

This document constitutes a supplement to seven base prospectuses dated 10 June 2009, 20 May 2009, 20 May 2009, 4 March 2009, 11 March 2008, 25 June 2007 and 27 June 2006, each as supplemented from time to time, pursuant to section 16 paragraph 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

Supplement

to the Prospectus dated 10 June 2009

Bayerische Hypo- und Vereinsbank AG

Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme

for the issuance of Global- and Jumbo-Pfandbriefe

and

to the Prospectus dated 20 May 2009

Bayerische Hypo- und Vereinsbank AG

Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme

for the issuance of Notes (including Credit Linked Notes), Certificates and Warrants

and

to the Prospectus dated 20 May 2009

Bayerische Hypo- und Vereinsbank AG

Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme

for the issuance of Pfandbriefe

and

to the Prospectus dated 4 March 2009

Bayerische Hypo- und Vereinsbank AG

Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme

for the issuance of Notes (including Pfandbriefe and Credit Linked Instruments), Certificates and Warrants

and

to the Prospectus dated 11 March 2008

Bayerische Hypo- und Vereinsbank AG

Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme

for the issuance of Notes (including Pfandbriefe and Credit Linked Instruments), Certificates and Warrants

and

to the Prospectus dated 25 June 2007

Bayerische Hypo- und Vereinsbank AG

Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme

for the issuance of Notes (including Pfandbriefe), Certificates and Warrants

and
to the Prospectus dated 27 June 2006
Bayerische Hypo- und Vereinsbank AG
Munich, Federal Republic of Germany

Euro 50,000,000,000 Debt Issuance Programme
for the issuance of Notes (including Pfandbriefe), Certificates and Warrants



Arranger and Dealer
UniCredit Group (HVB)

22 October 2009

This supplement is to be read and construed in conjunction with the base prospectuses dated 10 June 2009, 20 May 2009, 20 May 2009, 4 March 2009, 11 March 2008, 25 June 2007 and 27 June 2006 listed above (each a "**Prospectus**" and together the "**Prospectuses**") 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 Prospectuses 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.

Bayerische Hypo- und Vereinsbank AG accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that this is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Investors who have already agreed to purchase or subscribe for the Instruments before this Supplement is published shall have the right, exercisable within two working days after the publication of this Supplement, to withdraw their acceptances, pursuant to section 16 paragraph 3 of the German Securities Prospectus Act.

Bayerische Hypo- und Vereinsbank AG, MCD2 Debt Capital Markets Documentation, Arabellastraße 12, 81925 Munich, Germany, fax no.: +49-89-378 33 15964, 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 and the Prospectuses are available during usual business hours on any weekday (except Saturdays and public holidays) at the office of Bayerische Hypo- und Vereinsbank AG, MCD2 Debt Capital Markets Documentation, Arabellastraße 12, 81925 Munich, Germany.

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Bayerische Hypo- und Vereinsbank AG announces the following changes with regard to the Prospectuses:

1. CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF GLOBAL- AND JUMBO-PFANDBRIEFE DATED 10 JUNE 2009

- 1.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as follows:

4. SUMMARY DESCRIPTION OF THE ISSUER

Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("HVB", and together with its consolidated subsidiaries, the "HVB Group") was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich. HVB has been an affiliated company of UniCredit Italian S.p.A., Rome ("UniCredit") since November 2005 and hence a major part of the UniCredit Group from that date as a sub-group. UniCredit holds directly 100% of HVB's share capital.

HVB has its registered office at Kardinal-Faulhaber-Strasse 1, 80333 Munich and is registered with the Commercial Register at the Lower Court (*Amtsgericht*) in Munich under number HRB 42148, incorporated as a stock corporation under the laws of the Federal Republic of Germany. It can be reached via telephone under +49-89-378-0 or via www.hvb.de.

As a result of the integration into the UniCredit Group, the activities of HVB Group have been restructured in the following divisions: Markets & Investment Banking, Corporates & Commercial Real Estate Financing, Retail and Wealth Management. On 1 October 2009, the divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking division in HVB.

Through these divisions, HVB Group offers a comprehensive range of banking and financial products and services to private and corporate clients including multinationals, public sector and institutional customers.

Its range extends from mortgage loans and banking services for consumers, private banking, business loans and foreign trade finance through to fund products, advisory and brokerage services, securities transactions and wealth management.

On 1 April 2007, the investment banking activities of UniCredit Banca Mobiliare ("UBM") were transferred against new ordinary shares of HVB and are fully integrated into the Markets & Investment Banking division. The transaction represents a further

step forward in the HVB Group's re-organisational plan as HVB Group will be the centre of competence for the entire investment banking activities of the UniCredit Group, with the aim of: (i) gaining critical business mass, (ii) building a tailor-made infrastructure, and (iii) streamlining corporate governance, thus ensuring shorter time to market.

In support of HVB's further developments, UniCredit's Board of Directors agreed beside others to use the profit realised by HVB on the below mentioned sale of the HVB business in Austria and Central and Eastern Europe to significantly strengthen HVB's capital position in order to further develop HVB's business through organic growth or acquisitions both in HVB's key market Germany as well as in groupwide Markets & Investmentbanking.

Recent Developments

Sale and transfer of HVB's business in Austria and CEE to UniCredit or its subsidiaries respectively

Based on the resolution adopted by the Supervisory Board and the Management Board on 12 September 2006 to sell the shares held by HVB in Bank Austria Creditanstalt AG (later on renamed as UniCredit Bank Austria AG) ("Bank Austria") and other units in Central and Eastern Europe, which was approved by HVB's shareholders at the Extraordinary Shareholders' Meeting on 25 October 2006, and having obtained opinions of external advisors that the approving resolutions are free from any deficiencies, which prevent the execution of the agreements in question, the shares in Bank Austria were transferred to UniCredit, and the shares in Joint Stock Commercial Bank Ukraine ("HVB Bank Ukraine") to PHB Bank PEKAO, and the shares in Closed Joint Stock Company International Moscow Bank ("IMB") and AS UniCredit Bank (formerly HVB Bank Latvia AS, Riga) to Bank Austria in the first quarter 2007; the sale of the HVB branches in Tallinn and Vilnius to AS UniCredit Bank was completed in the third quarter of 2007.

Various shareholders have started legal actions against the resolutions adopted at the Extraordinary Shareholders' Meeting held by HVB on 25 October 2006. In a ruling of 31 January 2008, the Munich Regional Court I (*Landgericht*) declared the resolutions passed at the Extraordinary Shareholders' Meeting on 25 October 2006 null and void for formal reasons. HVB has appealed against this ruling and, regardless of this ruling, obtained the, as a precaution requested, confirmatory resolutions in its General Shareholders' Meeting held on 29 and 30 July 2008. Also these confirmatory resolutions were challenged by several shareholders.

Squeeze-out in HVB/Delisting

On 27 June 2007, a majority of 98.77% of the votes cast at HVB's Annual General Meeting of Shareholders approved the transfer to UniCredit of the shares in HVB held by minority shareholders as part of a squeeze-out procedure for an adequate cash compensation. The level of cash compensation had already been determined at EUR 38.26 per share by UniCredit. The squeeze-

out compensation has been determined on the basis of an opinion from an independent expert and its adequacy has been confirmed by an independent auditor selected and appointed by the competent court in Munich.

More than a hundred shareholders started actions to annul the transfer resolutions and further resolutions adopted at the Annual General Meeting of Shareholders on 27 June 2007.

On 24 April 2008, the Munich Regional Court I granted the clearance motion; several shareholders appealed against this decision; following the decision of the Higher Regional Court (*Oberlandesgericht*) of Munich dated 3 September 2008 in which the court upheld the clearance motion, the squeeze-out was registered in the Commercial Register at the Lower Court (*Amtsgericht*) in Munich on 15 September 2008. On 27 August 2009, the Munich Higher Regional Court in a further decision rejected all appeals against the ruling of the Munich Regional Court, which dismissed all actions against the squeeze-out-resolution adopted at the Annual General Meeting of Shareholders on 27 June 2007.

Moreover, upon completion of the squeeze-out (which took effect when entered in the Commercial Register), official trading in the common bearer stock of HVB ceased on all German stock exchanges as well as the Vienna Stock Exchange, Euronext in Paris and the SWX Swiss Exchange, and the admission to listing was revoked. Trading in American Depositary Receipts ("ADRs") on the New York Stock Exchange has now also ceased. The payments to be made to the minority shareholders were posted to the respective accounts on 18 September 2008. Thus, trading in HVB shares has officially ceased. HVB does, however, remain listed on securities exchanges as an issuer of debt instruments such as Pfandbriefe and certificates. In particular, HVB has issued securities which are listed *inter alia* on the regulated markets of the Luxembourg Stock Exchange, the Munich Stock Exchange and at the Stuttgart Stock Exchange.

HVB will remain a joint stock corporation under German law and an operationally independent institution after the squeeze-out.

Appointment of Special Representative

At the Annual General Meeting of HVB on 26 and 27 June 2007, a resolution was adopted, upon a motion submitted by shareholders regarding item 10 of the agenda, to assert claims for compensation against current and former members of the Management Board and Supervisory Board of HVB, as well as UniCredit, for asserted financial damage caused as a result of the sale of Bank Austria. A special representative was appointed to assert the alleged claims. On 20 February 2008 the special representative submitted a claim for the return of the Bank Austria shares and alternatively for claims for damages of at least EUR 13.9 billion and on 1 August 2008 an extension of the claim asking for additional EUR 2,92 billion in the context of the

integration of the investment banking business of UBM. In an Extraordinary Shareholders' Meeting on 10 November 2008 the aforementioned resolution was revoked and the special representative dismissed from his office with immediate effect. Upon the claim of the special representative the resolutions to revoke his appointment and to dismiss him from office were declared null and void by the Munich Regional Court I on 27 August 2009. According to the court's opinion, UniCredit was excluded from voting rights regarding said resolutions. HVB, which believes that the court's opinion is not in line with prevailing legal literature and rulings of the Federal Supreme Court in similar cases, will appeal against this decision. The ruling is not yet final and binding.

1.2 The contents of section "**Zusammenfassung des Prospekts - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as follows:

4. ZUSAMMENFASSUNG DER BESCHREIBUNG DER EMITTENTIN

Die Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("HVB", und zusammen mit ihren konsolidierten Beteiligungen, die "HVB Group") entstand 1998 aus der Fusion der Bayerische Vereinsbank Aktiengesellschaft und der Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. Sie ist die Muttergesellschaft der HVB Group, die ihren Unternehmenssitz in München unterhält. Seit November 2005 gehört die HVB Group mehrheitlich UniCredito Italiano S.p.A. ("UniCredit") und fungiert somit seit diesem Datum als Sub-Group der UniCredit Group. Die UniCredit Group hält direkt 100% des Aktienkapitals der HVB.

Die HVB hat ihren Unternehmenssitz in der Kardinal-Faulhaber-Straße 1, 80333 München und ist im Handelsregister des Amtsgerichts München unter der Nr. HRB 42148 als Aktiengesellschaft gemäß deutschem Recht eingetragen. Sie ist unter der Telefonnummer +49-89-378-0 oder unter www.hvb.de zu erreichen.

In Folge der Integration in die UniCredit Group wurden die Aktivitäten der HVB Group in folgenden Divisionen restrukturiert: Markets & Investment Banking, Corporates & Commercial Real Estate Financing, Retail and Wealth Management. Am 1. Oktober 2009 wurden die Divisionen Corporates & Commercial Real Estate Financing und Markets & Investment Banking (MIB) formal auf die neue Division Corporate & Investment Banking der HVB verschmolzen.

Mit diesen Divisionen bietet die HVB Group ein umfassendes Portfolio an Bank- und Finanzprodukten und -dienstleistungen für Privat- und Firmenkunden einschließlich Multinationals, öffentliche Hand und institutioneller Kunden an.

Die Bandbreite reicht von Hypothekendarlehen und

Bankdienstleistungen für Verbraucher über Private Banking, Geschäftskredite und Außenhandelsfinanzierung bis zu Fondsprodukten, Beratungs- und Vermittlungsdiensten, Wertpapiertransaktionen und Vermögensverwaltung.

Am 1. April 2007 wurde das Investment-Banking-Geschäft von UniCredit Banca Mobiliare ("UBM") gegen neue HVB-Stammaktien übertragen und in die Markets & Investment Banking Division voll integriert. Diese Transaktion stellt einen weiteren Schritt im Umstrukturierungsplan der HVB Group dar, mit dem die HVB Group sich zum Kompetenzzentrum für die gesamten Investment-Banking-Aktivitäten der UniCredit Group entwickelt mit dem Ziel, (i) eine kritische Geschäftsmasse zu erreichen, (ii) eine maßgeschneiderte Infrastruktur aufzubauen und (iii) die Unternehmenssteuerung zu verschlanken und somit die Time-to-Market zu verkürzen.

Zur Unterstützung der Weiterentwicklung der HVB hat der Verwaltungsrat der UniCredit u.a. beschlossen, die von der HVB aus dem Verkauf der HVB-Unternehmen in Österreich und in Zentral- und Osteuropa (siehe unten) vereinnahmten Gewinne zur deutlichen Stärkung der Kapitalausstattung der HVB zu verwenden. Das soll der HVB ermöglichen, sich durch organisches Wachstum bzw. über Akquisitionen in Deutschland als dem Schlüsselmarkt der HVB sowie im gruppenweiten Markets & Investmentbanking weiterzuentwickeln.

Jüngste Entwicklungen

Veräußerung und Übertragung des HVB-Geschäfts in Österreich und den CEE-Ländern auf die UniCredit bzw. ihre Tochtergesellschaften

Gemäß dem vom Aufsichtsrat und Vorstand am 12. September 2006 verabschiedeten Beschluss, die Anteile der HVB an der Bank Austria Creditanstalt AG (die später in UniCredit Bank Austria AG umbenannt wurde) ("Bank Austria") und anderen Unternehmen in den mittel- und osteuropäischen Ländern zu verkaufen, der von den Anteilseignern der HVB bei der außerordentlichen Hauptversammlung am 25. Oktober 2006 genehmigt wurde, und nach Erhalt seitens externer Berater erstellter Gutachten dahingehend, dass die billigen Beschlüsse keinerlei Mängeln aufweisen, welche die Durchführung der entsprechenden Verträge verhindern würden, wurden im ersten Quartal 2007 die Anteile an der Bank Austria an die UniCredit, die Anteile an der Joint Stock Commercial Bank Ukraine ("HVB Bank Ukraine") auf die PHB Bank PEKAO und die Anteile an der Closed Joint Stock Company International Moscow Bank ("IMB") und der AS UniCredit Bank (ehemals HVB Bank Latvia AS, Riga) auf die Bank Austria übertragen, während die Veräußerung der HVB-Niederlassungen in Tallinn und Vilnius an die AS UniCredit Bank im dritten Quartal des Jahres 2007 erfolgte.

Mehrere Anteilseigner haben gegen die bei der außerordentlichen Hauptversammlung der HVB am 25. Oktober 2006 verabschiedeten Beschlüsse Klage erhoben. In einem Gerichtsbeschluss vom 31. Januar 2008 erklärte das Landgericht München I die im Rahmen der außerordentlichen

**Squeeze-out bei der
HVB/Aufhebung der
Börsennotierung**

Mitgliederversammlung am 25. Oktober 2006 verabschiedeten Beschlüsse auf Grund formaler Gründe für unwirksam. Die HVB hat gegen diesen Gerichtsbeschluss Berufung eingelegt und, ungeachtet des Gerichtsbeschlusses, bei der Hauptversammlung am 29. und 30. Juli 2008 die als Vorsichtsmaßnahmen erforderlichen Bestätigungsbeschlüsse eingeholt. Auch diese Bestätigungsbeschlüsse wurde von einigen Anteilseignern angefochten.

Am 27. Juni 2007 genehmigte eine Mehrheit von 98,77% der bei der Hauptversammlung der HVB abgegebenen Stimmen die Übertragung der von den Minderheitsaktionären gehaltenen HVB-Anteile im Rahmen eines Squeeze-out gegen Bezahlung einer angemessenen Barabfindung. Die Höhe der Barabfindung wurde von UniCredit bereits anhand eines von der Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft erstellten Gutachtens auf EUR 38,26 je Aktie festgelegt und vom gerichtlich bestellten Wirtschaftsprüfer, der Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft, als angemessen bestätigt.

Mehr als 100 Aktionäre haben ein Gerichtsverfahren angestrengt, um den Übertragungsbeschluss und die weiteren bei der Hauptversammlung am 26. und 27. Juni 2007 verabschiedeten Beschlüsse anzufechten.

Am 24. April 2008 bestätigte das Landgericht München I die Wirksamkeit des Freigabeverfahrens. Mehrere Anteilseigner legten gegen diese Entscheidung Berufung ein. Im Anschluss an die Entscheidung des Oberlandesgerichts München vom 3. September 2008, mit der das Gericht die Wirksamkeit des Freigabeverfahrens erneut bestätigte, wurde der Squeeze-out am 15. September 2008 in das Handelsregister des Amtsgerichts München eingetragen. Am 27. August 2009 hat das Oberlandesgericht München im Rahmen eines weiteren Beschlusses sämtliche Berufungsklagen gegen den Beschluss des Landesgerichts München abgewiesen, in welchem das Landgericht alle Klagen gegen den bei der Hauptversammlung am 27. Juni 2007 gefassten Squeeze-out-Beschluss zurückgewiesen hatte.

Weiterhin wird nach Abschluss des Squeeze-out (der mit der Eintragung in das Handelsregister in Kraft tritt) jeglicher Handel mit Inhaberstammaktien der HVB an allen deutschen Börsen, der Börse in Wien, Euronext in Paris und der Schweizer Börse SWX eingestellt und die Börsennotierung zurückgenommen. Der Handel mit American Depositary Receipts ("ADRs") an der New York Stock Exchange wurde ebenso eingestellt. Die an die Minderheitsaktionäre zu leistenden Zahlungen wurden am 18. September 2008 auf die jeweiligen Konten überwiesen. Somit wurde der Handel mit HVB-Aktien offiziell eingestellt. Die HVB ist jedoch an den Börsen nach wie vor als Emittentin von Schuldtiteln wie Pfandbriefen und Zertifikaten eingetragen. Die HVB begab insbesondere Wertpapiere, die unter anderem an den

geregelten Märkten der Wertpapierbörsen in Luxemburg, München und Stuttgart notiert sind.

Die HVB wird nach dem Squeeze-Out-Verfahren eine Aktiengesellschaft nach deutschem Recht und ein operativ selbständiges Institut bleiben.

Ernennung des Besonderen Vertreters

Bei der Hauptversammlung der HVB am 26. und 27. Juni 2007 wurde auf Antrag von Aktionären ein Beschluss bezüglich Punkt 10 der Tagesordnung dahingehend gefasst, dass gegen derzeitige und ehemalige Mitglieder des Vorstands und Aufsichtsrats der HVB sowie der UniCredit Ersatzansprüche bezüglich des geltend gemachten finanziellen Schadens aus der Veräußerung der Bank Austria erhoben werden sollen. Ein Besonderer Vertreter wurde bestellt, um die angeblichen Ansprüche geltend zu machen. Am 20. Februar 2008 hat der Besondere Vertreter Klage auf Rückgabe der Aktien der Bank Austria und alternativ eine Schadensersatzforderung in Höhe von mindestens EUR 13.9 Mrd. erhoben sowie am 1. August 2008 eine Klageerweiterung auf Zahlung zusätzlicher EUR 2.92 Mrd. im Zusammenhang mit der Integration der Investmentbanking Aktivitäten der UBM. Bei der außerordentlichen Hauptversammlung am 10. November 2008 wurde der vorgenannte Beschluss aufgehoben und der Besondere Vertreter mit sofortiger Wirkung aus seinem Amt entlassen. Auf Antrag des Besonderen Vertreters wurden die Beschlüsse zum Widerruf seiner Ernennung bzw. zu seiner Amtsenthebung vom Münchener Landesgericht I am 27. August 2009 für null und nichtig erklärt. Das Gericht vertrat die Auffassung, dass UniCredit nicht zur Ausübung des Stimmrechts in Bezug auf die in Rede stehenden Beschlüsse berechtigt war. Die HVB ist der Meinung, dass der Gerichtsbeschluss nicht der gängigen Rechtsliteratur bzw. den Entscheidungen des Bundesgerichtshofs in ähnlich gelagerten Fällen entspricht und plant, gegen diesen Beschluss in Berufung zu gehen. Der Beschluss ist noch nicht rechtskräftig.

