

# Unlock your potential



2021

UniCredit Bank AG Annual Report

Empowering  
Communities to Progress.



**Disclaimer**

This edition of our annual report is prepared for the convenience of our English-speaking readers. It is based on the German original, which takes precedence in all legal respects.

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# Business Situation and Trends

## Corporate structure of UniCredit Bank AG

### Legal structure

UniCredit Bank AG (HVB), formerly Bayerische Hypo- und Vereinsbank Aktiengesellschaft headquartered in 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. HVB has been an affiliate of UniCredit S.p.A., Milan, Italy (UniCredit), since November 2005 and hence a major part of the UniCredit corporate group 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 on 15 September 2008, UniCredit has held 100 percent of the share capital of HVB. Thus, trading in HVB shares officially ceased. As a capital-market-oriented company, HVB remains listed on securities exchanges as an issuer of Pfandbriefe, bonds and certificates, among other things.

### Organisation of management and control

#### Leadership function and Supervisory Board

The Management Board is the management body of HVB and consists of seven members. The Management Board is directly responsible for managing the Bank. It is obliged to act in the interests of the company and to sustainably increase its corporate value. Within the framework of its leadership function, it is responsible above all for corporate planning and strategic orientation, and for ensuring adequate risk management and risk control. The Management Board provides the Supervisory Board with reports at regular intervals, particularly 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 in particular the matters reserved for the Management Board, the requirements for adopting resolutions and the required majorities.

The Supervisory Board of HVB has twelve 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 of committees and their tasks, and the tasks of the Chairman of the Supervisory Board. In addition, the by-laws state that certain types of transactions require the approval of the Supervisory Board.

The following changes occurred in the reporting period:

#### **Supervisory Board**

Mr Olivier Khayat and Ms Finja Kütz resigned from the Supervisory Board as shareholder representatives with effect from the end of 13 July 2021. At the Extraordinary Shareholders' Meeting of HVB on 14 July 2021, Mr Andrea Orcel and Ms Fiona Melrose were elected as members of the Supervisory Board in their place with effect from the end of that Extraordinary Shareholders' Meeting. Mr Andrea Orcel was also elected as the new Chairman of the Supervisory Board and Mr Gianpaolo Alessandro as a further Deputy Chairman by resolution of the Supervisory Board.

#### **Management Board**

Mr Jörg Frischholz resigned from the Management Board with effect from the end of 2 August 2021, Mr Simone Marcucci with effect from the end of 31 August 2021 and Mr Markus Beumer with effect from the end of 31 October 2021. The Supervisory Board appointed Ms Marion Höllinger (Commercial Banking – Private Clients Bank) with effect from 3 August 2021, Mr Ljubisa Tesić (CFO) with effect from 1 September 2021 and Mr Christian Reusch (Corporate & Investment Banking) with effect from 1 November 2021 as members of the Management Board. Mr Jan Kupfer took over the area of Commercial Banking – Corporates with effect from 1 November 2021.

A list showing the names of all of the members of the Management Board and the Supervisory Board of HVB is given in the Note "Members of the Supervisory Board" and the Note "Members of the Management Board" in the notes to this Annual Report.

### **Statement pursuant to Section 289f (4) of the German Commercial Code**

The Supervisory Board of HVB had set a target that one-third of the members of the Supervisory Board should be women, which was to be achieved by 31 December 2021. This target was achieved as at the reporting date. As at 31 December 2021, four members of the Supervisory Board were women: Dr Claudia Mayfeld, Ms Fiona Melrose and Prof. Dr. Annette G. Köhler as shareholder representatives and Ms Claudia Richter as employee representative. On 17 November 2021, the Supervisory Board of HVB set a new target for the proportion of women on the Supervisory Board of one-third of the members, to be achieved by 31 December 2025. Both the shareholder and the employee representatives on the Supervisory Board are to contribute to the achievement of the targets.

For the proportion of women on the Management Board, the Supervisory Board adopted a target that one-seventh of the members should be women, which was to be achieved by 31 December 2021. This target was reached by the reporting date. As at 31 December 2021, this target was achieved. One woman, Ms Marion Höllinger, belonged to the Management Board as at 31 December 2021. The Supervisory Board of HVB set a net target for the proportion of women on the Management Board of one-seventh, which is to be reached by 31 December 2022.

The proportion of women in upper management has risen steadily since 2012. Comprehensive measures to empower women, and more balanced leadership teams have been implemented – from local and global talent programmes for the different hierarchical levels to individual personnel-development measures specially designed to support talented women and top performers in their careers. In addition, a binding quota has been established in a range of talent programmes and in promotion and position-filling processes.

For the proportion of women at the first and second management levels below the Management Board respectively, the Management Board set the following targets for the end of 2021: 22 percent of women at the first level and 24 percent of women at the second level below the Management Board. At 31 December 2021, the proportion of women at the first level below the Management Board was 22 percent and 19 percent at the second level below the Management Board. With these quotas, the targets originally set for 2021 were achieved for the first level below the Management Board, but slightly missed for the second level below the Management Board. This was mainly due to the fact that too few women at the levels below were identified for a talent pool and taken into account when filling the corresponding positions at the second level below the Management Board.

Since Diversity, Equity & Inclusion is a strategically important issue for the Bank, and increasing the proportion of women at all management levels plays a decisive role in this, the Bank has set itself even more ambitious targets. For the proportion of women in both management levels below the Management Board, the Management Board set the following targets in 2021 until the end of 2023: women are to constitute 35 percent at the first level and 40 percent at the second level below the Management Board.

In order to increase the proportion of women especially at the second level below the Management Board, the Bank has adopted comprehensive measures and implemented these consistently. Issues include the career following the return to work after parental leave, flexible leadership models, further reduction of the gender pay gap, as well as more comprehensive initiatives for women to network with each other and to increase their visibility vis-à-vis top management. In addition, dedicated diversity sponsors have been installed for each division to promote further division-specific initiatives. As Board member for Corporates, Jan Kupfer also serves as accountable executive for Diversity, Equity & Inclusion.

### **Non-financial reporting**

In the context of transposing the Corporate Social Responsibility Directive into German law, certain large companies have been obliged to add a non-financial statement to their management reports since the 2017 financial year. This non-financial reporting covers labour, social and environmental issues (sustainability), respect for human rights and anti-corruption. As a fully consolidated subsidiary of the UniCredit corporate group, HVB abstains from publishing its own non-financial statement in accordance with Section 289b (2) of the German Commercial Code (Handelsgesetzbuch – HGB). The non-financial statement is issued, with a discharging effect for HVB, by our parent company, UniCredit S.p.A., Milan, and can be found on UniCredit's website under "A Sustainable Bank" ([www.unicreditgroup.eu/en/a-sustainable-bank.html](http://www.unicreditgroup.eu/en/a-sustainable-bank.html)).

### **Overall bank management**

HVB's objective is to generate a sustainable increase in corporate value. To take account of the need for value-based management, the principle of overall bank management is based on earnings, risk, liquidity and capital aspects. This principle is explained in more detail in the Risk Report (please refer in particular to "Overall bank management" within the section entitled "Implementation of overall bank management"). The key performance indicators (KPIs) applied within the framework of HVB's overall bank management are stated at the relevant places in the Management Report.



# Business Situation and Trends (CONTINUED)

## Business model, main products, sales markets, competitive position and locations in the 2021 financial year

HVB is part of UniCredit, a pan-European commercial bank with integrated corporate & investment banking. It offers its broad customer base a banking network across Western, Central and Eastern Europe that is both regional and international in focus. Its integration into UniCredit enables HVB to exploit its international network and economies of scale. UniCredit has a divisionally and regionally diversified business model. It provides its customers access to commercial banks in 13 countries and other offices worldwide.

As a universal bank, HVB with its subsidiaries is a provider of banking and financial services and focuses on Germany. It offers a comprehensive range of banking and financial products and services to retail, corporate and public-sector customers, international companies and institutional customers. Digitalisation and our commitment to ESG standards are key factors of our service. HVB has 340 offices around the world – 325 of which are in HVB in Germany which have been adapted to changing customer behaviour in recent years. In addition to its branch network, customers are served irrespective of their location through its remote channels. A breakdown of HVB's offices by region is shown in the Note "Offices" in this Management Report.

## Operating segments

HVB is divided into the following operating segments:

- Commercial Banking
- Corporate & Investment Banking (CIB)
- Group Corporate Centre
- Other

## Commercial Banking operating segment

The Commercial Banking operating segment serves all customers in Germany with a need for standardised or personalised service and advice. In this context, its Private Clients Bank and Unternehmer Bank business units offer a wide range of banking services. Depending on the service approach, a needs-based distinction is made within Commercial Banking between retail customers, wealth management & private banking clients, business and corporate customers, and commercial real estate customers. At the same time, the Commercial Banking operating segment builds on a shared "HypoVereinsbank" brand and a largely identical sales network.

In line with the universal bank model, the range of products and services of Commercial Banking enables comprehensive customer support to be provided. This extends from payment services, investment products, mortgage loans, consumer loans, savings-and-loan and insurance products and banking services for retail customers through to business loans and foreign trade financing for corporate customers, fund products for all asset classes, advisory and brokerage services in the securities business as well as liquidity and financial risk management, advisory services for high net worth private customers through to investment banking products for companies requiring capital-market access. The wealth management approach includes not only customised portfolio concepts and financing solutions for high net worth private customers with an entrepreneurial background but also the brokerage of shareholdings.

## Corporate & Investment Banking operating segment (CIB)

CIB is a global operating segment of UniCredit organised around a matrix structure.

The success of CIB is based on the close cooperation and interaction between customer care (CIB & Commercial Banking) and product units. In addition, intensive cooperation with other operating segments of the UniCredit corporate group, countries (for example CEE) and the relevant units of competence, such as the Credit Risk Office, Compliance or the Chief Operating Office, are key factors for CIB's success.

As CIB acts as a global operating segment, all statements and definitions apply both to CIB within HVB and CIB at a global level. Through its CIB operating segment, which acts as a centre of competence for international markets and investment banking operations, HVB takes a share in structuring the global strategy of CIB. The member of HVB's Management Board responsible for CIB has decided to apply the global CIB strategy to HVB's CIB business so as to ensure a standardised approach for our customers worldwide.

CIB offers its customers:

- corporate banking and transaction services
- structured finance, capital markets and investment products as well as
- access to Western, Central and Eastern Europe

***The customer support units are organised horizontally***

Financial Institutions Group (FIG), Multinational Corporates (MNC) as well as CIB Americas and CIB Asia Pacific.

***Three product factories are organised vertically:***

**Financing & Advisory (F&A)** supports customers worldwide through the following departments: Financial Sponsors Solutions (FSS), Infrastructure & Power Project Finance (IPPF), Natural Resources (NR), Securitisation, Receivables & Strategic Asset Financing (SRSAF), as well as Structured Trade and Export Finance (STEF).

**Global Transaction Banking (GTB)** offers a diverse range of innovative products in the Cash Management and Trade Finance and Working Capital departments, and thus meets the needs of transaction-oriented customers in the fields of payments, account information, cashflow and working-capital optimisation, liquidity management and mainly short-term import and export finance.

**Markets** is a customer-oriented product area that supports business with companies and institutional customers of the UniCredit Group as an integral part of the CIB value chain. The product area spans all asset classes: interest rates, currencies, commodities and equity derivatives. It offers institutional customers, corporate customers and private investors risk management solutions and investment products through our own or external networks.

**Group Corporate Centre operating segment**

The Group Corporate Centre operating segment includes profit contributions that do not fall within the jurisdiction of the individual operating segments. This includes the Chief Financial Office (CFO), the Credit Risk Office (CRO) and the Chief Executive Office (CEO) business units as well as the profits and losses of holdings not assigned to the other operating segments. Furthermore, this operating segment incorporates the net income from securities holdings for which the Management Board is responsible. Also incorporated in this operating segment are the amounts arising from decisions taken by management with regard to asset/liability management. This includes contributions to earnings from securities and money market transactions involving UniCredit S.p.A. and its subsidiaries. The Group Corporate Centre operating segment also includes the Real Estate Restructuring customer portfolio.

**Other business segment**

The Other business segment encompasses the Chief Operating Office (COO). It acts as a central internal service provider for customers and employees. COO activities extend to organisation, process- and project management, corporate & cyber security, strategic real estate management, logistics, cost management and business support e.g. money market and derivatives, know your customer and accounting. Furthermore, the Data Protection Officer (DPO), the Chief Information Officer (CIO) and the Chief Security Officer (CSO) of HVB report directly to the COO. Payments, securities settlement, IT application development and IT operations, procurement and facility management have been outsourced and are monitored via the retained organisation functions in COO.

# Business Situation and Trends (CONTINUED)

## Team 23 and UniCredit Unlocked 2022-24

We successfully implemented the Team 23 group-wide strategic plan in 2021, although the headwind coming from the repercussions of the COVID-19 pandemic and persistently low interest rates was stronger than we had anticipated.

Our new three-year UniCredit Unlocked 2022–24 strategic plan, which is embedded in the group-wide strategic plan, is based on three cornerstones: simplifying the operating model with comprehensive process optimisation and digitalisation, growth in selected business areas and increasing capital efficiency.

In this context, the new position of Chief Digital & Information Officer was created in the second half of the year. At the same time, we will be investing more in the next three years in further digitalisation, automation and process optimisation. This will involve extending the existing Team 23 measures to adjust our staffing levels. Further staff reductions affecting all areas of the Bank are therefore planned by 2024. As in the past, we will also do this in the future through socially compatible measures, i.e. via natural fluctuation as well as partial and early retirement solutions. Moreover, new employment prospects will be created by continuing to promote existing initiatives; severance packages will be concluded where this is not possible.

## Corporate acquisitions and sales

No major corporate acquisitions or sales were made in the 2021 financial year.

## Economic report

### Underlying economic conditions

After the deep recession in 2020 brought about by the spread of the COVID-19 pandemic, the global economy staged a strong recovery in 2021 despite the COVID-19 pandemic continuing. According to the International Monetary Fund (IMF), global economic growth grew by 5.9 percent in 2021 compared with the previous year. This was the strongest growth in more than 40 years, although there were considerable differences in the economic development between regions and sectors. While the USA and the eurozone posted similarly dynamic growth, there was far stronger growth in real GDP in China. The global economic recovery was driven primarily by lively demand for goods, while the service sector continued to suffer as a result of the COVID-19 pandemic in many countries. The strong global demand for goods visibly led to supply bottlenecks over the course of 2021 and, combined with higher energy costs, to significantly higher inflation rates.

In 2021, real GDP growth in the USA increased by 5.7 percent following a slump of 3.4 percent in the previous year (according to the US Bureau of Economic Analysis (BEA)). The growth in 2021 was prompted primarily by a strong increase in private consumer spending in the wake of the significant creation of jobs in the labour market. However, at the end of 2021 employment was still around 3.3 million below the pre-crisis level in February 2020 (according to the US Bureau of Labor Statistics (BLS)). Private investments as well as government spending played rather a minor role in the cyclical recovery in 2021.

GDP also rose sharply in the eurozone by 5.2 percent in 2021 (according to Eurostat). The recovery was particularly dynamic in France and Italy but comparatively weak in Germany. There were two reasons for this. Firstly, the economic slump in 2020 turned out to be far stronger in France and Italy, resulting in greater pent-up demand with regard to consumer spending and investments the following year. Secondly, the German economy was harder hit by the global supply bottlenecks as German industry accounts for a greater share of national economic output than in many other European countries. In addition, the comparatively complex value chains made German industry more susceptible to supply interruptions. In the wake of the fourth wave of infection in the COVID-19 pandemic, further government containment measures as well as the spending restraint exercised by companies and private households dampened growth in the eurozone in the fourth quarter of 2021. This again impacted the service sector in particular. However, more differentiated measures and the vaccination campaigns implemented meant that the negative effects were far less pronounced than when the COVID-19 pandemic started in spring 2020.



In December 2021, the ECB announced the end of the COVID-19 pandemic emergency purchase programme (PEPP) for March 2022. The conventional asset purchase programme (APP), by contrast, was to be continued for as long as appears necessary to the ECB in order to strengthen the expansionary impetus of the low interest rate policy. The inflation rate in the eurozone rose to 2.6 percent for the whole of 2021 (according to Eurostat) and was thus above the ECB's symmetric medium-term target of 2.0 percent for the first time since 2012.

At country level (data according to national statistical offices), real GDP in Germany rose by 2.8 percent in 2021 (2020: down 4.6 percent). In France, overall economic activity increased by 7.0 percent in 2021 (2020: down 8.0 percent); Italy's economy grew by 6.5 percent in 2021 (2020: down 9.0 percent) and real GDP in Spain expanded by 5.0 percent (2020: down 10.8 percent).

The growth in German economic output in 2021 was primarily due to stronger export activity, higher capital investment as well as increased government spending in the wake of the COVID-19 pandemic. By contrast, construction spending increased only marginally due to labour and material shortages, having previously shown comparatively strong growth for five years in succession. Private consumer spending stagnated in 2021 after declining by around 6 percent the previous year.

### **Sector-specific developments**

While the focus was on the repercussions of the COVID-19 pandemic in 2020, 2021 was characterised by economic recovery and less volatile markets. Banks, regarded in the pandemic as part of the solution, helped to stabilise economic development by granting loans. In contrast to previous crises, there was no highly pro-cyclical tightening of banks' lending policies during the COVID-19 pandemic, mainly due to an expansionary monetary policy and government support measures. The results from the ECB Bank Lending Survey in October 2021 revealed no more tightening of lending to companies in the second and third quarter of 2021.

In December 2020, the ECB yet again improved the conditions for Targeted Longer Term Refinancing Operations (TLTRO conditions) for banks. The ECB increased the maximum TLTRO borrowing allowance and extended the term of the very favourable pricing by twelve months from June 2021 to June 2022. This resulted in a renewed high uptake of the TLTRO programme by banks in 2021 with a further drawdown of €589 billion. To date, banks have borrowed €2.2 trillion in TLTRO III funds from the ECB, which reflects the very attractive terms. However, the ECB decided in its meeting in December 2021 to no longer extend the favourable TLTRO III conditions beyond June 2022, which is likely to lead to a strong wave of early repayment of TLTRO funds from mid-2022. Moreover, this removes the strong price incentive to lend to companies in order to achieve the credit growth required to take advantage of the very favourable refinancing conditions.

In 2020, the ECB also adopted another, temporary programme (PEPP) in addition to the existing asset purchase programme (APP). The programme contains government and private assets and its upper limit has been raised several times, the last time to a total volume of €1.85 trillion. By mid-January 2022, the ECB had already purchased assets totalling €1.61 trillion under the PEPP. In December 2021, the ECB decided to discontinue net asset purchases at the end of March 2022. However, the ECB will now reinvest all maturities in the PEPP until at least the end of 2024.

The temporary relaxation of the criteria for collateral relating to the refinancing of commercial banks with the ECB was extended from September 2021 to June 2022. This package of measures serves to cushion the stricter lending conditions in the eurozone and is leading to a temporary increase in risk tolerance within the euro system to support lending to the economy. Specifically, the following collateral was relaxed for ECB refinancing: loan receivables can be used as collateral, valuation discounts for collateral were reduced and the effects of credit rating downgrades on the availability of collateral were temporarily mitigated.

## Business Situation and Trends (CONTINUED)

In 2021, the risk premiums on the European credit market remained on a low level, with the ECB's bond purchases and the positive economic growth both having a supportive effect. The credit spreads of companies with good credit ratings declined in 2021 by 16 basis points to a level of 45 basis points. Risk premiums for senior bank bonds followed a similar trend and declined in 2021 by 10 basis points to 42 basis points. This was supported by significantly lower risk costs, an extremely solid liquidity position and capital base, and a strong recovery in profitability in the European banking sector. The spread between risk premiums for ten-year Italian sovereign bonds and ten-year German sovereign bonds, for example, widened slightly from 111 basis points to 135 basis points in 2021. However, this is a far lower level than in the first half of 2020 when the spread was over 250 basis points. The significant increase in the ECB's purchases as well as the EU Recovery Fund have been a major supportive factor for risk premiums.

At the same time, the yield curve became considerably steeper in 2021. The three-month Overnight Index Swap (OIS) rate remained unchanged in 2021 at approximately negative 48 basis points but the 10-year Overnight Index Swap (OIS) rate rose from negative 34 basis points at the beginning of 2021 to positive 18 basis points by the end of December 2021. A steeper yield curve is generally positive for the profitability of maturity transformation for banks. Furthermore, the market is currently pricing in an initial interest rate increase by the ECB for as early as the end of 2022 on account of the high inflation.

On the regulatory side, there were also comprehensive measures to support bank lending in 2020. Easing measures were extended for the most part into 2021. The ECB relaxed the minimum requirements for shareholders' equity of banks. Banks can now temporarily allow their capital ratios to fall below Pillar 2 Guidance (P2G) and reduce their capital conservation buffer until at least the end of 2022. The Pillar 2 Requirements and Pillar 2 Guidance for banks for 2021 remain largely unchanged compared to 2020, reflecting the ECB supervision's pragmatic approach in the SREP process in 2020. There has been a shift in the timing of a number of planned changes in the CRR II, such as the option for banks to fulfil their Pillar 2 Requirements (P2R) with subordinated bonds instead of with Common Equity Tier 1 (CET1) capital. As regards the calculation of the leverage ratio, banks are allowed to exclude exposures vis-à-vis central banks from their leverage ratio. This exception was extended until the end of March 2022. In addition, several national regulators reduced countercyclical capital buffers in 2020. However, several regulators have recently announced that they are reintroducing a countercyclical capital buffer. In January 2022, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) announced an increase in the countercyclical capital buffer to 0.75 percent of risk-weighted assets on domestic exposures which must be applied with effect from 1 February 2023 from 0.0 percent at present, and a supplemental sectoral systemic risk buffer of 2.0 percent of risk-weighted assets on loans collateralised by residential real estate.

As a support measure, borrowers were given the opportunity in 2020 – based on legal regulations or by the banks – to temporarily postpone the payment of loan instalments (known as COVID-19 loan moratoria). The medium-term perspective with regard to IFRS 9 enabled banks to continue classifying most of the loans affected as performing loans. According to the European Banking Authority (EBA), there was a sharp drop in the volume of loans in moratorium from €811 billion at the end of June 2020 to only €50 billion at the end of September 2021.

At the end of March 2020, the Basel Committee on Banking Supervision had already postponed the introduction of the finalised Basel III standard (also widely known as Basel IV standard) from 2022 to 2023 on account of the pandemic. In October 2021, the EU Commission presented its draft for implementing the finalised Basel III standard, according to which it is not to be introduced until 2025. Furthermore, there are special regulations with long transitional periods for risk positions vis-à-vis companies without an external credit rating and housing loans collateralised by real estate. Nevertheless, the risk weights will increase significantly step by step from 2025.

The ECB stress test for European banks was carried out in 2021. Despite the very strict assumptions for the stress scenario, the European banking sector proved to be extremely robust. The banks' very good capital base, benefiting from the regulatory restrictions regarding distributions in 2020 and 2021 as well as an only moderate increase in risk-weighted assets, played a supportive role here.

In the area of state aid law, the framework conditions for possible government support measures for the banking sector were relaxed in 2020 and this exception has been extended several times, currently to the end of June 2022. With regard to MREL, the Single Resolution Board (SRB) is adhering to its original MREL timetable despite the COVID-19 pandemic. Banks must meet the interim target for the beginning of 2022 and the final requirements for the beginning of 2024.

Equity markets recovered significantly in 2021, with the Euro STOXX 50 advancing by 21 percent. While bank shares lagged way behind the overall market in 2020, the STOXX Europe 600 Banks index increased by an above-average rate of 35 percent in 2021, driven primarily by the more favourable economic outlook, better development in terms of credit quality and a steeper yield curve. Moreover, the indicated withdrawal of restrictions on dividend payments from 1 October 2021 by the ECB has had a positive impact on valuations. In March 2020, the ECB had recommended that banks refrain from making dividend payments to external investors and share buybacks at top group level. In December 2020, the ECB changed its recommendation. Dividend payments and share buybacks were again possible within certain limits in the first three quarters of 2021. Dividend payments should not account for more than 15 percent of the accumulated profit for 2019 and 2020 and should not exceed 20 basis points of the CET1 ratio. Restrictions on dividends and share buybacks were ended by the ECB from October 2021. In addition, the ECB clearly stated that the distribution restrictions are generally not applicable to dividend payments within the banking groups under the supervision of the ECB.

In the USA, the yield on ten-year US treasury bonds rose significantly from 0.9 percent at the end of 2020 to more than 1.7 percent in March 2021 but then fell again to 1.5 percent at the end of the year. The US Federal Reserve Bank announced an interest rate turnaround for 2022 and the yield increased to over 1.8 percent in January 2022.

The yield on ten-year bonds of the Federal Republic of Germany rose in 2021 from negative 0.5 percent at the beginning of 2021 to negative 0.2 percent at the end of 2021. In contrast to the US Federal Reserve Bank, the ECB did not announce any interest rate increases. In 2021, the 3-month Euribor remained almost constant in the range of negative 55 basis points to begin with, but then declined further towards the end of 2021 to negative 57 basis points. In 2021, the euro depreciated by 7 percent against the US dollar, caused among other things by the faster economic recovery of the US economy.

The topic of sustainability continued to gain importance for the banking sector in 2021. On the one hand, there was a significant increase in the share of ESG-compliant issues in the banking sector. Around one quarter of the bonds issued in the banking sector in 2021 were already aligned with ESG standards. On the other hand, there were several new regulations relating to sustainability. In April 2021, the European Commission adopted an extensive package of sustainability measures, including the first two delegated acts on the EU taxonomy to mitigate climate change and adapt to existing climate change. These technical criteria determine which economic activities make a significant contribution to climate protection or to adapting to climate change. Compared with the draft published in November 2020, the legal acts contain substantial changes to the criteria for buildings and thus the admissibility of energy-efficient mortgages as sustainable economic activities and green assets. The European Banking Authority (EBA) has also proposed a new ratio – the green asset ratio. This is intended to increase transparency for investors, and banks are required to publish this new ratio in 2024 for the first time, although several banks will already report it on a voluntary basis from 2022. In addition, risks entailed in climate change are increasingly becoming a focus of banking supervision and will be examined more closely in the course of a separate climate stress test for banks in 2022.

## Business Situation and Trends (CONTINUED)

## Operating performance

## The 2021 income statement and important events in the 2021 financial year

INCOME STATEMENT	1/1-31/12/2021	1/1-31/12/2020	CHANGE	
	€ millions	€ millions	€ millions	in %
Net interest income	2,522	2,836	(314)	(11.1)
Net fees and commissions	1,172	1,035	+ 137	+ 13.2
Net income from the held-for-trading portfolio	509	453	+ 56	+ 12.4
Other operating income less other operating expenses	30	249	(219)	(88.0)
<b>OPERATING INCOME</b>	<b>4,233</b>	<b>4,573</b>	<b>(340)</b>	<b>(7.4)</b>
General administrative expenses	(3,909)	(3,118)	(791)	+ 25.4
Payroll costs	(2,239)	(1,592)	(647)	+ 40.6
Other administrative expenses <sup>1</sup>	(1,670)	(1,526)	(144)	+ 9.4
<b>OPERATING RESULT BEFORE PROVISIONS FOR LOSSES ON LOANS AND RECEIVABLES</b>	<b>324</b>	<b>1,455</b>	<b>(1,131)</b>	<b>(77.7)</b>
Provisions	136	(763)	+ 899	
<b>OPERATING RESULT</b>	<b>460</b>	<b>692</b>	<b>(232)</b>	<b>(33.5)</b>
Other income less other expenses	40	(106)	+ 146	
Extraordinary income/expenses	—	(4)	+ 4	(100.0)
<b>PROFIT BEFORE TAX</b>	<b>500</b>	<b>582</b>	<b>(82)</b>	<b>(14.1)</b>
Tax	(255)	(49)	(206)	>+ 100.0
<b>NET INCOME FOR THE YEAR</b>	<b>245</b>	<b>533</b>	<b>(288)</b>	<b>(54.0)</b>
Transfer to the reserve for shares in a controlling or majority interest-holding company	(8)	—	(8)	
Withdrawal from the reserve for shares in a controlling or majority interest-holding company	—	—	—	—
Transfer to other retained earnings	—	(133)	+ 133	(100.0)
Withdrawal from other retained earnings	8	—	+ 8	
<b>PROFIT AVAILABLE FOR DISTRIBUTION</b>	<b>245</b>	<b>400</b>	<b>(155)</b>	<b>(38.8)</b>

<sup>1</sup> Including standard amortisation and depreciation on intangible assets and property, plant and equipment.

### **Net interest income**

At €2,522 million, the net interest income generated in the reporting year – net interest income/expenses – including current income from equity securities and other variable-yield securities, participating interests and shares in affiliates as well as income from profit-pooling and profit-and-loss transfer agreements is significantly lower than the previous year's figure (€2,836 million). This is primarily due to the significantly lower current income totalling €272 million (previous year: €591 million). This decline is mainly attributable to gains on the disposal of real estate by affiliates in the previous year. The net interest income/expenses declined only slightly to €2,189 million (previous year: €2,203 million). In the reporting year, this amount took into account netted interest from one-off tax reimbursements and possible additional tax payments of €111 million (previous year: €62 million) and the positive effects of participation in the TLTRO III programme established in 2020 by the ECB.

### **Net fees and commissions**

At €1,172 million, net fees and commissions were significantly higher year on year (€1,035 million). The main reason for the rise in fees and commissions is markedly higher net fees and commissions in the securities and portfolio business with retail customers, from financial and transactional banking services for companies, and from the loan and credit business.

The fee and commission income that may no longer be recognised through profit or loss due to the judgement by the German Federal Court (Bundesgerichtshof – BGH) on the invalidity of certain clauses in general business conditions totalled a low single-digit million amount in the reporting year. The Bank set aside a provision for claims to the reimbursement of fee and commission income earned up to and including the first quarter of 2021 on the basis of the clauses in HVB's General Business Conditions that are now no longer valid.

### **Net income from the held-for-trading portfolio**

There has been a marked year-on-year increase in net income from the held-for-trading portfolio from €453 million to €509 million. An essential factor in this rise was increased customer activity in structured products and trading in equity products. Raw materials trading also had a positive effect, even with headwinds in the form of inflation-related price effects and tension around energy prices. Despite successes in portfolio and interest management, negative effects arose from interest rate developments; in particular, a decline in customer demand for interest-rate derivatives. However, interest development was positive, notably the credit ratings for credit valuation adjustments and funding valuation adjustments.

### **Other operating income less other operating expenses**

Net other operating income less other operating expenses saw a sharp decline of €219 million to €30 million in the 2021 financial year (previous year: €249 million). This is due mainly to higher net additions to provisions in the reporting year as well as an excess of pension commitments in the previous year.

### **General administrative expenses**

General administrative expenses were up year on year by €791 million to €3,909 million (previous year: €3,118 million). The increase was caused primarily by restructuring costs for early retirement schemes or severance payments in the course of implementing the three-year UniCredit Unlocked 2022–24 strategic plan recognised in the reporting year. The aim of the plan is to promote the further digitalisation, automation and process optimisation in HVB Group. In this context, further staff reductions will take place to 2024. The vast majority of restructuring costs are for the planned, socially responsible staff reductions which will be achieved by taking advantage of natural fluctuation, semi-retirement and early retirement, as well as severance packages. For this purpose, the existing restructuring provisions will be increased accordingly, as the three-year UniCredit Unlocked 2022–24 strategic plan is based on the former Team 23 strategic plan. Pension expenses also increased.



# Business Situation and Trends (CONTINUED)

## Operating result before provisions for losses on loans and receivables

The operating result before provisions for losses on loans and receivables declined significantly by €1,131 million year on year to €324 million. The decline was primarily due to restructuring costs recognised in the reporting year, current income earned on shares in affiliates in the previous year, and higher net additions to provisions. increased cost-income ratio (ratio of operating expenses to operating income) to 98.3% after 68.2% in the previous year.

## Provisions for losses on loans and receivables

The provisions for losses on loans and receivables amounted to €136 million in the reporting period (previous year: minus €763 million). The net measurement gain on lending operations contained in provisions for losses on loans and receivables totals €4 million (previous year: minus €878 million). This was primarily due to the strong recovery of economic activity, whereas the previous year was weighed down by defaults of a small number of large credit exposures, which is viewed against the backdrop of the COVID-19 pandemic. This necessitated lower net additions to specific loan loss provisions of €137 million (previous year: €544 million). In the previous year, there was also an addition of €212 million to general loan loss provisions due to the change in the method used to determine the general loan loss provisions, which has been adjusted to better reflect the risk of future developments. In the reporting year, the addition to general loan loss provisions was significantly lower at €16 million as a result of the positive development of the portfolio for non-defaulted loans and the macroeconomic environment. In the prior-year period, the pandemic-related adjustment of the assumptions used to map future economic conditions in particular had a negative effect. A net gain of €132 million was generated with securities held for liquidity purposes (previous year: €115 million).

## Other income less other expenses

The increase of €40 million (previous year: minus €106 million) in other income less other expenses is largely attributable to two effects. In the previous year, costs amounting to €70 million resulted from profit and loss agreements. In addition, the write-down to the value of the participating interest in the affiliate UniCredit Leasing GmbH was increased by €35 million. In the reporting year, there was a write-up of €48 million on this participating interest.

## Extraordinary income/expenses

The extraordinary income/expenses of minus €4 million reported in the previous year represents a merger loss.

## Profit before tax

Profit before tax decreased markedly year-on-year by €82 million to €500 million. The main reason for this is the significantly higher payroll costs and lower current income compared with the previous year.

## Taxes

There was a tax expense of €255 million in the reporting year (previous year: €49 million). This includes a net tax income for previous years of €54 million. In the previous year, tax income for the years prior had a reducing effect.

## Net income for the year and appropriation of profit

In the 2021 financial year, the profit available for distribution disclosed in the annual financial statements of HVB, which forms the basis for the appropriation of profit, amounts to €245 million. We will propose to the Shareholders' Meeting that a dividend of €245 million be paid in total to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €0.31 per share after around €0.50 for the 2020 financial year. The profit available for distribution of €400 million reported in the previous year was distributed to UniCredit on 30 June 2021 in accordance with a resolution adopted by the Shareholders' Meeting on 7 June 2021.

## Assessment of the business situation

In our expectations concerning the development of profit before tax outlined in last year's Management Report outlook, the forecast assumed a solid profit. At €500 million, the profit before tax was €82 million lower than in the previous year. Profit after tax has dropped to €255 million from the previous year's €533 million due to a significantly higher tax expense. The tax expense in 2020 was significantly lower due to tax income from previous years.

The reporting year 2021 was fundamentally influenced by a significant recovery in economic activity after the COVID-19 pandemic in the previous year led to significant challenges. Furthermore, the new UniCredit Unlocked 2022–24 strategic plan led to significant restructuring expenses, which weighed very heavily on profit.

Essential factors in profit before and after tax were the significantly higher level of payroll costs in connection with the above-mentioned restructuring expenses, higher pension commitments, lower current income, and higher tax expense.

Operating income was slightly higher than the figure in the previous year and in line with the previous year's forecast once the effects of the real estate sale in 2020 were eliminated. In particular, the net fees and commissions increased markedly over the previous year. Net trading income also increased. In contrast, the restructuring expenses and the higher pension expenses had a significant negative impact on the general administrative expenses, although the previous year's forecast presumed a stable level.

At 92.3%, the cost-income ratio for 2020 is significantly less favourable than the 68.2%, and thus not in line with the forecast. This was caused in part by the non-recurrent effects from the sale of real estate in 2020, but to an even greater extent by the increased general administrative expenses due to the included restructuring expenses.

Loan loss provisions have come down significantly, in line with the forecast. Nevertheless, profit before tax came in lower than in the previous year, due to the effects described above and did not, as anticipated, rise significantly. The same applies to profit after tax.

In the reporting year, the CET1 capital ratio amounts to 16.6% in accordance with approved financial statements (previous year: 18.2%). The year-on-year decline of 160 basis points is primarily due to increased risk-weighted assets and is thus higher than forecast in the previous year, which expected a slight decline in the ratio.

## Financial position

### Total assets

HVB's total assets amounted to €291.4 billion at 31 December 2021. This represents a year-on-year decrease of €8.6 billion.

The balances with central banks contained in the "Cash and cash balances" item (€19.7 billion after €22.4 billion in 2020) were down year on year by €2.7 billion.

Loans and receivables with banks declined rather significantly €25.5 billion to €24.6 billion over the previous year. This is attributable to the decrease of €17.0 billion in overnight deposits under the deposit facility of the Deutsche Bundesbank. Another factor was the decline by €9.1 billion in reverse repos over the previous year.

Loans and receivables with customers increased by €4.3 billion to €120.4 billion. This was due primarily to the increase in the syndicate business (up €1.8 billion), in forfaiting (up €1.2 billion), a rise of €0.9 billion in both the mortgage loans business and cash loans on current accounts. Collateral requirements increased by €0.7 billion and holdings of promissory notes and refinanced special credit facilities rose by €0.5 billion each. In contrast, holdings of reverse repos declined by €3.8 billion and fixed-term deposits by €0.9 billion.

The holdings disclosed under securities (without held-for-trading portfolios) declined slightly by €1.5 billion to €55.5 billion. While own bonds remained nearly unchanged, third-party bonds and debt securities decreased by €1.4 billion.

At €67.8 billion, assets held for trading were higher than the previous year's level of €51.3 billion. The increase is due in large part to the €10.0 billion increase in raw materials and emissions trading. Moreover, holdings in securities of €3.3 billion and derivative financial instruments amounting to €2.5 billion.

The shareholdings disclosed under participating interests and shares in affiliates declined slightly to €1.5 billion from €1.6 billion in the previous year.

# Business Situation and Trends (CONTINUED)

There was a decrease in volumes on the liabilities side in line with the development on the assets side. The change in deposits from banks (down €9.2 billion to €57.9 billion) is mainly the result of declining repurchase transactions (down €11.9 billion). This includes the Bank's participation in the TLTRO III programme.

Deposits from customers declined overall by €10.4 billion to €140.1 billion. The decrease is mainly attributable to lower repurchase transactions (down €7.1 billion) and fixed-term deposits (down €5.2 billion).

Debt securities in issue rose by €1.5 billion to €27.8 billion. There was a very significant increase in liabilities held for trading (up €8.4 billion to €37.1 billion), which is attributable to €6.2 billion of other liabilities in the trading book resulting mainly from trading in raw materials and emissions trading as well as €2.5 billion in derivative financial instruments.

The "Provisions" item increased by €0.7 billion to €3.0 billion (previous year €2.3 billion). This is in large part due to measures arising from the three-year UniCredit Unlocked 2022-24 strategic plan.

Shareholders' equity decreased by €0.2 billion to €13.5 billion compared with year-end 2020. The dividend payout of €0.4 billion for the previous year is offset by net income for the year of €0.2 billion in 2021. The subscribed capital and the additional paid-in capital remained unchanged compared with the previous year.

The return on assets is defined in Section 26a KWG as the ratio of net profit to total assets. This amounted to 0.084% at 31 December 2021 (31 December 2020: 0.178%).

Contingent liabilities and other commitments not recognised in the balance sheet increased very slightly to €90.9 billion (previous year: €88.9 billion). This figure includes contingent liabilities (€28.0 billion) from general loan guarantees (0.9 billion), transaction-related guarantees (€23.7 billion) and trading-related guarantees (€3.4 billion). Other commitments of €62.9 billion (previous year: €64.4 billion) consist solely of irrevocable lending commitments, which decreased year on year by €1.5 billion.

## Risk-weighted assets, key capital ratios and leverage ratio of HVB

The total risk-weighted assets of HVB (including market risk and operational risk) determined in accordance with the Capital Requirements Regulation II (Kapitaladäquanzverordnung – CRR II) amounted to €80.8 billion at 31 December 2021 and were thus €6.8 billion higher than at year-end 2020. This is mainly due to the risk-weighted assets for credit risk (including counterparty default risk), which decreased by €6.1 billion to €64.2 billion. The risk-weighted assets for market risk came in €0.3 billion higher at €9.1 billion, while the risk-weighted asset equivalents for operational risk rose by €0.4 billion to €7.5 billion.

Common Equity Tier 1 capital compliant with CRR II excluding hybrid capital (CET1 capital) amounted to €13.4 billion as at 31 December 2021, while Tier 1 capital of HVB stood at €15.1 billion. These figures were nearly unchanged as compared with 31 December 2020 (€13.5 billion and €15.2 billion respectively). 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) and the Tier 1 capital ratio under CRR II (including market risk and operational risk) amounted to 16.6% and 18.7% respectively at 31 December 2021, in accordance with approved financial statements (31 December 2020: 18.2% and 20.5% respectively). The decrease is attributable to an increase in risk-weighted assets. Own funds came to €16.4 billion at 31 December 2021 (31 December 2020: €16.4 billion in accordance with approved financial statements). The own funds ratio was 20.3% at 31 December 2021 (31 December 2020: 22.2% in accordance with approved financial statements).

The leverage ratio of HVB was 4.5% at 31 December 2021 (31 December 2020: 4.3% in accordance with approved financial statements). Article 429a (1) (n) CRR II on the temporary exclusion of certain exposures to central banks from the total exposure measure (31 December 2020: Article 500b CRR II from Regulation (EU) 2020/873 "Temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic") was applied to determine the leverage ratio of HVB as at 31 December 2021. Had the aforementioned articles not been applied, the leverage ratio of HVB as at 31 December 2021 would stand at 4.2% (31 December 2020: 3.9% in accordance with approved financial statements).

## Ratings

HVB's credit rating is assessed by Moody's Investors Service Inc. (Moody's), Fitch Ratings Limited (Fitch) and Standard & Poor's Credit Market Services Europe Limited (S&P).

The ratings of countries and banks are subject to constant monitoring by rating agencies.

Moody's affirmed HVB's ratings on 17 Mai 2021 and adjusted the outlook from "negative" to "stable". Among others, the counterparty risk rating (CRR) was affirmed at A1/P-1, the rating for senior unsecured debt instruments at A2/P-1, the deposit rating at A2/P-1 and HVB's stand-alone rating at 'baa2'. From Moody's perspective, the latter reflects the strong capital base, the good liquidity position and the solid asset quality. According to Moody's, HVB is thus well prepared to cope with any deterioration in its currently robust asset quality that might arise as a result of the phasing out of the German government's extensive stimulus package.

The "stable" outlook reflects Moody's expectation that despite any deterioration in asset quality, HVB's financial profile will not change significantly. On 12 July 2021, the ratings for non-preferred senior unsecured debt instruments were raised from Baa3 to Baa2 as a result of the Moody's updated banking methodology.

On 17 December 2021, HVB's long-term Fitch issuer default rating (IDR) was upgraded from 'BBB' to 'BBB+' while the short-term rating was confirmed at 'F2'. In this context, the derivative counterparty rating (DCR) was also raised from BBB+ (dcr) to A- (dcr), the long-term rating for preferred senior unsecured debt and the long-term deposit rating from BBB+ to A-. The rating decision was made after the rating of UniCredit S.p.A. was upgraded from 'BBB-/stable/'F3' to 'BBB'/stable/'F2', following an improvement in Italy's sovereign rating from 'BBB-' to 'BBB'.

In line with the rating adjustment for the IDR, HVB's viability rating (stand-alone rating) was also adjusted from 'bbb' to 'bbb+'.

Fitch continues to emphasise the very good capital base and the resulting high degree of flexibility to mitigate the possible deteriorations in asset quality. The outlook remains 'negative' as Fitch assumes that the fungibility of capital and liquidity could increase and thus the financial flexibility of HVB might be restricted if UniCredit implements its "single-point-of-entry" resolution strategy.

In the course of a European-wide review of the banking sector, S&P lowered the anchor rating for the German banking sector from 'a-' to 'bbb+' on 24 June 2021. This downgrade is mainly due to the challenges in profitability and the slow progress made in digitalisation. HVB's ratings were affirmed by S&P as the increased risks, driven by the structural challenges for the German banking landscape, were already adequately reflected in HVB's rating. In S&P's rating assessment, HVB's ratings continue to be supported above all by a strong capital base and the Bank's solid market position in corporate banking so that HVB's ratings are one notch above the ratings of UniCredit S.p.A. despite the operating interdependencies between HVB and UniCredit. The resolution counterparty rating thus remains at 'A-'/A-2', the issuer credit rating and the rating for senior preferred debt instruments of HVB at 'BBB+/'A-2' and the senior subordinated debt rating at BBB.

S&P again affirmed HVB's ratings in November 2021; the rating outlook remains 'negative'. The rating affirmation followed a rating decision on UniCredit S.p.A. S&P raised the outlook for UniCredit S.p.A. from 'stable' to 'positive' as, according to S&P's assessment, the economic risks for Italian banks had been reduced due to various packages of measures of the Italian State. In the course of adjusting S&P's rating methodology for rating financial institutions (banks and non-banks) and for determining the country risk in the banking sector (BICRA), S&P affirmed HVB's ratings in January 2022; the rating outlook remains 'negative'. The negative outlook for the issuer credit rating of HVB reflects the fact that HVB's ratings might be lowered in the medium term on account of the uncertainties regarding the implementation of UniCredit corporate group's "single-point-of-entry" resolution strategy and the related effects on subsidiaries.

