HypoVereinsbank

Member of UniCredit Group

Interim Report March 31, 2007

Disclaimer

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

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Markus Prachensky, “Without Title”, 1984, BA-CA collection.

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Contents

Financial Highlights

	1/1–31/3/2007[1]	1/1–31/3/2006[1]
Key indicators		
Return on equity after taxes[2]	31.6%	14.3%
Return on equity after taxes, adjusted[2,3]	20.8%	14.3%
Return on equity before taxes[2]	44.0%	22.2%
Return on equity before taxes, adjusted[2,3]	31.6%	22.2%
Cost-income ratio (based on total revenues)	47.6%	56.2%

Operating performance	1/1–31/3/2007[1]	1/1–31/3/2006[1]
Operating profit	€1,050m	€750m
Profit before tax	€1,105m	€608m
Net profit	€793m	€392m
Earnings per share	€1.06	€0.52
Earnings per share, adjusted[3]	€0.70	€0.52

Balance sheet figures	31/3/2007	31/12/2006[4]
Total assets	€362.9bn	€358.3bn
Shareholders' equity	€22.6bn	€21.9bn

Key capital ratios compliant with German Banking Act (KWG)	31/3/2007	31/12/2006[4]
Core capital (including inflow to shareholders' equity arising from the disposal of discontinued operations)	€21.3bn	€21.6bn
Risk-weighted assets	€139.4bn	€137.4bn
Core capital ratio (including inflow to shareholders' equity arising from the disposal of discontinued operations)	15.3%	15.8%
	31/3/2007[1]	31/12/2006[1]
Employees	24,861	25,738
Branch offices	788	785

1 without discontinued operations
2 return on equity relating to 6.8% tied equity capital as a proportion of average risk-weighted assets
3 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange
4 HVB Group new: pro forma figures of continuing operations

SHARE INFORMATION		1/1–31/3/2007	2006
Share price:	Reporting date	€39.78	€33.03
	High	€40.06	€36.65
	Low	€32.30	€25.52
Market capitalisation at reporting date		€29.9bn	€24.8bn

Ratings

	LONG-TERM	SHORT-TERM	OUTLOOK	PUBLIC PFANDBRIEFS	MORTGAGE PFANDBRIEFS
Moody's	A2	P-1	stable	Aa1	Aa1
S & P	A	A-1	positive	AAA	—
Fitch Ratings	A	F1	positive	AAA	AAA

Management Report

THE FIRST TRULY EUROPEAN BANK IS A REALITY

Formal integration process close to completion

In March, the UniCredit Group announced that it had concluded the Group-wide integration process much earlier than planned. A leading, dynamic force in the European banking sector has become a reality. HypoVereinsbank can concentrate its resources fully on its customer operations, expanding its market position in Germany and performing its investment banking activities.

Since the business combination was concluded in November 2005, uniform management and controlling structures in the UniCredit Group, together with seamless processes, common platforms and product factories, have been set up throughout the corporate group with the support of the Integration Office. This took place at HypoVereinsbank during the course of 2006, which means that we have put in place all the conditions required to realise synergies and permanently enhance our ability to create value. The Integration Office will be closed in May 2007, after which the remaining integration activities will be implemented directly by the divisions responsible at HypoVereinsbank.

Major steps to realign the organizational structure

HypoVereinsbank pressed ahead with its strategic realignment in the first quarter, reaching significant milestones. After our shareholders gave their approval at the Extraordinary Shareholders' Meeting on October 25 last year, our holdings in Bank Austria Creditanstalt, International Moscow Bank and AS UniCredit Bank, Riga (formerly HVB Bank Latvia AS, Riga), and HVB Bank Ukraine were transferred in the first quarter of this year.

At the end of March, the Board of Directors of UniCredit Banca Mobiliare (UBM) together with the Management Board and Supervisory Board of HypoVereinsbank approved the contribution of UBM's investment banking business against the issue of 51,684,532 new shares of common HVB stock. The transfer took effect on April 1, 2007. After completion of the capital increase, UniCredit holds a direct and indirect stake of 95.4% in HVB's share capital. This transaction is the first step towards locating the competence centre for the investment banking operations of the entire UniCredit Group at HypoVereinsbank, not only virtually but also in legal respects. At the same time, it reinforces our position as one of the leading European investment banks.