- 1.3 On page 54 immediately after the section "*Documents incorporated by reference*" the following section is inserted:

Recent Developments

On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."

- 1.4 Immediately after page 54 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.

2. **CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF NOTES (INCLUDING CREDIT LINKED NOTES), CERTIFICATES AND WARRANTS DATED 20 MAY 2009**

- 2.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as stated under item 1.1 of this Supplement.
- 2.2 The contents of section "**Zusammenfassung des Prospekts - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as stated under item 1.2 of this Supplement.
- 2.3 On page 102 the section "§ 16 Teilunwirksamkeit" and its content is replaced in its entirety as follows:

§ 16

(Teilunwirksamkeit, Korrekturen)

- (1) Sollte eine Bestimmung dieser Anleihebedingungen ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen davon unberührt. Eine in Folge Unwirksamkeit oder Undurchführbarkeit dieser Anleihebedingungen entstehende Lücke ist durch eine dem Sinn und Zweck dieser Anleihebedingungen und den Interessen der Parteien entsprechende Regelung auszufüllen.
- (2) Die Emittentin ist berechtigt, in diesen Anleihebedingungen [●] [ohne Zustimmung der Anleihegläubiger offensichtliche Bezeichnungs-, Schreib- oder Rechenfehler oder sonstige offensichtliche Unrichtigkeiten zu berichtigen, die unter Berücksichtigung der Interessen der Emittentin und der Anleihegläubiger diesen zumutbar (insbesondere unter Annahme der Gleichwertigkeit von Leistung eines Anleihegläubigers als Erwerber der Schuldverschreibungen und Gegenleistung der Emittentin unter diesen Anleihebedingungen) sind, wobei ein Fehler dann offensichtlich ist, wenn er für einen Anleger, der hinsichtlich der jeweiligen Art von Schuldverschreibungen sachkundig ist, insbesondere unter Berücksichtigung des Verkaufspreises und der weiteren wertbestimmenden Faktoren der Schuldverschreibungen erkennbar ist. Berichtigungen dieser Anleihebedingungen werden unverzüglich gemäß § 13 mitgeteilt.

Darüber hinaus ist die Emittentin berechtigt, in diesen Anleihebedingungen widersprüchliche oder lückenhafte Bestimmungen zu ändern bzw. zu ergänzen, wobei nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin und der Anleihegläubiger diesen zumutbar sind. Änderungen bzw. Ergänzungen dieser Anleihebedingungen werden unverzüglich gemäß § 13 mitgeteilt.]

- 2.4 On page 143 the section "§ 16 Partial Invalidity" and its content is replaced in its entirety as follows:

§ 16

(Partial Invalidity, Corrections)

- (1) Should any provision in these Terms and Conditions of the Notes be or become invalid or unenforceable in whole or in part, the remaining provision are not affected thereby. Any gap arising as a result of invalidity or unenforceability of these Terms and Conditions of the Notes is to be filled with a provision that corresponds to the meaning and intent of these Terms and Conditions of the Notes and are in the interests of the parties.
- (2) The Issuer is authorised, within these Terms and Conditions of the Notes, [●] [without consent of the Noteholders to correct obvious typing or arithmetic errors or other obvious mistakes that are reasonable under consideration of the Issuer's and Noteholders' interests (in particular, assuming that the obligation of a Noteholder as purchaser of the Notes and the corresponding obligation of the Issuer under these Terms and Conditions of the Notes are equivalent), whereas an error shall be deemed to be obvious, if such error is manifest to an investor who is competent in respect of the relevant type of Notes, in particular, in consideration of the selling price and further factors which affect the value of the Notes. Notice of corrections to these Terms and Conditions of the Notes shall be given without delay, pursuant to § 13.

Furthermore, the Issuer is authorised to change and/or supplement contradictory or incomplete provisions, where only such changes and/or additions are permissible that are reasonable under

consideration of the Issuer's and Noteholders' interests. Notice of changes and/or additions to these Terms and Conditions of the Notes shall be given without delay, pursuant to § 13.]

2.5 On page 234 the section "§ 16 Teilunwirksamkeit" and its content is replaced in its entirety as follows:

§ 16

(Teilunwirksamkeit, Korrekturen)

- (1) Sollte eine Bestimmung dieser Zertifikatsbedingungen ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen davon unberührt. Eine in Folge Unwirksamkeit oder Undurchführbarkeit dieser Zertifikatsbedingungen entstehende Lücke ist durch eine dem Sinn und Zweck dieser Zertifikatsbedingungen und den Interessen der Parteien entsprechende Regelung auszufüllen.
- (2) Die Emittentin ist berechtigt, in diesen Zertifikatsbedingungen [●] [ohne Zustimmung der Zertifikatsinhaber offensichtliche Bezeichnungs-, Schreib- oder Rechenfehler oder sonstige offensichtliche Unrichtigkeiten zu berichtigen, die unter Berücksichtigung der Interessen der Emittentin und der Zertifikatsinhaber diesen zumutbar (insbesondere unter Annahme der Gleichwertigkeit von Leistung eines Zertifikatsinhabers als Erwerber der Zertifikate und Gegenleistung der Emittentin unter diesen Zertifikatsbedingungen) sind, wobei ein Fehler dann offensichtlich ist, wenn er für einen Anleger, der hinsichtlich der jeweiligen Art von Zertifikaten sachkundig ist, insbesondere unter Berücksichtigung des Verkaufspreises und der weiteren wertbestimmenden Faktoren der Zertifikate erkennbar ist. Berichtigungen dieser Zertifikatsbedingungen werden unverzüglich gemäß § 13 mitgeteilt.

Darüber hinaus ist die Emittentin berechtigt, in diesen Zertifikatsbedingungen widersprüchliche oder lückenhafte Bestimmungen zu ändern bzw. zu ergänzen, wobei nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin und der Zertifikatsinhaber diesen zumutbar sind. Änderungen bzw. Ergänzungen dieser Zertifikatsbedingungen werden unverzüglich gemäß § 13 mitgeteilt.]

2.6 On page 280 the section "§ 16 Partial Invalidity" and its content is replaced in its entirety as follows:

§ 16

(Partial Invalidity, Corrections)

- (1) Should any provision in these Terms and Conditions of the Certificates be or become invalid or unenforceable in whole or in part, the remaining provision are not affected thereby. Any gap arising as a result of invalidity or unenforceability of these Terms and Conditions of the Certificates is to be filled with a provision that corresponds to the meaning and intent of these Terms and Conditions of the Certificates and are in the interests of the parties.
- (2) The Issuer is authorised, within these Terms and Conditions of the Certificates, [●] [without consent of the Certificate Holders to correct obvious typing or arithmetic errors or other obvious mistakes that are reasonable under consideration of the Issuer's and Certificate Holders' interests (in particular, assuming that the obligation of a Certificate Holder as purchaser of the Certificates and the corresponding obligation of the Issuer under these Terms and Conditions of the Certificates are equivalent), whereas an error shall be deemed to be obvious, if such error is manifest to an investor who is competent in respect of the relevant type of Certificates, in particular, in consideration of the selling price and further factors which affect the value of the Certificates. Notice of corrections to these Terms and Conditions of the Certificates shall be given without delay, pursuant to § 13.

Furthermore, the Issuer is authorised to change and/or supplement contradictory or incomplete provisions, where only such changes and/or additions are permissible that are reasonable under consideration of the Issuer's and Certificate Holders' interests. Notice of changes and/or additions to these Terms and Conditions of the Certificates shall be given without delay, pursuant to § 13.]

2.7 On page 317 the section "§ 16 Teilunwirksamkeit" and its content is replaced in its entirety as follows:

§ 16

(Teilunwirksamkeit, Korrekturen)

- (1) Sollte eine Bestimmung dieser Optionsscheinbedingungen ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen davon unberührt. Eine in Folge Unwirksamkeit oder Undurchführbarkeit dieser Optionsscheinbedingungen entstehende Lücke ist durch eine dem Sinn und Zweck dieser Optionsscheinbedingungen und den Interessen der Parteien entsprechende Regelung auszufüllen.
- (2) Die Emittentin ist berechtigt, in diesen Optionsscheinbedingungen [●] [ohne Zustimmung der Optionsscheininhaber offensichtliche Bezeichnungs-, Schreib- oder Rechenfehler oder sonstige offensichtliche Unrichtigkeiten zu berichtigen, die unter Berücksichtigung der Interessen der Emittentin und der Optionsscheininhaber diesen zumutbar (insbesondere unter Annahme der Gleichwertigkeit von Leistung eines Optionsscheininhabers als Erwerber der Optionsscheine und Gegenleistung der Emittentin unter diesen Optionsscheinbedingungen) sind, wobei ein Fehler dann offensichtlich ist, wenn er für einen Anleger, der hinsichtlich der jeweiligen Art von Optionsscheinen sachkundig ist, insbesondere unter Berücksichtigung des Verkaufspreises und der weiteren wertbestimmenden Faktoren der Optionsscheine erkennbar ist. Berichtigungen dieser Optionsscheinbedingungen werden unverzüglich gemäß § 13 mitgeteilt.

Darüber hinaus ist die Emittentin berechtigt, in diesen Optionsscheinbedingungen widersprüchliche oder lückenhafte Bestimmungen zu ändern bzw. zu ergänzen, wobei nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin und der Optionsscheininhaber diesen zumutbar sind. Änderungen bzw. Ergänzungen dieser Optionsscheinbedingungen werden unverzüglich gemäß § 13 mitgeteilt.]

2.8 On page 353 the section "§ 16 Partial Invalidity" and its content is replaced in its entirety as follows:

§ 16

(Partial Invalidity, Corrections)

- (1) Should any provision in these Terms and Conditions of the Warrants be or become invalid or unenforceable in whole or in part, the remaining provision are not affected thereby. Any gap arising as a result of invalidity or unenforceability of these Terms and Conditions of the Warrants is to be filled with a provision that corresponds to the meaning and intent of these Terms and Conditions of the Warrants and are in the interests of the parties.
- (2) The Issuer is authorised, within these Terms and Conditions of the Warrants, [●] [without consent of the Warrant Holders to correct obvious typing or arithmetic errors or other obvious mistakes that are reasonable under consideration of the Issuer's and Warrant Holders' interests (in particular, assuming that the obligation of a Warrant Holder as purchaser of the Warrants and the corresponding obligation of the Issuer under these Terms and Conditions of the Warrants are equivalent), whereas an error shall be deemed to be obvious, if such error is manifest to an investor who is competent in respect of the relevant type of Warrants, in particular, in consideration of the selling price and further factors which affect the value of the Warrants. Notice of corrections to these Terms and Conditions of the Warrants shall be given without delay, pursuant to § 13.

Furthermore, the Issuer is authorised to change and/or supplement contradictory or incomplete provisions, where only such changes and/or additions are permissible that are reasonable under consideration of the Issuer's and Warrant Holders' interests. Notice of changes and/or additions to these Terms and Conditions of the Warrants shall be given without delay, pursuant to § 13.]

2.9 On page 371, in the table, between No. 45 and No. 46, the following new row is inserted:

45a. Correction of the Terms and Conditions of the [●]
[Notes] [Certificates] [Warrants]:

2.10 On page 394, in the table, between No. 45 and No. 46, the following new row is inserted:

45a. Korrektur der [Anleihebedingungen] [•]
[Zertifikatsbedingungen]
[Optionsscheinbedingungen]:

2.11 On page 419 immediately after the section "*Documents incorporated by reference*" the following section is inserted:

"Recent Developments

On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."

2.12 Immediately after page 419 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.

3. **CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF PFANDBRIEFE DATED 20 MAY 2009**

3.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as stated under item 1.1 of this Supplement.

3.2 The contents of section "**Zusammenfassung des Prospekts - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as stated under item 1.2 of this Supplement.

3.3 On page 67 the section "§ 14 Partial Invalidity" and its content is replaced in its entirety as follows:

§ 14

(Partial Invalidity, Corrections)

(1) Should any provision in these Terms and Conditions of the Pfandbriefe be or become invalid or unenforceable in whole or in part, the remaining provision are not affected thereby. Any gap arising as a result of invalidity or unenforceability of these Terms and Conditions of the Pfandbriefe is to be filled with a provision that corresponds to the meaning and intent of these Terms and Conditions of the Pfandbriefe and are in the interests of the parties.

(2) The Issuer is authorised, within these Terms and Conditions of the Pfandbriefe, [●] [without consent of the Pfandbriefe Holders to correct obvious typing or arithmetic errors or other obvious mistakes that are reasonable under consideration of the Issuer's and Pfandbriefe Holders' interests (in particular, assuming that the obligation of a Pfandbriefe Holders as purchaser of the Pfandbriefe and the corresponding obligation of the Issuer under these Terms and Conditions of the Pfandbriefe are equivalent), whereas an error shall be deemed to be obvious, if such error is manifest to an investor who is competent in respect of the relevant type of Pfandbriefe, in particular, in consideration of the selling price and further factors which affect the value of the Pfandbriefe. Notice of corrections to these Terms and Conditions of the Pfandbriefe shall be given without delay, pursuant to § 13.

Furthermore, the Issuer is authorised to change and/or supplement contradictory or incomplete provisions, where only such changes and/or additions are permissible that are reasonable under consideration of the Issuer's and Pfandbriefe Holders' interests. Notice of changes and/or additions to these Terms and Conditions of the Pfandbriefe shall be given without delay, pursuant to § 13.]

3.4 On page 101 the section "§ 14 Teilunwirksamkeit" and its content is replaced in its entirety as follows:

§ 14

(Teilunwirksamkeit, Korrekturen)

(1) Sollte eine Bestimmung dieser Pfandbriefbedingungen ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen davon unberührt. Eine in Folge Unwirksamkeit oder Undurchführbarkeit dieser Pfandbriefbedingungen entstehende Lücke ist durch eine dem Sinn und Zweck dieser Pfandbriefbedingungen und den Interessen der Parteien entsprechende Regelung auszufüllen.

(2) Die Emittentin ist berechtigt, in diesen Pfandbriefbedingungen [●] [ohne Zustimmung der Pfandbriefgläubiger offensichtliche Bezeichnungs-, Schreib- oder Rechenfehler oder sonstige offensichtliche Unrichtigkeiten zu berichtigen, die unter Berücksichtigung der Interessen der Emittentin und der Pfandbriefgläubiger diesen zumutbar (insbesondere unter Annahme der Gleichwertigkeit von Leistung eines Pfandbriefgläubigers als Erwerber der Pfandbriefe und Gegenleistung der Emittentin unter diesen Pfandbriefbedingungen) sind, wobei ein Fehler dann offensichtlich ist, wenn er für einen Anleger, der hinsichtlich der jeweiligen Art von Pfandbriefen sachkundig ist, insbesondere unter Berücksichtigung des Verkaufspreises und der weiteren wertbestimmenden Faktoren der Pfandbriefe erkennbar ist. Berichtigungen dieser Pfandbriefbedingungen werden unverzüglich gemäß § 13 mitgeteilt.

Darüber hinaus ist die Emittentin berechtigt, in diesen Pfandbriefbedingungen widersprüchliche oder lückenhafte Bestimmungen zu ändern bzw. zu ergänzen, wobei nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin und der Pfandbriefgläubiger diesen zumutbar sind. Änderungen bzw. Ergänzungen dieser Pfandbriefbedingungen werden unverzüglich gemäß § 13 mitgeteilt.]

- 3.5 On page 111, in the table, between No. 40 and No. 41, the following new row is inserted:
- 40a. Correction of the Terms and Conditions of the Pfandbriefe: [•]
- 3.6 On page 125, in the table, between No. 40 and No. 41, the following new row is inserted:
- 40a. Korrektur der Pfandbriefbedingungen: [•]
- 3.7 On page 149 immediately after the section "*Documents incorporated by reference*" the following section is inserted:
- "Recent Developments**
- On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."
- 3.8 Immediately after page 149 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.

4. **CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF NOTES (INCLUDING PFANDBRIEFE AND CREDIT LINKED INSTRUMENTS), CERTIFICATES AND WARRANTS DATED 4 MARCH 2009**

4.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as stated under item 1.1 of this Supplement.

4.2 The contents of section "**German Translation of Summary of the Prospectus - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as stated under item 1.2 of this Supplement.

4.3 On page 286 the section "§ 15 Teilunwirksamkeit" and its content is replaced in its entirety as follows:

§ 15

(Teilunwirksamkeit, Korrekturen)

(1) Sollte eine Bestimmung dieser Wertpapierbedingungen ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen davon unberührt. Eine in Folge Unwirksamkeit oder Undurchführbarkeit dieser Wertpapierbedingungen entstehende Lücke ist durch eine dem Sinn und Zweck dieser Wertpapierbedingungen und den Interessen der Parteien entsprechende Regelung auszufüllen.

(2) Die Emittentin ist berechtigt, in diesen Wertpapierbedingungen [●] [ohne Zustimmung der Wertpapiergläubiger offensichtliche Bezeichnungs-, Schreib- oder Rechenfehler oder sonstige offensichtliche Unrichtigkeiten zu berichtigen, die unter Berücksichtigung der Interessen der Emittentin und der Wertpapiergläubiger diesen zumutbar (insbesondere unter Annahme der Gleichwertigkeit von Leistung eines Wertpapiergläubigers als Erwerber der Wertpapiere und Gegenleistung der Emittentin unter diesen Wertpapierbedingungen) sind, wobei ein Fehler dann offensichtlich ist, wenn er für einen Anleger, der hinsichtlich der jeweiligen Art von Wertpapieren sachkundig ist, insbesondere unter Berücksichtigung des Verkaufspreises und der weiteren wertbestimmenden Faktoren der Wertpapiere erkennbar ist. Berichtigungen dieser Wertpapierbedingungen werden unverzüglich gemäß § 13 mitgeteilt.

Darüber hinaus ist die Emittentin berechtigt, in diesen Wertpapierbedingungen widersprüchliche oder lückenhafte Bestimmungen zu ändern bzw. zu ergänzen, wobei nur solche Änderungen bzw. Ergänzungen zulässig sind, die unter Berücksichtigung der Interessen der Emittentin und der Wertpapiergläubiger diesen zumutbar sind. Änderungen bzw. Ergänzungen dieser Wertpapierbedingungen werden unverzüglich gemäß § 13 mitgeteilt.]

4.4 On page 361 the section "§ 15 Partial Invalidity" and its content is replaced in its entirety as follows:

§ 15

(Partial Invalidity, Corrections)

(1) Should any provision in these Terms and Conditions be or become invalid or unenforceable in whole or in part, the remaining provision are not affected thereby. Any gap arising as a result of invalidity or unenforceability of these Terms and Conditions is to be filled with a provision that corresponds to the meaning and intent of these Terms and Conditions and are in the interests of the parties.

(2) The Issuer is authorised, within these Terms and Conditions, [●] [without consent of the Holders to correct obvious typing or arithmetic errors or other obvious mistakes that are reasonable under consideration of the Issuer's and Holders' interests (in particular, assuming that the obligation of a Holder as purchaser of the Instruments and the corresponding obligation of the Issuer under these Terms and Conditions are equivalent), whereas an error shall be deemed to be obvious, if such error is manifest to an investor who is competent in respect of the relevant type of Instruments, in particular, in consideration of the selling price and further factors which affect the value of the Instruments. Notice of corrections to these Terms and Conditions shall be given without delay, pursuant to § 13.

Furthermore, the Issuer is authorised to change and/or supplement contradictory or incomplete provisions, where only such changes and/or additions are permissible that are reasonable under consideration of the Issuer's and Holders' interests. Notice of changes and/or additions to these Terms and Conditions shall be given without delay, pursuant to § 13.]

4.5 On page 532, in the table, between No. 43 and No. 44, the following new row is inserted:

43a. Korrektur der Wertpapierbedingungen: [•]

4.6 On page 557, in the table, between No. 43 and No. 44, the following new row is inserted:

43a. Correction of the Terms and Conditions: [•]

4.7 On page 604 immediately after the section "*Documents incorporated by reference*" the following section is inserted:

"Recent Developments

On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."

