HypoVereinsbank Member of UniCredit

Clear answers for real benefits.

Half-yearly Financial Report at 30 June 2013

Contents

Financial Highlights

Key performance indicators

	1/1–30/6/2013	1/1–30/6/2012
Net operating profit	€1,121m	€1,411m
Cost-income ratio (based on operating income)	59.4%	51.5%
Profit before tax	€1,222m	€1,557m
Consolidated profit	€818m	€912m
Return on equity before tax[1]	11.8%	13.9%
Return on equity after tax[1]	8.1%	8.3%
Earnings per share	€1.01	€1.11

Balance sheet figures

	30/6/2013	31/12/2012
Total assets	€319.5bn	€348.3bn
Shareholders' equity	€21.6bn	€23.3bn
Leverage ratio[2]	14.8x	15.0x

Key capital ratios compliant with Basel II

	30/6/2013	31/12/2012
Core capital without hybrid capital (core Tier 1 capital)	€19.1bn	€19.1bn
Core capital (Tier 1 capital)	€19.2bn	€19.5bn
Risk-weighted assets (including equivalents for market risk and operational risk)	€100.0bn	€109.8bn
Core capital ratio without hybrid capital (core Tier 1 ratio)[3]	19.1%	17.4%
Core capital ratio (Tier 1 ratio)[3]	19.2%	17.8%

	30/6/2013	31/12/2012
Employees (in full-time equivalents, FTEs)	18,788	19,247
Branch offices	928	941

1 return on equity calculated on the basis of average shareholders' equity compliant with IFRS and projected profit before tax at 30 June 2013 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–	15/7/2013	Aaa	Aa1	8/6/2012
Standard & Poor's	A	A-1	watch negative	bbb+	12/7/2013	AAA	—	4/3/2013
Fitch Ratings	A+	F1+	stable	a-*	24/4/2013	AAA	AAA	11/3/2013/ 21/12/2012

* 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

The global economy stabilised in the first half of 2013 after losing much of its momentum during the course of 2012, and especially in the last quarter of that year. Growth in the countries on the eurozone's periphery is projected to have remained negative through to the mid-point of 2013, albeit at a reduced pace. The US economy did not slip into recession in the second quarter of 2013, despite wide-ranging automatic government austerity measures known as the fiscal cliff. The annualised growth of 1.8% seen in the first quarter of 2013 is expected to have been repeated in the second quarter. In China, on the other hand, the economy has slowed further, driven by a deceleration in industrial expansion, although it still recorded an annual growth rate of 7.5% in gross domestic product (GDP) in the second quarter of 2013.

The situation of the countries on the eurozone's southern periphery in particular remained bleak on account of the in part drastic austerity measures and rising unemployment. The huge burdens arising from budgetary consolidation have until recently caused the economies in the heavily indebted countries of the eurozone to contract sharply. The main reason for this was weaker domestic demand due to austerity measures. Alongside Greece, Ireland and Portugal, Cyprus is now also reliant upon financial assistance from the European Stability Mechanism (ESM) to cope with the massive imbalances in its bloated financial sector. Unlike in previous rescue packages, investors in the securities issued by the financial institutions were called to contribute more this time round as well as depositors of the financial institutions. Even though the economies of the core eurozone countries similarly slowed considerably during the course of 2012, the situation in the first half of 2013 was more stable. Thus, the growth differences between core and peripheral countries remain in place. Industrial output in Germany in particular rebounded in the first half of 2013. Following on from only a marginal rise in GDP in the first quarter (0.1%), the economy is expected to have tangibly picked up pace again in the second quarter of 2013, driven in part by the weather-related catch-up effects in the construction industry. The overall eurozone GDP is likely to have contracted somewhat in the second quarter, although the risk situation has probably eased a little.

Furthermore, the European Central Bank (ECB) continues to supply European banks with unlimited liquidity, although the funding required by banks in the countries affected by the sovereign debt crisis has fallen constantly since last autumn. The negative TARGET2 balance of the crisis-hit countries – Spain, Italy, Greece, Ireland, Portugal and Cyprus – had fallen from a peak value of €1 trillion in August 2012 to €714 billion by May 2013. The easing stems mainly from the announcement made by the ECB in the third quarter of 2012 that it is willing, under certain conditions, to buy unlimited volumes of government bonds issued by crisis-hit states with a maturity of up to three years on the secondary market (Outright Monetary Transactions or OMT). For such an intervention under the ESM, the member state in question must agree to a set of conditions and also continue to have access to the capital market.

The European capital markets performed moderately well in the first half of 2013, albeit with periods of unexpected volatility that was fairly high at times. At the end of the second quarter of 2013, the DAX 30 was up around 8.5%, well ahead of the EURO STOXX 50 which only gained around 2% in the same period. The yield on ten-year German government bonds increased from 1.30% at the start of the year to 1.55% by the end of June 2013, although it had briefly been as high as 1.80% a few weeks prior to that.

The ECB lowered its benchmark rate by 25 basis points in May to a new low of 0.5%. The interest paid on the deposit facility remained at 0%. In July, it reaffirmed that short-term interest rates would remain at this level, or even lower, for a longer period of time in order to counter a possible increase in longer term interest rates in the eurozone in correlation with US interest rates (due to the possible tapering of the third programme to buy sovereign bonds that has been running since September 2012 known as Quantitative Easing 3 or QE3). However, the ECB has not excluded the possibility of charging negative interest rates on deposits in the future. As a result of the very low level of interest rates, the banking sector is faced with falling earnings in interest-driven activities in particular on account of greater downward pressure on margins especially in deposit-taking business.

In addition, the measures taken by the financial industry to reduce risk-weighted assets together with the weak demand for credit observable in Germany in particular served to depress interest income. The euro remained largely stable against the US dollar, British pound, Swiss franc and Japanese yen in the second quarter, although it did prove highly volatile at times. The spreads on the credit markets narrowed, especially for sovereigns and banks, after they had come under some pressure at times due to the possible effects of a potential tapering of the third quantitative easing programme.

In this persistently challenging economic and financial environment, HVB Group generated a good profit before tax of €1,222 million in the first half of 2013. At €613 million in the first quarter and €609 million in the second, the quarterly results in this financial year have provided pleasingly consistent contributions to earnings. Based on the half-yearly result, there was a decline of €335 million in the profit before tax compared with the figure posted for the first six months of last year (€1,557 million). However, it should be taken into account in this context that the year-ago total benefited from a non-recurring item of €395 million in net trading income resulting from the reversal of credit value adjustments. Without this one-off effect last year, the profit before tax in 2013 would have been €60 million higher than last year's figure. Consolidated profit after tax amounted to €818 million in the reporting period (2012: €912 million).

The decline in reported profit before tax can be attributed to a fall of €331 million in net interest to €1,465 million combined with persistently low interest rate levels and the decline in net trading income to €709 million caused by the non-recurrence of the one-off income item. At the same time, net fees and commissions developed extremely well, rising by 9.1%, or €54 million, over the equivalent period last year to €650 million. Furthermore, net other expenses/income increased by €32 million to €91 million. We succeeded in reducing operating costs by a pleasing 1.1%, to €1,764 million, compared with the first half of 2012, despite an inflation rate of 1.5% and higher regulatory costs. The cost-income ratio of 59.4% for the first six months of 2013 (first half of 2012 excluding non-recurring effects in net trading income: 58.2%) remained at a very good level for a universal bank by both national and international standards. At €86 million, net write-downs of loans and provisions for guarantees and commitments were significantly lower than the €265 million recorded last year.

We described the changes made to our business model and our organisational structure in detail in Management's Discussion and Analysis in the HVB Group Annual Report for 2012 (see also page 45 and following in the HVB Group Annual Report for 2012). A wide-ranging resegmentation was undertaken in 2013 within the framework of these adjustments. The new segmentation is more closely aligned with usual international practice and is employed in similar form by our parent company across the UniCredit corporate group. HVB Group has now been divided into the following new segments: Commercial Banking, Corporate & Investment Banking, Asset Gathering, and Other/consolidation. The income and expenses shown in this financial year and the year-ago-figures for the new segments have been determined in accordance with the new segment contents. The tasks and objectives of each segment are described in Note 1, "Accounting and valuation principles".

All the segments contributed to the good profit before tax of HVB Group. The Commercial Banking (CB) business segment recorded a profit before tax of €218 million, down €41 million on the year-ago figure. Within this total, operating income fell by €39 million to €1,233 million, primarily on account of lower net interest. Operating costs rose slightly, while net write-downs of loans and provisions for guarantees and commitments decreased to what continues to be a very low level. The Corporate & Investment Banking (CIB) business segment recorded operating income of €1,387 million (first half of 2012: €1,848 million). The year-on-year decline of €461 million results mainly from the non-recurring item mentioned above of €395 million from credit value adjustments no longer included in the first half of 2013, which led to a decline of €249 million in net trading income, coupled with a decrease of €288 million in net interest. There was a substantial decline in net write-downs of loans and provisions for guarantees and commitments. Profit before tax amounted to €604 million after €900 million last year (without the non-recurring item named above, profit before tax would have been €99 million higher than the adjusted year-ago total). The Asset Gathering business segment generated a profit before tax of €10 million, which failed to fully match the pre-tax profit of €16 million recorded in 2012 due mainly to lower net interest.

HVB Group has had an excellent capital base for years. 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 risk-weighted asset equivalents for market risk and operational risk) increased again to 19.1% at 30 June 2013 (year-end 2012: 17.4%), which is an excellent level by both national and international standards. The shareholders' equity shown in the balance sheet fell by €1.7 billion compared with year-end 2012 to €21.6 billion as a result of the dividend payment totalling €2,462 million as resolved in the second quarter of 2013 by the Shareholders' Meeting which was only partially offset by the consolidated profit (attributable to the shareholder of UniCredit Bank AG) of €808 million generated in the first half of 2013. With total assets down by 8.3% compared with year-end 2012 to €319.5 billion, the leverage ratio (ratio of total assets to shareholders' equity shown in the balance sheet) amounted to 14.8x at 30 June 2013 after 15.0x at year-end 2012.

Financial Review (Continued)

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 has 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 activities 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. UniCredit Bank AG (HVB) is building on these advantages by adjusting its business model as implemented in the first half of 2013 to reflect the rapidly changing economic and regulatory environment and push further growth through a regional organisational structure and a stronger entrepreneurial focus.

We would expressly like to 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 in this Interim Management Report relate to the structure of our segmented income statement (see Note 3, “Segment reporting”) which we set out below. By doing so, we are following the Management Approach incorporated into our segment reporting.

	1/1–30/6/2013	1/1–30/6/2012	CHANGE	
Income/Expenses	**€ millions**	**€ millions**	**€ millions**	**in %**
Net interest	1,465	1,796	(331)	(18.4)
Dividends and other income from equity investments	56	62	(6)	(9.7)
Net fees and commissions	650	596	+ 54	+ 9.1
Net trading income	709	946	(237)	(25.1)
Net other expenses/income	91	59	+ 32	+ 54.2
OPERATING INCOME	**2,971**	**3,459**	**(488)**	**(14.1)**
Payroll costs	(906)	(940)	+ 34	(3.6)
Other administrative expenses	(765)	(752)	(13)	+ 1.7
Amortisation, depreciation and impairment losses				
on intangible and tangible assets	(93)	(91)	(2)	+ 2.2
Operating costs	**(1,764)**	**(1,783)**	**+ 19**	**(1.1)**
OPERATING PROFIT	**1,207**	**1,676**	**(469)**	**(28.0)**
Net write-downs of loans and provisions				
for guarantees and commitments	(86)	(265)	+ 179	(67.5)
NET OPERATING PROFIT	**1,121**	**1,411**	**(290)**	**(20.6)**
Provisions for risks and charges	9	76	(67)	+ 88.2
Restructuring costs	(2)	—	(2)	
Net income from investments	94	70	+ 24	+ 34.3
PROFIT BEFORE TAX	**1,222**	**1,557**	**(335)**	**(21.5)**
Income tax for the period	(404)	(645)	+ 241	(37.4)
CONSOLIDATED PROFIT	**818**	**912**	**(94)**	**(10.3)**

Net interest

Net interest fell by a tangible €331 million, or 18.4%, in the first half of 2013 compared with the equivalent period last year to €1,465 million. This can be attributed mainly to the decrease of €288 million in net interest in the CIB business segment to €585 million. However, net interest also fell in the other operating segments, amounting to €770 million in the CB business segment (2012: €811 million) and €17 million in the Asset Gathering business segment (2012: €28 million).

The decline in net interest results mainly from two developments. First, trading-induced interest fell by a sharp €120 million due in part to reduced volumes of financial assets held for trading. Second, net interest decreased primarily in lending operations on account of both contracting volumes and further declines in margins, especially in activities involving our corporate customers.

Dividends and other income from equity investments

The income generated from dividends and other income from equity investments, which results mainly from dividends paid by private equity funds, declined by €6 million compared with last year to total €56 million in the reporting period.

Net fees and commissions

In the first six months of 2013, net fees and commissions showed a very pleasing development compared with the same period last year, increasing by €54 million to €650 million. Within this total, growth was driven primarily by the net fees and commissions from lending operations which were up by €46 million to €229 million. Higher year-on-year results were also generated by an increase of €5 million in collection and payment services to €113 million on the back of higher account-management income and of €10 million in other service operations to €18 million. At €290 million, the year-ago total of €297 million was almost matched again in fee and commission income from management, brokerage and consultancy services. This trend is due mainly to a weaker securities business and can be attributed in part to customers' preference for products with lower margins for the Bank.

Net trading income

HVB Group recorded net trading income of €709 million in the first half of 2013; this represents a decline of €237 million, or 25.1%, compared with the equivalent period last year. It is important to note in this regard that the year-ago total benefited from a non-recurring effect of €395 million arising from the reversal of credit value adjustments in the first quarter of 2012. Adjusted for this effect, net trading income would have increased by €158 million compared with the equivalent period last year. In this context, valuation effects accrued on the financial liabilities held for trading, resulting from the inclusion of the own credit spread. This served to benefit net trading income year-on-year by an amount of €86 million.

The CIB business segment generated net trading income of €582 million in the reporting period compared with €831 million in the first half of 2012, which benefited from the effect described above from the reversal of credit value adjustments. Adjusted for this effect, net trading income increased by €146 million. In particular, the positive development of customer transactions involving fixed-income securities, interest rate derivatives and structured credit products contributed to this rise.

In order to enhance the capital structure of HVB Group and to exploit the low interest rate levels at the same time, further buy-backs of hybrid capital instruments were carried out in 2013. The resulting gains have been allocated to the Other/consolidation segment, for which we have recorded net trading income of €114 million after the first six months of 2013 (first half of 2012: €111 million, likewise including gains from the buy-back of hybrid capital instruments and supplementary capital).

Net other expenses/income

Net other expenses/income increased by a sharp €32 million to €91 million in the first half of 2013 compared with the equivalent period last year. This rise can be attributed primarily to the recognition of income from the billing of structuring and advisory services relating to project loans for earlier years and lower expenses for the bank levy in Germany, while the total in connection with disposals of loans and receivables fell compared with the same period last year.

Financial Review (Continued)

Operating costs
Operating costs declined by €19 million, or 1.1%, to €1,764 million during the reporting period compared with the first half of 2012. Within this total, payroll costs, at €906 million, were €34 million down on last year partly on account of lower expenses for profit-related bonus payments, despite the increases in standard-rate and non-standard-rate wages and salaries. By contrast, other administrative expenses rose by a slight €13 million, or 1.7%, to €765 million. The main increases within this total relate to expenses for the implementation of greater regulatory requirements, the cost of external service providers and marketing expenses. Amortisation, depreciation and impairment losses on intangible and tangible assets increased by €2 million to €93 million.

Operating profit (before net write-downs of loans and provisions for guarantees and commitments)
The operating profit fell by a significant €469 million, or 28.0%, to €1,207 million in the reporting period due to the declines in net trading income and net interest. Consequently, the cost-income ratio (ratio of operating costs to operating income) rose by 7.9 percentage points to 59.4% in the reporting period (first half of 2012: 51.5%), which, in view of the historically low level of interest rates, is still a very good level for a universal bank despite the rise.

Net write-downs of loans and provisions for guarantees and commitments and net operating profit
At €86 million, net write-downs of loans and provisions for guarantees and commitments in the reporting period were at a very low level and thus significantly below the figure posted for the equivalent period last year (€265 million). In gross terms, the expenses of €763 million for additions in the first half of 2013 (2012: €745 million) were largely offset by releases and recoveries from write-offs of loans and receivables amounting to €677 million (2012: €480 million).

Net operating profit was down by €290 million, or 20.6%, to €1,121 million compared with the equivalent period last year (first half of 2012: €1,411 million which benefited from the non-recurring item in net trading income). Without the non-recurring item, net operating profit would have risen by €105 million or 10.3%.

Provisions for risks and charges
There was net income of €9 million from the reversal of provisions in the current reporting period (2012: €76 million), essentially accruing in connection with the reversal of provisions for legal risks.

Net income from investments
Net income from investments amounted to €94 million after the first six months of 2013 compared with €70 million in 2012. The net income from investments in the reporting period resulted mostly from gains of €128 million on disposal, which were partially offset by write-downs and value adjustments totalling €34 million. Of the total gains on disposal, €73 million relate to available-for-sale financial assets, essentially stemming from the sale of private equity funds, and €54 million to the disposal of property.

The year-ago total of €70 million resulted chiefly from gains on the disposal of land and buildings (€49 million) and available-for-sale financial assets (€22 million).

Profit before tax, income tax for the period and consolidated profit
HVB Group generated a good profit before tax of €1,222 million in a persistently challenging market environment in the first half of 2013. This total was lower than the figure recorded for the first half of 2012 (€1,557 million), mainly on account of the non-recurring effect of €395 million included in net trading income last year. Adjusted for the non-recurring item in 2012, the profit before tax is up €60 million, or 5.2%, compared with the figure posted for the equivalent period last year. Income tax in the first six months of 2013 totalled €404 million due in part to the lower profit, which represents a decline of €241 million on the income tax reported for the equivalent period last year (€645 million). After deducting income tax, HVB Group generated a consolidated profit of €818 million in the first half of 2013 (first half of 2012: €912 million).

Segment results
The segments contributed the following amounts to the profit before tax of €1,222 million of HVB Group:

Commercial Banking	€218 million
Corporate & Investment Banking	€604 million
Asset Gathering	€10 million
Other/consolidation	€390 million

The 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 segment are described in Note 1, "Accounting and valuation principles".

Financial situation

Total assets

The total assets of HVB Group decreased by €28.8 billion, or 8.3%, to €319.5 billion at 30 June 2013 compared with year-end 2012.

On the assets side, financial assets held for trading fell by €23.3 billion to €107.7 billion, resulting from a decline in the positive fair values of derivative financial instruments (down €28.5 billion), while the financial instruments reported in the balance sheet were up by €5.1 billion, particularly due to the €4.3 billion increase in repurchase agreements and a larger holding of equity instruments (up €1.5 billion) with fixed-income securities falling by €0.6 billion. Loans and receivables with customers declined by €5.9 billion to €116.3 billion, due mostly to decreases of €4.7 billion in other receivables and €1.0 billion in the volume of mortgage loans. This development also reflects the lower funding requirements, particularly of our corporate customers. A lower figure was reported for cash and cash equivalents compared with year-end 2012. This decline of €5.5 billion took place most notably in deposits with central banks. The cash and cash equivalents of €10.1 billion reflects our still very comfortable liquidity base and the placement of our high liquidity reserves with Deutsche Bundesbank. Partly as a result of this high liquidity reserve, we continue to see ourselves more than adequately prepared to face the difficult situation on the capital and financial markets which is likely to persist over the rest of 2013. Loans and receivables with banks rose by €4.8 billion to €41.1 billion on account of a sharp increase of €7.0 billion in repurchase agreements while balances on current accounts were down by €1.7 billion. Furthermore, the financial assets at fair value through profit or loss increased by €2.8 billion to €27.1 billion.