In this context, the Supervisory Board of HypoVereinsbank appointed Stefan Ermisch, Chief Operating Officer of the Markets & Investment Banking Division of the UniCredit Group, to act as a new member of the Management Board of HVB AG with effect from March 21, 2007. Alongside his divisional function at UniCredit, he will assume responsibility primarily for the organization and integration of the global investment banking activities of the UniCredit Group in HVB AG. With the appointment of Mr Ermisch, we are responding to the rising importance of investment banking at HVB.

We would like to take this opportunity to expressly thank our employees and their representatives. Our strong performance is built on their willingness to embrace change and to simultaneously work hard to ensure success. This gives all of us the confidence we need to master the challenges ahead of us.

UniCredit announces squeeze-out at HypoVereinsbank

On January 23, 2007, UniCredit announced its intention of acquiring the shares in HypoVereinsbank held by minority shareholders. Given a successful integration process that has proceeded faster than planned, the Management Board of HypoVereinsbank considers the announced squeeze-out to be a consistent step to take. With this step, UniCredit is aiming to simplify the operating processes at HypoVereinsbank in order to shorten the time it takes to respond to changes in the market. UniCredit is increasing its financial commitment in the German market, thus reinforcing HypoVereinsbank's role within the corporate group. The intention is for HypoVereinsbank's shareholders to decide upon the squeeze-out at the Annual General Meeting of Shareholders to be held at the end of June.

General situation and industry-specific economic trends

Macroeconomic situation

The world economy remained quite brisk in the first quarter of 2007, although some rebalancing is under way. In fact, some signs of slowdown have been recorded in the US economic cycle, spilling over from the housing sector correction that characterised all of 2006 into the manufacturing sector, via more cautious spending on durable goods (automobiles included). The pace of US growth has indeed declined to around 2–2.5% since the second half of 2006. Figures for the first quarter of 2007 do not seem to suggest any acceleration. Although there is some uncertainty about the US slowdown, given a still very positive labour market, the current picture overall is one of only moderate growth.

The euro area seems, on the contrary, well set to take the lead in economic growth in these months. Although some heterogeneity has started to emerge inside the area, aggregate figures are positive while confidence indicators are heading up or stabilizing at very high levels.

The obvious consequence of these developments has been an appreciation of the euro to 1.36 dollars on April 18. The differential speed of the economies has also been reflected in a narrowing of the bond yield spread, which is now at around 50bp. The equity market experienced an unexpected decline at the end of February, due to a sudden repricing of risks prompted by a sell-off in some excessively exuberant Asian markets and by the difficulties of some financial operators in the subprime mortgage sector in the United States. However, markets returned to their positive trend thereafter, even though market performance is more impressive in the euro area than in the United States.

In Germany, the fears that the VAT increase could have prompted a not insignificant burden on the economy have been partly dissipated by actual figures. Although retail sales figures suggest a decline in the first two months of 2007, production has further accelerated, while consumer confidence has also continued to increase, suggesting that the impact would likely be limited to a temporary dip in consumption in the first quarter. All other indicators, including the labour market, suggest that the economy is robust and growth is continuing at a very good pace.

Specific trends affecting the banking sector in Germany

Despite a still strong economic expansion, the main banking profitability drivers slowed slightly in the first months of 2007. Total lending to domestic non-banks reverted to a substantially flat trend in the opening months of 2007, after increasing for about a year. This was, however, mainly attributable to the government and the self-employed sectors, while the other non-financial corporations kept growing steadily. Moreover, the brief correction on the German stock market at the end of February was more than offset by the most recent upturn and apparently did not impact the mutual fund industry during the period. Overall, we still expect positive first quarter results, confirming a positive scenario for this year as a whole.

BUSINESS SITUATION AND DEVELOPMENT OF INCOME OF HVB GROUP

The transfers agreed by the Management Board and Supervisory Board on September 12, 2006, which were approved by the Extraordinary Shareholders' Meeting on October 25, 2006, represent a discontinued operation as defined by IFRS 5. In January 2007 all the companies and sub-groups (the Bank Austria Creditanstalt Group, IMB, AS UniCredit Bank, Riga and HVB Bank Ukraine) defined to date as discontinued operations were transferred and deconsolidated with effect from January 1, 2007 except for the HVB AG branches in Vilnius and Tallinn.

