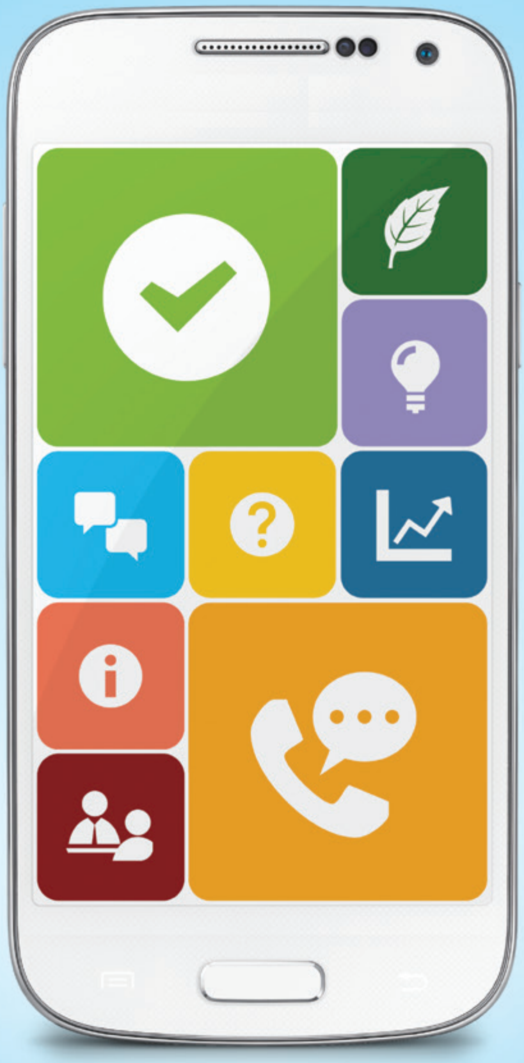
HypoVereinsbank Member of UniCredit



Listen, understand, respond.

Interim Report at 30 September 2014

Contents

Financial Highlights

Key performance indicators

	1/1–30/9/2014	1/1–30/9/2013
Net operating income[1]	€635m	€1,451m
Cost-income ratio (based on operating income)[1]	81.1%	61.8%
Profit before tax[1]	€728m	€1,553m
Consolidated profit[1]	€438m	€1,065m
Return on equity before tax[2]	5.0%	10.1%
Return on equity after tax[2]	2.9%	7.0%
Earnings per share[1]	€0.54	€1.29

Balance sheet figures

	30/9/2014	31/12/2013
Total assets	€316.0bn	€290.0bn
Shareholders' equity	€20.6bn	€21.0bn
Leverage ratio[3]	6.4%	7.1%

Key capital ratios

	30/9/2014 Basel III	30/6/2014 Basel III	31/12/2013 Basel II
Core capital without hybrid capital (core Tier 1 capital)	—	—	€18.4bn
Common Equity Tier 1 capital	€18.8bn	€18.9bn	—
Core capital (Tier 1 capital)	€18.8bn	€18.9bn	€18.5bn
Risk-weighted assets (including equivalents for market risk and operational risk)	€89.0bn	€88.7bn	€85.5bn
Core capital ratio without hybrid capital (core Tier 1 ratio)[4]	—	—	21.5%
Common Equity Tier 1 capital ratio[4]	21.2%	21.3%	—
Core capital ratio (Tier 1 ratio)[4]	21.2%	21.3%	21.6%

	30/9/2014	31/12/2013
Employees (in FTEs)	18,651	19,092
Branch offices	898	933

1 without discontinued operations
2 return on equity calculated on the basis of average shareholders' equity according to IFRS and projected profit before tax at 30 September 2014 for the year as a whole
3 ratio of shareholders' equity (according to IFRS) shown in the balance sheet less intangible assets to total assets less intangible assets
4 calculated on the basis of risk-weighted assets, including equivalents for market risk and operational risk

Ratings

	LONG-TERM	SHORT-TERM	OUTLOOK	STAND-ALONE RATING	CHANGED/ CONFIRMED	PFANDBRIEFS		CHANGED/ CONFIRMED
						PUBLIC	MORTGAGE	
Moody's	Baa1	P-2	negative	D+	29/5/2014	Aa1	Aa1	26/6/2014/ 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/ 1/10/2014

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 is the management body of HVB and consisted of eight members up until 30 June 2014. The contract of Management Board member Jürgen Danzmayr expired as planned with effect from 30 June 2014 and Mr Danzmayr stepped down as a member of the Management Board of HVB. The Management Board of HVB has thus consisted of seven members since 1 July 2014. Mr Peter Buschbeck has assumed the tasks of Mr Danzmayr. The Management Board 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 transactions 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. Furthermore, Ms Marina Natale stepped down from the Supervisory Board at the end of the Shareholders' Meeting on 2 June 2014. Mr Mirko Davide Georg Bianchi was appointed to the Supervisory Board in her place 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 34, "Members of the Supervisory Board and Management Board".

Company acquisitions and sales, and other major changes to the group of companies included in consolidation
On 31 July 2014, the Management Board of HVB reached agreement with BNP Paribas S.A. on the sale of the 81.4% interest in DAB Bank AG (DAB) held by HVB. The definitive contracts were signed on 5 August 2014 following approval by HVB's Supervisory Board. A price of €4.78 per share was agreed. Completion of the transaction is subject to the approval of the regulatory authorities. Together with its Salzburg-based subsidiary direktanlage.at AG, DAB formed HVB's Asset Gathering business segment. This segment will cease to exist with the sale of DAB.

There were no significant company acquisitions in the first three quarters of 2014.

Changes to the group of companies included in consolidation by HVB Group are listed in Note 2, "Companies included in consolidation".

Economic report

Underlying economic conditions

The global economy is continuing to recover, albeit at a slower pace than previously expected. Among other things, the fall-out from the global financial crisis, from excessive debt to high unemployment – especially in the eurozone – proved a drag on economic global recovery. The macroeconomic outlook has become less certain as a result, meaning that growth forecasts are having to be revised down. Moreover, more downbeat prospects are dampening economic confidence, demand and current growth. Increasing geopolitical insecurity (especially in Russia and Ukraine), a reaction to the latest decline in risk premiums and volatility on the financial markets and the pace of expansion in the emerging markets are giving rise to greater risks in the medium to long term. Support from adjustments to monetary and fiscal policy is still required in the industrialized nations, the pace and composition of which are geared to promoting both recovery and long-term growth. In some countries, moreover, greater spending on public infrastructure can invigorate demand in the short run and boost potential production in the medium run. In the emerging economies, the scope of macroeconomic policy that, where necessary, has to support growth differs according to country and region. Looked at as a whole, structural reforms are essentially needed in these countries to strengthen their growth potential and secure more sustained economic development.

Growth in the eurozone proved to be surprisingly weak in the second quarter, with economic output falling by 0.7% year-on-year in the second quarter as against expansion of 0.2% compared with the previous quarter and 0.9% compared with the previous year in the first quarter of 2014. Private consumption remained relatively strong, while net exports proved disappointing. Unwelcome surprises came from Germany, France and Italy. Both Italy and Germany saw their real GDP decline by 0.2% on the previous quarter during the second quarter of 2014. In Germany, this weakening growth was caused primarily by foreign trade and capital spending. France's economy, on the other hand, stagnated in both the first and the second quarter compared with the previous quarters. By contrast, Spain recorded robust growth of 0.6% over the previous quarter in the second quarter. Overall inflation fell to a new low point in the current economic cycle, slipping by 0.1 percentage points compared with the previous year to 0.3% in September, while medium-term inflation expectations also declined. The European Central Bank (ECB) responded by deciding at its September meeting to reduce all its policy rates by 10 basis points, meaning that the refinancing rate now stands at 0.05%. In addition, the Governing Council of the ECB announced plans to purchase asset-backed securities and covered bonds. Even though the central bank left its central forecasts largely unchanged, its concern over the downside risks, especially the consequences of deflation, seems to have increased.

While the eurozone still faces a number of difficulties, other advanced economies, notably including the United States, have emerged from the crisis and are recording respectable growth. The US economy picked up pace quickly in the second quarter, enabling to more than offset the 2.1% fall in growth recorded at the start of the year with an increase of 4.6% on the previous quarter, its fastest expansion since the first quarter of 2006. Growth was boosted primarily by personal consumer spending, investment in inventory in the private sector and foreign investment in capital goods. Foreign trade was a drag on performance, however, as imports rose faster than exports. Adjusted for quarterly fluctuations, however, the US economy only expanded at an annualised rate of 1.3% in the first half of 2014. The upward trend in inflation paused for breath. At the September meeting of its Federal Open Market Committee (FOMC), the Federal Reserve confirmed that it would terminate its bond purchase programme at its next meeting at the end of the October.

Business performance of HVB Group (Continued)

The picture in the emerging economies is dominated by lower potential growth, although a distinction needs to be made in this regard. On the one hand, China is maintaining strong growth, while a somewhat slower pace is expected in the future. In India, economic expansion has recovered, thanks in part to effective policy steps and returning confidence. On the other hand, uncertainty regarding the investment outlook had already dampened growth in Russia prior to the Ukraine crisis, and the conflict has served to cloud the prospects for further expansion. The uncertain outlook and low capital spending are dampening economic performance in Brazil.

Geopolitical risks stood right at the top of the agenda in the second and third quarters of 2014. Events in Russia and Ukraine led to geopolitical insecurity in central and eastern Europe, which had not been seen there for some time. Although the disturbances in the Middle East had little impact on the level or volatility of energy prices, they did serve to increase the general mood of uncertainty.

Developments on the money and capital markets

The yield on ten-year German government bonds had fallen sharply as of the end of September 2014 compared with year-end 2013, from 1.93% to 0.95%. Thus, yields as of the end of September 2014 had fallen to a new quarter-end low since the euro was launched. The spreads on the credit markets for non-financials with good credit ratings narrowed slightly, from an average of 73 to 71 basis points, during the third quarter of 2014. The spreads on financial securities again narrowed by 10 basis points to 47 basis points. The 3-month Euribor fell from 0.21% to 0.08% in the third quarter of 2014, representing the lowest figure recorded at the end of a quarter since the euro was introduced.

The ECB again cut its benchmark interest rate by 0.1% in the third quarter of 2014 to a new low of 0.05%. The interest rate on the deposit facility was similarly reduced by 0.1% to minus 0.2%. Furthermore, the ECB introduced the first of what it calls Targeted Longer-Term Refinancing Operations (TLTRO) in September, as planned in the second quarter, and also announced a programme to purchase ABS and covered bonds.

The US Federal Reserve continued to taper its bond-purchasing programme in the third quarter of 2014. The programme was cut back from $35 billion a month to $15 billion in two stages.

The euro lost almost 8% in value against the US dollar in the third quarter of 2014 and weakened only slightly against the Swiss franc (down 0.7%) and the Japanese yen (down 0.2%). At the same time, it fell more sharply – 2.7% – against the British pound.

After the German stockmarket strengthened slightly in the second quarter, the benchmark DAX30 index declined by 3.7% in the third quarter of 2014. The European market as a whole, measured by the EURO STOXX 50 index, remained unchanged in the third quarter.

Sector-specific developments

On 9 July 2014, the German government initiated a package of measures aimed at implementing the European Bank Recovery and Resolution Directive (BRRD) and draft law on the transfer of contributions. This empowers the resolution authority to bail in the owners and certain creditors of an institution in the event of a bank resolution. According to the German Federal Ministry of Finance, the draft law serves to consolidate the existing regulations that already govern intervention and resolution instruments like the German Bank Restructuring Act (Kreditinstitute-Reorganisationsgesetz). At the same time, it is important to note that all the requirements of the BRRD to be implemented by 31 December 2014, including the bail-in instrument that must be in place by 1 January 2016 at the latest, are already in force as of 1 January 2015. This means that senior unsecured bonds and senior subordinated bonds (Lower Tier 2 bonds) can also be used to absorb losses in the event of a restructuring. This advanced bail-in of the creditors of senior unsecured bonds has not led to a substantial widening of spreads. This might be due to the fact that conservative investors still view an investment in senior unsecured bonds as a safe haven compared with deeply subordinated instruments.