## Business Situation and Trends (CONTINUED)

## Offices by region

	ADDITIONS		REDUCTIONS		31/12/2021
	1/1/2021	NEW OPENINGS	CLOSURES	CONSOLIDATIONS	
<b>Germany</b>	<b>324</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>325</b>
Baden-Wuerttemberg	15	—	—	—	15
Bavaria	191	1	—	—	192
Berlin	5	—	—	—	5
Brandenburg	5	—	—	—	5
Bremen	1	—	—	—	1
Hamburg	13	—	—	—	13
Hesse	8	—	—	—	8
Lower Saxony	9	—	—	—	9
Mecklenburg-Western Pomerania	3	—	—	—	3
North Rhine-Westphalia	8	—	—	—	8
Rhineland-Palatinate	12	—	—	—	12
Saarland	3	—	—	—	3
Saxony	7	—	—	—	7
Saxony-Anhalt	9	—	—	—	9
Schleswig-Holstein	30	—	—	—	30
Thuringia	5	—	—	—	5
<b>Other regions</b>					
<b>Europe</b>	<b>8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8</b>
France	1	—	—	—	1
Greece	1	—	—	—	1
United Kingdom	1	—	—	—	1
Italy	1	—	—	—	1
Luxembourg	1	—	—	—	1
Austria	1	—	—	—	1
Switzerland	2	—	—	—	2
<b>Africa</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
South Africa	—	—	—	—	—
<b>Americas</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2</b>
USA	2	—	—	—	2
Cayman Islands	—	—	—	—	—
<b>Asia</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5</b>
Hong Kong	1	—	—	—	1
Singapore	1	—	—	—	1
Japan	1	—	—	—	1
United Arab Emirates	—	—	—	—	—
South Korea <sup>1</sup>	1	—	—	—	1
Vietnam <sup>1</sup>	1	—	—	—	1
<b>Subtotal</b>	<b>15</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>15</b>
<b>Total</b>	<b>339</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>340</b>

<sup>1</sup> Representative offices.



## Relations with affiliates

We have prepared a separate report on our relations with affiliates in the 2021 financial year which contains the following declaration made by the Management Board in accordance with Section 312 of the German Stock Corporation Act (Aktiengesetz – AktG):

“We declare that, based on the circumstances known at the time the legal transactions listed in this report were entered into, or the measures listed in this report were undertaken or omitted, UniCredit Bank AG received appropriate consideration for each transaction and did not suffer any disadvantage as a result of measures undertaken or omitted, or any disadvantages arising were compensated.”

## Report on subsequent events (events after the end of the reporting period)

Prof. Dr. Annette G. Köhler resigned from the Supervisory Board as shareholder representative with effect from the end of 28 February 2022. In her place, Ms Sabine Eckhardt was elected as member of the Supervisory Board with effect from 1 March 2022 at the Extraordinary Shareholders' Meeting of UniCredit Bank AG on 24 February 2022.

War has been raging in Ukraine since the end of February. In view of this fact, a number of countries (including the USA and the EU) have imposed sanctions on Russia that have already come into effect. This might have negative consequences for HVB's exposure to Russia. With regard to the amount of exposure, we refer to the table “Development of credit default risk exposure by country/region outside the eurozone” in the description of credit risk in the Risk Report. In recent years, the exposure to Russian counterparties was conservatively managed with a significant portion of our commercial exposure covered by ECA guarantees. Derivative transactions with Russian financial institutions have been conducted within adequate limits. Whilst the full impact cannot be assessed at this point, the extent of potential losses resulting from the failure of Russian counterparties to honour their obligations is not expected to materially affect HVB's financial status.

## Forecast report/Outlook

The Management Report and the annual financial statements include statements, expectations and forecasts concerning the future. These statements, expectations and forecasts are based on plans and estimates supported by the information available to us at the present time. We assume no obligation to update these statements in the light of new information or future events. Known or unknown risks and uncertainties may entail forward-looking statements, and the actual results and developments may thus differ significantly from those expected at present. Such discrepancies may result particularly from changes to the general economic situation and the competitive situation, developments on international capital markets, the possible default of borrowers or contracting parties in commercial transactions, the implementation of restructuring measures, amendments to national and international legislation relating in particular to supervisory and tax regulations, the reliability of our risk-management procedures and methods as well as other risks, some of which are described in detail in the Risk Report.

### General economic outlook

The cyclical recovery is likely to continue in 2022 and 2023 following the strong global economic recovery in 2021. This will be driven firstly by a still high level of private household savings and the associated backlog in consumer spending. In addition, companies are likely to replenish their very low inventories, which should be reflected in higher production. However, the pace of global economic growth will presumably slow down compared with 2021. After global GDP growth of 5.9 percent in 2021, HVB Group is assuming an increase of 4.2 percent for 2022 (2023: 3.7 percent; The UniCredit Economics Macro & Markets 2022–23 Outlook: A bumpy road towards normalization, published on 10 December 2021). Continuing supply shortages in the manufacturing industry, relatively high inflation as well as a less expansionary monetary and fiscal policy would suggest a slowdown. The restrictions in most industrial countries in response to the emergence of the Omicron variant in the course of the COVID-19 pandemic in the fourth quarter of 2021 are likely to have only a minor impact on the level of economic activity. However, the forecast uncertainty for the outlook, in particular for 2022, is growing. The possible spread of new virus variants and the deployment of additional restrictive measures by national governments also entails downside risks.

## Business Situation and Trends (CONTINUED)

The Russia-Ukraine conflict has significantly increased the level of uncertainty for the outlook, which further complicates making macro-economic forecasts. The potential impact of higher energy costs, impaired energy security, economic sanctions and other effects is currently impossible or extremely difficult to assess.

HVB Group expects economic growth in the USA to slow down from 5.7 percent in 2021 to 3.2 percent in 2022, followed by 2.3 percent in 2023 (The UniCredit Economics Macro & Markets Weekly: More upside for yields, published on 11 February 2022). The US economy is likely to return to the trend line in real GDP seen before the pandemic at the end of 2022. In particular, supply bottlenecks in industry, labour shortages and higher inflation, which will presumably ease only in part by the second half of 2022, suggest that the pace of growth will slow down. The US Federal Reserve's monetary policy stance is likely to become far less expansionary. It will presumably end its net bond purchases in March 2022, followed by four interest rate hikes in 2022 and probably a further three in 2023.

In China, HVB Group expects GDP growth to slow down from 8.1 percent in 2020 to 4.8 percent in 2022 and 4.7 percent in 2023 (The UniCredit Economics Macro & Markets Weekly: More upside for yields, published on 11 February 2022). These would be the lowest growth rates since 1990. The main reasons for this are the residential housing market overheating and the resulting weaknesses in the financial sector as well as power shortages and higher energy costs. Presumably, the composition of the growth will also change. Investments and exports, which provided the Chinese economy with the greatest support in 2020 and 2021, are likely to lose considerable momentum. At the same time, consumers are likely to reduce the rate at which they save and therefore gradually return to the level of spending seen before the COVID-19 pandemic.

For the eurozone, HVB Group anticipates a slowdown in growth from 5.2 percent in 2021 to 3.7 percent in 2022 and 2.8 percent in 2023 (The UniCredit Economics Macro & Markets Weekly: More upside for yields, published on 11 February 2022). Real GDP will probably not return to the trend line seen before the pandemic until the end of 2023, in other words a year later than in the USA. To begin with, continuing supply shortages and higher inflation are likely to dampen growth, as is the case in other regions. The Omicron variant which emerged during the COVID-19 pandemic will act as additional headwind in the short term and probably contribute to a cyclical slowdown in the first quarter of 2022. Economic activity should then pick up strongly over the further course of 2022 owing to the pend-up demand from companies and private households. This will probably be accompanied by the gradual elimination of the supply bottlenecks and a slow-down in inflation, the positive effects of which are likely to continue into 2023. The highly expansionary monetary policy to date in the wake of the COVID-19 pandemic should increasingly return to normal. While still contributing to growth in 2022, fiscal policy will probably have a neutral or even slightly contractionary impact in 2023.

HVB Group expects that the ECB will quickly end its conventional asset purchase programme (APP) in addition to ending its pandemic emergency purchase programme (PEPP) in March 2022. Moreover, key interest rates (deposit rate) will be raised from minus 0.5 percent at present to zero by the first quarter of 2023.

In June 2022, the remaining maturity of around €1.3 trillion in TLTRO loans issued by the ECB will fall below one year, making this liquidity less attractive for banks as only part of it will count towards their NSFR (Net Stable Funding Ratio). If no measures are taken, this could trigger a considerable wave of repayments. HVB Group expects that the ECB will introduce bridging transactions to ease this potential liquidity cliff-edge. Such transactions could have shorter maturities and less attractive conditions. In this way, the ECB could gradually reduce its liquidity assistance over the course of time.

For 2022 HVB Group is expecting GDP growth on country level in the eurozone of 3.0 percent for Germany (The UniCredit Economics Macro & Markets Weekly: More upside for yields, published on 11 February 2022). As was the case the previous year, economic growth in Germany should be less dynamic than in France (3.8 percent), Italy (3.8 percent) and Spain (4.8 percent). The difference in growth rates is again likely to be attributable above all to supply bottlenecks, which will presumably be eliminated only gradually. The German economy is impacted more strongly by this than its European neighbours owing to its independence on industry and more complex supply chains. German GDP should then grow by 4.4 percent in 2023 compared with growth of 2.5 percent in France, 2.2 percent in Italy and 3.0 percent in Spain.

According to HVB Group's assessment, the German economy will probably be subdued in the first quarter of 2022 by sluggish exports owing to a slowdown in global trade and the continuing supply shortages in the manufacturing industry and in the construction sector. Furthermore, the services industry is likely to come under pressure from the reintroduction of restrictions on account of the COVID-19 pandemic and from private households refraining from going to restaurants, theatres and leisure facilities, for example. However, these negative repercussions are likely to be far less serious than at the end of 2020/beginning of 2021 or even compared to the slump in economic activity in the second quarter of 2020. The pent-up demand is likely to make itself felt positively in the second and third quarter of 2022 as the backlog of consumer demand will presumably be reduced and the savings ratio will continue to decline. In addition, the high levels of liquidity held by companies, which are based mainly on borrowing and are being kept for reasons of caution, could be put into higher investments in part. The gradual easing of supply bottlenecks is likely to provide the business cycle with additional impetus. However, there is major uncertainty over the timing and the precise extent of this effect. HVB Group also expects fiscal policy to stimulate growth in the form of higher capital expenditure. However, most of this positive effect is only likely to set in from 2023 as it will take some time to implement the new political measures. Furthermore, the supply shortages could also delay the positive impact on GDP of the increase in public construction spending to combat climate change and improve digitalisation.

## Business Situation and Trends (CONTINUED)

### Sector development in 2022

The fundamental indicators in the European banking sector improved further in 2021 despite the COVID-19 pandemic. Banks were able to again improve their asset quality and liquidity ratios and the capital base remained on a high level.

Relatively low profitability remains a weak point in the European banking sector, which has been below the profitability of US banks since the financial crisis. In 2020, the profit development of banks had come under additional pressure as they were required to set aside significantly higher loan-loss provisions. On average, the return on equity of European banks was a mere 1.6 percent in 2020 compared with 6.5 percent in 2019 (data from the European Banking Authority (EBA)). However, there was a significant recovery to 7.6 percent in the first nine months of 2021 driven by an increase in the level of interest rates and far lower loan-loss provisions compared with 2020, and a clearly positive non-recurrent effect of TLTRO III on net interest income. The performance of banks in the area of net interest income was under continued strain in 2021 due to margin pressure. The negative effect on net interest income was compensated in part by the very favourable TLTRO III conditions, which will, however, not be extended beyond June 2022. Income in the asset management and investment banking business remained on a high level in 2021, further underpinning the profitability of banks.

A further improvement in profitability is expected for 2022. Firstly, there is evidence since the end of 2021 of a revival in credit demand from companies driven by the high inflation and an increase in company investments. Furthermore, the marked increase in the level of interest rates since September 2021 is positive for the net interest income of banks. In its meeting in February 2022, the ECB confirmed all current measures, but indicated the accelerated exit from quantitative easing and the start of interest rates returning to normal, which led to a further clear increase in the level of interest rates. Also on the structural side, the profitability of European banks continues to improve. Firstly, strong sustainable growth was seen in digital customer interaction as a result of the COVID-19 pandemic, enabling a further structural adjustment of branch networks. Furthermore, there was a revival of bank mergers primarily in Spain and Italy, which is likely to boost profitability in addition in the medium term. It is to be assumed that the process of consolidation at European banks will continue in 2022, although still focusing on domestic consolidation rather than extremely large cross-border mergers. Moreover, the trend towards streamlining and focusing banks' business models continues, with the concentration on core areas and markets in strong competitive positions generating correspondingly higher margins. On the costs side, most banks are also planning to reduce office space.

Despite the crisis, asset quality continued to improve, above all due to continued active NPL sales and securitisations by the banks. The rate of impaired loans fell to 1.9 percent at the end of September 2021, compared with 2.3 percent at the end of 2020 and 6.5 percent at the end of 2014 (EBA data). Comprehensive government support measures, loan guarantees and payment moratoria for loan payments have helped to staunch the inflow of impaired loans until now, despite the sharp economic decline in 2020. A major factor is the extensive use of payment moratoria and state guarantees for loans. The volume of loans in moratorium fell significantly according to the EBA from €811 billion at the end of June 2020 to just €50 billion at the end of September 2021, although this has not yet resulted in a significant rise in NPL inflows to date. There was also a substantial rise in state-guaranteed loans to €378 billion or 6.8 percent of all loans to companies (EBA data at the end of September 2021). There has been no further increase in state-guaranteed loans to companies most recently. The asset quality of European banks is likely to be slightly compromised only with a time lag from 2022 – but to a manageable extent. It is therefore to be assumed that risk costs will remain low.

Banks' capital ratios remained on a high level in 2021. At the end of September 2021, the average CET1 capital ratio of European banks of 15.4 percent (on a fully loaded basis) was on a similar level as at the end of 2020 (15.5 percent: EBA data). However, risk-weighted assets will increase slightly with higher credit volumes in 2022. Furthermore, banks can decide on profit distributions again at their own discretion since October 2021. Several banks have paid special dividends for the fourth quarter of 2021 and/or announced comprehensive share buybacks. In sum, this will lead to a gradual reduction in capital ratios in 2022 from their very high levels. However, capital ratios will remain way above the regulatory minimum requirements on average.

The extremely high liquidity ratios are also likely to be reduced in 2022 as a significant increase in early TLTRO III repayments is to be expected in the second half of 2022. However, the surplus liquidity of European banks is on a very high level of €4.5 trillion in mid-February 2022 and it is to be assumed that liquidity will remain way above historical levels in 2022 despite the TLTRO III repayments.

As regards macroprudential regulation, the German Federal Financial Supervisory Authority (BaFin) decided in January to increase the countercyclical capital buffer from 0.0 percent at present to 0.75 percent of risk-weighted assets on domestic risk positions. Banks must apply this buffer rate from 1 February 2023 to calculate the bank-specific countercyclical capital buffer. Furthermore, BaFin has also proposed a sectoral systemic risk buffer of 2.0 percent of risk-weighted assets on loans collateralised by residential real estate, which is also to be observed from 1 February 2023. This will lead to a further increase in capital requirements for banks.

To summarise, it is to be assumed that the trend in the banking sector will be stable, with profitability remaining one of the main challenges. Banks will therefore need to make further structural adjustments, such as the digitalisation of business processes, the adjustment of branch networks and further consolidation in the banking sector.



# Business Situation and Trends (CONTINUED)

## Development of HVB

We expect the cyclical recovery to continue in 2022. The main reasons for this are private households reducing their high level of savings, companies increasing inventories and the waning economic repercussions of possible further new waves of the COVID-19 pandemic. In addition, the high level of orders on hand in industry will probably be processed. The gradual elimination of supply bottlenecks, lower energy prices and the discontinuation of base effects are likely to lead to a decline in inflation rates. As the impact of the war between Ukraine and Russia cannot be assessed at present, its possible consequences have not been accounted for in the planning to date.

As previously described in the section “Team 23 and UniCredit Unlocked 2022–24”, we successfully implemented the 2021 year of the Team 23 strategic plan and are now following the guidelines of the three-year UniCredit Unlocked 2022–24 strategic plan that is embedded in the UniCredit Unlocked 2022–24 strategic plan. The following statements are based on HVB’s corporate planning and based on the regulations governing the segmented income statement.

We expect HVB to generate a good profit before tax for the 2022 financial year in the continuing COVID-19 pandemic. In 2021, operating income reflected recovery effects from the COVID-19 pandemic which we expect to continue in 2022 as well and lead to operating income remaining on the same level after adjusting for non-recurrent effects in 2021. We project a slight decline in operating costs in 2022 compared with 2021, when adjusted for the restructuring costs in 2021. The slight decline is a result of measures in the new strategic plan. In this context, we are anticipating a significantly improved cost-income ratio for 2022 compared with 2021. We are again expecting a significant reduction in net write-downs of loans and provisions for guarantees and commitments for 2022. In view of the war in the Ukraine and the sanctions imposed on Russia, it is not possible to rule out payment defaults resulting from this that were not previously expected. A sharp improvement in the operating result is expected in 2022. Both operating profit before tax and operating profit after tax are likely to be significantly higher in 2022 than the respective results in 2021.

In its general ruling of 31 January 2022, the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) increased the countercyclical capital buffer from 0.0 percent to 0.75 percent of risk-weighted assets on domestic risk positions with effect from 1 February 2022. Furthermore, it plans to introduce a sectoral systemic risk buffer of 2.0 percent on risk-weighted assets related to loans collateralised by residential real estate. Both capital buffers are to be observed with effect from 1 February 2023. By introducing these preventive measures, BaFin aims to increase the resilience of the banking system. The capital requirements imposed on banks will increase as a result. Owing to its capital base, HVB’s capital ratios are still above the minimum capital requirements even taking these two measures into consideration. HVB will include both components in its corporate planning accordingly.

For the 2022 financial year, we anticipate a solid capital base for HVB with a CET1 capital ratio that is slightly lower than the figure in 2021.

### **Opportunities in terms of future business policy and corporate strategy, performance and other opportunities**

The opportunities described below are offset by risks, for example the effects of the COVID-19 pandemic and the consistently low level of interest rates, which can restrict the exploitation of those opportunities and plans. The risks arising from the business policy and corporate strategy are described in the Risk Report.

HVB is a member of one of the largest banking groups in Europe, UniCredit. HVB is one of the largest private financial institutions in Germany and has competence for the international markets and investment banking business within UniCredit. HVB operates in a domestic market which is the largest in the whole of Europe in terms of economic power and size of population. Moreover, Germany is one of the few countries in the world that continues to enjoy a financial rating of AAA. All in all, HVB can thus exploit its regional orientation combined with the network of a large European banking group covering four core regions.

This gives rise to a number of opportunities:

HVB is pursuing an increase in profitability by laying down the three cornerstones of the new UniCredit Unlocked 2022–24 strategic plan. Its main focus is optimising the organisational structure and adjusting the banking service model with the aim of increasing efficiency and creating a unique customer experience. We will therefore be investing in automation and front-to-back process optimisation in the coming years. At the same time, we will pursue a growth strategy in selected business areas to increase our market share, focussing on capital-efficient growth. In addition, we will forge ahead with a holistic approach to sustainability in accordance with the ESG principles and will continue to make use of the opportunities to cooperate within UniCredit across country and company lines.

In addition, the withdrawal of individual competitors from geographical areas, customer or product groups will create new growth opportunities for HVB. Through selective investments, we plan to make better use of our growth potential in individual regions, customer groups and product areas. This will be supported by an adjustment of structures, locations or roles.

HVB has opportunities to recruit highly qualified employees and managers. Both the size of UniCredit and the strategic positioning of HVB have a beneficial impact on the recruitment of employees and managers. Promoting female managers at junior level is an explicit and essential component of the business strategy.

On account of its capital base, HVB is, in our opinion, already well prepared for the tightening regulatory requirements and can take advantage of the growth opportunities that arise in the market.

The opportunities for the individual operating segments are as follows:

Within the Commercial Banking operating segment, the Corporates business unit is seeking profitable growth and an expansion of market shares in its corporate banking business through uniform customer coverage, its positioning as a principal or core bank and the acquisition of new customers. As a strategic business partner, Corporates supports the entrepreneurial activities of its customers. The most important strategic challenges of customers include, among other things, the topic of sustainability and digitalisation. For this reason, the growth initiatives of Corporates are geared to these customer requirements. At the same time, Corporates is striving for sustainable growth focused on capital-preserving products based on close cooperation with CIB.

In the Private Clients Bank business unit, we are continuing to pursue our growth strategy. In Wealth Management and Private Banking, we intend to establish ourselves as one of Germany's leading providers in the coming years while further accelerating our growth path with high net worth individuals. Supported by our positioning as a quality provider, we will thus concentrate on growth and on increasing customer loyalty. We are also continuing to fundamentally modernise the Private Clients Bank by focusing on a multi-channel service offer.

In the CIB operating segment, the strategic focus is on expanding and strengthening sustainable and long-term customer relationships through strategic advice and product solutions for capital procurement, cash and risk management as well as through investments. We see further business potential in the expansion of international payments, trade finance and as a leading partner for ESG/transitional funding. To enhance our cross-selling potential on a targeted basis, we are intensifying our cooperation with the customer service units, increasing the quality of strategic advice by improving our industry competence and will position our product solutions in risk management more consistently. Private banking clients will benefit from the expansion of the platform for investment products. There will be a stronger focus on commission-based business and conscious handling of financing solutions that tie up capital. In addition, we will continue to forge ahead with the digital expansion of our processes and product solutions.

# Risk Report

## HVB as a risk-taking entity

By their very nature, the business activities of HVB are subject to risk. HVB defines risk as the danger of suffering losses on account of internal or external factors. In the course of our business activities, risks are identified, quantified, assessed, monitored and actively managed. We therefore regard it as one of our core duties to apply these considerations in order to integrate risk-management, risk-controlling and risk-monitoring processes in all operating segments and functions of HVB.

These activities are the precondition for providing adequate capital backing and maintaining an adequate liquidity base.

The Risk Report deals exclusively with the risks at HVB. The opportunities are presented separately in the section of the Financial Review in this Management Report entitled "Opportunities in terms of future business policy and corporate strategy, performance and other opportunities".

HVB Group is divided into the following operating segments:

- Commercial Banking
- Corporate & Investment Banking
- Group Corporate Centre
- Other

## Risk types

**Credit risk** is defined as the potential losses arising in the value of a credit exposure due to an unexpected change in credit quality of a contracting party (borrower, counterparty, issuer or country). This potential loss in the value of a credit exposure may be due to a default by the contracting party, meaning it is no longer in a position to meet its contractual obligations or its rating has been downgraded as a result of a deterioration in its credit quality.

**Market risk** is defined as the risk of incurring losses on positions held on and off the balance sheet in the trading or investment books as a result of unfavourable changes in the market value of securities or financial derivatives. The most relevant of these market prices are interest rates (used to determine and discount cash flows), share prices, credit spreads (including, but not limited to, changes in these spreads due to credit defaults or rating changes), spot exchange rates, commodity prices and derived prices such as volatilities and correlations between these parameters.

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

In line with the Capital Requirements Regulation (CRR), HVB defines **operational risk** as the risk of losses resulting from inadequate or deficient internal processes or systems, human error or external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to exposure to fines, penalties, or punitive damages resulting from measures taken by supervisory authorities, and private settlements.

These risk types are described in detail in the section entitled “Risk types in detail”. All other risk types of HVB are summarised in the section entitled “Other risks”, which is presented in an abridged form.

The following risk types are summarised as other risks:

- **Real estate risk** covers potential losses resulting from fluctuations in the market value of the Bank’s own real estate portfolio. This comprises the real estate owned by Group companies (owned or leased in accordance with IFRS 16), real estate holding companies and special purpose vehicles. No land or properties are included that are held as collateral. These are included under credit risk.
- **Business risk** is defined as a measure of the gap between unexpected disadvantageous changes in the Bank’s future earnings and expected changes over a one-year risk horizon. Business risk can result above all from a serious deterioration in the market environment, changes in the competitive situation or customer behaviour but also from changes in the cost structure.
- **Pension risk** can occur on both the assets side and the liabilities side (pension commitments). This may be caused by a decline in the fair value of plan assets on the assets side due to disadvantageous changes in market prices as well as an increase in the obligations on the liabilities side, due for instance to a reduction in the discount rate. Furthermore, there are actuarial risks such as longevity risk (changes to the mortality tables) on the obligation side. In this context, pension risk is the risk that the pension provider will have to provide additional capital to service the vested pension commitments.
- **Financial investment risk** covers potential losses arising from fluctuations in the measurement of HVB’s equity interests. HVB’s financial investment risk stems from the occurrence of losses in equity provided, in connection with a financial investment in other companies that are not consolidated in HVB’s accounts or are not included in market risk. Financial investment risk is accounted for in the risk analysis via credit risk and market risk.
- **Strategic risk** results from management either not recognising early enough or not correctly assessing significant developments or trends in the Bank’s environment. As a consequence, fundamental management decisions could, in retrospect, prove to be disadvantageous in terms of the Bank’s long-term goals. In addition, some decisions may be difficult to reverse or cannot be reversed at all. In the worst case, this can negatively impact the profitability and risk profile of HVB.
- **Reputational risk** is defined as the risk of negative effects on the income statement caused by adverse reactions by stakeholders due to a changed perception of the Bank. This changed perception may be triggered by a primary risk such as credit risk, market risk, operational risk, liquidity risk, business risk, strategic risk or independently of any triggering primary risk.

## Integrated overall bank management

### Risk management

HVB's risk management programme is built around the business strategy adopted by the Management Board of HVB, the Bank's risk appetite and the risk strategy adopted throughout the Group.

The risk-taking capacity upon achievement of the set targets is assessed on the basis of the risk strategy and the business and risk plans, using the available financial resources. At the same time, limits are defined in the planning process to ensure that the risk-taking capacity is maintained. The determination of the risk-taking capacity is carried out for HVB Group.

Pursuant to the Minimum Requirements for Risk Management (Mindestanforderungen an das Risikomanagement – MaRisk), multi-year budgeting is performed in relation to the internal capital. This involves analysing the relevant risk types over a time horizon of at least three years and taking into account a deteriorating macroeconomic environment. Two scenarios with negative consequences are examined independently of each other to permit an assessment of the effect of a deteriorating macroeconomic business environment. In the planning process for 2021, these planning scenarios, also referred to as adverse scenarios, have been adapted against the backdrop of the COVID-19 pandemic. Each of the scenarios simulates a different development of the pandemic. Whereas the first scenario assumes further waves of infections and thus more of a W-shaped economic recovery from the COVID-19 pandemic, the second scenario is based on a U-shaped economic recovery after the COVID-19 pandemic that is accompanied by a prolonged period of economic stagnation. Since the available financial resources are considered with the same scenarios, it is possible to make a statement about how the risk-taking capacity will evolve overall over three years, taking into account the macroeconomic scenarios.

Implementation of the risk strategy is a task for the Bank as a whole and is essentially carried out by the Chief Risk Officer (CRO) organisation. The CRO organisation is responsible for risk management and risk policy guidelines set by the Management Board. The CRO reports on a regular basis to the Management Board and the Risk Committee of the Supervisory Board on HVB's risk situation.

New releases and updates to instructions, policies and the risk strategy are communicated through the Bank's internal information system.

### Separation of functions

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

### Risk controlling

Risk controlling is defined as the operational implementation of the risk strategy. Since 1 June 2021, Central Credit Management (CCM), which was created by merging the two previously independent units Senior Risk Management - Centralized Credit Underwriting (SRM) and Credit RR & NRR Germany (KCE), has been responsible for the operational management of credit risk for the Commercial Banking and Corporate & Investment Banking (CIB) operating segments. The credit specialists take lending decisions in the defined "risk-relevant business". They thus make it possible for the operating segments to take on risk positions in a deliberate and controlled manner within the framework of the risk strategy and to evaluate whether it is profitable to do so from the overall perspective of the customer relationship and on the basis of risk-return considerations. In the "non-risk-relevant business", the operating segments are authorised to take their own lending decisions under conditions set by the CRO organisation. The Market Risk unit is responsible for controlling market risk and the Finance unit within the Chief Financial Officer (CFO) organisation for controlling liquidity risk. The Operational & Reputational Risks unit is responsible for controlling operational risk and reputational risk with the support of the relevant operational risk managers.

Controlling the business risk consists mainly of the planning of earnings and costs by the individual operating segments, which the CFO organisation proactively coordinates. The relevant operating segments are responsible for controlling the financial investments. The real estate risk arising from the Group's own property portfolio is controlled centrally by the Chief Operating Office (COO) unit. HVB has undertaken to provide a range of different pension plans, which are largely financed by various investment vehicles, some of which are external. Under the capital investment process, there are separate rules covering the specific risk controlling of the different pension plans in each case. Some of these are subject to supervision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), specifically by the Insurance and Pension Funds Supervision unit, and therefore need to comply with external rules and regulations. Controlling of strategic risk is the shared responsibility of HVB's Management Board.

### **Risk monitoring**

The central risk monitoring function within the CRO organisation is responsible for identifying, measuring and evaluating the risks at HVB. It is subdivided in accordance with risk types. The risk monitoring functions for the following risk types: market risk and liquidity risk (for the liquidity risk, however, exclusively the risk monitoring functions of stress tests, calculation and monitoring of early warning indicators, calculation of the short-term concentration risk, evaluation of the funding plan) are bundled in the Market Risk unit, while operational risk and reputational risk are bundled in the Operational & Reputational Risks unit. In addition, the Market Risk unit also monitors the market risk component of pension risk at regular intervals using a separately developed model (aggregated view of the plan assets and liabilities). As part of the asset management of the plan assets, the options for risk positioning are limited by both external and internal regulations. Ongoing monitoring of the respective rules is performed in accordance with the specific policies of the various pension plans.

With regard to the monitoring of liquidity risk, some tasks are performed by the Market Risk unit while further risk monitoring functions for this risk type are the responsibility of the Finance unit within the CFO organisation (continuous monitoring of the liquidity risk situation and compliance with limits). The Strategic Credit & Integrated Risks unit monitors credit risk, business risk, financial investment risk and real estate risk as well as the aggregate economic capital and the internal capital requirement. Financial investment risk is depicted via market risk and credit risk. The monitoring of strategic risk is the shared responsibility of HVB's Management Board.

The following are quantifiable risk types: credit risk, market risk, operational risk, business risk, financial investment risk (covered by credit and market risk), real estate risk, pension risk and reputational risk. The available financial resources are defined, quantified and compared with the risk capital for the analysis of the risk-taking capacity.

Liquidity risk is also a quantifiable risk but does not flow into the calculation of the risk-taking capacity.

A qualitative approach is used to monitor strategic risk.



## Divisions and committees

### Chief Risk Officer

The controlling and cross-business segment management of risk at HVB fall within the competence of the Chief Risk Officer (CRO). This is where all the key functions involved in the identification, analysis, assessment and reporting of risk are performed together with the ongoing tracking, handling, monitoring and controlling of risk. These activities are supported and complemented by various CFO units, notably with regard to liquidity risk.

The CRO organisation is divided into units that deal with lending business in the back office. The main functions of these units include:

- operational functions in the credit-decision and credit-monitoring processes for the risk-relevant lending business, complete with monitoring of the issuer and counterparty limits
- identification and control of risk at the preliminary stages in order to reduce risk
- restructuring activities with a view to minimising losses for the Bank

At the same time, there are units that cover operational and strategic aspects of risk monitoring. Their main functions include:

- the development, enhancement, parameterisation and calibration of the rating models used to determine the probability of our customers defaulting
- validation of Pillar I and II systems for risk measurement that contain the following components: models, associated processes, IT systems and data
- the development of concepts used to identify and control credit risk and concentrations, including country risk
- responsibility for the measurement methods and the refinement of the measurement methods and systems, and for the management and measurement of market risk and liquidity risk
- responsibility for the measurement methods and the refinement of the measurement methods and systems, and for the management and measurement of operational risk as well as responsibility for reputational risk and its management

- the determination of the internal capital and the economic capital base
- ensuring ICAAP compliance, ensuring compliance with the MaRisk rules as part of the responsibility for credit risk and economic capital, and the performance of stress tests
- ensuring compliance with regulatory rules regarding internal and external reports
- risk reporting

### Chief Financial Officer

The Finance and Regional Planning & Controlling units from the Chief Financial Officer (CFO) organisation play a major role in risk monitoring. The Finance unit notably covers the management of short- and long-term liquidity at HVB (Asset Liability Management) acting in concert with the front office units.

Regional Planning & Controlling (CCP) has been tasked with central business management and cost controlling of HVB. CCP also prepares and validates the internal segment report in accordance with IFRS and has responsibility for the processes involved in preparing the income budgets and the income projections and is responsible for managing capital and capital allocation as well as the risk-return methodology. Furthermore, CCP includes the operating-segment controlling departments for all the segments apart from Corporate & Investment Banking (CIB) and Group Corporate Centre (GCC). Controlling for CIB is the responsibility of CIB Planning and Control (CPA). This unit carries out the reconciliation of net trading income for markets jointly with Accounting. The reconciliation of net trading income for Treasury is carried out between Accounting (CFF) and Finance (CDF).

### Asset Liability Management

The Finance unit controls Asset Liability Management by managing short-term and long-term liquidity within HVB. Its main objectives are to ensure that HVB Group has adequate liquidity at all times and to optimise funding costs. Asset Liability Management monitors trends and happenings on the money and capital markets and manages liquidity and funding requirements. As part of liquidity risk management, the Finance unit performs ongoing monitoring of the liquidity

risk situation, in addition to the activities on the part of CRO, and manages funding activities together with the front office units. Within the framework of a liquidity cost allocation mechanism for all significant business activities, the internal transfer prices for the lending and deposit-taking activities are continually reviewed for appropriateness and regularly adjusted to reflect the market situation, for instance. The measures implemented in connection with these functions serve to support HVB Group's return targets.

#### **Internal Audit**

A number of important tasks regarding the implementation of an efficient risk management system have been entrusted to the Internal Audit department as described in the section entitled "Monitoring the effectiveness of the ICS".

#### **Financial and Credit Risk Committee**

The Management Board has entrusted the following tasks to the Financial and Credit Risk Committee (FCRC), subject to its management competence and its ultimate decision-making authority at any time:

- decisions regarding suitable policies and methods, especially for credit risk and credit portfolio management as well as other risk topics, including issues relevant to market and liquidity along with asset/liability management issues
  - discussion of and decision on strategic risk policy issues
- A submission is always made to the Management Board when required for legal reasons, for instance (such as to comply with the MaRisk rules).

The FCRC generally meets once a month.

#### **Local Transactional Committee**

The Local Transactional Committee (LTC) is charged with the task of reviewing and approving credit lines as well as deciding on applications for loan-loss provisions/debt cancellation/depreciation and impairment losses on assets. The LTC carries out this task in meetings differentiated by topic: the Credit Committee Session meets two times per week and decides on loan applications and credit lines, while the Loan Loss Provision Session, which approves decisions on loan-loss provisions/depreciation and impairment losses on assets meets once per quarter.

#### **Non-Financial Risks and Controls Committee**

The Non-Financial Risks and Controls Committee (NFRCC) makes decisions on coordination between the operational business units, Risk Management, and Internal Audit with the goal of identifying non-financial risks (e.g. external events, regulatory, and emerging risks) and to review the effectiveness of related measures.

In particular, the NFRCC is responsible for:

- approval of regulations and methods for the measurement, management and control of non-financial risks
- monitoring of the internal control systems for non-financial risks and ensuring a systematic approach for the evaluation of operational risks
- evaluation and provision guidelines for the management of risk-relevant (in terms of reputation, security, or data protection, for instance) individual customer transactions or contracts with third parties
- establishment and implementation of plans for maintaining operations.

## Implementation of overall bank management

### Strategy

The business strategy and the risk strategy define the cornerstones of business and risk policy for HVB. The subsidiaries, outsourcing and information and communication technology (ICT) are incorporated in both the risk strategy and the business strategy. The HVB business strategy describes the strategic starting point and the organisational structure, the strategic cornerstones at overall bank level and the sub-strategies of the individual operating segments.

The HVB Group risk strategy is derived consistently from the business strategy, supplementing it with the relevant aspects of risk management. The risk strategy of HVB Group controls the risk types, credit risk and market risk (including financial investment risk components for each), operational risk, pension risk, reputation risk, real estate risk and business risk using the economic capital. This control is supplemented by risk-type-specific limits in credit risk and market risk. A qualitative description is provided of the strategic objectives for strategic risk, liquidity risk, sustainability risk and for outsourcing. The risk strategy is supplemented by the Industry Credit Risk Strategy, which specifies the risk appetite within the individual industries.

The strategies approved by the Management Board of HVB are reviewed on both an ad hoc and an annual basis and modified when necessary.

### Overall bank management

The management of HVB is part of the overall bank management of HVB Group. The metrics defined for the overall bank management of HVB Group are reviewed in the annual budgeting process and used to assess the success of the business strategy and the risk strategy. Earnings targets, risk targets, liquidity targets and capital targets are defined in the budgeting process together with the targeted risk-taking capacity at overall bank level. The limits for internal capital are defined and monitored in order to guarantee the risk-taking capacity. For the purposes of operating segment management, the economic capital limits are distributed for each risk type (credit risk and market risk) to ensure that the planned economic risks remain within the parameters defined by the Management Board of HVB.

Key performance indicators (KPIs) generally applicable across all operating segments have been defined for the management of HVB Group. These KPIs serve to entrench the aspects of profitability and growth, as well as constraints and sustainability. The value-oriented management of HVB Group focuses on the measurement of the business activities in accordance with return and risk considerations, with a risk-return target set for each of the business units of HVB Group. The expected economic returns are calculated using the allocated capital principle that is applied group-wide by UniCredit. Within the scope of the principle of dual control, both regulatory capital, in the sense of used core capital (Common Equity Tier 1), and internal capital are allocated to the operating segments. Both resources are expected to yield an adequate return, the amount of which is derived from the returns expected by the capital market.

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

### Regulatory capital adequacy

#### Used core capital (Common Equity Tier 1)

For the purposes of planning and monitoring risk-weighted assets, the operating segments are required to have core capital backing of equivalent risk-weighted assets arising from credit, market and operational risks equal to an average of 11.75%. The expected return on investment is derived from the average used core capital (Common Equity Tier 1).

### **Management of regulatory capital adequacy requirements**

Essentially, the following three processes have been defined from the normative capital perspective to safeguard an adequate capital base over the long term:

**Yearly** budgeting of the regulatory capital taking account of regulatory requirements, while applying the three capital ratios listed below, which are managed within HVB Group's risk appetite framework using internal target, trigger and limit levels:

- Common Equity Tier 1 capital ratio: ratio of Common Equity Tier 1 capital to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk-weighted assets from market and operational risk positions
- Tier 1 capital ratio: ratio of Tier 1 capital to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk-weighted assets from market and operational risk positions
- Total capital ratio: ratio of equity funds to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk-weighted assets from market and operational risk positions

**Quarterly** performance of stress tests of the regulatory capital ratios under various scenarios (details on the stress tests can be found in the section entitled "Stress tests").

**Monthly** performance of a rolling eight-quarter projection to provide an ongoing forecast of the capital ratios of HVB Group.

More details on the development of these capital ratios are presented in the sections entitled "Risk-weighted assets, key capital ratios, and leverage ratio of HVB" and "Development of HVB" in "Business Situation and Trends" of this Management Report.

The total capital ratio of HVB was 20.3% at 31 December 2021 (31 December 2020: 22.2%).

### **Economic capital adequacy**

The internal capital is the sum of the aggregated economic capital for all quantified risk types (with the exception of liquidity risk).

The economic capital measures the potential for unexpected loss over a time horizon of one year with a confidence level of 99.90%.

Since the 2019 reporting year, the risk metrics for economic capital were presented from the calculations for HVB Group for the first time. This means that all risks arising from unlimited Statements of Responsibility of HVB for subsidiaries are also taken into account and adequately reflected. The HVB Group figures shown below are indicated as HVB figures accordingly. The risk metrics of HVB Group for economic capital are also shown under the respective risk type as HVB's figures.

When the aggregated economic capital is determined, risk-mitigating diversification effects are taken into account between the individual risk types. HVB Group deploys UniCredit's group-wide model for risk aggregation that uses parameters that are uniform throughout the Group for determining interdependencies between the risk types. In terms of methodology, the model is based on a copula approach where the parameters are estimated using the statistical Bayesian method.

# Risk Report (CONTINUED)

An all-round overview of the risk situation of HVB Group is obtained by assessing the risk-taking capacity on a quarterly basis, as shown in the table "Internal capital after portfolio effects".

## Internal capital after portfolio effects (confidence level 99.90%)

Broken down by risk type	31/12/2021		31/12/2020	
	€ millions	in %	€ millions	in %
Credit risk	3,609	43.9	3,109	45.0
Market risk	2,125	25.8	1,858	26.9
Pension risk	1,463	17.8	851	12.3
Operational risk	425	5.2	472	6.8
Real estate risk	147	1.8	181	2.6
Business risk	225	2.7	239	3.5
Reputational risk	41	0.5	42	0.6
<b>Aggregated economic capital</b>	<b>8,036</b>	<b>97.6</b>	<b>6,751</b>	<b>97.8</b>
Model risk cushion	195	2.4	152	2.2
<b>Internal capital of HVB</b>	<b>8,231</b>	<b>100.0</b>	<b>6,903</b>	<b>100.0</b>
<b>Available financial resources of HVB</b>	<b>17,920</b>		<b>17,403</b>	
<b>Risk-taking capacity of HVB, in %</b>		<b>217.7</b>		<b>252.1</b>

Contains rounding differences.

Internal capital rose by €1,328 million in comparison to 31 December 2020.

More details on the individual changes within the types of risk can be found in the respective sections on the corresponding types of risk.

## Internal capital (without pension risk and without the model risk cushion) broken down by operating segment (confidence level 99.90%)

Broken down by operating segment	31/12/2021		31/12/2020	
	€ millions	in %	€ millions	in %
Commercial Banking	1,635	24.9	1,379	23.4
Corporate & Investment Banking	4,706	71.6	4,201	71.2
Group Corporate Centre	231	3.5	85	1.4
Other	—	—	235	4.0
Consolidation	—	—	—	—
<b>Internal capital (without pension risk and without the model risk cushion) of HVB</b>	<b>6,573</b>	<b>100.0</b>	<b>5,900</b>	<b>100.0</b>

### **Risk appetite**

The risk appetite is defined as part of the annual strategy and planning process for HVB Group, whereby selected metrics are monitored only for HVB. The risk appetite metrics comprise specifications that are broken down into regulatory metrics and managerial metrics and subdivided into categories such as capital, liquidity and interest rate risk, credit risk or risk and earnings. For the most part, targets, triggers and limits are defined for these metrics that allow excessive risk to be identified and countermeasures to be initiated at an early stage. The matter is escalated to the appropriate persons with authority, committees and the Management Board of HVB, should the defined limits be exceeded or not reached.

### **Consistent going concern approach**

Since 2019, HVB Group has managed its risk-taking capacity from an economic perspective as part of an approach to the ongoing protection against risks and the continuation of business activities from a capital perspective (continuity of operations). At the same time, targets, triggers and limits are defined for regulatory capital backing as well as for risk-taking capacity.

### **Recovery plan**

The preparation of recovery plans (RPs) is intended to facilitate the restructuring of systemically important financial institutions. UniCredit S.p.A. and HVB have been identified as systemically important at a global level and at a national level, respectively. Supervision of HVB passed to the ECB when the Single Supervisory Mechanism (SSM) came into effect in November 2014. According to a decision of the Joint Supervisory Team (JST), HVB, as part of UniCredit, has not been required to prepare an HVB recovery plan since 2015. For this reason, HVB works in close collaboration with UniCredit S.p.A. each year to prepare a joint "UniCredit Group Recovery Plan". This Recovery Plan was officially submitted to the ECB on 15 October 2021 and has been in effect since then.

### **Risk-taking capacity**

As part of an analysis of the risk-taking capacity, HVB Group measures its internal capital against the available financial resources. Furthermore, the risk-taking capacity is analysed across a defined multi-year period as part of the planning process.

HVB Group uses an internal definition for the available financial resources that, like risk measurement, has been based on a going concern approach since 2019. Under this approach, available financial resources are sufficient to protect against risks so as to ensure business operations are maintained. The risk-taking capacity is defined by comparing unexpected losses at the confidence level (internal capital) with the ability to absorb losses using the available financial resources. When determining the available financial resources, regulatory core capital is taken as the starting point. To maintain consistency with internal risk quantification, certain capital deductions (particularly expected losses and securitisation positions) within the definition of equity are brought into line with the internal economic perspective and some future profits are taken into account.

Since the 2018 reporting year, the risk metrics for economic capital, the available financial resources and the risk-taking capacity are presented based on the calculations for HVB Group and shown as HVB's figures.

Available financial resources at HVB totalled €17,920 million as at 31 December 2021 (31 December 2020: €17,403 million).

With internal capital (including the model risk cushion) of €8,231 million, the risk-taking capacity for HVB is 217.7% (31 December 2020: 252.1%). This figure is higher than the target of 160% that HVB Group set itself in the 2021 risk appetite framework. The decline of 34.4 percentage points in comparison with 31 December 2020 for HVB is attributable to growth of €1,328 million or 19.2% in internal capital in 2021. Available financial resources have increased by €517 million or 3.0%. The increase in available financial resources is largely due to positive development in the profit component and the economic value adjustment excess.



**Limit concept**

The risk limit system is a key component of the ICAAP at HVB Group. Its purpose is to ensure the Bank's risk-taking capacity at each reporting date by means of an integrated controlling process. A wide-ranging, consistent limit system that includes the specification of limits for internal capital and economic capital, risk-type-specific limits and limits for risk concentrations has been implemented to ensure this. It covers all the risks that need to be backed with capital. Consequently, unexpected losses for credit, market (including pension risks), operational, business, real estate and reputational risk are currently recorded. In addition, any model risks are included in the internal capital by means of a cushion.

This system of limits reflects the business and risk strategies, taking into account the risk appetite and the available financial resources, at the level of HVB Group, and ensures compliance with the risk-taking capacity. The risk limits are approved by the Management Board of HVB each year during the strategy process.

The internal capital limits are allocated at the level of HVB Group broken down by risk type and for the internal capital as a whole. Based on the aggregate limit set for internal capital, the risk-taking capacity of HVB Group is guaranteed at each reporting date.

In order to identify at an early stage any potential overshooting, HVB has specified triggers in the form of early warning indicators in addition to the defined limits. The utilisation of, and hence compliance with, the limits is presented in the Bank's reports on a monthly basis. Any overshooting of limits is immediately escalated and return to compliance with limits is monitored.