Hence in 2007, the income statement for HVB Group shows the operating profit of the Vilnius and Tallinn branches and the gains on the deconsolidation of the transferred sub-groups and companies, including the respective taxes and minority interests, as separate income statement items compliant with IFRS 5 only after the profit of the new HVB Group is reported (net profit after tax of discontinued operations and minority interest in the net profit of discontinued operations). The year-on-year figures of the income statement items mentioned include the results of the business activities of the transferred companies.

Discontinued operations account for €3,689 million (previous year: €259 million) of the net profit of €4,482 million after deduction of the minority interest of the full HVB Group (previous year: €651 million) as a result of the gains realised on the deconsolidation of the BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine. At €793 million, the profit from continuing operations (profit of HVB Group new) more than doubled compared to the same period last year.

Operating profit

The operating profit of HVB Group rose 40.0%, to €1,050 million, compared to the highly successful first quarter of 2006. The rise in operating profit over the same period last year is largely due to the 17.0% increase in total revenues and the continuing decline in costs. These efficiency enhancements have produced a significant improvement in the cost-income ratio by 8.6 percentage points to reach 47.6% (percentage of total revenues made up by operating costs). In the first quarter of 2007, our good operating performance allowed us to easily reach the ambitious targets we mentioned in Management's Discussion and Analysis in the consolidated financial statements at December 31, 2006 (on page 68 of the 2006 Annual Report) for achieving a tangible increase in total revenues with only a slight rise in operating costs and thus an improvement in the cost-income ratio.

Net interest income

The sharp rise in net interest income compared to last year by about one third to €1,074 million relates in part to the inflow of funds from the disposals of the discontinued operations. Apart from the inflow of the contractually agreed interest payments on the purchase price for the period since the Extraordinary Shareholders' Meeting in October 2006 and the investment of the gains realised on the disposals, the cessation of the funding expenses compared to the previous year had a very favourable impact.

Average risk-weighted assets (compliant with the German Banking Act) declined by 6.6% compared to the first quarter of 2006 in accordance with our strategy of reducing volumes. The impact of the sharp decline in volumes for the full year of 2006 was more than compensated by the advantages gained from increased liquidity due to the sale of the discontinued operations as described.

Interest and similar income from dividends and other income from equity investments increased by €19 million, to €67 million, as a result of a rise in dividend payouts from private equity funds.

Net fees and commissions

The year-on-year decline in net fees and commissions is mainly attributable to the sale of the Activest companies in the middle of 2006 and the sale of Nordinvest and Indexchange in January 2007. Adjusted for currency and consolidation effects, we almost matched last year's high above-average figure (down 1.1% compared to 2006). This year, our success in selling innovative investment products, such as "HVB 6% Zins Ass", "HVB Best of Fonds Zertifikate" and "KombiAnlage plus", helped us to achieve the good results posted in the first quarter of 2007. In the process, net fees and commissions generated from securities and custodial services reached the same outstanding figure reported in the first quarter of 2006 (adjusted for currency and consolidation effects). At the same time, the contributions to earnings from lending operations decreased by 10% whilst other service operations rose by around one quarter.

Net trading, hedging and fair value income

At €350 million for the quarter, net trading, hedging and fair value income achieved the highest result in the Bank's history to date, again exceeding the exceptionally good performance already posted in the first quarter of 2006 by €53 million. In a very friendly capital market environment, particularly the 31.8% increase in equity contracts contributed to the result. In addition, gains on the realisation of private equity are being reported under net trading, hedging and fair value income for the first time as of the end of 2006.

These gains amount to €46 million in the first quarter of 2007. (These were still included under net income from investments in March 2006.)

Net other expenses/income
At €27 million, net other expenses/income remained unchanged compared to the first quarter of 2006.

Operating costs
The operating costs of the new HVB Group declined by 0.9% year-on-year to stand at €955 million. In the process, the payroll costs and other administrative expenses remained stable, while there was a 14.7% reduction in amortisation, depreciation and impairment losses on intangible and tangible assets. In addition to strict cost management, the deconsolidation of the Activest companies and other companies (e.g. Nordinvest, Indexchange), which left the group of companies included in consolidation in the course of the Bank's re-orientation, served to reduce expenses as a whole. Adjusted for consolidation and currency effects, the total operating costs would have increased by a slight 3.6%. The increase results substantially from higher expenses for profit-related bonus payments and the effect of the rise in VAT to 19%.

