INTERIM REPORT 2005

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Growing with Europe.

HVB Group

CONTENTS

FINANCIAL HIGHLIGHTS

Key indicators (%)	1/1–3/31/2005	1/1–3/31/2004
Return on equity after taxes[1]	11.6	3.3
Return on equity before taxes[1]	15.9	7.1
Cost-income ratio (based on operating revenues)	64.8	66.4
Operating performance	1/1–3/31/2005	1/1–3/31/2004
Operating profit (€ millions)	548	299
Profit (loss) from ordinary activities/net income (loss)		
before taxes (€ millions)	565	206
Consolidated profit (loss) (€ millions)	336	56
Earnings per share (€)[1]	0.45	0.18
Balance sheet figures (€ billions)	3/31/2005	12/31/2004
Total assets	469.9	467.4
Total volume of lending	326.2	324.6
Shareholders' equity	14.6	14.0
Key capital ratios compliant with BIS rules	3/31/2005	12/31/2004[2]
Core capital (€ billions)	15.4	15.7
Equity funds (€ billions)	27.2	27.1
Risk assets (€ billions)	242.0	238.6
Core capital ratio (%)	6.4	6.6[3]
Equity funds ratio (%)	10.2	10.4
Share information	1/1–3/31/2005	2004
Share price: Reporting date (€)	18.87	16.70
High (€)	19.05	21.13
Low (€)	16.30	12.86
Market capitalization at reporting date (€ billions)	14.2	12.5
	3/31/2005	12/31/2004
Employees	57,347	57,806
Branch offices	2,085	2,036

[1] 2004 figures adjusted for amortization of goodwill
[2] As per approved financial statements
[3] 6.2% including consolidation and other effects to be incorporated from the start of 2005

Ratings

	Long-term	Short-term	Outlook	Public Pfandbriefs	Mortgage Pfandbriefs
Moody's	A3	P–1	negative	Aa2*	Aa3*
S&P	A–	A–2	negative	AAA	—
Fitch Ratings	A–	F2	stable	AAA	AAA**

* On review for possible upgrade since March 15, 2004
** On credit watch negative since January 21, 2005

General economic trends in the first quarter of 2005

The pace of economic growth has slowed somewhat around the world compared with 2004. Whereas the U.S. economy entered the first quarter with some momentum, there were signs more recently of a weakening in both trade and consumer demand. In Japan, the recession has come to an end, but growth has, at best, done nothing more than stabilize since the start of the year. The euro area during the first quarter also saw bad news from industry alternate with better economic data suggesting an upswing in domestic demand. The countries of Central and Eastern Europe also lost momentum due to weaker foreign demand. In the emerging markets of Asia, on the other hand, growth remained robust.

Specific trends affecting the financial services sector

In the first quarter, German and European banks benefited greatly from stimulated capital markets. This trend was reflected in higher net commission income and particularly in the trading profits reported by banks. The economy failed, however, to produce a lasting tailwind. Thus the development of net interest income recorded by domestic banks remains overshadowed by scant demand for credit and strong pressure on margins. German banks have implemented wide-ranging measures to optimize costs over the last few years. As a result, some institutions are going back to making targeted investments in selected lines of business. This varied situation is reflected in the development of general administrative expenses. Whereas risk-provisioning levels among German banks continued to fall, they stabilized at a comparatively low level on a European scale. All in all, the industry recorded earnings that in some cases were considerably higher.

Building on our “Growing with Europe” strategic program, we are concentrating this year on the value-driving development of HVB Group (see also the Special Report in the 2004 Annual Report). The focus here is on enhancing the profitability of the Germany business segment, accelerating the earnings drives launched last year, and optimizing the structure of our cost base with the PRO program. We aim to achieve a return on equity after taxes of 8–9% in fiscal 2005. We are also seeking to improving our core capital ratio toward the 7% mark by reducing risk assets in the field of real estate finance, paring back the Real Estate Restructuring portfolio, pushing securitization, and especially retaining earnings. The financial development in the first quarter puts us right on track to hit our targets.

Integration of Vereins- und Westbank AG successfully completed

The squeeze-out of Vereins- und Westbank AG took effect on January 14, 2005 when filed in the Commercial Register maintained by Munich District Court. We completed the technical integration toward the end of the first quarter of 2005.

Business performance in the first three months of this year surpassed our expectations. Compared with the first quarter of last year, we were able to almost double our operating profit and nearly treble net income before taxes. This means we are clearly ahead of the planned figures. The Outlook in the Financial Review (2004 Annual Report, page 81) stated a target figure between 8 and 9% for return on equity after taxes in 2005. We managed to exceed this figure in the first quarter of the year.

Details on the reasons for our success are given below:

Operating revenues

Total operating revenues were up 6.5% compared with the prior year and up 3.5% as against the high figure attained in the fourth quarter. At €2,471 million, we reached the highest quarterly figure since the outset of 2004.

We boosted net interest income by €118 million (+ 9.2%) compared with last year. Along with a slight rise in volume, the interest margin increased to 2.62% (March 31, 2004: 2.38%) based on the average risk assets shown in the balance sheet. The notes include a detailed breakdown of interest income and expense.

Net commission income, at €757 million, shows an 8.0% improvement on the prorated prior year level. At the same time, the contribution to profits made by the securities and depositary business rose by 8%, primarily as a result of the sale of innovative financial products such as our "interest joker" bond. In addition, there was a rise in net commission income from international transactions, payments, and lending operations. The share of net commission income in total operating revenues reached 30.6% (Q1 2004: 30.2%).

We are very pleased with the solid €322 million trading profit generated in the first quarter. It surpasses the already strong showing of the prior year by a further 21.5%. The year-on-year increase is attributable above all to interest and currency-related operations.

General administrative expenses

With general administrative expenses for HVB Group standing at €1,600 million, we are in line with our expectations. The 3.8% rise compared with the first quarter in 2004 was significantly below the 6.5% increase in operating revenues.

This improved the cost-income ratio (percentage of total operating revenues made up by general administrative expenses) as against the first quarter of the prorated prior year level by 1.6 percentage points to 64.8%.

Loan-loss provisions

After the special provisions taken in the 2004 financial statements, we expect to record a significantly lower level than in prior years of about €1.3 billion for 2005 as a whole, or, on a prorated basis, €323 million for the first three months. This represents a decline of €157 million, or 32.7%, compared with the figure reported for the first quarter of last year.

Operating profit and net income before taxes

Operating profit nearly doubled in the first three months, rising €249 million to €548 million. We were also able to boost operating profit a further 9.4% as against the already very strong showing of the fourth quarter in 2004, continuing the sustained profitability gains from the 2004 fiscal year.

At €54 million, net income from investments far exceeded the figure for the first three months of the prior year (up €17 million). In the first quarter of 2005, it also includes the gain of €34 million from the disposal of our shares in Premiere AG in conjunction with the Premiere IPO.

Since January 1, 2005, scheduled amortization is no longer taken on goodwill in compliance with the new IFRS 3. The 2004 income statement was still burdened by scheduled amortization of goodwill totaling €38 million. No non-scheduled amortization of goodwill was taken in the first quarter of 2005.

The item "Other income and expenses" essentially contains losses assumed in the first quarter of 2005 for companies allocated to the Real Estate Restructuring segment. Last year, this item included the expense incurred for the risk shield for Hypo Real Estate Group amounting to €33 million.

With net income before taxes of €565 million, we were able to more than double the prior year figure for the first quarter.

Consolidated profit

After deducting the minority interest of €69 million (prior year: €60 million) included in net income, we generated consolidated profit of €336 million, which is six times greater than the consolidated profit recorded for the first quarter in 2004.