On 4 September, the ECB announced a plan to purchase ABS instruments and covered bonds. This is the third covered bond purchase programme, albeit with the new feature of allowing the purchase of ABS instruments. The ECB is planning to purchase simple, transparent ABS instruments with underlying claims against the non-financial private sector, including real estate loans in the eurozone. On 2 October, the ECB announced the terms and conditions of its ABS purchase programme, although without specifying the size of the programme. It came as some surprise that senior tranches from countries with a weaker rating like Greece should also be purchased, provided they meet certain conditions. The purchase of mezzanine tranches featuring a guarantee should be possible; the relevant conditions for acceptance will be announced at a later date.

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 €728 million in the first three quarters of 2014. This fell short of the very good profit before tax of €1,553 million recorded in the equivalent period last year. The decline of €825 million compared to the same period last year can be mainly attributed to lower operating income, which fell by €835 million or 20.0%. The persistently extremely low interest rates in the first nine months of 2014 also adversely affected net interest, which was down by €181 million to €1,988 million. At the same time, there was a €536 million decrease in net trading income to €366 million, although it should be noted in this context that last year's figure contained gains on the buy-back of hybrid capital instruments which did not recur in the reporting period and that credit value adjustments negatively impacted net trading income. With earnings of €800 million, net fees and commissions were only a slight €21 million lower than the year-ago total, while net other expenses/income fell by €80 million to €103 million. Operating costs rose by €126 million, or 4.9%, to €2,701 million compared with the same period last year. This rise is due almost exclusively to the initial consolidation of the BARD Group and the depreciation taken on our offshore wind farm which are included in full for the first time this year. Without these two effects, operating costs would have actually declined slightly. Net write-downs of loans and provisions for guarantees and commitments show a net reversal of €5 million and are thus significantly below even the very low figure recorded last year (net addition in 2013: €140 million).

All the business segments contributed to the profit before tax of HVB Group. The Commercial Banking business segment recorded a pleasing profit before tax of €292 million, thus slightly surpassing the figure reported for the same period last year by €26 million (first nine months of 2013: €266 million). This profit was generated by an increase of €18 million in operating income to €1,847 million (first nine months of 2013: €1,829 million) together with a €12 million decrease in operating costs to €1,499 million (first nine months of 2013: €1,511 million) and a decrease of €17 million in net write-downs of loans and provisions for guarantees and commitments to €47 million (first nine months of 2013: €64 million) while the net addition to provisions was up by €27 million (first nine months of 2013: net reversal of €13 million). In this context, it is pleasing to note the slight increase of €6 million in net interest despite the difficult situation caused by low interest rates.

The Corporate & Investment Banking (CIB) business segment generated operating income of €1,364 million (first nine months of 2013: €1,984 million). The decrease of €620 million results primarily from a fall of €396 million in net trading income due in part to the credit value adjustments recognised in the first nine months of 2014. Furthermore, net interest was down a substantial €119 million, mainly as a result of lower trading-induced interest and contracting credit volumes. Operating costs increased by a total of €140 million, primarily on account of the initial consolidation of the BARD Group and the depreciation taken on our offshore wind farm that are to be recognised in full for the first time. By contrast, net write-downs of loans and provisions for guarantees and commitments improved by €212 million to a net reversal of €19 million. The profit before tax fell by an appreciable €492 million to €366 million.

Business performance of HVB Group (Continued)

The sharp decline of €359 million to €70 million in the Other/consolidation business segment (first nine months of 2013: €429 million) is mainly due to lower operating income which fell by €233 million to €120 million. In addition to a €68 million decrease in net interest, this development can be largely attributed to lower net trading income, which was down by €123 million on account of the non-recurrence of the gains from the buy-back of hybrid capital instruments included last year. Furthermore, there were decreases of €84 million in net reversals relating to net write-downs of loans and provisions for guarantees and commitments and €50 million in net income from investments.

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 slightly to 21.2% at 30 September 2014 compared with the 21.5% determined under Basel II (core Tier 1 ratio) at year-end 2013. It is thus still at an excellent level by both national and international standards. The equity capital amounted to €19.5 billion at 30 September 2014 (31 December 2013: €20.0 billion); the equity funds ratio was 22.0% at the end of September 2014 (31 December 2013: 23.4%). The shareholders' equity shown in the balance sheet fell by €0.4 billion to €20.6 billion compared with the end of last year due to the dividend payout totalling €756 million resolved by the Shareholders' Meeting in the second quarter of 2014, which was only partially offset by the consolidated profit of €442 million (attributable to the shareholder of UniCredit Bank AG) generated in the first three quarters of 2014.

With total assets up by 8.9% to €316.0 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 6.4% at 30 September 2014 after 7.1% at year-end 2013 and is thus still at an excellent level. HVB Group enjoyed a very comfortable liquidity base and a solid financing structure at all times in the reporting period. 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.

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.

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, "Income statement, broken down by segment") which we set out below. By doing so, we are following the Management Approach incorporated into our segment reporting. The item "Profit (before and after tax) from discontinued operations" in the income statement carries the results of DAB up until its sale. All other income statement items are shown without the income and expenses of DAB.

	1/1–30/9/2014	1/1–30/9/2013	CHANGE	
Income/Expenses	€ millions	€ millions	€ millions	in %
Net interest	1,988	2,169	(181)	(8.3)
Dividends and other income from equity investments	74	91	(17)	(18.7)
Net fees and commissions	800	821	(21)	(2.6)
Net trading income	366	902	(536)	(59.4)
Net other expenses/income	103	183	(80)	(43.7)
OPERATING INCOME	**3,331**	**4,166**	**(835)**	**(20.0)**
Payroll costs	(1,340)	(1,340)	—	—
Other administrative expenses	(1,169)	(1,107)	(62)	+ 5.6
Amortisation, depreciation and impairment losses				
on intangible and tangible assets	(192)	(128)	(64)	+ 50.0
Operating costs	**(2,701)**	**(2,575)**	**(126)**	**+ 4.9**
OPERATING PROFIT	**630**	**1,591**	**(961)**	**(60.4)**
Net write-downs of loans and provisions				
for guarantees and commitments	5	(140)	+ 145	
NET OPERATING PROFIT	**635**	**1,451**	**(816)**	**(56.2)**
Provisions for risks and charges	5	2	+ 3	>(100.0)
Restructuring costs	—	(2)	+ 2	(100.0)
Net income from investments	88	102	(14)	(13.7)
PROFIT BEFORE TAX	**728**	**1,553**	**(825)**	**(53.1)**
Income tax for the period	(290)	(488)	+ 198	(40.6)
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS	**438**	**1,065**	**(627)**	**(58.9)**
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**10**	**11**	**(1)**	**(9.1)**
CONSOLIDATED PROFIT OF FULL HVB GROUP	**448**	**1,076**	**(628)**	**(58.4)**

Business performance of HVB Group (Continued)

Net interest
Net interest generated in the first nine months of 2014 fell by €181 million, or 8.3%, compared with the same period last year in an environment weighed down by persistently very low interest rates. In this context, the result decreased by €119 million to €782 million in the CIB business segment and €68 million to €8 million in the Other/consolidation business segment. By contrast, the Commercial Banking business segment succeeded in improving its net interest by a slight €6 million to €1,198 million compared with the first nine months of 2013.

The decline in net interest results mainly from two key developments. First, trading-induced interest fell by €54 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, fell by €17 million to €74 million in the reporting period compared with last year. 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
Net fees and commissions fell a slight €21 million in the reporting period to €800 million compared with the same period last year. This development can be attributed to lower income from lending operations, which was down by €38 million to €236 million. By contrast, income from management, brokerage and advisory services was up by €14 million to €373 million while income from collection and payment services, rising slightly by €2 million to €168 million, also remained at the same level as the equivalent period last year, as did income from other service operations, which increased a slight €1 million to €23 million.

Net trading income
HVB Group recorded net trading income of €366 million in the first nine months of 2014, which was €536 million, or 59.4%, lower than the same period last year (first nine months of 2013: €902 million). This sharp decline is attributable to the CIB and the Other/consolidation business segments in particular with declines of €396 million to €378 million and €123 million to €8 million respectively. In the Other/consolidation business segment, the decline relates to the non-recurrence of gains in connection with the buy-back of hybrid capital instruments last year. There were no buy-backs of hybrid capital instruments in the reporting period.

The CIB business segment generated net trading income of €378 million in the reporting period compared with €774 million in the equivalent period last year. This sharp decline is partly due to lower income in activities involving Pfandbriefs and loan securitisations. By contrast, activities involving equity derivatives was much better albeit unable to offset this decline. In addition, net trading income was weighed down in the reporting period by valuation effects on the financial liabilities held for trading (own credit spread) and by credit value adjustments totalling €123 million (€100 million of which is attributable to the CIB business segment). Credit value adjustments of only €15 million were recognised in the equivalent period last year.

Net other expenses/income
Net other expenses/income decreased by €80 million to €103 million in the reporting period compared with the equivalent period last year. This sharp decline is partly attributable to the non-recurrence of an amount recognised as income in the previous year for structuring and advisory services relating to project loans and to expenses for earlier years. By contrast, lower expenses for the bank levy in Germany had a favourable effect in the reporting period.

Operating costs
Compared with the same period last year, operating costs increased in the reporting period by 4.9%, or €126 million, to €2,701 million (first nine months of 2013: €2,575 million). This total includes depreciation taken on our offshore wind farm to be recognised in full this year as well as the effects arising from the initial consolidation of the BARD Group; adjusted for these two effects, there would have been a minor decrease of around 0.1% in total operating costs.

At €1,340 million, payroll costs remained at the same level as last year (2013: €1,340 million) despite the initial consolidation of the BARD Group, due notably to a lower headcount compared with last year. By contrast, other administrative expenses were up by

€62 million, or 5.6%, to €1,169 million (2013: €1,107 million). This increase is attributable to higher expenses in the area of IT and to 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 €64 million to €192 million (2013: €128 million); the reason for this increase is the initial consolidation of the BARD Group and 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 €961 million, or 60.4%, to €630 million in the reporting period, mainly on account of the declines in net interest and net trading income. With a rise of €126 million in operating costs, this produced a cost-income ratio (ratio of operating expenses to operating income) of 81.1% (first nine months of 2013: 61.8%).

Net write-downs of loans and provisions for guarantees and commitments and net operating profit
With a net reversal of €5 million, net write-downs of loans and provisions for guarantees and commitments in the reporting period were significantly lower than the already very low figure of €140 million posted for the equivalent period last year. In gross terms, the expenses of €778 million for additions in the current reporting period (first nine months of 2013: €1,332 million) are largely offset by releases and recoveries from write-offs of loans and receivables amounting to €783 million (first nine months of 2013: €1,192 million).

At €635 million, net operating profit was substantially lower than the figure of €1,451 million posted in the same period last year. This sharp decline of €816 million is primarily due to the decrease in operating income.

Provisions for risks and charges
Net income from net reversals and net expense for provisions for risks and charges amounted to €5 million in the first nine months of 2014. Within this total, income from net reversals of provisions for risks and charges relating to derivative transactions largely offset net additions, particularly relating to legal risks.

There was a net reversal of €2 million for provisions for risks and charges in the equivalent period last year.

Net income from investments
Net income from investments came to €88 million in the first nine months of 2014, resulting mostly from gains on disposal of €98 million partially offset by expenses for write-downs and valuation adjustments of €10 million. In this context, the gains on disposal relate primarily to the sale of investments in private equity funds.

In the equivalent period last year, net income from investments totalled €102 million; largely generated from gains on disposal of €137 million offset by expenses for write-downs and value adjustments of €35 million. Of the gains, €82 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 from continuing operations
HVB Group generated a profit before tax of €728 million in the first nine months of 2014. Compared with the same period last year (€1,553 million), there was a sharp decline of €825 million, due mostly to lower operating income. In this context, it must be taken into account that, in addition to the persistent pressure on net interest from the very low interest rates, net trading income was adversely affected by the non-recurrence of gains on the buy-back of hybrid capital instruments.

Income tax in the reporting period totalled €290 million – due above all to the lower profit – down €198 million on the income tax reported for the equivalent period last year (€488 million). After deducting income tax, HVB Group generated a consolidated profit from continuing operations of €438 million in the first nine months of 2014 (first nine months of 2013: €1,065 million).

Profit after tax from discontinued operations and consolidated profit of full HVB Group
The profit before tax of the discontinued operations amounted to €19 million in the reporting period (2013: €16 million). This amount contains operating income of €102 million (2013: €91 million), operating costs of €84 million (2013: €80 million) and net income from investments of €1 million, which was €5 million lower than the €6 million reported for the same period last year. Income tax of

Business performance of HVB Group (Continued)

€9 million is attributable to the profit (2013: €5 million). This produced a profit after tax of €10 million in the reporting period compared with €11 million in the previous year. A detailed income statement of the discontinued operations is provided in Note 13 in this Interim Report.