Net write-downs of loans and provisions for guarantees and commitments
At €209 million, net write-downs of loans and provisions for guarantees and commitments at the end of March 2007 matched last year's level of €210 million for the same period.

Net income from investments
Net income from investments amounted to €270 million in the first quarter of 2007. The total includes gains of €218 million on the sale of Indexchange Investment AG to Barclays Bank plc and of €47 million on the sale of Norddeutsche Investment-Gesellschaft mbH (Nordinvest) to the Pioneer Group. At €89 million in the first quarter of 2006, net income from investments contained the gains realised on the reduction of our interest in Babcock & Brown Limited (€55 million).

Profit before tax
At €1,105 million, profit before tax, which also contains provisions for risks and charges amounting to €6 million (Q1 2006: €21 million), is 81.7% higher than last year's total of €608 million. Even without the favourable effect arising from interest payable on the purchase price relating to the disposal of discontinued operations of €93 million and the gain of €218 million realised on the sale of Indexchange, profit before tax, at an adjusted figure of €794 million, would have increased almost one third compared to the same period last year.

Minorities and net profit
Minorities account for €21 million of the net profit generated of €814 million. After deducting the minorities, we generated a profit of €793 million, which is more than double the profit earned in the same period last year. Even when adjusted for the non-recurring effect from interest payable on the purchase price and the sale of Indexchange, we succeeded in improving last year's profit by one third at €522 million.

We have adjusted the return on equity of the new HVB Group so that it complies with the customary definition in the UniCredit Group. Adopting a purely economic approach, we will thus report this figure based on 6.8% of tied equity capital related to the average risk-weighted assets in our financial communications in future. Based on this definition, this provides a 31.6% return on equity after taxes and 44.0% before taxes for the first quarter of 2007. When adjusted by the non-recurring effects mentioned above, the ratios – at 20.8% after taxes and 31.6% before taxes – are significantly higher than the figures reported in the first quarter of 2006 (March 31, 2006: 14.3% return on equity after taxes and 22.2% return on equity before taxes).

Developments in the individual divisions
The contributions of the divisions to the profit before tax of the new HVB Group of €1,105 million were as follows:

Retail	€50 million
Wealth Management	€48 million
Corporates & Commercial	
Real Estate Financing	€183 million
Markets & Investment Banking	€759 million
(including the gain on disposal of	
Indexchange amounting to €218 million)	
Other/consolidation	€65 million

The income statements of each division and comments on the performance of the divisions are described in Note 1 "Segment reporting". The components and targets of the divisions are described in detail in the 2006 Annual Report in note 21 "Notes to segment reporting by division" (pages 125–128).

FINANCIAL SITUATION OF HVB GROUP

Total assets and volume of lending

The total assets of HVB Group amounted to €362.9 billion at March 31, 2007. Compared to the 2006 year-end total, this represents a decline of €145.2 billion or 28.6%. On the assets side, the item assets of discontinued operations and non-current assets or disposal groups held for sale decreased by €164.1 billion. This sharp decline is due to the disposal of the major companies and assets in the first quarter of 2007 which were still included under this item at December 31, 2006. This concerns the Bank Austria Creditanstalt Group, IMB, AS UniCredit Bank, Riga and HVB Bank Ukraine defined as discontinued operations as well as the companies Indexchange, HVB Payment & Services and Nordinvest still classified as non-current assets or disposal groups held for sale at the end of 2006, and a non-strategic real estate portfolio.

In contrast, the main increases on the assets side were rises of €8.3 billion in placements with, and loans and advances to, other banks, €6.1 billion in loans and advances to customers, €3.0 billion in assets held for trading purposes and €1.5 billion in the cash reserve.

The volume of lending rose by €5.1 billion year-on-year. In the process, loans and advances to customers increased by €2.5 billion, placements with, and loans and advances to other banks by €1.6 billion and contingent liabilities by €1.0 billion.

In the same way as on the assets side, the decline in total liabilities was largely attributable to the deconsolidation of the companies and operations included under the item "liabilities of discontinued operations and liabilities of disposal groups held for sale". The item "liabilities of discontinued operations and liabilities of disposal groups held for sale" fell by €151.6 billion.