Trends in individual business segments

The contributions of the individual business segments to the operating profit of €548 million were as follows:

Germany	€203 million
Austria and CEE	€223 million
Corporates & Markets	€222 million
Real Estate Restructuring	€ 10 million

As a result of the changes to the organizational structure of HVB Group described below, the results of the business segments and business units disclosed in the prior year are no longer comparable with the figures calculated for the first quarter of fiscal 2005. Compliant with IAS 14.76, we have adjusted the prior year figures to match the new structure used to present the segment information.

In detail, the following changes that were relevant for the presentation of the business segments and business units have been made:

- The Real Estate Restructuring business segment (RER) has been formed by transferring the workout portfolios of the entire German real estate finance business of HVB AG previously assigned to the Germany business segment together with the remaining portfolios of the Real Estate Workout segment.
- In the Austria and CEE business segment, we have decided to increase transparency in both internal and external reporting with a view to enhancing management of the business units. Consequently, starting the first quarter of 2005 onwards we are showing the SMEs Austria business unit separately from the Private Customers, and Large Corporates and Real Estate business units.
- The optimization of our interest management, which is based on the market interest calculation method, and the adjustment of our refinancing structure to the opportunities offered by the market had various implications for segment-allocated net interest income. In this context, we have transferred the planning responsibility for transactions not relating to the trading book from the Markets business unit to the Other segment in order to create a clearer division of responsibilities. We have also made changes to the intragroup settlement arrangements, which have had an effect on segmented net commission income.

The effects of applying new and revised IFRSs, where they are to be applied retrospectively, have similarly been incorporated in the adjusted prior year values for segment reporting.

Germany business segment

The Germany business segment made a significant contribution to the total net income of the Bank with an operating profit of €203 million. An operating profit of only €18 million was reported by the Germany business segment in the 2004 Annual Report for the whole of last year before changes were made to the organizational structure (including RER).

The workout portfolios of the German real estate business managed by the Germany business segment until December 31, 2004 are no longer included in the adjusted prior-year comparative figures of the Germany business segment because they have been allocated to the RER segment. In particular, the loan-loss provisions set up for these portfolios in 2004 are no longer shown. By transferring all the workout portfolios of the German real estate business to the RER segment, an atypical trend has occurred in the area of loan-loss provisions in the Germany business segment compared with the adjusted prior year figures.

At the time when the portfolios were transferred to the RER segment, the Germany business segment had no property portfolios in need of restructuring (rating class 8–10). Changes in credit ratings do, however, take place in every loan portfolio over the course of time and hence new loan-loss provisions are required as a result of the inevitable risks associated with the lending business.

From a static perspective, eliminating risk provisioning requirements from the loan-loss provisions in 2004 for the workout portfolios transferred to the RER segment presents a distorted picture of the adjusted loan-loss provisions in the Germany business segment compared to the current fiscal year. This is due to the fact that the portfolio of the 2005 fiscal year is no longer comparable with that of the prior year in economic terms, due to the measure described above. Compliant with IAS 14.76, however, prior year figures presented for comparative purposes must be restated on the basis of the current accounting policies adopted for segment reporting.

To facilitate comparison of business development, we have also stated the figures shown in the 2004 consolidated financial statement (see 2004 Annual Report, p. 128) alongside the adjusted prior year figures of the Germany business segment in the segment report.

When providing an account of the operating performance of the individual business units in the Germany business segment below, we therefore describe the trend in net income before loan-loss provisions were made. This enables a transparent picture to be given of the development in the Germany business segment. A comparison with last year's figures for loan-loss provisions, which are only meaningful to a limited extent in an economic sense, would not accurately reflect the actual business development of the business segment.

Our loan-loss provisions are completely on target throughout the Group in terms of the normalized level of loan-loss provisions of about €1.3 billion for the whole of 2005 set as a target in the Outlook section of Management's Discussion and Analysis. The development of loan-loss provisions in the Germany business segment is likewise in line with this forecast.

In the first quarter, the operating profit of the Germany business segment before loan-loss provisions remained largely constant at €367 million compared with the prior year figure, although it must be taken into consideration that the first quarter of 2004 benefited from the gain on the disposal of BethmannMaffei of around €53 million.

Adjusted for this item, this signifies a 15% increase in the operating profit before loan-loss provisions, which is both due to the decline in general administrative expenses and the favorable development in operating revenues (+ 4% compared with the prior year figure adjusted for the gain on the disposal of BethmannMaffei).

At 64.1%, the cost-income ratio improved slightly as against the prior year figure (64.3%, adjusted 67.7%).

In the Private Customers business unit (including asset management and private banking activities), the operating profit before loan-loss provisions almost doubled compared with the prior year figure adjusted for the gain on the disposal of BethmannMaffei. In unadjusted terms, the operating profit before loan-loss provisions was, at €60 million, €26 million less than last year.

With (adjusted) slightly higher operating revenues, this is mainly due to the 5% decline in general administrative expenses. The cost-income ratio stood at 87.2% (prior year: 83.3%, adjusted 92.9%).

In the Corporate Customers and Professionals business unit, we were able to boost the operating profit before loan-loss provisions by 7% to €232 million. Operating revenues increased 7%, particularly due to the pleasing development in net commission income as a result of the increased sales in the derivatives business with customers and higher income in the securities and depositary business. Based on the same development in general administrative expenses, the cost-income ratio stabilized at an unchanged rate of 46.7%.

With operating revenues remaining fairly constant, the Real Estate business unit was able to boost its operating profit before loan-loss provisions by 9% due to a 15% drop in general administrative expenses. The cost-income ratio improved from 41% to 35.3%.

Austria and CEE business segment

The Austria and CEE business segment achieved an operating profit of €223 million in the first quarter of 2005, which is €69 million or 45% more than in the same period last year.

Despite the slight increase in general administrative expenses, the cost-income ratio improved to 63.3% due to the 12% growth in operating revenues. Despite the 8% increase in loan-loss provisions, operating profit climbed a healthy 45%.

In the Private Customers Austria business unit of the Austria and CEE business segment, operating revenues increased by a total of 4% as a result of a favorable trend in net commission income, particularly from the securities and depositary business, while general administrative expenses remained stable. The cost-income ratio improved to 78.2%. The business unit reported a 21% improvement in operating profit despite a slight rise in loan-loss provisions.

In the new SMEs Austria business unit, whose customers were previously assigned partly to the Private Customers Austria business unit and partly to the old Corporate Customers Austria business unit, the drop in loan-loss provisions compensated the declining trend in operating revenues. With general administrative expenses almost unchanged, the operating profit also remained at last year's level (€14 million after €12 million in the same period last year).

The Large Corporates and Real Estate business unit, which covers groups of customers from the former Corporate Customers Austria business unit, achieved an operating profit of €61 million and was thus able to beat the prior year figure by half. This improvement is attributable to the 18% rise in operating revenues. At the same time, the balance of other operating revenues/expenses in particular increased owing to deconsolidation gains from the disposal of subsidiaries of Bank Austria Creditanstalt Leasing GmbH. Hence, the cost-income ratio declined to 46.8% with general administrative expenses falling by 10%. This more than compensated for the €8 million increase in loan-loss provisions to €14 million.

In the Central and Eastern Europe (CEE) business unit, operating revenues rose by almost one-third, primarily due to the favorable trend in net commission income and net interest income. The development of our Polish subsidiary Bank BPH, Cracow, was particularly pleasing in this context.

Despite a 19% rise in general administrative expenses, the cost-income ratio improved to 57.1%. In all, the operating profit rose by more than half to €108 million despite a €10 million increase in loan-loss provisions.

Including the net income from Corporates & Markets and income from the Other/consolidation segment, together with the Group-specific items such as the funding expense of goodwill, the Bank Austria Creditanstalt Group made an overall contribution of €244 million to the net income before taxes reported by HVB Group.

