Interim Report

2006

31.3

HypoVereinsbank

Member of UniCredit Group

CONTENTS

FINANCIAL HIGHLIGHTS

Key indicators	1/1–3/31/2006	1/1–3/31/2005
Return on equity after taxes	22.8 %	11.8[1] %
Return on equity before taxes	29.6 %	16.2[1] %
Cost-income ratio (based on operating revenues)	56.4 %	65.3 %
Operating performance	1/1–3/31/2006	1/1–3/31/2005
Operating profit	976 €m	528 €m
Profit from ordinary activities/net income before taxes	1,081 €m	565 €m
Consolidated profit	651 €m	336 €m
Earnings per share	0.87 €	0.45 €
Balance sheet figures	3/31/2006	12/31/2005
Total assets	498.2 €bn	493.7[1] €bn
Total volume of lending	330.3 €bn	332.6 €bn
Shareholders' equity	16.3 €bn	15.4[1] €bn
Key capital ratios compliant with German Banking Act (KWG)	3/31/2006	12/31/2005[2]
Core capital	17.1 €bn	17.1 €bn
Equity funds	25.6 €bn	26.0 €bn
Risk assets	231.7 €bn	232.5 €bn
Core capital ratio	7.4 %	7.3 %
Equity funds ratio	10.5 %	10.6 %
Share information	1/1–3/31/2006	2005
Share price: Reporting date	27.24 €	25.61 €
High	28.55 €	26.85 €
Low	25.52 €	16.30 €
Market capitalization at reporting date	20.4 €bn	19.2 €bn
	3/31/2006	12/31/2005
Employees	62,696	61,251
Branch offices	2,461	2,316

[1] Prior year figures adjusted to reflect application of the modified IAS 19 (see also "IFRS basis" in the section entitled "Other Information")

[2] As per approved financial statements

Ratings

	Long-term	Short-term	Outlook	Public Pfandbriefs	Mortgage Pfandbriefs
Moody's	A2	P–1	stable	Aa1	Aa1
S&P	A	A–1	negative	AAA	—
Fitch Ratings	A	F1	stable	AAA	AAA

THE FIRST TRULY EUROPEAN BANK TAKES SHAPE

"The first truly European bank" – this is the promise made by UniCredit and HVB to their shareholders, customers, and employees. Since the fall of last year, people in all divisions and all countries of the new UniCredit Group have been working hard, with a great deal of personal commitment and a clear view of their objectives, to create a new, dominant power in the European banking market. The business combination with UniCredit is described in greater detail in the Special Report included in the HVB Group Annual Report for 2005.

During the first months of the current fiscal year, we have initiated numerous integration-related projects in Germany known collectively as the HVB Program 2006, pressing ahead to meet the ambitious schedules we have set. A Regional Integration Office covering all integration work in Germany has been set up in parallel to the divisional project offices in order to meet the growing requirements of cross-border and cross-division projects. This office provides support to the HVB Board spokesman and is responsible for coordinating and monitoring integration at country level.

A realignment of customer segmentation represents a further major emphasis in the German market alongside the main corporate-wide integration projects. These include global IT integration, the centralization of procurement, the optimization of the lending processes, the streamlining of central functions and staff offices, and the integration of asset management and investment banking.

The business models of the divisions will have a more demand-based focus for the various target groups in the future, reflected in the range of products and services we offer. They will also be positioned with clearly distinguished market strategies in the customer segments. The standardized divisional structure across the whole UniCredit Group makes it easier to apply best practices in the various regional markets and enhances the options for the cross-border support we offer customers with international operations. It also helps to boost efficiency and provide for clearer reporting and management structures.

In March 2006, UniCredit, HypoVereinsbank, Bank Austria Creditanstalt, Privatstiftung zur Verwaltung von Anteilsrechten (AVZ-Stiftung), and the Betriebsratsfonds of Bank Austria Creditanstalt reached understanding on a shareholders' agreement regulating the future role of Bank Austria Creditanstalt in the UniCredit Group. The division of responsibilities within the new corporate group calls for Bank Austria Creditanstalt (BA-CA) to become the Eastern Europe sub-holding of the UniCredit Group, giving it responsibility for a market with more than 300 million people in 24 countries. The executive bodies of the parties involved approved a shareholders' agreement to this effect at the end of March 2006. The agreement reached is set to run for 10 years and replaces the so-called "Basis Agreement" concluded in 2000, which includes the "Bank of the Regions Agreement," governing the functions of BA-CA within HVB Group.

We have drawn up concrete action plans for Germany to back the synergy targets announced when the business combination of UniCredit and HVB was first made public. New governance structures have been set up and all the principal management positions at HVB filled. Overall we are right on schedule with the integration and are confident of being able to meet our targets in full. Further details of the financial targets and business models of the new UniCredit Group and its divisions will be presented at the beginning of July during a capital markets conference in Munich.

General economic trends in the first quarter of 2006

Macroeconomic situation

The global economy is expanding fast overall. In the United States, however, the start of the year may well turn out to be atypical on account of the unusually good weather conditions in the first quarter. At the same time, the Japanese economy was not able to keep up the pace of the final quarter of 2005 through the first quarter of 2006. Private consumption is increasingly proving a driver of growth in Japan. The euro-area economy again benefited from dynamic export growth at the start of 2006. Capital spending by companies also increasingly helped to foster growth. Private consumption, on the other hand, again proved disappointing. Finally, growth in the countries of Central and Eastern Europe accelerated further in the first quarter of 2006, with domestic demand in most countries picking up pace, particularly in terms of expenditure on machinery and equipment. Private consumption leveled off, although it continued to expand below trend.

Specific trends affecting the banking sector in Germany

The German banking sector benefited from an improved economic environment and a sustained upturn on the capital markets in the first quarter of 2006. This resulted in the entire financial industry generating much higher revenues.

Greater demand for banking services on both the retail and corporate banking side, together with the related tangible upturn in business for the domestic financial institutions, had a positive impact above all on trading profits and net commission income. Earnings from interest-related operations are still dominated by risk-adjusted pricing, whereby the gradual recovery of private consumption yielded slight initial stimuli. The more friendly economic environment overall had a positive effect on loan-loss provisions, with provisioning expenditures remaining at a stable level.

The prospects for the financial services industry have visibly brightened overall. That said, though, we assume that the capital markets will normalize again following the very strong start to 2006 and that earnings from capital market-related operations will fail to match the level of the first quarter of 2006.

OPERATING PERFORMANCE

In the first quarter of 2006, HVB Group succeeded in continuing the excellent operating performance it recorded in the preceding quarters. Operating profit was up by 84.8% and net income before taxes by 91.3%, making the respective totals almost twice as high as for the first quarter of last year. Compared with the figures for fourth quarter of 2005 adjusted for restructuring costs and additional provisions for losses on loans and advances, the totals increased by a factor of three. In the first quarter, we have comfortably met the objective stated in the outlook of Management's Discussion and Analysis on page 74 of the 2005 Annual Report of achieving a substantial improvement in our cost-income ratio. The current cost-income ratio of 56.4% is much better than in any of the quarters last year; the cost-income ratio for the whole of last year totaled 66.4%. Return on equity after taxes increased to 22.8% in the first quarter of 2006 after 11.8% in the same period last year.

Details on the individual results components are discussed below:

Operating revenues

Total operating revenues rose a considerable 22.3%, or €546 million, compared with this point last year, driven primarily by the above-average rate of change in net commission income and trading profit.