There was also a decline in deposits from other banks, which were down by €13.6 billion, and in promissory notes and other liabilities evidenced by paper, which decreased by €1.4 billion, whilst there was a significant increase of €7.4 billion in amounts owed to other depositors and of €10.9 billion in liabilities held for trading purposes.

The €2.7 billion rise in shareholders' equity to €22.6 billion is primarily due to the net profit of almost €4.5 billion, driven primarily by the gain of €3.7 billion on the disposal of discontinued operations. Likewise, the minority interest is down by €2.4 billion on account of the deconsolidation of the companies and sub-groups defined as discontinued operations. Furthermore, the other reserves increased by €0.9 billion whilst the AfS reserve decreased by €0.3 billion.

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

At €139.4 billion, the risk-weighted assets (without market risks) compliant with the German Banking Act (KWG) declined in comparison to the 2006 year-end total by around €80 billion. One major reason for this was the deconsolidation of the Bank Austria Creditanstalt Group and its subsidiaries and the Closed Joint Stock Company International Moscow Bank defined as discontinued operations. Market risk positions amounted to €673 million at the reporting date for the quarter. Last year's adjusted year-end total for risk-weighted assets compliant with the German Banking Act totalled €137.4 billion.

At the reporting date for the first quarter, the core capital of HVB Group compliant with the German Banking Act amounted to €14.8 billion and the equity funds €21.7 billion. This results in a core capital ratio of 10.6% (excluding market risk positions) and an equity funds ratio of 14.7%. If the market risk positions in the core capital ratio are also taken into account, it stood at 10.0%. A pro forma view including the equity inflow from the disposal of discontinued operations gives rise to a core capital ratio of 15.3% and core capital ratio including market risk positions of 14.4%.

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 2007 (annual average in 2006: 1.2).

OTHER INFORMATION

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. At the same time, this interim report prepared in accordance with IFRS meets the requirements in place since the 2007 financial year for capital-market oriented companies to provide financial reports during the year. These requirements have arisen under the German Securities Act (WpHG) as a result of the implementation of the EU Transparency Directive.

Listed below are the changes to the standards to be applied for the first time in the 2007 financial year, which essentially affect our bank.

IFRS 7 “Financial Instruments: Disclosures”, the application of which has been obligatory since January 1, 2007, has amended the reporting of financial instruments. IFRS 7 replaces IAS 30 completely and IAS 32 partially.

Among other things, this involves showing balance sheet disclosures and the contributions to income of financial instruments separately in accordance with the IAS 39 valuation categories. We have complied with this requirement in the respective notes to the balance sheet and income statement.

The IFRIC 7, 8, 9 and 10 interpretations to be applied for the first time in the 2007 financial year have had no material consequences for accounting and valuation.

Please refer to the 2006 Annual Report starting on page 115 for information on other accounting and valuation principles.

Segment reporting

In the segment reporting in the 2006 financial year, core capital amounting to 7% of risk-weighted assets and 50% of the market risks requiring cover under the German Banking Act were assigned to the divisions in the case of companies assigned to several divisions. The percentage used to assess the equity capital allocated to the companies assigned to several divisions (HVB AG, HVB Banque Luxembourg) stood at 3.4% in the 2006 financial year. This rate, which equals the 3-month EURIBOR plus a premium in the amount of the average 5-year UniCredit spread, is set for one year as part of the budgeting process. The percentage rate changed from 3.4% to 3.8% in connection with the new rules laid down for the 2007 financial year. In addition, the previous uniform allocation of equity capital to the divisions as described above was changed over to the commitment of core capital to each division individually in the case of companies assigned to several divisions. Neither change has any material net effect. This is why we have dispensed with restating the previous periods.

Changes to the group of companies included in consolidation

The following companies have left the group of companies included in consolidation of the HVB Group:
– Indexchange Investment AG (Indexchange), Munich
– Norddeutsche Investment-Gesellschaft mbH (Nordinvest), Hamburg
– HVB Payments & Services GmbH (PAS), Aschheim

Among others, the following companies have been included in the group of consolidated companies for the first time:
– PlanetHome AG, Munich
– PlanetHome GmbH, Mannheim
– Enderlein & Co. GmbH, Bielefeld

Indexchange was sold to Barclays Bank PLC for around €240 million on February 8, 2007. On January 31, 2007, Nordinvest was transferred to Pioneer Global Asset Management S.p.A. as part of the measure taken to bundle the asset management activities in the UniCredit Group. PAS was sold to Postbank with effect from January 1, 2007.

