

This document constitutes a supplement to the prospectus dated 22 June 2011, as supplemented from time to time, pursuant to section 16 paragraph 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

## **Supplement No. 3**

**to the Prospectus dated 22 June 2011**  
**UniCredit Bank AG**  
Munich, Federal Republic of Germany

**Euro 10,000,000,000 Credit Linked Securities Programme**  
for the issuance of Credit Linked Notes and Credit Linked Certificates



**Arranger and Dealer**  
**UniCredit Bank AG**

**11 April 2012**

This supplement is to be read and construed in conjunction with the base prospectus listed above (the "**Prospectus**") and in connection with any issue of Instruments, with the relevant Final Terms and/or Terms and Conditions. Therefore, with respect to issues under the Prospectus references in the Final Terms and/or Terms and Conditions to the Prospectus are to be read as references to the relevant Prospectus as amended and supplemented.

**UniCredit Bank AG having its registered office at Kardinal-Faulhaber-Strasse 1, 80333 Munich accepts responsibility for the information contained in this Supplement No. 3. UniCredit Bank AG declares that the information contained in this Supplement No. 3 is, to the best of its knowledge, in accordance with the facts and that no material information has been omitted.**

**Investors who have already agreed to purchase or subscribe for the Instruments before the supplement is published shall have the right, exercisable within two working days after the publication of the Supplement No. 3, to withdraw their acceptances, pursuant to section 16 paragraph 3 of the German Securities Prospectus Act.**

**UniCredit Bank AG, LCI4SS Structured Securities and Regulatory, Arabellastraße 12, 81925 Munich, Germany, fax no.: +49-89-378 33 13944, has been appointed as recipient for the revocation notices according to Section 16 Paragraph 3 in connection with section 8 paragraph 1 sentence 4 of the German Securities Prospectus Act.**

**This Supplement No. 3 and the Prospectus are available during usual business hours on any weekday (except Saturdays and public holidays) at the office of UniCredit Bank AG, LCI4SS Structured Securities and Regulatory, Arabellastraße 12, 81925 Munich, Germany.**

UniCredit Bank AG announces the following changes with regard to the Prospectus:

1. In the section "**Summary of the Prospectus – 4. Summary description of the Issuer**" beginning on page 11 of the Prospectus, the paragraph "**Consolidated Financial Highlights of HVB Group as of 30 September 2011 (extracted from the unaudited Interim Report)**" shall be deleted.
2. In the section "**Summary of the Prospectus – 4. Summary description of the Issuer**" beginning on page 12 of the Prospectus, the paragraph "**Consolidated Financial Highlights of HVB Group as of 31 December 2010 (extracted from the audited Annual Report 2010)**" shall be deleted and replaced with the following paragraph:

**Consolidated Financial  
Highlights as of 31 December  
2011**

<b>Key performance indicators</b>	<b>31/12/2011</b>	<b>31/12/2010</b>
Net Operating profit	€1,935m	€2,493m
Cost-income ratio (based on operating income)	62.1%	52.3%
Profit before tax	€1,615m	€1,882m
Consolidated profit	€971m	€1,728m
Return on equity before tax <sup>1</sup>	7.2%	8.5%
Return on equity after tax <sup>1</sup>	4.3%	8.0%
Earnings per share	€1.16	€2.12

<b>Balance sheet figures</b>	<b>31/12/2011</b>	<b>31/12/2010</b>
Total assets	€385.5bn	€371.9bn
Shareholders' equity	€23.3 bn	€23.7bn
Leverage ratio <sup>2</sup>	16.5x	15.7x

<b>Key capital ratios compliant with Basel II</b>	<b>31/12/2011</b>	<b>31/12/2010</b>
Core capital without hybrid capital (core Tier 1 capital)	€19.9bn	€19.8bn
Core capital (Tier 1 capital)	€20.6bn	€20.6bn
Risk-weighted assets (including equivalents for market risk and operational risk)	€127.4bn	€124.5bn
Core capital ratio without hybrid capital (core Tier 1 ratio) <sup>3</sup>	15.6%	15.9%
Core capital ratio (Tier 1 ratio) <sup>3</sup>	16.2%	16.6%

1: return on equity calculated on the basis of average shareholders' equity according to IFRS

2: ratio of total assets to shareholders' equity compliant with IFRS

3: calculated on the basis of risk-weighted assets, including equivalents for market risk and operational risk

3. In the section "**German Translation of Summary of the Prospectus (Zusammenfassung des Prospekts) – 4. Zusammenfassung der Beschreibung der Emittentin**" beginning on page 29 of the Prospectus, the paragraph "**Ausgewählte konsolidierte Finanzkennzahlen der HVB Group zum 30. September 2011 (auszugsweise dem ungeprüften Zwischenbericht entnommen)**" shall be deleted.
4. In the section "**German Translation of Summary of the Prospectus (Zusammenfassung des Prospekts) – 4. Zusammenfassung der Beschreibung der Emittentin**" beginning on page 30 of the Prospectus, the paragraph "**Ausgewählte konsolidierte Finanzkennzahlen der HVB Group zum 31. Dezember 2010 (auszugsweise dem geprüften Geschäftsbericht entnommen)**" shall be deleted and replaced with the following paragraph:

**Ausgewählte konsolidierte  
Finanzkennzahlen zum 31.  
Dezember 2011**

<b>Kennzahlen der Erfolgsrechnung</b>	<b>2011</b>	<b>2010</b>
Operatives Ergebnis nach Kreditrisikovorsorge	1.935 Mio €	2.493 Mio €
Cost-income-Ratio (gemessen an den operativen Erträgen)	62,1%	52,3%
Ergebnis vor Steuern	1.615 Mio €	1.882 Mio €
Konzernjahresüberschuss	971 Mio €	1.728 Mio €
Eigenkapitalrentabilität vor Steuern <sup>1</sup>	7,2%	8,5%
Eigenkapitalrentabilität nach Steuern <sup>1</sup>	4,3%	8,0%

Ergebnis je Aktie	1,16 €	2,12 €
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<b>Bilanzzahlen</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Bilanzsumme	385,5 Mrd €	371,9 Mrd €
Bilanzielles Eigenkapital	23,3 Mrd €	23,7 Mrd €
Leverage Ratio <sup>2</sup>	16,5x	15,7x

<b>Bankaufsichtsrechtliche Kennzahlen gemäß Basel II</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Kernkapital ohne Hybridkapital (Core Tier 1-Kapital)	19,9 Mrd €	19,8 Mrd €
Kernkapital (Tier 1-Kapital)	20,6 Mrd €	20,6 Mrd €
Risikoaktiva (inklusive Äquivalente für das Marktrisiko bzw. operationelle Risiko)	127,4 Mrd €	124,5 Mrd €
Kernkapitalquote ohne Hybridkapital (Core Tier 1 Ratio) <sup>3</sup>	15,6%	15,9%
Kernkapitalquote (Tier 1 Ratio) <sup>3</sup>	16,2%	16,6%

1: Eigenkapitalrentabilität berechnet auf Basis des durchschnittlichen bilanziellen Eigenkapitals gemäß IFRS.

2: Verhältnis von Bilanzsumme zu bilanziellem Eigenkapital gemäß IFRS.

3: Berechnet auf der Basis von Risikoaktiva inklusive Äquivalente für das Marktrisiko und für das operationelle Risiko.

5. Immediately after the section "**General Information - Documents incorporated by reference**", after page 554 of the Prospectus, the audited Annual Report of HVB as at 31 December 2011 as laid out in Appendix 1 of this Supplement No. 3 is inserted as F-Pages in its entirety.

## APPENDIX 1

# Consolidated Income Statement

for the year ended 31 December 2011

Income/Expenses	NOTES	2011	2010	CHANGE	
		€ millions	€ millions	€ millions	in %
Interest income		8,823	8,700	+ 123	+ 1.4
Interest expense		(4,750)	(4,600)	(150)	+ 3.3
Net interest	32	4,073	4,100	(27)	(0.7)
Dividends and other income from equity investments	33	150	148	+ 2	+ 1.4
Net fees and commissions	34	1,308	1,312	(4)	(0.3)
Net trading income	35	190	759	(569)	(75.0)
Net other expenses/income	36	91	239	(148)	(61.9)
<b>OPERATING INCOME</b>		<b>5,812</b>	<b>6,558</b>	<b>(746)</b>	<b>(11.4)</b>
Payroll costs		(1,819)	(1,756)	(63)	+ 3.6
Other administrative expenses		(1,593)	(1,459)	(134)	+ 9.2
Amortisation, depreciation and impairment losses on intangible and tangible assets		(199)	(218)	+ 19	(8.7)
<b>Operating costs</b>	37	<b>(3,611)</b>	<b>(3,433)</b>	<b>(178)</b>	<b>+ 5.2</b>
<b>OPERATING PROFIT</b>		<b>2,201</b>	<b>3,125</b>	<b>(924)</b>	<b>(29.6)</b>
Net write-downs of loans and provisions for guarantees and commitments	38	(266)	(632)	+ 366	(57.9)
<b>NET OPERATING PROFIT</b>		<b>1,935</b>	<b>2,493</b>	<b>(558)</b>	<b>(22.4)</b>
Provisions for risks and charges	39	(251)	(442)	+ 191	(43.2)
Restructuring costs	40	(108)	(37)	(71)	>+ 100.0
Net income from investments	41	39	(132)	+ 171	
<b>PROFIT BEFORE TAX</b>		<b>1,615</b>	<b>1,882</b>	<b>(267)</b>	<b>(14.2)</b>
Income tax for the period	42	(640)	(154)	(486)	>+ 100.0
<b>PROFIT AFTER TAX</b>		<b>975</b>	<b>1,728</b>	<b>(753)</b>	<b>(43.6)</b>
Impairment on goodwill		(4)	—	(4)	
<b>CONSOLIDATED PROFIT</b>		<b>971</b>	<b>1,728</b>	<b>(757)</b>	<b>(43.8)</b>
attributable to shareholder of UniCredit Bank AG		931	1,703	(72)	(45.3)
attributable to minorities		40	25	+ 15	+ 60.0

## Earnings per share

(in €)

	Notes	2011	2010
Earnings per share (undiluted and diluted)	44	1.16	2.12

**Consolidated statement of total comprehensive income for the year ended 31 December 2011**

(€ millions)

	2011	2010
<b>Consolidated profit recognised in the income statement</b>	<b>971</b>	<b>1,728</b>
<b>Income and expenses recognised in other comprehensive income</b>		
Changes from foreign currency translation and other changes	28	45
Changes from companies accounted for using the equity method	—	—
Actuarial profit on defined benefit plans (pension commitments)	(12)	50
Assets held for sale	—	—
Change in valuation of financial instruments (AfS reserve)	(34)	51
Unrealised gains/(losses)	(35)	84
Gains/(losses) reclassified to the income statement	1	(33)
Change in valuation of financial instruments (hedge reserve)	(46)	(111)
Unrealised gains/(losses)	(46)	23
Gains/(losses) reclassified to the income statement	—	(134)
Taxes on income and expenses recognised in equity	60	54
<b>Total income and expenses recognised in equity under other comprehensive income</b>	<b>(4)</b>	<b>89</b>
<b>Total comprehensive income</b>	<b>967</b>	<b>1,817</b>
of which:		
attributable to shareholder of UniCredit Bank AG	908	1,739
attributable to minorities	59	78



# Consolidated Balance Sheet

at 31 December 2011

## Assets

	NOTES	2011	2010	CHANGE	
		€ millions	€ millions	€ millions	in %
Cash and cash balances	45	4,267	3,065	+ 1,202	+ 39.2
Financial assets held for trading	46	149,056	133,389	+ 15,667	+ 11.7
Financial assets at fair value through profit or loss	47	28,045	26,631	+ 1,414	+ 5.3
Available-for-sale financial assets	48	5,476	5,915	(439)	(7.4)
Shares in associates accounted for using the equity method and joint ventures accounted for using the equity method	49	49	94	(45)	(47.9)
Held-to-maturity investments	50	2,463	2,600	(137)	(5.3)
Loans and receivables with banks	51	44,277	46,332	(2,055)	(4.4)
Loans and receivables with customers	52	136,561	139,351	(2,790)	(2.0)
Hedging derivatives	54	5,288	4,205	+ 1,083	+ 25.8
Hedge adjustment of hedged items in the fair value hedge portfolio		160	100	+ 60	+ 60.0
Property, plant and equipment	55	2,906	3,053	(147)	(4.8)
Investment properties	56	1,678	1,879	(201)	(10.7)
Intangible assets	57	565	608	(43)	(7.1)
of which: goodwill		418	424	(6)	(1.4)
Tax assets		3,362	3,257	+ 105	+ 3.2
Current tax assets		551	406	+ 145	+ 35.7
Deferred tax assets		2,811	2,851	(40)	(1.4)
Non-current assets or disposal groups held for sale	58	131	28	+ 103	>+ 100.0
Other assets	59	1,230	1,402	(172)	(12.3)
<b>Total assets</b>		<b>385,514</b>	<b>371,909</b>	<b>+ 13,605</b>	<b>+ 3.7</b>

## Liabilities

	NOTES	2011	2010	CHANGE	
		€ millions	€ millions	€ millions	in %
Deposits from banks	61	57,858	51,887	+ 5,971	+ 11.5
Deposits from customers	62	107,442	108,494	(1,052)	(1.0)
Debt securities in issue	63	42,667	48,676	(6,009)	(12.3)
Financial liabilities held for trading	64	140,775	127,096	+ 13,679	+ 10.8
Hedging derivatives	65	2,324	2,091	+ 233	+ 11.1
Hedge adjustment of hedged items in the fair value hedge portfolio	66	2,417	1,471	+ 946	+ 64.3
Tax liabilities		2,296	2,203	+ 93	+ 4.2
Current tax liabilities		555	840	(285)	(33.9)
Deferred tax liabilities		1,741	1,363	+ 378	+ 27.7
Liabilities of disposal groups held for sale	67	—	598	(598)	(100.0)
Other liabilities	68	4,304	3,822	+ 482	+ 12.6
Provisions	69	2,113	1,901	+ 212	+ 11.2
Shareholders' equity	70	23,318	23,670	(352)	(1.5)
Shareholders' equity attributable to shareholder of UniCredit Bank AG		22,492	22,866	(374)	(1.6)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		9,389	9,485	(96)	(1.0)
Change in valuation of financial instruments		(112)	(87)	(25)	(28.7)
AfS reserve		(134)	(141)	+ 7	+ 5.0
Hedge reserve		22	54	(32)	(59.3)
Consolidated profit		1,017	1,270	(253)	(19.9)
Minority interest		826	804	+ 22	+ 2.7
<b>Total shareholders' equity and liabilities</b>		<b>385,514</b>	<b>371,909</b>	<b>+ 13,605</b>	<b>+ 3.7</b>

The profit available for distribution disclosed in the separate financial statements of UniCredit Bank AG (= consolidated profit of HVB Group), which forms the basis for the appropriation of profit, amounts to €1,017 million. We will propose to the Annual General Meeting of Shareholders that a dividend of €1,017 million be paid to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €1.27 per share.

## Statement of Changes in Consolidated Shareholders' Equity

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	
			TOTAL OTHER RESERVES	OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at 1/1/2010	2,407	9,791	9,034	(223)
<b>Recognised income and expenses</b>				
Consolidated profit recognised in the consolidated income statement	—	—	—	—
<b>Income and expenses recognised in equity</b>				
Change in valuation of financial instruments not affecting income	—	—	—	—
Change in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	34	34
Reserve arising from foreign currency translation and other changes	—	—	23	—
<b>Total income and expenses recognised in equity under other comprehensive income</b>	—	—	57	34
<b>Total income and expenses recognised</b>	—	—	57	34
<b>Other changes recognised in equity</b>				
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	433	—
Changes in group of consolidated companies	—	—	(39)	—
<b>Total other changes in equity</b>	—	—	394	—
Shareholders' equity at 31/12/2010	2,407	9,791	9,485	(189)
Shareholders' equity at 1/1/2011	2,407	9,791	9,485	(189)
<b>Recognised income and expenses</b>				
Consolidated profit recognised in the consolidated income statement	—	—	—	—
<b>Income and expenses recognised in equity</b>				
Change in valuation of financial instruments not affecting income	—	—	—	—
Change in valuation of financial instruments affecting income	—	—	—	—
Actuarial losses on defined benefit plans	—	—	(8)	(8)
Reserve arising from foreign currency translation and other changes	—	—	10	—
<b>Total income and expenses recognised in equity under other comprehensive income</b>	—	—	2	(8)
<b>Total income and expenses recognised</b>	—	—	2	(8)
<b>Other changes recognised in equity</b>				
Dividend payouts	—	—	—	—
Transfers to consolidated profit	—	—	(86)	—
Changes in group of consolidated companies	—	—	(12)	—
<b>Total other changes in equity</b>	—	—	(98)	—
Shareholders' equity at 31/12/2011	2,407	9,791	9,389	(197)

<sup>1</sup> UniCredit Bank AG (HVB)

<sup>2</sup> The Annual General Meeting of Shareholders of 21 May 2010 resolved to distribute the 2009 consolidated profit in the amount of €1,633 million as a dividend to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €2.03 per share of common stock and per share of preferred stock, an advanced dividend of €0.064 per share of preferred stock and a retroactive payment on the advance share of profits of €0.064 per share of preferred stock for 2008. The Annual General Meeting of Shareholders of 18 May 2011 resolved to distribute the 2010 consolidated profit in the amount of €1,270 million as a dividend to our sole shareholder, UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €1.58 per share of common stock

(€ millions)

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS		CONSOLIDATED PROFIT <sup>2</sup>	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDER OF HVB <sup>1</sup>	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
AFS RESERVE	HEDGE RESERVE				
(190)	195	1,633	22,870	768	23,638
—	—	1,703	1,703	25	1,728
86	11	—	97	1	98
(31)	(92)	—	(123)	—	(123)
—	—	—	34	—	34
7	(2)	—	28	52	80
62	(83)	—	36	53	89
62	(83)	1,703	1,739	78	1,817
—	—	(1,633)	(1,633)	(44)	(1,677)
—	—	(433)	—	—	—
(13)	(58)	—	(110)	2	(108)
(13)	(58)	(2,066)	(1,743)	(42)	(1,785)
(141)	54	1,270	22,866	804	23,670
(141)	54	1,270	22,866	804	23,670
—	—	931	931	40	971
18	—	—	18	(3)	15
(7)	(32)	—	(39)	—	(39)
—	—	—	(8)	—	(8)
(4)	—	—	6	22	28
7	(32)	—	(23)	19	(4)
7	(32)	931	908	59	967
—	—	(1,270)	(1,270)	(39)	(1,309)
—	—	86	—	—	—
—	—	—	(12)	2	(10)
—	—	(1,184)	(1,282)	(37)	(1,319)
(134)	22	1,017	22,492	826	23,318

# Consolidated Cash Flow Statement

for the year ended 31 December 2011

	(€ millions)	
	2011	2010
<b>Consolidated profit</b>	<b>971</b>	<b>1,728</b>
Write-downs, provisions for losses on, and write-ups of, loans and receivables and additions to provisions for losses on guarantees and indemnities	436	692
Write-downs and depreciation less write-ups on non-current assets	327	586
Change in other non-cash positions	(483)	(1,219)
Profit from the sale of investments, property, plant and equipment	(113)	(41)
Other adjustments (net interest and dividend income from the income statement, taxes on income paid)	(4,117)	(4,434)
<b>Subtotal</b>	<b>(2,979)</b>	<b>(2,688)</b>
Change in assets and liabilities from operating activities after correction for non-cash components		
Increase in assets/decrease in liabilities (-)		
Decrease in assets/increase in liabilities (+)		
Financial assets held for trading	13,643	14,668
Loans and receivables with banks	384	6,976
Loans and receivables with customers	2,061	5,425
Other assets from operating activities	135	741
Deposits from banks	5,924	(4,259)
Deposits from customers	(965)	11,852
Debt securities in issue	(3,355)	(11,151)
Other liabilities from operating activities	(16,613)	(18,674)
Taxes on income paid	(560)	(276)
Interest received	9,026	9,682
Interest paid	(4,900)	(4,834)
Dividends received	639	615
<b>Cash flows from operating activities</b>	<b>2,440</b>	<b>8,077</b>
Proceeds from the sale of investments	3,753	1,993
Proceeds from the sale of property, plant and equipment	70	167
Payments for the acquisition of investments	(2,939)	(3,320)
Payments for the acquisition of property, plant and equipment	(176)	(854)
Effects of the change in the group of companies included in consolidation	50	(5,942)
<b>Cash flows from investing activities</b>	<b>758</b>	<b>(7,956)</b>
Change in additional paid-in capital	—	—
Dividend payments	(1,270)	(1,633)
Other financing activities, net (subordinated and hybrid capital)	(699)	(1,768)
Other financing activities, net	(27)	(55)
<b>Cash flows from financing activities</b>	<b>(1,996)</b>	<b>(3,456)</b>

(€ millions)

	2011	2010
Cash and cash equivalents at end of previous period	3,065	6,400
Net cash provided/used by operating activities	2,440	8,077
Net cash provided/used by investing activities	758	(7,956)
Net cash provided/used by financing activities	(1,996)	(3,456)
Effects of exchange rate changes	—	—
Cash and cash equivalents at end of period	4,267	3,065

# Notes to the Consolidated Financial Statements

for the period from 1 January to 31 December 2011

## Consolidated financial statements in accordance with IFRS

UniCredit Bank AG (HVB), with its registered office and principal place of business in Kardinal-Faulhaber-Straße 1, Munich, Germany, is an affiliated company of UniCredit S.p.A., Rome, Italy (ultimate parent company).

As a globally active company, HVB prepares its financial statements in accordance with the requirements of the International Accounting Standards Board (IASB). This provides a reliable and internationally comparable basis for evaluating HVB Group and its profitability. Our value-based management is similarly based on these accounting principles.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to EU Commission Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 together with further regulations regarding the adoption of certain IFRS within the framework of the EU endorsement in conjunction with Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) as non-exempt consolidated financial statements compliant with Section 4 of the IAS-VO Regulation. The present consolidated financial statements were prepared by the Management Board on 15 March 2012. Besides the standards defined as IFRS, the IFRS also comprise the existing International Accounting Standards (IAS) together with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC), respectively. All the standards and interpretations subject to obligatory application in the EU for the 2011 financial year have been applied. Section 315a HGB also contains national regulations to be applied alongside the IFRS by capital-market-oriented companies.

The voluntary statement of compliance regarding the Corporate Governance Code required by Section 161 of the German Stock Corporation Act (Aktien-gesetz – AktG) has been published on our website at [www.hvb.com/declarationofconformity](http://www.hvb.com/declarationofconformity). Our listed subsidiaries DAB Bank AG and AGROB Immobilien AG have posted the equivalent mandatory statements of compliance on their websites.

Management's Discussion and Analysis meets the requirements of Section 315 (1, 2) HGB. Also incorporated is a risk report pursuant to Section 315 HGB.

Compliant with Section 264b HGB, the following companies are exempted from the obligation to prepare a management report and publish their annual financial statements:

- A & T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG, Munich
- Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG, Grünwald
- Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG, Grünwald
- Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG, Grünwald
- BIL Immobilien Fonds GmbH & Co. Objekt Perlach KG, Munich
- BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs KG, Munich
- Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG, Munich
- Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG, Munich
- Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG, Munich
- Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft, Munich
- H & B Immobilien GmbH & Co. Objekte KG, Munich
- HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung, Munich
- HAWA Grundstücks GmbH & Co. oHG Immobilienverwaltung, Munich
- HVB Gesellschaft für Gebäude mbH & Co. KG, Munich
- HVZ GmbH & Co. Objekt KG, Munich

- Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße, Munich
- HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG, Munich
- Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG, Munich
- Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG, Munich
- Othmarschen Park Hamburg GmbH & Co. Centerpark KG, Munich
- Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG, Munich
- Portia Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt KG, Munich
- Salvatorplatz-Grundstücksgesellschaft mbH & Co. oHG Saarland, Munich
- Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum, Munich
- SOLARIS Verwaltungsgesellschaft mbH & Co. Vermietungs KG, Munich
- Solos Immobilien- und Projektentwicklungs GmbH & Co. Sirius Beteiligungs KG, Munich
- TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs KG, Munich
- TRICASA Grundbesitz Gesellschaft mbH & Co. 1. Vermietungs KG, Munich.

Compliant with Section 264 (3) HGB, the following companies are exempted from the obligation to prepare a management report and publish their annual financial statements:

- Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH, Munich
- BV Grundstücksentwicklungs-GmbH, Munich
- CUMTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
- HVB Immobilien AG, Munich
- HVB Principal Equity GmbH, Munich
- HVB Profil Gesellschaft für Personalmanagement mbH, Munich
- HVB Projekt GmbH, Munich
- HVB Tecta GmbH, Munich
- HVB Verwa 4.4 GmbH, Munich
- Interra Gesellschaft für Immobilienverwaltung mbH, Munich
- MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich
- MILLETERRA Gesellschaft für Immobilienverwaltung mbH, Munich
- NF Objekt FFM GmbH, Munich
- NF Objekt München GmbH, Munich
- NF Objekte Berlin GmbH, Munich
- Orestos Immobilien-Verwaltungs GmbH, Munich
- RHOTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
- Selfoss Beteiligungsgesellschaft mbH, Grünwald
- Spree Galerie Hotelbetriebsgesellschaft mbH, Munich
- Status Vermögensverwaltung GmbH, Schwerin
- Transterra Gesellschaft für Immobilienverwaltung mbH, Munich
- UniCredit Direct Services GmbH, Munich
- Verwaltungsgesellschaft Katharinenhof m.b.H., Munich.



# Accounting and Valuation

## 1 Uniform Group accounting policies

The separate financial statements of the domestic and foreign subsidiaries are incorporated in the consolidated financial statements of HVB in accordance with uniform principles of accounting and valuation. Where options have been exercised, the details are explained under the balance sheet items concerned.

## 2 Consistency

In accordance with the IFRS Framework together with IAS 1 and IAS 8, we apply the accounting and disclosure principles consistently from one period to the next. Where significant accounting and valuation errors from earlier periods are corrected, the amounts involved are adjusted retroactively. Where retroactive adjustment is not possible in exceptional circumstances, the amounts involved are adjusted against retained earnings. Where we effect changes in accounting policies, any resulting adjustments are similarly recognised retrospectively.

In order to ensure accounting treatment that is standard across the whole of UniCredit, we modified the method used to determine the discount rate for pension obligations during the reporting period. The change of calculation method described in greater detail in the accounting and valuation methods in Note 24 yields a greater level of detail and hence a more accurate presentation. The effects resulting from the change of method – including the effects on other comprehensive income – are disclosed in Note 69 as part of the explanatory notes to the balance sheet; the change had no effect on the income statement during the reporting period.

We have made minor adjustments to the structure of our income statement during the reporting period. The aggregate item “Net non-interest income” within operating income is no longer shown. Whereas the item “Net interest” previously included in “Net interest income” is now shown separately as “Net interest”, the item “Dividends and other income from equity investments” previously included in the aggregate item “Net interest” is now shown separately under “Operating profit”. Furthermore, we have added a new aggregate item “Net operating profit”, which reflects the balance of the aggregate item “Operating profit” and the income statement item “Net write-downs of loans and provisions for guarantees and commitments”. No changes have been made to the composition of the individual income statement items. In addition, we have added the item “Impairment on goodwill” to the income statement, as such amounts accrued for the first time in the third quarter of 2011.

Changes in estimates have been recognised in net income for the period affected by the change in the estimation method. Provided the change in the estimation method does not affect the income statement, the carrying amount of the concerned asset or liability, or shareholders’ equity position has been adjusted.

The consolidated financial statements are prepared under the assumption of a going concern. Accounting and valuation in accordance with IFRS contains values that have been determined reliably using estimates and assumptions. The estimates and assumptions applied are based on past experience and other factors such as budgets, expectations and forecasts regarding future events which seem appropriate under the present circumstances. This mainly affects the determination of the fair values of certain financial assets and liabilities, net write-downs of loans and provisions for guarantees and commitments, deferred taxes, and the accounting and valuation of provisions. The actual values may differ from the assumptions and estimates made.

Apart from this, the accounting, valuation and disclosure principles applied in 2011 are the same as those applied in the consolidated financial statements for 2010, with the exception of the new IFRS rules to be applied as described in Note 3 below.

## 3 Initial adoption of new IFRS accounting rules

The main new IFRS regulation subject to mandatory adoption for the first time in the 2011 financial year is the revised IAS 24 “Related Party Disclosures” (revised).

Among other things, IAS 24 R amends the definition of related parties to make clear that the subsidiaries of associates and joint ventures are also to be treated as related parties.

This fundamentally gives rise to an expansion of the group of entities regarded as related parties by HVB Group.

The other minor changes to a few of the IFRS standards (Annual Improvements Project 2010 "Improvements to IFRSs"; IAS 32 "Classification of Rights Issues") and new or amended interpretations (IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"; amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement" in connection with IAS 19 "Employee Benefits") that were applicable for the first time in the 2011 financial year had little or no effect on the consolidated financial statements.

#### **4 Published IFRS that are not yet the subject of mandatory adoption and that have not been the subject of early adoption**

As permitted, we have decided against the early voluntary adoption of the standards and interpretations adopted or revised by the IASB, which only become the subject of mandatory adoption for the 2012 financial year or thereafter. The Bank will apply these in the financial year in which the standards in question become applicable for the first time.

The EU has adopted the following into European law:

- Amendments to IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets". The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 July 2011.

For HVB Group, this will give rise to new, additional disclosures in the notes to the consolidated financial statements regarding transfers of financial assets (such as securitisation transactions).

The EU has not yet adopted the following into European law:

- IFRS 9 "Financial Instruments". The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 January 2015.
  - IFRS 10 "Consolidated Financial Statements"
  - IFRS 11 "Joint Arrangements"
  - IFRS 12 "Disclosures of Interests in Other Entities"
  - IAS 27 "Separate Financial Statements" (revised)
  - IAS 28 "Investments in Associates and Joint Ventures (revised)"
- The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 January 2013.
- IFRS 13 "Fair Value Measurement". The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 January 2013.
  - Amendment to IAS 1 "Presentation of Financial Statements – Other Comprehensive Income". The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 July 2012.
  - Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets". The amendments are subject to obligatory adoption for reporting periods beginning on or after 1 January 2012.
  - Amendments to IAS 19 "Employee Benefits". The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 January 2013.
  - Amendments to IAS 32/IFRS 7 "Offsetting Financial Assets and Financial Liabilities". The provisions are subject to obligatory adoption for reporting periods beginning on or after 1 January 2013 (IFRS 7) and 1 January 2014 (IAS 32).

The new IFRS 9, only part of which has so far been published by the IASB and which has not yet been transformed into European law by the EU and for which the date of introduction has been put back to 1 January 2015, will have a significant impact on the presentation and measurement of financial instruments. The effects are still being analysed. The future new consolidation rules (IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 28) and IFRS 13 "Fair Value Measurement" are highly relevant and their effects are also being analysed at present. At the same time, however, we do not expect the remaining standards and interpretations to be applied in the future to have any significant effects on the consolidated financial statements.

# Accounting and Valuation (CONTINUED)

## 5 Companies included in consolidation

The group of companies included in consolidation by HVB Group encompasses 169 (2010: 146) subsidiaries. The group of consolidated companies also includes 33 (2010: 43) companies and fund assets which SIC 12 requires to be consolidated as special purpose entities.

The group of companies included in consolidation has been defined taking into account materiality criteria. In addition, smaller companies that are below the materiality thresholds have also been consolidated on account of the rules defined by the supervisory authorities that regulate UniCredit. In order to avoid coordination and reconciliation problems, we have decided to gradually expand the group of companies included in consolidation. The fully consolidated subsidiaries prepared their annual financial statements for the period ending 31 December 2011.

The following companies have different year-end dates:

– Arabella Finance Ltd., Dublin	30 September
– Kinabalu Financial Products LLP, London	30 November
– Kinabalu Financial Solutions Limited, London	30 November
– Salome Funding Plc., Dublin	31 March.

When the consolidated financial statements are being prepared, interim financial statements are prepared at the corporate year-end date for all these companies.

No financial statements at 31 December 2011 were available for the associated companies valued using the equity method when the consolidated financial statements were prepared. The following financial statements were used for valuation using the equity method:

– Adler Funding LLC, Dover	30 September 2011
– Comtrade Group B.V., Amsterdam	31 December 2010
– Martur Sünger ve Koltuk Tesisleri Ticaret ve Sanayi A.S., Istanbul	30 June 2011.

There were no significant events at these companies between the date when the above financial statements were prepared and 31 December 2011 that could have an impact on the assets, liabilities, financial position, and profit or loss.

The group of consolidated companies does not include any companies for which the proportionate consolidation method is applied.

In 2011, the following companies and special purpose entities, among others, were newly added to the group of companies included in consolidation at HVB Group:

- Antus Immobilien- und Projektentwicklungs GmbH, Munich
- BIL Immobilien Fonds GmbH & Co Objekt Perlach KG, Munich
- BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG, Munich
- Simon Verwaltungs-Aktiengesellschaft i.L., Munich
- Spree Galerie Hotelbetriebsgesellschaft mbH, Munich
- Transterra Gesellschaft für Immobilienverwaltung mbH, Munich
- VuWB Investments Inc., Atlanta
- Wealth Capital Investments, Inc., Wilmington.

The following companies included in the group of companies included in consolidation by HVB Group are consolidated using the equity method:

- Adler Funding LLC, Dover
- Comtrade Group B.V., Amsterdam
- Martur Sünger ve Koltuk Tesisleri Ticaret ve Sanayi A.S., Istanbul.

In 2011, the following companies and special purpose entities left the group of companies included in consolidation of HVB Group due to absorption, sale or liquidation, among others:

- Bavaria Universal Funding Corporation, Delaware
- Central European Confectionery Holdings B.V. i. L., Amsterdam
- Elektra Purchase No. 1 Limited, St. Helier, Jersey
- Elektra Purchase No. 18 Limited, Dublin
- Elektra Purchase No. 26 Limited, Dublin
- GELDILUX-TS-2008 S.A., Luxembourg
- HVB Capital Asia Limited, Hong Kong
- Merrill Lynch Series PT-3364, New York
- Merrill Lynch Series PT-3951, St. Antonio
- Merrill Lynch Series PT-3989, Boston
- Merrill Lynch Series PT-4140, Boston
- Merrill Lynch Series PT-4155, Sacramento
- Merrill Lynch Series PT-4163, Clearwater
- Morgan Stanley Series 2006-1654, Dallas
- Morgan Stanley Series 2006-1678, Chicago
- Morgan Stanley Series 2008-2933, New York
- Morgan Stanley Series 2008-2934, Washington
- Morgan Stanley Series 2008-2935, Chicago
- Sofimmocentrale S.A., Brussels
- SRQ FinanzPartner AG, Berlin.

We sold all but ten of our shares in UGIS to UniCredit S.p.A. on 13 May 2011. Upon the sale of our shares (previous shareholding of 24.7%), UGIS, which was consolidated at equity, was deconsolidated. UGIS was renamed UniCredit Business Integrated Solutions S.C.p.A. (UBIS) with effect from 1 January 2012.

In total, we have 144 affiliated and associated companies, and joint ventures in HVB Group that were neither fully consolidated nor fully accounted for using the equity method as they do not have a material impact for the Group.

The effects on the balance sheet of the contractual relationships between the Group companies and these non-consolidated companies are included in the consolidated financial statements. The aggregate net income for the year of these minor non-consolidated affiliated companies makes up around 0.53% of the consolidated profit of HVB Group, while such companies provide around 0.02% of consolidated assets. Our interests in these companies are carried as available-for-sale financial assets.

	2011	2010
<b>Total subsidiaries</b>	<b>294</b>	<b>313</b>
Consolidated companies	169	146
Non-consolidated companies	125	167
<b>Joint ventures</b>	<b>5</b>	<b>6</b>
of which:		
accounted for using the equity method	—	—
<b>Associated companies</b>	<b>17</b>	<b>9</b>
of which:		
accounted for using the equity method	3	1

# Accounting and Valuation (CONTINUED)

## 6 Principles of consolidation

Consolidation is performed by offsetting the purchase price of a subsidiary company against the value of the interest held in the completely remeasured shareholders' equity at the time of acquisition, provided the transactions involved are not internal to UniCredit. This amount represents the difference between the assets and liabilities of the acquired company measured at the fair value at the time of initial consolidation. The difference between the higher acquisition cost and the prorated recalculated shareholders' equity is recognised as goodwill under intangible assets in the balance sheet. Goodwill on companies accounted for using the equity method is carried under shares in associates valued at equity and joint ventures valued at equity. Compliant with IAS 36, depreciation is not recognised on goodwill. The goodwill is allocated to the cash-generating units that are expected to benefit from the synergies arising from the business combination. At HVB Group, these cash-generating units are normally the divisions. Where the commercial activities of a company span more than one segment, the goodwill is distributed in line with the expected contribution to results at the time of acquisition. The goodwill is tested for impairment at least once a year at cash-generating unit level. This involves comparing the carrying amount of the cash-generating unit with the recoverable amount defined as the maximum of the unit's value in use and the fair value less costs to sell. Since the value in use far exceeds the carrying amount for the cash-generating units to which goodwill is allocated, the values in use have been used as the recoverable amount. When the values in use are calculated, the divisional (5-year) plans are employed and used to discount the division-specific cost of capital rates. A rate of 11% (2010: 11%) was applied for the Corporate & Investment Banking division and of 9% (2010: 9%) for the Family & SME division. No growth factor has been assumed for the government perpetuity.

IFRS 3 is not applicable to combinations of businesses under common control (IFRS 3.2 (c)). IAS 8.10 requires an appropriate accounting and valuation method to be developed accordingly for such cases. Given that HVB Group is part of UniCredit, the carrying amounts of the parent company are retained for business combinations within UniCredit. Any difference between the purchase price paid and the net carrying amount of the company acquired is recognised in equity under reserves.