4.8 Immediately after page 604 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.

4.9 The pages F-1 to F-88 are deleted in its entirety.

5. **CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF NOTES (INCLUDING PFANDBRIEFE AND CREDIT LINKED INSTRUMENTS), CERTIFICATES AND WARRANTS DATED 11 MARCH 2008**

- 5.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as stated under item 1.1 of this Supplement.
- 5.2 The contents of section "**German Translation of Summary of the Prospectus - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as stated under item 1.2 of this Supplement.
- 5.3 On page 587 immediately after the section "*Documents incorporated by reference*" the following section is inserted:
- Recent Developments***
- On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."
- 5.4 Immediately after page 587 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.
- 5.5 The pages F-1 to F-88 are deleted in its entirety.

6. **CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF NOTES (INCLUDING PFANDBRIEFE), CERTIFICATES AND WARRANTS DATED 25 JUNE 2007**

6.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as stated under item 1.1 of this Supplement.

6.2 The contents of section "**German Translation of Summary of the Prospectus - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as stated under item 1.2 of this Supplement.

6.3 On page 363 immediately after the section "**Documents incorporated by reference**" the following section is inserted:

Recent Developments

On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."

6.4 Immediately after page 363 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.

6.5 The pages F-1 to F-88 are deleted in its entirety.

7. **CHANGES TO THE EURO 50,000,000,000 DEBT ISSUANCE PROGRAMME FOR THE ISSUANCE OF NOTES (INCLUDING PFANDBRIEFE), CERTIFICATES AND WARRANTS DATED 27 JUNE 2006**

7.1 The contents of section "**Summary of the Prospectus - 4. Summary description of the Issuer**" is replaced as stated under item 1.1 of this Supplement.

7.2 The contents of section "**German Translation of Summary of the Prospectus - 4. Zusammenfassung der Beschreibung der Emittentin**" is replaced as stated under item 1.2 of this Supplement.

7.3 On page 263 immediately after the section "**Documents incorporated by reference**" the following section is inserted:

Recent Developments

On 1 October 2009, the former divisions of Corporates & Commercial Real Estate Financing and Markets & Investment Banking (MIB) have been formally merged to form the new Corporate & Investment Banking Division (CIB) in HVB."

7.4 Immediately after page 263 the unaudited Half-yearly Financial Report as at 30 June 2009 as laid out in Appendix 1 of this Supplement is inserted as D-Pages in its entirety.

7.5 The pages F-1 to F-88 are deleted in its entirety.

APPENDIX 1

UNAUDITED HALF-YEARLY FINANCIAL REPORT AS AT 30 JUNE 2009

Financial Review

Underlying conditions and general comments on the business situation

The global economic recession eased noticeably in the second quarter of 2009 following an extremely bad first quarter of the year. Even so, negative signals continued to come from the labour market in the United States, with the number of people unemployed again rising fast. The real estate market did, however, show first signs of stabilisation. Although property prices fell further compared with last year, the speed of decline has slowed of late. The emerging markets of Asia are starting to turn up again, despite the negative signals coming from the United States.

The euro area and Germany in particular were also heavily affected by the recession in the first half of 2009, with their respective real gross domestic product declining. In Germany, unemployment and short-time working continued to rise. According to estimates made by the German Employment Agency, the number of people on short-time working at the end of June totalled around 1.4 million. In this environment, consumer spending held up comparatively well, partly on account of a continued decline in the inflation rate coupled with the state-sponsored car scrappage scheme. An improvement also became evident in terms of exports, with company order books filling faster over three consecutive months from March to May 2009.

Investor sentiment on the capital market also improved during the second quarter of 2009 in particular. After credit spreads had widened strongly through to March 2009 and equities had reached their lowest point for years, a strong recovery set in on the financial markets in mid-March, with a slight correction coming only towards the end of the first half of 2009. Nevertheless, the general economic environment remains very challenging for the second half of 2009. Above all, this is true for the banking industry, which also has to face regulatory and strong political pressure.

In what was still a difficult market environment overall in the first half of 2009, HVB Group generated a very strong operating profit of €1,692 million, up by around a billion euros or 1.5 times more than the equivalent period last year. This pleasing development is attributable above all to the strong rise in total revenues by around 41%, to €3,418 million. The good operating performance can essentially be attributed to the sharp increase of €464 million in net interest income and the significant improvement of €673 million in net trading income. The cost-income ratio improved to the very good level of 50.5%, notably as a result of the large increase in revenues coupled with falling operating costs as part of our successful cost management programme. Despite the increase in net write-downs of loans and provisions for guarantees and commitments to €969 million in the rapidly deteriorating lending environment, and the non-recurring effects of €267 million arising from restructuring costs, HVB Group recorded a profit before tax of €372 million, which exceeded the prior-year total by 1.6%. Adjusted for the non-recurring effects of restructuring costs, the profit before tax rose by around 75%, to €639 million. At €145 million, the profit after tax and minorities was less than the previous year's profit of €194 million due exclusively to the rise of 59.2% in income tax for the period. Adjusted for restructuring costs, the profit improved by almost 80%, to €348 million, compared with the equivalent period last year.

Markets & Investment Banking

This good overall performance was driven for the most part by the Markets & Investment Banking division, which achieved a significant turnaround in terms of both total revenues and operating profit. This was based on a sharp rise in net interest income and an improvement in net trading income. Despite the charges of €187 million arising from the restructuring programme carried out in connection with the strategic reorientation, and the large increase in net write-downs of loans and provisions for guarantees and commitments to €387 million, the division was able to record a profit before tax – for the first time since the start of 2008 – of €200 million (previous year: loss of €266 million). Adjusted for restructuring costs, the profit before tax amounted to €387 million, an increase of €652 million compared with the adjusted figure for the previous year.

Corporates & Commercial Real Estate Financing

Similarly pleasing is the sustained operating performance of the Corporates & Commercial Real Estate Financing division in the first half of 2009, with a steep rise in total revenues (10.5%) and operating profit (16.0%). At €58 million, though, this division's profit before tax was well below the profit of €379 million reported for the first half of 2008, notably due to the large increase in net write-downs of loans and provisions for guarantees and commitments together with restructuring costs (€25 million). Adjusted for restructuring costs, the Corporates & Commercial Real Estate Financing division achieved a profit before tax of €83 million.

Wealth Management/Retail

In the case of the Wealth Management and Retail divisions, marked investor reticence in particular led to a decline in profit compared with the first half of 2008, which still benefited from a much more favourable market environment. Nevertheless, the Wealth Management division recorded a profit before tax of €39 million. The Retail division only generated a loss before tax of €8 million in the first half of 2009 on account of the non-recurring charges of €55 million arising from restructuring measures. Adjusted for these restructuring costs, the Retail division also recorded a profit before tax (€47 million).

HVB Group continues to enjoy an excellent capital base, which is extremely important in the current critical environment. The core capital ratio (Tier I ratio) in accordance with Basel II rose to 15.1% in the first half of 2009 after 14.3% at year-end 2008, which is an excellent level by both national and international standards.

The general liquidity situation was again dominated by the turmoil on the money and capital markets in the first half of 2009, although a slight easing became evident during the course of the second quarter of 2009. In this environment, the liquidity of HVB Group remained at an adequate level in the first half of 2009. The funding risk remained low on account of the broad funding base in terms of products, markets and investor groups, meaning that adequate

funding of our lending operations was ensured at all times. The longer-term funding of our lending operations developed well in the first half of 2009, putting us well ahead of our long-term volume targets for this period already at the end of the second quarter. Our pfandbriefs continue to represent an important funding instrument, thanks to their outstanding credit rating and liquidity. At 1.32, the liquidity ratio of HVB AG compliant with Section 11 of the German Banking Act (KWG) at June 30, 2009 was much higher than the figure at year-end 2008 (1.19) and the first quarter of 2009 (1.25).

With our diversified business model, our extremely stable capital base, solid financing foundation and a good market position in our core lines of business, we remain a reliable partner for our customers and investors. As an integral part of one of the biggest and strongest banking groups in Europe, the UniCredit Group, HVB Group is in a unique position to leverage its regional strengths in the international network of the UniCredit Group for the benefit of its customers.

Operating performance of HVB Group

The operating performance of HVB Group is described in detail below:

Net interest income

Net interest income was up by €559 million, to €2,353 million, in the first half of 2009 compared with the same period last year.

This rise is primarily due to significant year-on-year growth in income from trading operations as well as favourable effects arising from the amortisation of reclassified holdings compliant with IAS 39.50. Both developments have affected the Markets & Investment Banking division, which recorded an increase of €496 million in net interest income.

Financial Review (CONTINUED)

At €30 million, the income generated in 2009 from dividends and other income from equity investments was considerably lower than last year's figure (€125 million). This decline is attributable to lower dividends paid by private equity funds and by our shareholdings in line with the general market trend.

Net fees and commissions

The development of net fees and commissions reflects the persistently difficult environment and the related restraint exercised by investors. At €600 million, net fees and commissions in the first half of 2009 is substantially below the pleasing result recorded in the same period last year (€781 million). Fee and commission income in particular decreased in the securities business of the Retail and Wealth Management divisions as a result of our customers' ongoing restraint and the lower portfolio volume. This development is reflected particularly in the one-third decline in net fees and commissions from management and brokerage services, to €299 million. Moreover, fee and commission income from lending operations fell by 11%, to €182 million, and in other service operations by €11 million, to €21 million. In contrast, the result from services in connection with payments increased slightly by 3%, to €98 million.

Net trading income

In the second quarter of 2009, HVB Group generated a net trading profit of €605 million in an environment that tended to be more favourable compared with the previous quarters. Hence, we were able to post a net trading profit of €344 million mid-2009, which exceeds last year's figure by €673 million.

The €802 million increase to €500 million in net gains on financial assets classified as held for trading led to the pleasing result in net trading income. All sectors of the Markets Area contributed to this favourable trend due to the recovery in the entire capital market. By contrast, the loss from holdings classified under the fair value option on account of widening spreads on government bonds, in particular, amounted to €167 million after a loss of €25 million in the first half of 2008.

Operating costs

Total operating costs developed well across the board, declining by 1.9% year-on-year, to €1,726 million. Hence, they continue to reflect the success we have achieved with our efficient cost management. In the process, payroll costs declined by 11.5% primarily as a result of the reduction in headcount. Due to the transfer of HVB Information Services GmbH & Co. KG (HVB IS) to UniCredit Global Information Services S.p.A. (UGIS) and further outsourcing measures, there was also a shift in payroll costs to other administrative expenses. Besides the above-mentioned shift, other administrative expenses including amortisation, depreciation and impairment losses on intangible and tangible assets increased by a total of 11.5% also as a result of higher payments for the deposit guarantee schemes of German banks.

Adjusted for currency, initial consolidation and deconsolidation effects, operating costs even declined by 2.8% overall.

Operating profit

Despite the persistently difficult market situation, HVB Group generated a pleasing operating profit of €1,692 million, which is more than one billion euro above last year's result. The cost-income ratio for the first six months of 2009 substantially improved compared with the same period last year to an excellent figure of 50.5% after 72.4% in the first half of 2008.

Restructuring costs

In the first half of 2009, HVB Group recognised an expense of €267 million under this item in the income statement, which is connected to the elimination of a total of 2,500 positions as compared to the end of 2007 as officially announced at the beginning of February 2009 by the Management Board of HVB AG. Of this total amount, €187 million are related to specific restructuring measures as a result of implementing the strategic reorientation of the Markets & Investment Banking division, which had already been announced last year. The remaining restructuring costs arose in the Retail division (€55 million) and Corporates & Commercial Real Estate Financing division (€25 million).

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

Net write-downs of loans and provisions for guarantees and commitments rose sharply to €969 million compared to the previous year (€256 million). This reflects the significant deterioration in the credit situation since the second half of 2008. Because of the economic situation, the Corporates & Commercial Real Estate Financing division as well as the Markets & Investment Banking division have been particularly affected by this development, which significantly accelerated in the second quarter of 2009.

Net income from investments

The net loss from investments amounted to €20 million at mid-2009 after €26 million in the first half of 2008. In the net loss from investments for the first half of 2009, the write-downs and value adjustments on financial assets totalling a loss of €91 million were only partially compensated by gains realised on disposals of financial assets of €71 million. The write-downs and value adjustments on financial assets include valuation adjustments of €36 million on available-for-sale financial assets and of €30 million on investment properties. In addition, a valuation expense of €16 million is recognised under the write-downs and value adjustments on shares in affiliated companies, which arose in connection with the sale of the Vereinsbank Victoria Bausparkasse completed in July 2009 compliant with IFRS 5. The largest individual item of the realisation gains is the profit of €46 million from the deconsolidation of the subsidiary BodeHewitt sold in the second quarter of 2009.

Profit before tax, income tax and net profit

Despite an environment still impacted by the financial and economic crisis, the profit before tax of HVB Group rose by 1.6%, to €372 million. Without the non-recurring effects from restructuring costs, profit increased by around 75%, to €639 million.

Income tax for the first half of 2009 rose to €191 million after €120 million in the same period last year. This is mainly due to the deferred tax assets not recognised for tax loss carryforwards. After deducting taxes and taking account of minority interests (minus €36 million), HVB Group generated a profit of €145 million, which is lower than last year's profit (€194 million) due only to the increase in income tax. Without the restructuring costs recognised for the first half of 2009, HVB Group generated an almost 80% increase, to €348 million, compared with last year.

Segment results by division

The divisions contributed the following amounts to the €372 million profit before tax of HVB Group:

Markets & Investment Banking	€200 million
Corporates & Commercial Real Estate Financing	€58 million
Retail	a loss of €8 million
Wealth Management	€39 million
Other/consolidation	€83 million.

The results of the Markets & Investment Banking, Corporates & Commercial Real Estate Financing and Retail divisions were adversely affected by non-recurrent effects caused by restructuring costs. Adjusted for restructuring costs, the following picture emerges for the divisions affected:

Markets & Investment Banking	€387 million
Corporates & Commercial Real Estate Financing	€83 million
Retail	€47 million.

The income statements for each division and comments on the performance of the individual divisions are provided in Note 3, "Segment reporting", in this Half-yearly Financial Report. The tasks and objectives of each division are described in detail in Note 27 of our 2008 Annual Report, "Income statement broken down by division". The changes in the tasks of divisions compared to last year and the first quarter of 2009 are explained in Note 1, "Accounting and valuation principles" in this Half-yearly Financial Report. The quarterly figures for last year and the first quarter of 2009 have been adjusted accordingly.

Financial Review (CONTINUED)

Financial situation

Total assets

The total assets of HVB Group amounted to €413.6 billion at the end of June 2009. Hence, the total assets significantly declined by €45.0 billion, or almost 10%, compared with year-end 2008 through deleveraging measures, which also included specific steps taken to reduce the financial assets held for trading.

Financial assets held for trading fell by €43.7 billion, or 22.0%, to €155.3 billion compared with year-end 2008. There was a decline of €17.3 billion in holdings of fixed-interest securities (also as a result of the reclassification of financial instruments) and €11.0 billion in other financial assets held for trading shown in the balance sheet, primarily due to the decrease in repurchase agreements (repos), and €16.8 billion in positive fair values from derivative financial instruments.

Loans and receivables with customers fell by €13.5 billion, to €162.0 billion. This decline is mainly attributable to the lower holding of repurchase agreements and, in part, to a decrease in loans and receivables especially outside Germany.

The reclassification of financial instruments from financial assets held for trading to loans and receivables with banks and customers carried out overall in the first half of 2009 led to shifts in these balance sheet items which, however, did not affect the total assets.

As on the assets' side, the decline in total liabilities is largely attributable to the sharp drop of €23.8 billion in financial liabilities held for trading. In addition, there was a decrease in deposits from banks (down €13.5 billion), deposits from customers (down €8.1 billion) and debt securities in issue (down €2.4 billion). The reduction in deposits

from banks includes the decrease of €21.7 billion in deposits from central banks, while deposits from banks rose by €8.2 billion as a result of the growth in the volume of repurchase agreements. The declining volume in deposits from customers is primarily attributable to fewer repurchase agreements (down €4.6 billion) and fewer time deposits (down €6.3 billion). In contrast, credit balances on current accounts increased by €2.9 billion.

The amounts of €2.0 billion each recognised under the balance sheet items "Non-current assets or disposal groups held for sale" on the assets side and "Liabilities of disposal groups held for sale" on the liabilities' side compliant with IFRS 5 chiefly relate to the disposal of Vereinsbank Victoria Bauspar AG (VVB) carried out in July 2009.

At the end of June 2009, shareholders' equity totalled €23.0 billion and was thus unchanged over the 2008 year-end total. The decline in the changes in valuation of financial instruments (down €0.1 billion) was offset by the profit reported for the first half of 2009 (up €0.1 billion).

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

The risk-weighted assets for credit risks of HVB Group determined on the basis of Basel II – KWG/German Solvency Regulation (SolvV) – by applying partial use amounted to €117.0 billion at June 30, 2009 (including counterparty default risk in the trading book); at March 31, 2009, the comparable risk-weighted assets amounted to €121.7 billion. This total includes the holdings reclassified compliant with IAS from the trading book to the banking book. The total risk-weighted assets, including market and operational risk, totalled €136.5 billion.

The total risk-weighted assets of HVB Group declined by €8.4 billion compared with March 31, 2009. This decrease is mainly due to lower risk-weighted assets arising from credit risk (down €4.7 billion, particularly on account of declining counterparty default risk) and market risk (down €3.2 billion), while the decline from operational risks stands at €0.5 billion.

The total lending volume under the securitisation transactions resulting from the 14 current risk-asset-reducing transactions of HVB Group under Basel II amounted to €43.3 billion at June 30, 2009. Due to the resulting reduction in risk-weighted assets of €24.1 billion, we have achieved an optimal value-added capital allocation.

At June 30, 2009, the core capital of HVB Group compliant with the German Solvency Regulation totalled €20.6 billion and equity capital €24.5 billion. This gives rise to a core capital ratio (including market risk and operational risk) under Basel II of 15.1% and an equity funds ratio of 17.9%.

A bank's liquidity is evaluated using the liquidity ratio defined in Section 11 of the German Banking Act. This figure is the ratio of cash and cash equivalents available within a month to the payment obligations falling due in this period. Liquidity is considered adequate if the ratio is at least 1.00. At HVB AG, this figure rose to 1.32 at the end of June 2009 after 1.19 at year-end 2008 and 1.25 at the end of March 2009.

Corporate acquisitions and sales

Significant corporate acquisitions and sales of HVB Group are described below. Further changes in the group of companies included in the Half-yearly Financial Report are provided in Note 2, "Companies included in consolidation".

With effect from July 8, 2009, Bayerische Hypo- und Vereinsbank AG (HVB AG) sold its 70% interest in Vereinsbank Victoria Bauspar AG (VVB). The purchase and transfer contract was already signed with legally binding effect between HVB AG and Wüstenrot Bausparkasse AG on May 15, 2009. The sale of its interest in VVB represents a further step taken by HVB AG in disposing of companies that do not belong to its core operations. At the same time, building society products remain a major element in HVB AG's range of offerings to private customers. For this reason, the Bank concluded a long-term sales agreement with Wüstenrot Bausparkasse AG. VVB was deconsolidated from HVB Group in July 2009.

Through the purchase agreement of June 30, 2009, we sold our 72.25% interest in BodeHewitt AG & Co. KG and BodeHewitt Beteiligungs AG to our previous joint venture partner Hewitt Associates GmbH, Wiesbaden. BodeHewitt AG & Co. KG was deconsolidated from HVB Group with effect from June 30, 2009.

As part of pooling the IT services within UniCredit Group, the transformation of HVB Information Services GmbH, Munich, into a limited partnership was completed on April 30, 2009. With effect from May 1, 2009, HVB AG transferred its limited partnership shares in HVB Information Services GmbH & Co. KG (HVB IS) to UniCredit Global Information Services S.p.A. (UGIS), the global IT company of UniCredit Group, against the issue of new UGIS shares. It now holds an interest of 24.7% in UGIS. Pooling IT services makes it possible to make better use of economies of scale, press ahead with the international standardisation of IT platforms, and benefit from the broad, international range of experience. UGIS was included in the group of consolidation companies of HVB Group with effect from May 1, 2009 using the equity method.