**Stress tests**

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

Various macroeconomic downturn scenarios and a historical scenario were calculated for the cross-risk-type stress tests in 2021:

- Pandemic W scenario – Pandemic W scenario (from June 2020) – W-shaped recovery from the COVID-19 pandemic
- Pandemic W+ scenario – Pandemic W+ scenario (from June 2020) – W-shaped recovery from the COVID-19 pandemic, an increase in global protectionist tensions and sovereign debt stress in Europe
- Severe inflation scenario (from December 2021) – sharp increase in inflation and inflation expectations
- Local U-shaped scenario – local severe U-shaped recession (from September 2020 through September 2021) – U-shaped recovery from the COVID-19 pandemic
- Local U-shaped+ scenario – local severe U-shaped recession+ scenario (only in September 2020) – U-shaped recovery from the COVID-19 pandemic with additional turbulence in the German financial system
- Historical scenario (from December 2020) – historical scenario based on the 2009 financial crisis
- Financial Intermediary scenario – a tougher version of the most severe scenario (in June 2020 the W+ scenario, in September 2020 the U+ scenario, from December 2020 the historical scenario) additionally maps the default of the financial intermediary with the highest stressed counterparty risk exposures

The stress tests across risk types are presented and analysed on a quarterly basis within the Stress Test Council and from September 2021, in the Financial and Credit Risk Committee, and any measures required are presented to the Risk Committee (until August 2021) and the Management Board of HVB. Both the risk-taking capacity and the minimum requirements for regulatory capital ratios of HVB Group were met and complied with, even after the occurrence of the stress test scenarios listed. The risk-taking capacity within the scope of the stress test was established with a confidence level of 99.90%.

Furthermore, inverse and ad hoc stress tests are carried out.

Inverse stress tests involve analysing what events could endanger the continued existence of the Bank as a going concern. The continued existence as a going concern is considered at risk when the original business model proves to be no longer feasible or viable. The hypothetical events analysed included fraud by a trader, rating downgrades, a bank run and default by customers and industries.

Ad hoc stress tests are carried out in response to internal and external events that might have a considerable impact on HVB Group.

### **Concentrations of risk and earnings**

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

Concentrations are analysed, monitored, managed and reported at least once a year with regard to the relevant risk drivers for credit, market, liquidity and operational risk. In particular, appropriate instruments and processes ensure the prompt identification of concentrations. Monitoring, the suitability of which is reviewed each year, is used as the steering approach for the risk types financial investment risk, real estate risk and pension risk.

The risk management processes for concentrations have been set up with a view to interlinking risk drivers across risk types, such that concentration risk is integrated into assessment and controlling functions.

The concentration of earnings with individual customers or in operating segments, products, industries or regions represents a business-related strategy risk for the Bank. Risks arising from concentrations of earnings are monitored each year, as their avoidance is an important indicator of sustainable diversification and hence the viability of the business model in crisis situations.

### **Risk inventory**

The scheduled comprehensive yearly risk inventory at HVB was started in the first quarter of 2021. The existing and potential new risks are analysed and critically evaluated by means of structured interviews with numerous decision-makers within HVB and by means of questionnaires, among other things. This interview also covers aspects of the current COVID-19 pandemic in addition to sustainability topics. The outcome of the 2021 risk inventory was presented to HVB's Financial and Credit Risk Committee in September 2021 and included in the calculation and planning of the risk-taking capacity. The risk inventory serves to review the overall risk profile of HVB. Various topics are identified, some of which are included in the stress test and in the validation of the measurement methods used for the material risk types and other ICAAP components.

### **Internal reporting system**

The internal reporting system supports risk monitoring at portfolio level in particular. Within the framework of the internal reporting system, information is provided on the overall risk to HVB's Management Board, the Risk Committee of the Supervisory Board and the Financial and Credit Risk Committee on a monthly basis, to the full Supervisory Board at least on a quarterly basis and also on an ad hoc basis. In addition, further risk reports are created which focus on specific operating segments, countries or industries.

## Risk types in detail

Where the measurement methods for individual risk types have been refined, details are presented under the risk type concerned.

### 1 Credit risk

Credit risk consists of the following categories:

- credit default risk (including counterparty risk and issuer risk)
- country risk

#### Categories

##### Credit default risk

Credit default risk is considered to occur with regard to a specific contracting party when one or both of the following criteria are satisfied:

- The Bank assumes the contracting party is probably not in a position to meet its entire contractual obligation towards HVB, without having to take recourse to measures like the sale of collateral (where present).
- The contracting party is more than 90 days in arrears in terms of a material receivable of HVB.

Credit default risk also encompasses counterparty risk and issuer risk.

##### Counterparty risk

Counterparty risk arises from the possible loss of value due to the default of the counterparty in trading activities (such as derivatives involving interest rates, foreign exchange, equities/indices, or other futures or derivative contracts). It is divided into the following components:

- settlement risk
- pre-settlement risk
- money market risk (cash risk)

##### Issuer risk

Issuer risk is defined as credit default risk in the securities holding resulting from the downgraded credit rating or default of an issuer that can lead to a loss of value through to total loss. Issuer risk arises from the purchase of securities, securities issuance activities, credit derivatives and the placement of securities.

##### Country risk

Country risk is the risk of losses caused by events attributable to actions by the government of a given country. This includes the repayment of capital in a specific country being prevented by government intervention, which gives rise to various risks (such as transfer risk, expropriation risk, legal risk, tax risk, security risk).

It also includes the risk of repayment of capital being prevented by a deterioration in the economic and/or political environment (such as through recession, a currency and/or banking crisis, natural disasters, war, civil war, social unrest). Country risk encompasses:

- sovereign risk (state as counterparty)
- transfer and conversion risk

##### Strategy

A risk strategy has been approved for HVB that operationalises the strategic controlling of credit risk. This is done by setting targets and limits for different metrics as needed. Controlling using economic capital, together with volume and risk metrics, is particularly important in this regard. The planning of the targets and limits is embedded in HVB Group's annual plan and takes into account ceilings arising from the requirements regarding the capital base. The limits are intended to leave scope for implementation of the business planning and also to set upper limits, specifically with regard to economic capital.

Systematic controlling and setting of limits for credit risk are essential for sustaining HVB's strategic orientation. The risk strategy is intended to make it possible for both the sales controlling and risk management functions to back transactions with concrete, measurable criteria in order to optimise the risk profile of the credit portfolio. To achieve this, the expected and unexpected losses of a given borrower are determined. These form the basis for drawing up limits and in some cases target portfolios for the different risk types, exposures and risk metrics.

The Industry Credit Risk Strategy includes an assessment of the opportunities and risks for every industry, from which controlling signals and quantitative ceilings for new business are derived.

### **Limit system**

The credit risk strategy defines limits for risk metrics and risk types for individual portfolios. These are allocated at the following levels:

- HVB Group
- HVB
- business areas of HVB Group and HVB
- products and special portfolios (such as Leverage and Project Finance and shadow banking entities)

The following criteria are analysed with regard to the performing portfolio: exposure, expected loss and risk density. An overshooting of the limits is generally not permitted.

In order to avoid concentrations of risk in credit default risk, the following concentration limits and, where appropriate, target portfolios are used for controlling purposes:

- single-name concentrations
- industry concentrations
- concentration limits for countries and regions

The utilisation of the individual limits is classified using a traffic light system:

- green: limit utilisation is below a defined trigger
- yellow: limit utilisation is below the limit but above the defined trigger
- red: limit utilisation is above the limit

If a limit or a trigger is exceeded, an escalation process is initiated to eliminate the overshooting or prevent an overshooting of the limit in the event that a trigger is exceeded. The corresponding responsibilities are defined in the escalation process to ensure the permanent controlling effect of the limits.

### **Credit risk mitigation**

In new lending, HVB pursues the strategy of applying loan collateral that would present an economic benefit to the Bank in the event of default.

For the reduction of credit risk, only such collateral is used as meets the requirements of the Advanced Internal Ratings Based (A-IRB) approach in accordance with Basel III.

Methods have been implemented to value collateral that meet the requirements of Basel III. Empirically determined ratios for realisation proceeds and costs are employed in the valuation together with realisation periods. The land charges are calculated using a statistical model to update the current and forecast fair values at the time of realisation. The fair values are adjusted on an annual basis to reflect the market developments actually observed, and the forecast is reviewed and, where necessary, adjusted. Special simulation methods for valuing collateral have been devised for collateral types with a low default history. In the case of securities, HVB resorts to its own haircut calculations based on historical data. In addition, collateral is taken into account using a substitution approach if permissible under the CRR.

# Risk Report (CONTINUED)

The most significant collateral types in terms of value in the lending business are land charges, guarantees and pledges of financial collateral, which together account for approximately 90% of all valued collateral.

In trading activities, over-the-counter (OTC) derivatives, security financing transactions (SFTs) and exchange-traded derivatives (ETDs) are hedged on the basis of the respective contractual provisions with the counterparties. In the case of OTCs, these are the International Swaps and Derivatives Association (ISDA), the German Master Agreement for Derivatives (Deutscher Rahmenvertrag für Finanztermingeschäfte – DRV) and the Credit Support Annex (CSA, appended to an ISDA master agreement) or BRV (appended to a DRV master agreement). In the case of SFTs, these are the Global Master Repurchase Agreement (GMRA) or the Global Master Securities Lending Agreement (GMSLA). For credit risk reduction, only collateral recognised as eligible under the CRR is permitted for regulatory purposes. Internally, the collateral policy defines conditions for accepting collateral in trading activities. The back office has a consultation and veto right in this regard. Collaterals from the trading business are measured on the basis of current market prices. The counterparty risk exposure is forecast using a refined internal model for predicting the amount of collateral needed and the value of the collateral provided (simulation method).

## Measurement

We use the following risk measurement methods and metrics to assess our credit risk.

## Probability of default (PD)

The internal customer-segment-specific rating and scoring methods of HVB that are available for all significant credit portfolios form the basis for the measurement of credit default risk. The reliable determination of our customers' PDs is critical for credit decisions, pricing and core capital backing under Basel III (A-IRB model) as well as for the internal credit risk model.

The PDs determined on the basis of the rating and scoring methods lead to allocation to a rating class on a ten-point scale. The rating classes 1 to 7 are set aside 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.

In contrast to ratings at customer level for which the customer represents the risk for the Bank, in the case of a transaction rating the risk relates to the transaction. In this instance, the customer is not considered the risk-bearing entity; the individual transaction is rated with its clearly specified risk instead. Typical examples for which transaction ratings are applied are structured loans and securitisations.

## Loss given default (LGD)

The LGD indicates what proportion of the underlying portfolio of receivables would almost certainly be lost in the event of a default. The expected proceeds from the collateral used to reduce credit default risk have a major influence on the amount of the LGD. At the same time, the amount of the LGD is determined by borrower-related criteria. The reliable determination of our customers' LGD is critical for credit decisions, pricing, core capital backing under Basel III (A-IRB model) and our internal credit risk model.

### **Exposure at default (EAD)**

The EAD is the expected amount of the receivable at the time of default. It covers current arrears together with the probable future utilisation by the borrower. These probable future utilisations are determined on the basis of historical data and validated on an annual basis. Off-balance-sheet exposures such as unused, externally committed credit lines are also employed as the reference point for the EAD parameters. The EAD parameters are also incorporated in the credit decision, pricing, core capital backing under Basel III (A-IRB model) and the internal credit risk model.

The credit-risk-oriented calculation of exposures and limits is also carried out for issuer risk. This involves calculating a fair-value-oriented exposure for the individual positions in the trading book, which shows and limits the maximum potential fair value loss without taking account of residual values. A credit-risk-oriented, nominal-value-based exposure is used to limit the banking book and asset-backed security (ABS) positions. Netting effects are taken into account when the limits are set.

In terms of counterparty risk, a simulation method is used to determine future exposure figures for the pre-settlement risk within the scope of an internal model. The default conditional metric used in the internal model to determine the future exposures makes it possible among other things to incorporate the correlation effects between market risk and credit risk, and notably the specific wrong-way risk. The simulation is carried out for up to 50 future dates on the basis of 3,000 market data scenarios for each calculation date.

### **Expected loss (EL) (standard risk costs)**

The expected loss shows the credit default losses to be expected from the credit portfolio over the next 12 months, taking into account the current ratings and collateral on hand. Among other things, it is used for risk identification, as both an absolute and a relative value, in pricing, for profitability calculations and for limitation purposes.

### **Risk density**

The risk density is another risk metric, alongside the EAD and expected loss, that is used to manage the individual HVB sub-portfolios. HVB calculates the risk density as the ratio of expected loss to performing exposure in basis points (bps). It indicates the development of risk in a given portfolio.

### **Unexpected loss (economic capital, EC)**

The economic capital measures the amount of capital required to cover the unexpected loss beyond the expected loss, which, with a probability of 99.90%, will not be exceeded over the next 12 months. This risk metric makes the risk content of the various sub-portfolios comparable, taking into account the concentration risks in the portfolio. It is also used in pricing and the Bank's risk-adjusted profitability calculations.

### **Internal credit risk model**

HVB has been using the credit portfolio model used throughout UniCredit to measure the economic capital of credit risk. The group model follows the structural Merton approach under which correlations between the borrowers are mapped using a multi-factor model, taking into account fluctuations in value arising from rating changes (migration risk) for certain sub-portfolios as well as the pure credit default risk.

The credit portfolio model covers all banking book positions and counterparty risks arising from derivative positions that are relevant pursuant to the definition of credit risk. Issuer risk from the trading book continues to be recorded using the incremental risk charge (IRC) model, which forms part of the market risk in the presentation of the ICAAP.

Country risk is integrated using appropriate PD add-ons. Risk-reducing factors are included by applying reductions to the LGDs and PDs.



### **Risk-based and market-oriented pricing**

Pricing methods and tools are used to manage risk and profitability in the lending business that take into account all cost components – in particular the expected standard risk costs and the cost of capital – and that are each adjusted to reflect the current parameters and bank management. Lending decisions are made under risk/return considerations that are determined in the obligatory pre-calculation prior to a transaction being concluded.

### **Monitoring and controlling**

Risk monitoring takes place at the level of individual exposures. In addition, various instruments are used at portfolio level.

Individual exposures are monitored in both lending and trading operations with the aid of classical monitoring systems, such as rating analysis and early warning systems. Individual exposure limits are also defined in line with the probability of default to limit the risks entered into. Monitoring and reporting of any limit overshooting take place on a monthly basis.

### **Special features of counterparty risk and issuer risk**

We employ limit systems as a key element of the management and controlling of counterparty risk as well as issuer risk to prevent an increase in our risk position that does not comply with the strategy. Each new trade is entered and applied to the corresponding limit without delay (the same day). The pre-settlement risk is established on the basis of an internal model method (IMM) and is recognised by the banking supervisory authorities for calculating capital requirements. To reduce counterparty risk relating to financial institutions, HVB uses derivative exchanges in its function as a central counterparty.

### **Quantification and specification**

The economic capital for credit risk at HVB, without taking account of diversification effects between the risk types and without the model risk cushion, amounts to €3,765 million, which is €464 million higher than the total reported value as at 31 December 2020 (€3,301 million). This change is primarily attributable to changes in models. The financial investment risk from holdings in unlisted companies has been included in credit risk since September 2020.

### **Credit default risk**

The following tables and charts for credit default risk show the aggregate exposure values (total of non-performing and performing exposure) of HVB including issuer risk from the trading book. Issuer risk arising from the trading book is, moreover, included in the regulatory market risk analysis by way of the incremental risk charge. Comments in this regard can be found in the section covering market risk.

The aggregate exposure to credit default risk is referred to as credit default risk exposure, or simply exposure, in the following. Account balances on the entry date are included in the calculation of exposure.

The remaining exposures assigned to the former Real Estate Restructuring business area are excluded from the analysis because the portfolio does not include any further new business and is earmarked for elimination. The portfolio has been reduced consistently in recent years and now stands at €18 million (31 December 2020: €19 million).

## Development of metrics by operating segment

Broken down by operating segment	EXPECTED LOSS <sup>1</sup> € millions		RISK DENSITY in bps <sup>2</sup>	
	2021	2020	2021	2020
Commercial Banking	198	182	19	18
Corporate & Investment Banking	136	136	10	8
Group Corporate Centre	—	—	19	10
Other	1	1	12	371
Consolidation	—	—	—	—
<b>HVB</b>	<b>335</b>	<b>319</b>	<b>14</b>	<b>12</b>

1 Expected loss of the performing exposure without issuer risk in the trading book.

2 Risk density as a ratio of expected loss to performing exposure without issuer risk in the trading book in basis points (bps); 100bps = 1%.

In 2021, the expected loss of HVB increased by €16 million and risk density by 2bps.

The main contributor to this development was the Commercial Banking operating segment, where the expected loss rose by €16 million and risk density by 1bps.

The expected loss in the CIB operating segment remained almost unchanged; the risk density increased by 2bps is mainly due to drawing down liquidity reserves at Deutsche Bundesbank.

## Breakdown of credit default risk exposure by operating segment and risk category

(€ millions)

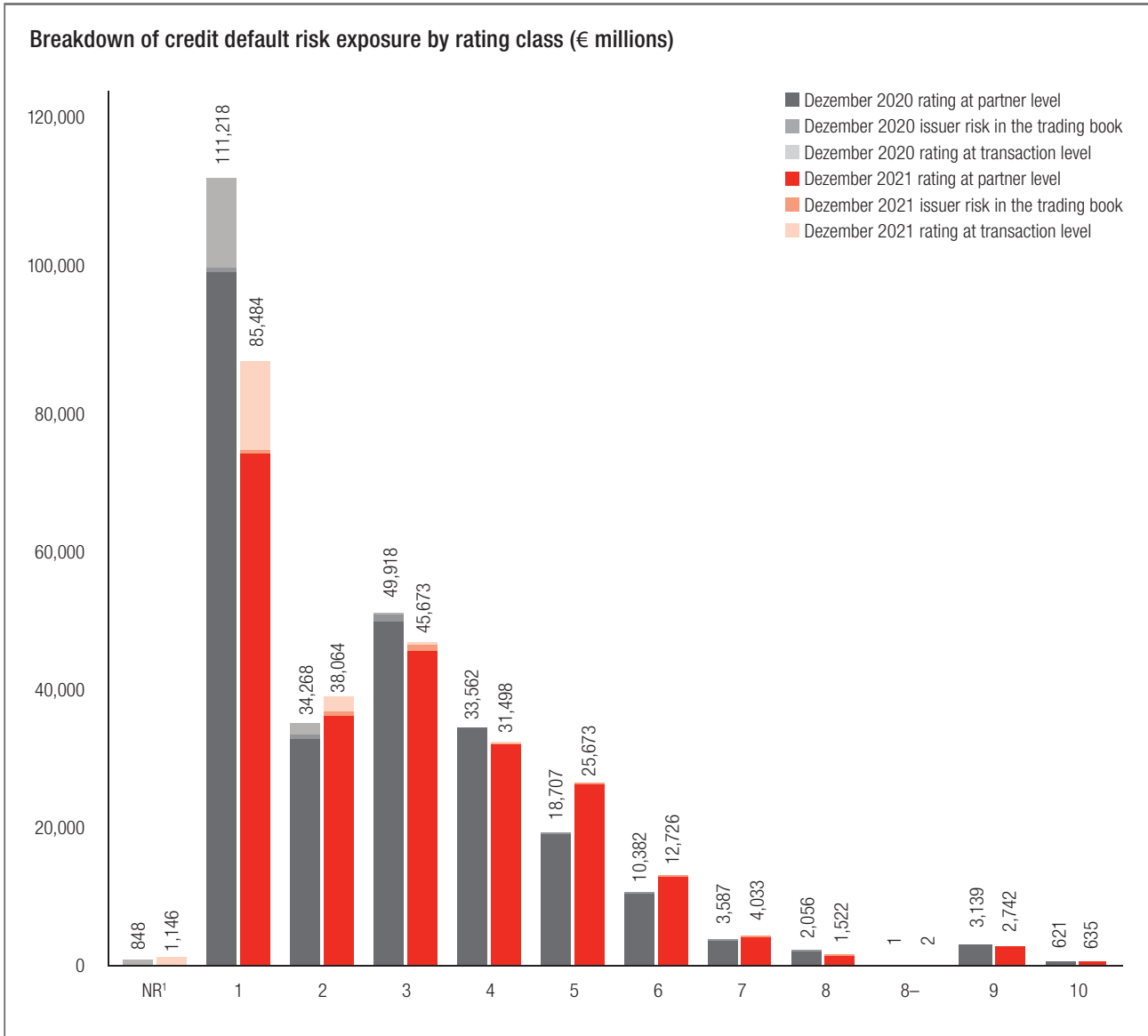
Broken down by operating segment	CREDIT DEFAULT RISK EXPOSURE		OF WHICH COUNTERPARTY RISK		OF WHICH ISSUER RISK IN BANKING BOOK		OF WHICH ISSUER RISK IN TRADING BOOK	
	2021	2020	2021	2020	2021	2020	2021	2020
Commercial Banking	107,315	103,000	4,265	3,240	—	—	—	—
Corporate & Investment Banking	140,922	165,188	21,663	20,762	44,004	44,778	2,315	2,305
Group Corporate Centre	140	105	60	16	6	6	—	—
Other	821	14	—	—	—	—	—	—
Consolidation	—	—	—	—	—	—	—	—
<b>HVB</b>	<b>249,198</b>	<b>268,307</b>	<b>25,988</b>	<b>24,018</b>	<b>44,010</b>	<b>44,784</b>	<b>2,315</b>	<b>2,305</b>

HVB's credit default risk exposure declined by €19,109 million in 2021.

This figure reflects a reduction in exposure of €24,266 million in the CIB operating segment. This is mainly due to a reduction in liquidity reserves at Deutsche Bundesbank.

In the Commercial Banking operating segment, exposure rose by €4,315 million. In the private customers, Among the main drivers of this increase were the real estate and financial institutions (including foreign sovereigns) industries as well as the agriculture and forestry industry.

# Risk Report (CONTINUED)



<sup>1</sup> Not rated.

The rating structure of HVB changed in the course of 2021, primarily as a result of the reduction in exposure of €25,734 million in rating class 1.

The key reasons for this are essentially the reduction in liquidity reserves built up at Deutsche Bundesbank.

## Development of metrics by industry group

Broken down by industry group	CREDIT DEFAULT RISK EXPOSURE € millions		OF WHICH ISSUER RISK IN TRADING BOOK € millions		EXPECTED LOSS <sup>1</sup> € millions		RISK DENSITY in bps <sup>2</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020
Financial institutions (incl. foreign sovereigns)	65,073	83,997	1,724	1,819	29	27	5	3
Real estate	28,618	27,100	31	39	26	24	9	9
Public sector (German sovereign sub-sovereign / public service companies)	22,295	24,425	92	64	—	—	—	—
Special products	16,100	15,482	—	—	5	5	3	3
Energy	15,920	12,704	60	58	13	12	8	10
Machinery metals	10,442	10,298	23	25	34	31	33	31
Chemicals, pharma, healthcare	9,492	10,666	46	44	30	27	32	26
Automotive	7,366	9,071	25	45	16	15	23	17
Construction, building materials	6,848	6,418	54	5	12	11	17	17
Services	5,792	5,599	43	37	18	20	33	36
Food, beverages	5,784	7,145	6	20	10	12	18	17
Consumer goods	5,628	5,015	15	8	19	23	35	48
Telecommunication, IT	5,289	4,673	59	50	8	6	16	14
Transport, travel	4,513	5,605	27	34	9	9	21	18
Agriculture, forestry	3,762	2,823	9	—	8	7	22	26
Electronics	2,695	3,320	21	16	7	5	28	14
Tourism	2,525	2,800	—	1	30	21	155	94
Media, paper	2,220	2,250	6	4	9	7	43	34
Shipping	1,594	1,972	—	—	2	10	15	61
Textile industry	1,454	1,643	9	—	3	6	23	43
Public service companies	1,045	1,153	59	11	1	2	8	17
Retail customers	24,699	24,105	—	—	45	38	18	16
Others	44	43	6	25	1	1	276	294
<b>HVB</b>	<b>249,198</b>	<b>268,307</b>	<b>2,315</b>	<b>2,305</b>	<b>335</b>	<b>319</b>	<b>14</b>	<b>12</b>

1 Expected loss of the performing exposure without issuer risk in the trading book.

2 Risk density as a ratio of expected loss to performing exposure without issuer risk in the trading book in basis points (bps); 100bps = 1%.

The impact of the COVID-19 pandemic is monitored in each of the industry groups on a regular basis and taken into account in the 2021 risk strategy.

How the top five industry groups developed within HVB Group is described below.

**Financial institutions (including foreign sovereigns)**

The exposure in the financial institutions (including foreign sovereigns) industry group decreased by €18,924 million as at 31 December 2021 compared with year-end 2020, mainly driven by lower deposits at the Bundesbank. However, the portfolio's expected loss increased by €2 million and the risk density by 2bps, to 5bps.

Part of the exposure in the financial institutions (including foreign sovereigns) industry group resulted from credit risk exposure to UniCredit S.p.A. and other entities affiliated to UniCredit (upstream and downstream exposure) on account of the strategic positioning of HVB as the group-wide centre of competence for the markets and investment banking business of UniCredit and other business activities (such as export finance and guarantees).

**Real estate**

In the real estate industry, exposure as at 31 December 2021 increased by €1,518 million compared with year-end 2020, whereby the expected loss and also the risk density remained at an almost low level (€26 million and 9bps). The financing business remains focused on Germany.

HVB continues to place its focus on disciplined risk management in compliance with financing policies. Market and portfolio developments are monitored on an ongoing basis in order to be in a position to identify and counter negative developments at an early stage. So far, the COVID-19 pandemic has not resulted in any particular negative developments for the real estate portfolio.

**Public sector (including German sovereign, excluding public service companies)**

The public sector (including German sovereign, excluding public service companies) industry group contains both public entities and private enterprises with public-sector owners. As the German states and the development banks enjoying the formers' full liability represent important counterparties for internal liquidity management, the vast majority of the exposure is due to HVB's own liquidity reserves.

In the public sector (including German sovereign, excluding public service companies) industry group, exposure decreased by €2,130 million in 2021. This decrease is essentially attributable to HVB's expired liquidity reserves.

**Special products**

Special products transactions include ABS/CDO bond investments, customer-related securitisations, securitisations of UniCredit's own assets, structured credit products such as structured fund financing, structured lease transactions and other structured financial transactions (not including project and acquisition financing).

At €618 million, exposure increased significantly in the special products industry group in the 2021 financial year compared with 2020, despite the ongoing COVID-19 pandemic. In this context, the focus remained on customer-related securitisations, which was also in line with the 2021 risk strategy. The latter determined a strategy of growth within clearly defined parameters involving conservative credit standards (for instance in relation to asset classes and rating quality) for sub-segments of the special products portfolio. Despite this growth the expected loss and the risk density remained stable at a very low level (€5 million or 3bps respectively) compared with 2020.

**Energy**

Exposure in the energy industry group increased by €3,216 million in 2021.

The rise is driven by the increased volatility of energy and raw material prices with a corresponding impact on the fair value of hedging transactions. As our focus for new energy business is, as defined in the risk strategy, on large international companies with strong credit ratings in line with our internal sustainability standards, the overall portfolio quality was improved with an expected loss of €13 million and a risk density of 8bps. Project loans in the area of renewable energy are in line with the 2021 risk strategy and the funding standards.

**Exposure development of countries/regions**

The following tables provide a comprehensive view of the concentration risk at country level. The exposure figures are shown with regard to the risk country of the customer.

### Development of credit default risk exposure of eurozone countries

(€ millions)

Broken down by eurozone countries	CREDIT DEFAULT RISK EXPOSURE		OF WHICH ISSUER RISK IN TRADING BOOK	
	2021	2020	2021	2020
Germany	159,962	178,369	188	402
France	11,546	9,152	183	235
Italy	9,236	9,975	644	530
Spain	7,705	7,435	66	53
Ireland	5,391	8,181	13	16
Netherlands	4,422	3,823	45	55
Luxembourg	4,418	5,105	68	59
Austria	2,220	1,843	410	264
Finland	693	293	2	1
Belgium	446	512	12	15
Portugal	83	34	1	6
Greece	44	116	—	—
Slovakia	26	5	3	3
Slovenia	13	14	6	2
Cyprus	13	54	1	—
Estonia	11	16	—	—
Lithuania	5	15	4	13
Malta	—	—	—	—
Latvia	—	—	—	—
Supranational organisations and multilateral banks	2,297	2,532	223	71
<b>HVB</b>	<b>208,531</b>	<b>227,474</b>	<b>1,869</b>	<b>1,725</b>

#### **Italy**

The size of the portfolio results from HVB's role as group-wide centre of competence for the markets and investment banking business of UniCredit. The exposure to Italy also includes the exposure with UniCredit S.p.A



## Development of credit default risk exposure by country/region outside the eurozone

(€ millions)

Broken down by country/region outside the eurozone	CREDIT DEFAULT RISK EXPOSURE		OF WHICH ISSUER RISK IN TRADING BOOK	
	2021	2020	2021	2020
USA	8,672	9,440	211	123
UK	6,060	8,158	38	44
Switzerland	5,868	4,831	62	107
Japan	5,510	5,777	—	—
Asia/Oceania (without Japan, China, Hong Kong)	3,771	2,739	3	1
Western Europe (without Switzerland, UK)	2,197	2,087	15	44
China (including Hong Kong)	2,112	1,961	—	—
CIS/Central Asia (without Turkey)	1,567	1,214	26	63
Eastern Europe (without euro countries)	1,131	1,077	—	—
Near Middle East	1,456	882	80	153
Turkey	1,068	818	—	2
Africa	692	810	—	—
North America (including offshore jurisdictions, without USA)	321	556	8	43
Central/South America	242	483	3	—
Without country classification	—	—	—	—
<b>HVB</b>	<b>40,667</b>	<b>40,833</b>	<b>446</b>	<b>580</b>

In 2021, the total exposure to countries/regions outside the eurozone fell by €166 million.

### Financial derivatives

Alongside the goal of generating returns, derivatives are employed to manage market risks resulting from trading activities (in particular, risks arising from interest-rate fluctuations and currency fluctuations), and also serve to provide cover for on- and off-balance-sheet items within asset/liability management. Besides market risk, derivatives bear counterparty risk or, in the case of credit derivatives, which additionally serve to manage credit risk, also issuer risk.

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

On the basis of these replacement values and not taking into account any risk-reducing effects, the maximum counterparty risk for HVB as at 31 December 2021 totalled €87.2 billion (31 December 2020: €99.6 billion). The year-on-year decline of €12.4 billion is primarily attributable to OTC interest rate swaps (down €14.9 billion) and cross-currency swaps (down €1.8 billion). This is offset by increases of €3.0 billion in other transactions and €1.6 billion in OTC interest rate options (purchases).

In accordance with the regulatory provisions under CRR as well as taking account of the internal model method (IMM) that has been approved by the regulatory authorities for use by HVB to determine counterparty risks, HVB's derivative business results in risk-weighted assets arising from counterparty risk of €6.7 billion as at 31 December 2021 (31 December 2020: €5.1 billion).

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

## 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	2021	2020	2021	2020	2021	2020
<b>Interest rate derivatives</b>	<b>1,918,640</b>	<b>1,889,327</b>	<b>1,776,806</b>	<b>5,584,773</b>	<b>3,923,289</b>	<b>68,611</b>	<b>81,809</b>	<b>63,899</b>	<b>75,796</b>
OTC products									
Forward rate agreements	940,639	1,144	—	941,783	326,980	48	21	45	23
Interest rate swaps	832,269	1,751,663	1,669,363	4,253,295	3,223,778	62,756	77,703	57,833	69,717
Interest rate options									
– purchased	16,711	49,963	47,488	114,163	125,679	5,435	3,825	204	235
– written	17,080	65,067	59,954	142,101	146,332	255	229	5,664	5,820
Other interest rate derivatives	35,795	6,808	—	42,603	54,018	116	30	152	1
Exchange-traded products									
Interest rate futures	50,495	10,682	—	61,177	30,457	—	—	—	—
Interest rate options	25,650	4,000	—	29,650	16,045	—	1	—	—
<b>Foreign exchange derivatives</b>	<b>217,824</b>	<b>41,657</b>	<b>2,921</b>	<b>262,402</b>	<b>249,330</b>	<b>2,641</b>	<b>3,334</b>	<b>2,613</b>	<b>3,007</b>
OTC products									
Foreign exchange forwards	181,138	26,469	2,905	210,513	190,176	2,192	2,595	2,213	2,421
Foreign exchange options									
– purchased	16,796	6,986	8	23,790	28,106	204	334	136	240
– written	19,795	8,202	7	28,003	30,608	184	303	265	346
Other foreign exchange derivatives	62	—	—	62	338	62	102	—	—
Exchange-traded products									
Foreign exchange futures	34	—	—	34	102	—	—	—	—
Foreign exchange options	—	—	—	—	—	—	—	—	—
<b>Cross-currency swaps</b>	<b>38,506</b>	<b>107,669</b>	<b>64,888</b>	<b>211,063</b>	<b>193,333</b>	<b>4,380</b>	<b>6,226</b>	<b>3,731</b>	<b>5,026</b>
<b>Equity/index derivatives</b>	<b>95,971</b>	<b>81,009</b>	<b>15,877</b>	<b>192,857</b>	<b>174,521</b>	<b>6,669</b>	<b>6,463</b>	<b>5,848</b>	<b>5,412</b>
OTC products									
Equity/index swaps	3,402	7,490	5,594	16,486	7,415	368	458	422	276
Equity/index options									
– purchased	2,831	2,264	2,443	7,538	7,346	278	194	12	53
– written	18,116	7,157	3,815	29,087	46,959	297	260	515	663
Other equity/index derivatives	29,142	317	2	29,461	26,623	1,819	1,681	3	—
Exchange-traded products									
Equity/index futures	13,805	10,780	1,244	25,829	16,131	—	—	—	—
Equity/index options	27,780	52,305	2,758	82,844	68,863	3,907	3,870	4,896	4,420
Equity swaps	895	694	22	1,611	1,184	—	—	—	—
<b>Credit derivatives<sup>1</sup></b>	<b>1,736</b>	<b>15,629</b>	<b>377</b>	<b>17,741</b>	<b>9,486</b>	<b>210</b>	<b>82</b>	<b>334</b>	<b>290</b>
<b>Other transactions</b>	<b>41,579</b>	<b>19,040</b>	<b>614</b>	<b>61,233</b>	<b>16,424</b>	<b>4,685</b>	<b>1,708</b>	<b>7,075</b>	<b>1,769</b>
<b>HVB</b>	<b>2,314,256</b>	<b>2,154,331</b>	<b>1,861,483</b>	<b>6,330,069</b>	<b>4,566,383</b>	<b>87,197</b>	<b>99,622</b>	<b>83,500</b>	<b>91,300</b>

1 For details of credit derivatives, please see the tables "Credit derivatives" and "Credit derivatives by reference asset" below.

Derivative transactions with a residual maturity of up to three months accounted for a nominal total amount of €1.0 billion as at 31 December 2021 (of which credit derivatives on a pro-rata basis: €0.2 billion).

# Risk Report (CONTINUED)

## Derivative transactions by counterparty type

(€ millions)

	FAIR VALUE			
	POSITIVE		NEGATIVE	
	2021	2020	2021	2020
Central governments and central banks	8,206	11,750	1,223	1,364
Banks	45,063	50,362	45,959	51,378
Financial institutions	28,029	32,605	29,276	34,633
Other companies and private individuals	5,899	4,905	7,042	3,925
<b>HVB</b>	<b>87,197</b>	<b>99,622</b>	<b>83,500</b>	<b>91,300</b>

## Credit derivatives

(€ millions)

	NOMINAL AMOUNT			TOTAL		FAIR VALUE			
	RESIDUAL MATURITY					POSITIVE		NEGATIVE	
	UP TO 1 YEAR	MORE THAN 1 YEAR UP TO 5 YEARS	MORE THAN 5 YEARS	2021	2020	2021	2020	2021	2020
<b>Banking book</b>	<b>18</b>	<b>383</b>	<b>74</b>	<b>475</b>	<b>189</b>	<b>1</b>	<b>—</b>	<b>1</b>	<b>8</b>
Protection buyer									
Credit default swaps	—	66	10	76	189	—	—	1	8
Total return swaps	—	—	—	—	—	—	—	—	—
Credit-linked notes	18	317	61	396	—	1	—	—	—
Protection seller									
Credit default swaps	—	—	—	—	—	—	—	—	—
Total return swaps	—	—	—	—	—	—	—	—	—
Credit-linked notes	—	—	3	3	—	—	—	—	—
<b>Trading book</b>	<b>1,718</b>	<b>15,246</b>	<b>303</b>	<b>17,266</b>	<b>9,297</b>	<b>209</b>	<b>82</b>	<b>333</b>	<b>282</b>
Protection buyer									
Credit default swaps	420	7,932	—	8,352	4,671	7	6	237	109
Total return swaps	265	66	48	379	901	2	2	82	157
Credit-linked notes	399	341	56	796	43	2	—	3	—
Protection seller									
Credit default swaps	440	6,542	151	7,133	3,662	197	74	8	16
Total return swaps	—	64	—	64	—	—	—	2	—
Credit-linked notes	194	301	48	542	20	1	—	1	—
<b>HVB</b>	<b>1,736</b>	<b>15,629</b>	<b>377</b>	<b>17,741</b>	<b>9,486</b>	<b>210</b>	<b>82</b>	<b>334</b>	<b>290</b>

## Credit derivatives by reference asset

(€ millions)

	NOMINAL AMOUNT			TOTAL 2021	TOTAL 2020
	CREDIT DEFAULT SWAPS	TOTAL RETURN SWAPS	CREDIT-LINKED NOTES		
Public sector bonds	306	130	131	567	578
Corporate bonds	14,957	115	674	15,746	8,197
Equities	—	—	—	—	—
Other assets	298	198	932	1,428	711
<b>HVB</b>	<b>15,561</b>	<b>443</b>	<b>1,737</b>	<b>17,741</b>	<b>9,486</b>

Single-name credit derivatives make up 18.9% of the total; multi-name credit derivatives, relating notably to baskets or indices, account for a share of 81.1%.

### Stress tests

By carrying out stress tests in the credit portfolio, credit risk managers obtain information on a quarterly basis about the possible consequences of a negative change in the underlying economic conditions in addition to the monthly analysis of the real portfolio development. The focus here is on the risk metrics of risk-weighted assets, expected loss and economic capital, and the changes in the portfolio quality. Concentration stress tests, ad hoc stress tests, inverse stress tests and sensitivity analyses are carried out alongside the stress tests based on macro-economic scenarios (results of which are included in the cross-risk-type stress test calculations, among others).

## 2 Market risk

### Categories

We define interest rate risk as the risk of values changing on account of fluctuations in interest rates.

Foreign currency risk arises from fluctuations in exchange rates.

Stock and commodity risk is defined as the risk arising from changing rates on the stock and/or commodity markets.

We define the credit spread as the premium on the interest rate compared with a risk-free investment. Fluctuations in the credit spread give rise to credit spread risk.

The risk that results from changes in volatilities is subsumed in option risk.

### Strategy

Market risk essentially arises in the CIB business segment. As was already the case in previous years, the focus in 2021 was on customer transactions.

One part of the market risk is entailed in trading books while the other part – mainly invested in interest-bearing securities – lies in strategic investments or in liquidity reserve portfolios. All positions exposed to market risk are subject to corresponding limits.

### Limit system

All market risk-bearing transactions of HVB Group recognised at fair value are aggregated every day to form value-at-risk (VaR) metrics and set against the risk limits for internal control purposes.

In accordance with the 2021 risk strategy, a new framework for managing market risk limits has been implemented. The main purpose of this new framework is to focus on the fluctuation of the values in profit and loss accounting. VaR limits are set for items recognised at fair value through profit or loss (FVTPL) and for items recognised at fair value through other comprehensive income (FVOCI). The risk limits are approved annually by the Management Board of HVB and adjusted as required. Both groups of limits are equally binding and compliance with them is equally enforceable.

When the 2021 risk strategy was adopted, the FVTPL limit for HVB was set at €54 million and the FVOCI limit at €23 million.

Monitoring of the regulatory metrics stressed VaR and incremental risk charge to be used additionally for the internal market risk model is ensured by setting limits for the risk values that are reported on a weekly basis.

Alongside management using the VaR approach, the risk positions of key units are restricted by an additional bundle of granular limits. These limits relate to sensitivities, stress test results and nominal volumes in various risk classes.

### Measurement

The VaR shows the maximum expected loss caused by market price fluctuations that with a certain probability (confidence level) will not be exceeded over a given period. We use a confidence level of 99.00% and a holding period of one day for internal risk reports, management and risk limits.

We use a historical simulation to calculate the VaR. This method makes it possible to calculate the VaR without having to make any fundamental assumptions regarding the statistical distribution of the movements in the portfolio value. It encompasses the generation of the hypothetical distribution of earnings (gains and losses) from a portfolio of financial instruments directly using the historical market price fluctuations of the last 250 days.

HVB has defined several further market risk metrics under the current CRR rules for risk management as well as the VaR:

- The stressed VaR is calculated in the same way as the VaR; however, the associated 12-month observation period is selected in which the most significant negative market changes for HVB's trading portfolio have occurred. The amount calculated for the regulatory report relates to a holding period of ten days and a confidence level of 99.00%.
- The incremental risk charge (IRC) for credit-risk-sensitive positions is the internal approach used to determine the specific risks (specific price risk for net interest positions). This includes credit default risk and migration risk, meaning that both the change in ratings (migration) and the potential default on a credit product are taken into account. The calculated amount for both regulatory and internal reporting relates to a holding period of one year and a confidence level of 99.90%.

- In addition, further risks not taken account of in the internal market risk model are covered by the regulatory standard approach. This essentially relates to the specific risk entailed in securitisations and risk positions in the form of units in undertakings for collective investment (UCI) and risks arising from shares and indices caused by implicit fluctuations in the repo rate.
- Based on the CRR regulations, we calculate risks with regard to the credit valuation adjustment (CVA). The CVA risk shows the risk of losses in value based on changes in the expected counterparty default risk for all relevant OTC derivatives under CRR. We use our own internal model to calculate the vast majority of the CVA. For the regulatory report, the internal model calculates both the CVA VaR and the stressed CVA VaR on the basis of a 10-day holding period and a confidence level of 99.00%.

### Monitoring and controlling

The market risk positions recognised at fair value are monitored using a hierarchical limit system that restricts the potential loss from market risk. This involves restricting the VaR totals from FVTPL and FVOCI positions by setting appropriate limits.

The VaR figures are reported daily along with the limit utilisation and the profit and loss figures (P/L) to the Management Board member responsible and the persons responsible in the CIB operating segment. Whenever limits are exceeded, an escalation process is triggered immediately and the reduction of the positions in question monitored.

The Market Risk Management department has direct access to the front-office systems used in trading operations. The monitoring of trading activities comprises prompt allocation to credit risk limits and detailed validation and coordination of the P/L on the following day. In this context, both the daily changes in the market price risk profile and the P/L generated from new business are calculated.

In addition to the daily reports, the management is informed on a weekly and monthly basis about the results of the risk analysis, including the results of back-testing and stress tests as well as sensitivity ratios.

HVB calculates economic capital on the basis of the assumption that operations will continue (continuity of operations). To calculate and allocate the economic capital requirements for market risk, the hypothetical distribution used to determine the VaR is based on an observation period of 500 trading days, in which connection only interest rate movements are taken into account for positions carried at cost. Any hedge effect of the model book for own funds is not included. The results from the credit valuation adjustment (CVA) and funding valuation adjustment (FVA) risk are added to this hypothetical distribution, whereby the FVA risk is derived from the expected future funding costs of derivative transactions. Furthermore, market risks are also added that arise from the Incremental Default Risk Charge (IDRC), which in contrast to the regulatory IRC approach only takes account of issuer default, the market risk standard approach, add-ons for ABS risks and for gap option risks. All risks, with the exception of the add-ons, are scaled accordingly to obtain a holding period of one year and a confidence level of 99.90%.

The regulatory capital requirement for market risk encompasses the VaR and stressed VaR for, in each case, a 10-day holding period together with the IRC and the market risk standard approach. The CVA risk is also taken into account. When calculating the capital requirement, the individual risk metrics are aggregated by regulatory averages, maximum calculation and scaling.

### Quantification and specification

The economic capital for market risk at HVB, without taking account of diversification effects between risk types, amounts to €2,258 million (31 December 2020: €1,999 million).

The following table shows the aggregated market risk for internal risk controlling at HVB over the course of the year. Most of the market risk arises from positions of the CIB operating segment of HVB.

### Market risk of HVB (VaR. 99.00% confidence level, one-day holding period)

(€ millions)

	MARKET RISK OF POSITIONS RECOGNISED AT FVTPL			MARKET RISK OF POSITIONS RECOGNISED AT FVOCI		
	AVERAGE	PERIOD END		AVERAGE	PERIOD END	
	2021	31/12/2021	31/12/2020	2021	31/12/2021	31/12/2020
Credit spread risk	6.0	3.7	10.3	4.8	2.9	10.9
Interest rate positions	7.1	7.1	6.0	3.3	2.3	7.8
Foreign exchange positions	1.8	0.7	1.8	0.2	0.2	0.2
Equity/index positions <sup>1</sup>	4.0	6.6	6.2	—	—	—
<b>HVB<sup>2</sup></b>	<b>7.1</b>	<b>8.2</b>	<b>11.1</b>	<b>6.1</b>	<b>3.4</b>	<b>11.9</b>

<sup>1</sup> Including commodity risk.

<sup>2</sup> Because of the diversification effects between the risk categories, the total risk is less than the sum of the individual risks.

The decline in risk in 2021 is attributable to reduced market volatility as a result of less uncertainty regarding the COVID-19 pandemic.

The regulatory capital requirements for the past twelve months are described below, broken down by the relevant risk metrics.

### Regulatory capital requirements of HVB

(€ millions)

	30/12/2021	30/9/2021	30/6/2021	31/3/2021	31/12/2020
Value at risk	76	47	47	94	92
Stressed value at risk	294	179	198	216	247
Incremental risk charge	240	221	263	256	220
Market risk standard approach	36	37	41	53	47
CVA value at risk	7	4	6	25	34
Stressed CVA value at risk	34	35	35	36	38
CVA standard approach	44	44	60	40	34

The decline in risk metric value at risk in the second and third quarters of 2021 is mainly due to fewer market fluctuations in connection with less uncertainty with respect to the economic consequences of the COVID-19 pandemic.