The segment reporting structure employed by HVB Group involves allocating all income and expenses to the business segments in line with causation. This takes place irrespective of whether they accrue directly at a Group company or need to be considered at corporate level, as is the case with the Group-specific items mentioned. Consequently, the contributions to earnings made by the Austria Creditanstalt Group and all other Group companies with Group-specific items do not, from the Group point of view, match their primary net income. The primary net income before taxes reported by the Austria Creditanstalt Group of €280 million is published separately by Bank Austria Creditanstalt.

Corporates & Markets business segment

In the Corporates & Markets business segment, we boosted operating profit by more than one-third compared with the same period last year. In addition, the segment was able to achieve a very pleasing level of net income from investments, notably by selling part of our holding of Premiere AG shares (€41 million after a loss of €11 million last year), and thus almost double net income before taxes.

The favorable trend in operating profit is primarily due to a solid 25% rise in trading profit compared with the very strong figure already attained in the first quarter of 2004 and due to the almost halved figure reported for loan-loss provisions. The 7% rise in operating revenues resulted in an improved cost-income ratio of 53.5% (2004: 54.3%) despite higher general administrative expenses.

The high trading profit brought about a 9% increase in the net income of the Markets business unit. On account of the same development in operating revenues and general administrative expenses, both up 8%, the cost-income ratio remained stable at 54.1% (prior year: 54.4%), while earnings increased.

Operating revenues in the Corporates business unit were up 4%, largely due to the favorable trend in net commission income. With general administrative expenses remaining at the same level, the cost-income ratio improved to 52.4% (prior year: 54.5%). As a result of the loan-loss provisions being almost halved, the business unit recorded net income of €52 million after €6 million last year.

Real Estate Restructuring business segment

In the Real Estate Restructuring (RER) business segment, figures for operating revenues and general administrative expenses remained largely stable compared with the adjusted prior year figures. As no further loan-loss provisions were to be made for the loan portfolios allocated to this segment in 2005, the segment reported an operating profit of €10 million after posting an operating loss of €205 million last year.

Total assets and volume of lending

The total assets of HVB Group amounted to €469.9 billion at March 31, 2005, which represents an increase of €2.5 billion or 0.5% as compared with the year-end total. This essentially is the result of an increase in placements with, and loans and advances to, other banks of €4.8 billion and investments of €1.9 billion. At the same time notably, assets held for trading purposes declined by €3.1 billion and the cash reserve by €1.8 billion.

The volume of lending rose by €1.6 billion to €326.2 billion after we had disclosed a decline of €13.8 billion in 2004. The increase can be attributed to higher loans and advances to other banks and contingent liabilities, while loans and advances to customers stagnated.

On the liabilities side, amounts owed to other customers increased by €3.4 billion and promissory notes and other liabilities evidenced by paper by €0.9 billion. Liabilities held for trading purposes, on the other hand, decreased by €1.5 billion. The shareholders' equity shown in the balance sheet, which now also includes minority interest, rose by around 5% to €14.6 billion essentially as a result of the net income generated in the first quarter of 2005.

Risk assets and key capital ratios

After the first three months of 2005, risk assets as per BIS rules increased as planned by €3.4 billion compared with the level at year-end 2004 to €242.0 billion, primarily reflecting an expansion of our business activities. The core capital of HVB Group at March 31, 2005 totaled €15.4 billion after consolidation and other effects. This gives rise to a core capital ratio of 6.4% and an equity funds ratio of 10.2%.

A bank's liquidity is evaluated using the liquidity ratio defined in Principle II of the German banking supervisory regulations. 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 1.0. At HVB AG, the figure averaged 1.2 in the first quarter of 2005 (annual average for 2004: 1.2).

IFRS basis

The present interim report has been prepared in accordance with IAS 34. With the exception of the new and revised IFRSs, we have applied the same accounting and valuation principles as in the consolidated financial statements for 2004. We have described these effects in detail in the section entitled "Effects of applying new and revised IFRSs." For information on the other accounting and valuation principles, please refer to the HVB Group Annual Report 2004, starting on page 117.

In the reporting on segment results, the prior year comparative figures have been adjusted compliant with IAS 14.76. We have explained the reasons for the adjustment in detail in the section entitled "Trends in individual business segments".

Changes in the group of companies included in consolidation

We have added BPH Leasing S.A., Warsaw, to the group of companies included in consolidation as of January 1, 2005, to reflect the dynamic development of the leasing business in Poland and the increasing significance for the leasing profits of Bank BPH.

Austria Finanza S.P.A., Treviso, and Austrolease S.P.A., Bolzano, were deconsolidated at the end of February. These two companies were sold by Bank Austria Creditanstalt Leasing GmbH to Fortis Lease Group S.A. for a cash payment of €32 million. The transaction gives rise to one-off gains of €17 million in HVB Group.

Events after March 31, 2005

As a result of the capital increase carried out at International Moscow Bank (IMB), Moscow, on April 21, 2005, our share of the voting rights has increased from 46% to 53%. We will fully consolidate IMB with effect from May 1, 2005. Until now, IMB has been valued at equity.

General economic trends

The global economy is likely to expand by 3% over the year as a whole following on from 4% last year. Growth continues to be driven with the same force by the emerging markets of Asia, which will contribute a good ten percent to global GDP overall. The countries of Central and Eastern Europe will also expand by an average of 4.25% on the back of strong demand for investment. The outlook for the U.S. economy is less bright. Special factors boosting economic development strongly last year no longer apply. The fiscal policy stimulus that had led to capital spending being brought forward ran out at the end of the year. The Federal Reserve has already been reversing monetary policy in stages to a less expansionary course since June 2004. The slackening boom on the U.S. real estate market implies that private consumption will also be somewhat weaker in 2005 than in the prior year. The U.S. economy can be expected to expand by an annual average of 3.5% after 4.5% in 2004.

As and of itself, the weaker global economic trend represents a drag on the European economy. Primarily in Germany, however, there are signs of the growth forces shifting from exports, which was by far the biggest pillar of growth last year, to domestic demand: corporate downsizing is gradually coming to a halt; the early indicators have been signaling an improvement in consumer sentiment for months in a row; and company order books show that the demand for investment is picking up again after three years of stagnation. Since the German economy shrank in the final quarter of 2004, the starting point for the growth figure in the current year is, however, inauspicious. Consequently, GDP is expected to expand by an annual average of only 0.8% as against 1.0% in 2004. Growth in Austria, driven by more vibrant domestic demand, is likely to pick up pace again in the second half of the year to total 1.7% in 2005 after 2.0% in 2004. In the euro area as a whole, GDP growth is expected to reach 1.25% after 1.7% last year.

Given increasing inflationary fears in the United States, the Federal Reserve can be expected to continue raising its money market rates steadily to reach 3.75% by year-end. Yields on 10-year U.S. Treasuries remain at historically low levels, but might rise at times to 4.75 – 5% later in the year. German Treasury bonds are likely to follow the cue from the United States. The temporary rise in yields on Bunds will, however, be smaller, not least because the ECB will wait to normalize its key lending rates until well into the second half of the year. The persistent current account deficit run up by the United States implies that the euro/dollar exchange rate will rise to around 1.35.

We believe that the banking industry will enjoy good results through the end of 2005. Despite this, it can be assumed that the moderate economic prospects coupled with persistently high levels of unemployment will continue to act as a brake on demand for financial services (see page 81 of the 2004 Annual Report for more). Furthermore, it remains to be seen how long the extremely favorable climate on the capital markets will last and – casting an eye at European banks – whether a trend for slight rises in counterparty risk will return.