Corporate structure and business operations

Legal corporate structure

Bayerische Hypo- und Vereinsbank Aktiengesellschaft (HVB AG) was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich. HVB AG has been an affiliated company of UniCredit S.p.A. (UniCredit), Rome, Italy, since November 2005 and hence a major part of UniCredit Group from that date as a subgroup.

Since registering the transfer of the shares held by minority shareholders of HVB AG to UniCredit S.p.A., as adopted at the Annual General Meeting of Shareholders in June 2007, in the Commercial Register maintained by Munich Local Court compliant with Section 327a of the German Stock Corporation Act, 100% of the capital

Financial Review (CONTINUED)

stock of Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, has been held by the majority shareholder, UniCredit S.p.A.. Thus, trading in HypoVereinsbank shares has officially ceased. HVB AG does, however, remain listed on securities exchanges as an issuer of debt instruments such as pfandbriefs, bonds or certificates.

Organisation of management and control, and internal management

The Management Board of HVB AG is the management body of HVB Group. It is directly responsible for managing the Company. The Management Board provides the Supervisory Board with regular, timely and comprehensive reports on all issues relevant to corporate planning and strategic development, the course of the business and the state of HVB Group, including the risk situation. The Supervisory Board of HVB AG has 20 members and includes equal numbers of representatives of the shareholders and employees.

Based on a resolution adopted at the meeting of HVB AG's Supervisory Board on May 19, 2009, Peter Buschbeck was appointed as a member to the Management Board of HVB AG with effect from August 1, 2009. Peter Buschbeck is responsible on the Management Board for the Retail division. His predecessor, Willibald Cernko, will be resigning from the Management Board of HVB AG on September 30, 2009 and is expected to be appointed Chairman of the Management Board of Bank Austria from October 1, 2009, subject to approval of the Supervisory Board of Bank Austria. As announced by the Management Board of HVB AG on June 5, 2009, Henning Giesecke left HVB AG with effect from July 31, 2009. The Supervisory Board appointed Andrea Varese to the Management Board as his successor as Chief Risk Officer with effect from August 1, 2009 at its meeting held on July 30, 2009.

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

Events after the reporting date

With effect from July 8, 2009, Bayerische Hypo- und Vereinsbank AG, Munich, sold its interest of 70% in Vereinsbank Victoria Bauspar AG, Munich, to Wüstenrot Bausparkasse AG, Ludwigsburg; the most important elements of this transaction are described in the section of the present Management Report entitled "Corporate acquisitions and sales".

Outlook

The following comments on the outlook are to be viewed in connection with the comments on the outlook in the Financial Review and Risk Report in the consolidated financial statements for the 2008 financial year.

General economic outlook for 2009

Even if the global recession has eased a little, a number of factors need to be assessed when trying to predict economic development in the second half of 2009. These include the state economic stimulus packages, the delayed impact of unemployment, the end of short-term working programmes and the duration of the persistent lack of investment by companies. The global economy is likely to shrink by 1.2% in 2009 as a whole after expanding by 3.0% last year.

In the German economy, the GDP is expected to shrink by around 6% in 2009 as a whole. Within this total, capital spending on plant and equipment by companies could continue to decline, even should exports in Germany rise again and despite the fact that inventory levels have been largely depleted. Furthermore, consumer spending could still be dominated by further reticence, as unemployment will rise further despite an improvement in the economy.

We believe that inflation rates will continue to decline in the short term. For later in the year, though, we assume that inflation will start to rise again slightly. Alongside an economic upturn, this is also implied by a rising oil price. The strong injection of liquidity by the US Federal Reserve is causing the medium-term inflation risk to rise. Already last year, the US Federal Reserve cut its key interest rate steeply to 0.25% and bought securities with a view to providing liquidity. The ECB, on the other hand, waited until the beginning of May to lower its key interest rate to 1%, the lowest level yet since the European Monetary Union (EMU) was formed. Moreover, it also started to buy up covered bonds in July 2009.

Sector development in 2009

The financial and economic crisis will continue to adversely affect German banks in the current year in many respects. The development of earnings remains strongly dependent on what happens on the financial markets. Should the trend seen in the first half of the year continue, a relative improvement compared with the previous year's earnings is likely, although further adverse effects could arise if this is not the case. Risk provisions will rise sharply over 2009 as a whole compared with the previous year in response to further defaults and pending bankruptcies notably among corporate customers, but also increasingly among private customers as well. Similarly, additional expenses must be factored in as a result of the necessary operational restructuring of banks' business models. The sector will find relief through the aid provided by the German government in the form of the Financial Market Stabilisation Fund (SoFFin). A general improvement in the situation is, however, only expected after the fiscal stimuli have had a positive impact, and the financial and economic crisis has started to recede. To achieve this, the confidence of customers and international investors, which has been severely damaged by the crisis, must be regained.

Development of HVB Group

HVB Group expects economic conditions to remain difficult, both worldwide and in Germany, and the financial industry to again face major challenges in the second half of 2009.

HVB Group's performance through the rest of 2009 will also depend heavily on the development of the Markets & Investment Banking division and net write-downs of loans and provisions for guarantees and commitments.

The revenues of the Markets & Investment Banking division in the second half of 2009 are heavily dependent on the capital market environment. Consequently, it remains practically impossible to provide an adequate reliable forecast.

With regard to risk-provisioning levels, we currently assume that, despite the expectation of a persistently difficult lending environment, the net write-downs of loans and provisions for guarantees and commitments will tend, if anything, to be lower in the second half of 2009 than in the first half of the year.

It remains unclear, however, whether the current economic programmes will prove to be effective and the financial markets will return to normal during the course of 2009, or whether the financial and economic crisis will continue to persist. Consequently, our performance over the year as a whole remains heavily dependent on the further development of the financial crisis and the economic burdens in the real economy in 2009. Against this backdrop, it is still impossible to make a definitive forecast.

With its good strategic orientation and excellent capital resources, HVB Group considers itself to be in a good position to profit from an improved business environment.

Risk Report

HVB Group as a risk-bearing entity

As a rule, it is not possible to earn income in the banking business without incurring risk. By definition, risk entails the possibility of a negative future development of the economic state of HVB Group. Consequently, the conscious handling, active management and ongoing monitoring of risk are core elements of profit-oriented business transactions by HVB Group.

We therefore regard it as one of our core tasks to apply these considerations in order to achieve a consistent integration of profitability and risk criteria in all divisions and functions of the Bank.

Management and monitoring of risks in HVB Group

1 Risk management

For risk management purposes, the Bank defines its overall risk strategy at HVB Group level. In particular, this means determining, on the basis of the available capital cushion, the extent and manner of permissible risk exposure for the various divisions. This means that whenever risk is taken, it must be determined whether it is possible to do so, based on risk cover calculations, and whether it is worth doing so in terms of risk/reward calculations.

Through the targeted and controlled assumption of risk, the various divisions implement – with profit responsibility – the risk strategies defined for them within HVB Group. In doing so, they utilise the regulatory and internal capital allocated them within the framework of limit systems.

2 Risk monitoring

The risk management process is accompanied by comprehensive risk monitoring, which is functionally and organisationally independent and encompasses the following tasks:

Risk analysis

Risk analysis involves the identification and analysis of risks from business activities and the development of methods for measuring them. Parallel to these activities, the available capital cushion is defined and quantified.

Risk control

In addition to the quantification and validation of the risks incurred and the monitoring of the allocated limits, the subsequent risk control process involves risk reporting, which at the same time provides management with recommendations for action when making future risk-related decisions.

The functional segregation of risk management and risk monitoring is also taken into account in organisational structures.

Compared with year-end 2008, there have been no significant changes in this respect.

Risk types and risk measurements

1 Relevant risk types

At HVB Group, we distinguish the following risk types:

- default risk
- market risk
- liquidity risk
- operational risk
- business risk
- risk arising from our own real estate portfolio
- risk arising from our shareholdings and financial investments
- reputational risk
- strategic risk.

2 Risk measurement methods

With the exception of liquidity, reputational and strategic risk, we measure all risk types using a value-at-risk approach under which potential future losses are measured on the basis of a defined confidence level.

The term “economic capital” used previously in connection with risk measurement is being replaced with the term “internal capital” and is being applied uniformly across the UniCredit Group. Internal capital is the total of the economic capital broken down by risk type and the economic capital of small legal entities. For these HVB Group units, we do not consider it necessary to measure risk broken down by risk type on account of the low risk content. This risk is now shown separately; it was previously part of the risk arising from our shareholdings and financial investments.

The individual risk types are aggregated at HVB Group level as part of the internal capital calculation, applying a uniform one-year holding period and a 99.97% confidence level across all risk types.

The process of determining economic capital by risk type continues to take into account risk-reducing portfolio effects, which encompass both the correlations within the individual risk types between these business units of HVB Group and the correlations across the risk types.

Liquidity, reputational and strategic risk are measured separately.

3 Development of risk measurement and monitoring methods

The methods used to measure and monitor risks are subject to an ongoing development and improvement process. This is the result of our own quality standards as well as a response by HVB Group to the statutory requirements and, to an even greater extent, the regulatory requirements.

Overall bank management

1 Dual management principle for overall bank management

The main focus of capital market-oriented management in HVB Group is on investment and the value-oriented allocation of our capital resources to business activities with attractive risk-return ratios. Within the framework of our dual management principle, the divisions are allocated both regulatory (or used core) capital and internal capital.

Both resources are expected to yield an appropriate return, which is derived from the expectations of the capital markets and what is expected to be earned by our business units. To harmonise the dual management principle with the management of the UniCredit Group, the key performance indicators, economic value added (EVA) and risk adjusted return on risk adjusted capital (RaRoRac) were implemented in sales management at the individual transaction level.

2 Regulatory capital adequacy Used core capital

For purposes of planning and controlling in accordance with Basel II, the divisions are required to have core capital backing for credit, market and operational risks equal to an average of 6.4% of equivalent risk assets. Furthermore, the expected return on investment is derived from the average used core capital. In line with the management logic of the UniCredit Group, core capital exclusive of hybrid capital (= core tier 1 capital) is used.

Management of regulatory capital adequacy requirements

To manage our regulatory capital, we apply the following three capital ratios, which are managed on the basis of internally defined minimum levels:

- Core capital ratio 1 (ratio of core capital to risk-weighted assets arising from credit risk positions)
- Core capital ratio 2 (ratio of core capital to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk assets arising from market and operational risk positions)
- Equity funds ratio (ratio of equity funds to the sum of risk-weighted assets arising from credit risk positions and the equivalent risk assets arising from market and operational risk positions).

More detailed information on these ratios in the first half of 2009 is contained in the section of the Financial Review entitled “Risk-weighted assets, key capital ratios and liquidity of HVB Group”.

A description of the processes used to determine the appropriate equity base can be found in the HVB Group Annual Report for 2008.

Risk Report (CONTINUED)

3 Economic capital adequacy

The future internal capital requirements of the divisions are determined under the annual planning process in close cooperation between Strategic Risk Management and Control and the individual operating units. After approval by the Management Board of HVB Group, the internal capital figures are anchored in the control and reporting instruments of the Bank. A comparison between the targets and the actual values of the figures is produced on a quarterly basis and reported to the divisions and the Chief Risk Officer. An overview summarising the risk situation of HVB Group is provided by the trend in internal capital and the assessment of its risk-bearing capacity.

As part of the segment reorganisation taking place in the first half of 2009 (see Note 1 "Valuation and valuation principles" in this half-yearly Financial Report), we have also updated the parameters used to calculate business risk. In addition, we have reviewed and adjusted the correlation matrix used to aggregate the risk types for 2009. These two measures result in an increase of €0.51 billion in economic capital to €7.30 billion at December 31, 2008. In the first half of 2009, the internal capital (including minority interests) for HVB Group has increased to €8.44 billion at June 30, 2009, taking into account all risk-reducing diversification effects of HVB Group.

The increase in internal capital at HVB Group in the first half of 2009 in the area of market risk and investment risk is attributable to the ongoing financial crisis. The decrease in risks in the financial sector is the main factor evident in default risk. The increase in the economic capital of small legal entities reflects the classification of UniCredit Global Information Services S.p.A. (UGIS).

In a quarterly analysis of our risk-bearing capacity, we measure our internal capital against the capital cushion available to us to cover risk. In addition, this sustainability analysis is carried out with a corresponding internally defined forecasting horizon as a component of our planning process. The analysis of our risk-bearing capacity also represents an essential component of our risk strategy. As a result, we are in compliance with the essential components of the Internal Capital Adequacy Assessment Process (ICAAP).

According to our internal definition, the capital cushion is made up of IFRS capital components, participatory certificates and hybrid capital, reserves, and the actual result. Minority interests are included and goodwill is deducted. The capital cushion for HVB Group amounted to €23.7 billion at June 30, 2009 (equivalent year-end 2008: €24.2 billion). The decline since the year-end results primarily from the scheduled further reduction in our subordinated capital. With an internal capital of €8.44 billion, this represents a utilisation of approximately 35.6% of the capital cushion. The significant rise in the utilisation ratio for HVB Group as compared with the equivalent year-end 2008 figure, despite the decrease of 2% in the capital cushion, is attributable to the strong growth in internal capital (15%).

Even taking into account the results of risk type-specific stress results, we had a substantial buffer in the capital cushion at the level of HVB Group over the entire financial year. We expect the situation to be similar for the second half of 2009.

Internal capital after portfolio effects

(confidence level 99.97%)

	JUNE 2009		DECEMBER 2008 ²	
	€ millions	in %	€ millions	in %
Broken down by risk type				
Market risk	2,768	32.8	997	13.6
Default risk	3,261	38.7	4,045	55.2
Business risk	414	4.9	552	7.5
Operational risk	535	6.3	608	8.3
Risk arising from our own real estate portfolio	530	6.3	574	7.8
Risk arising from our shareholdings and financial investments	830	9.8	525	7.2
Economic capital	8,338	98.8	7,301	99.6
Economic capital of small legal entities¹	99	1.2	26	0.4
Internal capital HVB Group	8,437	100.0	7,327	100.0
Capital cushion HVB Group	23,682		24,206	
Utilisation HVB Group, in %	35.6		30.3	

¹ HVB Group units for which we do not consider it necessary to measure risk broken down by risk type on account of the low risk content. They were previously included in the risk arising from our shareholdings and financial investments.

² including the effects from the reorganisation for business risk and the adjustment of the correlation matrix for 2009

Risk types in detail

During the first half of 2009, no significant changes were made to risk management or risk monitoring for the individual risk types compared with the 2008 Annual Report. Consequently, in this regard, we refer to the statements made on page 40 and following of the HVB Group Annual Report for 2008. Where minor developments affecting individual risk types have taken place, these are described under the risk type concerned.

With regard to the methods used to measure the individual risk types apart from liquidity, reputational and strategic risk, the correlation matrix used to determine the economic capital has been updated as previously described.

1 Default risk

HVB AG uses the IRB Advanced Approach to calculate the risk-weighted assets when determining the appropriate regulatory capital adequacy in credit risk. The other members of HVB Group apply the provisions of the Credit Risk Standard Approach defined by the Solvency Regulation. We have now begun activities aimed at rolling out the IRB Advanced Approach at selected HVB Group companies. It is planned to commence the supervisory approval process at HVB Luxembourg in the fourth quarter.

In addition, we have implemented new rating systems, for instance ship financing, during the first half of 2009. We have also refined existing rating systems and optimised processes, concentrating primarily on procedures for the rating segment mid caps (SME), Income Producing Real Estate or Acquisition & Leverage Finance. In the second half of 2009, we will focus on aspects of project finance and foreign SME.

Risk Report (CONTINUED)

In connection with the monitoring of our risk-bearing capacity, we also have harmonised the data pool used for regulatory capital backing and the relevant risk parameters for HVB with the models applicable for internal risk measurement. This means that we can employ an integrated solution to ensure the comparability of regulatory and economic risk figures.

Following the sharp rise in HVB Group's credit and counterparty exposure in 2008, the exposure fell back by €26.8 billion (down 11.0%) in the first half of 2009. This development was caused primarily by the decline in business involving other banks.

The current financial and economic crisis places major demands on the management of credit risk. Against this backdrop, we have repositioned the business strategy for individual parts of the credit portfolio. This involves stricter structuring principles and guidelines for new business and intensive monitoring (watchlist). Moreover, we

have revised our credit risk strategy, established a limit on expected loss and other risk metrics at division level, and adjusted individual aspects of concentration risk to reflect current market conditions.

These activities have helped to largely stabilise the development of the portfolio quality in corporate banking, even if an increase in loan losses can be observed. Primarily affected by this are large caps. On the other hand, the current rating adjustments for mid caps have remained moderate. Small caps and retail customers are remaining at a largely stable level at present.

The net write-downs of loans and provisions for guarantees and commitments disclosed in the income statement of HVB Group for the first half of 2009 amount to €969 million. Further details regarding net write-downs of loans and provisions for guarantees and commitments and the allowances for losses on loans and receivables with banks and customers are included in Notes 9 and 20 to the financial statements.

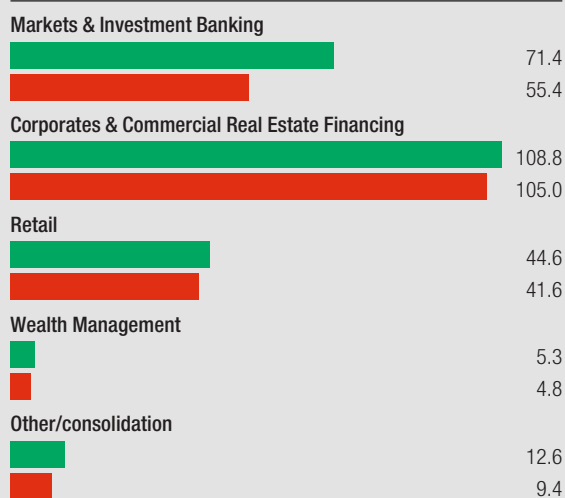
Breakdown of credit and counterparty exposure by industry sector

	€ billions	
	JUNE 2009	DECEMBER 2008
Industry sector		
Banking and insurance	33.6	46.3
Construction	33.3	35.9
Retail customers	31.9	35.3
Food, consumer goods, services	23.3	26.4
Public sector	14.3	12.6
Transportation	12.7	12.8
Chemicals, health, pharmaceuticals	12.6	13.1
Mechanical engineering, steel	11.9	13.0
Other	11.4	12.7
Utilities	10.9	11.6
Automotive	6.5	6.6
Electrical, IT, communications	6.0	6.3
Mineral oil	4.9	7.0
Media, printing, paper	4.2	4.7
HVB Group	217.5	244.3

Breakdown of issuer exposure by industry sector

	€ billions	
	JUNE 2009	DECEMBER 2008
Industry sector		
Banking and insurance	25.3	26.5
Public sector	12.2	12.0
Food, consumer goods, services	1.7	1.3
Other	1.1	1.4
Automotive	0.8	1.0
Utilities	0.7	1.0
Electrical, IT, communications	0.5	0.8
Construction	0.5	0.6
Media, printing, paper	0.2	0.4
Mineral oil	0.2	0.3
Chemicals, health, pharmaceuticals	0.1	0.3
Transportation	0.1	0.3
Retail customers	0.1	0.1
Mechanical engineering, steel	0.1	0.1
HVB Group	43.6	46.1

Breakdown of credit exposure and counterparty exposure by division¹ – core portfolio (€ billions)



■ December 2008
■ June 2009

¹ including the effects of the reorganisation

Risk Report (CONTINUED)

Breakdown of credit exposure and counterparty exposure by rating class – core portfolio

	JUNE 2009		DECEMBER 2008	
	€ billions	in %	€ billions	in %
Rating class				
Free of default risk	7.2	3.3	6.1	2.5
Not rated	9.0	4.2	10.5	4.3
Rating classes 1–4	99.4	46.0	122.8	50.6
Rating classes 5–8	93.2	43.1	97.1	40.0
Rating classes 9–10	7.4	3.4	6.2	2.6
HVB Group	216.2	100.0	242.7	100.0

Breakdown of issuer exposure by rating class – core portfolio

	JUNE 2009		DECEMBER 2008	
	€ billions	in %	€ billions	in %
Rating class				
Free of default risk	10.7	24.5	11.1	24.1
Not rated	4.6	10.5	3.2	6.9
Rating classes 1–4	27.2	62.4	31.0	67.3
Rating classes 5–8	0.9	2.1	0.8	1.7
Rating classes 9–10	0.2	0.5	0.0	0.0
HVB Group	43.6	100.0	46.1	100.0

Financial derivatives

HVB Group uses financial derivatives primarily to manage market price risk (in particular risk arising from interest rate and currency fluctuations) arising from trading activities. They also serve, however, to provide cover for on- and off-balance-sheet items within asset/liability management or, in the case of credit derivatives, to manage credit risk.