When comparing figures with the results achieved in the first quarter of 2006, the companies which were deconsolidated after March 31, 2006 in the 2006 financial year also had an impact on the figures. Essentially, this concerns Activest Investmentgesellschaft mbH, Activest Investmentgesellschaft Luxembourg S.A. and Westfalenbank Bochum.

In addition, the following companies which were still reported under discontinued operations at December 31, 2006 were sold and deconsolidated with retroactive effect from January 1, 2007 in accordance with the resolution passed at the Extraordinary Shareholders’ Meeting of October 25, 2006:
– HVB AG’s 77.53% interest in BA-CA transferred to UniCredit.
– HVB AG’s 100% interest in AS UniCredit Bank, Riga (formerly HVB Bank Latvia AS, Riga) transferred to BA-CA including the capital increase of AS UniCredit Bank, Riga (formerly HVB Bank Latvia AS, Riga) underwritten by HVB in August 2006.
– HVB AG’s 70.26% interest in IMB plus options on a further 2.79% interest in IMB transferred to BA-CA.
– HVB AG’s 100% interest in HVB Bank Ukraine transferred to UniCredit.

Hence, the income statement now only includes under discontinued operations the results posted for the branches in Tallinn, Estonia, and Vilnius, Lithuania and the gains on disposal of the companies listed above.

Events after March 31, 2007

On March 30, 2007, the Board of Directors of UBM and the Management Board and Supervisory Board of HVB approved the contribution of UBM's investment banking activities to HVB (Milan branch) against the issue of 51,684,532 new shares of common HVB stock. The transfer took effect on April 1, 2007. After completion of the capital increase, UniCredit holds a direct and indirect stake of 95.4% in HVB's share capital. This transaction is the first step towards locating the competence centre for the investment banking operations of the entire UniCredit Group at HypoVereinsbank, not only virtually but also in legal respects. The business transferred from UBM to HVB covers total assets of approximately €66 billion and earnings amounting to approximately €470 million according to the 2006 Annual Report.

OUTLOOK

General economic trends

A further slowdown in the US economy in the coming months could act as a drag on global growth, cooling off some of its current strength. In fact, the diffuse weakness in construction and durable goods will eventually have consequences on the labour market and consumer attitudes as a whole. Despite this, the euro area should not suffer that much, given that its current expansion is increasingly domestically based. In Germany in particular, consumer spending (after the bumpiness due to the VAT increase) is expected to benefit from positive labour market developments and should contribute more decisively to growth than in the past.

As for interest rates, although at the moment the Federal Reserve Bank of New York (Fed) is claiming to be still worried by the emergence of potential inflationary pressures, it will probably be convinced by data to cut rates slightly during the course of the year. On the other hand, the ECB tone in recent statements and speeches seems to anticipate another rate rise in June. Given that at the moment no particular inflationary pressures seem to be at work and that the euro will act as a further countervailing force, the refinancing rate could well stabilize at 4%; market expectations suggest that the Fed will relax its monetary policy stance very slowly and in very small steps, while the ECB might raise the refinancing rate to 4.25% by year-end.

With slower but not faltering economic growth, long bond yields could remain stable at current levels, closing the year at 4.7% in the United States and 4.1% in the euro area. Moreover, it is difficult to see further losses for the US dollar against the euro; in fact, it seems likely that slower growth in the US economy will continue until mid-2007, while the situation could well start improving towards the end of the year.

Earnings performance of HVB Group

The risks associated with the further development of the HVB Group as described in last year's Risk Report (2006 Annual Report, pp. 70–101) have not changed materially during the course of the year to date.

As already mentioned in Management's Discussion and Analysis in the consolidated financial statements at December 31, 2006 (on page 68 of the 2006 Annual Report), we are planning for a tangible increase in total revenues in the 2007 financial year, with only a slight rise in operating costs.

This would consequently give rise to a planned improvement in the cost-income ratio.

Thanks to the sharp rise in total revenues coupled with largely constant operating costs, we have met our internal targets in the first quarter of 2007 and believe we are well on the way to meeting the targets we have set for 2007 as a whole.

