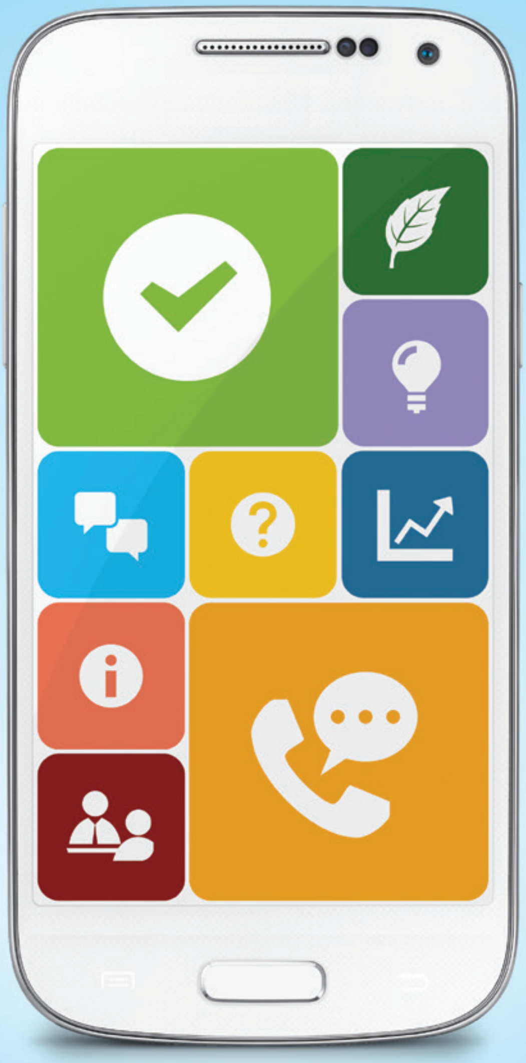
HypoVereinsbank Member of UniCredit



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15 years UniCredit

Interim Report at 31 March 2014

Contents

Financial Highlights

Key performance indicators

	1/1–31/3/2014	1/1–31/3/2013
Net operating profit	€250m	€554m
Cost-income ratio (based on operating income)	74.0%	57.9%
Profit before tax	€296m	€613m
Consolidated profit	€191m	€403m
Return on equity before tax[1]	5.9%	11.8%
Return on equity after tax[1]	3.8%	8.1%
Earnings per share	€0.24	€0.51

Balance sheet figures

	31/3/2014	31/12/2013
Total assets	€297.7bn	€290.0bn
Shareholders' equity	€21.2bn	€21.0bn
Leverage ratio[2]	7.0%	7.1%

Key capital ratios

	31/3/2014 Basel III	31/12/2013 Basel II
Core capital without hybrid capital (core Tier 1 capital)	—	€18.4bn
Common Equity Tier 1 capital	€19.0bn	—
Core capital (Tier 1 capital)	€19.0bn	€18.5bn
Risk-weighted assets (including equivalents for market risk and operational risk)	€90.8bn	€85.5bn
Core capital ratio without hybrid capital (core Tier 1 ratio)[3]	—	21.5%
Common Equity Tier 1 capital ratio[3]	21.0%	—
Core capital ratio (Tier 1 ratio)[3]	21.0%	21.6%

	31/3/2014	31/12/2013
Employees (in FTEs)	18,759	19,092
Branch offices	933	933

1 return on equity calculated on the basis of average shareholders' equity according to IFRS and projected profit before tax at 31 March 2014 for the year as a whole
2 ratio of shareholders' equity shown in the balance sheet less intangible assets to total assets less intangible assets
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	Baa1	P-2	stable	D+	21/3/2014	Aaa*	Aa1	24/3/2014/ 8/6/2012
Standard & Poor's	A–	A-2	negative	bbb+	29/4/2014	AAA	—	4/4/2014
Fitch Ratings	A+	F1+	negative	a–	26/3/2014	AAA	AAA	10/4/2014/ 10/4/2014

* on review for possible downgrade

Business Performance of HVB Group

Corporate structure

Legal corporate structure

UniCredit Bank AG (HVB), Munich, was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich. HVB has been an affiliated company of UniCredit S.p.A. (UniCredit), Rome, Italy, since November 2005 and hence a major part of the UniCredit corporate group from that date 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. As a capital-market-oriented company, however, HVB does remain listed on securities exchanges as an issuer of debt instruments such as Pfandbriefs, bonds and certificates.

Organisation of management and control and internal management

The Management Board, which consists of eight members, is the management body of HVB. 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 risk 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, 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 and for the proper business organisation of HVB. The responsibilities of the Management Board of HVB are specified in a schedule of responsibility, which forms part of the Management Board's internal regulations. The Management Board's internal regulations also specify particularly the matters reserved for the Management Board and the requirements for adopting resolutions and the required majorities.

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. The Supervisory Board has adopted by-laws specifically defining the details of the work within the Supervisory Board, the creation and tasks of committees and the tasks of the chairman. In addition, the by-laws state that certain types of transaction require the approval of the Supervisory Board. On 31 December 2013, Dr Susanne Weiss stepped down from the Supervisory Board. Dr Marita Kraemer was appointed to the Supervisory Board in her place with effect from 1 January 2014 for the remaining term of office.

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

Company acquisitions and sales, and other major changes to the group of companies included in consolidation

There were no significant company acquisitions or sales in the first three months of 2014.

There have been no changes to the group of companies included in consolidation by HVB Group since year-end 2013.

Economic report

Underlying economic conditions

The global economy is continuing to recover, albeit at a restrained pace and with regional differences. The stimulus is coming mainly from the developed economies, whereas the economic dynamism in the emerging markets, especially in the BRIC states (Brazil, Russia, India and China), is weakening. Although the risks for the global economy have declined further compared with 2013, they continue to be on the downside overall. Headwinds are coming primarily from geopolitical risks (Ukraine/Russia), slowing growth in China, greater volatility on the financial markets and lower than expected inflation in the industrialised nations.

The latest economic data for Germany point towards strong GDP growth in the first quarter of 2014 that could even beat our already optimistic forecast (up 0.6% on the previous quarter). Both the promising level of new orders in Germany and industrial production support our view that the optimistic and further brightening business climate is being confirmed ever more by convincing hard activity data. Manufacturing industry is in outstanding shape. The construction industry also made a strong contribution to growth in the first three months, even if this can be put down mostly to the mild weather. That said, the fundamentals of the German real estate sector remain pleasingly robust.

It is also pleasing to note how, alongside France, the countries on the periphery of the eurozone are now also successively recovering, even if their pace of expansion is lagging that of Germany. Purchasing manager indexes and national business climate figures show that the industry sector is recovering here as well. Stimulating effects are coming mainly from abroad. But domestic demand is also picking up momentum and central Europe is similarly gaining ground. The countries that are heavily integrated in the value chains of western European firms are benefiting tangibly from the rebound in Germany and the eurozone overall. The same does not hold true for the two eastern European heavyweights, though. Russia is certainly suffering from cyclical and structural headwinds, but the main concern is the financial repercussions of the Crimean crisis. And Turkey, which was heavily dependent on foreign capital, has been forced to implement difficult adjustment measures in the light of the reversal of international capital flows back to the industrialised nations triggered by the Federal Reserve's tapering action. The economic output from both countries is likely to have shrunk in the first three months as a result.

The UK now has the fastest-expanding economy in the developed world. In the first three months of the year, GDP is likely to have risen by around 1% compared with the previous quarter, which represents an increase of 4% at an annualised rate. The good news is that the recovery is built on an ever broader base, with manufacturing industry turning into a real powerhouse. So it is not surprising that spare capacity is falling rapidly. A first interest rate rise before the end of this year is all the more probable.

Outside of Europe, economic output in the first quarter varied markedly. Japan's economy has benefited greatly in the first three months of the year from spending brought forward ahead of the VAT increase on 1 April (from 5% to 8%) and is likely to have expanded as fast as the UK. This will, however, be followed by a correspondingly strong downwards movement in the current quarter. It remains to be seen later in the year whether the recovery had already progressed enough to deal with the tax increase. In the United States, on the other hand, growth slowed tangibly at the beginning of 2014, probably expanding at just 1.5% to 1.75% at an annualised rate. This is, however, merely a technical reaction to the strong previous quarter (inventory correction) due to the rather severe winter and hence only temporary in nature. The situation in China is different, where the trend has been downwards since last autumn. The slowdown in the economy has continued in the first quarter. At 7.4% year-on-year, the growth rate has fallen below the targeted level and is likely to fall to around 7% later in the year despite economic stimulus packages.

Sector-specific developments

On 20 March 2014, the Council of the European Union, the European Commission and the European Parliament concluded the negotiations (known as the trialogue) regarding the Single Resolution Mechanism (SRM) with a compromise. This mechanism will enable banks that are about to fail to be wound down in the future without burdening the taxpayer. As far as the German Federal Ministry of Finance is concerned, the new legal foundations ensure that the owners and investors of the relevant securities are liable in the first instance and the risk remains with the banks.

In institutional terms, a resolution authority is being set up that will decide directly whether to wind down financial institutions supervised by the European Central Bank (ECB) and banks with international activities. For all other banks, the resolution authority will monitor compliance with the adopted rules while any necessary resolution would be performed by the relevant national authority. The financial resources required to wind down an institution are to be provided by the banks themselves through the gradual creation of a common resolution fund (1% of the insured deposits of the banks domiciled in the eurozone). The precise form of the bank levy including application of the principle of proportionality has still to be decided.

Business Performance of HVB Group (Continued)

The German Federal Ministry of Finance notes that the resources arising from the resolution fund stocked from national bank levies would only be made available in exceptional cases and only when the owners and the creditors of an affected institution had previously been bailed in for at least eight percent of total assets. It will not be possible to make use of the fund without a private bail-in.

Bailing in creditors beyond the subordinated instruments will probably not be possible before 2016 when the Bank Recovery and Resolution Directive comes into force. Although the institutions involved have reached agreement at EU level as described above, final adoption has not yet occurred. This is expected to happen prior to the completion of the elections to the European Parliament on 25 May 2014.

The German Federal Ministry of Finance, Deutsche Bundesbank, the German Federal Financial Supervisory Authority (BaFin) and the Financial Market Stabilisation Agency (FMSA) set up the Financial Stability Commission (FSC) in March 2013. At the end of the first quarter of 2014, this commission discussed the potential risks arising from the period of low interest rates for the German residential property market, German banks and German life insurers. The commission determined that the current low interest rates were depressing the banks' interest margin. Despite lower earnings, however, the FSC has not yet observed any side-steps by banks that might entail investing in riskier lines of business or increasing the level of debt. We believe that such activities will be limited anyway in the future by the tighter regulatory straitjacket.

European stockmarkets performed contrastingly well in the first quarter of 2014. While the German benchmark index, the DAX 30, remained almost unchanged, the Italian FTSE MIB was up 14.4%. The European market as a whole, as measured by the EURO STOXX 50 index, only climbed a slight 1.7%, however. The yield on 10-year German government bonds declined sharply, from 1.93% to 1.57%, the lowest quarter-end total since the first quarter of 2013. The corresponding yields on 10-year Italian government bonds narrowed even more markedly during the same period, from 4.13% to 3.29%, the lowest quarter-end figure since the euro was launched. After the ECB lowered its benchmark rate in the fourth quarter of 2013 by 0.25 percentage points from 0.5% to a new low of 0.25%, it left the rate unchanged in the first quarter of 2014; the rate paid on the deposit facility was similarly left at 0%. After the Federal Reserve announced a tapering of its bond purchase programme following its December meeting, the programme was reduced from $85 billion to $55 billion in three monthly steps. The 3-month Euribor rose slightly during the first quarter of 2014, from 0.29% to 0.31%. The spreads on the credit markets for investment-grade non-financials remained unchanged in the first quarter of 2014, while the spreads on financial securities narrowed again, by around 5 basis points to 65 basis points. Despite the good capital market environment in the first quarter of 2014, the results from banks' investment banking activities are nonetheless likely to have declined compared with the equivalent quarter last year as these benefited especially from the dynamic development in the first quarter of 2013.

The euro remained practically unchanged against the other major currencies in the first quarter of 2014. The changes against the US dollar, the British pound and the Swiss franc remained below the 1% mark. Only against the Japanese yen did the currency weaken, by 1.8%.