Compliant with IAS 28, shares in associates are accounted for using the equity method and disclosed in the balance sheet accordingly. HVB is able to exercise significant influence over associates without being able to control them. Significant influence is assumed when a company holds more than 20% but less than 50% of the voting rights in an associate. This assumption of association can be refuted where a qualitative analysis demonstrates that significant influence over the financial and strategic decisions of the associate is not possible. Shares in associates are recognised at cost upon initial inclusion in the consolidated financial statements. For the purposes of subsequent measurement, the carrying amount increases or decreases in accordance with the share of HVB in the profit or loss of the associate. This share of the associate's profit or loss attributable to HVB is measured on the basis of the fair values of the associate's assets, liabilities and contingent liabilities when the shares were acquired. The accounting and valuation principles of HVB Group are applied for subsequent measurement.

SIC 12 requires us to consolidate special purpose entities provided, in substance, the majority of the risks and rewards incident to the activities of these special purpose entities is attributable to us or, in substance, we control the special purpose entities. Where they are material, they are included in consolidation. An interest in the equity capital of the special purpose entities is immaterial in this regard.

The assets and liabilities of a special purpose entity are included at the balance sheet date measured at their fair value when initially consolidated in accordance with SIC 12. They are subsequently measured in accordance with the uniform principles of accounting and valuation used across the corporate group. The expenses and income of the special purpose entity in question are included in the consolidated income statement from the date of initial consolidation. Equity interests held by third parties in a special purpose entity consolidated by us in accordance with SIC 12 are recognised under minority interest.

Business transactions between consolidated companies are eliminated. Any profits or losses arising from intercompany transactions are also eliminated.

## 7 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one company and a financial liability or equity instrument of another company.

The classes required by IFRS 7.6 are defined as follows:

- Cash and cash reserves
- Financial assets and liabilities held for trading
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets (measured at cost)
- Available-for-sale financial assets (measured at fair value)
- Held-to-maturity investments
- Loans and receivables with banks (classified as loans and receivables)
- Loans and receivables with customers (classified as loans and receivables)
- Hedging derivatives
- Other liabilities (deposits from customers, deposits from banks, debt securities in issue)
- Financial guarantees and irrevocable lending commitments.

Among other things, the balance sheet disclosures and earnings contributions of the financial instruments must be shown separately, broken down by the IAS 39 valuation categories. In the present consolidated financial statements, we have included these changes in the explanatory notes to the balance sheet and the income statement. The information required by IFRS 7 regarding risks in connection with financial instruments is also provided in the Risk Report within Management's Discussion and Analysis. Compliant with IFRS 7.36 (a), the maximum credit exposure is the same as the carrying amount of the risk-bearing financial instruments or, in the case of financial guarantees and lending commitments, the nominal amount disclosed in Note 80 for the guarantee/amount of the lending commitments not yet utilised.

IAS 39 requires all financial instruments to be recognised in the balance sheet, classified in the given categories and measured in line with this classification.

The regulations set forth in IAS 39 regarding reclassifications have been observed. Purchases and sales of financial assets (with the exception of loans and receivables) are normally recognised at the trade date. The reclassifications carried out in previous years are disclosed in Note 74, "Application of reclassification rules defined in IAS 39.50 et seq."

### Financial assets and liabilities at fair value through profit or loss

The "at fair value through profit or loss" category is divided into two categories:

- Financial assets and liabilities held for trading.

Financial assets and liabilities classified as held for trading at the time of initial recognition are financial instruments acquired or incurred for the purpose of short-term profit-taking as a result of changes in market prices or of realising a profit margin. This category also includes all derivatives (apart from hedging derivatives) which qualify for hedge accounting. Financial assets and liabilities held for trading purposes are shown under financial assets and liabilities held for trading.

- All financial assets designated as financial instruments measured at fair value through profit or loss upon initial recognition (fair value option).

We only use the fair value option for certain financial assets designated as at fair value through profit or loss upon initial recognition. In this context, we have limited ourselves mostly to the designation option of the accounting mismatch by means of which recognition or measurement inconsistencies are avoided or considerably reduced in economic hedges for which hedge accounting is not applied. Only for a specific, smaller portfolio is the designation based on fair value-based risk management.

# Accounting and Valuation (CONTINUED)

Financial assets and liabilities at fair value through profit or loss are disclosed upon initial recognition at their fair value without any transaction costs.

Both financial assets held for trading and fair value option portfolios are measured at fair value. Changes in value are recognised in the income statement.

## Loans and receivables

The category “loans and receivables” includes non-derivative financial assets – both originated by us and acquired – with fixed or determinable payments that are not quoted in an active market unless they are classified as at fair value through profit or loss or available for sale. We classify leveraged buyout financing as loans and receivables. Loans and receivables are measured at amortised cost and capitalised under loans and receivables with banks and loans and receivables with customers. Premiums and discounts are taken to the income statement under net interest over the term of the underlying items. Loans and receivables are disclosed upon initial recognition at their fair value including any transaction costs.

## Held-to-maturity investments

Held-to-maturity (HtM) investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity, unless they are designated as at fair value through profit or loss or available for sale. We take a very restrictive approach when assessing whether the intention to hold to maturity exists and premature resale can be excluded (discretionary decision). This means that investments are only classified as held-to-maturity in exceptional cases. When classifying financial instruments as held-to-maturity investments, we ensure that it is possible to hold the instruments to maturity taking liquidity considerations into account. Held-to-maturity investments are disclosed upon initial recognition at their fair value including any transaction costs and thereafter measured at amortised cost, with premiums and discounts taken to the income statement under net interest over the term of the underlying items.

## Available-for-sale financial assets

All other non-derivative financial assets are classified as available-for-sale (AfS) securities and receivables. A distinction is made within this category between measurement at fair value and measurement at amortised cost.

- Debt instruments and equity instruments for which the fair value can be reliably determined are measured at fair value. The difference between the fair value and amortised cost is carried in a separate item under shareholders' equity (AfS reserve) in the balance sheet until the asset is sold or an impairment to be recognised in profit or loss has occurred. Premiums and discounts on debt instruments are taken to the income statement under net interest over the term of the underlying items.
- Equity instruments for which there is no quoted market price in an active market and whose fair value cannot be reliably determined are measured at amortised cost. Besides shares in unlisted companies, this primarily concerns investments in private equity funds, which we measure at cost. It is not possible to reliably determine a fair value for these equity instruments since there is no active market in these instruments and, especially with regard to investments in private equity funds, the Bank as shareholder with a small holding does not have enough influence to obtain the necessary data promptly for a model-based determination of fair value. Consequently, they are not included in the AfS reserve.

With the exception of the effect on results arising from the translation of monetary available-for-sale financial assets denominated in foreign currency, gains or losses on available-for-sale financial assets are recognised in net income from investments in the income statement (see Note 41).

### **Determination of fair value**

We can normally reliably determine the fair value of financial instruments measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (other than in a forced or liquidation sale) at the balance sheet date.

The fair value is determined in accordance with the following valuation hierarchy (IAS 39.48 et seq. in conjunction with IAS 39.AG 71 et seq.).

Listed prices on an active market are used as fair value:

- prices on the closing date
- prices shortly before the closing date to be adjusted to the extent that the economic data have changed materially since the date the price was determined.

If there is no active market, the fair value is derived using valuation methods:

- The latest transactions between knowledgeable, willing parties in an arm's length transaction for an identical financial instrument are used.
- The amount is compared with the current fair value of a different, essentially identical financial instrument.
- Valuation models are used (such as discounting of expected cash flows, option price models or other valuation models normally used by market players to value these financial instruments) as far as possible taking into account normal market valuation parameters. In exceptional cases, where price-related factors cannot be included as separate parameters in the model, these factors are taken into account by using a model reserve.

The risk of a counterparty defaulting on derivatives is covered by counterparty valuation adjustments (CVAs).

The own credit spread is also included in the underlying valuation parameters for liabilities held for sale. Suitable adjustments are taken on the fair values determined in this way to reflect further factors affecting the fair value (such as the liquidity of the financial instrument or model risks when the fair value is determined using a valuation model).

In addition to the method described above for the valuation or determination of fair values, the fair values in the hierarchy compliant with IFRS 7.27 A are shown in Note 76 for further information. A three-level, fair value hierarchy is listed for every class of financial asset and financial liability carried at fair value in the balance sheet. Note 76 similarly contains a detailed description of this hierarchy, which is only used for the purpose of disclosure in the notes.

### **Financial guarantees**

Under IAS 39, a financial guarantee contract is a contract that requires the issuer to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Viewed overall, the fair value of a financial guarantee is zero when the contract is concluded because the value of the premium received will normally match the value of the guarantee obligation in standard market contracts. The guarantee premium is recognised on a pro-rata basis. The existence of an impairment is checked during the subsequent measurement.

Credit derivatives, and most notably standardised credit default swaps (CDSs), are measured at fair value through profit or loss as they are considered derivatives held for trading and not financial guarantees.



# Accounting and Valuation (CONTINUED)

## Embedded derivatives

Outside the portfolio held for trading purposes or designated at fair value through profit or loss, embedded derivative financial instruments that must be separated within a structured product are detached from the underlying contract and recorded as separate derivative financial instruments. The underlying contract is then accounted for in accordance with the classification made. The change in value arising from the derivatives that are detached and carried at fair value is recognised in net trading income in the income statement.

## Hedge accounting

Hedges between financial instruments are recognised in accordance with the forms of the fair value hedge described in IAS 39. In 2008 and 2009, HVB Group changed the previously applied macro cash flow hedge accounting to the fair value hedge similarly permitted by IAS 39 for interest rate risk at portfolio level in large areas of asset/liability interest rate risk management. This is described additionally below alongside the principles covering general fair value hedges.

A fair value hedge is generally a hedge of the exposure to changes in the fair value of a recognised asset, liability or an unrecognised firm commitment – or an identified portion thereof – that is attributable to a particular risk and that might affect net income for the period. In this respect, a high level of effectiveness is required, with the changes in the fair value of the hedged item with regard to the hedged risk and hedging derivative compensating each other within a range of 80% to 125%. In fair value hedge accounting, we use interest rate and credit derivatives to hedge changes in the fair value of recognised assets and liabilities. Under this method, the hedging instrument is measured at fair value through profit or loss. The carrying amounts of the hedged item are adjusted by the valuation results relating to the hedged risk in a way that affects the income statement.

Starting in 2009, we have applied fair value hedge accounting for credit risks (micro fair value hedge). The purpose of hedge accounting for credit risks is to reduce the volatility in the income statement. This is done by including existing hedges in hedge accounting. Otherwise existing inconsistencies upon valuation (accounting mismatch) are corrected by hedge accounting.

As part of hedge accounting for credit risks, in accordance with IAS 39.86 (a) the credit-induced changes in the fair value of selected hedged items such as loans and receivables with customers and irrevocable credit commitments (off-balance-sheet fixed commitments) and the full-induced changes in the fair value of the hedging instrument (CDS) are offset. Remaining-term effects need to be adjusted in this context.

These remaining-term effects lead to a change in the credit-induced fair value over time without the current market credit spread changing. Among other things, this includes a difference between the nominal amount and the credit-induced fair value at the inception of the hedge. Excluding the possibility of an impairment, the credit-induced fair value on the settlement date will correspond to the nominal amount of the hedged item. Any difference between the credit-risk-induced fair value and the nominal amount existing when the hedge is designated amortises over the remaining time (pull-to-par effect). Differences like this can arise when hedged items are designated at a later date rather than when originated, for instance, since the contractually agreed credit spread does not generally match the normal market credit spread at the inception of the hedge in such cases.

The change in the credit-induced fair value determined in this way (after adjustment for remaining-term effects) is taken to the income statement under effects arising from hedge accounting in net trading income. Where the hedged items are assets recognised in the balance sheet, the carrying amount is adjusted for the changes in the credit-induced fair value. Irrevocable credit commitments (fixed commitments not shown in the balance sheet), on the other hand, are not recognised in the balance sheet. The credit-related changes in the fair value relating to these are carried under other assets in the balance sheet.

We show the associated hedging instruments (CDSs) at their fair value as hedging derivatives; the changes in the fair value are similarly taken to the income statement as effects arising from hedge accounting in net trading income.

The hedge is terminated compliant with IAS 39.91 if either the hedging instrument or the hedged item expires, the hedge is no longer efficient, or the Bank decides to terminate the hedge.

When the hedge is terminated, the credit-induced changes in the fair value accruing to that date with regard to the hedged risk (hedge adjustment) are amortised over the remaining term of the hedged item. This amortisation is disclosed in net interest. If the hedged item similarly expires upon termination of the hedge exceptionally (e.g. in the event of early repayment by the borrower), the hedge adjustment accruing to that date is taken directly to the income statement.

If the hedge is terminated prior to the hedging instrument maturing, this derivative is assigned to the held-for-trading portfolio at fair value and continues to be recognised at fair value under net trading income in the income statement.

In accordance with IAS 39, we apply the fair value hedge accounting for a portfolio hedge of interest rate risk for the accounting treatment of interest rate risk in asset/liability interest rate risk management. Recognising a fair value hedge for a portfolio of interest-bearing financial assets and liabilities using interest rate derivatives makes it possible to largely reflect the standard bank risk management procedures for the hedging of fixed interest rate risks in the accounts.

Under this accounting treatment of hedges across several items, the changes in the value of the hedged amount of the hedged items attributable to the hedged risk are carried altogether as a separate asset or liability item and not as an adjustment to the carrying amount of individual items as is the case with micro hedges. The hedge adjustments have been recognised on a gross basis in the balance sheet for subsidiaries for which asset and liability holdings can be hedged separately. The hedged amount of the hedged items is determined as part of interest rate risk management; the liabilities do not contain any sight or savings deposits. Thus, we have not made use of sight and savings deposits in the hedged amount as permitted by the EU carved-out version of IAS 39 in this regard. Where the hedge conditions are met, the offsetting changes in value of the hedged amount of the hedged items and the hedging instruments (interest derivatives) are recognised directly in profit and loss. Hedge inefficiencies arising within the necessary hedge efficiency thresholds of 80% to 125% are recognised as profit or loss in net hedging income.

Furthermore, cross-currency interest rate swaps (CCIRS) have been used in the refinancing of loans denominated in foreign currency for economic reasons. The CCIRS exchange longer dated fixed-interest positions denominated in euros for variable-yield positions denominated in foreign currency. This serves to hedge the hedged item involved against interest rate risk as part of the fair value hedge portfolio and against exchange rate-related changes in fair value as part of micro fair value hedges.

The cash flow hedge reserve existing at the changeover date and the offsetting clean fair values of the existing cash flow hedge derivatives are amortised over the remaining term of the hedging derivatives in net interest. This means that the amortisation of the cash flow hedge reserve will have no overall impact on profit or loss in the future until they are fully amortised. The changes in value of the same hedged items and hedging derivatives, together with all new contracts arising after the changeover date, are treated in accordance with the new fair value hedge portfolio model.

## Accounting and Valuation (CONTINUED)

The cash flow hedge that is no longer used was employed to hedge the risk arising from volatile cash flows resulting from a recognised asset, recognised liability or planned transaction to be taken to the income statement. We had employed derivatives in cash flow hedge accounting to hedge future streams of interest payments. In this context, payments arising from variable-interest assets and liabilities were swapped for fixed payments primarily using interest rate swaps. Hedging instruments were measured at fair value. The valuation result was divided into an effective and an ineffective portion. The effective portion of the hedging instruments was recognised in a separate item within shareholders' equity (hedge reserve) without affecting reported profit or loss. The ineffective portion of the hedging derivatives was recognised directly in profit and loss. The hedged item was recognised at amortised cost.

At the same time, HVB has also employed a fair value hedge for a portfolio of interest rate risks since 2007 for a limited portfolio of liabilities outside of asset/liability interest rate management.

### 8 Assets held for trading purposes

This item includes securities held for trading purposes and positive market values of traded derivatives. All other derivatives not classified as hedging derivatives (which are shown separately in the balance sheet) are similarly considered held for trading. Provided they are held for trading purposes, promissory notes, registered bonds and treasury bills are carried as other financial assets held for trading.

Financial assets held for trading purposes are carried at fair value. Gains and losses arising from the valuation and realisation of financial assets held for trading are taken to the income statement as gains less losses arising from trading securities.

### 9 Financial assets at fair value through profit or loss

HVB Group mainly applies the fair value option for financial assets with economic hedges for which hedge accounting is not applied. The designation removes or significantly reduces differences resulting from an accounting mismatch. The portfolio mostly comprises interest-bearing securities not held for trading that are hedged against interest rate risks by means of interest rate swaps. In the case of promissory note receivables similarly included here, there is no material fair value change in terms of the credit risk on account of the top rating of the issuers. Changes in fair value of the hedged items and the associated derivatives are shown separately in net trading income; current interest income/expenses are recognised in net interest. Given a fundamental intention to hold to maturity, the new investments were made primarily with a view to being able to sell the holdings again quickly if necessary (liquidity reserve). Alongside an accounting mismatch as the main grounds for designation, the designation for a specific, smaller portfolio is based on fair value-based risk management.

### 10 Available-for-sale financial assets

We recognise interest-bearing securities, equities and other equity-related securities, investment certificates and participating interests as available-for-sale financial instruments under available-for-sale financial assets in the balance sheet.

Interest-bearing securities are accrued in accordance with the effective interest method. Should the estimated cash inflows and outflows underlying the calculation of the effective interest change, the effects are recognised in the income statement as net interest compliant with IAS 39 AG 8.

Available-for-sale financial assets that are effectively hedged against market risk are recorded as part of fair value hedge accounting.

Provided they are not significant, both shares in non-consolidated subsidiaries and joint ventures and associates accounted for using the equity method are subsumed in available-for-sale financial assets. Listed companies are always carried at fair value. Where the fair value cannot be determined reliably for non-listed companies, they are valued at cost.

### **11 Shares in associated companies and joint ventures accounted for using the equity method**

Investments in joint ventures and associated companies are accounted for using the equity method.

### **12 Held-to-maturity investments**

HVB Group has classified interest-bearing assets as held to maturity and recognised them under held-to-maturity investments. Held-to-maturity investments are measured at amortised cost; the resulting interest income is included in net interest.

### **13 Loans and receivables**

Loans and receivables are recognised in the balance sheet under loans and receivables with banks, and loans and receivables with customers. They are carried at amortised cost, provided they are not hedged items of a recognised fair value hedge. The amount shown in the balance sheet has been adjusted for allowances for losses on loans and receivables.

### **14 Impairment of financial assets**

Impairment losses are recognised for financial assets that are measured at amortised cost and classified as available for sale.

An impairment loss is determined in two steps. First, an assessment is made to see if there is any objective evidence that the financial asset is impaired. The second step involves assessing whether the financial instrument is actually impaired.

Objective evidence of impairment refers to events that normally lead to an actual impairment. In the case of debt instruments, these are events that could result in the borrower not being able to settle his obligations in full or at the agreed date. In the case of equity instruments, significant or prolonged lower market values compared with the carrying amount represent objective evidence of impairment.

Objective evidence is provided only by events that have already occurred, not anticipated events in the future.

How an impairment is determined for each relevant category is described below.

In the case of loans and receivables, objective evidence of an impairment exists when a default has occurred in accordance with the definition of a default given in Basel II and/or the German Solvency Regulation (Solvabilitätsverordnung – SolvV). This is the case when either the borrower is at least 90 days in arrears or HVB believes that the debtor is unable to meet the payment obligations in full without steps to realise collateral being undertaken. In this context, an event of default notably includes the period of 90 days in arrears, an application for or opening of insolvency proceedings, the expectation of liquidity problems as a result of the credit-monitoring process or the need to undertake restructuring or collateral realisation steps such as terminating loans, putting loans on a non-accrual basis or enforcing realisation of collateral by HVB. An impairment is the difference between the carrying amount and the present value of the anticipated future cash flows. The future cash flows are determined taking into account past events (objective evidence). The anticipated future cash flows may comprise the repayment and/or interest payments still expected and the income from the realisation of collateral. The impairment is the difference between the present value of the anticipated future cash flows and the carrying amount. A specific loan-loss provision is recognised for the impairment determined in this way.

The same method is applied for held-to-maturity investments.

## Accounting and Valuation (CONTINUED)

In the case of loan receivables, the impairment determined in this way is posted to an impairment account, which reduces the carrying amount of the receivable on the assets side. In the case of securities, an impairment directly reduces the carrying amount of the security.

In the case of financial guarantees, a possible impairment is determined in the same way; the impairment loss is recognised as a provision.

Specific loan-loss allowances are also determined on a collective basis for individual cases where the amounts involved are not significant. These allowances are recognised and disclosed within specific loan-loss allowances at HVB Group. When improving the processes and methods used to determine allowances for loans that are not individually significant, we more closely defined the methods used to estimate expected flow-backs and raised the threshold below which loans are assessed on a collective basis. The effects of these modifications were not significant and have been taken to the income statement in the reporting period.

Specific loan-loss allowances or provisions to the amount of the anticipated loss have been made individually to cover all identifiable default risks arising from lending operations (loans, receivables and financial guarantees), with the amount of the expense being estimated. Specific loan-loss allowances are reversed as soon as the reason for forming the allowance no longer exists, or used if the receivable is classified as uncollectable and written off. The amount is written off if the receivable in question is due, any available collateral has been realised and further attempts to collect the receivable have failed. Acute country-specific transfer risks are included in this process.

In the case of receivables (and guarantees) for which no specific allowances have been formed, portfolio allowances are set up to cover losses (= impairments) that have been incurred but not yet recognised by the Bank at the balance sheet date. We apply the loss confirmation period method for this. The loss confirmation period represents the period between a default event occurring or a borrower defaulting, and the point at which the Bank identifies the default. The loss confirmation period is determined separately for various credit portfolios on the basis of statistical surveys. The loss that has occurred but has not yet been recognised is estimated by means of the expected loss.

In the case of assets classified as available for sale, a distinction is made between debt and equity instruments.

A debt instrument is impaired when an event occurs that results in the borrower not being able to settle his contractual obligations in full or at the agreed date. Essentially, an impairment exists in the same cases as for credit receivables from the same borrower (issuer).

The amount of the impairment is defined as the difference between the amortised cost and the current fair value, whereby the difference first recognised in the AfS reserve in the balance sheet is taken to the income statement when an impairment occurs.

Should the reason for the impairment no longer apply, the difference between the higher market value and the carrying amount at the previous balance sheet date is written back in the income statement up to the amount of initial cost. If the current market value at the balance sheet date exceeds the initial cost, the difference is recognised in the AfS reserve under shareholders' equity.

In the case of equity instruments carried at fair value, an impairment exists if the current fair value is significantly below the carrying amount or if the fair value has remained below the carrying amount for a prolonged period of time. Where this is the case, the difference between the current fair value and initial cost is recognised as profit or loss in the income statement. Such an impairment recognised in profit or loss has to be considered for the new cost basis required for the calculation of the AfS reserve. If the fair value rises in the future, the difference between a higher fair value and the initial cost adjusted as described is recognised in the AfS reserve under shareholders' equity.

Equity instruments valued at cost are considered impaired if the present value is significantly or permanently less than the acquisition cost (or, if an impairment has already been recognised in the past, it is less than the acquisition cost less the recognised impairment). If there is objective evidence of an impairment, the present value of the equity instruments must be determined. The estimated future cash flows discounted by the current market return on a comparable asset are used as the basis for determining this value. The amount of the impairment is calculated as the difference between the present carrying amount and the value of the equity instrument determined as described above. The impairment is taken to the income statement. An impairment of an equity instrument is not permitted to be reversed if the reasons for the impairment no longer apply.

## 15 Property, plant and equipment

Property, plant and equipment is valued at acquisition or production cost less depreciation – insofar as the assets are depreciable – using the straight-line method based on the assets' useful lives. Fixtures in rented buildings are depreciated over the term of the rental contract, taking into account any extension options, if this is shorter than the normal useful life of the asset concerned.

PROPERTY, PLANT AND EQUIPMENT	USEFUL ECONOMIC LIFE
Buildings	25–50 years
Fixtures in buildings not owned	10–25 years
Computer equipment	3–5 years
Other plant and office equipment	3–25 years

Impairments are taken in accordance with IAS 36 on property, plant and equipment whose value is impaired. Should the reasons for the impairment no longer apply, a subsequent write-up is taken to the income statement; the amount of this subsequent write-up must not increase the value of the property, plant and equipment to a level in excess of the amortised acquisition or production cost.

Depreciation, impairments and write-ups on items of property, plant and equipment are recognised in the income statement under amortisation, depreciation and impairment losses on intangible and tangible assets within operating costs.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised, provided additional future economic benefits will flow to the Bank. Expenditure on repairs or maintenance of property, plant and equipment is recognised as expense in the year in which it is incurred.

Government grants for items of property, plant and equipment (IAS 20.24) are deducted from the acquisition or production cost of the underlying assets on the assets side of the balance sheet.

## 16 Lease operations

Under IAS 17, a lease is an agreement under which the lessor transfers the right to use an asset to the lessee for an agreed period against payment.

Lease agreements are divided into finance leases and operating leases. A lease is classified as an operating lease if the lessor retains substantially all the risks and rewards incident to ownership of the asset. By contrast, a finance lease transfers substantially all the risks and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.

# Accounting and Valuation (CONTINUED)

HVB Group nevertheless treats agreements concluded without the legal form of a lease as leases provided compliance with the agreement depends on the use of a given asset and the agreement transfers a right to use the asset.

HVB Group leases both movable assets and real estate.

## **HVB Group as lessor**

### ***Operating leases***

The assets leased to the lessee under an operating lease are considered held by the lessor, who should continue to account for them. The leased assets are carried under property, plant and equipment, investment properties or intangible assets in the consolidated balance sheet and valued in accordance with the relevant methods. The lease proceeds are recognised on a straight-line basis over the lease term and disclosed under other operating income. The conditional lease payments received under operating leases are recognised as income in the reporting period in which they accrue.

### ***Finance leases***

Where assets are transferred under a finance lease, the lessor is required to derecognise the leased asset in its balance sheet and recognise a receivable from the lessee. The receivable is carried at the amount of the net investment in the lease when the lease agreement was concluded. The lease payments received are divided into a finance charge recognised in the income statement and a redemption payment. The interest income is recognised over the period of the lease in such a way that it essentially reflects a constant periodic return on the net investment in the lease; the redemption payment represents a repayment of the principal that reduces the amount of the receivable outstanding. Conditional lease payments received under finance leases are recognised as income in the period in which they accrue.

## **HVB Group as lessee**

### ***Operating leases***

The lease payments made by the lessee under operating leases are recognised as expense on a straight-line basis over the lease term and carried under other operating expenses or operating costs to the extent that they represent lease expenses. The lease term commences as soon as the lessee controls the physical use of the leased asset. Conditional lease payments made under operating leases are recognised as expense in the period in which they accrue. The lessee does not capitalise the leased assets involved.

### ***Finance leases***

In the case of finance leases, the lessee recognises the leased assets under property, plant and equipment, investment properties or intangible assets in the balance sheet as well as a liability on the liabilities side. The asset and the corresponding liability are each initially recognised at the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments. The internal rate of return underlying the lease is used to calculate the present value of the minimum lease payments. The lease payments under finance leases are divided into a finance charge and redemption payment. The redemption payment reduces the outstanding liability while the finance charge is treated as interest expense. Conditional lease payments made under finance leases are recognised as expense in the period in which they accrue.

Please refer to Note 73 for more information.

### **17 Investment property**

Compliant with IAS 40.30 in conjunction with IAS 40.56, land and buildings held by us as investments with a view to generating rental income and/or capital gains are carried at amortised cost and written down on a straight-line basis over a useful economic life of 25 to 50 years.

Where investment properties additionally suffer an impairment, we recognise an impairment loss compliant with IAS 36. Should the reason for the impairment no longer apply, write-ups are taken to the income statement in an amount no more than the amortised acquisition or production cost.

Current expenses and rental income from investment properties is disclosed in net other expenses/income. Scheduled depreciation on such investments carried at amortised cost is included in operating expenses, whereas impairments are recognised in net income from investments.

### **18 Intangible assets**

The main items included in intangible assets are goodwill arising from the acquisition of fully consolidated subsidiaries and software. An intangible asset shall only be recognised if it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Goodwill has an indefinite useful life. Consequently, it is only tested for impairment compliant with IAS 36 and not amortised (impairment only approach). The value of goodwill is tested annually and where there is an indication of impairment. Impairments are taken where necessary. It is not permitted to write up in subsequent periods any impairment losses recognised on goodwill.

Software has a limited useful life and is valued at amortised cost. Amortisation is taken over an expected useful life of three to five years. Other intangible assets are also recognised at amortised acquisition or production cost less cumulative amortisation, as they have a limited useful life. Amortisation is taken on a straight-line basis over an expected useful life of up to ten years.

Where intangible assets additionally suffer impairment, we recognise an impairment loss compliant with IAS 36. Should the reason for the impairment no longer apply, write-ups are taken to the income statement in an amount no more than the amortised acquisition or production cost.

Impairment losses on goodwill are shown in a separate item in the income statement. Amortisation, impairments and write-ups on software and other intangible assets are recognised in the income statement under amortisation, depreciation and impairment losses on intangible and tangible assets within operating costs.

### **19 Non-current assets or disposal groups held for sale**

Under IFRS 5, non-current assets or disposal groups held for sale are carried upon reclassification at the lower of the carrying amount or fair value less costs to sell at the balance sheet date. Upon subsequent measurement following reclassification, the non-current assets or disposal groups held for sale are, if necessary, written down to a lower fair value less costs to sell if this has fallen at subsequent reporting dates. Should the fair value increase, the total may be written up to an amount that is no more than the amortised cost.



# Accounting and Valuation (CONTINUED)

## 20 Liabilities

Deposits from banks and customers, and debt securities in issue that are not hedged items of an effective micro fair value hedge are reported at amortised cost. Upon initial recognition, they are disclosed at their fair value including any transaction costs.

## 21 Financial liabilities held for trading

This item includes the negative market values of traded derivatives and all other derivatives that are not classified as hedging derivatives (which are recognised separately). Also included here are warrants, certificates and bonds issued by our trading department as well as delivery obligations arising from short sales of securities held for trading purposes.

Financial liabilities held for trading are carried at fair value. Gains and losses arising from the valuation and realisation of financial liabilities held for trading are taken to the income statement as net trading income. We act as market maker for the structured products we issue.

## 22 Hedge adjustment of hedged items in the fair value hedge portfolio

Net changes in the value of the hedged amount of hedged items are carried in this hedge adjustment of the fair value hedge portfolio to be shown separately (see Note 66). The hedge adjustments have been recognised on a gross basis in the balance sheet for subsidiaries for which asset and liability holdings can be hedged separately.

## 23 Other liabilities

Compliant with IAS 37, accruals and other items are shown under other liabilities. These reflect future expenditure of uncertain timing or amount, but the uncertainty is much less than for provisions. Accruals are liabilities for goods and services received that have been neither paid for nor invoiced by the supplier, nor formally agreed. This also includes current liabilities to employees, such as flexi-time credits and outstanding vacation. Accruals are carried at the amount likely to be used.

## 24 Provisions

Present legal or constructive obligations as a result of past events involving a probable outflow of resources, and whose amount can be reliably estimated, are recognised as provisions.

When assessing provisions for uncertain liabilities and anticipated losses on onerous transactions, we use a best estimate compliant with IAS 37.36 et seq. Long-term provisions are discounted.

In accordance with IAS 19, we use actuarial principles to determine the provisions for pensions and similar commitments. The amounts are calculated using the projected unit credit method, taking into account the present value of the defined benefit obligations, the fair value of plan assets, and actuarial gains and losses. Causes of such gains and losses include irregularities in the risk profile (e.g. higher or lower rates of early retirement or mortality than anticipated in the calculation principles applied) and changes in the applicable parameters.

HVB Group exercises the option for recognising actuarial gains or losses in shareholders' equity (other comprehensive income) outside the profit or loss for the period permitted in IAS 19.93A.

IFRS do not specify an explicit method for calculating the discount rate for pension commitments. The discount rate is to be determined on the basis of the yields recorded on the market at the reporting date for top-rated, fixed-income corporate bonds and with maturities and currencies that match the commitments to be measured.

We modified the method we use to determine the discount rate for pension commitments during the reporting period (see also Note 2). Differences between the methods arise notably in the selection of the underlying data and the calculation of the yield curve.

Up until now, the discount rate was determined on the basis of a yield curve supplied with yield premiums for notional government bonds. The starting point in this approach is formed by the current yield curve for hypothetical zero coupon bonds without default risk followed by the application of a premium that reflects the yield spread between top-rated corporate bonds and the notional German government bonds. The portfolio of bonds underlying the iBoxx € Corporates AA Index was used to determine this yield spread.

The discount rate is now calculated on the basis of the yield curve for AA-rated corporate bonds determined using individual bond data. This involves using a numerical compensation technique to translate individual bond data (such as the individual bond yields) into a yield curve which forms the foundation for determining the discount rate. Thus, the discount rate is calculated on the basis of a selection of currently several hundred European corporate bonds with AA ratings.

The change of calculation basis used to determine the interest rate resulted in different discount rates during the reporting period. The modified interest rate arising from the change of method and the resulting effects are quantified in Note 69.

The discount rate is based on the long-term interest rate for prime, fixed-yield corporate bonds at the balance sheet date. The amount of the provision shown in the balance sheet is calculated as the present value of the obligation determined at the end of the financial year less the fair value of the plan assets determined at the end of the financial year. The plan assets set up by HVB and a number of subsidiaries to fund pension obligations are described in detail in Note 69, "Provisions".

## **25 Foreign currency translation**

The consolidated financial statements are prepared in euros, which is the reporting currency of the corporate group. Amounts in foreign currency are translated in accordance with the principles set forth in IAS 21. This standard calls for monetary items not denominated in the respective functional currency (generally the local currency in each case) and cash transactions not completed at the valuation date to be translated into euros using current market rates. In the case of monetary assets available for sale, the effect arising from foreign currency translation is recognised as net currency income in net trading income. In other words, the monetary assets available for sale are treated in the same way as if they were recognised at amortised cost in the foreign currency. Non-monetary items carried at fair value are similarly translated into euros using current market prices at the valuation date. Non-monetary items carried at cost are translated using the historic rate applicable at the time of acquisition.

Income and expense items arising from foreign currency translation at the individual Group companies are stated under net trading income in the income statement.

Where they are not stated in euros, the assets and liabilities reported by our subsidiaries are translated using current market rates at the balance sheet date in the consolidated financial statements. Transaction rates are used to translate the income and expenses of these subsidiaries.

Exchange rate differences resulting from the translation of a foreign operation are recognised in shareholders' equity without affecting profit or loss and are only taken to the income statement if the operation is sold in part or in full.

## **26 Income tax for the period**

Income tax for the period is accounted for in accordance with the principles set forth in IAS 12. Current taxes are determined taking into account local laws in the respective tax jurisdictions concerned. Apart from a few exceptions allowed for in the standard, deferred tax assets and liabilities are recognised for all temporary differences between the values stated in accordance with IFRS and the values stated for tax-reporting purposes (balance sheet approach). Deferred tax assets arising from unused losses carried forward for tax-reporting purposes are shown where permitted by IAS 12.

Since the concept is based on the approach of future tax assets and liabilities under the liability method, the assets and liabilities are computed using the tax rates that are expected to apply when the differences are reversed.

# Segment Reporting

## 27 Notes to segment reporting by division

In segment reporting, the market-related activities of HVB Group are divided into the following globally active divisions: Corporate & Investment Banking, Family & SME, and Private Banking.

Also shown is the Other/consolidation segment that covers Global Banking Services (GBS) and Group Corporate Centre activities and the effects of consolidation.

## Changes in segment allocation

The following changes were made to the segment assignments in the 2011 financial year:

- The final phase of our One for Clients programme (One4C) was implemented at the start of 2011. This involved the transfer of small and medium-sized companies with revenues of up to €50 million from the Corporate & Investment Banking division to the Retail division, which was renamed Family & SME to coincide with the expansion of the customer base. In the second quarter of 2010, retail customers with free assets of at least €500,000 had already been moved from the Retail division to the Private Banking division and customers with assets of less than €500,000 transferred from the Private Banking division to what at that time was the Retail division.
- The autonomous “Leasing” product unit, which was previously allocated to the Corporate & Investment Banking division, was transferred to Family & SME.
- In order to ensure that the performance of the Private Banking division in 2011 can be compared with previous periods, the contribution to profits generated by the parts of the private banking business of UniCredit Luxembourg S.A. sold at year-end 2010, were assigned to the Other/consolidation segment together with the resulting gain on disposal and the associated restructuring costs.
- The income and expenses of a subsidiary that were previously shown in the Corporate & Investment Banking division are now included in the Other/consolidation segment.
- There were further minor reorganisations, especially in operating costs.

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

## Method of segment reporting

Segment reporting is based on the internal organisational and management structure together with internal financial reporting. In accordance with IFRS 8 “Operating Segments”, segment reporting thus follows the Management Approach, which requires segment information to be presented externally in the same way as it is regularly used by the Management Board, as the responsible management body, when allocating resources (especially risk-weighted assets compliant with Basel II) to the business segments and assessing profitability (profit before tax). Since the income statement of HVB Group broken down by segment is reported internally to the Management Board of HVB down to profit before tax, we have also taken the profit before tax as the basis for external reporting. In this context, the segment data are determined in accordance with International Financial Reporting Standards (IFRS).

In segment reporting, the divisions operate as autonomous companies with their own equity resources and responsibility for profits and losses. The divisions are delimited by responsibility for serving customers. For a description of the customer groups assigned to the individual segments and the main components of the segments, please refer to the section entitled “Components of the segments of HVB Group” below.