### Regulatory back-testing of the internal model at HVB for 2021

The forecasting quality of the VaR measurement method is reviewed by means of daily back-testing that compares the computed regulatory VaR figures with the changes in the hypothetical portfolio value. Eight reportable back-testing outliers occurred in 2021. The hypothetical loss was larger than the forecast VaR figure on these days.

Alongside back-testing using the hypothetical change in value, HVB also uses a back-testing method based on the change in the actual portfolio value to validate the model. In 2021, there were eight instances of a limit being exceeded.

Besides back-testing, further methods are used at quarterly intervals to check the quality of the model. These involve analysing the suitability of both the modelling and the risk factors used and adjusting them as required. Risks that cannot be adequately modelled are monitored and limits set for them if they are material.

### Market liquidity risk

Market liquidity risk relates to the risk that the Bank will suffer losses due to the disposal of assets that can only be liquidated on the market at a discount. In an extreme case, HVB may not be able to sell such an asset, as the market does not offer enough liquidity or the Bank holds a position that is too large relative to market turnover. The CRO organisation is responsible for managing market liquidity risk and conducts advanced market liquidity analyses.

### Stress tests

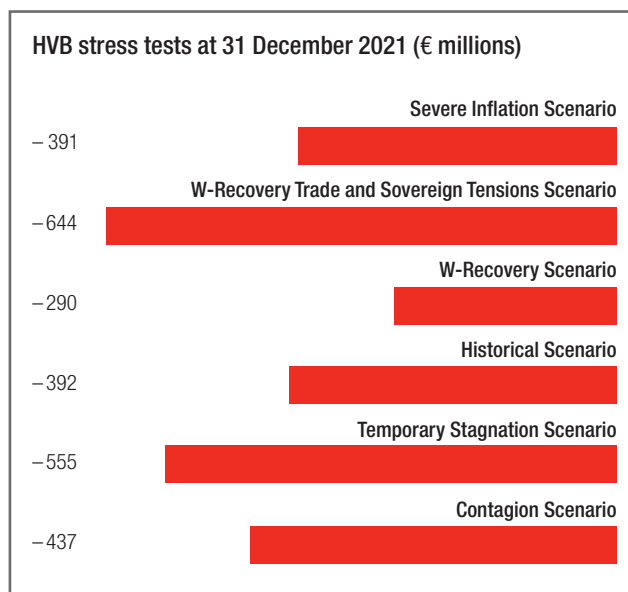
In addition to calculating the VaR and the other risk metrics, we conduct stress tests on a monthly basis to determine the potential losses in our market risk positions resulting from extreme market movements and extraordinary events. The scenarios we examine range from large movements in interest rates, currency and equity markets through to disruptions in the underlying volatilities. Further scenarios are also considered for HVB Group, such as a widening of credit spreads. We also analyse macroeconomic stress test scenarios based on real market upheavals in the past (historical stress tests) or current threats (hypothetical stress tests).



The Historical scenario is calculated to evaluate the effects of a potential financial crisis. This scenario reflects the trend in the financial crisis in 2009. To take account of the low market liquidity, the time horizon for this scenario was extended and covers a period of three months.

Further hypothetical scenarios are based on potential market movements in the future. The Contagion scenario assumes that the debt crisis will worsen in Europe whereas three hypothetical scenarios “W Recovery”, “W Recovery Trade and Sovereign Tensions” and “Temporary Stagnation” take account of the different effects of the COVID-19 pandemic. From December 2021, high inflation and rising interest rates are simulated in the “Severe Inflation” scenario.

At 31 December 2021, the most significant stress test result involves a potential loss of €0.6 billion from the “W Recovery Trade and Sovereign Tensions” scenario. This scenario is also used in the cross-risk-type stress tests, where it is analysed for risk-taking capacity. On 31 December 2020, the “W Recovery Trade and Sovereign Tensions” scenario also showed the highest stress test loss at €0.7 billion.



As described under the sub-header “Stress tests” in the section entitled “Implementation of overall bank management”, inverse stress tests were again carried out in 2021. Risks resulting from market risk in the banking portfolio were also included in this analysis.

### Interest rate risk in the banking book

The interest rate risk in the banking book is the risk relating to the Bank’s capital and income caused by changes in interest rates. The strategy of the interest rate risk in the banking book aims to reduce negative effects on net interest income caused by fluctuations in interest rates over several years and to generate sustainable earnings. The modelling of contractually short-term deposits and non-interest-bearing assets and non-interest-bearing liabilities helps to stabilise the flow of income. Interest rate risk management also takes account of customer behaviour with regard to early repayments of loans. Parameters are based on statistical analyses.

HVB measures and monitors this risk with regard to the change in the economic value as well as the income of the Bank. In this context, it is ensured that the methodologies and models as well as limits or thresholds for the sensitivity of net interest and the present value are consistent. Interest rate risk exposure from commercial banking transactions is managed and hedged by the Treasury department. The market risk of the Treasury department is monitored on a daily basis. Present value-based measurement shows the effects of fluctuations in the interest rate on the economic value of assets and liabilities as a relevant risk measure. In line with regulatory reporting requirements, the absolute change in present value and the coefficients from the change in present value and regulatory own funds are calculated on a monthly basis in the event of a 200bps increase or a 200bps decrease in interest rates. In addition, six further interest rate scenarios are calculated as early warning indicators, in which, however, the changes in present value are considered in relation to the core capital. In December 2021, the plus 200bps increase in interest rates and the parallel shift upwards as an early warning indicator resulted in the greatest negative changes in present value. The interest rate scenarios stated are calculated according to Circular 6/2019 (BA) of the Federal Financial Supervisory Authority on interest rate risks in the banking book. The evaluations are carried out as required without taking account of the hedge effect from the model book for own funds from a regulatory perspective. In accordance with the European Banking Authority, additional modified model assumptions have been included in the calculation of the sight and savings deposits.

**Information on interest rate risks in the banking book**

	31/12/2021		31/12/2020	
	€ millions	in %	€ millions	in %
+200 basis points	(1,630)	(9.9)	(331)	(2.0)
-200 basis points	112	0.7	(40)	(0.3)

HVB is well below the specified 20% mark, above which the banking supervisory authorities consider a bank to have increased interest rate risk, and below the 15% mark, which is seen as an early warning indicator. Customer margins are not included. The significant changes in figures compared with year-end 2020 are due to the decrease in the model components of sight and savings deposits that were not invested due to higher interest rates.

In addition to the present value approach, a simulation of net interest in the banking book is performed for HVB on a monthly basis. The focus of this analysis is the impact of changes in interest rates on net interest income compared with the benchmark scenario over a defined

time horizon. The scenarios are limited internally with parallel shifts in the yield curve by 100bps upwards (parallel upwards) and by minus 25bps to minus 100bps downwards depending on the currency (parallel downwards). The interest rate shocks downwards were updated at the beginning of the year. Assumptions regarding the elasticity of sight and savings deposits are also taken into account. Depending on the contractual agreement with the customer, a floor of 0% could be employed for commercial banking products. In such a case, the interest rate shock downwards would not be fully applied. Model assumptions are also incorporated into the analysis. This relates notably to products with unknown and/or undefined maturities and included options. The results are below the internal early warning indicator of minus 11.0%.

**Effects of changes in the interest rate on net interest**

	31/12/2021		31/12/2020	
	€ millions	in %	€ millions	in %
Parallel upwards	(65)	(2.8)	179	7.5
Parallel downwards	23	1.0	(31)	(1.3)

The resulting sensitivity analysis was carried out on the basis of the planned net interest for the 2021 financial year. The change in results compared with the previous year can be explained by the changed positions held by the Bank.

Furthermore, additional stress test scenarios are performed to estimate the basis risk (resulting from the imperfect correlation in reference interest rates for different instruments and products) and the effects of nonparallel shocks.

### 3 Liquidity risk

Liquidity risk consists of the following categories:

- short-term liquidity risk
- operational liquidity risk (as part of the short-term liquidity risk)
- funding risk
- market liquidity risk

#### Categories

##### Short-term liquidity risk

Short-term liquidity risk relates to the risk of a discrepancy in the amount and/or maturity of incoming and outgoing payments in the short run (one year or less).

##### Intraday/operational liquidity risk, which is part of the short-term liquidity risk

Operational liquidity risk arises when a financial institution cannot meet its intraday payment obligations (payment obligations within one trading day) from its current incoming and outgoing payments, hence becoming technically insolvent. This can be considered a special type of short-term liquidity risk. An intraday cushion is set up as part of the short-term liquidity cushion with a view to balancing the intraday liquidity requirement and covering unforeseen payment obligations.

##### Funding risk

The funding risk (structural liquidity risk) is defined as the risk of not being able to raise the necessary refinancing funds at an appropriate ratio between medium to long-term assets and liabilities (over one year), at acceptable prices and in a stable and sustainable manner without adversely affecting the Bank's day-to-day operations or financial position. It could potentially have an impact on the funding costs (own credit and market funding spread) and thus on the future earnings of the company.

##### Market liquidity risk

Information on the market liquidity risk is provided in the section entitled "Market risk".

##### Strategy

Liquidity management at HVB is divided into short-term liquidity management (one year or less) and long-term liquidity management (more than one year). Risk drivers that may be the cause of potential liquidity outflows have been identified for the various segments.

Furthermore, various dimensions of liquidity risk management have been defined to which appropriate instruments and controlling mechanisms have been assigned depending on the type of risk involved.

The risk appetite is defined with regard to liquidity risk on the basis of the business activities and taking into account risk sources and risk drivers. This forms the foundation for the management and limit mechanisms, such as liquidity reports, projections and plans, and the definition of liquidity cushions to be maintained for unexpected outflows of liquidity during the day. The result is the specification of limits, triggers and a minimum survival period that matches the risk appetite.

##### Limit system

For the management of short-term liquidity risk, we have put in place a cash-flow-oriented limit system that presents the relevant balances within HVB per working day and limits the positions appropriately.

The difference between the calculated potential liquidity requirement and the existing liquidity reserves is limited.

A limit was set for operational liquidity risk as part of short-term liquidity risk by implementing a minimum balance to be observed during the day, by means of which additional liquidity is maintained to cover unforeseeable outflows (intraday liquidity cushion).

Funding risk or structural liquidity risk is restricted by defining a limit for the ratio of liabilities to assets.

The effects arising from the change in funding spreads are to a very large extent taken into account by limiting funding risk. In addition, the internal transfer prices for the lending and deposit-taking activities are continually reviewed for appropriateness and regularly adjusted to reflect the market situation.

### Reduction

Among other things, specific processes, implementation of an early warning system complete with early warning indicators and a limit system, as well as the management of highly liquid assets made available as collateral serve to reduce the liquidity risk.

### Measurement

#### Short-term liquidity risk

To measure short-term liquidity risk, cash flow profiles are produced on a daily basis. The resulting balances are compared with the available liquidity reserves, which consist primarily of the available highly liquid securities eligible at all times as collateral for central bank borrowings. The cumulative balance of the above-named components is backed with limits for all maturity buckets of up to three months for the relevant units of HVB.

The aggregate amount for the three-month maturity bucket is published in the Risk Report for short-term liquidity risk as the relevant figure for managing the Bank's liquidity risk.

Furthermore, stress-test scenarios based on the liquidity profiles of the HVB units are simulated at regular intervals and the impact on liquidity is calculated. The corresponding stress-test scenarios take account of both company-specific influences (e.g. potential HVB-specific incidents) and external factors (e.g. disruptions in global financial markets), as well as a combination of company-specific and external factors (e.g. the scenario demanded under the MaRisk rules).

A time horizon of up to two months is defined for the individual stress-test scenarios, during which the available liquidity reserves are expected to exceed the simulated outflows of liquidity. This ensures that countermeasures can be initiated promptly, if required. In addition, the defined early warning indicators and relevant concentration risks are determined and monitored at regular intervals.

Calculating the liquidity coverage ratio (LCR) is intended to ensure that an institution is able to meet its short-term payment obligations under the assumption of an acute stress test scenario over a period of 30 calendar days.

### Funding risk

To measure funding risk, the long-term funding requirements based on the expected business development are determined and updated in a coordinated process. The long-term funding requirements, which are used to set the funding targets and are presented to the Financial and Credit Risk Committee in the context of a financial risk session, take into account the assets and liabilities falling due in the planning period. The key assumptions underlying the risk measurement methods are reviewed on a regular basis to assess their appropriateness.

The net stable funding ratio (NSFR) is used as the key internal indicator for measuring funding risk according to CRR II requirements. An internal indicator "adjusted NSFR" is calculated for the time horizon greater than three years, in which connection the net surplus of current liabilities to assets is assumed to be stable. In addition, both the loan-to-deposit ratio and the funding gap are recorded.

## **Monitoring and controlling**

### **Short-term liquidity risk**

The task of monitoring the short-term liquidity situation at HVB has been entrusted to the Finance unit in the CFO organisation. This essentially involves analysing and controlling the short-term liquidity profiles within the scope of the limits defined and monitored by the CRO organisation on a daily basis. The monitoring and controlling of intraday liquidity risk are essentially performed on the basis of various minimum balances that must be observed during the day and at the beginning of the day. These are set against the current volumes in the relevant accounts on a regular basis and monitored. Responsibility for monitoring and controlling developments on the respective local markets rests with the local Treasury units, which report to the Finance unit as and when necessary.

For short-term liquidity risk, moreover, monthly stress analyses based on various scenarios allow us to make projections on the impact of sudden disruptions on the liquidity position, enabling us to take the necessary management measures as early as possible. Units in the CRO organisation are responsible for monitoring and analysing the stress-test scenarios and the early warning indicators, while the CFO organisation has been tasked with monitoring and analysing the portfolio of freely disposable securities eligible as collateral for central bank borrowings that can be used at short notice to cover unexpected liquidity outflows as well as concentration risk. Additional market liquidity analyses are carried out by the CRO organisation during the stress tests.

### **Funding risk**

The task of monitoring the structural liquidity situation at HVB has similarly been entrusted to the Finance unit in the CFO organisation. This essentially involves analysing and controlling the long-term mismatches in the maturities of assets and liabilities within the scope of the defined limits and also specified funding targets. Compliance with the long-term funding ratios is monitored on a monthly basis. The funding risk of HVB is broken down by product, market and investor group. The front-office units implement the volume and product parameters derived from the funding targets cost-efficiently upon consultation with the Finance unit. This activity is similarly supported by a liquidity cost allocation mechanism – known as Funds Transfer Pricing (FTP) – for all significant business activities, the principles of which are defined in the FTP policy.

The Financial and Credit Risk Committee and the Management Board are regularly informed about the current liquidity and funding situation. A contingency plan is in place to allow the impact of potential liquidity crises to be managed. This plan describes and regulates the distribution of responsibilities, internal reporting requirements, decision-making powers and potential measures.

The rules and regulations governing liquidity management are defined in a liquidity policy adopted by the Management Board of HVB. The key points contained in the policy relate to the ability to satisfy financial obligations at all times in line with the defined risk appetite. Its objectives include the following: optimising the projected cash flows, restricting the cumulative short-term liquidity differences, performing stress tests at regular intervals and restricting the long-term maturity mismatches between the liabilities side and the assets side.

The liquidity policy and contingency plan together with supplementary remarks are updated at regular intervals by the CRO organisation with support from the CFO organisation. The liquidity policy is implemented by the operational business units and coordinated and monitored for the relevant units of HVB by the Market Risk unit in the CRO organisation.

**Quantification and specification****Short-term liquidity risk**

Within the framework of our limit system, we showed an overall positive balance of short-term liquidity risk of €41.5 billion at HVB for the three-month maturity bucket at 31 December 2021 (at 31 December 2020: €56.6 billion). The holding of available securities eligible as collateral for central bank borrowings that can be employed on the next banking day to compensate for unexpected outflows of liquidity amounted to €12.1 billion at the end of 2021 (31 December 2020: €13.5 billion).

The liquidity coverage ratio (LCR) of a minimum of 100% to ensure that an institution is able to meet its short-term payment obligations was exceeded at HVB as at 31 December 2021 with a value of more than 100%.

**Funding risk**

The funding risk of HVB was again low in 2021 thanks to our broad funding base in terms of 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. By the end of December 2021, HVB had obtained longer-term funding with a volume of €14.4 billion, including a further TLTRO III tranche of €5.9 billion (31 December 2020: €38.3 billion, €25.7 billion of which was concluded via the Targeted Longer-Term Refinancing Operation of the ECB (TLTRO III)). There is a regulatory minimum ratio of 100% to be complied with from June 2021 for the NSFR. HVB adhered to a ratio of over 100% in 2021 based on CRR II requirements. The internal indicator “adjusted NSFR greater than three years” was over 100% in this period. On account of their ratings, our Pfandbriefe still remain an important funding instrument.

**Stress tests**

Stress analyses are carried out at regular intervals, enabling us to make projections on the impact of sudden disruptions to our liquidity position on the basis of various scenarios so that we can initiate appropriate management measures as early as possible.

We include Bank-specific, market-wide and combined scenarios when conducting our stress tests. The calculations at the end of the year 2021 showed that the available liquidity reserves were sufficient to cover the funding requirements over the minimum period demanded.

**4 Operational risk****Strategy**

The risk strategy pursues the goal of reducing operational risk (OpRisk) to a reasonable level from a profitability perspective and taking the defined risk appetite into account. This is primarily intended to reduce or avoid significant losses by taking appropriate measures and also helps to generate a sustainable improvement in earnings. To make the risk strategy more specific, Bank-wide and business-segment-specific action areas are defined on the basis of influencing factors and strategic risk areas relevant to operational risk.

**Limit system**

Operational risk is managed overall for HVB based on an internal capital limit of HVB Group.

## **Reduction**

HVB has a group-wide organisational structure for operational risk management. The individual business areas of HVB are responsible for identifying, analysing and managing operational risk.

Loss events that have occurred and significant risks are reported to the Management Board at regular intervals. On a local level, operational risk managers report losses and relevant risks to their senior management on a quarterly or half-yearly basis.

## **Information technology (IT)**

UniCredit Services S.C.p.A. provides most IT services for HVB. HVB adheres to a control framework set forth by UniCredit Group in order to monitor and manage all significant IT and cyber risks appropriately within the ICT management processes. Any outsourcing of activities to additional providers is subject to clear IT compliance guidelines and will also be monitored in the context of the overarching control process.

## **Business continuity management, IT service continuity management and crisis management**

The business continuity, IT service continuity and crisis management function demonstrated its effectiveness and appropriateness by successfully mastering critical situations. In addition, the emergency precautions are adapted constantly to accommodate new threats. The business continuity and crisis management function successfully navigated the COVID-19 pandemic which has persisted since 2020.

## **Legal risk and compliance risk**

Legal risk as a subcategory of operational risk is defined as the possibility of losses, damage or costs caused by lack of knowledge of the current legal situation or by a delay in reacting to changes in the law, insufficient and/or inadequate application of the law or unforeseeable changes to case law and/or the interpretation of the law by the authorities.

The Legal, Corporate Affairs & Documentation department is responsible for managing legal risk and provides advice on legal matters to all units of HVB. Excluded from this are tax law, labour law, data protection and the legal areas covered by compliance, which are overseen by the respective functional departments.

Compliance risk is defined as an existing or future risk to income or capital as a consequence of infringements of or non-compliance with laws, regulations, statutory provisions, agreements, mandatory practices or ethical standards. This may result in fines, compensation for damage and/or contracts being rendered null and void in addition to damaging a bank's reputation.

The management of compliance risk is normally a task of the Bank's Management Board. Pursuant to Section 25a of the German Banking Act (Kreditwesengesetz – KWG), it is required to ensure that a proper business organisation is in place, encompassing in particular effective risk management, including an ICS. The Compliance function forms part of the ICS (as a second line of defence) that helps the Management Board to manage compliance risk. According to the three lines of defence, however, the business units (first line of defence) have the task of identifying and mitigating their own compliance risks.

The Minimum Requirements for Compliance (MaComp) and MaRisk both require a compliance function to be put into place. Both also contain rules on how such compliance function should be structured. At HVB, both functions are combined in the Compliance unit in order to ensure a uniform approach. Money-laundering and fraud prevention as well as preventive measures against infringements of financial sanctions and embargos are also assigned to the Compliance unit. Comprehensive risk assessment is ensured by this approach. On account of its high degree of specialisation, tax compliance is managed and refined within the CFO organisation exclusively by the Tax Affairs unit.



**Legal risks**

HVB is involved in various legal proceedings. The following is a summary of cases against HVB, which individually or collectively in the respective subject areas have a value in dispute exceeding €50 million or are of substantial significance for HVB for other reasons.

In many cases, there is substantial uncertainty regarding the outcome of the proceedings and the amount of possible damages. These cases include criminal or administrative proceedings by the relevant authority and claims in which the petitioner has not specifically quantified the amounts in dispute. In all proceedings where a loss is considered likely, and it is possible to reliably estimate the amount of possible losses, provisions have been set up based on the circumstances and consistent with Handelsgesetzbuch (HGB) accounting principles applied by HVB.

**VIP 4 Medienfonds**

Various investors in Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG to whom the Bank issued loans to finance their participation, brought legal proceedings against HVB. In the context of the conclusion of the loan agreements, the plaintiffs claim that the Bank provided inadequate disclosure about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of HVB's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (Kapitalanleger-Musterverfahrensgesetz) which is pending at Munich Higher Regional Court, will affect only a few pending cases.

**Proceedings related to claims for withholding tax credits**

On 31 July 2014 the Supervisory Board of HVB concluded its internal investigations into the so-called "cum-ex" transactions (the short selling of equities around dividend dates and claims for withholding tax credits on German share dividends) at HVB. In this context, criminal investigations have been conducted against current or former employees of HVB and HVB itself as an ancillary party by the Prosecutors in Frankfurt/Main, Cologne and Munich. With respect to HVB, all proceedings originally initiated by the aforesaid prosecution offices were finally closed with payment of a fine or the payment of a forfeiture.

In December 2018, in connection with an ongoing investigation against other financial institutions and former Bank employees, HVB was informed by the Cologne Prosecutor of the initiation of a new investigation in connection with an administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). In April 2019 these investigations were extended to so called ex/ex-transactions, in which an involvement of the Bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are being examined internally. HVB is cooperating with the authorities.

On 28 July 2021, the Federal Criminal Court (BGH) rendered a decision through which the principle criminal liability of cum/ex structures was determined the first time. HVB is monitoring the development.

The Munich tax authorities are currently performing a regular field audit of HVB for the years 2013 to 2016 which includes, among other things, a review of transactions in equities around the dividend record date (so called cum/cum transactions). During these years HVB performed, among other things, securities-lending transactions with different domestic counterparties which include, but are not limited to, different types of cum/cum transactions. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of cum/cum transactions, and what the further consequences for the Bank will be in the event of different tax treatment. It cannot be ruled out that HVB might be exposed to tax claims in this respect by relevant tax offices or third-party claims under civil law. HVB is in constant communication with relevant regulatory authorities and the competent tax authorities regarding these matters. In this context, HVB is considering the latest view of the German Tax Authorities.

HVB has made provisions.

### ***Claim in relation to collateral enforcement***

In late 2019, a holding company of a German industrial group brought a claim against HVB, in its capacity as security agent for a group of noteholders and lenders, aiming at obtaining the annulment and/or damages in relation to an allegedly fraudulent collateral enforcement. In December 2020, the case was formally registered before the District Court of Luxembourg. The alleged claim is still under evaluation.

### ***Financial sanctions matters***

Following the settlement in April 2019, the U.S. and New York Authorities require an annual external review regarding the evolution of the process implementation. In light of the request, in 2020, the Group appointed an external independent consultant. Following the interaction with the independent consultant and also considering the mandatory commitments towards the Authorities HVB has implemented additional requirements and controls, about which the bank makes periodic reports to the Authorities.

### ***Euro-denominated bonds issued by EU countries***

On 31 January 2019 UniCredit S.p.A. and HVB received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extended to certain periods from 2007 to 2011 and included activities by HVB between September and November 2011. The European Commission concluded its investigation by issuance of its decision on 20 May 2021. The decision provides for the imposition of a fine of €69.4 million on the parent company UniCredit S.p.A and HVB. UniCredit S.p.A. and HVB contest the European Commission's findings and brought an action for the annulment of its decision before the General Court of the European Union on 30 July 2021.

On 11 June 2019, HVB and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. On 23 July 2020, the court granted motions to dismiss the third amended complaint by certain defendants, including HVB and UniCredit Capital Markets LLC, without prejudice. Plaintiffs filed their fourth amended class action complaint on 9 February 2021, repleading their claim against HVB and UniCredit Capital Markets LLC and other financial institutions. Like earlier pleadings, the fourth amended class action complaint does not include a quantification of damages claimed. Exchange of correspondence concerning motions to dismiss the fourth amended complaint has been completed, and in June 2021 defendants have requested a pre-motion conference with the court.

**Adjustment of fees conditions as well as general terms and conditions**

On 27 April 2021, the Federal Court of Justice (Bundesgerichtshof) decided in a ruling against another financial institution that in ongoing contracts fee conditions as well as general terms and conditions can only be amended vis-à-vis consumers if the customer declares his consent. Until now, the financial industry had assumed, based on a common provision in the general terms and conditions, that it was sufficient if the customer was notified of the changes and did not object within two months. The bank has examined the effects of the ruling on its contractual relationships. For a part of the contracts, adjustments to fee conditions made in the past under this provision are ineffective, so that repayment obligations may arise. The bank is asking the clients concerned to declare their consent to the current fees and general conditions.

**Claims in relation to a syndicated loan**

HVB, together with several other financial institutions, has been named as a defendant in complaints filed by the judicial administrator and foreign representative of a Brazilian oil and gas conglomerate in July 2021 in the United States before a District of New York court claiming damages in connection with the repayment of a syndicated loan for two oil drilling rigs HVB participated that defendants are alleged to have unlawfully obtained.

**Claim in relation to interest rate swap**

In December 2021 HVB was named as defendant in a case pertaining to an interest rate swap commenced by an Italian region before the Court of Bologna in Italy. The region argues, inter alia, HVB's pre-contractual and/or non-contractual liability because HVB had allegedly missed to include certain requirements in the swap allegedly needed for the validity of the contract. The region seeks damages for an amount of approx. €52 million (equal to the payments made under the swap), as well as a declaration that no further sums are due to HVB (equal to approx. €18 million). The first hearing of the case is scheduled for 30 June 2022.

**Measurement**

The operational risk of HVB Group is calculated for HVB and its material subsidiaries – HVB Immobilien AG and UniCredit Leasing GmbH (together with subsidiaries) – using an internal model in accordance with the Advanced Measurement Approach (AMA model). The standard approach is applied for all other subsidiaries in the respective area of application.

The AMA model is based mainly on internal and external loss data. The process involves computing loss distributions for each model risk category. A model risk category is determined by combining the Basel loss event category and the product category of the loss event. Scenario data are used to complete the data for rare yet extreme events. The method used to aggregate the individual data sources is based on the Bayesian model and is applied to the loss distribution parameters for each model risk category.

The VaR is determined using a Monte Carlo simulation. The VaRs of the individual model risk categories are modified to reflect internal control and business environment factors. In the aggregation, correlations between the model risk categories and risk-reducing measures, such as insurance policies, are taken into account.

In line with UniCredit's approach, operational risk capital is calculated based on the Advanced Measurement Approach (AMA) at the level of the UniCredit corporate group as a whole and then distributed as a first step to the subgroups (known as hubs), including HVB Group, and as a second step, to the AMA subsidiaries, using a risk-sensitive allocation mechanism.

The model was developed by UniCredit S.p.A. HVB checks the plausibility of the calculation results at regular intervals. The AMA model is validated on an annual basis to ensure that it is appropriate.

**Stress tests**

The impact of macroeconomic scenarios on operational risk is analysed within the scope of the cross-risk-type stress tests.

## 5 Other risks

In the section entitled “Other risks”, HVB collates the following types of quantifiable risk: real estate risk, business risk, pension risk, reputational risk and financial investment risk (which is shown via market and credit risk) as well as the risk type strategic risk, which is described exclusively in qualitative terms. The risk arising from outsourcing activities is not treated as a separate risk type at HVB, but is considered a cross-risk type and is consequently listed under other risks.

### Real estate risk

A fundamental distinction is made in real estate risk between real estate required for operations (used by the Bank) and real estate that is not used for operations (not used by the Bank). It is planned to develop an alternative location for the Tucherpark site, which was sold. The longer-term orientation for real estate used by the Bank corresponds with the Bank’s strategy of preferring Bank-owned properties over rented properties for own use and making such properties available for the banking operations of HVB at market terms on a cost-optimised basis.

Facility concepts are drawn up both for the Bank’s own real estate portfolio and the leased properties. Taking into account the above-mentioned premises, the requirements of the divisions and holistic, value-optimised management are the decisive factors for decisions.

The main risks for the Bank-owned portfolio primarily stem from the development of the market value. The risk drivers are the future usage by the Bank, market rents, rental contract periods, occupancy rate, required investment and the price development on the real estate market. In terms of HVB’s real estate risk, the COVID-19 pandemic has essentially led to the postponement of individual disposals due to restrictions. Possible long-term effects on fair values are not yet discernable.

### Breakdown of the real estate portfolio by type

	PORTFOLIO VALUE € millions		SHARE in %	
	2021	2020	2021	2020
Real estate used by the Bank	2,227	2,262	80.5	76.4
Real estate not used by the Bank	539	698	19.5	23.6
<b>HVB</b>	<b>2,766</b>	<b>2,960</b>	<b>100.0</b>	<b>100.0</b>

The impact of macroeconomic scenarios on real estate risk is analysed within the scope of the cross-risk-type stress tests.

Real estate risk is managed overall for HVB on the basis of an internal capital limit of HVB Group. In addition, economic capital limits adjusted for diversification effects were allocated to the operating segments for 2021 in the context of overall bank management. Based on these limits, early warning indicators have been additionally defined in the form of targets and triggers in order to identify in advance any overshooting.

To quantify real estate risk, the Bank uses an empirical Bayesian model (a group-wide real estate risk model) with a confidence level of 99.90%. This model applies an expected-shortfall approach which also takes account of the possible risk of extreme values (tail risk) (i.e. losses in excess of the VaR).

The economic capital for the real estate risk is measured by the Credit Risk Modelling & Systems (CRS) unit and calculated by the Chief Data Office (CDO). The Strategic Credit & Integrated Risks (SCI) unit is responsible for reporting to the operating segments, the CRO, the Management Board and the Risk Committee of the Supervisory Board. In line with the risk strategy, quarterly risk reporting also includes a comparison of the actual values with the limits.

The economic capital for real estate risk at HVB, without taking account of diversification effects between the risk types and without the model risk cushion, amounts to €313 million at 31 December 2021, which represents a decrease of €32 million (31 December 2020: €345 million). The fully diversified economic capital for the real estate risk at HVB stands at €147 million (31 December 2020: €181 million).

The risk figures relate to a portfolio valued at €2,766 million.

**Business risk**

The strategy for business risk is based on the direction of business over the medium term and is reflected in planning. As part of its general cost and income management, each business unit is responsible for the operational management of business risk.

Business risk is managed overall on the basis of a limit set by HVB Group for the internal capital for HVB. Based on this limit, early warning indicators have been additionally defined in the form of targets and triggers in order to identify in advance any overshooting.

HVB uses a group-wide model to measure the economic capital used by business risks that is based on a time series model of the quarterly income. The economic capital requirement corresponds to the unexpected loss and is quantified using value-at-risk (VaR) metrics over a period of one year and a confidence level of 99.90%.

The economic capital for the business risk is measured by the Credit Risk Modelling & Systems (CRS) unit and calculated by the Chief Data Office (CDO). The Strategic Credit & Integrated Risks (SCI) unit is responsible for reporting to the business areas, the CRO, the Management Board and the Risk Committee of the Supervisory Board. In line with the risk strategy, quarterly risk reporting also includes a comparison of the actual values with the limits.

The economic capital for HVB's business risk, without taking account of diversification effects between the risk types and without the model risk cushion, amounted to €344 million at 31 December 2021 (31 December 2020: €346 million). The fully diversified economic capital for HVB's business risk totals €225 million as at 31 December 2021 (31 December 2020: €239 million).

The impact of macroeconomic scenarios on business risk is analysed within the scope of the cross-risk-type stress tests.

**Pension risk**

In risk management the risks are calculated and monitored at regular intervals using a model devised specifically for pension risk. A risk figure is determined periodically using calculations based on changes in key risk parameters for both the various plan assets and the cash flows on the obligations side. A figure of €1,547 million was determined as at 31 December 2021 for the total pension risk of HVB (31 December 2020: €911 million). The increase compared with year-end 2020 is primarily due to a significantly higher assumed potential interest shock on benefit obligations as a result of an increase in interest rates. The risk figure is incorporated in the calculation of the risk-taking capacity in the form of an additive component in market risk before aggregation as the internal capital. In addition, the impact on pension risk is analysed at regular intervals as part of the cross-risk-type stress tests.

The interest rate level still appears to be the main driver of the risks for the amount of pension obligations reported. Despite the slight increase in yields in recent months, the persistently low yields continue to pose a challenge in generating the returns on investments that can be achieved with an acceptable level of risk. A further increase in yields would reduce the total pension obligations but would also have a negative impact on the valuation of bonds. Furthermore, an increase in volatility in the capital markets could potentially have a negative impact on the asset side.

**Financial investment risk**

The financial investment portfolio mainly consists of holdings in unlisted companies, equity derivatives and other fund shares (real estate funds and other closed-end funds). All the investments to be included in financial investment risk are either considered strategic and allocated to a business segment or competence line, or deemed non-strategic and connected with the fundamental goal of reduction.

Financial investment risk is controlled at a higher level on the basis of a limit for internal capital for HVB Group. In addition, the business segments have been allocated limits for economic capital for the year 2020 that were adjusted for diversification effects for the purpose of overall bank management. On the basis of these limits, early warning indicators have been additionally defined in the form of target values and triggers in order to indicate in advance any overshooting. As holdings from unlisted companies were subsumed under credit risk in September 2020, a limit has no longer been directly allocated to this part of the financial investment risk from 2021.

The risk from holdings in unlisted companies has been included under credit risk since September 2020. The following risk drivers are relevant for financial investment risk: the carrying amounts of investments and the related residual capital contribution liabilities and the macroeconomic situation. In addition, risks from hedge funds, private

equity funds (including issuer risks from the trading book) and FX risks from the investment portfolio are included in the calculation of the market risk.

The economic capital for financial investment risk is measured by the Credit Risk Modelling & Systems (CRS) unit and calculated by the Chief Data Office (CDO). The Strategic Credit & Integrated Risks (SCI) is responsible for reporting to the business segments, the CRO, the Management Board and the Risk Committee of the Supervisory Board. In line with the risk strategy, quarterly risk reporting until June 2020 also included a comparison of the actual values with the limits.

The economic capital from holdings in unlisted companies for financial investment risk at HVB Group has been included under credit risk since September 2020.

### Breakdown of the financial investment portfolio

	PORTFOLIO VALUE € millions		SHARE in %	
	2021	2020	2021	2020
Private equity investments	10	10	4.0	4.1
Other investments <sup>1</sup>	229	225	96.0	95.9
<b>HVB</b>	<b>239</b>	<b>235</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Listed and unlisted investments.

The impact of macroeconomic scenarios on financial investment risk within credit risk is examined in the course of cross-risk-type stress tests.

### Strategic risk

As a universal bank, HVB focuses on the one hand on the regional development of the German market, on the other hand, it is the centre of competence for the investment banking of the whole of UniCredit. Therefore, HVB's profitability and risk profile are influenced in particular by the economic development in Germany and the development of international financial and capital markets. In this context, strategic risk results from management either not recognising early enough or not correctly assessing significant developments or trends in the Bank's environment. As a consequence, fundamental management decisions could, in retrospect, prove to be disadvantageous in terms of the Bank's long-term goals. In addition, some decisions may be difficult to reverse or cannot be reversed at all. In the worst case, this can negatively impact the profitability and risk profile of HVB.

The following areas are currently classified as relevant for the occurrence of strategic risk:

- Economic environment – If new COVID-19 variants continue to spread, the prices for energy and intermediate goods increase further and economic growth weakens more than expected, this could have negative effects on the earnings situation of HVB.
- Strategic orientation of the business model of HVB – The persistently low level of interest rates could, for example, lead to imbalances in the earnings contributions of the business areas.
- Bank-specific risks – The intensification of competition in the financial sector could, for example, lead to further shifts in market shares.
- Regulatory and legal framework – Should HVB or one of its subsidiaries not fully comply with the regulatory requirements of the supervisory authorities, this could lead to sanctions by the competent supervisory authority.
- Rating of UniCredit Bank AG – A rating change downwards (downgrade) could make refinancing costs more expensive or have a negative impact on business opportunities as a counterparty in the interbank market or with rating-sensitive customers.

The strategic risk is not quantified as part of internal capital but is assessed qualitatively instead. This assessment is based on a traffic light system: low risk (green), increased risk (yellow) and high risk (red). Furthermore, the national and international environment in which HVB operates is continually monitored (for example, political, economic, regulatory or specific banking market conditions) and the Bank's own strategic positioning is continually reviewed.

Strategic risk is monitored by the Management Board and its staff offices and, if necessary, analysed in depth on an ad hoc basis. Any changes in the strategic parameters are discussed at Management Board meetings, whereby alternative courses of action are derived and implemented as required. A dialogue with external experts (such as management consultants and independent auditors) regarding strategic issues and options at Management Board level and below ensures the involvement of external experts' know-how.

### Reputational risk

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

Commercial transactions and new activities such as new product processes, outsourcing, projects and particular investments (such as special purpose vehicles) are included in the "change-the-bank" approach, as well as any other new activity as is appropriate. The employees responsible in each case are required to analyse the transactions/activities to identify any reputational risk, taking into account the existing guidelines. Once a reputational risk has been identified, the appropriate specialist departments are called in who will assess

the reputational risk identified in terms of quality. The Non-Financial Risks and Controls Committee or the reputational risk function together with the specialist departments will obtain a decision on the basis of the risk analysis and the qualitative assessment.

Under the "run-the-bank" approach, the individual units of the Bank are examined at regular intervals with regard to existing and/or latent reputational risk. The process starts with what are known as risk self-assessments by important function owners (risk managers) together with the local operational risk managers. A list of questions is used to carry out the risk self-assessments. Senior management is subsequently interviewed about reputational risk. The senior managers have the opportunity to review the reputational risk identified in their unit during the interview and add further material reputational risks. Where it is possible and makes sense to do so, additional counter-measures are defined for the individual reputational risks.

Within the framework of the "run-the-bank" approach, the risk is classified in accordance with a three-tier system (traffic light logic). This involves determining the aggregate risk across two dimensions: impact on the income statement and probability of occurrence. Any reputational risk identified is documented in the Bank's own IT system (as necessary during the year).

The individual business areas and central units are responsible for reputational risk management. Overall responsibility for monitoring rests with the Operational & Reputational Risks unit (CRO organisation). The Operational & Reputational Risks unit consolidates the results of the senior management interviews and prepares a yearly RepRisk Report covering the largest reputational risks at HVB.

In addition to the "change-the-bank" and the "run-the-bank" approach, UniCredit's method for quantifying reputational risk was introduced at HVB Group in the first quarter of 2020. For the purposes of quantification, reputation risk is defined as the impact of "negative sentiment" in the opinion-forming media (press, television, online media) on UniCredit's future profits generated by the reporting of an event that has a negative impact on the Bank's reputation.



UniCredit's method for quantifying reputational risk is based on measuring the semi-elasticity between the development of the Media Tonality Index (a measure, the development of which reflects changes in UniCredit's reputation) and the development of the idiosyncratic portion of the expected profits. The economic capital for reputational risk is based on the value-at-risk (VaR) measure, which is calculated at a confidence level of 99.90% and is derived from the distribution of expected declines in profit.

The economic capital for reputational risk is calculated on a quarterly basis at UniCredit corporate group level and – based on the weighted “ratio of capital for operational risk of the subsidiary to the capital for the operational risk of UniCredit corporate group” – distributed between the subsidiaries of UniCredit corporate group.

The Operational & Reputational Risks department checks the results obtained from calculating the economic capital for the reputational risk of HVB corporate group on a quarterly basis for their plausibility. The method for the quantification of reputational risk is validated at regular intervals.

The impact on reputation risk stemming from a change in sentiment about UniCredit in the opinion-forming media is examined in the course of cross-risk-type stress tests. The extent of this change is determined by assessing the severity of the respective macro-economic scenario.

### **Risks arising from outsourcing activities**

Outsourcing involves the transfer of activities and processes to intra-group and external service providers. Parts of the operational risk can also be mitigated by transferring the liability, while contractual risks arising from the outsourcing arrangement remain within HVB or a subsidiary of HVB Group. An outsourcing arrangement is deemed to exist when a different company is contracted to carry out activities and processes in connection with the performance of banking business, financial services or other typical banking services that would otherwise be performed by the outsourcing company itself. This includes outsourcing arrangements within UniCredit as well as the subcontracting of outsourced activities and functions to subcontractors.

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

The respective project team and defined functional departments (including Operational Risk Management, Compliance, Legal, Corporate Affairs & Documentation, Data Protection and Business Continuity Management) use a standardised procedure to classify outsourcing arrangements as “not critical/ material” and “critical/ material”. An in-depth risk analysis covering the other risk types as well as operational risk is performed for all outsourcing arrangements. A retained organisation (RTO) responsible for the arrangement is set up for each outsourcing arrangement that manages the risks identified. The identified risks are incorporated in HVB's risk management in the processes defined for the risk types concerned. The operational risk managers help the project managers and the heads of the RTOs to prepare and/or update the related risk analyses. Other external service providers for whom aspects of ICT security, data protection or business continuity are relevant have been evaluated in a dedicated third-party risk management process since mid-2020.

In 2021, a new critical/material outsourcing arrangement was agreed at HVB. Due to the post-trade transparency reports to be submitted separately to the UK supervisory authority after Brexit, an outsourcing agreement was concluded with MarketAxess Ltd for services relating to the Approved Publication Arrangement (APA) and Approved Reporting Mechanism (ARM) under MiFID II. This did not result in a significant change in the risk.

# ICS – Internal Control System

## Internal control system with regard to the financial reporting process

Section 289 (4) of the German Commercial Code (Handelsgesetzbuch – HGB) requires capital-market-oriented companies as defined in Section 264d HGB to describe the main features of the internal control system (ICS) and risk management system with regard to the financial reporting process.

As part of UniCredit, HVB is obliged to comply with Law 262 (“the Savings Law” – Law 262/2005, passed in Italy in 2005 and amended by Legislative Decree 303/2006, based on the Sarbanes-Oxley Act in the United States, Law 262). Alongside the internal CFO controls, there are also checking and control steps in the upstream processes and organisations.

### Definitions and objectives

The risk management system is formulated in broad terms and relates above all to strategic management, the identification, quantification, assessment, monitoring and active management of risk. The ensuing coordination of risk-management, risk-controlling and risk-monitoring processes in HVB is presented in the Risk Report in the present Management Report. The respective risk types are described in detail in the sections entitled “Risk types” and “Risk types in detail”.

The internal control system (ICS) encompasses the policies, processes and measures needed to ensure the financial reporting process and compliance with the applicable legal provisions. It is intended to ensure that internal and external financial reports are correct and reliable and that the assets, provisions, liabilities, and deferrals and accruals are classified, recognised and measured and changes in equity are correctly shown.

Risks with regard to the financial reporting process might, for example, involve human processing errors, system weaknesses or fraudulent conduct resulting in significant financial misrepresentations or delays in financial reporting, and these might not give a true and fair view of the assets, liabilities, financial position and profit or loss. These risks might possibly entail legal penalties and, in addition, the erosion of stakeholders’ confidence and thus damage to the Bank’s reputation. The purpose of the ICS with regard to the financial reporting process is to implement controls that ensure with an adequate degree of certainty that the annual financial statements together with the Management Report are prepared in compliance with regulations despite the identified risks.

The method of the ICS in relation to the financial reporting process and thus the introduction of processes including risk and monitoring assessment is based on the international “Internal Control – Integrated Framework” issued by the Treadway Commission’s Committee of Sponsoring Organizations (COSO). The main task in this context is to define specific objectives to facilitate a control system and to monitor the effectiveness of the control system on this basis. The following objectives are pursued:

- Completeness: Mapping of all relevant transactions such as assets, liabilities and provisions that have an effect on the financial reports.
- Measurement: Recognition of the relevant items at their correct amounts in the financial reports.
- Presentation and disclosure: The financial reports are correctly classified and discussed regarding recognition, structure and disclosures in the notes to the financial statements, comply with legal requirements and are published on schedule.

Even the extensive structuring of the ICS can naturally only ensure that the objectives of the ICS are achieved with reasonable assurance but not with absolute certainty. The documented controls carried out within the framework of the ICS for the relevant processes or systems are therefore unable to completely eliminate mistakes or fraudulent actions. It must also be taken into account in this context that the work performed and spending on the ICS must be commensurate with the benefits achieved.

## ICS organisation

The Management Board determines the extent and orientation of the ICS specifically geared to HVB, taking measures to refine the systems and adapt them to changing conditions. At Board meetings focused on the Internal Control Business Committee, the Management Board discusses the consolidation and monitoring of all projects and measures related to the ICS on a regular basis.

Responsibility for the financial reporting process and, in particular, for the preparation of the annual and consolidated financial statements rests with the Chief Financial Officer (CFO). The CFO receives significant support in this context from the Chief Risk Officer (CRO) by the CRO also assuming responsibility for the measurement of financial instruments (receivables, securities and derivatives), among other things.

The CFO organisation is also supported in the technical process of preparing the financial statements by the Human Resources department (recognition and measurement of payroll expenses), the Legal department (recognition and measurement of legal disputes and other legal risks) and external third parties. The latter essentially extend to various expert opinions of external service providers relating to such things as the measurement and accounting treatment of pension provisions.