Earnings performance of HVB Group

The risks associated with the future development of HVB Group as described in the Risk Report (2004 Annual Report, Risk Report, pp. 82 – 105) have not changed during the course of the year to date.

As already mentioned in Management’s Discussion and Analysis of the consolidated financial statements at December 31, 2004 (on page 81 of the 2004 Annual Report), for 2005 we are planning to return to a much lower level of loan-loss provisions compared with the last few years and assuming that return on equity after taxes will total between 8 and 9% for the year as a whole.

The results for the first quarter mean that we are well on the way to achieving these targets. We want to increase the core capital ratio again appreciably as quickly as possible by reinvesting profits and releasing equity capital, among other things by rapidly paring back the portfolios in the Real Estate Restructuring segment.

In the first quarter of the year, our share clearly outperformed the DAX. The performance of the HVB share was marked by greater volatility than the market as a whole during this period. Viewed over the complete quarter, our share was able to gain 11% over the DAX and 8% over the Prime Banks Index.

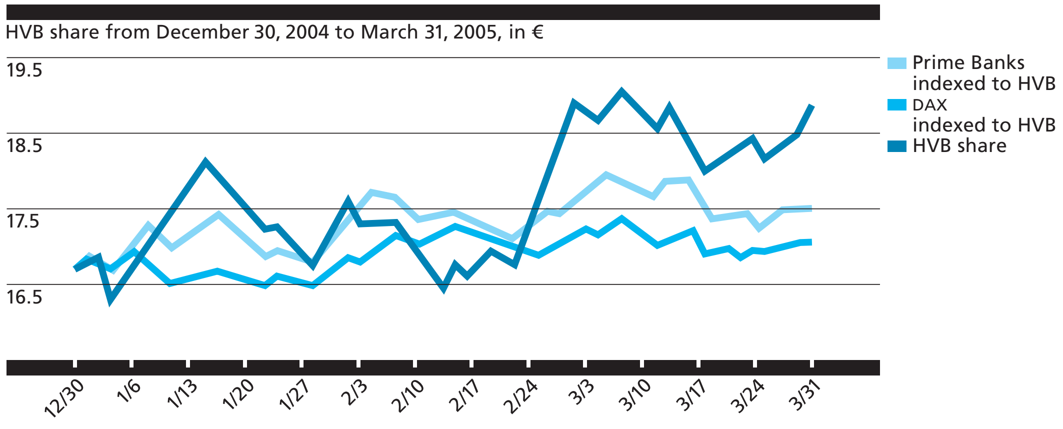
Until the realignment of the real estate finance business in the Germany business segment was announced on January 21, 2005, our share performed extremely well, rising 6.4%. The DAX lost 1% during this period.

After this, the HVB share price trailed the benchmark DAX and Prime Banks indexes until our preliminary annual results for 2004 were published on February 24, 2005. The price was subsequently able to regain the upward trend from the start of the year: the capital market responded positively to the published results, the announcement of further details of the new Real Estate Restructuring segment and the PRO efficiency program, and the financial outlook for 2005.

The price of the HVB share rose by almost 8% in the following two days and reached its high for the first quarter on March 7, 2005 at €19.05. The HVB share ended the quarter at €18.87, up 13%.

At the end of April 2005, the equity analysts of 26 banks and securities firms took the following view of the HVB share: a majority of the analysts (61%) had issued a “hold” recommendation, while 27% had recommended to “underweight” and 12% to “overweight” the HVB share.

The HVB share relative to DAX and Prime Banks



RESULTS

EFFECT OF APPLYING NEW AND REVISED IFRSs

Numerous new and revised IFRSs are to be applied for the first time from January 1, 2005. The initial use is generally applicable retrospectively, meaning the standards are applied as if they had always been in use. We have adjusted the comparative figures for fiscal 2004 to reflect the new accounting standards. The new and revised IFRSs have a material impact on the following items in the balance sheet and income statement for 2004:

– Minority interest is to be shown as a separate sub-item under shareholders' equity. Thus the amount involved is disclosed within shareholders' equity separately from the shareholders' equity attributable to shareholders of HVB AG. Consequently, total shareholders' equity at December 31, 2004 increased by minority interests totaling €2,509 million.

– Financial assets are to be divided into four categories and measured in accordance with this classification. The "at fair value through profit or loss" category is divided into two subcategories. Generally, it is now also possible to designate all financial assets as at fair value through profit or loss upon initial recognition as well as financial assets held for trading. Such assets are measured at fair value and disclosed in profit or loss in the income statement. Due to the so-called EU endorsement, this option does not currently exist for financial liabilities. Although a designation made in the past is normally irrevocable, the revised IAS 39 permits reclassification when it is first applied. HVB Group has generally only classified financial assets as to be measured at fair value through profit or loss for hedges. On account of the initial application of the new IAS 39, the cash reserve has declined by €578 million as treasury bills of Bank BPH have been redesignated under the fair value option. In this context, Bank BPH has reclassified the treasury bills as investments. Thus the reduction in the cash reserve is matched by a rise in investments of the same amount.

– The definition of objective evidence of impairment has been expanded, primarily for AfS equity instruments (essentially shares). Among other things, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment. By way of contrast with the previous approach, the two leading indicators are now to be evaluated separately from each other. Due to the retrospective application of this new regulation, we have written down shareholdings, primarily in Münchener Rück AG, by a total of €182 million for 2004. This results in a reduction in net income from investments and an increase in the AfS reserve by this amount for 2004.

– Under the revised IFRS rules, reversals of impairment losses on AfS equity instruments must be recognized in the AfS reserve under shareholders' equity without affecting reported profit or loss. The AfS reserve is to be reversed as profit or loss when the asset is derecognized, enabling the correspondingly adjusted gain or loss on disposal to be reflected in the income statement. Write-ups totaling €36 million recognized in profit or loss in 2004 have been reversed accordingly and the corresponding amount has been included in the AfS reserve. At the same time, there was an increase in net income from investments on account of the disposal of our investment in Brau und Brunnen AG in 2004, after write-ups taken in profit and loss in previous years had to be eliminated to reflect the new rule as mentioned above. As a result of the revision of this standard, net income from investments increased by an aggregate of €23 million and the AfS reserve by an aggregate of €42 million.

– Where there is no evidence of impairment of financial assets carried at cost examined individually, such assets are to be combined to form groups with the same credit risk characteristics. A method for calculating impairment due to these risks inherent in financial assets carried at amortized cost is prescribed in IAS 39. According to this method, future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historic loss experience. This historic loss experience is to be used to record an impairment in a portfolio loss for incurred but not reported losses. This change served to increase loan-loss provisions at our Bank Austria Creditanstalt AG subsidiary by €113 million retrospectively at December 31, 2003. Of this total, €18 million has been reversed retrospectively for 2004.

– Under the revised IAS 28, the financial statements of companies valued at equity are, without exception, to be adjusted to reflect uniform Group accounting policies. The adjustments result in an increase in investments in companies valued at equity and consolidated shareholders' equity at December 31, 2004. The goodwill on companies valued at equity is now carried under investments in the balance sheet instead of intangible assets.