General comments on the business situation of HVB Group by the Management Board

In a persistently challenging economic and financial environment, HVB Group generated a profit before tax of €296 million in the first quarter of 2014. This fell short of the very good profit before tax of €613 million recorded in the equivalent period last year. The sharp year-on-year decline of €317 million can be mainly attributed to lower operating income, which fell by €263 million or 17.2%. In the first quarter of 2014, the persistently extremely low interest rates also adversely affected net interest, which was down by €104 million to €669 million. At the same time, there was a €108 million decrease in net trading income to €267 million which, however, is due to the gains on the buy-back of hybrid capital instruments contained at almost the same amount last year which did not recur in the reporting period. With earnings of €277 million, net fees and commissions were €35 million lower than the year-ago total, while net other expenses/income decreased only a slight €5 million to €44 million. Operating costs rose by €52 million, or €5.9%, to €935 million compared with the same period last year. This rise is primarily due to higher non-payroll costs and depreciation taken on tangible assets, and can be partly attributed to the initial consolidation of the BARD Group while there was even a slight decline in payroll costs. Without the effects arising from the initial consolidation of the BARD Group and the write-downs on the offshore wind farm, the increase in operating costs would only have been €18 million or 2.0%. The cost-income ratio of 74.0% in the reporting period (first quarter of 2013: 57.9%) remained at a satisfactory level for a universal bank. At €78 million, net write-downs of loans and provisions for guarantees and commitments are at a very low level and are thus €11 million lower than the figure recorded last year (first quarter of 2013: €89 million).

All the business segments contributed to the profit before tax of HVB Group. The Commercial Banking business segment recorded a profit before tax of €110 million, thus slightly surpassing the figure reported for the same quarter last year by €1 million (first quarter of 2013: €109 million). The slight decline of €7 million in operating income to €631 million (first quarter of 2013: €638 million) was largely offset by lower costs of €4 million to €494 million (first quarter of 2013: €498 million). In this context, it is pleasing that net interest was able to be maintained at the same level as last year despite the difficult situation caused by low interest rates. The Corporate & Investment Banking (CIB) business segment generated operating income of €544 million (first quarter of 2013: €667 million). This decrease of €123 million is primarily due to a fall of €95 million in net interest resulting primarily from lower trading-induced interest and contracting credit volumes. In addition, net fees and commissions fell by €28 million to €33 million as a result of lower income from credit-related business. By contrast, the good year-ago total in net trading income (first quarter of 2013: €250 million) was even slightly surpassed at €258 million. Operating costs increased by a total of €52 million, partly on account of the initial consolidation of the BARD Group. As a result, the profit before tax fell by an appreciable €142 million to €150 million. The Asset Gathering business segment recorded a profit before tax of €7 million after €5 million in the first quarter of 2013. The slight increase results notably from an increase of €6 million in operating income while operating costs rose by €2 million.

HVB Group has had an excellent capital base for years. The new Common Equity Tier 1 capital ratio determined in accordance with Basel III (CET1 capital ratio: ratio of Common Equity Tier 1 capital to the total amount of credit risk-weighted assets and risk-weighted asset equivalents for market risk and operational risk) fell to 21.0% at 31 March 2014 compared with the ratio determined on the basis of the German Commercial Code (Handelsgesetzbuch – HGB) in accordance with Basel II (core Tier 1 ratio) of 21.5% at year-end 2013. It is thus at an excellent level by both national and international standards. The equity capital amounted to €20.0 billion at 31 March 2014 (31 December 2013: €20.0 billion); the equity funds ratio was 22.1% at the end of March 2014 (31 December 2013: 23.4%). The shareholders' equity shown in the balance sheet increased by €0.2 billion to €21.2 billion compared with year-end 2013 thanks to the consolidated profit generated in the first quarter of 2014. With total assets up by 2.7% to €297.7 billion over year-end 2013, the leverage ratio (defined as the ratio of shareholders' equity shown in the balance sheet less intangible assets to total assets less intangible assets) amounted to 7.0% at 31 March 2014 after 7.1% at year-end 2013. HVB Group 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. Our Pfandbriefs continued to represent an important source of funding thanks to their very good credit rating and liquidity. To ensure that adequate liquidity is available at all times, target ratios are used, among other things, which act as triggers. A detailed description of liquidity management is given in the section entitled "Liquidity risk" in the Risk Report of our 2013 Annual Report.

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. HVB is building on these advantages to reflect the rapidly changing economic and regulatory environment and push further growth through its regional organisational structure and its stronger entrepreneurial focus.

Business Performance of HVB Group (Continued)

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 wish to 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 Report refer 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.

	1/1–31/3/2014	1/1–31/3/2013	CHANGE	
Income/Expenses	€ millions	€ millions	€ millions	in %
Net interest	669	773	(104)	(13.5)
Dividends and other income from equity investments	6	17	(11)	(64.7)
Net fees and commissions	277	312	(35)	(11.2)
Net trading income	267	375	(108)	(28.8)
Net other expenses/income	44	49	(5)	(10.2)
OPERATING INCOME	**1,263**	**1,526**	**(263)**	**(17.2)**
Payroll costs	(469)	(472)	+ 3	(0.6)
Other administrative expenses	(410)	(363)	(47)	+ 12.9
Amortisation, depreciation and impairment losses				
on intangible and tangible assets	(56)	(48)	(8)	+ 16.7
Operating costs	**(935)**	**(883)**	**(52)**	**+ 5.9**
OPERATING PROFIT	**328**	**643**	**(315)**	**(49.0)**
Net write-downs of loans and provisions				
for guarantees and commitments	(78)	(89)	+ 11	(12.4)
NET OPERATING PROFIT	**250**	**554**	**(304)**	**(54.9)**
Provisions for risks and charges	40	(9)	+ 49	
Restructuring costs	(2)	—	(2)	
Net income from investments	8	68	(60)	(88.2)
PROFIT BEFORE TAX	**296**	**613**	**(317)**	**(51.7)**
Income tax for the period	(105)	(210)	+ 105	(50.0)
CONSOLIDATED PROFIT	**191**	**403**	**(212)**	**(52.6)**

Net interest

Net interest generated in the first quarter of 2014 fell by €104 million, or 13.5%, to €669 million compared with the same period last year in an environment weighed down by persistently very low interest rates. This can be attributed mainly to the decrease of €95 million in net interest in the CIB business segment to €232 million. By contrast, at €399 million, the same result as in the first quarter of 2013 was recorded by the Commercial Banking business segment and slight growth of €3 million to €12 million in the Asset Gathering business segment, while net interest fell by €12 million to €26 million in the Other/consolidation business segment.

The decline in net interest results mainly from two key developments. First, trading-induced interest fell by €44 million. Second, net interest decreased primarily in lending operations on account of contracting volumes, 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 €11 million compared with the same period last year to total €6 million in the first quarter of 2014. This is partly attributable to the much smaller portfolio of private equity investments as a result of the focus placed on our core business and in anticipation of changes in regulatory requirements.

Net fees and commissions

In the first quarter of 2014, net fees and commissions fell by €35 million to €277 million compared with the same quarter last year. This decrease is primarily attributable to lower income from lending operations, which were down by €39 million to €81 million, while income from management, brokerage and advisory services rose slightly by €4 million to €131 million. Income from collection and payment services remained at the same level of the equivalent period last year, falling slightly by €1 million to €55 million, as did income from other service operations, which increased slightly by €1 million to €10 million.

Net trading income

HVB Group recorded net trading income of €267 million in the first quarter of 2014, which was €108 million, or 28.8%, lower than the same quarter last year (first quarter of 2013: €375 million). This sharp decline is especially attributable to a fall of €106 million in the Other/consolidation business segment to €8 million. The result of this business segment last year included gains from the buy-back of hybrid capital instruments which did not recur in the current reporting period as no further buy-backs were made.

The CIB business segment generated net trading income of €258 million in the reporting period compared with €250 million in the equivalent period last year. In the process, higher income from business with equity derivatives was largely offset by lower income from business with Pfandbriefs and loan securitisations. Hence, positive effects from the first quarter of 2013, for instance from government bonds and asset backed securities, were only noticed on a smaller scale. In addition, net trading income benefited from lower expenses for credit value adjustments.

Net other expenses/income

Net other expenses/income fell by €5 million compared with last year to €44 million in the reporting period. This decrease is primarily attributable to expenses and the non-recurrence of income in connection with services provided in earlier years. By contrast, lower expenses for the bank levy in Germany and higher income from the Bard Offshore 1 offshore wind farm as well as the initial consolidation of the BARD Group had a favourable impact on net other expenses/income.

Operating costs

Compared with the same quarter last year, operating costs increased in the reporting period by 5.9%, or €52 million, to €935 million (first quarter of 2013: €883 million). This total includes higher write-downs on our offshore wind farm totalling €34 million as well as the effects arising from the initial consolidation of the BARD Group; adjusted for these effects, the increase would have been a mere €18 million or 2.0%.

Payroll costs fell a slight €3 million to €469 million, due notably to a lower headcount compared with last year. By contrast, other administrative expenses were up by €47 million, or 12.9%, to €410 million. This increase is attributable to higher expenses in the area of IT and for the implementation of greater regulatory requirements together with higher marketing expenses and the initial consolidation of the BARD Group. Amortisation, depreciation and impairment losses on intangible and tangible assets increased by €8 million to €56 million as a result of depreciation taken on items of property plant and equipment in our offshore wind farm which was not included last year.

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

The operating profit of HVB Group fell by a sharp €315 million, or 49.0%, to €328 million in the reporting period, particularly on account of the decline in net interest and lower net trading income. With a rise of €52 million in operating costs, this produced a cost-income ratio (ratio of operating expenses to operating income) of 74.0% (first quarter of 2013: 57.9%).

Business Performance of HVB Group (Continued)

Net write-downs of loans and provisions for guarantees and commitments and net operating profit
At €78 million, net write-downs of loans and provisions for guarantees and commitments in the reporting period were at a very low level and thus also below the already very low figure of €89 million posted for the equivalent period last year. In gross terms, the expenses of €328 million for additions in the current reporting period (2013: €178 million) are largely offset by releases and recoveries from write-offs of loans and receivables amounting to €250 million (2013: €89 million).

At €250 million, net operating profit was substantially lower than the figure of €554 million posted in the same period last year. This decline of €304 million is primarily due to the decrease in operating income.

Provisions for risks and charges
In the first quarter of 2014, net income from net reversals/net expense for provisions for risks and charges amounted to €40 million, and mainly relates to derivative transactions.

In the equivalent period last year, there was a net expense of €9 million for provisions for risks and charges, which arose mainly in connection with legal risks.

Net income from investments
Net income from investments came to €8 million in the first quarter of 2014 resulting mostly from gains of €6 million on the disposal of available-for-sale financial assets and of €3 million on investment properties.

In the equivalent period last year, net income from investments totalled €68 million and was largely generated from gains on disposal of €82 million, which were partially offset by expenses for write-downs and value adjustments of €14 million. Of the gains, €28 million related to available-for-sale financial assets mainly originating from the sale of private equity funds and to the gains of €54 million on the disposal of properties.

Profit before tax, income tax for the period and consolidated profit
HVB Group generated a profit before tax of €296 million in the first quarter of 2014. Compared with the same period last year (€613 million), there was a sharp decline of €317 million, due mostly to lower operating income. In this context, it must be taken into account that in addition to the persistent pressure from the very low interest rates, the decline in net trading income can be attributed particularly to the non-recurrence of gains on the buy-back of hybrid capital instruments.

Income tax in the reporting period totalled €105 million – due above all to the lower profit – and was €105 million down on the income tax reported for the equivalent period last year (€210 million). After deducting income tax, HVB Group generated a consolidated profit of €191 million in the reporting period (2013: €403 million).

Return on equity
The return on equity after tax sets the consolidated profit accruing to HVB's shareholder against the average shareholders' equity reported in the balance sheet consisting of subscribed capital, additional paid-in capital and other reserves without valuation changes of financial instruments and without consolidated profit and minority interest. It amounted to 3.8% in the first quarter of 2014 (first quarter of 2013: 8.1%). The evaluation of this figure is to be seen particularly against the backdrop of the relatively high capital base of HVB Group. In this context, the decline over the equivalent quarter last year can be attributed particularly to the sharp decrease in consolidated profit accruing to the shareholder.