Including the profit of the discontinued operations, the total consolidated profit of HVB Group came to €448 million in the reporting period after €1,076 million in the same period last year.

Return on equity

The return on equity after tax amounted to 2.9% in the reporting period (first nine months of 2013: 7.0%). 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 period last year can be attributed particularly to the sharp decrease in consolidated profit attributable to the shareholder of UniCredit Bank AG.

Segment results by business segment

The continuing business segments contributed the following amounts to the profit before tax of €728 million of HVB Group in the first nine months of 2014 (first nine months of 2013: €1,553 million)

Commercial Banking	€292 million	(2013: €266 million)
Corporate & Investment Banking	€366 million	(2013: €858 million)
Other/consolidation	€70 million	(2013: €429 million)

The Asset Gathering business segment ceases to exist with the sale of DAB. The income and expenses of DAB accruing up to the time of the sale are included in the income statement under the item “Profit after tax from discontinued operations”. The income statements for each business segment and comments on the economic performance of the individual business segments are provided in Note 3, “Income statement, broken down by segment”, 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 €25.9 billion, or 8.9%, to €316.0 billion at 30 September 2014 compared with year-end 2013.

On the assets side, financial assets held for trading were up by €14.0 billion to €105.3 billion. This rise is largely attributable to the €12.5 billion increase in positive fair values of derivative financial instruments to €75.8 billion. At the same time, the balance sheet assets rose by €1.5 billion to €29.5 billion. Within this total, fixed-income securities fell by €2.5 billion while equity instruments and other securities were up by €1.0 billion and €3.0 billion respectively; the increase in other securities is primarily due to a rise in reverse repos. The sharp expansion of €12.3 billion in loans and receivables with banks to €47.6 billion compared with year-end 2013 is mainly a result of the increase in reverse repos that were up by €13.0 billion. By contrast, loans and receivables with customers fell by €1.7 billion to €107.9 billion compared with year-end 2013, due mostly to the decline of €1.4 billion in other loans and receivables with customers. In addition, there were decreases of €0.5 billion in mortgage loans and €0.3 billion in reclassified securities, while credit balances on current accounts increased by €0.2 billion. There was a €2.2 billion decline to €8.5 billion in cash and cash balances compared with year-end 2013. Financial assets at fair value through profit or loss rose by €1.1 billion year-on-year to €30.8 billion and other assets by €0.2 billion to €1.0 billion. The fall of €2.8 billion to €1.8 billion in available-for-sale financial assets compared with year-end 2013 is due to the sale of DAB, as all of DAB’s receivables at the reporting date (including the available-for-sale receivables of €3.3 billion) have been combined and reported under assets of discontinued operations and non-current assets or disposal groups held for sale. This is also the reason for the sharp increase of €5.5 billion to €5.6 billion in this item at the end of September 2014 compared with year-end 2013.

Financial liabilities held for trading increased by €12.3 billion to €85.9 billion at the reporting date (year-end 2013: €73.5 billion) which, like on the assets side, can be largely attributed to the €10.4 billion rise in negative fair values of derivative financial instruments. In addition, other financial liabilities held for trading rose by

€1.9 billion. The increase of €15.3 billion to €63.1 billion in deposits from banks compared with year-end 2013 is due mainly to an expansion of €15.7 billion in repos, while there was a reduction of €1.1 billion in deposits from central banks. Deposits from customers fell by a total amount of €4.3 billion to €103.5 billion due in particular to the sale of DAB; DAB's customer liabilities of €5.0 billion are no longer included in this item at 30 September 2014. The decrease particularly affected term deposits which were down by €3.8 billion. By contrast, the liabilities of discontinued operations and of disposal groups held for sale rose by €5.1 billion in total on account of the sale of DAB. This item includes all of DAB's liabilities. On account of issues due, debt securities fell by a total amount of €3.3 billion to €28.5 billion (year-end 2013: €31.8 billion). The shareholders' equity shown in the balance sheet fell by €0.4 billion to €20.6 billion over year-end 2013 as a result of the dividend payout totalling €756 million resolved by the Shareholders' Meeting in the second quarter of 2014 which was only partially offset by the consolidated profit of €442 million (attributable to the shareholder of UniCredit Bank AG) generated in the reporting period.

The contingent liabilities and other commitments not included in the balance sheet increased by €3.8 billion to €61.0 billion at 30 September 2014 compared with the 2013 year-end total. This figure includes contingent liabilities in the form of financial guarantees of €22.6 billion (year-end 2013: €19.6 billion); these contingent liabilities are offset by contingent assets of the same amount. Other commitments of €38.3 billion (year-end 2013: €37.6 billion) primarily consist of irrevocable credit commitments which fell by €0.8 billion year-on-year to €38.2 billion.

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

The total risk-weighted assets of HVB Group (including market risk and operational risk) determined in accordance with Basel III requirements (based on IFRS carrying amounts) and the Internal Model Method (IMM) for counterparty risk amounted to €89.0 billion at 30 September 2014. At year-end 2013, the risk-weighted assets amounted to €85.5 billion under Basel II (based on the German Commercial Code) and based on the market-to-market method for counterparty risks; the total increase at 30 September 2014 thus amounted to approximately €3.4 billion. This figure includes the initial application effect from 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 total increase of €7.6 billion in risk-weighted assets.

The risk-weighted assets for credit risk (including counterparty default risk) determined by applying partial use rose by €2.2 billion to €65.0 billion. HVB's credit risk rose by €4.2 billion, which was caused especially by the new regulatory requirements. By contrast, the counterparty risk decreased by €2.9 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 €3.2 billion to €12.4 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 regulatory requirements from January 2014, 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 in March 2014 of the multiplication factor set by the banking supervisory authorities in the internal market risk model served to reduce risk-weighted assets.

The German banking supervision allowed HVB Group to use the new Advanced Measurement Approach Model (AMA model) applied throughout UniCredit with effect from September 2014. Taking account of the effects of the new AMA model, the risk-weighted asset equivalents for operational risk decreased by €1.9 billion to €11.6 billion.

At 30 September 2014, the Common Equity Tier 1 capital (CET1 capital) of HVB Group compliant with Basel III excluding hybrid capital amounted to €18.8 billion. Compared with the core capital excluding hybrid capital compliant with Basel II (core Tier 1 capital), it increased

Business performance of HVB Group (Continued)

by €0.4 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 21.2% at 30 September 2014 after a core Tier 1 ratio compliant with Basel II of 21.5% at year-end 2013. The core capital of HVB Group (Tier 1 capital) increased to €18.8 billion at 30 September 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 21.2% (31 December 2013: 21.6% compliant with Basel II). The equity capital amounted to €19.5 billion at 30 September 2014 and was thus below the year-end 2013 figure 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 22.0% at the end of September 2014 (31 December 2013: 23.4% compliant with Basel II).

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 1.18 at the end of September 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. 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. As a result of the downgrade for the financial strength of UniCredit S.p.A., the financial strength of HVB was also reduced one notch, which brought about a downgrade of the long-term bank rating by one notch to Baa1 with a stable outlook. In light of the introduction and implementation of the restructuring and resolutions mechanisms for banks (SRM/BRRD) in the eurozone and the European Union, the rating agencies S&P, Moody's and Fitch are reviewing their assumptions regarding potential state aid for European banks. Since the three rating agencies named view potential state aid for European banks as less likely, the outlook for the majority of European commercial banks was revised to negative from stable previously. In this context, Moody's and Fitch also adjusted their outlook for HVB to negative from stable previously, but also confirmed their long-term ratings of Baa1 (Moody's) and A+ (Fitch). S&P confirmed its already negative outlook on its long-term credit rating of A–.

Report on subsequent events

The ECB and the EBA announced the results of the asset quality review and the subsequent stress tests on 26 October. The overall finding of the review confirmed the solid capital base enjoyed by UniCredit. At the same time, all the thresholds in the comprehensive assessment were comfortably exceeded. The results for HVB are incorporated in the assessment of UniCredit. Separate results are not disclosed for HVB in its function as a subsidiary of an international bank.

On 28 October 2014, the German Federal Court of Justice (Bundesgerichtshof – BGH) ruled that the period of limitation for claims to reimbursement of processing fees for consumer loans commenced in 2011 and not when the agreement concerned was concluded. The BGH justified the extension of the period of limitation on the grounds that consumers did not have clarity regarding the legal position until various higher regional courts issued rulings in 2011 regarding the inadmissibility of such fees, meaning that they could only file suit from that date. It is not yet possible to definitively assess the impact of the ruling on HVB Group. Given our business policy in the past, however, the ruling is not expected to have any significant effect on our results.

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

After the global economy grew slower than predicted in the first half of 2014, the International Monetary Fund (IMF) lowered its forecast for 2014 to 3.3%. A slightly lower rate of 3.8% is also projected for 2015. The forecasts are based on the assumption that the main drivers of recovery in the developed economies will remain intact; these include slightly less stringent fiscal consolidation and a highly accommodating monetary policy. Furthermore, it is hoped that lessening geopolitical tensions will help to promote recovery in the economies affected. This could lead to sharply diverging growth prospects for the advanced economies and emerging markets.

The latest leading indicators in the eurozone point towards a further slowing of economic activity, even if they do still suggest positive growth for the third quarter of 2014. Both the leading indicators and the hard data for industrial production released to date imply that our previous growth forecast for the third quarter of 2014 of 0.3% compared with the previous quarter will probably not be achieved. Now that interest rates have reached the bottom of the scale, the ECB is waiting to see how the measures it took in June and September impact on the real economy. We believe that the central bank has largely exhausted its possibilities although it will retain the option of taking further monetary policy steps in the event of a further deterioration in the medium-term inflation expectations, if deemed appropriate. ECB President Mario Draghi renewed his appeal to governments to support the monetary policy measures with structural reforms which, given the restrained potential growth in numerous eurozone countries, is certainly justified.

Geopolitical tensions and trade sanctions against Russia are undermining confidence in the eurozone, especially Germany. This comes on top of what is anyway a fundamentally lopsided recovery in which France and Italy are finding it hard to generate growth while Spain has performed surprisingly well overall. For these reasons, we are reducing our growth forecasts for the eurozone as a whole to 0.8% and to 1.5% for Germany in 2014. The latest weakening of the euro is helpful in this respect, and will probably have its greatest effect in the first half of 2015. The targeted longer-term refinancing operations (TLTROs) are expected to have only a relatively minor impact on European growth. In our forecasts, we assume that consumer prices have bottomed out and that overall inflation will accelerate in October. At the same time, annual core inflation has slowed to 0.7%, thus testing the lower end of the range from 0.7 to 1.0% that has been observed over the last twelve months. The risk of the core rate falling again should be manageable in the event that the slowing of economic growth proves temporary.

We expect the US economy to expand at more than twice the rate to average 2.75 to 3% in the second half of 2014. The main pillar of growth will remain consumer spending, reinforced by constant improvements on the labour market and a renewed decline in the savings rate. We also expect the personal consumption expenditure price index (PCE deflator) – the Federal Reserve's preferred measure of inflation – over the coming months to move towards the Fed target of 2%. Core inflation should even come close to 2.25%. The updated projections for growth and interest rates indicate that the members of the FOMC now generally envisage a much steeper path for the Fed Funds Rate than before. Following this upwards revision, their forecasts now closely match our own (1% at the end of 2015; 3% at the end of 2016), although they are much higher than the levels priced in by the financial markets.

Business performance of HVB Group (Continued)

Sector development in 2014

After issuing activity for Basel III/CRD IV-compatible deeply subordinated financial instruments increased strongly for a short period at the start of September, a distinct reticence on the part of the market participants has been evident since mid-September. We attribute this to the investors opting a wait-and-see attitude regarding the results of the ECB's comprehensive assessment. The participating banks received information on their performance in a format that did not trigger any ad hoc releases. They were notified of their results on Thursday, 23 October and were given time to prepare up until the official presentation of the assessment results by the ECB on Sunday, 26 October.

Development of HVB Group

The group of companies included in consolidation used as the basis for planning in 2014 will not change materially in the rest of 2014 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 starting in the first quarter of 2014.