The income statement items of net fees and commissions, net trading profit and net other expenses/income shown in the segments are based almost exclusively on transactions involving external customers. Net interest is assigned to the segments in accordance with the market interest calculation method on the basis of the external interest income and interest expenses. For this reason, a separate presentation broken down by external/internal revenues (operating income) has not been included. The equity capital allocation used to calculate the return on investment on companies assigned to several divisions is based on a uniform core capital allocation for each division. Pursuant to Basel II, this involves allocating 6.7% of core capital from risk-weighted assets to the divisions. The average tied core capital calculated in this way is used to compute the return on investment, which is disclosed under net interest. The percentage used to assess the equity capital allocated to the companies assigned to several divisions (HVB, UniCredit Luxembourg S.A.) equals the 6-year average of the 5-year euro swap rate plus a premium in the amount of the 6-year average of the 5-year UniCredit S.p.A. spread. This rate is set for one year in advance as part of each budgeting process. The percentage changed from 4.09% in 2010 to 4.08% for the 2011 financial year. Equity capital is not standardised for the other companies included in the consolidated financial statements.

The income of €6 million (2010: €6 million) from investments in associated companies relates to the following companies accounted for using the equity method which are assigned to the Other/consolidation segment: Adler Funding LLC, Comtrade Group B.V., Martur Sünger ve Koltuk Tesisleri Ticaret ve Sanayi A.S. and UGIS. The amount involved is disclosed under net interest in the income statement. The carrying amount of these companies accounted for using the equity method is €49 million (2010: €94 million). UGIS, which was accounted for using the equity method in 2010, was sold on 13 May 2011 and has consequently left the group of companies included in consolidation.

Operating costs, which contain payroll costs, other administrative expenses, amortisation, depreciation and impairment losses on tangible and other intangible assets (without goodwill), are allocated to the appropriate division according to causation. Global Banking Services and the Group Corporate Centre are treated as external service providers, charging the divisions for their services at a price which covers their costs. The method of calculating the costs of general banking services involves employing a weighted allocation key (costs, income, FTEs, base amount) in the budgeting process for each segment to determine the assigned costs that cannot be allocated directly. The vast majority of the depreciation and impairment losses taken on property, plant and equipment are posted by the Other/consolidation segment via the real estate companies of HVB Group included in the Global Banking Services activities.

## Components of the segments of HVB Group

### Corporate & Investment Banking division

The Corporate & Investment Banking division (CIB) serves around 49,400 corporate customers through its domestic and international distribution network. The business model focuses on differentiated customer groups and the customer relationship as the key variable for the allocation of resources, while the structure meets the requirements in a hard-fought market that is in the process of re-regulation.

CIB's commercial success is built on close cooperation and the interlinking of sales and customer care with product units together with practical collaboration with other UniCredit countries and divisions. The three global product lines – Markets, Financing & Advisory and Global Transaction Banking – form part of the integrated CIB value chain. They assist the customer with strategic, transaction-oriented activities, solutions and products. In light of changing markets and rising market risk, we aim to accompany the customer and cover issues like restructuring, growth and internationalisation alongside all corporate customer needs from their bank. Among other things, this includes the very latest intelligence about specific sectors and markets that also satisfy the growing expectations of a financing partner.

CIB serves corporate customers with annual revenues in excess of €50 million. Our customer segmentation criteria and distribution channel definitions are based on different challenges, demand structures and processing standards. Consequently, we differentiate between the following service models: Multinational Corporates, Corporates Germany, Real Estate, Shipping, and Financial Institutions and Sponsors.

The **Financing & Advisory** product unit (F&A) acts as integrated product platform and architect of large-scale financing solutions. The broad range of structured transactions in financing activities includes advising the customer on corporate strategy and M&As, acquisition and project finance, more complex transactions, syndications and subordinated capital. Hamburg-based Global Shipping is a further specialist unit providing finance for traditional commercial shipping activities.

**Global Transaction Banking** (GTB) pools our competencies in cash management and e-banking, Euro-clearing for banks, foreign trade financing and supply chain finance.

The **Markets** product unit focuses on the oversight of IPOs and capital increases, the syndication of equities, bond products and structured products. The Markets unit essentially comprises Equity Capital Markets, which is responsible for equity products and structured products based on equities, and Debt Equity Markets, which is responsible for debt instruments such as corporate bonds, Pfandbriefs and debentures, and the associated risk transfer. Corporate Treasury Sales offers professional financial risk management involving a wide range of advisory services and products covering all possible ways of hedging entrepreneurial risks, such as liquidity management (including asset management, deposits and investments), foreign exchange and innovative derivatives.

The net income from several subsidiaries and participating interests is included in the division's results. Among others, these include UniCredit Luxembourg S.A. which handles the settlement, administration and securitisation of national and international loans for the group on a cross-divisional basis and is responsible for interest management as the funding unit for the corporate group on the money market.

## Segment Reporting (CONTINUED)

At the start of 2012, we adjusted the business model to reflect the new underlying conditions resulting from the modified market environment. The main focus is on customer-related activities, an expansion of the integrated value chain at F&A to include capital markets solutions (reallocation of capital markets units from Markets), transactions with low absorption of risk-weighted assets and optimised liquidity management. In addition, some employees have been reassigned to strengthen the core business and pare back non-profitable units.

### Family & SME division

As part of One4C, SMEs (with revenues of up to €50 million) were transferred from the Corporate & Investment Banking division at the start of 2011 as planned. To coincide with the expansion of the customer base, the Retail division was renamed Family & SME at the start of 2011. This gives rise to a unique service model within HVB for private customers and SMEs, benefiting from one of the largest networks in Europe.

All in all, this programme is designed to consistently align the Bank with a sustainable customer business model. This will enable us to provide even closer and more targeted relationship management for our customers and combine regional proximity with international competence as a cornerstone of UniCredit.

In our **mass market activities**, we continued to prioritise the expansion of our lending business. This included carrying out various sales initiatives for consumer loans involving attractive new customer products and boosting our sales incentives. In addition, we increased the credit approval rate for new customers to an average of 43% (up 23% since the start of 2011). The approval rate for existing customers remains at the target level of an average of 80%. In order to increase the ability of the sales force to provide competent advice on consumer loans, 350 sales managers and 600 sales staff received training with the support of specialists from UniCredit Household Financing (UCFin). This enabled the new business volume to be increased by 18% year-on-year. Furthermore, we paid particular attention to increasing product penetration in our customer portfolio. Our cross-selling activities are built around our high quality, all-round, demand-oriented advice that puts the focus on the needs of our customers in their specific life situations. Priority was given to boosting cross-selling to new customers. To achieve this, an innovative new customer-retention programme called "Onboarding" aimed at expanding the customer relationship was successfully implemented.

Besides earnings and customer satisfaction, the focus in the **affluent customers** segment in 2011 was on the topic of growth, which is set to take on a key role in the coming years. Numerous campaigns led to a increase of 12% in the volume of new real estate financing business we conducted as well as a strong inflow of fresh money. Furthermore, we bucked the market trend by achieving encouraging progress in terms of customer satisfaction. The volatility of the market gave us the opportunity to inform and advise our customers in greater depth; this included the rollout in 300 branches throughout Germany of an innovative event concept educating customers in protection techniques for their money.

Our advisory centred primarily on well-structured securities portfolios, including our HVB VermögensDepot Privat offering. This instrument meets the needs of our customers particularly well as it combines our Bank's know-how in the field of asset allocation with the transparency of exchange-traded funds (ETFs) and is also subject to regular performance measurement. This portfolio management approach proved its worth in the second half of the year in particular, when the markets were roiled by huge turmoil, as reflected in a performance that is far superior to similar products marketed by our competitors.

Further progress was made in 2011 on moving the bancassurance business model away from specialist sales towards support from generalists. In particular, there has been a significant change in the product mix to concentrate more on insurance policies paid by installment rather than one-off premiums. This move has broadened the basis for policies concluded, which has served to increase earnings generated by this division from insurance activities by 10%.

The strategic decision taken in the 2010 financial year to rapidly expand our offerings in the field of inheritance advice was implemented in 2011. Since the start of the year, certified inheritance experts have been deployed in every major branch across Germany. The strong focus on the Bank's advisory is already yielding good results, not only in the relevant product unit but also in the placement of fee-attracting planning mandates. It has also already been possible to note a positive contribution to achieving the targeted growth by acquiring new resources.

We manage our **real estate financing activities** across all target groups. We have continued to provide our mass-market, affluent and business customers with plenty of capital to finance property investments. Besides obtaining loans from us directly, our customers could use the full product range of the market from our 40 partner banks. Again in 2011, we managed to significantly increase the volume of new business compared with the previous year. This was assisted by our positioning as a provider of all-round property services offering multi-award-winning advice. We reinforced our new business activities with an innovative sales campaign.

Our operations involving **SMEs** in 2011 were driven mainly by our support for their capital spending, with the focus primarily on solutions involving development loans and leasing arrangements.

Alongside significant demand for investment in machinery, operating equipment and infrastructure in general, we supplied finance for initiatives undertaken by our **corporate customers** with regard to energy efficiency and local energy supply. Subsidised funds are provided by both international development institutions (such as the European Investment Bank) and domestic development banks (such as KfW). In this context, specific regional features were reflected by arranging individual, customer-oriented financing packages.

All in all, new business involving promotional loans grew by over 10% compared with 2010.

Leasing activities represented a further focal point of investment financing. Our **UniCredit Leasing GmbH** subsidiary facilitated a wide range of funding arrangements throughout Germany, helping new business to increase by more than 20% overall.

The focus was also on lending activities in our operations involving **business customers**. During the course of three sales initiatives, proactively approaching more than 25,000 customers helped to produce a significant increase of over 9% in new deals concluded (such as real estate loans and development loans).

Within SMEs, the offerings for the special target groups of **farmers, healthcare professionals, consultants, insolvency administrators and public-sector customers** have been constantly refined. An expansion in the number of specialist advisors, the adjustments made to the sales organisation in 2011 and the use of financing and payment solutions geared specifically to the target groups are worthy of particular note. Sector-specific information and events round out the competencies and services of HVB for these target groups.

In connection with the changeover of domestic and international payments to the Single Euro Payments Area (SEPA), HVB has been able to demonstrate the efficiency of its SEPA-compatible payments system. At the same time, customers have been offered intelligent payment solutions that facilitate planning and further settlement services. All in all, the transaction volumes involving both business and corporate customers have risen considerably.

### **Private Banking division**

The Private Banking division (formerly known as Wealth Management) has set itself the goal of optimally meeting the specific expectations of wealthy customers with regard to a bank and the services it offers. The division serves customers with an aggregate investment volume of €37.4 billion. Private Banking is divided into three subdivisions:

## Segment Reporting (CONTINUED)

### HVB Private Banking (PB)

This unit serves some 44,000 HVB customers with assets under management of €23 billion. Our 500 or so employees offer individual, personal advice at 46 locations throughout Germany. The Private Banking division offers all-round, bespoke advice to customers and customer groups with liquid assets of more than €0.5 million; the Family Office serves family groups with complex assets of more than €30 million.

PB's strategic objectives are to satisfy high net worth individuals with a comprehensive range of advisory services, attractive products and outstanding customer relationships, and to increase its market share in the highly competitive private banking environment. PB aspires to quality leadership in the German market.

### Wealth Management Capital Holding (WMC)

WMC structures and issues sophisticated investment products that are tailored exclusively and perfectly to the Private Banking customer group. It is one of the biggest initiators of closed-ended funds in Germany. Around 145,000 customers are served by some 250 employees in this unit.

### UniCredit Luxembourg S.A.

UniCredit Luxembourg S.A. gives customers of HVB Group access to the financial centre of Luxembourg. Together with HVB's Private Banking division, UniCredit Luxembourg S.A. has devised solutions that enable its customers to benefit from the advantageous underlying conditions offered by Luxembourg as a financial centre. The Private Banking unit based in Luxembourg provides specialised portfolio solutions for about 2,500 customers with an investment volume of €10 billion and employs 26 people. Since the Private Banking unit was sold to DZ Privatbank on 31 December 2010, UniCredit Luxembourg S.A. has focused its private banking activities in Luxembourg on serving high net worth and ultra high net worth segments/customers and offering specialist services for the corporate group in areas like the asset management of life insurance policies.

### Other/consolidation segment

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

**Global Banking Services** activities encompass purchasing, organisation, logistics and facility management, cost management and back-office functions for credit, accounts, foreign exchange, money market and derivatives. Payments, securities settlement, IT application development and IT operation have been outsourced.

The **Group Corporate Centre** activities include profit contributions that do not fall within the jurisdiction of the individual divisions. Among other items, this includes the profits and losses of consolidated subsidiaries for which HVB's strategic property management function is responsible, such as HVB Immobilien AG and its subsidiaries, and of non-consolidated holdings, provided they are not assigned to the divisions, together with the net income from securities holdings for which the Management Board is responsible. Also incorporated in this segment are the amounts arising from decisions taken by management with regard to asset/liability management.

The Group Corporate Centre also includes the Real Estate Restructuring customer portfolio (RER) and the Special Credit Portfolio (SCP).

## 28 Income statement broken down by division

(€ millions)

	CORPORATE & INVESTMENT BANKING	FAMILY & SME	PRIVATE BANKING	OTHER/ CONSOLIDATION	HVB GROUP
<b>OPERATING INCOME</b>					
2011	3,359	1,829	262	362	5,812
2010	3,893	1,756	265	644	6,558
<b>Operating costs</b>					
2011	(1,561)	(1,603)	(160)	(287)	(3,611)
2010	(1,526)	(1,553)	(162)	(192)	(3,433)
<b>Net write-downs of loans and provisions for guarantees and commitments</b>					
2011	(316)	(30)	(1)	81	(266)
2010	(503)	(82)	(2)	(45)	(632)
<b>NET OPERATING PROFIT</b>					
2011	1,482	196	101	156	1,935
2010	1,864	121	101	407	2,493
<b>Restructuring costs</b>					
2011	(64)	(15)	(3)	(26)	(108)
2010	3	—	(18)	(22)	(37)
<b>Net income from investments and other items<sup>1</sup></b>					
2011	(192)	(34)	(26)	40	(212)
2010	(483)	(7)	(1)	(83)	(574)
<b>PROFIT BEFORE TAX</b>					
2011	1,226	147	72	170	1,615
2010	1,384	114	82	302	1,882

<sup>1</sup> contains the following income statement items: provisions for risks and charges and net income from investments



## Segment Reporting (CONTINUED)

Income statement of the Corporate &amp; Investment Banking division

(€ millions)

INCOME/EXPENSES	2011	2010	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	2,442	2,544	550	587	686	619
Dividends and other income from equity investments	131	111	13	33	25	60
Net fees and commissions	597	553	131	157	142	167
Net trading income	170	646	(490)	(117)	271	506
Net other expenses/income	19	39	3	9	4	3
<b>OPERATING INCOME</b>	<b>3,359</b>	<b>3,893</b>	<b>207</b>	<b>669</b>	<b>1,128</b>	<b>1,355</b>
Payroll costs	(582)	(586)	(111)	(155)	(158)	(158)
Other administrative expenses	(964)	(918)	(263)	(232)	(239)	(230)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(15)	(22)	(4)	(4)	(3)	(4)
<b>Operating costs</b>	<b>(1,561)</b>	<b>(1,526)</b>	<b>(378)</b>	<b>(391)</b>	<b>(400)</b>	<b>(392)</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>1,798</b>	<b>2,367</b>	<b>(171)</b>	<b>278</b>	<b>728</b>	<b>963</b>
Net write-downs of loans and provisions for guarantees and commitments	(316)	(503)	(227)	(97)	97	(89)
<b>NET OPERATING PROFIT/(LOSS)</b>	<b>1,482</b>	<b>1,864</b>	<b>(398)</b>	<b>181</b>	<b>825</b>	<b>874</b>
Restructuring costs	(64)	3	(64)	—	—	—
Net income from investments and other items <sup>1</sup>	(192)	(483)	(18)	(79)	(97)	2
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>1,226</b>	<b>1,384</b>	<b>(480)</b>	<b>102</b>	<b>728</b>	<b>876</b>
Cost-income ratio in %	46.5	39.2	182.6	58.4	35.5	28.9

<sup>1</sup> contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Corporate & Investment Banking division**

The Corporate & Investment Banking division generated operating income of €3,359 million in the 2011 financial year, which is a decline of €534 million, or 13.7%. With operating costs rising a slight €35 million, or 2.3%, year-on-year to €1,561 million, the operating profit amounts to €1,798 million, which is €569 million down on last year's figure of €2,367 million.

The €102 million decline in net interest can be attributed to the investment banking activities of the division which could only be partly offset by special effects in the Multinational Corporates unit and higher margins in deposit-taking activities. Dividends and other income from equity investments rose by €20 million on the back of dividend payments from private equity funds. Net fees and commissions were up by a total of €44 million on account of lower expenses in connection with own securitisation transactions and higher income from structured financing.

Net trading income was heavily affected by the turmoil on the capital markets in the second half of 2011. Furthermore, it was necessary to take credit value adjustments totalling €485 million (2010: €169 million) to the income statement on account of market changes in the credit spread. Nevertheless, the division reported positive net trading income of €170 million in the reporting period, although this was €476 million down on last year's figure. In particular, the Rates and FX (interest- and currency-related products) and Equities (equity and index products) units contributed to the result in the reporting period. Positive contributions to profits were also generated by lending and capital-market-related operations during the reporting period.

The cost-income ratio rose by 7.3 percentage points over 2010 during the reporting period to 46.5%, due primarily to the decline in operating income.

Net write-downs of loans and provisions for guarantees and commitments declined to €316 million on account of the beneficial lending environment overall during the reporting period. A total of €503 million was required last year. As part of the reorientation of the division, €64 million was allocated to restructuring provisions. In addition, there were net expenses of €192 million (2010: €483 million) on the non-operating side resulting mainly from provisions for risks and charges relating to litigation risks. Last year, this item primarily contained provisions for risks and charges arising from an obligation in connection with the completion of an offshore wind farm.

All in all, the division generated a decent profit before tax of €1,226 million in the reporting period, which is down by 158 million on the year-ago total of €1,384 million, despite the difficult market conditions particularly in the second half of the year.

## Income statement of the Family &amp; SME division

(€ millions)

INCOME/EXPENSES	2011	2010	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	1,241	1,169	314	317	306	304
Dividends and other income from equity investments	4	5	—	—	4	—
Net fees and commissions	552	571	124	138	135	155
Net trading income	(5)	14	(5)	(2)	1	1
Net other expenses/income	37	(3)	5	19	8	5
<b>OPERATING INCOME</b>	<b>1,829</b>	<b>1,756</b>	<b>438</b>	<b>472</b>	<b>454</b>	<b>465</b>
Payroll costs	(609)	(583)	(156)	(152)	(151)	(150)
Other administrative expenses	(976)	(952)	(246)	(243)	(244)	(243)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(18)	(18)	(5)	(4)	(5)	(4)
<b>Operating costs</b>	<b>(1,603)</b>	<b>(1,553)</b>	<b>(407)</b>	<b>(399)</b>	<b>(400)</b>	<b>(397)</b>
<b>OPERATING PROFIT</b>	<b>226</b>	<b>203</b>	<b>31</b>	<b>73</b>	<b>54</b>	<b>68</b>
Net write-downs of loans and provisions for guarantees and commitments	(30)	(82)	8	(18)	4	(24)
<b>NET OPERATING PROFIT</b>	<b>196</b>	<b>121</b>	<b>39</b>	<b>55</b>	<b>58</b>	<b>44</b>
Restructuring costs	(15)	—	(15)	—	—	—
Net income from investments and other items <sup>1</sup>	(34)	(7)	(22)	—	(11)	(1)
<b>PROFIT BEFORE TAX</b>	<b>147</b>	<b>114</b>	<b>2</b>	<b>55</b>	<b>47</b>	<b>43</b>
Cost-income ratio in %	87.6	88.4	92.9	84.5	88.1	85.4

<sup>1</sup> contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Family & SME division**

The operating income of the Family & SME division (F&SME) rose by 4.2% to €1,829 million in the 2011 financial year, driven primarily by net interest and net other expenses/income. Net interest increased by 6.2%, with higher interest margins in deposit-taking operations serving to more than offset the declining volumes in lending operations. Net fees and commissions declined by 3.3%, to €552 million, on account of the difficult market environment. Despite this, there was a significant increase in the sale of closed-ended funds (up 14%) and a slight rise in the products brokered for our cooperation partners ERGO and Wüstenrot.

Operating costs increased by 3.2%, to €1,603 million, compared with the equivalent period last year. Payroll costs rose mainly on account of the initial consolidation of UniCredit Direct Services at 31 December 2010. The 2.5% increase in other administrative expenses can be attributed primarily to building costs and expenses relating to the new media campaign. The cost-income ratio improved slightly, by around 0.8 percentage points to 87.6%, on the back of the good earnings performance. The net operating profit totalled €196 million (2010: €121 million) partly as a result of the strong 63.4% decline in net write-downs of loans and provisions for guarantees and commitments to €30 million. The division's non-operating income was depressed mainly by provisions and charges relating to litigation risks amounting to €33 million in the reporting period. Besides this, there were restructuring costs of €15 million. Nevertheless, the division generated a pleasing profit before tax of €147 million in the 2011 financial year, which significantly exceeds the year-ago figure of €114 million by almost 30%.

## Segment Reporting (CONTINUED)

Income statement of the Private Banking division

(€ millions)

INCOME/EXPENSES	2011	2010	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	108	97	26	31	27	24
Dividends and other income from equity investments	4	9	1	—	2	1
Net fees and commissions	149	158	33	33	40	43
Net trading income	—	—	—	—	—	—
Net other expenses/income	1	1	1	—	—	—
<b>OPERATING INCOME</b>	<b>262</b>	<b>265</b>	<b>61</b>	<b>64</b>	<b>69</b>	<b>68</b>
Payroll costs	(75)	(72)	(19)	(20)	(18)	(18)
Other administrative expenses	(83)	(88)	(22)	(20)	(21)	(20)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(2)	(2)	(1)	—	(1)	—
<b>Operating costs</b>	<b>(160)</b>	<b>(162)</b>	<b>(42)</b>	<b>(40)</b>	<b>(40)</b>	<b>(38)</b>
<b>OPERATING PROFIT</b>	<b>102</b>	<b>103</b>	<b>19</b>	<b>24</b>	<b>29</b>	<b>30</b>
Net write-downs of loans and provisions for guarantees and commitments	(1)	(2)	1	1	(3)	—
<b>NET OPERATING PROFIT</b>	<b>101</b>	<b>101</b>	<b>20</b>	<b>25</b>	<b>26</b>	<b>30</b>
Restructuring costs	(3)	(18)	—	(3)	—	—
Net income from investments and other items <sup>1</sup>	(26)	(1)	(25)	(1)	(1)	1
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>72</b>	<b>82</b>	<b>(5)</b>	<b>21</b>	<b>25</b>	<b>31</b>
Cost-income ratio in %	61.1	61.1	68.9	62.5	58.0	55.9

<sup>1</sup> contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Private Banking division**

The Private Banking division is being shown in the reporting period without the contributions to profits provided by the private banking activities of UniCredit Luxembourg S.A. that were partially sold at year-end 2010. The year-ago figures have been adjusted accordingly. With a profit before tax of €72 million, the division was unable to match last year's figure of €82 million primarily as a result of higher net additions to provisions for risks and charges.

At €262 million in the 2011 financial year, operating income is at the same level as last year (2010: €265 million). At the same time, net interest improved by €11 million year-on-year, or 11.3%, to €108 million, primarily as a result of higher interest margins in the deposit-taking business. The €149 million recorded for net fees and commissions failed to match the year-ago total essentially on account of falling demand for long-term bonds in the first half of 2011 and the much more difficult market environment in the second half of 2011 (2010: €158 million). At the same time, dividends and similar income from equity investments declined by a total of €5 million to €4 million.

Strict cost management helped to slightly reduce total operating costs to €160 million compared with last year (2010: €162 million). Thanks to the favourable development on the cost side, the cost-income ratio in the reporting period, at 61.1%, remained at last year's level despite the lower operating income. At €102 million, the operating profit also remained almost the same as last year (2010: €103 million).

The non-operating income of the division was depressed particularly by provisions of €25 million for litigation risks. In addition, restructuring costs of €3 million accrued. In the previous year, the profit was particularly impacted by the restructuring costs required in connection with the sale of parts of the private banking activities of UniCredit Luxembourg S.A. (€18 million).

## Income statement of the Other/consolidation segment

(€ millions)

INCOME/EXPENSES	2011	2010	Q4 2011	Q3 2011	Q2 2011	Q1 2011
<b>OPERATING INCOME</b>	<b>362</b>	<b>644</b>	<b>124</b>	<b>44</b>	<b>72</b>	<b>122</b>
Operating costs	(287)	(192)	(91)	(80)	(55)	(61)
<b>OPERATING PROFIT/(LOSS)</b>	<b>75</b>	<b>452</b>	<b>33</b>	<b>(36)</b>	<b>17</b>	<b>61</b>
Net write-downs of loans and provisions						
for guarantees and commitments	81	(45)	30	—	65	(14)
<b>NET OPERATING PROFIT/(LOSS)</b>	<b>156</b>	<b>407</b>	<b>63</b>	<b>(36)</b>	<b>82</b>	<b>47</b>
Restructuring costs	(26)	(22)	4	(30)	—	—
Net income from investments and other items <sup>1</sup>	40	(83)	38	(39)	43	(2)
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>170</b>	<b>302</b>	<b>105</b>	<b>(105)</b>	<b>125</b>	<b>45</b>

<sup>1</sup> contains the following income statement items: provisions for risks and charges and net income from investments

**Development of the Other/consolidation segment**

The operating income of this segment decreased by €282 million during the reporting period, to €362 million, compared with last year. This sharp decline is mainly due to the expenses for the bank levy that was charged for the first time in Germany in 2011 (€101 million) as well as the gains contained in the operating income last year in connection with the buy-back of hybrid capital which did not arise again in 2011 (€101 million).

Operating costs rose by a total of €95 million, attributable primarily to the bank levies in Austria and the UK totalling €67 million that have been included for the first time. This results in an operating profit of €75 million posted by this segment (2010: €452 million).

Within net write-downs of loans and provisions for guarantees and commitments, there was a net reversal of provisions of €81 million in the 2011 financial year, compared with net additions of €45 million required in the previous year. Net income from investments and other items amounting to €40 million also includes the gain of €45 million on the sale of some of our interest in UniCredit Global Information S.C.p.A. (UGIS) and UniCredit Business Partners S.C.p.A. (UCBP). The loss in this item reported last year (€83 million) is primarily a result of higher impairments taken on investment properties.

In the 2011 financial year, the profit before tax amounted to €170 million (2010: €302 million) and was depressed particularly by the bank levies totalling €168 million charged for the first time in Germany, Austria and the UK.

# Segment Reporting (CONTINUED)

## 29 Balance sheet figures, broken down by division

(€ millions)

	CORPORATE & INVESTMENT BANKING	FAMILY & SME	PRIVATE BANKING	OTHER/ CONSOLIDATION	HVB GROUP <sup>1</sup>
<b>Loans and receivables with banks</b>					
2011	42,549	735	8	985	<b>44,277</b>
2010	46,075	736	26	(505)	<b>46,332</b>
<b>Loans and receivables with customers</b>					
2011	86,183	46,203	5,020	(845)	<b>136,561</b>
2010	84,167	49,819	4,647	718	<b>139,351</b>
<b>Goodwill</b>					
2011	405	13	—	—	<b>418</b>
2010	419	5	—	—	<b>424</b>
<b>Deposits from banks</b>					
2011	48,688	7,136	261	1,773	<b>57,858</b>
2010	44,706	5,100	226	1,855	<b>51,887</b>
<b>Deposits from customers</b>					
2011	46,706	46,624	7,472	6,640	<b>107,442</b>
2010	51,857	41,976	8,011	6,650	<b>108,494</b>
<b>Debt securities in issue</b>					
2011	2,319	722	85	39,541	<b>42,667</b>
2010	7,439	193	139	40,905	<b>48,676</b>
<b>Risk-weighted assets compliant with Basel II (including equivalents for market risk and operational risk)</b>					
2011	101,369	18,194	1,736	6,136	<b>127,435</b>
2010	98,639	18,250	1,664	5,919	<b>124,472</b>

<sup>1</sup> balance sheet figures for non-current assets or disposal groups held for sale are shown separately in Notes 58 and 67

## 30 Employees, broken down by operating and service division<sup>1</sup>

	2011	2010
Corporate & Investment Banking	3,799	3,441
Family & SME	8,424	8,344
Private Banking	772	810
Global Banking Services	2,312	1,685
Group Corporate Centre	4,135	4,866
<b>Total</b>	<b>19,442</b>	<b>19,146</b>

<sup>1</sup> in full-time equivalents

### 31 Segment reporting by region

The allocation of amounts to regions is based on the head office of the Group companies or offices involved.

Income statement, broken down by region

(€ millions)

	GERMANY	REST OF EUROPE	AMERICAS	ASIA	CONSOLIDATION	HVB GROUP
<b>TOTAL REVENUES</b>						
2011	5,389	902	140	68	(687)	5,812
2010	5,133	1,822	162	33	(592)	6,558
<b>OPERATING PROFIT/(LOSS)</b>						
2011	1,861	490	61	(5)	(206)	2,201
2010	2,064	1,178	81	24	(222)	3,125

Total assets, broken down by region

(€ millions)

	2011	2010
Germany	316,570	305,009
Rest of Europe	132,219	129,932
Americas	10,105	12,041
Asia	4,485	5,310
Consolidation	(77,865)	(80,383)
<b>Total</b>	<b>385,514</b>	<b>371,909</b>

Employees, broken down by region<sup>1</sup>

	2011	2010
Germany	17,473	17,119
Rest of Europe	1,530	1,590
Africa	3	3
Americas	217	218
Asia	219	216
<b>Total</b>	<b>19,442</b>	<b>19,146</b>

<sup>1</sup> in full-time equivalents

# Notes to the Income Statement

## 32 Net interest

(€ millions)

	2011	2010
<b>Interest income from</b>	<b>8,823</b>	<b>8,700</b>
lending and money market transactions	6,001	5,996
other interest income	2,822	2,704
<b>Interest expense from</b>	<b>(4,750)</b>	<b>(4,600)</b>
deposits	(1,654)	(1,273)
debt securities in issue and other interest expenses	(3,096)	(3,327)
<b>Total</b>	<b>4,073</b>	<b>4,100</b>

Interest income and interest expense for financial assets and liabilities not carried at fair value through profit or loss totalled €6,560 million (2010: €6,517 million) and €3,956 million (2010: €3,994 million), respectively. In this context, it should be noted that a comparison of these latter figures is of only limited informative value in economic terms, as the interest expenses for financial liabilities that are not measured at fair value through profit or loss also include refinancing for financial assets at fair value through profit or loss and partially for financial assets held for trading as well. Net interest includes interest income of €167 million from non-performing loans and receivables (2010: €156 million).

## Net interest attributable to related parties

The following table shows the net interest attributable to related parties:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	289	153
of which: UniCredit S.p.A.	179	42
Joint ventures	—	—
Associated companies	6	6
Other participating interests	—	—
<b>Total</b>	<b>295</b>	<b>159</b>

Besides the amounts attributable to UniCredit S.p.A., the net interest of €289 million from non-consolidated affiliated companies includes interest income of €111 million attributable to sister companies and interest expense of €1 million attributable to subsidiaries.

## 33 Dividends and other income from equity investments

(€ millions)

	2011	2010
Dividends and other similar income	144	142
Companies accounted for using the equity method	6	6
<b>Total</b>	<b>150</b>	<b>148</b>

## 34 Net fees and commissions

(€ millions)

	2011	2010
Management, brokerage and consultancy services	649	732
Collection and payment services	177	180
Lending operations	464	403
Other service operations	18	(3)
<b>Total</b>	<b>1,308</b>	<b>1,312</b>

This item comprises the balance of fee and commission income of €1,832 million (2010: €2,154 million) and fee and commission expense of €524 million (2010: €842 million).

### Net fees and commissions from related parties

The following table shows the net fees and commissions attributable to related parties:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	63	8
of which: UniCredit S.p.A.	(16)	(66)
Joint ventures	—	—
Associated companies	64	5
Other participating interests	—	—
<b>Total</b>	<b>127</b>	<b>13</b>

Besides the amounts attributable to UniCredit S.p.A., the net fees and commissions of €63 million from non-consolidated affiliated companies include €79 million from sister companies.

### 35 Net trading income

(€ millions)

	2011	2010
Net gains on financial assets held for trading <sup>1</sup>	46	654
Effects arising from hedge accounting	101	54
Changes in fair value of hedged items	(1,004)	(403)
Changes in fair value of hedging derivatives	1,105	457
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option) <sup>2</sup>	25	(62)
Other net trading income	18	113
<b>Total</b>	<b>190</b>	<b>759</b>

<sup>1</sup> including dividends from financial assets held for trading

<sup>2</sup> also including the valuation results of derivatives concluded to hedge financial assets through fair value at profit or loss (effect in 2011: minus €303 million; 2010: minus €200 million)

Credit value adjustments of €485 million (2010: €169 million) served to depress the net gains on financial assets during the reporting period.

Other net trading income (€113 million) almost exclusively reflects positive effects from the partial buy-back of hybrid capital.

The effects arising from hedge accounting include the hedge results of the fair value hedge portfolio and the individual micro fair value hedges as a net aggregate total. The hedge results from hedged items include a positive effect of €183 million arising from exchange rate changes that is offset by a corresponding negative in the hedge result from hedging derivatives.

The net gains on holdings at fair value through profit or loss (held-for-trading portfolios and fair value option) generally only contain the changes in fair value disclosed in the income statement. The interest income from held-for-trading portfolios is normally disclosed under net interest income. To ensure that the full contribution to profits is disclosed, the interest cash flows are only carried in net trading income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

### 36 Net other expenses/income

(€ millions)

	2011	2010
Other income	350	373
Other expenses	(259)	(134)
<b>Total</b>	<b>91</b>	<b>239</b>

Net other expenses/income totalled €91 million in 2011 (2010: €239 million).



## Notes to the Income Statement (CONTINUED)

Other income includes rental income of €165 million (2010: €194 million) from investment properties and mixed usage buildings. Other expenses include current operating expenses (including repairs and maintenance) directly allocable to investment properties and current expenses from mixed usage buildings of €46 million (2010: €51 million).

Furthermore, other expenses include expenses of €101 million for the German bank levy for the first time in the 2011 financial year. This was the main factor behind the year-on-year decline in net other expenses/income.

At the same time, there were gains of €14 million (2010: €18 million) on the sale of unimpaired receivables.

**Net other expenses/income attributable to related parties**

The following table shows the net other expenses/income attributable to related parties:

	(€ millions)	
	2011	2010
Non-consolidated affiliated companies	70	53
of which: UniCredit S.p.A.	14	10
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
<b>Total</b>	<b>70</b>	<b>53</b>

Besides the amounts attributable to UniCredit S.p.A., the net other expenses/income of €70 million attributable to non-consolidated affiliated companies include €56 million attributable to sister companies.

**37 Operating costs**

	(€ millions)	
	2011	2010
<b>Payroll costs</b>	<b>(1,819)</b>	<b>(1,756)</b>
Wages and salaries	(1,496)	(1,473)
Social security costs	(214)	(215)
Pension and other employee benefit costs	(109)	(68)
<b>Other administrative expenses</b>	<b>(1,593)</b>	<b>(1,459)</b>
<b>Amortisation, depreciation and impairment losses</b>	<b>(199)</b>	<b>(218)</b>
on property, plant and equipment	(127)	(132)
on software and other intangible assets, excluding goodwill	(72)	(86)
<b>Total</b>	<b>(3,611)</b>	<b>(3,433)</b>

**Operating costs of related parties**

The following table shows the operating costs of related parties included in the total operating costs shown in the income statement:

	(€ millions)	
	2011	2010
Non-consolidated affiliated companies	(586)	(544)
of which: UniCredit S.p.A.	12	20
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
<b>Total</b>	<b>(586)</b>	<b>(544)</b>

Besides the amounts attributable to UniCredit S.p.A., the operating costs of €586 million attributable to non-consolidated affiliated companies include €598 million attributable to sister companies.

The amounts attributable to the parent company essentially reflect reimbursements of costs for seconded staff.

In 2010, the Bank modified its compensation schemes to reflect the new supervisory regulation governing variable compensation (Instituts-Vergütungsverordnung).

The Total Incentive Opportunity Programmes were introduced in 2010 to govern variable compensation payable to selected staff. The programmes consist of two elements: a Bonus Opportunity Plan (cash payment and stocks granted) for all beneficiaries of the programme and an additional Performance Stock Options Plan for selected senior managers.

Employees whose duties have a significant impact on the Bank's overall risk and employees with a promised bonus in excess of €100,000 are beneficiaries of the Total Incentive Opportunity Program for 2011. Under the Bonus Opportunity Plan, the bonus promised for the respective reporting period is split into a cash component and a stock component (share-based compensation in the sense of IFRS 2). The cash component is disbursed in tranches over a period of two years. Accordingly, this group of employees received 20% to 40% of the bonus in 2011 with the commitment in cash, and a further 20% to 25% will be disbursed after year-end 2012. At the beginning of 2012, the beneficiaries receive a commitment for the remaining 40% to 50% of the total bonus to allocate shares in UniCredit S.p.A. as part of the bonus for 2011, half of which will be transferred to the beneficiaries after year-end 2013 and year-end 2014 respectively. After these dates, these shares are frozen for a further period of one year. The delayed payment after year-end 2012/13 and the allocation of shares after year-end 2013 and 2014 to the beneficiaries is based on the level of target achievement in the individual agreed targets in 2011. This is subject to the proviso that they continue to work for UniCredit up to the date of payment or transfer and that, as part of malus arrangement, it is ensure that a loss has not been recorded at the UniCredit corporate level or at the level of the individual beneficiary, or a significant reduction in the results achieved.

The stock component granted as part of the bonus for 2011 is subject to the proviso that the Annual General Meeting of UniCredit S.p.A. formally approves the relevant volume of shares in April 2012. The fair value of the granted shares is calculated using the average stockmarket price of UniCredit S.p.A. shares in the month prior to the Annual General Meeting that adopts a resolution regarding the granting. 13.8 million UniCredit S.p.A. shares (before possible adjustment due to adjustments in the equity of UniCredit S.p.A.) were granted in the reporting period as the component of the bonus granted for 2010, with a fair value of €1.736 for the shares to be transferred in 2013 and €1.702 for the shares to be transferred in 2014. The aggregate fair value of the stocks granted totals €24 million.