Net interest income improved by €102 million, or 7.3%, compared with last year, partly as a result of the effects of initial consolidation, higher private equity earnings, and interest income on a previously written-down loan commitment. We more than compensated for the impact of an intentional strategic reduction in the volume of real estate lending together with declining volumes arising from the further acceleration of risk-adjusted pricing in the Germany business segment. Compliant with the German Banking Act (KWG), the interest margin based on the average risk assets recorded in the balance sheet of 3.01% is above the 2.75% recorded for the first three months of last year.

Net commission income

Net commission income rose an impressive 28.4%, to €972 million, partly as a result of much higher contributions to profits from our securities and depositary business (up 34.8%). In particular, sales of innovative financial products like the "HVB Best of Funds" helped to boost earnings. All other service activities also developed strongly.

Trading profit

In a friendly capital market environment, trading profit reached the highest quarterly total ever recorded by HVB Group, at €508 million. Thus it exceeded the already high total of €322 million reported at this point last year by more then half. Both the profits from equity contracts (up by a factor of one and a half) and the contribution from interest rate and currency contracts (up 15.5%) increased in the process.

General administrative expenses

HVB Group's general administrative expenses rose by 5.7%, to €1,691 million, primarily as a result of the effects of initial consolidation and higher provisions for profit-related bonus payments in the Corporates & Markets segment. Adjusted for initial consolidation and currency effects, general administrative expenses are about the same as in the first quarter of 2005.

The cost-income ratio (percentage of total operating revenues made up by general administrative expenses) has improved a significant 8.9% percentage points from 65.3% at March 31, 2005 to 56.4% on the back of the strong rise in operating revenues.

Provisions for losses on loans and advances

We expect provisions for losses on loans and advances in 2006 to be at a similar level as in 2005 (adjusted for "additional provisions for losses on loans and advances"), with a total volume of around €1.3 billion. On a pro rata basis for the first three months, this represents provisions of €330 million for losses on loans and advances.

Operating profit and net income before taxes

Operating profit for the first three months rose a sharp 84.8% compared with the first quarter of 2005, climbing €448 million to €976 million. This total is almost three times as as high as the adjusted operating profit of €345 million recorded for the final quarter of last year. The positive development of all components of operating revenues confirms the continuation of the sustained improvement in profitability of the last two fiscal years.

At €109 million, net income from investments was ahead of the total of €74 million for the first quarter of 2005. This strong result was considerably boosted by the gain of €55 million realized on the reduction of our shareholding in Babcock & Brown Limited.

In compliance with IFRS 3, scheduled amortization has no longer been taken on goodwill since January 1, 2005. No non-scheduled amortization of goodwill was taken in the first quarter of 2006.

The balance of other income and expenses improved to a net expense of €4 million compared with a net expense of €37 million at March 31, 2005. This resulted from the addition of the HVB Immobilien subgroup to the group of companies included by HVB Group in consolidation and the related cessation of losses absorbed.

At €1,081 million, net income before taxes is almost twice as high as the corresponding figure at this point last year. Net income is three times as high as the corresponding figure for the previous quarter adjusted for restructuring costs and additional provisions for losses on loans and advances.

Consolidated profit

After deducting the minority interest of €147 million included in net income, we generated a consolidated profit of €651 million, which is more than twice as high as the corresponding figure for the first quarter of 2005.

Trends in individual business segments

The contributions of the individual business segments to the operating profit of €1,081 million were as follows:

Germany	€281 million
Austria and CEE	€309 million
Corporates & Markets	€553 million
Real Estate Restructuring	loss of €13 million
Other/consolidation	loss of €49 million

We have adjusted the figures for the comparable periods to reflect the change in disclosure of the gains on disposal of deconsolidated companies made for the first time at September 30, 2005 accordingly.

Germany business segment

The Germany business segment increased its operating profit by a strong 41.9% compared with the prior year, to €288 million. Besides a decline in general administrative expenses, the main factor contributing to this positive development was the greater income from services operations. As a result, the cost-income ratio improved by 8.6 percentage points to 55.5%. Net income before taxes similarly rose significantly compared with the prior year, by €79 million or 39.1%.

The Private Customers business unit (including asset management and private banking activities) posted an impressive start in the first quarter of 2006, with operating profit totaling €110 million.

Operating revenues increased by 14.5% or €68 million to €538 million. This rise was driven primarily by net commission income, which climbed a strong 25.7%. Successful marketing in particular of innovative investment products like the "HVB Best of Funds" also made a major contribution to this development. Net interest income was up a slight 1.2%, partly as a result of higher HVB Sofortkredit volumes. It also proved possible to improve margins on the deposits side. At the same time, general administrative expenses declined by 8.8% to €374 million, among other things on account of the PRO efficiency program. As a result of the higher operating revenues and the simultaneous decline in general administrative expenses, the cost-income ratio improved by 17.7 percentage points to 69.5%, compared with 87.2% at March 31, 2005. Despite higher provisions for losses on loans and advances, the operating profit jumped five-fold over the equivalent prior year figure.

In the Corporate Customers and Professionals business unit, we were able to boost operating profit by 8.4%, or €13 million, to €167 million despite the already high level reached last year. The 5.3% rise in operating revenues to €458 million results mainly from net commission income (up 11.9%) arising from higher advisory fees in conjunction with structured loans, higher earnings from domestic and international payments, and the similarly successful sale of innovative investment products. Net interest income rose by 2.2%, mostly as a result of improved interest margins and greater customer volumes in the deposit-taking business. The cost-income ratio improved by 2.8 percentage points to 43.9% on the back of a slight decline of 1.0% in general administrative expenses.

The Real Estate business unit continued to systematically implement the restructuring program initiated in 2005 unchanged during the first quarter of 2006. The performance of the unit has been further affected by this restructuring accordingly, with operating revenues decreasing by 10.3% compared with the prior year. This decline results primarily from net interest income, which fell by €10 million, or 10.4%, in line with the continued portfolio disposals carried out for strategic reasons. Despite this, a slight improvement in the cost-income ratio to 34.6% could be achieved on the back of a 12.2% decrease in general administrative expenses. Although operating profit declined accordingly, it is still fully in line with our plans.

Austria and CEE business segment

The Austria and CEE business segment generated an operating profit of €309 million with provisions for losses on loans and advances remaining constant; this was 52.2% more than the operating profit recorded for the first quarter of 2005.

The cost-income ratio improved to 60.1% from 64.8% at March 31, 2005 on the basis of a sharp rise in operating revenues (up 18.1%) and a simultaneous increase of 9.6% in general administrative expenses.

The Private Customers Austria business unit posted growth of 4.8% in operating revenues compared with the equivalent period last year as a result of a 14.8% expansion of net commission income. This increase in revenues, in conjunction with a 4.4% rise in general administrative expenses, led to a slight improvement in the cost-income ratio. Consequently, the business unit posted operating profit up 5.0%, despite an 8.7% rise in provisions for losses on loans and advances.

The SMEs Austria business unit succeeded in posting significantly higher operating revenues, up 7.7%, as a result of much higher net commission income. Net interest income increased by 4.6%. This revenue growth coupled with a reduction in general administrative expenses led to an improvement in the cost-income ratio of 7.2 percentage points compared with the equivalent prior year quarter, to 56.9%. Even though provisions for losses on loans and advances climbed by 16.2%, the business unit posted a sharp 64.3% rise in operating profit.