Technical system support for the application systems used in the Accounting department and especially in connection with preparing the financial statements has been outsourced to UniCredit Services S.C.p.A., the UniCredit subsidiary responsible for IT. UniCredit Services S.C.p.A. is monitored and managed by the Retained Organisation of the Chief Operating Officer (COO).

## Organisational structure and tasks of the CFO organisation

For purposes of the financial reporting processes, the CFO organisation is essentially broken down into the following areas:

HVB's financial reporting is conducted by the Accounting, Shareholdings, Regulatory Reporting (CFF) unit. This unit has functional responsibility for the financial reporting systems employed by HVB. At the same time, the CFF unit is responsible for fundamental accounting questions under IFRS and the German Commercial Code, it prepares the annual financial statements and also is responsible for the financial reporting in the Annual Report of HVB. The management and administration of shareholdings for financial reporting purposes and the regulatory reporting for HVB to the banking supervisory authorities are positioned in this unit.

The central tax department (CFT/Tax Affairs) should monitor compliance with all tax laws on the one hand and on the other hand, it advises its customers (Management Board, business lines and competence lines) on the tax-related concerns of HVB, including its foreign branches.

Regional Planning & Controlling (CCP) is tasked with central business management and cost controlling at HVB Group. Furthermore, CCP prepares and validates the internal segment report in accordance with IFRS. This department also has process responsibility for the preparation of income budgets and income projections. It is also responsible for the management of capital and capital allocation as well as the risk-return methodology. Moreover, the business segment-related controlling departments for all the segments excluding Corporate & Investment Banking (CIB) and the Group Corporate Centre (GCC) are assigned to CCP. Controlling for CIB is the responsibility of CIB Planning and Control (CPA). This department also carries out the reconciliation of trading income for Markets jointly with Accounting. The reconciliation of trading income for Treasury is carried out between Accounting (CFF) and Finance (CDF).

The Chief Data Office (CDO) is responsible for data and information governance in coordination with the Group Data Office. In addition, significant parts of the data production for the CFO organisation are amalgamated in CDO in order to achieve a continual improvement in data quality. This department also has responsibility for the implementation of various IT projects relating to financial reporting.

# ICS – Internal Control System (CONTINUED)

## Controls in the ICS for risk minimisation

Based on the requirements under Law 262 and the legal requirements under the German Commercial Code, a number of financial reporting processes complete with the risks and controls included therein are documented in the course of implementing the ICS at HVB. To reduce the risk of misrepresentation in financial reporting, various preventive and investigative controls are carried out which are documented in process descriptions. Attention is paid to compliance with the separation of functions and with approval authority regulations in the definition of controls. The controls comprise both manually operated system-based controls and purely manual controls. Alongside the internal CFO controls, there are also checking and control steps in the upstream processes and organisations.

The focus of risk and monitoring analysis is on identifying and evaluating the risks and controls relevant to financial reporting. Identified risk potential is to be sufficiently mitigated through defined control steps. In periodic representative spot checks, those responsible for the controls document the implementation of these controls and provide adequate records. If no controls are implemented or if controls are identified that do not sufficiently reduce risk, or there is insufficient documentation of the controls, measures are initiated to eliminate the identified deficiencies. The timely implementation and documentation of these measures are reviewed on a quarterly basis.

In a half-yearly certification process, the management of the departments in charge of processes confirms to the CFO of HVB and the CFO to UniCredit S.p.A., that controls to ensure correct reporting have been carried out.

Furthermore, a yearly analysis is carried out on the basis of what are known as “company level controls”. This is a list of questions based on the international COSO framework, the answers to which are used to check the existence of comprehensive control measures in HVB that are suitable for reducing the risk of incorrect external presentation or incorrect actions, not only with regard to financial reporting.

The controls cover the aspects of the ICS described below:

There are general accounting rules set out in the Bank-wide Operating Guidelines, the application of which is mandatory for all process participants.

HVB uses SAP’s standard SAP Balance Analyzer and Business Warehouse software to prepare its annual financial statements. The SAP Balance Analyzer concept is based on the mainly automated uploading of individual transaction data from the upstream systems relevant to financial reporting (sub-ledger). The positions delivered by the upstream systems are reconciled and an automatic check of the totals against the general ledger account balances is performed, which serves as proof of the completeness of balance sheet items. The Accounting department collates the data relevant to the financial statements. At the same time, it also corrects errors and performs manual bookings of one-off transactions and closing entries. Adjustments and closing entries are carried out by authorised persons in accordance with the principle of dual control. Furthermore, deviation analyses are conducted at item level to minimise the risk of error and incomplete data.

The ICS for securities, derivatives and other trading-related transactions also comprises the following components:

- The allocation of transactions to the holding categories compliant with HGB is primarily governed by the orientation of the operating units. The determination of the holding category is determined individually for each trading book and the related trading strategy. The Accounting department is incorporated as an authorising body to ensure compliance with individual requirements relating to classification based on the respective accounting standard.
- Booking standards based on the respective holding category – initiated by transactions – are defined in the accounting systems.
- The income calculated for purposes of financial reporting is reconciled on a monthly basis by comparing it with the result of the economic income statement that serves as the basis for the daily information provided to the Management Board members. Following this, the results are analysed and comments made on the content of the deviation analysis.
- The Risk Control department, which reports to the CRO, performs several tasks in connection with ensuring the valuation and other information relevant for the financial statements of the financial instruments mentioned above. Firstly, transactions are checked by the Risk Control department to ensure compliance with market pricing. Secondly, the Risk Control department reviews the valuation of financial instruments in the front office systems. Depending on the market parameters and asset classes, market data are supplied by both the trading departments and external sources such as Bloomberg, Reuters, MarktIT and others. Valuation adjustments and valuations based on estimates are to be agreed by the CRO and CFO organisations.
- In accordance with the separation of functions, the back office handles the processing of HVB trades. For derivatives, this is UniCredit Services S.C.p.A., which is supervised by the COO unit. Furthermore, external service providers have been engaged to process securities transactions in Germany and for the Milan branch. It has thus been ensured that trades are processed independently of the Trading department.

A cross-departmental new product process is in place for developing and launching new products, as stipulated in the Operating Guidelines. The products relevant for a new product process are addressed in this process. It involves all the departments concerned as they have veto rights and are authorised to enforce amendments up to and including the termination of the new product process.

The figures presented in the balance sheet and income statement are validated using deviation analysis at historical comparative figures and budget figures and on the basis of non-recurring effects in an ongoing process that is carried out over the entire course of the reporting year as part of the process of preparing the monthly and quarterly financial statements. In addition, the data are also verified by analysing the segment report.

With regard to the presentation and disclosure of financial reporting-related data in financial reports, controls have been implemented to ensure compliance with disclosure duties. This is carried out through the use of checklists and through the review and approval of the data by management personnel within the CFO organisation.

UniCredit Services S.C.p.A. carries out the back-up and archiving of data from financial reporting-related application systems under the responsibility of the CFO in accordance with Section 257 HGB in conjunction with Sections 238 and 239 HGB and in accordance with German Generally Accepted Accounting Principles (GAAP) under the supervision of the Retained Organisation and the respective banking expert responsible. In the course of what are referred to as first level controls, controls between the upstream systems (e.g. EuroSIG) and the general ledger have been outsourced to UniCredit Services S.C.p.A. via additional service level agreements (SLAs). Another technical review takes place in the Chief Data Office and in the Accounting department as a second level control.

The required protection against unauthorised access, and compliance with the principles of functional separation when using the Bank's financial reporting application systems are ensured in particular by requesting and periodically monitoring individual rights in the authorisation management systems. For SAP rights, special approval is provided across the board by the functional units responsible for the application. The use of individual rights implies a time restriction of no more than one year.

Furthermore, contingency plans are in place to ensure the availability of human and technical resources to handle processes regarding financial reporting. These contingency plans are updated and refined regularly and on an ad hoc basis.

## ICS – Internal Control System (CONTINUED)

### Monitoring the effectiveness of the ICS

#### Internal Audit

The Internal Audit department is a process-neutral instrument of the Management Board, to which it reports directly. According to its internal regulations, the Management Board bears the overall responsibility for setting up the Internal Audit department and ensuring that it functions properly. In the reporting year, operational responsibility for the audit function was assigned to the Spokesman of the Management Board (CEO).

The Internal Audit department is responsible for the risk-oriented, process-neutral auditing and assessment of all activities and processes, regardless of whether they are outsourced or not. The outsourced activities may be audited by the internal audit function of the service provider.

For this purpose, Internal Audit carries out a risk-based selection of individual operating and business processes in order to set scheduling priorities for audits. The Minimum Requirements for Risk Management (MaRisk) stipulate that all operating and business processes must be audited at least every three years. In the case of activities and processes deemed to be of lower priority in terms of risk, it is permissible to deviate from the three-year cycle. Operating and business processes subject to especially high levels of risk are audited at least once a year. If the need arises or it is instructed to do so, the Internal Audit department may also carry out tasks in subsidiaries.

The Bank's Internal Audit department must audit and assess the following areas in particular:

- functionality, effectiveness, economic efficiency and appropriateness of the internal control system
- applications, functionality, effectiveness and appropriateness of the risk management and risk control systems, reporting, information systems, and finance and accounting
- compliance with legal and regulatory standards as well as other regulations
- observation of internal operational guidelines, ordinances and regulations
- correctness of operational and business processes
- regulations and measures to protect assets

While audit reports are submitted to audited units and the responsible Management Board members, the Management Board as a whole receives quarterly reports and an annual report which include an overview of audit findings as well as significant deficiencies, major deficiencies, severe deficiencies and particularly severe deficiencies as defined in the MaRisk rules, the measures taken and their current status.

The management of the Internal Audit department informs the Audit Committee and the Risk Committee of the Supervisory Board on a quarterly basis at the meetings of these committees on the main findings of the audits carried out by Internal Audit.

### **Supervisory Board**

It is the task of the Supervisory Board to advise the Management Board on the running of the Bank and monitor it as it conducts its business. Particularly with respect to the monitoring of the financial reporting process and the effectiveness of the ICS, the Supervisory Board receives support from the Audit Committee pursuant to Section 107 (3) of the German Stock Corporation Act (Aktiengesetz – AktG) and Section 25d (9) Nos. 1 and 2 of the German Banking Act (Kreditwesengesetz – KWG). In this context, the Audit Committee also addresses the ICS in connection with the financial reporting process. Furthermore, the Supervisory Board – and, in a preparatory role, the Audit Committee – is itself integrated into the financial reporting processes through its monitoring of the financial reporting by reviewing and approving the annual financial statements, the Management Report and the proposal for the appropriation of profit. In addition, the Audit Committee and the Supervisory Board discuss the interim financial information with the Management Board as such information becomes available throughout the year.

### **Refinement of the ICS**

When changes are made to the legal provisions and regulations for financial reporting, they must be assessed to determine what consequences, if any, they have for the financial reporting processes. In the case of amendments or new regulations that would have an impact on the accounting processes, a corresponding project is set up to cover measures such as IT adaptations, working procedures and posting instructions and the effects on financial reporting across all departments and business areas.

In the course of the update of the ICS in relation to the financial reporting process, the documented processes are subject to half-yearly reviews and adjustments for organisational changes and changes in content by the persons responsible for the process and controls.



# Income Statement

## EXPENSES

(€ millions)

	1/1-31/12/2021	1/1-31/12/2020
<b>1 Interest payable</b>	671	767
including netted positive interest on borrowings		
€616 million		(407)
<b>2 Fees and commissions payable</b>	279	307
<b>3 Net expense from the held-for-trading portfolio</b>	—	—
<b>4 General administrative expenses</b>		
a) payroll costs		
aa) wages and salaries	1,643	1,106
ab) social security costs and expenses for pensions and other employee benefits	596	486
	2,239	1,592
including for pensions		
€416 million		(309)
b) other administrative expenses	1,659	1,513
	3,898	3,105
<b>5 Amortisation, depreciation and impairment losses on intangible and tangible assets</b>	13	15
<b>6 Other operating expenses</b>	188	66
<b>7 Write-downs and impairments for receivables and certain securities as well as additions to provisions for losses on guarantees and indemnities</b>	—	763
<b>8 Write-downs and impairments on participating interests, shares in affiliates and investment securities</b>	—	34
<b>9 Expenses from absorbed losses</b>	10	70
<b>10 Extraordinary expenses</b>	—	4
<b>11 Taxes on income</b>	236	38
<b>12 Other taxes, unless shown under "Other operating expenses"</b>	19	11
<b>13 Net income for the year</b>	245	533
<b>Total expenses</b>	<b>5,559</b>	<b>5,713</b>

**INCOME**

(€ millions)

	1/1-31/12/2021	1/1-31/12/2020
<b>1 Interest income from</b>		
a) loans and money market operations	2,723	2,736
including netted negative interest on investments		
€369 million		(208)
b) fixed-income securities and government-inscribed debt	137	234
	2,860	3,505
<b>2 Current income from</b>		
a) equity securities and other variable-yield securities	256	135
b) participating interests	12	21
c) shares in affiliates	4	435
	272	591
<b>3 Income earned under profit-pooling and profit-and-loss transfer agreements</b>	61	42
<b>4 Fees and commissions receivable</b>	1,451	1,342
<b>5 Net income from the held-for-trading portfolio</b>	509	453
including transfer as per Section 340e HGB		
€— million		(—)
<b>6 Write-ups on bad and doubtful debts and on certain securities as well as release of provisions for losses on guarantees and indemnities</b>	136	—
<b>7 Write-ups on participating interests, shares in affiliates and investment securities</b>	52	—
<b>8 Other operating income</b>	218	315
<b>9 Extraordinary income</b>	—	—
<b>10 Net loss for the year</b>	—	—
<b>Total income</b>	<b>5,559</b>	<b>5,713</b>
<b>1 Net income for the year</b>	245	533
<b>2 Withdrawal from retained earnings</b>		
a) from the reserve for shares in a controlling or majority interest-holding company	—	—
b) from other retained earnings	8	—
	8	—
<b>3 Transfer to retained earnings</b>		
a) to the reserve for shares in a controlling or majority interest-holding company	8	—
b) to other retained earnings	—	133
	8	133
<b>4 Profit available for distribution</b>	<b>245</b>	<b>400</b>

# Balance Sheet

## ASSETS

(€ millions)

		31/12/2021	31/12/2020
<b>1 Cash and cash balances</b>			
a) cash on hand	6,006		6,020
b) balances with central banks	13,686		16,388
including with Deutsche Bundesbank			
€11,134 million			(12,757)
		19,692	22,408
<b>2 Treasury bills and other bills eligible for refinancing with central banks</b>			
a) Treasury bills and zero-interest treasury notes and similar securities issued by public authorities	—		—
including eligible for refinancing with Deutsche Bundesbank			
€— million			(—)
b) bills of exchange	—		—
		—	—
<b>3 Loans and receivables with banks</b>			
a) repayable on demand	10,327		27,394
b) other loans and receivables	14,307		22,779
		24,634	50,173
including: mortgage loans			
€— million			(—)
municipal loans			
€13 million			(22)
against pledged securities			
€— million			(—)
<b>4 Loans and receivables with customers</b>		120,395	116,086
including: mortgage loans			
€46,781 million			(45,852)
municipal loans			
€8,517 million			(7,990)
against pledged securities			
€1,334 million			(585)
<b>Amount carried forward:</b>		<b>164,721</b>	<b>188,667</b>

**LIABILITIES**

(€ millions)

	31/12/2021	31/12/2020
<b>1 Deposits from banks</b>		
a) repayable on demand	6,461	12,002
b) with agreed maturity dates or periods of notice	51,401	55,088
	57,862	67,090
including: registered Mortgage Pfandbriefe in issue		
€448 million		(472)
registered Public Pfandbriefe in issue		
€192 million		(206)
bonds given to lender as collateral for funds borrowed:		
registered Mortgage Pfandbriefe		
€— million		(—)
and registered Public Pfandbriefe		
€— million		(—)
<b>2 Deposits from customers</b>		
a) savings deposits		
aa) with agreed period of notice of three months	14,970	13,512
ab) with agreed period of notice of more than three months	17	61
	14,987	13,573
b) registered Mortgage Pfandbriefe in issue	3,289	3,800
c) registered Public Pfandbriefe in issue	1,443	1,835
d) other debts		
da) repayable on demand	99,276	97,442
db) with agreed maturity dates or periods of notice	21,157	33,892
including: Pfandbriefe given to lender as collateral for funds borrowed:		
registered Mortgage Pfandbriefe		
€— million		(—)
and registered Public Pfandbriefe		
€— million		(—)
	120,433	131,334
	140,152	150,542
<b>Amount carried forward:</b>	<b>198,014</b>	<b>217,632</b>

# Balance Sheet (CONTINUED)

## ASSETS

(€ millions)

	31/12/2021	31/12/2020
<b>Amount brought forward:</b>	<b>164,721</b>	<b>188,667</b>
<b>5 Bonds and other</b>		
<b>fixed-income securities</b>		
a) money market paper		
aa) issued by public authorities	115	59
including those eligible for collateral for Deutsche Bundesbank advances		
€— million		(—)
ab) issued by other borrowers	126	58
including those eligible for collateral for Deutsche Bundesbank advances		
€— million		(—)
	241	117
b) bonds and notes		
ba) issued by public authorities	19,306	20,452
including those eligible for collateral for Deutsche Bundesbank advances		
€14,132 million		(16,115)
bb) issued by other borrowers	32,457	32,639
including those eligible for collateral for Deutsche Bundesbank advances		
€23,442 million		(24,259)
	51,763	53,091
c) own bonds	3,471	3,715
nominal value €3,450 million		(3,700)
	55,475	56,923
<b>6 Equity securities and other variable-yield securities</b>	34	31
<b>6a Held-for-trading portfolio</b>	67,796	51,287
<b>7 Participating interests</b>	104	101
including: in banks		
€8 million		(8)
in financial service institutions		
€28 million		(28)
in investment institutions		
€— million		(—)
<b>8 Shares in affiliates</b>	1,410	1,457
including: in banks		
€— million		(—)
in financial service institutions		
€297 million		(349)
in investment institutions		
€— million		(—)
<b>Amount carried forward:</b>	<b>289,540</b>	<b>298,466</b>

**LIABILITIES**

(€ millions)

	31/12/2021	31/12/2020
<b>Amount brought forward:</b>	<b>198,014</b>	<b>217,632</b>
<b>3 Debt securities in issue</b>		
a) bonds		
aa) Mortgage Pfandbriefe	18,921	17,847
ab) Public Pfandbriefe	1,200	1,198
ac) other bonds	7,653	7,248
	<u>27,774</u>	<u>26,293</u>
b) other debt securities in issue	—	—
including: money market paper		
€— million		(—)
acceptances and promissory notes		
€— million		(—)
	<u>27,774</u>	<u>26,293</u>
<b>3a Held-for-trading portfolio</b>	<b>37,070</b>	<b>28,650</b>
<b>4 Trust liabilities</b>	<b>374</b>	<b>268</b>
including loans taken out on a trust basis		
€374 million		(268)
<b>5 Other liabilities</b>	<b>8,001</b>	<b>7,409</b>
<b>6 Deferred income</b>		
a) from issuing and lending operations	68	81
b) other	282	166
	<u>350</u>	<u>247</u>
<b>6a Deferred tax liabilities</b>	<b>—</b>	<b>—</b>
<b>7 Provisions</b>		
a) provisions for pensions		
and similar commitments	—	—
b) tax provisions	686	414
c) other provisions	2,290	1,864
	<u>2,976</u>	<u>2,278</u>
<b>8 Subordinated liabilities</b>	<b>1,109</b>	<b>1,340</b>
<b>8a Additional Tier 1 capital</b>	<b>1,700</b>	<b>1,700</b>
<b>9 Participating certificates outstanding</b>	<b>—</b>	<b>—</b>
including those due in less than two years		
€— million		(—)
<b>10 Fund for general banking risks</b>	<b>638</b>	<b>638</b>
including special items as per Section 340e (4) HGB		
€347 million		(347)
<b>Amount carried forward:</b>	<b>278,006</b>	<b>286,455</b>

# Balance Sheet (CONTINUED)

## ASSETS

(€ millions)

	31/12/2021	31/12/2020
<b>Amount brought forward:</b>	<b>289,540</b>	<b>298,466</b>
<b>9 Trust assets</b>	374	268
including loans granted on a trust basis		
€374 million		(268)
<b>10 Intangible assets</b>		
a) internally generated intellectual property rights and similar rights and assets	—	—
b) purchased franchises, intellectual property rights and similar rights and assets, as well as licences to such rights and assets	3	3
c) goodwill	—	—
d) advance payments	1	1
	4	4
<b>11 Property, plant and equipment</b>	135	141
<b>12 Other assets</b>	1,097	967
<b>13 Prepaid expenses</b>		
a) from issuing and lending operations	41	74
b) other	192	184
	233	258
<b>14 Deferred tax assets</b>	—	—
<b>15 Excess of plan assets over pension liabilities</b>	118	1
<b>Total assets</b>	<b>291,501</b>	<b>300,105</b>

**LIABILITIES**

(€ millions)

	31/12/2021	31/12/2020
<b>Amount brought forward:</b>	<b>278,006</b>	<b>286,455</b>
<b>11 Shareholders' equity</b>		
a) called-up capital		
subscribed capital	2,407	2,407
divided into:		
802,383,672 shares of common		
bearer stock		
b) additional paid-in capital	9,791	9,791
c) retained earnings		
ca) legal reserve	—	—
cb) reserve for shares in a controlling		
or majority interest-holding company	19	11
cc) reserve provided for in the Articles of Association	—	—
cd) other retained earnings	1,033	1,041
	1,052	1,052
d) profit available for distribution	245	400
	13,495	13,650
<b>Total liabilities and shareholders' equity</b>	<b>291,501</b>	<b>300,105</b>
<b>1 Contingent liabilities</b>		
a) contingent liabilities on rediscounted		
bills of exchange credited to borrowers	—	—
b) liabilities under guarantees and		
indemnity agreements	27,967	24,433
c) contingent liabilities on assets pledged		
as collateral for third-party debts	—	—
	27,967	24,433
<b>2 Other commitments</b>		
a) commitments from the sale of assets		
subject to repurchase agreements	—	—
b) placing and underwriting commitments	—	—
c) irrevocable lending commitments	62,927	64,448
	62,927	64,448



# Legal Basis

UniCredit Bank AG (HVB) is a universal bank with its registered office and principal place of business in Arabellastrasse 12, Munich, Germany. It is entered under HRB 42148 in the B section of the Commercial Register maintained by Munich Local Court. HVB is an affiliate of UniCredit S.p.A., Milan, Italy (ultimate parent company).

The annual financial statements of UniCredit Bank AG for the 2021 financial year are prepared in accordance with the accounting regulations in the German Commercial Code (Handelsgesetzbuch – HGB), the German Stock Corporation Act (Aktiengesetz – AktG), the German Pfandbrief Act (Pfandbriefgesetz – PfandBG) and the Regulations Governing Disclosures in the Financial Statements of Banks and Similar Financial Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV).

HVB is active in all of the sectors served by commercial and mortgage banks.

# Accounting, Valuation and Disclosure

## 1 Reporting date/period

The amounts shown in the tables and texts below relate to the reporting date of 31 December for disclosures regarding balance sheet items and totals and the period from 1 January to 31 December of the respective year for disclosures regarding the income statement.

## 2 Consistency

The same accounting and valuation methods have essentially been applied as last year.

### **Provisions for interest on expected and accrued taxes**

Provisions set aside for interest on expected and accrued taxes have previously been shown under provisions as other provisions (other). Due to the dependence of interest payments on tax, these are now recognised under tax provisions. Consequently, provisions for interest on tax payments of €116 million (previous year: €55 million) were reclassified within the item "Provisions" from the sub-item "Other provisions" to the sub-item "Tax provisions" at 31 December 2021.

### **Net fees and commissions**

The amount of fee and commission income that may no longer be recognised as income due to the ruling by the German Federal High Court (Bundesgerichtshof – BGH) on the invalidity of certain clauses contained in general business conditions came to a low one-digit million sum in the reporting year. The fee and commission income affected was no longer recognised as of the second quarter of 2021 when the BGH ruling was announced. Depending on the case, this concerns all of the fee or a part of it depending on which adjustment was declared null and void by the BGH ruling (introduction of a fee or merely an increase in the fee). HVB has set aside a provision to cover claims for the reimbursement of fee and commission income received on the basis of the now invalid clauses contained in its general business conditions up to and including the first quarter of 2021. The BGH ruling affects business relationships with consumers who did not actively consent to the amendments to the general business conditions affected by the ruling or did so by their implied action. As a result of the BGH ruling, mere silence may no longer be considered consent. Customers were informed of this if they were affected (they were informed that the fees are billed subject to review). In addition, HVB has written to almost all of the consumers and requested their consent to the current general business conditions.

### **IBOR reform: Change in the context of the IBOR transition**

The change in the interest rate benchmark has no impact on legal and economic ownership of the asset or liability in question. Although the interest rate benchmark is a key feature of a floating rate instrument, the character of the instrument does not change and the instrument continues to be reported in the balance sheet, as all other essential features do not change due to the mere change in the interest rate benchmark under the IBOR reform. Accordingly, no asset or liability affected by the change is to be recognised. As a result, the change in the interest rate benchmark lead to a prospective adjustment of the instrument's interest rate.

LIBOR rates are affected by the transition as a result of the IBOR reform. As EURIBOR rates are regarded as being in line with the new benchmark requirements and can continue to be used, there is no requirement to switch EURIBOR rates at present. LIBOR rates for existing derivatives contracts have been switched within the scope of a fallback solution developed by the ISDA. This switch took place in the reporting year with the exception of USD LIBOR benchmarks, which are expected to be switched in 2022/2023. The nominal volume for derivatives with USD LIBOR interest rate benchmarks is €267 billion. This is based on the rules laid down by the relevant ISDA protocol and the amendment of the German master agreements in conjunction with the ISDA fallback rate. Further rate variants for pricing new business are currently published by private sector providers; a final market standard has not yet been established. Bilateral agreements have been reached with the respect to loans and securities with LIBOR rates. In this case too, the LIBOR rates, except for the USD LIBOR interest rate benchmarks, have been switched or will be switched at the next interest rate reset date. The carrying amount of assets with USD LIBOR interest rate benchmarks is €7.4 billion.

For instruments that are part of a valuation unit, the change in an interest rate benchmark does not affect the hedge eligibility, hedging intention or the intention to hold with respect to the financial instruments, so that the valuation unit is continued. When assessing the prospective effectiveness, the consequences of a time delay in the adjustment dates for the interest rate benchmark may not be taken into account. If there are any effects on the valuation of the instruments themselves, these must be recorded as part of a valuation.

# Accounting, Valuation and Disclosure (CONTINUED)

For free-standing derivatives that are neither allocated to the trading portfolio nor part of a valuation unit, the principle remains that a provision is only to be set up in the event of an impending loss. The effects of the change in interest rate benchmarks must be taken into account when assessing any provision that may be required.

Settlement payment received/paid, for example in connection with the transition from EONIA rates to €STR rates in relation to financial instruments are recognised directly in equity and deferred/accrued over the term of the instruments concerned. The settlement due to clearing houses on account of the discounting switch (transition from discounting of cash collateral from EONIA to €STR had an effect on the fair value determination of derivatives without changing the compatible cash flows of the derivatives) was recognised in the income statement.

### 3 Cash and cash balances

The cash and cash balances (asset item 1) are stated at nominal amounts.

### 4 Treasury bills and bills of exchange

Treasury bills and other bills (asset item 2) are shown at their cash value, i.e. less any discounted amounts.

### 5 Loans and receivables with banks and customers

Loans and receivables with banks and customers (asset items 3 and 4) are always stated at the nominal amount plus any accrued interest. Differences between acquisition cost and nominal amount (premiums/discounts) that are attributable to interest are allocated to prepaid expenses or deferred income and taken to the income statement under net interest income in the correct period over the term of the underlying items. Any necessary write-downs and provisions compliant with Section 340f HGB are deducted.

Loans and receivables are valued at the lower of cost or market as stipulated in Section 253 (4) 1 HGB. HVB creates specific loan-loss provisions and accruals to the amount of the anticipated loss for all identifiable exposure to acute counterparty default risk. The expected flow-backs discounted at the original effective interest rate are used when determining the level of write-downs compliant with Section 253 HGB. In the process, various realistic scenarios are estimated whereby the loss in value resulting from the expected value of the credit default losses is weighted by the probability of occurrence for each scenario. Specific loan-loss provisions are reversed once the receivable is classified as irrecoverable and written off. Accruals are reversed as soon as the default risk has ceased.

Country risk is covered by specific loan-loss provisions for loans at risk of default; a distinction is no longer made between the default risk of the borrower and the transfer risk from the borrower to the Bank.

We take account of deferred credit risks by recognising general loan-loss provisions. For this purpose, a general loan-loss provision for loans and receivables with customers was specified. Its determination is based on the expected credit losses that are also used for the purposes of valuation in accordance with IFRS. Therefore, the determination of the general loan-loss provision follows the Bank's risk measurement.

Like other loans and receivables, mortgage loans are shown at their nominal values. Differences between the nominal amount and the actual amount paid out are included under either prepaid expenses or deferred income, and reversed over the period to which they apply.

The purpose defined at the time of acquisition (Section 247 (1) and (2) HGB) determines the assignment of loans, receivables and securities to the held-for-trading portfolios, the liquidity reserve or investment assets.

The Bank has made use of the option permitted by Section 340f (3) HGB and has included the change in provisions compliant with Section 340f HGB to net the write-downs and impairments for receivables and certain securities as well as additions to provisions for losses on guarantees and indemnities with the write-ups on bad and doubtful debts and on certain securities as well as release of provisions for losses on guarantees and indemnities.

## 6 Bonds and other fixed-income securities, and equity securities and other variable-yield securities

Investment securities and securities held for liquidity purposes (securities treated neither as held for trading purposes nor as investment securities) are shown under bonds and other fixed-income securities (asset item 5) and equity securities and other variable-yield securities (asset item 6).

We measure investment securities in accordance with the modified lower of cost or market principle compliant with Section 253 (3) 5 HGB, under which impairments are only to be deducted from the acquisition cost if the loss of value is expected to be permanent. In the case of equity instruments, we recognise an impairment loss if the fair value at the reporting date is significantly lower than the carrying amount or if the fair value has fallen below the carrying amount for a long period of time. In the case of debt instruments, on the other hand, an impairment that is likely to be permanent occurs when the issuer of the securities defaults. In the event of a loss of value that is attributable to market prices, we assume that the impairment is only temporary, as these losses will be balanced out again by the due date at the latest.

Securities held for liquidity purposes are measured at amortised cost, taking account of the lower of cost or market principle (Section 253 (4) 1 HGB) and if necessary, written down to the market value or fair value at the balance sheet date, whichever is lower. Premiums and discounts are amortised over the remaining term of the securities holdings upon addition.

In observance of the lower of cost or market principle, appropriate write-downs are made to take account of the creditworthiness of the issuer and the liquidity of the financial instrument. Where the reasons for a write-down to the lower of cost or market no longer apply, the write-down is reversed compliant with Section 253 (5) HGB.

The Bank sets up portfolio valuation units documented in advance for certain interest-bearing securities, promissory notes (with a carrying amount of €21,632 million (previous year: €26,288 million)) and certain interest rate derivatives hedged against interest rate risk by equivalent hedging derivatives (notably interest rate swaps). The hedge of the dynamic portfolio within the framework of the valuation unit is of unlimited duration; the hedging period of the individual hedging derivatives is always related to the residual maturity of the respective hedged items in the portfolio. The offset changes in the value of the interest-bearing securities amount to an increase of €242 million (previous year: €574 million) for the portfolios whose hedged items encompass securities and promissory notes. The change is largely attributable to the rise in the level of interest rates and a lower volume. The requirements of Section 254 HGB regarding valuation units have been met. The prospective hedging efficiency is documented using the interest rate risk sensitivity analysis based on basis point values (BPV). The changes in value arising from the hedged items and hedges induced from the hedged risk are set against each other and offset within the individual valuation units. Under the net hedge presentation method, no net valuation gain is taken to the income statement; provisions are set up to cover any net loss on the ineffective portion of the changes in the value of the hedge. Any valuation loss arising from the unhedged risk is included in the respective hedged items and hedging derivatives in accordance with the imparity principle.

The Bank makes use of the option permitted by Section 340f (3) HGB to net the write-downs and impairments for receivables and certain securities as well as additions to provisions for losses on guarantees and indemnities with the write-ups on bad and doubtful debts and on certain securities as well as the release of provisions for losses on guarantees and indemnities.

# Accounting, Valuation and Disclosure (CONTINUED)

## 7 Held-for-trading portfolio

Compliant with Section 340e (3) HGB, financial instruments held by banks for trading purposes are measured at fair value less a risk discount and recognised in the balance sheet. Any ensuing changes in value and provisions relating to trading transactions are recognised in the income statement under net income from the held-for-trading portfolio. In addition, compliant with Section 340e (4) HGB an amount is allocated to the "Fund for general banking risks" in accordance with Section 340g HGB, and shown in the balance sheet separately. HVB assigns all financial instruments (bonds, equity securities, derivatives, loans and receivables, and liabilities, including delivery obligations arising from short sales of securities) to the held-for-trading portfolio that are acquired and sold with the intention of generating a short-term gain on proprietary trading. This is done to exploit existing or anticipated differences between buying and selling prices or fluctuations in market rates, prices, values or interest rates to generate a trading gain or margin. No changes have been made compared with last year regarding the criteria for assignment to the trading portfolio (definition of the intention to trade). No financial instruments have been reclassified to or from the held-for-trading portfolio. The assets and liabilities that are held for trading are shown separately in the balance sheet (asset item 6a and liability item 3a).

We have determined the fair value of the financial instruments held for trading purposes in accordance with the valuation hierarchy specified in Section 255 (4) HGB. The fair value is normally defined as the amount at which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The market price is used for financial instruments for which there is an active market. Where there is no active market that can be used to determine the market price, the fair value is determined with the aid of generally recognised valuation methods (notably present value and option price models).

The fair values of securities and derivatives are assumed on the basis of either external price sources (such as stock exchanges or other price providers like Reuters) or determined using internal valuation models. For the most part, prices from external sources are used to calculate the fair value of securities. HVB's credit risk is included in the fair value of liabilities held for trading purposes. Derivatives are primarily measured on the basis of valuation models. The parameters for HVB's internal valuation models (such as yield curves, volatilities and spreads) are taken from external sources, and checked for their validity and correctness by the Risk Control unit.

Appropriate adjustments (referred to as fair value adjustments) are made to the fair values calculated in this way in order to take account of further influences on the fair value (such as the liquidity of the financial instrument, closing out costs or model risks when the fair value is calculated using a valuation model). Rating-related default risk in trading-book derivatives is covered by applying suitable valuation adjustments (CVAs and DVAs). Furthermore, funding valuation adjustments (FVAs) were recognised in the income statement for the measurement at fair value of not fully secured derivatives. Apart from unsecured derivatives, this also affects derivatives for which collateral has been provided in favour of the counterparty only.

The main conditions that can influence the amount, timing and certainty of future cash flows from derivatives essentially relate to the following features of derivatives:

- Where the cash flows under derivatives are linked to current market prices or rates, the respective market price or market rate at the payment date determines the amount payable (in the case of interest rate swaps, for instance, the payment of the variable interest rate on the payment date depends on the interest rate fixed on this date, such as Euribor).
- Where the derivatives allow for cash settlement at fair value on the due date, the amount payable is calculated as the difference between the price set when the derivative was entered into and the current market price (in the case of a foreign exchange forward with cash settlement, for instance, the difference between the agreed forward price and the current price is payable).
- In the case of American options, unlike European options, the option buyer has the right to exercise the option at any time during the term of the option.
- Where it is possible to terminate a derivative prior to maturity (as is the case with all exchange-traded derivatives, for instance), the derivative may be terminated by paying the current fair value.
- The counterparty's credit rating and solvency are a further important consideration. If the counterparty becomes insolvent, it can no longer be expected that it will meet its obligations arising from the derivative.

These features may be included in the terms agreed for any type of derivative. Thus, it is possible that foreign exchange, interest rate and equity options may be exercised at any time (American option) or only at maturity (European option). It is generally possible to determine the size of the derivative positions entered into from the respective nominal amounts.

In order to obtain the final figures disclosed in the balance sheet for the held-for-trading portfolios, the risk discount required by Section 340e (3) 1 HGB is deducted from the fair values of the financial instruments held for trading purposes determined in this way. Including the risk discount in net trading income reflects the risk of possible price losses up until the earliest possible date of realisation of unrealised valuation gains or losses. In accordance with the relevant regulatory rules, the risk discount is determined on the basis of the internal risk management system using an accounting value-at-risk approach (holding period of ten days; confidence level: 99%; two-year observation period). We have deducted the risk discount determined for the entire held-for-trading portfolio from the assets held for trading purposes in the balance sheet (asset item 6a) and recognised it in the net income from the held-for-trading portfolio.

HVB employs derivative financial instruments both for trading purposes and to hedge balance sheet items. The vast majority are trading derivatives which are disclosed at their fair value in the held-for-trading portfolio items on the assets side and liabilities side of the balance sheet and taken to the income statement.

With interest rate swaps, the two opposing cash flows from interest are aggregated for each swap contract and disclosed net as interest income or interest expense. In the case of derivative portfolios purely held for trading, we disclose the netted interest payments in the net trading income.

Derivatives that are not associated with the held-for-trading portfolio continue to be treated in accordance with the principle of the non-recognition of pending transactions. Only cash flows that have started, such as option premiums and accrued upfront payments on unvalued banking book derivatives, are disclosed under other assets (asset item 12), other liabilities (liability item 5) and deferred income or prepaid expenses (asset item 13 and liability item 6). Irrespective of whether it results from the hedged item or the hedging derivative, any net loss arising from valuation units set up for the netting (compensation) of the change in value of the hedged item and hedging derivative associated with the hedged risk is to be taken to the income statement as a provision for valuation units. In accordance with German GAAP, any change in fair value arising from the unhedged risk in both the hedged item and the hedging instrument is recognised on a gross basis in compliance with individual valuation under the imparity principle.

The Bank takes out the credit derivatives not held for trading exclusively as a protection buyer. In this context, the credit derivatives serve to hedge the risk of default of other transactions entered into by the Bank. The credit derivatives not held for trading are therefore accounted for according to the principles relating to loan collateral.

The interest rate derivatives employed for asset/liability management of the general interest rate risk associated with receivables and liabilities in the banking book are measured as part of the aggregate interest position. Please refer to the Risk Report for a discussion of the management of the overall interest rate position.

The few remaining standalone derivatives outside the trading book are valued in accordance with the imparity principle. A provision for anticipated losses on pending transactions is set up for unrealised valuation losses; unrealised valuation gains are not recognised.

Derivatives held for trading purposes that were concluded under master agreements together with a credit support annex allowing for daily exchange of collateral are netted for each counterparty in the balance sheet. Such netting encompasses both the carrying amount of the derivatives and the collateral provided for each counterparty.

Extensive information about HVB's derivative financial instruments, complete with detailed breakdowns by product and risk type, and showing the nominal amounts, fair values and the counterparty structure, is included in the note to the annual financial statements regarding derivative financial instruments.

The Risk Report contains a detailed overview of the Bank's derivative transactions.

# Accounting, Valuation and Disclosure (CONTINUED)

## 8 Participating interests and shares in affiliates

Participating interests and shares in affiliates (asset items 7 and 8) are shown at the lower of acquisition cost or – if there is a permanent impairment – fair value prevailing at the balance sheet date.

Where HVB holds a controlling interest, profits and losses of partnerships as well as dividends paid by limited or incorporated companies are recognised in the year in which they arise, provided the relevant legal conditions are met.

Compliant with Section 340c (2) 1 HGB, HVB nets income from write-ups on participating interests, shares in affiliates and investment securities with write-downs on these investments. In addition, the expense and income items which reflect the results from the disposal of financial assets are included in this netting process in accordance with the option permitted by Section 340c (2) 2 HGB.

## 9 Intangible assets

Goodwill and software are disclosed under intangible assets (asset item 10).

Purchased goodwill is calculated by setting the acquisition cost of a company against the value of the company's individual assets, less the liabilities at the time of acquisition. It is normally amortised over the standard useful life assumed by law. An impairment is recognised in the event of a permanent loss of value. Should the reasons for the impairment no longer apply, the lower amount recognised for derivative goodwill is retained.

Purchased intangible assets are capitalised at cost and amortised over their expected useful life of three to five years (software) or a longer contractual useful life of up to ten years (other intangible assets). Impairments are recognised where necessary. HVB has not made use of the capitalisation option for internally generated intangible assets classified as non-current.

## 10 Property, plant and equipment

Property, plant and equipment (asset item 11) is valued at acquisition or production cost, less – insofar as the assets are depreciable – subsequent straight-line depreciation over the expected useful life. In such cases HVB adheres closely to the depreciation rules for movable equipment specified in Section 7 of the German Income Tax Act (Einkommensteuergesetz – EStG) in conjunction with the depreciation tables for equipment. Additions to furniture and office equipment are depreciated on a pro rata basis in the year of acquisition.

Low-value assets with acquisition costs of up to €250 are fully expensed in the year of acquisition and shown as additions and disposals in the analysis of non-current assets. A collective item is set up for all items of property, plant and equipment with acquisition costs of between €250 and €1,000 (pool depreciation in accordance with Section 6 (2a) EStG, new version), one-fifth of which is reversed in the financial year of creation and each of the following four years in the income statement.

## 11 Liabilities

Liabilities (liability items 1 to 3, 8 and 9) are stated at the amount repayable plus accrued interest. Differences between the amount repayable and the amount disbursed (premiums/discounts) that are attributable to interest are allocated to prepaid expenses or deferred income, and reversed under net interest income in the correct accounting period. Liabilities without current interest payments (zero-coupon bonds) are stated at their present value calculated using a constant discount rate over the relevant terms.

## 12 Provisions

In accordance with the principles of sound commercial judgement, we assess provisions for taxes, uncertain liabilities and anticipated losses on pending transactions (liability item 7) at the amount repayable, taking into account anticipated future price and cost increases. As a basic principle, provisions falling due in more than one year are discounted using the average market rate of the past seven financial years determined and published by Deutsche Bundesbank as appropriate for the respective maturities.

HVB offers its employees various types of company pension plans. To fund the company pension plans, HVB has covered its pension commitments largely with plan assets managed as external trustee assets with limited access. These plan assets are set against the liabilities arising from pension commitments or similar long-term commitments. If the plan assets of the pension funds, pension guarantee associations or retirement benefit corporations in question do not cover the amount of the equivalent pension commitments payable, HVB recognises a provision for pension funds and similar obligations in the amount of the shortfall. If the fair value of the plan assets exceeds the commitments, the difference is recognised as the excess of plan assets over pension liabilities.

We measure payment obligations arising from pension commitments at the amount payable calculated using the projected unit credit method on the basis of biometric probabilities. Anticipated future salary and pension increases are taken into account when measuring the pension commitment. Insofar as the amount of the pension commitments is determined exclusively by the fair value of securities, we recognise provisions for this at the fair value of these securities where it exceeds a guaranteed minimum amount. HVB has made use of the option to employ the average market rate determined and published by Deutsche Bundesbank as the discount rate for an assumed residual maturity of 15 years.

The German Act Implementing the Directive on Credit Agreements Relating to Residential Immovable Property and Amending Provisions of Commercial Law enacted in 2016 changed the specified discount rate used in discounting provisions for pension obligations from a seven-year average to a ten-year average. The difference occurring in every financial year between the valuation of the provision applying the corresponding average market rate from the previous ten financial years and applying the corresponding average market rate from the previous seven financial years is subject to a ban on distribution.

	2021	2020
Discount rate (10-year average)	1.87%	2.30%
Discount rate (7-year average)	1.35%	1.60%
Pension trend	1.75%	1.40%
Anticipated wage and salary increases	1.50%	1.50%
Career trend	0.50%	0.50%
Reduction of the probabilities based on the modified Heubeck 2018 G tables to		
Mortality		
Men	80%	80%
Women	95%	95%
Probability of disability		
Men	80%	80%
Women	80%	80%

Income and expenses arising from the compounding and discounting of provisions for pensions are included in other operating income less other operating expenses. However, the current service cost accruing during the period and the effects arising from changed assumptions regarding the wage, salary and pension trend and biometric probabilities are disclosed under payroll costs. The same principles apply for the impact on earnings arising from the change in the group of beneficiaries and the change in provisions for pensions in connection with company restructuring activities. Similarly, the impact on earnings of the change in the discount rate is allocated to payroll costs.



# Accounting, Valuation and Disclosure (CONTINUED)

Furthermore, the revised version of IDW RS BFA 3 requires the Bank to check whether it has incurred a loss on the aggregate holding of interest-bearing transactions in the banking book. The Bank applies the net present value approach to ascertain whether there are any circumstances beyond the individual valuation that had already occurred in economic terms at the reporting date that would lead to losses in the future. In this instance, it would be necessary to set up a provision for anticipated losses on pending transactions to ensure loss-free valuation in the banking book. To do this, the cash flows from the interest-bearing transactions in the banking book are discounted on the basis of the market interest rates at the reporting date and set against their carrying amounts using the net present value approach. All on- and off-balance-sheet, interest-bearing financial instruments outside of the held-for-trading portfolio are included in this process. All costs to be incurred in connection with the interest-bearing transactions such as risk costs, administration costs for handling the transactions through to their maturity, funding costs and so on are taken into account for discounting. The contractual cash flows are normally used as the basis; appropriate assumptions regarding the anticipated utilisation are only made and hence an economic maturity used as the basis for financial instruments with no fixed maturity (such as demand and savings deposits) in compliance with the internal risk management rules. The present values calculated in this way are set against the carrying amounts; derivatives concluded to hedge interest rate risk in the banking book are recognised at their fair value and generally set against a carrying amount of zero as they are not carried as general hedging derivatives individually in the banking book. A provision for anticipated losses on pending transactions needs to be set up to cover any shortfall between the present value determined in this way and the carrying amount. In this context, positive differences on interest-bearing transactions may not be offset against negative differences unless the transactions concerned are controlled together in internal interest rate risk management.