Under the second component, the Performance Stock Option Plan, stock options on UniCredit S.p.A. shares are granted to the eligible senior managers in line with the relative performance of the UniCredit S.p.A. share compared with a defined peer group in 2012 to 2015 (total shareholder return – TSR). In addition, the granting of stock options is subject to the condition that UniCredit meets or exceeds its budgeted targets for the period from 2012 to 2015. The Annual General Meeting of UniCredit S.p.A. will set the precise conditions (strike price, etc.) in April 2012.

The promised bonuses are recognised in the income statement on a pro rata basis over the respective vesting period.

Bonuses for the 2011 financial year falling due for disbursement in 2012 are recognised in full as expense. Where cash payments are made at a later date, such payments are subject to the condition that the eligible employees remain employed by UniCredit or partly subject to further performance targets. Accordingly, the vesting period for the promised bonus consists of several financial years (target achievement plus waiting period) and is to be deferred over this period compliant with IAS 19.68. Thus, deferred cash payments under the bonus promised for 2011 are recognised as expense in the respective period (from the 2011 financial year to the end of the financial year in which the waiting period for the tranche in question ends) on a pro rata basis.

HVB reimburses the accrued expenses to UniCredit once the conditions for granting shares have been met. In the 2011 financial year, prorated expenses of €24 million accrued for the stock component arising from the bonuses promised for 2010 and 2011 in the form of share-based compensation compliant with IFRS 2. The provision set up to cover this expense totalled €33 million.

## Notes to the Income Statement (CONTINUED)

In addition to this, UniCredit has two different share-based schemes that are similarly accounted for in accordance with IFRS 2: the long-term incentive programme and the employee share ownership plan, both of which are described below.

### Long-term incentive programme

A long-term incentive programme including share-based remuneration transactions featuring compensation in UniCredit shares, has been set up for executives and junior managers of all UniCredit companies selected using defined criteria. Within this umbrella programme, individual schemes were set up in previous years (with the exception of 2009 and 2010) and 2011, the key elements of which included the granting of stock options starting in 2011 in the form of performance stock options and performance shares.

UniCredit undertakes the commitment to employees of HVB; in return, HVB reimburses to UniCredit the expenses accruing for the stock options and performance shares actually transferred to the beneficiaries after the vesting period has expired and the conditions attached to the commitment have been checked. The fair value of the instrument at the time granting is recognised as the expense for the stock options and performance shares transferred.

The following statements relate to all HVB Group executives covered by the long-term incentive programme. The information provided in Note 85 in this regard showing the emoluments paid to members of the Management Board merely relates to the stock options and performance shares granted to members of the Management Board.

The stock options granted under the long-term incentive programme grant entitlement to purchase a UniCredit share at a price which was fixed before the option was issued. With regard to the new stock options granted during the reporting period, the strike price is the average price of the UniCredit share in the month prior to the approval of the long-term incentive programme by the UniCredit Board. In the case of stock options issued during or after 2011, beneficiaries are only entitled to exercise their options in a range between 0% and 150% (depending on the level of target achievement) of the underlying total originally granted if the respective targets have been met after three years. The options may only be exercised during a fixed period which starts after the vesting period expires. If the beneficiary has already left UniCredit by that date, the stock options are normally forfeited, meaning that they can no longer be exercised. The options are acquired on a pro rata basis or in full in certain exceptional circumstances, such as disability, retirement or an employer leaving UniCredit.

The fair values of the stock options at the grant date are determined using Hull & White's trinomial model. The following parameters have been taken into account in this context:

- The probability of the option expiring due to the beneficiary leaving the company prematurely after the lock-up period has expired.
- Definition of an exercise barrier. This means that the options are only exercised before the end of the exercise period if the current price of the UniCredit share exceeds the exercise price by the exercise barrier multiplier (usually a factor of 1.5).
- Dividend yield of the UniCredit share.
- Average historical daily volatility over the vesting period.

The following information regarding numbers of shares and exercise prices for stock options represent the status at the time of granting. No adjustments have been made on account of capital increases or capital consolidations.

Information about stock options (assuming a target achievement of 150%)

	2011
Total (shares)	15,561,623
Strike price (€)	1.8070
Market price of UniCredit share at grant date (€)	1.7676
Expected volatility	36.7%
Expected dividend yield	1.4%
Risk-free interest rate included in option price model	3.5%
Conditional grant date	22/3/2011
Exercise date should criteria be met (start of exercise period)	Expected March 2014
End of exercise period	31/12/2020
Fair value per option at grant date (€)	0.6019

The stock options granted in 2008 become exercisable in 2012. At the time of granting, the commitment was subject to the condition that the beneficiaries continued to work for UniCredit. All other stock options granted in previous years are already exercisable.

Analysis of outstanding stock options

	2011			2010		
	TOTAL	AVERAGE STRIKE PRICE (€)	AVERAGE MATURITY	TOTAL	AVERAGE STRIKE PRICE (€)	AVERAGE MATURITY
<b>Outstanding at start of period</b>	<b>15,990,892</b>	<b>4.75</b>	<b>August 2018</b>	<b>17,586,931</b>	<b>4.77</b>	<b>August 2018</b>
<b>Additions</b>						
Newly granted options	15,561,623	1.81	December 2020	—	—	—
<b>Releases</b>						
Forfeited stock options	2,981,203	3.76	August 2019	1,596,039	4.98	August 2018
Exercised stock options	—	—	—	—	—	—
Expired stock options	—	—	—	—	—	—
<b>Total at end of period</b>	<b>28,571,312</b>	<b>3.25</b>	<b>October 2019</b>	<b>15,990,892</b>	<b>4.75</b>	<b>August 2018</b>
Exercisable options at end of period	4,071,296	6.03	September 2018	3,131,100	5.37	June 2019

The fair value on the date of granting options is recorded as an expense on the basis of the expected number of options exercised over the period.

## Notes to the Income Statement (CONTINUED)

A set number of UniCredit shares (performance shares) are transferred free of charge if, after a period of three years, the relevant targets have been met and the recipient is still working for UniCredit; otherwise, the performance shares are normally forfeited. As an alternative to the transfer of shares, the UniCredit Board may also decide to disburse in cash the market value of the shares at the time of transfer. The shares may be transferred on a pro rata basis or in full in certain exceptional cases, such as disability, retirement or an employer leaving UniCredit. Similarly in the case of performance shares issued during or after 2011, the actual number of shares transferred is in a range between 0% and 150% of the underlying total originally granted (depending on the level of target achievement).

The fair value for the performance shares is determined on the basis of the share price on the date when the performance shares were granted, taking into account a discount for expected dividend payments up until the grant date when the criteria are met.

Information regarding performance shares (assuming target achievement of 150%)

	2011
Total (shares)	7,878,111
Market price of UniCredit share at grant date (€)	1.7676
Conditional grant date	22/3/2011
Exercise date should criteria be met (start of exercise period)	Expected March 2014
Fair value per performance share on grant date (€)	1.7120

Analysis of outstanding performance shares

	2011		2010	
	TOTAL	AVERAGE MATURITY	TOTAL	AVERAGE MATURITY
<b>Outstanding at start of period</b>	<b>4,290,505</b>	<b>November 2011</b>	<b>5,302,700</b>	<b>July 2011</b>
<b>Additions</b>				
Increase in portfolio arising from capital increase from company funds <sup>1</sup>	—	—	247,277	July 2011
Newly granted performance shares	7,878,111	December 2013	—	—
<b>Releases</b>				
Forfeited performance shares	812,781	March 2013	403,441	September 2011
Transferred performance shares	44,882	December 2010	186,424	December 2009
Expired performance shares	639,194	December 2010	669,607	December 2009
<b>Total at end of period</b>	<b>10,671,759</b>	<b>May 2013</b>	<b>4,290,505</b>	<b>November 2011</b>

<sup>1</sup> effects arising from the consolidation of UCI shares at a ratio of 10 to 1 in December 2011 are not yet included

A review is currently ongoing to ascertain whether the performance targets to which the commitment for the performance shares granted in 2008 was linked have been met. The performance shares were granted to the beneficiaries in 2008 subject to two conditions: first, the beneficiary must continue to work at UniCredit; and second, the specified targets agreed for the period from 2009 to 2011 at UniCredit level must have been met.

The fair value at the grant date is recorded as an expense for performance shares in the period that it is decisive for fulfilling the respective criteria.

The income from forfeited instruments and the prorated expenses arising from the granted instruments totalled a net amount of €6.9 million (2010: €2.7 million) at HVB Group for both programmes (stock options and performance shares) in 2011, which is recognised under payroll costs.

The relevant provision totalled €15 million at year-end 2011 (2010: €11 million).

#### Employee share ownership plan

An employee share ownership plan has been set up enabling UniCredit employees to purchase UniCredit shares at discounted prices.

Between January 2011 and December 2011, people participating in the plan had the opportunity to use their contributions to buy regular UniCredit shares (known as investment shares). The plan offers the following advantages compared with buying the shares directly on the market:

- One free share (known as a discount share) for every 20 investment shares purchased under the plan (this represents a discount of 5%). The discount shares were allocated in January 2012.
- One additional free share (known as a matching share) for every 5 investment and discount shares purchased under the plan (this represents a discount of 21%). The matching shares will be allocated in January 2015 until when they are granted as "rights to matching shares".

Thus, employees can enjoy an advantage of around 26% of the investment made as a result of the granting of free shares. Added to this is a tax break that exists in Germany for such employee share ownership plans.

The sale of all free shares (discount and matching shares or the right to such shares) is not permitted for a lock-up period of three years, meaning until January 2015. The rights to matching shares generally expire when employees sell investment shares or they cease to be employed by a UniCredit company before the lock-up period ends. In this case, however, the discount shares are retained in every instance. It is intended to operate the plan on an annual basis.

Similar programmes had already been set up in previous years.

### 38 Net write-downs of loans and provisions for guarantees and commitments

(€ millions)

	2011	2010
<b>Additions</b>	<b>(1,624)</b>	<b>(1,594)</b>
Allowances for losses on loans and receivables	(1,537)	(1,485)
Allowances for losses on guarantees and indemnities	(87)	(109)
<b>Releases</b>	<b>1,188</b>	<b>914</b>
Allowances for losses on loans and receivables	1,115	882
Allowances for losses on guarantees and indemnities	73	32
<b>Recoveries from write-offs of loans and receivables</b>	<b>171</b>	<b>60</b>
<b>Gains on the disposal of impaired loans and receivables</b>	<b>(1)</b>	<b>(12)</b>
<b>Total</b>	<b>(266)</b>	<b>(632)</b>

Income from the disposal of performing loans and receivables is disclosed under net other expenses/income. This gave rise to a gain of €14 million in the year under review (2010: €18 million). The net expenses (net write-downs of loans and provisions for guarantees and commitments, and gains on disposal) for loans and receivables amount to €238 million (2010: net expense of €537 million).

#### Net write-downs of loans and provisions for guarantees and commitments, to related parties

The following table shows the net write-downs of loans and provisions for guarantees and commitments attributable to related parties:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	—	—
Joint ventures	—	—
Associated companies	(1)	9
Other participating interests	(3)	97
<b>Total</b>	<b>(4)</b>	<b>106</b>

## Notes to the Income Statement (CONTINUED)

**39 Provisions for risks and charges**

Provisions for risks and charges amounted to €251 million in 2011, which can be attributed primarily to the creation of provisions for various litigation risks.

In 2010, provisions for risks and charges amounted to €442 million. The biggest single item was a provision €425 million for anticipated losses arising from an obligation to complete an offshore wind farm. This item also included provisions for risks and charges relating to litigation risks. A net reversal of provisions relating to property (mainly for rental guarantees and pre-emptive rights) had an offsetting effect in 2010, attributable primarily to provisions for risks and charges in connection with property (for rental guarantees among other things) and for litigation risks.

**40 Restructuring costs**

HVB Group recorded restructuring costs of €108 million in 2011, resulting primarily from the announced elimination of positions. Among other things, this includes restructuring costs relating to changes in the strategic orientation of the CIB division, such as the discontinuation of the cash equity business for western Europe and the equity research activities.

In 2010, restructuring costs totalled €37 million, mostly in connection with the sale of parts of the private banking activities of UniCredit Luxembourg S.A. (Private Banking division: €18 million). In addition, restructuring costs of €22 million accrued in the Group Corporate Centre within the Other/consolidation segment.

**41 Net income from investments**

(€ millions)

	2011	2010
Available-for-sale financial assets	38	10
Shares in affiliated companies	20	—
Companies accounted for using the equity method	(7)	—
Held-to-maturity investments	(4)	—
Land and buildings	15	—
Investment properties <sup>1</sup>	(23)	(169)
Other	—	27
<b>Total</b>	<b>39</b>	<b>(132)</b>

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

Net income from investments breaks down as follows:

(€ millions)

	2011	2010
<b>Gains on the disposal of</b>	<b>147</b>	<b>86</b>
available-for-sale financial assets	112	59
shares in affiliated companies	20	—
companies accounted for using the equity method	(7)	—
held-to-maturity investments	(4)	—
land and buildings	15	—
investment properties	11	—
other	—	27
<b>Write-downs and value adjustments on</b>	<b>(108)</b>	<b>(218)</b>
available-for-sale financial assets	(74)	(49)
shares in affiliated companies	—	—
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
investment properties <sup>1</sup>	(34)	(169)
<b>Total</b>	<b>39</b>	<b>(132)</b>

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

The gain of €26.7 million (2010: €8.3 million) arising from the translation of monetary available-for-sale financial instruments denominated in foreign currency is recognised as part of the net FX income in net trading income.

HVB Group recorded net income from investments of €39 million in the 2011 financial year. The total includes a gain of €45 million on the sale to UniCredit S.p.A. of part of our holding in UGIS, which was previously consolidated using the equity method, and in the non-consolidated UniCredit Business Partners S.C.p.A. (UCBP) during the reporting period. These transactions were conducted as part of All4Quality, a UniCredit-wide project aimed at improving the quality of internal services. The net gains (gains on disposal less write-downs and valuation adjustments) arising from available-for-sale financial instruments in the reporting period contained a net loss of €5 million from private equity funds and direct and co-investments. This consists of gains of disposal of €39 million and valuation expenses of €44 million.

The net loss of €132 million on investments recorded in 2010 was mainly attributable to write-downs and valuation adjustments of €169 million on investment properties. The sale of parts of the private banking activities of UniCredit Luxembourg S.A. generated a gain on disposal of €27 million, which was shown under Other. Furthermore, the net loss of €12 million on available-for-sale financial instruments in 2010 arose from private equity funds and direct and co-investments.

#### 42 Income tax for the period

(€ millions)

	2011	2010
Current taxes	(169)	(469)
Deferred taxes	(471)	315
<b>Total</b>	<b>(640)</b>	<b>(154)</b>

The current tax expense for 2011 includes tax expenses of €10 million for previous years (2010: €14 million).

The deferred tax expense in 2011 comprises net expense of €85 million from value adjustments on deferred tax assets arising from tax losses carried forward and net expense of €386 million relating the origination and utilisation of tax losses and the origination, reversal and value adjustments of deferred taxes arising from temporary differences.

The deferred tax income in 2010 comprised net income of €467 million from value adjustments on deferred tax assets arising from tax losses carried forward and net expense of €152 million relating to the utilisation of tax losses and the origination, reversal and value adjustments of deferred taxes arising from temporary differences.

The differences between computed income tax and recognised income tax are shown in the following reconciliation:

(€ millions)

	2011	2010
Profit before tax	1,615	1,882
Applicable tax rate	31.4%	31.4%
Computed income taxes	(507)	(591)
Tax effects		
arising from previous years and changes in tax rates	(4)	(21)
arising from foreign income	+ 61	+ 44
arising from non-taxable income	+ 78	+ 115
arising from different tax laws	(25)	(55)
arising from non-deductible expenses	(148)	(77)
arising from value adjustments and the non-recognition of deferred taxes	(95)	+ 432
arising from other differences	—	(1)
<b>Recognised income taxes</b>	<b>(640)</b>	<b>(154)</b>

The impairment losses of €4 million taken on goodwill that reduced the consolidated profit do not have any impact on tax expense.



## Notes to the Income Statement (CONTINUED)

For purposes of the tax reconciliation an applicable tax rate of 31.4% has been assumed. This comprises the current rate of corporate income tax in Germany of 15.0%, the solidarity surcharge of 5.5% of corporate income tax and an average trade tax rate of 15.6%. This reflects the fact that the consolidated profit is dominated by profits generated in Germany, meaning that it is subject to German corporate income tax and trade tax. The reconciliation for 2010 has been adjusted accordingly and the applicable tax rate raised from 15.8% to 31.4%.

The effects arising from tax on foreign income are a result of the different tax rates applicable in other countries.

The item tax effects arising from different tax laws comprises primarily the trade tax modifications applicable to domestic companies, weighted using the respective local trade tax rate.

The deferred tax assets and liabilities are broken down as follows:

(€ millions)

	2011	2010
<b>Deferred tax liabilities</b>		
Loans and receivables with banks and customers, incl. provisions for losses on loans and receivables	74	62
Financial assets/liabilities held for trading	175	100
Investments	273	155
Property, plant and equipment/intangible assets	35	65
Other assets/other liabilities/hedging derivatives	732	639
Deposits from banks/customers	111	77
Non-current assets or disposal groups held for sale	5	—
Other	336	265
<b>Recognised deferred tax liabilities</b>	<b>1,741</b>	<b>1,363</b>
<b>Deferred tax assets</b>		
Financial assets/liabilities held for trading	436	390
Investments	150	85
Property, plant and equipment/intangible assets	142	142
Provisions	346	408
Other assets/other liabilities/hedging derivatives	838	699
Loans and receivables with banks and customers, incl. provisions for losses on loans and receivables	257	317
Losses carried forward/tax credits	641	807
Other	1	3
<b>Recognised deferred tax assets</b>	<b>2,811</b>	<b>2,851</b>

Deferred taxes are normally measured at local tax rates of the respective tax jurisdiction. German cooperations use the uniform corporate income tax rate that is not dependent on any dividend distribution of 15.8%, including the solidarity surcharge, and the municipal trade tax rate dependent on the applicable municipal trade tax multiplier. This resulted in an overall valuation rate for deferred taxes of 31.4% for HVB in Germany as last year. The local applicable tax rates are applied analogously for companies with other legal forms and foreign units. Changes in tax rates have been taken into account, provided they had already been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets of €85 million (2010: €43 million) were credited to the AfS reserve of HVB Group and deferred tax assets of €13 million (2010: €27 million) were offset against the hedge reserve. The deferred taxes are mainly included in the items "Investments" and "Other assets/other liabilities/hedging derivatives" mentioned above. On account of the option set forth in IAS 19.93A, deferred tax assets of €89 million (2010: €86 million) were directly credited to shareholders' equity and are included in "Provisions". In each case, the deferred tax items offset directly against reserves are the balance of deferred tax assets and deferred tax liabilities before adjustment for minority interests.

Compliant with IAS 12, no deferred tax assets have been recognised for unused tax losses of HVB Group of €4,500 million (2010: €4,138 million), most of which do not expire, unused tax credits of €2 million (2010: €60 million) and deductible temporary differences of €1,611 million (2010: €1,578 million).

The deferred tax assets recognised on tax losses carried forward were calculated using plans of the individual divisions, which are based on segment-specific and general macroeconomic assumptions. The amounts were measured taking into account appropriate valuation discounts. The planning horizon remained unchanged at five years. Measurement was carried out taking into account possible restrictions of local regulations regarding time and the so-called minimum taxation rule for domestic tax losses carried forward. Estimation uncertainties are inherent in the assumptions used in any multi-year plan. Where changes are made to the multi-year plan and the underlying assumptions over the course of time, this may have an impact on the valuation of the volume of deferred tax assets already capitalised or to be capitalised on tax losses carried forward.

#### 43 Impairment on goodwill

Impairments of €4 million were taken on goodwill during the reporting period in connection with the sale by DAB Bank AG of part of its majority shareholding in SRQ FinanzPartner AG.

#### 44 Earnings per share

	2011	2010
Consolidated profit attributable to shareholder (€ millions)	931	1,703
Average number of shares	802,383,672	802,383,672
Earnings per share (€)	1.16	2.12

# Notes to the Consolidated Balance Sheet

## 45 Cash and cash balances

(€ millions)

	2011	2010
Cash on hand	488	491
Deposits central banks	3,779	2,574
<b>Total</b>	<b>4,267</b>	<b>3,065</b>

## 46 Financial assets held for trading

(€ millions)

	2011	2010
<b>Balance-sheet assets</b>		
Fixed-income securities	17,444	26,952
Equity instruments	3,578	6,422
Other financial assets held for trading	9,081	11,529
<b>Positive fair value from derivative financial instruments</b>	<b>118,953</b>	<b>88,486</b>
<b>Total</b>	<b>149,056</b>	<b>133,389</b>

The financial assets held for trading include €228 million (2010: €392 million) in subordinated assets. The financial assets held for trading included Greek government bonds with a carrying amount/market value of €1 million and a nominal amount of €6 million at 31 December 2011.

## Financial assets held for trading of related entities

The following table shows the breakdown of financial assets held for trading involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	19,003	16,765
of which: UniCredit S.p.A.	13,244	9,993
Joint ventures	—	—
Associated companies	211	—
Other participating interests	—	31
<b>Total</b>	<b>19,214</b>	<b>16,796</b>

Besides the amounts attributable to UniCredit S.p.A., the financial assets held for trading of €19,003 million attributable to non-consolidated affiliated companies include financial assets of €5,753 million attributable to sister companies (mostly derivative transactions involving UniCredit Bank Austria AG) and €6 million attributable to subsidiaries.

## 47 Financial assets at fair value through profit or loss

(€ millions)

	2011	2010
Fixed-income securities	26,103	24,555
Equity instruments	—	—
Investment certificates	2	1
Promissory notes	1,940	2,075
Other financial assets at fair value through profit or loss	—	—
<b>Total</b>	<b>28,045</b>	<b>26,631</b>

87% of the promissory notes was issued by the federal states and regional authorities in the Federal Republic of Germany. The portfolio also includes a promissory note issued by the Republic of Austria.

On account of the prime ratings of the promissory notes, the fair value fluctuations contain only minor effects from changes in credit ratings.

The financial assets at fair value through profit or loss include €308 million (2010: €297 million) in subordinated assets and Greek government bonds with a carrying amount/market value of €8 million and a nominal amount of €21 million.

#### 48 Available-for-sale financial assets

(€ millions)

	2011	2010
Fixed-income securities	3,727	3,974
Equity instruments	648	778
Other available-for-sale financial assets	299	448
Impaired assets	802	715
<b>Total</b>	<b>5,476</b>	<b>5,915</b>

Available-for-sale financial assets at 31 December 2011 included €1,402 million (31 December 2010: €1,416 million) valued at cost. Within this total, equity instruments with a carrying amount of €14 million were sold during the reporting period, yielding a gain of €24 million.

Available-for-sale financial assets at 31 December 2011 contained a total of €802 million (31 December 2010: €715 million) in impaired assets. Impairments of €94 million (31 December 2010: €61 million) were taken to the income statement during the reporting period.

None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets included €227 million (2010: €493 million) in subordinated assets at 31 December 2011.

Available-for-sale financial instruments included Greek government bonds with a carrying amount/market value of €2 million and a nominal amount of €6 million at 31 December 2011. We recognised an impairment of €3 million on these bonds in the reporting period (2010: €1 million).

## Notes to the Consolidated Balance Sheet (CONTINUED)

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

(€ millions)

	2011	2010
Associated companies accounted for using the equity method	49	94
of which: goodwill	35	—
Joint ventures accounted for using the equity method	—	—
<b>Total</b>	<b>49</b>	<b>94</b>

## Change in portfolio of shares in associated companies

(€ millions)

2010	ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD
<b>Carrying amounts at 1 January</b>	<b>88</b>
<b>Additions</b>	<b>6</b>
Purchases	—
Write-ups	—
Changes from currency translation	—
Other additions <sup>1</sup>	6
<b>Disposals</b>	<b>—</b>
Sales	—
Impairments	—
Changes from currency translation	—
Non-current assets or disposal groups held for sale	—
Other disposals <sup>1</sup>	—
<b>Carrying amounts at 31 December</b>	<b>94</b>
2011	ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD
<b>Carrying amounts at 1 January</b>	<b>94</b>
<b>Additions</b>	<b>55</b>
Purchases	—
Write-ups	—
Changes from currency translation	—
Other additions <sup>1</sup>	55
<b>Disposals</b>	<b>(100)</b>
Sales	—
Impairments	—
Changes from currency translation	—
Non-current assets or disposal groups held for sale	—
Other disposals <sup>1</sup>	(100)
<b>Carrying amounts at 31 December</b>	<b>49</b>

<sup>1</sup> also including changes in the group of companies included in consolidation

The following tables show the main items in the balance sheets and income statements of the companies accounted for using the equity method:

	(€ millions)	
	2011	2010
Property, plant and equipment	270	241
Intangible assets	22	601
Other assets	130	262
<b>Total assets</b>	<b>422</b>	<b>1,104</b>

	(€ millions)	
	2011	2010
Deposits from banks	132	194
Other liabilities	226	531
Equity	64	379
<b>Total liabilities</b>	<b>422</b>	<b>1,104</b>

	(€ millions)	
	2011	2010
Net interest income	(7)	2
Net other expenses/income	76	1,412
Operating costs	(54)	(1,377)
<b>Profit before tax</b>	<b>15</b>	<b>37</b>
Income tax	(4)	(14)
<b>Consolidated profit</b>	<b>11</b>	<b>23</b>

There were no changes in value at companies accounted for using the equity method arising from other comprehensive income or other equity items. The unrecognised prorated loss of companies accounted for using the equity method amounted to €0.3 million. The unrecognised prorated cumulative losses totalled €1.0 million.

#### 50 Held-to-maturity investments

	(€ millions)	
	2011	2010
Fixed-income securities	2,463	2,596
Impaired assets	—	4
<b>Total</b>	<b>2,463</b>	<b>2,600</b>

Held-to-maturity investments include no impaired assets (2010: €4 million). No impairments were taken to the income statement during the year under review. None of the non-impaired debt instruments are financial instruments past due.

The held-to-maturity investments include €11 million (2010: €15 million) in subordinated assets.

Held-to-maturity investments do not include any Greek government bonds.

## Notes to the Consolidated Balance Sheet (CONTINUED)

## Development of held-to-maturity investments

(€ millions)

	2011	2010
<b>Balance at 1 January</b>	<b>2,600</b>	<b>2,679</b>
<b>Additions</b>		
Purchases	—	—
Write-ups	—	—
Other additions	—	19
<b>Disposals</b>		
Sales	—	—
Redemptions at maturity	(137)	(98)
Write-downs	—	—
Other disposals	—	—
<b>Balance at 31 December</b>	<b>2,463</b>	<b>2,600</b>

**Held-to-maturity investments of related entities**

The following table shows the breakdown of held-to-maturity investments involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	2,108	2,105
of which: UniCredit S.p.A.	2,108	2,105
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
<b>Total</b>	<b>2,108</b>	<b>2,105</b>

This item relates exclusively to a security issued by UniCredit.

**51 Loans and receivables with banks**

(€ millions)

	2011	2010
Current accounts and demand deposits	17,412	16,222
Repos <sup>1</sup>	5,738	12,343
Reclassified securities	3,154	4,983
Other loans to banks	17,973	12,784
<b>Total</b>	<b>44,277</b>	<b>46,332</b>

<sup>1</sup> repurchase agreements

The loans and receivables with banks included €651 million (2010: €784 million) in subordinated assets at 31 December 2011.

**Loans and receivables with related entities**

The following table shows the breakdown of loans and receivables with banks involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	15,206	11,006
of which: UniCredit S.p.A.	8,116	6,402
Joint ventures	—	—
Associated companies	112	—
Other participating interests	100	182
<b>Total</b>	<b>15,418</b>	<b>11,188</b>

Besides the loans and receivables with UniCredit S.p.A., the loans and receivables of €15,206 million with non-consolidated affiliated banks include loans and receivables of €7,090 million with sister companies (mainly UniCredit Bank Austria AG and UniCredit Bank Ireland plc.).

The figures stated for loans and receivables with banks are shown net of the associated allowances for losses on loans and receivables. These allowances break down as follows:

(€ millions)

	2011	2010
<b>Properly serviced loans and receivables</b>		
Carrying amount before allowances	44,239	46,206
Portfolio allowances <sup>1</sup>	9	19
<b>Carrying amount</b>	<b>44,230</b>	<b>46,187</b>
<b>Properly serviced loans and receivables past due</b>		
Carrying amount before allowances	—	—
Portfolio allowances <sup>1</sup>	—	—
<b>Carrying amount</b>	<b>—</b>	<b>—</b>
<b>Non-performing loans and receivables</b>		
Carrying amount before allowances	203	296
Specific allowances	156	151
<b>Carrying amount</b>	<b>47</b>	<b>145</b>

<sup>1</sup> including provisions for country risks

(€ millions)

	2011	2010
<b>Loans and receivables broken down by rating class</b>		
Not rated	2,750	7,848
Rating class 1 – 4	40,471	35,969
Rating class 5 – 8	1,025	2,422
Rating class 9 – 10	31	93
<b>Collateral broken down by rating class</b>		
Not rated	—	2
Rating class 1 – 4	13,711	11,785
Rating class 5 – 8	542	670
Rating class 9 – 10	18	21

## 52 Loans and receivables with customers

(€ millions)

	2011	2010
Current accounts	10,228	8,923
Repos <sup>1</sup>	5,728	484
Mortgage loans	46,097	50,062
Finance leases	1,982	2,600
Reclassified securities	4,737	6,068
Non-performing loans and receivables	4,216	5,095
Other loans and receivables	63,573	66,119
<b>Total</b>	<b>136,561</b>	<b>139,351</b>

<sup>1</sup> repurchase agreements

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

The loans and receivables with customers include €1,753 million (2010: €2,006 million) in subordinated assets.

Loans and receivables with customers did not include any Greek government bonds at 31 December 2011.



## Notes to the Consolidated Balance Sheet (CONTINUED)

**Loans and receivables with related entities**

The following table shows the breakdown of loans and receivables with customers involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	210	656
Joint ventures	—	—
Associated companies	86	10
Other participating interests	600	891
<b>Total</b>	<b>896</b>	<b>1,557</b>

The loans and receivables of €210 million with non-consolidated affiliated companies include loans and receivables of €132 million with sister companies and €78 million with subsidiaries.

The figures stated for loans and receivables with customers are shown net of the associated allowances for losses on loans and receivables.

These allowances break down as follows:

(€ millions)

	2011	2010
<b>Properly serviced loans and receivables</b>		
Carrying amount before allowances	130,053	130,496
Portfolio allowances <sup>1</sup>	382	579
<b>Carrying amount</b>	<b>129,671</b>	<b>129,917</b>
<b>Properly serviced loans and receivables past due</b>		
Carrying amount before allowances	2,684	4,364
Portfolio allowances <sup>1</sup>	10	25
<b>Carrying amount</b>	<b>2,674</b>	<b>4,339</b>
<b>Non-performing loans and receivables</b>		
Carrying amount before allowances	8,402	9,380
Specific allowances <sup>1</sup>	4,186	4,285
<b>Carrying amount</b>	<b>4,216</b>	<b>5,095</b>

<sup>1</sup> including provisions for country risks

The non-performing loans and receivables are essentially the loans and receivables in rating classes 8-, 9 and 10. These include receivables totalling €265 million that are no longer assigned to rating classes 8-, 9 and 10 due to improved credit standings, but which have been in these classes for a total period of 24 months since first being classified as non-performing.

(€ millions)

	2011	2010
<b>Carrying amount of properly serviced loans and receivables past due, broken down by period past due</b>		
1 – 30 days	2,413	3,852
31 – 60 days	226	363
61 – 90 days	35	124

(€ millions)

	2011	2010
<b>Value of collateral broken down by period past due</b>		
1 – 30 days	913	1,421
31 – 60 days	89	37
61 – 90 days	17	21

(€ millions)

	2011	2010
<b>Loans and receivables broken down by rating class</b>		
Not rated	14,620	9,254
Rating class 1 – 4	60,092	59,721
Rating class 5 – 8	58,161	65,787
Rating class 9 – 10	3,688	4,589
<b>Collateral broken down by rating class</b>		
Not rated	1,927	2,154
Rating class 1 – 4	22,473	22,774
Rating class 5 – 8	29,370	31,263
Rating class 9 – 10	1,706	2,151

### Amounts receivable from customers under lease agreements (receivables from finance leases)

The amounts receivable from customers under lease agreements (receivables from finance leases) are described in more detail in Note 73.

### 53 Allowances for losses on loans and receivables with customers and banks

Analysis of loans and receivables

(€ millions)

	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES	TOTAL
<b>Balance at 1 January 2010</b>	<b>4,641</b>	<b>581</b>	<b>5,222</b>
Changes affecting income			
Gross additions <sup>1</sup>	1,453	44	1,497
Releases	(869)	(13)	(882)
Changes not affecting income			
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	—	—	—
Use of existing loan-loss allowances	(858)	—	(858)
Effects of currency translation and other changes not affecting income	69	11	80
Non-current assets or disposal groups held for sale	—	—	—
<b>Balance at 31 December 2010</b>	<b>4,436</b>	<b>623</b>	<b>5,059</b>
	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES	TOTAL
<b>Balance at 1 January 2011</b>	<b>4,436</b>	<b>623</b>	<b>5,059</b>
Changes affecting income			
Gross additions <sup>1</sup>	1,528	9	1,537
Releases	(887)	(228)	(1,115)
Changes not affecting income			
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	—	—	—
Use of existing loan-loss allowances	(833)	—	(833)
Effects of currency translation and other changes not affecting income	98	(3)	95
Non-current assets or disposal groups held for sale	—	—	—
<b>Balance at 31 December 2011</b>	<b>4,342</b>	<b>401</b>	<b>4,743</b>

<sup>1</sup> the additions include the gains on the disposal of impaired loans and receivables

## Notes to the Consolidated Balance Sheet (CONTINUED)

## Breakdown of allowances for receivables

(€ millions)

	LOANS AND RECEIVABLES WITH BANKS 2011	LOANS AND RECEIVABLES WITH BANKS 2010	LOANS AND RECEIVABLES WITH CUSTOMERS 2011	LOANS AND RECEIVABLES WITH CUSTOMERS 2010
<b>Properly serviced loans and receivables</b>				
Carrying amount before allowances	44,239	46,206	132,737	134,860
Portfolio allowance	9	19	392	604
<b>Carrying amount</b>	<b>44,230</b>	<b>46,187</b>	<b>132,345</b>	<b>134,256</b>
<b>Loans and receivables with allowances</b>				
Carrying amount before allowances	203	296	8,402	9,380
Specific allowances	156	151	4,186	4,285
<b>Carrying amount</b>	<b>47</b>	<b>145</b>	<b>4,216</b>	<b>5,095</b>

**54 Hedging derivatives**

(€ millions)

	2011	2010
Micro fair value hedge	8	3
Fair value hedge portfolio <sup>1</sup>	5,280	4,202
<b>Total</b>	<b>5,288</b>	<b>4,205</b>

<sup>1</sup> the cross-currency interest rate swaps used in hedge accounting are carried at their aggregate fair value in the fair value hedge portfolio

**55 Property, plant and equipment**

(€ millions)

	2011	2010
Land and buildings	845	1,028
Plant and office equipment	349	302
Other property	1,712	1,723
<b>Total<sup>1</sup></b>	<b>2,906</b>	<b>3,053</b>

<sup>1</sup> including leased assets of €568 million (2010: €668 million). More information about leases is contained in Note 73

Other property refers essentially to assets under construction of Ocean Breeze Energy GmbH & Co. KG, Munich. This item also includes the grants of €42 million (2010: €34 million) provided by the European Union that are classified as government grants in accordance with IAS 20. Compliant with IAS 20.24, these grants have been deducted from the acquisition and production cost of the other property on the assets side of the balance sheet. The cash funds were granted on condition that specific expenses could be demonstrated by Ocean Breeze Energy GmbH & Co. KG. The company has provided the necessary evidence.