On account of the persistently high level of uncertainty entailed in the macropolitical environment in Europe, forward-looking statements on performance are highly 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 not match the previous-year total. The consistently low interest rates will be a major factor in a decline in net interest. The restrained demand from customers for credit implies that the volume of lending will be lower than at year-end 2013. 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 buy-back of hybrid capital instruments which will not recur in 2014. In contrast, we expect to record a positive 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 will 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 around the previous year's level thanks to the consistent application of the strict cost management we have employed for years, taking into account an inflation rate expected to reach 1.0%. We expect payroll costs to remain almost constant (excluding the effect arising from the consolidation of the BARD Group), with pay rises being offset by a smaller workforce, among other things. 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's 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 increase in 2014 compared with the 2013 financial year, although it will remain at a very moderate level. The cost of risk is likely to rise accordingly.

We will continue to enjoy an excellent capital base in 2014, measured by the new Basel III rules. In terms of risk-weighted assets (including market risk and operational risk), a slight increase is expected on account of the implementation of Basel III. In this context, the Common Equity Tier 1 ratio (in accordance with Basel II: core Tier 1 ratio) will be slightly above the figure recorded at the previous year-end. We expect that all the business segments will contribute a profit before tax to the results of HVB Group in the 2014 financial year as a whole. The results trends for the individual business segments in the 2014 financial year are discussed below.

We expect the CIB business segment to record a decline in operating income in the 2014 financial year compared with 2013. In this context, we assume that net interest will probably decline in a setting of very low interest rates that are expected to persist, due above all to the persistently strong downward pressure on margins and declining trading-induced interest coupled with restrained demand for credit. Dividends and other income from equity investments in the 2014 financial year will fall on account of much lower holdings of private equity funds. We expect net trading income to provide a contribution to earnings in 2014, which will not match the good result achieved in 2013. In terms of net fees and commissions, we continue to project an increase mainly arising from Financing & Advisory products. With regard to Financing & Advisory products, we are planning to considerably boost earnings in the Global Capital Markets unit and step up cross-selling. At the same time, net other expenses/income should also improve. This results from our investment in an offshore wind farm. Part of the wind farm was still under construction in 2013, meaning that it was not fully operational. The increase in operating costs will be dominated by the expense-driving effect arising from the offshore wind farm in 2014. This includes both the depreciation charges accruing as of 2014 and ongoing operating and maintenance costs. Net write-downs of loans and provisions for guarantees and commitments will in all probability be less in the 2014 financial year than the very low amount in the previous year. Even though downward pressure on margins and non-recurring income items in 2013 will serve to depress income in 2014, the CIB business segment is planning to at least partly offset this decline by expediting sales initiatives. Nevertheless, the profit before tax in 2014 will in all probability be much lower than the very good result recorded in 2013.

The profit before tax in the Commercial Banking business segment in 2013 was depressed by restructuring costs of €325 million. We expect to record a profit before tax in the 2014 financial year which is below the previous-year level adjusted for restructuring costs. We anticipate a slight increase in operating income resulting mainly from improved net fees and commissions. This will essentially be driven by an extension of cross-selling with corporate customers built on the deployment of production specialists in the Transaction Banking, Corporate Treasury Sales and Capital Market Products units and a further expansion of the mandated business. In contrast, net interest will decline slightly year-on-year due in part to the low interest rates that are expected to persist. Operating costs will in all probability rise. This should stem from higher other administrative expenses coupled with lower payroll costs.

The profit before tax in the Other/consolidation business segment will decline significantly in 2014 compared with the 2013 financial year. The main reason for this is the sharply lower operating income. Besides the lower net interest, this can be attributed notably to the lower net trading income, which in 2013 still included gains in connection with the buy-back of hybrid capital instruments that will not recur in 2014. In addition, we expect to see a lower net reversal of net write-downs of loans and provisions for guarantees and commitments in 2014 than in the 2013 financial year.

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 changing 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 nine months 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 business segment. These are excluded from the analysis because the portfolio, which has already been reduced considerably in recent years to €0.6 billion (31 December 2013: €0.8 billion), is earmarked for elimination without any new business being written. The aggregate credit default, counterparty and issuer exposure 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.

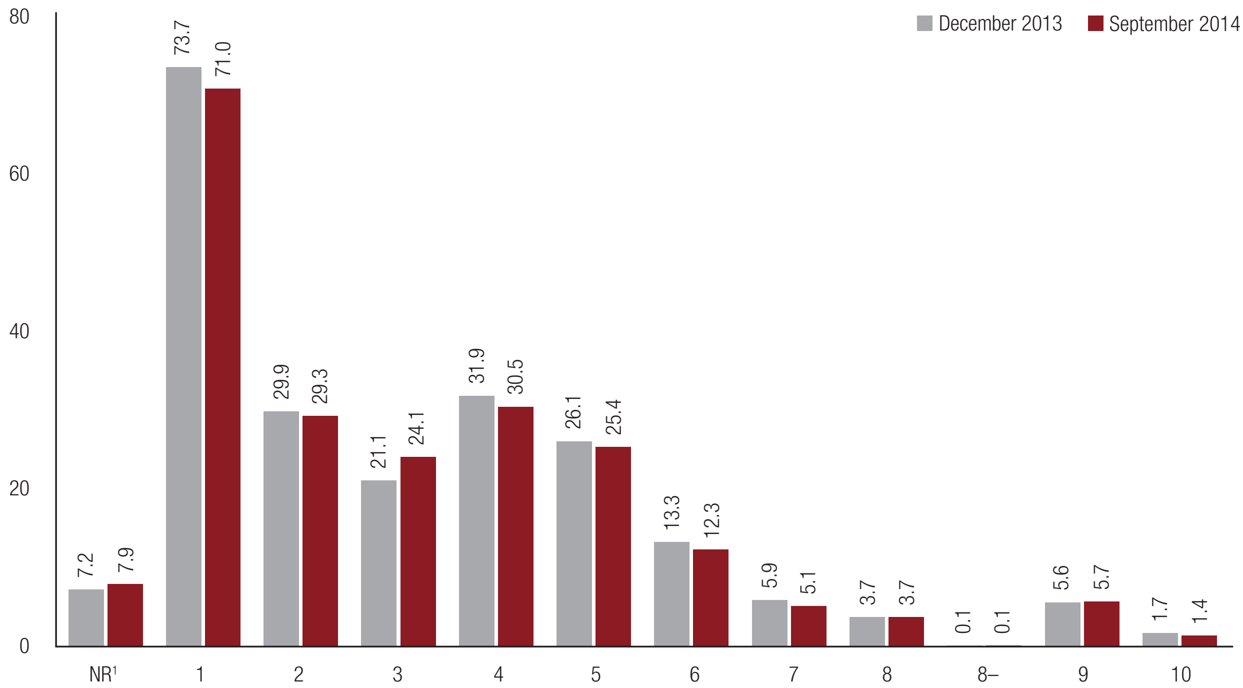
Breakdown of credit risk exposure by business segment and risk category (€ billions)

Breakdown of exposure by business segment	CREDIT DEFAULT RISK		COUNTERPARTY RISK		ISSUER RISK IN TRADING BOOK		TOTAL	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013	30/9/2014	31/12/2013	30/9/2014	31/12/2013
Commercial Banking	88.5	88.9	2.0	1.8	0.1	0.2	90.6	90.8
Corporate & Investment Banking	56.0	61.0	18.8	16.3	41.8	42.9	116.6	120.2
Discontinued operation[1]	0.9	1.1	—	—	2.7	2.5	3.6	3.6
Other/consolidation	1.7	1.7	—	—	4.0	3.9	5.7	5.6
HVB Group	**147.1**	**152.6**	**20.8**	**18.2**	**48.6**	**49.5**	**216.5**	**220.2**

1 former Asset Gathering business segment

There was a reduction of €3.6 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, which is subject to significant fluctuations during the year.

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



1 not rated (of which €5.6 billion at 30 September 2014 with a rating at transaction level (31 December 2013: €4.0 billion))

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 rating structure of HVB Group changed during the first three quarters of 2014 mainly on account of the reduction of €2.7 billion in the liquidity placed with Deutsche Bundesbank and other financial institutions in rating class 1. This is subject to significant fluctuations during the year.

The exposure in rating class 3 rose by €3.0 billion. This was caused by rating migrations together with an increase in exposure with various partners in this rating class.

Development of selected risks (Continued)

Development of metrics by industry group

Industry group	EXPOSURE € billions		EXPECTED LOSS € millions		RISK DENSITY[1] in BPS[2]	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013	30/9/2014	31/12/2013
Banks, insurance companies	52.4	53.7	74	39	14	7
Public sector	37.4	38.0	4	6	1	2
Real estate	23.1	22.9	28	31	13	14
Energy	9.9	10.4	21	25	22	24
Special products	9.5	9.8	80	64	87	68
Chemicals, pharmaceuticals, health	8.8	9.3	18	19	21	22
Machinery, metals	8.3	7.9	24	27	31	37
Construction, wood	5.7	5.5	12	15	27	34
Shipping	5.5	5.9	89	104	218	221
Automotive industry	5.4	5.2	10	9	19	18
Consumer goods	5.1	5.5	9	12	19	22
Services	4.9	5.0	20	21	43	44
Transport, travel	4.7	4.5	15	16	35	39
Food, beverages	4.5	4.4	8	10	18	22
Telecom, IT	2.5	3.0	4	8	18	27
Agriculture, forestry	2.3	2.0	5	5	20	25
Media, paper	2.1	2.2	5	7	25	36
Electronics	1.9	1.8	2	2	12	13
Tourism	1.5	1.4	10	7	70	51
Textile industry	1.5	1.4	4	5	26	42
Retail	19.5	20.4	63	65	33	32
HVB Group	**216.5**	**220.2**	**505**	**497**	**24**	**23**

1 risk density: expected loss as a proportion of performing exposure
2 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 €1.3 billion in the first three quarters of 2014 as a result of a further reduction in the liquidity placed with Deutsche Bundesbank and other financial institutions. This is subject to significant fluctuations during the course of the year.

The expected loss in the special products industry group rose by €16 million on account of an adjustment to the calculation method used. The risk density rose in parallel.

Implementation of the reduction strategy in the shipping industry group continued. Most of the loans are denominated in US dollars, which explains how the development of the US dollar exchange rate during the year has caused a slight increase in exposure as expressed in euros (30 June 2014: €5.3 billion). In US dollar terms, the exposure has continued to decline.

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	30/9/2014	31/12/2013	30/9/2014	31/12/2013	30/9/2014	31/12/2013
Interest rate derivatives	818,321	925,558	840,803	2,584,682	2,759,783	80,254	67,897	76,352	65,586
Foreign exchange derivatives	202,901	23,034	686	226,621	184,712	3,839	2,588	4,179	2,582
Cross-currency swaps	48,420	131,612	73,007	253,039	243,078	6,810	3,910	7,592	4,295
Equity/index derivatives	152,413	58,462	29,364	240,239	142,194	3,310	3,228	3,350	3,376
Credit derivatives	24,083	69,844	2,243	96,170	110,648	1,117	1,072	1,069	1,079
– purchased	11,814	35,739	1,134	48,687	55,882	409	359	713	734
– written	12,269	34,105	1,109	47,483	54,766	708	713	356	345
Other transactions	3,613	2,851	780	7,244	7,159	137	228	178	272
HVB Group	**1,249,751**	**1,211,361**	**946,883**	**3,407,995**	**3,447,574**	**95,467**	**78,923**	**92,720**	**77,190**

Derivative transactions by counterparty type

(€ millions)

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013
Central governments and central banks	5,046	3,800	1,861	1,710
Banks	61,808	51,026	62,155	50,864
Financial institutions	26,118	21,773	27,165	23,175
Other companies and private individuals	2,495	2,324	1,539	1,441
HVB Group	**95,467**	**78,923**	**92,720**	**77,190**

The regulatory provisions under Basel III and the Capital Requirements Directive IV (CRD IV)/Capital Requirements Regulation (CRR) are employed to determine counterparty risk taking into account the internal model method (IMM) approved by the regulatory authorities for use by HVB as of March 2014. Based on individual risk weightings and applying existing, legally enforceable, bilateral netting agreements as well as the collateral provided by borrowers for HVB Group, risk-weighted assets arising from counterparty risk amounted to €5.7 billion at 30 September 2014 (31 December 2013, in accordance with Basel II and the German Solvency Regulation (Solvabilitätsverordnung – SolvV) together with the mark-to-market method: €9.0 billion) for the derivatives business.

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 three quarters of 2014.