At €68 million, the operating profit of the Large Corporates and Real Estate business unit similarly grew strongly, climbing 65.9% compared with the first quarter of 2005. This can be attributed to in particular to strong net commission income (up 68.0%) (from derivatives operations) as well as a significant decline in provisions for losses on loans and advances (down 78.6%). Despite slightly higher general administrative expenses, the 15.7% increase in operating revenues led to a reduction in the cost-income ratio to 49.3% after 54.5% at March 31, 2005.

In the Central and Eastern Europe (CEE) business unit, the significant rise of 34.8% in operating revenues can be attributed to the pleasing development of the two revenue components net interest income (up 37.7%) and net commission income (up 38.6%). The sharp rise in operating revenues more than offset the 24.0% increase in general administrative expenses, as a result of which the cost-income ratio improved by 4.6% to 52.5%. Operating profit rose by 63.0% to €176 million after €108 million in the first quarter of 2005, with provisions for losses on loans and advances remaining practically constant.

Including the result from Corporates & Markets and 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 €386 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 earnings contribution made by the Bank Austria Creditanstalt Group and all other Group companies with Group-specific items do not, from the Group point of view, match their primary earnings. The primary net income before taxes reported by the Bank Austria Creditanstalt Group of €421 million is published separately by Bank Austria Creditanstalt.

Corporates & Markets business segment

In a favorable capital market environment, the Corporates & Markets business segment succeeded in more than doubling its operating profit to €499 million in the first quarter of 2006. This development was driven by a 53.6% increase in operating revenues, which experienced much stronger contributions from all three sources of income. Trading profit, which expanded by more than half to €465 million, and the practical doubling of net commission income, were particularly successful. The rise in general administrative expenses reflects higher performance-related personnel costs relating to the dynamic development of earnings, leading to an improvement in the cost-income ratio of 11.8 percentage points. In addition, net income from investments was posted up €14 million, resulting in net income before taxes more than doubling to reach €553 million.

The Corporates business unit also succeeded in posting a big increase in operating revenues, up 91.3% on the prior year. The full consolidation of Closed Joint Stock Company International Moscow Bank (IMB) performed for the first time in the second quarter of last year was one of the main factors contributing to this success. At the same time, all three sources of income for operating revenues (net interest income, net commission income, and trading profit) experienced tangible growth. Despite a sharp increase in general administrative expenses relating to bonuses, the cost-income ratio improved a significant 15.0 percentage points to 37.4% on the back of the higher level of revenues.

The operating revenues of the Markets business unit rose notably on account of the significant €132 million, or 43.7%, rise in trading profit to €434 million. At the same time, the higher net commission income was able to partially offset the decline in net interest income. General administrative expenses increased by 10.0% as a result of higher performance-related personnel expenses. Despite this, the cost-income ratio improved by 9.1 percentage points to 45.0%.

Real Estate Restructuring business segment

The HVB Immobilien subgroup, whose results have to date always been included in the results of HVB Group on account of the existing profit-and-loss transfer agreement with HVB AG, was fully consolidated for the first time in the first quarter of 2006. This means that the losses previously absorbed by this segment under other income and expenses are no longer applicable. The income and expenses accruing in the HVB Immobilien subgroup in the first quarter of 2006 are reflected in the individual items of the segment income statement as effects of initial consolidation. For this reason alone, general administrative expenses rose by €9 million or 39.1% compared with the prior year, leading to an operating loss of €7 million after an operating profit of €10 million in 2005. Net interest income decreased by €11 million to €21 million on account of portfolio disposals. With the charges arising from the HVB Immobilien subgroup that were still included in the prior year in the form of absorbed losses declining significantly, the net loss before taxes improved by €10 million to €13 million in the first quarter of 2006.

Other/consolidation segment

For the most part, the Other/consolidation segment contains HVB Group service companies. Whereas the operating loss remained practically unchanged compared with the prior year at €113 million, the net loss before taxes of €49 million has almost halved on account of a gain of €55 million on the disposal of part of our shareholding in Babcock & Brown Limited realized in net income from investments.

Total assets and volume of lending

The total assets of HVB Group amounted to €498.2 billion at March 31, 2006, representing an increase of €4.6 billion or 0.9% over the 2005 year-end total. On the assets side, the increase results essentially from a rise of €15.3 billion in placements with, and loans and advances to, other banks. At the same time, notably, assets held for trading purposes declined by €4.9 billion, loans and advances to customers by €3.6 billion, the cash reserve by €2.1 billion, and investments by €0.9 billion.

The volume of lending declined by €2.3 billion to €330.3 billion. Whereas loans and advances to customers decreased by €3.4 billion, placements with, and loans and advances to, other banks and contingent liabilities rose slightly, by €0.8 billion and €0.3 billion respectively.

On the liabilities side, the decline in liabilities held for trading purposes of €3.2 billion is more than offset by increases of €3.2 billion in promissory notes and other liabilities evidenced by paper and of €1.4 billion each in deposits from other banks and amounts owed to other depositors. The shareholders' equity shown in the balance sheet rose by €0.9 billion to reach €16.3 billion, primarily on account of the profit generated in the first quarter of 2006. This total includes €3.3 billion of minority interest, up €0.2 billion on the year-end figure. Compliant with IAS 19.93 A, actuarial losses totaling €1.0 billion were recorded in shareholders' equity for the first time. The prior year figures have been adjusted accordingly (see also "IFRS basis" in the section entitled "Other information" below).

Compliant with IFRS 5, the balance sheet items "Disposal group held for sale" and "Liabilities held for sale" contain the assets and liabilities of HVB Splitska banka d.d., Split, which is assigned to the Austria and CEE segment and whose sale was agreed in April of this year (see also "Events after March 31, 2006").

Risk assets, key capital ratios and liquidity

At €232 billion, the risk assets compliant with the German Banking Act (KWG) were almost unchanged over the prior year. Market risk positions compliant with the German Banking Act amounted to €951 million.

The core capital compliant with the German Banking Act totaled €17.1 billion at March 31, 2006. This gives rise to a core capital ratio of 7.4% and an equity funds ratio of 10.5%. If market risk positions are also included, the core capital ratio totals 7.0%.

A bank's liquidity is evaluated using the liquidity ratio defined in Principle II of the German banking supervisory regulations. This figure is 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 2006 (annual average in 2005: 1.2).

IFRS basis

The present interim 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. 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 2005.

Listed below are the changes to the standards to be applied for the first time with effect from January 1, 2006, which essentially affect our bank.

HVB Group has exercised the new option in the revised IAS 19.93 A "Employee benefits" permitting unrealized gains or losses to be carried in shareholders' equity outside the profit or loss for the period. The comparative prior year figures and the statement of changes in shareholders' equity have been adjusted accordingly. Unrealized actuarial losses of €1,372 million have been charged directly to shareholders' equity together with the related deferred tax assets of €400 million. Thus the change of method has resulted in a reduction of €972 million in the shareholders' equity reported at December 31, 2005; €166 million of this total is attributable to minority interest. The reserves have increased by €1,108 million, this being the balance of the unrealized actuarial loss (€1,372 million) and the capitalized excess cover for plan assets (€264 million). Investments (excess cover for plan assets) have declined by €264 million accordingly.

In addition, the following changes to the standards were applicable for the first time, but they have not had any material consequences for HVB Group:

- Change in IAS 21 "The effects of changes in foreign exchange rates"
- Additions to IAS 39 "Financial instruments: Recognition and measurement" and IFRS 4 "Insurance contracts"
- Change in IAS 39 regarding cash flow hedge accounting
- Interpretation IFRIC 4 on leases

Please refer to the 2005 Annual Report starting on page 113 for information on other accounting and valuation principles.