## Development of property, plant and equipment

(€ millions)

	LAND AND BUILDINGS	PLANT AND OFFICE EQUIPMENT	TOTAL INTERNALLY USED PROPERTY, PLANT AND EQUIPMENT <sup>1</sup>	OTHER PROPERTY	TOTAL PROPERTY, PLANT AND EQUIPMENT <sup>1</sup>
<b>Acquisition costs at 1 January 2010</b>	<b>2,298</b>	<b>922</b>	<b>3,220</b>	<b>1,225</b>	<b>4,445</b>
Write-downs and write-ups from previous years	(1,220)	(644)	(1,864)	—	(1,864)
<b>Carrying amounts at 1 January 2010</b>	<b>1,078</b>	<b>278</b>	<b>1,356</b>	<b>1,225</b>	<b>2,581</b>
<b>Additions</b>					
Acquisition/production costs <sup>2</sup>	7	61	68	476	544
Write-ups	1	—	1	—	1
Changes from currency translation	—	2	2	—	2
Other additions <sup>3</sup>	158	26	184	27	211
<b>Disposals</b>					
Sales	(1)	(14)	(15)	—	(15)
Amortisation and write-downs	(50)	(49)	(99)	(4)	(103)
Impairments	(1)	—	(1)	(1)	(2)
Changes from currency translation	—	—	—	—	—
Non-current assets					
or disposal groups held for sale	—	—	—	—	—
Other disposals <sup>3</sup>	(164)	(2)	(166)	—	(166)
<b>Carrying amounts at 31 December 2010</b>	<b>1,028</b>	<b>302</b>	<b>1,330</b>	<b>1,723</b>	<b>3,053</b>
Write-downs and write-ups					
from previous years plus year under review	1,383	650	2,033	5	2,038
<b>Acquisition costs at 31 December 2010</b>	<b>2,411</b>	<b>952</b>	<b>3,363</b>	<b>1,728</b>	<b>5,091</b>
	LAND AND BUILDINGS	PLANT AND OFFICE EQUIPMENT	TOTAL INTERNALLY USED PROPERTY, PLANT AND EQUIPMENT <sup>1</sup>	OTHER PROPERTY	TOTAL PROPERTY, PLANT AND EQUIPMENT <sup>1</sup>
<b>Acquisition costs at 1 January 2011</b>	<b>2,411</b>	<b>952</b>	<b>3,363</b>	<b>1,728</b>	<b>5,091</b>
Write-downs and write-ups from previous years	(1,383)	(650)	(2,033)	(5)	(2,038)
<b>Carrying amounts at 1 January 2011</b>	<b>1,028</b>	<b>302</b>	<b>1,330</b>	<b>1,723</b>	<b>3,053</b>
<b>Additions</b>					
Acquisition/production costs <sup>2</sup>	7	105	112	(8)	104
Write-ups	3	—	3	1	4
Changes from currency translation	—	—	—	1	1
Other additions <sup>3</sup>	12	13	25	—	25
<b>Disposals</b>					
Sales	(6)	(12)	(18)	—	(18)
Amortisation and write-downs	(48)	(55)	(103)	(5)	(108)
Impairments	—	—	—	—	—
Changes from currency translation	—	—	—	—	—
Non-current assets					
or disposal groups held for sale	(118)	(1)	(119)	—	(119)
Other disposals <sup>3</sup>	(33)	(3)	(36)	—	(36)
<b>Carrying amounts at 31 December 2011</b>	<b>845</b>	<b>349</b>	<b>1,194</b>	<b>1,712</b>	<b>2,906</b>
Write-downs and write-ups					
from previous years plus year under review	1,189	702	1,891	9	1,900
<b>Acquisition costs at 31 December 2011</b>	<b>2,034</b>	<b>1,051</b>	<b>3,085</b>	<b>1,721</b>	<b>4,806</b>

1 including leased assets. More information about leases is contained in Note 73

2 including government grants of €42 million (2010: €34 million) deducted from other assets on the assets side of the balance sheet

3 also including changes in the group of companies included in consolidation. No companies were acquired during the reporting period

## Notes to the Consolidated Balance Sheet (CONTINUED)

**56 Investment properties**

The fair value of investment properties at HVB Group, which are measured at amortised cost, totalled €1,678 million (2010: €1,879 million). The appraisals prepared to calculate the fair values are based on recognised appraisal methods used by external assessors, primarily taking the form of asset-value and gross-rental methods. In the case of developed land, current market rents, operating costs and property yields are applied in the gross-rental method.

Where necessary, property-specific considerations are also taken into account when determining the value. These property-specific factors include vacancy rates, deviations between current contractual rents and current market rents, the condition of the buildings' technical systems and so on. In the case of undeveloped land, figures for sales of nearby land that have been completed are normally taken as the basis; where these are not available, the standard land value is employed as a benchmark, with adjustments made for the individual location, size and layout of the land, among other factors.

The net carrying amount of the leased assets arising from finance leases included in investment properties amounted to €128 million for land and buildings at the reporting date.

No investment properties measured at fair value were held in 2011.

Investment properties

(€ millions)

	<b>INVESTMENT PROPERTIES MEASURED AT COST</b>
<b>Acquisition costs at 1 January 2010</b>	<b>2,270</b>
Write-downs and write-ups from previous years	(363)
<b>Carrying amounts at 1 January 2010</b>	<b>1,907</b>
<b>Additions</b>	
Purchases	156
Write-ups	4
Changes from currency translation	—
Other additions <sup>1</sup>	39
<b>Disposals</b>	
Sales	(10)
Amortisation and write-downs	(41)
Impairments	(173)
Changes from currency translation	—
Non-current assets or disposal groups held for sale	(3)
Other disposals <sup>1</sup>	—
<b>Carrying amounts at 31 December 2010</b>	<b>1,879</b>
Write-downs and write-ups from previous years plus year under review	595
<b>Acquisition costs at 31 December 2010</b>	<b>2,474</b>
	<b>INVESTMENT PROPERTIES MEASURED AT COSTS</b>
<b>Acquisition costs at 1 January 2011</b>	<b>2,474</b>
Write-downs and write-ups from previous years	(595)
<b>Carrying amounts at 1 January 2011</b>	<b>1,879</b>
<b>Additions</b>	
Purchases	3
Write-ups	7
Changes from currency translation	1
Other additions <sup>1</sup>	76
<b>Disposals</b>	
Sales	(191)
Amortisation and write-downs	(40)
Impairments	(41)
Changes from currency translation	—
Non-current assets or disposal groups held for sale	(12)
Other disposals <sup>1</sup>	(4)
<b>Carrying amounts at 31 December 2011</b>	<b>1,678</b>
Write-downs and write-ups from previous years plus year under review	820
<b>Acquisition costs at 31 December 2011</b>	<b>2,498</b>

<sup>1</sup> also including changes in the group of companies included in consolidation. No companies were acquired during the reporting period

## 57 Intangible assets

(€ millions)

	2011	2010
<b>Goodwill</b>	<b>418</b>	<b>424</b>
<b>Other intangible assets</b>		
Internally generated intangible assets	98	123
Other intangible assets	49	61
<b>Total</b>	<b>565</b>	<b>608</b>

### Development of intangible assets

(€ millions)

	GOODWILL FROM AFFILIATED COMPANIES	INTERNALLY GENERATED INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS
<b>Acquisition costs at 1 January 2010</b>	<b>1,084</b>	<b>416</b>	<b>430</b>
Write-downs and write-ups from previous years	(660)	(287)	(327)
<b>Carrying amounts at 1 January 2010</b>	<b>424</b>	<b>129</b>	<b>103</b>
<b>Additions</b>			
Purchases/internally generated	—	29	14
Write-ups	—	—	—
Changes from currency translation	—	—	—
Other additions <sup>1</sup>	—	6	1
<b>Disposals</b>			
Sales	—	—	(6)
Amortisation and write-downs	—	(40)	(45)
Impairments	—	(1)	—
Changes from currency translation	—	—	—
Non-current assets or disposal groups held for sale	—	—	—
Other disposals <sup>1</sup>	—	—	(6)
<b>Carrying amounts at 31 December 2010</b>	<b>424</b>	<b>123</b>	<b>61</b>
Write-downs and write-ups from previous years plus year under review	660	327	366
<b>Acquisition costs at 31 December 2010</b>	<b>1,084</b>	<b>450</b>	<b>427</b>

<sup>1</sup> also including changes in the group of companies included in consolidation. No companies were acquired during the reporting period

## Notes to the Consolidated Balance Sheet (CONTINUED)

## Development of intangible assets

(€ millions)

	GOODWILL FROM AFFILIATED COMPANIES	INTERNALLY GENERATED INTANGIBLE ASSETS	OTHER INTANGIBLE ASSETS
<b>Acquisition costs at 1 January 2011</b>	<b>1,084</b>	<b>450</b>	<b>427</b>
Write-downs and write-ups from previous years	(660)	(327)	(366)
<b>Carrying amounts at 1 January 2011</b>	<b>424</b>	<b>123</b>	<b>61</b>
<b>Additions</b>			
Purchases/internally generated	—	18	18
Write-ups	—	—	—
Changes from currency translation	—	—	—
Other additions <sup>1</sup>	—	—	1
<b>Disposals</b>			
Sales	—	—	—
Amortisation and write-downs	—	(43)	(30)
Impairments	(4)	—	—
Changes from currency translation	—	—	—
Non-current assets or disposal groups held for sale	—	—	—
Other disposals <sup>1</sup>	(2)	—	(1)
<b>Carrying amounts at 31 December 2011</b>	<b>418</b>	<b>98</b>	<b>49</b>
Write-downs and write-ups from previous years plus year under review	660	360	389
<b>Acquisition costs at 31 December 2011</b>	<b>1,078</b>	<b>458</b>	<b>438</b>

<sup>1</sup> also including changes in the group of companies included in consolidation. No companies were acquired during the reporting period

HVB no longer generates any software internally. Software is provided to HVB by the UniCredit-wide service provider UGIS, which was previously accounted for using the equity method before being sold to UniCredit S.p.A. in 2011.

**58 Non-current assets or disposal groups held for sale**

The Bank intends to sell several properties in central locations at its facilities in Munich and Hamburg classified as property, plant and equipment as part of a programme to optimise office usage and costs in Bank-owned real estate.

Several investment properties have also been designated as held for sale in connection with the disposal of non-strategic real estate.

The sale of parts of the private banking activities of UniCredit Luxembourg S.A. to DZ Privatbank S.A. agreed in 2010 was completed with effect from 31 December 2010. The transfer of assets (customer receivables) took place at the beginning of January 2011.

(€ millions)

ASSETS	2011	2010
Loans and receivables with customers	—	25
Property, plant and equipment	119	—
Investment properties	12	3
<b>Total</b>	<b>131</b>	<b>28</b>

## 59 Other assets

Other assets include prepaid expenses of €67 million (2010: €80 million).

## 60 Own securitisation

One of the goals of securitisation transactions is to reduce risk-weighted assets. Accordingly, the prime motivation for our securitisation programmes is the desire to reduce the risk in our loan portfolio and to achieve the optimum capital allocation for creating value. In order to reduce risk-weighted assets in a way that is recognised by the supervisory authorities, at least 50% of the risk-weighted assets relating to the mezzanine tranches of the underlying pool of receivables must be transferred compliant with Section 232 of the German Solvency Regulation (SolV); the securitising institution may retain the remaining portion. The extent to which the Bank then actually retains risks depends on the current market conditions and the type of securitisation transaction (synthetic or true sale), among other factors.

Synthetic securitisation requires the portfolio to be divided into at least two tranches. The credit risk inherent in the underlying receivables is spread over the tranches with different risk profiles. A traditional securitisation transaction (true sale transactions), on the other hand, is structured in such a way that the cash flow from the underlying receivables services at least two tranches reflecting different risk profiles.

In the case of synthetic securitisation, the transfer of risk and the ensuing reduction in capital requirements is essentially achieved using hedges in the form of guarantees and credit derivatives (credit default swaps, credit-linked notes). In the case of traditional securitisation, this is achieved by selling balance sheet assets (true sale).

The Provide-A 2005-1 and Geldilux-TS-2008 transactions expired or were terminated during 2011. The SFA-1-2008, SFA-2-2008, Provide-A 2006-1, Building Comfort 2008 and EuroConnect Issuer LC 2007-1 transactions are no longer recognised so as to reduce risk-weighted assets.

At 31 December 2011, the total volume of lending in HVB Group's full set of existing securitisation programmes put in place to reduce risk-weighted assets amounted to €5.1 billion (2010: €12 billion), serving to deduct a gross amount of €2.2 billion (2010: €4.4 billion) from risk-weighted assets compliant with Basel II or a net amount of €1.4 billion (2010: €2.4 billion), taking account of the retained tranches. Here, a risk weighting of 1,250% is assumed for the items deductible from capital.

With the Geldilux-TS-2007 true sale transaction that has been carried out, the underlying receivables with a carrying amount of €2.1 billion (2010: €2.1 billion) is still recognised in full in the balance sheet. Compliant with SIC 12, the special purpose entity set up for this purpose – Geldilux-TS-2007 S.A. is fully consolidated.

The Rosenkavalier 2008 true sale transaction makes it possible to use the securities generated as collateral for repurchase agreements with the ECB. HVB Group continues to recognise the underlying receivables and the special purpose entity set up for this purpose as fully consolidated compliant with SIC 12. The volume of lending involved totalled €7.1 billion at 31 December 2011 (2010: €8.6 billion). The Bank has retained all the tranches, meaning that there is no reduction in risk-weighted assets.

HVB Group continued its securitisation activities in 2011. In order to exploit attractive funding conditions, two further securitisations (Geldilux-TS-2011 and Geldilux-PP-2011) were concluded to go with the existing Geldilux-TS-2010 with a view to raising funds. The special purpose entity set up for this purpose is fully consolidated compliant with SIC 12 and the underlying receivables with a carrying amount of €2.2 billion are still recognised in the balance sheet in full. This has not resulted in a reduction of risk-weighted assets.



## Notes to the Consolidated Balance Sheet (CONTINUED)

Current securitisation transactions serving to reduce risk-weighted assets:

The figures shown in the table are carrying amounts at the reporting date of 31 December 2011.

ISSUER	TRANSACTION NAME	LEGAL TRANSACTION MATURITY		TYPE OF ASSET SECURITISED	TOTAL VOLUME OF LENDING BASEL II € millions	REDUCTION IN RISK-WEIGHTED ASSETS COMPLIANT WITH BASEL II <sup>1</sup> € millions
			TRANSACTION CALL DATE			
UniCredit Bank AG	Promise-XXS 2006-1		12/5/2024 12/8/2012	Corporate loans	1,050	381
<b>Total for 2006</b>					<b>1,050</b>	<b>381</b>
UniCredit Luxembourg S. A.	GELDILUX-TS-2007		8/9/2012 8/4/2012	Euroloans	2,096	1,141
UniCredit Bank AG	EuroConnect Issuer SME 2007-1		15/11/2030 15/2/2015	Corporate loans	940	334
<b>Total for 2007</b>					<b>3,036</b>	<b>1,475</b>
UniCredit Bank AG	EuroConnect Issuer SME 2008-1		17/4/2033 17/4/2014	Corporate loans	1,056	355
<b>Total for 2008</b>					<b>1,056</b>	<b>355</b>
<b>Total</b>					<b>5,142</b>	<b>2,211</b>

<sup>1</sup> does not include any retained risks

## 61 Deposits from banks

(€ millions)

	2011	2010
<b>Deposits from central banks</b>	<b>5,507</b>	<b>4,396</b>
<b>Deposits from banks</b>	<b>52,351</b>	<b>47,491</b>
Current accounts and demand deposits	10,356	12,815
Reverse repos <sup>1</sup>	21,619	8,071
Term deposits	9,995	16,192
Other liabilities	10,381	10,413
<b>Total</b>	<b>57,858</b>	<b>51,887</b>

<sup>1</sup> repurchase agreements

## Amounts owed to related entities

The following table shows the breakdown of deposits from banks involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	5,894	7,506
of which: UniCredit S.p.A.	2,101	2,768
Joint ventures	—	—
Associated companies	116	—
Other participating interests	67	73
<b>Total</b>	<b>6,077</b>	<b>7,579</b>

Besides the deposits from UniCredit S.p.A., the deposits of €5,894 million from non-consolidated affiliated companies include deposits of €3,793 million from sister companies; the largest single item relates to UniCredit Bank Austria AG.

## 62 Deposits from customers

(€ millions)

	2011	2010
Current accounts and demand deposits	52,881	47,893
Savings deposits	13,797	14,893
Reverse repos <sup>1</sup>	8,989	10,010
Term deposits	22,916	26,091
Other liabilities	8,859	9,607
<b>Total</b>	<b>107,442</b>	<b>108,494</b>

<sup>1</sup> repurchase agreements

### Amounts owed to related entities

The following table shows the breakdown of deposits from customers involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	304	1,061
Joint ventures	1	—
Associated companies	39	16
Other participating interests	290	154
<b>Total</b>	<b>634</b>	<b>1,231</b>

The deposits of €304 million from non-consolidated affiliated companies include deposits of €22 million from subsidiaries and €282 million from sister companies.

## 63 Debt securities in issue

(€ millions)

	2011	2010
Bonds	42,174	46,142
Other securities	493	2,534
<b>Total</b>	<b>42,667</b>	<b>48,676</b>

### Debt securities in issue, payable to related entities

The following table shows the breakdown of debt securities in issue involving related entities:

(€ millions)

	2011	2010
Non-consolidated affiliated companies	783	1,591
of which: UniCredit S.p.A.	515	930
Joint ventures	—	—
Associated companies	221	—
Other participating interests	—	—
<b>Total</b>	<b>1,004</b>	<b>1,591</b>

Besides the debt securities attributable to UniCredit S.p.A., the debt securities in issue of €783 million attributable to non-consolidated affiliated companies include debt securities of €268 million attributable to sister companies.

## 64 Financial liabilities held for trading

(€ millions)

	2011	2010
Negative fair values arising from derivative financial instruments	121,015	91,019
Other financial liabilities held for trading	19,760	36,077
<b>Total</b>	<b>140,775</b>	<b>127,096</b>

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

## Notes to the Consolidated Balance Sheet (CONTINUED)

The cumulative valuation effects of the financial liabilities held for trading in the portfolio at 31 December 2011, which result from including the own credit spread, total €302 million (2010: €115 million). Valuation income of €187 million (2010: €15 million) arising from own credit spread changes accrued for these holdings in the year under review.

**65 Hedging derivatives**

(€ millions)

	2011	2010
Micro fair value hedge	1	16
Fair value hedge portfolio <sup>1</sup>	2,323	2,075
<b>Total</b>	<b>2,324</b>	<b>2,091</b>

<sup>1</sup> the cross-currency interest rate swaps used in hedge accounting are carried at their aggregate fair value in the fair value hedge portfolio

**66 Hedge adjustment of hedged items in the fair value hedge portfolio**

The net changes in fair value of portfolio hedged items for receivables and liabilities with interest rate hedges total €2,417 million (2010: €1,471 million). The fair value of the netted fair value hedge portfolio derivatives represents an economic comparable amount. The hedge adjustments are recognised separately in the balance sheet (for hedged lending and deposit-taking activities) for some subsidiaries for which it is possible to hedge assets and liabilities separately. The corresponding amount on the assets side of the balance sheet is €160 million (2010: €100 million).

**67 Liabilities of disposal groups held for sale**

The liabilities disclosed in 2010 related to the sale of part of the private banking activities of UniCredit Luxembourg S.A., which has been successfully concluded.

(€ millions)

LIABILITIES	2011	2010
Deposits from customers	—	597
Financial liabilities held for trading	—	1
<b>Total</b>	<b>—</b>	<b>598</b>

**68 Other liabilities**

This item totalling €4,304 million essentially encompasses deferred income and accruals compliant with IAS 37. Accruals include, notably, commitments arising from accounts payable with invoices outstanding, short-term liabilities to employees, and other accruals arising from fees and commissions, interest, cost of materials, etc.

**69 Provisions**

(€ millions)

	2011	2010
Provisions for pensions and similar commitments	47	51
Allowances for losses on guarantees and commitments	201	283
Restructuring provisions	156	87
Actuarial provisions	35	35
Other provisions	1,674	1,445
<b>Total</b>	<b>2,113</b>	<b>1,901</b>

**Provisions for pensions and similar commitments**

HVB Group operates both defined benefit plans and defined contribution plans for its employees.

In the case of defined benefit plans, the company undertakes to pay a defined future pension. The financial resources required to do so in the future can be accrued within the company (internal financing) or by payment of specific amounts to external pension funds (external financing).

In the case of defined contribution plans, the company undertakes to pay defined contributions to external pension funds which will later make the pension payments. Apart from paying the periodic contributions, the company has no further de facto commitments.

### Defined benefit plans

The provisions for pensions and similar commitments include the direct commitments to HVB Group employees under company pension plans. These defined benefit plans are based in part on final salaries and in part on building-block schemes involving dynamic adjustment of vested rights.

Funded pension commitments differ from unfunded pension commitments in that plan assets are allocated to cover the claims of the beneficiaries. The funded pension obligations are offset against the fair value of a plan's assets. The recognised funded pension provision reflects the balance of the present value of the pension obligations and the fair value of the plan assets.

The financial commitments financed by the Pensionskasse der HypoVereinsbank VvaG pension fund are included in the disclosures regarding pension commitments. The standard HVB Group valuation parameters are used when calculating these commitments. The fair value of the plan assets of this plan exceeds the present value of the pension commitments. This does not lead to a defined benefit liability being recognised in the balance sheet. Since any surpluses are attributable to the members of the pension fund and not HVB, it is not possible to capitalise the excess of the plan assets over the present value of the pension commitments for this plan due to the reduction on account of the asset ceiling defined in IAS 19.58B. There were no other instances in which the asset ceiling was applied during the year under review.

For the purpose of calculating the internal pension entitlements, the valuation parameters of HVB Group were modified as follows: (in %)

	31/12/2011/ 1/1/2012	31/12/2010/ 1/1/2011
Interest rate	5.25	5.00
Expected return on plan assets	5.25	5.00
Rate of increase in pension commitments	1.70	1.70
Rate of increase in future compensation and vested rights	2.00	2.00
Rate of increase over career	0 – 1.5	0 – 1.5

The funding status developed as follows:

(€ millions)

	2011	2010	2009	2008	2007
<b>Funded pension commitments:</b>					
Present value of funded pension commitments	2,875	2,937	2,861	2,751	2,305
Fair value of plan assets	(3,109)	(3,153)	(3,066)	(3,010)	(2,321)
Reduction due to asset ceiling compliant with IAS 19.58B	85	51	69	104	2
Capitalised excess cover of plan assets	154	171	139	174	37
<b>Recognised pension provisions</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>19</b>	<b>23</b>
<b>Unfunded pension commitments:</b>					
Present value of unfunded pension commitments	42	45	47	85	82
<b>Total recognised pension provisions</b>	<b>47</b>	<b>51</b>	<b>50</b>	<b>104</b>	<b>105</b>

On account of the change of method used to determine the discount rate in the reporting period, a discount rate of 5.25% was applied when discounting the pension obligations. Applying the new method used to determine the discount rate gives rise to a total that is 50 basis points higher than under the old calculation method (see also Note 2 and Note 24).

## Notes to the Consolidated Balance Sheet (CONTINUED)

The following table shows the impact of the change of method on the funding status at 31 December 2011:

(€ millions)

	TOTAL BEFORE CHANGE OF METHOD	EFFECT OF CHANGE OF METHOD	TOTAL AFTER CHANGE OF METHOD
<b>Funded pension commitments:</b>			
Present value of funded pension commitments	3,081	(206)	2,875
Fair value of plan assets	(3,109)	—	(3,109)
Reduction due to asset ceiling compliant with IAS 19.58B	23	62	85
Capitalised excess cover of plan assets	10	144	154
<b>Recognised pension provisions</b>	<b>5</b>	<b>—</b>	<b>5</b>
<b>Unfunded pension commitments:</b>			
Present value of unfunded pension commitments	43	(1)	42
<b>Total recognised pension provisions</b>	<b>48</b>	<b>(1)</b>	<b>47</b>

The higher discount rate causes the total obligation to be discounted more heavily, thus leading to a lower present value for the pension obligations. Netting the lower present value of the funded pension obligations with fair value of the plan assets results in a higher excess of plan assets over plan liabilities compared with the situation prior to the change of method, which is allocated to the amount of the reduction due to the asset ceiling and the capitalised excess cover of plan assets. The total pension provisions shown in the balance sheet have declined slightly as a result.

It is not necessary to adjust the 2010 figures as both methods resulted in the same discount rate in the previous reporting periods; deviations arise for the first time in the current reporting period. This is due to the fact that the method used to determine the discount rate more accurately reflects the current market situation than the old method on account of the larger underlying bond portfolio.

The development of the experience adjustments is as follows:

(€ millions)

	2011	2010	2009	2008	2007
Experience adjustments to plan liabilities	(27)	(32)	(55)	(18)	(27)
Experience adjustments to plan assets	(89)	30	(15)	(102)	(58)

HVB Group exercises the option permitted by IAS 19.93A for defined benefit pension plans to carry actuarial gains or losses in shareholders' equity outside the profit or loss for the period in accordance with the other comprehensive income method (OCI method).

The following table shows the breakdown of pension expense:

(€ millions)

	2011	2010
Present value of the pension claims vested in the year under review	(36)	(33)
Interest expense	(113)	(117)
Expected income from plan assets	119	122
Losses from changes to plans	1	—
<b>Total</b>	<b>(29)</b>	<b>(28)</b>

Pension expense is recognised in payroll costs (pension and other employee benefit costs) as a net amount. The contributions transferred to the pension fund are shown under defined contribution plans and not in this table.

The following table shows an analysis of funded and covered pension commitments:

(€ millions)

	2011	2010
<b>Balance at 1 January</b>	<b>2,937</b>	<b>2,861</b>
Present value of the pension claims vested in the year under review	47	43
Interest expense	144	147
Contributions from plan participants	2	4
Actuarial gains/(losses)	(124)	5
Payments affecting liquidity	(131)	(129)
Changes in consolidated group	—	3
Changes arising from foreign currency translation	2	2
Other changes	(2)	1
<b>Balance at 31 December</b>	<b>2,875</b>	<b>2,937</b>

The following table shows an analysis of the present value of unfunded pension commitments:

(€ millions)

	2011	2010
<b>Balance at 1 January</b>	<b>45</b>	<b>47</b>
Present value of the pension claims vested in the year under review	1	1
Interest expense	2	2
Contributions from plan participants	—	—
Actuarial gains/(losses)	(1)	—
Payments affecting liquidity	(3)	(3)
Changes in consolidated group	—	—
Changes arising from foreign currency translation	—	—
Other changes	(2)	(2)
<b>Balance at 31 December</b>	<b>42</b>	<b>45</b>

The change of method used to determine the discount rate had an impact on the development of the present value of the pension obligations during the course of the year. As shown in the analysis above, the present value of the funded pension obligations falls by €206 million, from €3,081 million to €2,875 million, at 31 December 2011 on account of the change of method; the present value of the unfunded pension obligations declines by €1 million, from €43 million to €42 million.

The changeover effect arising from the altered amount of the underlying discount rate yielded actuarial gains in the reporting period. In the case of the funded pension obligations, the change of method results in an actuarial gain of €124 million being recorded on account of an increase in the interest rate from 5.00% to 5.25% (new method) instead of an actuarial loss of €82 million on account of a reduction of the interest rate from 5.00% to 4.75% (old method). In the case of the unfunded pension obligations, applying the interest rate based on the old calculation method gives rise to actuarial insignificant gains/losses, while applying the new method leads to an actuarial gain of €1 million. The net effect of €207 million resulting from the change of method during the reporting period is recognised directly in equity (other comprehensive income) and carried under retained earnings. The income statement was not affected in the reporting period.

HVB set up plan assets in the form of contractual trust arrangements (CTA). This involved transferring the assets required to fund its pension commitments to legally independent trustees, including HVB Trust e.V. Compliant with IAS 19.54, assets transferred are offset against the pension provisions; the amount of the pension provisions in the corporate group declines accordingly.

## Notes to the Consolidated Balance Sheet (CONTINUED)

HVB reorganised its company pension plans (direct commitments). HVB Trust Pensionsfonds AG (pension fund) was set up in the process. Both the pension commitments to pensioners, who in October 2009 had already received pension benefits from the Bank, and the assets required to cover these commitments were transferred to the pension fund. The pensioners' pension claims are not affected by the restructuring; HVB continues to guarantee the pension. The pension fund is a legally independent institution regulated by the German Federal Financial Supervisory Authority (BaFin).

The following table shows the plan assets available to the trustees to finance the pension commitments:

(€ millions)

	2011	2010
Equities	28	13
Fixed-income securities	84	90
Property	86	85
Other assets	77	84
Investment funds	2,834	2,881
<b>Plan assets</b>	<b>3,109</b>	<b>3,153</b>

The fixed-income securities include own bonds of €5 million (2010: €0 million). The plan assets also include real estate used by the Bank with a fair value of €7 million (2010: €5 million). Furthermore, term and overnight deposits of €69 million (2010: €79 million) deposited with HVB are shown under other assets. The investment funds include own financial instruments with a fair value of €446 million (2010: €390 million), of which €367 million (2010: €363 million) relates to promissory loans and fixed-income securities and €79 million (2010: €27 million) to Pfandbriefs.

The following table shows the development of the plan assets:

(€ millions)

	2011	2010
<b>Balance at 1 January</b>	<b>3,153</b>	<b>3,066</b>
Expected income from plan assets	155	158
Actuarial gains/(losses)	(104)	30
Allocations to plan assets	35	24
Employee contributions	—	—
Disbursements to beneficiaries	(132)	(129)
Additional allocations in the form of benefits not taken	—	—
Changes in exchange rates	2	2
Changes in consolidated group	—	2
<b>Balance at 31 December</b>	<b>3,109</b>	<b>3,153</b>

With regard to the plan assets, the item actuarial gains shows the difference between the expected income from plan assets and the income from plan assets actually realised. The balance of expected income and actuarial gains from plan assets gives the actual income from plan assets of €51 million.

The cumulative actuarial losses recognised in shareholders' equity compliant with IAS 19.93A totalled €286 million in 2011 (2010: €274 million) before deferred taxes and minority interests. Compliant with IAS 19.93C, the total also includes adjustments caused by changes in the limit defined in IAS 19.58B in that changes to the fair value of plan assets that are subject to a cap due to the limit set in IAS 19.58B are not included in the income from plan assets.

The expected long-term return on the plan assets is essentially derived from the asset allocation of the plan assets and the expected returns on the asset classes held in the portfolios. Temporary fluctuations in the allocations of the plan assets do not lead to an adjustment of the expected long-term return on the plan assets. The Investment Committee, which is responsible for the plan assets, sets the respective return target on the basis of the returns forecast by our capital market research. In addition to this, the average long-term returns generated by the plan assets and historical returns on the overall market are included when the expected return is calculated.

HVB Group is planning to make contributions totalling €29 million to defined benefit plans in 2012.

### Defined contribution plans

HVB Group companies make contributions for commitments made by independent pension organisations. The pension obligations funded through retirement benefit corporations with matching cover are recognised as defined contribution plans. The cost of defined contribution plans and for the retirement benefit corporation totalled €80 million in 2011 (2010: €41 million).

Allowances for losses on financial guarantees, restructuring provisions, actuarial provisions and other provisions

(€ millions)

	ALLOWANCES FOR LOSSES ON FINANCIAL GUARANTEES	RESTRUCTURING PROVISIONS	ACTUARIAL PROVISIONS	OTHER PROVISIONS
<b>Balance at 1 January 2011</b>	<b>283</b>	<b>87</b>	<b>35</b>	<b>1,445</b>
Changes in consolidated group	—	—	—	—
Changes arising from foreign currency translation	—	—	—	—
Transfers to provisions	87	93	—	590
Reversals	(73)	—	—	(251)
Reclassifications	—	(7)	—	23
Amounts used	(96)	(17)	—	(133)
Non-current assets or disposal groups held for sale	—	—	—	—
<b>Balance at 31 December 2011</b>	<b>201</b>	<b>156</b>	<b>35</b>	<b>1,674</b>

The allowances for losses on guarantees and commitments primarily include allowances for contingent liabilities (guarantee risks and documentary credits) that will essentially be utilised in the following year.

Transfers were made to restructuring provisions in 2011 in connection with the strategic reorientation of the CIB division, notably including the discontinuation of the cash equity activities for western Europe and the equity research business. At the same time, we set up restructuring provisions as part of a cost-optimisation programme in the central corporate centre functions of the divisions and selected competence lines, among other things. For the most part, this relates to provisions for severance payments, most of which are expected to be used in 2012 and 2013, although both programmes will be completed by 2015.

The amounts utilised in 2011 result from restructuring programmes initiated in previous years, and notably from the provisions set up in 2010 with regard to the sale of parts of the private banking activities of UniCredit Luxembourg S.A.

The actuarial provisions relate to commitments arising from reinsurance policies written by our Grand Central Re Ltd. subsidiary.

Other provisions include provisions for litigation fees, damage payments, anticipated losses including rental guarantees and provisions for long-term liabilities to employees such as service anniversary awards, early retirement or partial retirement. Other provisions also include a provision arising from the obligation to complete an offshore wind farm. HVB Group has undertaken to fund this offshore wind farm located in the North Sea, around 100 kilometres off the German coast. In particular, delays to the completion of the wind farm led to a provision totalling €413 million at 31 December 2011 being set up in 2010 and 2011. Furthermore, HVB restructured its commitment to the general contractor commissioned to deliver the wind farm on a turnkey basis during 2011 by way of a restructuring loan. Allowances for losses on loans and receivables were set up in this context, with the total amount reaching €297 million at 31 December 2011. This means that, at year-end 2011, HVB had total provisions of €710 million (2010: €425 million) for the obligation to complete the offshore wind farm, of which €413 million is attributable to other provisions and €297 million to allowances for losses on loans and receivables.

The amount of the respective provisions reflects the best estimate of the amount required to settle the obligation at the reporting date. Nevertheless, the amounts involved are subject to uncertainties in the estimates made. Besides the assumptions regarding periods, the cost estimates are validated regularly for rental guarantees in particular.

Other provisions also include the parts of the bonus that are disbursed on a deferred basis with the waiting period exceeding one year. Accordingly, the bonus payments for the 2010 financial year to be disbursed as of 2012 are recorded here together with the parts of the bonus payments for 2011 to be disbursed as of 2013. The bonus provisions included here have been taken to the income statement in both the reporting period and the previous financial years. It is considered highly probable that the bonus will be disbursed. For details of the bonus plan, please refer to Note 37.



# Notes to the Consolidated Balance Sheet (CONTINUED)

Besides this, the provisions for the Retention Awards Programme are also included in this item. In addition to the bonus for the present financial year, selected employees in investment banking received a retention award in previous years, which is disbursed later (after two years), provided that these employees are still working for HVB Group at that time. The award granted to the eligible employees attracts interest of 4.2% over the waiting period. No further provisions were set aside for the Retention Awards Programme in 2011. The Retention Award Programme from 2008 was disbursed in 2011.

With the exception of the provision for rental guarantees and pre-emptive rights, the other provisions are normally expected to be utilised during the following financial year.

## 70 Shareholders' equity

### Breakdown of shareholders' equity

#### Subscribed capital

At 31 December 2011, the subscribed capital of HVB totalled €2,407 million (2010: €2,407 million) and consisted of 802,383,672 shares of common bearer (no par shares) (2010: 802,383,672 no par shares).

The proportionate amount of capital stock attributable to the share amounts to €3.00 per no par share. The shares are fully paid in.

#### Additional paid-in capital

The additional paid-in capital results from premiums generated on the issuance of shares; the total at 31 December 2011 amounted to €9,791 million (2010: €9,791 million).

#### Retained earnings

The retained earnings at 31 December 2011 consisted exclusively of other retained earnings of €9,389 million (2010: €9,485 million).

#### Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments recognised in equity totalled minus €112 million (2010: minus €87 million) at 31 December 2011. The €25 million decline year-on-year can be attributed to the €32 million decrease in the hedge reserve to €22 million, while the AfS reserve rose by €7 million to minus €134 million. This results primarily from positive fair value fluctuations notably in our shareholdings and fixed-income securities classified as available for sale. This was offset by the effect arising from the sale of available-for-sale financial assets.

## 71 Subordinated capital

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

	2011	2010
Subordinated liabilities	2,496	2,628
Participating certificates outstanding	155	205
Hybrid capital instruments	804	1,299
<b>Total</b>	<b>3,455</b>	<b>4,132</b>

Pursuant to Section 10 (4 and 5a) and as of 31 December 2011 Section 64m (1) KWG and in accordance with the Capital Accord introduced by the Basel Committee on Banking Supervision in July 1988, subordinated capital (subordinated liabilities and hybrid capital instruments) was carried as core capital and supplementary capital in 2011.

No participating certificates outstanding were included in the supplementary capital as of 31 December 2011, as the participating certificates fall due for repayment in less than two years.

The following table shows the breakdown of subordinated capital by balance sheet item:

(€ millions)

	2011	2010
Deposits from customers	181	234
Deposits from banks	538	538
Debt securities in issue	2,736	3,360
<b>Total</b>	<b>3,455</b>	<b>4,132</b>

We have incurred interest expenses of €210 million in connection with this subordinated capital. Subordinated capital includes proportionate interest of €89 million.

### Subordinated liabilities

The borrower cannot be obliged to make early repayments in the case of subordinated liabilities. In the event of insolvency or liquidation, subordinated liabilities can only be repaid after the claims of all primary creditors have been settled.

There were subordinated liabilities of €787 million payable to related entities in 2011.

### Participating certificates outstanding

The following issue represents a major component of HVB Group's participating certificates outstanding:

ISSUER	YEAR OF ISSUE	TYPE	NOMINAL AMOUNT € millions	INTEREST RATE in %	MATURITY
UniCredit Bank AG	2001	Bearer participating certificates	100	6.30	2011

Holders of participating certificates are subordinated creditors and are not entitled to a share of the proceeds on company liquidation.

In each case, the participating certificates grant holders an entitlement to an annual interest payment with priority over the entitlement of shareholders to dividend payments; the interest payments arising from the participating certificates are reduced if such payments would result in a net loss for the year.

In the event of the interest payment being reduced, the shortfall is to be repaid in the subsequent financial years, provided this does not result in a net loss for the year; a claim to repayment only exists, however, during the term of the participating certificates.

Repayment is at the nominal amount; in the event of a net loss for the year or a reduction in the capital stock to cover losses, the redemption amount to which holders are entitled declines proportionately. Where net profits are generated in the subsequent financial years following a participation of the participating certificates in a net loss, the claims to repayment of the participating certificates are to be increased out of these profits before the net income is appropriated in any other way, once the legal reserves have been replenished; this obligation terminates when the participating certificates expire.

The interest payments for the 2011 financial year were made in full.

### Hybrid capital instruments

At 31 December 2011, HVB Group had hybrid core capital of €779 million (eligible amount compliant with the German Banking Act) to bolster its capital base.

Hybrid capital instruments include, in part, issues placed by specially created subsidiaries in the form of capital contributions from silent partners or preferred shares.

These instruments differ from supplementary capital in that they are subject to more stringent conditions in terms of maturity. The terms of issue for capital contributions from silent partners envisage a minimum term of 30 years, while an unlimited term has been agreed with the investors for preferred shares. In addition, hybrid capital instruments are not repaid until after supplementary capital has been repaid (subordinated liabilities) in the event of bankruptcy.