As a result of these changes, we have adjusted our income statement for the year ended December 31, 2004 and our balance sheet at December 31, 2004 as follows:

Income statement for 2004

	1/1–3/31/2004 after adjustment € millions	1/1–3/31/2004 before adjustment € millions	1/1–12/31/2004 after adjustment € millions	1/1–12/31/2004 before adjustment € millions
Net interest income	1,286	1,285	5,662	5,656
Provisions for losses on loans and advances	480	485	1,795	1,813
Net interest income after provisions for losses on loans and advances	806	800	3,867	3,843
Net commission income	701	701	2,845	2,845
Trading profit	265	262	728	718
General administrative expenses	1,542	1,542	6,118	6,118
Balance of other operating income and expenses	69	69	101	101
Operating profit	**299**	**290**	**1,423**	**1,389**
Net income from investments	17	19	(64)	102
Amortization of goodwill	38	38	165	165
Addition to restructuring provisions	—	—	250	250
Allocation to special provisions for bad debts	—	—	2,500	2,500
Balance of other income and expenses	(72)	(72)	(357)	(357)
Profit (loss) from ordinary activities/ net income (loss) before taxes	**206**	**199**	**(1,913)**	**(1,781)**
Taxes on income	90	88	224	211
Net income (loss)	**116**	**111**	**(2,137)**	**(1,992)**
Minority interest in net income (loss)	(60)	(58)	(288)	(286)
Net income (loss) adjusted for minority interest	**56**	**53**	**(2,425)**	**(2,278)**

Balance sheet at December 31, 2004

Assets	12/31/2004 after adjustment € millions	12/31/2004 before adjustment € millions
Cash reserve	6,903	7,481
Assets held for trading purposes	91,711	91,726
Placements with, and loans and advances to, other banks	47,479	47,479
Loans and advances to customers	275,119	275,119
Allowances for losses on loans and advances	(13,404)	(13,315)
Investments	44,483	43,648
Property, plant and equipment	2,855	2,855
Intangible assets	2,627	2,799
Income tax assets	4,157	4,133
Other assets	5,455	5,483
Total assets	**467,385**	**467,408**

Shareholders' equity and liabilities	12/31/2004 after adjustment € millions	12/31/2004 before adjustment € millions
Deposits from other banks	103,606	103,606
Amounts owed to other depositors	144,451	144,451
Promissory notes and other liabilities evidenced by paper	109,562	109,562
Liabilities held for trading purposes	59,831	59,861
Provisions	4,460	4,460
Income tax liabilities	3,030	3,010
Other liabilities	10,015	10,004
Subordinated capital	18,454	18,454
Minority interest	—	2,515
Shareholders' equity	13,976	11,485
Shareholders' equity attributable to shareholders of HVB AG	11,467	11,485
Subscribed capital	2,252	2,252
Additional paid-in capital	9,103	9,331
Retained earnings	—	—
Reserve arising from currency and other changes	227	227
Change in valuation of financial instruments	(115)	(325)
AfS reserve	354	132
Hedge reserve	(469)	(457)
Consolidated profit	—	—
Minority interest	2,509	—
Total shareholders' equity and liabilities	**467,385**	**467,408**

The prior year figures shown below include the effects of applying new and revised IFRSs.

INCOME STATEMENT
FROM JANUARY 1 TO MARCH 31, 2005

Income/expenses	Notes	1/1–3/31/2005	1/1–3/31/2004	Change	Change
		€ millions	€ millions	€ millions	in %
Interest and similar income		4,209	4,310	(101)	(2.3)
Interest expense and similar charges		2,805	3,024	(219)	(7.2)
Net interest income	(2)	1,404	1,286	+ 118	+ 9.2
Provisions for losses on loans and advances	(3)	323	480	(157)	(32.7)
Net interest income after provisions for losses on loans and advances		1,081	806	+ 275	+ 34.1
Fee and commission income		903	854	+ 49	+ 5.7
Fee and commission expenses		146	153	(7)	(4.6)
Net commission income	(4)	757	701	+ 56	+ 8.0
Gains less losses arising from trading securities (trading profit)	(5)	322	265	+ 57	+ 21.5
General administrative expenses	(6)	1,600	1,542	+ 58	+ 3.8
Balance of other operating income and expenses	(7)	(12)	69	(81)	>(100.0)
Operating profit (loss)		**548**	**299**	**+ 249**	**+ 83.3**
Net income from investments		54	17	+ 37	>+ 100.0
Amortization of goodwill		—	38	(38)	(100.0)
Balance of other income and expenses	(8)	(37)	(72)	+ 35	+ 48.6
Profit (loss) from ordinary activities/ net income (loss) before taxes		**565**	**206**	**+ 359**	**>+ 100.0**
Taxes on income		160	90	+ 70	+ 77.8
Net income (loss) after taxes		**405**	**116**	**+ 289**	**>+ 100.0**
Minority interest in net income (loss)		(69)	(60)	(9)	(15.0)
Consolidated profit (loss)		**336**	**56**	**+ 280**	**>+ 100.0**

	Notes	1/1–3/31/2005	1/1–3/31/2004
		€	€
Earnings per share[1]	(9)	0.45	0.18

[1] 2004 figures adjusted for amortization of goodwill

Since no conversion rights or option rights on conditional capital existed at March 31, 2005, there is no calculation of diluted earnings per share.

BALANCE SHEET AT MARCH 31, 2005

Assets	Notes	3/31/2005 € millions	12/31/2004 € millions	Change € millions	Change in %
Cash reserve		5,091	6,903	(1,812)	(26.2)
Assets held for trading purposes	(10)	88,586	91,711	(3,125)	(3.4)
Placements with, and loans and advances to, other banks	(11)	52,306	47,479	+ 4,827	+ 10.2
Loans and advances to customers	(12)	275,703	275,119	+ 584	+ 0.2
Allowances for losses on loans and advances	(14)	(13,597)	(13,404)	(193)	(1.4)
Investments	(15)	46,390	44,483	+ 1,907	+ 4.3
Property, plant and equipment		2,783	2,855	(72)	(2.5)
Intangible assets		2,604	2,627	(23)	(0.9)
Income tax assets		4,127	4,157	(30)	(0.7)
Other assets		5,869	5,455	+ 414	+ 7.6
Total assets		**469,862**	**467,385**	**+ 2,477**	**+ 0.5**

Shareholders’ equity and liabilities	Notes	3/31/2005	12/31/2004	Change	Change
		€ millions	€ millions	€ millions	in %
Deposits from other banks	(16)	103,285	103,606	(321)	(0.3)
Amounts owed to other depositors	(17)	147,852	144,451	+ 3,401	+ 2.4
Promissory notes and other liabilities evidenced by paper	(18)	110,505	109,562	+ 943	+ 0.9
Liabilities held for trading purposes		58,377	59,831	(1,454)	(2.4)
Provisions	(19)	4,518	4,460	+ 58	+ 1.3
Income tax liabilities		3,063	3,030	+ 33	+ 1.1
Other liabilities		9,665	10,015	(350)	(3.5)
Subordinated capital	(20)	17,962	18,454	(492)	(2.7)
Shareholders’ equity		14,635	13,976	+ 659	+ 4.7
Shareholder’s equity attributable to shareholders of HVB AG		11,996	11,467	+ 529	+ 4.6
Subscribed capital		2,252	2,252	0	0.0
Additional paid-in capital		9,103	9,103	0	0.0
Retained earnings		—	—	—	—
Reserve arising from currency and other changes		272	227	+ 45	+ 19.8
Change in valuation of financial instruments		33	(115)	+ 148	>+100.0
AfS reserve		508	354	+ 154	+ 43.5
Hedge reserve		(475)	(469)	(6)	(1.3)
Consolidated profit 2004		—	—		
Consolidated profit (loss) 1/1–3/31		336	0	+ 336	+100.0
Minority interest		2,639	2,509	+ 130	+ 5.2
Total shareholders’ equity and liabilities		**469,862**	**467,385**	**+ 2,477**	**+ 0.5**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	2005	2004
Shareholders' equity at January 1	**13,976**	**10,312**
Shareholders' equity attributable to shareholders of HVB AG at 1/1		
before initial application of new and revised IFRSs	—	10,312
Effect of initial application of new and revised IFRSs	—	(7)
Shareholders' equity attributable to shareholders of HVB AG at 1/1		
after initial application of new and revised IFRSs	11,467	10,305
Changes 1/1–3/31		
Subscribed capital		
Change from capital increase against cash contribution	—	+ 643
Additional paid-in capital		
Change in holdings of, and net income from, treasury stock	—	+ 17
Retained earnings		
Other changes	—	—
Reserve arising from currency and other changes	45	26
Change in valuation of financial instruments	148	63
Consolidated profit 2004 (dividend payment of HVB AG)[1]	—	—
Consolidated profit (loss) 1/1–3/31	336	56
Shareholders' equity attributable to shareholders of HVB AG at 3/31	11,996	11,110
Minority interest at 1/1 before initial application of new and revised IFRSs	—	2,476
Effect of initial application of new and revised IFRSs	—	(10)
Minority interest at 1/1 after initial application of new and revised IFRSs	2,509	2,466
Change in minority interest 1/1–3/31	130	(52)
Minority interest at 3/31	2,639	2,414
Shareholders' equity at March 31	**14,635**	**13,524**