### 13 Additional Tier 1 regulatory capital instruments

Included are HVB issued regulatory own funds in the form of two additional Tier 1 issues (AT1 bonds). Die AT1 bonds are fully subscribed by UniCredit S.p.A. These are subordinated unsecured bonds.

They have a volume of €1,000 million and €700 million and an indefinite term, and the AT1 bonds can only be terminated by the issuer. As the issuer, HVB has the right to waive interest in whole or in part at its own discretion. Should HVB decide to pay interest for a given financial year, it is recognised as interest expense. The bond terms stipulate a temporary write-down in the event that the Bank's CET 1 ratio falls below the 5.125% mark on a stand-alone basis or consolidated basis pursuant to the CRR. Under certain conditions, a (re-)write-up is possible at HVB's discretion.

In addition, the issues have the following features:

- The issue of €1,000 million can be called in for the first time after five years and initially bears 5.794% interest for five years; from 20 October 2025 the interest rate corresponds to the 5-year EUR mid-market swap rate of +6.250% p.a. until the next interest rate adjustment date after five years.
- The issue of €700 million can be called in for the first time after six years and initially bears 5.928% interest for six years; from 20 October 2026 the interest rate corresponds to the 5-year EUR mid-market swap rate of +6.350% p.a. until the next interest rate adjustment date after five years.

The AT1 bonds are shown as additional Tier 1 capital (AT1) under regulatory own funds.

Interest in the amount of €99 million was paid on both instruments in October 2021.

#### **14 Plan assets**

Assets serving exclusively to settle pension commitments or similar long-term commitments, and to which all other creditors do not have recourse (plan assets), are measured at fair value and offset against the underlying commitment.

If the offsetting results in an excess of commitments over plan assets, we recognise a provision for pensions and similar commitments (liability item 7) to this amount. If the value of the assets exceeds the commitments, the amount is recognised under excess of plan assets over pension liabilities (asset item 15).

The plan assets consist mainly of investment fund shares that are recognised at the current redemption price (fair value). Income and expenses arising from plan assets to be offset are shown in other operating income less other operating expenses.

Compliant with Section 8a of the German Semi-Retirement Act (Altersteilzeitgesetz – AltTZG), employee credits for semi-retirement are secured by pledging securities to the trustee.

#### **15 Deferred tax assets and liabilities**

Compliant with Section 274 HGB, deferred tax items are determined for temporary differences between the carrying amount of an asset, liability or deferred item shown in the commercial balance sheet and the corresponding amount disclosed for tax reporting purposes as well as for tax loss carryforwards and tax credits. German corporations are normally charged a corporate income tax rate of 15%, irrespective of any dividend distribution. Deferred taxes are measured using the uniform corporate income tax rate of 15.8%, including the solidarity surcharge, and the municipal trade tax dependent upon the applicable municipal trade tax multiplier. At HVB, this results in an overall valuation rate for the domestic portion of deferred taxes of 31.76%. The respective local tax rates are applied analogously for the foreign establishments. Compliant with Section 274 (1) 2 HGB, the deferred tax assets involved have not been recognised on account of an aggregate future reduction in tax. This results mainly from tax valuation reservations regarding general provisions, loans and receivables with customers as well as prepaid expenses and deferred income.

#### **16 Foreign currencies**

Amounts in foreign currency are translated in accordance with the principles set forth in Section 340h and Section 256a HGB. As a result, assets and liabilities denominated in foreign currency and spot transactions outstanding at the balance sheet date are always converted into euros using the mean spot rate applicable at the balance sheet date. The foreign currency positions in the portfolio not held for trading that are concluded in each currency are transferred to the held-for-trading portfolio on a daily basis under a standard system of currency risk management that is applicable across the Bank as a whole. The translation gains on the foreign currency positions managed in the held-for-trading portfolio are recognised at fair value in the income statement in accordance with the valuation methods applicable to the held-for-trading portfolio (Section 340e (3) 1 HGB). Consequently, the entire net income from FX trading is disclosed under net income from the held-for-trading portfolio in the income statement. On the other hand, investment securities denominated in foreign currency that are not specifically covered in the same currency and are not transferred to the held-for-trading portfolio as part of currency risk management applicable throughout the Bank are carried at their historical cost. Outstanding forward transactions are translated using the forward rate effective at the balance sheet date.

# Notes to the Income Statement

The condensed income statement is shown with the Management Report.

## 17 Breakdown of income by region

The following table shows a breakdown by region of:

- interest income
- current income from equity securities and other variable-yield securities, participating interests and shares in affiliates
- fees and commissions receivable
- net income from the held-for-trading portfolio and
- other operating income

	(€ millions)	
	2021	2020
<b>Total income</b>	<b>5,310</b>	<b>5,671</b>
Germany	4,289	4,673
Italy	256	186
United Kingdom	336	323
Rest of Europe	190	222
Americas	205	206
Asia	34	61

## 18 Net interest income

	(€ millions)	
	2021	2020
<b>Net interest income</b>	<b>2,522</b>	<b>2,836</b>
Interest income from		
lending and money market transactions	2,723	2,736
including netted negative interest on investments	369	208
fixed-income securities and government-inscribed debt	137	234
Current income from equity securities and other variable-yield securities, participating interests and shares in affiliated companies	272	591
Income from profit-pooling and profit-and-loss-transfer agreements	61	42
Interest expenses	671	767
including netted positive interest on borrowings	616	407

Negative interest mainly relates to securities repurchase agreements, overnight deposits and forward transactions with banks and institutional investors.

In addition, the negative interest for financial liabilities includes €249 million (previous year: €113 million) relating to the participation in the ECB's TELTRO III programme set up in the reporting year. In the course of calculating the effective interest for these liabilities, expected premiums are included that depend on the increase in net lending of eligible loans (loans to the non-financial sector in the eurozone without private construction finance).

The interest expense arising from the compounding of provisions amounts to €3 million (previous year: €3 million).

### 19 Services performed for third parties

HVB performed significant services for third parties, notably in portfolio, asset and trust management, in the brokerage of insurance, savings and loan contracts and investment funds, in investment and securities commission activities, and in the handling of payments.

### 20 Net income from the held-for-trading portfolio

Net income from the held-for-trading portfolio (net trading income) of €509 million (previous year: €453 million) includes the netted income and expenses arising from transactions involving financial instruments held for trading purposes, complete with the full net income from FX operations. Also carried here are certain fees and commissions in connection with transactions involving financial instruments held for proprietary trading purposes and trading with precious metals. We carry the current interest income/expense resulting from held-for-trading portfolios (referred to as trading-induced interest) as well as dividend income in net interest income and in current income rather than in net trading income in accordance with our internal management.

### 21 Breakdown of other operating income and expenses

Other operating income primarily includes the following:

- cross-charged payroll costs and cost of materials (€86 million, previous year: €86 million)
- income from the reversal of provisions other than provisions for lending and securities operations (€74 million, previous year: €102 million), and
- the recognition of income from services performed in earlier years (€4 million, previous year: €7 million).

Other operating expenses primarily include the following:

- additions to provisions other than provisions for lending and securities operations (€131 million, previous year: €24 million),
- compensation and ex gratia payments (€15 million, previous year: €15 million),
- expenses related to other periods (€6 million, previous year: €4 million), and
- expenses arising from the compounding and discounting of other provisions in the non-lending business (€5 million, previous year: €7 million).

### 22 Expenses from absorbed losses

In the reporting period there was no expense (previous year: €39 million) from losses absorbed in other accounting periods.

### 23 Extraordinary income/expenses

Extraordinary income/expenses shows neither an expense nor income for the reporting period; an expense of €4 million was however reported for the same period of the previous year.

### 24 Taxes on income

The expense from current taxes on income of €236 million includes a net tax income of €54 million from previous years.

### 25 Net income for the year

In the financial statements of HVB, the profit available for distribution from the financial year 2021, which is decisive for the appropriation of profit, amounts to €245 million. We will propose to the Shareholders' Meeting that a dividend of €245 million be paid to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €0.31 per share after around €0.50 in the 2020 financial year. In accordance with a resolution adopted by the Shareholders' Meeting on 7 June 2021, the profit available for distribution of €400 million (net income for the year of €533 million minus transfer of €133 million to other retained earnings) the reported in the previous year was distributed to UniCredit on 30 June 2021.

# Notes to the Balance Sheet

## 26 Breakdown by maturity of selected asset items

(€ millions)

	2021	2020
A 3 b) Other loans and receivables with banks		
with residual maturity of less than 3 months	8,255	15,625
at least 3 months but less than 1 year	3,152	2,800
at least 1 year but less than 5 years	2,840	4,335
5 years or more	60	19
A 4 Loans and receivables with customers		
with residual maturity of less than 3 months	13,080	13,334
at least 3 months but less than 1 year	10,430	14,053
at least 1 year but less than 5 years	41,522	40,553
5 years or more	42,457	41,403
no fixed maturity	12,906	6,743
A 5 Bonds and other fixed-income securities, amounts due in the following year	6,012	4,944

## 27 Breakdown by maturity of selected liability items

(€ millions)

	2021	2020
L 1 Deposits from banks		
L 1 b) with agreed maturity dates or periods of notice		
with residual maturity of less than 3 months	5,463	20,161
at least 3 months but less than 1 year	7,912	2,287
at least 1 year but less than 5 years	32,373	27,019
5 years or more	5,653	5,621
L 2 Deposits from customers		
L 2 ab) savings deposits with agreed periods of notice of at least 3 months		
with residual maturity of less than 3 months	1	10
at least 3 months but less than 1 year	13	34
at least 1 year but less than 5 years	3	17
5 years or more	—	—
L 2 b) registered Mortgage Pfandbriefe in issue		
L 2 c) registered Public Pfandbriefe in issue		
L 2 db) other debts with agreed maturity dates or periods of notice		
with residual maturity of less than 3 months	9,614	18,694
at least 3 months but less than 1 year	7,096	8,183
at least 1 year but less than 5 years	3,281	6,011
5 years or more	5,898	6,639
L 3 Debt securities in issue		
L 3 a) bonds, amounts due in following year	3,495	3,869
L 3 b) other debt securities in issue		
with residual maturity of less than 3 months	—	—
at least 3 months but less than 1 year	—	—
at least 1 year but less than 5 years	—	—
5 years or more	—	—

## 28 Amounts receivable from and payable to affiliates and companies in which participating interests are held

(€ millions)

	2021		2020	
	AFFILIATES	PARTICIPATING INTERESTS	AFFILIATES	PARTICIPATING INTERESTS
Loans and receivables with banks	5,088	34	11,249	20
of which UniCredit S.p.A.	4,314	—	10,247	—
Loans and receivables with customers	1,116	821	1,527	923
Bonds and other fixed-income securities	—	7,831	3	7,623
of which UniCredit S.p.A.	—	—	—	—
Deposits from banks	1,626	142	1,491	142
of which UniCredit S.p.A.	1,025	—	456	—
Deposits from customers	792	3,365	1,487	3,432
Debt securities in issue	2,501	—	1,000	—
of which UniCredit S.p.A.	2,501	—	1,000	—
Subordinated liabilities	2,742	—	2,974	—

There have been a number of transactions involving UniCredit S.p.A. and other UniCredit group companies since the integration of HVB into the UniCredit group of companies.

In its role as centre of competence for markets and investment banking for the entire UniCredit group, HVB acts as counterparty for derivative transactions conducted by UniCredit companies. This involves hedge derivatives of UniCredit group companies that are externalised on the market by HVB.

## 29 Trust business

(€ millions)

	2021	2020
<b>Trust assets</b>	<b>374</b>	<b>268</b>
Loans and receivables with banks	—	—
Loans and receivables with customers	374	268
Equity securities and other variable-yield securities	—	—
Participating interests	—	—
Other assets	—	—
<b>Trust liabilities</b>	<b>374</b>	<b>268</b>
Deposits from banks	373	268
Deposits from customers	1	—
Debt securities in issue	—	—
Other liabilities	—	—

KfW Schnellkredit loans in the amount of €371 million are reported. KfW Schnellkredit loans were set up by the federal government during the reporting year as a special programme of KfW to secure liquidity for companies. The Bank issues the KfW Schnellkredit loans in its own name at the expense of KfW. To this extent the KfW Schnellkredit loans are accounted for as loans taken out on a trust basis in accordance with Section 6 of the Ordinance Regarding Accounting for Banks (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV).

## Notes to the Balance Sheet (CONTINUED)

**30 Foreign-currency assets and liabilities**

(€ millions)

	2021	2020
<b>Assets</b>	<b>37,739</b>	<b>33,400</b>
Cash and cash balances	2,554	3,631
Treasury bills and other bills eligible for refinancing with central banks	—	—
Loans and receivables with banks	2,385	1,434
Loans and receivables with customers	13,583	12,039
Bonds and other fixed-income securities	8,654	7,459
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio (assets held for trading purposes)	10,313	8,636
Participating interests	10	9
Shares in affiliates	80	75
Trust assets	—	—
Intangible assets	—	—
Property, plant and equipment	2	2
Other assets	154	111
Prepaid expenses	4	4
<b>Liabilities</b>	<b>25,096</b>	<b>23,674</b>
Deposits from banks	4,180	5,585
Deposits from customers	15,159	13,065
Debt securities in issue	1,168	995
Held-for-trading portfolio (liabilities held for trading purposes)	4,056	3,658
Trust liabilities	—	—
Other liabilities	336	119
Deferred income	165	47
Provisions	32	58
Subordinated liabilities	—	147

The amounts shown represent the euro equivalents of all currencies.

**31 Subordinated asset items**

(€ millions)

	2021	2020
<b>Subordinated asset items</b>	<b>2,196</b>	<b>2,255</b>
Loans and receivables with banks	—	—
Loans and receivables with customers	16	15
Bonds and other fixed-income securities	2,171	2,236
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio	9	4

### 32 Marketable debt and investments

The listed and unlisted marketable securities included in the respective balance sheet items break down as follows:

(€ millions)

	2021			2020		
	TOTAL MARKETABLE SECURITIES	OF WHICH LISTED	OF WHICH UNLISTED	TOTAL MARKETABLE SECURITIES	OF WHICH LISTED	OF WHICH UNLISTED
Bonds and other fixed-income securities	55,439	42,806	12,633	56,825	44,268	12,557
equity securities and other						
variable-yield securities	23	—	23	23	—	23
Held-for-trading portfolio	22,650	17,513	5,137	19,471	16,091	3,380
Participating interests	—	—	—	—	—	—
Shares in affiliated companies	—	—	—	—	—	—

Non-current marketable securities contain financial instruments carried at an amount higher than their fair value:

(€ millions)

	2021		2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>Non-current securities</b>	<b>6,043</b>	<b>5,972</b>	<b>6,277</b>	<b>6,204</b>
Bonds and other fixed-income securities	6,043	5,972	6,277	6,204
Equity securities and other variable-yield securities	—	—	—	—

Given the development of interest and rating risks, we do not believe that these securities are permanently impaired.

### 33 Held-for-trading portfolio

The following table shows the breakdown of assets held for trading purposes (asset item 6a) by financial instrument:

(€ millions)

	2021	2020
<b>Assets held for trading</b>	<b>67,796</b>	<b>51,287</b>
Derivative financial instruments (positive fair values)	23,762	21,322
Loans and receivables	5,562	4,789
Bonds and other fixed-income securities	13,288	11,462
Equity securities and other variable-yield securities	11,169	9,679
Other assets	14,044	4,065
Less risk discount (for entire portfolio of assets held for trading purposes)	(29)	(30)

The following table shows the breakdown of liabilities held for trading purposes (liability item 3a) by financial instrument:

(€ millions)

	2021	2020
<b>Liabilities held for trading</b>	<b>37,070</b>	<b>28,650</b>
Derivative financial instruments (negative fair values)	15,126	12,612
Liabilities (including delivery obligations arising from short sales of securities)	21,944	16,038

Derivatives held for trading purposes that were concluded under master agreements together with a credit support annex allowing for daily exchange of collateral were netted for each counterparty in the balance sheet. The netting for each counterparty encompasses both the carrying amount of the derivatives and the collateral provided. This involved netting positive fair values of €72.5 billion (previous year: €80.2 billion) with negative fair values of €73.7 billion (previous year: €81.7 billion) on derivatives held for trading with the associated receivables (€10.6 billion, previous year: €14.6 billion) and liabilities (€9.4 billion, previous year: €13.1 billion) from collateral provided.



# Notes to the Balance Sheet (CONTINUED)

## 34 Investment funds

The following table contains information regarding shares in investment funds compliant with Section 285 No. 26 HGB for which the Bank's holding exceeds 10% of the total number of shares:

(€ millions)

	2021				2020			
	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE CARRYING AMOUNT/ FAIR VALUE	DIVIDEND PAYMENTS	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE CARRYING AMOUNT/ FAIR VALUE	DIVIDEND PAYMENTS
<b>Total investment funds</b>	<b>764</b>	<b>764</b>	<b>—</b>	<b>4.8</b>	<b>754</b>	<b>754</b>	<b>—</b>	<b>5.4</b>
Equity funds	194	194	—	0.8	140	140	—	0.5
Mixed funds	238	238	—	3.5	317	317	—	3.6
Index funds	118	118	—	0.5	155	155	—	0.3
Bond funds	106	106	—	—	7	7	—	—
Funds of funds	108	108	—	—	135	135	—	1.0

In addition, the Bank holds all the shares in the "European-Office-Fonds" property special purpose entity, which is fully consolidated in the Bank's consolidated financial statements in accordance with IFRS 10.

Under Section 246 (2) HGB, assets to which all other creditors do not have access and which serve exclusively to settle liabilities arising from pension commitments or similar long-term commitments must be offset against these liabilities. Where these assets represent shares in investment funds, they are not shown in this table.

The shares listed in this table are held in either the Bank's held-for-trading portfolio or its liquidity reserve. Where necessary, the holdings in the liquidity reserve are always written down to the lower fair value.

In the case of the information regarding the dividend payments, it should be noted that the positions included in the table frequently represent investment funds that reinvest dividends in themselves. Consequently, the dividend payments shown in the table serve only as a limited indicator for the performance of the investment funds.

There are no indications of a restriction on daily return for the shares listed here.

### 35 Analysis of non-current assets

(€ millions)

	INTANGIBLE ASSETS				PROPERTY, PLANT AND EQUIPMENT			OTHER NON- CURRENT ASSETS
	SOFTWARE	DOWN- PAYMENTS	OTHER INTANGIBLE ASSETS	TOTAL	LAND AND BUILDINGS	FURNITURE AND OFFICE EQUIPMENT	TOTAL	
<b>Acquisition/production costs</b>								
Balance at 1/1	513	1	—	514	227	218	445	21
Additions from merger	—	—	—	—	—	—	—	—
Additions	1	1	—	2	—	2	2	—
Disposals	—	—	—	—	1	3	4	—
Reclassifications <sup>1</sup>	—	—	—	—	—	3	3	—
Post-capitalization	1	(1)	—	—	—	—	—	—
Balance at 31/12	515	1	—	516	226	220	446	21
<b>Depreciation/amortisation</b>								
Balance at 1/1	510	—	—	510	125	179	304	—
Additions from merger	—	—	—	—	—	—	—	—
Additions	2	—	—	2	4	7	11	—
of which non-scheduled	—	—	—	—	1	1	2	—
Disposals	—	—	—	—	1	3	4	—
Reclassifications <sup>1</sup>	—	—	—	—	—	3	3	—
Write-ups	—	—	—	—	3	—	3	—
Balance at 31/12	512	—	—	512	125	186	311	—
<b>Net book value</b>								
Balance at 1/1	3	1	—	4	102	39	141	21
Balance at 31/12	3	1	—	4	101	34	135	21

<sup>1</sup> Including changes in value due to currency translation.

The carrying amount of the land and buildings used for the Bank's own purposes amounts to €101 million (previous year: €102 million) at 31 December 2021.

(€ millions)

	ACQUISITION COST	CHANGES +/- <sup>1</sup>	NET BOOK VALUE 31/12/2021	NET BOOK VALUE 31/12/2020
Participating interests	171	(67)	104	101
Shares in affiliated companies	1,664	(254)	1,410	1,457
Investment securities	10,551	8,063	18,614	10,551

<sup>1</sup> Use has been made of the possibility of combining amounts allowed by Section 34 (3) RechKredV.

The change in fixed assets securities includes €8.5 million resulting from the reallocation of the earmarking of certain securities in the liquidity provisioning portfolio. These securities are no longer included in liquidity management and are now used permanently for business operations. These were therefore allocated to the investment portfolio.

# Notes to the Balance Sheet (CONTINUED)

## 36 Other assets

The following table shows the main items included in other assets:

(€ millions)

	2021	2020
Claims to tax reimbursements	667	125
of which:		
claims from non-income tax	496	15
claims from income tax	172	110
Proportion of income from commission/interest not yet received	129	113
Claims to dividends from affiliated companies	62	473
Precious metals portfolio	52	13
Capital investments with life insurers	31	26
Collateralisation of listed derivatives	30	14
Trade debtors	25	31
Works of art	21	21
Proportion of income from portfolio fees	13	11

## 37 Prepaid expenses

The prepaid expenses arising from issuing and lending operations include the following:

(€ millions)

	2021	2020
Discounts on funds borrowed	40	74
Premiums on amounts receivable	1	—

## 38 Excess of plan assets over pension liabilities

An amount payable of €2,277 million arising from liabilities due to pension and similar commitments was set against offsetting plan assets with a fair value of €2,395 million. The excess of assets over commitments is disclosed in the balance sheet as the excess of plan assets over pension liabilities (€118 million). The acquisition cost of the offsetting plan assets totalled €2,049 million. The assets involved are essentially fund shares, subordinated bonds, investments, and cash and cash equivalents.

(€ millions)

	2021	2020
Amount payable for offset pension and similar commitments (average interest rate 7 years)	2,544	2,251
Amount payable for offset pension commitments (average interest rate 10 years)	2,277	1,942
Fair value of offset plan assets	2,395	1,943
Omitted transitional allocation	—	—
Excess of plan assets over the commitments, including the shortfall	118	1
Acquisition cost of the offset plan assets	2,049	1,623

The following table shows the excess of pension commitments contained in other operating income/expenses:

(€ millions)

	2021	2020
<b>Surplus from pension commitments</b>	<b>(3)</b>	<b>46</b>
Income from plan assets used to offset pension and similar commitments	47	94
Expense component of the change in provisions for pensions and similar commitments	44	47
Expenses from plan assets used to offset pension and similar commitments	6	1

### 39 Assets assigned or pledged as security for own liabilities

Assets were assigned or pledged as security for the following liabilities:

(€ millions)

	2021	2020
<b>Assets assigned or pledged as security for own liabilities</b>	<b>19,255</b>	<b>38,431</b>
Deposits from banks	17,276	29,594
Deposits from customers	1,979	8,837

In addition, collateral is pledged to the ECB, irrespective of whether this is actually used to borrow funds or not. At the reporting date, the volume of pledged collateral amounted to €28,951 million (previous year: €23,684 million).

Examples of own liabilities for which HVB provides collateral are special credit facilities provided by KfW and similar institutions, which the Bank has passed on as loans in compliance with their conditions.

As a seller under repurchase agreements, HVB has transferred assets with a book value of €6,056 million (previous year: €25,814 million) to its funding partners. The total includes €1,690 million (previous year: €5,605 million) relating to own securities holdings. These securities continue to be disclosed as HVB's assets. The consideration received in return is stated under liabilities. They comprise mainly international money market transactions.

At the same time, further assets totalling €15,798 million (previous year: €13,677 million) were pledged as security for securities lending transactions and exchange-traded derivatives. In setting up a contractual trust arrangement (CTA), HVB transferred collateral to the asset administrator to secure pension and semi-retirement obligations. Pursuant to Section 8a AltZG, employers are required to secure credit exceeding three times the amount of normal earnings, including the associated employer's contribution to the total social security charge, against the risk of insolvency. Recognised provisions and obligations to cover the costs of other group companies are not considered suitable means of security.

### 40 Other liabilities

The following table shows the main items included in other liabilities:

(€ millions)

	2021	2020
Amounts owed to special purpose entities <sup>1</sup>	7,000	6,700
Taxes payable	535	97
Obligations arising from debts assumed	40	185
Other amounts owed to employees	39	47
Liabilities from losses absorbed from subsidiaries	10	31
Amounts yet to be distributed from outplacements, etc.	1	2
Trading book valuation reserves	—	—

<sup>1</sup> Previous-year figure adjusted.

The true sale transactions included under amounts owed to special purpose entities were carried out with a view to using the securities generated as collateral for repurchase agreements with the ECB. The underlying receivables are still recognised by HVB. All tranches are retained by the Bank, meaning that there is no corresponding reduction in risk-weighted assets.

The obligations arising from debts assumed contain obligations arising from the liquidation of media funds.

The taxes payable include liabilities from other taxes of €534 million (previous year: €44 million).

# Notes to the Balance Sheet (CONTINUED)

## 41 Deferred income

Discounts on amounts receivable shown at nominal value totalled €6 million (previous year: €7 million). Furthermore, other deferred income includes processing fees of €119 million (previous year: €103 million), interest of €145 million (previous year: €41 million) collected in advance, and accrued commissions of €6 million (previous year: €7 million).

## 42 Provisions

Other provisions include the following items:

	(€ millions)	
	2021	2020
<b>Total other provisions</b>	<b>2,290</b>	<b>1,864</b>
Restructuring	722	264
Provisions for losses on guarantees and indemnities	366	355
Payments to employees	297	283
Legal risks	183	146
Payments for early retirement, semi-retirement and similar	166	163
Valuation units	149	185
Anniversary bonus payments	24	25
Bonuses on saving plans	—	1
Other	383	442

The provisions for legal risks shown under provisions for uncertain liabilities also contain provisions for litigation fees and payments of damages. Other provisions include provisions for dismantling obligations, among other things.

## Provisions for interest on expected and accrued taxes

Provisions set aside for interest on expected and accrued taxes have previously been shown under provisions as other provisions (other). Due to the dependence of interest payments on taxes, these are now recognised under tax provisions. Consequently, provisions for interest on tax payments of €116 million (previous year: €55 million) were reclassified within the item "Provisions" from the sub-item "Other provisions" to the sub-item "Tax provisions" at 31 December 2021.

## 43 Subordinated liabilities

At the reporting date, interest expenses on subordinated liabilities amounted to €143 million (previous year: €31 million). This item includes accrued interest of €14 million (previous year: €14 million).

The borrower cannot be obliged to make early repayment in the case of subordinated liabilities. In the event of insolvency or liquidation, subordinated loans are only repaid after the claims of all primary creditors have been settled. For the purposes of a bank's liable funds as defined under banking supervisory regulations, subordinated liabilities are regarded as supplementary (Tier 2) capital.

HVB issued regulatory own funds in the form of a Tier 2 bond at the end of June 2020, which was fully subscribed by UniCredit S.p.A. This is contained in the balance sheet item "Debt securities in issue". The Bank is optimising its capital structure with the issue, also against the backdrop of the changes in regulatory requirements by the European Banking Authority (EBA). The subordinate bond meets the criteria set out in the Capital Requirements Regulation (CRR II) as Tier 2 capital and can also be used to meet MREL requirements (SRMR II).

The subordinate bond has a volume of €800 million and a term of ten years with a repayment option for the issuer after five years. The bond has a fixed-interest rate of 3.469% for the first five years that is re-fixed after five years based on the then valid 5-year swap rate plus a spread of 380 basis points provided the bond is not repaid after five years. The conditions at the time of issuance (at arm's length) are in line with the market.

# Shareholders' Equity

## 44 Analysis of shareholders' equity shown in the balance sheet

(€ millions)

<b>a) Called-up capital</b>		
Subscribed capital		
Balance at 1 January 2021	2,407	
Balance at 31 December 2021		2,407
<b>b) Additional paid-in capital</b>		
Balance at 1 January 2021	9,791	
Balance at 31 December 2021		9,791
<b>c) Retained earnings</b>		
ca) Legal reserve		
Balance at 1 January 2021	—	
Balance at 31 December 2021		—
cb) Reserve for shares in a controlling or majority interest-holding company		
Balance at 1 January 2021	11	
Transfer to reserve for shares in a controlling or majority interest-holding company	8	
Balance at 31 December 2021		19
cc) Reserve provided for in the Articles of Association		
Balance at 1 January 2021	—	
Balance at 31 December 2021		—
cd) Other retained earnings		
Balance at 1 January 2021	1,041	
Withdrawal from other retained earnings	8	
Balance at 31 December 2021		1,033
<b>d) Profit available for distribution</b>		
Balance at 1 January 2021	400	
Dividend payout of HVB for 2020	400	
Net income for the year 2021	245	
Balance at 31 December 2021		245
<b>Shareholders' equity</b>		
Balance at 31 December 2021		13,495

## Shareholders' Equity (CONTINUED)

### 45 Holdings of HVB stock in excess of 5%

(in %)

	2021	2020
UniCredit S.p.A.	100.0	100.0

Compliant with Section 271 (2) HGB, HVB is an affiliate of UniCredit S.p.A., Milan, Italy, and is included in the consolidated financial statements of UniCredit, which can be obtained from the Trade and Companies Register in Milan, Italy.

### 46 Amounts not available for distribution

The measurement at fair value of offsetting plan assets in connection with pension commitments and semi-retirement agreements gives rise to an amount of €345 million (previous year: €320 million). The amount not available for distribution arising from the difference between the valuation of the provisions for pension commitments based on the respective average market rate of the past ten financial years and their valuation based on the respective average market rate of the past seven financial years totalled €267 million as at the reporting date (previous year: €310 million). Freely disposable provisions have been set up to cover the amount not available for distribution.

### 47 List of shareholdings pursuant to Section 285 No. 11, 11a HGB, Section 340a (4) HGB

For a detailed list of shareholdings, reference is made to the section entitled "List of Holdings" in these annual financial statements.

# Other Information

## 48 Report on subsequent events (events after the end of the reporting period)

Prof Dr Annette G. Köhler resigned from the Supervisory Board as shareholder representative with effect from the end of 28 February 2022. In her place, Ms Sabine Eckhardt was elected as member of the Supervisory Board with effect from 1 March 2022 at the Extraordinary Shareholders' Meeting of UniCredit Bank AG on 24 February 2022.

War has been raging in Ukraine since the end of February. In view of this fact, a number of countries (including the USA and the EU) have imposed sanctions on Russia that have already come into effect. This might have negative consequences for HVB's exposure to Russia. With regard to the amount of exposure, we refer to the table "Development of credit default risk exposure by country/region outside the eurozone" in the description of credit risk in the Risk Report. In recent years, the exposure to Russian counterparties was conservatively managed with a significant portion of our commercial exposure covered by ECA guarantees. Derivative transactions with Russian financial institutions have been conducted within adequate limits. Whilst the full impact cannot be assessed at this point, the extent of potential losses resulting from the failure of Russian counterparties to honour their obligations is not expected to materially affect HVB's financial status.

## 49 Contingent liabilities and other financial commitments

The following table shows the breakdown of contingent liabilities arising from guarantees and indemnity agreements totalling €27,967 million:

	2021	2020
Guarantees and indemnities	23,687	21,179
Loan guarantees	904	789
Documentary credits	3,376	2,465
<b>Total</b>	<b>27,967</b>	<b>24,433</b>
of which to:		
affiliates	2,621	2,410
associates	9	44

Irrevocable lending commitments totalling €62,927 million break down as follows:

	2021	2020
Book credits	57,323	58,482
Mortgage and municipal loans	2,381	2,362
Guarantees	3,223	3,604
Bills of exchange	—	—
<b>Total</b>	<b>62,927</b>	<b>64,448</b>
of which to:		
affiliates	131	279
associates	—	—

Utilisation by the Bank on account of the contingent liabilities and other commitments that it has entered into is possible as part of its banking activities. Thus, every loan is fundamentally granted by utilising a previously made lending commitment that is shown under other commitments. Although utilisation by the Bank under contingent liabilities is not very probable in the case of guarantees it has issued, the possibility cannot be excluded. Utilisation is also the general case with regard to the documentary credits also shown here, as these are employed in the handling of foreign trade payments.

The key factor in this regard is that utilisation by the Bank under its contingent liabilities and other commitments does not generally lead to a loss. Instead, it results in the loan granted being recognised as is the case when a lending commitment is utilised. Provisions for anticipated losses on pending transactions that are required due to commitments to make payouts to defaulting borrowers are set up and deducted from the disclosed contingent liabilities and other commitments.

As a member of the deposit guarantee scheme in Germany, UniCredit Bank AG is liable in accordance with the current provisions.



## Other Information (CONTINUED)

In previous years HVB made use of the option to provide up to 15% of the annual contribution to the bank restructuring fund in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 12 of the German Bank Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG). The cash collateral provided for this purpose amounted to €104 million at the reporting date. No new irrevocable payment commitments were issued in the reporting period.

In previous years HVB made use of the option to provide up to 30% of the annual contribution to the deposit guarantee scheme of German banks in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 5a (10) of the German Statute of the Deposit Guarantee Scheme (Statut des Einlagensicherungsfonds – SESF). The financial and cash collateral provided for this purpose amounts to €22 million at the reporting date. No new irrevocable payment commitments were issued in the reporting period).

HVB made use of the option in previous years to provide up to 30% of the annual contribution to the compensation scheme of German banks in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 19 of the Regulation on the Financing of the Compensation Scheme of German Banks (Entschädigungseinrichtungs-Finanzierungsverordnung – EntschFinV). The financial collateral provided for this purpose amounts to €39 million at the reporting date (previous year: €39 million). No new irrevocable payment commitments were issued in the reporting period.

Legal risks can give rise to losses for HVB, the occurrence of which is greater than improbable but less than probable, and for which no provisions have been set aside. Such legal risks may result from negative developments in proceedings under civil law and the tendency for rulings to be made in favour of consumers or customers. The assessment of the risk of loss may prove to be too low or too high, depending on the outcome of the proceedings. HVB assumes that it will not be necessary to utilise the vast majority of the contingent liabilities arising from legal risks, meaning that the amounts are not representative of actual future losses. Such contingent liabilities arising from significant legal risks for which an estimate is possible amounted to €51 million at year-end 2021 after €53 million at year-end 2020.

### ***Euro-denominated bonds issued by EU countries***

On 11 June 2019, HVB and UniCredit Capital Markets LLC were named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The third amended class action complaint, filed on 3 December 2019, alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. On 23 July 2020, the court granted motions to dismiss the third amended complaint by certain defendants, including HVB and UniCredit Capital Markets LLC, without prejudice. Plaintiffs filed their fourth amended class action complaint on 9 February 2021, repleading their claim against HVB and UniCredit Capital Markets LLC and other financial institutions. Like earlier pleadings, the fourth amended class action complaint does not include a quantification of damages claimed. Exchange of correspondence concerning motions to dismiss the fourth amended complaint has been completed, and in June 2021 defendants have requested a pre-motion conference with the court.

### **Claims in relation to interest rate swap**

In December 2021 HVB was named as defendant in a case pertaining to an interest rate swap commenced by an Italian region before the Court of Bologna in Italy. The region argues, inter alia, HVB's precontractual and/or non-contractual liability because HVB had allegedly failed to include certain requirements in the swap allegedly needed for the validity of the contract. The region seeks damages for an amount of approx. €52 million (equal to the payments made under the swap), as well as a declaration that no further sums are due to HVB (equal to approx. €18 million). The first hearing of the case is scheduled for 30 June 2022. For detailed information, please refer to the section entitled "Risk Report" of the Management Report.

Other financial commitments arising in particular from real estate and IT operations total €558 million (previous year: €621 million). A large part of the total relates to contracts with subsidiaries (€441 million (previous year: €491 million)). The contracts run for standard market periods, and no charges have been put off to future years.

At the reporting date, HVB had pledged securities worth €2,945 million (previous year: €2,240 million) as collateral for transactions with Eurex Frankfurt AG, Frankfurt am Main.

As part of real estate financing and development operations, HVB has assumed rental obligations and pre-emptive rights or issued rental guarantees to make fund constructions more marketable – in particular for lease funds and (closed-end) KG real estate funds. Provisions have been set aside to cover identifiable risks arising from such guarantees.

Commitments for uncalled payments on shares not fully paid up amounted to €6 million in the reporting year (previous year: €15 million), and similar obligations for shares in cooperatives totalled €1 thousand (previous year: €1 thousand). HVB was not liable for any defaults on such calls under Section 22 (3) and Section 24 Limited Liability Companies Act (Gesetz betreffend Gesellschaften mit beschränkter Haftung – GmbHG).

Where employees are granted a bonus that is disbursed over a period of several years under their variable compensation arrangements, the expense is to be taken to the income statement over the period on a pro rata basis accordingly. Hence, an expense accrued for the bonus commitments for the years 2016 to 2021 in the reporting period. Especially in the case of the group of employees identified as "risk-takers", the German regulations governing institutions' remuneration systems (Instituts-Vergütungsverordnung) requires the bonus in a financial year to be disbursed over a period of several years. The bonus is granted subject to the proviso that the beneficiaries satisfy specific criteria (in the case of bonuses granted in the form of shares, stock options or deferred cash payments) that comply with both the regulatory requirements and the Bank's own rules. In addition, the bonus is linked to further conditions such as a malus arrangement that ensures that negative contributions to earnings and any compliance violations are taken into account when determining the deferred variable compensation components or when determining the bonus. Provisions totalling €103 million were set aside in the income statement at 31 December 2021 (previous year: €145 million) in connection with bonus commitments. The final amount disbursed may be higher, should the plan conditions be met.

In its function as personally liable partner, HVB had unlimited liability from the participating interest in the partnership Bayerischer BankenFonds GbR, Munich, at the reporting date, as was the case in the previous year.

With a Statement of Responsibility dated 21 December 1993, HVB issued an undertaking to the State of Baden-Wuerttemberg (Ministry of Finance) to assume a liquidity provision obligation in the event of the sale, liquidation or bankruptcy of HVB Projekt GmbH.

## Other Information (CONTINUED)

### 50 Statement of Responsibility

HVB ensures that, to the extent of its respective shareholding, the company set forth below is in a position to meet its contractual obligations except in the event of political risks:

Financial companies
UniCredit Leasing GmbH, Hamburg

To the extent that HVB's shareholding in the company is reduced in the future, HVB's commitment arising under the above Statement of Responsibility also declines for those contractual obligations of the company that are established only after HVB's shareholding decreased. In case HVB is no longer a shareholder of the company listed above, its commitment under the above Statement of Responsibility ends on the date on which its shareholding ceased for those contractual liabilities of the company that are established only after our shareholding was ceased.

HVB no longer provides a Statement of Responsibility for companies for which a Statement of Responsibility was provided in earlier annual reports but which no longer appear in the above list. The liabilities of these companies arising before the reduction or cessation of the shareholding are only covered by such Statements of Responsibility that were provided before the reduction or cessation of the shareholding in each case.

### 51 Auditor's fees

HVB has exercised the option provided by Section 285 No. 17 HGB and refers to the disclosures regarding the fees paid to the independent auditor made in the section of the consolidated financial statements at 31 December 2021 entitled "Other Information".

### 52 Off-balance-sheet transactions

#### *Special purpose entities*

HVB maintains business relations with a number of special purpose entities that pursue varying business models and hold various different types of assets. HVB's business relations with the special purpose entities are recognised in the financial statements either on or off the balance sheet.

The Bank uses special purpose entities to securitise both the Bank's own receivables and customer receivables. The latter involve commercial paper conduits for which the Bank provides guarantees and liquidity facilities.

In the case of the Bank's own receivables, the special purpose entities mainly serve to procure liquidity. These do not, however, result in the securitised receivables being taken off the books as they involve securitisation transactions with all risks retained to create securities as collateral with central banks. The securitisation of customer receivables is generally accompanied by an improvement in the customer's liquidity situation and a broadening of the funding base, whereby the Bank generates income from the structuring service and the facilities provided. HVB may face economic disadvantages, in particular, should the facilities provided be drawn down.

In addition, there are special purpose entities for which HVB acts solely as an investor, for instance to purchase securities or grant loans. The ensuing risks may lead to write-downs being recognised on the positions involved.

In some instances, HVB controls a special purpose entity from an economic point of view, which entails full consolidation of the special purpose entity in the consolidated financial statements of HVB Group.

### **Revocable credit commitments**

HVB has granted its customers credit and liquidity facilities that are callable at any time and are not shown either on or off the balance sheet. The advantage for HVB from this customary, standardised product lies in the possibility of generating additional interest and commission income. This is set against the risk of a deterioration in the financial situation of those customers to whom these credit commitments were made.

### **Outsourcing of activities**

Like other affiliates, HVB has outsourced IT activities and activities relating to the settlement of transactions to UniCredit Services S.C.p.A., Milan. The goal is to exploit synergies and make it possible to provide fast, high-quality IT services and to make settlement services available in line with a standard business and operating model.

HVB has outsourced activities in the fields of payments, document management and archiving in Germany and the settlement of securities transactions in Germany and at its Milan branch to external service providers. The purpose of this for HVB is to permanently reduce its operating costs.

### **53 Regulatory disclosure requirements (Disclosure Report)**

HVB has been classified as a large subsidiary of UniCredit S.p.A. within the meaning of Article 13 (1) of the Capital Requirements Regulation (CRR II), making it subject to the scope of the CRR II (Article 13 (1) and Part 8 CRR II) and certain extended regulatory disclosure requirements in accordance with Section 26a KWG (disclosure under Pillar III).

HVB discloses this information on a standalone basis in the form of a separate disclosure report. This report is produced on an annual basis as at 31 December and at each quarter-end during the year and published on [www.hvb.de](http://www.hvb.de) > About us > Investor Relations > Reports. The publication for the reporting date of 31 December is scheduled for shortly after the publication of the Annual Report. The interim reports should be published shortly after submission of the regulatory COREP report to the supervisory authorities responsible.

The disclosure of the remuneration policy and practices for those categories of staff whose professional activities have a material impact on the HVB's risk profile (known as "risk takers") required by Article 450 CRR in conjunction with Section 16 (1) of the German Regulation on the Requirements for the Remuneration Systems of Institutions under Regulatory Law (Institutsvergütungsverordnung – InstitutsVergV) takes the form of a separate report for HVB. This is drawn up once a year as at 31 December and published in the second quarter of the following year under [hvb.de](http://www.hvb.de) > About us > Investor Relations > Corporate Governance.

### **54 Own funds**

Pursuant to Article 72 CRR II, for regulatory purposes own funds consists of Tier 1 capital and Tier 2 capital; they amounted to €16,380 million at year-end 2021 (previous year: €16,440 million) based on annual financial statements approved by the Supervisory Board. We have not allocated any unrealised reserves to Tier 2 capital compliant with Section 10 (2b) KWG as applicable until 31 December 2013.

The eligible capital calculated in accordance with Article 4(1) 71b in conjunction with Article 494 CRR II is used among other things for loans to executive board members and for investment limits. It amounted to €16,380 million at year-end 2021 (previous year: €16,440 million). With the amendments to the large exposure rules in CRR II, which came into force at the end of June, Tier 1 capital is to be used for the purpose of determining the reporting thresholds and the upper limits for large exposures. According to the annual financial statements, Tier 1 capital is €15,108 million at the end of 2021.

## Other Information (CONTINUED)

## 55 Derivative financial instruments

(€ 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	2021	2020	2021	2020	2021	2020
<b>Interest rate derivatives</b>	<b>1,918,640</b>	<b>1,889,327</b>	<b>1,776,806</b>	<b>5,584,773</b>	<b>3,923,289</b>	<b>68,611</b>	<b>81,809</b>	<b>63,899</b>	<b>75,796</b>
OTC products									
Forward rate agreements	940,639	1,144	—	941,783	326,980	48	21	45	23
Interest rate swaps	832,269	1,751,663	1,669,363	4,253,295	3,223,778	62,756	77,703	57,833	69,717
Interest rate options									
– purchased	16,711	49,963	47,488	114,163	125,679	5,435	3,825	204	235
– written	17,080	65,067	59,954	142,101	146,332	255	229	5,664	5,820
Other interest									
rate derivatives	35,795	6,808	—	42,603	54,018	116	30	152	1
Exchange-traded products									
Interest rate futures	50,495	10,682	—	61,177	30,457	—	—	—	—
Interest rate options	25,650	4,000	—	29,650	16,045	—	1	—	—
<b>Foreign exchange derivatives</b>	<b>217,824</b>	<b>41,657</b>	<b>2,921</b>	<b>262,402</b>	<b>249,330</b>	<b>2,641</b>	<b>3,334</b>	<b>2,613</b>	<b>3,007</b>
OTC products									
Foreign exchange forwards	181,138	26,469	2,905	210,513	190,176	2,192	2,595	2,213	2,421
Foreign exchange options									
– purchased	16,796	6,986	8	23,790	28,106	204	334	136	240
– written	19,795	8,202	7	28,003	30,608	184	303	265	346
Other foreign									
exchange derivatives	62	—	—	62	338	62	102	—	—
Exchange-traded products									
Foreign exchange futures	34	—	—	34	102	—	—	—	—
Foreign exchange options	—	—	—	—	—	—	—	—	—
<b>Cross-currency swaps</b>	<b>38,506</b>	<b>107,669</b>	<b>64,888</b>	<b>211,063</b>	<b>193,333</b>	<b>4,380</b>	<b>6,226</b>	<b>3,731</b>	<b>5,026</b>
<b>Equity/index derivatives</b>	<b>95,971</b>	<b>81,009</b>	<b>15,877</b>	<b>192,857</b>	<b>174,521</b>	<b>6,669</b>	<b>6,463</b>	<b>5,848</b>	<b>5,412</b>
OTC products									
Equity/index swaps	3,402	7,490	5,594	16,486	7,415	368	458	422	276
Equity/index options									
– purchased	2,831	2,264	2,443	7,538	7,346	278	194	12	53
– written	18,116	7,157	3,815	29,087	46,959	297	260	515	663
Other equity/index									
derivatives	29,142	317	2	29,461	26,623	1,819	1,681	3	—
Exchange-traded products									
Equity/index futures	13,805	10,780	1,244	25,829	16,131	—	—	—	—
Equity/index options	27,780	52,305	2,758	82,844	68,863	3,907	3,870	4,896	4,420
Equity swaps	895	694	22	1,611	1,184	—	—	—	—
<b>Credit derivatives</b>	<b>1,736</b>	<b>15,629</b>	<b>377</b>	<b>17,741</b>	<b>9,486</b>	<b>210</b>	<b>82</b>	<b>334</b>	<b>290</b>
<b>Other transactions</b>	<b>41,579</b>	<b>19,040</b>	<b>614</b>	<b>61,233</b>	<b>16,424</b>	<b>4,685</b>	<b>1,708</b>	<b>7,075</b>	<b>1,769</b>
<b>HVB</b>	<b>2,314,256</b>	<b>2,154,331</b>	<b>1,861,483</b>	<b>6,330,069</b>	<b>4,566,383</b>	<b>87,197</b>	<b>99,622</b>	<b>83,500</b>	<b>91,300</b>

Most of the derivatives are held for trading purposes.