On the liabilities side, financial liabilities held for trading fell by €29.6 billion year-on-year to €91.9 billion due primarily to lower negative fair values of derivative financial instruments (down €28.5 billion) together with lower other financial liabilities held for trading (down €1.1 billion). There was also a decline of €6.0 billion, to €104.2 billion, in deposits from customers. Within this total, there were decreases of €3.9 billion in credit balances on current accounts, of €1.3 billion in reverse repos and of €1.2 billion in other liabilities, while term and savings deposits increased by €0.2 billion respectively. There was a net decline of €2.8 billion, to €33.0 billion, in debt securities on account of issues due. By contrast, deposits from banks rose by €13.1 billion, to €58.3 billion, compared with year-end 2012, caused essentially by increases of €14.0 billion in reverse repos while deposits from central banks declined by €0.9 billion. The shareholders' equity shown in the balance sheet fell by €1.7 billion, to €21.6 billion, over year-end 2012. At the same time, the dividend payment of €2,462 million made in the second quarter of 2013 in accordance with the resolution by the Shareholders' Meeting was only partially offset by the consolidated profit (attributable to shareholder of UniCredit Bank AG) of €808 million generated in the first half of 2013.

The contingent liabilities and other commitments not included in the balance sheet increased by €0.3 billion at 30 June 2013 to €56.2 billion from the 2012 year-end total of €55.9 billion. This figure includes contingent liabilities in the form of financial guarantees of €19.4 billion (2012: €19.9 billion); these contingent liabilities are offset by contingent assets of the same amount. Other commitments of €36.8 billion (2012: €36.0 billion) primarily consist of irrevocable credit commitments which rose by €0.8 billion year-on-year to €36.5 billion.

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

The total risk-weighted assets of HVB Group (including market risk and operational risk) determined on the basis of Basel II (German Banking Act/Solvency Regulation – KWG/SolvV) amounted to €100.0 billion at 30 June 2013 (31 December 2012: €109.8 billion), which represents a decrease of €9.8 billion compared with year-end 2012.

In the process, the risk-weighted assets for credit risks (including counterparty default risk) determined by applying partial use decreased by €8.2 billion to €75.0 billion. The decline results primarily from a reduction of €6.6 billion in risk-weighted assets at HVB and of

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€1.6 billion at UniCredit Luxembourg S.A. HVB's credit risk fell by €3.0 billion as a result of improved risk weightings caused by the annual adjustment of the loss given default parameters and the expansion of the IRBA approval by the German Federal Financial Supervisory Authority (BaFin) in the second quarter of 2013. In addition, HVB's counterparty risk fell by €3.2 billion, mainly due to declines in exposures in the derivatives business and improved risk weightings. There was also a decrease of €0.4 billion in HVB's securitisation positions. The reduction at UniCredit Luxembourg was caused by both declines in exposures and improved ratings.

The risk-weighted assets for market risk decreased by €1.2 billion to €11.7 billion. This development is mainly due to a reduction of positions in Italian sovereign bonds.

The risk-weighted equivalents for operational risk fell by a total of €0.5 billion to €13.3 billion, mainly at companies subject to the Advanced Measurement Approach (AMA). The decrease is essentially caused by greater insurance cover for the whole of UniCredit which is included in the AMA in such a way as to reduce risk.

At 30 June 2013, the core capital of HVB Group compliant with the German Banking Act excluding hybrid capital (core Tier 1 capital) remained almost unchanged at €19.1 billion compared with year-end 2012. As a result of the decline in total risk-weighted assets, 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) rose to 19.1% at 30 June 2013 after 17.4% at year-end 2012. The core capital of HVB Group (Tier 1 capital) amounted to €19.2 billion at 30 June 2013 (31 December 2012: €19.5 billion). Due to the decline in total risk-weighted assets, the core capital ratio under Basel II (Tier 1 ratio; including market risk and operational risk) rose to 19.2% (31 December 2012: 17.8%). The equity capital amounted to €20.8 billion at 30 June 2013 (31 December 2012: €21.2 billion). The equity funds ratio was 20.8% at the end of June 2013 (31 December 2012: 19.3%).

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 this ratio is at least 1.00. At HVB, this figure declined to 1.28 at the end of June 2013 after 1.38 at year-end 2012. A detailed description on the liquidity situation is given in the section of the Risk Report entitled "Liquidity risk" in this Interim Management Report.

Corporate acquisitions and sales

There were no significant acquisitions or sales in the first half of 2013.

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

Corporate structure

Legal corporate structure

UniCredit Bank AG was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft with 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 as a subgroup.

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

The Management Board is the management body of HVB and consists of eight members. It is directly responsible for managing the Bank. It is obliged to act in the interests of the company and to increase its sustainable value. Within the framework of its leadership function, it is responsible for corporate planning and strategic orientation, and for ensuring adequate risk management and control. 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 the Bank and its subsidiaries, including the risk situation and significant compliance issues. The members of the Management Board are jointly responsible for managing the Bank.

The Supervisory Board of the Bank has 12 members and has an equal number of employee and shareholder representatives. The task of the Supervisory Board is to monitor and regularly advise the Management Board as it conducts its business.

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

Events after 30 June 2013

In the course of the ongoing sovereign debt crisis, the credit standings of the affected sovereigns and their financial institutions are being constantly reassessed. On 9 July 2013, the Standard & Poor's (S&P) rating agency lowered its long-term rating for the country of Italy by one notch from BBB+ to BBB, while the outlook was retained as negative due to the poor prospects for economic development. In connection with the downgrade for Italy, on 12 July 2013 S&P lowered its ratings for several Italian financial institutions, including our corporate parent UniCredit S.p.A., to BBB (outlook: negative), or put them on the watch list. At the same time, the long-term rating for HVB Group was left at A, although we were placed on "Watch negative", meaning that a downgrade is being considered. S&P expects to either confirm or lower our rating within the next three months. Rating agency Moody's confirmed our long-term rating of A3 on 15 July 2013.

Outlook

The following comments on the outlook are to be viewed in connection with the comments on the outlook in the Financial Review and Risk Report in the consolidated financial statements for the 2012 financial year (see the HVB Group Annual Report for 2012).

General economic outlook and sector development in 2013

The global economy and the international financial markets continue to face a high degree of uncertainty. Nonetheless, we anticipate a moderate recovery in the global economy in the second half of 2013. The Chinese economy has been a key driver of global growth over recent years, but it has recently seen its rate of expansion slow unexpectedly sharply. And the effects of the increasing scarcity of state credit remain uncertain. The structural potential in the world's second-biggest economy remains enormously high, however, and despite the slower pace of industrial growth, consumer demand has to date proved robust. By contrast, the economic environment in the United States has steadily improved of late. The turnaround has been achieved in the housing market and the labour market, yet the fiscal cliff has not been completely averted. Wide-ranging budget cuts were indeed implemented in the first half of 2013, although these do not appear to have had a negative effect on the steady recovery. The Federal Reserve is currently preparing to start a gradual normalisation of monetary policy accordingly. The first step in this regard will involve a reduction in the scope of bond purchases.

There are also signs of stabilisation in the eurozone, although the financial markets in Europe continue to see high volatility and structural solutions for the sovereign debt of major eurozone countries are still outstanding. Mutual agreement has been reached on easing the requirements for short-term austerity measures somewhat. This has helped to reduce the pressure on the domestic economy, while the prospects for exports have improved at the same time. The path of austerity in the countries affected by the debt crisis remains bumpy. There is a need for additional finance in Greece and Portugal in particular, although the extreme risk of the eurozone disintegrating has permanently declined since the announcement of the OMT programme by the ECB. Even though we project a tangible minus of 0.6% year-on-year for 2013 as a whole, eurozone GDP is likely to increase again somewhat in the second half of the year.

With regard to the German economy, we believe that growth of 0.5% can be achieved in 2013. Companies are anticipating a moderate recovery in exports as the year wears on and the prospects for domestic demand remain good. Given the improved outlook for the global economy, companies should be looking to catch up on at least part of the capital spending they had put back. The construction sector is benefiting greatly from the demand for housing driven by low interest rates. Furthermore, the slow but sure upward trend in employment, coupled with decent rises in take-home pay, is helping to boost consumer spending.

Financial Review (Continued)

The announcement of unlimited purchases of government bonds by the ECB, subject to certain conditions, in the third quarter of 2012 had a very positive impact on the general funding options available to banks. The second quarter of 2013 was characterised by far fewer issuing operations compared with the first quarter of the year. Besides seasonal effects, fears about an end to securities purchases in the United States and the tight situation on the Chinese interbank market are among the probably causes of the decline. Nonetheless, the market environment for banks can be expected to remain beneficial, although the risk of occasional volatility, triggered by political events, is far from negligible. Progress was made on regulatory proposals at both EU and German national level in the second quarter of 2013. In Germany, the Mediation Committee approved the act implementing CRD IV. This now makes it possible for the CRD IV directive to be enacted by 1 January 2014 in Germany, as demanded by the EU, and hence the foundation to be laid for a more stable financial sector. The lower and upper houses (Bundestag and Bundesrat) approved the act implementing CRD IV on 27 June 2013 and 5 July 2013 respectively. This means that CRD IV will come into force with effect from 1 January 2014. The preparations for CRD IV are likely to be a main point of focus for banks in the second half of the year. Thanks to its strong capital and liquidity base, HVB Group is well prepared for the requirements arising from the introduction of Basel III/CRD IV in terms of both fulfilling all the capital charges and new liquidity ratios. Technical implementation is running as planned.

Furthermore, German lawmakers are set to make changes to the regulations governing large loans and loans to executives (Großkredit- und Millionenkreditverordnung – GroMiKV), which could lead to restrictions on cross-border corporate financing. The new rules are currently still in the consultation phase and will come into force with effect from 1 January 2014 following their expected approval in the second half of 2013.

Moreover, banks in Germany are already expected to adjust their commercial operations in preparation for the mandatory segregation of proprietary trading activities. On 7 June 2013, the corresponding draft bill presented by the federal government was adopted by the upper house. This legislation requires banks that manage customer deposits to separate the risks arising from their proprietary speculative and high-risk transactions from their customer-based activities. The approved rules are scheduled to come into force in January 2014, and the segregation of the activities must be completed by July 2016. At present, it is not possible to assess the effects of this bill on the assets, liabilities, financial position, and profit or loss of HVB.

The EU proposal regarding bank rescues released on 27 June 2013 represents a further regulatory milestone. The Council of the European Union has approved the Bank Recovery and Resolution Directive (BRRD). This represents the springboard for the trilogue process that provides for a directive to be adopted by the end of 2013. The BRRD is intended to come into force with effect from 1 January 2015 as planned. The controversial bail-in mechanism for mainly unsecured bonds is only intended to come into force with effect from 1 January 2018.

Both CRD IV and the bank-recovery plans are intended to help greatly improve the stability of European banks in the medium term. At the same time, the regulatory requirements are likely to have a considerable influence on banks' business and funding models. Profitability is generally expected to decline while the cost of compliance will increase and the cost of funding with mainly unsecured bonds could rise in the long run.

In May 2013, the European Banking Authority agreed to review the quality of the assets held by major European banks with a view to alleviating concerns regarding a deterioration in quality. The intention is for these measures to be taken in the run-up to the EBA stress tests scheduled for the first half of 2014. The ECB is intended to gain a comprehensive picture of the condition of the banks prior to taking on the role of Europe-wide banking supervisor in the second half of 2014.

Development of HVB Group

With the difficult market conditions forecast to persist in 2013, HVB Group continues to expect that it will fail to match the very good result of the previous year over 2013 as a whole, in particular because the 2012 figures included the positive effect arising from credit value adjustments and net interest is set to fall on account of the ongoing downward pressure on margins. With the persistently high level of uncertainty entailed in the macropolitical environment in Europe and the resulting high structural volatility of financial and capital markets, forward-looking statements on performance are fairly unreliable. Based on our business model and the assumption that the political and macroeconomic environment will remain relatively stable, we assume that we will again be able to generate a good profit before tax in 2013. In this "stable scenario", we are budgeting for a pre-tax profit in 2013 roughly equal to the result in 2012 (adjusted for one-off effects).

HVB Group expects to record a year-on-year decline in operating income in 2013, in particular due to a significant decrease in net trading income. It should be noted, however, that the good figure posted for net trading income in 2012 benefited from the non-recurrent effect from the reversal of credit value adjustments mentioned above. At the same time, the downward pressure on margins in interest-driven activities should continue unabated in the 2013 financial year, which could lead to a sharp decline in net interest. Operating costs should remain close to their 2012 level, despite the anticipated inflation rate of 1.3% for the year as a whole, as a result of the strict cost management that we have been practising for several years now. We expect net write-downs of loans and provisions for guarantees and commitments in 2013 to be much lower than in 2012.

The financial markets will continue to be affected by the unresolved sovereign debt crisis in particular. Consequently, the performance of HVB Group will depend on the future development of the financial markets and the real economy as well as on other remaining imponderables. In this environment, HVB Group will continually adapt its business strategy to reflect changes in market conditions and carefully review the management signals 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 further volatility that can still be expected on the financial markets and an expanding real economy.

We expect that all the segments will contribute a profit before tax to the good results of HVB Group in the 2013 financial year as a whole. The results trends for the individual business segments in the 2013 financial year are discussed below.

HVB Group's performance in the 2013 financial year will depend in large part on the operating performance of the CIB business segment, and in particular its earnings and net write-downs of loans and provisions for guarantees and commitments. We expect CIB's operating income to decline year-on-year in the 2013 financial year, due in part to a fall in net trading income on account of the non-recurrence of the effect from the reversal of credit value adjustments included in the previous year. Without this one-off effect, higher net trading income is anticipated for 2013 compared with the previous year. At the same time, the decline in operating income will result from a sharp year-on-year fall in net interest due primarily to the persistently strong downward pressure on margins and the restrained demand for credit. By contrast, net fees and commissions are projected to rise across all activities. Operating costs are only expected to rise slightly set against falling payroll costs, whereas the net write-downs of loans and provisions for guarantees and commitments in the 2013 financial year are likely to be much lower than in the previous year. The profit before tax in the 2013 financial year is anticipated to be higher than the year-ago figure adjusted for the one-off effect in net trading income.

We expect the Commercial Banking business segment to record operating income in the 2013 financial year that is at around the same level as in the previous year. Within this total, the decline in net interest caused by the ongoing downward pressure on margins should be largely offset by an improvement in net fees and commissions, net trading income and net other expenses/income. In terms of net fees and commissions, the focus in the 2013 financial year will remain on the development of the mandate-based securities business with a view to stabilising net fee and commission income. The planned moderate increase in operating costs will probably result from other administrative expenses, whereas we would expect payroll costs to decline. The net write-downs of loans and provisions for guarantees and commitments will in all probability rise to a still moderate level in the 2013 financial year compared with the very low year-ago figure. All in all, the profit before tax for the 2013 financial year will not match the good year-ago total.

We expect the Asset Gathering business segment to report a pre-tax profit in the 2013 financial year that is well below the total for the previous year. In part, this is due to the challenging interest environment in this year and the associated significant decrease in net interest. At the same time, we do not expect to be able to match the unusually high net income from investments recorded in 2012. In terms of net interest, we do not envisage any further declines in the second half of the year compared with the first six months. We anticipate that the trading activity of our customers will touch the same levels in the second half of the year and hence that net fees and commissions will remain stable. Based on our consistent cost management, we expect operating costs to remain stable.

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 and risk transactions 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 risk-management, risk-controlling and risk-monitoring processes in all business segments 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), such as size, portfolio structure and risk content. The economic capital for large and complex companies is measured differently for the individual risk types. A simplified approach is applied for all other companies.

The risk types as defined in the next section have been regrouped for the 2013 Half-yearly Financial Report. 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

Credit 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 Commercial Banking (CB) business segments.

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

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.

The Bank defines **operational risk** as the possibility of suffering losses from faulty internal processes, systems or external events, and human error. This definition includes legal risk.

All minor risk types with a relatively low share of internal capital are grouped together under **other risks. Business risk** is defined by the Bank as losses from unexpected adverse 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. **Reputational risk** 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, creditors, rating agencies, employees and regulatory authorities or other interest groups such as private associations and the media. **Risk arising from the real estate portfolio** exists 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.

Risk arising from our shareholdings/financial investments relates to potential losses resulting from fluctuations in the prices of our listed and non-listed shareholdings, financial investments and corresponding fund shares. **Pension risk** is defined as the unexpected increase in pension commitments compared with the assets available to cover such commitments.

Integrated overall bank management

Background

The ICAAP requirements are derived from the Minimum Requirements for Risk Management (MaRisk) and are being constantly refined. Most of the new ICAAP-related features have already been implemented as a result of the timely examination of the new version of the MaRisk rules published on 14 December 2012. Larger adjustments are required to implement a process to plan the future capital requirement over a period of several years. The project activities required to do this have been started and the new requirements will be implemented together with the plan for the 2014 financial year.

Risk management

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

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

The business segments are responsible for performing risk management working closely with the CRO within the framework of competencies defined by the Management Board of HVB.

Functional separation

In addition to Bank-wide risk management, integrated overall bank management is accompanied by comprehensive risk controlling and monitoring in accordance with the MaRisk rules, which is functionally and organisationally independent.

Risk controlling

Risk controlling is defined as the operational implementation of the risk strategy. The Senior Risk Management (SRM) unit and the Credit RR F&SME Germany (KRI) unit are responsible for managing default risk for the CIB and Commercial Banking (CB) business segments. The senior risk managers and the credit specialists take lending credit decisions in the defined "risk-relevant business". Thus they make it possible for the front office units to 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. In the "non-risk-relevant business", the front office units are authorised to take their own credit decisions under conditions set by the CRO. The Trading Risk Management unit is responsible for controlling market risk, while the operational risk managers in the individual business segments are responsible for controlling operational risk. Controlling of the financial investments is in the hands of the business segments to which they are assigned in each case and the Asset Liability Management unit in the Chief Financial Officer (CFO) organisation is responsible for controlling liquidity risk. Real estate risk is controlled by the Real Estate Management UniCredit Bank (GRE) and Real Estate Management UGBS (IME) units.

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. The Credit Risk Control & Economic Capital (CEC) unit monitors credit risk, business risk, real estate risk and investment risk and consolidates all quantifiable risk types, with the exception of liquidity risk, for the determination of the economic capital requirement.

Parallel to these activities, the available financial resources are defined, quantified and compared with the risk capital for the analysis of the risk-bearing capacity. A qualitative approach is used to monitor and manage risks that cannot be quantified.

Risk Report (Continued)

Implementation of overall bank management

System of strategies

The system of strategies at HVB Group essentially comprises the business strategy and the risk strategy of HVB Group, with the business strategy forming the foundation. The risk strategy encompasses the relevant risk types, the risk strategies of the CIB and CB business segments, the Industry Credit Risk Strategy and a summary of the risk strategies of the relevant subsidiaries.

The HVB Group business strategy includes definitions of the business model and the conceptional framework for the strategy and its cornerstones for both the Bank as a whole and the individual business segments.

The HVB Group risk strategy is derived consistently from the business strategy, supplementing it with the relevant aspects of risk management. The risk strategy focuses on considering the relevant risk types of credit and market risk together with their controlling using the economic capital and limits, as well as operational risk, investment, real estate and business risk, which are only controlled using the economic capital. In addition, the strategic objectives for reputational risk, strategic risk and outsourcing are also defined in quality terms.

In particular, the section on credit risk is supplemented by the Industry Credit Risk Strategy, which defines the direction of risk policy within the various industries.

The relevant subsidiaries are incorporated in the strategies listed above to ensure integrated risk management.

The strategies approved by the Management Board are reviewed on both an ad hoc and a regular basis and, where necessary, modified.

2013 strategy

The Bank's business strategy objectives are geared to keeping allowances for losses on loans and advances at a permanently low and stable level. This means that a portfolio containing less risk than the industry average needs to be achieved that also secures the business strategy objectives in a difficult macroeconomic environment. HVB enjoys a good strategic position as a result of the strategic reorientation of the business model in the CIB business segment initiated at the end of 2011, which is still applicable, and the refinement of the organisational structure in 2013 involving the roll-out of the Commercial Banking business segment. Thanks to its distinct risk culture, which is permanently established across all stages in the value chain of the customers and credit management process, coupled with its conservative risk strategy objectives, the Bank believes it is in a good position to master the uncertainty surrounding the global economy and the international financial markets, which will remain high again in 2013.