The total nominal amount of worldwide derivative transactions of HVB Group amounted to €4,188 billion at June 30, 2009 (December 31, 2008: €4,328 billion).

Without taking risk-reducing effects into account, the maximum counterparty risk (worst case scenario) for HVB Group at June 30, 2009 totalled €106.0 billion (December 31, 2008: €121.9 billion).

In accordance with the banking supervision regulations under Basel II (German Banking Act/Solvency Regulation), with so-called partial use based on individual risk weightings, and the risk-reducing effects of existing, legally enforceable bilateral netting agreements and the collateral provided by borrowers, risk-weighted assets for HVB Group amounted to €15.3 billion at June 30, 2009 (December 31, 2008: €18.7 billion).

Derivative transactions

€ millions									
	NOMINAL AMOUNT					FAIR VALUE			
	RESIDUAL MATURITY			TOTAL	TOTAL	POSITIVE		NEGATIVE	
	UP TO 1 YEAR	MORE THAN 1 YEAR UP TO 5 YEARS	MORE THAN 5 YEARS	30/6/2009	31/12/2008	30/6/2009	31/12/2008	30/6/2009	31/12/2008
Interest rate derivatives	932,555	1,241,993	979,215	3,153,763	3,220,605	71,699	67,071	70,492	65,289
Foreign exchange derivatives	296,723	115,681	58,388	470,792	496,910	11,714	21,404	11,460	19,039
Equity/index derivatives	71,688	119,022	11,557	202,267	198,164	12,245	13,612	15,013	15,665
Credit derivatives	35,458	260,309	57,227	352,994	402,564	9,555	18,497	9,996	17,862
– Protection buyer	18,387	127,002	29,055	174,444	198,745	8,899	18,297	941	459
– Protection seller	17,071	133,307	28,172	178,550	203,819	656	200	9,055	17,403
Other transactions	4,602	3,590	446	8,638	9,972	943	1,552	1,193	1,773
HVB Group	1,341,026	1,740,595	1,106,833	4,188,454	4,328,215	106,156	122,136	108,154	119,628

Derivative transactions by counterparty type

€ millions				
	FAIR VALUE			
	POSITIVE		NEGATIVE	
	30/6/2009	31/12/2008	30/6/2009	31/12/2008
Central governments and central banks	631	630	430	371
Banks	85,819	97,865	88,164	97,269
Financial institutions	15,734	18,826	17,777	19,737
Other companies and private individuals	3,972	4,815	1,783	2,251
HVB Group	106,156	122,136	108,154	119,628

Risk Report (CONTINUED)

Development of country risk in the first half of 2009

The exposure of HVB Group entailing country risk declined by €8.8 billion to €61.9 billion in the first half of 2009. This development was driven mainly by a decline of €5.2 billion in connection with

trading activities in the United Kingdom and the maturity of a loan of around €2 billion in Asia. The well-diversified portfolio has a clear focus on western Europe, with €38.9 billion (63%).

Country exposure¹ by region and product category

€ millions								
	LENDING		TRADING		ISSUER RISK		TOTAL	
	JUNE 2009	DECEMBER 2008	JUNE 2009	DECEMBER 2008	JUNE 2009	DECEMBER 2008	JUNE 2009	DECEMBER 2008
Region								
Western Europe	9,907	9,755	27,657	32,793	1,328	1,107	38,892	43,655
Asia/Pacific	3,097	6,080	4,401	4,323	508	635	8,006	11,038
North America	1,925	1,784	2,822	3,214	1,578	878	6,325	5,876
Central and South America	3,463	3,970	1,116	1,110	155	201	4,734	5,281
Eastern Europe	1,061	1,470	1,441	1,339	954	1,501	3,456	4,310
Africa	335	368	113	138	4	9	452	515
HVB Group	19,788	23,427	37,550	42,917	4,527	4,331	61,865	70,675

¹ net of collateral; excluding transactions with specific loan-loss provisions

2 Market risk

The portfolios of the former UniCredit Banca Mobiliare (UBM) have also been included in the internal model for regulatory reporting as well as internal reporting since the end of 2008. Together with UniCredit, we aim to have developed and introduced a new internal model to determine market risk for the purpose of Group-wide harmonisation and consolidation by the end of 2009. The new model will be based on the Historical Simulation approach.

We check the appropriateness of the methods used to measure market risk by means of regular back-testing that compares the value-at-risk calculations with the market value changes calculated from the positions (hypothetical P/L). There was one back-testing exception to report in the first half of 2009. In total, eight exceptions were reported in the last 250 days. As a result of the exceptions, the

German Financial Supervisory Authority (BaFin) temporarily ordered an increase in the quantitative scaling factor for capital adequacy from June 2009.

The table below shows the aggregated market risks for our trading positions in HVB Group for the first half of 2009. The reduction in market risks in the second quarter of 2009 results primarily from narrowing credit spreads.

The effects of updating the business risk parameters and the correlation matrix led to an increase of €0.095 billion in the economic capital for market risk at December 31, 2008. The economic capital for market risk at HVB Group totals €2.77 billion, up on the figure reported at December 2008 on account of the persistent developments on the capital markets.

Market risk of HVB Group

(value-at-risk, 99% confidence level, one-day holding period)

	€ millions						
	AVERAGE IN FIRST HALF OF 2009 ¹	30/6/2009	31/3/2009	AVERAGE 2008 ¹	31/12/2008	30/9/2008	30/6/2008
HVB Group	148	127	168	82	146	78	52

1 arithmetic mean

Market risk from trading positions of HVB Group

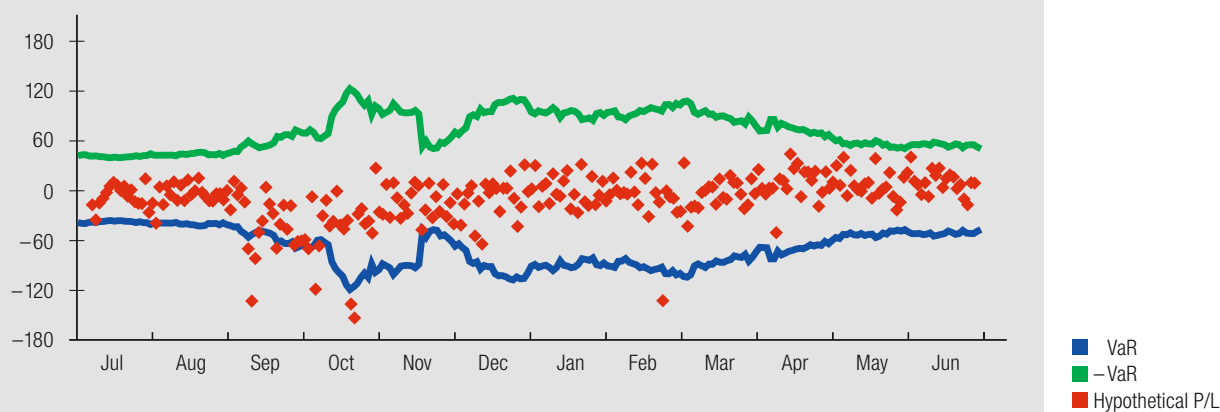
(value-at-risk, 99% confidence level, one-day holding period)

	€ millions						
	AVERAGE IN FIRST HALF OF 2009 ¹	30/6/2009	31/3/2009	AVERAGE 2008 ¹	31/12/2008	30/9/2008	30/6/2008
Interest rate positions							
(incl. credit spread risks)	72	59	84	70	118	68	44
Foreign exchange positions	7	6	8	6	5	9	5
Equity/index positions	5	5	5	13	10	13	14
Diversification effect ²	(14)	(15)	(12)	(20)	(21)	(22)	(17)
HVB Group	70	55	85	69	112	68	46

1 arithmetic mean; the figure of the diversification effect is recalculated on the basis of the individual risk categories

2 because of the diversification effect between the risk categories, the total risk is less than the sum of the individual risks

Back-testing of internal model: trading activities of HVB AG in 2008/2009 compliant with regulatory reporting, € millions



Risk Report (CONTINUED)

At June 30, 2009, the banking book of HVB Group contained market risks of €84 million with a one-day holding period (December 31, 2008: €69 million).

A downward shift in the yield curves by 100 basis points (interest sensitivity) at June 30, 2009 results in a decrease in value of €125.44 million (0.50% of regulatory capital) in the banking book of HVB Group (December 31, 2008: upward shift €(47.31) million).

Value change in case of an interest shock of – 100 BP

at June 30, 2009

€ millions		
HVB GROUP BANKING BOOK		(31/12/2008 UPWARD SHIFT)
Total	(125.44)	(47.31)
up to 1 year	(103.40)	(30.06)
1 to 5 years	1.59	(27.15)
more than 5 years	(23.63)	9.9

A 10% depreciation of all foreign currencies (FX sensitivity) results in a decrease of €53.70 million in the portfolio value (0.21% of regulatory capital) in the banking book of HVB Group (December 31, 2008: appreciation of €(39.57) million).

Value change in case of a 10% FX depreciation

at June 30, 2009

€ millions		
HVB GROUP BANKING BOOK		(31/12/2008 APPRECIATION)
Total	(53.70)	(39.57)
USD	(10.39)	(27.88)
GBP	(35.63)	(14.93)
AUD	(3.29)	0.56
CHF	1.01	6.51
JPY	0.33	0.02
SGD	(0.93)	(1.29)
Other	(4.80)	(2.56)

A 20% decline in all equity and hedge fund prices results in a decrease of €94.17 million in the portfolio value (0.37% of regulatory capital) in the banking book of HVB Group (December 31, 2008: €(95.50) million).

Value change in case of a 20% decrease in equity prices

at June 30, 2009

€ millions		
HVB GROUP BANKING BOOK		(31/12/2008)
Total	(94.17)	(95.50)
Equity products	(0.19)	(0.30)
Hedge funds	(93.98)	(95.20)

Any financial impact resulting from present value (PV) valuations in interest rate changes, FX devaluations and price reductions in the area of equities and index-linked products are reflected in interest and trading income.

In addition, regular stress tests and scenario analysis that reveal the loss potential in case of extreme market movements are carried out on the banking books of HVB Group.

In compliance with the BaFin Circular dated November 6, 2007, the change in the market value of the banking book in case of a sudden and unexpected interest rate shock of +130/–190 basis points is compared with the Bank's regulatory eligible equity funds. With a notional utilisation of 0.89% (December 31, 2008: 0.22%) of the regulatory capital at June 30, 2009, HVB Group is well below the reportable outlier value of 20% stipulated by the banking supervisory authorities.

In addition, a dynamic simulation of the net interest income is carried out for HVB AG on a quarterly basis. The future trend in net interest income is simulated in various scenarios in relation to the business volume and interest rates. Assuming a constant volume of business, a parallel upward interest shock of 100 basis points would result in a decrease of €104 million (December 31, 2008: €87 million) in net interest income within the next 12 months.

Market liquidity risk

The market liquidity for ABS transactions on the secondary market has improved in the first half of 2009, especially in the triple-A segment. We have not observed any kind of upturn in the primary market. Since March 2009, however, we have experienced narrowing spread levels, which we attribute to the generally positive market expectations. In the case of financial service providers in particular, this recovery has not yet reached bond spreads, which bears witness to the persistently tight liquidity situation of the companies. The direct exposure in the subprime loan segment remains negligible.

3 Liquidity risk

The financial crisis continued to dominate the general situation on the money and capital markets in the first half of 2009. Liquidity remained a scarce resource worldwide, although the situation did seem to ease slightly during the course of the second quarter. HVB Group was able to rely on its broad funding base and adequate liquidity situation during this market phase. Nevertheless, we too are not able to evade all the general developments on the markets and, if necessary, might have to take measures to continue to ensure adequate overall liquidity should the market situation deteriorate further across the board.

Short-term liquidity risk

Within the framework of our short-term liquidity limit system, which operates under conservative assumptions, we showed an overall positive balance of €35.2 billion in HVB Group for the next banking day at the end of June 2009 (December 31, 2008: €18.0 billion). The portfolio of highly liquid securities eligible as collateral for central bank borrowings and available at short notice to compensate for unexpected outflows of liquidity amounted to €26.1 billion at June 30, 2009 (December 31, 2008: €14.9 billion).

The requirements of the German Liquidity Ordinance were met at all times by the relevant units of HVB Group during the first half of 2009. The funds available to HVB AG exceeded its payment obligations for the following month by an average of €34.7 billion in the first half of 2009 (whole of 2008: €33.4 billion).

Funding risk

The funding risk of HVB Group has so far remained low due to our broad funding base in terms of products, markets and investor groups. The longer-term funding of our lending business developed well in the first half of the year. Thus, at the end of the second quarter, we are already well ahead of our long-term funding targets for this period. With their high credit quality and liquidity, our Pfandbriefs still remain an important funding instrument.

4 Operational risk

The effects of updating the business risk parameters and the correlation matrix led to an increase of €0.181 billion in the economic capital for operational risk at December 31, 2008. The economic capital for operational risks of HVB Group totalled €0.54 billion at June 30, 2009.

Our subsidiaries Bankhaus Neelmeyer AG, DAB Bank AG, HVB Leasing GmbH (including other leasing subsidiaries) and Vereinsbank Victoria Bauspar AG have been included in the Advanced Measurement Approach for regulatory purposes since the start of 2009.

Preparations for regulatory approval with regard to the Advanced Measurement Approach are planned for our subsidiary HVB Banque Luxembourg S.A. by mid-2010.

Outsourcing and IT projects

On April 1, 2009, the operational facility and infrastructure management activities were transferred to STRABAG PFS as planned. This move makes it possible to ensure consistency in the operating costs of the real estate of HVB AG in the medium to long term.

With effect from May 1, 2009, the previous IT service provider of HVB Group, HVB IS, was combined with the global IT service provider of the UniCredit Group, UGIS.

Specially created retained organisations are responsible for managing and controlling these outsourcings.

Risk Report (CONTINUED)

During the first half of 2009, all of the brief malfunctions in the mainframe computer operations (outsourced in 2008), could be remedied quickly using successful countermeasures and did not have any significant impact on banking operations. Insights gained from these measures were used to further optimise disaster prevention.

When the new statutory regulations regarding the flat tax on capital income came into force at the beginning of 2009, the corresponding IT applications and processes were introduced in HVB AG. The launch risk associated with this extensive change was minimised through extensive test runs and intensive risk analyses of processes. There were nevertheless implementation delays in this area – in part due to belated external explanations regarding the implementation of the provisions under tax law – leading among other things to the delayed dispatch of annual tax statements and consequently to complaints from customers. Emphasis is being put on eliminating the remaining backlog and remedying the outstanding application defects.

With effect from July 4, 2009, the IT side of the sale of securities handling operations to CACEIS on January 1, 2008 was also completed. The associated launch risk was similarly minimised through extensive test runs and intensive risk analyses of the processes. No major problems have arisen to date. The last step in this outsourcing exercise will involve migrating the IT systems currently still provided by UGIS to an IT service provider selected by CACEIS, probably in 2010.

The introduction of the new IT platform known as EuroSIG planned for mid-October 2009 was put back to January 2010 on account of numerous parallel initiatives and the need to incorporate or implement statutory requirements. The introduction of a new IT platform is generally one of the most challenging tasks for a bank, engendering greater operational risks on account of its size and complexity per se and hence entailing great responsibility towards employees and customers alike. As a result of the planned roll-out at the start of 2010, the test phase has been extended at the end of the project, thus reducing the risks associated with the project even further.

Business continuity management

A special Pandemic Task Force was set up on April 27, 2009 in response to the World Health Organisation declaring Phase 4 for swine flu. The measures in the HVB pandemic plan have been updated and adjusted accordingly.

Outlook

In the second half of 2009, an additional focus of the operational risk management activities will be on the current restructuring of the Markets & Investment Banking division in Germany and abroad and the integration of activities from the Corporates & Commercial Real Estate Financing division and the Markets & Investment Banking division.

Legal risks

Unless described otherwise below, the statements made in the Risk Report for 2008 relating to significant risk arising from legal disputes remain unchanged.

Medienfonds lawsuits

The number of complaints and lawsuits filed by people who invested in Medienfonds VIP 4 GmbH & Co. KG has risen further. At the end of June 2009, lawsuits against HVB AG were pending with a total jurisdictional amount in the lower triple-digit million range. The complaints and suits against the Bank are based on the allegation that the Bank culpably violated its obligations to provide information prior to signing the contracts as it was aware that the fund's structure and execution allegedly made it highly risky in terms of tax law. Moreover, the lawsuits are based on alleged errors in the prospectus, for which the plaintiffs say the Bank is responsible along with the initiator and other persons. Munich Higher Regional Court is expected to institute a test case procedure before long pursuant to the Capital Markets Test Case Act (KapMuG) that among other matters is intended to clarify the question of responsibility for the prospectus, also on the part of HVB AG, with regard to the banking services it provided. Furthermore, some investors base their claims on formal errors with regard to the investment finance agreements granted by HVB AG with a view to receiving back the full amount of their investment. Even if the outcome of the legal proceedings is open from today's standpoint, the Bank does not anticipate serious negative consequences from these legal disputes.

Real estate finance/financing of purchases of shares in real estate funds

The German Supreme Court (BGH) makes it easier for investors to provide evidence of violations of the explanatory obligation only in cases of institutionalised collaboration between the bank funding the acquisition of the property and the seller of the property. In addition, recent judgements indicate that liability on the part of the bank cannot be ruled out if the bank has advised the customer regarding the acquisition of the property and received compensation from the seller for selling the property. Based on our experience so far, we do also in this respect not expect any negative effects on HVB AG.

Lawsuits in connection with the financial crisis

As a result of developments in global financial markets in recent months, the number of complaints from customers who have investments in securities affected by these developments or who entered into derivative transactions with HVB AG has increased further. So far, customers have filed lawsuits based on claims of improper advice that was either inappropriate for the investor or the form of the investment only in exceptional cases.

Lawsuits in connection with the reorganisation of the bank

In a ruling dated November 27, 2008, Munich Regional Court I had dismissed the action filed by a former shareholder of our Bank asking the court to declare that UniCredit does not have any rights pertaining to the shares in the Company acquired in connection with the takeover offer; the plaintiff has withdrawn the appeal filed against this ruling. Thus, the action has been concluded in the Bank's favour.

Risk Report (CONTINUED)

On February 20, 2008, the special representative filed suit against UniCredit S.p.A. and Alessandro Profumo as well as Dr Wolfgang Sprissler and Rolf Friedhofen as joint and several debtors, demanding – with reference to the “hedge funds lawsuits” – the retransfer of the BA-CA shares or in the alternative asserting a claim to damages of at least €13.9 billion. In a writ dated July 10, 2008, the special representative expanded the scope of his claim and asserted additional claims to alleged damages against the above-named defendants of at least €2.92 billion arising from the contribution of the investment banking activities of UniCredit Banca Mobiliare S.p.A. (UBM). Following the recall of special representative’s mandate, in a ruling dated June 2, 2009, Munich Regional Court I suspended the proceedings until an effective ruling has been published on the validity of the resolutions regarding the assertion of claims and the appointment of the special representative adopted at the Annual General Meeting of Shareholders held on June 26/27, 2007 and the validity of the resolution to recall the special representative’s mandate adopted at the Extraordinary Shareholders’ Meeting held on November 10, 2008. Due to appeal of the special representative the decision to suspend proceedings is not yet legally effective.

5 Business risk

As part of the reorganisation taking place during the first half of 2009, we have also updated the parameters used to calculate business risk. Taken together with the update of the correlation matrix, this results in an increase of €0.123 billion in the economic capital for business risk at December 31, 2008.

The economic capital determined for business risk of HVB Group amounted to €0.41 billion at June 30, 2009.