Segment results by business segment
The business segments contributed the following amounts to the profit before tax of €296 million of HVB Group in the first quarter of 2014

Commercial Banking	€110 million (first quarter of 2013: €109 million)
Corporate & Investment Banking	€150 million (first quarter of 2013: €292 million)
Asset Gathering	€7 million (first quarter of 2013: €5 million)
Other/consolidation	€29 million (first quarter of 2013: €207 million)

The income statements for each business segment and comments on the economic performance of the individual business segments are provided in Note 3, “Segment reporting”, in this Interim Report. The tasks and objectives of each business segment are described in detail in Note 27, “Notes to segment reporting by business segment”, in our 2013 Annual Report.

Financial situation

Total assets

The total assets of HVB Group increased by €7.7 billion, or 2.7%, to €297.7 billion at 31 March 2014 compared with year-end 2013.

On the assets side, the increase is almost exclusively due to the rise of €11.2 billion in loans and receivables with banks to €46.5 billion. The reason for this sharp expansion are the reverse repos which were up by €12.2 billion while cash collateral and credit balances pledged as collateral were down by €1.0 billion. By contrast, loans and receivables with customers fell by €2.2 billion to €107.4 billion, which is chiefly attributable to the decline of €1.6 billion in other receivables, compared with year-end 2013. In addition, there were decreases of €0.4 billion in non-performing loans and receivables contained in loans and receivables with customers and of €0.3 billion in mortgage loans. Financial assets held for trading fell by a total amount of €2.1 billion to €89.2 billion, due mostly to the €1.9 billion reduction in volumes of financial instruments reported in the balance sheet, while the positive fair values of derivative financial instruments fell only slightly (down €0.2 billion). The decrease in the financial instruments reported in the balance sheet arose from the reduction in holdings of fixed-income securities (down €1.6 billion) and equity instruments (down €1.0 billion); by contrast, other financial assets reported in the balance sheet increased by €0.8 billion. Compared with year-end 2013, there was also a slight decline in the cash and cash balances, which were down by €0.3 billion. At €10.3 billion, these reflect our still very comfortable liquidity situation and the investment of our high liquidity reserves with Deutsche Bundesbank. Financial assets at fair value through profit or loss rose slightly by €0.7 billion year-on-year to €30.5 billion and other assets by €0.3 billion to €1.1 billion.

On the liabilities side, deposits from banks rose by €7.3 billion to €55.2 billion over year-end 2013. Within this total, there were decreases of €0.7 billion in deposits from central banks and of €0.8 billion in term deposits, while there was a substantial increase of €7.6 billion particularly in the volume of repurchase agreements. In addition, the credit balances on current accounts were up by €0.9 billion. The rise in deposits from customers by a total amount of €0.8 billion to €108.7 billion compared with 31 December 2013 is also due to the expansion of €1.8 billion in repurchase agreements while term deposits fell by €1.1 billion. Financial liabilities held for trading changed only slightly over year-end 2013, rising €0.2 billion to €73.7 billion. Within this amount, the decline in negative fair values of derivative financial instruments (down €1.9 billion to €58.7 billion) is offset by a rise in other liabilities held for trading (up €2.1 billion to €15.0 billion). The rise in other liabilities held for trading is caused primarily by higher volumes of repurchase agreements (up €1.9 billion). Compared with year-end 2013, there was a net decline of €1.4 billion to €30.4 billion in debt securities on account of issues due.

The loan-to-deposit ratio used by the Bank is calculated by dividing customer loans by customer deposits. At the end of March 2014, the ratio was 0.99%, which represents a decline of 0.03 percentage points compared with year-end 2013.

The shareholders' equity shown in the balance sheet increased by €0.2 billion to €21.2 billion over year-end 2013 as a result of the consolidated profit of €0.2 billion generated in the first quarter of 2014.

The contingent liabilities and other commitments not included in the balance sheet declined by €0.2 billion to €56.9 billion at 31 March 2014 compared with the 2013 year-end total. This figure includes contingent liabilities in the form of financial guarantees of €19.6 billion (year-end 2013: €19.6 billion); these contingent liabilities are offset by contingent assets of the same amount. Other commitments of €37.3 billion (year-end 2013: €37.6 billion) primarily consist of irrevocable credit commitments which fell by €0.3 billion year-on-year to €37.1 billion.

Business Performance of HVB Group (Continued)

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 for the first time in accordance with Basel III requirements (based on IFRS carrying amounts) and the Internal Model Method (IMM) for counterparty risk amounted to €90.8 billion at 31 March 2014. At year-end 2013, the risk-weighted assets amounted to €85.5 billion under Basel II (German Commercial Code) and based on the market-to-market method for counterparty risks; the total increase at 31 March 2014 thus amounted to €5.2 billion. This figure includes the conversions from Basel II to Basel III and from the German Commercial Code to IFRS as well as the different method used to calculate counterparty risk for derivative transactions, leading to a €7.6 billion increase in risk-weighted assets.

The risk-weighted assets for credit risk (including counterparty default risk) determined by applying partial use rose by €2.9 billion to €65.7 billion. While the risk-weighted assets of UniCredit Luxembourg S.A. fell by €0.2 billion, the risk-weighted assets of HVB increased by €2.3 billion and those of our other subsidiaries by €0.7 billion. In the process, HVB's credit risk rose by €4.7 billion, which was caused especially by the new regulatory requirements. By contrast, the counterparty risk decreased by €2.4 billion, largely on account of the introduction of the Internal Model Method for counterparty risks in HVB's derivatives business, which more than offset the rises in the risk-weighted assets caused by Basel III. At our subsidiaries, the changes in risk-weighted assets are also primarily due to the first-time application of Basel III requirements.

The risk-weighted assets for market risk increased by €2.6 billion to €11.9 billion. This development is mainly due to the first-time inclusion of the new Basel III credit value adjustment (CVA) risk parameter. According to the new requirements, equity capital must additionally be set aside to cover the risk of a change in the creditworthiness of the counterparty for OTC derivatives. By contrast, the reduction of the multiplier set by the banking supervisory authorities in the internal market risk model served to reduce risk-weighted assets.

The risk-weighted asset equivalents for operational risk remained almost unchanged, falling slightly by a total of €0.3 billion to €13.2 billion.

At 31 March 2014, the core capital of HVB Group compliant with Basel III excluding hybrid capital (Common Equity Tier 1 capital/CET1 capital) amounted to €19.0 billion. Compared with the core capital excluding hybrid capital compliant with Basel II (core Tier 1 capital), it increased by €0.6 billion over year-end 2013 due to the conversion in the calculation of capital from the German Commercial Code to IFRS and from Basel II to Basel III. The CET1 capital ratio (ratio of Common Equity Tier 1 capital to the total amount of credit risk-weighted assets and risk-weighted asset equivalents for market risk and operational risk) fell to 21.0% at 31 March 2014 after a core Tier 1 ratio of 21.5% at year-end 2013. The core capital of HVB Group (Tier 1 capital) increased to €19.0 billion at 31 March 2014 (31 December 2013: €18.5 billion) as a result of the factors discussed above. The core capital ratio under Basel III (Tier 1 capital ratio; including market risk and operational risk) decreased to 21.0% (31 December 2013: 21.6%). The equity capital amounted to €20.0 billion at 31 March 2014 and was thus at the same level as year-end 2013 particularly on account of the regular expiry and change in eligibility of long-term subordinated liabilities under Basel III (31 December 2013: €20.0 billion).The equity funds ratio was 22.1% at the end of March 2014 (31 December 2013: 23.4%).

To ensure sufficient liquidity at all times, key figures are used, among other things, which act as triggers. A detailed description is given of the management of liquidity and the liquidity position in the Risk Report of our 2013 Annual Report and in the section entitled "Development of Selected Risks" in this Interim Report. 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 1.19 at the end of March 2014 after 1.33 at year-end 2013.

Ratings
The ratings of countries and banks are subject to ongoing monitoring by rating agencies. In March this year, the rating of UniCredit S.p.A. was reviewed by the Moody's rating agency. In this context, HVB's rating was also reviewed and adjusted by one notch from A3 to Baa1, now with a stable outlook from negative previously. The adjustment followed the strict application of Moody's criteria for banking groups where the financial strength of a subsidiary is very closely interconnected with that of its holding company. On account of this method, HVB's financial strength was downgraded by one notch following the downgrading of the financial strength of UniCredit S.p.A. As there has been no change in how the probability of systemic support from the Federal Republic of Germany is rated, the long-term bank rating was downgraded by one notch to Baa1.

Fitch Ratings likewise adjusted the outlook for HVB to negative from stable previously. Other commercial banks in the European Union were also affected by this adjustment. Due to the imminent introduction of the restructuring and resolution mechanisms in the European Union, Fitch is assuming that state support for banks will weaken. At the same time, HVB's long-term rating of A+ was confirmed.

The long-term rating classification of A– by Standard & Poor's has not changed since October 2013.

Report on subsequent events

There were no significant events at HVB Group after 31 March 2014 to report.

Forecast report/Outlook

The following comments on the outlook are to be viewed in connection with the comments on the outlook in the Financial Review and the Risk Report in the consolidated financial statements for the 2013 financial year (see the HVB Group Annual Report for 2013).

General economic outlook
While 2013 was still a year of transition, the global economic upturn is likely to take firmer hold in the coming quarters and accelerate further in the developed world. The mood of both producers and consumers has brightened increasingly over recent months. Monetary policy and the financial environment remain accommodating, the fiscal burdens are declining following a defusing of the debt and budgetary risks, falling inflation – driven by lower commodity prices and the persistent underusage of economic capacity – is reinforcing purchasing power and the pent-up demand for investment is gradually unwinding. The good news is that the recovery is being driven increasingly by domestic forces that are capable of countering the external headwinds like slowing growth in China and the risks emanating from the Crimean crisis.

We expect the United States to enjoy economic growth of 2.8% in 2014, which is nearly one percentage point higher than last year. This acceleration is being driven primarily by a decline in the burdens imposed by fiscal policy coupled with deleveraging in parts of the private sector. As the recovery gathers pace, the prospects are also improving for investment activity, which has been the missing link in a self-sustaining recovery. But the leading indicators for the construction and property sector are also clearly trending upwards. Furthermore, the labour market is now also improving, which in turn is underpinning private consumption. Thus, there are sufficient reasons for the Federal Reserve to successively pare back its extremely accommodating monetary policy and curtail the scope of its quantitative easing programme. At the end of March, the Federal Reserve further reduced its purchases of government bonds and mortgage-backed securities to

Business Performance of HVB Group (Continued)

$55 billion per month. The purchase programme should be finished by the autumn. At the same time, several members of the Open Market Committee have raised their medium- to long-term interest rate projections. In doing so, they were expressing their confidence in the economic recovery. Taken in connection with fears regarding financial developments (and pay levels that will soon start rising), this means that the Fed's ultra-loose monetary policy will be pared back even further. The trend of recent years of continually delaying interest rate rises is at an end. We do not expect to see a first interest rate hike before mid-2015. Long-term interest rates should rise tangibly by then, however – including in Europe.

The ECB will oppose this implicit tightening of the financial environment with all the tools at its disposal. Its goals remain to ensure that the banks and the economy are supplied with extensive liquidity and to reactivate the transmission mechanism of monetary policy. In March, however, the ECB left its monetary policy unchanged, against some expectations. This shows how high the bar has been set for further measures. Nonetheless, a final interest rate cut, liquidity-boosting measures and additional cheap funds like a long-term transaction coupled with lending by banks are not yet off the table, especially if disinflation should worsen against expectations and the euro continue to appreciate strongly. Bond purchases similarly remain an option, as the latest debate in the ECB underscores. We believe, however, that such measures will only be adopted in an emergency, meaning to avert acute deflationary risks. A first interest rate hike is currently not even on the horizon; it is likely to take until autumn 2015 before the ECB starts raising its refinancing rate.

The consistently strong monetary stimulus is also a good starting point for our expectation that growth will accelerate in the eurozone this year. The upwards trend demonstrated by the leading and sentiment indicators is a sign of this, although it is also implied by the fundamentals. The export industry is benefiting from a reviving global economy and the domestic environment is improving constantly. A recovering corporate environment coupled with the pent-up demand for capital goods imply that capital spending will pick up pace, while an easing of the demands for consolidation coupled with very low inflation (without any real deflation risks) and an impending turnaround on the labour market should benefit private consumption. For these reasons, we expect to see real GDP expand by 1.5% in 2014, which puts us in the upper bracket of the consensus expectations.