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

	AVERAGE 2014[1]	30/9/2014	30/6/2014	31/3/2014	31/12/2013	30/9/2013
Interest rate positions (including credit spread risks)	6	4	7	6	9	12
Foreign exchange derivatives	1	1	1	1	1	1
Equity/index positions[2]	2	2	1	2	2	3
Diversification effect[3]	(3)	(2)	(3)	(3)	(3)	(4)
HVB Group	**6**	**5**	**6**	**6**	**9**	**12**

1 arithmetic mean of the three quarter-end figures
2 including commodity risk
3 because of the diversification effect between the risk categories, the total risk is less than the sum of the individual risks

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

	30/9/2014	30/6/2014	31/3/2014	31/12/2013	30/9/2013
Stressed value-at-risk	36	21	19	27	22
Incremental risk charge	235	266	194	288	211
Market risk Standard Approach	3	4	6	4	5
CVA value-at-risk	21	27	32	—	—
Stressed CVA value-at-risk	55	65	66	—	—
CVA Standard Approach	30	30	30	—	—

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

Liquidity risk

The long-term effects of the European sovereign debt crisis on the financial sector continued to be felt in the first three quarters of 2014. Various fiscal and monetary policy measures taken by the European Union in particular calmed the markets to some extent. It is, however, not yet possible to predict for how long and to what extent the financial markets will be impacted by the fall-out from the debt crisis in some European countries, current geopolitical uncertainties (notably including the conflict in Ukraine, the activities of Islamic State (IS) and the Ebola epidemic) and the risks arising from changes in interest and exchange rates.

HVB Group put in a solid performance in the first three quarters 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. The global economic upturn expected for the second half of 2014 has lost momentum again on account of the various crises. It is proving a challenging task to compensate for the negative effects emanating from the various geographical hotspots.

Short-term liquidity risk

Within the framework of our limit system, we showed an overall positive balance of short-term liquidity risk of €24.7 billion in HVB Group for the next banking day at the end of September 2014 (30 September 2013: €36.1 billion). The portfolio of highly liquid securities eligible at short notice to compensate for unexpected outflows of liquidity amounted to €21.7 billion at the end of the third quarter of 2014 (30 September 2013: €28.9 billion).

Our stress tests showed that the liquidity reserves available at the end of the third quarter of 2014 were sufficient to cover funding requirements for Bank-specific, market-wide and combined scenarios for a period of up to five 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 €20.7 billion for HVB Group in the first three quarters of 2014 (for the first three quarters of 2013: €30.9 billion) and €21.1 billion at 30 September 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 third 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 €4.9 billion on the capital market by the end of September 2014 (30 September 2013: €4.7 billion). At the end of September 2014, 100.9% (30 September 2013: 101.9%) 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 30 September 2014

Income/Expenses	NOTES	1/1–30/9/2014 € millions	1/1–30/9/2013 € millions	CHANGE € millions	CHANGE in %
Interest income		3,826	4,311	(485)	(11.3)
Interest expense		(1,838)	(2,142)	+ 304	(14.2)
Net interest	4	1,988	2,169	(181)	(8.3)
Dividends and other income from equity investments	5	74	91	(17)	(18.7)
Net fees and commissions	6	800	821	(21)	(2.6)
Net trading income	7	366	902	(536)	(59.4)
Net other expenses/income	8	103	183	(80)	(43.7)
Payroll costs		(1,340)	(1,340)	—	—
Other administrative expenses		(1,169)	(1,107)	(62)	+ 5.6
Amortisation, depreciation and impairment losses on intangible and tangible assets		(192)	(128)	(64)	+ 50.0
Operating costs	9	(2,701)	(2,575)	(126)	+ 4.9
Net write-downs of loans and provisions for guarantees and commitments	10	5	(140)	+ 145	
Provisions for risks and charges	11	5	2	+ 3	> (100.0)
Restructuring costs		—	(2)	+ 2	(100.0)
Net income from investments	12	88	102	(14)	(13.7)
PROFIT BEFORE TAX		**728**	**1,553**	**(825)**	**(53.1)**
Income tax for the period		(290)	(488)	+ 198	(40.6)
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS		**438**	**1,065**	**(627)**	**(58.9)**
Profit before tax from discontinued operations	13	19	16	+ 3	+ 18.8
Income tax from discontinued operations	13	(9)	(5)	(4)	+ 80.0
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**13**	**10**	**11**	**(1)**	**(9.1)**
CONSOLIDATED PROFIT OF FULL HVB GROUP		**448**	**1,076**	**(628)**	**(58.4)**
attributable to the shareholder of UniCredit Bank AG		442	1,045	(603)	(57.7)
attributable to minorities		6	31	(25)	(80.6)

Earnings per share

(in €)

	NOTES	1/1–30/9/2014	1/1–30/9/2013
Earnings per share from continuing operations (undiluted and diluted)	14	0.54	1.29
Earnings per share of full HVB Group (undiluted and diluted)	14	0.55	1.30

Consolidated statement of total comprehensive income for the period from 1 January to 30 September 2014

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Consolidated profit recognised in the income statement	**448**	**1,076**
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)	(237)	(88)
Non-current assets held for sale	—	—
Other changes	—	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	74	27
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	6	(33)
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (AfS reserve)	33	12
Unrealised gains/(losses)	40	36
Gains/(losses) reclassified to the income statement	(7)	(24)
Changes in valuation of financial instruments (hedge reserve)	—	3
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	—	3
Other changes	19	—
Taxes on income and expenses to be reclassified to the income statement in future periods	(15)	(12)
Total income and expenses recognised in equity under other comprehensive income	**(120)**	**(91)**
Total comprehensive income	**328**	**985**
of which:		
attributable to the shareholder of UniCredit Bank AG	320	972
attributable to minorities	8	13

Consolidated Income Statement (Continued)

for the period from 1 July to 30 September 2014

Income/Expenses	1/7–30/9/2014 € millions	1/7–30/9/2013 € millions	CHANGE € millions	CHANGE in %
Interest income	1,242	1,372	(130)	(9.5)
Interest expense	(594)	(681)	+ 87	(12.8)
Net interest	648	691	(43)	(6.2)
Dividends and other income from equity investments	25	35	(10)	(28.6)
Net fees and commissions	275	243	+ 32	+ 13.2
Net trading income	67	193	(126)	(65.3)
Net other expenses/income	26	92	(66)	(71.7)
Payroll costs	(456)	(454)	(2)	+ 0.4
Other administrative expenses	(380)	(370)	(10)	+ 2.7
Amortisation, depreciation and impairment losses on intangible and tangible assets	(51)	(41)	(10)	+ 24.4
Operating costs	(887)	(865)	(22)	+ 2.5
Net write-downs of loans and provisions for guarantees and commitments	95	(54)	+ 149	
Provisions for risks and charges	(34)	(7)	(27)	>+ 100.0
Restructuring costs	—	—	—	—
Net income from investments	14	12	+ 2	+ 16.7
PROFIT BEFORE TAX	**229**	**340**	**(111)**	**(32.6)**
Income tax for the period	(115)	(87)	(28)	+ 32.2
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS	**114**	**253**	**(139)**	**(54.9)**
Profit before tax from discontinued operations	5	7	(2)	(28.6)
Income tax from discontinued operations	(5)	(2)	(3)	>+ 100.0
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**—**	**5**	**(5)**	**(100.0)**
CONSOLIDATED PROFIT OF FULL HVB GROUP	**114**	**258**	**(144)**	**(55.8)**
attributable to the shareholder of UniCredit Bank AG	112	237	(125)	(52.7)
attributable to minorities	2	21	(19)	(90.5)

Earnings per share

(in €)

	1/7–30/9/2014	1/7–30/9/2013
Earnings per share from continuing operations (undiluted and diluted)	0.14	0.29
Earnings per share of full HVB Group (undiluted and diluted)	0.14	0.30

Consolidated statement of total comprehensive income for the period from 1 July to 30 September 2014

(€ millions)

	1/7–30/9/2014	1/7–30/9/2013
Consolidated profit recognised in the income statement	**114**	**258**
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)	—	—
Non-current 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	4	(41)
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (AfS reserve)	1	1
Unrealised gains/(losses)	5	15
Gains/(losses) reclassified to the income statement	(4)	(14)
Changes in valuation of financial instruments (hedge reserve)	(1)	(1)
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	(1)	(1)
Other changes	9	—
Taxes on income and expenses to be reclassified to the income statement in future periods	(6)	(4)
Total income and expenses recognised in equity under other comprehensive income	**7**	**(45)**
Total comprehensive income	**121**	**213**
of which:		
attributable to the shareholder of UniCredit Bank AG	117	216
attributable to minorities	4	(3)

Consolidated Balance Sheet

at 30 September 2014

Assets

	NOTES	30/9/2014 € millions	31/12/2013 € millions	CHANGE € millions	in %
Cash and cash balances		8,452	10,626	(2,174)	(20.5)
Financial assets held for trading	15	105,297	91,301	+ 13,996	+ 15.3
Financial assets at fair value through profit or loss	16	30,818	29,712	+ 1,106	+ 3.7
Available-for-sale financial assets	17	1,754	4,576	(2,822)	(61.7)
Investments in associates and joint ventures	18	81	71	+ 10	+ 14.1
Held-to-maturity investments	19	64	217	(153)	(70.5)
Loans and receivables with banks	20	47,625	35,312	+ 12,313	+ 34.9
Loans and receivables with customers	21	107,923	109,589	(1,666)	(1.5)
Hedging derivatives		1,079	1,053	+ 26	+ 2.5
Hedge adjustment of hedged items					
in the fair value hedge portfolio		25	67	(42)	(62.7)
Property, plant and equipment		2,891	2,913	(22)	(0.8)
Investment properties		1,310	1,456	(146)	(10.0)
Intangible assets		474	518	(44)	(8.5)
of which: goodwill		418	418	—	—
Tax assets		1,524	1,654	(130)	(7.9)
Current tax assets		403	431	(28)	(6.5)
Deferred tax assets		1,121	1,223	(102)	(8.3)
Assets of discontinued operations and non-current assets					
or disposal groups held for sale	22	5,626	154	+ 5,472	>+ 100.0
Other assets		1,008	799	+ 209	+ 26.2
Total assets		**315,951**	**290,018**	**+ 25,933**	**+ 8.9**

Liabilities

	NOTES	30/9/2014 € millions	31/12/2013 € millions	CHANGE € millions	in %
Deposits from banks	25	63,097	47,839	+ 15,258	+ 31.9
Deposits from customers	26	103,547	107,850	(4,303)	(4.0)
Debt securities in issue	27	28,472	31,804	(3,332)	(10.5)
Financial liabilities held for trading	28	85,879	73,535	+ 12,344	+ 16.8
Hedging derivatives		770	373	+ 397	>+ 100.0
Hedge adjustment of hedged items					
in the fair value hedge portfolio		2,261	1,646	+ 615	+ 37.4
Tax liabilities		811	906	(95)	(10.5)
Current tax liabilities		637	700	(63)	(9.0)
Deferred tax liabilities		174	206	(32)	(15.5)
Liabilities of discontinued operations and					
of disposal groups held for sale	29	5,096	4	+ 5,092	>+ 100.0
Other liabilities		3,281	3,083	+ 198	+ 6.4
Provisions	30	2,134	1,969	+ 165	+ 8.4
Shareholders' equity		20,603	21,009	(406)	(1.9)
Shareholders' equity attributable to the shareholder					
of UniCredit Bank AG		20,529	20,962	(433)	(2.1)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		7,775	7,920	(145)	(1.8)
Changes in valuation of financial instruments	31	114	88	+ 26	+ 29.5
AfS reserve		89	63	+ 26	+ 41.3
Hedge reserve		25	25	—	—
Consolidated profit 2013		—	756	(756)	(100.0)
Net profit 1/1–30/9/2014[1]		442	—	+ 442	
Minority interest		74	47	+ 27	+ 57.4
Total shareholders' equity and liabilities		**315,951**	**290,018**	**+ 25,933**	**+ 8.9**