Changes in the group of companies included in consolidation

With effect from January 1, 2006, we have included HVB Immobilien AG together with its subsidiaries in the consolidated financial statements of HVB Group by way of full consolidation. The business activities of these real estate property companies are geared to managing their real estate portfolios to best effect. Up until now, the results of these companies were already included in the balance of other income and expenses in the HVB Group income statement by way of absorbed losses.

Besides the HVB Immobilien subgroup, Joint Stock Commercial Bank HVB Bank Ukraine, Kiev, and HVB Bank Latvia, Riga, and others have been added to the group of companies included in consolidation with effect from January 1, 2006.

The following banks had already been added to the group of companies included in consolidation in fiscal 2005. However, their results still have an impact on comparisons with the first quarter of 2006 as they were not initially consolidated until after March 31, 2005 (see also Annual Report 2005, starting on page 116):

- Closed Joint Stock Company International Moscow Bank, Moscow
- Hebros Bank, Plovdiv
- HVB Banka Srbija i Crna Gora A.D., Belgrade
- Banca Comerciala "Ion Tiriac" S.A., Bucharest

Events after March 31, 2006

In April 2006, an agreement was reached by the representatives of the Polish government and representatives of UniCredit regarding the future structure of the UniCredit Group in Poland. A ruling similarly issued by the National Bank of Poland in April 2006 resulted in the release of the voting rights in Bank BPH S.A., Cracow, held by HVB Group through Bank Austria Creditanstalt AG that had been frozen since November 17, 2005. The voting rights had been frozen because the National Bank of Poland had not yet granted the approval required for UniCredit to indirectly acquire the voting rights in Bank BPH S.A., Cracow. As part of the restructuring of the UniCredit Group, the shares that Bank Austria Creditanstalt AG holds in BPH S.A., Cracow, are to be transferred as a whole to UniCredit Holding, which will then draw up the further restructuring measures for Poland.

Similarly in April 2006, the sale of HVB Splitska banka, d.d., Split, was contractually agreed. In the interim financial statements of HVB Group at March 31, 2006, HVB Splitska banka, d.d., Split, is included in the balance sheet in the items "Disposal group held for sale" and "Liabilities held for sale." The results of Splitska banka, d.d., Split, are included in the individual income and expense items of the income statement. The deconsolidation of Splitska banka, d.d., Split, will coincide with closing, which is expected to take place in the second quarter of 2006.

General economic trends

The global economy is set to weaken during the course of the year, although no hard landing is imminent despite rising oil prices. In fact, global expansion is likely to remain robust, with GDP forecast to grow by 3% after 3.5% in 2005. The United States will remain the engine of growth alongside China and the emerging economies of Asia, although U.S. growth is almost certain to slip below its long-term trend during the course of the year. On account of the strong start to the year, however, the annual growth rate in the United States should still average 3.25% in 2006, falling from 3.5% in 2005. The U.S. economy will be slowed in particular by the end of the real estate boom, which will tend to dampen private consumption. But the end of various fiscal stimuli, coupled with the burgeoning trade deficit and high oil prices, will also have a knock-on effect. The Japanese economy is likely to expand by a good 2% in the current year, down from 2.7% in 2005. All the same, the foundations of economic expansion are becoming ever broader. The Bank of Japan will not, however, carry out a first interest rate rise before the fourth quarter of 2006, since the end of deflation has not yet been permanently secured.

In the euro area, the leading indicators seem likely to pass their peak soon and start signaling a renewed slowing of GDP growth, with 1.75% forecast for 2006 as a whole after 1.4% in 2005. Whereas the demand for exports is set to lose momentum in the second half of the year, capital spending by companies will continue to grow strongly. Consumer demand from private households will remain feeble, however. This is indicated by the only gradual improvement in the situation on the labor market and the rise in oil prices absorbing most of the increase in disposable incomes. Only in Germany will private consumption pick up towards the end of the year, since the announced rise in value-added tax will cause spending to be brought forward. This growth factor will no longer be present in 2007, however.

The countries of Central and Eastern Europe can expect to enjoy growth averaging around 5% for the year as a whole, driven by consistently robust demand for their exports coupled with increasingly stable levels of domestic demand. Economic expansion in Austria is likely to pick up yet more speed during the current year. At 2.5%, GDP growth will be faster than at any other time over the last six years. Private consumption is also set to underpin expansion, with households benefiting equally from low inflation and rising employment levels.

The cycle of the interest rate rises by the Fed seems to have run its course. A first reduction in interest rates can already be expected at the start of next year. On the other hand, the European Central Bank is likely to raise its key lending rate twice more, to reach 3%. If the markets start to price in a reduction of interest rates by the Fed, yields on 10-year U.S. Treasury bonds will probably decline sharply. This is also signaled by the slowdown in U.S. growth and the tailing off of inflationary fears. German Treasury bonds will follow the lead from the United States at a lower level. In the medium term, the dollar should depreciate further as a result of the renewed focus on the high U.S. current account deficit and the ongoing appreciation of the Chinese currency. By the end of the year, the euro should be worth around $1.30 as a result.

Earnings performance of HVB Group

The risks associated with the further development of HVB Group as described in last year's Risk Report (2005 Annual Report, pp. 76–103) have not changed during the course of the year to date.

As already mentioned in Management's Discussion and Analysis in the consolidated financial statements at December 2005 (on page 74 of the 2005 Annual Report), we are planning for a tangible increase in operating revenues in fiscal 2006, with general administrative expenses remaining practically unchanged. Trading profit and stronger net commission income are expected to be the main drivers of growth in operating revenues.

This would consequently give rise to a scheduled improvement in the cost-income ratio and the return on equity.

Thanks to the results achieved during the first quarter of 2006 primarily on the back of the strong operating revenues, we have comfortably exceeded our internal targets for both earnings and key ratios. Consequently, we believe we are well on the way to meeting our targets for 2006 over the year as a whole, even if we do not expect to see earnings stabilizing at the level of the first quarter in the further course of the year.

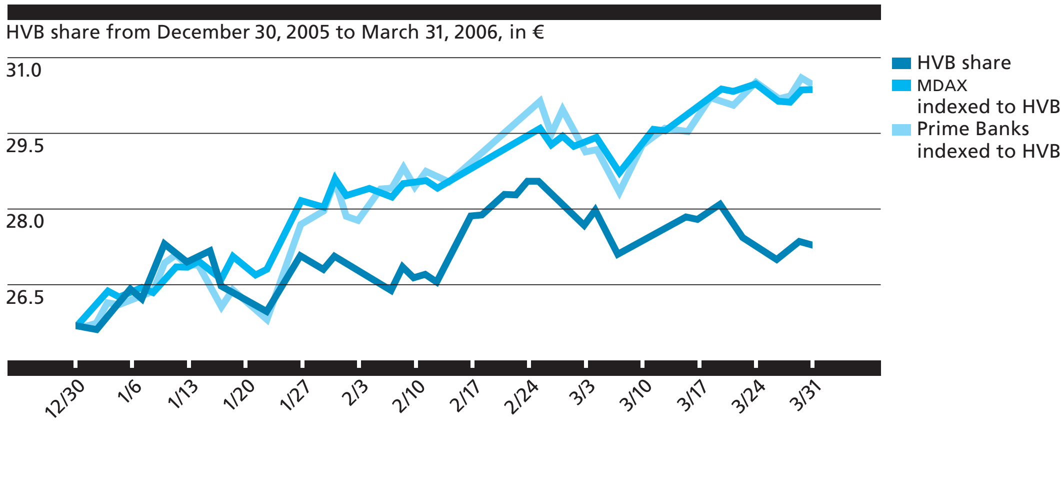
The price of the HVB share rose by 6.4% to stand at €27.24 by the end of the first quarter. Having said this, our share proved around 12% weaker than our benchmark indexes, the MDAX and the Prime Banks index. This should, however, be seen against the price rise recorded during 2005, when the HVB share clearly outperformed just about all European banking stocks and relevant indexes.