Germany will set the pace in the eurozone in 2014/15. This is indicated by a further rise in expectations published by the German Ifo Institute for Economic Research, robust purchasing manager indexes, solid employment, optimistic consumers, much higher retail sales and the highly promising industry reports. However, there are even more reasons behind our GDP forecast of 2.5% (compared with 1.8%), which is well above the consensus expectation: the economy in the rest of the eurozone is constantly strengthening, which implies that exports by German companies to other eurozone countries will rise. This may be able to offset the burdens from the slowing growth in China and the conflict in Ukraine, provided this crisis does not escalate further leading to wide-ranging sanctions, which is something we do not currently anticipate in our base scenario. The pulling power of a simultaneous recovery in the eurozone for Germany should not be underestimated, as it entails considerable spill-over and multiplier effects. The investment backlog in Germany has already started to wind down as a result – a trend that is likely to become stronger as the year wears on. Added to this will be a further rise in consumer spending in response to solid income and employment growth. Domestic demand is thus increasingly establishing itself as a pillar of growth. The strong condition of the German economy is also reflected in our forecast for GDP growth of 2.5% in 2014. Since the first quarter of 2014 is likely to have proved stronger than anticipated thanks to construction work brought forward to take advantage of the beneficial weather conditions, a technical correction may possibly be on the cards in the second quarter. This will, however, only be a temporary blip as the trend clearly points upwards.

Sector development in 2014 and new banking supervisory rules

Alongside regulatory topics (see the section entitled "Basel III – new capital and liquidity rules for banks" below), 2014 will be dominated by a second key issue. This is the comprehensive assessment that is intended to help the ECB as it takes over supervision of those institutions that have total assets of at least €30 billion. This will include both the asset quality review and the stress test that will continue to be carried out by the European Banking Authority (EBA). The EBA has already defined a so-called hurdle rate of 5.5% CET1 ratio for the adverse scenario. In this context, the EBA will recognise both AT1 (Additional Tier 1 capital) and Tier 2 instruments as separate items, provided they qualify as regulatory capital under the Capital Requirements Regulation (CRR) and can either be converted into equity or written down in response to a trigger event, provided this trigger is higher than 5.5%.

In April, the German Federal Ministry of Finance confirmed the tax-deductibility of AT1 instruments after BaFin had already recognised the model terms for AT1. Among other things, it will be possible to deduct interest payments for AT1 instruments as operating expenses in future. This means that AT1 issues from Germany can be expected going forward.

Basel III – new capital and liquidity rules for banks
Requirements and impact of Basel III on HVB Group
The new regulatory requirements implementing the third Basel Accord (commonly known as Basel III) came into force on 1 January 2014. Basel III implementation by means of the CRR and the Capital Requirements Directive (CRD IV) represents a large-scale upheaval for EU banking supervision both formally and materially. Under the new set of rules and regulations, large parts of the existing regulatory requirements have been incorporated in the CRR – a regime that is directly binding on all EU member states – in line with the single rule book principle. The result is that only very little leeway has been left across Europe for national interpretations and different country-specific options. The national regulations based on the CRD IV directive came into force at the same date (such as amendments to the German Banking Act (Kreditwesengesetz – KWG) and further regulations regarding the Banking Act).

The single rule book contains new requirements mainly for liquidity (liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)), debt levels (leverage ratio) and solvency (capital quality and quantity). Furthermore, the capital requirements for counterparty risk (central counterparty and credit value adjustments), the large exposure regulations and the transparency and governance requirements (such as mandatory new committees and new requirements for company management and extensions of the disclosure regulations) in particular have also been tightened. To give the banks enough time to adapt to the stricter requirements, a transition period up to and including 2018 is envisaged for certain requirements.

LCR, NSFR and leverage ratio as new regulatory metrics
The short-term LCR, which is to become compulsory as of 1 January 2015 following an observation period, is intended to ensure that a bank has enough high quality liquid assets on hand to survive a stress scenario for up to 30 calendar days. The ratio of high quality liquid assets to total net cash outflows must be at least 100% to comply with the LCR. The LCR is subject to transition rules introducing the compliance levels in stages from 2015 (at least 60%) to 2019 (100%). The longer-term NSFR, which is scheduled to become mandatory as of 1 January 2018, addresses the issue of matching maturities between lending activities and funding. Under this ratio, the sum total of liabilities weighted in accordance with their long-term availability (available stable funding) must exceed the sum total of assets weighted in accordance with liquidity plus the medium-term funding requirement arising from off-balance-sheet exposures (required stable funding).

Similarly, the gradual introduction of a new, risk-neutral debt cap (known as the leverage ratio) commenced at the start of the year. To calculate the ratio, a bank's core capital (Common Equity Tier 1 capital – CET1) is set against its (not risk-weighted) assets and off-balance-sheet exposures. The intention behind this additional ratio is to put a general limit on an institution's level of debt and also to provide a corrective to the possible mistakes of risk-based capital backing by banks. It is currently set at 3%, which means that banks are required to maintain equity capital amounting to at least 3% of total assets plus off-balance-sheet obligations. The leverage ratio is to be definitively reviewed in 2017 on the basis of the data gathered by then before a decision is made on its final form.

Business Performance of HVB Group (Continued)

All the ratios are still formed as observation ratios in 2014 and must be reported by the Bank to the supervisory authorities. Further changes in this connection are already in the pipeline, as the Basel Committee published revised and expanded proposals for the LCR, the NSFR and the leverage ratio in January 2014, which are similarly to be incorporated in European legislation in the near future.

Implementation of Basel III at HVB and HVB Group

The Bank's Basel III project is implementing the new and modified requirements for HVB and HVB Group together with the associated reporting requirements to the regulatory authorities. An ongoing, regular impact analysis regarding the much stricter capital and liquidity ratios in particular continues to be submitted to the Asset Liability Committee (ALCO), the body tasked with translating the latest information into measures to preserve the excellent capital and liquidity resources and secure the associated competitive advantage. In addition, the quarterly rolling plan for regulatory capital and the inclusion of the new regulatory metrics (LCR, NSFR and leverage ratio) in the established planning process and results projections serve to ensure that the planned development is tracked at regular intervals. Furthermore, the Basel III project integrates the new regulatory requirements in the Bank as a whole with a view to identifying matters that it may be necessary to incorporate in business strategy.

Further project and implementation activities have been commenced in 2014 with regard to a number of specific additional regulatory requirements. These are intended to ensure that the substantiations and interpretations published serially by the European Banking Authority (EBA) in the form of Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) are implemented on time. By 31 March 2014, one ITS and three RTSs out of the 154 or so standards to be drawn up by the EBA had been issued by the EU Commission in similarly directly applicable regulations. Where necessary, these standards are also subject to continuous impact analysis in order to enable any countermeasures that may be necessary to be initiated. Further publications by the Basel Committee regarding other subject areas have already been announced for 2014 (including the finalised versions of the revised collateralisation rules, the trading book regime and the large exposure regulations). These will then be subject to initial analysis of the potential effects on the regulatory ratios and, where appropriate, integrated in necessary project and implementation activities.

Development of HVB Group

The group of companies included in consolidation used as the basis for planning in 2014 will not change materially compared with the 2013 financial year. All the companies initially consolidated or deconsolidated in the reporting period were incorporated appropriately when the budget was drawn up. With regard to the BARD Group which was initially consolidated with effect from 31 December 2013, the figures from the income statement are also being taken into account for the first time in 2014.

On account of 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, in a consistently challenging environment for the financial industry, we will again be able to generate a satisfactory profit before tax in 2014.

In this context, we assume that operating income will be below the previous-year total. The consistently low interest rates will be a major factor in a decline in net interest. Although HVB Group expects volumes to rise slightly in its lending activities, this will only offset part of the effects arising from low interest rates. Dividends and other income from equity instruments will decline sharply in the 2014 financial year on account of significantly smaller holdings of private equity funds. We also anticipate that the very good total for net trading income recorded in the previous year will not be matched. It should be noted, however, that the 2013 total benefited from a significant gain on the disposal of hybrid capital instruments which will not recur in 2014. We assume that we will be able to generate a considerable net trading profit at HVB Group nonetheless. In contrast, we expect to record a pleasing performance in terms of net fees and commissions. We are planning for higher net fees and commissions among other things from an intensification of mandated business, new account and investment products and an increase in activities in the Global Capital Markets unit. Operating costs are projected to rise notably on account of the initial inclusion of the BARD Group in the income statement. Excluding this effect, the planned operating costs at HVB Group would remain at the previous year level thanks to the consistent application of the strict cost management we have employed for years, despite an inflation rate expected to reach 1.4%. We expect payroll costs to remain practically unchanged (excluding the effect arising from the consolidation of the BARD Group), with pay rises being offset by a smaller workforce. Other administrative expenses and amortization, depreciation and impairment losses on intangible and tangible assets are likely to rise, although this increase will similarly result mainly from the initial consolidation of the BARD Group. Due to the rise in expenses coupled with the simultaneous decline in operating income, the cost-income ratio is projected to be higher than the previous-year level. In terms of net write-downs of loans and provisions for guarantees and commitments, which were at an unusually low level in 2013, we expect the need for additions to normalise in 2014, representing a significant rise compared with the 2013 financial year, although it will remain at a moderate level. The cost of risk is likely to rise sharply accordingly.

We will continue to enjoy an excellent capital base in 2014, measured by the new Basel III rules. Risk-weighted assets (including market risk and operational risk) will rise tangibly overall on account of the implementation of Basel III in the case of market risk and credit risk and also on account of the anticipated expansion of volumes in the case of credit risk. In this context, the core Tier 1 ratio (in accordance with Basel III: CET1 ratio) will only be slightly below the figure recorded at the previous year-end. We are not planning for any substantial change in the loan/deposit ratio in 2014.

The performance of HVB Group will again depend on the future development on the financial markets and the real economy in 2014 as well as 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.

The opportunities in terms of future business policy and corporate strategy, performance and other opportunities are described in detail in the 2013 Annual Report (see the HVB Group Annual Report for 2013, starting on page 49). The statements made there remain valid in the light of the developments in the first quarter of 2014.

Development of Selected Risks

In the 2013 Annual Report, we presented a comprehensive description of the management and monitoring of risks in HVB Group, overall bank management, and risk types in detail. No essential methodological changes have been made to risk management or to the monitoring of the individual risk types quantified in the present Interim Report. The following sections describe the development of selected risks.

Credit risk

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 of HVB Group 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 €0.7 billion at 31 March 2014 (31 December 2013: €0.8 billion), is earmarked for elimination without any new business being written. The aggregate credit default, counterparty and issuer exposure (banking book) is called credit 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.

Development of metrics by industry group

	EXPOSURE € billions		EXPECTED LOSS € millions		RISK DENSITY in BPS[1]	
Industry group	31/3/2014	31/12/2013	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Banks, insurance companies	51.5	53.7	45	39	9	7
Public sector	36.7	38.0	4	6	1	2
Real estate	22.8	22.9	29	31	13	14
Energy	10.1	10.4	29	25	29	24
Special products	9.4	9.8	95	64	103	68
Chemicals, pharmaceuticals, health	9.1	9.3	19	19	22	22
Machinery, metals	8.1	7.9	27	27	36	37
Shipping	5.6	5.9	108	104	240	221
Construction, wood	5.5	5.5	15	15	36	34
Automotive industry	5.4	5.2	12	9	23	18
Consumer goods	5.4	5.5	11	12	20	22
Services	5.0	5.0	25	21	52	44
Transport, travel	4.4	4.5	18	16	43	39
Food, beverages	4.0	4.4	9	10	23	22
Telecom, IT	2.7	3.0	6	8	21	27
Media, paper	2.3	2.2	8	7	37	36
Agriculture, forestry	2.1	2.0	6	5	28	25
Electronics	1.9	1.8	2	2	13	13
Tourism	1.4	1.4	6	7	48	51
Textile industry	1.3	1.4	9	5	72	42
Retail	19.9	20.4	74	65	38	32
HVB Group	**214.6**	**220.2**	**557**	**497**	**27**	**23**

1 basis points; 100 BPS = 1%

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

The exposure in the banks, insurance companies industry group declined by €2.2 billion in the first quarter of 2014 as a result of a further reduction in the excess liquidity placed with Deutsche Bundesbank and other financial institutions in line with structural changes.

Furthermore, there was a decrease of €1.3 billion in exposure in the public sector industry group in the first quarter of 2014 caused by reductions in exposure to individual German federal states and public-sector banks.