The core elements of the strategy remain in place. These include:
- a focus on customer-related activities with low charges to risk-weighted assets (RWA)
- a focus on the core market
- the definition of a non-core portfolio, which is intended to release around €25 billion from risk-weighted assets to be invested in expanding customer-related activities

The ring-fenced portfolios were reduced in line with the strategy. These include:
- ship and aircraft loans
- renewables, primarily in Asia and the Americas
- risk concentrations with individual borrowers

The concentration risk in the leveraged buyout portfolio and the automotive industry were successfully reduced, benefiting greatly from the greatly improved receptiveness of the debt and equity markets. The better than expected operating performance of the companies also played a major role here. The Bank aims to continue reducing its concentration risk and believes the reduction will be completed in 2013.

In accordance with the strategic objectives, the core portfolio has been developed towards a portfolio containing lower than average risk together with stable risk costs.

The Bank's risk result is determined to a large part by the structural weakness of the shipping finance market that is expected to last until at least 2015 and non-core project loans in Asia and the Americas.

Overall bank management at Group level

The metrics relevant for the overall bank management of HVB Group are derived from the business strategy in the annual budgeting process. Earnings, risk, liquidity and capital targets are defined in the budgeting process together with the targeted risk-bearing capacity at overall Bank level. The limits for the internal capital are defined and monitored in order to ensure the Bank's risk-bearing capacity. For the purposes of business segment management, the economic capital limits are distributed for each risk type to ensure that the planned economic risk remains within the framework defined by the Management Board.

Furthermore, the economic yield expectations have been calculated using the allocated capital principle that UniCredit introduced across its entire organisation. Within the framework of the principle of dual control, both regulatory capital in the sense of used core capital and internal capital are allocated to the business segments. Both resources are assigned expected yields which are derived from the expectations of the capital market and which have to be earned by our business units.

In line with the parameters defined in the business strategy and the risk strategy, the defined targets are broken down to business segment level and then translated into operational metrics for sales management. The defined targets are monitored using a standardised monthly report to the Management Board of HVB. The Management Board of HVB initiates counter-measures in response to deviations from the targets defined in the budgeting process.

Regulatory capital adequacy

Used core capital

For the purposes of planning and monitoring risk-weighted assets (in accordance with the Basel rules, and in order to meet the stricter European regulatory requirements for systemically important financial institutions or groups of institutions in 2013), the business segments are required to have core capital backing for credit, market and operational risks 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.

Management of regulatory capital adequacy requirements

To manage our regulatory capital taking account of regulatory requirements, we apply the following three capital ratios, which are managed within the framework of HVB Group's risk appetite rules 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 following process has essentially been defined to determine the appropriate capital funding: based on our (multi-year) annual plan, we prepare a monthly, rolling eight-quarter projection for ongoing forecasting of our capital ratios in accordance with the German Banking Act (Kreditwesengesetz – KWG).

HVB Group and UniCredit S.p.A. agreed with the relevant regulators beyond the statutory minimum requirements that HVB would not fall below an equity funds ratio of 13%. This agreement remains in force until the measures required to remedy findings from earlier audits of annual financial statements and regulatory compliance regarding statutory and regulatory requirements in Germany have been implemented. The equity funds ratio of HVB Group was 20.8% at the end of June 2013 (31 December 2012: 19.3%).

The measures listed above have been successfully advanced since 2010 as part of a Bank-wide project carried out with top priority to a strict methodology and adequately resourced. Their main contents

Risk Report (Continued)

reflect the breadth of the constantly increasing regulatory requirements for the structure of the risk management system and the internal control system. The improvements achieved by the successful conclusion of several complex implementation projects at the end of 2012 are reviewed constantly in everyday operations and refined in order to ensure that the requirements are permanently met.

Economic capital adequacy

HVB Group determines its internal capital on a quarterly basis. The internal capital is the sum total of the economic capital of all quantified risk types, with the exception of liquidity risk, and the economic capital for small legal entities. Pension risk has been included in the calculation for the first time at June 2013. A confidence level of 99.93% (previously 99.97%) and a holding period of one year have been assumed consistently for all risk types since March 2013.

When the economic capital is determined, risk-reducing portfolio effects are taken into account and parameters and correlations applied that include economic downturns. On account of the low risk content, the economic capital for small legal entities of HVB Group is calculated with no differentiation by risk type.

An all-round overview of the risk situation of HVB Group is obtained by regularly assessing the Bank's risk-bearing capacity, as shown in the following table.

Internal capital after portfolio effects (confidence level 99.93% since March 2013, previously 99.97%)

	30/6/2013		31/12/2012[1]	
Broken down by risk type	€ millions	in %	€ millions	in %
Credit risk	5,907	50.5	7,982	57.6
Market risk	1,937	16.6	2,186	15.8
Operational risk	1,639	14.0	1,965	14.2
Business risk	342	2.9	263	1.9
Risk arising from our own real estate portfolio	384	3.3	378	2.7
Risk arising from our shareholdings/financial investments	860	7.3	985	7.2
Aggregated economic capital	**11,069**	**94.6**	**13,766**	**99.4**
Economic capital of small legal entities	70	0.6	81	0.6
Pension risk	566	4.8	—	—
Internal capital of HVB Group	**11,705**	**100.0**	**13,847**	**100.0**
Available financial resources of HVB Group	**20,278**		**21,008**	
Risk-bearing capacity of HVB Group, in %	**173.2**		**151.7**	

1 deviations from figures published in the 2012 Annual Report due to the modified calculation of the internal capital to reflect the structure in effect since January 2013

Aggregated economic capital[1] after portfolio effects (confidence level 99.93% since March 2013, previously 99.97%)

	30/6/2013		31/12/2012[2]	
Broken down by segment	**€ millions**	**in %**	**€ millions**	**in %**
Commercial Banking	2,324	20.9	3,436	24.8
Corporate & Investment Banking	6,778	60.9	8,487	61.3
Asset Gathering	180	1.6	207	1.5
Other/consolidation	1,857	16.6	1,717	12.4
Aggregated economic capital of HVB Group	**11,139**	**100.0**	**13,847**	**100.0**

1 aggregate of economic capital of the individual risk types and economic capital of small legal entities, excluding pension risk
2 deviations from figures published in the 2012 Annual Report due to the modified calculation of the internal capital to reflect the structure in effect since January 2013

The internal capital falls by €2.1 billion overall. This can be attributed primarily to the change in the confidence level (total of minus €1.7 billion). The individual changes are described in greater detail in the sections on the respective risk types below.

Risk appetite

HVB Group's risk appetite is defined as part of the annual strategy and planning process. The risk appetite ratios comprise ratios for capital adequacy and for profitability as a proportion of risk and liquidity. Thresholds and limits are defined for these ratios that allow risk to be identified and counter-measures initiated at an early stage. The matter is escalated to the appropriate committees and the Management Board, should the defined limits be exceeded.

Gone concern/going concern

HVB Group normally controls its risk-bearing capacity under a gone-concern approach. In other words, the risk-bearing capacity spotlights HVB Group's ability to settle its liabilities. At the same time, appropriate figures are also defined for the regulatory core capital backing alongside targets, triggers and limits for the risk-bearing capacity.

The going-concern concept is additionally allowed for by critically evaluating and incorporating as appropriate the results of the regular Bank-wide stress tests when defining targets, triggers and limits for both the risk-bearing capacity and the regulatory core capital backing.

Recovery and resolution plan

The preparation of recovery and resolution plans is intended to facilitate the recovery and, in an emergency, also the orderly resolution of systemically important financial institutions.

UniCredit has been defined as globally systemically relevant and HVB has coordinated closely with UniCredit to draw up a draft recovery plan for HVB Group, which was submitted to the German banking supervisors in March 2013. The plan is to be updated in 2013.

Risk Report (Continued)

Risk-bearing capacity

In a quarterly analysis of our risk-bearing capacity, we measure our internal capital against the available financial resources. Furthermore, a monthly update is carried out for the two biggest risk types – credit risk and market risk – and a monthly analysis of the available financial resources for the purpose of systematically monitoring the risk-bearing capacity. Moreover, the risk-bearing capacity is analysed as part of our planning process with an appropriate internally defined forecast period of one year.

HVB Group uses an internal definition for the available financial resources, which, like risk measurement, is based on a consistent liquidation approach (gone concern). Under this approach, the risk-bearing capacity is defined by comparing maximum potential losses (internal capital) with the ability to absorb losses using the available equity (available financial resources). When determining the available financial resources, the available economic capital is considered. In other words, the calculation is made in accordance with a value-oriented derivation, under which shareholders' equity is adjusted for fair value adjustments. Furthermore, intangible assets, deferred tax assets and effects arising from the own credit spread are deducted and minority interests are only taken into account to the extent of the risk-bearing portion. At the same time, subordinated liabilities recognised as shareholders' equity for banking supervisory purposes are included. The available financial resources at HVB Group totalled €20.3 billion at 30 June 2013 (31 December 2012: €21.0 billion).

With internal capital of €11.7 billion, the risk-bearing capacity is approximately 173% (year-end 2012: 152%). We see this as a comfortable value. The increase of 21 percentage points for HVB Group compared with 31 December 2012 can be attributed to the sharp decline of €2.1 billion, or 15.5%, in internal capital. This effect is greater than the slight decrease of €0.7 billion, or 3.5%, in the available financial resources in the first half of 2013. The reduction in the available financial resources results from different and, in some cases, contrary developments in individual components, including the expiry of limited-term subordinated capital instruments, the buy-back of hybrid capital instruments and an increase in the value adjustment excess.

Limit concept

The risk limit system is a key component of the ICAAP at HVB Group. Its purpose is to ensure the Bank's risk-bearing capacity at all times by means of an integrated controlling process. A wide-ranging, consistent limit system that includes the specification of limits for internal and economic capital, risk-type-specific limits and limits for risk concentrations has been implemented to ensure this. It covers all risks that need to be backed with capital. Consequently, unexpected losses for credit, market, operational, investment, business and real estate risk are currently recorded.

This limit system is based on the risk strategy and the risk appetite and ensures compliance with the risk-bearing capacity. The risk limits are approved annually by the Management Board of HVB as part of the strategy process.

The internal-capital limits are allocated both at the level of HVB Group broken down by risk type and for the small legal entities and for the internal capital as a whole. Based on the aggregate limit set for internal capital, the risk-bearing capacity of HVB Group is ensured at all times. The correlation effects included in the internal capital cannot be influenced by the business segments and legal entities. Consequently, economic-capital limits adjusted for these effects and the risk-type-specific limits are used for controlling purposes in the business segments and relevant legal entities.

In order to identify possible limit overshoots at an early stage, HVB Group has specified thresholds in the form of early warning indicators as well as the defined limits. The utilisation and hence compliance with the limits is monitored regularly and presented in the Bank's reports on a monthly basis.

Stress tests

The MaRisk rules call for stress tests to be carried out regularly using various scenarios.

Various macroeconomic downturn scenarios and a historic scenario were calculated for the cross-risk-type stress tests in 2013:
- Contagion scenario – sovereign debt crisis becomes systemic and other countries are infected
- Grexit scenario – disorderly departure of Greece from the eurozone

– Recession scenario – recession in Germany due to a massive decline in global demand
– Historical scenario – based on the 2009 financial crisis

The cross-risk-type stress tests were presented and analysed in the Stress Test Council (STC) on a quarterly basis and, where necessary, appropriate management measures were proposed to the Risk Committee (RC). The risk-bearing capacity would currently be ensured, even if the stress scenarios listed above were to materialize.

Furthermore, inverse stress tests are carried out. This involves analysing what events could endanger the continued existence of the Bank as a going concern. The continued existence as a going concern is considered at risk when the original business model proves to be no longer feasible or viable. Inverse stress tests are based on the interviews that are conducted regularly as part of the risk inventory and the Bank's risk structure. The hypothetical events analysed included fraud by a trader, rating downgrades, a bank run or default by the biggest customers. The STC discussed the most serious events at length and examined whether such events were already covered by the Bank's risk management programme. As this was the case, no further measures were considered necessary.

Concentrations of risk and earnings

Concentrations are accumulations of risk positions that react similarly to specific developments or events. Concentrations may have an impact within a risk type or equally across risk types. Concentrations indicate increased potential losses resulting from an imbalance of risk positions held in customers and products or specific industries and countries.

Concentrations are analysed, managed, controlled and reported on a regular basis with regard to the relevant risk drivers for credit, market, liquidity and operational risk. In particular, appropriate instruments and processes ensure the prompt identification of concentrations.

In 2013, the risk management processes for concentrations will be optimised with regard to the connection of risk drivers across the risk types, such that concentration risk is integrated into the assessment and controlling.

The concentration of earnings in individual customers, business segments, products or regions represents a business-strategy risk for the Bank. Risk arising from concentrations of earnings is monitored regularly, as its avoidance is an important indicator of sustainable diversification and hence the viability of the business model in crisis situations.

Risk inventory

The scheduled comprehensive risk inventory was started at HVB Group in March 2013. Among other things, this includes examining and scrutinizing both present and potential new risks by means of structured interviews with numerous decision-makers at the Bank. The larger subsidiaries are adapting this approach as appropriate for their situation, while the smaller subsidiaries will use a simplified procedure to determine the relevant risks. The results will be presented to the RC in the autumn and included in the calculation and planning of the risk-bearing capacity.

Internal reporting system

The internal reporting system supports risk monitoring at portfolio level in particular. This involves providing information about the overall risk to the Management Board on a monthly basis and to the Audit Committee of the Supervisory Board at least on a quarterly basis and also ad hoc. In addition, further monthly risk reports are created focusing on specific business segments, products or industries, to be communicated to the RC and the units involved with risk management, among others.

Risk types in detail

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

1 Credit risk

The economic capital for credit risk at HVB Group, without taking account of diversification effects between the risk types, amounts to €6.0 billion, which is €2.2 billion lower than the total at 31 December 2012 (€8.2 billion). Among other things, the reduction results from the adjustment of the confidence level from 99.97% to 99.93% in March 2013.

Risk Report (Continued)

Credit default, counterparty and issuer risk

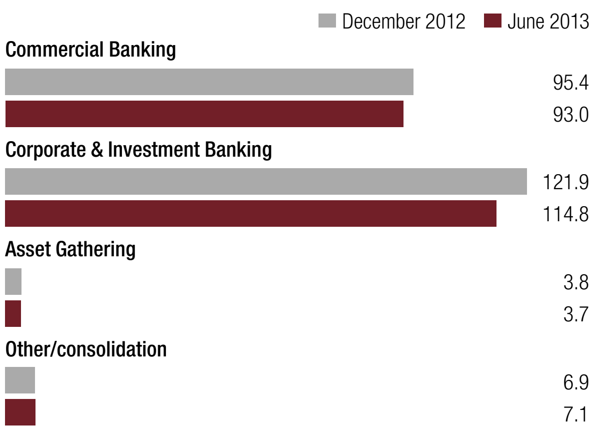
The following tables and charts for credit default risk and counterparty risk in the Bank as a whole and issuer risk in the banking book show the aggregate exposure values excluding the remaining exposures assigned to the former Real Estate Restructuring segment. These are excluded from the analysis because the portfolio, which has already been reduced considerably in recent years to €0.9 billion (31 December 2012: €1.1 billion), is earmarked for elimination without any new business being written. The aggregate credit default, counterparty and issuer exposure is called credit default risk exposure or simply exposure below. Issuer risk arising from the trading book is included in the market risk analysis by way of the incremental risk charge. The comments in this regard can be found in the section covering market risk.

Breakdown of expected loss by segment

(€ millions)

	EXPECTED LOSS	
Breakdown by segment	**30/6/2013**	**31/12/2012**
Commercial Banking	200	241
Corporate & Investment Banking	430	428
Asset Gathering	1	4
Other/consolidation	48	45
HVB Group	**679**	**718**

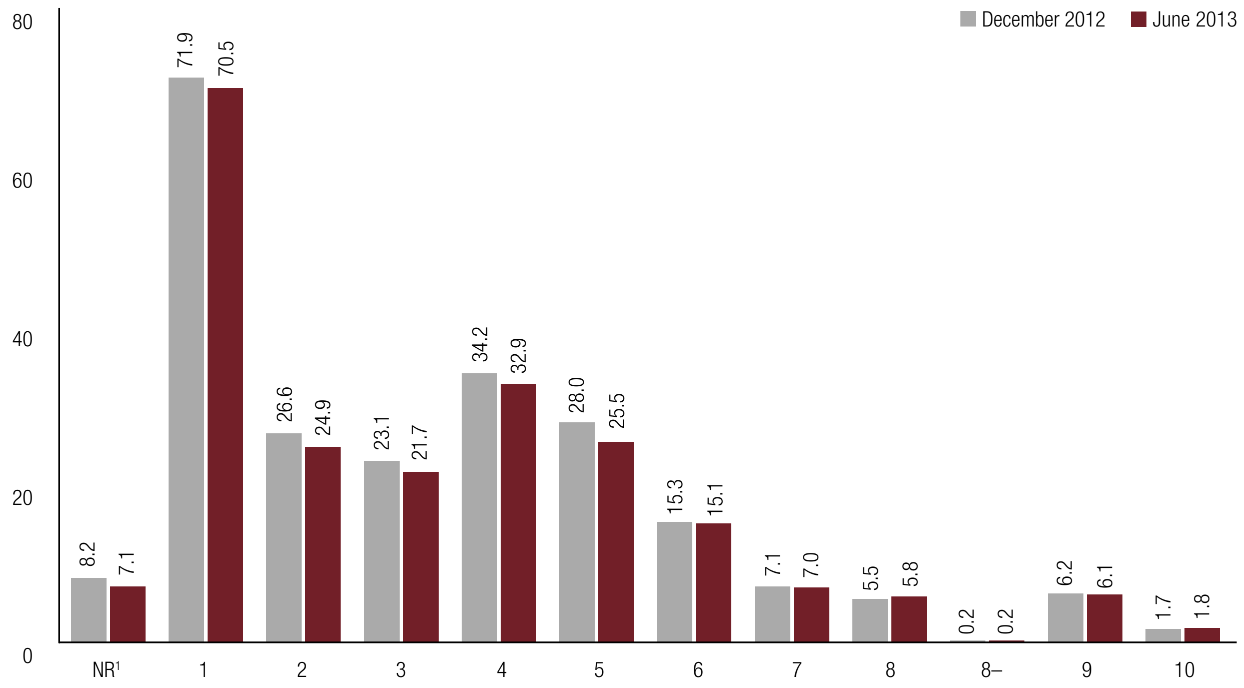
Breakdown of credit default risk exposure by segment (€ billions)



A reduction in the expected loss is evident at HVB Group during the first half of 2013. This development can be attributed to both the reduction in the credit default risk exposure and a partial improvement in the probabilities of default.

The exposure in the Corporate & Investment Banking business segment has declined by €7.1 billion. This can be attributed among other things to a change in the placement of excess liquidity.

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



1 not rated

The rating classes are shown broken down into non-rated partners (NR), the rating classes 1 to 7 for performing loans and the rating classes 8 to 10 for non-performing loans, with the rating classes 8–, 9 and 10 representing default classes.

The exposure in the rating classes 1 to 7 and the exposure to non-rated partners decreased on account of the overall decline in exposure at HVB Group.