The remaining free float of just 6.07% following completion of the business combination with UniCredit, coupled with the HVB share's move from the DAX to the MDAX on December 19, 2005, have resulted in a change in the pattern of demand. Average daily turnover still totaled 4.5 million shares at the end of 2005, whereas the average daily turnover in the first three months of 2006 declined to 0.7 million shares. At the end of March, the HVB share was weighted at 1.35% in the MDAX and 1.41% in the Prime Banks index.

On account of the smaller free float, the HVB share was being tracked by just eleven banks and securities firms at the end of March 2006. Just under half of the analysts (46%) had issued a "hold" recommendation for the share, 18% an "underweight" recommendation, and 36% an "overweight" recommendation.

Given the continued rise in our financial results and the improvement in the underlying economic conditions in Germany, we believe there is plenty of potential yet to be tapped in the HVB share.

The HVB share relative to MDAX and Prime Banks



RESULTS

INCOME STATEMENT
FROM JANUARY 1 TO MARCH 31, 2006

Income/expenses		1/1–3/31/2006 € millions	1/1–3/31/2005 € millions	Change € millions	Change in %
Interest and similar income		4,367	4,209	+ 158	+ 3.8
Interest expense and similar charges		2,861	2,805	+ 56	+ 2.0
Net interest income	(2)	1,506	1,404	+ 102	+ 7.3
Provisions for losses on loans and advances	(3)	330	323	+ 7	+ 2.2
Net interest income after provisions for losses on loans and advances		1,176	1,081	+ 95	+ 8.8
Fee and commission income		1,155	903	+ 252	+ 27.9
Fee and commission expenses		183	146	+ 37	+ 25.3
Net commission income	(4)	972	757	+ 215	+ 28.4
Gains less losses arising from trading securities (trading profit)	(5)	508	322	+ 186	+ 57.8
General administrative expenses	(6)	1,691	1,600	+ 91	+ 5.7
Balance of other operating income and expenses	(7)	11	(32)	+ 43	
Operating profit (loss)		**976**	**528**	**+ 448**	**+ 84.8**
Net income from investments		109	74	+ 35	+ 47.3
Amortization of goodwill		—	—	—	—
Balance of other income and expenses	(8)	(4)	(37)	+ 33	+ 89.2
Profit (loss) from ordinary activities/ net income (loss) before taxes		**1,081**	**565**	**+ 516**	**+ 91.3**
Taxes on income		283	160	+ 123	+ 76.9
Net income (loss) after taxes		**798**	**405**	**+ 393**	**+ 97.0**
Minority interest in net income (loss)		(147)	(69)	(78)	>(100.0)
Consolidated profit (loss)		**651**	**336**	**+ 315**	**+ 93.8**

		1/1–3/31/2006 €	1/1–3/31/2005 €
Earnings per share	(9)	0.87	0.45

Since no conversion rights or option rights on conditional capital existed at March 31, 2006, there is no calculation of diluted earnings per share.

BALANCE SHEET AT MARCH 31, 2006

Assets	Notes	3/31/2006 € millions	12/31/2005 € millions	Change € millions	Change in %
Cash reserve		5,686	7,757	(2,071)	(26.7)
Assets held for trading purposes	(10)	98,614	103,519	(4,905)	(4.7)
Placements with, and loans and advances to, other banks	(11)	72,487	57,229	+ 15,258	+ 26.7
Loans and advances to customers	(12)	271,071	274,643	(3,572)	(1.3)
Allowances for losses on loans and advances	(14)	(12,138)	(12,511)	+ 373	+ 3.0
Investments	(15)	44,547	45,419	(872)	(1.9)
Property, plant and equipment		2,796	2,723	+ 73	+ 2.7
Intangible assets		2,764	2,776	(12)	(0.4)
Income tax assets		3,366	3,291	+ 75	+ 2.3
Other assets		5,654	5,573	+ 81	+ 1.5
Disposal group held for sale	(16)	3,392	3,240	+ 152	+ 4.7
Total assets		**498,239**	**493,659**	**+ 4,580**	**+ 0.9**

Shareholders' equity and liabilities	Notes	3/31/2006 € millions	12/31/2005 € millions	Change € millions	Change in %
Deposits from other banks	(17)	115,127	113,739	+ 1,388	+ 1.2
Amounts owed to other depositors	(18)	159,779	158,421	+ 1,358	+ 0.9
Promissory notes and other liabilities evidenced by paper	(19)	109,176	105,982	+ 3,194	+ 3.0
Liabilities held for trading purposes		60,425	63,638	(3,213)	(5.0)
Provisions	(20)	5,981	5,672	+ 309	+ 5.4
Income tax liabilities		1,984	1,891	+ 93	+ 4.9
Other liabilities		10,222	9,406	+ 816	+ 8.7
Subordinated capital	(21)	17,269	17,612	(343)	(1.9)
Liabilities held for sale[1]	(22)	2,002	1,887	+ 115	+ 6.1
Shareholders' equity		16,274	15,411	+ 863	+ 5.6
Shareholders' equity attributable					
to shareholders of HVB AG		12,987	12,358	+ 629	+ 5.1
Subscribed capital		2,252	2,252	0	0
Additional paid-in capital		9,125	9,128	(3)	0.0
Other reserves		31	58	(27)	(46.6)
Change in valuation of financial instruments		737	729	+ 8	+ 1.1
AfS reserve		1,075	871	+ 204	+ 23.4
Hedge reserve		(338)	(142)	(196)	> (100.0)
Consolidated profit 2005		191	191	0	0
Consolidated profit (loss) 1/1–3/31		651	0	+ 651	> + 100.0
Minority interest		3,287	3,053	+ 234	+ 7.7
Total shareholders' equity and liabilities		**498,239**	**493,659**	**+ 4,580**	**+ 0.9**

[1] Excluding internal funding

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	2006	2005
Shareholders' equity at January 1 (before change in IAS 19)	**16,383**	**13,976**
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(972)	(288)
Shareholders' equity at January 1 (after change in IAS 19)	15,411	13,688
Shareholders' equity attributable to shareholders of HVB AG at 1/1 (before change in IAS 19)	13,164	11,467
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(806)	(245)
Shareholders' equity attributable to shareholders of HVB AG at 1/1 (after change in IAS 19)	12,358	11,222
Changes 1/1–3/31		
Subscribed capital	0	0
Change from capital increase against cash contribution	0	0
Change in holdings of, and net income from, treasury stock	0	0
Additional paid-in capital	(3)	0
Change from capital increase against cash contribution	—	0
Transaction costs of capital increase	—	0
Change in holdings of, and net income from, treasury stock	(3)	0
Retained earnings	—	—
Pensions and similar obligations (IAS 19)	0	0
Actuarial losses on defined benefit plans	0	0
Reserve arising from currency and other changes	(27)	45
Change in valuation of financial instruments	8	148
Consolidated profit 2005 (dividend payout of HVB AG)	0	0
Profit (loss) 1/1–3/31	651	336
Shareholders' equity attributable to HVB AG shareholders at 3/31	12,987	11,751
Minority interest at 1/1 (before change in IAS 19)	3,219	2,509
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(166)	(43)
Minority interest at 1/1 (after change in IAS 19)	3,053	2,466
Change in minority interest 1/1–3/31	234	130
Minority interest at 3/31	3,287	2,596
Shareholders' equity at March 31	**16,274**	**14,347**
including:		
Shareholders' equity of disposal group held for sale (HVB Splitska banka)	125	103