The HVB Share

The HVB share performs well

The strong performance of the HVB share in 2006 continued into the first quarter of 2007. The HVB share closed at €39.78 at the end of March, which represents a 98% increase in its value since the announcement of the business combination with UniCredit. Thus the capital market has supported the strategic decision taken by management in June 2005 in favour of the business combination with the UniCredit Group.

On January 23, 2007, the majority shareholder, the UniCredit Group, announced that it had exceeded the threshold of 95% of HypoVereinsbank's capital stock and that it would seek to obtain a transfer resolution compliant with Section 327a of the German Stock Corporation Act (AktG). The objectives are to secure further integration into the corporate group as a whole and provide a clear organisational structure.

Taking an isolated view of the first quarter of 2007, the HVB share recorded an increase of 20.4% over its closing price at year-end 2006, which was far greater than its benchmark indexes. The MDAX improved by 8.5% during the same period, while the Prime Banks index recorded a plus of 3% and the Prime All Share index rose by 5.9%. At the end of the quarter on March 30, 2007, the HVB share was weighted at 1.62% in the Prime Banks index (2006: 1.67%; 2005: 1.58%) and 0.16% in the Prime All Share index.

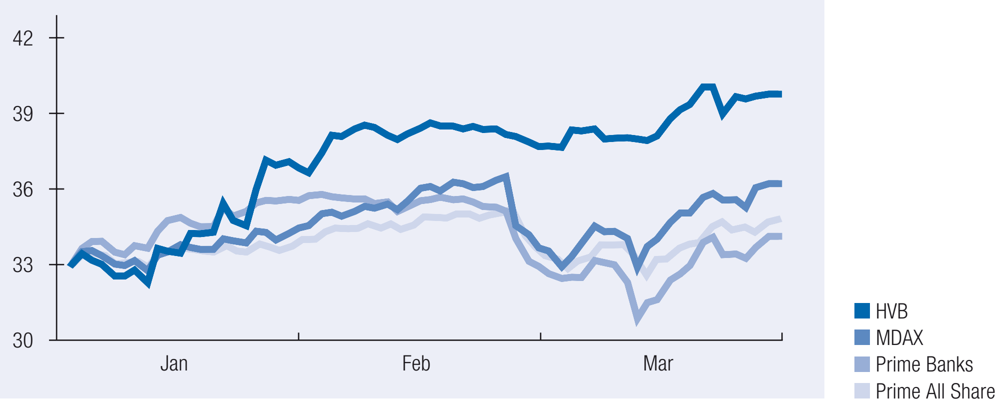
Because the free float had fallen below 5%, the HVB share was moved from the MDAX index to the Prime All Share index on January 29, 2007. With an average daily turnover of 573,000 shares in the first quarter (2006: 443,000 shares), the share continues to enjoy good liquidity in relative terms.

The importance of HVB within the UniCredit Group explains the continued strong interest from investors and analysts in the development of HypoVereinsbank; they continue to be served by HVB Investor Relations.

Credit rating

At the end of the quarter, on April 2, 2007, rating agency S&P raised its outlook from "stable" to "positive", while retaining its long-term A credit rating, in response to the capital increase against contributions in kind underpinning the takeover of UBM.

The HVB share relative to MDAX, Prime Banks and Prime All Share from January 2 to March 30, 2007 (€)



Consolidated Income Statement

for the period from January 1 to March 31, 2007
(HVB Group compliant with IFRS 5)

The transfers agreed by the Management Board and Supervisory Board on September 12, 2006, which were approved by the Extraordinary Shareholders' Meeting on October 25, 2006, represent a discontinued operation as defined by IFRS 5. Except for the branches in Vilnius and Tallinn, all the companies and sub-groups defined to date as discontinued operations (the Bank Austria Creditanstalt Group, IMB, AS UniCredit Bank, Riga, and HVB Bank Ukraine) were transferred in January 2007 and deconsolidated with effect from January 1, 2007.

Hence in 2007, the income statement for HVB Group shows the operating profit of the Vilnius and Tallinn branches and the gains on the deconsolidation of the transferred sub-groups and companies, including the respective taxes and minority interests, in separate income statement items ("Net profit after tax of discontinued operations" and "Minority interest in the net profit of discontinued operations") compliant with IFRS 5 only after the profit of the new HVB Group is reported. Last year these income statement items still contained the results of the business operations of the companies transferred in January 2007.