Risk Report (Continued)

Breakdown of credit default risk exposure by industry group (€ billions)

Industry group	30/6/2013	31/12/2012
Banks, insurance companies	53.0	58.1
Public sector	31.1	30.0
Real estate	23.5	24.0
Energy	12.0	12.5
Special products	10.6	9.9
Chemicals, pharmaceuticals, health	9.3	9.3
Machinery, metals	8.5	9.4
Shipping	7.3	8.1
Automotive industry	6.0	6.6
Construction, wood	5.6	5.6
Consumer goods	5.2	5.3
Services	5.1	5.5
Food, beverages	4.5	4.8
Transport, travel	4.5	4.8
Telecom, IT	2.7	3.2
Media, paper	2.4	2.5
Agriculture, forestry	2.1	2.0
Electronics	1.9	1.8
Tourism	1.5	1.6
Textile industry	1.2	1.5
Retail	20.6	21.5
HVB Group	**218.6**	**228.0**

The portfolio has a balanced structure and is diversified across the various industries.

The exposure in the Banks, insurance companies portfolio declined by €5.1 billion in the first half of 2013. This portfolio is dominated by the placements of excess liquidity with Deutsche Bundesbank, which are subject to significant fluctuations during the course of the year and changed markedly in the first half of 2013. At the same time, business activities with our key customers in the Banks, insurance companies sector were expanded.

The Special products portfolio is characterised by reclassifications in 2013. All in all, slight growth was achieved in a weak market environment.

Banks, insurance companies

In view of the ongoing crisis of confidence in the banking industry, external rating agencies reviewed banks throughout the world on a large scale, as a result of which a number of banks have seen their ratings downgraded. Consequently, the affected banks are facing ever greater challenges in terms of liquidity and capital procurement.

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

Part of the exposure in the Banks, insurance companies sector results from credit exposure to UniCredit S.p.A. and other UniCredit companies (upstream exposure). €6.6 billion of the gross upstream exposure (before collateral) results from the strategic orientation of HVB Group as UniCredit's investment bank and other business activities (such as export finance and guarantees).

Energy

The Energy portfolio was kept stable despite the reticence to invest on the part of many companies in response to the uncertain regulatory environment and the wide-ranging disinvestment programmes of major power utilities.

Despite the rapidly changing underlying conditions, we aim to grow in this segment alongside our core customers. The dramatic effects of the legislation enacted with the German Renewable Energy Act (Erneuerbare-Energien-Gesetz – EEG) and intensive price competition made it necessary to specifically focus on producers and equipment providers in the field of renewable energy. Furthermore, the strategy for smaller project loans in the field of renewable energy was modified.

In accordance with the defined industry strategy, we generally focus in the energy segment on short-term business with major international corporations. The exposure to companies that fail to meet our financing conditions is being actively reduced or the risk limited by means of structural financing elements. In the case of project loans, we concentrate on projects in countries with a stable regulatory environment and monitor compliance with our financing standards.

Shipping

The industry remains dogged by the structural weakness in the shipping market, which is hindering rapid, lasting recovery in freight rates in many segments. Furthermore, the shipping companies are suffering from high fuel prices. Prices on the market for new ships and the secondary market remain 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, by 50% by 2016.

The Bank is applying a strategy of reduction of its ship financing business. Where they are concluded at all, new agreements serve to optimise loans that had already been extended. The targeted reduction in the exposure in this portfolio depends on the euro/US dollar exchange rate, as most ship loans are denominated in US dollars.

Special focus facilities

Among other things, the HVB Group portfolio includes exposures relating to the completion of an offshore wind farm. The Bank 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. Consequently, HVB restructured its commitment to the general contractor commissioned to deliver the wind farm on a turnkey basis in 2011 by way of a restructuring loan.

The construction work ran largely to plan in the first half of 2013 and the erection of the wind farm was and is advancing with a view to completion towards the end of 2013 or start of 2014. Given the dimensions of this unprecedented project for the offshore industry, however, there remains a risk of deviations from plan, driven by the dependence of erection work on the weather as well as technical problems in individual components.

Should the ongoing, close monitoring of the project indicate any need to revise the risk assessment, the measures required to ring-fence and limit the risk will be initiated and implemented promptly, and corresponding loan-loss provisions will, if necessary, be set up.

Exposure development of countries and regions by risk category

The following tables show the exposure of HVB Group to customers on the basis of the country of their registered office (excluding Germany). Compared with the 2012 Risk Report, the risk view has been expanded to cover all countries, with some exposures grouped together on a regional basis. Thus, the tables show the full concentration risk at country level. In return, the presentation of the exposure relevant for country risk, which only takes account of cross-border business denominated in foreign currency (from the point of view of the borrower), is no longer shown. The tables and charts for credit risk at 30 June 2013 show exposures with reference to the country where the risk partner has its registered office and without the remaining exposures assigned to the former Real Estate Restructuring segment.

Risk Report (Continued)

Exposure development of eurozone countries, broken down by risk category (€ millions)

EaD	LENDING BUSINESS		COUNTERPARTY RISK		ISSUER RISK IN BANKING BOOK		ISSUER RISK IN TRADING BOOK		TOTAL		OF WHICH SOVEREIGN
	30/6/2013	31/12/2012	30/6/2013	31/12/2012	30/6/2013	31/12/2012	30/6/2013	31/12/2012	30/6/2013	31/12/2012	30/6/2013
Italy	1,688	1,480	1,728	1,730	4,865	4,859	4,399	3,656	12,680	11,725	4,443
Luxembourg	5,029	4,873	1,500	1,430	3,705	2,029	603	424	10,837	8,756	6
France	2,486	2,450	1,151	1,851	1,658	1,790	902	892	6,197	6,983	1,165
Netherlands	2,295	2,951	246	307	1,307	1,302	370	311	4,218	4,871	44
Austria	1,323	1,413	231	228	1,136	1,365	905	902	3,595	3,908	519
Spain	1,058	1,374	89	92	1,664	1,762	247	130	3,058	3,358	27
Ireland	1,174	1,274	53	64	655	715	290	295	2,172	2,348	—
Greece	545	579	84	102	—	—	2	2	631	683	2
Belgium	59	30	39	76	35	35	160	102	293	243	47
Finland	98	112	25	39	17	15	116	101	256	267	—
Portugal	102	116	55	64	46	72	36	25	239	277	38
Malta	214	243	3	6	—	—	1	2	218	251	—
Cyprus	194	204	1	2	—	—	1	2	196	208	—
Slovakia	62	67	70	95	—	2	—	45	132	209	—
Slovenia	46	39	74	106	—	17	2	6	122	168	—
Estonia	9	9	—	—	—	—	—	6	9	15	—
HVB Group	**16,382**	**17,214**	**5,349**	**6,192**	**15,088**	**13,963**	**8,034**	**6,901**	**44,853**	**44,270**	**6,291**

The portfolio in the weaker eurozone countries has been actively managed in 2013, albeit with different strategies. Differentiated reduction strategies exist for certain countries, including Greece, Portugal and Spain. New business written in the FIBS portfolio (financial institutions, banks and sovereigns) in the weaker countries is deliberately steered by means of specific product and maturity targets. This automatically leads to less new business being written.

The weaker eurozone countries do not represent core markets for HVB Group overall. The existing portfolios have been identified for reduction for various reasons and concrete objectives to that effect have been formulated and agreed.

The developments in selected countries, including countries with an active reduction strategy, and the respective drivers are outlined below.

Greece

The reduction strategy for Greece that was already initiated in May 2010 continued to be systematically implemented, as a result of which the exposure was reduced by a further €52 million in the first half of the year. The sovereign exposure remains unchanged at €2 million (31 December 2012: €2 million).

Italy

The relatively large portfolio involving Italy results from the HVB Group's role as UniCredit's investment bank. This portfolio is also being actively managed in accordance with market standards (such as secured derivatives activities). The exposure to Italy includes the exposure with UniCredit S.p.A., for which a separate strategy was defined (see also the comments above regarding the Banks, insurance companies portfolio).

Luxembourg
The exposure in Luxembourg, which is not subject to a reduction strategy, increased by €2.1 billion as a result of a major finance facility in connection with the European Financial Stability Facility (EFSF), among other things.

Portugal
Measures aimed at reducing the Portugal portfolio were also initiated and successfully implemented. This is reflected by a €38 million decline in exposure.

Spain
Spain is not one of HVB Group's core markets. Nevertheless, we do support a few multinational corporates with connections to Germany. The Spain exposure still arising from the previous strategic orientation is being reduced as planned. We do not see any increased risk with regard to the credit standing of customers who only generate a small portion of their cash flows in Spain. Maturing loans are extended again by a different UniCredit company outside of HVB Group rather than being rolled over.

These measures helped to reduce the exposure in Spain by a considerable €0.3 billion in the first half of 2013.

Eurozone countries with a reduction strategy
Reduction strategies have been implemented and successfully realised for the following insignificant countries (aggregate exposure less than €220 million): Estonia, Malta, Slovakia, Slovenia and Cyprus. The exposure was reduced by a total of €174 million in the first half of the year.

Exposure development by region/country outside the eurozone (€ millions)

	TOTAL		OF WHICH ISSUER RISK IN TRADING BOOK	
EaD	**30/6/2013**	**31/12/2012**	**30/6/2013**	**31/12/2012**
UK	10,733	11,440	677	622
USA	8,358	8,222	635	670
Asia/Oceania	4,669	4,800	85	95
Switzerland	4,214	4,561	371	257
Turkey	2,190	2,351	5	72
Western Europe (without Switzerland, UK)	2,049	2,538	302	259
North America (including offshore jurisdictions, without USA)	1,865	1,955	64	70
Russia	1,322	1,654	42	132
Middle East/North Africa	1,224	1,133	23	11
Eastern Europe	1,010	1,097	127	289
Southern Africa	813	1,124	0	1
Central and South America	440	516	44	45
Central Asia (without Russia, Turkey)	165	218	22	22
HVB Group	**39,052**	**41,609**	**2,397**	**2,545**

Risk Report (Continued)

Derivative transactions

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 default 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 2013 totalled €80.2 billion (31 December 2012: €109.4 billion).

In accordance with the banking supervision regulations under Basel II (German Banking Act/Solvency Regulation), risk-weighted assets arising from counterparty risk for HVB Group amounted to €9.8 billion at 30 June 2013 (31 December 2012: €12.9 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 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	30/6/2013	31/12/2012	30/6/2013	31/12/2012	30/6/2013	31/12/2012
Interest rate derivatives	**1,077,313**	**1,085,183**	**962,759**	**3,125,255**	**3,134,770**	**69,036**	**96,352**	**67,962**	**95,934**
Foreign exchange derivatives	**175,501**	**27,639**	**514**	**203,654**	**231,944**	**2,376**	**2,995**	**2,371**	**2,816**
Cross-currency swaps	**30,636**	**141,636**	**74,398**	**246,670**	**250,601**	**3,895**	**5,077**	**4,337**	**5,649**
Equity/index derivatives	**66,380**	**43,428**	**11,444**	**121,252**	**114,528**	**3,241**	**3,211**	**3,942**	**3,608**
Credit derivatives	**39,191**	**91,129**	**3,857**	**134,177**	**145,027**	**1,455**	**1,592**	**1,353**	**1,486**
– purchased	20,370	45,648	2,053	68,071	74,694	1,015	1,001	451	652
– written	18,821	45,481	1,804	66,106	70,333	440	591	902	834
Other transactions	**2,971**	**3,212**	**719**	**6,902**	**7,373**	**260**	**211**	**317**	**264**
HVB Group	**1,391,992**	**1,392,227**	**1,053,691**	**3,837,910**	**3,884,243**	**80,263**	**109,438**	**80,282**	**109,757**

Derivative transactions by counterparty type (€ millions)

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	30/6/2013	31/12/2012	30/6/2013	31/12/2012
Central governments and central banks	3,590	4,489	1,857	2,474
Banks	63,597	90,770	64,841	93,584
Financial institutions	10,417	10,748	12,240	12,310
Other companies and private individuals	2,659	3,431	1,344	1,389
HVB Group	**80,263**	**109,438**	**80,282**	**109,757**

Summary and outlook

It is safe to conclude that HVB Group continues to enjoy a positive risk situation.

Among other things, this can be attributed to the broadly diversified credit portfolio in conjunction with conservative risk management policies and a clearly focused credit risk strategy.

Risk positions and concentrations were identified at the start of the year and systematically controlled on the basis of the individual strategic objectives. In particular, this affected the weaker eurozone countries, the countries of North Africa and the Shipping portfolio.

In order to ensure that positive development continues going forward, the risk strategy approved for 2013 clearly defines core markets, portfolios earmarked for reduction and controlling instruments amid the changing underlying economic conditions. This will ensure that credit risk is actively controlled and limited going forward. HVB Group will constantly refine its risk management programme in order to continue optimally meeting future changes and the ensuing requirements.

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.

We use a value-at-risk (VaR) approach based on a historical simulation to determine market risk. In this context, the VaR is the maximum loss that, with a certain probability defined as the confidence level, will not be exceeded over a given period. We use a confidence level of 99% and a holding period of one day for internal risk reports, controlling and risk limits.

The historical simulation is a simple method that makes it possible to calculate the VaR without having to make any fundamental assumptions regarding the statistical distributions of the movements in the portfolio value. This approach encompasses the direct generation of the hypothetical distribution of the earnings (gains and losses) from a portfolio of financial instruments using the historical market price fluctuations over the last two years. As soon as the hypothetical distribution has been determined, the VaR is provided by determining the percentile of the 99% confidence level.

Risk Report (Continued)

For the purposes of internal risk management, the new market risk metrics defined in the current German Solvency Regulation have been calculated and limited on a weekly basis alongside the VaR. The new requirements are the result of the revised Capital Requirements Directive (CRD III). The German Solvency Regulation requires these metrics to be included when determining the equity capital requirements.

– Calculation of the potential stressed VaR:
  The stressed VaR is calculated in the same way as the VaR, although the 12-month observation period with most significant negative market changes for the HVB Group portfolios is selected. The amount calculated for the regulatory report relates to a holding period of ten days and a confidence level of 99%.
– Incremental risk charge (IRC) for non-securitised credit products:
  Internal approach used to determine the additional default and migration risk in the net interest positions. 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 99.9% for both regulatory and internal reporting.
– Standard Approach for (re-)securitisations:
  Outside of the internal model, the regulatory Standard Approach for the specific interest rate risk is applied to securitised credit products.

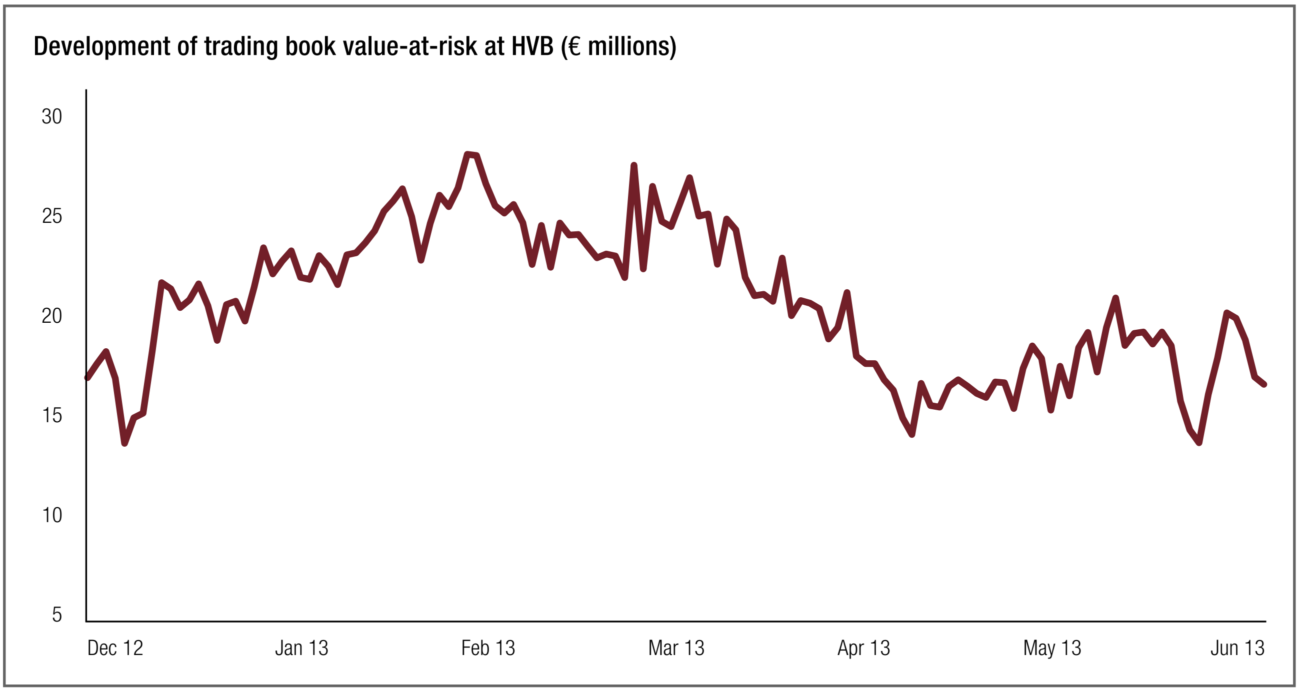
The economic capital for the market risk of HVB Group, without taking account of diversification effects between the risk types, amounts to €2.5 billion, down by €0.4 billion on the figure at 31 December 2012 (€2.9 billion). The decline results from the adjustment of the confidence level from 99.97% to 99.93% in March 2013 (minus €0.2 billion) together with the expiry of CDS positions that were originally entered into to hedge fluctuations in the own credit spread.

The following table shows the aggregated market risk for our trading positions at HVB Group over the course of the year. The temporary increase in market risk in the first quarter of the year results from the greater risk assumed during that period.

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

	AVERAGE 2013[1]	30/6/2013	31/3/2013	31/12/2012	30/9/2012	30/6/2012
Interest rate positions (incl. credit spread risks)	21	15	26	17	23	23
Foreign exchange derivatives	1	1	1	2	1	1
Equity/index positions[2]	5	4	5	4	5	6
Diversification effect[3]	(6)	(4)	(6)	(7)	(12)	(12)
HVB Group	**21**	**16**	**26**	**16**	**17**	**18**

1 arithmetic mean of the 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



The VaR development in the first half of 2013 shows a sharp decline in market risk in the trading book.

New regulatory metrics[1] at HVB (CRD III figures) (€ millions)

	30/6/2013	31/3/2013	31/12/2012	30/9/2012	30/6/2012
Stressed value-at-risk	31	35	22	24	24
Incremental risk charge	267	299	201	436	521
Market risk Standard Approach	5	16	22	32	38

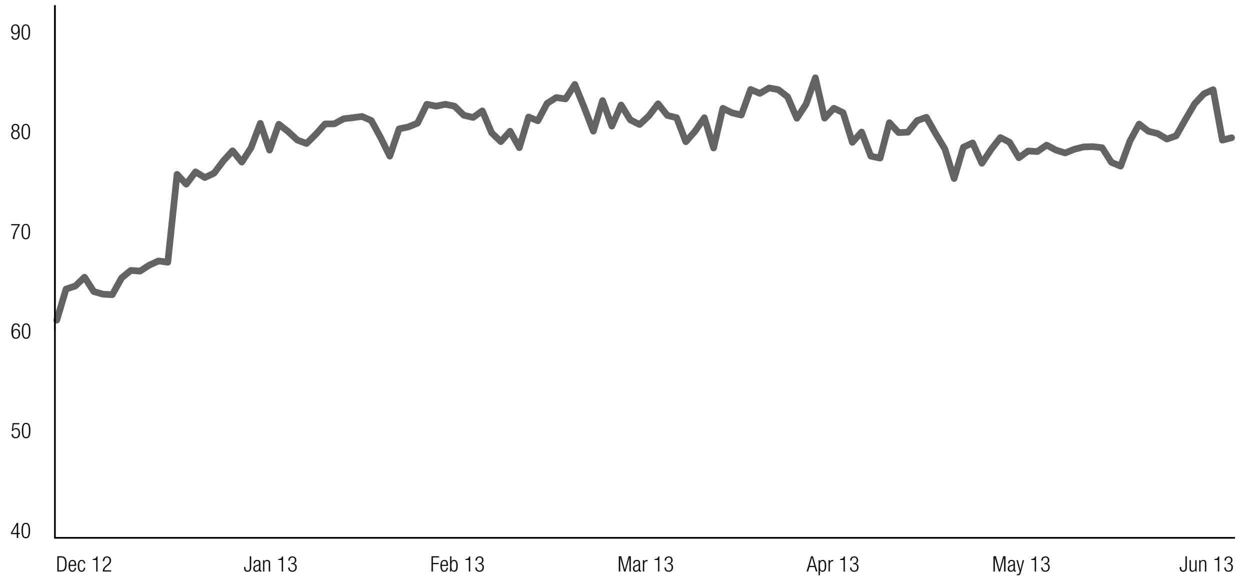
1 risk values based on internal reporting

Risk Report (Continued)

The results of the new risk metrics show a slight increase in the first half of the year. The decrease in the IRC figure between June and December essentially results from position reductions. The sharp decrease at 31 December 2012 arises from the expiry of positions that were originally entered into to hedge fluctuations in the own credit spread.