CASH FLOW STATEMENT

€ millions	2006	2005
Cash and cash equivalents at January 1	**7,757**	**6,903**
Cash flows from operating activities	(3,798)	355
Cash flows from investing activities	1,653	(1,668)
Cash flows from financing activities	88	(507)
Effects of exchange rate changes on cash and cash equivalents	(14)	8
Cash and cash equivalents at March 31	**5,686**	**5,091**

1

Segment reporting
Income statement from January 1 to March 31, 2006, broken down by business segment

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Net interest income						
1/1–3/31/2006	662	631	282	21	(90)	1,506
1/1–3/31/2005	663	548	224	32	(63)	1,404
Provisions for losses on loans and advances						
1/1–3/31/2006	201	110	19	—	—	330
1/1–3/31/2005	164	110	47	—	2	323
Net commission income						
1/1–3/31/2006	433	411	132	1	(5)	972
1/1–3/31/2005	364	322	68	2	1	757
Trading profit						
1/1–3/31/2006	1	13	465	—	29	508
1/1–3/31/2005	—	18	304	—	—	322
General administrative expenses						
1/1–3/31/2006	610	630	370	32	49	1,691
1/1–3/31/2005	654	575	309	23	39	1,600
Balance of other operating income and expenses						
1/1–3/31/2006	3	(6)	9	3	2	11
1/1–3/31/2005	(6)	—	(18)	(1)	(7)	(32)
Operating profit (loss)						
1/1–3/31/2006	288	309	499	(7)	(113)	976
1/1–3/31/2005	203	203	222	10	(110)	528
Net income from investments						
1/1–3/31/2006	(6)	—	55	(5)	65	109
1/1–3/31/2005	—	13	41	—	20	74
Amortization of goodwill						
1/1–3/31/2006	—	—	—	—	—	—
1/1–3/31/2005	—	—	—	—	—	—

Segment reporting
Income statement from January 1 to March 31, 2006, broken down by business segment (continued)

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Balance of other income and expenses						
1/1–3/31/2006	(1)	—	(1)	(1)	(1)	(4)
1/1–3/31/2005	(1)	—	—	(33)	(3)	(37)
Profit (loss) from ordinary activities/ net income (loss) before taxes						
1/1–3/31/2006	281	309	553	(13)	(49)	1,081
1/1–3/31/2005	202	216	263	(23)	(93)	565
including:						
Bank Austria Creditanstalt Group						
1/1–3/31/2006	—	309	75	—	2	386
1/1–3/31/2005	—	216	42	—	(14)	244

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]						
1/1–3/31/2006	26.0	21.5	60.2	—	—	29.6
1/1–3/31/2005[3]	17.5	17.4	30.7	—	—	16.2

1 Figures have no informative value

2 Net income before taxes as a proportion of average shareholders' equity (excluding change in valuation of financial instruments) including minority interest

3 Prior year figures adjusted to reflect the modified IAS 19.93 A; in addition, the allocation of minority interest has been refined with effect from January 1, 2006

Income statement by business unit
Germany business segment

€ millions	Private Customers	Corporate Customers and Professionals	Real Estate	Consolidation	Total
Operating revenues					
March 31, 2006	538	458	104	(1)	1,099
March 31, 2005	470	435	116	—	1,021
Provisions for losses on loans and advances					
March 31, 2006	54	90	57	—	201
March 31, 2005	39	78	47	—	164
General administrative expenses					
March 31, 2006	374	201	36	(1)	610
March 31, 2005	410	203	41	—	654
Operating profit					
March 31, 2006	110	167	11	—	288
March 31, 2005	21	154	28	—	203
Cost-income ratio					
March 31, 2006	69.5%	43.9%	34.6%	—	55.5%
March 31, 2005	87.2%	46.7%	35.3%	—	64.1%

Austria and CEE business segment

€ millions	Private Customers Austria	SMEs Austria	Large Corporates and Real Estate	CEE	Consolidation	Total
Operating revenues						
March 31, 2006	303	153	140	453	—	1,049
March 31, 2005	289	142	121	336	—	888
Provisions for losses on loans and advances						
March 31, 2006	25	43	3	39	—	110
March 31, 2005	23	37	14	36	—	110
General administrative expenses						
March 31, 2006	236	87	69	238	—	630
March 31, 2005	226	91	66	192	—	575
Operating profit						
March 31, 2006	42	23	68	176	—	309
March 31, 2005	40	14	41	108	—	203
Cost-income ratio						
March 31, 2006	77.9%	56.9%	49.3%	52.5%	—	60.1%
March 31, 2005	78.2%	64.1%	54.5%	57.1%	—	64.8%

Corporates & Markets business segment

€ millions	Markets	Corporates	Consolidation	Total
Operating revenues				
March 31, 2006	489	398	1	888
March 31, 2005	370	208	—	578
Provisions for losses on loans and advances				
March 31, 2006	—	19	—	19
March 31, 2005	—	47	—	47
General administrative expenses				
March 31, 2006	220	149	1	370
March 31, 2005	200	109	—	309
Operating profit				
March 31, 2006	269	230	—	499
March 31, 2005	170	52	—	222
Cost-income ratio				
March 31, 2006	45.0%	37.4%	—	41.7%
March 31, 2005	54.1%	52.4%	—	53.5%

2

Net interest income

€ millions	1/1–3/31/ 2006	1/1–3/31/ 2005
Interest and similar income from		
lending and money market transactions	3,806	3,694
fixed-income securities and government-inscribed debt	362	344
equity securities and other variable-yield securities	16	21
subsidiaries	10	13
companies accounted for using the equity method	22	28
participating interests	34	11
investment property	18	7
Interest expense and similar charges for		
deposits	1,553	1,512
promissory notes and other liabilities evidenced by paper	1,016	1,001
subordinated capital	244	247
Income (expense) from hedges as a result of		
hedge accounting	(1)	(1)
fair value option for financial assets	—	—
Net income from lease operations	**52**	**47**
Total	**1,506**	**1,404**

Interest margin

in %	3/31/2006	3/31/2005
Based on average risk assets (KWG)[1]	3.01	2.75
Based on average volume of business	1.53	1.48

[1] Relating to on-balance-sheet transactions

3

Provisions for losses on loans and advances

€ millions	1/1–3/31/ 2006	1/1–3/31/ 2005
Additions	632	566
Allowances for losses on loans and advances	603	541
Allowances for losses on guarantees and indemnities	29	25
Releases	(273)	(227)
Allowances for losses on loans and advances	(249)	(214)
Allowances for losses on guarantees and indemnities	(24)	(13)
Recoveries from write-offs of loans and advances	(29)	(16)
Total	**330**	**323**

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/ 2006	1/1–3/31/ 2005
Securities and custodial services	418	310
Foreign trade operations/ money transfer operations	315	262
Lending operations	154	122
Brokerage of third-party products	43	26
Other service operations	42	37
Total	**972**	**757**

5

Gains less losses arising from trading securities (trading profit)

€ millions	1/1–3/31/ 2006	1/1–3/31/ 2005
Equity contracts	240	90
Interest rate and currency contracts	268	232
Total	**508**	**322**

This item includes interest and dividend income totaling €218 million and refinancing costs totaling €130 million resulting from the balance of assets and liabilities held for trading purposes.

