—	—	—	—
Collateralised loan obligations (CLO)/							
collateralised bond obligations (CBO)		266	12	602	62	122	1,064
Consumer loans		28	—	302	9	—	339
Credit cards		—	—	—	—	—	—
Leases		21	—	102	—	52	175
Others		—	4	14	1	—	19
Total	**30/6/2012**	**481**	**43**	**4,125**	**94**	**380**	**5,123**
	31/12/2011	**564**	**72**	**3,876**	**96**	**543**	**5,151**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2012**	**46**	**—**	**—**	**—**	**—**	**46**
	31/12/2011	**81**	**—**	**—**	**—**	**—**	**81**

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

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 entities are also shown. An amount of €158 million out of the total €1,079 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)

		30/6/2012				31/12/2011
CARRYING AMOUNTS		SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Residential mortgage loans/ residential mortgage-backed securities (RMBS)		—	1,245	376[1]	1,621	1,722
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)		—	—	—	—	992
Collateralised debt obligations (CDO)		—	—	—	—	3
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		—	—	—	—	95
Consumer loans		366	—	—	366	599
Credit cards		—	—	—	—	—
Leases		931	—	—	931	553
Other (including hedge fund investments)		424	372	283[2]	1,079	1,726
Total	**30/6/2012**	**1,721**	**1,617**	**659**	**3,997**	
	31/12/2011	**2,771**	**1,767**	**722**	**5,260**	

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.

Other Information (Continued)

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

(€ millions)

CARRYING AMOUNTS		30/6/2012 EUROPE	USA	ASIA	OTHER REGIONS	TOTAL
Residential mortgage loans/						
residential mortgage-backed securities (RMBS)		1,407	—	214	—	1,621
Commercial mortgage loans/						
commercial mortgage-backed securities (CMBS)		—	—	—	—	—
Collateralised debt obligations (CDO)		—	—	—	—	—
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		—	—	—	—	—
Consumer loans		366	—	—	—	366
Credit cards		—	—	—	—	—
Leases		931	—	—	—	931
Other (including hedge fund investments)		643	179	36	221	1,079
Total	**30/6/2012**	**3,347**	**179**	**250**	**221**	**3,997**
	31/12/2011	**4,435**	**331**	**266**	**228**	**5,260**

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		30/6/2012 LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Residential mortgage loans/					
residential mortgage-backed securities (RMBS)		376	—	1,245	1,621
Commercial mortgage loans/					
commercial mortgage-backed securities (CMBS)		—	—	—	—
Collateralised debt obligations (CDO)		—	—	—	—
Collateralised loan obligations (CLO)/					
collateralised bond obligations (CBO)		—	—	—	—
Consumer loans		366	—	—	366
Credit cards		—	—	—	—
Leases		931	—	—	931
Other (including hedge fund investments)		1,075	4	—	1,079
Total	**30/6/2012**	**2,748**	**4**	**1,245**	**3,997**
	31/12/2011	**3,383**	**634**	**1,243**	**5,260**

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		30/6/2012 HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Residential mortgage loans/							
residential mortgage-backed securities (RMBS)		—	—	1,621	—	—	1,621
Commercial mortgage loans/							
commercial mortgage-backed securities (CMBS)		—	—	—	—	—	—
Collateralised debt obligations (CDO)		—	—	—	—	—	—
Collateralised loan obligations (CLO)/							
collateralised bond obligations (CBO)		—	—	—	—	—	—
Consumer loans		—	—	366	—	—	366
Credit cards		—	—	—	—	—	—
Leases		—	—	931	—	—	931
Other (including hedge fund investments)		283	—	796	—	—	1,079
Total	**30/6/2012**	**283**	**—**	**3,714**	**—**	**—**	**3,997**
	31/12/2011	**318**	**—**	**4,942**	**—**	**—**	**5,260**

Other Information (Continued)