Alongside the market risk arising from trading books that is relevant for regulatory reporting, further market risk arises from positions in the banking book. All transactions exposed to market risk in the trading and banking books of HVB Group are consolidated for the purpose of risk controlling. Most of the market risk arises from positions of the CIB business segment at HVB Group.

Market price risk of HVB Group (€ millions)



The chart "Market price risk of HVB Group" shows all the market price risk exposures arising from trading and banking book positions together with the market price risk exposure assigned directly to the Management Board.

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 rate shock of +/–200 basis points is compared with the Bank's eligible equity capital. We also carry out this valuation with and without the hedging effect from the equity capital model book. With a notional utilisation of 0.5% (31 December 2012: 0.3%), or 4.0% excluding the model book (31 December 2012: 4.6%), of its regulatory equity capital at the end of June 2013, 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 from the reclassified portfolios, the rate of equity capital utilisation is 0.6% (31 December 2012: 0.4%) or 3.9% without the model book (31 December 2012: 4.6%).

In addition, a dynamic simulation of interest income is carried out for HVB on a quarterly basis. The future development of the net interest income is simulated under various scenarios regarding the development of business volumes and interest rates. Assuming a constant volume of business, a parallel interest shock of minus 100 basis points would result in a €205 million decrease in net interest income within the next twelve months (31 December 2012: €191 million).

Value change in case of a 10% FX appreciation

at 30 June 2013 **(€ millions)**

HVB GROUP BANKING BOOK	
Total	(12)
USD	(27)
GBP	(4)
CHF	(5)
JPY	24
CAD	0
HKD	1

In addition to calculating the value-at-risk, the risk profile of the banking book is examined using sensitivity analyses. A 10% depreciation of all foreign currencies (FX sensitivity) results in a decrease in the portfolio value by €12 million (0.1% of the regulatory capital) in the banking book of HVB Group (31 December 2012: a decrease of €48 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 hypothetical market value changes derived from the positions. In the first half of 2013, 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.

Market liquidity risk

Market liquidity risk (the risk that the Bank will be able to liquidate assets on the market only 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. Among other things, the FVAs include 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. In this regard, analysis is carried out to determine the amount of losses that would result from the liquidation of trading and banking book positions in a market environment with greatly expanded bid-offer spreads. For June 2013, the tests showed a potential loss of €386 million (31 December 2012: €404 million).

Summary and outlook

As was already the case in 2012, efforts will again be made in 2013 to concentrate on low-risk customer business in our financial market activities. HVB Group will continue to invest in the development and implementation of electronic sales platforms.

3 Liquidity risk

Short-term liquidity risk

Within the framework of our limit system, we showed an overall positive balance of short-term liquidity risk of €32.0 billion in HVB Group for the next banking day at the end of June 2013 (30 June 2012: €37.3 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 €24.3 billion at the end of the first half of 2013 (30 June 2012: €20.1 billion).

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 Group exceeded its payment obligations for the following month by an average of €31.7 billion for HVB Group in the first half of 2013 (first half of 2012: €30.0 billion) and €29.5 billion at 30 June 2013. This means that we are comfortably above the internally defined trigger.

Risk Report (Continued)

Funding risk
The funding risk of HVB Group was again quite low in the first half of 2013 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 at all times. HVB Group obtained longer-term funding with a volume of €2.9 billion on the capital market during the first half of 2013. At the end of June 2013, 100.8% (30 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.

Summary and outlook
The first half of 2013 was dominated by repeated uncertainty regarding the impact of the European sovereign debt crisis on the banking industry. Various measures taken by the European Union in particular failed to completely calm 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.

HVB Group put in a solid performance in the first half of 2013 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 situation to remain very comfortable. HVB Group expects the markets to remain volatile in the second half of 2013.

4 Operational risk

The Bank defines operational risk as the possibility of suffering losses from faulty internal processes, systems or external events, and human error. This definition includes legal risk.

The economic capital for operational risk of HVB Group, without taking account of diversification effects between the risk types, amounted to €2.2 billion at 30 June 2013 (31 December 2012: €2.5 billion). The decrease of €0.3 billion is mainly due to the adjustment of the confidence level in March 2013 from 99.97% to 99.93%. In addition, the less risk-prone external risk profile in the Execution and Process Management risk category led to a further reduction in the economic capital. This effect was, however, almost completely offset by an increase in capital for selling risk due to a higher number of expected losses.

Compliance risk and legal risk
Legal risk and compliance risk (risk related to compliance with rules and regulations) are subcategories of operational risk that might represent a risk to the earnings position due to violations of legal framework requirements, regulations, agreements, obligatory practices or ethical standards.

The Compliance department is responsible for the management of compliance risk. It focuses primarily on the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and supporting rules and regulations. Among other things, Compliance carries out risk analyses at regular intervals. Besides the monitoring of employee transactions and the Bank's trading activities, this includes various second level controls for all units covered by Compliance. The results of the controls and audits are reported directly to the Management Board and the Supervisory Board together with compliance measures, problems and the current status of compliance in the Bank.

The Legal, Corporate Affairs & Documentation (LCD) department is responsible for managing legal risk. LCD provides advice to all units at the Bank on legal matters. Furthermore, LCD provides advice and support for compliance by HVB Group companies with legal frameworks and the recognised principles of jurisprudence. Excluded from this are tax law relating to the Bank's tax position, labour law (apart from legal disputes) and the legal areas covered only by the Compliance department.

Individual legal risks are discussed below:

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 or other companies belonging to the HVB subgroup 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 anti-money-laundering laws, privacy and data-protection rules, and avoiding conflicts of interest. 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 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 and other closed-end fund lawsuits
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. An outstanding final decision with respect to the question of HVB's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz), which is currently pending at the German Federal Court of Justice (Bundesgerichtshof), will affect only a few pending cases since a general settlement has already been reached with the vast majority of the investors. In the fiscal proceeding of the fund which is pending besides the civil proceedings and concerning the tax declaration of the fund for the financial year 2004, no final decision has been issued regarding whether the tax benefits were revoked rightfully.

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.

Relating to one public fund with investment target in heating plants, a number of investors brought legal proceedings against HVB. In these cases some plaintiffs applied for a specific procedure pursuant to the Capital Markets Test Case Act. Munich Higher Regional Court will presumably deal with the issue relating to prospectus liability.

Real estate finance/financing of purchases of shares in real estate funds
In various cases customers dispute their obligation to repay their property loan agreements. According to the law and the opinion on this subject expressed in the German Federal Court of Justice's established practice, the customer has to prove the conditions for the lapse of his repayment obligation or alleged violations of obligations to give information and advice on the part of HVB. Based on the experience gained to date, HVB can assume that noteworthy legal risks will not arise from these cases.

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. From today's standpoint, HVB expects these circumstances to apply, if at all, only in exceptional cases.

Risk Report (Continued)

Lawsuits related to financial instruments

Customers who invested in securities that have been negatively affected by the financial crisis have raised claims on account of the unstable conditions of the financial markets; even though the number is gradually declining, such complaints continue to be raised. 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.

A class action that was filed against several members of an underwriting consortium, including UniCredit Capital Markets, Inc. (UCCM), was dismissed by the court of first instance with regard to the members of the consortium. This class action is based on mortgage-backed securities issued by Bank of America and continues against the issuer. Thus the plaintiffs are not yet able to appeal against the dismissal of claims against the underwriting consortium.

Proceedings related to derivative 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. In this context, some investors have reported a criminal offence to the public prosecutor. Generally, there has been a trend for consumer-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. Thus the rulings issued by the courts are inconsistent, while the statute of limitations under Section 37a WpHG a.F. (Securities Trading Act earlier regulation) may be a relevant question.

Proceedings related to German tax credits

During the period from 2006 to 2008, a client of HVB entered into various transactions based on the expectation of receiving withholding tax credits on dividends from German equities which were traded around dividend dates.

In the context of a tax audit of the client, the German tax authorities demanded payment from the client of withholding tax credits that were previously granted. The demand, together with interest, amounted to approximately €124 million. The client and his tax advisor are challenging the tax authorities' position. The client has also made a claim against HVB and is requiring a full indemnity from HVB.

While the client has the primary liability to pay, the tax authorities also served a secondary liability notice upon HVB demanding payment of the approximately €124 million sum on the basis of alleged issuer liability for tax certificates. HVB has challenged the notice. HVB has also issued claims against the client requiring full indemnification.

In order to avoid the accruing of further potential interest and/or potential late payment penalties, HVB and the client made preliminary payments to the competent tax authorities on a without prejudice basis. Up to now, an amount of around €120 million has been paid with respect to the amount stated in the liability notice. The dispute continues.

In a preliminary investigation against the client and others (including former and current employees of HVB), the General of Public Prosecutions (Generalstaatsanwaltschaft) in Frankfurt am Main searched the Munich premises of HVB and its IT provider, among others. HVB is fully cooperating with the prosecutor and the tax police (Steuerfahndung). There is a risk that HVB could be held liable for damages to the client in the civil proceeding or for payments to the tax authorities with respect to the outstanding claims of the tax authorities (especially on the basis of the liability notice and further interest and/or late payment penalties). In addition, HVB could be subject to other penalties, fines and profit claw backs, and/or criminal exposure.

In addition, HVB has notified the competent tax authorities of the possibility of certain proprietary trading of HVB undertaken close to dividend dates and related withholding tax credits claimed or applications for refund of related taxes by HVB. In response to the customer case, the Management Board has already commissioned an internal investigation of the events with the assistance of external advisors;

also in this context, the Supervisory Board of HVB has commissioned an internal review of such events by external advisors. This audit is supported by UniCredit without reservation. The investigations are currently ongoing. HVB expects to receive findings during the second half of 2013. An interim report by the external advisors mandated by the Supervisory Board describes facts which allow the conclusion that there are trading patterns in parts of the proprietary trading of HVB that are similar to the client case described above. In addition, the Management Board of HVB has been and will be working with external advisors on all relevant aspects in the matter which includes a full review of the matters described above.

In the course of the open regular tax audits for past fiscal years, the Munich tax authorities and the German Central Federal Tax Authority (Bundeszentralamt für Steuern) are currently especially examining the proprietary transactions close to dividend dates in which withholding tax credits were claimed or applications for refund of related taxes have been made. Also in this respect, HVB with the support of external advisors is actively reviewing all aspects as well as supporting the tax audit and has an ongoing dialogue and exchange of information with the relevant tax authorities.

German tax authorities have denied withholding tax credits and refunds in certain types of trades undertaken near dividend dates. The related legal questions on the tax treatment of such transactions have not yet been adjudicated by the highest German tax courts. The impact of any review by the competent tax authorities regarding proprietary trades mentioned above is currently open. In relation to the securities transactions described above, HVB could be subject to substantial tax, liability and interest claims in relation to these matters, as well as penalties, fines and profit claw backs, and/or other tax, criminal or administrative exposure. In addition, HVB could be exposed to damage claims from third parties.

HVB is in communication with its relevant regulators regarding these matters.

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. One case has been decided in favour of HVB in a first-instance ruling and one case in favour of HVB also in a second-instance ruling; both rulings are not final and binding as of today. One case has been abandoned by the plaintiff.

Securitisation – financial guarantee
In 2011, a 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. In December 2012, the English court decided that the transactions were still ongoing and thus still valid and binding upon HVB. HVB has appealed against this decision.

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. The competent court dismissed the claims; the ruling is not yet final and binding.

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 is defending itself against said claims. In one out of two pending cases, a first-instance ruling has been issued partly going against the Bank; the Bank has appealed against the decision.

Risk Report (Continued)

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 (resolutions of approval) 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.

In a ruling dated 31 January 2008, Munich Regional Court I declared the resolutions of approval passed at the Extraordinary Shareholders' Meeting on 25 October 2006 null and void solely for formal reasons. The court did not decide on the issue of the allegedly inadequate purchase price paid for the purchased units. HVB has appealed against this ruling.

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. Suits were filed against said confirmatory resolutions which are mainly based on a too low and inadequate consideration.

In a ruling dated 29 October 2008, Munich Higher Regional Court suspended the appeal against the suits challenging the resolutions of approval 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. 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, are currently pending at Munich Higher Regional Court.

Other administrative 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 enforcing compliance with economic sanctions. In March 2011, HVB received a subpoena from the New York District Attorney's Office (NYDA) relating to historic transactions involving certain Iranian entities. HVB has provided data in response to NYDA and the US Treasury Department Office of Foreign Assets Control (OFAC) and continues to cooperate with those authorities, inter alia, by conducting an ongoing review of accounts and transactions subject to the investigation. In June 2012, the US Department of Justice (DOJ) opened an investigation of OFAC compliance by HVB generally, with which HVB is also cooperating. Although we cannot at this time determine the form, extent or the timing of any resolution with the US authorities, the investigation costs, remediation required and/or payment or other legal liability incurred could have a material adverse effect on the net assets, operating results and/or cash flows of HVB in any particular period.

In recent years, alleged violations of US sanctions have resulted in financial institutions paying substantial fines, penalties or settlements to the US authorities, depending on the individual circumstances of each case.

5 Other risks

The Bank groups together business risk, the risk arising from its own real estate portfolio, the risk arising from its shareholdings/financial investments, reputational risk, strategic risk and pension risk under other risks. These risk types are only discussed briefly on account of their relatively low share of internal capital. The definitions of the individual risk types can be found under "Risk types" above. The risk arising from outsourcing activities does not constitute a separate risk type at HVB Group; instead, it is treated as a cross-risk-type risk and consequently listed under other risks.

Business risk

The data used to calibrate the business risk model were adjusted in the first half of 2013 to reflect the modified structure and supplemented with data from 2012.

The VaR, without taking account of diversification effects between the risk types, rose by €0.1 billion to €0.7 billion in the first half of 2013. The fully diversified economic capital for the business risk of HVB Group amounted to €0.3 billion after six months of 2013 (31 December 2012: €0.3 billion). In addition to the effect arising from the update in the data series and the associated change in volatilities and correlations, this figure also includes the effect of the update of the correlation matrix between the risk types.

Risk arising from our own real estate portfolio

A fundamental distinction is made in real estate risk between strategic and non-strategic real estate, although cost optimisation was the main focus across both portfolios in the first half of 2013. Besides the cost-optimised provision of real estate for HVB Group's banking activities, the operating and utilisation strategy for strategic real estate in the first half of 2013 consisted primarily of preferring Bank-owned properties over third-party properties.

The CEC department determines the economic capital for real estate risk and reports this to the business segments, the CRO and the Audit Committee of the Supervisory Board.

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. The adjustment of the data used to calibrate the real estate risk to reflect the current portfolio was improved in the first half of 2013 and the mapping procedure updated.

The VaR, without taking account of diversification effects between the risk types, declined by €40 million in the first half of 2013 to total €0.5 billion at 30 June 2013. The figure is based on a portfolio worth €3.1 billion, consisting of 51.2% strategic properties and 48.8% non-strategic properties. The economic capital for real estate risk at HVB Group taking into account diversification effects totals €0.4 billion (31 December 2012: €0.4 billion). Alongside the effect arising from the update of the index mapping, 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 Munich, which accounts for 36% of the total.

Again for the second half of 2013, it is planned to further reduce the portfolio of non-strategic real estate. The situation on the real estate markets will again depend on economic developments in the second half of 2013. Should growth slow, the demand for space might decline as well. The demand from investors for core real estate is continuing to increase. It remains to be seen to what extent this rising demand will transfer to other classes of real estate.

Risk arising from our shareholdings/ financial investments

All the investments to be included in the risk arising from our shareholdings/financial investments are either considered strategic and allocated to a business segment or competence line, or deemed non-strategic and hence fundamentally to be eliminated through disposals, mergers or liquidation. In the first half of 2013, the number of strategic investments remained largely constant. There are no plans for major changes. Additional investments in private equity funds and co-investments/direct investments were also made only on a highly selective basis with the objective of achieving an appropriate risk/ return balance with a broadly diversified portfolio. The reduction of the non-strategic portfolio is progressing as planned.

Risk Report (Continued)

A distinction is made in risk measurement between listed and unlisted investments. In the first instance, the VaR is determined on the basis of market values, volatilities and correlations of the corresponding shares. In the second instance, fluctuations in the market value of individual investments are simulated as part of a Monte Carlo simulation and the ensuing losses aggregated to form the portfolio VaR. The same macroeconomic correlations are assumed in the simulation as in the credit portfolio model. Existing residual payment commitments to private equity funds are included in the calculation of investment risk.

CEC calculates the economic capital for shareholdings and financial investments, and reports it to the business segments, the CRO and the Audit Committee of the Supervisory Board. In line with the risk strategy, quarterly risk reporting also includes a comparison of the actual and budget figures.

The VaR, without taking account of diversification effects between the risk types and without the economic capital of small legal entities, fell by €0.2 billion in the first half of 2013 to total €1.1 billion after six months of 2013. The decline can be attributed mainly to changes in exposures and parameters. The portfolio consists of 64.5% private equity funds, 23.0% private equity business and 12.5% other investments. The fully diversified economic capital of HVB Group (without small legal entities) amounts to €0.9 billion (31 December 2012: €1.0 billion).

As in 2012, the Bank will continue to dispose of non-strategic shareholdings in 2013. 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.

Reputational risk

HVB applies a holistic approach to reputational risk management. This means that all significant new activities and transactions at the Bank are normally analysed with regard to potential reputational risk – "change-the-bank" approach – and individual units at the Bank are examined at regular intervals regarding existing reputational risk at the same time – "run-the-bank" approach.

Commercial transactions and new activities like the new product process, outsourcing, projects and particular investments are included in the "change-the-bank" approach, as well any other new activity as is appropriate. The employees responsible in each case are required to analyse the transactions/activities to identify any potential reputational risk, taking into account the existing guidelines. Once a potential reputational risk has been identified, the appropriate specialist departments must be called in, the reputational risk assessed in terms of quality and the decision proposal prepared for the Reputational Risk Council (RRC).

Under the "run-the-bank" approach, the individual units of the Bank are examined at regular intervals with regard to existing and/or latent reputational risk. The process starts with reputational risk self-assessments by important function owners (risk managers) together with the operational risk managers. A list of questions is used to carry out the self-assessments. Building on this, senior management is interviewed about reputational risk. The senior manager has the opportunity to review the reputational risk identified in his unit during the interview and add further material reputational risks.

The Bank has decided not to directly quantify reputational risk under the "run-the-bank" process on account of the fundamental difficulty of accurately assessing the possible effects of reactions from interest groups. Any reputational risk identified is documented in the Bank's own IT system (possibly also during the year).

The OpRisk Control unit (CRO unit) has overall responsibility for controlling. OpRisk Control consolidates the results and prepares a reputational risk report covering the biggest individual risks for HVB.

Strategic risk

The statements made in the 2012 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 2013 can be found in the Outlook section of the Financial Review in the present Half-yearly Financial Report.

Pension risk

HVB Group has undertaken to provide a range of different pension plans to current and former employees which are largely financed by various forms of investment, some of which are external. Market risk may arise in connection with the pension plans on both the assets side and the liabilities side. This is possible due to decreases in the market value of the plan assets on the assets side as well as increases in the obligations on the liabilities side, caused for instance by changes to the discount rate. Furthermore, actuarial risks, such as longevity risk, may arise on the obligation side.