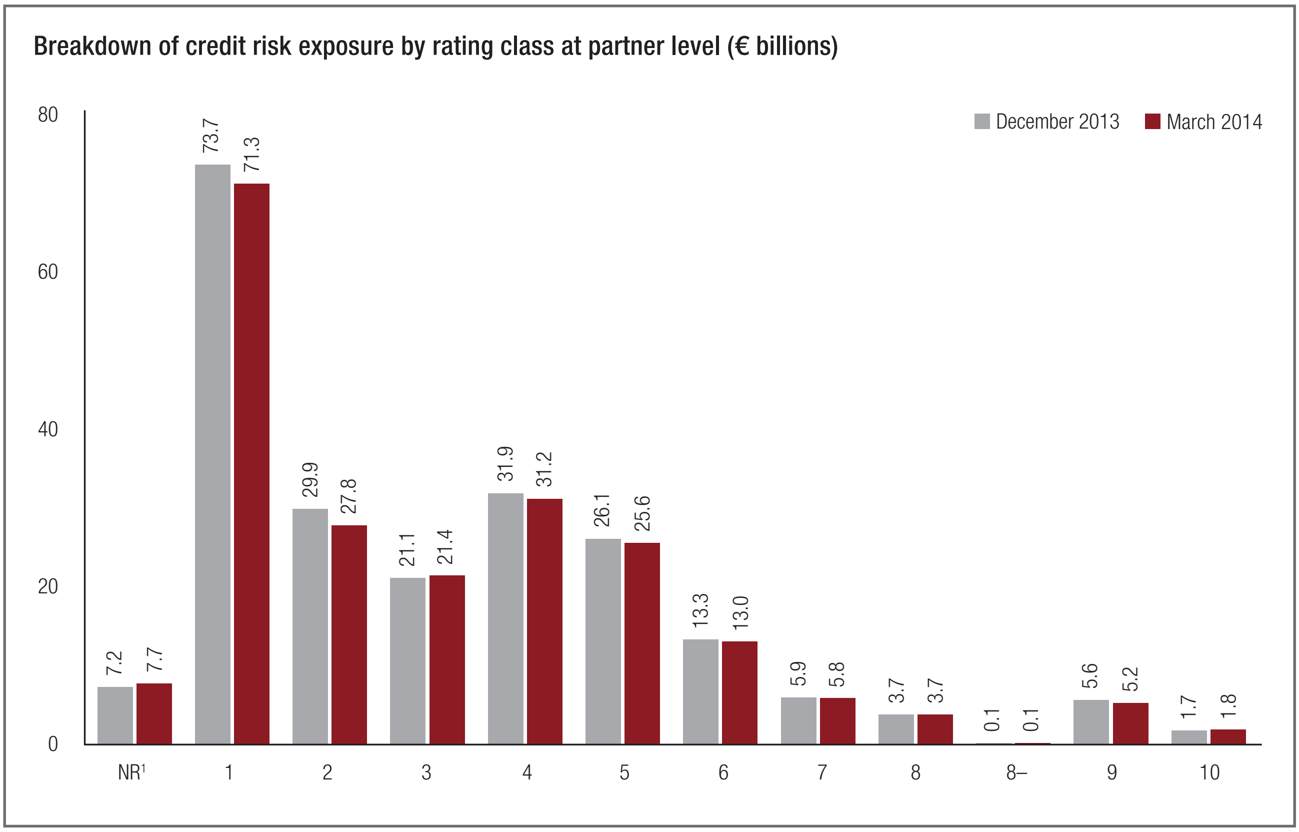
The expected loss in the special products industry group increased from €64 million to €95 million on account of an adjustment to the calculation method used. The risk density rose in parallel.

Breakdown of credit risk exposure by business segment and risk category (€ billions)

Breakdown of exposure by business segment	CREDIT DEFAULT RISK		COUNTERPARTY RISK		ISSUER RISK IN TRADING BOOK		TOTAL	
	31/3/2014	31/12/2013	31/3/2014	31/12/2013	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Commercial Banking	88.6	88.9	1.9	1.8	0.1	0.2	90.6	90.8
Corporate & Investment Banking	55.7	61.0	16.8	16.3	42.2	42.9	114.7	120.2
Asset Gathering	1.0	1.1	0	0	2.6	2.5	3.6	3.6
Other/consolidation	1.8	1.7	0	0	3.9	3.9	5.7	5.6
HVB Group	**147.1**	**152.6**	**18.7**	**18.2**	**48.8**	**49.5**	**214.6**	**220.2**

There was a reduction of €4.5 billion in the exposure in the Corporate & Investment Banking (CIB) business segment. The main reason for this is a reduction in the liquidity placed with Deutsche Bundesbank and other financial institutions coupled with a decline in exposure to the public sector.

Development of Selected Risks (Continued)



1 not rated (of which €3.9 billion at 31 March 2014 with a rating at transaction level)

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 HVB Group rating structure changed during the first quarter of 2014 mainly on account of a reduction in the liquidity placed with Deutsche Bundesbank and other financial institutions (rating class 1 and 2).

Derivative transactions

Derivative transactions

(€ millions)

	NOMINAL AMOUNT					FAIR VALUE			
	RESIDUAL MATURITY			TOTAL		POSITIVE		NEGATIVE	
	UP TO 1 YEAR	MORE THAN 1 YEAR UP TO 5 YEARS	MORE THAN 5 YEARS	31/3/2014	31/12/2013	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Interest rate derivatives	835,748	980,856	829,774	2,646,378	2,759,783	68,235	67,897	64,489	65,586
Foreign exchange derivatives	168,852	24,097	757	193,706	184,712	2,225	2,588	2,225	2,582
Cross-currency swaps	40,578	133,526	70,598	244,702	243,078	3,553	3,910	3,978	4,295
Equity/index derivatives	99,322	41,447	22,843	163,612	142,194	2,936	3,228	3,008	3,376
Credit derivatives	23,669	70,658	5,969	100,296	110,648	1,118	1,072	1,055	1,079
– purchased	11,964	35,207	3,549	50,720	55,882	385	359	744	734
– written	11,705	35,451	2,420	49,576	54,766	733	713	311	345
Other transactions	3,568	2,705	776	7,049	7,159	128	228	160	272
HVB Group	**1,171,737**	**1,253,289**	**930,717**	**3,355,743**	**3,447,574**	**78,195**	**78,923**	**74,915**	**77,190**

Derivative transactions by counterparty type

(€ millions)

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	31/3/2014	31/12/2013	31/3/2014	31/12/2013
Central governments and central banks	4,140	3,800	1,783	1,710
Banks	51,917	51,026	50,962	50,864
Financial institutions	19,978	21,773	20,960	23,175
Other companies and private individuals	2,160	2,324	1,210	1,441
HVB Group	**78,195**	**78,923**	**74,915**	**77,190**

In accordance with the banking supervision regulations under Basel III and the Capital Requirements Directive IV/Capital Requirements Regulation (CRD IV/CRR), and taking into account the Internal Model Method (IMM) approved for use by HVB to determine counterparty risk for regulatory purposes since March 2014, risk-weighted assets arising from counterparty risk for HVB Group amounted to €6.2 billion at 31 March 2014 (31 December 2013, in accordance with Basel II, the German Solvency Regulation (Solvabilitätsverordnung – SolvV) and the mark-to-market method: €9.0 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.

Development of Selected Risks (Continued)

Market risk

All transactions exposed to market risk in the trading and banking books of HVB Group are aggregated every day to form a total value-at-risk (VaR) and set against the risk limits. The Management Board of HVB approves and, if necessary, adjusts the risk limits every year. Limits are defined for trading books using VaR limits, whereas limits are set for the combination of trading and banking books by VaR warning levels. Both groups of limits are equally binding and compliance is enforceable. In January 2014, the trading book limit for HVB Group was reduced from €45 million in 2013 to €40 million in line with the risk strategy. The VaR warning level used to restrict all market risks for HVB Group remained at €120 million.

In addition to the market risk under the responsibility of the trading units, market risk also arises from positions that are allocated directly to the full Management Board. The VaR warning level employed for these positions was not changed and remained at €40 million in the first quarter of 2014.

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

	31/3/2014	AVERAGE 2013[1]	31/12/2013	30/9/2013	30/6/2013	31/3/2013
Interest rate positions (incl. credit spread risks)	6	16	9	12	15	26
Foreign exchange derivatives	1	1	1	1	1	1
Equity/index positions[2]	2	4	2	3	4	5
Diversification effect[3]	(3)	(5)	(3)	(4)	(4)	(6)
HVB Group	**6**	**16**	**9**	**12**	**16**	**26**

1 arithmetic mean of the four quarter-end figures in 2013
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

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

	31/3/2014	31/12/2013	30/9/2013	30/6/2013	31/3/2013
Stressed value-at-risk	19	27	22	27	34
Incremental risk charge	194	288	211	267	313
Market risk Standard Approach	6	4	5	5	16

1 risk values based on internal reporting (HVB trading book only)

Liquidity risk

The first quarter of 2014 started with a moderate, albeit not always smooth recovery in the global economy. The not fully resolved budget and debt crisis in the United States remains an important risk factor alongside 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 risks mentioned above together with risks arising from changes in interest and exchange rates.

HVB Group put in a solid performance in the first quarter of 2014 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 industrialised nations to enjoy moderate economic growth in 2014, whereas economic growth in the emerging markets is anticipated to weaken. Alongside the factors mentioned above that are serving to depress the global economy, questions also arise in connection with the curtailing of the Federal Reserve's extremely loose monetary policy and the unrest in Ukraine. Against this backdrop, it is safe to assume that the markets in the industrialised nations in particular will tend to stabilise further, even though they remain highly prone to possible irritations.

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 March 2014 (31 March 2013: €36.9 billion). The portfolio of highly liquid securities eligible at short notice to compensate for unexpected outflows of liquidity amounted to €26.8 billion at the end of the first quarter of 2014 (31 March 2013: €24.7 billion).

Our stress tests showed that the liquidity reserves available at the end of the first quarter of 2014 were sufficient to cover funding requirements for Bank-specific, market-wide and combined scenarios for a period of at least up to eleven months.

The requirements of the German Liquidity Regulation (Liquiditätsverordnung – LiqV) were met at all times by the affected units of HVB Group during the year to date. The funds available to HVB Group exceeded its payment obligations for the following month by an average of €22.9 billion for HVB Group in the first quarter of 2014 (31 March 2013: €32.3 billion) and €21.0 billion at 31 March 2014. This means that we are comfortably above the internally defined trigger.

Funding risk

The funding risk of HVB Group was again quite low in the first quarter of 2014 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 €1.9 billion on the capital market by the end of March 2014 (31 March 2013: €1.4 billion). At the end of March 2014, 103.6% (31 March 2013: 98.6%) 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.

Consolidated Income Statement

for the period from 1 January to 31 March 2014

Income/Expenses	NOTES	1/1–31/3/2014 € millions	1/1–31/3/2013 € millions	CHANGE € millions	CHANGE in %
Interest income		1,304	1,514	(210)	(13.9)
Interest expense		(635)	(741)	+ 106	(14.3)
Net interest	4	669	773	(104)	(13.5)
Dividends and other income from equity investments	5	6	17	(11)	(64.7)
Net fees and commissions	6	277	312	(35)	(11.2)
Net trading income	7	267	375	(108)	(28.8)
Net other expenses/income	8	44	49	(5)	(10.2)
Payroll costs		(469)	(472)	+ 3	(0.6)
Other administrative expenses		(410)	(363)	(47)	+ 12.9
Amortisation, depreciation and impairment losses on intangible and tangible assets		(56)	(48)	(8)	+ 16.7
Operating costs	9	(935)	(883)	(52)	+ 5.9
Net write-downs of loans and provisions for guarantees and commitments	10	(78)	(89)	+ 11	(12.4)
Provisions for risks and charges	11	40	(9)	+ 49	
Restructuring costs		(2)	—	(2)	
Net income from investments	12	8	68	(60)	(88.2)
PROFIT BEFORE TAX		**296**	**613**	**(317)**	**(51.7)**
Income tax for the period		(105)	(210)	+ 105	(50.0)
CONSOLIDATED PROFIT		**191**	**403**	**(212)**	**(52.6)**
attributable to the shareholder of UniCredit Bank AG		189	406	(217)	(53.4)
attributable to minorities		2	(3)	+ 5	

Earnings per share

(in €)

	NOTES	1/1–31/3/2014	1/1–31/3/2013
Earnings per share (undiluted and diluted)	13	0.24	0.51

Consolidated statement of total comprehensive income for the period from 1 January to 31 March 2014

(€ millions)