1 attributable to the shareholder of UniCredit Bank AG

Statement of Changes in Shareholders' Equity

at 30 September 2014

			OTHER RESERVES	
	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	TOTAL OTHER RESERVES	OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at 1/1/2013	**2,407**	**9,791**	**7,759**	**(599)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[4]	**—**	**—**	**(77)**	**(61)**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	(61)	(61)
Reserve arising from foreign currency translation	—	—	(16)	—
Other changes	—	—	—	—
Total other changes in equity	**—**	**—**	**10**	**—**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	—	—
Changes in group of consolidated companies	—	—	10	—
Shareholders' equity at 30/9/2013	**2,407**	**9,791**	**7,692**	**(660)**
Shareholders' equity at 1/1/2014	**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[4]	**—**	**—**	**(148)**	**(163)**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	(163)	(163)
Reserve arising from foreign currency translation	—	—	6	—
Other changes	—	—	9	—
Total other changes in equity	**—**	**—**	**3**	**—**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	—	—
Changes in group of consolidated companies	—	—	3	—
Shareholders' equity at 30/9/2014	**2,407**	**9,791**	**7,775**	**(811)**
thereof: Shareholders' equity of discontinued operations and disposal groups held for sale	—	—	(160)	—

1 The Shareholders' Meeting of 7 May 2013 resolved to distribute the 2012 consolidated profit in the amount of €2,462 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €3.07 per share.
The Shareholders' Meeting of 2 June 2014 resolved to distribute the 2013 consolidated profit in the amount of €756 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.94 per share.
2 attributable to the shareholder of UniCredit Bank AG
3 UniCredit Bank AG (HVB)
4 see Consolidated statement of total comprehensive income

(€ millions)

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS						
AFS RESERVE	HEDGE RESERVE	CONSOLIDATED PROFIT[1]	PROFIT 1/1–30/9[2]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDER OF HVB[3]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
30	**26**	**2,462**	**—**	**22,475**	**794**	**23,269**
—	**—**	**—**	**1,045**	**1,045**	**31**	**1,076**
2	**2**	**—**	**—**	**(73)**	**(18)**	**(91)**
21	—	—	—	21	2	23
(19)	2	—	—	(17)	(3)	(20)
—	—	—	—	(61)	—	(61)
—	—	—	—	(16)	(17)	(33)
—	—	—	—	—	—	—
—	**—**	**(2,462)**	**—**	**(2,452)**	**(36)**	**(2,488)**
—	—	(2,462)	—	(2,462)	(26)	(2,488)
—	—	—	—	—	—	—
—	—	—	—	10	(10)	—
32	**28**	**—**	**1,045**	**20,995**	**771**	**21,766**
63	**25**	**756**	**—**	**20,962**	**47**	**21,009**
—	**—**	**—**	**442**	**442**	**6**	**448**
26	**—**	**—**	**—**	**(122)**	**2**	**(120)**
26	—	—	—	26	2	28
(7)	—	—	—	(7)	—	(7)
—	—	—	—	(163)	—	(163)
—	—	—	—	6	—	6
7	—	—	—	16	—	16
—	**—**	**(756)**	**—**	**(753)**	**19**	**(734)**
—	—	(756)	—	(756)	(4)	(760)
—	—	—	—	—	—	—
—	—	—	—	3	23	26
89	**25**	**—**	**442**	**20,529**	**74**	**20,603**
20	—	—	—	(140)	46	(94)

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 on these dates 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 mandatorily applicable in the EU 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"

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.

Asset Gathering business segment/sale of DAB Bank AG
On 31 July 2014, the Management Board of HVB reached agreement with BNP Paribas S.A. on the sale of the 81.4% interest in DAB Bank AG (DAB) held by HVB. The definitive contracts were signed on 5 August 2014 following approval by HVB's Supervisory Board. A price of €4.78 per share was agreed. Completion of the transaction is subject to the approval of the regulatory authorities. Compliant with IFRS 5, we disclose the contribution to profits of DAB and its direktanlage.at AG subsidiary in the consolidated income statement as profit from discontinued operations before and after tax. The composition of the contribution to profits is shown in Note 13, "Profit from discontinued operations". Consequently, the notes to the consolidated income statement for either the current reporting period or the year-ago period no longer contain any contributions to profits of DAB and its direktanlage.at AG subsidiary.

DAB and its direktanlage.at AG subsidiary are no longer included in the respective items at the reporting date of 30 September 2014 in the notes to the balance sheet either. Instead, the assets of DAB and its subsidiary in the consolidated balance sheet at 30 September 2014 are carried under assets of discontinued operations and non-current assets or disposal groups held for sale and its liabilities under liabilities of discontinued operations and of disposal groups held for sale. We have disclosed assets and liabilities of DAB and its subsidiary at 30 September 2014 separately in Note 22, "Assets of discontinued operations and non-current assets or disposal groups held for sale", and in Note 29,"Liabilities of discontinued operations and of disposal groups held for sale".

In contrast, DAB and its subsidiary are still included in the balance sheet figures for the comparative reporting date of 31 December 2013.

Segment reporting
DAB previously formed the Asset Gathering business segment together with its direktanlage.at AG subsidiary. This segment ceases to exist with the sale of DAB. Consequently, segment reporting is based on the explanatory notes to the consolidated profit from continuing operations. We disclose the contribution to profits of DAB and its direktanlage.at AG subsidiary separately in Note 13, "Profit from discontinued operations".

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

Selected Notes (Continued)

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 in the first quarter of 2014. In the second quarter of 2014, there was a shift in net interest in the Other/consolidation and Corporate & Investment Banking business segments as part of the reorganisation. The reassignment of one business unit from the Other/consolidation business segment to the Corporate & Investment Banking business segment resulted in a corresponding allocation of this unit's costs. In addition, there was a minor shift in the other administrative expenses of the Commercial Banking and Corporate & Investment Banking business segments as a result of a modified system of charging between these two business segments. There was a minor shift in Net other expenses/income between the Corporate & Investment Banking and Other/consolidation business segments in the third quarter of 2014.

The figures for the previous year and previous quarter have been adjusted to reflect the new segment structure and the reorganisations described above.

2 Companies included in consolidation
The following companies were added to the group of companies included in consolidation in the first nine months of 2014:
– Elektra Purchase No. 32 S.A., Luxembourg
– Elektra Purchase No. 35 Ltd., Dublin
– Elektra Purchase No. 36 Ltd., Dublin
– Newstone Mortgage Securities No. 1 Plc., London
– WMC Management GmbH, Munich

In addition, one borrower has been initially consolidated in accordance with IFRS 10. The borrower has the German legal form of GmbH & Co. KG (a type of limited partnership), the only asset of which is a property over which HVB gained economic ownership during the course of restructuring. Under the provisions set forth in IFRS 10, this leads to an obligation on the part of HVB to consolidate the borrower. The Company shareholders' equity of €26.7 million that is held by third parties is shown in the consolidated balance sheet under minority interest. For data protection reasons, no further details, including the name of the company involved, are provided.

The following companies left the group of companies included in consolidation in the first nine months of 2014 due to imminent or completed liquidation:
– Bandon Leasing Ltd., Dublin
– Elektra Purchase No. 23 Ltd., Dublin
– Elektra Purchase No. 24 Ltd., Dublin
– GELDILUX-PP-2011 S.A., Luxembourg
– GELDILUX-TS-2010 S.A., Luxembourg
– GELDILUX-TS-2011 S.A., Luxembourg
– Grand Central Re Limited, Hamilton
– HVB Asia Limited, Singapore
– HVB Finance London Limited, London
– HVB London Investments (CAM) Limited, London
– Salome Funding Plc, Dublin
– UniCredit CAIB Securities UK Ltd., London
– UniCredit London Investments Limited, London

Notes to the Income Statement

3 Income statement, broken down by segment

Income statement, broken down by segment for the period from 1 January to 30 September 2014 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,198	782	8	1,988
Dividends and other income from equity investments	6	66	2	74
Net fees and commissions	651	160	(11)	800
Net trading income	(20)	378	8	366
Net other expenses/income	12	(22)	113	103
OPERATING INCOME	**1,847**	**1,364**	**120**	**3,331**
Payroll costs	(547)	(362)	(431)	(1,340)
Other administrative expenses	(944)	(656)	431	(1,169)
Amortisation, depreciation and impairment losses				
on intangible and tangible assets	(8)	(88)	(96)	(192)
Operating costs	**(1,499)**	**(1,106)**	**(96)**	**(2,701)**
OPERATING PROFIT	**348**	**258**	**24**	**630**
Net write-downs of loans and provisions				
for guarantees and commitments	(47)	19	33	5
NET OPERATING PROFIT	**301**	**277**	**57**	**635**
Provisions for risks and charges	(14)	8	11	5
Restructuring costs	2	—	(2)	—
Net income from investments	3	81	4	88
PROFIT BEFORE TAX	**292**	**366**	**70**	**728**

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

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,192	901	76	2,169
Dividends and other income from equity investments	5	84	2	91
Net fees and commissions	634	181	6	821
Net trading income	(3)	774	131	902
Net other expenses/income	1	44	138	183
OPERATING INCOME	**1,829**	**1,984**	**353**	**4,166**
Payroll costs	(575)	(340)	(425)	(1,340)
Other administrative expenses	(928)	(619)	440	(1,107)
Amortisation, depreciation and impairment losses				
on intangible and tangible assets	(8)	(7)	(113)	(128)
Operating costs	**(1,511)**	**(966)**	**(98)**	**(2,575)**
OPERATING PROFIT	**318**	**1,018**	**255**	**1,591**
Net write-downs of loans and provisions				
for guarantees and commitments	(64)	(193)	117	(140)
NET OPERATING PROFIT	**254**	**825**	**372**	**1,451**
Provisions for risks and charges	13	(14)	3	2
Restructuring costs	(2)	—	—	(2)
Net income from investments	1	47	54	102
PROFIT BEFORE TAX	**266**	**858**	**429**	**1,553**

Notes to the Income Statement (Continued)

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

INCOME/EXPENSES	1/1–30/9/ 2014	1/1–30/9/ 2013	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest	1,198	1,192	395	404	399	408	409
Dividends and other income from equity investments	6	5	1	4	1	3	1
Net fees and commissions	651	634	208	218	225	213	197
Net trading income	(20)	(3)	(13)	(7)	(1)	21	(16)
Net other expenses/income	12	1	3	3	6	(8)	—
OPERATING INCOME	**1,847**	**1,829**	**594**	**622**	**630**	**637**	**591**
Payroll costs	(547)	(575)	(185)	(177)	(184)	(176)	(198)
Other administrative expenses	(944)	(928)	(324)	(311)	(309)	(317)	(310)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(8)	(8)	(3)	(3)	(2)	(3)	(3)
Operating costs	**(1,499)**	**(1,511)**	**(512)**	**(491)**	**(495)**	**(496)**	**(511)**
OPERATING PROFIT	**348**	**318**	**82**	**131**	**135**	**141**	**80**
Net write-downs of loans and provisions for guarantees and commitments	(47)	(64)	(2)	(13)	(31)	(10)	(35)
NET OPERATING PROFIT	**301**	**254**	**80**	**118**	**104**	**131**	**45**
Provisions for risks and charges	(14)	13	(16)	—	2	(48)	(7)
Restructuring costs	2	(2)	—	2	—	(323)	—
Net income from investments	3	1	—	—	2	—	—
PROFIT/(LOSS) BEFORE TAX	**292**	**266**	**64**	**120**	**108**	**(240)**	**38**
Cost-income ratio in %	81.2	82.6	86.2	78.9	78.6	77.9	86.5

Development of the Commercial Banking business segment

In the first nine months of 2014, the Commercial Banking business segment increased its operating income by 1.0%, or €18 million, compared with the equivalent year-ago figure to €1,847 million.

There was a positive development in net interest, which increased by €6 million over the previous year to €1,198 million. Within this total, lower interest income from lending activities caused by declines in volumes of property loans extended to private customers and consistently restrained demand for credit from business customers is set against higher interest income from deposit-taking operations involving both business and private customers as a result of positive margin and volume effects. Net fees and commissions rose by €17 million compared with the year-ago period to €651 million as a result of good sales of investment funds to private customers and expanded corporate finance activities. The €17 million decline in net trading income can be attributed mainly to credit value adjustments.

Operating costs of €1,499 million were down €12 million. Within this total, the increase in other administrative expenses as a result of the conversion to a multi-channel bank was more than offset by the €28 million reduction in payroll costs compared with the equivalent quarter last year.

The cost-income ratio improved by 1.4 percentage points to 81.2% after 82.6% in the year-ago period on account of the increase in operating income coupled with the lower operating costs.

Net write-downs of loans and provisions for guarantees and commitments decreased by €17 million over the equivalent period last year to €47 million.