The risks described above are calculated and monitored at regular intervals in our risk management programme using a model devised specifically for pension risk. A risk figure is determined periodically using calculations based on changes in key risk parameters for both the various capital investments and the cash flows on the obligation side. We have determined a figure of €566 million for the pension risk of HVB Group at 30 June 2013 using the model described, which is incorporated in the calculation of the risk-bearing capacity in the form of an additive component to the internal capital accordingly as of June 2013.

We continue to consider the low level of interest rates to be the main factor affecting the size of the pension risk disclosed. It is already foreseeable today that it will be necessary to reduce the discount rate further in the future in line with the general interest environment.

Risks arising from outsourcing activities

Outsourcing risk is considered a cross-risk-type risk at HVB Group and not treated as a separate risk type. Outsourcing activities affect the following risk types in particular: operational risk, reputational risk, strategic risk, business risk, credit, market and liquidity risk. Those risks are managed as part of the respective risk type that are identified and assessed in an in-depth risk analysis. Specific risks arising from outsourcing activities that cannot be assigned directly to a specific risk type are managed by the unit responsible for the outsourcing activity in question.

Outsourcing involves the transfer of activities and processes to external service providers. This involves the transfer of some of the operational risk, while contractual risks arising from the outsourcing arrangement remain with the Bank. An outsourcing arrangement is deemed to exist when a different company is commissioned to perform such activities and processes in connection with the performance of banking activities, financial services or other typical banking services as would otherwise be performed by HVB itself. This includes outsourcing arrangements within UniCredit as well as the subcontracting of outsourced activities and functions to subcontractors.

The respective project team and defined functional departments (including Operational Risk Management, Compliance, Legal, Corporate Affairs & Documentation, Data Protection and Business Continuity Management) use a standard procedure to classify outsourcing arrangements as "not material", "material without considerable significance" and "material with considerable significance". An in-depth risk analysis covering the other risk types as well as operational risk is performed for the outsourcing arrangements classified as material. A retained organisation (RTO) responsible for the arrangement is set up for each material outsourcing arrangement that manages the risks identified. The identified risks are incorporated in risk management in the processes defined for the risk types concerned. The operational risk managers and the central OpRisk Control function help the project managers and the heads of the RTOs to prepare and/or update the related risk analysis.

In order to make the presentation of the outsourcing risk situation more transparent, work began in 2012 on expanding the existing methods and modifications to the required IT systems were commissioned. No new material outsourcing arrangements were commenced in the first half of 2013, although larger subcontracting arrangements were assessed on the IT side with regard to their risk content and associated risk-minimising measures drawn up.

Consolidated Income Statement

for the period from 1 January to 30 June 2013

Income/Expenses	NOTES	1/1–30/6/2013 € millions	1/1–30/6/2012 € millions	CHANGE € millions	CHANGE in %
Interest income		2,936	3,788	(852)	(22.5)
Interest expense		(1,471)	(1,992)	+ 521	(26.2)
Net interest	4	1,465	1,796	(331)	(18.4)
Dividends and other income from equity investments	5	56	62	(6)	(9.7)
Net fees and commissions	6	650	596	+ 54	+ 9.1
Net trading income	7	709	946	(237)	(25.1)
Net other expenses/income	8	91	59	+ 32	+ 54.2
Payroll costs		(906)	(940)	+ 34	(3.6)
Other administrative expenses		(765)	(752)	(13)	+ 1.7
Amortisation, depreciation and impairment losses					
on intangible and tangible assets		(93)	(91)	(2)	+ 2.2
Operating costs		(1,764)	(1,783)	+ 19	(1.1)
Net write-downs of loans and provisions					
for guarantees and commitments	9	(86)	(265)	+ 179	(67.5)
Provisions for risks and charges	10	9	76	(67)	+ 88.2
Restructuring costs		(2)	—	(2)	
Net income from investments	11	94	70	+ 24	+ 34.3
PROFIT BEFORE TAX		**1,222**	**1,557**	**(335)**	**(21.5)**
Income tax for the period		(404)	(645)	+ 241	(37.4)
PROFIT AFTER TAX		**818**	**912**	**(94)**	**(10.3)**
attributable to shareholder of UniCredit Bank AG		808	894	(86)	(9.6)
attributable to minorities		10	18	(8)	(44.4)

Earnings per share

(in €)

	NOTES	1/1–30/6/2013	1/1–30/6/2012
Earnings per share (undiluted and diluted)	12	1.01	1.11

Consolidated statement of total comprehensive income for the period from 1 January to 30 June 2013

(€ millions)

	1/1–30/6/2013	1/1–30/6/2012
Consolidated profit recognised in the income statement	**818**	**912**
Income and expenses recognised in other comprehensive income		
Income and expenses not to be reclassified to the income statement in future periods		
Actuarial profit/(loss) on defined benefit plans (pension commitments)	(88)	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	27	—
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	8	30
Change in valuation of financial instruments (AfS reserve)	11	103
Unrealised gains/(losses)	21	102
Gains/(losses) reclassified to the income statement	(10)	1
Change in valuation of financial instruments (hedge reserve)	4	(10)
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	4	(10)
Taxes on income and expenses to be reclassified to the income statement in future periods	(8)	(19)
Total income and expenses recognised in equity under other comprehensive income	**(46)**	**104**
Total comprehensive income	**772**	**1,016**
of which:		
attributable to shareholder of UniCredit Bank AG	756	973
attributable to minorities	16	43

Consolidated Income Statement (Continued)

for the period from 1 April to 30 June 2013

Income/Expenses	1/4–30/6/2013 € millions	1/4–30/6/2012 € millions	CHANGE € millions	CHANGE in %
Interest income	1,437	1,837	(400)	(21.8)
Interest expense	(730)	(959)	+ 229	(23.9)
Net interest	707	878	(171)	(19.5)
Dividends and other income from equity investments	39	40	(1)	(2.5)
Net fees and commissions	323	281	+ 42	+ 14.9
Net trading income	334	139	+ 195	>+ 100.0
Net other expenses/income	42	31	+ 11	+ 35.5
Payroll costs	(434)	(468)	+ 34	(7.3)
Other administrative expenses	(402)	(370)	(32)	+ 8.6
Amortisation, depreciation and impairment losses on intangible and tangible assets	(45)	(45)	—	—
Operating costs	(881)	(883)	+ 2	(0.2)
Net write-downs of loans and provisions for guarantees and commitments	3	(175)	+ 178	
Provisions for risks and charges	18	75	(57)	+ 76.0
Restructuring costs	(2)	—	(2)	
Net income from investments	26	50	(24)	(48.0)
PROFIT BEFORE TAX	**609**	**436**	**+ 173**	**+ 39.7**
Income tax for the period	(194)	(254)	+ 60	(23.6)
PROFIT AFTER TAX	**415**	**182**	**+ 233**	**>+ 100.0**
attributable to shareholder of UniCredit Bank AG	402	187	+ 215	>+ 100.0
attributable to minorities	13	(5)	+ 18	

Earnings per share (in €)

	1/4–30/6/2013	1/4–30/6/2012
Earnings per share (undiluted and diluted)	0.50	0.23

Consolidated statement of total comprehensive income for the period from 1 April to 30 June 2013

(€ millions)

	1/4–30/6/2013	1/4–30/6/2012
Consolidated profit recognised in the income statement	**415**	**182**
Income and expenses recognised in other comprehensive income		
Income and expenses not to be reclassified to the income statement in future periods		
Actuarial profit/(loss) on defined benefit plans (pension commitments)	(88)	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	27	—
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	(24)	61
Change in valuation of financial instruments (AfS reserve)	(5)	(16)
Unrealised gains/(losses)	5	(19)
Gains/(losses) reclassified to the income statement	(10)	3
Change in valuation of financial instruments (hedge reserve)	3	(11)
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	3	(11)
Taxes on income and expenses to be reclassified to the income statement in future periods	(2)	15
Total income and expenses recognised in equity under other comprehensive income	**(89)**	**49**
Total comprehensive income	**326**	**231**
of which:		
attributable to shareholder of UniCredit Bank AG	332	192
attributable to minorities	(6)	39

Consolidated Balance Sheet

at 30 June 2013

Assets

	NOTES	30/6/2013 € millions	31/12/2012 € millions	CHANGE € millions	in %
Cash and cash balances		10,109	15,655	(5,546)	(35.4)
Financial assets held for trading	13	107,704	131,017	(23,313)	(17.8)
Financial assets at fair value through profit or loss	14	27,130	24,282	+ 2,848	+ 11.7
Available-for-sale financial assets	15	5,146	5,482	(336)	(6.1)
Shares in associates accounted for using the equity method					
and joint ventures accounted for using the equity method	16	64	65	(1)	(1.5)
Held-to-maturity investments	17	222	261	(39)	(14.9)
Loans and receivables with banks	18	41,075	36,320	+ 4,755	+ 13.1
Loans and receivables with customers	19	116,346	122,212	(5,866)	(4.8)
Hedging derivatives		2,386	3,262	(876)	(26.9)
Hedge adjustment of hedged items					
in the fair value hedge portfolio		357	193	+ 164	+ 85.0
Property, plant and equipment		2,984	3,013	(29)	(1.0)
Investment properties		1,541	1,557	(16)	(1.0)
Intangible assets		526	540	(14)	(2.6)
of which: goodwill		418	418	—	—
Tax assets		2,628	3,113	(485)	(15.6)
Current tax assets		320	370	(50)	(13.5)
Deferred tax assets		2,308	2,743	(435)	(15.9)
Non-current assets or disposal groups held for sale		22	70	(48)	(68.6)
Other assets		1,215	1,258	(43)	(3.4)
Total assets		**319,455**	**348,300**	**(28,845)**	**(8.3)**

Liabilities

	NOTES	30/6/2013 € millions	31/12/2012 € millions	CHANGE € millions	in %
Deposits from banks	22	58,288	45,216	+ 13,072	+ 28.9
Deposits from customers	23	104,228	110,268	(6,040)	(5.5)
Debt securities in issue	24	33,047	35,863	(2,816)	(7.9)
Financial liabilities held for trading	25	91,944	121,501	(29,557)	(24.3)
Hedging derivatives		1,159	1,386	(227)	(16.4)
Hedge adjustment of hedged items					
in the fair value hedge portfolio		2,077	2,858	(781)	(27.3)
Tax liabilities		2,127	2,596	(469)	(18.1)
Current tax liabilities		672	893	(221)	(24.7)
Deferred tax liabilities		1,455	1,703	(248)	(14.6)
Liabilities of disposal groups held for sale		19	20	(1)	(5.0)
Other liabilities		3,087	3,375	(288)	(8.5)
Provisions	26	1,918	1,948	(30)	(1.5)
Shareholders' equity		21,561	23,269	(1,708)	(7.3)
Shareholders' equity attributable to					
shareholder of UniCredit Bank AG		20,766	22,475	(1,709)	(7.6)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		7,696	7,759	(63)	(0.8)
Change in valuation of financial instruments	27	64	56	+ 8	+ 14.3
AfS reserve		35	30	+ 5	+ 16.7
Hedge reserve		29	26	+ 3	+ 11.5
Consolidated profit 2012		—	2,462	(2,462)	(100.0)
Net profit 1/1 – 30/6/2013[1]		808	—	+ 808	
Minority interest		795	794	+ 1	+ 0.1
Total shareholders' equity and liabilities		**319,455**	**348,300**	**(28,845)**	**(8.3)**

1 attributable to shareholder of UniCredit Bank AG

Statement of Changes in Shareholders' Equity

at 30 June 2013

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	
			TOTAL	OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at 1 January 2012	**2,407**	**9,791**	**9,389**	**(197)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[4]	**—**	**—**	**11**	**—**
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	—	—	11	—
Total other changes in equity	**—**	**—**	**—**	**—**
Dividend payouts	—	—	—	—
Transfers to consolidated profit	—	—	—	—
Changes in group of consolidated companies	—	—	—	—
Shareholders' equity at 30 June 2012	**2,407**	**9,791**	**9,400**	**(197)**
Shareholders' equity at 1 January 2013	**2,407**	**9,791**	**7,759**	**(599)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[4]	**—**	**—**	**(60)**	**(61)**
Change in valuation of financial instruments not affecting income	—	—	—	—
Change in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	(61)	(61)
Reserve arising from foreign currency translation	—	—	1	—
Total other changes in equity	**—**	**—**	**(3)**	**—**
Dividend payouts	—	—	—	—
Transfers to consolidated profit	—	—	—	—
Changes in group of consolidated companies	—	—	(3)	—
Shareholders' equity at 30 June 2013	**2,407**	**9,791**	**7,696**	**(660)**

1 The Shareholders' Meeting 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
The Shareholders' Meeting of 7 May 2013 resolved to distribute the 2012 consolidated profit in the amount of €2,462 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €3.07 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
(134)	**22**	**1,017**	**—**	**22,492**	**826**	**23,318**
—	**—**	**—**	**894**	**894**	**18**	**912**
69	**(1)**	**—**	**—**	**79**	**25**	**104**
70	—	—	—	70	6	76
(1)	(1)	—	—	(2)	—	(2)
—	—	—	—	—	—	—
—	—	—	—	11	19	30
—	**—**	**(1,017)**	**—**	**(1,017)**	**(18)**	**(1,035)**
—	—	(1,017)	—	(1,017)	(18)	(1,035)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(65)	**21**	**—**	**894**	**22,448**	**851**	**23,299**
30	**26**	**2,462**	**—**	**22,475**	**794**	**23,269**
—	**—**	**—**	**808**	**808**	**10**	**818**
5	**3**	**—**	**—**	**(52)**	**6**	**(46)**
13	—	—	—	13	(1)	12
(8)	3	—	—	(5)	—	(5)
—	—	—	—	(61)	—	(61)
—	—	—	—	1	7	8
—	**—**	**(2,462)**	**—**	**(2,465)**	**(15)**	**(2,480)**
—	—	(2,462)	—	(2,462)	(18)	(2,480)
—	—	—	—	—	—	—
—	—	—	—	(3)	3	—
35	**29**	**—**	**808**	**20,766**	**795**	**21,561**

Cash Flow Statement (abridged version)

(€ millions)

	2013	2012
Cash and cash equivalents at 1 January	**15,655**	**4,267**
Cash flows from operating activities	**(2,694)**	**18,894**
Cash flows from investing activities	**444**	**2,314**
Cash flows from financing activities	**(3,296)**	**(2,155)**
Effects of exchange rate changes	—	—
Less disposal groups held for sale and discontinued operations	—	—
Cash and cash equivalents at 30 June	**10,109**	**23,320**

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 2013 as in the consolidated financial statements for 2012 (please refer to the HVB Group Annual Report for 2012, starting on page 126).

The new IFRS 13 "Fair Value Measurement", which consolidates the rules for determining fair value within IFRS, and the following standards revised by the IASB are applicable for the first time in the 2013 financial year:
– Amendments to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"
– Amendments to IAS 1 "Presentation of Financial Statements – Other Comprehensive Income"
– Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets"
– Amendments to IAS 19 "Employee Benefits"
– "Annual Improvements to IFRSs 2009–2011"

Implementation of these standards will have no material effect on the consolidated financial statements of HVB Group. Necessary additional disclosures in the notes to the financial statements will be included in the consolidated financial statements at 31 December 2013.

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) (WpHG).

Segment reporting

As already announced in the 2012 Annual Report, the business model was adjusted at the outset of 2013 to cater for the changed market environment which entailed a restructuring of global and regional responsibilities and thus the segments of HVB Group.

This means that HVB Group is divided into the following segments as of the reporting date:
– Commercial Banking
– Corporate & Investment Banking
– Asset Gathering
– Other/consolidation

The adjustment of the business model in the first quarter of 2013 also entailed the formation of the new Commercial Banking business segment, which encompasses oversight for all activities involving retail customers and entrepreneurs in Germany.

Selected Notes (Continued)

The Corporate & Investment Banking (CIB) business segment is continuing to benefit from its global business focus. At the start of 2013, the Corporates Germany and Real Estate customer care models were transferred to the newly formed Commercial Banking business segment. The Unternehmer Bank integrated in the Commercial Banking business segment stands for the comprehensive care of entrepreneurs in Germany. To achieve this, all business activities involving small and medium-sized enterprises and public-sector customers have been transferred from the former Family & SME (F&SME) division to the Unternehmer Bank. Furthermore, the former Private Banking division has been integrated in the newly formed Private Clients Bank business unit and the Family Office transferred to the Unternehmer Bank business unit. The Private Clients Bank business unit similarly forms part of the new Commercial Banking business segment.

The business activities of DAB Bank AG and direktanlage.at AG which were previously assigned to the F&SME division are to be shown as a separate business segment known as Asset Gathering following the reorganisation of the segments.

In contrast to the first quarter of 2013, we have decided not to show Global Banking Services as a separate segment; it is now allocated to the Other/consolidation segment.

Components of the segments of HVB Group

Commercial Banking business segment

The Commercial Banking business segment covers all customers in Germany requiring standardised or individual service and advice across a wide range of banking services in the Private Clients Bank and Unternehmer Bank business units. Different service models are applied in Commercial Banking in line with the needs of its various customer groups: retail customers, private banking customers, business and corporate customers, commercial real estate customers, and Wealth Management customers.

Commercial Banking builds on the strong HypoVereinsbank brand, with a regional sales structure facilitating market-compliant customer care by anchoring a high level of responsibility for results in the region.

The Unternehmer Bank employs a different Mittelstand bank model to its competitors in that it serves both business and personal needs across the whole bandwidth of German enterprises and firms operating in Germany. All of the business involving the German Mittelstand and commercial real estate is pooled in the Unternehmer Bank business unit, with the exception of the companies and subsidiaries served by the Multinational Corporates unit. These are allocated to the Corporate & Investment Banking business segment in light of their regular demand for capital market products and complex advisory services.

The scope of business services offered is based on the complexity of the customer’s needs, ranging from simple commercial banking products all the way through to the provision of capital market solutions. At the same time, access to the UniCredit corporate network in western, central and eastern Europe adds considerable value for export-oriented German Mittelstand firms in the support they receive for their international business activities.

The range of services for personal banking is determined by the needs of the entrepreneurs, running from standard products through to Family Office functionality.

The Private Clients Bank serves retail customers and private banking customers with banking and insurance solutions across all areas of demand.

The specific, all-round advisory offering reflects the individual and differentiated needs of these customer groups in terms of relationship model and product offering. The competence of the global corporate group and prestigious international product vendors are called upon for high-end product offerings.

Alongside personal service "on the ground" locally, our retail customers also have access to a wide range of specialist know-how at all times and, if required, the services of an online branch with extended opening hours in a modern multichannel offering.

Thus, Commercial Banking customers benefit from the strong set of product solutions of a universal bank, ranging from simple banking products, expertise in subsidy advice and leasing through to usage of the global product competence in Corporate & Investment Banking and Global Transaction Banking.

Corporate & Investment Banking business segment
The Corporate & Investment Banking business segment aims to be the first port of call for large corporates and institutional customers in terms of advisory expertise, product and process quality, and value creation. In this context, we seek to build a sustainable, stable and strategic business partnership and position ourselves as core bank with the customer for both commercial and investment banking. The customer focus concept includes professional, active relationship management that acts in a way that is competent, advice-based, fast and transparent. Added to this is a thorough understanding of the customer's business model and industry. CIB supports corporate customers – including those served by the Unternehmer Bank – in their positioning, growth and internationalisation by acting as an intermediary with the capital market.

The three global product lines – Markets, Financing & Advisory and Global Transaction Banking – form part of the integrated CIB value chain. They assist the customer with strategic, transaction-oriented activities, solutions and products. In light of changing markets and rising market risk, we aim to accompany the customer and cover issues like restructuring, growth and internationalisation alongside all corporate customer needs from their bank. Among other things, this includes the very latest intelligence about specific industries and markets that also satisfy the growing expectations of a financing partner.

Our CIB America and CIB Asia branches enable us to provide the best possible service to the subsidiaries of our corporate customers located in the Americas and Asia and offer American and Asian companies with commercial activities in our domestic markets the network they need to operate successfully.