	1/1–31/3/2014	1/1–31/3/2013
Consolidated profit recognised in the income statement	**191**	**403**
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)	—	—
Assets held for sale	—	—
Other changes	—	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	—	—
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	—	32
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (AfS reserve)	25	16
Unrealised gains/(losses)	25	16
Gains/(losses) reclassified to the income statement	—	—
Changes in valuation of financial instruments (hedge reserve)	3	1
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	3	1
Other changes	—	—
Taxes on income and expenses to be reclassified to the income statement in future periods	(9)	(6)
Total income and expenses recognised in equity under other comprehensive income	**19**	**43**
Total comprehensive income	**210**	**446**
of which:		
attributable to the shareholder of UniCredit Bank AG	208	424
attributable to minorities	2	22

Consolidated Balance Sheet

at 31 March 2014

Assets

	NOTES	31/3/2014 € millions	31/12/2013 € millions	CHANGE € millions	in %
Cash and cash balances		10,286	10,626	(340)	(3.2)
Financial assets held for trading	14	89,205	91,301	(2,096)	(2.3)
Financial assets at fair value through profit or loss	15	30,461	29,712	+ 749	+ 2.5
Available-for-sale financial assets	16	4,645	4,576	+ 69	+ 1.5
Investments in associates and joint ventures	17	72	71	+ 1	+ 1.4
Held-to-maturity investments	18	218	217	+ 1	+ 0.5
Loans and receivables with banks	19	46,481	35,312	+ 11,169	+ 31.6
Loans and receivables with customers	20	107,393	109,589	(2,196)	(2.0)
Hedging derivatives		1,099	1,053	+ 46	+ 4.4
Hedge adjustment of hedged items					
in the fair value hedge portfolio		65	67	(2)	(3.0)
Property, plant and equipment		2,898	2,913	(15)	(0.5)
Investment properties		1,448	1,456	(8)	(0.5)
Intangible assets		511	518	(7)	(1.4)
of which: goodwill		418	418	—	—
Tax assets		1,705	1,654	+ 51	+ 3.1
Current tax assets		460	431	+ 29	+ 6.7
Deferred tax assets		1,245	1,223	+ 22	+ 1.8
Non-current assets or disposal groups held for sale		142	154	(12)	(7.8)
Other assets		1,075	799	+ 276	+ 34.5
Total assets		**297,704**	**290,018**	**+ 7,686**	**+ 2.7**

Liabilities

	NOTES	31/3/2014 € millions	31/12/2013 € millions	CHANGE € millions		CHANGE in %	
Deposits from banks	23	55,171	47,839	+	7,332	+	15.3
Deposits from customers	24	108,666	107,850	+	816	+	0.8
Debt securities in issue	25	30,417	31,804		(1,387)		(4.4)
Financial liabilities held for trading	26	73,735	73,535	+	200	+	0.3
Hedging derivatives		387	373	+	14	+	3.8
Hedge adjustment of hedged items							
in the fair value hedge portfolio		1,835	1,646	+	189	+	11.5
Tax liabilities		1,008	906	+	102	+	11.3
Current tax liabilities		741	700	+	41	+	5.9
Deferred tax liabilities		267	206	+	61	+	29.6
Liabilities of disposal groups held for sale		—	4		(4)		(100.0)
Other liabilities		3,354	3,083	+	271	+	8.8
Provisions	27	1,912	1,969		(57)		(2.9)
Shareholders' equity		21,219	21,009	+	210	+	1.0
Shareholders' equity attributable to the shareholder							
of UniCredit Bank AG		21,170	20,962	+	208	+	1.0
Subscribed capital		2,407	2,407		—		—
Additional paid-in capital		9,791	9,791		—		—
Other reserves		7,920	7,920		—		—
Changes in valuation of financial instruments	28	107	88	+	19	+	21.6
AfS reserve		80	63	+	17	+	27.0
Hedge reserve		27	25	+	2	+	8.0
Consolidated profit 2013		756	756		—		—
Net profit 1/1–31/3/2014[1]		189	—	+	189		
Minority interest		49	47	+	2	+	4.3
Total shareholders' equity and liabilities		**297,704**	**290,018**	**+**	**7,686**	**+**	**2.7**

1 attributable to the shareholder of UniCredit Bank AG

The 2013 profit available for distribution disclosed in the separate financial statements of UniCredit Bank AG (= consolidated profit of HVB Group), which forms the appropriation of profit, amounts to €756 million. We will propose to the Shareholders' Meeting that a dividend of €756 million be paid to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.94 per share after around €3.07 in 2012.

Statement of Changes in Shareholders' Equity

at 31 March 2014

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES: TOTAL OTHER RESERVES	OTHER RESERVES: OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
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[3]	**—**	**—**	**10**	**—**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—
Reserve arising from foreign currency translation	—	—	10	—
Total other changes in equity	**—**	**—**	**(3)**	**—**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	—	—
Changes in group of consolidated companies	—	—	(3)	—
Shareholders' equity at 31 March 2013	**2,407**	**9,791**	**7,766**	**(599)**
Shareholders' equity at 1 January 2014	**2,407**	**9,791**	**7,920**	**(648)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other				
comprehensive income[3]	**—**	**—**	**—**	**—**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—
Reserve arising from foreign currency translation	—	—	—	—
Total other changes in equity	**—**	**—**	**—**	**—**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	—	—
Changes in group of consolidated companies	—	—	—	—
Shareholders' equity at 31 March 2014	**2,407**	**9,791**	**7,920**	**(648)**

1 attributable to the shareholder of UniCredit Bank AG
2 UniCredit Bank AG (HVB)
3 see Consolidated statement of total comprehensive income

(€ millions)

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS						
AFS RESERVE	HEDGE RESERVE	CONSOLIDATED PROFIT	PROFIT 1/1 – 31/3[1]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDER OF HVB[2]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
30	**26**	**2,462**	**—**	**22,475**	**794**	**23,269**
—	**—**	**—**	**406**	**406**	**(3)**	**403**
7	**1**	**—**	**—**	**18**	**25**	**43**
7	—	—	—	7	3	10
—	1	—	—	1	—	1
—	—	—	—	—	—	—
—	—	—	—	10	22	32
—	**—**	**—**	**—**	**(3)**	**(6)**	**(9)**
—	—	—	—	—	(9)	(9)
—	—	—	—	—	—	—
—	—	—	—	(3)	3	—
37	**27**	**2,462**	**406**	**22,896**	**810**	**23,706**
63	**25**	**756**	**—**	**20,962**	**47**	**21,009**
—	**—**	**—**	**189**	**189**	**2**	**191**
17	**2**	**—**	**—**	**19**	**—**	**19**
17	—	—	—	17	—	17
—	2	—	—	2	—	2
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	**—**	**—**	**—**	**—**	**—**	**—**
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
80	**27**	**756**	**189**	**21,170**	**49**	**21,219**

Selected Notes

1 Accounting and valuation principles

IFRS basis

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

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

We have applied the same accounting, valuation and disclosure principles in 2014 as in the consolidated financial statements for 2013 (please refer to the HVB Group Annual Report for 2013, starting on page 120).

The following standards newly published or revised by the IASB are applicable for the first time in the 2014 financial year:
– IFRS 10 “Consolidated Financial Statements”
– IFRS 11 “Joint Arrangements”
– IFRS 12 “Disclosures of Interests in Other Entities”
– IAS 27 “Separate Financial Statements” (revised version)
– IAS 28 “Investments in Associates and Joint Ventures” (revised version)
– Amendments to the consolidation standards IFRS 10, IFRS 11 and IFRS 12 – “Transition Guidance”
– Amendments to the consolidation standards IFRS 10, IFRS 12 and IAS 27 – “Investment Entities”
– Amendments to IAS 32 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”
– Amendments to IAS 36 “Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets”
– Amendments to IAS 39 “Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting”
– IFRIC Interpretation 21 “Levies”

IFRS 10 replaces SIC 12 “Consolidation: Special Purpose Entities” and parts of IAS 27 “Separate Financial Statements”, which has been renamed and the content of which has been revised. IFRS 10 creates a common definition of control that replaces the concept of the majority of the risks and rewards contained in SIC 12. The standard lists three criteria for the control of an entity: the parent company must have power over the entity; it must be exposed to variable returns from the entity; and it must be able to affect the amount of the variable returns. The definition of control is applicable in the future irrespective of the type of financial relationship between parent company and subsidiary. The initial adoption of IFRS 10 did not give rise to any changes in the group of companies included in consolidation by HVB Group.

IFRS 11 revises the provisions regarding the consolidation of joint arrangements. The standard replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”, and the content of IAS 28 “Investments in Associates and Joint Ventures” has been amended. IFRS 11 places more emphasis on the rights and obligations of the parties than the legal structure of the arrangement for the classification of joint arrangements and eliminates the option to consolidate joint ventures using the proportionate method. Initial adoption did not lead to any changes in the consolidated financial statements. The group of consolidated companies does not include any companies for which the proportionate method is applied and joint ventures are insignificant for the corporate group.

IFRS 12 requires much more extensive disclosures regarding subsidiaries, joint arrangements, associates and non-consolidated structured units in the consolidated financial statements than IAS 27, IAS 28 and IAS 31. The standard is to be adopted in full as of 31 December 2014.

Implementation of the remaining 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 2014.

Segment reporting
In the segment reporting, the activities of HVB Group are divided into the following business segments:
– Commercial Banking
– Corporate & Investment Banking
– Asset Gathering
– Other/consolidation

Method of segment reporting
The same principles are being applied in the 2014 financial year as were used at year-end 2013. We use risk-weighted assets compliant with Basel III as the criterion for allocating tied equity capital. The interest rate used to assess the equity capital allocated to companies assigned to several business segments (HVB and UniCredit Luxembourg S.A.) was 3.17% in 2013. This interest rate was redetermined for 2014 and has been 2.80% since 1 January 2014.

In addition, we carried out a minor reorganisation in net interest at the start of the year. Last year’s figures and those of previous quarters have been slightly adjusted accordingly.

2 Companies included in consolidation
There were no changes in the group of companies included in consolidation in the first three months of 2014.

Notes to the Income Statement

3 Segment reporting

Income statement, broken down by segment for the period from 1 January to 31 March 2014

(€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	ASSET GATHERING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	399	232	12	26	669
Dividends and other income from					
equity investments	1	5	—	—	6
Net fees and commissions	225	33	23	(4)	277
Net trading income	—	258	1	8	267
Net other expenses/income	6	16	—	22	44
OPERATING INCOME	**631**	**544**	**36**	**52**	**1,263**
Payroll costs	(185)	(126)	(11)	(147)	(469)
Other administrative expenses	(306)	(230)	(15)	141	(410)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(3)	(17)	(3)	(33)	(56)
Operating costs	**(494)**	**(373)**	**(29)**	**(39)**	**(935)**
OPERATING PROFIT	**137**	**171**	**7**	**13**	**328**
Net write-downs of loans and provisions					
for guarantees and commitments	(31)	(58)	—	11	(78)
NET OPERATING PROFIT	**106**	**113**	**7**	**24**	**250**
Provisions for risks and charges	2	31	—	7	40
Restructuring costs	—	—	—	(2)	(2)
Net income from investments	2	6	—	—	8
PROFIT BEFORE TAX	**110**	**150**	**7**	**29**	**296**

Income statement, broken down by segment for the period from 1 January to 31 March 2013 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	ASSET GATHERING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	399	327	9	38	773
Dividends and other income from					
equity investments	—	17	—	—	17
Net fees and commissions	227	61	21	3	312
Net trading income	11	250	—	114	375
Net other expenses/income	1	12	—	36	49
OPERATING INCOME	**638**	**667**	**30**	**191**	**1,526**
Payroll costs	(193)	(120)	(10)	(149)	(472)
Other administrative expenses	(302)	(199)	(14)	152	(363)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(3)	(2)	(3)	(40)	(48)
Operating costs	**(498)**	**(321)**	**(27)**	**(37)**	**(883)**
OPERATING PROFIT	**140**	**346**	**3**	**154**	**643**
Net write-downs of loans and provisions					
for guarantees and commitments	(32)	(56)	—	(1)	(89)
NET OPERATING PROFIT	**108**	**290**	**3**	**153**	**554**
Provisions for risks and charges	1	(10)	—	—	(9)
Restructuring costs	—	—	—	—	—
Net income from investments	—	12	2	54	68
PROFIT BEFORE TAX	**109**	**292**	**5**	**207**	**613**

Notes to the Income Statement (Continued)

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

INCOME/EXPENSES	1/1 – 31/3/2014	1/1 – 31/3/2013	Q4 2013	Q3 2013	Q2 2013
Net interest	399	399	408	409	384
Dividends and other income from equity investments	1	—	3	1	4
Net fees and commissions	225	227	213	198	209
Net trading income	—	11	21	(16)	1
Net other expenses/income	6	1	(8)	—	—
OPERATING INCOME	**631**	**638**	**637**	**592**	**598**
Payroll costs	(185)	(193)	(176)	(199)	(185)
Other administrative expenses	(306)	(302)	(314)	(308)	(310)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(3)	(3)	(3)	(2)	(2)
Operating costs	**(494)**	**(498)**	**(493)**	**(509)**	**(497)**
OPERATING PROFIT	**137**	**140**	**144**	**83**	**101**
Net write-downs of loans and provisions					
for guarantees and commitments	(31)	(32)	(10)	(35)	4
NET OPERATING PROFIT	**106**	**108**	**134**	**48**	**105**
Provisions for risks and charges	2	1	(48)	(7)	19
Restructuring costs	—	—	(323)	—	(2)
Net income from investments	2	—	—	—	1
PROFIT/(LOSS) BEFORE TAX	**110**	**109**	**(237)**	**41**	**123**
Cost-income ratio in %	78.3	78.1	77.4	86.0	83.1

Development of the Commercial Banking business segment
In the first three months of 2014, the Commercial Banking business segment recorded a slight decrease in operating income of 1.1%, or €7 million, to €631 million compared with the equivalent year-ago figure.