30 Members of the Supervisory Board and Management Board

Supervisory Board

Federico Ghizzoni	**Chairman**
Peter König Dr Wolfgang Sprissler	**Deputy Chairmen**
Aldo Bulgarelli Beate Dura-Kempf Klaus Grünewald Werner Habich Dr Lothar Meyer Marina Natale Klaus-Peter Prinz Jens-Uwe Wächter Dr Susanne Weiss	**Members**

Management Board

Peter Buschbeck	Family & SME division
Jürgen Danzmayr	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

Munich, 31 July 2012

UniCredit Bank AG
The Management Board

Buschbeck	Danzmayr	Diederichs	Hofbauer
Laber	Varese	Dr Weimer	

Declaration 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, 31 July 2012

UniCredit Bank AG
The Management Board

Buschbeck Danzmayr Diederichs Hofbauer

Laber Varese Dr Weimer

Summary of Quarterly Financial Data

(€ millions)

OPERATING PERFORMANCE	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Net interest	878	918	966	994	1,080
Dividends and other income from equity investments	40	22	13	36	36
Net fees and commissions	281	315	292	326	323
Net trading income	139	807	(449)	(148)	273
Net other expenses/income	31	28	8	41	11
OPERATING INCOME	**1,369**	**2,090**	**830**	**1,249**	**1,723**
Operating costs	(883)	(900)	(918)	(910)	(895)
OPERATING PROFIT/(LOSS)	**486**	**1,190**	**(88)**	**339**	**828**
Net write-downs of loans and provisions					
for guarantees and commitments	(175)	(90)	(188)	(114)	163
NET OPERATING PROFIT/(LOSS)	**311**	**1,100**	**(276)**	**225**	**991**
Provisions for risks and charges	75	1	30	(107)	(116)
Restructuring costs	—	—	(75)	(33)	—
Net income from investments	50	20	(57)	(12)	50
PROFIT/(LOSS) BEFORE TAX	**436**	**1,121**	**(378)**	**73**	**925**
Income tax for the period	(254)	(391)	123	(163)	(286)
PROFIT/(LOSS) AFTER TAX	**182**	**730**	**(255)**	**(90)**	**639**
Impairment on goodwill	—	—	—	(4)	—
CONSOLIDATED PROFIT/(LOSS)	**182**	**730**	**(255)**	**(94)**	**639**
attributable to shareholder of UniCredit Bank AG	187	707	(255)	(88)	623
attributable to minorities	(5)	23	—	(6)	16
Earnings per share (€)	**0.23**	**0.88**	**(0.32)**	**(0.11)**	**0.78**

Financial Calendar

Important Dates 2012*

Interim Report at 30 September 2012	14 November 2012

* dates planned

Contacts
Should you have any questions about the annual report or our interim reports, please contact Media Relations by
calling +49 (0)89 378-25744,
faxing +49 (0)89 378-25699.
You can call up important company announcements as soon as they have been published by visiting our website at www.hvb.de.

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

Publications
Annual report (English/German)
Interim reports (English/German)
for the first, second and third quarters
Sustainability Profile 2010
You can obtain PDF files of all reports on our website:
www.hvb.de/annualreport
www.hvb.de/interimreport
www.hvb.de/sustainabilityreport.

Ordering
To order more copies of the Half-yearly Financial Report or one of the publications listed here, please contact our Reporting Service by
calling +49 (0)89 85709286 or
faxing +49 (0)89 85709287.

Disclaimer
This edition of our Half-yearly Financial 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
Creative concept: Marco Ferri
Design, graphic development and composition:
MERCURIO GP© – Milan
Typesetting: Layoutsatz 2000 GmbH & Co. KG, Munich
Printed by: druckpruskil.gmbh
Print deadline: 2 August 2012
Publication date: 16 August 2012
Printed in Germany

The paper used for this Half-yearly Financial Report has been certified according to the criteria set by the Forest Stewardship Council (FSC).
FSC has developed strict socioecological standards for forest management.
These are designed to curb uncontrolled deforestation and other environmental destruction; they also protect human rights.
All products carrying the FSC label pass through the processing and trading chain.
Thus, the FSC rules also apply to paper-processors such as printing companies.

HypoVereinsbank Member of UniCredit

50062015