Selected Notes (Continued)

Asset Gathering business segment

The activities of our DAB Bank subsidiary are reflected in the Asset Gathering business segment. DAB Bank offers financial services for retail and business customers. Besides its activities in Germany, DAB Bank also serves the Austrian market through direktanlage.at, its Austria-based subsidiary.

DAB Bank's core products are online brokerage services coupled with an independent range of investment and online banking solutions. DAB Bank provides its customers with direct, inexpensive access to the capital market.

In addition, DAB Bank helps its customers to implement long-term investment strategies by means of advisory services relating to product selection and portfolio structuring, among other things.

DAB Bank offers its customer a wide range of payment and financing services. By concentrating on the internet as a distribution channel, DAB Bank is able to provide its products and services at attractive terms and conditions.

DAB Bank acts as custodian and manager of securities and conducts securities transactions for its business customers. Furthermore, DAB Bank offers these customers wide-ranging services in the fields of IT and reporting and provides marketing and sales support.

Other/consolidation segment

The Other/consolidation segment encompasses Global Banking Services and Group Corporate Centre activities, and consolidation effects.

Global Banking Services views itself as a central internal service provider for both customers and employees. Its activities encompass purchasing, organisation, corporate security, logistics and facility management, cost management, back-office functions for credit, accounts, foreign exchange, money market and derivatives, and in-house consulting. Payments, securities settlement, IT application development and IT operation have been outsourced. Strategic property management at UniCredit Bank AG similarly comes under Global Banking Services and is carried out by HVB Immobilien AG and its subsidiaries.

The Group Corporate Centre activities include profit contributions that do not fall within the jurisdiction of the individual business segments. Among other items, this includes the profits and losses of consolidated subsidiaries and of non-consolidated holdings, provided they are not assigned to the business segments, together with the net income from securities holdings for which the Management Board is responsible. Also incorporated in this segment are the amounts arising from decisions taken by management with regard to asset/liability management. This includes contributions to earnings from securities and money trading activities involving UniCredit S.p.A. and its subsidiaries. The Other/consolidation segment also includes the Real Estate Restructuring customer portfolio (RER).

Method of segment reporting
Apart from the reorganisation of the segment contents, the same principles are being applied in the 2013 financial year as were used at year-end 2012. We use risk-weighted assets compliant with Basel II as the criterion for allocating tied equity capital. The interest rate used to assess the equity capital allocated to companies assigned to several divisions (HVB, UniCredit Luxembourg) was 3.7% in 2012. This interest rate was redetermined for 2013 and has been 3.17% since 1 January 2013. At the same time, we have made a minor adjustment in net interest as of the start of the year. The cost of foreign currency swaps concluded as part of asset/liability management that was previously included in the net interest of the Corporate & Investment Banking business segment is now included in the net interest of the Other/consolidation segment. In addition, there was a shift in the net interest in the Commercial Banking and Corporate & Investment Banking business segments during the second quarter of 2013 on account of customers transferred between these two segments.

The modification of the business model in 2013 led to further cost transfers in both payroll costs and other administrative expenses during the second quarter of 2013. This had an impact on the Commercial Banking, Corporate & Investment Banking and Other/consolidation segments.

Last year's figures and those of previous quarters have been adjusted accordingly to reflect the new corporate structure, the reorganisation described above and a few other minor changes.

2 Companies included in consolidation
The following companies were added to the group of companies included in consolidation in the first half of 2013:
– Elektra Purchase No. 911 Ltd., Dublin
– GELDILUX-TS-2013 S.A., Luxembourg
– Vermietungsgesellschaft mbH & Co. Objekt MOC KG, Munich

The following companies left the group of companies included in consolidation in the first half of 2013 due to liquidation:
– Black Forest Funding LLC, Dover
– GELDILUX-TS-2007 S.A., Luxembourg

HVB Expertise GmbH, Munich, left the group of companies included in consolidation in the first half of 2013 following its absorption by UniCredit Bank AG.

Notes to the Income Statement

3 Segment reporting

Income statement broken down by segment for the period from 1 January to 30 June 2013 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	ASSET GATHERING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	770	585	17	93	1,465
Dividends and other income from equity investments	4	51	—	1	56
Net fees and commissions	445	155	43	7	650
Net trading income	13	582	—	114	709
Net other expenses/income	1	14	—	76	91
OPERATING INCOME	**1,233**	**1,387**	**60**	**291**	**2,971**
Payroll costs	(379)	(214)	(20)	(293)	(906)
Other administrative expenses	(622)	(419)	(28)	304	(765)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(5)	(4)	(6)	(78)	(93)
Operating costs	**(1,006)**	**(637)**	**(54)**	**(67)**	**(1,764)**
OPERATING PROFIT	**227**	**750**	**6**	**224**	**1,207**
Net write-downs of loans and provisions					
for guarantees and commitments	(28)	(170)	—	112	(86)
NET OPERATING PROFIT	**199**	**580**	**6**	**336**	**1,121**
Provisions for risks and charges	20	(10)	—	(1)	9
Restructuring costs	(2)	—	—	—	(2)
Net income from investments	1	34	4	55	94
PROFIT BEFORE TAX	**218**	**604**	**10**	**390**	**1,222**

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

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	ASSET GATHERING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	811	873	28	84	1,796
Dividends and other income from equity investments	6	54	—	2	62
Net fees and commissions	454	98	37	7	596
Net trading income	4	831	—	111	946
Net other expenses/income	(3)	(8)	—	70	59
OPERATING INCOME	**1,272**	**1,848**	**65**	**274**	**3,459**
Payroll costs	(380)	(254)	(19)	(287)	(940)
Other administrative expenses	(605)	(393)	(30)	276	(752)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(5)	(5)	(6)	(75)	(91)
Operating costs	**(990)**	**(652)**	**(55)**	**(86)**	**(1,783)**
OPERATING PROFIT	**282**	**1,196**	**10**	**188**	**1,676**
Net write-downs of loans and provisions					
for guarantees and commitments	(36)	(364)	—	135	(265)
NET OPERATING PROFIT	**246**	**832**	**10**	**323**	**1,411**
Provisions for risks and charges	13	55	—	8	76
Restructuring costs	—	—	—	—	—
Net income from investments	—	13	6	51	70
PROFIT BEFORE TAX	**259**	**900**	**16**	**382**	**1,557**

Notes to the Income Statement (Continued)

Income statement of the Commercial Banking business segment (€ millions)

INCOME/EXPENSES	1/1 – 30/6/ 2013	1/1 – 30/6/ 2012	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest	770	811	378	392	403	418	398
Dividends and other income from equity investments	4	6	4	—	7	5	5
Net fees and commissions	445	454	213	232	229	218	234
Net trading income	13	4	1	11	(14)	1	5
Net other expenses/income	1	(3)	—	1	(10)	1	(1)
OPERATING INCOME	**1,233**	**1,272**	**596**	**636**	**615**	**643**	**641**
Payroll costs	(379)	(380)	(185)	(193)	(189)	(190)	(197)
Other administrative expenses	(622)	(605)	(318)	(303)	(318)	(299)	(298)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(5)	(5)	(3)	(3)	(3)	(2)	(2)
Operating costs	**(1,006)**	**(990)**	**(506)**	**(499)**	**(510)**	**(491)**	**(497)**
OPERATING PROFIT	**227**	**282**	**90**	**137**	**105**	**152**	**144**
Net write-downs of loans and provisions for guarantees and commitments	(28)	(36)	4	(32)	40	(43)	(18)
NET OPERATING PROFIT	**199**	**246**	**94**	**105**	**145**	**109**	**126**
Provisions for risks and charges	20	13	19	—	(11)	30	(5)
Restructuring costs	(2)	—	(2)	—	(86)	—	—
Net income from investments	1	—	1	—	(4)	—	—
PROFIT BEFORE TAX	**218**	**259**	**112**	**105**	**44**	**139**	**121**
Cost-income ratio in %	81.6	77.8	84.9	78.5	82.9	76.4	77.5

Development of the Commercial Banking business segment
The Commercial Banking business segment generated operating income of €1,233 million in the first half of the year, down €39 million on the figure recorded for the equivalent period last year.

Within this total, net interest fell by €41 million to €770 million due to depressed margins in deposit-taking operations on account of the sharp drop in interest rates, with deposit volumes falling by 3%. The decline results from the lower volumes of deposits from business customers, which could only be offset in part by higher deposits from private customers. In lending operations, essentially declining volumes of property owned by private customers coupled with decreases on account of the restrained demand for credit from business customers led to lower net interest being recorded.

At €445 million, net fees and commissions almost matched the outstanding total of €454 million achieved in the first half of 2012. The net trading income of €13 million essentially comprises the reversal of credit value adjustments carried out in the first quarter of 2013. The cost-income ratio rose by 3.8 percentage points to 81.6% on account of the lower operating income after totalling 77.8% in the equivalent period last year.

The 1.6% increase in operating costs to €1,006 million can be attributed to higher other administrative expenses resulting from higher indirect costs, while payroll costs remained almost unchanged year-on-year at €379 million (first half of 2012: €380 million).

Net write-downs of loans and provisions for guarantees and commitments fell by around 22% compared with the equivalent period last year to what remains a very low level of €28 million.

Once the positive effect of €20 million arising from the reversal of provisions (first half of 2012: €13 million) is included, the Commercial Banking business segment generated a profit before tax totalling €218 million in the first half of 2013 (first half of 2012: €259 million).

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

INCOME/EXPENSES	1/1 – 30/6/ 2013	1/1 – 30/6/ 2012	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest	585	873	266	319	380	455	438
Dividends and other income from equity investments	51	54	33	17	41	30	33
Net fees and commissions	155	98	84	71	37	45	24
Net trading income	582	831	333	250	77	159	48
Net other expenses/income	14	(8)	2	12	10	—	(2)
OPERATING INCOME	**1,387**	**1,848**	**718**	**669**	**545**	**689**	**541**
Payroll costs	(214)	(254)	(94)	(120)	(77)	(141)	(115)
Other administrative expenses	(419)	(393)	(222)	(196)	(183)	(191)	(199)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(4)	(5)	(2)	(2)	(4)	(3)	(3)
Operating costs	**(637)**	**(652)**	**(318)**	**(318)**	**(264)**	**(335)**	**(317)**
OPERATING PROFIT	**750**	**1,196**	**400**	**351**	**281**	**354**	**224**
Net write-downs of loans and provisions for guarantees and commitments	(170)	(364)	(114)	(56)	(439)	(132)	(296)
NET OPERATING PROFIT/(LOSS)	**580**	**832**	**286**	**295**	**(158)**	**222**	**(72)**
Provisions for risks and charges	(10)	55	(1)	(10)	101	—	81
Restructuring costs	—	—	—	—	(9)	1	(1)
Net income from investments	34	13	22	12	(24)	98	—
PROFIT/(LOSS) BEFORE TAX	**604**	**900**	**307**	**297**	**(90)**	**321**	**8**
Cost-income ratio in %	45.9	35.3	44.3	47.5	48.4	48.6	58.6

Development of the Corporate & Investment Banking business segment

The Corporate & Investment Banking business segment generated operating income of €1,387 million in the difficult market environment of the first half of 2013. The total was €461 million below the amount recorded for the equivalent period last year (first half of 2012: €1,848 million), although this figure benefited from non-recurring income of €395 million arising from the reversal of credit value adjustments. After operating costs down by 2.3% to €637 million are deducted (first half of 2012: €652 million), the operating profit amounts to €750 million (first half of 2012: €1,196 million).

The decline in operating income is due mainly to a decrease of €288 million in interest income to €585 million (first half of 2012: €873 million). This development can be attributed to a decline of €120 million in trading-induced interest together with lower income from lending operations due to contracting credit volumes and margins. At the same time, net trading profit similarly declined by a significant €249 million to €582 million (first half of 2012: €831 million), although this can be attributed to the non-recurrence of the one-time income of €395 million arising from the reversal of credit value adjustments recorded in the previous year. After adjustment for this non-recurring effect in the year-ago total, net trading profit increased by €146 million. In particular, the positive development of customer transactions involving fixed-income securities, interest rate derivates and structured credit products contributed to this rise.

The dividend income fell by a total of €3 million to €51 million on account of lower dividend payments by private equity funds. Net fees and commissions performed extremely well, rising a strong €57 million over the level recorded in the equivalent period last year to €155 million (first half of 2012: €98 million), thanks notably to higher income from advisory services and credit-related business. The €22 million rise in net other expenses/income is essentially attributable to the recognition of income from the billing of structuring and advisory services relating to project finance. Operating costs declined by €15 million, or 2.3%, to €637 million during the reporting period compared with the first half of 2012 (€652 million) despite an inflation rate of around 1.5%. This pleasing development can be attributed to a fall of €40 million in payroll costs to €214 million, resulting from lower expenses for profit-related bonus payments. At the same time, other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets increased by €25 million to a total of €423 million. The business segment's cost-income ratio rose by 10.6% percentage points to 45.9% (first half of 2012: 35.3%) on account of the decline in operating income.

At €170 million, net write-downs of loans and provisions for guarantees and commitments during the reporting period were €194 million below the figure for the first half of 2012 (€364 million) and hence still at a moderate level. Provisions of €10 million for risks and charges were recognised in the first half of 2013 (first half of 2012: net reversal of €55 million), resulting primarily from legal risks. Once net income from investments of €34 million is factored in (first half of 2012: €13 million), the CIB business segment generated a profit before tax of €604 million in the first six months of 2013 (first half of 2012: €900 million).

Notes to the Income Statement (Continued)

Income statement of the Asset Gathering business segment (€ millions)

INCOME/EXPENSES	1/1 – 30/6/ 2013	1/1 – 30/6/ 2012	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest	17	28	8	9	11	10	14
Dividends and other income from equity investments	—	—	—	—	—	—	—
Net fees and commissions	43	37	22	21	17	20	17
Net trading income	—	—	—	—	1	—	—
Net other expenses/income	—	—	—	—	(1)	1	—
OPERATING INCOME	**60**	**65**	**30**	**30**	**28**	**31**	**31**
Payroll costs	(20)	(19)	(10)	(10)	(11)	(11)	(10)
Other administrative expenses	(28)	(30)	(15)	(14)	(12)	(14)	(15)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(6)	(6)	(3)	(3)	(5)	(3)	(3)
Operating costs	**(54)**	**(55)**	**(28)**	**(27)**	**(28)**	**(28)**	**(28)**
OPERATING PROFIT	**6**	**10**	**2**	**3**	**—**	**3**	**3**
Net write-downs of loans and provisions for guarantees and commitments	—	—	—	—	—	—	—
NET OPERATING PROFIT	**6**	**10**	**2**	**3**	**—**	**3**	**3**
Provisions for risks and charges	—	—	—	—	—	—	—
Restructuring costs	—	—	—	—	—	—	—
Net income from investments	4	6	3	2	6	2	4
PROFIT BEFORE TAX	**10**	**16**	**5**	**5**	**6**	**5**	**7**
Cost-income ratio in %	90.0	84.6	93.3	90.0	100.0	90.3	90.3

Development of the Asset Gathering business segment

The operating income of the Asset Gathering business segment totalled €60 million in the first half of 2013 compared with €65 million in the first half of 2012, which means that it is €5 million below the year-ago figure. This decline results for the most part from the €11 million fall in net interest to €17 million. The historically low level of interest rates has greatly reduced the margins that can be achieved in the deposit-taking business. Net fees and commissions rose by a healthy 16% over the equivalent period last year, to €43 million, reflecting the restored interest in securities trading on the part of customers.

Operating costs remained almost unchanged at €54 million after €55 million in the equivalent period last year. This can be attributed mainly to the continued application of consistent cost management.

Together with the net income from investments of €4 million (first half of 2012: €6 million), the Asset Gathering business segment generated a profit before tax of €10 million in the first half of 2013 (first half of 2012: €16 million).

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

INCOME/EXPENSES	1/1 – 30/6/ 2013	1/1 – 30/6/ 2012	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest	93	84	55	38	(60)	(4)	28
Dividends and other income from equity investments	1	2	2	—	2	—	2
Net fees and commissions	7	7	4	3	(3)	4	6
Net trading income	114	111	—	114	3	17	86
Net other expenses/income	76	70	40	36	32	49	34
OPERATING INCOME	**291**	**274**	**101**	**191**	**(26)**	**66**	**156**
Payroll costs	(293)	(287)	(145)	(149)	(138)	(142)	(146)
Other administrative expenses	304	276	153	150	142	128	142
Amortisation, depreciation and impairment							
losses on intangible and tangible assets	(78)	(75)	(37)	(40)	(27)	(40)	(37)
Operating costs	**(67)**	**(86)**	**(29)**	**(39)**	**(23)**	**(54)**	**(41)**
OPERATING PROFIT/(LOSS)	**224**	**188**	**72**	**152**	**(49)**	**12**	**115**
Net write-downs of loans and provisions							
for guarantees and commitments	112	135	113	(1)	96	16	139
NET OPERATING PROFIT	**336**	**323**	**185**	**151**	**47**	**28**	**254**
Provisions for risks and charges	(1)	8	—	1	3	(4)	(1)
Restructuring costs	—	—	—	—	(7)	(1)	1
Net income from investments	55	51	—	54	5	5	46
PROFIT BEFORE TAX	**390**	**382**	**185**	**206**	**48**	**28**	**300**
Cost-income ratio in %	23.0	31.4	28.7	20.4	(88.5)	81.8	26.3

Development of the Other/consolidation segment

The operating income of this segment amounted to €291 million in the first half of 2013 compared with €274 million in the equivalent period last year. As was the case in 2012, the net trading income of €114 million during the reporting period (first half of 2012: €111 million) mainly includes gains generated in connection with the buy-back of hybrid capital instruments. At the same time, both net interest (up €9 million to €93 million) and net other expenses/income (up €6 million to €76 million) increased slightly. With operating costs down by €19 million, the operating profit was up by €36 million in the first half of 2013 to €224 million (first half of 2012: €188 million).

A net reversal of €112 million was recorded in net write-downs of loans and provisions for guarantees and commitments in the first half of 2013 (first half of 2012: €135 million) arising mainly from the successful reduction of expiring portfolios. As in the previous year, the net income from investments of €55 million (first half of 2012: €51 million) resulted notably from gains on the sale of land and buildings. All in all, this segment recorded a profit before tax of €390 million for the first half of 2013, which is €8 million higher than the amount reported for the equivalent period last year (first half of 2012: €382 million).

Notes to the Income Statement (Continued)

4 Net interest

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Interest income from	**2,936**	**3,788**
lending and money market transactions	1,987	2,667
other interest income	949	1,121
Interest expense from	**(1,471)**	**(1,992)**
deposits	(358)	(653)
debt securities in issue and other interest expenses	(1,113)	(1,339)
Total	**1,465**	**1,796**

5 Dividends and other income from equity investments

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Dividends and other similar income	54	57
Companies accounted for using the equity method	2	5
Total	**56**	**62**

6 Net fees and commissions

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Management, brokerage and consultancy services	290	297
Collection and payment services[1]	113	108
Lending operations[1]	229	183
Other service operations	18	8
Total	**650**	**596**

1 at 30 September 2012, guarantee and documentary-credit fees were reclassified from lending operations to collection and payment services. The year-ago figures have been adjusted accordingly

This item comprises the balance of fee and commission income of €853 million (2012: €816 million) and fee and commission expenses of €203 million (2012: €220 million).