6

General administrative expenses

€ millions	1/1–3/31/ 2006	1/1–3/31/ 2005
Personnel expense	976	894
Other administrative expenses	577	539
Depreciation and amortization on intangible assets and property, plant and equipment	138	167
Total	**1,691**	**1,600**

7

Balance of other operating income and expenses

€ millions	1/1–3/31/ 2006	1/1–3/31/ 2005
Other operating income	69	48
Other operating expenses	58	80
Balance of other operating income and expenses	**11**	**(32)**

8

Balance of other income and expenses

€ millions	1/1–3/31/ 2006	1/1–3/31/ 2005
Other income	**—**	**—**
Other expenses	**4**	**37**
of which:		
Other taxes	2	2
Absorbed losses	2	35
Balance of other income and expenses	**(4)**	**(37)**

9

Earnings per share

	1/1–3/31/ 2006	1/1–3/31/ 2005
Consolidated profit adjusted for minority interest, € millions	651	336
Average number of shares	750,699,140	750,699,140
Earnings per share, €	**0.87**	**0.45**

10
Assets held for trading purposes

€ millions	3/31/2006	12/31/2005
Debt securities and other fixed-income securities	41,588	41,838
Equity securities and other variable-yield securities	13,412	11,663
Positive fair values from derivative financial instruments	37,431	44,371
Other assets held for trading purposes	6,183	5,647
Total	**98,614**	**103,519**

11
Placements with, and loans and advances to, other banks, broken down by maturity

€ millions	3/31/2006	12/31/2005
Repayable on demand	20,984	13,459
With agreed maturities	51,503	43,770
Total	**72,487**	**57,229**

12
Loans and advances to customers, broken down by maturity

€ millions	3/31/2006	12/31/2005
Repayable on demand	25,648	23,423
With agreed maturities	245,423	251,220
up to 3 months	33,139	35,679
from 3 months to 1 year	17,858	18,774
from 1 year to 5 years	55,666	55,602
from 5 years and over	138,760	141,165
Total	**271,071**	**274,643**

13
Total volume of lending
By content

€ millions	3/31/2006	12/31/2005
Placements with, and loans and advances to, other banks	23,254	22,495
Loans and advances to customers	267,239	270,611
Contingent liabilities	39,799	39,513
Total	**330,292**	**332,619**

14
Allowances for losses on loans and advances
Analysis of allowances for losses on loans and advances

€ millions	2006	2005
Balance at January 1	**12,511**	**13,404**
Changes affecting income		
Gross additions	+ 603	+ 541
Releases	– 249	– 214
Changes not affecting income		
Changes due to make-up of group of consolidated companies	– 301	+ 4
Use of existing loan-loss allowances	– 346	– 155
Effects of currency translation and other changes not affecting income	– 80	+ 17
Balance at March 31	**12,138**	**13,597**

15

Investments

€ millions	3/31/2006	12/31/2005
Held-to-maturity investments		
Debt securities and other fixed-income securities	7,158	8,017
Available-for-sale investments	14,096	14,697
Non-consolidated subsidiaries	1,033	1,149
Participating interests	1,850	1,693
Debt securities and other fixed-income securities	6,748	7,491
Equity securities and other variable-yield securities	4,465	4,364
Fair-value-option investments	21,042	21,136
Debt securities and other fixed-income securities	19,071	19,134
Equity securities and other variable-yield securities	1,971	2,002
Companies accounted for using the equity method	1,059	1,036
of which:		
Goodwill	83	83
Investment property	1,192	533
Total	**44,547**	**45,419**

16

Disposal group held for sale

The following table shows the breakdown of the assets of HVB Splitska banka, which is classified as held for sale:

€ millions	2006
Cash reserve	686
Assets held for trading purposes	221
Placements with, and loans and advances to, other banks	161
Loans and advances to customers	2018
Allowances for losses on loans and advances	(56)
Investments	239
Property, plant and equipment	31
Intangible assets	66
Income tax assets	7
Other assets	19
Total assets	**3,392**

17

Deposits from other banks, broken down by maturity

€ millions	3/31/2006	12/31/2005
Repayable on demand	17,136	16,394
With agreed maturities	97,991	97,345
Total	**115,127**	**113,739**

18

Amounts owed to other depositors, broken down by maturity

€ millions	3/31/2006	12/31/2005
Savings deposits and home-loan savings deposits	35,983	36,711
Other liabilities	123,796	121 710
Repayable on demand	66,507	65,303
With agreed maturities	57,289	56,407
Total	**159,779**	**158,421**

19
Promissory notes and other liabilities evidenced by paper, broken down by maturity

€ millions	3/31/2006	12/31/2005
With agreed maturities		
up to 3 months	15,541	14,487
from 3 months to 1 year	17,572	19,683
from 1 year to 5 years	45,882	42,956
from 5 years and over	30,181	28,856
Total	**109,176**	**105,982**

20
Provisions

€ millions	3/31/2006	12/31/2005
Provisions for pensions and similar obligations	3,871	3,905
Restructuring provisions	546	564
Allowances for losses on guarantees and indemnities	531	482
Other provisions	1,033	721
Total	**5,981**	**5,672**

21
Subordinated capital

€ millions	3/31/2006	12/31/2005
Subordinated liabilities	11,726	11,990
Participating certificates outstanding	1,797	1,830
Hybrid capital instruments	3,746	3,792
Total	**17,269**	**17,612**

22
Liabilities held for sale

The following table shows the breakdown of the liabilities of HVB Splitska banka, which is classified as held for sale (see also Note 16 "Disposal group held for sale"):

€ millions	2006
Deposits from other banks	561
Amounts owed to other depositors	1,351
Liabilities held for trading purposes	7
Provisions	22
Income tax liabilities	4
Other liabilities	57
Total liabilities	**2,002**

23
Treasury stock

The purchase of treasury stock during the period under review was carried out on the basis of the authorization issued under the resolutions passed at the Annual General Meeting of Shareholders of HVB AG on April 29, 2004 and May 12, 2005 and 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 1,660,704 shares of treasury stock were purchased by the Bank and controlled or majority-owned companies at the respective current market prices as part of normal securities trading, and a total of 1,176,157 shares of treasury stock were sold at the respective current market prices.

The treasury stock was purchased at an average price of €27.06 per share, and resold at an average price of €27.03 per share. The shares purchased during the period under review amounted to an equivalent of €5 million, or 0.02% of capital stock.

The highest number of shares of treasury stock held by the Bank on any given day during the period under review was 155,694, equivalent to €0.5 million, or 0.02% of capital stock.

Within the scope of its lending operations, the Bank and its controlled or majority-owned companies had received a total of 165,861 shares of treasury stock as collateral in accordance with Section 71 e (1) 2 of the German Stock Corporation Act at March 31, 2006. This represents €0.5 million, or 0.02% of capital stock.