In contrast to traditional components of core capital such as shares, the claim to a share of profit takes the form of a fixed interest payment in the case of hybrid capital. Moreover, hybrid capital can be issued both with unlimited maturity and repayable in the long term.

Both the German Federal Banking Supervisory Authority and the Basel Committee on Banking Supervision have expressly confirmed the recognition of hybrid capital for banking supervisory purposes. The eligibility of hybrid core capital under Section 64m KWG is continued by the version of the German Banking Act applicable from 31 December 2010.

# Notes to the Cash Flow Statement

## 72 Notes to the items in the cash flow statement

The cash flow statement shows the cash flows resulting from operating activities, investing activities and financing activities for the year under review. Operating activities are defined broadly enough to allow the same breakdown as for operating profit.

The cash and cash equivalents shown correspond to the "Cash and cash balances" item in the balance sheet, comprising both cash on hand and deposits with central banks repayable on demand.

Change in other non-cash positions comprises the changes in the valuation of financial instruments, net additions to deferred taxes, changes in provisions, changes in prorated and deferred interest, the reversal of premiums and discounts, changes arising from valuation using the equity method and minority interests in net income.

Gains of €79 million were realised on the sale of shares in fully consolidated companies in the 2011 financial year, of which €79 million was in cash.

The following table shows the assets and liabilities of the companies sold. There were no acquisitions in 2011.

(€ millions)

	2011		2010	
	ACQUIRED	SOLD	ACQUIRED	SOLD
<b>Assets</b>				
Cash and cash balances	—	—	—	—
Financial assets held for trading	—	—	17,807	—
Financial assets at fair value through profit or loss	—	—	2	—
Available-for-sale financial assets	—	—	82	—
Shares in associated companies accounted for using the equity method and joint ventures accounted for using the equity method	—	—	—	—
Held-to-maturity investments	—	—	—	—
Loans and receivables with banks	—	7	9,943	—
Loans and receivables with customers	—	2	26	—
Hedging derivatives	—	—	1,663	—
Property, plant and equipment	—	75	—	—
Investment properties	—	—	—	—
Intangible assets	—	2	—	—
of which: goodwill	—	—	—	—
Tax assets	—	—	59	—
Non-current assets or disposal groups held for sale	—	—	—	—
Other assets	—	—	20	—
<b>Liabilities</b>				
Deposits from banks	—	3	5,758	—
Deposits from customers	—	33	152	—
Debt securities in issue	—	—	—	—
Financial liabilities held for trading	—	—	15,843	—
Hedging derivatives	—	—	1,829	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Tax liabilities	—	—	54	—
Liabilities of disposal groups held for sale	—	—	—	—
Other liabilities	—	4	21	—
Provisions	—	—	1	—

There were no disposals in 2010.

# Other Information

## 73 Information regarding lease operations

### HVB Group as lessor

#### Operating leases

HVB Group acts as a lessor under operating leases. At present, the relevant lease agreements notably encompass real estate (land and buildings) and movable assets such as plant and office equipment, aircraft, motor vehicles and industrial machinery. The lease agreements for real estate are based on customary market terms and contain extension options and price adjustment clauses in the form of stepped rents or index clauses; options to purchase have generally not been agreed. The lease agreements for movable assets have generally been concluded with lease periods of between four and ten years and an additional option to purchase; they do not contain any extension or price adjustment clauses.

The following table shows the breakdown of the minimum lease payments to be received on non-cancellable operating leases: (€ millions)

	2011
<b>Remaining maturity:</b>	
up to 12 months	39
from 1 year to 5 years	267
from 5 years and over	252
<b>Total</b>	<b>558</b>

As in 2010, the operating agreements do not contain any conditional lease payments at present.

#### Finance leases

HVB Group leases mobile assets as a lessor under finance leases. This notably includes plant and office equipment, aircraft, motor vehicles and industrial machinery. As a general rule, the lease agreements stipulate lease periods of between four and ten years and an additional option to purchase; they do not contain any extension or price adjustment clauses.

The following table shows the reconciliation from the future minimum lease payments to the gross and net investment in the lease and to the present value of the future minimum lease payments at the reporting date. The amounts receivable from lease operations (finance leases) consist of the following:

	2011	2010
Future minimum lease payments	2,228	2,926
+ Unguaranteed residual value	—	—
<b>= Gross investment</b>	<b>2,228</b>	<b>2,926</b>
– Unrealised finance income	(216)	(273)
<b>= Net investment</b>	<b>2,012</b>	<b>2,653</b>
– Present value of unguaranteed residual value	—	—
<b>= Present value of future minimum lease payments</b>	<b>2,012</b>	<b>2,653</b>

The future minimum lease payments reflect the total lease payments to be made by the lessee under the lease agreement plus the guaranteed residual value.

The unguaranteed residual value is that portion of the residual value of the leased asset which is not guaranteed to be realised by the lessor.

For the lessor, the gross investment in the lease is the aggregate of the minimum lease payments under a finance lease and any unguaranteed residual value accruing to the lessor.

Unrealised finance income is the difference between the lessor's gross investment in the lease and its present value (net investment). It corresponds to the internal implicit in the lease between the reporting date and the end of the lease.

The present value of the minimum lease payments is calculated as the net investment in the lease less the present value of the unguaranteed residual value.

## Other Information (CONTINUED)

The following table shows the remaining maturity of the gross investment in the leases and the present value of the minimum lease payments: (€ millions)

	GROSS INVESTMENT		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
	2011	2010	2011	2010
<b>Remaining maturity:</b>				
up to 12 months	709	1,263	618	1,148
from 1 year to 5 years	1,275	1,518	1,162	1,376
from 5 years and over	244	145	232	129
<b>Total</b>	<b>2,228</b>	<b>2,926</b>	<b>2,012</b>	<b>2,653</b>

The cumulative write-downs on uncollectable outstanding minimum lease payments in amounts receivable from customers under finance leases amounted to €2 million at the end of the reporting period (2010: €4 million).

As in 2010, the finance lease agreements do not contain any conditional lease payments at present.

**HVB Group as lessee****Operating leases**

HVB Group acts as lessee under operating leases. The current obligations relate primarily to rental and lease agreements for real estate (land and buildings) and movable assets, mainly comprising plant, office equipment and motor vehicles. The lease agreements for real estate generally contain extension options and price adjustment clauses in the form of stepped rents or index clauses; options to purchase have been agreed in some cases. The lease agreements for movable assets have been concluded at customary market terms for lease periods of between three and nine years.

In the reporting period, the commitments arising from operating leases under lease and sublease agreements resulted in minimum lease payments of €149 million being recognised as expense in the income statement.

The following table shows the cumulative minimum lease payments arising from non-cancellable operating leases to be expected in future financial years:

	(€ millions)
	2011
<b>Remaining maturity:</b>	
up to 12 months	146
from 1 year to 5 years	219
from 5 years and over	180
<b>Total</b>	<b>545</b>

The agreements regarding the outsourcing of ICT processes to the UniCredit-wide service provider UGIS (see Note 5) include the charged transfer of rights to use assets in the form of operating leases. The full service contracts concluded annually in this regard consist for the most part of rent payments for the provision of hardware and software that are included in the minimum lease payments of €50 million for the reporting period and €57 million for the following financial year mentioned above.

HVB Group has concluded sublease agreements for real estate at customary market terms, some of which include rent adjustment clauses and extension options. Payments of €28 million (2010: €28 million) received from subleases were recognised as income in the income statement during the reporting period.

The aggregate future minimum lease payments arising from non-cancellable subleases expected to be received in the subsequent financial years amount to €126 million.

As last year, the operating leases do not contain any conditional rent payments.

### Finance leases

The finance leases entered into by HVB Group as lessee relate to real estate (land and buildings). The lease agreements generally contain an option to purchase price adjustment clauses.

The following table shows the reconciliation from the aggregate future minimum lease payments at the reporting date to their present value. This gives rise to the amounts payable to customers from lease operations (finance leases):

(€ millions)

	2011	2010
Future minimum lease payments	361	406
– Finance charge (interest included in minimum lease payments)	(88)	(97)
<b>= Present value of future minimum lease payments</b>	<b>273</b>	<b>309</b>

The difference between the future minimum lease payments and their present value represents unamortised interest expense.

The following table shows the remaining maturity of the future minimum lease payments and their present value at the reporting date:

(€ millions)

	FUTURE MINIMUM LEASE PAYMENTS		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
	2011	2010	2011	2010
<b>Remaining maturity:</b>				
up to 12 months	47	44	47	44
from 1 year to 5 years	72	104	65	96
from 5 years and over	242	258	161	169
<b>Total</b>	<b>361</b>	<b>406</b>	<b>273</b>	<b>309</b>

The aggregate future minimum lease payments arising from non-cancellable subleases that are expected to be received in the subsequent financial years amounts to €29 million.

Conditional rent payments of €15 million (2010: €17 million) arising from finance leases were recognised as expense in the income statement in the reporting period.

### 74 Application of reclassification rules defined in IAS 39.50 et seq.

No further assets held for trading have been reclassified as loans and receivables in 2011. The intention to trade no longer exists for the assets reclassified in 2008 and 2009 since the markets in these financial instruments had become illiquid as a result of the extraordinary circumstances created by the financial crisis (2008/09) through to the time of reclassification. Given the high quality of the assets concerned, HVB intends to retain the assets for a longer period. HVB has not reclassified any assets from the available-for-sale portfolio.

The following table shows the development of the reclassified holdings:

(€ billions)

RECLASSIFIED ASSET-BACKED SECURITIES AND OTHER DEBT SECURITIES	CARRYING AMOUNT OF ALL RECLASSIFIED ASSETS <sup>1</sup>	FAIR VALUE OF ALL RECLASSIFIED ASSETS	NOMINAL AMOUNT OF ALL RECLASSIFIED ASSETS
<b>Reclassified in 2008</b>			
Balance at 31/12/2008	13.7	11.8	14.6
Balance at 31/12/2009	9.0	8.0	9.7
Balance at 31/12/2010	6.5	5.9	7.0
Balance at 31/12/2011	4.7	4.0	5.0
<b>Reclassified in 2009</b>			
Balance at 31/12/2009	7.3	7.4	7.4
Balance at 31/12/2010	4.6	4.5	4.6
Balance at 31/12/2011	3.2	3.2	3.3
<b>Balance of reclassified assets at 31/12/2011</b>	<b>7.9</b>	<b>7.2</b>	<b>8.3</b>

<sup>1</sup> before accrued interest

## Other Information (CONTINUED)

The fair value of the financial instruments reclassified as loans and receivables with banks and customers amounts to a total of €7.2 billion at 31 December 2011. If these reclassifications had not been carried out in 2008 and 2009, mark-to-market valuation (including realised disposals) would have given rise to a net gain of €96 million in net trading income in the 2011 financial year. A net gain of €416 million would have arisen in net trading income in 2010 and of €1,159 million in 2009, while a net loss of €1,792 million would have accrued in net trading income from the reclassified holdings in 2008. These effects reflect a theoretical, pro forma calculation, as the assets are measured at amortised cost on account of the reclassification.

We took write-downs of €3 million on the reclassified assets in 2011 (2010: €8 million, 2009: €80 million, 2008: €63 million). The fair value at the date when the reclassification takes effect represents the new acquisition cost, which in some cases is considerably less than the nominal value. Accordingly, this difference (discount) is to be amortised over the remaining term of the reclassified financial assets. This together with the reclassified securities that had matured or been partially repaid gives rise to an effect of €100 million (2010: €160 million, 2009: €208 million, 2008: €127 million), which is recognised in net interest income. The effective interest rates for the reclassified securities are in a range from 0.77% to 16.04%.

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

In 2011, the reclassifications carried out in 2008 and 2009 resulted in a profit before tax that was €15 million higher. Between the date when the reclassifications took effect and the reporting date, the cumulative net impact on the income statement from the reclassifications already carried out totalled €678 million before tax (2011: plus €15 million, 2010: minus €245 million, 2009: minus €948 million, 2008: plus €1,856 million).

### 75 Notes to selected structured products

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

#### ABS portfolio

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

Depending on the underlying assets in a securitisation transaction, the following types of security among others are distinguished in ABS transactions:

- residential mortgage-backed securities (RMBS) relating to mortgage loans in the private sector (residential mortgage loans)
- commercial mortgage-backed securities (CMBS) relating to mortgage loans in the commercial sector (commercial mortgage loans)
- collateralised loan obligations (CLO) relating to commercial bank loans
- collateralised bond obligations (CBO) relating to securities portfolios.

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

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

(€ millions)

CARRYING AMOUNTS	31/12/2011				31/12/2010
	SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
<b>Positions retained from own securitisations</b>	<b>225</b>	<b>97</b>	<b>—</b>	<b>322</b>	<b>469</b>
<b>Positions in third-party ABS transactions</b>	<b>3,371</b>	<b>1,425</b>	<b>33</b>	<b>4,829</b>	<b>5,139</b>
Residential mortgage-backed securities (RMBS)	1,656	483	—	2,139	2,320
thereof:					
US subprime	2	—	—	2	—
US Alt-A	2	—	—	2	6
Commercial mortgage-backed securities (CMBS)	684	309	—	993	1,018
Collateralised debt obligations (CDO)	53	92	—	145	242
thereof:					
US subprime	—	—	—	—	7
US Alt-A	—	—	—	—	4
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	704	401	29	1,134	913
Consumer loans	120	60	4	184	271
Credit cards	—	—	—	—	3
Leases	151	61	—	212	263
Others	3	19	—	22	109
<b>Total</b>	<b>31/12/2011</b>	<b>3,596</b>	<b>1,522</b>	<b>33</b>	<b>5,151</b>
	<b>31/12/2010</b>	<b>4,133</b>	<b>1,461</b>	<b>14</b>	<b>5,608</b>
<b>Synthetic collateralised debt obligations (CDO) (derivatives)<sup>1</sup></b>	<b>31/12/2011</b>	<b>27</b>	<b>37</b>	<b>17</b>	<b>81</b>
	<b>31/12/2010</b>	<b>15</b>	<b>237</b>	<b>44</b>	<b>296</b>

<sup>1</sup> the amounts shown in the table represent the carrying amount (fair value)

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



## Other Information (CONTINUED)

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

CARRYING AMOUNTS	31/12/2011					TOTAL
	EUROPE	USA	ASIA	OTHER REGIONS		
<b>Positions retained from own securitisations</b>	<b>322</b>	—	—	—	<b>322</b>	
<b>Positions in third-party ABS transactions</b>	<b>3,923</b>	<b>671</b>	<b>31</b>	<b>204</b>	<b>4,829</b>	
Residential mortgage-backed securities (RMBS)	1,954	4	26	155	2,139	
thereof:						
US subprime	—	2	—	—	2	
US Alt-A	—	2	—	—	2	
Commercial mortgage-backed securities (CMBS)	824	166	3	—	993	
Collateralised debt obligations (CDO)	39	103	2	1	145	
thereof:						
US subprime	—	—	—	—	—	
US Alt-A	—	—	—	—	—	
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	809	277	—	48	1,134	
Consumer loans	85	99	—	—	184	
Credit cards	—	—	—	—	—	
Leases	191	21	—	—	212	
Others	21	1	—	—	22	
<b>Total</b>	<b>4,245</b>	<b>671</b>	<b>31</b>	<b>204</b>	<b>5,151</b>	
	<b>31/12/2010</b>	<b>4,851</b>	<b>452</b>	<b>62</b>	<b>5,608</b>	
<b>Synthetic collateralised debt obligations (CDO) (derivatives)<sup>1</sup></b>	<b>29</b>	<b>52</b>	—	—	<b>81</b>	
	<b>31/12/2010</b>	<b>10</b>	<b>286</b>	—	<b>296</b>	

<sup>1</sup> the amounts shown in the table represent the carrying amount (fair value)

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

(€ millions)

CARRYING AMOUNTS	31/12/2011			TOTAL
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	
<b>Positions retained from own securitisations</b>	<b>234</b>	<b>88</b>	<b>—</b>	<b>322</b>
<b>Positions in third-party ABS transactions</b>	<b>492</b>	<b>2,668</b>	<b>1,669</b>	<b>4,829</b>
Residential mortgage-backed securities (RMBS)	163	829	1,147	2,139
thereof:				
US subprime	—	1	1	2
US Alt-A	—	2	—	2
Commercial mortgage-backed securities (CMBS)	138	715	140	993
Collateralised debt obligations (CDO)	10	36	99	145
thereof:				
US subprime	—	—	—	—
US Alt-A	—	—	—	—
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	87	808	239	1,134
Consumer loans	41	104	39	184
Credit cards	—	—	—	—
Leases	49	162	1	212
Others	4	14	4	22
<b>Total</b>	<b>31/12/2011</b>	<b>726</b>	<b>2,756</b>	<b>1,669</b>
	<b>31/12/2010</b>	<b>571</b>	<b>3,658</b>	<b>1,379</b>
<b>Synthetic collateralised debt obligations (CDO) (derivatives)<sup>1</sup></b>	<b>31/12/2011</b>	<b>—</b>	<b>67</b>	<b>14</b>
	<b>31/12/2010</b>	<b>—</b>	<b>71</b>	<b>225</b>

<sup>1</sup> the amounts shown in the table represent the carrying amount (fair value)

## Other Information (CONTINUED)

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

CARRYING AMOUNTS	31/12/2011					TOTAL	
	HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE		
<b>Positions retained from own securitisations</b>	<b>76</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>246</b>	<b>322</b>	
<b>Positions in third-party ABS transactions</b>	<b>488</b>	<b>72</b>	<b>3,876</b>	<b>96</b>	<b>297</b>	<b>4,829</b>	
Residential mortgage-backed securities (RMBS)	81	30	1,947	1	80	2,139	
thereof:							
US subprime	—	—	—	2	—	2	
US Alt-A	—	—	2	—	—	2	
Commercial mortgage-backed securities (CMBS)	94	7	857	—	35	993	
Collateralised debt obligations (CDO)	15	17	91	20	2	145	
thereof:							
US subprime	—	—	—	—	—	—	
US Alt-A	—	—	—	—	—	—	
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	272	12	678	61	111	1,134	
Consumer loans	—	—	173	11	—	184	
Credit cards	—	—	—	—	—	—	
Leases	26	—	115	2	69	212	
Others	—	6	15	1	—	22	
<b>Total</b>	<b>31/12/2011</b>	<b>564</b>	<b>72</b>	<b>3,876</b>	<b>96</b>	<b>543</b>	<b>5,151</b>
	<b>31/12/2010</b>	<b>566</b>	<b>96</b>	<b>4,204</b>	<b>42</b>	<b>700</b>	<b>5,608</b>
<b>Synthetic collateralised debt obligations (CDO) (derivatives)<sup>1</sup></b>	<b>31/12/2011</b>	<b>81</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>81</b>
	<b>31/12/2010</b>	<b>296</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>296</b>

<sup>1</sup> the amounts shown in the table represent the carrying amount (fair value)

#### Fully consolidated commercial paper conduits and other consolidated special purpose vehicles

Alongside the directly held portfolios of own and external ABS transactions, further structured products are held through commercial paper conduits (SPVs that issue short-term commercial paper to refinance their assets) and other fully consolidated special purpose vehicles that are managed by HVB. Essentially, these involve credit receivables of third parties that are securitised by HVB using the services of the commercial paper conduits. Positions in hedge funds and customer receivables held by fully consolidated special purpose entities are also shown. An amount of €191 million out of the total €1,388 million disclosed under "Other" relates to investments under which HVB passes on all the risks and rewards to customers.

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

(€ millions)

CARRYING AMOUNTS	31/12/2011				31/12/2010
	SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Residential mortgage loans/ residential mortgage-backed securities (RMBS)	—	1,243	404 <sup>1</sup>	1,647	1,722
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)	628	—	—	628	992
Collateralised debt obligations (CDO)	—	—	—	—	3
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	—	—	—	—	95
Consumer loans	582	110	—	692	599
Credit cards	—	—	—	—	—
Leases	905	—	—	905	553
Other (including hedge fund investments)	656	414	318 <sup>2</sup>	1,388	1,726
<b>Total</b>	<b>31/12/2011</b>	<b>2,771</b>	<b>1,767</b>	<b>722</b>	<b>5,260</b>
	<b>31/12/2010</b>	<b>2,031</b>	<b>2,831</b>	<b>828</b>	<b>5,690</b>

<sup>1</sup> these assets are impaired

<sup>2</sup> the volume shown here relates to investment and hedge funds with no rating and are hence disclosed under Junior

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

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

(€ millions)

CARRYING AMOUNTS	31/12/2011				TOTAL	
	EUROPE	USA	ASIA	OTHER REGIONS		
Residential mortgage loans/ residential mortgage-backed securities (RMBS)	1,414	—	233	—	1,647	
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)	628	—	—	—	628	
Collateralised debt obligations (CDO)	—	—	—	—	—	
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	—	—	—	—	—	
Consumer loans	692	—	—	—	692	
Credit cards	—	—	—	—	—	
Leases	905	—	—	—	905	
Other (including hedge fund investments)	796	331	33	228	1,388	
<b>Total</b>	<b>31/12/2011</b>	<b>4,435</b>	<b>331</b>	<b>266</b>	<b>228</b>	<b>5,260</b>
	<b>31/12/2010</b>	<b>4,212</b>	<b>970</b>	<b>248</b>	<b>260</b>	<b>5,690</b>

## Other Information (CONTINUED)

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

(€ millions)

CARRYING AMOUNTS	31/12/2011			TOTAL	
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS		
Residential mortgage loans/ residential mortgage-backed securities (RMBS)	404	—	1,243	1,647	
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)	—	628	—	628	
Collateralised debt obligations (CDO)	—	—	—	—	
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	—	—	—	—	
Consumer loans	692	—	—	692	
Credit cards	—	—	—	—	
Leases	905	—	—	905	
Other (including hedge fund investments)	1,382	6	—	1,388	
<b>Total</b>	<b>31/12/2011</b> <b>31/12/2010</b>	<b>3,383</b> <b>2,974</b>	<b>634</b> <b>91</b>	<b>1,243</b> <b>2,625</b>	<b>5,260</b> <b>5,690</b>

Positions held by fully consolidated commercial paper conduits and other consolidated special purpose vehicles, broken down by product category and class as per IAS 39

(€ millions)

CARRYING AMOUNTS	31/12/2011					TOTAL
	HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	
Residential mortgage loans/ residential mortgage-backed securities (RMBS)	—	—	1,647	—	—	1,647
Commercial mortgage loans/ commercial mortgage-backed securities (CMBS)	—	—	628	—	—	628
Collateralised debt obligations (CDO)	—	—	—	—	—	—
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)	—	—	—	—	—	—
Consumer loans	—	—	692	—	—	692
Credit cards	—	—	—	—	—	—
Leases	—	—	905	—	—	905
Other (including hedge fund investments)	318	—	1,070	—	—	1,388
<b>Total</b>	<b>31/12/2011</b> <b>31/12/2010</b>	<b>318</b> <b>409</b>	<b>—</b> <b>321</b>	<b>4,942</b> <b>4,536</b>	<b>—</b> <b>75</b>	<b>5,260</b> <b>5,690</b>

**76 Fair value hierarchy**

We show financial instruments measured at fair value and recognised at fair value in the balance sheet separately in a fair value hierarchy in the following table. This fair value hierarchy is divided into the following levels:

Level 1 contains financial instruments measured using prices of identical assets or liabilities listed on an active market. These prices are incorporated unchanged. We have assigned mostly listed equity instruments, bonds and exchange-traded derivatives to this category.

Assets and liabilities whose valuation is derived from directly observable (prices) or indirectly observable (derived from prices) input data are shown in Level 2. No price can be observed on an active market for the assets and liabilities concerned themselves. As a result of this, we notably show the fair values of interest rate and credit derivatives in this level together with the fair values of ABS bonds, provided a liquid market exists for the asset class in question.

Financial assets and liabilities of €10.7 billion (2010: €1,368 million) have been transferred between Level 1 and Level 2. Almost all of this total relates to fixed-income securities issued by reliable borrowers for which the fair value is calculated using valuation models based on valuation parameters that can be observed on an active market as the fair value can no longer be observed on an active market. At the same time, financial assets and liabilities of €768 million (2010: €1,494 million) migrated between Level 2 and Level 1. For the most part, this involves fixed-income securities for which a fair value can now be observed on an active market. The other securities concerned are equities.

Level 3 relates to assets or liabilities for which the fair value cannot be calculated exclusively on the basis of observable market data (non-observable input data). Thus, the respective fair values also incorporate valuation parameters based on model assumptions. This includes derivatives and structured products that contain at least one "exotic" component, such as foreign currency or interest rate derivatives on illiquid currencies, derivatives without standard market terms, structured products with an illiquid underlying as reference and ABS bonds of an asset class, for which no liquid market exists.

If the value of a financial instrument is based on non-observable input parameters, the value of these parameters may be selected from a range of possible appropriate alternatives at the balance sheet date. Appropriate values are determined for these non-observable parameters and applied for valuation purposes, when the annual financial statements are prepared, reflecting the predominant market conditions of the Group. In addition, individual parameters that cannot be incorporated separately as standalone valuation parameters are taken into account by applying a model reserve.

The impact of changing possible appropriate alternative parameter values on the fair value (after adjustments) is shown in the sensitivity analysis presented below. For portfolios at fair value through profit or loss, the positive change in fair values at 31 December 2011 resulting from the use of possible appropriate alternatives would be €143 million (2010: €186 million), and the negative change would be €80 million (2010: €67 million).

The following non-observable parameters were varied (stress test) for the sensitivity analysis for equity products included in Level 3: spot prices for hedge funds, implicit volatility, dividends, implicit correlations and the assumptions regarding the interpolation between individual parameters observable on the market, such as volatilities.

The following parameters were varied for interest rate products in Level 3 as part of the sensitivity analysis: interest rate correlations and the parameter that governs how quickly a fluctuating interest rate reverts to the long-term mean (mean reversion).

More conservative and more aggressive values for correlations between the fair value of the credit derivative (CDS) and the respective underlying and implicit correlations were applied for credit derivatives than was the case as part of the fair value calculation. Furthermore, rating-dependent shifts were assumed for illiquid CDS. The same approach is applied when measuring the issuer risk associated with securities.

In terms of these debt instruments, varying plausible repayment scenarios and associated developments in debtor-specific ratios were assumed as value drivers for debt instruments as part of the sensitivity analyses that would lead to modified cash flows from the instruments.

## Other Information (CONTINUED)

The following tables show the assignment of the financial assets and financial liabilities shown in the balance sheet to the respective levels of the fair value hierarchy:

(€ millions)

	31/12/2010		
	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1)	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2)	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET <sup>1</sup> (LEVEL 3)
<b>Financial assets recognised in the balance sheet at fair value</b>			
Financial assets held for trading	28,220	101,456	3,713
thereof: derivatives	2,562	83,491	2,433
Financial assets at fair value through profit or loss	15,856	10,099	676
Available-for-sale financial assets <sup>1</sup>	2,369	1,234	896
Hedging derivatives	—	4,205	—
<b>Financial liabilities recognised in the balance sheet at fair value</b>			
Financial liabilities held for trading	12,906	110,710	3,480
thereof: derivatives	4,285	83,556	3,178
Hedging derivatives	1	2,090	—

<sup>1</sup> available-for-sale financial assets include financial instruments of €1,416 million valued at historical cost that are not included in these totals at 31 December 2010

(€ millions)

	31/12/2011		
	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1)	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2)	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET <sup>1</sup> (LEVEL 3)
<b>Financial assets recognised in the balance sheet at fair value</b>			
Financial assets held for trading	15,177	128,424	5,455
thereof: derivatives	3,165	112,621	3,167
Financial assets at fair value through profit or loss	5,357	21,524	1,164
Available-for-sale financial assets <sup>1</sup>	2,629	774	671
Hedging derivatives	—	5,288	—
<b>Financial liabilities recognised in the balance sheet at fair value</b>			
Financial liabilities held for trading	8,787	127,829	4,159
thereof: derivatives	3,907	113,957	3,151
Hedging derivatives	1	2,323	—

<sup>1</sup> available-for-sale financial assets include financial instruments of €1,402 million valued at historical cost that are not included in these totals at 31 December 2011

The following tables show the development of the financial assets and financial liabilities that are assigned to Level 3 as part of the fair value hierarchy:

(€ millions)

	2011			
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES
<b>Balance at 1/1/2011</b>	<b>3,713</b>	<b>676</b>	<b>896</b>	<b>—</b>
<b>Additions</b>				
Acquisitions	3,605	21	3,383	—
Realised gains <sup>1</sup>	1,266	119	69	—
Transfer from other levels	4,833	4,924	2,672	—
Other additions <sup>2</sup>	—	3	44	—
<b>Reductions</b>				
Sale/repayment	(3,927)	(45)	(3,559)	—
Realised losses <sup>1</sup>	(1,325)	(87)	(153)	—
Transfer to other levels	(2,710)	(4,447)	(2,358)	—
Other reductions	—	—	(323)	—
<b>Balance at 31/12/2011</b>	<b>5,455</b>	<b>1,164</b>	<b>671</b>	<b>—</b>

1 in the income statement and shareholders' equity

2 also including changes in the group of companies included in consolidation

(€ millions)

	2011	
	FINANCIAL LIABILITIES HELD FOR TRADING	HEDGING DERIVATIVES
<b>Balance at 1/1/2011</b>	<b>3,480</b>	<b>—</b>
<b>Additions</b>		
Sale/issue	3,159	—
Realised losses <sup>1</sup>	529	—
Transfer from other levels	3,467	—
Other additions <sup>2</sup>	—	—
<b>Reductions</b>		
Buy-back/redemption	(2,889)	—
Realised gains <sup>1</sup>	(274)	—
Transfer to other levels	(3,313)	—
Other reductions	—	—
<b>Balance at 31/12/2011</b>	<b>4,159</b>	<b>—</b>

1 in the income statement

2 also including changes in the group of companies included in consolidation



## Other Information (CONTINUED)

(€ millions)

	2010			
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES
<b>Balance at 1/1/2010</b>	<b>2,729</b>	<b>400</b>	<b>471</b>	<b>1</b>
<b>Additions</b>				
Acquisitions	2,185	10	194	—
Realised gains <sup>1</sup>	755	7	44	1
Transfer from other levels	1,975	715	428	—
Other additions <sup>2</sup>	517	26	182	—
<b>Reductions</b>				
Sale/repayment	(1,452)	(23)	(181)	—
Realised losses <sup>1</sup>	(612)	(4)	6	—
Transfer to other levels	(2,384)	(445)	(215)	(2)
Other reductions	—	—	(33)	—
<b>Balance at 31/12/2010</b>	<b>3,713</b>	<b>676</b>	<b>896</b>	<b>—</b>

1 in the income statement

2 also including changes in the group of companies included in consolidation

(€ millions)

	2010	
	FINANCIAL LIABILITIES HELD FOR TRADING	HEDGING DERIVATIVES
<b>Balance at 1/1/2010</b>	<b>3,208</b>	<b>—</b>
<b>Additions</b>		
Sale/issue	1,318	—
Realised losses <sup>1</sup>	587	—
Transfer from other levels	2,040	—
Other additions <sup>2</sup>	181	—
<b>Reductions</b>		
Buy-back/redemption	(389)	—
Realised gains <sup>1</sup>	(591)	—
Transfer to other levels	(2,874)	—
Other reductions	—	—
<b>Balance at 31/12/2010</b>	<b>3,480</b>	<b>—</b>

1 in the income statement

2 also including changes in the group of companies included in consolidation

## 77 Fair values of financial instruments compliant with IFRS 7

The fair values stated for financial instruments as defined in IFRS 7 are the amounts for 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 fair values are calculated using the market information available at the reporting date as well as individual company valuation methods.

(€ billions)

ASSETS	2011		2010	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash balances	4.3	4.3	3.1	3.1
Financial assets held for trading	149.1	149.1	133.4	133.4
Financial assets at fair value through profit or loss	28.0	28.0	26.6	26.6
Available-for-sale financial assets				
thereof measured				
at cost	1.4	1.4	1.4	1.4
at fair value	4.1	4.1	4.5	4.5
Shares in associated companies accounted for using the equity method				
and joint ventures accounted for using the equity method	—	—	0.1	0.1
Held-to-maturity investments	2.5	2.4	2.6	2.6
Loans and receivables with banks	44.3	44.1	46.3	46.6
Loans and receivables with customers	136.6	141.3	139.4	141.4
Hedging derivatives	5.3	5.3	4.2	4.2
<b>Total</b>	<b>375.6</b>	<b>380.0</b>	<b>361.6</b>	<b>363.9</b>

The hedge adjustment amount of hedged items in the fair value hedge portfolio shown in 2010 under assets and liabilities is an item that contains commercially interest-induced changes in the fair value of the items hedged against interest rate risk and does not reflect standalone assets or liabilities. When comparing carrying amounts and fair values for the hedged items shown in the table above, it should be noted that part of the undisclosed reserves/charges has already been included in the hedge adjustment amount.

(€ billions)

LIABILITIES	2011		2010	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Deposits from banks	57.9	58.5	51.9	52.0
Deposits from customers	107.4	107.9	108.5	108.5
Debt securities in issue	42.7	45.2	48.7	50.4
Financial liabilities held for trading	140.8	140.8	127.1	127.1
Hedging derivatives	2.3	2.3	2.1	2.1
<b>Total</b>	<b>351.1</b>	<b>354.7</b>	<b>338.3</b>	<b>340.1</b>

## Other Information (CONTINUED)

(€ billions)

	2011		2010	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>Financial guarantees and irrevocable credit commitments</b>	<b>61.2</b>	<b>61.2</b>	<b>58.9</b>	<b>58.9</b>

The fair values of certain financial instruments stated with their nominal values are roughly equivalent to their carrying amounts. These include the cash and cash balances as well as receivables and liabilities without a defined maturity or fixed interest rate.

For other receivables and liabilities, future anticipated cash flows are discounted to their present value using current interest rates taking into account the respective spreads. The spread used here for receivables is determined on the basis of Basel II-compliant expected loss values and the cost of capital. Where loans and receivables with banks and customers contain reclassified securities, these are stated at the fair value shown in Note 74.

Quoted market prices are used for exchange-traded securities and derivatives as well as for listed debt instruments. The fair value of the remaining securities is calculated as the net present value of anticipated future cash flows.

The fair values of single currency and cross-currency swaps and interest rate futures are calculated on the basis of discounted, anticipated future cash flows. In doing so, we apply the market rates applicable for the remaining maturity of the financial instruments.

The fair value of forward exchange transactions is computed on the basis of current forward rates. Options are valued using price quotations or generally accepted models used to calculate the price of options. The common Black & Scholes (equity, currency and index instruments) or lognormal models (interest instruments) are used to value simple European options. In the case of more complex instruments, the interest is simulated using term-structure models with the current interest rate structure as well as caps and swaption volatilities as parameters relevant for valuation. The disbursement structure of the equities or indexes for the complex instruments is valued using either Black & Scholes or a stochastic volatility model with equity prices, volatilities, correlations and dividend expectations as parameters.

Investments in joint ventures and associated companies are valued using the equity method, provided they are not of minor significance. Investments in non-consolidated companies and listed companies not accounted for using the equity method are normally carried at their fair value.

Where the fair value of non-listed assets cannot be reliably determined, such assets are recognised at amortised cost.

The fair values of financial guarantees and irrevocable credit commitments are the same as their carrying amounts.

The difference in HVB Group between the fair values and carrying amounts totals €4.4 billion for assets and €3.6 billion for liabilities. The balance of these amounts is €0.8 billion.

## 78 Undiscounted cash flow

Compliant with IFRS 7.39, we are disclosing the remaining terms for non-derivative and derivative financial liabilities and for credit commitments and financial guarantees. The breakdown of remaining terms is based on the contractual due dates. These are crucial for determining the timing of payments. Consequently, we have divided the contractually agreed, undiscounted payments into maturity buckets. The undiscounted cash flows shown here are not comparable with the carrying amounts, as the latter are based on discounted cash flows.

At the same time, we have broken down the financial assets by remaining term in this context compliant with IFRS 7.39 (c). These are financial assets that generate cash flows used to settle financial liabilities.

In the following tables, we have divided the derivative and non-derivative financial assets and liabilities into maturity buckets. All financial liabilities have been allocated to the respective maturity bucket. The derivatives on financial assets held for trading and financial liabilities held for trading have been allocated to the shortest maturity bucket with their fair value. This reflects the fact that the derivatives are subject to an intention to sell in the short term and hence the maturity of the contractual undiscounted cash flows does not adequately represent the timing of payments that is actually expected. The remaining financial instruments classified as financial assets held for trading and financial liabilities held for trading have been allocated to the earliest possible maturity bucket with their cash flows. Hedging derivatives used under hedge accounting have been allocated to the applicable maturity bucket with their contractually agreed, undiscounted cash flows.

Credit commitments and financial guarantees have been allocated with the maximum amount to the shortest maturity bucket (repayable on demand) in which they can be utilised at the earliest. The credit commitments amount to €40,180 million (2010: €39,721 million). This assumption defined in IFRS 7 is unrealistic for credit commitments not utilised and contingent liabilities for financial guarantees in particular, as the complete utilisation of all open credit commitments and financial guarantees on the next day cannot be expected. The same holds true for the presentation of the fair values of trading derivatives.