7 Net trading income

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Net gains on financial assets held for trading[1]	468	1,006
Effects arising from hedge accounting	15	(51)
Changes in fair value of hedged items	790	(587)
Changes in fair value of hedging derivatives	(775)	536
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	93	(67)
Other net trading income	133	58
Total	**709**	**946**

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

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

The net gains on holdings at fair value through profit or loss (held-for-trading portfolio and fair value option) generally only contain the changes in fair value disclosed in the income statement. The interest income from held-for-trading portfolios is normally disclosed under net interest. To ensure that the full contribution 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 – 30/6/2013	1/1 – 30/6/2012
Other income	179	168
Other expenses	(88)	(109)
Total	**91**	**59**

Notes to the Income Statement (Continued)

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

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Additions/releases	**(114)**	**(290)**
Allowances for losses on loans and receivables	(155)	(261)
Allowances for losses on guarantees and indemnities	41	(29)
Recoveries from write-offs of loans and receivables	**28**	**25**
Gains on the disposal of impaired loans and receivables	**—**	**—**
Total	**(86)**	**(265)**

In gross terms, the expenses of €763 million for additions in the first half of 2013 (2012: €745 million) were partly offset by releases and recoveries from write-offs of loans and receivables amounting to €677 million (2012: €480 million).

10 Provisions for risks and charges

A net gain of €9 million was recorded from net reversals of provisions for risks and charges during the reporting period, essentially in connection with legal risks.

11 Net income from investments

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Available-for-sale financial assets	40	14
Shares in affiliated companies	—	—
Companies accounted for using the equity method	—	—
Held-to-maturity investments	—	5
Land and buildings	54	49
Investment properties[1]	—	2
Total	**94**	**70**

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

Net income from investments breaks down as follows:

(€ millions)

	1/1 – 30/6/2013	1/1 – 30/6/2012
Gains on the disposal of	**128**	**84**
available-for-sale financial assets	73	22
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	5
land and buildings	54	49
investment properties	1	8
Write-downs, value adjustments and write-ups on	**(34)**	**(14)**
available-for-sale financial assets	(33)	(8)
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
investment properties	(1)	(6)
Total	**94**	**70**

12 Earnings per share

	1/1 – 30/6/2013	1/1 – 30/6/2012
Consolidated profit attributable to shareholder (€ millions)	808	894
Average number of shares	802,383,672	802,383,672
Earnings per share (€)	1.01	1.11

Notes to the Balance Sheet

13 Financial assets held for trading

(€ millions)

	30/6/2013	31/12/2012
Balance sheet assets	**30,184**	**25,035**
Fixed-income securities	13,324	13,917
Equity instruments	5,299	3,843
Other financial assets held for trading	11,561	7,275
Positive fair value from derivative financial instruments	**77,520**	**105,982**
Total	**107,704**	**131,017**

The financial assets held for trading include €105 million (31 December 2012: €207 million) in subordinated assets at 30 June 2013.

14 Financial assets at fair value through profit or loss

(€ millions)

	30/6/2013	31/12/2012
Fixed-income securities	25,816	22,915
Equity instruments	—	—
Investment certificates	2	2
Promissory notes	1,312	1,365
Total	**27,130**	**24,282**

The financial assets at fair value through profit or loss include €293 million (31 December 2012: €301 million) in subordinated assets at 30 June 2013.

15 Available-for-sale financial assets

(€ millions)

	30/6/2013	31/12/2012
Fixed-income securities	3,713	4,013
Equity instruments	371	418
Other available-for-sale financial assets	182	188
Impaired assets	880	863
Total	**5,146**	**5,482**

At 30 June 2013, available-for-sale financial assets include financial instruments of €1,140 million (31 December 2012: €1,082 million) valued at cost.

The available-for-sale financial assets contain a total of €880 million (31 December 2012: €863 million) in impaired assets at 30 June 2013 for which impairments of €37 million (30 June 2012: €13 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 €221 million (31 December 2012: €220 million) in subordinated assets at 30 June 2013.

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

(€ millions)

	30/6/2013	31/12/2012
Associated companies accounted for using the equity method	64	65
of which: goodwill	34	36
Joint ventures accounted for using the equity method	—	—
Total	**64**	**65**

17 Held-to-maturity investments

(€ millions)

	30/6/2013	31/12/2012
Fixed-income securities	222	261
Impaired assets	—	—
Total	**222**	**261**

The held-to-maturity investments include a total of €10 million (31 December 2012: €11 million) in subordinated assets at 30 June 2013.

18 Loans and receivables with banks

(€ millions)

	30/6/2013	31/12/2012
Current accounts	13,013	14,737
Repos[1]	13,957	6,975
Reclassified securities	1,925	2,171
Other loans to banks	12,180	12,437
Total	**41,075**	**36,320**

1 repurchase agreements

The other loans to banks consist mostly of term deposits and bonds.

The loans and receivables with banks include €593 million (31 December 2012: €641 million) in subordinated assets at 30 June 2013.

19 Loans and receivables with customers

(€ millions)

	30/6/2013	31/12/2012
Current accounts	10,974	10,754
Repos[1]	611	443
Mortgage loans	41,937	42,957
Finance leases	1,952	1,883
Reclassified securities	3,061	3,552
Non-performing loans and receivables	4,365	4,468
Other loans and receivables	53,446	58,155
Total	**116,346**	**122,212**

1 repurchase agreements

The loans and receivables with customers include €1,275 million (31 December 2012: €1,298 million) in subordinated assets at 30 June 2013.

Other loans and receivables largely comprise miscellaneous other loans, installment loans, term deposits and refinanced special credit facilities.

Loans and receivables with customers include an amount of €1,627 million (31 December 2012: €1,916 million) funded under the fully consolidated Arabella conduit programme. For the most part, this involves buying short-term accounts payable and medium-term receivables under lease agreements from customers and funding them by issuing commercial paper on the capital market. The securitised loans and receivables essentially reflect loans and receivables of European borrowers, with a majority of the loans and receivables relating to German borrowers.

Notes to the Balance Sheet (Continued)

20 Application of reclassification rules defined in IAS 39.50 et seq.

No further reclassifications have been carried out since 2010. The intention to trade no longer exists for the assets reclassified in 2008 and 2009, since the markets in these financial instruments had become illiquid as a result of the extraordinary circumstances created by the financial crisis (2008/09) 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 31/12/2012	3.4	3.0	3.6
Balance at 30/6/2013	2.9	2.6	3.0
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 31/12/2012	2.4	2.5	2.5
Balance at 30/6/2013	2.2	2.3	2.3
Balance of reclassified assets at 30/6/2013	**5.1**	**4.9**	**5.3**

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 €4.9 billion at 30 June 2013. 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 €158 million in net trading income in the first half of 2013. A net gain of €498 million (2012), €96 million (2011), €416 million (2010) and €1,159 million (2009) would have arisen in net trading income in the financial years 2012, 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.

In the first six months of 2013, we reversed €4 million of the write-downs taken on reclassified holdings. Write-downs on reclassified holdings had been taken in the amount of €31 million in 2012, €3 million in 2011, €8 million in 2010, €80 million in 2009 and €63 million in 2008. 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 €18 million (whole of 2012: €66 million, 2011: €100 million, 2010: €160 million, 2009: €208 million, 2008: €127 million), which is recognised in net interest.

A gain of €0.4 million (whole of 2012: €21 million, 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 2013.

In the first half of 2013, the reclassifications carried out in 2008 and 2009 resulted in a profit before tax that was €136 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 €100 million before tax (first six months of 2013: minus €136 million, whole of 2012: minus €442 million, 2011: plus €15 million, 2010: minus €245 million, 2009: minus €948 million, 2008: plus €1,856 million).

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

Analysis of loans and receivables (€ millions)

Balance at 1 January 2012	**4,743**
Changes affecting income	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	11
Non-current assets or disposal groups held for sale	(15)
Balance at 30 June 2012	**4,696**
Balance at 1 January 2013	**4,448**
Changes affecting income	155
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	(227)
Effects of currency translation and other changes	31
Non-current assets or disposal groups held for sale	—
Balance at 30 June 2013	**4,407**

22 Deposits from banks

(€ millions)

	30/6/2013	31/12/2012
Deposits from central banks	**5,383**	**6,271**
Deposits from banks	**52,905**	**38,945**
Current accounts	13,129	12,959
Reverse repos[1]	22,403	8,378
Term deposits	7,548	7,883
Other liabilities	9,825	9,725
Total	**58,288**	**45,216**

1 repurchase agreements

23 Deposits from customers

(€ millions)

	30/6/2013	31/12/2012
Current accounts	55,874	59,768
Savings deposits	14,996	14,779
Reverse repos[1]	7,233	8,550
Term deposits	18,048	17,820
Other liabilities	8,077	9,351
Total	**104,228**	**110,268**

1 repurchase agreements

Notes to the Balance Sheet (Continued)

24 Debt securities in issue

(€ millions)

	30/6/2013	31/12/2012
Bonds	31,671	34,467
Other securities	1,376	1,396
Total	**33,047**	**35,863**

25 Financial liabilities held for trading

(€ millions)

	30/6/2013	31/12/2012
Negative fair values arising from derivative financial instruments	77,046	105,513
Other financial liabilities held for trading	14,898	15,988
Total	**91,944**	**121,501**

The negative fair values arising from derivative financial instruments are carried as financial liabilities held for trading purposes. Also included under other financial liabilities held for trading are warrants, certificates and bonds issued by our trading department as well as delivery obligations arising from short sales of securities not held for trading purposes.

26 Provisions

(€ millions)

	30/6/2013	31/12/2012
Provisions for pensions and similar commitments	208	133
Allowances for losses on guarantees and commitments and irrevocable credit commitments	498	527
Restructuring provisions	178	184
Actuarial provisions	26	27
Other provisions	1,008	1,077
Total	**1,918**	**1,948**

27 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments recognised in equity totalled €64 million at 30 June 2013 (31 December 2012: €56 million). This rise of €8 million compared with year-end 2012 can be attributed for the most part to the €5 million increase in the AfS reserve to €35 million, resulting primarily from positive fair value fluctuations of fixed-income securities classified as available for sale. Similarly, the hedge reserve included in the reserves arising from changes in the value of financial instruments recognised in equity increased by €3 million compared with year-end 2012 to €29 million.

28 Subordinated capital

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

	30/6/2013	31/12/2012
Subordinated liabilities	1,665	2,103
Hybrid capital instruments	49	358
Total	**1,714**	**2,461**

Other Information

29 Contingent liabilities and other commitments

(€ millions)

	30/6/2013	31/12/2012
Contingent liabilities[1]	**19,399**	**19,909**
Guarantees and indemnities	19,399	19,909
Other commitments	**36,758**	**35,984**
Irrevocable credit commitments	36,451	35,646
Other commitments[2]	307	338
Total	**56,157**	**55,893**

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

30 Notes to selected structured products

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

ABS portfolio

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

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

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

Other Information (Continued)

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

CARRYING AMOUNTS		30/6/2013 SENIOR	30/6/2013 MEZZANINE	30/6/2013 JUNIOR	30/6/2013 TOTAL	31/12/2012 TOTAL
Positions retained from own securitisations		**—**	**101**	**—**	**101**	**97**
Positions in third-party ABS transactions		**3,186**	**1,201**	**20**	**4,407**	**4,742**
Residential mortgage-backed securities (RMBS)		1,732	390	—	2,122	2,192
thereof:						
US subprime		1	—	—	1	1
US Alt-A		2	—	—	2	2
Commercial mortgage-backed securities (CMBS)		712	248	—	960	1,108
Collateralised debt obligations (CDO)		20	46	—	66	88
thereof:						
US subprime		—	—	—	—	—
US Alt-A		—	—	—	—	—
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		398	403	18	819	877
Consumer loans		255	78	2	335	302
Credit cards		—	—	—	—	—
Leases		65	22	—	87	151
Others		4	14	—	18	24
Total	**30/6/2013**	**3,186**	**1,302**	**20**	**4,508**	
	31/12/2012	**3,364**	**1,453**	**22**	**4,839**	
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2013**	**—**	**25**	**—**	**25**	
	31/12/2012	**—**	**25**	**—**	**25**	

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

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

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

CARRYING AMOUNTS		30/6/2013 EUROPE	USA	ASIA	OTHER REGIONS	TOTAL
Positions retained from own securitisations		**101**	**—**	**—**	**—**	**101**
Positions in third-party ABS transactions		**3,675**	**535**	**28**	**169**	**4,407**
Residential mortgage-backed securities (RMBS)		1,987	4	28	103	2,122
thereof:						
US subprime		—	1	—	—	1
US Alt-A		—	2	—	—	2
Commercial mortgage-backed securities (CMBS)		826	134	—	—	960
Collateralised debt obligations (CDO)		6	42	—	18	66
thereof:						
US subprime		—	—	—	—	—
US Alt-A		—	—	—	—	—
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		511	260	—	48	819
Consumer loans		252	83	—	—	335
Credit cards		—	—	—	—	—
Leases		75	12	—	—	87
Others		18	—	—	—	18
Total	**30/6/2013**	**3,776**	**535**	**28**	**169**	**4,508**
	31/12/2012	**4,062**	**577**	**19**	**181**	**4,839**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2013**	**—**	**25**	**—**	**—**	**25**
	31/12/2012	**—**	**25**	**—**	**—**	**25**

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

Other Information (Continued)

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

CARRYING AMOUNTS		30/6/2013 LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Positions retained from own securitisations		**47**	**54**	**—**	**101**
Positions in third-party ABS transactions		**360**	**2,798**	**1,249**	**4,407**
Residential mortgage-backed securities (RMBS)		72	1,073	977	2,122
thereof:					
US subprime		—	1	—	1
US Alt-A		—	1	1	2
Commercial mortgage-backed securities (CMBS)		138	723	99	960
Collateralised debt obligations (CDO)		1	6	59	66
thereof:					
US subprime		—	—	—	—
US Alt-A		—	—	—	—
Collateralised loan obligations (CLO)/					
collateralised bond obligations (CBO)		21	707	91	819
Consumer loans		93	219	23	335
Credit cards		—	—	—	—
Leases		34	53	—	87
Others		1	17	—	18
Total	**30/6/2013**	**407**	**2,852**	**1,249**	**4,508**
	31/12/2012	**543**	**3,073**	**1,223**	**4,839**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2013**	**—**	**25**	**—**	**25**
	31/12/2012	**25**	**—**	**—**	**25**

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

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

		30/6/2013					
CARRYING AMOUNTS		HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**	**101**	**101**
Positions in third-party ABS transactions		**296**	**43**	**3,733**	**78**	**257**	**4,407**
Residential mortgage-backed securities (RMBS)		80	14	1,962	1	65	2,122
thereof:							
US subprime		—	—	—	1	—	1
US Alt-A		—	1	1	—	—	2
Commercial mortgage-backed securities (CMBS)		82	8	836	—	34	960
Collateralised debt obligations (CDO)		—	7	41	18	—	66
thereof:							
US subprime		—	—	—	—	—	—
US Alt-A		—	—	—	—	—	—
Collateralised loan obligations (CLO)/							
collateralised bond obligations (CBO)		107	10	519	52	131	819
Consumer loans		23	—	305	7	—	335
Credit cards		—	—	—	—	—	—
Leases		4	—	56	—	27	87
Others		—	4	14	—	—	18
Total	**30/6/2013**	**296**	**43**	**3,733**	**78**	**358**	**4,508**
	31/12/2012	**401**	**44**	**3,948**	**79**	**367**	**4,839**
Synthetic collateralised debt obligations (CDO) (derivatives)[1]	**30/6/2013**	**25**	**—**	**—**	**—**	**—**	**25**
	31/12/2012	**25**	**—**	**—**	**—**	**—**	**25**

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

Fully consolidated commercial paper conduits and other consolidated special purpose vehicles
Over the last few years, the Bank has streamlined its activities involving conduits in a process that was completed in 2012. The Arabella conduit programme is the only remaining conduit at the HVB subgroup, with a volume of €1.6 billion (31 December 2012: €1.9 billion). Other conduits disclosed here in previous years have been handled as follows:
– Some have been wound down, with the remaining assets of the conduits being transferred to HVB.
– The shares in the special purpose vehicles have been acquired in some cases, meaning that these are subsidiaries that are now fully funded by HVB.
– The funding has been changed in some cases, with the fully consolidated special purposes vehicles now being fully funded by HVB.

The purpose of showing the fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles was to disclose the volume of business that the Bank bought from third parties through conduits and further special purpose vehicles and funded directly on the capital market by placing securities such that it did not appear directly on the balance sheet of HVB Group. In light of the streamlining mentioned above, this business volume has declined considerably and is now limited to Arabella as the Bank's only remaining conduit programme, which buys exclusively receivables with customers and refinances them on the capital market. To reflect this development, the previous presentation of fully consolidated commercial paper conduits and other fully consolidated special purpose vehicles is no longer shown. The Arabella programme is discussed separately in Note 19, "Loans and receivables with customers", as all the receivables purchased under this programme are disclosed in this item on the balance sheet.

Other Information (Continued)

31 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**

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Peter Buschbeck	Commercial Banking/ Private Clients Bank
Jürgen Danzmayr	Commercial Banking/ Private Clients Bank (main focus Private Banking)
Lutz Diederichs	Commercial Banking/ Unternehmer Bank
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, 2 August 2013

UniCredit Bank AG
The Management Board

Dr Bohn	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, 2 August 2013

UniCredit Bank AG
The Management Board

Dr Bohn	Buschbeck	Danzmayr	Diederichs
Hofbauer	Laber	Varese	Dr Weimer

Summary of Quarterly Financial Data

(€ millions)

OPERATING PERFORMANCE	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Net interest	707	758	734	879	878
Dividends and other income from equity investments	39	17	50	35	40
Net fees and commissions	323	327	280	287	281
Net trading income	334	375	67	177	139
Net other expenses/income	42	49	31	51	31
OPERATING INCOME	**1,445**	**1,526**	**1,162**	**1,429**	**1,369**
Operating costs	(881)	(883)	(825)	(908)	(883)
OPERATING PROFIT	**564**	**643**	**337**	**521**	**486**
Net write-downs of loans and provisions					
for guarantees and commitments	3	(89)	(303)	(159)	(175)
NET OPERATING PROFIT	**567**	**554**	**34**	**362**	**311**
Provisions for risks and charges	18	(9)	93	26	75
Restructuring costs	(2)	—	(102)	—	—
Net income from investments	26	68	(17)	105	50
PROFIT BEFORE TAX	**609**	**613**	**8**	**493**	**436**
Income tax for the period	(194)	(210)	59	(185)	(254)
CONSOLIDATED PROFIT	**415**	**403**	**67**	**308**	**182**
attributable to shareholder of UniCredit Bank AG	402	406	65	287	187
attributable to minorities	13	(3)	2	21	(5)
Earnings per share (€) (undiluted and diluted)	**0.50**	**0.51**	**0.08**	**0.36**	**0.23**

Financial Calendar

Important Dates 2013*

Interim Report at 30 September 2013	11 November 2013

* dates planned

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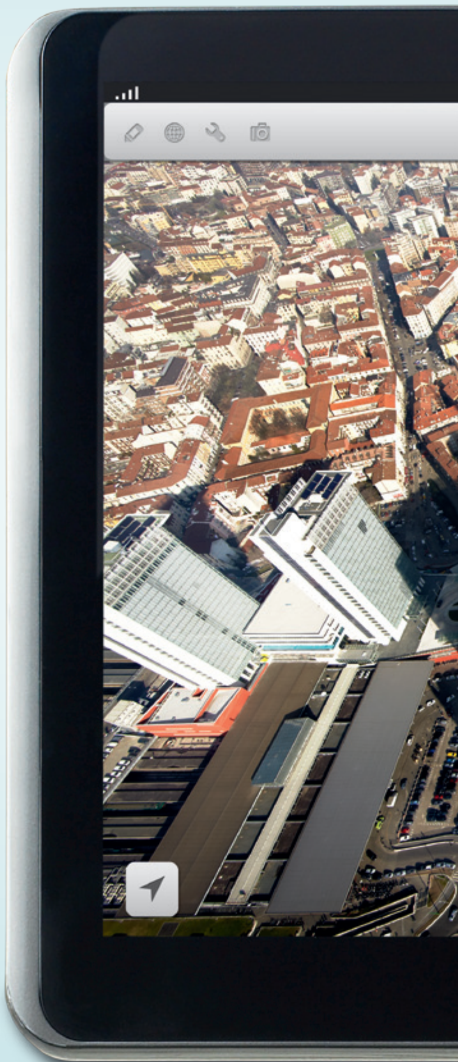

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