6 Risk arising from our real estate portfolio

The effects of updating the business parameters and the correlation matrix led to a decline of €0.026 billion in the economic capital for real estate risk at December 31, 2008. The economic capital for real estate risk of HVB Group amounted to €0.53 billion at June 30, 2009. The real estate portfolio of HVB Group is located primarily in Munich, which accounts for 38% of the total.

Further property disposals were carried out in the first half of 2009. We expect to be able to reduce the portfolio as planned by means of further disposals during the rest of the year.

7 Risk arising from our shareholdings and financial investments

The effects of updating the business parameters and the correlation matrix led to an increase of €0.089 billion in the economic capital for risk arising from our shareholdings and financial investments at December 31, 2008. The economic capital for risk arising from the shareholdings and financial investments of HVB Group rose to €0.83 billion on account of the positive development of market values coupled with the continuing development of the capital markets parameters. The value-at-risk, without taking into account the diversification effects between the risk types, amounts to €1.55 billion.

As in 2008, the Bank will continue to dispose of non-strategic shareholdings in 2009. It will also look into fresh investments in line with its business strategy and the current market environment, provided these complement our structure and business priorities, and generate value for our Bank and our group.

8 Reputational risk

Reputational risk is the present or future risk to earnings or capital arising from an unfavourable view of the Bank's image by customers, counterparties, shareholders, investors, rating agencies or supervisory authorities.

In our lending activities, we apply what are known as sector policies in addition to the general credit policy. The purpose of these policies is for us to act with great sensitivity in certain sectors of industry, such as defence and utilities. In some cases, this may mean deciding not to enter into some specific transactions. Furthermore, we are obliged to comply with the International Finance Corporation Performance Standards together with the associated Environment Health & Safety Guidelines of the World Bank. The rules and regulations of the Equator Principles are similarly applicable in project finance. The policies also form the basis for our asset management activities, notably in the selection of investment funds.

The policies are developed in a dialogue with non-governmental organisations, such as the World Wildlife Fund (WWF). The Bank's objective is to take account of the interests of environmental and human rights organisations in addition to the economic interests of its customers.

In applying these policies, we are trying to take account of stakeholder expectations and hence to rule out possible damage to the Bank's reputation.

9 Strategic risk

The statements made at the end of 2008 regarding strategic risk are still valid. Statements on general economic trends and the current trends on international financial markets can be found in the Financial Review in the present half-yearly Financial Report.

Consolidated Income Statement

for the period from January 1 to June 30, 2009

Income/Expenses

	NOTES	1/1–30/6/2009	1/1–30/6/2008	CHANGE	
		€ millions	€ millions	€ millions	in %
Net interest		2,353	1,794	+ 559	+ 31.2
Dividends and other income from equity investments		30	125	(95)	(76.0)
Net interest income	4	2,383	1,919	+ 464	+ 24.2
Net fees and commissions	5	600	781	(181)	(23.2)
Net trading income	6	344	(329)	+ 673	
Net other expenses/income	7	91	57	+ 34	+ 59.6
Net non-interest income		1,035	509	+ 526	>+ 100.0
TOTAL REVENUES		3,418	2,428	+ 990	+ 40.8
Payroll costs		(904)	(1,022)	+ 118	(11.5)
Other administrative expenses		(707)	(615)	(92)	+ 15.0
Amortisation, depreciation and impairment losses on intangible and tangible assets		(115)	(122)	+ 7	(5.7)
Operating costs		(1,726)	(1,759)	+ 33	(1.9)
OPERATING PROFIT		1,692	669	+ 1,023	>+ 100.0
Provisions for risks and charges		(64)	(21)	(43)	>+ 100.0
Write-down on goodwill		—	—	—	—
Restructuring costs	8	(267)	—	(267)	
Net write-downs of loans and provisions for guarantees and commitments	9	(969)	(256)	(713)	>+ 100.0
Net income from investments	10	(20)	(26)	+ 6	+ 23.1
PROFIT BEFORE TAX		372	366	+ 6	+ 1.6
Income tax for the period		(191)	(120)	(71)	+ 59.2
NET PROFIT		181	246	(65)	(26.4)
Minorities		(36)	(52)	+ 16	(30.8)
CONSOLIDATED PROFIT OF HVB GROUP		145	194	(49)	(25.3)

Earnings per share

		in €	
	Notes	1/1–30/6/ 2009	1/1–30/6/ 2008
Earnings per share (adjusted ¹)	11	0.43	0.24
Earnings per share	11	0.18	0.24

1 2009 adjusted for restructuring costs

Since no conversion rights or option rights on conditional capital existed at June 30, 2009, there is no calculation of diluted earnings per share.

for the period from April 1 to June 30, 2009

Income/Expenses

	1/4-30/6/2009	1/4-30/6/2008	CHANGE	
	€ millions	€ millions	€ millions	in %
Net interest	1,136	868	+ 268	+ 30.9
Dividends and other income from equity investments	15	109	(94)	(86.2)
Net interest income	1,151	977	+ 174	+ 17.8
Net fees and commissions	305	383	(78)	(20.4)
Net trading income	605	318	+ 287	+ 90.3
Net other expenses/income	51	23	+ 28	>+ 100.0
Net non-interest income	961	724	+ 237	+ 32.7
TOTAL REVENUES	2,112	1,701	+ 411	+ 24.2
Payroll costs	(437)	(517)	+ 80	(15.5)
Other administrative expenses	(383)	(310)	(73)	+ 23.5
Amortisation, depreciation and impairment losses on intangible and tangible assets	(52)	(61)	+ 9	(14.8)
Operating costs	(872)	(888)	+ 16	(1.8)
OPERATING PROFIT	1,240	813	+ 427	+ 52.5
Provisions for risks and charges	(45)	(21)	(24)	>+ 100.0
Write-down on goodwill	—	—	—	—
Restructuring costs	(218)	—	(218)	
Net write-downs of loans and provisions for guarantees and commitments	(686)	(69)	(617)	>+ 100.0
Net income from investments	(13)	(39)	+ 26	+ 66.7
PROFIT BEFORE TAX	278	684	(406)	(59.4)
Income tax for the period	(160)	(201)	+ 41	(20.4)
NET PROFIT	118	483	(365)	(75.6)
Minorities	(35)	(7)	(28)	>+ 100.0
CONSOLIDATED PROFIT OF HVB GROUP	83	476	(393)	(82.6)

Earnings per share

	in €	
	1/4-30/6/ 2009	1/4-30/6/ 2008
Earnings per share (adjusted ¹)	0.31	0.59
Earnings per share	0.10	0.59

¹ 2009 adjusted for restructuring costs

Balance Sheet

at June 30, 2009

Assets

	NOTES	30/6/2009	31/12/2008	CHANGE	
		€ millions	€ millions	€ millions	in %
Cash and cash balances		6,657	5,556	+ 1,101	+ 19.8
Financial assets held for trading	12	155,328	199,019	(43,691)	(22.0)
Financial assets at fair value through profit or loss	13	13,614	13,335	+ 279	+ 2.1
Available-for-sale financial assets	14	5,387	5,636	(249)	(4.4)
Investments in associates, joint ventures and non-consolidated subsidiaries	15	247	250	(3)	(1.2)
Held-to-maturity investments	16	5,806	6,020	(214)	(3.6)
Loans and receivables with banks	17	49,786	41,453	+ 8,333	+ 20.1
Loans and receivables with customers	18	161,977	175,518	(13,541)	(7.7)
Hedging derivatives		3,382	2,654	+ 728	+ 27.4
Changes in fair value of portfolio hedged items		42	—	+ 42	
Property, plant and equipment		2,199	1,877	+ 322	+ 17.2
Investment properties		1,717	1,723	(6)	(0.3)
Intangible assets		636	795	(159)	(20.0)
of which: goodwill		424	424	—	—
Tax assets		2,707	2,792	(85)	(3.0)
of which: deferred tax assets		2,381	2,371	+ 10	+ 0.4
Non-current assets or disposal groups held for sale	21	1,983	4	+ 1,979	>+ 100.0
Other assets		2,155	1,970	+ 185	+ 9.4
Total assets		413,623	458,602	(44,979)	(9.8)

Liabilities

	NOTES	30/6/2009	31/12/2008	CHANGE	
		€ millions	€ millions	€ millions	in %
Deposits from banks	22	70,385	83,867	(13,482)	(16.1)
Deposits from customers	23	106,822	114,962	(8,140)	(7.1)
Debt securities in issue	24	61,239	63,639	(2,400)	(3.8)
Financial liabilities held for trading		140,161	163,944	(23,783)	(14.5)
Hedging derivatives		1,114	617	+ 497	+ 80.6
Changes in fair value of portfolio hedged items		840	554	+ 286	+ 51.6
Tax liabilities		1,907	1,938	(31)	(1.6)
of which: deferred tax liabilities		1,327	1,394	(67)	(4.8)
Liabilities of disposal groups held for sale	25	2,028	4	+ 2,024	>+ 100.0
Other liabilities		4,376	4,562	(186)	(4.1)
Provisions	26	1,727	1,491	+ 236	+ 15.8
Shareholders' equity		23,024	23,024	—	—
Shareholders' equity attributable to shareholders of HVB AG		22,219	22,217	+ 2	+ 0.0
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Own shares		—	—	—	—
Other reserves		9,969	9,996	(27)	(0.3)
Change in valuation of financial instruments	27	(93)	23	(116)	
AfS reserve		(358)	(306)	(52)	(17.0)
Hedge reserve		265	329	(64)	(19.5)
Consolidated profit 2008		—	—	—	—
Net profit 1/1/–30/6/2009		145	—	+ 145	
Minority interest		805	807	(2)	(0.2)
Total shareholders' equity and liabilities		413,623	458,602	(44,979)	(9.8)

Statement of Changes in Shareholders' Equity

at June 30, 2009

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OWN SHARES	OTHER RESERVES	
				OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)	
Shareholders' equity at January 1, 2008	2,407	9,791	(2)	6,913	(189)
Change from capital increase against contributions in kind	—	—	—	—	—
Dividend payouts	—	—	—	—	—
Changes in group of consolidated companies	—	—	—	(2)	—
Income and expenses recognised in equity	—	—	—	149	148
Shareholders' equity at June 30, 2008	2,407	9,791	(2)	7,060	(41)
including:					
shareholders' equity of disposal groups held for sale	—	—	—	—	—
Shareholders' equity at January 1, 2009	2,407	9,791	—	9,996	(139)
Change from capital increase against contributions in kind	—	—	—	—	—
Dividend payouts ¹	—	—	—	—	—
Changes in group of consolidated companies	—	—	—	(14)	—
Income and expenses recognised in equity	—	—	—	(13)	—
Shareholders' equity at June 30, 2009	2,407	9,791	—	9,969	(139)
including:					
shareholders' equity of disposal groups held for sale	—	—	—	15	(1)

¹ HVB AG did not record a profit available for distribution in 2008, so no dividend is being paid for that financial year.

€ millions

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS		CONSOLIDATED PROFIT	PROFIT 1/1/-30/6/	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF HVB AG	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
AFS RESERVE	HEDGE RESERVE					
619	(612)	4,074	—	23,190	808	23,998
—	—	—	—	—	—	—
—	—	—	—	—	(34)	(34)
—	—	—	—	(2)	2	—
(321)	(219)	—	194	(197)	9	(188)
298	(831)	4,074	194	22,991	785	23,776
—	—	—	—	—	—	—
(306)	329	—	—	22,217	807	23,024
—	—	—	—	—	—	—
—	—	—	—	—	(24)	(24)
—	—	—	—	(14)	—	(14)
(52)	(64)	—	145	16	22	38
(358)	265	—	145	22,219	805	23,024
—	—	—	—	15	29	44

Statement of Comprehensive Income

(abridged version)

	€ millions	
	1/1–30/6/2009	1/1–30/6/2008
PROFIT AFTER TAX	181	246
Profit/(loss) not recognised in the consolidated income statement		
Changes from foreign currency translation and other changes	(24)	(40)
Changes from foreign companies accounted for using the equity method	—	—
Actuarial profit on defined benefit plans (pension commitments)	—	148
Discontinued operations and assets held for sale	—	—
Change in valuation of financial instruments (AFS reserve)	(55)	(323)
Change in valuation of financial instruments (hedge reserve)	(64)	(219)
Profit/(loss) not recognised in the consolidated income statement	(143)	(434)
Total recognised in equity	38	(188)
of which:		
attributable to shareholders of HVB AG	16	(197)
attributable to minority interest	22	9

Cash Flow Statement

(abridged version)

	€ millions	
	2009	2008
Cash and cash equivalents at January 1 ¹	5,556	6,632
Cash flows from operating activities	2,747	(3,993)
Cash flows from investing activities	(200)	(765)
Cash flows from financing activities	(1,446)	(152)
Effects of exchange rate changes	—	—
Less non-current assets or disposal groups held for sale and discontinued operations	—	—
Cash and cash equivalents at June 30	6,657	1,722

¹ The cash and cash equivalents are identical to the cash and cash balance shown in the balance sheet. We have modified the disclosure of balances with central banks in the balance sheet in compliance with IAS 1.68 (l) in conjunction with IAS 8.41 (see comments in Note 1, "Accounting and valuation principles").

Selected Notes

1 Accounting and valuation principles

IFRS basis

The present Half-yearly Financial Report has been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS) and complies with IAS 34, which covers interim reporting. Thus, the present Half-yearly Financial Report meets the requirements of the German Securities Trading Act (WpHG) for the half-yearly financial reporting of capital-market-oriented companies.

We have applied the same accounting, valuation and disclosure principles in 2009 as in the consolidated financial statements for 2008 (please refer to the HVB Group Annual Report, starting on page 91). We have modified the disclosure of balances with central banks in the balance sheet compliant with IAS 1.68 (l) in conjunction with IAS 8.41. Thus, the balances with central banks are shown under "Cash and cash balances" for the first time at June 30, 2009 in line with the industry's usual disclosure practice, and no longer under "Loans and receivables with banks" as before. Compliant with IAS 8.43, the change has been made retrospectively. The comparison figures for the previous year have been adjusted accordingly. In addition, we have applied the revised "IAS 1 – Presentation of Financial Statements" for the first time as of January 1, 2009. The revised standard requires a separate statement of other comprehensive income to be included in the consolidated financial statements in addition to the traditional income statement.

We have applied fair value hedge accounting for credit risks (micro fair value hedge) for the first time in the first half of 2009. Compliant with IAS 39.86 (a), we use hedging instruments to hedge credit-induced risks that change the fair value of a hedged item. At June 30, 2009, we have hedged the credit risks of selected hedged items such as loans and receivables with customers, and irrevocable credit commitments (fixed obligations not recognised in the balance sheet). Since the latter are not to be disclosed in the balance sheet, the associated credit-related changes in fair value are carried under "Other assets" in the balance sheet. The related hedging instruments are carried under "Hedging derivatives". The effects arising from the credit-induced changes in hedged item and hedge to be taken to the income statement are included in net trading income and are shown under "Effects arising from hedge accounting" in the note regarding net trading income.

We did not avail ourselves of the possibility of reviewing the present local Half-yearly Financial Report of HVB Group compliant with Section 37w (5) of the German Securities Trading Act (WpHG).

Segment reporting

In segment reporting, the market-related activities of HVB Group are divided into the following globally operating divisions: Markets & Investment Banking, Corporates & Commercial Real Estate Financing, Retail, and Wealth Management.

Also shown is the Other/consolidation segment that covers Global Banking Services and Group Corporate Centre activities, and the effects of consolidation. The Special Credit Portfolio (SCP) defined in 2006 has been included in Global Banking Services.

Largely the same principles used at year-end 2008 are being applied in 2009. As of January 1, 2009, we started using risk-weighted assets compliant with Basel II as the criterion applied to allocate tied equity capital. The interest rate used to assess the equity capital allocated to the companies assigned to several divisions (HVB AG, HVB Banque Luxembourg) was 3.97% in financial year 2008. This rate was redefined for financial year 2009 and, since January 1, 2009, amounts to 4.30%.

The figures for the previous year have been adjusted accordingly to account for the modified allocation of tied equity capital.

In addition, there were various changes in the segment assignments in the second quarter of 2009 as part of further efforts to give the divisions a clear strategic orientation. The main changes are listed below:

- The DAB Group, which acts as the HVB Group's direct bank, is now assigned to the Retail division. The DAB Group used to be included in the Wealth Management division.
- As part of the measures regarding the strategic reorientation of the Markets & Investment Banking division, and in connection with the preparations for the imminent combination of the Markets & Investment Banking and Corporates & Commercial Real Estate Financing divisions, the multinationals and the Active Credit Portfolio Management unit have been transferred from the Markets & Investment Banking division to the Corporates & Commercial Real Estate Financing division.

- Besides this, a number of smaller reorganisations have taken place, leading to changed assignments, notably in operating costs.

The figures for the previous year and the first quarter of 2009 have been adjusted accordingly to account for the modified segment assignments described above.

2 Changes in the group of companies included in consolidation

The following companies, among others, have been consolidated in the financial statements of HVB Group for the first time in the first half of 2009:

- NXP Co-Investment Partners VIII, L. P., London
- UniCredit London Investments Limited, London
- Merkurhof Grundstücksgesellschaft mbH, Hamburg
- HVB Finance London Limited, London
- UniCredit Capital Markets, Inc., New York
- Blue Capital Europa Immobilien GmbH & Co. Achte Objekt Großbritannien KG, Hamburg
- Redstone Mortgages plc., London
- UniCredit Global Information Services S.p.A., Mailand (UGIS) (consolidated in accordance with the equity method).

The following companies left the group of companies included in consolidation by HVB Group in the first half year of 2009:

- HVB Information Services GmbH & Co. KG, Munich
- BodeHewitt AG & Co. KG, Grünwald.

Selected Notes (CONTINUED)

Notes to the Income Statement

3 Segment reporting

Income statement broken down by division for the period from January 1 to June 30, 2009

	€ millions					
	MARKETS & INVESTMENT BANKING	CORPORATES & COMMERCIAL REAL ESTATE FINANCING	RETAIL	WEALTH MANAGEMENT	OTHER/ CONSOLIDATION	HVB GROUP
TOTAL REVENUES						
1/1–30/6/2009	1,275	904	764	130	345	3,418
1/1–30/6/2008	278	818	948	163	221	2,428
Operating costs						
1/1–30/6/2009	(500)	(302)	(666)	(86)	(172)	(1,726)
1/1–30/6/2008	(542)	(299)	(722)	(90)	(106)	(1,759)
OPERATING PROFIT/(LOSS)						
1/1–30/6/2009	775	602	98	44	173	1,692
1/1–30/6/2008	(264)	519	226	73	115	669
Restructuring costs						
1/1–30/6/2009	(187)	(25)	(55)	—	—	(267)
1/1–30/6/2008	(1)	—	—	—	1	—
Net write-downs of loans and provisions for guarantees and commitments						
1/1–30/6/2009	(387)	(508)	(42)	1	(33)	(969)
1/1–30/6/2008	33	(154)	(81)	3	(57)	(256)
Net income from investments and other items¹						
1/1–30/6/2009	(1)	(11)	(9)	(6)	(57)	(84)
1/1–30/6/2008	(34)	14	13	1	(41)	(47)
PROFIT/(LOSS) BEFORE TAX						
1/1–30/6/2009	200	58	(8)	39	83	372
1/1–30/6/2008	(266)	379	158	77	18	366

¹ contains the following income statement items: provisions for risks and charges, write-down on goodwill, and net income from investments

Income statement of the Markets & Investment Banking division

							€ millions
INCOME/EXPENSES	1/1–30/6/2009	1/1–30/6/2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net interest income	1,037	577	459	578	401	414	281
Net fees and commissions	42	66	23	19	70	46	35
Net trading income	198	(358)	492	(294)	(1,100)	(443)	311
Net other expenses/income	(2)	(7)	1	(3)	7	5	(5)
Net non-interest income	238	(299)	516	(278)	(1,023)	(392)	341
TOTAL REVENUES	1,275	278	975	300	(622)	22	622
Payroll costs	(180)	(216)	(88)	(92)	(79)	(74)	(101)
Other administrative expenses and amortisation, depreciation and impairment							
losses on intangible and tangible assets	(320)	(326)	(159)	(161)	(180)	(175)	(162)
Operating costs	(500)	(542)	(247)	(253)	(259)	(249)	(263)
OPERATING PROFIT/(LOSS)	775	(264)	728	47	(881)	(227)	359
Restructuring costs	(187)	(1)	(138)	(49)	(6)	—	(1)
Net write-downs of loans and provisions for guarantees and commitments	(387)	33	(292)	(95)	(243)	(217)	39
Net income from investments and other items ¹	(1)	(34)	11	(12)	(44)	(111)	(32)
PROFIT/(LOSS) BEFORE TAX	200	(266)	309	(109)	(1,174)	(555)	365
Cost-income ratio in %	39.2	195.0	25.3	84.3	n.a.	1,131.8	42.3

¹ contains the following income statement items: provisions for risks and charges, write-down on goodwill, and net income from investments

Development of the Markets & Investment Banking division

The Markets & Investment Banking division succeeded in sharply expanding its total revenues in the first half of 2009, with an increase of €997 million, to €1,275 million. With operating costs falling at the same time, a satisfyingly good operating profit of €775 million was generated after a loss of €264 million had been recorded for the equivalent period last year.