[1] HVB AG failed to post a profit in fiscal 2004. For this reason no dividend is payable for that fiscal year

CASH FLOW STATEMENT

€ millions	2005	2004
Cash and cash equivalents at January 1	**6,903**	**5,708**
Cash flows from operating activities	355	(1,090)
Cash flows from investing activities	(1,668)	1,186
Cash flows from financing activities	(507)	713
Effects of exchange rate changes on cash and cash equivalents	8	(4)
Cash and cash equivalents at March 31	**5,091**	**6,513**

1

Segment reporting
Income statement from January 1 to March 31, 2005, broken down by business segment

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Net interest income						
1/1–3/31/2005	663	548	224	32	(63)	1,404
1/1–3/31/2004	654	505	205	30	(108)	1,286
Provisions for losses on loans and advances						
1/1–3/31/2005	164	110	47	—	2	323
1/1–3/31/2004	79	102	85	214	—	480
Net commission income						
1/1–3/31/2005	364	322	68	2	1	757
1/1–3/31/2004	322	290	86	2	1	701
Trading profit (loss)						
1/1–3/31/2005	—	18	304	—	—	322
1/1–3/31/2004	—	13	242	—	10	265
General administrative expenses						
1/1–3/31/2005	654	575	309	23	39	1,600
1/1–3/31/2004	667	553	293	22	7	1,542
Balance of other operating income and expenses						
1/1–3/31/2005	(6)	20	(18)	(1)	(7)	(12)
1/1–3/31/2004	62	1	7	(1)	—	69
Operating profit (loss)						
1/1–3/31/2005	203	223	222	10	(110)	548
1/1–3/31/2004	292	154	162	(205)	(104)	299
Net income from investments						
1/1–3/31/2005	—	(7)	41	—	20	54
1/1–3/31/2004	(2)	(3)	(11)	—	33	17
Amortization of goodwill						
1/1–3/31/2005	—	—	—	—	—	—
1/1–3/31/2004	4	21	10	—	3	38
Balance of other income and expenses						
1/1–3/31/2005	(1)	—	—	(33)	(3)	(37)
1/1–3/31/2004	(1)	—	—	(37)	(34)	(72)
Profit (loss) from ordinary activities/ net income (loss) before taxes						
1/1–3/31/2005	202	216	263	(23)	(93)	565
1/1–3/31/2004	285	130	141	(242)	(108)	206
including:						
Bank Austria Creditanstalt Group						
1/1–3/31/2005	—	216	42	—	(14)	244
1/1–3/31/2004	—	130	22	—	13	165

Income statement by business unit – Germany business segment

€ millions	Private Customers	Corporate Customers and Professionals	Real Estate	Consolidation	Total
Operating revenues					
March 31, 2005	470	435	116	—	1,021
March 31, 2004 (reorganized)	516	405	117	—	1,038
March 31, 2004 (before reorganization)	516	418	128	—	1,062[1]
Loan-loss provisions					
March 31, 2005	39	78	47	—	164
March 31, 2004 (reorganized)	25	54	—	—	79
March 31, 2004 (before reorganization)	45	152	84	—	281[1]
General administrative expenses					
March 31, 2005	410	203	41	—	654
March 31, 2004 (reorganized)	430	189	48	—	667
March 31, 2004 (before reorganization)	435	195	59	—	689[1]
Operating profit (loss)					
March 31, 2005	21	154	28	—	203
March 31, 2004 (reorganized)	61	162	69	—	292
March 31, 2004 (before reorganization)	36	71	(15)	—	92[1]
for information: operating profit before loan-loss provisions					
March 31, 2005	60	232	75	—	367
March 31, 2004 (reorganized)	86	216	69	—	371
March 31, 2004 (before reorganization)	81	223	69	—	373
Cost-income ratio					
March 31, 2005	87.2%	46.7%	35.3%	—	64.1%
March 31, 2004 (reorganized)	83.3%	46.7%	41.0%	—	64.3%
March 31, 2004 (before reorganization)	84.3%	46.7%	46.1%	—	64.9%

[1] As disclosed in 2004 Annual Report

Austria and CEE business segment

€ millions	Private Customers Austria	SMEs Austria	Large Corporates and Real Estate	CEE	Consolidation	Total
Operating revenues						
March 31, 2005	289	142	141	336	—	908
March 31, 2004	278	155	120	256	—	809
Loan-loss provisions						
March 31, 2005	23	37	14	36	—	110
March 31, 2004	19	51	6	26	—	102
General administrative expenses						
March 31, 2005	226	91	66	192	—	575
March 31, 2004	226	92	73	162	—	553
Operating profit						
March 31, 2005	40	14	61	108	—	223
March 31, 2004	33	12	41	68	—	154
Cost-income ratio						
March 31, 2005	78.2%	64.1%	46.8%	57.1%	—	63.3%
March 31, 2004	81.3%	59.4%	60.8%	63.3%	—	68.4%

Corporates & Markets business segment

€ millions	Markets	Corporates	Consolidation	Total
Operating revenues				
March 31, 2005	370	208	—	578
March 31, 2004	342	200	(2)	540
Loan-loss provisions				
March 31, 2005	—	47	—	47
March 31, 2004	—	85	—	85
General administrative expenses				
March 31, 2005	200	109	—	309
March 31, 2004	186	109	(2)	293
Operating profit				
March 31, 2005	170	52	—	222
March 31, 2004	156	6	—	162
Cost-income ratio				
March 31, 2005	54.1%	52.4%	—	53.5%
March 31, 2004	54.4%	54.5%	—	54.3%

Key ratios, broken down by business segment

in %	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring[1]	Other/ consolidation[1]	HVB Group
Return on equity before taxes[2, 3]						
1/1–3/31/2005	14.2	20.5	31.9	—	—	15.9
1/1–3/31/2004	20.7	17.8	17.7	—	—	7.1

[1] Figures have no informative value
[2] 2004 figures adjusted for amortization of goodwill
[3] Net income before taxes as a proportion of average shareholders' equity (excluding change in valuation of financial instruments) including minority interest

2

Net interest income

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Interest and similar income from		
Lending and money market transactions	3,694	3,804
Fixed-income securities and government-inscribed debt	344	358
Equity securities and other variable-yield securities	21	24
Subsidiaries	13	19
Companies valued at equity	28	20
Participating interests	11	11
Investment property	7	7
Interest expense and similar charges for		
Deposits	1,512	1,567
Promissory notes and other liabilities evidenced by paper	1,001	1,167
Subordinated capital	247	250
Income (expense) from hedging relationships as a result of		
Hedge accounting	(1)	(10)
Fair value option for financial assets	—	—
Net income from lease operations	**47**	**37**
Total	**1,404**	**1,286**

Interest margin:

in %	3/31/2005	3/31/2004
Based on average risk assets (BIS)	2.62	2.38
Based on average volume of business	1.48	1.29

3

Provisions for losses on loans and advances

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Additions	566	755
Allowances for losses on loans and advances	541	704
Allowances for losses on guarantees and indemnities	25	51
Releases	(227)	(264)
Allowances for losses on loans and advances	(214)	(245)
Allowances for losses on guarantees and indemnities	(13)	(19)
Recoveries from write-offs of loans and advances	(16)	(11)
Total	**323**	**480**

Provisions for losses on loans and advances are calculated in the Interim Report on a pro rata basis on the basis of the presumed annual requirements.