The banking book contains derivatives with positive fair values of €1.3 billion (previous year: €1.1 billion) and negative fair values of €0.3 billion (previous year: €0.2 billion).

## 56 Employees

AVERAGE NUMBER OF PEOPLE EMPLOYED BY US	2021	2020
Staff (excluding trainees)	11,815	12,022
of whom:		
full-time	8,592	8,759
part-time	3,223	3,263
Trainees	248	265

(in %)

STAFF'S LENGTH OF SERVICE	WOMEN	MEN	2021	2020
	(EXCLUDING TRAINEES)		TOTAL	TOTAL
25 years or more	37.9	25.8	32.1	32.0
15 to 25 years	27.6	24.5	26.1	26.6
10 to 15 years	10.7	14.8	12.7	12.2
5 to 10 years	8.6	12.4	10.4	12.4
less than 5 years	15.2	22.5	18.7	16.8

## 57 Remuneration

(€ thousands)

	SHORT-TERM COMPONENTS		LONG-TERM INCENTIVES			POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	TOTAL
	FIXED SALARY	SHORT-TERM PERFORMANCE-RELATED CASH REMUNERATION	LONG-TERM PERFORMANCE-RELATED CASH REMUNERATION	SHARE-BASED PAYMENTS				
<b>2021</b>								
Members of the Management								
Board of UniCredit Bank AG	4,148	127	42	706	1,228	—	6,251	
Members of the Supervisory								
Board of UniCredit Bank AG for								
Supervisory Board activities	822	—	—	—	—	—	822	
Members of the Supervisory								
Board of UniCredit Bank AG for								
activities as employee								
representatives	475	26	—	—	39	—	540	
Former members of the								
Management Board of UniCredit								
Bank AG and their surviving								
dependants	428	55	1,010	1,697	20,543	1,125	24,858	
<b>2020</b>								
Members of the Management								
Board of UniCredit Bank AG	4,321	565	254	267	1,179	—	6,586	
Members of the Supervisory								
Board of UniCredit Bank AG for								
Supervisory Board activities	824	—	—	—	—	—	824	
Members of the Supervisory								
Board of UniCredit Bank AG for								
activities as employee								
representatives	561	40	—	—	33	—	634	
Former members of the								
Management Board of UniCredit								
Bank AG and their surviving								
dependants	248	58	114	1,814	15,955	—	18,189	

## Other Information (CONTINUED)

It is the task of the Bank's full Supervisory Board to decide on the total remuneration paid to the individual members of the Management Board and to review the structure of the remuneration systems for the Management Board. The full Supervisory Board receives assistance in this regard from the Remuneration Control Committee, which submits appropriate proposals to the full Supervisory Board. Appropriateness and sustainability are key criteria for the form and structure of the remuneration paid to the members of the Management Board. The structure of remuneration is derived from the employment agreements with the members of the Management Board. It has two components: a fixed salary and a variable element. The variable remuneration is normally granted in deferred tranches over several years in the form of cash and in shares, with disbursement dependent upon defined corporate targets being achieved in the subsequent years.

Pension commitments for seven currently active members of the Management Board and three members who resigned during the year are shown in the table alongside the direct remuneration. Of these members of the Management Board, eight members took part in the employer-financed, fund-linked pension scheme for executives (known as AgfA) in 2021. The Bank will provide/has provided 35% of the fixed salary contributions (reporting period: €1,129 thousand, previous-year period: €1,014 thousand).

Non-monetary compensation and other fringe benefits are granted to members of the Management Board to the usual extent. The amounts involved are included in the totals for fixed remuneration shown.

Remuneration paid to members of the Management Board for positions on supervisory boards of any UniCredit group companies is surrendered to HVB.

At 31 December 2021, there were provisions of €49 million (previous year: €42 million) for pensions payable to former members of the Management Board and retired members of the Management Board of HVB and their surviving dependants, as calculated in accordance with actuarial principles using the projected unit credit method, taking into account anticipated future rises in pensions.

Share-based payments were granted to the members of the Management Board under the Group Incentive Scheme in the reporting period as follows:

SHARES GRANTED TO MEMBERS OF THE MANAGEMENT BOARD OF UNICREDIT BANK AG	2021	2020
Number of shares granted	55,892	16,168
Fair value on grant date (€)	9.004	6.802

### 58 Loans to executive board members

Loans and advances made to, and contingent liabilities and liabilities assumed for, related parties at the reporting date were as follows: (€ thousands)

	2021			2020		
	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES
Members of the Management Board						
and their related parties	3,265	131	2,226	2,941	791	2,894
Members of the Supervisory Board						
and their related parties	—	—	475	—	—	1,080

Members of the Supervisory Board and Management Board at HVB and their respective immediate family members are considered related parties.

Mortgage loans with interest rates of between 0.35% and 2.03% were granted to members of the Management Board and their immediate family members falling due in the period from 2022 to 2049.

All banking transactions involving the group of people listed were conducted at customary market terms with the usual collateral.

	<b>59 Supervisory Board<sup>1</sup></b>		<b>60 Management Board<sup>1</sup></b>
<p>Gianpaolo Alessandro until 14 July 2021 Andrea Orcel since 14 July 2021</p>	<b>Chairman</b>	<p>Markus Beumer until 31 October 2021</p>	<b>Commercial Banking – Unternehmer Bank</b>
<p>Florian Schwarz Dr Bernd Metzner Gianpaolo Alessandro since 14 July 2021</p>	<b>Deputy Chairmen</b>	<p>Dr Michael Diederich</p>	<b>Spokesman of the Management Board Human Capital/Labour and Social Affairs</b>
<p>Olivier Khayat until 13 July 2021 Prof Dr Annette G. Köhler Finja Kütz until 13 July 2021 Dr Claudia Mayfeld Fiona Melrose since 14 July 2021 Claudia Richter Thomas Schöner Oliver Skrbot Christian Staack Gregor Völkl</p>	<b>Members</b>	<p>Jörg Frischholz until 2 August 2021</p> <p>Marion Höllinger since 3 August 2021</p> <p>Dr Jürgen Kullnigg</p> <p>Jan Kupfer</p>	<p><b>Commercial Banking – Private Clients Bank</b></p> <p><b>Commercial Banking – Private Clients Bank</b></p> <p><b>Chief Risk Officer (CRO)</b></p> <p><b>Corporate &amp; Investment Banking (until 31 October 2021) Commercial Banking – Corporates (since 1 November 2021, previously Commercial Banking – Unternehmer Bank)</b></p>
		<p>Simone Marcucci until 31 August 2021</p>	<b>Chief Financial Officer (CFO)</b>
		<p>Christian Reusch since 1 November 2021</p>	<b>Corporate &amp; Investment Banking</b>
		<p>Boris Scukanec Hopinski</p>	<b>Chief Operating Officer (COO)</b>
		<p>Ljubisa Tesić since 1 September 2021</p>	<b>Chief Financial Officer (CFO)</b>

<sup>1</sup> As at 31 December 2021.



# List of Executives and Outside Directorships

## 61 Supervisory Board

NAME, OCCUPATION, PLACE OF RESIDENCE	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES <sup>1</sup>	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES <sup>1</sup>
<p><b>Andrea Orcel</b> since 14 July 2021</p> <p>Group Chief Executive Officer of UniCredit S.p.A., Milan</p> <p>Chairman</p>		EIS Group Ltd., Hamilton (USA)
<p><b>Florian Schwarz</b></p> <p>Employee of UniCredit Bank AG, Munich</p> <p>Deputy Chairman</p>		
<p><b>Dr Bernd Metzner<sup>1,2</sup></b></p> <p>Chief Financial Officer of Gerresheimer AG, Düsseldorf</p> <p>Deputy Chairman</p>	<p>Gerresheimer Bünde GmbH, Bünde (Deputy Chairman)</p> <p>Gerresheimer Regensburg GmbH, Regensburg (Deputy Chairman)</p> <p>Gerresheimer Tettau GmbH, Tettau (Deputy Chairman)</p>	<p>Gerresheimer Glass Inc., Vineland (USA)</p> <p>Centor US Holding Inc., Perrysburg (USA)</p> <p>Centor Inc., Perrysburg (USA)</p> <p>Centor Pharma Inc., Perrysburg (USA)</p> <p>Corning Pharmaceutical Packaging LLC, New York (USA)</p> <p>Senile Medical AG, Olten (Switzerland)</p>
<p><b>Gianpaolo Alessandro</b></p> <p>Group Legal Officer and Secretary of the Board of Directors of UniCredit S.p.A., Milan</p> <p>Chairman until 14 July 2021 Deputy Chairman since 15 July 2021</p>		<p>Compagnia Aerea Italiana S.p.A., Rome</p> <p>MidCo S.p.A., Rome</p>
<p><b>Olivier Khayat</b> until 13 July 2021</p> <p>Co-CEO Commercial Banking Western Europe of UniCredit S.p.A., Milan</p>		<p>UniCredit Bank Austria AG, Vienna; until 21 June 2021</p> <p>Kepler Cheuvreux S.A., Paris, until 30 June 2021</p>
<p><b>Prof Dr Annette G. Köhler</b></p> <p>University professor and Chair of Accounting, Auditing and Controlling, University of Duisburg-Essen, Faculty of Business Administration – Mercator School of Management, Düsseldorf</p>	<p>DMG MORI AKTIENGESELLSCHAFT, Bielefeld</p> <p>GEA Group Aktiengesellschaft, Düsseldorf</p>	DKSH Holding AG, Zürich

<sup>1</sup> As at 31 December 2021.

<sup>2</sup> Other directorships (compare Article 435 (2a) CRR): Dr Bernd Metzner holds four other directorships within the Gerresheimer Group.

NAME, OCCUPATION, PLACE OF RESIDENCE	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES <sup>1</sup>	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES <sup>1</sup>
<p><b>Finja Kütz</b> until 13 July 2021</p> <p>Group Chief Transformation Officer and Deputy COO der UniCredit S.p.A., Munich</p>		<p>UniCredit Services S.C.p.A, Milan, until 14 June 2021</p>
<p><b>Dr Claudia Mayfeld</b></p> <p>Member of the Management Board of Knorr-Bremse Aktiengesellschaft, Dortmund</p>	<p>Knorr-Bremse Systeme für Schienenfahrzeuge GmbH, Munich, since 20 May 2021</p>	
<p><b>Fiona Melrose</b> since 14 July 2021</p> <p>Head of Group Strategy &amp; Optimization of UniCredit S.p.A., Ipswich (Suffolk, UK)</p>		
<p><b>Claudia Richter</b></p> <p>Employee of UniCredit Bank AG, Fürth</p>		
<p><b>Thomas Schöner</b></p> <p>Employee of UniCredit Bank AG Luxembourg Branch, Saarwellingen</p>		
<p><b>Oliver Skrbot</b></p> <p>Employee of UniCredit Bank AG, Buttenwiesen</p>		
<p><b>Christian Staack</b></p> <p>Employee of UniCredit Bank AG, Hamburg</p>		
<p><b>Gregor Völkl</b></p> <p>Unit manager of Vereinte Dienstleistungsgewerkschaft ver.di Unit 1 – Financial Services Munich district, Munich</p>		

<sup>1</sup> As at 31 December 2021.

# List of Executives and Outside Directorships (CONTINUED)

## 62 Management Board

NAME	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES <sup>1</sup>	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES <sup>1</sup>
<p><b>Markus Beumer</b> born 1964</p> <p>until 31 October 2021</p> <p>Commercial Banking – Unternehmer Bank</p>	DAW SE, Ober-Ramstadt	<p>UniCredit Leasing GmbH, Hamburg (Chairman)<sup>2</sup>, until 7 November 2021</p> <p>UniCredit Leasing Finance GmbH, Hamburg (Chairman)<sup>2</sup>, until 7 November 2021</p>
<p><b>Dr Michael Diederich</b> born 1965</p> <p>Spokesman of the Management Board Human Capital/Labour &amp; Social Affairs</p>	FC Bayern Munich AG, Munich	ESMT European School of Management and Technology GmbH, Berlin
<p><b>Jörg Frischholz</b> born 1976</p> <p>until 2 August 2021</p> <p>Commercial Banking – Private Clients Bank</p>		
<p><b>Marion Höllinger</b> born 1972</p> <p>since 3 August 2021</p> <p>Commercial Banking – Private Clients Bank</p>	<p>UniCredit Direct Services GmbH, Munich<sup>2</sup></p> <p>WealthCap Kapitalverwaltungsgesellschaft mbH, Munich<sup>2</sup>, since 1 November 2021 (Deputy Chairwoman since 2 November 2021)</p>	<p>Wealth Management Capital Holding GmbH, Munich<sup>2</sup>, since 1 November 2021 (Deputy Chairwoman since 2 November 2021)</p>
<p><b>Dr Jürgen Kullnigg</b> born 1961</p> <p>Chief Risk Officer (CRO)</p>	HVB Immobilien AG, Munich <sup>2</sup>	
<p><b>Jan Kupfer</b> born 1964</p> <p>Corporate &amp; Investment Banking until 31 October 2021 Commercial Banking – Corporates since 1 November 2021 (formerly Commercial Banking – Unternehmer Bank)</p>	Bayerische Börse Aktiengesellschaft, Munich (Deputy Chairman since 21 May 2021)	

<sup>1</sup> As at 31 December 2021.

<sup>2</sup> Group directorship.

NAME	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES <sup>1</sup>	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES <sup>1</sup>
<b>Simone Marcucci</b> born 1966  until 31 August 2021  Chief Financial Officer (CFO)		Zagrebačka banka d.d., Zagreb (Chairman)
<b>Christian Reusch</b> born 1973  since 1 November 2021  Corporate & Investment Banking		
<b>Boris Scukanec Hopinski</b> born 1981  Chief Operating Officer (COO)	HVB Immobilien AG, Munich (Chairman) <sup>2</sup> WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Deputy Chairman, Chairman since 2 November 2021) <sup>2</sup>	UniCredit Services S.C.p.A., Milan Wealth Management Capital Holding GmbH, Munich (Deputy Chairman, Chairman since 2 November 2021) <sup>2</sup>
<b>Ljubisa Tesić</b> born 1976  since 1 September 2021  Chief Financial Officer (CFO)		UniCredit Bank Serbia JSC, Belgrade

### 63 List of employees and outside directorships

NAME	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER COMPANIES <sup>1</sup>
Dr Auerbach, Christoph	HVB Trust Pensionsfonds AG, Munich
Aurich, Peter	CAM AG, Munich
Dr Fischer, Jochen	HVB Trust Pensionsfonds AG, Munich
Glückert, Matthias	OECHSLER AG, Ansbach
Dr Jungemann, Lars	HVB Trust Pensionsfonds AG, Munich
Dr Wegener, Richard	UniCredit Direct Services GmbH, Munich <sup>2</sup>

<sup>1</sup> As at 31 December 2021.

<sup>2</sup> Group directorship.

# List of Holdings

## 64 List of holdings

Compliant with Section 313 (2) German Commercial Code (Handelsgesetzbuch – HGB) for the consolidated financial statements and Section 285 Number 11, 11a HGB and Section 340a (4) HGB for the annual financial statements of UniCredit Bank AG.

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %			CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	HELD	INDIRECTLY			
<b>1</b>	<b>Controlled companies</b>						
<b>1.1</b>	<b>Controlled by voting rights</b>						
<b>1.1.1</b>	<b>Consolidated subsidiaries</b>						
<b>1.1.1.1</b>	<b>Banks and financial institutions</b>						
UniCredit Leasing Finance GmbH	Hamburg	100.0	100.0	EUR	160,013	1	
<b>1.1.1.2</b>	<b>Other consolidated subsidiaries</b>						
Acis Immobilien- und Projektentwicklungs GmbH & Co.							
Oberbaum City KG <sup>3</sup>	Grünwald	100.0	100.0	EUR	(10)	(45)	
Acis Immobilien- und Projektentwicklungs GmbH & Co.							
Stuttgart Kronprinzstraße KG <sup>3</sup>	Grünwald	100.0	100.0	EUR	38	(419)	
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH <sup>3</sup>	Munich	100.0	100.0	EUR	793	(1,603)	
Bayerische Wohnungsgesellschaft für Handel und Industrie, Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	294	1	
BILL Leasing-Fonds Verwaltungs-GmbH	Grünwald	100.0	100.0	EUR	24	2	
GEMMA Verwaltungsgesellschaft mbH & Co. Vermietungs KG <sup>4</sup>	Pullach	98.7	98.7	EUR	20,250	4,681	
Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft <sup>3</sup>	Munich	100.0	100.0	EUR	52	1,480	
HAWA Grundstücks GmbH & Co. OHG Hotelverwaltung <sup>3</sup>	Munich	100.0	100.0	EUR	276	(48)	
HAWA Grundstücks GmbH & Co OHG Immobilienverwaltung <sup>3</sup>	Munich	100.0	100.0	EUR	54	445	
H.F.S. Immobilienfonds GmbH	Munich	100.0	100.0	EUR	26	1	
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing) <sup>3</sup>	Munich	100.0	100.0	EUR	22,488	261	
H.F.S. Leasingfonds Deutschland 7 GmbH & Co. KG <sup>3</sup>	Munich	99.4	99.4	EUR	(9,535)	(11)	
H.F.S. Leasingfonds GmbH	Grünwald	100.0	100.0	EUR	70	44	
HVB Capital LLC	Wilmington	100.0	—	USD	1,603	566	
HVB Capital LLC II	Wilmington	100.0	—	GBP	3	1	
HVB Capital LLC III	Wilmington	100.0	—	USD	1,619	602	
HVB Funding Trust II	Wilmington	100.0	—	GBP	3	1	
HVB Gesellschaft für Gebäude mbH & Co. KG <sup>3</sup>	Munich	100.0	—	EUR	871,401	1,148	
HVB Immobilien AG <sup>3</sup>	Munich	100.0	—	EUR	86,644	2.1	
HVB Projekt GmbH <sup>3</sup>	Munich	100.0	94.0	EUR	72,151	1	
HVB Tecta GmbH <sup>3</sup>	Munich	100.0	94.0	EUR	1,751	1	
HVB Verwa 4 GmbH <sup>3</sup>	Munich	100.0	—	EUR	10,358	2.2	
HVB Verwa 4.4 GmbH <sup>3</sup>	Munich	100.0	100.0	EUR	10,250	1	
HVZ GmbH & Co. Objekt KG <sup>3</sup>	Munich	100.0	100.0	EUR	148,091	(2,413)	
Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße <sup>3</sup>	Munich	100.0	100.0	EUR	26	(1,807)	
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung <sup>3</sup>	Munich	100.0	—	EUR	16,692	2.3	
NF Objekt FFM GmbH <sup>3</sup>	Munich	100.0	100.0	EUR	125	1	
NF Objekte Berlin GmbH <sup>3</sup>	Munich	100.0	100.0	EUR	125	1	
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG <sup>3</sup>	Munich	100.0	94.0	EUR	26	—	
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG <sup>3</sup>	Munich	100.0	100.0	EUR	5,176	456	
Orestos Immobilien-Verwaltungs GmbH <sup>3</sup>	Munich	100.0	100.0	EUR	56,674	1	
Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG <sup>3</sup>	Munich	100.0	100.0	EUR	(44,083)	—	
Portia Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt KG <sup>3</sup>	Munich	100.0	100.0	EUR	500,014	(3,041)	
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	(403)	(468)	
Salvatorplatz-Grundstücksgesellschaft mbH & Co. oHG Saarland <sup>3</sup>	Munich	100.0	100.0	EUR	1,534	669	

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	OF WHICH HELD INDIRECTLY			
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG						
Verwaltungszentrum <sup>3</sup>	Munich	100.0	100.0	EUR	2,301	311
Sirius Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0	EUR	(143,835)	<sup>1</sup>
Solos Immobilien- und Projektentwicklungs GmbH & Co.						
Sirius Beteiligungs KG <sup>3</sup>	Munich	100.0	100.0	EUR	(60,856)	950
Structured Invest Société Anonyme	Luxembourg	100.0	—	EUR	8,814	743
T & P Frankfurt Development B.V. <sup>4</sup>	Amsterdam	100.0	100.0	EUR	(7,237)	<sup>8</sup>
T & P Vastgoed Stuttgart B.V. <sup>4</sup>	Amsterdam	87.5	87.5	EUR	(15,493)	(9)
TERRENO Grundstücksverwaltung GmbH & Co.						
Entwicklungs- und Finanzierungsvermittlungs-KG <sup>3</sup>	Munich	75.0	75.0	EUR	(268,579)	(61)
TIVOLI Grundstücks-Aktiengesellschaft	Munich	100.0	100.0	EUR	7,183	(333)
TRICASA Grundbesitz Gesellschaft mbH & Co. 1. Vermietungs KG <sup>3</sup>	Munich	100.0	100.0	EUR	14,524	890
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	21,936	(2,355)
UniCredit Beteiligungs GmbH <sup>3</sup>	Munich	100.0	—	EUR	1,175	<sup>2.4</sup>
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	178,442	13,693
UniCredit Direct Services GmbH <sup>3</sup>	Munich	100.0	—	EUR	993	<sup>2.5</sup>
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	35,358	5,100
UniCredit Leasing GmbH <sup>7</sup>	Hamburg	100.0	—	EUR	352,027	<sup>2.6</sup>
UniCredit U.S. Finance LLC	Wilmington	100.0	—	USD	115,649	108
Vermietungsgesellschaft mbH & Co. Objekt MOC KG <sup>3</sup>	Munich	89.3	89.3	EUR	(88,626)	6,111
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	<sup>1</sup>
Wealth Management Capital Holding GmbH	Munich	100.0	—	EUR	20,600	<sup>2.7</sup>
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	2,049	806
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	1,287	950
WealthCap Equity Management GmbH	Munich	100.0	100.0	EUR	404	379
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	44	(297)
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0	EUR	455	168
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0	EUR	2,074	317
Wealthcap Immobilien 43 Komplementär GmbH	Munich	100.0	100.0	EUR	36	2
Wealthcap Immobilienankauf Komplementär GmbH	Munich	100.0	100.0	EUR	38	5
WealthCap Immobilienfonds Deutschland 36						
Komplementär GmbH	Munich	100.0	100.0	EUR	179	320
WealthCap Immobilienfonds Deutschland 38						
Komplementär GmbH	Munich	100.0	100.0	EUR	73	(42)
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	262	(1,046)
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	<sup>1</sup>
WealthCap Investments, Inc.	Wilmington	100.0	100.0	EUR	2,669	10
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	<sup>1</sup>
WealthCap Kapitalverwaltungsgesellschaft mbH	Grünwald	100.0	100.0	EUR	18,262	<sup>1</sup>
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	(48)	(9)
WealthCap Management Services GmbH	Munich	100.0	100.0	EUR	(2,208)	(1,213)
Wealthcap Objekt Berlin III GmbH & Co. KG	Munich	100.0	100.0	EUR	(51)	(59)
Wealthcap Objekt Dresden GmbH & Co. KG	Munich	100.0	100.0	EUR	(3,265)	(1,046)
Wealthcap Objekt Stuttgart III GmbH & Co. KG	Munich	100.0	100.0	EUR	3,316	(1,571)
Wealthcap Objekt-Vorrat 39 GmbH & Co. KG	Munich	100.0	100.0	EUR	(63)	(71)
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	70	31
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	3,288	2,033
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	(542)	<sup>1</sup>
Wealthcap Spezial Wohnen 1 Komplementär GmbH	Munich	100.0	100.0	EUR	52	9
WealthCap Vorrats-2 GmbH	Munich	100.0	100.0	EUR	13	1
Wealthcap Wohnen 1b GmbH & Co. KG	Munich	100.0	100.0	EUR	(112)	(114)
Weicker S. à r.l.	Luxembourg	100.0	—	EUR	22,812	3,318

## List of Holdings (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %			CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	HELD INDIRECTLY	OF WHICH			
<b>1.1.2 Non-consolidated subsidiaries<sup>5</sup></b>							
Acis Immobilien- und Projektentwicklungs GmbH	Grünwald	100.0	100.0		EUR	25	1
Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG	Grünwald	100.0	100.0				
AGRUND Grundstücks-GmbH	Munich	90.0	90.0				
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0				
AMMS Ersatz-Komplementär GmbH	Munich	100.0	100.0				
AMMS Komplementär GmbH i.L.	Grünwald	98.8	98.8				
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0		EUR	(14,100)	872
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0	—				
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0		EUR	(37,726)	950
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0		EUR	(33,512)	950
A&T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG	Munich	100.0	100.0		EUR	(37,243)	4
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0				
Aufbau Dresden GmbH	Munich	100.0	100.0		EUR	(22,994)	—
Bertram Projekt Unodecima Technikzentrum GmbH & Co. KG	Munich	94.0	94.0		EUR	582	539
B.I. International Limited	George Town	100.0	100.0				
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0				
BIL Immobilien Fonds GmbH	Munich	100.0	100.0				
BIL Leasing-Fonds GmbH & Co VELUM KG (Stimmrechtsanteil 66,7%, davon mittelbar 33,3%)	Grünwald	100.0	—				
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0				
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG	Munich	100.0	100.0		EUR	(22,880)	—
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG <sup>4</sup>	Munich	100.0	100.0		EUR	(53,477)	—
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG	Munich	100.0	100.0		EUR	(59,493)	—
Food & more GmbH	Munich	100.0	—		EUR	237	2.8
Golf- und Country Club Seddiner See Immobilien GmbH	Munich	100.0	100.0		EUR	(15,507)	—
Großkugel Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0		EUR	(3,354)	1
Grundstücksaktiengesellschaft am Potsdamer Platz (Haus Vaterland)	Munich	98.2	98.2		EUR	4,495	1
H.F.S. Immobilienfonds Deutschland 1 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 3 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 4 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 6 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 7 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 8 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 9 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 10 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 11 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 12 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 15 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 16 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 18 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Deutschland 19 GmbH & Co. KG	Munich	100.0	100.0				
H.F.S. Immobilienfonds Europa 2 Beteiligungs GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Europa 3 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds GmbH & Co. Europa 4 KG	Munich	100.0	100.0				
H.F.S. Leasingfonds Deutschland 1 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Leasingfonds Deutschland 7 Komplementär GmbH	Munich	100.0	100.0				
H.F.S. Value Management GmbH	Munich	100.0	100.0				
H.F.S. Zweitmarktfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0				
H.F.S. Zweitmarktfonds Deutschland 2 Komplementär GmbH	Grünwald	100.0	100.0				

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	OF WHICH HELD INDIRECTLY			
Hofgarten Real Estate B.V. (Stimmrechtsanteil 50,5%)	Amsterdam	47.2	47.2	EUR	(49,343)	(17)
HVB Export Leasing GmbH	Munich	100.0	—			
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0	—			
HVB Hong Kong Limited	Hongkong	100.0	—	USD	3,155	(394)
HVB London Investments (AVON) Limited	London	100.0	—			
HVB Secur GmbH	Munich	100.0	—	EUR	126	2.9
HVBFF International Greece GmbH	Munich	100.0	100.0			
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0			
HVBFF Kapitalvermittlungs GmbH	Munich	100.0	100.0	EUR	19	1
HVBFF Leasing Objekt GmbH	Grünwald	100.0	100.0			
HVBFF Leasing-Fonds Verwaltungs GmbH	Munich	100.0	100.0			
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0			
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	1
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG	Munich	80.0	80.0			
Interra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.9	EUR	51	1
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Management Erste GmbH	Munich	100.0	100.0	EUR	24	1
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	26	1
Life Verwaltungs Erste GmbH	Munich	100.0	100.0			
Life Verwaltungs Zweite GmbH	Grünwald	100.0	100.0			
Motion Picture Production GmbH	Grünwald	51.2	51.2			
Omnia Grundstücks-GmbH	Munich	100.0	100.0	EUR	26	1
Omnia Grundstücks-GmbH & Co. Betriebs KG	Munich	100.0	94.0			
Othmarschen Park Hamburg GmbH & Co. Centerpark KG	Munich	100.0	100.0	EUR	(18,942)	—
Othmarschen Park Hamburg Wohn- und Gewerbepark GmbH	Munich	100.0	100.0	EUR	102	1
“Portia” Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0			
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0	EUR	(5,690)	—
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	1
Redstone Mortgages Limited	London	100.0	—			
RHOTERRA Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.9	EUR	26	1
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(33,320)	950
Salvatorplatz-Grundstücksgesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	1
Selfoss Beteiligungsgesellschaft mbH	Grünwald	100.0	100.0	EUR	25	1
Simon Verwaltungs-Aktiengesellschaft i.L.	Munich	100.0	—	EUR	2,950	(26)
Spree Galerie Hotelbetriebsgesellschaft mbH	Munich	100.0	100.0	EUR	249	1
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co. Objektgesellschaft Grillparzerstraße KG	Munich	75.0	—	EUR	(3,002)	(3)
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(15,005)	(1)
Tishman Speyer Berlin Friedrichstraße KG i.L. (Stimmrechtsanteil 96,6%, davon mittelbar 7,1%)	Munich	97.1	5.9			
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(18,247)	950
Verwaltungsgesellschaft Katharinenhof mbH	Munich	100.0	—	EUR	708	2.10
WealthCap Aircraft 27 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Canadian Management Inc.	Toronto	100.0	100.0			
WealthCap Dritte Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Equity Sekundär GmbH	Munich	100.0	100.0			
Wealthcap Erneuerbare Energien 2 GmbH & Co. KG	Grünwald	100.0	100.0			
Wealthcap Erneuerbare Energien 2 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Erste Kanada Immobilien Verwaltung GmbH	Munich	100.0	100.0			



## List of Holdings (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	OF WHICH HELD INDIRECTLY			
WealthCap Europa Erste Immobilien – Objekt Niederlande – Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Fünfte Objekte Österreich Komplementär GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Siebte Objekte Österreich Komplementär GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
Wealthcap Fondsportfolio Immobilien International 1 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Deutschland 39 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Immobilien Deutschland 45 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
Wealthcap Immobilien Deutschland 46 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Immobilien Deutschland 47 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Immobilien Nordamerika 16 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Immobilien Nordamerika 17 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Immobilien Services GmbH	Munich	100.0	100.0	EUR	50	1
WealthCap Immobilien und Verwaltung Sekundär GmbH	Munich	100.0	100.0			
WealthCap Immobilien 40 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Immobilien 41 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Immobilien 42 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Immobilien 44 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Immobilien 46 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Immobilien 47 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 37 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Management, Inc.	Wilmington	100.0	100.0			
WealthCap Mountain View GP, Inc.	Atlanta	100.0	100.0			
Wealthcap Objekt Dresden Komplementär GmbH	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 13 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 20 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 20 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 25 GmbH & Co. KG	Munich	100.0	100.0	EUR	10	469
Wealthcap Objekt-Vorrat 25 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 35 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 36 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 37 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 40 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 41 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 42 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 43 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Portfolio 3 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 4 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 5 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 6 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity GmbH	Munich	100.0	100.0			
WealthCap Private Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Private Equity 19 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 21 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 22 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Private Equity 23 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Private Equity 24 Komplementär GmbH	Grünwald	100.0	100.0			

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	OF WHICH HELD INDIRECTLY			
WealthCap Real Estate GmbH	Munich	100.0	100.0			
WealthCap Real Estate Komplementär GmbH	Munich	100.0	100.0			
WealthCap Real Estate Sekundär GmbH	Munich	100.0	100.0			
WealthCap SachWerte Portfolio 2 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Spezial Büro 6 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Büro 7 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Immobilien 9 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Immobilien 11 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Immobilien 12 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Portfolio Immobilien 1 Komplementär SARL	Luxembourg-Findel	100.0	100.0			
Wealthcap Spezial Portfolio Private Equity 1 Komplementär SARL	Luxembourg-Findel	100.0	100.0			
WealthCap Spezial 3 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial 4 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial 5 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial-AIF Immobilien 11 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Spezial-AIF Immobilien 12 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Spezial-AIF Immobilien 9 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0			
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Zweite Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Zweite USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte Immobilien 4 Komplementär GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte 5 GP S.à r.l.	Senningerberg	100.0	100.0			
WealthCap 39 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap 45 Komplementär GmbH	Munich	100.0	100.0			

## List of Holdings (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %	CURRENCY	SUBSCRIBED CAPITAL in thousands
<b>1.2. Fully consolidated structured entities with or without shareholding</b>				
Altus Alpha PLC	Dublin	—	EUR	40
Arabella Finance DAC	Dublin	—	EUR	< 1
BARD Engineering GmbH	Emden	—	EUR	100
BARD Holding GmbH	Emden	—	EUR	25
Elektra Purchase No. 28 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 31 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 32 S.A. – Compartment 1	Luxembourg	—	EUR	31
Elektra Purchase No. 33 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 36 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 37 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 38 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 43 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 46 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 54 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 56 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 57 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 64 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 69 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 71 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 74 DAC	Dublin	—	EUR	< 1
Elektra Purchase No. 911 Ltd.	St. Helier	—	EUR	< 1
European-Office-Fonds	Munich	—	EUR	—
GELDILUX-TS-2015 S.A.	Luxembourg	—	EUR	31
H.F.S. Leasingfonds GmbH & Co. Deutschland 8 KG, Ebersberg (held indirectly) <sup>6.1</sup>	Ebersberg	0.1	EUR	—
H.F.S. Leasingfonds GmbH & Co. Deutschland 9 KG, Ebersberg (held indirectly) <sup>6.2</sup>	Ebersberg	0.1	EUR	—
H.F.S. Leasingfonds GmbH & Co. Deutschland 10 KG, Ebersberg (held indirectly) <sup>6.3</sup>	Ebersberg	0.1	EUR	—
H.F.S. Leasingfonds GmbH & Co. Deutschland 11 KG, Ebersberg (held indirectly) <sup>6.4</sup>	Ebersberg	0.1	EUR	—
H.F.S. Leasingfonds GmbH & Co. Deutschland 12 KG, Ebersberg (held indirectly) <sup>6.5</sup>	Ebersberg	0.1	EUR	—
HVB Funding Trust	Wilmington	—	USD	—
HVB Funding Trust III	New York	—	USD	—
Ice Creek Pool No. 1 DAC	Dublin	—	EUR	< 1
Ice Creek Pool No. 2 DAC	Dublin	—	EUR	< 1
Ice Creek Pool No. 3 DAC	Dublin	—	EUR	< 1
Ice Creek Pool No. 5 DAC	Dublin	—	EUR	< 1
MOC Verwaltungs GmbH & Co. Immobilien KG (held indirectly) <sup>4, 6.6</sup>	Munich	23.0	EUR	5,113
Rosenkavalier 2008 GmbH	Frankfurt am Main	—	EUR	25
Rosenkavalier 2015 UG	Frankfurt am Main	—	EUR	8
Rosenkavalier 2020 UG	Frankfurt am Main	—	EUR	3
Wealthcap Spezial-AIF-SV Büro 8	Grünwald	—	EUR	—

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	OF WHICH HELD INDIRECTLY			
<b>2 Joint ventures</b>						
<b>Minor joint ventures<sup>5</sup></b>						
Heizkraftwerke-Pool Verwaltungs-GmbH	Munich	33.3	—			
<b>3 Associates</b>						
<b>3.1. Associates valued at equity</b>						
Comtrade Group B.V. <sup>4</sup>	Rotterdam	21.1	—	EUR	90,737	53,881
<b>3.2. Minor associates<sup>5</sup></b>						
MOC Verwaltungs GmbH	Munich	23.0	23.0			
<b>4 Further Holdings according to Section 271 (1) HGB<sup>5</sup></b>						
<b>4.1. Banks and financial institutions</b>						
AKA Ausfuhrkredit-Gesellschaft mbH <sup>7</sup>	Frankfurt am Main	15.4	—	EUR	261,565	8,372
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	3.2	—	EUR	13,171	—
BGG Bayerische Garantiegesellschaft mbH für mittelständische Beteiligungen	Munich	10.5	—	EUR	57,390	2,016
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8	—	EUR	32,101	1,077
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1	—	EUR	17,161	262
Bürgschaftsbank Nordrhein-Westfalen GmbH – Kreditgarantiegemeinschaft –	Düsseldorf	0.6	—	EUR	39,244	1,022
Bürgschaftsbank Rheinland-Pfalz GmbH	Mainz	1.4	—	EUR	17,224	40
Bürgschaftsbank Saarland Gesellschaft mit beschränkter Haftung, Kreditgarantiegemeinschaft für den Handel, Handwerk und Gewerbe	Saarbrücken	1.3	—	EUR	4,396	7
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9	—	EUR	16,577	141
Bürgschaftsbank Sachsen GmbH (share of voting rights 5.4%)	Dresden	4.7	—	EUR	44,260	175
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4	—	EUR	41,909	84
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7	—	EUR	27,285	65
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5	—	EUR	26,939	156
MCB Bank Limited	Lahore	>0	—	PKR	190,101,955	29,037,301
Niedersächsische Bürgschaftsbank GmbH	Hannover	3.0	—	EUR	30,140	39
Saarländische Investitionskreditbank AG	Saarbrücken	3.3	—	EUR	65,638	2
<b>4.2. Other companies</b>						
ABE Clearing S.A.S.	Paris	2.1	—	EUR	36,533	5,354
Acton GmbH & Co. Heureka II KG	Munich	8.9	—	EUR	86,162	(485)
Amstar Liquidating Trust (share of voting rights 0.0%)	New York	>0	>0			
Babcock & Brown Limited	Sydney	3.2	—			
BayBG Bayerische Beteiligungsgesellschaft mbH <sup>8</sup>	Munich	22.5	—	EUR	244,646	2,274
Bayerischer BankenFonds GbR <sup>9</sup>	Munich	25.6	—			
BIL Leasing-Fonds GmbH & Co. Altstadtanierung Freiberg KG (share of voting rights 0.3%)	Grünwald	—	—	EUR	1,057	935
Bil Leasing-Fonds GmbH & Co Objekt Verwaltungssitz Bankenverband KG (share of voting rights 0.2%)	Grünwald	—	—			
BIL Leasing GmbH & Co Objekt Verwaltungsgebäude Halle KG (share of voting rights >0.0%)	Grünwald	—	—			
BioM Aktiengesellschaft Munich Bio Tech Development	Planegg	8.5	—	EUR	2,775	(320)
Blue Capital Equity I GmbH & Co. KG i.L.	Munich	>0	>0			

## List of Holdings (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %			CURRENCY	EQUITY CAPITAL in thousands	NET PROFIT in thousands
		TOTAL	OF WHICH HELD INDIRECTLY				
Blue Capital Equity II GmbH & Co. KG i.L.	Munich	>0	>0	EUR	1,664	13	
Blue Capital Equity III GmbH & Co. KG (share of voting rights >0%)	Munich	0.8	0.8	EUR	4,507	(590)	
Blue Capital Equity IV GmbH & Co. KG	Munich	>0	>0	EUR	10,567	(923)	
Blue Capital Equity V GmbH & Co. KG (share of voting rights >0%)	Munich	0.1	0.1				
Blue Capital Equity VI GmbH & Co. KG	Munich	>0	>0	EUR	11,412	4,144	
Blue Capital Equity VII GmbH & Co. KG	Munich	>0	>0	EUR	5,416	1,762	
Blue Capital Equity VIII GmbH & Co. KG (share of voting rights >0%)	Munich	0.7	0.7	EUR	7,119	118	
Blue Capital Equity IX GmbH & Co. KG (share of voting rights >0%)	Munich	0.7	0.7	EUR	3,166	162	
Blue Capital Metro Amerika Fund, L.P.	Wilmington	0.1	0.1	EUR	93,242	4,177	
Blue Capital Metropolitan Amerika GmbH & Co. KG	Munich	0.1	0.1	EUR	100,541	13,174	
Boston Capital Partners V, L.L.C.	Wilmington	10.0	10.0				
Boston Capital Ventures V, L.P. (share of voting rights 0.0%)	Wilmington	20.0	—	USD	2,021	(1,004)	
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6	—	EUR	5,007	(134)	
Carlyle Partners V, L.P. (share of voting rights 0.0%)	Wilmington	>0	>0	EUR	2,615,490	365,328	
Carlyle U.S. Equity Opportunity Fund, L.P. (share of voting rights 0.0%)	Wilmington	0.9	0.9	EUR	845,151	143,045	
Charme II (share of voting rights 0.0%)	Milan	7.7	—	EUR	1,645	151	
China International Packaging Leasing Co., Ltd.	Peking	17.5	—	CNY	(101,056)	553	
China Investment Incorporations (BVI) Ltd.	Tortola	10.8	10.8	HKD	78,756	(875)	
CLS Group Holdings AG	Lucerne	1.2	—	GBP	322,759	(15,431)	
CMC-Hertz Partners, L.P. (share of voting rights 0.0%)	Wilmington	7.1	—				
CME Group Inc.	Wilmington	>0	—	USD	26,351,500	2,105,200	
Einkaufsgalerie Roter Turm Beteiligungs GmbH & Co. KG	Munich	>0	>0	EUR	5,720	291	
Einkaufsgalerie Roter Turm Chemnitz GmbH & Co. KG	Munich	>0	>0	EUR	47,520	2,629	
EPI Interim Company SE	Brussels	4.5	—				
EURO Kartensysteme GmbH	Frankfurt am Main	6.0	—	EUR	12,292	105	
Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG	Grünwald	10.5	10.5	EUR	21,098	(1,290)	
H.F.S. Immobilienfonds Bahnhofspassagen Potsdam GmbH & Co. KG	Munich	6.0	6.0	EUR	21,279	2,688	
H.F.S. Immobilienfonds "Das Schloss" Berlin-Steglitz GmbH & Co. KG	Munich	6.0	6.0	EUR	132,536	119,759	
H.F.S. Immobilienfonds Deutschland 4 GmbH & Co. KG	Munich	0.2	0.2	EUR	(894)	(276)	
H.F.S. Immobilienfonds Deutschland 8 GmbH & Co. KG	Munich	0.1	0.1	EUR	13,427	2,417	
H.F.S. Immobilienfonds Deutschland 10 GmbH & Co. KG	Munich	1.4	1.4	EUR	88,822	257,288	
H.F.S. Immobilienfonds Deutschland 12 GmbH & Co. KG	Munich	3.9	3.9	EUR	80,875	2,776	
H.F.S. Immobilienfonds Deutschland 15 GmbH & Co. KG	Munich	>0	>0	EUR	14,195	1,648	
H.F.S. Immobilienfonds Deutschland 16 GmbH & Co. KG	Munich	>0	>0	EUR	18,905	37,332	
H.F.S. Immobilienfonds GmbH & Co. Europa 3 KG	Munich	0.1	0.1	EUR	3,138	254	
H.F.S. Immobilienfonds Köln GmbH & Co. KG	Munich	>0	>0	EUR	1,743	(5)	
H.F.S. Immobilienfonds Köln Supplier-Park GmbH & Co. KG	Munich	>0	>0	EUR	3,005	35,515	
H.F.S. Immobilienfonds Schweinfurt GmbH & Co. KG	Munich	>0	>0				
H.F.S. Zweitmarktfonds Deutschland 1 GmbH & Co. KG	Grünwald	>0	>0	EUR	17,440	4,557	
H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG	Grünwald	>0	>0	EUR	79,713	15,143	
HVBFF Life Britannia GmbH & Co Erste KG	Grünwald	>0	>0	EUR	1,976	(208)	
HVB Trust Pensionsfonds AG (share of voting rights: 0.0%) 9	Munich	100.0	—	EUR	4,305	17	
IGEPA Gewerbepark GmbH & Co Vermietungs KG	Fürstfeldbruck	2.0	2.0	EUR	(8,739)	7,353	
Innovation Group Holdings Limited	Fareham	13.1	13.1	GBP	(55,961)	14,218	
Interbanking Systems S.A. (Dias S.A.)	Maroussi	0.9	—	EUR	25,516	—	
IPE Tank and Rail Investment 1 S.C.A.	Luxembourg	7.8	—				
JBG/BC Investor, L.P.	Chevy Chase	0.5	0.5	EUR	70,944	15,598	
Kepler Cheuvreux S.A. (share of voting rights 8.3%)	Paris	10.0	—	EUR	100.000	19,636	
Kreditgarantiegemeinschaft der freien Berufe Baden-Württemberg Verwaltungs-GmbH	Stuttgart	1.3	—				
Kreditgarantiegemeinschaft der Industrie, des Verkehrsgewerbes und des Gastgewerbes Baden-Württemberg Verwaltungs-GmbH	Stuttgart	2.6	—	EUR	1,300	—	