This can essentially be attributed to the decline of €11 million in net trading income, which had benefited from the reversal of credit value adjustments in the same period last year.

Net interest remained constant compared with the year-ago period at €399 million. Within this total, lower interest income from lending activities caused by declines in volumes of property loans extended to private customers, consistently restrained demand for credit from business customers and persistently low interest rates is set against higher interest income from deposit-taking operations as a result of margin and volume effects.

At €225 million, the good level of net fees and commissions recorded in the same period last year (€227 million) was almost matched.

The cost-income ratio rose by a slight 0.2 percentage points to 78.3% after 78.1% in the year-ago period on account of the decrease in operating income.

Operating costs of €494 million were down €4 million. Within this total, the increase in other administrative expenses as a result of higher indirect costs was more offset by the €8 million reduction in payroll costs compared with the equivalent quarter last year.

At €31 million after €32 million in the same period last year, net write-downs of loans and provisions for guarantees and commitments remained at a very moderate level.

After taking account of positive effects from reversals of provisions of €2 million (first quarter of 2013: €1 million) and net income from investments of €2 million (first quarter of 2013: €0 million), the Commercial Banking business segment generated a total profit before tax of €110 million in the first three months of 2014 (first quarter of 2013: €109 million).

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

INCOME/EXPENSES	1/1 – 31/3/2014	1/1 – 31/3/2013	Q4 2013	Q3 2013	Q2 2013
Net interest	232	327	291	299	275
Dividends and other income from equity investments	5	17	17	34	34
Net fees and commissions	33	61	50	49	71
Net trading income	258	250	190	192	332
Net other expenses/income	16	12	28	32	2
OPERATING INCOME	**544**	**667**	**576**	**606**	**714**
Payroll costs	(126)	(120)	(110)	(111)	(94)
Other administrative expenses	(230)	(199)	(219)	(213)	(230)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(17)	(2)	(25)	(2)	(2)
Operating costs	**(373)**	**(321)**	**(354)**	**(326)**	**(326)**
OPERATING PROFIT	**171**	**346**	**222**	**280**	**388**
Net write-downs of loans and provisions					
for guarantees and commitments	(58)	(56)	(46)	(24)	(114)
NET OPERATING PROFIT	**113**	**290**	**176**	**256**	**274**
Provisions for risks and charges	31	(10)	(120)	(4)	—
Restructuring costs	—	—	—	—	—
Net income from investments	6	12	69	13	22
PROFIT BEFORE TAX	**150**	**292**	**125**	**265**	**296**
Cost-income ratio in %	68.6	48.1	61.5	53.8	45.7

Development of the Corporate & Investment Banking business segment

The Corporate & Investment Banking business segment generated operating income of €544 million in the difficult market environment of the first three months of 2014. This is €123 million below the total for the equivalent period last year (first quarter of 2013: €667 million).

The decline in operating income is due primarily to the €95 million fall in net interest to €232 million (first quarter of 2013: €327 million). This development can be attributed to a decline of €44 million in trading-induced interest together with lower income from lending operations, notably due to contracting credit volumes. At the same time, dividend income essentially comprising payments from private equity funds declined by €12 million compared with the equivalent period last year to €5 million (first quarter of 2013: €17 million). Among other things, this development can be put down to the focus on the core business and much lower holding of private equity investments in anticipation of regulatory changes. Net fees and commissions of €28 million (first quarter of 2013: €61 million) on the back of fee and commission income of €33 million; this sharp decline results mainly from credit-related commission business.

By contrast, a slight increase of €8 million to €258 million was generated in net trading income compared with €250 million in the first quarter of 2013. Within this total, higher earnings from equity derivatives operations were largely offset by declining profits on activities involving Pfandbriefs and collateralised loans. Thus, positive effects from the first quarter of 2013 in areas like government bonds and asset-backed securities only recurred at a lower level during the reporting period. In addition, the total benefited from lower expenses for credit value adjustments. At the same time, a slight increase of €4 million to €16 million (first quarter of 2013: €12 million) was recorded in net other expenses/income.

Operating costs increased by €52 million to €373 million in the reporting period compared with the first quarter of 2013 (first quarter of 2013: €321 million). Whereas payroll costs rose a mere €6 million to €126 million (first quarter of 2013: €120 million), there was a sharp increase of €31 million in other administrative expenses to €230 million (first quarter of 2013: €199 million). This development was caused mainly by the wind farm that was commissioned and fully consolidated at the end of 2013. The amortisation, depreciation and impairment losses on intangible and tangible assets increased by €15 million to €17 million for the same reason (first quarter of 2013: €2 million). The cost-income ratio rose by 20.5 percentage points to 68.6% after 48.1% in the first quarter of last year on account of the lower operating income coupled with the simultaneous rise in operating costs.

The positive balance of €31 million in provisions for risks and charges results notably from the reversal of provisions relating to derivatives operations. Taken together with the net income from investments of €6 million (first quarter of 2013: €12 million), the CIB business segment generated a profit before tax of €150 million in the first three months of 2014 (first quarter of 2013: €292 million).

Notes to the Income Statement (Continued)

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

INCOME/EXPENSES	1/1 – 31/3/2014	1/1 – 31/3/2013	Q4 2013	Q3 2013	Q2 2013
Net interest	12	9	12	10	8
Dividends and other income from equity investments	—	—	—	—	—
Net fees and commissions	23	21	23	20	22
Net trading income	1	—	—	1	—
Net other expenses/income	—	—	—	—	—
OPERATING INCOME	**36**	**30**	**35**	**31**	**30**
Payroll costs	(11)	(10)	(10)	(10)	(10)
Other administrative expenses	(15)	(14)	(16)	(13)	(15)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(3)	(3)	(3)	(3)	(3)
Operating costs	**(29)**	**(27)**	**(29)**	**(26)**	**(28)**
OPERATING PROFIT	**7**	**3**	**6**	**5**	**2**
Net write-downs of loans and provisions for guarantees and commitments	—	—	—	—	—
NET OPERATING PROFIT	**7**	**3**	**6**	**5**	**2**
Provisions for risks and charges	—	—	(1)	(1)	—
Restructuring costs	—	—	—	—	—
Net income from investments	—	2	—	1	3
PROFIT BEFORE TAX	**7**	**5**	**5**	**5**	**5**
Cost-income ratio in %	80.6	90.0	82.9	83.9	93.3

Development of the Asset Gathering business segment
The Asset Gathering business segment increased its operating income by 20.0%, or €6 million, year-on-year to €36 million in the first three months of 2014.

Within this total, net interest rose by €3 million to €12 million over the same period last year on account of higher volumes of deposits and enhanced treasury management. The 23% year-on-year increase in the customer trading volume led to a pleasing rise of 9.5% in net fees and commissions to €23 million (first quarter of 2013: €21 million). This success is underpinned by a further increase in the number of customers to around 628,000 in the first quarter of 2014 coupled with the associated increase of 3.0% in customer assets under management to around €33 billion. The cost-income ratio improved by a strong 9.4 percentage points to 80.6% after 90.0% in the same period last year on the back of the higher operating income.

Operating costs rose by €2 million year-on-year to €29 million notably due to the rebound in the trading business, which had an impact of the same amount on payroll costs and other administrative expenses.

The Asset Gathering business segment generated a profit before tax of €7 million in the first three months of 2014 (first quarter of 2013: €5 million).

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

INCOME/EXPENSES	1/1 – 31/3/2014	1/1 – 31/3/2013	Q4 2013	Q3 2013	Q2 2013
Net interest	26	38	5	(18)	56
Dividends and other income from equity investments	—	—	6	—	1
Net fees and commissions	(4)	3	(4)	(2)	5
Net trading income	8	114	4	17	1
Net other expenses/income	22	36	124	60	40
OPERATING INCOME	**52**	**191**	**135**	**57**	**103**
Payroll costs	(147)	(149)	(144)	(144)	(145)
Other administrative expenses	141	152	131	150	153
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(33)	(40)	(43)	(36)	(38)
Operating costs	**(39)**	**(37)**	**(56)**	**(30)**	**(30)**
OPERATING PROFIT	**13**	**154**	**79**	**27**	**73**
Net write-downs of loans and provisions					
for guarantees and commitments	11	(1)	(18)	5	113
NET OPERATING PROFIT	**24**	**153**	**61**	**32**	**186**
Provisions for risks and charges	7	—	(54)	4	(1)
Restructuring costs	(2)	—	(37)	—	—
Net income from investments	—	54	26	—	—
PROFIT/(LOSS) BEFORE TAX	**29**	**207**	**(4)**	**36**	**185**
Cost-income ratio in %	75.0	19.4	41.5	52.6	29.1

Development of the Other/consolidation business segment

The operating income of this business segment amounted to €52 million in the first three months of 2014 after €191 million in the equivalent quarter last year. This sharp decline of €139 million results mainly from the net trading income, which fell a tangible €106 million to €8 million due to the non-recurrence of the gains generated in connection with the buy-back of hybrid capital instruments in the previous year (first quarter of 2013: €114 million). At the same time, net interest fell by €12 million to €26 million and net other expenses/income by €14 million to €22 million due to the recognition of expenses from services provided in previous years.

With operating costs up by €2 million, the operating profit was down by €141 million during the reporting period to €13 million (first quarter of 2013: €154 million).

Including a net reversal of €11 million in net write-downs of loans and provisions for guarantees and commitments (first quarter of 2013: net addition of €1 million), a net reversal of €7 million in provisions for risks and charges (first quarter of 2013: €0 million) and restructuring costs of €2 million, the profit before tax amounted to €29 million in the reporting period. The year-ago profit before tax of €207 million included net income from investments of €54 million resulting notably from gains on the sale of land and buildings. No net income from investments accrued during the current reporting period.

Notes to the Income Statement (Continued)

4 Net interest

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Interest income from	**1,304**	**1,514**
lending and money market transactions[1]	902	1,041
other interest income	402	473
Interest expense from	**(635)**	**(741)**
deposits	(160)	(185)
debt securities in issue and other interest expenses	(475)	(556)
Total	**669**	**773**

1 A reclassification from net fees and commissions to net interest was carried out in 2013. The year-ago figures have been adjusted accordingly.

5 Dividends and other income from equity investments

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Dividends and other similar income	6	15
Companies accounted for using the equity method	—	2
Total	**6**	**17**

6 Net fees and commissions

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Management, brokerage and consultancy services	131	127
Collection and payment services	55	56
Lending operations[1]	81	120
Other service operations	10	9
Total	**277**	**312**

1 A reclassification from net fees and commissions to net interest was carried out in 2013. The year-ago figures have been adjusted accordingly.

This item comprises the balance of fee and commission income of €406 million (2013: €437 million) and fee and commission expenses of €129 million (2013: €125 million).

7 Net trading income

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Net gains on financial assets held for trading[1]	248	160
Effects arising from hedge accounting	(19)	19
Changes in fair value of hedged items	(237)	201
Changes in fair value of hedging derivatives	218	(182)
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	33	65
Other net trading income	5	131
Total	**267**	**375**

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 – 31/3/2014	1/1 – 31/3/2013
Other income	128	92
Other expenses	(84)	(43)
Total	**44**	**49**

Net other expenses/income includes income totalling €24 million (2013: €3 million) from Ocean Breeze Energy GmbH & Co. KG and the BARD Group. Electricity feed-in gains account for a large proportion of the total during the reporting period.