Net interest income improved by almost 80% compared with the previous year, increasing by €460 million to €1,037 million. This strong rise results primarily from much higher trading-related interest together with positive effects from the amortisation of reclassified assets. At the same time, the dividends included in net interest income declined by €36 million on account of lower dividend payouts by private equity funds. Fee and commission income decreased by €24 million, or around one third, on account of reluctance on the part of market players.

Net trading income improved by €556 million in the first half of 2009 compared with the previous year, with the total of €198 million again representing a strong gain (previous year: loss of €358 million). All units of the Markets Area have contributed to these positive developments in the wake of the recovery in the capital market as a whole. Strong growth was reported in credit-related products in particular. In addition, the sale of Lehman receivables has risen to gain on disposal recognised as a non-recurring effect in the second quarter.

The decline of almost 8% in operating costs to €500 million can for the most part be attributed to falling payroll costs. The slimming of the workforce had an impact in this regard. At 39.2%, the cost-income ratio is at a very good level.

The division recorded restructuring costs of €187 million in the first half of 2009. This expense relates to concrete restructuring measures resulting from the implementation of the strategic reorientation of the Markets & Investment Banking division.

Selected Notes (CONTINUED)

The rapidly deteriorating economic environment made it necessary to transfer €387 million to net write-downs of loans and provisions for guarantees and commitments for the first half of 2009. Despite the negative effects of the restructuring provisions and net write-downs of loans and provisions for guarantees and commitments, a profit before

tax of €200 million was recorded on the back of the string increase in total revenues; this represents a year-on-year rise of €466 million. Adjusted for the non-recurring effects of restructuring costs, the profit before tax amounts to €387 million, up €652 million on the previous-year total.

Income statement of the Corporates & Commercial Real Estate Financing division

							€ millions	
INCOME/EXPENSES	1/1–30/6/2009	1/1–30/6/2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	
Net interest income	687	600	340	347	341	326	305	
Net fees and commissions	215	212	109	106	97	96	101	
Net trading income	(2)	—	—	(2)	(1)	(1)	1	
Net other expenses/income	4	6	1	3	2	7	—	
Net non-interest income	217	218	110	107	98	102	102	
TOTAL REVENUES	904	818	450	454	439	428	407	
Payroll costs	(123)	(121)	(60)	(63)	(66)	(66)	(63)	
Other administrative expenses and amortisation, depreciation and impairment								
losses on intangible and tangible assets	(179)	(178)	(92)	(87)	(100)	(86)	(92)	
Operating costs	(302)	(299)	(152)	(150)	(166)	(152)	(155)	
OPERATING PROFIT	602	519	298	304	273	276	252	
Restructuring costs	(25)	—	(25)	—	—	(1)	—	
Net write-downs of loans and provisions for guarantees and commitments	(508)	(154)	(389)	(119)	(183)	(113)	(82)	
Net income from investments and other items ¹	(11)	14	(9)	(2)	(18)	23	9	
PROFIT/(LOSS) BEFORE TAX	58	379	(125)	183	72	185	179	
Cost-income ratio in %	33.4	36.6	33.8	33.0	37.8	35.5	38.1	

¹ contains the following income statement items: provisions for risks and charges, write-down on goodwill, and net income from investments

Development of the Corporates & Commercial Real Estate Financing division

Despite the difficult economic conditions at present, the Corporates & Commercial Real Estate Financing division generated an outstanding operating profit of €602 million in the first half of 2009, up 16.0% on the high year-ago total. The profit before tax was, however, heavily affected by the severely deteriorated credit environment. Thus, net write-downs of loans and provisions for guarantees and commitments rose significantly to €508 million after €154 million in the equivalent period last year. In addition, restructuring costs of €25 million accrued. This helped to reduce the profit before tax to €58 million after €379 million in the previous year. Adjusted for the non-recurring effects of restructuring costs, the profit before tax totals €83 million.

The 10.5% increase in total revenues compared with the previous year can be attributed to the development of net interest income (up 14.5%). This rise in earnings results from a larger volume of loans extended and deposits made together with better interest margins in lending and deposit-taking operations. There was a slight increase of 1.4% in net fees and commissions year-on-year. With operating costs remaining stable, the cost-income ratio improved by 3.2 percentage points to a consistently excellent level of 33.4%.

Income statement of the Retail Division

							€ millions
INCOME/EXPENSES	1/1–30/6/2009	1/1–30/6/2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net interest income	501	548	244	257	269	276	275
Net fees and commissions	264	394	133	131	135	146	188
Net trading income	1	1	1	—	1	(28)	(1)
Net other expenses/income	(2)	5	(6)	4	(7)	1	3
Net non-interest income	263	400	128	135	129	119	190
TOTAL REVENUES	764	948	372	392	398	395	465
Payroll costs	(277)	(303)	(132)	(145)	(150)	(143)	(152)
Other administrative expenses and amortisation, depreciation and impairment							
losses on intangible and tangible assets	(389)	(419)	(188)	(201)	(222)	(205)	(212)
Operating costs	(666)	(722)	(320)	(346)	(372)	(348)	(364)
OPERATING PROFIT	98	226	52	46	26	47	101
Restructuring costs	(55)	—	(55)	—	2	(2)	—
Net write-downs of loans and provisions for guarantees and commitments	(42)	(81)	(6)	(36)	15	(6)	(31)
Net income from investments and other items ¹	(9)	13	(15)	6	(17)	(15)	(5)
PROFIT/(LOSS) BEFORE TAX	(8)	158	(24)	16	26	24	65
Cost-income ratio in %	87.2	76.2	86.0	88.3	93.5	88.1	78.3

¹ contains the following income statement items: provisions for risks and charges, write-down on goodwill, and net income from investments

Development of the Retail division

The operating profit of the Retail division was again affected in the first half of 2009 by the worsening economic environment stemming from the financial crisis and the resulting cautiousness on the part of consumers. At €98 million, the total was well below the good figure for the previous year (€226 million), which was generated in a far friendlier market environment, however. Particularly pleasing was the contribution to operating profit achieved in the second quarter of 2009, which, at €52 million, exceeded the quarterly operating profits for the preceding three quarters.

Total revenues fell by around 19% compared with the first six months of 2008. This includes a decrease of around 9% in net interest income to €501 million, attributable to falls in both lending and deposit-taking operations. On the lending side, the lower net interest income results from the ongoing strategic reduction in the volume of real estate loans together with the lack of new business involving Sofortkredit (instant loans). These loans have been passed on to the German branch of UniCredit Family Financing Bank S.p.A. since mid-2008 rather than being extended directly by HVB Group, generating fee and commission

income rather than interest income. In deposit-taking activities, the margin-related decline in net interest income on sight deposits could only be offset in part by the positive development of volumes and margins of savings deposits. At €264 million, net fees and commissions in the first half of 2009 were again affected by weakening customer activities, especially in terms of securities activities. For this reason, the good figure for the equivalent period of last year (€394 million) could not be matched. Nevertheless, the trend of the last three quarters seems to indicate a stabilisation. A contributory factor in this regard is that we have followed the trend of our customers to prefer security-focused investments by successfully distributing innovative, new investment products to reflect their greater quality and security needs.

The cost-income ratio totalled 87.2% at half-year 2009 after 76.2% in the first half of 2008. The decline in total revenues was partially offset by the savings in operating costs generated by consistent cost management. Within operating costs, there was a decline in both payroll costs – on account of the fall in headcount – and other administrative expenses.

Selected Notes (CONTINUED)

A total of €42 million (previous year: €81 million) was recognised for net write-downs of loans and provisions for guarantees and commitments for the first half of 2009. The loss before tax at half-year 2009 totalled €8 million (previous year: profit of €158 million), as it was depressed by non-recurring restructuring costs of €55 million.

In addition, there was a net loss on investments in 2009 containing valuation expenses in connection with the sale of Vereinsbank Victoria Bausparkasse in July 2009, whereas the net income from investments in the previous year benefited from a gain on disposal. Without the non-recurring effect of restructuring costs, however, the profit before tax totalled €47 million.

Income statement of the Wealth Management division

		€ millions					
INCOME/EXPENSES	1/1–30/6/2009	1/1–30/6/2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Net interest income	47	61	22	25	30	25	37
Net fees and commissions	80	105	40	40	43	41	48
Net trading income	—	—	—	—	(2)	—	—
Net other expenses/income	3	(3)	2	1	2	—	(4)
Net non-interest income	83	102	42	41	43	41	44
TOTAL REVENUES	130	163	64	66	73	66	81
Payroll costs	(36)	(36)	(17)	(19)	(18)	(20)	(18)
Other administrative expenses and amortisation, depreciation and impairment							
losses on intangible and tangible assets	(50)	(54)	(23)	(27)	(26)	(27)	(28)
Operating costs	(86)	(90)	(40)	(46)	(44)	(47)	(46)
OPERATING PROFIT	44	73	24	20	29	19	35
Restructuring costs	—	—	—	—	—	—	—
Net write-downs of loans and provisions for guarantees and commitments	1	3	3	(2)	3	(1)	6
Net income from investments and other items ¹	(6)	1	(6)	—	(7)	1	—
PROFIT BEFORE TAX	39	77	21	18	25	19	41
Cost-income ratio in %	66.2	55.2	62.5	69.7	60.3	71.2	56.8

¹ contains the following income statement items: provisions for risks and charges, write-down on goodwill, and net income from investments

Development of the Wealth Management division

Against the backdrop of the ongoing financial crisis, the Wealth Management division generated a profit before tax of €39 million in the first half of 2009 despite the difficult market decisions. The fall of almost half compared with the equivalent period last year results primarily from the €33 million decline in total revenues to €130 million. Within this amount, net interest income decreased by a total of

€14 million compared with the equivalent period last year. Almost one third of this development results from interest operations, primarily on account of lower volumes of deposits. The vast majority of this decline comes from the non-recurrence of dividends received in the area of Wealth Management Capital Holding (WMC) in the previous year. Net fees and commissions fell by €25 million, or 23.8%. This development was particularly affected during the period under review by the strong

reticence on the part of our customers in securities activities coupled with lower portfolio-dependent securities revenues. In addition, it should be borne in mind when comparing the figures with the previous year that the performance of the Wealth Management division in the first half of 2008 was less heavily affected by the financial crisis than the first half of 2009. It has proved possible to stabilise the level of earnings from fee-earning activities since the third quarter of 2008.

Thanks to consistent cost management, operating results could be reduced again in the second quarter of 2009 compared with the previous quarter, meaning that operating costs fell by 4.4% compared with the equivalent period last year. The cost-income ratio rose by 11.0 percentage points over the same period last year, to 66.2%, on account of the falling revenues; in 2008 as a whole, it was around 60%.

Income statement of the Other/consolidation segment

							€ millions	
INCOME/EXPENSES	1/1–30/6/2009	1/1–30/6/2008	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	
TOTAL REVENUES	345	221	251	94	218	103	126	
Operating costs	(172)	(106)	(113)	(59)	(41)	(58)	(60)	
OPERATING PROFIT	173	115	138	35	177	45	66	
Restructuring costs	—	1	—	—	(20)	1	1	
Net write-downs of loans and provisions for guarantees and commitments	(33)	(57)	(2)	(31)	265	(24)	(1)	
Net income from investments and other items ¹	(57)	(41)	(39)	(18)	(36)	9	(32)	
PROFIT/(LOSS) BEFORE TAX	83	18	97	(14)	386	31	34	

¹ contains the following income statement items: provisions for risks and charges, write-down on goodwill, and net income from investments

Development of the Other/consolidation segment

The total revenues of the Other/consolidation segment rose by €124 million to €345 million after six months of 2009 compared with the first half of 2008. This increase results from income relating to the redemption of hybrid capital as well as higher income from interest rate hedges. In addition, falling dividend payments from our shareholdings have been largely off-set by higher other income. Operating costs increased by €66 million, to €172 million, primarily on account of higher payments into the deposit insurance schemes of German

banks and the pension guarantee association. Net write-downs of loss and provisions for guarantees and commitments, which relate exclusively to the Special Credit Portfolio, declined by a sharp 42% to €33 million compared with the first half of 2008. Net income from investments and other items contains higher expenses from transfers to provisions as well as a net loss on investments. At €83 million, the profit before tax was much higher than the previous year's results (€18 million), notably on account of the developments described above.

Selected Notes (CONTINUED)

4 Net interest income

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Interest income from		
lending and money market transactions	4,278	5,582
other interest income	1,795	2,947
Interest expense from		
deposits	(1,493)	(3,604)
debt securities in issue and		
other interest expenses	(2,227)	(3,131)
Net interest	2,353	1,794
Dividends and other income		
from equity investments		
Dividends and other similar income	30	123
Dividends from companies using		
the equity method	—	2
Total	2,383	1,919

5 Net fees and commissions

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Management, brokerage and consultancy services	299	449
Collection and payment services	98	95
Lending operations	182	205
Other service operations	21	32
Total	600	781

This item comprises the balance of fee and commission income of €1,141 million (2008: €1,421 million) and fee and commission expenses of €541 million (2008: €640 million).

6 Net trading income

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Net gains/(losses) on financial		
assets held for trading ¹	500	(302)
Effects arising from hedge accounting	21	2
Changes in fair value of hedged items	(572)	463
Changes in fair value of hedging derivatives	593	(461)
Net gains/(losses) on financial assets at		
fair value through profit or loss (fair value option)	(167)	(25)
Other net trading income	(10)	(4)
Total	344	(329)

¹ including dividends on financial assets held for trading

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

The net gains on holdings at fair value through profit or loss (held-for-trading portfolio and fair value option) generally only contain the changes in fair value disclosed in the income statement. The interest income from held-for-trading portfolios is normally disclosed under net interest 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.

7 Net other expenses/income

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Other income	139	118
Other expenses	(48)	(61)
Total	91	57

8 Restructuring costs

Restructuring costs of €267 million relate to the elimination of a total of 2,500 positions compared with year-end 2007 as publicly announced by the Management Board of HVB AG at the beginning of February 2009. Of the total amount, €187 million is attributable to

concrete restructuring measures resulting from the implementation of the strategic reorientation of the Markets & Investment Banking division already announced last year. The remaining restructuring costs are disclosed in the Retail division (€55 million) and Corporates & Commercial Real Estate Financing division (€25 million).

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

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Additions	(1,394)	(855)
Allowances for losses on loans and receivables	(1,317)	(811)
Allowances for losses on guarantees and commitments	(77)	(44)
Releases	397	558
Allowances for losses on loans and receivables	386	551
Allowances for losses on guarantees and commitments	11	7
Recoveries from write-offs of loans and receivables	28	41
Total	(969)	(256)

The effect of €54 million arising from the unwinding to be carried out compliant with IFRS is disclosed under net write-downs of loans and provisions for guarantees and commitments as part of the uniform Group accounting policies.

10 Net income from investments

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Available-for-sale financial assets	(25)	(33)
Shares in affiliated companies	34	19
Companies accounted for using the equity method	(6)	—
Held-to-maturity investments	—	—
Land and buildings	7	4
Investment properties ¹	(30)	(16)
Total	(20)	(26)

¹ impairments and write-ups with fair value fluctuations for investment properties measured at market value

Net income from investments breaks down as follows:

€ millions		
	1/1–30/6/ 2009	1/1–30/6/ 2008
Gains on the disposal of	71	9
available-for-sale financial assets	11	(18)
shares in affiliated companies	53	23
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
land and buildings	7	4
Write-downs and value adjustments on	(91)	(35)
available-for-sale financial assets	(36)	(15)
shares in affiliated companies	(19)	(4)
companies accounted for using the equity method	(6)	—
held-to-maturity investments	—	—
investment properties ¹	(30)	(16)
Total	(20)	(26)

¹ impairments and write-ups with fair value fluctuations for investment properties measured at market value

11 Earnings per share

	1/1–30/6/ 2009	1/1–30/6/ 2008
HVB GROUP		
Net profit (adjusted ¹ , € millions)	348	194
Net profit (€ millions)	145	194
Average number of shares	802,383,672	802,383,672
Earnings per share of HVB Group (adjusted ¹ , €)	0.43	0.24
Earnings per share of HVB Group (€)	0.18	0.24

¹ 2009 adjusted for restructuring costs

Selected Notes (CONTINUED)

Notes to the Balance Sheet

12 Financial assets held for trading

	€ millions	
	30/6/2009	31/12/2008
Balance-sheet assets		
Fixed-income securities	30,175	47,433
Equity instruments	5,903	4,521
Other financial assets held for trading	16,531	27,576
Positive fair value from derivative financial instruments	102,719	119,489
Total	155,328	199,019

The financial assets held for trading at June 30, 2009 include €905 million (December 31, 2008: €1,630 million) in subordinated assets.

13 Financial assets at fair value through profit or loss

	€ millions	
	30/6/2009	31/12/2008
Fixed-income securities	11,092	10,522
Equity instruments	1	—
Investment certificates	1	1
Promissory notes	2,520	2,812
Other financial assets at fair value through profit or loss	—	—
Total	13,614	13,335

The financial assets at fair value through profit or loss at June 30, 2009 include €281 million (December 31, 2008: €287 million) in subordinated assets.

14 Available-for-sale financial assets

	€ millions	
	30/6/2009	31/12/2008
Fixed-income securities	2,655	2,828
Equity instruments	1,779	2,180
Other available-for-sale financial assets	357	344
Impaired assets	596	284
Total	5,387	5,636

Available-for-sale financial assets at June 30, 2009 include financial assets of €1,078 million (December 31, 2008: €1,471 million) valued at cost.

The available-for-sale financial assets at June 30, 2009 contain a total of €596 million in impaired assets, for which €119 million in impairments was taken to the income statement in the period under review. There are no financial instruments past due among the non-impaired debt instruments.

The available-for-sale financial assets at June 30, 2009 include €412 million (December 31, 2008: €259 million) in subordinated assets.

15 Investments in associates, joint ventures and non-consolidated subsidiaries

	€ millions	
	30/6/2009	31/12/2008
Non-consolidated subsidiaries	134	212
Joint ventures	—	—
Associated companies accounted for using the equity method	107	32
of which: goodwill	—	—
Other associated companies	6	6
Total	247	250

16 Held-to-maturity investments

	€ millions	
	30/6/2009	31/12/2008
Fixed-income securities	5,795	6,008
Other held-to-maturity investments	11	12
Impaired assets	—	—
Total	5,806	6,020

The held-to-maturity financial instruments at June 30, 2009 include no impaired assets for which any impairment losses have been recognised in the income statement in the year under review. None of the non-impaired debt instruments are financial instruments past due.

The held-to-maturity investments at June 30, 2009 include €11 million (December 31, 2008: €12 million) in subordinated assets.

17 Loans and receivables with banks

	€ millions	
	30/6/2009 ²	31/12/2008 ²
Current accounts	15,784	15,467
Repos ¹	14,832	6,331
Reclassified securities	10,643	4,258
Other loans and receivables	8,527	15,397
Total	49,786	41,453

¹ repurchase agreements

² We have modified the disclosure of balances with central banks in the balance sheet in compliance with IAS 1.68 (f) in conjunction with IAS 8.41 (see comments in Note 1, "Accounting and valuation principles").

The loans and receivables with banks at June 30, 2009 include €946 million (December 31, 2008: €845 million) in subordinated assets.