Breakdown of financial assets by maturity bucket

(€ millions)

	2010						
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDATED
Financial assets held for trading	20,411	1,155	1,053	2,821	15,127	6,638	8,300
Derivatives on financial assets held for trading	88,700	—	—	—	—	—	—
Financial assets at fair value							
through profit or loss	—	503	937	1,996	21,494	3,551	—
Available-for-sale financial assets	12	25	36	192	2,609	4,224	1,125
Held-to-maturity investments	7	—	—	13	2,440	167	4
Loans and receivables with banks	8,075	20,421	1,920	4,836	6,323	3,651	167
Loans and receivables with customers	7,578	13,054	13,658	18,571	56,145	37,225	6,018
Hedging derivatives	—	109	533	998	2,212	623	—

(€ millions)

	2011						
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDATED
Financial assets held for trading	7,943	1,392	1,388	4,200	9,497	3,647	6,287
Derivatives on financial assets held for trading	118,953	—	—	—	—	—	—
Financial assets at fair value							
through profit or loss	—	231	563	3,403	22,604	2,796	—
Available-for-sale financial assets	—	91	354	338	2,279	922	1,926
Held-to-maturity investments	—	25	16	2,172	133	132	—
Loans and receivables with banks	14,881	11,435	1,781	5,573	9,354	2,070	36
Loans and receivables with customers	11,987	8,244	10,720	12,915	49,517	64,812	8,232
Hedging derivatives	—	129	639	1,200	2,532	1,196	—

## Other Information (CONTINUED)

Breakdown of non-derivative and derivative financial liabilities by maturity bucket

(€ millions)

CARRYING AMOUNTS	2010						UNDATED
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	
Deposits from banks	15,292	10,376	3,745	6,634	10,238	6,384	43
Deposits from customers	69,906	11,818	7,888	6,937	7,265	4,499	593
Debt securities in issue	41	2,888	2,832	7,835	17,564	15,001	—
Financial liabilities held for trading	20,903	64	283	631	5,376	2,521	4,865
Derivatives on financial assets held for trading	91,029	—	—	—	—	—	—
Hedging derivatives	—	82	262	506	1,041	334	—
Credit commitments and financial guarantees	58,853	—	—	—	—	—	—

(€ millions)

CARRYING AMOUNTS	2011						UNDATED
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	
Deposits from banks	12,352	16,893	8,806	4,966	10,048	6,545	—
Deposits from customers	53,133	17,490	19,410	7,986	5,050	4,106	—
Debt securities in issue	31	549	3,968	6,325	24,280	15,261	—
Financial liabilities held for trading	5,834	116	244	2,154	6,529	1,622	3,729
Derivatives on financial assets held for trading	121,015	—	—	—	—	—	—
Hedging derivatives	—	84	268	522	1,120	467	—
Credit commitments and financial guarantees	61,230	—	—	—	—	—	—

**79 Key capital ratios (based on German Commercial Code)**

HVB Group manages its economic and supervisory capital as part of its overall bank management strategy. Since 2010, the economic yield expectations have been calculated using the allocated capital principle that UniCredit introduced across its entire organisation. Within the scope of this principle, it is ensured that at least the regulatory capital requirement is met at all times. This means that regulatory (or used core) capital is allocated to the divisions that is expected to yield an appropriate return, which is derived from the expectations of the capital market and which has to be earned by our business units. At product and customer level, this capital allocation may be performed on the basis of the maximum principle; the capital requirement may be derived from either the regulatory capital or the internal capital based on the credit portfolio model. In the future, the internal capital will be used to calculate the allocated capital not only at the micro level but also at the macro level for all divisions and for HVB Group as a whole in accordance with the principle of dual control.

The supervisory ratios are discussed below.

The capital ratio for banking supervisory purposes defined in the German Solvency Regulation (SolV) represents the ratio of the eligible equity compliant with Section 10 KWG to the total eligible amount for default risk, market risk and operational risk multiplied by 12.5 (corresponds to the risk-weighted equivalent of these risk positions). Under Section 10 of the German Banking Act in conjunction with Section 2 SolV, the core capital ratio calculated as the ratio of core capital to total risk-weighted assets determined as described above must be at least 4.0%.

The eligible equity which is used to calculate the capital ratio in accordance with the German Solvency Regulation consists of the core capital, the supplementary capital and Tier 3 capital. The Tier 3 capital comprises current subordinated liabilities which are only used to back market risk positions. HVB Group, in particular, uses internal models to measure market risk positions.

The following table shows equity funds based on financial statements approved by the Supervisory Board and risk-weighted assets together with the risk equivalents for market risk positions and operational risk at 31 December 2011:

Equity funds<sup>1</sup>

(€ millions)

	2011	2010
Tier 1		
Shares of common stock	2,407	2,407
Additional paid-in capital, retained earnings, minority interest, own shares	17,331	17,302
Hybrid capital instruments (silent partnership certificates and trust preferred securities)		
without prorated interest	779	864
Other	282	223
50% deductible items	(153)	(174)
<b>Total core capital for solvency purposes</b>	<b>20,646</b>	<b>20,622</b>
Tier 2		
Unrealised reserves in land and buildings and in securities	—	—
Offsetting reserves for general banking risks	47	47
Cumulative shares of preferred stock	—	—
Participating certificates outstanding	—	—
Subordinated liabilities	2,457	2,779
Value adjustment excess for IRBA positions	419	426
Other	18	19
50% deductible items	(153)	(174)
<b>Total supplementary capital for solvency purposes</b>	<b>2,788</b>	<b>3,097</b>
<b>Total equity capital</b>	<b>23,434</b>	<b>23,719</b>
Tier 3 capital	—	—
<b>Total equity funds</b>	<b>23,434</b>	<b>23,719</b>

<sup>1</sup> group of consolidated companies and principles of consolidation in accordance with banking supervisory regulations

Pursuant to Sections 10 and 10a KWG, the equity funds of HVB Group amounted to €23,434 million at 31 December 2011. Supplementary capital includes no unrealised reserves pursuant to Section 10 (2b) 1 No. 6 and 7 KWG.

Our equity funds compliant with the KWG rules are calculated on the basis of the individual financial statements of the consolidated companies, taking into account the special provisions of German banking supervisory regulations.

## Other Information (CONTINUED)

The following table shows the reconciliation from the equity items shown in the balance sheet prepared in accordance with IFRS:

(€ millions)

	CORE CAPITAL	SUPPLEMENTARY CAPITAL	TIER 3 CAPITAL	TOTAL EQUITY FUNDS
Shown in IFRS balance sheet				
Shareholders' equity	23,318	—	—	23,318
Reconciliation to the equity funds compliant with the German Banking Act				
AfS reserve	134	—	—	134
Hedge reserves	(22)	—	—	(22)
Cumulative shares of preferred stock	—	—	—	—
Deduction of intangible assets	(245)	—	—	(245)
Ineligible profit components under banking supervisory regulations	(2,148)	—	—	(2,148)
Consolidated profit for 2011	(1,017)	—	—	(1,017)
Hybrid capital recognised under banking supervisory regulations	779	—	—	779
Eligible portion of certificates outstanding	—	—	—	—
Eligible portion of subordinated liabilities	—	2,457	—	2,457
Reclassifications to Tier 3 capital due to banking supervisory regulations	—	—	—	—
Eligible Tier 3 capital unused	—	—	—	—
Unrealised reserves in land and buildings and in securities	—	—	—	—
Value adjustment excess for IRBA positions	—	419	—	419
Deductible items due to non-consolidated investments	(26)	(25)	—	(51)
Deductible items compliant with Sect.10 (6a) KWG	(2)	(2)	—	(4)
Other effects				
(e. g. differences in group of consolidated companies and principles of consolidation)	(125)	(61)	—	(186)
<b>Equity funds compliant with German Banking Act</b>	<b>20,646</b>	<b>2,788</b>	<b>—</b>	<b>23,434</b>

(€ billions)

	2011 BASEL II	2010 BASEL II
<b>Risk-weighted assets from</b>		
on-balance-sheet counterparty risk positions	65.4	79.3
off-balance sheet counterparty risk positions	11.8	16.7
other counterparty risk positions <sup>1</sup>	0.7	0.7
derivative counterparty risk positions	14.5	15.1
<b>Total credit risk-weighted assets</b>	<b>92.4</b>	<b>111.8</b>
<b>Risk-weighted asset equivalent for market risk positions</b>	<b>23.8</b>	<b>3.7</b>
<b>Risk-weighted asset equivalent for operational risk</b>	<b>11.2</b>	<b>9.0</b>
<b>Total risk-weighted assets</b>	<b>127.4</b>	<b>124.5</b>

<sup>1</sup> primarily including repos and securities lending transactions

At 31 December 2011, the key capital ratios (based on financial statements approved by the Supervisory Board) were as follows: (in %)

	2011 BASEL II	2010 BASEL II
Core capital ratio (Tier 1 ratio)		
(core capital (Tier 1 capital)/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk))	16.2	16.6
Core capital ratio without hybrid core capital (core Tier 1 ratio)		
(core capital without hybrid core capital (core Tier 1 capital)/ (credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk))	15.6	15.9
Capital ratio		
(equity funds/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk))	18.4	19.1

## 80 Contingent liabilities and other commitments

(€ millions)

	2011	2010
<b>Contingent liabilities<sup>1</sup></b>	<b>21,050</b>	<b>19,170</b>
Guarantees and indemnities	21,050	19,170
<b>Other commitments</b>	<b>40,634</b>	<b>40,279</b>
Irrevocable credit commitments	40,180	39,721
Other commitments <sup>2</sup>	454	558
<b>Total</b>	<b>61,684</b>	<b>59,449</b>

<sup>1</sup> contingent liabilities are offset by contingent assets to the same amount

<sup>2</sup> without commitments arising from leases (see Note 73)

Neither contingent liabilities nor irrevocable lending commitments contain any significant items. The guarantees and indemnities listed here essentially reflect guarantees and indemnities that the Bank has granted on behalf of customers. Consequently, the Bank has a right of recourse against the customer (contracting party) should the guarantee or indemnity in question be used. An appropriate provision is set up where such a customer's creditworthiness is doubtful. The gross volume of contingent liabilities for which provisions have been created in the above totals €520 million (2010: €594 million). The provisions of €180 million (2010: €283 million) set up for these liabilities have been deducted from the contingent liabilities recognised and are carried under provisions in the balance sheet (see Note 69, "Provisions").

In connection with the grouping of information regarding lease operations in Note 73, we have modified the composition of the other commitments shown in the table as follows:

- Future payment commitments arising from non-cancellable operating lease agreements are discussed in Note 73 and hence no longer included other commitments.
- Obligations to return securities arising from securities lending transactions are discussed separately below and are similarly no longer included in the figure stated for other commitments in the table.
- Other commitments in the table now also include commitments for uncalled payments on shares and participating interests not fully paid up, and liability for defaults on such calls and for calls for additional capital in accordance with the German Private Limited Companies Act, which are described individually below.

Securities lending transactions are not recognised, as economic ownership remains with the lender. The Bank only becomes the legal owner of the borrowed securities which are returned to the lender when the lending transaction falls due. Obligations of €21,433 million (2010: €25,289 million) to return securities arising from securities lending transactions are thus offset by borrowed securities of the same amount, which are not carried as assets on the assets side of the balance sheet.

As part of real estate financing and development operations, we have assumed rental obligations or issued rental guarantees on a case-by-case basis to make fund constructions more marketable – in particular for lease funds and (closed) KG real estate funds offered by our H.F.S. Hypo-Fonds-beteiligungen für Sachwerte GmbH subsidiary. Identifiable risks arising from such guarantees have been taken to the income statement.

Commitments for uncalled payments on shares not fully paid up amounted to €388 million at year-end 2011 (2010: €489 million), and similar obligations for shares in cooperatives totalled €1 million (2010: €1 million). We were not liable for any defaults on such calls under Section 22 (3 and 24) of the German Private Limited Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG). Under Section 26 GmbHG, we were liable for calls for additional capital of €5 million (2010: €5 million) with regard to CMP Fonds I GmbH and of €58 million (2010: €58 million) with regard to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, at year-end 2011. In addition, under Article 5 (4) of the Articles of Association of Liquiditäts-Konsortialbank GmbH, we are jointly and severally liable for any defaults on such calls by members of the Association of German Banks.



## Other Information (CONTINUED)

At the balance sheet date, we had unlimited personal liability arising from shares in 74 partnerships.

Under Section 5 (10) of the by-laws of the Deposit Guarantee Fund, we have undertaken to indemnify the Association of German Banks, Berlin, against any losses it might incur as a result of action taken on behalf of the banks in which we have a majority interest.

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.

In the same way as HVB and its affiliated banks assume liability in Germany, our subsidiaries, in their capacity as members of the respective deposit guarantee funds in their country of operations, assume liability in their respective countries.

### Contingent liabilities payable to related entities

(€ millions)

	2011	2010
Non-consolidated affiliated companies	1,705	3,649
of which: UniCredit S.p.A.	182	2,253
Joint ventures	—	—
Associated companies	—	—
Other participating interests	155	140
<b>Total</b>	<b>1,860</b>	<b>3,789</b>

Besides the contingent liabilities attributable to UniCredit S.p.A., the contingent liabilities of €1,705 million attributable to non-consolidated affiliated companies include contingent liabilities of €1,375 million attributable to sister companies and €148 million attributable to subsidiaries.

### 81 Statement of Responsibility

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

<b>1. Banks in Germany</b>
Bankhaus Neelmeyer AG, Bremen
DAB Bank AG, Munich <sup>1</sup>
<b>2. Banks in other regions</b>
UniCredit Luxembourg S.A., Luxembourg
<b>3. Financial companies</b>
UniCredit Leasing GmbH, Hamburg
<b>4. Companies with bank-related auxiliary services</b>
HypoVereinsFinance N.V., Amsterdam

<sup>1</sup> the company provides a Statement of Responsibility with the same wording for selected subsidiaries in its annual report

If our shareholding in a particular company declines, our commitment arising from the above Statement of Responsibility is also reduced to the same extent with regard to commitments of the relevant company that did not arise until after our shareholding decreased.

HVB no longer provides a Statement of Responsibility for companies which left HVB Group during an earlier financial year, but for which a Statement of Responsibility had been provided in earlier annual reports. Liabilities of these companies arising after their departure from HVB Group are not covered by either the above Statement of Responsibility or by Statements of Responsibility provided earlier.

## 82 Trust business

### Trust assets

(€ millions)

	2011	2010
Loans and receivables with banks	580	587
Loans and receivables with customers	415	705
Equity securities and other variable-yield securities	204	1,959
Bonds	—	—
Participating interests	349	23
Property, plant and equipment	—	—
Other assets	—	—
Fund shares held in trust	2,089	1,492
Remaining trust receivables	—	—
<b>Total</b>	<b>3,637</b>	<b>4,766</b>

### Trust liabilities

(€ millions)

	2011	2010
Deposits from banks	762	1,028
Deposits from customers	2,871	1,968
Debt securities in issue	—	1,768
Other liabilities	4	2
<b>Total</b>	<b>3,637</b>	<b>4,766</b>

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

Examples of own liabilities of HVB Group for which we provide collateral are special credit facilities provided by KfW and similar institutions, which we have passed on as loans in compliance with their conditions. In addition, security has been provided for borrowings under repurchase agreements on international money markets, for open market transactions with central banks and for securities lending transactions. As a seller under repurchase agreements, HVB Group has entered into sales and repurchase transactions for securities with a carrying amount of €50.6 billion (2010: €47.8 billion). These securities continue to be shown under our assets, and the consideration received in return is stated under liabilities.

The following table shows the breakdown of assets that we provide as collateral for own liabilities:

(€ millions)

	2011	2010
Financial assets held for trading	15,556	24,357
Financial assets at fair value through profit or loss	14,309	8,425
Available-for-sale financial assets	2,022	1,045
Held-to-maturity investments	—	—
Loans and receivables with banks	403	1,713
Loans and receivables with customers	18,519	6,701
Property, plant and equipment	—	—
Non-recognised received securities pledged on:		
Pledged securities from non-capitalised securities lending transactions	20,090	23,142
Received collateral pledged	7,963	9,873
<b>Total</b>	<b>78,862</b>	<b>75,256</b>

## Other Information (CONTINUED)

The collateral pledged from loans and receivables with customers relates to special credit facilities provided by KfW and similar institutions. Furthermore, this concerns non-written-off securitised loans and receivables with customers underlying the Rosenkavalier 2008 true sale transaction (see also Note 60, "Own securitisation"), serving indirectly as collateral for repurchase agreements with the ECB in this context.

The assets pledged by HVB Group as security relate to the following liabilities:

	(€ millions)	
	2011	2010
Deposits from banks	41,811	32,852
Deposits from customers	18,500	11,133
Debt securities in issue	—	—
Financial liabilities held for trading	5,216	15,553
Contingent liabilities	—	—
Obligations to return non-expensed, borrowed securities	13,335	15,718
<b>Total</b>	<b>78,862</b>	<b>75,256</b>

Compliant with IFRS 7.14, we are disclosing the carrying amount of the financial assets which we provide as security. In addition, details will be added to the extent to which the security provided may be pledged or sold on by the borrower.

	(€ millions)	
	2011	2010
Aggregate carrying amount of assets pledged as security	78,862	75,256
of which:		
pledged/sold on	44,178	26,562

### 84 Collateral received that HVB Group may sell on or pledge on

As part of repurchase agreements and securities lending transactions, HVB Group has received security that it may sell on or pledge on at any time without the security provider having to be in arrears. The fair value of this security is €21.6 billion (2010: €22.4 billion).

HVB Group has actually sold or pledged on €8.0 billion (2010: €9.9 billion) of this total, for which there is an obligation to return collateral received of the same type, volume and quality.

The transactions that make it possible to use this collateral were conducted under the customary market terms for repurchase agreements and securities lending transactions.

### 85 Information on relationships with related parties

Besides the relationships with consolidated, affiliated companies, there are a number of transactions involving UniCredit S.p.A. and other affiliated but not consolidated UniCredit companies as a result of the integration of HVB into the UniCredit group of companies. The quantitative information in this regard can be found in the notes to the balance sheet and the income statement.

In the course of the integration of HVB into the UniCredit group of companies, HVB has been assigned the role of centre of competence for markets and investment banking for the entire corporate group. Among other things, HVB acts as counterparty for derivative transactions conducted by UniCredit companies in this role. For the most part, this involves hedge derivatives that are externalised on the market via HVB.

Furthermore, HVB places excess liquidity efficiently with other UniCredit group companies. The section of the Risk Report entitled "Exposure to UniCredit S.p.A. and its subsidiaries" under "Risk types in detail" in this Annual Report contains further information regarding the exposure to UniCredit and its subsidiaries.

Like other affiliated companies, HVB has outsourced IT activities to UGIS, a company that is affiliated with the Bank. The goal is to exploit synergies and enable HVB to offer fast, high-quality services by means of a service level agreement. HVB incurred expenses of €482.7 million for these services during 2011. This was offset by income of €8.3 million from services rendered and internal charges. Moreover, software products worth €13.6 million were purchased from UGIS.

Furthermore, HVB has transferred certain back office activities to UniCredit Business Partner S.C.p.A. (which was absorbed by UGIS with effect from 1 January 2012), a company affiliated with the Bank that provides settlement services for HVB and other affiliated companies in line with a standard business and operating model. HVB incurred expenses of €80.5 million for these services during 2011. This was offset by income of €2.9 million from services rendered and internal charges.

Transactions involving related parties are always conducted on an arm's length basis.

Subsequent to the filing of the squeeze-out resolution in the Commercial Register on 15 September 2008, HVB is not listed any more. Consequently, the compensation paid to the members of the Management Board is not shown on an individualised basis.

#### Emoluments paid to members of the Management Board and Supervisory Board

(€ millions)

	FIXED COMPENSATION		PERFORMANCE-RELATED COMPONENTS		LONG-TERM INCENTIVES <sup>1</sup>		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
Management Board members of UniCredit Bank AG	4	3	2 <sup>2</sup>	2 <sup>2</sup>	1 <sup>3</sup>	1 <sup>3</sup>	7 <sup>4</sup>	6
Supervisory Board members of UniCredit Bank AG								
for Supervisory Board activities	0.6	1	0.2 <sup>5</sup>	2 <sup>6</sup>	—	—	0.8 <sup>5</sup>	3 <sup>5</sup>
Former members of the Management Board								
of UniCredit Bank AG and their surviving dependants	—	—	—	—	—	—	2 <sup>7</sup>	2 <sup>7</sup>
Transitional allowances for former members								
of the Management Board	—	—	—	—	—	—	—	2

1 cash value of the share-based compensation

2 the profit-related components for 2011 are generally deferred over several years, as was also the case in 2010, with disbursement in subsequent years dependent on defined company targets being achieved

3 prorated disclosure of the long-term incentive plans for 2005 to 2008 and the long-term incentive plan for a performance period of 2011 to 2013

4 costs for international health insurance and social security, including the accrued taxes, of €0.4 million were additionally assumed for one executive under his existing UniCredit S.p.A. contract

5 the profit-related component for the 2011 financial year totals €0.2 million, provided the Annual General Meeting of Shareholders adopts a resolution regarding the appropriation of net income as proposed

6 the profit-related component of €1.7 million for the 2009 financial year was disbursed in 2010 together with €0.3 million for the 2010 financial year

7 an amount of €0.15 million was assumed in the 2011 financial year for some former executives within the framework of insurance benefits under a corporate Directors and Officers insurance policy, the accrued taxes and legal costs (2010: €0.4 million)

The plenary session of the Supervisory Board is responsible for setting the total compensation of each member of the Management Board. Appropriateness and sustainability are key criteria for the form and structure of compensation paid to members of the Management Board. The structure of compensation is derived from the service agreements with the members of the Bank's Management Board. It has two components: fixed salary and a variable element.

Besides direct remuneration shown in the table, Management Board members have received pension commitments. Seven members of the Management Board (one of whom left the Bank and one of whom joined the Bank during the year) took part in the employer-financed, fund-linked pension scheme for executives (known as AgfA) in 2011, which is also granted to the Bank's executives. The Bank will provide/has provided 35% of the fixed salary contributions (2011: €970,863). It has been agreed with the members of the Management Board that this amount of their pay would be converted, which means that, instead of a disbursed sum of money, the Management Board member receives a pension commitment to the same value from the Bank.

For more information about stock options and performance shares, please refer to Note 37 where the UniCredit long-term incentive plan underlying these instruments is described.

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 compensation shown.

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

## Other Information (CONTINUED)

A sum of €5,787 was transferred to provisions for pensions in the 2011 financial year to cover the commitments (for death benefits) made to the members of the Management Board.

The provisions for pensions compliant with IFRS for former and retired members of the Management Board of HVB and their surviving dependants (including the pension commitments transferred to HVB Trust Pensionsfonds AG) amounted to €115 million (2010: €120 million).

The compensation paid to retired members of the Management Board and their surviving dependants amounted to €1.6 million in 2011 after the transfer of a large part of the pension commitments to HVB Trust Pensionsfonds AG (2010: €1.7 million).

### Details of share-based compensation

MEMBERS OF THE MANAGEMENT BOARD OF UNICREDIT BANK AG	
<b>Options</b>	
Stock options 2010	—
Stock options 2011	1,844,156 <sup>1</sup>
Fair value per option at grant date (€)	0.6019
<b>Performance shares</b>	
Performance shares 2010	—
Performance shares 2011	826,517 <sup>1</sup>
Fair value per performance share on grant date (€)	1.712
Additional information: one member of the Management Board was granted 14,772 performance shares in the 2011 financial year at the end of the vesting period (equivalent to €26,338.48 at the time of granting). These performance shares were already disclosed in the full amount of 29,544 units in the 2007 Annual Report.	

<sup>1</sup> long-term incentive: after no long-term incentive plan was set up for the 2010 financial year, this was carried out in 2011 with a performance period of 2011 to 2013

### Compensation of members of the Supervisory Board

The following table shows the breakdown of compensation paid to members of the Supervisory Board for 2011:

(€)

	FIXED COMPENSATION	COMPENSATION FOR COMMITTEE WORK	VARIABLE COMPENSATION <sup>5</sup>	SUBTOTAL (EXCL. VALUE- ADDED TAX)	TOTAL (EXCL. VALUE-ADDED TAX) where appropriate after deduction of 30% supervisory board tax and 5.5% solidarity surcharge
Sergio Ermotti <sup>1</sup> , Chairman	9,863.01	—	4,931.51	14,794.52	10,112.06 <sup>6</sup>
Federico Ghizzoni <sup>2</sup> , Chairman since 4/3/2011	49,972.60	—	24,986.30	74,958.90	51,234.40 <sup>6</sup>
Peter König, Deputy Chairman	45,000.00	27,500.00	22,500.00	95,000.00	95,000.00
Dr Wolfgang Sprissler, Deputy Chairman	45,000.00	—	22,500.00	67,500.00	67,500.00
Aldo Bulgarelli	30,000.00	27,500.00	15,000.00	72,500.00	49,553.75 <sup>6</sup>
Beate Dura-Kempf	30,000.00	—	15,000.00	45,000.00	45,000.00
Klaus Grünewald	30,000.00	—	15,000.00	45,000.00	45,000.00
Werner Habich <sup>4</sup>	28,767.12	—	14,383.56	43,150.68	43,150.68
Dr Lothar Meyer	30,000.00	55,000.00	15,000.00	100,000.00	100,000.00
Marina Natale	30,000.00	27,500.00	15,000.00	72,500.00	49,553.75 <sup>6</sup>
Klaus-Peter Prinz	30,000.00	—	15,000.00	45,000.00	45,000.00
Jutta Streit <sup>3</sup>	1,232.88	—	616.44	1,849.32	1,849.32
Jens-Uwe Wächter	30,000.00	—	15,000.00	45,000.00	45,000.00
Dr Susanne Weiss	30,000.00	—	15,000.00	45,000.00	45,000.00
<b>Total</b>	<b>419,835.61</b>	<b>137,500.00</b>	<b>209,917.81</b>	<b>767,253.42</b>	<b>692,953.96<sup>6</sup></b>

<sup>1</sup> member until 1 March 2011

<sup>2</sup> member since 2 March 2011

<sup>3</sup> member until 15 January 2011

<sup>4</sup> member since 16 January 2011

<sup>5</sup> subject to a resolution adopted by the Annual General Meeting of Shareholders regarding the appropriation of profit available for distribution

<sup>6</sup> after deduction of 30% supervisory board tax and 5.5% solidarity surcharge

The following table shows the breakdown of compensation paid to members of the Supervisory Board for 2010:

(€)

	FIXED COMPENSATION	COMPENSATION FOR COMMITTEE WORK	VARIABLE COMPENSATION	SUBTOTAL (EXCL. VALUE- ADDED TAX)	TOTAL (EXCL. VALUE-ADDED TAX) where appropriate after deduction of 30% supervisory board tax and 5.5% solidarity surcharge
Sergio Ermotti, Chairman	60,000.00	—	30,000.00	90,000.00	61,515.00 <sup>3</sup>
Peter König, Deputy Chairman	45,000.00	27,500.00	22,500.00	95,000.00	95,000.00
Dr Wolfgang Sprissler, Deputy Chairman	45,000.00	—	22,500.00	67,500.00	67,500.00
Gerhard Bayreuther <sup>1</sup>	21,780.82	19,965.75	10,890.41	52,636.98	52,636.98
Aldo Bulgarelli	30,000.00	27,500.00	15,000.00	72,500.00	49,553.75 <sup>3</sup>
Beate Dura-Kempf	30,000.00	—	15,000.00	45,000.00	45,000.00
Paolo Fiorentino <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	22,330.79 <sup>3</sup>
Giulio Gambino <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	32,671.23
Klaus Grünewald	30,000.00	—	15,000.00	45,000.00	45,000.00
Karl Guha <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	22,330.79 <sup>3</sup>
Beate Mensch <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	32,671.23
Dr Lothar Meyer	30,000.00	55,000.00	15,000.00	100,000.00	100,000.00
Marina Natale	30,000.00	27,500.00	15,000.00	72,500.00	49,553.75 <sup>3</sup>
Roberto Nicastro <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	22,330.79 <sup>3</sup>
Klaus-Peter Prinz <sup>2</sup>	8,219.18	—	4,109.59	12,328.77	12,328.77
Panagiotis Sfeliniotis <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	32,671.23
Professor Hans-Werner Sinn <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	32,671.23
Jutta Streit	30,000.00	—	15,000.00	45,000.00	45,000.00
Michael Voss <sup>1</sup>	21,780.82	—	10,890.41	32,671.23	32,671.23
Jens-Uwe Wächter	30,000.00	—	15,000.00	45,000.00	45,000.00
Dr Susanne Weiss	30,000.00	—	15,000.00	45,000.00	45,000.00
<b>Total</b>	<b>594,246.56</b>	<b>157,465.75</b>	<b>297,123.28</b>	<b>1,048,835.59</b>	<b>943,436.77<sup>3</sup></b>

<sup>1</sup> member until 22 September 2010

<sup>2</sup> member since 22 September 2010

<sup>3</sup> after deduction of 30% supervisory board tax and 5.5% solidarity surcharge

The compensation paid to members of the Supervisory Board is regulated in Article 15 of the Bank's Articles of Association. The currently applicable arrangements under these articles are based on a resolution adopted by the Shareholders' Meeting on 22 September 2010. The compensation is divided into a fixed and a variable, dividend-dependent component. Under the terms of the arrangements, the members of the Supervisory Board receive fixed compensation of €30,000 payable upon conclusion of the financial year and dividend-dependent compensation of €400 for every €0.01 dividend paid above the amount of €0.12 per no par share, but no more than €15,000. The chairman of the Supervisory Board receives twice the compensation stated, the deputy chairmen one and a half times the compensation stated. Furthermore, the members of the Audit Committee each receive fixed annual compensation of €27,500 payable upon conclusion of the financial year. The chairman of the Audit Committee receives twice this amount. The members of the Remuneration & Nomination Committee receive no separate compensation for committee work. Furthermore, every member of the Supervisory Board and every member of the Audit Committee receives a reimbursement for expenses of €250 for attending a meeting of the Supervisory Board or the Audit Committee. In addition, the members of the Supervisory Board are reimbursed their incidental expenses and value-added tax payable on their Supervisory Board activities. If they are members of the Executive Management Committee of UniCredit S.p.A., those members of the Supervisory Board transfer to UniCredit S.p.A. the compensation they receive for supervisory board work, as the performance of supervisory board functions at subsidiaries is considered a typical management duty. Members of the Supervisory Board who belonged to the Supervisory Board for only a part of the financial year receive pro rata compensation. The chairman of the Supervisory Board has an office complete with staff at his disposal. In 2011, expense allowances totalling €33,008.54 were paid to members of the Supervisory Board. No remuneration was paid in the 2011 financial year for services provided personally.

Loans and advances made to, and contingent liabilities and liabilities assumed for, related parties at the reporting date were as follows: Members of the Supervisory Board and Management Board at HVB, and members of the Executive Management Committee of UniCredit and their respective immediate family members are considered related parties.

## Other Information (CONTINUED)

(€ millions)

	2011			2010		
	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES
Management Board members of UniCredit Bank AG	1	—	5	2	—	5
Supervisory Board members of UniCredit Bank AG	3	—	6	4	—	3
Executive Management Committee	—	—	—	—	—	—

Loans and advances were granted to members of the Management Board and their immediate family members in the form of mortgage loans with interest rates of between 2.5% and 3.96% and falling due in the period from 2013 to 2021.

Loans and advances were granted to members of the Supervisory Board and their immediate family members in the form of cash advances, special credit facilities and mortgage loans with interest rates of between 1.9% and 7% and with no fixed maturity or falling due by 2017.

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

### 86 Fees paid to the independent auditors

The following table shows the breakdown of fees of €17 million recorded as expense in the year under review, as paid to the independent auditors KPMG AG, Wirtschaftsprüfungsgesellschaft, for activities performed for HVB Group:

(€ millions)

	2011 <sup>1</sup>	2010 <sup>1</sup>
Fee for auditing of the financial statements	7	6
Appraisal services	2	3
Tax advisory services	—	—
Other services	8	5

<sup>1</sup> excluding value-added tax

### 87 Employees

Average number of people employed by us

	2011	2010
Employees (excluding trainees)	20,585	20,038
Full-time	15,354	14,936
Part-time	5,231	5,102
Trainees	960	1,062

The staff's length of service was as follows:

in %

	WOMEN	MEN	2011	2010
	(EXCLUDING TRAINEES)		TOTAL	TOTAL
Staff's length of service				
31 years or more	9.4	10.7	10.0	9.7
from 21 years to less than 31 years	21.8	18.5	20.3	19.0
from 11 years to less than 21 years	36.5	28.6	32.8	35.4
less than 11 years	32.3	42.2	36.9	35.8

## 88 Offices

Offices, broken down by region

	1/1/2011	ADDITIONS		REDUCTIONS		CHANGE IN CONSOLIDATED GROUP	31/12/2011
		NEW OPENINGS	CLOSURES	CONSOLIDATIONS			
<b>Germany</b>							
Baden-Wuerttemberg	35	1	1	—	—	—	35
Bavaria	497	7	7	—	—	19	516
Berlin	16	2	4	—	—	-1	13
Brandenburg	8	1	—	—	—	—	9
Bremen	7	—	1	—	—	—	6
Hamburg	42	1	4	1	—	—	38
Hesse	18	1	1	—	—	—	18
Lower Saxony	30	—	—	—	—	3	33
Mecklenburg-Western Pomerania	9	1	1	—	—	—	9
North Rhine-Westphalia	28	3	3	—	—	—	28
Rhineland-Palatinate	25	2	2	—	—	—	25
Saarland	10	—	—	—	—	—	10
Saxony	19	3	6	—	—	—	16
Saxony-Anhalt	11	—	—	—	—	—	11
Schleswig-Holstein	69	—	—	—	—	—	69
Thuringia	11	1	1	—	—	—	11
<b>Subtotal</b>	<b>835</b>	<b>23</b>	<b>31</b>	<b>1</b>	<b>—</b>	<b>21</b>	<b>847</b>
<b>Other regions</b>							
Austria	11	1	—	—	—	—	12
Other western Europe	38	2	3	—	—	-3	34
Africa	1	—	—	—	—	—	1
Americas	22	1	2	—	—	2	23
Asia	20	1	3	—	—	-1	17
<b>Subtotal</b>	<b>92</b>	<b>5</b>	<b>8</b>	<b>—</b>	<b>—</b>	<b>-2</b>	<b>87</b>
<b>Total</b>	<b>927</b>	<b>28</b>	<b>39</b>	<b>1</b>	<b>—</b>	<b>19</b>	<b>934</b>

## 89 List of holdings pursuant to Section 313 HGB

The separate list of holdings drawn up in compliance with Section 313 (2), HGB, contains all joint ventures, and affiliated and associated companies broken down by whether they are included in the consolidated financial statements or not, together with other holdings. The list also includes selected holdings of less than 20% and fully consolidated special purposes entities without shareholding of HVB compliant with IAS 27 in connection with SIC 12.