9 Operating costs

The operating costs include expenses totalling €34 million (2013: €2 million) incurred by Ocean Breeze Energy GmbH & Co. KG and the BARD Group. Write-downs of €16 million on the farm and the ships (2013: €1 million) account for a large proportion of the total during the reporting period.

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

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Additions/releases	**(87)**	**(101)**
Allowances for losses on loans and receivables	(86)	(102)
Allowances for losses on guarantees and indemnities	(1)	1
Recoveries from write-offs of loans and receivables	**9**	**12**
Gains/(losses) on the disposal of impaired loans and receivables	**—**	**—**
Total	**(78)**	**(89)**

11 Provisions for risks and charges

There was a net reversal of €40 million in provisions for risks and charges in the first quarter of 2014, resulting almost exclusively from derivative transactions.

Net additions to provisions for risks and charges amounted to €9 million during the equivalent period last year, essentially in connection with legal risks.

Notes to the Income Statement (Continued)

12 Net income from investments

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Available-for-sale financial assets	5	14
Shares in affiliated companies	—	—
Companies accounted for using the equity method	—	—
Held-to-maturity investments	—	—
Land and buildings	—	54
Investment properties[1]	3	—
Total	**8**	**68**

1 gains on disposal, impairments and write-ups

Net income from investments breaks down as follows:

(€ millions)

	1/1 – 31/3/2014	1/1 – 31/3/2013
Gains on the disposal of	**9**	**82**
available-for-sale financial assets	6	28
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
land and buildings	—	54
investment properties	3	—
Write-downs, value adjustments and write-ups on	**(1)**	**(14)**
available-for-sale financial assets	(1)	(14)
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
investment properties	—	—
Total	**8**	**68**

13 Earnings per share

	1/1 – 31/3/2014	1/1 – 31/3/2013
Consolidated profit attributable to the shareholder (€ millions)	189	406
Average number of shares	802,383,672	802,383,672
Earnings per share (€)	0.24	0.51

Notes to the Balance Sheet

14 Financial assets held for trading

(€ millions)

	31/3/2014	31/12/2013
Balance sheet assets	**26,151**	**28,025**
Fixed-income securities	9,907	11,504
Equity instruments	5,890	6,928
Other financial assets held for trading	10,354	9,593
Positive fair value from derivative financial instruments	**63,054**	**63,276**
Total	**89,205**	**91,301**

The financial assets held for trading include €242 million (31 December 2013: €194 million) in subordinated assets at 31 March 2014.

15 Financial assets at fair value through profit or loss

(€ millions)

	31/3/2014	31/12/2013
Fixed-income securities	29,215	28,478
Equity instruments	—	—
Investment certificates	1	2
Promissory notes	1,245	1,232
Other financial assets at fair value through profit or loss	—	—
Total	**30,461**	**29,712**

The financial assets at fair value through profit or loss include €284 million (31 December 2013: €282 million) in subordinated assets at 31 March 2014.

16 Available-for-sale financial assets

(€ millions)

	31/3/2014	31/12/2013
Fixed-income securities	3,600	3,533
Equity instruments	262	264
Other available-for-sale financial assets	205	201
Impaired assets	578	578
Total	**4,645**	**4,576**

At 31 March 2014, available-for-sale financial assets include financial instruments of €678 million (31 December 2013: €685 million) valued at cost.

The available-for-sale financial assets contain a total of €578 million (31 December 2013: €578 million) in impaired assets at 31 March 2014 for which impairments of €1 million (first quarter of 2013: €18 million) were taken to the income statement during the first quarter of 2014. None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets include €194 million (31 December 2013: €189 million) in subordinated assets at 31 March 2014.

Notes to the Balance Sheet (Continued)

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

(€ millions)

	31/3/2014	31/12/2013
Associated companies accounted for using the equity method	72	71
of which: goodwill	37	37
Joint ventures accounted for using the equity method	—	—
Total	**72**	**71**

18 Held-to-maturity investments

(€ millions)

	31/3/2014	31/12/2013
Fixed-income securities	218	217
Impaired assets	—	—
Total	**218**	**217**

The held-to-maturity investments include a total of €11 million (31 December 2013: €11 million) in subordinated assets at 31 March 2014.

Held-to-maturity investments at 31 March 2014 include no impaired assets, as was also the case at 31 December 2013.

19 Loans and receivables with banks

(€ millions)

	31/3/2014	31/12/2013
Current accounts	2,099	1,856
Cash collateral and pledged credit balances	8,012	9,013
Reverse repos	22,069	9,855
Reclassified securities	1,518	1,724
Other loans to banks	12,783	12,864
Total	**46,481**	**35,312**

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

The loans and receivables with banks include €26 million (31 December 2013: €41 million) in subordinated assets at 31 March 2014.

20 Loans and receivables with customers

(€ millions)

	31/3/2014	31/12/2013
Current accounts	8,274	8,100
Cash collateral and pledged cash balances	2,122	2,114
Reverse repos	697	622
Mortgage loans	40,912	41,222
Finance leases	2,006	2,039
Reclassified securities	2,506	2,670
Non-performing loans and receivables	3,217	3,585
Other loans and receivables	47,659	49,237
Total	**107,393**	**109,589**

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 €1,297 million (31 December 2013: €1,406 million) funded under the fully consolidated Arabella conduit programme. This essentially 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.

The loans and receivables with customers include €803 million (31 December 2013: €853 million) in subordinated assets at 31 March 2014.

21 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 31/12/2013	2.5	2.3	2.6
Balance at 31/3/2014	2.3	2.2	2.4
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 31/12/2013	2.0	2.1	2.1
Balance at 31/3/2014	1.8	2.0	1.9
Balance of reclassified assets at 31/3/2014	**4.1**	**4.2**	**4.3**

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 €4.2 billion at 31 March 2014. 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 €129 million in net trading income in the first three months of 2014. A net gain of €286 million (2013), €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 2013, 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.

Notes to the Balance Sheet (Continued)

In the first three months of 2014, we reversed €3 million of the write-downs taken on reclassified holdings. In the 2013 financial year, write-downs of €10 million on reclassified holdings were reversed, whereas write-downs of €31 million had been taken 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 €9 million in the first three months of 2014 (whole of 2013: €38 million, 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 million (whole of 2013: €0 million, 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 three months of 2014.

In the first three months of 2014, the reclassifications carried out in 2008 and 2009 resulted in a profit before tax that was €117 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 minus €119 million before tax (first three months of 2014: minus €117 million, whole of 2013: minus €238 million, 2012: minus €442 million, 2011: plus €15 million, 2010: minus €245 million, 2009: minus €948 million, 2008: plus €1,856 million).

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

Analysis of loans and receivables (€ millions)

Balance at 1 January 2013	**4,448**
Changes affecting income[1]	102
Changes not affecting income	(34)
Changes due to make-up of group of consolidated companies and	
reclassifications of disposal groups held for sale	—
Use of existing loan-loss allowances	(15)
Effects of currency translation and other changes not affecting income	(19)
Non-current assets or disposal groups held for sale	—
Balance at 31 March 2013	**4,516**
Balance at 1 January 2014	**3,373**
Changes affecting income[1]	86
Changes not affecting income	(106)
Changes due to make-up of group of consolidated companies and	
reclassifications of disposal groups held for sale	—
Use of existing loan-loss allowances	(88)
Effects of currency translation and other changes not affecting income	(18)
Non-current assets or disposal groups held for sale	—
Balance at 31 March 2014	**3,353**

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

23 Deposits from banks

(€ millions)

	31/3/2014	31/12/2013
Deposits from central banks	**5,664**	**6,398**
Deposits from banks	**49,507**	**41,441**
Current accounts	3,104	2,181
Cash collateral and pledged credit balances	9,887	10,243
Repos	20,932	13,286
Term deposits	6,002	6,840
Other liabilities	9,582	8,891
Total	**55,171**	**47,839**

24 Deposits from customers

(€ millions)

	31/3/2014	31/12/2013
Current accounts	54,821	54,140
Cash collateral and pledged credit balances	918	1,092
Savings deposits	14,877	14,837
Repos	12,097	10,336
Term deposits	18,854	19,932
Other liabilities	7,099	7,513
Total	**108,666**	**107,850**

25 Debt securities in issue

(€ millions)

	31/3/2014	31/12/2013
Bonds	29,268	30,644
Other securities	1,149	1,160
Total	**30,417**	**31,804**

26 Financial liabilities held for trading

(€ millions)

	31/3/2014	31/12/2013
Negative fair values arising from derivative financial instruments	58,717	60,644
Other financial liabilities held for trading	15,018	12,891
Total	**73,735**	**73,535**

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 purposes 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.

Notes to the Balance Sheet (Continued)

27 Provisions

(€ millions)

	31/3/2014	31/12/2013
Provisions for pensions and similar commitments	148	146
Allowances for losses on guarantees and commitments and irrevocable credit commitments	204	204
Restructuring provisions	392	400
Actuarial provisions	—	—
Other provisions	1,168	1,219
Total	**1,912**	**1,969**

28 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments recognised in equity totalled €107 million at 31 March 2014 (31 December 2013: €88 million). This rise of €19 million compared with year-end 2013 can be attributed almost exclusively to the €17 million increase in the AfS reserve to €80 million, resulting primarily from positive fair value fluctuations of fixed-income securities classified as available for sale. The hedge reserve similarly included in the reserves arising from changes in the value of financial instruments recognised in equity increased a slight €2 million compared with year-end 2013 to €27 million.

29 Subordinated capital

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

	31/3/2014	31/12/2013
Subordinated liabilities	841	1,650
Hybrid capital instruments	49	47
Total	**890**	**1,697**

Other Information

30 Contingent liabilities and other commitments

(€ millions)

	31/3/2014	31/12/2013
Contingent liabilities[1]	**19,638**	**19,607**
Guarantees and indemnities	19,638	19,607
Other commitments	**37,301**	**37,573**
Irrevocable credit commitments	37,124	37,383
Other commitments[2]	177	190
Total	**56,939**	**57,180**

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

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 Marita Kraemer since 1 January 2014 Dr Lothar Meyer Marina Natale Klaus-Peter Prinz Jens-Uwe Wächter	**Members**

Management Board

Dr Andreas Bohn	Corporate & Investment Banking
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, 6 May 2014

UniCredit Bank AG
The Management Board

Dr Bohn	Buschbeck	Danzmayr	Diederichs
Hofbauer	Laber	Varese	Dr Weimer

Summary of Quarterly Financial Data

(€ millions)

OPERATING PERFORMANCE	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net interest	669	716	700	723	773
Dividends and other income from equity investments	6	26	35	39	17
Net fees and commissions	277	282	265	307	312
Net trading income	267	215	194	334	375
Net other expenses/income	44	144	92	42	49
OPERATING INCOME	**1,263**	**1,383**	**1,286**	**1,445**	**1,526**
Operating costs	(935)	(932)	(891)	(881)	(883)
OPERATING PROFIT	**328**	**451**	**395**	**564**	**643**
Net write-downs of loans and provisions					
for guarantees and commitments	(78)	(74)	(54)	3	(89)
NET OPERATING PROFIT	**250**	**377**	**341**	**567**	**554**
Provisions for risks and charges	40	(223)	(8)	18	(9)
Restructuring costs	(2)	(360)	—	(2)	—
Net income from investments	8	95	14	26	68
PROFIT/(LOSS) BEFORE TAX	**296**	**(111)**	**347**	**609**	**613**
Income tax for the period	(105)	109	(89)	(194)	(210)
CONSOLIDATED PROFIT/(LOSS)	**191**	**(2)**	**258**	**415**	**403**
attributable to the shareholder of UniCredit Bank AG	189	(12)	237	402	406
attributable to minorities	2	10	21	13	(3)
Earnings per share (€) (undiluted and diluted)	**0.24**	**(0.02)**	**0.30**	**0.50**	**0.51**

Financial Calendar

Important Dates 2014[1]

Interim Report at 31 March 2014	13 May 2014
Half-yearly Financial Report at 30 June 2014	6 August 2014
Interim Report at 30 September 2014	12 November 2014

1 dates planned

Contacts

Should you have any questions about the annual report or our interim reports, please contact Media Relations by
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