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Kreditgarantiegemeinschaft des bayerischen Gartenbaues GmbH	Munich	8.1	—			
Kreditgarantiegemeinschaft des bayerischen Handwerks GmbH	Munich	7.2	—	EUR	4,846	—
Kreditgarantiegemeinschaft des Handels						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	2.3	—	EUR	1,022	—
Kreditgarantiegemeinschaft des Handwerks						
Baden-Württemberg Verwaltungsgesellschaft mbH	Stuttgart	2.5	—	EUR	1,001	—
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes						
in Bayern GmbH	Munich	9.7	—	EUR	4,359	—
Kreditgarantiegemeinschaft für den Handel in Bayern GmbH	Munich	2.2	—	EUR	6,317	—
Kreditgarantiegemeinschaft in Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	5.1	—	EUR	1,023	—
Life Britannia First LP (share of voting rights 1.0%)	Uxbridge	—	—	EUR	3,679	716
Life Britannia Second LP (share of voting rights 1.0%)	Uxbridge	—	—	EUR	7,038	984
Life GmbH & Co Erste KG	Munich	>0	>0	EUR	95,594	23,043
Life GmbH & Co. Zweite KG	Grünwald	>0	>0	EUR	53,514	(4,916)
Lion Capital Fund I, L.P. (share of voting rights 0.0%)	London	0.9	—			
LME Holdings Limited (share of voting rights 0.0%)	London	>0	—	USD	57,695	46,980
Martin Schmälzle Grundstücksgesellschaft Objekt						
Wolfsburg GmbH & Co. KG	Munich	>0	>0	EUR	15,711	—
MBG Mittelständische Beteiligungsgesellschaft						
Baden-Württemberg GmbH	Stuttgart	5.0	—	EUR	83,352	2,056
MBG Mittelständische Beteiligungsgesellschaft						
Rheinland-Pfalz mbH (share of voting rights 11.1%)	Mainz	9.8	—	EUR	16,353	362
MBG Mittelständische Beteiligungsgesellschaft						
Schleswig-Holstein mbH	Kiel	3.6	—	EUR	44,210	724
Mittelständische Beteiligungsgesellschaft						
Berlin-Brandenburg GmbH	Potsdam	11.6	—	EUR	24,155	1,263
Mittelständische Beteiligungsgesellschaft						
Mecklenburg-Vorpommern mbH	Schwerin	15.4	—	EUR	17,962	1,344
Mittelständische Beteiligungsgesellschaft						
Niedersachsen (MBG) mbH	Hannover	8.2	—	EUR	15,097	366
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt mit						
beschränkter Haftung	Magdeburg	12.7	—	EUR	24,270	21
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8	—	EUR	49,446	277
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt	13.4	—	EUR	27,422	580
Motion Picture Production GmbH & Co. Erste KG						
(share of voting rights 0.1%)	Grünwald	>0	>0	EUR	(27,842)	1,454
Mühoga Münchner Hochgaragen Gesellschaft						
mit beschränkter Haftung <sup>8</sup>	Munich	25.0	25.0	EUR	4,661	1,347
PICIC Insurance Ltd.	Karachi	>0	—			
PRINCIPIA FUND (share of voting rights 0.0%)	Milan	10.0	—			
ProAreal GmbH i. I.	Wiesbaden	10.0	—			
Pro Health AG	Munich	4.0	—	EUR	735	(2,257)
REF IV Associates (Caymans) L.P. Acqua CIV S.C.S.						
(share of voting rights 0.0%)	Luxembourg	38.3	—			
Rocket Internet Capital Partners (Euro) SCS						
(share of voting rights 0.0%)	Luxembourg	4.4	—	EUR	290,869	(143,425)
Saarländische Kapitalbeteiligungsgesellschaft						
mit beschränkter Haftung (share of voting rights 8.8%)	Saarbrücken	8.7	—	EUR	7,791	(33)
Social Venture Fund GmbH & Co. KG (share of voting rights 0.0%)	Munich	9.6	—	EUR	1,141	(118)
Social Venture Fund II GmbH & Co. KG (share of voting rights 0.0%)	Munich	4.5	—	EUR	11,324	193
Special Product Company Holding Corp.	Wilmington	4.9	4.9	USD	(4,444)	973
Stahl Group S.A.	Luxembourg	0.4	0.4	EUR	351,473	81,974
SwanCap FLP II SCSp (share of voting rights 37.5%) <sup>10</sup>	Senningerberg	—	—	EUR	386	4,388
SwanCap FLP SCS (share of voting rights 37.5%) <sup>10</sup>	Senningerberg	—	—	EUR	76	2,047
SwanCap TB II SCSp (share of voting rights 0.0%) <sup>11</sup>	Senningerberg	>0	—	EUR	416	192

## List of Holdings (CONTINUED)

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S.W.I.F.T. SC	La Hulpe	0.3	—		EUR	487,078	35,824
True Sale International GmbH	Frankfurt am Main	7.7	—		EUR	4,624	(240)
UniCredit Services Società Consortile per Azioni	Milan	>0	—		EUR	307,984	21,277
VISA Inc. (share of voting rights 0.0%)	Wilmington	>0	—		USD	37,589,000	12,311,000
WealthCap Aircraft 1 GmbH & Co. KG	Munich	>0	>0		EUR	16,729	(5,612)
WealthCap Aircraft 25 GmbH & Co. KG	Grünwald	>0	>0		EUR	32,295	342
WealthCap Aircraft 26 GmbH & Co. KG	Grünwald	>0	>0		USD	43,850	(150)
Wealthcap Büro Spezial-AIF 6 GmbH & Co. geschlossene Investment KG	Munich	0.1	0.1				
Wealthcap Fondsportfolio Immobilien International 1 GmbH & Co. geschlossene Investment KG	Grünwald	0.2	0.2				
WealthCap Fondsportfolio Private Equity 21 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0		EUR	6,174	(3,103)
WealthCap Fondsportfolio Private Equity 22 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0		EUR	859	(470)
Wealthcap Fondsportfolio Private Equity 23 GmbH & Co. geschlossene Investment KG	Grünwald	0.1	0.1				
Wealthcap Fondsportfolio Private Equity 24 GmbH & Co. geschlossene Investment KG	Grünwald	0.1	0.1				
WealthCap Immobilien Deutschland 38 GmbH & Co. geschlossene Investment KG	Munich	>0	>0		EUR	117,848	20,714
WealthCap Immobilien Deutschland 39 GmbH & Co. geschlossene Investment KG	Munich	>0	>0		EUR	155,271	21,638
WealthCap Immobilien Deutschland 40 GmbH & Co. geschlossene Investment KG	Munich	>0	>0		EUR	80,933	7,386
WealthCap Immobilien Deutschland 41 GmbH & Co. geschlossene Investment KG	Munich	>0	>0		EUR	40,073	5,752
Wealthcap Immobilien Deutschland 42 GmbH & Co. geschlossene Investment KG	Munich	>0	>0				
Wealthcap Immobilien Deutschland 44 GmbH & Co. geschlossene Investment KG	Munich	>0	>0				
WealthCap Immobilienfonds Deutschland 30 GmbH & Co. KG	Munich	>0	>0		EUR	46,680	4,773
WealthCap Immobilienfonds Deutschland 31 GmbH & Co. KG (share of voting rights 0.1%)	Munich	>0	>0		EUR	36,942	1,785
WealthCap Immobilienfonds Deutschland 32 GmbH & Co. KG (share of voting rights 0.1%)	Munich	>0	>0		EUR	5,119	3,024
WealthCap Immobilienfonds Deutschland 33 GmbH & Co. KG	Munich	>0	>0		EUR	58,597	2,614
WealthCap Immobilienfonds Deutschland 34 GmbH & Co. KG (share of voting rights 0.1%)	Munich	>0	>0		EUR	40,809	2,619
WealthCap Immobilienfonds Deutschland 35 GmbH & Co. KG	Munich	>0	>0		EUR	125,892	5,456
WealthCap Immobilienfonds Deutschland 37 GmbH & Co. KG	Munich	>0	>0		EUR	62,921	2,429
WealthCap Immobilienfonds Donauwörth 1 GmbH & Co. KG	Munich	>0	>0		EUR	18,592	1,636
WealthCap Immobilienfonds Donauwörth 2 GmbH & Co. KG (share of voting rights 0.0%)	Munich	>0	>0		EUR	4,664	591
WealthCap Immobilien Nordamerika 16 GmbH & Co. geschlossene Investment KG	Munich	>0	>0		USD	49,886	6,950
WealthCap Immobilien Nordamerika 17 GmbH & Co. geschlossene Investment KG	Munich	>0	>0		EUR	49,715	(3,348)
WealthCap Infrastructure Fund I GmbH & Co. KG	Munich	>0	>0		EUR	1,879	(218)
WealthCap Infrastruktur Amerika GmbH & Co. KG (share of voting rights 0.1%)	Grünwald	>0	>0		USD	1,361	(227)
WealthCap Leasing 1 GmbH & Co. KG	Grünwald	5.5	5.5		EUR	30,005	1,641
WealthCap Leasing 2 GmbH & Co. KG	Grünwald	5.5	5.5		EUR	29,298	1,437
WealthCap Leasing 3 GmbH & Co. KG	Grünwald	5.5	5.5		EUR	28,687	1,516
WealthCap Leasing 4 GmbH & Co. KG	Grünwald	5.5	5.5		EUR	27,482	1,312



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WealthCap LebensWert 1 GmbH & Co. KG (share of voting rights 0.3%)	Grünwald	>0	>0	EUR	(1,139)	545
WealthCap LebensWert 2. GmbH & Co. KG (share of voting rights 0.1%)	Grünwald	>0	>0	USD	3,520	1,820
WealthCap Life Britannia 2. GmbH & Co KG	Munich	>0	>0	EUR	(68)	4,745
WealthCap Life USA 4. GmbH & Co. KG	Grünwald	>0	>0	USD	60,903	1,924
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	>0	>0	USD	64,590	3,523
WealthCap Mountain View I L.P.(share of voting rights 0.1%)	Atlanta	—	—	EUR	48,845	7,347
WealthCap Objekt Berg-am-Laim GmbH & Co. KG	Munich	5.2	5.2	EUR	121,259	6,018
Wealthcap Objekt Berg-am-Laim II GmbH & Co. KG	Munich	10.1	10.1	EUR	84,576	910
Wealthcap Objekt Berlin I GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Berlin II GmbH & Co. KG	Munich	10.1	10.1	EUR	(540)	(774)
WealthCap Objekt Bogenhausen GmbH & Co. KG	Munich	>0	>0	EUR	132,593	2,566
Wealthcap Objekte Grasbrunn und Ismaning GmbH & Co. KG	Munich	10.1	10.1	EUR	(916)	1,837
WealthCap Objekt Essen GmbH & Co. KG	Munich	5.2	5.2	EUR	26,624	1,548
Wealthcap Objekt Essen II GmbH & Co. KG	Munich	10.1	10.1	EUR		
WealthCap Objekte Südwest GmbH & Co. KG	Munich	5.1	5.1	EUR	64,877	2,832
WealthCap Objekt Frankfurt GmbH & Co. KG	Munich	5.2	5.2	EUR	46,984	1,036
Wealthcap Objekt Freiburg GmbH & Co. KG	Munich	10.1	10.1			
Wealthcap Objekt Fürstenfeldbruck GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Hackerbrücke GmbH & Co. KG	Munich	5.2	5.2	EUR	33,358	1,683
WealthCap Objekt Hamburg GmbH & Co. KG	Munich	10.1	10.1	EUR	21,172	97
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	5.2	5.2	EUR	14,880	1,451
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	5.2	5.2	EUR	3,663	248
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	5.2	5.2	EUR	17,022	451
WealthCap Objekt Hufelandstraße GmbH & Co. KG	Munich	5.2	5.2	EUR	11,748	582
Wealthcap Objekt Ludwigsburg GmbH & Co. KG	Munich	10.1	10.1			
Wealthcap Objekt Mainz GmbH & Co. KG	Munich	10.1	10.1	EUR	(263)	(272)
Wealthcap Objekt Nürnberg GmbH & Co. KG	Munich	10.1	10.1			
Wealthcap Objekt Ottobrunn GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Riem GmbH & Co. KG	Munich	5.2	5.2	EUR	30,298	1,519
WealthCap Objekt Riem II GmbH & Co. KG	Munich	5.2	5.2	EUR	41,309	2,304
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	5.2	5.2	EUR	29,251	1,718
WealthCap Objekt Sendling GmbH & Co. KG	Munich	5.2	5.2	EUR	59,044	2,405
WealthCap Objekt Stuttgart Ia GmbH & Co. KG	Munich	>0	>0	EUR	17,466	1,165
WealthCap Objekt Stuttgart Ib GmbH & Co. KG	Munich	>0	>0	EUR	19,733	1,194
WealthCap Objekt Stuttgart II GmbH & Co. KG	Munich	5.2	5.2	EUR	24,939	962
WealthCap Objekt Theresienhöhe GmbH & Co. KG	Munich	5.2	5.2	EUR	64,248	2,714
Wealthcap Objekt Tübingen GmbH & Co. KG	Munich	>0	>0			
WealthCap Photovoltaik 1 GmbH & Co. KG (share of voting rights 0.1%)	Grünwald	>0	>0	EUR	28,633	2,984
WealthCap Portfolio 3 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0	EUR	31,114	7,270
Wealthcap Portfolio 4/5 GmbH & Co. KG	Grünwald	>0	>0			
Wealthcap Portfolio 4 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0			
Wealthcap Portfolio 5 GmbH & Co. geschlossene Investment KG	Grünwald	0.2	0.2			
Wealthcap Portfolio 6 GmbH & Co. geschlossene Investment KG	Grünwald	0.2	0.2			
WealthCap Private Equity 10 GmbH & Co. KG	Munich	>0	>0	EUR	4,451	353
WealthCap Private Equity 11 GmbH & Co. KG	Munich	>0	>0	EUR	1,643	325
WealthCap Private Equity 12 GmbH & Co. KG	Grünwald	>0	>0	EUR	56,802	2,854
WealthCap Private Equity 13 GmbH & Co. KG	Grünwald	>0	>0	EUR	45,549	1,785
WealthCap Private Equity 14 GmbH & Co. KG	Grünwald	>0	>0	EUR	26,438	1,198
WealthCap Private Equity 15 GmbH & Co. KG (share of voting rights 0.1%)	Grünwald	>0	>0	EUR	10,844	1,161
WealthCap Private Equity 16 GmbH & Co. KG (share of voting rights 0.3%)	Grünwald	>0	>0	EUR	2,353	273



## List of Holdings (CONTINUED)

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WealthCap Private Equity 17 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0	EUR	13,316	795
WealthCap Private Equity 18 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0	EUR	9,513	580
WealthCap Private Equity 19 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0	EUR	31,856	(310)
WealthCap Private Equity 20 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0	EUR	9,155	(98)
WealthCap SachWerte Portfolio 1 GmbH & Co. KG	Grünwald	>0	>0	EUR	22,001	1,370
WealthCap SachWerte Portfolio 2 GmbH & Co. geschlossene Investment KG	Grünwald	>0	>0	EUR	92,608	3,933
WealthCap Spezial-AIF 1 GmbH & Co. geschlossene Investment KG	Munich	>0	>0	EUR	169,805	23,317
WealthCap Spezial-AIF 2 GmbH & Co. geschlossene Investment KG	Munich	5.2	5.2	EUR	79,250	5,739
WealthCap Spezial-AIF 3 GmbH & Co. geschlossene Investment KG	Munich	>0	>0	EUR	257,916	29,752
WealthCap Spezial-AIF 4 GmbH & Co. geschlossene Investment KG	Munich	>0	>0	EUR	151,895	(76)
WealthCap Spezial-AIF 5 GmbH & Co. geschlossene Investment KG	Munich	10.1	10.1	EUR	165,733	1,382
Wealthcap Spezial-AIF Büro 7 GmbH & Co. geschlossene Investment KG	Munich	>0	>0			
Wealthcap Spezial Portfolio Immobilien 1 SCS SICAV-SIF	Luxembourg-Findel	>0	>0	EUR	1,391	(109)
Wealthcap Spezial Portfolio Private Equity 1 SCS SICAV-SIF	Luxembourg-Findel	>0	>0	EUR	4,330	(170)
Wealthcap Spezial Portfolio Immobilien 1 SCS SICAV-SIF	Luxembourg-Findel	>0	>0	EUR	1,391	(109)
Wealthcap Spezial Portfolio Private Equity 1 SCS SICAV-SIF	Luxembourg-Findel	>0	>0	EUR	4,330	(170)
WealthCap US Life Dritte GmbH & Co. KG (share of voting rights >0%)	Grünwald	0.1	0.1	USD	3,940	(6,861)
Wealthcap Wohnen 1a GmbH & Co. KG	Munich	10.1	10.1	EUR	(405)	(409)
Wealthcap Wohnen 1 GmbH & Co. KG	Munich	10.1	10.1	EUR	(906)	64,034
Wealthcap Wohnen Spezial-AIF 1 GmbH & Co. geschlossene Investment KG	Munich	>0	>0			
WealthCap Zweitmarkt 3 BASIS GmbH & Co. KG	Grünwald	>0	>0	EUR	30,813	(130)
WealthCap Zweitmarkt 3 PLUS GmbH & Co. KG	Grünwald	>0	>0	EUR	14,550	5,241
WealthCap ZweitmarktWerte Immobilien 4 GmbH & Co. KG	Munich	>0	>0	EUR	8,458	(39)
Wohnungsbaugesellschaft der Stadt Röthenbach a.d.Pegnitz mit beschränkter Haftung	Röthenbach	5.2	—	EUR	3,893	196

### Exchange rates for 1 euro at the reporting date

Currency code according to the International Organisation for Standardisation (ISO code).

China	1 EUR =	7.1947	CNY
UK	1 EUR =	0.84028	GBP
Hong Kong	1 EUR =	8.8333	HKD
Pakistan	1 EUR =	201.81312	PKR
USA	1 EUR =	1.1326	USD

### Notes and comments to the list of holdings

Percentages marked < or > are rounded up or down to one decimal place, e. g. < 100.0% = 99.99% or > 0.0% = 0.01%.

Thus <100.0% corresponds, for example, to 99.99% or >0.0%, for example, to 0.01%.

- 1 Profit and loss transfer to shareholders and partners
- 2 UniCredit Bank AG has concluded profit and loss agreements with the following companies:

Company	Profit/(loss) transferred € thousands
2.1 HVB Immobilien AG, Munich	5,319
2.2 HVB Verwa 4 GmbH, Munich	(1,275)
2.3 MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	2,498
2.4 UniCredit Beteiligungs GmbH, Munich	(16)
2.5 UniCredit Direct Services GmbH, Munich	9,329
2.6 UniCredit Leasing GmbH, Hamburg	42,349
2.7 Wealth Management Capital Holding GmbH, Munich of which relating to 2020	(7,246) 128
2.8 Food & more GmbH, Munich	(1,600)
2.9 HVB Secur GmbH, Munich	379
2.10 Verwaltungsgesellschaft Katharinenhof GmbH, Munich	755

- 3 The exemption under Section 264b HGB or under Section 264 (3) HGB applies to the company.
- 4 Figures from the 2020 annual accounts are indicated for this consolidated company.
- 5 Where equity capital and net profit are not stated, the information is omitted due to minor importance compliant with Section 286 (3) 1 No. 1 HGB.
- 6 Disclosures on structured companies with shareholdings included in the consolidated financial statements.
- 6.1 Equity capital amounts to minus €3,176 thousand and the net profit/loss €– thousand.
- 6.2 Equity capital amounts to minus €3,304 thousand and the net profit/loss €– thousand.
- 6.3 Equity capital amounts to minus €2,483 thousand and the net profit/loss €– thousand.
- 6.4 Equity capital amounts to minus €2,151 thousand and the net profit/loss €– thousand.
- 6.5 Equity capital amounts to minus €2,743 thousand and the net profit/loss €– thousand.
- 6.6 Equity capital amounts to minus €6,324 thousand and the net loss (€6,451 thousand).
- 7 Pursuant to Section 340a (4) (2) HGB: holdings in large corporations with a share of voting rights greater than 5 percent.
- 8 Despite a holding of more than 20%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and the voting patterns to date.
- 9 The company is held by a trustee on behalf of UniCredit Bank AG.
- 10 UniCredit Bank AG holds the position of a limited partner under company law and participates in the profit of the company.
- 11 UniCredit Bank AG holds the position of a limited partner under company law but does not participate in the profit of the company.

# Mortgage Banking

## 65 Coverage

The statement of coverage for Mortgage Pfandbriefe and Public Pfandbriefe is as follows:

(€ millions)

	2021	2020
<b>Mortgage Pfandbriefe</b>		
Standard coverage		
1. Loans and receivables with banks	—	—
Mortgage loans	—	—
2. Loans and receivables with customers	28,929	28,909
Mortgage loans	28,929	28,909
Other eligible cover <sup>1</sup>		
1. Other lending to banks	—	—
2. Bonds and other fixed-income securities	1,146	648
3. Equalisation claims on government authorities	—	—
<b>Subtotal</b>	<b>30,075</b>	<b>29,557</b>
Total Mortgage Pfandbriefe requiring cover	22,561	22,011
<b>Excess coverage</b>	<b>7,514</b>	<b>7,546</b>
<b>Public Pfandbriefe</b>		
Standard coverage		
1. Loans and receivables with banks	13	7
Mortgage loans	—	—
Municipal loans	13	7
2. Loans and receivables with customers	5,419	4,876
Mortgage loans	—	—
Municipal loans	5,419	4,876
3. Bonds and other fixed-income securities	519	223
Other eligible cover <sup>2</sup>		
Other lending to banks	—	—
<b>Subtotal</b>	<b>5,951</b>	<b>5,106</b>
Total Public Pfandbriefe requiring cover	2,802	3,205
<b>Excess coverage</b>	<b>3,149</b>	<b>1,901</b>

1 Compliant with Section 19 (1) of the German Pfandbrief Act.

2 Compliant with Section 20 (2) of the German Pfandbrief Act.

## 66 Pfandbriefe outstanding and cover assets committed

The following table shows Pfandbriefe outstanding and cover assets committed, broken down by Mortgage Pfandbriefe and Public Pfandbriefe:

(€ millions)

	2021			2020		
	NOMINAL	PRESENT VALUE	RISK PRESENT VALUE <sup>1</sup>	NOMINAL	PRESENT VALUE	RISK PRESENT VALUE <sup>1</sup>
<b>Mortgage Pfandbriefe</b>						
Mortgage Pfandbriefe	22,561	23,453	22,145	22,011	23,787	22,438
of which: derivatives	—	—	—	—	—	—
Cover assets <sup>2</sup>	30,075	32,779	31,015	29,557	33,394	31,558
of which: derivatives	—	—	—	—	—	—
<b>Excess coverage</b>	<b>7,514</b>	<b>9,326</b>	<b>8,870</b>	<b>7,546</b>	<b>9,607</b>	<b>9,120</b>
<b>Public Pfandbriefe</b>						
Public Pfandbriefe	2,802	3,060	3,018	3,205	3,576	3,520
of which: derivatives	—	—	—	—	—	—
Cover assets <sup>3</sup>	5,951	6,491	6,266	5,106	5,800	5,615
of which: derivatives	—	—	—	—	—	—
<b>Excess coverage</b>	<b>3,149</b>	<b>3,431</b>	<b>3,248</b>	<b>1,901</b>	<b>2,224</b>	<b>2,095</b>

1 Dynamic procedure compliant with Section 5 (1) Number 2 of the German Pfandbrief Net Present Value Regulation.

2 Including further cover assets compliant with Section 19 (1) of the German Pfandbrief Act with a nominal amount of €1,146 million as at 31 December 2021 and €648 million as at 31 December 2020.

3 Including no further cover assets compliant with Section 20 (2) of the German Pfandbrief Act as at 31 December 2021 and as at 31 December 2020.

## 67 Maturity structure of Pfandbriefe outstanding and fixed-interest periods of respective cover assets

The following table shows the maturity structure for outstanding Pfandbriefe and fixed-interest periods of cover assets for Mortgage Pfandbriefe and Public Pfandbriefe:

(€ millions)

	2021		2020	
	PFANDBRIEFE	COVERING ASSETS	PFANDBRIEFE	COVERING ASSETS
<b>Mortgage Pfandbriefe<sup>1</sup></b>	<b>22,561</b>	<b>30,075</b>	<b>22,011</b>	<b>29,557</b>
up to 0.5 years	1,221	1,205	1,028	1,404
at least 0.5 years but less than 1 year	779	1,473	965	1,389
at least 1 year but less than 1.5 years	136	1,314	1,214	1,209
at least 1.5 years but less than 2 years	1,299	1,578	779	1,387
at least 2 years but less than 3 years	1,921	2,797	1,435	2,562
at least 3 years but less than 4 years	2,175	2,859	1,921	2,726
at least 4 years but less than 5 years	2,146	2,996	2,175	2,722
at least 5 years but less than 10 years	8,143	9,365	7,710	9,984
10 years or more	4,741	6,488	4,784	6,174
<b>Public Pfandbriefe<sup>2</sup></b>	<b>2,802</b>	<b>5,951</b>	<b>3,205</b>	<b>5,106</b>
up to 0.5 years	254	309	59	394
at least 0.5 years but less than 1 year	613	641	384	295
at least 1 year but less than 1.5 years	92	371	250	292
at least 1.5 years but less than 2 years	447	372	578	523
at least 2 years but less than 3 years	628	528	539	578
at least 3 years but less than 4 years	138	583	628	421
at least 4 years but less than 5 years	76	712	138	428
at least 5 years but less than 10 years	165	1,717	222	1,488
10 years or more	389	718	407	687

1 Including further cover assets in accordance with Section 19 (1) of the German Pfandbrief Act; broken down by fixed-interest period and maturity of Pfandbriefe respectively.

2 Including further cover assets in accordance with Section 20 (2) of the German Pfandbrief Act; broken down by fixed-interest period and maturity of Pfandbriefe respectively.

# Mortgage Banking (CONTINUED)

## 68 Volume of claims used as cover for Pfandbriefe, broken down by size class

The following table shows the volume of claims used as cover for Pfandbriefe:

(€ millions)

	2021	2020
<b>Mortgage covering assets</b>	<b>28,929</b>	<b>28,909</b>
up to and including €300,000	10,820	10,987
over €300,000 up to and including €1 million	5,055	4,771
over €1 million up to and including €10 million	6,354	6,478
more than €10 million	6,700	6,673
<b>Public Pfandbriefe<sup>1</sup></b>	<b>5,951</b>	<b>5,106</b>
up to and including €10 million	1,098	1,180
over €10 million up to and including €100 million	1,879	1,627
more than €100 million	2,974	2,299

1 Volume of claims used as cover for Public Pfandbriefe according to size classes, in each case with respect to a debtor or a guaranteeing entity.

## 69 Volume of claims used as cover for Mortgage Pfandbriefe, broken down by state in which the real property collateral is located and property type

The following table shows the volume of claims used as cover for Mortgage Pfandbriefe, broken down by state in which the real property collateral is located and property type:

(€ millions)

	2021		2020	
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY
<b>Germany</b>	<b>20,511</b>	<b>8,418</b>	<b>20,241</b>	<b>8,668</b>
Condominiums	4,833	—	4,747	—
Single-family and two-family houses	8,634	—	8,354	—
Multiple-family houses	6,923	—	7,009	—
Office buildings	—	4,515	—	4,596
Retail buildings	—	2,555	—	2,715
Industrial buildings	—	308	—	302
Other commercially used buildings	—	710	—	735
New buildings under construction, not yet profitable	59	193	69	186
Building land	62	137	62	134
<b>France</b>	—	—	—	—
Single-family and two-family houses	—	—	—	—
<b>Italy</b>	—	—	—	—
Single-family and two-family houses	—	—	—	—
<b>Total</b>	<b>20,511</b>	<b>8,418</b>	<b>20,241</b>	<b>8,668</b>

## 70 Volume of claims used as cover for Public Pfandbriefe, broken down by type of debtor or guaranteeing entity and its home country

The following table shows the volume of claims used as cover for Public Pfandbriefe broken down by type of borrower or guaranteeing entity and head office (state) as well as by whether or not the guarantee was granted for reasons of promoting exports:

(€ millions)

	2021	2020
<b>Germany</b>		
Central government	834	874
of which owed	—	—
of which guaranteed	834	874
Regional authorities	1,702	1,440
of which owed	1,402	1,080
of which guaranteed	300	360
Local authorities	2,913	2,357
of which owed	2,669	2,058
of which guaranteed	244	299
Other	30	13
of which owed	30	13
of which guaranteed	—	—
<b>Total Germany</b>	<b>5,479</b>	<b>4,684</b>
of which owed	4,101	3,151
of which guaranteed	1,378	1,533
Guarantees for reasons of promoting exports	834	874
<b>Denmark</b>	<b>14</b>	<b>15</b>
Central government	14	15
of which owed	—	—
of which guaranteed	14	15
Guarantees for reasons of promoting exports	14	15
<b>France</b>	<b>269</b>	<b>268</b>
Central government	269	268
of which owed	—	—
of which guaranteed	269	268
Guarantees for reasons of promoting exports	269	268
<b>UK/Northern Ireland</b>	<b>132</b>	<b>99</b>
Central government	132	99
of which owed	—	—
of which guaranteed	132	99
Guarantees for reasons of promoting exports	132	99
<b>Austria</b>	<b>40</b>	<b>40</b>
Central government	40	40
of which owed	20	20
of which guaranteed	20	20
Guarantees for reasons of promoting exports	—	—
<b>Switzerland</b>	<b>17</b>	<b>—</b>
Central government	17	—
of which owed	—	—
of which guaranteed	17	—
Guarantees for reasons of promoting exports	17	—
<b>Total</b>	<b>5,951</b>	<b>5,106</b>
of which owed	4,121	3,171
of which guaranteed	1,830	1,935
Guarantees for reasons of promoting exports	1,266	1,256

# Mortgage Banking (CONTINUED)

## 71 Other eligible cover

The following table shows the breakdown of other eligible cover for Mortgage Pfandbriefe and Public Pfandbriefe:

(€ millions)

	2021	2020
<b>Mortgage Pfandbriefe</b>	<b>1,146</b>	<b>648</b>
Equalisation claims according to Section 19 (1) Number 1 PfandBG	—	—
All states	—	—
Money claims according to Section 19 (1) Number 2 PfandBG <sup>1</sup>	—	—
Germany	—	—
of which covered bonds according to Article 129 of Regulation (EU) Number 575/2013	—	—
Other states	—	—
Bonds according to Section 19 (1) Number 3 PfandBG <sup>2</sup>	1,146	648
Germany	1,146	648
Other states	—	—
<b>Public Pfandbriefe</b>	<b>—</b>	<b>—</b>
Equalisation claims according to Section 20 (2) Number 1 PfandBG	—	—
All states	—	—
Money claims according to Section 20 (2) Number 2 PfandBG	—	—
All states	—	—
of which covered bonds according to Article 129 of Regulation (EU) Number 575/2013	—	—

1 Without cover assets according to Section 4 (1) sentence 2 Number 1 and 2 German Pfandbrief Act.

2 Including cover assets according to Section 19 (1) Number 2 German Pfandbrief Act in conjunction with Section 4 (1) sentence 2 Number 1 and 2 German Pfandbrief Act.

## 72 Key figures for Pfandbriefe outstanding and associated cover assets

The following table shows the breakdown of key figures for Mortgage Pfandbriefe outstanding and Public Pfandbriefe:

		2021	2020
<b>Mortgage Pfandbriefe</b>			
Mortgage Pfandbriefe outstanding	€ millions	22,561	22,011
of which share of fixed-interest Pfandbriefe (Section 28 (1) No. 9 PfandBG)	%	98.80	95.29
Eligible cover <sup>1</sup>	€ millions	30,075	29,557
of which total amount of loans and receivables exceeding the thresholds according to Section 13 (1) PfandBG (Section 28 (1) No. 7 PfandBG)	€ millions	—	—
of which total amount of loans and receivables exceeding the thresholds stated in Section 19 (1) No. 2 PfandBG (Section 28 (1) No. 8 PfandBG)	€ millions	—	—
of which total amount of loans and receivables exceeding the thresholds stated in Section 19 (1) No. 3 PfandBG (Section 28 (1) No. 8 PfandBG)	€ millions	—	—
of which share of fixed-interest cover (Section 28 (1) No. 9 PfandBG)	%	82.48	80.99
Net present value according to Section 6 Pfandbrief Net Present Value Regulation for each foreign currency, in euros (Section 28 (1) No. 10 PfandBG – balance of asset/liability sides)	€ millions	—	—
Volume-weighted average age of the loans and receivables (period passed since loan granting – seasoning) (Section 28 (1) No. 11 PfandBG)	years	7.0	7.0
Average weighted loan-to-value ratio (Section 28 (2) No. 3 PfandBG)	%	41.73	42.06
<b>Public Pfandbriefe</b>			
Public Pfandbriefe outstanding	€ millions	2,802	3,205
of which share of fixed-income Pfandbriefe (Section 28 (1) No. 9 PfandBG)	%	99.82	99.84
Eligible cover <sup>2</sup>	€ millions	5,951	5,106
of which total amount of loans and receivables exceeding the thresholds stated in Section 20 (2) No. 2 PfandBG (Section 28 (1) No. 8 PfandBG)	€ millions	—	—
of which share of fixed-income cover (Section 28 (1) No. 9 PfandBG)	%	69.23	64.93
Net present value according to Section 6 Pfandbrief Net Present Value Regulation for each foreign currency in € millions (Section 28 (1) No. 10 PfandBG – balance of asset/liability sides)	USD	(30)	(59)

1 Including further cover assets according to Section 19 (1) German Pfandbrief Act.

2 Including further cover assets according to Section 20 (2) German Pfandbrief Act.



# Mortgage Banking (CONTINUED)

## 73 Payments in arrears

Total amount of payments in arrears for at least 90 days in respect of the claims used as cover for Pfandbriefe and breakdown by states in which the real property collateral is located:

(€ millions)

	2021	2020
<b>Mortgage Pfandbriefe</b>		
Payments in arrears of at least 90 days	—	—
Germany	—	—
Payments in arrears of at least 90 days, arrears equal at least 5% of the loan	—	—
Germany	—	—
<b>Public Pfandbriefe</b>		
Payments in arrears of at least 90 days	—	—
All states	—	—
Payments in arrears of at least 90 days, arrears equal at least 5% of the loan	—	—
All states	—	—

## 74 Foreclosures and sequestrations

The following table shows the breakdown of foreclosures for mortgage cover assets carried out in the reporting year:

	NUMBER OF PROCEEDINGS	OF WHICH IN 2021	
		COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY
<b>1. Foreclosures and sequestrations</b>			
a) Pending at 31 December 2021			
Foreclosure proceedings	7	—	7
Sequestration proceedings	—	—	—
Foreclosure and sequestration proceedings	3	—	3
	<b>10</b>	<b>—</b>	<b>10</b>
Comparative figures from 2020	1	—	1
<b>b) Foreclosures finalised in 2021</b>	<b>—</b>	<b>—</b>	<b>—</b>
Comparative figures from 2020	1	—	1
<b>2. Properties repossessed</b>			
As in the previous year the Pfandbrief bank did not have to repossess any properties during the reporting year to prevent losses on mortgage loans.			

## 75 Interest in arrears

Interest in arrears on mortgage cover assets due between 1 October 2020 and 30 September 2021 breaks down as follows:

(€ millions)

	2021	2020
<b>Interest in arrears</b>	—	—
Commercial property	—	—
Residential property	—	—

The present annual financial statements were prepared on 8 March 2022.

UniCredit Bank AG  
The Management Board



Dr Diederich



Höllinger



Dr Kullnigg



Kupfer



Reusch



Scukanec Hopinski



Tesić

# Declaration by the Management Board

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

Munich, 8 March 2022

UniCredit Bank AG  
The Management Board



Dr Diederich



Höllinger



Dr Kullnigg



Kupfer



Reusch



Scukanec Hopinski



Tesić

# Auditor's Report

## INDEPENDENT AUDITOR'S REPORT

To UniCredit Bank AG, Munich

### **REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT**

#### **Audit Opinions**

We have audited the annual financial statements of UniCredit Bank AG, Munich, which comprise the balance sheet as at 31 December 2021, the income statement for the financial year from 1 January to 31 December 2021 and the notes to the financial statements, including the presentation of the accounting and measurement methods. In addition, we have audited the management report of UniCredit Bank AG, Munich, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on business management pursuant to Section 289f (4) German Commercial Code (HGB) (gender quota disclosures) included in section "Corporate structure of UniCredit Bank AG" of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the abovementioned statement on business management pursuant to Section 289f (4) HGB (gender quota disclosures).

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

#### **Basis for the Audit Opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation"), and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

#### **Note on the use of Section 289b (2) HGB**

As stated by the Executive Directors in section "Corporate structure of UniCredit Bank AG" of the management report the Company has not included a non-financial statement in accordance with Section 289b (2) HGB in the management report. At the time of completion of our audit, it was not possible to conclusively assess whether the exemption of Section 289b (2) HGB had been justifiably invoked because the requirements of Section 289b (2) sentence 1 or sentence 2 HGB, by their nature, can only be complied at a later stage. Our audit opinion regarding the management report is not modified in this respect.

# Auditor's Report (CONTINUED)

## Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Loan loss provisions in the credit business
2. Determination of the fair value of financial instruments held for trading
3. IT controls related to financial reporting

Our presentation of these key audit matters has been structured as follows:

- a) Description (including reference to corresponding information in the annual financial statements)
- b) Auditor's response
- c) Key observations

### 1. Loan loss provisions in the credit business

a) UniCredit Bank AG provides loans to customers. In the bank's annual financial statements, loan loss provisions are offset against the balance sheet item "Loans and receivables with customers". Furthermore, provisions for credit risks are disclosed under other provisions. The general allowance for losses on loans and advances is determined based on the expected credit loss. The methodology is based on the IFRS 9 methodology used by the Bank. The main characteristic of the general allowance is the allocation of loans to stage 1 or stage 2 based on a comparison of the current default risk with the default risk at initial recognition of the financial instrument. The allocation leads to the recognition of the allowance for losses on loans and advances in the amount of the expected one-year credit loss or the expected lifetime credit loss of the financial instrument. The general allowance is therefore largely determined by the models used to determine the stage transfer, the models used to calculate the expected one-year credit loss or the expected lifetime credit loss of the financial instrument respectively, and the parameters used. Significant parameters within the calculation models that affect the expected credit loss are the considerable macroeconomic scenarios, the probability of default, the exposure at default and the loss given default. The specific valuation allowance is based on assumptions regarding various scenarios for the expected cash flows from the defaulted loans and the estimated probability of occurrence of these scenarios. Both the valuation parameters used and the models for the general allowance have a significant impact on the amount of loan loss provision. Since the determination of the loan loss provision is subject to uncertainty and margin of discretion, this was a key audit matter in our audit. The disclosures regarding valuation of the loans with customers are enclosed in section 5 of the notes.

b) As part of the audit of the annual financial statements, we have initially audited the adequacy and operating effectiveness of the internal controls regarding the recording, processing and valuation of loans as well as the related financial reporting. In doing so, we also took into account the relevant business organization, including the significant IT systems and valuation models. The audit of the valuation of loans included the assessment of the implemented processes and controls for identifying impaired loans, as well as an assessment of the models used to determine the stage transfer between stage 1 and stage 2 and the evaluation of the models used to determine the expected one-year credit loss or the expected life time credit loss of the financial instrument. We have used specialists from our Risk Advisory division specialised in credit risk management and IT audit for our audit. The group-wide valuation models for the determination of the loan loss provision of stage 1 and stage 2 were audited by our colleagues from Deloitte & Touche S.p.A., Milan (Italy), as these models were developed and validated by the Bank's parent company in Milan. We have used the results of their audit for our purposes. Likewise, we have used the validation reports and third-party audit reports. In addition, as part of our audit of the general allowances, we audited both the stage allocation and the calculated expected losses for a sample of loans. For the audit of the valuation of loans and contingent liabilities, as well as other financial commitments related to the credit business, our focus was on the significantly impaired loans, since there are areas of judgement and these have a material impact on the valuation of loans and the recognition of loan loss provisions. We have evaluated the valuation for a sample of the loans based on bank-internal forecasts of the future income and liquidity position of borrowers and assessed the appropriateness of the information basis used for planning purposes. In doing so, we have critically challenged and assessed the underlying assumptions of the Executive Directors, with regard to the various expected cash flows of the audited loans, respectively the recovery of collaterals. Similarly, we assessed for the loans in our sample the probabilities of occurrence of the used scenarios with regard to their comprehensibility.

c) We challenged significant assumptions and estimates made by the Executive Directors. Overall, the risk provisions are within acceptable ranges.

## **2. Determination of the fair value of financial instruments held for trading**

a) Financial instruments assets, which are valued at fair value, are disclosed net of a risk discount under the balance sheet item "Held-for-trading portfolio" in accordance with Section 340e (3) HGB in the annual financial statements. Similarly, financial instruments liabilities at fair value are disclosed under the balance sheet item "Held-for-trading portfolio" in the annual financial statements. The valuation of financial instruments held for trading was identified as a key audit matter as it is subject to complex accounting principles, valuation procedures and -methods and is partially based on estimates and assumptions made by the Executive Directors. The disclosures made by the Executive Directors regarding the valuation of financial instruments are enclosed in section 7 of the notes.

b) We have audited the organizational structure and related processes with regards to the determination of the fair value of trading financial instruments by examination of the adequacy and operating effectiveness of the implemented key controls. In particular, our audit included the independent verification process for pricing, the validation of valuation methods and assumptions, the approval process for new financial instruments, the audit of controls for recording contractual and valuation inputs, the flow of market data, the governance and the reporting processes. The calculated fair values are adjusted for the Bank's creditworthiness, counterparty credit risk, model risk, bid-ask spread, refinancing costs and expected costs in connection with the liquidation of less actively traded instruments. With respect to these adjustments, we examined whether the Bank's assumptions, procedures and models are in line with standard industry practice and we audited whether the valuations are correct and comprehensible. In addition, we have conducted our own independent valuation on a sample of financial instruments and compared our results with the valuation performed by the Bank. We have used valuation specialists from our Risk Advisory division for our audit. Noteworthy issues from disputes with counterparties and extraordinary gains or losses from the sale of financial instruments were investigated.

c) The valuation methods selected by the Executive Directors of the Bank for the determination of the fair value of financial instruments held for trading are in line with industry standards.

# Auditor's Report (CONTINUED)

## 3. IT controls related to financial reporting

- a) For the preparation of the annual financial statements, the Bank uses a large number of IT applications that have numerous interfaces. In order to maintain the integrity of the data used for the preparation of the annual financial statements, the Bank has taken various precautionary measurements and implemented controls. The Bank has outsourced its IT services, to a large extent, to UniCredit Services S.C.p.A., Milan (Italy), which has further outsourced a part of these services to other service providers, such as Value Transformation Services S.p.A., Verona (Italy) and SIA S.p.A., Milan (Italy). The IT controls related to financial reporting has been selected as a key audit matter, as the security of information affects many aspects of the accounting and financial reporting process, results in a large audit effort and is characterised by a high level of complexity. We refer to the disclosure of the Executive Directors in section 4 Operational Risk in the risk report of the management report with regards to the outsourcing of IT services.
- b) Based on our risk assessment, we have audited the design, implementation and operating effectiveness of the controls related to user rights and change management processes for the significant accounting-relevant IT applications by using IT specialists from our Risk Advisory division. In doing so, we agreed the scope of the ISAE 3402 audit with the ISAE 3402 auditors at UniCredit Services S.C.p.A., Value Transformation Services S.p.A. and SIA S.p.A. and the group auditors of UniCredit S.p.A. and used the audit results of those. We have informed ourselves of the professional competence, independence and regulatory governance of these auditors. When using these reports, we have inter alia critically assessed the reporting related to these audit procedures and audit results.
- c) IT controls related to financial reporting implemented by the Bank were enhanced over the past years.

## Other Information

The Executive Directors are responsible for the other information. The other information comprises:

- the statement on business management included in section "Corporate structure of UniCredit Bank AG" of the management report pursuant to Section 289f (4) HGB (gender quota disclosures),
- the Executive Directors' confirmation regarding the annual financial statements and to the management report pursuant to Section 264 (2) sentence 3 and Section 289 (1) sentence 5 HGB respectively, and
- all the remaining parts of the published annual report, which is expected to be made available to us only after the date of this auditor's report,
- except the annual financial statement, the content of the audited management report disclosures and our related auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the above mentioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the content of the audited management report disclosures or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### **Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report**

The Executive Directors are responsible for the preparation of the annual financial statements, that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the Executive Directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the annual financial statements, the Executive Directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Executive Directors are responsible for the preparation of the management report that, as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the Executive Directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.



# Auditor's Report (CONTINUED)

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the Executive Directors and the reasonableness of estimates made by the Executive Directors and related disclosures.
- conclude on the appropriateness of the Executive Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report, or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the Executive Directors in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the Executive Directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on the Audit of the Electronic Reproductions of the Annual Financial Statements and of the Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB**

#### **Audit Opinion**

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the annual financial statements and of the management report (hereinafter also referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value 60D04AA9007C8288FA419DCEC678DA621A2BCA09DCF899B1F48730430F86A684, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the annual financial statements and the management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the annual financial statements and of the management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying annual financial statements and on the accompanying management re-port for the financial year from 1 January 2021 to 31 December 2021 contained in the "Report on the Audit of the Annual Financial Statements and of the Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

#### **Basis for the Audit Opinion**

We conducted our audit of the electronic reproductions of the annual financial statements and of the management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the "Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

#### **Responsibility of the Executive Directors and the Supervisory Board for the ESEF documents**

The executive directors of the Company are responsible for the preparation of the ESEF documents based on the electronic files of the annual financial statements and of the management report according to Section 328 (1) sentence 4 no. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

# Auditor's Report (CONTINUED)

## **Auditor's Responsibility for the Audit of the ESEF documents**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

## **Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as auditor by the annual general meeting on June 7, 2021. We were engaged by the Supervisory Board on July 5, 2021. We have been the auditor of UniCredit Bank AG, Munich, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company, respectively to entities controlled by the company, the following services that are not disclosed in the annual financial statements or in the management report:

- Audits and reviews of reporting packages
- Audits pursuant to the Securities Trading Act
- Performing agreed upon and audit procedures
- Audits of financial information or their components

## **OTHER MATTER – USE OF THE AUDITOR'S REPORT**

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as with the audited ESEF documents. The annual financial statements and the management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

## **GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Christian Schweitzer.

Munich, March 9, 2022

**Deloitte GmbH**  
Wirtschaftsprüfungsgesellschaft

(Christian Schweitzer)  
Wirtschaftsprüfer  
German Public Auditor

(Stefan Trenzinger)  
Wirtschaftsprüfer  
German Public Auditor

The translation of the Independent Auditor's Report is for convenience only; the German version prevails.

**Contacts**

Should you have any questions about the annual report, please contact Media Relations by calling +49 (0)89 378-25801, faxing +49 (0)89 378-3325263

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