24

Contingent liabilities and other commitments

€ millions	3/31/2006	12/31/2005
Contingent liabilities	39,813	39,534
of which:		
Guarantees and indemnities	39,799	39,513
Other commitments	67,221	61,058
of which:		
Irrevocable credit commitments	53,153	52,341
Total	**107,034**	**100,592**

Derivatives

The following table shows the breakdown of derivative transactions outstanding at the reporting date by interest rate, foreign exchange, equity/index, other, and credit derivatives. Besides counterparty risk, the derivatives are exposed primarily to market risk arising from changes in interest rates, exchange rates, or equity prices.

Without taking risk-reducing effects into account, the maximum counterparty risk at March 31, 2006 (excluding add-on) totaled €40.3 billion (December 31, 2005: €47.5 billion). In accordance with Principle I of the banking supervisory regulations, and taking into account existing netting agreements and the provision of collateral, credit equivalents (counterparty risk including add-on) totaled €19.5 billion (December 31, 2005: €19.5 billion), and the remaining risk after risk weighting amounted to €5.4 billion (December 31, 2005: €5.4 billion).

€ millions	Nominal amount		Positive fair values		Negative fair values	
	3/31/2006	12/31/2005	3/31/2006	12/31/2005	3/31/2006	12/31/2005
Interest rate derivatives	2,013,793	1,952,534	29,080	37,310	30,185	37,668
Foreign exchange derivatives	353,339	323,298	3,872	4,542	3,980	4,949
Equity/index derivatives	224,634	197,605	6,074	4,699	6,729	5,434
Credit derivatives	172,328	139,688	1,195	903	2,125	1,743
Other transactions	3,202	2,290	245	117	252	122
Total	**2,767,296**	**2,615,415**	**40,466**	**47,571**	**43,271**	**49,916**

25

Potential market risk of trading activities

Market risk arises from changes in the market prices of interest rate, foreign exchange, equity, and index products, including associated derivatives. We measure the potential market risk of our trading activities using the value-at-risk (for the method of calculation, please refer to page 78 and following of the HVB Group Annual Report 2005).

Value-at-risk[1]

€ millions	3/31/2006	12/31/2005
Interest rate positions (incl. credit-spread risks)	29	23
Foreign exchange positions	11	9
Equity/index positions	10	14
Diversification effect	(20)	(17)
Total	**30**	**29**

[1] Because of the diversification effect between the risk categories, the total risk is less than the sum of the individual risks

EXECUTIVE BOARDS

Supervisory Board

Alessandro Profumo
Chairman

Peter König
Deputy Chairman

Dr. Lothar Meyer
Deputy Chairman

Aldo Bulgarelli

Beate Dura-Kempf
since March 9, 2006

Paolo Fiorentino

Dario Frigerio

Klaus Grünewald

Anton Hofer

Friedrich Koch

Hanns-Peter Kreuser

Ranieri de Marchis

Herbert Munker
until March 8, 2006

Roberto Nicastro

Vittorio Ogliengo

Carlo Salvatori

Professor Hans-Werner Sinn

Maria-Magdalena Stadler

Ursula Titze

Jens-Uwe Wächter

Helmut Wunder

Management Board

Johann Berger
Corporates,
Commercial Real Estate, and
Austria & Central and Eastern Europe
divisions

Willibald Cernko
Private Customers and Professionals
division,
since February 23, 2006

Jan-Christian Dreesen
Private Customers and Professionals
division,
until February 9, 2006

Rolf Friedhofen
Chief Financial Officer (CFO)

Heinz Laber
Human Resources Management

Dr. Stefan Schmittmann
(deputy Board member)
Corporates division

Ronald Seilheimer
Investment Banking division

Matthias Sohler
Chief Operating Officer (COO)

Dr. Wolfgang Sprissler
Board Spokesman

Andrea Umberto Varese
Chief Risk Officer (CRO)

Andreas Wölfer
Wealth Management division

QUARTERLY FIGURES

	Q1 (2006)	Q4 (2005) (adjusted)[1]	Q4 (2005)	Q3 (2005)	Q2 (2005)	Q1 (2005)
Operating performance (€ millions)						
Net interest income	1,506	1,520	1,520	1,468	1,493	1,404
Provisions for losses on loans and advances	330	390	537	327	326	323
Net interest income after provisions for losses on loans and advances	1,176	1,130	983	1,141	1,167	1,081
Net commission income	972	859	859	860	764	757
Trading profit	508	225	225	278	101	322
General administrative expenses	1,691	1,736	1,736	1,623	1,623	1,600
Balance of other operating income and expenses	11	(133)	(133)	20	2	(32)
Operating profit	**976**	**345**	**198**	**676**	**411**	**528**
Net income from investments	109	193	193	23	31	74
Amortization of goodwill	—	—	—	—	—	—
Restructuring costs	—	—	486	60	—	—
Balance of other income and expenses	(4)	(180)	(180)	(36)	(36)	(37)
Profit (loss) from ordinary activities/ net income (loss) before taxes	**1,081**	**358**	**(275)**	**603**	**406**	**565**
Taxes on income	283	6	(119)	114	107	160
Net income (loss) after taxes	**798**	**352**	**(156)**	**489**	**299**	**405**
Minority interest in net income (loss)	(147)	(114)	(92)	(165)	(69)	(69)
Consolidated profit (loss)	**651**	**238**	**(248)**	**324**	**230**	**336**
Earnings per share (€)	0.87	0.32	(0.33)	0.44	0.30	0.45

[1] Adjusted for restructuring costs and additional provisions for losses on loans and advances

	3/31/2006	12/31/2005 (adjusted)[1]	12/31/2005	9/30/2005	6/30/2005	3/31/2005
Key indicators (%)						
Return on equity after taxes	22.8	10.2[2]	5.6[2]	10.4[2]	9.9[2]	11.8[2]
Cost-income ratio (based on operating revenues)	56.4	66.4	66.4	65.2	67.0	65.3
Balance sheet figures (€ billions)						
Total assets	498.2		493.7[2]	495.9[2]	492.9[2]	470.0[2]
Total volume of lending	330.3		332.6	334.1	333.3	326.2
Shareholders' equity	16.3		15.4[2]	16.0[2]	15.1[2]	14.3[2]
Key capital ratios compliant with German Banking Act (KWG)						
Core capital (€ billions)	17.1		17.1	16.1	16.1	16.1
Equity funds (€ billions)	25.6		26.0	26.0	25.8	25.6
Risk assets (€ billions)	231.7		232.5	237.5	233.0	230.0
Core capital ratio (%)	7.4		7.3	6.8	6.9	7.0
Equity funds ratio (%)	10.5		10.6	9.6	9.8	9.9
Share information						
Share price (€)	27.24		25.61	23.44	21.51	18.87
Market capitalization (€ billions)	20.4		19.2	17.6	16.1	14.2
Employees	62,696		61,251	60,923	59,294	57,347
Branch offices	2,461		2,316	2,263	2,190	2,085

[1] Adjusted for restructuring costs and additional provisions for losses on loans and advances

[2] Prior year figures adjusted to reflect application of the modified IAS 19 (see also "IFRS basis" in the section entitled "Other Information")

Important dates 2006	
Annual General Meeting of Shareholders	May 23, 2006
ICM International Congress Center Munich	
Messegelände Munich-Riem, 81823 Munich, Germany	
First-quarter earnings	May 11, 2006
Second-quarter earnings	August 4, 2006
Third-quarter earnings	November 14, 2006

Contacts

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