After taking account of provisions of €14 million for legal risks (first nine months of 2013: reversal of €13 million) and net income from investments of €3 million (first nine months of 2013: €1 million), the Commercial Banking business segment increased its profit before tax by 9.8%, or €26 million, over the equivalent period last year to €292 million in the first nine months of 2014 (first nine months of 2013: €266 million).

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

INCOME/EXPENSES	1/1–30/9/ 2014	1/1–30/9/ 2013	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest	782	901	255	277	249	291	299
Dividends and other income from equity investments	66	84	24	37	5	17	34
Net fees and commissions	160	181	70	56	33	50	47
Net trading income	378	774	79	42	258	190	192
Net other expenses/income	(22)	44	(20)	(18)	16	26	31
OPERATING INCOME	**1,364**	**1,984**	**408**	**394**	**561**	**574**	**603**
Payroll costs	(362)	(340)	(124)	(106)	(132)	(115)	(115)
Other administrative expenses	(656)	(619)	(207)	(228)	(222)	(212)	(206)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(88)	(7)	(18)	(52)	(18)	(25)	(2)
Operating costs	**(1,106)**	**(966)**	**(349)**	**(386)**	**(372)**	**(352)**	**(323)**
OPERATING PROFIT	**258**	**1,018**	**59**	**8**	**189**	**222**	**280**
Net write-downs of loans and provisions for guarantees and commitments	19	(193)	81	(4)	(58)	(46)	(23)
NET OPERATING PROFIT	**277**	**825**	**140**	**4**	**131**	**176**	**257**
Provisions for risks and charges	8	(14)	(18)	(5)	31	(120)	(4)
Restructuring costs	—	—	—	—	—	—	—
Net income from investments	81	47	11	65	6	70	12
PROFIT BEFORE TAX	**366**	**858**	**133**	**64**	**168**	**126**	**265**
Cost-income ratio in %	81.1	48.7	85.5	98.0	66.3	61.3	53.6

Development of the Corporate & Investment Banking business segment

The Corporate & Investment Banking business segment generated operating income of €1,364 million in a difficult market environment in the first nine months of 2014. This is €620 million below the total for the equivalent period last year (first nine months of 2013: €1,984 million).

The decline in operating income is due primarily to the decrease of €396 million in net trading income to €378 million (first nine months of 2013: €774 million). This large fall results in part from declining results in activities involving Pfandbriefs and loan securitisations. At the same time, trading in stock derivatives improved strongly but was unable to offset the decline. Furthermore, net trading income was depressed by credit value adjustments of €100 million (first nine months of 2013: minus €8 million) and valuation effects on the financial liabilities held for trading (own credit spread).

Net interest declined by €119 million to €782 million (first nine months of 2013: €901 million). This development can be attributed to a decline of €54 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 €18 million compared with the equivalent period last year to €66 million (first nine months of 2013: €84 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 fell by €21 million to €160 million (first nine months of 2013: €181 million); this decline results mainly from credit-related commission business. Net other expenses/income amounted to a net expense of €22 million in the first nine months of 2014, down €66 million (first nine months of 2013: net income of €44 million). This sharp decline is mainly attributable to the fact that the prior-year total included income from advisory and structuring services relating to loans.

Operating costs increased by €140 million to €1,106 million in the reporting period compared with the first nine months of 2013 (first nine months of 2013: €966 million). Within this total, payroll costs rose by €22 million to €362 million (first nine months of 2013: €340 million) and there was a sharp increase on aggregate of €118 million in other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets to €744 million (first nine months of 2013: €626 million). This development was caused by the initial consolidation of the BARD Group together with the offshore wind farm that was commissioned and fully consolidated at the end of 2013. Without these two non-recurring effects, total operating costs would have been at the same level as in the previous year. The cost-income ratio rose by 32.4 percentage points to 81.1% after 48.7% in the equivalent period last year on account of the lower operating income coupled with the simultaneous rise in operating costs.

Net write-downs of loans and provisions for guarantees and commitments reflect the good economic situation, with reversals leading to a positive balance of €19 million in the first nine months of 2014. This is much lower than in the same period last year when a net addition of €193 million was recognised. A positive balance of €8 million was also achieved in provisions for risks and charges (first nine months of 2013: net additions of €14 million) on the back of reversals of provisions relating to derivatives operations. The net income from investments of €81 million (first nine months of 2013: €47 million) results mainly from the sale of shares in private equity funds and direct investments. In total, the CIB business segment generated a profit before tax of €366 million in the first nine months of 2014 (first nine months of 2013: €858 million).

Notes to the Income Statement (Continued)

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

INCOME/EXPENSES	1/1–30/9/ 2014	1/1–30/9/ 2013	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest	8	76	(2)	2	9	5	(17)
Dividends and other income from equity investments	2	2	—	2	—	6	—
Net fees and commissions	(11)	6	(3)	(4)	(3)	(4)	(1)
Net trading income	8	131	1	(2)	9	4	17
Net other expenses/income	113	138	43	48	22	127	61
OPERATING INCOME	**120**	**353**	**39**	**46**	**37**	**138**	**60**
Payroll costs	(431)	(425)	(147)	(142)	(143)	(139)	(141)
Other administrative expenses	431	440	151	145	136	127	146
Amortisation, depreciation and impairment losses on intangible and tangible assets	(96)	(113)	(30)	(33)	(33)	(43)	(36)
Operating costs	**(96)**	**(98)**	**(26)**	**(30)**	**(40)**	**(55)**	**(31)**
OPERATING PROFIT/(LOSS)	**24**	**255**	**13**	**16**	**(3)**	**83**	**29**
Net write-downs of loans and provisions for guarantees and commitments	33	117	16	5	11	(18)	4
NET OPERATING PROFIT	**57**	**372**	**29**	**21**	**8**	**65**	**33**
Provisions for risks and charges	11	3	—	4	7	(54)	4
Restructuring costs	(2)	—	—	—	(2)	(37)	—
Net income from investments	4	54	3	1	—	26	—
PROFIT BEFORE TAX	**70**	**429**	**32**	**26**	**13**	**—**	**37**
Cost-income ratio in %	80.0	27.8	66.7	65.2	108.1	39.9	51.7

Development of the Other/consolidation business segment

The operating income of this business segment amounted to €120 million in the first nine months of 2014 after €353 million in the equivalent period last year. This sharp decline of €233 million results mainly from the net trading income, which fell a tangible €123 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 nine months of 2013: €131 million). At the same time, net interest fell by a sharp €68 million to €8 million due in part to the very low interest rates and net other expenses/income by €25 million to €113 million on account of expenses relating to services provided in previous years. Net fees and commissions shows a net expense of €11 million, which is €17 million less than the net income recorded in the equivalent period last year.

With operating costs up by €2 million to €96 million, the operating profit was down by €231 million during the reporting period to €24 million (first nine months of 2013: €255 million).

Net write-downs of loans and provisions for guarantees and commitments show a net reversal of €33 million in the first nine months of 2014; the high net reversal of €117 million in the equivalent period last year arose among other things from the successful reduction of expiring portfolios. Including a net reversal of €11 million in provisions for risks and charges (first nine months of 2013: net reversal of €3 million), restructuring costs of €2 million and net income from investments of €4 million, the profit before tax amounted to €70 million in the first nine months of 2014. The year-ago profit before tax of €429 million included net income from investments of €54 million resulting notably from gains on the sale of land and buildings.

4 Net interest

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Interest income from	**3,826**	**4,311**
lending and money market transactions	2,667	2,920
other interest income	1,159	1,391
Interest expense from	**(1,838)**	**(2,142)**
deposits	(463)	(492)
debt securities in issue and other interest expenses	(1,375)	(1,650)
Total	**1,988**	**2,169**

5 Dividends and other income from equity investments

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Dividends and other similar income	72	88
Companies accounted for using the equity method	2	3
Total	**74**	**91**

6 Net fees and commissions

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Management, brokerage and consultancy services	373	359
Collection and payment services	168	166
Lending operations	236	274
Other service operations	23	22
Total	**800**	**821**

This item comprises the balance of fee and commission income of €1,278 million (2013: €1,102 million) and fee and commission expenses of €478 million (2013: €281 million).

7 Net trading income

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Net gains on financial assets held for trading[1]	319	620
Effects arising from hedge accounting	(20)	16
Changes in fair value of hedged items	(697)	716
Changes in fair value of hedging derivatives	677	(700)
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	65	131
Other net trading income	2	135
Total	**366**	**902**

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.

Notes to the Income Statement (Continued)

8 Net other expenses/income

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Other income	311	319
Other expenses	(208)	(136)
Total	**103**	**183**

Net other expenses/income includes income totalling €38 million (2013: €30 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 €109 million (2013: €6 million) incurred by Ocean Breeze Energy GmbH & Co. KG and the BARD Group. Write-downs of €49 million on the wind farm and the ships (2013: €3 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)

	1/1–30/9/2014	1/1–30/9/2013
Additions/releases	**(35)**	**(185)**
Allowances for losses on loans and receivables	(45)	(407)
Allowances for losses on guarantees and indemnities	10	222
Recoveries from write-offs of loans and receivables	**40**	**45**
Gains/(losses) on the disposal of impaired loans and receivables	**—**	**—**
Total	**5**	**(140)**

11 Provisions for risks and charges

There was a net reversal of €5 million in provisions for risks and charges in the first nine months of 2014. Within this total, income from the reversal of provisions resulting from derivative transactions was largely offset by additions to provisions for legal risks.

Net additions to provisions for risks and charges amounted to €2 million during the equivalent period last year.

12 Net income from investments

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Available-for-sale financial assets	77	48
Shares in affiliated companies	—	—
Companies accounted for using the equity method	—	—
Held-to-maturity investments	4	—
Land and buildings	—	54
Investment properties[1]	7	—
Total	**88**	**102**

1 gains on disposal, impairments and write-ups

Net income from investments breaks down as follows:

(€ millions)

	1/1–30/9/2014	1/1–30/9/2013
Gains on the disposal of	**98**	**137**
available-for-sale financial assets	90	82
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	4	—
land and buildings	—	54
investment properties	4	1
Write-downs, value adjustments and write-ups on	**(10)**	**(35)**
available-for-sale financial assets	(13)	(34)
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
investment properties	3	(1)
Total	**88**	**102**

Notes to the Income Statement (Continued)

13 Profit from discontinued operations

As described in the section of Note 1 “Accounting and valuation principles” entitled “Asset Gathering business segment/sale of DAB Bank AG”, HVB has agreed to sell its participating interest in DAB Bank AG (DAB) to BNP Paribas S.A. Compliant with IFRS 5, the following table shows the overall contribution to profits of DAB and its direktanlage.at AG subsidiary recognised as profit from discontinued operations.

	1/1–30/9/2014	1/1–30/9/2013	CHANGE	
Income/Expenses	€ millions	€ millions	€ millions	in %
Interest income	48	40	+ 8	+ 20.0
Interest expense	(11)	(13)	+ 2	(15.4)
Net interest	37	27	+ 10	+ 37.0
Dividends and other income from equity investments	—	—	—	—
Net fees and commissions	64	63	+ 1	+ 1.6
Net trading income	1	1	—	—
Net other expenses/income	—	—	—	—
Payroll costs	(31)	(30)	(1)	+ 3.3
Other administrative expenses	(44)	(41)	(3)	+ 7.3
Amortisation, depreciation and impairment losses				
on intangible and tangible assets	(9)	(9)	—	—
Operating costs	(84)	(80)	(4)	+ 5.0
Net write-downs of loans and provisions				
for guarantees and commitments	—	—	—	—
Provisions for risks and charges	—	(1)	+ 1	
Restructuring costs	—	—	—	—
Net income from investments	1	6	(5)	(83.3)
PROFIT BEFORE TAX FROM DISCONTINUED OPERATIONS	**19**	**16**	**+ 3**	**+ 18.8**
Income tax for the period from discontinued operations	(9)	(5)	(4)	+ 80.0
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**10**	**11**	**(1)**	**(9.1)**
attributable to the shareholder of UniCredit Bank AG	8	9	(1)	(11.1)
attributable to minorities	2	2	—	—

14 Earnings per share

	1/1–30/9/2014	1/1–30/9/2013
Consolidated profit from continuing operations attributable to the shareholder (€ millions)	432	1,034
Average number of shares	802,383,672	802,383,672
Earnings per share from continuing operations (€)	0.54	1.29

	1/1–30/9/2014	1/1–30/9/2013
Consolidated profit of full HVB Group attributable to the shareholder (€ millions)	442	1,045
Average number of shares	802,383,672	802,383,672
Earnings per share of full HVB Group (€)	0.55	1.30

Notes to the Balance Sheet

15 Financial assets held for trading

(€ millions)

	30/9/2014	31/12/2013
Balance sheet assets	**29,533**	**28,025**
Fixed-income securities	8,958	11,504
Equity instruments	7,958	6,928
Other financial assets held for trading	12,617	9,593
Positive fair value from derivative financial instruments	**75,764**	**63,276**
Total	**105,297**	**91,301**

The financial assets held for trading include €245 million (31 December 2013: €194 million) in subordinated assets at 30 September 2014.