4

Net commission income

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Securities and custodial services	310	288
Foreign trade operations/ money transfer operations	262	237
Lending operations	122	104
Other service operations	63	72
Total	**757**	**701**

5

Gains less losses arising from trading securities (trading profit)

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Equity contracts	90	111
Interest rate and currency contracts	232	154
Total	**322**	**265**

This item includes interest and dividend income totaling €206 million and refinancing costs totaling €153 million resulting from the balance of assets and liabilities held for trading purposes.

6

General administrative expenses

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Personnel expense	894	878
Other administrative expenses	539	513
Depreciation and amortization on intangible assets and property, plant and equipment	167	151
Total	**1,600**	**1,542**

7

Balance of other operating income and expenses

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Other operating income	68	99
Other operating expenses	80	30
Balance of other operating income and expenses	**(12)**	**69**

8

Balance of other income and expenses

€ millions	1/1–3/31/ 2005	1/1–3/31/ 2004
Other income	**—**	**—**
Other expenses	**37**	**72**
of which:		
Other taxes	2	1
Absorbed losses	35	38
Risk shield	—	33
Balance of other income and expenses	**(37)**	**(72)**

9

Earnings per share

	1/1–3/31/ 2005	1/1–3/31/ 2004
Consolidated profit (loss) adjusted for minority interest (€ millions)[1]	336	56
Average number of shares	750,699,140	536,288,700
Earnings per share (€)[1]	**0.45**	**0.18**

[1] 2004 figures adjusted for amortization of goodwill

10

Assets held for trading purposes

€ millions	3/31/2005	12/31/2004
Debt securities and other fixed-income securities	36,799	37,398
Equity securities and other variable-yield securities	5,709	5,481
Positive fair values from derivative financial instruments	41,039	44,958
Other assets held for trading purposes	5,039	3,874
Total	**88,586**	**91,711**

11

Placements with, and loans and advances to, other banks, broken down by maturity

€ millions	3/31/2005	12/31/2004
Repayable on demand	16,498	10,352
With agreed maturities	35,808	37,127
Total	**52,306**	**47,479**

12

Loans and advances to customers, broken down by maturity

€ millions	3/31/2005	12/31/2004
Repayable on demand	27,223	25,623
With agreed maturities	248,480	249,496
up to 3 months	32,850	33,282
from 3 months to 1 year	19,664	18,961
from 1 year to 5 years	54,134	55,669
from 5 years and over	141,832	141,584
Total	**275,703**	**275,119**

13

Total volume of lending

By content

€ millions	3/31/2005	12/31/2004
Placements with, and loans and advances to, other banks	23,719	22,299
Loans and advances to customers	270,802	270,979
Contingent liabilities	31,687	31,315
Total	**326,208**	**324,593**

14

Allowances for losses on loans and advances

Analysis of allowances for losses on loans and advances

€ millions	2005	2004
Balance at January 1 before initial application of new and revised IFRSs	**—**	**11,361**
Initial application of new and revised IFRSs	—	110
Balance at January 1 after initial application of new and revised IFRSs	**13,404**	**11,471**
Changes affecting income		
Gross additions	+ 541	+ 704
Releases	– 214	– 245
Changes not affecting income		
Changes due to make-up of group of consolidated companies	+ 4	– 17
Use of existing loan-loss allowances	– 155	– 217
Effects of currency translation and other changes not affecting income	+ 17	+ 24
Balance at March 31	**13,597**	**11,720**

15

Investments

€ millions	3/31/2005	12/31/2004
Held-to-maturity investments		
Debt securities and other fixed-income securities	8,188	8,417
Available-for-sale investments	16,826	16,207
Non-consolidated subsidiaries	1,877	1,777
Participating interests	1,460	1,475
Debt securities and other fixed-income securities	8,164	7,672
Equity securities and other variable-yield securities	5,325	5,283
Fair-value-option investments	19,698	18,203
Debt securities and other fixed-income securities	17,664	16,266
Equity securities and other variable-yield securities	2,034	1,937
Companies valued at equity	1,254	1,224
of which:		
Goodwill	172	172
Investment property	424	432
Total	**46,390**	**44,483**

16

Deposits from other banks, broken down by maturity

€ millions	3/31/2005	12/31/2004
Repayable on demand	16,809	10,249
With agreed maturities	86,476	93,357
Total	**103,285**	**103,606**

17

Amounts owed to other depositors, broken down by maturity

€ millions	3/31/2005	12/31/2004
Savings deposits and home-loan savings deposits	36,385	36,508
Other liabilities	111,467	107,943
Repayable on demand	60,536	52,721
With agreed maturities	50,931	55,222
Total	**147,852**	**144,451**

18

Promissory notes and other liabilities evidenced by paper, broken down by maturity

€ millions	3/31/2005	12/31/2004
With agreed maturities		
up to 3 months	13,406	10,103
from 3 months to 1 year	21,282	20,406
from 1 year to 5 years	43,790	47,914
from 5 years and over	32,027	31,139
Total	**110,505**	**109,562**

19

Provisions

€ millions	3/31/2005	12/31/2004
Provisions for pensions and similar obligations	2,878	2,881
Restructuring provisions	299	299
Allowances for losses on guarantees and indemnities	538	505
Other provisions	803	775
Total	**4,518**	**4,460**

20

Subordinated capital

€ millions	3/31/2005	12/31/2004
Subordinated liabilities	12,267	12,802
Participating certificates outstanding	1,960	1,987
Hybrid capital instruments	3,735	3,665
Total	**17,962**	**18,454**

21

Treasury stock

The purchase of treasury stock during the reporting period was carried out on the basis of the authorization issued under the resolutions passed at the Annual General Meetings of Shareholders of HVB AG on May 14, 2003 and April 29, 2004 in accordance with Section 71 (1) No. 7 of the German Stock Corporation Act.

For the purposes of securities trading as permitted under Section 71 (1) No. 7 of the German Stock Corporation Act, a total of 17,734,360 shares of HVB AG stock were purchased by the Bank and its controlled or majority-owned companies at the respective current market prices and 17,238,639 shares of HVB AG were sold at the respective current market prices.

The shares were purchased at an average price of €17.50 per share, and resold at an average price of €17.55 per share. The shares purchased during the reporting period amount to the equivalent of €53 million, or 2.4% of capital stock.

The highest number of shares of treasury stock held by the Bank on any given day during the reporting period was 1,081,224, equivalent to €3.2 million or 0.1% of capital stock.

Within the scope of its lending operations, the Bank and its controlled or majority-owned companies had received a total of 1,949,869 shares of treasury stock at March 31, 2005 as collateral in accordance with Section 71 e (1) 2 of the German Stock Corporation Act. This represents €5.8 million, or 0.3% of capital stock.