## Other Information (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %			CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
		TOTAL	HELD	OF WHICH INDIRECTLY			
<b>1 Subsidiaries of HVB Group</b>							
<b>1.1 Consolidated subsidiaries</b>							
<b>1.1.1 Banks</b>							
<b>1.1.1.1 Domestic banks and financial institutions</b>							
Bankhaus Neelmeyer AG	Bremen	100.0			EUR	40,400	1.1
DAB Bank AG	Munich	79.5			EUR	172,740	16,791
UniCredit Leasing Finance GmbH	Hamburg	100.0	100.0		EUR	27,013	2
<b>1.1.1.2 Foreign banks and financial institutions</b>							
direktanlage.at AG	Salzburg	100.0	100.0		EUR	24,112	3,065
UniCredit Luxembourg S.A.	Luxembourg	100.0			EUR	1,286,216	213,836
<b>1.1.2 Other consolidated companies</b>							
Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG <sup>3</sup>	Grünwald	100.0	100.0		EUR	27	(10,428)
Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG <sup>3</sup>	Grünwald	100.0	100.0		EUR	28	(10,405)
Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG <sup>3</sup>	Grünwald	100.0	100.0		EUR	27	(1,171)
Active Asset Management GmbH	Grünwald	100.0	100.0		EUR	217	25
AGROB Immobilien AG (share of voting rights: 75.0%) <sup>4</sup>	Ismaning	52.7	52.7		EUR	19,715	1,368
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0		EUR	(16,872)	0
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH <sup>3</sup>	Munich	100.0	100.0		EUR	793	2
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0		EUR	(46,427)	975
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0		EUR	(39,212)	975
A&T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG <sup>3</sup>	Munich	66.7	66.7		EUR	(37,265)	0
Aufbau Dresden GmbH	Munich	100.0	100.0		EUR	(23,944)	0
BaLea Soft GmbH & Co. KG	Hamburg	100.0	100.0		EUR	6,010	344
BaLea Soft Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0		EUR	83	2
Bank Austria ImmobilienService GmbH	Vienna	100.0	100.0		EUR	71	202
B.I. International Limited	George Town	100.0	100.0		EUR	(848)	(98)
BIL Immobilien Fonds GmbH & Co Objekt Perlach KG <sup>3</sup>	Munich	100.0	100.0		EUR	3,322	221
BIL Leasing-Fonds GmbH & Co VELUM KG (share of voting rights: 66.7% total, of which 33.3% held indirectly)	Munich	100.0			EUR	(2)	0
BIL Leasing-Fonds Verwaltungs-GmbH	Munich	100.0	100.0		EUR	33	1
BIL V & V Vermietungs GmbH	Munich	100.0	100.0		EUR	(2)	(3)
Blue Capital Equity GmbH	Hamburg	100.0	100.0		EUR	(1,870)	667
Blue Capital Equity Management GmbH	Hamburg	100.0	100.0		EUR	6,016	2,312
Blue Capital Europa Immobilien GmbH & Co. Achte Objekte Großbritannien KG	Hamburg	100.0	100.0		EUR	1,384	(2,467)
Blue Capital USA Immobilien Verwaltungs GmbH	Hamburg	100.0	100.0		EUR	162	112
BV Grundstücksentwicklungs-GmbH <sup>3</sup>	Munich	100.0	100.0		EUR	511	2
BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG <sup>3</sup>	Munich	100.0			EUR	511	(40)
Cameron Granville Asset Management (SPV-AMC), Inc.	Global City, Taguig	100.0	100.0		PHP	(827,329)	(19,274)
Cameron Granville 2 Asset Management Inc.	Global City, Taguig	100.0	100.0		PHP	(994,583)	(357,166)
Cameron Granville 3 Asset Management Inc.	Global City, Taguig	100.0	100.0		PHP	(1,169,937)	(442,804)
CUMTERRA Gesellschaft für Immobilienverwaltung mbH <sup>3</sup>	Munich	100.0	93.8		EUR	26	2
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG <sup>3</sup>	Munich	100.0	100.0		EUR	(22,880)	975
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG <sup>3</sup>	Munich	100.0	100.0		EUR	(53,477)	975
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG <sup>3</sup>	Munich	100.0	100.0		EUR	(59,493)	975
Enderlein & Co. GmbH	Bielefeld	100.0	100.0		EUR	71	2

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
		TOTAL	OF WHICH HELD INDIRECTLY			
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	316	72
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(1,691)	(140)
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	231	30
Food & more GmbH	Munich	100.0		EUR	177	<sup>1.2</sup>
GIMMO Immobilien-Vermietungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	20	<sup>2</sup>
Golf- und Country Club Seddiner See Immobilien GmbH	Munich	100.0	100.0	EUR	(15,507)	0
Grand Central Re Limited	Hamilton	92.5		USD	49,752	3,134
Grundstücksaktiengesellschaft am Potsdamer Platz						
(Haus Vaterland)	Munich	98.2	98.2	EUR	4,495	<sup>2</sup>
Grundstücksgesellschaft Simon						
beschränkt haftende Kommanditgesellschaft <sup>3</sup>	Munich	100.0	100.0	EUR	52	998
H & B Immobilien GmbH & Co. Objekte KG <sup>3</sup>	Munich	100.0	100.0	EUR	5	(15)
HAWA Grundstücks GmbH & Co. OHG Hotelverwaltung <sup>3</sup>	Munich	100.0	100.0	EUR	276	123
HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung <sup>3</sup>	Munich	100.0	100.0	EUR	54	325
H.F.S. Hypo-Fondsbeteiligungen für Sachwerte GmbH	Munich	100.0	90.0	EUR	5,101	<sup>2</sup>
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	<sup>2</sup>
HVB Alternative Advisors LLC	Wilmington	100.0		USD	7,170	(4,098)
HVB Asia Limited	Singapore	100.0		EUR	11,650	(20)
HVB Asset Leasing Limited	London	100.0	100.0	USD	109	(9)
HVB Asset Management Holding GmbH	Munich	100.0	100.0	EUR	25	<sup>2</sup>
HVB Capital LLC	Wilmington	100.0		USD	1,128	87
HVB Capital LLC II	Wilmington	100.0		GBP	2	0
HVB Capital LLC III	Wilmington	100.0		USD	1,107	90
HVB Capital LLC VI	Wilmington	100.0		JPY	268	7
HVB Capital LLC VIII	Wilmington	100.0		EUR	0	0
HVB Capital Partners AG	Munich	100.0		EUR	12,671	<sup>1.3</sup>
HVB Expertise GmbH	Munich	100.0		EUR	1,077	49
HVB Export Leasing GmbH	Munich	100.0		EUR	43	4
HVB Finance London Limited	London	100.0		EUR	953	148
HVB Funding Trust II	Wilmington	100.0		GBP	2	0
HVB Funding Trust VIII	Wilmington	100.0		EUR	0	0
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0		EUR	27	2
HVB Gesellschaft für Gebäude mbH & Co KG <sup>3</sup>	Munich	100.0		EUR	871,401	55,837
HVB Global Assets Company (GP), LLC	City of Dover	100.0		USD	141	3
HVB Global Assets Company, L.P. <sup>5</sup>	City of Dover	5.0		USD	1,018,840	27,979
HVB Hong Kong Limited	Hong Kong	100.0		USD	4,355	63
HVB Immobilien AG <sup>3</sup>	Munich	100.0		EUR	86,644	<sup>1.4</sup>
HVB International Asset Leasing GmbH	Munich	100.0		EUR	252	(653)
HVB Investments (UK) Limited	George Town	100.0		GBP	200,670	164
HVB Life Science GmbH & Co. Beteiligungs-KG	Munich	100.0		EUR	778	(247)
HVB London Investments (AVON) Limited	London	100.0		GBP	2,540	3
HVB London Investments (CAM) Limited	London	100.0		GBP	120	0
HVB Principal Equity GmbH <sup>3</sup>	Munich	100.0		EUR	34	<sup>1.5</sup>
HVB Profil Gesellschaft für Personalmanagement mbH <sup>3</sup>	Munich	100.0		EUR	28	<sup>1.6</sup>
HVB Projekt GmbH <sup>3</sup>	Munich	100.0	94.0	EUR	72,151	<sup>2</sup>
HVB Realty Capital Inc.	New York	100.0	100.0	USD	0	0
HVB Secur GmbH	Munich	100.0	100.0	EUR	112	16
HVB Tecta GmbH <sup>3</sup>	Munich	100.0	94.0	EUR	1,751	<sup>2</sup>
HVB Verwa 1 GmbH	Munich	100.0		EUR	41	<sup>1.7</sup>
HVB Verwa 4 GmbH	Munich	100.0		EUR	5,132	<sup>1.8</sup>
HVB Verwa 4.4 GmbH <sup>3</sup>	Munich	100.0	100.0	EUR	5,025	<sup>2</sup>

## Other Information (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %			CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
		TOTAL	HELD	INDIRECTLY			
HVBFF International Greece GmbH <sup>4</sup>	Munich	100.0	100.0		EUR	(442)	35
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0		EUR	10	(1)
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0		EUR	39	11
HVBFF Produktionshalle GmbH i.L.	Munich	100.0	100.0		EUR	21	(2)
HVZ GmbH & Co. Objekt KG <sup>3</sup>	Munich	100.0	100.0		EUR	148,091	3,505
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0		EUR	9	(39)
Hypo-Bank Verwaltungszentrum GmbH & Co. KG							
Objekt Arabellastraße <sup>3</sup>	Munich	100.0	100.0		EUR	26	(1,154)
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co.							
Immobilien-Vermietungs KG <sup>3</sup>	Munich	80.0	80.0		EUR	(850)	275
HypoVereinsFinance N.V.	Amsterdam	100.0			EUR	2,088	743
Internationales Immobilien-Institut GmbH	Munich	94.0			EUR	14,391	5,782
Interra Gesellschaft für Immobilienverwaltung mbH <sup>3</sup>	Munich	100.0	93.8		EUR	51	<sup>2</sup>
Keller Crossing L.P.	Wilmington	100.0	100.0		USD	1,473	245
Kinabalu Financial Products LLP	London	100.0			GBP	911	(38)
Kinabalu Financial Solutions Limited	London	100.0			GBP	3,823	(53)
Life Management Erste GmbH	Munich	100.0	100.0		EUR	24	<sup>2</sup>
Life Management Zweite GmbH	Grünwald	100.0	100.0		EUR	26	<sup>2</sup>
Life Science I Beteiligungs GmbH	Munich	100.0	100.0		EUR	(1,874)	(242)
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung <sup>3</sup>	Munich	100.0			EUR	16,692	<sup>1.9</sup>
MILLETERRA Gesellschaft für Immobilienverwaltung mbH <sup>3</sup>	Munich	100.0	100.0		EUR	25	<sup>2</sup>
Mobility Concept GmbH	Oberhaching	60.0	60.0		EUR	6,881	2,809
Movie Market Beteiligungs GmbH	Munich	100.0	100.0		EUR	11	(7)
NF Objekt FFM GmbH <sup>3</sup>	Munich	100.0	100.0		EUR	125	<sup>2</sup>
NF Objekt München GmbH <sup>3</sup>	Munich	100.0	100.0		EUR	75	<sup>2</sup>
NF Objekte Berlin GmbH <sup>3</sup>	Munich	100.0	100.0		EUR	15,725	<sup>2</sup>
NXP Co-Investment Partners VIII, L.P.	London	85.0	85.0		EUR	7,478	(1,809)
Omnia Grundstücks-GmbH & Co.							
Objekt Eggenfeldener Straße KG <sup>3</sup>	Munich	100.0	94.0		EUR	26	0
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG <sup>3</sup>	Munich	100.0	94.0		EUR	26	(166)
Orestos Immobilien-Verwaltungs GmbH <sup>3</sup>	Munich	100.0	100.0		EUR	56,674	<sup>2</sup>
Othmarschen Park Hamburg GmbH & Co. Centerpark KG <sup>3</sup>	Munich	100.0	100.0		EUR	(18,878)	64
Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG <sup>3</sup>	Munich	100.0	100.0		EUR	(44,083)	0
PlanetHome AG	Unterföhring	100.0			EUR	28,970	2,607
PlanetHome GmbH	Mannheim	100.0	100.0		EUR	1,117	557
Portia Grundstücks-Verwaltungsgesellschaft mbH & Co.							
Objekt KG <sup>3</sup>	Munich	100.0	100.0		EUR	500,014	12,032
"Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0		EUR	30	4
Redstone Mortgages Limited	London	100.0			GBP	(21,262)	15,184
RHOTERRA Gesellschaft für Immobilienverwaltung mbH <sup>3</sup>	Munich	100.0	93.8		EUR	26	<sup>2</sup>
Roncasa Immobilien-Verwaltungs GmbH	Munich	90.0	90.0		EUR	(40,970)	975
Salvatorplatz-Grundstücksgesellschaft mbH	Munich	100.0	100.0		EUR	711	<sup>2</sup>
Salvatorplatz-Grundstücksgesellschaft mbH & Co.							
OHG Saarland <sup>3</sup>	Munich	100.0	100.0		EUR	1,534	(161)
Salvatorplatz-Grundstücksgesellschaft mbH & Co.							
OHG Verwaltungszentrum <sup>3</sup>	Munich	100.0	100.0		EUR	2,301	3,628
Selfoss Beteiligungsgesellschaft mbH <sup>3</sup>	Grünwald	100.0	100.0		EUR	13	<sup>2</sup>
Simon Verwaltungs-Aktiengesellschaft i.L. <sup>4</sup>	Munich	<100.0			EUR	3,129	(2)
Sirius Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0		EUR	(143,835)	<sup>2</sup>
SOLARIS Verwaltungsgesellschaft mbH & Co. Vermietungs KG <sup>3</sup>	Munich	94.9	94.9		EUR	0	0
Solos Immobilien- und Projektentwicklungs GmbH & Co.							
Sirius Beteiligungs KG <sup>3</sup>	Munich	100.0	100.0		EUR	(36,648)	976
Spree Galerie Hotelbetriebsgesellschaft mbH <sup>3</sup>	Munich	100.0	100.0		EUR	249	<sup>2</sup>
Status Vermögensverwaltung GmbH <sup>3</sup>	Schwerin	100.0			EUR	2,029	<sup>1.10</sup>

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL	NET PROFIT
		TOTAL	OF WHICH HELD INDIRECTLY		in thousands of currency units	in thousands of currency units
Structured Invest Société Anonyme	Luxembourg-Kirchberg	100.0		EUR	8,312	1,886
Structured Lease GmbH	Hamburg	100.0	100.0	EUR	750	<sup>2</sup>
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(6,986)	(16)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,449)	(34)
TERRENO Grundstücksverwaltung GmbH & Co.						
Entwicklungs- und Finanzierungsvermittlungs-KG <sup>3</sup>	Munich	75.0	75.0	EUR	(268,579)	0
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(388)	(17)
TIVOLI Grundstücks-Aktiengesellschaft	Munich	99.7	99.7	EUR	11,080	3,564
Transterra Gesellschaft für Immobilienverwaltung mbH <sup>3</sup>	Munich	100.0	93.8	EUR	26	<sup>2</sup>
TRICASA Grundbesitz Gesellschaft mbH & Co.						
1. Vermietungs KG <sup>3</sup>	Munich	100.0	100.0	EUR	4,297	867
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	17,187	16,246
Trinitrade Vermögensverwaltungs-Gesellschaft						
mit beschränkter Haftung	Munich	100.0		EUR	1,322	4
UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,147	<sup>1.11</sup>
UniCredit CAIB Securities UK Ltd.	London	100.0		GBP	451	3
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	320,883	(3,804)
UniCredit (China) Advisory Limited	Beijing	100.0		CNY	1,614	406
UniCredit Direct Services GmbH <sup>3</sup>	Munich	100.0		EUR	858	<sup>1.12</sup>
UniCredit Global Business Services GmbH	Munich	100.0		EUR	1,718	144
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	505	466
UniCredit Leasing GmbH	Hamburg	100.0		EUR	162,026	<sup>1.13</sup>
UniCredit London Investments Limited	London	100.0		EUR	3	0
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	341,195	2,931
US Property Investments Inc.	Dallas	100.0		USD	636	(33)
Verba Verwaltungsgesellschaft mbH	Munich	100.0		EUR	699	(2)
Verwaltungsgesellschaft Katharinenhof mbH <sup>3</sup>	Munich	100.0		EUR	708	<sup>1.14</sup>
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	<sup>2</sup>
VuWB Investments Inc.	Atlanta	100.0	100.0	USD	1,454	1,154
Wealth Capital Investments, Inc.	Wilmington	100.0	100.0	USD	1,932	1,286
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,475	<sup>1.15</sup>
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	903	391
WealthCap Initiatoren GmbH	Hamburg	100.0	100.0	EUR	2,499	965
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	<sup>2</sup>
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	47	23
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	1,607	1,338
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	<sup>2</sup>
WealthCap Stiftungstreuhand GmbH	Hamburg	100.0	100.0	EUR	33	3
<b>1.2 Non-consolidated subsidiaries</b>						
<b>of HVB Group<sup>6</sup></b>						
<b>Other non-consolidated subsidiaries</b>						
Acis Immobilien- und Projektentwicklungs GmbH	Grünwald	100.0	100.0	EUR	25	<sup>2</sup>
AGRUND Grundstücks-GmbH	Munich	90.0	90.0			
Alexandersson Real Estate I B.V.	Apeldoorn	100.0	100.0			
"Alte Schmelze" Projektentwicklungsgesellschaft mbH	Munich	100.0	100.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH	Ebersberg	98.8	98.8	EUR	258	231
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.8			
Apir Verwaltungsgesellschaft mbH & Co.						
Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(18,286)	982
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
Argentum Media GmbH & Co. KG	Munich	100.0				
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	66.7	66.7			
Bavaria Servicos de Representacao Comercial Ltda.	Sao Paulo	100.0				

## Other Information (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %			CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
		TOTAL	HELD	INDIRECTLY			
Bayerische Wohnungsgesellschaft für Handel und Industrie, Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0		EUR	294	<sup>2</sup>
BD Industrie-Beteiligungsgesellschaft mbH	Munich	100.0					
BFL Beteiligungsgesellschaft für Flugzeug-Leasing mbH	Munich	100.0					
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0				
BIL Immobilien Fonds GmbH	Munich	100.0	100.0				
Blue Capital Dritte Europa Immobilien Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0				
Blue Capital Equity Sekundär GmbH	Hamburg	100.0	100.0				
Blue Capital Erste Kanada Immobilien Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0				
Blue Capital Europa Erste Immobilien – Objekte Niederlande – Verwaltungs GmbH	Hamburg	100.0	100.0				
Blue Capital Europa Immobilien Verwaltungs GmbH	Hamburg	100.0	100.0				
Blue Capital Immobilien und Verwaltung Sekundär GmbH	Hamburg	100.0	100.0				
Blue Capital Metro Amerika Inc.	Atlanta	100.0	100.0				
Blue Capital Real Estate GmbH	Hamburg	100.0	100.0				
Blue Capital Zweite Europa Immobilien Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0				
Blue Capital Zweite USA Immobilien Verwaltungs GmbH	Hamburg	100.0	100.0				
Bonum Anlage- und Beteiligungsgesellschaft mbH	Bremen	100.0	100.0		EUR	60	<sup>2</sup>
BV Grundstücksentwicklungs-GmbH & Co. Schloßberg-Projektentwicklungs-KG	Munich	100.0	100.0		EUR	38	349
BWF Beteiligungsgesellschaft Wirtschaftsförderung mbH	Hamburg	100.0					
CL Dritte Car Leasing GmbH & Co. KG	Hamburg	100.0	100.0				
CL Dritte Car Leasing Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0				
Deltaterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.8		EUR	26	<sup>2</sup>
Euro-Bond Blue Capital Management GmbH i.L.	Bad Soden	100.0	100.0				
Euro-Bond Blue Capital Verwaltungs GmbH i.L.	Bad Soden	100.0	100.0				
Ferra Immobilien- und Projektentwicklungs GmbH & Co. Projekt Großenhainer Straße KG	Munich	100.0	100.0		EUR	(12,383)	750
FGB Grund und Boden GmbH & Co. KG	Munich	94.0	94.0		EUR	(4,002)	0
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0		EUR	26	<sup>2</sup>
Großkugel Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0		EUR	(3,354)	<sup>2</sup>
H.F.S. Immobilienfonds Deutschland 19 GmbH & Co. KG	Munich	100.0	100.0		EUR	(1,392)	(1,354)
H.F.S. Immobilienfonds Europa 2 Teiligungs GmbH	Munich	100.0	100.0				
H.F.S. Immobilienfonds Europa 3 Teiligungs B.V.	The Hague	100.0	100.0				
H.F.S. Immobilienfonds GmbH & Co. Europa 4 KG	Munich	100.0	100.0				
H.F.S. Istanbul 1 Gayrimenkul Yönetimi Limited Sirketi	Istanbul	100.0	100.0				
H.F.S. Istanbul 2 Gayrimenkul Yönetimi Limited Sirketi	Istanbul	100.0	100.0				
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0				
H.F.S. Schiffs-Leasingfonds GmbH	Munich	100.0	100.0				
H.F.S. Value Management GmbH	Munich	100.0	100.0				
H.F.S. Zweitmarktfonds Deutschland 3 GmbH & Co. KG	Munich	100.0	100.0				
H.F.S. Zweitmarktfonds Deutschland 4 GmbH & Co. KG	Munich	100.0	100.0				
Hofgarten Real Estate B.V. (share of voting rights: 50.5%)	Amsterdam	47.2	47.2		EUR	(49,147)	(44)
Hotel Seddiner See GmbH	Munich	100.0	100.0				
HVB Beteiligungsgesellschaft mbH	Munich	100.0			EUR	157	(219)
HVB Life Science GmbH	Munich	100.0					
HVB London Trading Ltd.	London	100.0					
HVB Mortgage Capital Corp.	Wilmington	100.0	100.0				
HVB Services South Africa (Proprietary) Limited	Johannesburg	100.0					
HVB Verwa 3 GmbH	Munich	100.0			EUR	767	<sup>1,16</sup>
HVB Verwa 4.1 GmbH	Munich	100.0	100.0		EUR	25	<sup>2</sup>
HVB Verwa 4.6 GmbH	Munich	100.0	100.0		EUR	25	<sup>2</sup>

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HVB Verwa 7 GmbH	Munich	100.0		EUR	22	1.17
HVB Verwa 8 GmbH	Munich	100.0		EUR	25	1.18
HVBFF Baumanagement GmbH	Munich	100.0	100.0	EUR	50	2
HVBFF Kapitalvermittlungs GmbH	Munich	100.0	100.0	EUR	19	2
HVBFF Leasing & Investition GmbH & Co Erste KG	Munich	100.0	100.0			
HVBFF Leasing Objekt GmbH	Munich	100.0	100.0			
HVBFF Leasing-Fonds Verwaltungs GmbH	Munich	100.0	100.0			
HVBFF Objekt Leipzig GmbH	Leipzig	70.0	70.0			
HVZ GmbH & Co. Objekt Unterföhring KG	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	2
KHR Projektentwicklungsgesellschaft mbH & Co. Objekt Bornitzstraße I KG	Munich	100.0	100.0	EUR	96	5,438
KHR Projektentwicklungsgesellschaft mbH & Co. Objekt Bornitzstraße II KG	Munich	100.0	100.0	EUR	(1,286)	1,999
KHR Projektentwicklungsgesellschaft mbH & Co. Objekt Bornitzstraße III KG	Munich	100.0	100.0	EUR	(3,479)	(1)
KHR Projektentwicklungsgesellschaft mbH & Co. Objekt Bornitzstraße KG	Munich	100.0	100.0	EUR	114	19,914
Laimberg 81. V V AG	Munich	100.0				
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 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			
Mutnegra Beteiligungs- und Verwaltungs-GmbH	Munich	100.0				
Olos Immobilien- und Projektentwicklungs GmbH & Co. Grundstücksentwicklungs KG	Munich	100.0	100.0			
Olos Immobilien- und Projektentwicklungs GmbH & Co. Vermietungs KG	Munich	100.0	100.0			
Omnia Grundstücks-GmbH	Munich	100.0	100.0	EUR	26	2
Omnia Grundstücks-GmbH & Co. Betriebs KG	Munich	100.0	94.0			
Omnia Grundstücks-GmbH & Co. Objekt Ostragehege KG	Munich	100.0	94.0			
Othmarschen Park Hamburg Wohn- und Gewerbepark GmbH	Munich	100.0	100.0	EUR	104	2
Pegasus Project Stadthaus Halle GmbH	Munich	100.0	93.8	EUR	26	2
Perterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	2
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0	EUR	(6,667)	4,455
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	2
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0			
Rotus Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	2
Rotus Immobilien-Verwaltungs GmbH & Co. Objekt Eggenfeldener Straße KG i.L.	Munich	97.0	97.0			
Saphira Immobilien- und Projektentwicklungs GmbH & Co. Frankfurt City West Office Center und Wohnbau KG	Munich	100.0	100.0			
Schloßberg-Projektentwicklungs-GmbH & Co 683 KG	Munich	100.0	100.0	EUR	31	743
STARS Geschäftsführungs- und Verwaltungs-GmbH	Munich	100.0				
STARS GmbH & Co. KGaA	Munich	100.0				
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co. Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,777)	4,875
Tishman Speyer Berlin Friedrichstraße KG i.L. (share of voting rights: 96.6% total, of which 7.1% held indirectly)	Berlin	97.1	5.9			
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(26,783)	933
VereinWest Overseas Finance (Jersey) Limited	St. Helier	100.0				
Vintners London Investments (Nile) Limited	George Town	100.0	100.0			

## Other Information (CONTINUED)

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		TOTAL	HELD	INDIRECTLY OF WHICH			
WCREM Canadian Investments Inc.	Toronto	100.0		100.0	CAD	548	284
WCREM Canadian Management Inc.	Toronto	100.0		100.0			
Wealth Capital Management, Inc.	Wilmington	100.0		100.0	USD	961	376
WealthCap Europa Immobilien							
Fünfte Objekte Österreich Komplementär GmbH	Grünwald	100.0		100.0			
WealthCap Europa Immobilien							
Siebte Objekte Österreich Komplementär GmbH	Munich	100.0		100.0			
WealthCap Flugzeug Portfolio 25 GmbH & Co. KG	Grünwald	100.0		100.0			
WealthCap Geothermie 1 GmbH & Co. KG	Grünwald	100.0		100.0			
WealthCap Immobilienfonds Deutschland 34 GmbH & Co. KG (share of voting rights: 75.0%)	Munich	50.0		50.0			
WealthCap Immobilienfonds Deutschland 35 GmbH & Co. KG (share of voting rights: 75.0%)	Munich	50.0		50.0			
WealthCap Immobilienfonds Europa 11 GmbH & Co. KG	Munich	100.0		100.0			
WealthCap Immobilienfonds USA 14 GmbH & Co. KG	Munich	100.0		100.0			
WealthCap LebensWert 3 GmbH & Co. KG	Grünwald	100.0		100.0			
WealthCap PEIA Sekundär GmbH	Munich	100.0		100.0			
WealthCap Photovoltaik 2 GmbH & Co. KG	Grünwald	100.0		100.0			
WealthCap Photovoltaik 3 GmbH & Co. KG	Grünwald	100.0		100.0			
WealthCap Private Equity GmbH	Hamburg	100.0		100.0			
WealthCap Private Equity Sekundär GmbH	Hamburg	100.0		100.0			
WealthCap Real Estate Komplementär GmbH	Munich	100.0		100.0			
WealthCap Real Estate Sekundär GmbH	Munich	100.0		100.0			
<b>2 Joint ventures<sup>6</sup></b>							
<b>Minor joint ventures</b>							
<b>Other companies</b>							
Heizkraftwerk Cottbus Verwaltungs GmbH	Munich	33.3			EUR	119	213
Heizkraftwerke-Pool Verwaltungs-GmbH	Munich	33.3			EUR	103	767
N665UA Offshore GP, LLC	Wilmington	33.3		33.3			
N665UA Offshore OP, L.P. (share of voting rights: 0%)	Wilmington	33.2		33.2	EUR	(1,089)	1,812
Wertweiser GmbH	Munich	50.0		50.0			
<b>3 Associated companies</b>							
<b>3.1 Associated companies valued at equity</b>							
<b>Other companies</b>							
Adler Funding LLC	Dover	32.8			USD	1,000	0
Comtrade Group B.V.	Amsterdam	21.1		21.1	EUR	13,571	706
Martur Sünger ve Koltuk Tesisleri Ticaret ve Sanayi A.S.	Istanbul	20.0		20.0	TRL	137,173	58,439
<b>3.2 Minor associated companies<sup>6</sup></b>							
<b>Other companies</b>							
BIL Leasing GmbH & Co Hotel Ulm KG	Munich	29.0		29.0	EUR	(898)	419
BioM Venture Capital GmbH & Co. Fonds KG (share of voting rights: 20.4%)	Planegg/Martinsried	23.5			EUR	2,148	(10)
CMP Fonds I GmbH (share of voting rights: 25.0%)	Berlin	32.7			EUR	38,950	66,819
DFA Deggendorfer Freihafen Ansiedlungs-GmbH	Deggendorf	50.0		50.0			
DFA Deggendorfer Freihafen Ansiedlungs-GmbH & Co. Grundstücks-KG	Deggendorf	50.0		50.0			
InfrAm One Corporation	City of Lewes	37.5		37.5	USD	2,595	(2,114)
LNC Investments Holdings Inc. (share of voting rights: 40.0%)	Global City, Taguig	98.5		98.5	PHP	(352)	(504)



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LNC (SPV-AMC) Corp.	Global City, Taguig	40.0	40.0	PHP	650,466	8,419
LNC3 Asset Management Inc.	Global City, Taguig	40.0	40.0	PHP	(610,319)	(71,810)
MOC Verwaltungs GmbH	Munich	23.0	23.0			
MOC Verwaltungs GmbH & Co. Immobilien KG <sup>7</sup>	Munich	23.0	23.0	EUR	(16)	(221)
SK BV Grundstücksentwicklung GmbH & Co. KG	Cologne	25.0	25.0			
SK BV Grundstücksentwicklung Verwaltung GmbH i.L.	Cologne	50.0	50.0			
US Retail Income Fund VII L.P.	Wilmington	26.3	26.3	USD	14,610	348
US Retail Income Fund VIII-D L.P.	Wilmington	50.0	50.0	USD	(271)	1,586
<b>4 Holdings in excess of 20% without significant influence<sup>6</sup></b>						
<b>Other companies</b>						
BayBG Bayerische Beteiligungsgesellschaft mbH	Munich	22.5		EUR	161,095	8,866
Bayerischer BankenFonds GbR	Munich	25.6				
BC European Capital VII-12 L.P. (share of voting rights: 0%)	St. Peter Port	34.1		EUR	35,101	15,224
B.I.I. Creditanstalt International Ltd. (share of voting rights: 0%)	George Town	40.2				
Deutsche Structured Finance & Leasing GmbH & Co. Mira KG i.L. (share of voting rights: 39.8% total, of which 4.0% held indirectly)	Frankfurt am Main	39.9	4.0	EUR	(692)	1,913
Doughty Hanson & Co. Technology Limited Partnership Number 3 (share of voting rights: 0%)	London	22.3		USD	19,919	(4,023)
Engelbert Rütten Verwaltungsgesellschaft Kommanditgesellschaft	Düsseldorf	30.2				
EQT III ISS Co-Investment L.P. (share of voting rights: 0%)	St. Peter Port	35.6	35.6	EUR	0	2,309
Felicitas GmbH i.L.	Munich	20.8		EUR	1,635	54
Fondo Nord Ovest (share of voting rights: 0%)	Turin	26.7		EUR	15,654	(990)
GermanIncubator Erste Beteiligungs GmbH (share of voting rights: 9.9%)	Munich	39.6		EUR	2,004	(88)
HVB Trust Pensionsfonds AG (share of voting rights: 0%) <sup>8</sup>	Munich	100.0	100.0	EUR	3,588	88
IPE Euro Wagon L.P. (share of voting rights: 0%)	St. Helier	37.5	37.5	EUR	31,499	7,726
Lauro Ventidue S.p.A. (share of voting rights: 0%)	Milan	24.2	24.2	EUR	164,783	(92)
Mozfund (Proprietary) Limited (share of voting rights: 12.5%)	Sandton	40.0				
Mühoga Münchner Hochgaragen Gesellschaft mit beschränkter Haftung	Munich	25.0	25.0	EUR	3,763	2,396
REF IV Associates (Caymans) L.P. Acqua CIV S.C.S. (share of voting rights: 0%)	Luxembourg	38.3	38.3	EUR	20,015	0
Rolo Impresa Fondo Comune di Investimento Mobiliare Chiuso (share of voting rights: 0%)	Milan	73.1		EUR	42,483	(10,456)
Sentient Global Resources Fund I, L.P. (share of voting rights: 0%)	George Town	24.4		USD	133,042	149,338
WCG-NSL Holding LLC (share of voting rights: 0%)	Wilmington	22.1	22.1			



## Other Information (CONTINUED)

NAME	REGISTERED OFFICE	SHARE OF CAPITAL OF HVB in %	SUBSCRIBED CAPITAL € MILLIONS
<b>5 Other selected holdings below 20%</b>			
<b>5.1 Banks and financial institutions</b>			
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt am Main	15.4	20.5
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3	3.2
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich	10.5	0.4
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8	7.4
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1	8.1
Bürgschaftsbank Sachsen GmbH	Dresden	4.7	27.6
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9	8.4
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4	3.9
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7	12.9
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5	10.9
Liquiditäts-Konsortialbank GmbH	Frankfurt am Main	5.7	200.0
Saarländische Investitionskreditbank AG	Saarbrücken	3.3	5.2
<b>5.2 Other companies</b>			
BioM Aktiengesellschaft Munich Bio Tech Development	Planegg	8.5	2.9
Börse Düsseldorf AG	Düsseldorf	3.0	5.0
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6	4.1
GEMMA Verwaltungsgesellschaft mbH & Co. Vermietungs KG (held indirectly) <sup>7</sup>	Pullach	6.1	68.8
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing) (held indirectly) <sup>7</sup>	Munich	<0.1	61.2
H.F.S. Leasingfonds Deutschland 7 GmbH & Co. KG (held indirectly) <sup>7</sup>	Munich	<0.1	56.6
MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH	Stuttgart	5.0	3.6
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz	8.7	2.9
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg mbH	Potsdam	11.6	5.7
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern GmbH	Schwerin	15.4	5.1
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH	Hanover	8.2	0.9
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8	29.0
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7	6.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt	13.4	9.9
Saarländische Kapitalbeteiligungsgesellschaft mbH	Saarbrücken	8.7	0.8
Wüstenrot & Württembergische AG	Stuttgart	7.5	481.1

NAME	REGISTERED OFFICE	SHARE OF CAPITAL in %	CURRENCY	SUBSCRIBED CAPITAL
				in thousands of currency units
<b>6 Fully consolidated special purpose entities pursuant to IAS 27/SIC 12 without shareholding</b>				
Altus Alpha Plc	Dublin	0	EUR	40
Arabella Finance Ltd.	Dublin	0	EUR	<1
Bandon Leasing Ltd.	Dublin	0	USD	<1
Black Forest Funding LLC	Delaware	0	USD	10
Cosima Purchase No. 13 Ltd.	St. Helier	0	EUR	<1
Cosima Purchase No. 14 Ltd.	Dublin	0	EUR	<1
Cosima Purchase No. 15 Ltd.	Dublin	0	EUR	<1
Cosima Purchase No. 6 S.A. – Compartment 3	Luxembourg	0	EUR	0
Elektra Purchase No. 17 S.A. – Compartment 2	Luxembourg	0	EUR	0
Elektra Purchase No. 23 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 24 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 27 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 28 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 50 Ltd.	Dublin	0	EUR	<1
European-Office-Fonds	Munich	0	EUR	0
GELDILUX-TS-2007 S.A.	Luxembourg	0	EUR	31
GELDILUX-TS-2010 S.A.	Luxembourg	0	EUR	31
GELDILUX-TS-2011 S.A.	Luxembourg	0	EUR	31
GELDILUX-PP-2011 S.A.	Luxembourg	0	EUR	31
Grand Central Funding Corporation	New York	0	USD	1
HVB Funding Trust	Wilmington	0	USD	0
HVB Funding Trust III	Wilmington	0	USD	0
Ocean Breeze Energy GmbH & Co. KG	Munich	0	EUR	27
Ocean Breeze Finance S.A. – Compartment 1	Luxembourg	0	EUR	0
Rosenkavalier 2008 GmbH	Frankfurt am Main	0	EUR	25
Royston Leasing Ltd.	Grand Cayman	0	USD	1
Salome Funding Plc	Dublin	0	EUR	38
SKB VTMK International Issuer Ltd. – Series 2011-1	Dublin	0	EUR	0
The Trans Value Trust Company Ltd.	Tokyo	0	JPY	0

## Other Information (CONTINUED)

**Exchanges rates for 1 euro at 31 December 2011**

Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

Canada	1 euro =	1.3215	CAD
China	1 euro =	8.1588	CNY
Japan	1 euro =	100.2	JPY
Philippines	1 euro =	56.754	PHP
Turkey	1 euro =	2.4432	TRY
UK	1 euro =	0.8353	GBP
USA	1 euro =	1.2939	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%.

1 HVB has concluded profit and loss transfer agreements with the following companies:

COMPANY	PROFIT/(LOSS) TRANSFERRED €'000
1.1 Bankhaus Neelmeyer AG, Bremen	(2,724)
1.2 Food & more GmbH, Munich	182
1.3 HVB Capital Partners AG, Munich	1,064
1.4 HVB Immobilien AG, Munich	(4,202)
1.5 HVB Principal Equity GmbH, Munich	558
1.6 HVB Profil Gesellschaft für Personalmanagement mbH, Munich	433
1.7 HVB Verwa 1 GmbH, Munich	(1)
1.8 HVB Verwa 4 GmbH, Munich	1,212
1.9 MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	1,337
1.10 Status Vermögensverwaltung GmbH, Schwerin	0
1.11 UniCredit Beteiligungs GmbH, Munich	4,971
1.12 UniCredit Direct Services GmbH, Munich	650
1.13 UniCredit Leasing GmbH, Hamburg	7,883
1.14 Verwaltungsgesellschaft Katharinenhof mbH, Munich	739
1.15 Wealth Management Capital Holding GmbH, Munich	8,183
1.16 HVB Verwa 3 GmbH, Munich	(2)
1.17 HVB Verwa 7 GmbH, Munich	(2)
1.18 HVB Verwa 8 GmbH, Munich	(2)

2 Profit and loss transfer to shareholders and partners.

3 Compliant with Sections 264b and 264 (3), German Commercial Code, the company is exempt from the obligation to make annual financial statements public in accordance with the provisions applicable to corporations.

4 Figures of the 2010 annual accounts are indicated for this consolidated company.

5 Subsidiary since HVB exercises a controlling influence through company management.

6 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, German Commercial Code. This information is omitted for companies compliant with Section 285 No. 11a, German Commercial Code, for the same reason.

7 Compliant with SIC 12, the company is fully consolidated by HVB Group

8 The company is held by a trustee for HVB.

## Other Information (CONTINUED)

### 90 Members of the Supervisory Board

Federico Ghizzoni  
since 2 March 2011  
Chairman since 4 March 2011

**Chairman**

Sergio Ermotti  
until 1 March 2011

**Chairman**

Peter König  
Dr Wolfgang Sprissler

**Deputy Chairman**

**Deputy Chairman**

Aldo Bulgarelli  
Beate Dura-Kempf  
Klaus Grünewald  
Werner Habich  
since 16 January 2011  
Dr Lothar Meyer  
Marina Natale  
Klaus-Peter Prinz  
Jutta Streit  
until 15 January 2011  
Jens-Uwe Wächter  
Dr Susanne Weiss

**Members**

## 91 Members of the Management Board

Peter Buschbeck	Family & SME division <sup>1</sup>
Jürgen Danzmayr since 1 July 2011	Private Banking division
Lutz Diederichs	Corporate & Investment Banking division
Peter Hofbauer	Chief Financial Officer (CFO)
Heinz Laber	Human Resources Management, Global Banking Services
Andrea Umberto Varese	Chief Risk Officer (CRO)
Dr Theodor Weimer	Board Spokesman
Andreas Wölfer until 30 June 2011	Private Banking division

<sup>1</sup> formerly Retail division; the division was renamed Family & SME on 1 January 2011 after resegmentation

Munich, 15 March 2012

UniCredit Bank AG  
The Management Board



Buschbeck



Danzmayr



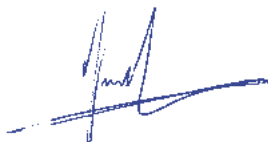
Diederichs



Hofbauer



Laber



Varese



Dr Weimer

## Declaration by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and Management's Discussion and Analysis includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 15 March 2012

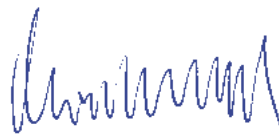
UniCredit Bank AG  
The Management Board



Buschbeck



Danzmayr



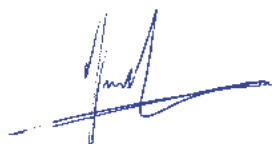
Diederichs



Hofbauer



Laber



Varese



Dr Weimer

# Auditors' Report

We have audited the consolidated financial statements prepared by the UniCredit Bank AG, Munich, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 15 March 2012

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Pukropski  
Wirtschaftsprüfer

Pfeiffer  
Wirtschaftsprüfer



**UniCredit Bank AG**  
Kardinal-Faulhaber-Strasse 1  
80333 Munich

Signed by

Bettina Rödl

Katrin Felix