16 Financial assets at fair value through profit or loss

(€ millions)

	30/9/2014	31/12/2013
Fixed-income securities	29,550	28,478
Equity instruments	—	—
Investment certificates	—	2
Promissory notes	1,268	1,232
Other financial assets at fair value through profit or loss	—	—
Total	**30,818**	**29,712**

The financial assets at fair value through profit or loss include €313 million (31 December 2013: €282 million) in subordinated assets at 30 September 2014.

17 Available-for-sale financial assets

(€ millions)

	30/9/2014	31/12/2013
Fixed-income securities	1,094	3,533
Equity instruments	142	264
Other available-for-sale financial assets	172	201
Impaired assets	346	578
Total	**1,754**	**4,576**

At 30 September 2014, available-for-sale financial assets include financial instruments of €288 million (31 December 2013: €685 million) valued at cost.

The available-for-sale financial assets contain a total of €346 million (31 December 2013: €578 million) in impaired assets at 30 September 2014 for which impairments of €14 million (30 September 2013: €37 million) were taken to the income statement in the reporting period. None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets include €207 million (31 December 2013: €189 million) in subordinated assets at 30 September 2014.

Notes to the Balance Sheet (Continued)

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

(€ millions)

	30/9/2014	31/12/2013
Associated companies accounted for using the equity method	81	71
of which: goodwill	38	37
Joint ventures accounted for using the equity method	—	—
Total	**81**	**71**

19 Held-to-maturity investments

(€ millions)

	30/9/2014	31/12/2013
Fixed-income securities	64	217
Impaired assets	—	—
Total	**64**	**217**

The held-to-maturity investments include a total of €0 million (31 December 2013: €11 million) in subordinated assets at 30 September 2014.

Held-to-maturity investments at 30 September 2014 include no impaired assets, as was also the case at 31 December 2013.

20 Loans and receivables with banks

(€ millions)

	30/9/2014	31/12/2013
Current accounts	1,367	1,856
Cash collateral and pledged credit balances	9,634	9,013
Reverse repos	22,860	9,855
Reclassified securities	1,389	1,724
Other loans to banks	12,375	12,864
Total	**47,625**	**35,312**

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

The loans and receivables with banks include €23 million (31 December 2013: €41 million) in subordinated assets at 30 September 2014.

21 Loans and receivables with customers

(€ millions)

	30/9/2014	31/12/2013
Current accounts	8,267	8,100
Cash collateral and pledged cash balances	2,649	2,114
Reverse repos	630	622
Mortgage loans	40,702	41,222
Finance leases	2,036	2,039
Reclassified securities	2,358	2,670
Non-performing loans and receivables	3,440	3,585
Other loans and receivables	47,841	49,237
Total	**107,923**	**109,589**

At €802 million, the figure stated for loans and receivables relating to reclassified securities in the Half-yearly Financial Report at 30 June 2014 was €1,650 million too low and the loans and receivables attributable to other loans and receivables were too high by the same amount.

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 €2,016 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 €760 million (31 December 2013: €853 million) in subordinated assets at 30 September 2014.

22 Assets of discontinued operations and non-current assets or disposal groups held for sale

The assets of DAB and its subsidiary were reclassified to assets of discontinued operations and non-current assets or disposal groups held for sale at the reporting date.

The following table shows aggregate totals for the assets of DAB and its subsidiary:

(€ millions)

ASSETS	30/9/2014
Cash and cash balances	116
Financial assets held for trading	6
Financial assets at fair value through profit or loss	6
Available-for-sale financial assets	3,315
Held-to-maturity investments	133
Loans and receivables with banks	1,370
Loans and receivables with customers	326
Property, plant and equipment	11
Intangible assets	28
of which: goodwill	—
Tax assets	6
Current tax assets	2
Deferred tax assets	4
Other assets	16
Total assets	**5,333**

Among other things, this item also includes the held-for-sale portion of HVB's private equity portfolio that was previously allocated to the Corporate & Investment Banking business segment (Swan II project).

Notes to the Balance Sheet (Continued)

23 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 effects 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 30/9/2014	2.0	2.0	2.2
Reclassified in 2009			
Balance at 31/12/2009	7.3	7.4	7.4
Balance at 31/12/2010	4.6	4.5	4.6
Balance at 31/12/2011	3.2	3.2	3.3
Balance at 31/12/2012	2.4	2.5	2.5
Balance at 31/12/2013	2.0	2.1	2.1
Balance at 30/9/2014	1.8	2.0	1.8
Balance of reclassified assets at 30/9/2014	**3.8**	**4.0**	**4.0**

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 €4.0 billion at 30 September 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 €239 million in net trading income in the first nine 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.

In the first nine months of 2014, we took write-downs of €27 million 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 €26 million during the reporting period (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 €1 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 nine months of 2014.

In the first nine months of 2014, the reclassifications carried out in 2008 and 2009 resulted in a profit before tax that was €239 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 €241 million before tax (first nine months of 2014: minus €239 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).

24 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]	407
Changes not affecting income	(360)
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	—
Use of existing loan-loss allowances	(342)
Effects of currency translation and other changes not affecting income	(18)
Non-current assets or disposal groups held for sale	—
Balance at 30 September 2013	**4,495**
Balance at 1 January 2014	**3,373**
Changes affecting income[1]	45
Changes not affecting income	(387)
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	—
Use of existing loan-loss allowances	(373)
Effects of currency translation and other changes not affecting income	(14)
Non-current assets or disposal groups held for sale	(2)
Balance at 30 September 2014	**3,029**

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

Notes to the Balance Sheet (Continued)

25 Deposits from banks

(€ millions)

	30/9/2014	31/12/2013
Deposits from central banks	**5,305**	**6,398**
Deposits from banks	**57,792**	**41,441**
Current accounts	2,417	2,181
Cash collateral and pledged credit balances	10,207	10,243
Repos	28,985	13,286
Term deposits	7,064	6,840
Other liabilities	9,119	8,891
Total	**63,097**	**47,839**

26 Deposits from customers

(€ millions)

	30/9/2014	31/12/2013
Current accounts	55,564	54,140
Cash collateral and pledged credit balances	1,315	1,092
Savings deposits	14,758	14,837
Repos	10,074	10,336
Term deposits	16,071	19,932
Other liabilities	5,765	7,513
Total	**103,547**	**107,850**

27 Debt securities in issue

(€ millions)

	30/9/2014	31/12/2013
Bonds	27,005	30,644
Other securities	1,467	1,160
Total	**28,472**	**31,804**

28 Financial liabilities held for trading

(€ millions)

	30/9/2014	31/12/2013
Negative fair values arising from derivative financial instruments	71,089	60,644
Other financial liabilities held for trading	14,790	12,891
Total	**85,879**	**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 to the extent they are held for trading purposes.

29 Liabilities of discontinued operations and of disposal groups held for sale

The liabilities of DAB and its subsidiary were reclassified to liabilities of discontinued operations and of disposal groups held for sale at the reporting date.

The following table shows aggregate totals for the liabilities of DAB and its subsidiary:

(€ millions)

	30/9/2014
Deposits from banks	20
Deposits from customers	4,994
Financial liabilities held for trading	6
Tax liabilities	16
Current tax liabilities	—
Deferred tax liabilities	16
Other liabilities	51
Provisions	8
Total liabilities	**5,095**

Notes to the Balance Sheet (Continued)

30 Provisions

(€ millions)

	30/9/2014	31/12/2013
Provisions for pensions and similar obligations	397	146
Allowances for losses on guarantees and commitments and irrevocable credit commitments	209	204
Restructuring provisions	383	400
Actuarial provisions	—	—
Other provisions	1,145	1,219
Total	**2,134**	**1,969**

31 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments recognised in equity totalled €114 million at 30 September 2014 (31 December 2013: €88 million). This rise of €26 million compared with year-end 2013 can be attributed to the €26 million increase in the AfS reserve to €89 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 remained unchanged compared with year-end 2013 totalling €25 million.

32 Subordinated capital

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

	30/9/2014	31/12/2013
Subordinated liabilities	781	1,650
Hybrid capital instruments	53	47
Total	**834**	**1,697**

Other Information

33 Contingent liabilities and other commitments

(€ millions)

	30/9/2014	31/12/2013
Contingent liabilities[1]	**22,615**	**19,607**
Guarantees and indemnities	22,615	19,607
Other commitments	**38,337**	**37,573**
Irrevocable credit commitments	38,163	37,383
Other commitments[2]	174	190
Total	**60,952**	**57,180**

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

Contingent liabilities and other commitments at 30 September 2014 no longer contain any contingent liabilities and other commitments of DAB Bank AG or its direktanlage.at AG subsidiary. These amount to €9 million at 30 September 2014. At 31 December 2013, DAB Bank AG and its direktanlage.at AG subsidiary accounted for €2 million of the aggregate contingent liabilities and other commitments of €57,180 million.

Other Information (Continued)

34 Members of the Supervisory Board and Management Board

Supervisory Board

Federico Ghizzoni	**Chairman**
Peter König Dr Wolfgang Sprissler	**Deputy Chairmen**
Mirko Davide Georg Bianchi since 2 June 2014 Aldo Bulgarelli Beate Dura-Kempf Klaus Grünewald Werner Habich Dr Marita Kraemer since 1 January 2014 Dr Lothar Meyer Marina Natale until 2 June 2014 Klaus-Peter Prinz Jens-Uwe Wächter	**Members**

Management Board

Dr Andreas Bohn	Corporate & Investment Banking
Peter Buschbeck	Commercial Banking/ Private Clients Bank
Jürgen Danzmayr until 30 June 2014	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, 3 November 2014

UniCredit Bank AG
The Management Board

Dr Bohn Buschbeck Diederichs Hofbauer

Laber Varese Dr Weimer

Summary of Quarterly Financial Data

(€ millions)

OPERATING PERFORMANCE	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Net interest	648	683	657	704	691
Dividends and other income from equity investments	25	43	6	26	35
Net fees and commissions	275	270	255	259	243
Net trading income	67	33	266	215	193
Net other expenses/income	26	33	44	145	92
OPERATING INCOME	**1,041**	**1,062**	**1,228**	**1,349**	**1,254**
Operating costs	(887)	(907)	(907)	(903)	(865)
OPERATING PROFIT	**154**	**155**	**321**	**446**	**389**
Net write-downs of loans and provisions					
for guarantees and commitments	95	(12)	(78)	(74)	(54)
NET OPERATING PROFIT	**249**	**143**	**243**	**372**	**335**
Provisions for risks and charges	(34)	(1)	40	(222)	(7)
Restructuring costs	—	2	(2)	(360)	—
Net income from investments	14	66	8	96	12
PROFIT/(LOSS) BEFORE TAX	**229**	**210**	**289**	**(114)**	**340**
Income tax for the period	(115)	(72)	(103)	111	(87)
CONSOLIDATED PROFIT/(LOSS) FROM					
CONTINUING OPERATIONS	**114**	**138**	**186**	**(3)**	**253**
Profit before tax from discontinued operations	5	7	7	3	7
Income tax from discontinued operations	(5)	(2)	(2)	(2)	(2)
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**—**	**5**	**5**	**1**	**5**
CONSOLIDATED PROFIT/(LOSS) OF FULL HVB GROUP	**114**	**143**	**191**	**(2)**	**258**
attributable to the shareholder of UniCredit Bank AG	112	141	189	(12)	237
attributable to minorities	2	2	2	10	21
Earnings per share from continuing operations (€)					
(undiluted and diluted)	**0.14**	**0.17**	**0.23**	**(0.02)**	**0.29**
Earnings per share of full HVB Group (€)					
(undiluted and diluted)	**0.14**	**0.18**	**0.24**	**(0.02)**	**0.30**

Financial Calendar

Important Dates 2014[1]

Interim Report at 30 September 2014	12 November 2014

1 dates planned

Contacts
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