22

Contingent liabilities and other commitments

€ millions	3/31/2005	12/31/2004
Contingent liabilities[1]	31,713	31,334
of which:		
Guarantees and indemnity agreements	31,687	31,315
Other commitments	58,892	55,742
of which:		
Irrevocable credit commitments	49,331	46,865
Total	**90,605**	**87,076**

[1] Contingent liabilities are offset by contingent assets to the same amount

Futures contracts (derivatives)

The following derivative contracts were still outstanding at the reporting date. These figures include credit derivatives in addition to interest rate, foreign exchange, equity and index-related futures contracts. In addition to counterparty risk, derivatives are in particular subject to price risk arising from changes in interest rates, exchange rates and equity prices.

Without taking risk-reducing effects into account, the maximum counterparty risk (excluding add-on) totaled €44.2 billion at March 31, 2005 (December 31, 2004: €48.1 billion). Compliant with Principle I of the German banking supervisory regulations, taking into account existing netting agreements and collateral received, this gives rise to total risk assets (counterparty risk including add-on) of €18.5 billion (December 31, 2004: €18.2 billion); €4.9 billion remains after weighting for credit rating (December 31, 2004: €4.7 billion).

€ millions	Nominal amount		Positive fair values		Negative fair values	
	3/31/2005	12/31/2004	3/31/2005	12/31/2004	3/31/2005	12/31/2004
Interest rate derivatives	2,000,135	2,055 ,621	36,120	36,698	36,979	37,399
Foreign exchange derivatives	297,989	296,109	4,400	7,835	5,617	9,851
Equity/index derivatives	154,432	139,341	3,279	3,263	3,200	3,113
Credit derivatives	61,102	53,353	388	411	1,314	1,206
Other transactions	1,654	355	35	15	33	13
Total	**2,515,312**	**2,544,779**	**44,222**	**48,222**	**47,143**	**51,582**

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Potential market risk of trading activities (value-at-risk)

Market price risks arise when prices of interest rate, foreign exchange and equity/index products, and their related derivatives, change. The Bank assesses the potential market risk of trading positions on a value-at-risk basis (see HVB Group Annual Report 2004, starting on page 84).

Value-at-risk

€ millions	3/31/2005	12/31/2004
Interest rate positions	15	13
Foreign exchange positions	29	25
Equity/index positions	66	74
Total	**110**	**112**

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Noncurrent assets held for sale

HVB Group does not have any noncurrent assets held for sale or discontinued operations at March 31, 2005 that require disclosure compliant with IFRS 5.

EXECUTIVE BOARDS

Members of the Supervisory Board

Dr. Albrecht Schmidt
Chairman

Peter König
Deputy chairman

Dr. Hans-Jürgen Schinzler
Deputy chairman

Dr. Manfred Bischoff

Dr. Mathias Döpfner

Volker Doppelfeld

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Dr. Siegfried Sellitsch

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Professor Hans-Werner Sinn

Maria-Magdalena Stadler

Ursula Titze

Jens-Uwe Wächter

Helmut Wunder

Management Board

Johann Berger
Germany business segment,
Corporate Customers and Professionals,
and Real Estate business units,
since April 1, 2005

Dr. Stefan Jentzsch
Corporates & Markets
business segment

Dr. Michael Kemmer
Chief Risk Officer (CRO)

Christine Licci
Germany business segment,
Private Customers business unit,
since January 17, 2005

Michael Mendel
Germany business segment,
until May 12, 2005
Austria & Central and Eastern Europe
business segment,
from May 12, 2005

Dieter Rampl
Board Spokesman,
Human Resources Management

Gerhard Randa
Austria & Central and Eastern Europe
business segment,
Chief Operating Officer (COO),
until May 12, 2005

Dr. Wolfgang Sprissler
Chief Financial Officer (CFO)

QUARTERLY FIGURES

	Q1 (2005)	Q4 (2004)	Q3 (2004)	Q2 (2004)	Q1 (2004)
Operating performance (€ millions)					
Net interest income	1,404	1,477	1,444	1,455	1,286
Provisions for losses on loans and advances	323	445	455	415	480
Net interest income after provisions for losses on loans and advances	1,081	1,032	989	1,040	806
Net commission income	757	761	691	692	701
Trading profit	322	166	113	184	265
General administrative expenses	1,600	1,442	1,563	1,571	1,542
Balance of other operating income and expenses	(12)	(16)	26	22	69
Operating profit (loss)	**548**	**501**	**256**	**367**	**299**
Net income from investments	54	(242)	(17)	178	17
Amortization of goodwill	—	49	39	39	38
Addition to restructuring provisions	—	250	—	—	—
Allocation to special provisions for bad debts	—	2 500	—	—	—
Balance of other income and expenses	(37)	(95)	(86)	(104)	(72)
Profit (loss) from ordinary activities/ net income (loss) before taxes	**565**	**(2,635)**	**114**	**402**	**206**
Taxes on income	160	(27)	39	122	90
Net income (loss) after taxes	**405**	**(2,608)**	**75**	**280**	**116**
Minority interest in net income (loss)	(69)	(94)	(65)	(69)	(60)
Consolidated profit (loss)	**336**	**(2,702)**	**10**	**211**	**56**
Earnings per share (€)[1]	**0.45**	**0.12**	**0.05**	**0.35**	**0.18**

[1] 2004 quarterly figures adjusted for amortization of goodwill; Q4 additionally adjusted for addition to restructuring provisions and allocation to special provisions for bad debts

	3/31/2005	12/31/2004	9/30/2004	6/30/2004	3/31/2004
Key indicators (%)					
Return on equity after taxes[1]	11.6	3.9	4.1	5.4	3.3
Cost-income ratio					
(based on profit from ordinary activities)	64.3	72.0	69.3	67.4	69.2
Cost-income ratio					
(based on operating revenues)	64.8	65.5	67.3	66.6	66.4
Ratio of net commission income					
to operating revenues	30.6	30.5	30.0	29.8	30.2
Balance sheet figures (€ billions)					
Total assets	469.9	467.4	460.5	469.4	482.8
Total volume of lending	326.2	324.6	329.1	334.2	335.0
Shareholders' equity	14.6	14.0	15.7	15.8	13.5
Key capital ratios compliant					
with BIS rules					
Core capital (€ billions)	15.4	15.7	17.5	17.4	14.9
Equity funds € billions)	27.2	27.1	29.7	29.8	26.3
Risk assets (€ billions)	242.0	238.6	241.3	241.5	240.9
Core capital ratio (%)	6.4	6.6[2]	7.2	7.2	6.2
Equity funds ratio (%)	10.2	10.4	11.3	11.3	10.0
Share information					
Share price (€)	18.87	16.70	15.46	14.62	15.94[3]
Market capitalization (€ billions)	14.2	12.5	11.6	11.0	8.5[4]

Employees	57,437	57,806	57,973	57,874	59,575
Branch offices	2,085	2,036	2,055	2,055	2,091

[1] 2004 figures adjusted for amortization of goodwill; figures at 12/31/2004 additionally adjusted for addition to restructuring provisions and allocation to special provisions for bad debts

[2] 6.2% including consolidation and other effects to be incorporated from the start of 2005

[3] HVB share price adjusted for subscription discount

[4] Before capital increase

Important dates 2005	
Annual General Meeting of Shareholders	May 12, 2005
ICM International Congress Center Munich	
Neue Messe Munich-Riem, 81823 Munich, Germany	
Second-quarter earnings	July 28, 2005
Third-quarter earnings	October 27, 2005

Important dates 2006	
Preliminary annual results	February 23, 2006
Publication of the 2005 annual results	March 16, 2006
Annual General Meeting of Shareholders	May 24, 2006
ICM International Congress Center Munich	
Neue Messe Munich-Riem, 81823 Munich, Germany	
First-quarter earnings	May 10, 2006
Second-quarter earnings	July 26, 2006
Third-quarter earnings	October 26, 2006

Contacts

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