18 Loans and receivables with customers

	€ millions	
	30/6/2009	31/12/2008
Current accounts	7,266	7,082
Repos ¹	2,576	8,643
Mortgage loans	59,922	62,723
Finance leases	2,360	1,842
Reclassified securities	10,723	9,451
Other loans and receivables	79,130	85,777
Total	161,977	175,518

¹ repurchase agreements

The loans and receivables with customers at June 30, 2009 include €1,366 million (December 31, 2008: €1,055 million) in subordinated assets.

19 Application of reclassification rules according to IAS 39.50 and following

In the first half of 2009, we prospectively reclassified further assets held for trading, for which an active market no longer exists, with a carrying amount or fair value of €9.3 billion (nominal amount: €9.4 billion) at the time of reclassification as loans and receivables compliant with IAS 39.50 and following. For the most part, this relates to pfandbriefs, government bonds and bank bonds. The intention to trade no longer exists with regard to the reclassified assets. Given the high quality of the assets concerned, HVB intends to retain the assets for a longer period. We have not reclassified any assets from the available-for-sale portfolio.

Selected Notes (CONTINUED)

The following table summarises the effects of the reclassified assets:

	€ billions		
	CARRYING AMOUNT OF ALL RECLASSIFIED ASSETS ¹	FAIR VALUE OF ALL RECLASSIFIED ASSETS	NOMINAL AMOUNT OF ALL RECLASSIFIED ASSETS
RECLASSIFIED FINANCIAL ASSETS	30/6/2009	30/6/2009	30/6/2009
Asset-backed securities and other debt securities	21.3	19.5	22.2

¹ before portfolio allowance and accrued interest

The fair value of the financial instruments reclassified as loans and receivables amounts to a total of €19.5 billion at June 30, 2009. If these reclassifications had not been carried, a positive result of €114 million would have arisen from mark-to-market valuation in the first half of 2009. Minus €60 million of this total relates to the assets that were reclassified in the first half of 2009. In 2008 as a whole, a loss of €1.8 billion would have arisen from the assets already reclassified in the previous year. These effects reflect a theoretical, pro forma calculation, as the assets are measured at amortised cost on account of the reclassification.

We have taken write-downs of €55 million on the reclassified assets in the first half of 2009 (cumulative effect in 2008: minus €63 million). Specific allowances account for €45 million of this total and portfolio allowances for €10 million. The fair value at the date when the reclassification takes effect represents the new acquisition costs, some of which are considerably less than the nominal value. Accordingly, this difference (discount) is to be amortised over the remaining term of the reclassified financial assets. This gives rise to an effect of €116 million (cumulative effect in 2008: €127 million) in the first half of 2009, which is recognised in net interest income. A gain of €9 million on reclassified securities that had matured and been sold was recognised in the income statement in the first half of 2009.

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

Analysis

	€ millions		
	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES ¹	TOTAL
Balance at January 1, 2008	4,573	520	5,093
Changes affecting income			
Gross additions	775	36	811
Releases	(535)	(16)	(551)
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	(314)	(1)	(315)
Effects of currency translation and other changes not affecting income	(53)	(3)	(56)
Non-current assets or disposal groups held for sale	—	—	—
Balance at June 30, 2008	4,446	536	4,982
	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES ¹	TOTAL
Balance at January 1, 2009	4,305	536	4,841
Changes affecting income			
Gross additions	1,246	71	1,317
Releases	(384)	(2)	(386)
Changes not affecting income			
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	(9)	(2)	(11)
Use of existing loan-loss allowances	(298)	—	(298)
Effects of currency translation and other changes not affecting income	32	(2)	30
Non-current assets or disposal groups held for sale	9	2	11
Balance at June 30, 2009	4,901	603	5,504

¹ including provisions for country risk

Selected Notes (CONTINUED)

21 Non-current assets or disposal groups held for sale

Compliant with IFRS 5, non-current assets held for sale and the assets of a disposal group held for sale are shown separately in the balance sheet.

At June 30, 2009, this item primarily contains the assets of Vereinsbank Victoria Bauspar AG (VVB), of which HVB AG already sold an interest of 70% to Wüstenrot Bausparkasse AG with effect from July 8, 2009.

In addition, this item includes assets of the customer base of the FSB FondsServiceBank unit of our direct banking subsidiary DAB Bank AG, which are intended for sale.

ASSETS	€ millions	
	30/6/2009	31/12/2008
Cash and cash balances	—	—
Financial assets held for trading	—	—
Financial assets at fair value through profit or loss	—	—
Available-for-sale financial assets	92	—
Investments in associates, joint ventures and non-consolidated subsidiaries	—	2
Held-to-maturity investments	—	—
Loans and receivables with banks	928	—
Loans and receivables with customers	924	—
Hedging derivatives	—	—
Property, plant and equipment	2	—
Investment properties	—	2
Intangible assets	4	—
Tax assets	—	—
Other assets	33	—
Total assets	1,983	4

22 Deposits from banks

	€ millions	
	30/6/2009	31/12/2008
Deposits from central banks	7,824	29,549
Deposits from banks	62,561	54,318
Current accounts	11,982	12,001
Reverse repos ¹	22,138	12,378
Other deposits	28,441	29,939
Total	70,385	83,867

¹ repurchase agreements

23 Deposits from customers

	€ millions	
	30/6/2009	31/12/2008
Current accounts	39,114	36,237
Savings deposits	13,810	13,648
Reverse repos ¹	7,659	12,245
Other deposits	46,239	52,832
Total	106,822	114,962

¹ repurchase agreements

24 Debt securities in issue

	€ millions	
	30/6/2009	31/12/2008
Listed securities	38,543	42,451
Bonds	38,291	40,679
Other securities	252	1,772
Unlisted securities	22,696	21,188
Bonds	21,947	20,891
Other securities	749	297
Total	61,239	63,639

25 Liabilities of disposal groups held for sale

The following table shows the breakdown of the liabilities of disposal groups held for sale:

	€ millions	
	30/6/2009	31/12/2008
Deposits from banks	1	—
Deposits from customers	1,873	—
Financial liabilities held for trading	—	—
Provisions	83	—
Tax liabilities	—	—
Other liabilities	71	4
Total liabilities	2,028	4

Please refer to the comments in Note 21, “Non-current assets or disposal groups held for sale” for information on changes compared with the previous year.

26 Provisions

	€ millions	
	30/6/2009	31/12/2008
Provisions for pensions and similar commitments	48	104
Provisions for financial guarantees	251	223
Restructuring provisions	334	92
Other provisions	1,094	1,072
Total	1,727	1,491

27 Change in valuation of financial instruments

The reserves arising from changes in the valuation of financial instruments declined by €116 million at June 30, 2009 compared with the previous year-end total. In the process, the cash flow hedge reserve declined by €64 million to €265 million and the AfS reserve by €52 million to minus €358 million. A total of minus €37 million of this fall in the AfS reserve is attributable to negative fair value fluctuations arising from asset-backed securities classified as available for sale, for which no impairment criteria existed compliant with IAS 39.59 and on which, consequently, no impairment losses needed to be taken. Our shareholdings were also affected by negative fair value fluctuations.

28 Subordinated capital

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

	€ millions	
	30/6/2009	31/12/2008
Subordinated liabilities	6,038	7,206
Participating certificates outstanding	205	205
Hybrid capital instruments	1,657	1,804
Total	7,900	9,215

Selected Notes (CONTINUED)

Other Information

29 Contingent liabilities and other commitments

	€ millions	
	30/6/2009	31/12/2008
Contingent liabilities¹	21,332	24,428
Guarantees and indemnities	21,332	24,428
Other commitments	60,956	67,068
Irrevocable credit commitments	42,392	48,645
Other commitments	18,564	18,423
Total	82,288	91,496

¹ contingent liabilities are offset by contingent assets to the same amount

30 Notes to selected structured products

Additional information regarding selected structured products is given below in order to provide greater transparency. The assets of consolidated conduits and related consolidated special purpose vehicles are shown alongside tranches retained by HVB Group from its own securitisation transactions 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) relate to mortgage loans in the private sector (residential mortgage loans)
- Commercial mortgage-backed securities (CMBS) relate to mortgage loans in the commercial sector (commercial mortgage loans)
- Collateralised loan obligations (CLO) relate to commercial bank loans
- Collateralised bond obligations (CBO) relate to securities portfolios.

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

Positions retained from own securitisation transactions and in third-party ABS transactions broken down by rating class (HVB Group without consolidated conduits and related consolidated special purpose vehicles, which are shown separately)

					€ millions
CARRYING AMOUNTS	30/6/2009				31/12/2008
	SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Positions retained from own securitisations	165	190	21	376	447
Positions in third-party ABS transactions	4,869	1,477	39	6,385	7,131
Residential mortgage-backed securities (RMBS)	2,285	541	4	2,830	2,928
thereof:					
US subprime	—	—	—	—	—
US Alt A	21	16	4	41	43
Commercial mortgage-backed securities (CMBS)	886	353	—	1,239	1,283
Collateralised debt obligations (CDO)	374	159	1	534	618
thereof:					
US subprime	1	7	—	8	9
US Alt A	—	4	—	4	5
Collateralised loan obligations (CLO)/					
Collateralised bond obligations (CBO)	330	169	11	510	1,023
Consumer loans	419	89	—	508	465
Credit cards	90	14	—	104	119
Leases	124	63	7	194	298
Others	361	89	16	466	397
Total	30/6/2009	5,034	1,667	60	6,761
	31/12/2008	5,601	1,886	91	7,578
Synthetic collateralised debt obligations (CDO) (derivatives)¹	30/6/2009	(12)	(330)	(121)	(463)
	31/12/2008	(44)	(348)	(192)	(584)

¹ the amounts shown 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 CCC 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.

Selected Notes (CONTINUED)

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by region (HVB Group without consolidated conduits and related consolidated special purpose vehicles, which are shown separately)

€ millions						
30/6/2009						
CARRYING AMOUNTS	EUROPE	USA	ASIA	OTHER REGIONS	TOTAL	
Positions retained from own securitisations	376	—	—	—	376	
Positions in third-party ABS transactions	5,214	568	308	295	6,385	
Residential mortgage-backed securities (RMBS)	2,475	42	104	209	2,830	
thereof:						
US subprime	—	—	—	—	—	
US Alt A	—	41	—	—	41	
Commercial mortgage-backed securities (CMBS)	1,025	93	108	13	1,239	
Collateralised debt obligations (CDO)	236	193	64	41	534	
thereof:						
US subprime	—	8	—	—	8	
US Alt A	—	4	—	—	4	
Collateralised loan obligations (CLO)/						
Collateralised bond obligations (CBO)	417	93	—	—	510	
Consumer loans	374	97	5	32	508	
Credit cards	80	—	24	—	104	
Leases	145	49	—	—	194	
Others	462	1	3	—	466	
Total	30/6/2009	5,590	568	308	295	6,761
	31/12/2008	6,155	585	407	431	7,578
Synthetic collateralised debt obligations (CDO) (derivatives)¹	30/6/2009	(35)	(428)	—	—	(463)
	31/12/2008	(36)	(548)	—	—	(584)

¹ the amounts shown 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 consolidated conduits and related consolidated special purpose vehicles, which are shown separately)

€ millions					
CARRYING AMOUNTS	30/6/2009			TOTAL	
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS		
Positions retained from own securitisations	54	251	71	376	
Positions in third-party ABS transactions	473	4,293	1,619	6,385	
Residential mortgage-backed securities (RMBS)	148	1,715	967	2,830	
thereof:					
US subprime	—	—	—	—	
US Alt A	1	28	12	41	
Commercial mortgage-backed securities (CMBS)	102	923	214	1,239	
Collateralised debt obligations (CDO)	51	358	125	534	
thereof:					
US subprime	1	—	7	8	
US Alt A	—	—	4	4	
Collateralised loan obligations (CLO)/					
Collateralised bond obligations (CBO)	—	260	250	510	
Consumer loans	68	400	40	508	
Credit cards	—	104	—	104	
Leases	27	145	22	194	
Others	77	388	1	466	
Total	30/6/2009	527	4,544	1,690	6,761
	31/12/2008	399	5,336	1,843	7,578
Synthetic collateralised debt obligations (CDO) (derivatives)¹	30/6/2009	—	(279)	(184)	(463)
	31/12/2008	(13)	(296)	(275)	(584)

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

Selected Notes (CONTINUED)

Positions retained from own securitisation transactions and in third-party ABS transactions broken down by class as per IAS 39 (HVB Group without consolidated conduits and related consolidated special purpose vehicles, which are shown separately)

€ millions							
CARRYING AMOUNTS	30/6/2009					TOTAL	
	HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE		
Positions retained from own securitisations	51	—	97	—	228	376	
Positions in third-party ABS transactions	399	122	5,330	62	472	6,385	
Residential mortgage-backed securities (RMBS)	21	40	2,544	—	225	2,830	
thereof:							
US subprime	—	—	—	—	—	—	
US Alt A	—	—	41	—	—	41	
Commercial mortgage-backed securities (CMBS)	41	24	1,092	—	82	1,239	
Collateralised debt obligations (CDO)	250	5	176	39	64	534	
thereof:							
US subprime	—	—	8	—	—	8	
US Alt A	—	—	4	—	—	4	
Collateralised loan obligations (CLO)/							
Collateralised bond obligations (CBO)	—	35	434	18	23	510	
Consumer loans	1	—	492	—	15	508	
Credit cards	—	—	90	—	14	104	
Leases	—	6	156	4	28	194	
Others	86	12	346	1	21	466	
Total	30/6/2009	450	122	5,427	62	700	6,761
	31/12/2008	633	177	5,874	67	827	7,578
Synthetic collateralised debt obligations (CDO) (derivatives)¹	30/6/2009	(463)	—	—	—	—	(463)
	31/12/2008	(584)	—	—	—	—	(584)

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

Consolidated conduits and related consolidated special purpose vehicles

Alongside the directly held portfolios of own and external ABS transactions listed above, further similar portfolios are held through conduits managed by HVB (SPVs that issue short-term commercial paper to refinance their assets) and related special purpose vehicles that are consolidated by HVB. Essentially these involve credit receivables of third parties that are securitised by HVB using the services of the conduits. For a portfolio of non-impaired mortgage loans recognised for the first time at June 30, 2009 with a book value of €1.4 billion, there is an estimation uncertainty according to IAS 1.125 with view to the parameters applied for initial valuation. We assume that the estimation uncertainty will be resolved at the latest by year-end 2009.

Positions in consolidated conduits and related consolidated special purpose vehicles broken down by product category and rating class

					€ millions
CARRYING AMOUNTS	30/6/2009				31/12/2008
	SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Residential mortgage loans/					
Residential mortgage-backed securities (RMBS)	231	1,395	175	1,801	1,465
Commercial mortgage loans/					
Commercial mortgage-backed securities (CMBS)	355	397	—	752	976
Collateralised debt obligations (CDO)	5	—	—	5	5
Collateralised loan obligations (CLO)/					
Collateralised bond obligations (CBO)	—	67	—	67	154
Consumer loans	—	829	—	829	1,127
Credit cards	—	—	—	—	—
Leases	—	474	—	474	628
Others	588	604	—	1,192	1,458
Total					
	30/6/2009	1,179	3,766	175¹	5,120
	31/12/2008	1,758	4,055	—	5,813

¹ these assets are impaired

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 CCC 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.

Selected Notes (CONTINUED)

Positions of consolidated conduits and related consolidated special purpose vehicles broken down by product category and region

€ millions						
CARRYING AMOUNTS	30/6/2009				TOTAL	
	EUROPE	USA	ASIA	OTHER REGIONS		
Residential mortgage loans/						
Residential mortgage-backed securities (RMBS)	1,570	2	—	229	1,801	
Commercial mortgage loans/						
Commercial mortgage-backed securities (CMBS)	666	86	—	—	752	
Collateralised debt obligations (CDO)	—	5	—	—	5	
Collateralised loan obligations (CLO)/						
Collateralised bond obligations (CBO)	—	67	—	—	67	
Consumer loans	829	—	—	—	829	
Credit cards	—	—	—	—	—	
Leases	474	—	—	—	474	
Others	587	605	—	—	1,192	
Total						
	30/6/2009	4,126	765	—	229	5,120
	31/12/2008	4,517	1,044	—	252	5,813

Positions of consolidated conduits and related consolidated special purpose vehicles broken down by product category and remaining maturity

€ millions					
CARRYING AMOUNTS	30/6/2009			TOTAL	
	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS		
Residential mortgage loans/					
Residential mortgage-backed securities (RMBS)	404	2	1,395	1,801	
Commercial mortgage loans/					
Commercial mortgage-backed securities (CMBS)	14	4	734	752	
Collateralised debt obligations (CDO)	—	—	5	5	
Collateralised loan obligations (CLO)/					
Collateralised bond obligations (CBO)	—	—	67	67	
Consumer loans	829	—	—	829	
Credit cards	—	—	—	—	
Leases	474	—	—	474	
Others	786	119	287	1,192	
Total					
	30/6/2009	2,507	125	2,488	5,120
	31/12/2008	2,813	453	2,547	5,813

Positions of consolidated conduits and related consolidated special purpose vehicles broken down by product category and class as per IAS 39

							€ millions
		30/6/2009					
CARRYING AMOUNTS		HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Residential mortgage loans/							
Residential mortgage-backed securities (RMBS)		—	—	1,800	1	—	1,801
Commercial mortgage loans/							
Commercial mortgage-backed securities (CMBS)		—	62	666	—	24	752
Collateralised debt obligations (CDO)		—	—	—	5	—	5
Collateralised loan obligations (CLO)/							
Collateralised bond obligations (CBO)		—	—	—	56	11	67
Consumer loans		—	—	829	—	—	829
Credit cards		—	—	—	—	—	—
Leases		—	—	474	—	—	474
Others		(5)	70	818	95	214	1,192
Total	30/6/2009	(5)	132	4,587	157	249	5,120
	31/12/2008	—	184	5,200	169	260	5,813

Selected Notes (CONTINUED)

31 Members of the Supervisory Board and Management Board

Supervisory Board

Alessandro Profumo

Chairman
until February 5, 2009

Sergio Ermotti

Chairman¹

Peter König

Deputy Chairman

Dr Lothar Meyer

Deputy Chairman²

Dr Wolfgang Sprissler

Deputy Chairman
since February 5, 2009

Gerhard Bayreuther

Aldo Bulgarelli

Beate Dura-Kempf

Paolo Fiorentino

Dario Frigerio
until February 5, 2009

Giulio Gambino

Klaus Grünewald

Karl Guha
since February 5, 2009

Ranieri de Marchis
until July 23, 2009

Beate Mensch

Marina Natale

since July 24, 2009

Roberto Nicastro

Vittorio Ogliengo
until February 5, 2009

Panagiotis Sfeliniotis

Professor Hans-Werner Sinn

Jutta Streit

Michael Voss

Jens-Uwe Wächter

Dr Susanne Weiss
since February 5, 2009

¹ since February 5, 2009

² until February 5, 2009

Management Board

Peter Buschbeck

Retail division
since August 1, 2009

Willibald Cernko

Retail division¹
until September 30, 2009

Lutz Diederichs

Corporate & Commercial Real Estate
Financing division
Markets & Investment Banking division²

Rolf Friedhofen

Chief Financial Officer (CFO)

Henning Giesecke

Chief Risk Officer (CRO)
until July 31, 2009

Heinz Laber

Human Resources Management
Global Banking Services

Andrea Umberto Varese

Chief Risk Officer (CRO)
since August 1, 2009

Dr Theodor Weimer

Board spokesman
Markets & Investment Banking division³

Andreas Wölfer

Wealth Management division

¹ until July 31, 2009

² since April 1, 2009

³ until March 31, 2009

Munich, August 7, 2009

Bayerische Hypo- und Vereinsbank
Aktiengesellschaft
The Management Board



Buschbeck



Cernko



Diederichs



Friedhofen



Laber



Varese



Weimer



Wölfer

Statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, August 7, 2009

Bayerische Hypo- und Vereinsbank
Aktiengesellschaft
The Management Board



Buschbeck



Cernko



Diederichs



Friedhofen



Laber



Varese



Weimer



Wölfer

Munich, 22 October 2009

Bayerische Hypo- und Vereinsbank AG
Kardinal-Faulhaber-Strasse 1
80333 Munich