	NOTES	1/1–31/3/2007	1/1–31/3/2006	CHANGE	
Income/expenses		€ millions	€ millions	€ millions	in %
Net interest	2	1,074	804	(270)	+ 33.6
Dividends and other income from equity investments	3	67	48	+ 19	+ 39.6
Net interest income		**1,141**	**852**	**+ 289**	**+ 33.9**
Net fees and commissions	4	487	538	(51)	(9.5)
Net trading, hedging and fair value income	5	350	297	+ 53	+ 17.8
Net other expenses/income	6	27	27	0	0
Net non-interest income		**864**	**862**	**+ 2**	**+ 0.2**
TOTAL REVENUES		**2,005**	**1,714**	**+ 291**	**+ 17.0**
Payroll costs		(571)	(571)	0	0
Other administrative expenses		(320)	(318)	(2)	+ 0.6
Amortisation, depreciation and impairment losses on intangible and tangible assets		(64)	(75)	+ 11	(14.7)
Operating costs		**(955)**	**(964)**	**+ 9**	**(0.9)**
OPERATING PROFIT		**1,050**	**750**	**+ 300**	**+ 40.0**
Provisions for risks and charges		(6)	(21)	+ 15	(71.4)
Write-down on goodwill		0	0	0	0
Restructuring costs		0	0	0	0
Net write-downs of loans and provisions for guarantees and commitments	7	(209)	(210)	+ 1	(0.5)
Net income from investments	8	270	89	+ 181	>+ 100.0
PROFIT BEFORE TAXES		**1,105**	**608**	**+ 497**	**+ 81.7**
Income tax for the period		(291)	(192)	(99)	+ 51.6
PROFIT AFTER TAXES		**814**	**416**	**+ 398**	**+ 95.7**
Minorities		(21)	(24)	+ 3	(12.5)
NET PROFIT OF HVB GROUP NEW		**793**	**392**	**+ 401**	**>+ 100.0**
Net profit after tax of discontinued operations	9	3,689	382	+ 3,307	>+ 100.0
Minority interest in the net profit of discontinued operations		0	(123)	+ 123	(100.0)
NET PROFIT OF FULL HVB GROUP		**4,482**	**651**	**+ 3,831**	**>+ 100.0**

in €	1/1–31/3/2007	1/1–31/3/2006
Earnings per share of full HVB Group	5.97	0.87
Earnings per share of HVB Group new	1.06	0.52
Earnings per share of HVB Group new (adjusted)[1]	0.70	0.52

1 figures at March 31, 2007 adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange

Since no conversion rights or option rights on conditional capital existed at March 31, 2007, there is no calculation of diluted earnings per share.

Balance Sheet

at March 31, 2007

Assets	NOTES	31/3/2007 € millions	31/12/2006 € millions	CHANGE € millions	CHANGE in %
Cash reserve		4,720	3,211	+ 1,509	+ 47.0
Assets held for trading purposes	11	110,199	107,211	+ 2,988	+ 2.8
Placements with, and loans and advances to, other banks	12	49,549	41,264	+ 8,285	+ 20.1
Loans and advances to customers	13	176,070	169,998	+ 6,072	+ 3.6
Allowances for losses on loans and advances	15	(6,188)	(6,068)	(120)	(2.0)
Investments	16	20,428	19,845	+ 583	+ 2.9
Property, plant and equipment		1,527	1,547	(20)	(1.3)
Intangible assets		773	808	(35)	(4.3)
Income tax assets		2,650	2,745	(95)	(3.5)
Other assets		2,733	3,021	(288)	(9.5)
Assets of discontinued operations and non-current assets or disposal groups held for sale	17, 18	400	164,451	(164,051)	(99.8)
Total assets		**362,861**	**508,033**	**(145,172)**	**(28.6)**

Shareholders' equity and liabilities	NOTES	31/3/2007	31/12/2006	CHANGE	
		€ millions	€ millions	€ millions	in %
Deposits from other banks	19	72,061	85,672	(13,611)	(15.9)
Amounts owed to other depositors	20	99,494	92,136	+ 7,358	+ 8.0
Promissory notes and other liabilities evidenced by paper	21	75,571	76,938	(1,367)	(1.8)
Liabilities held for trading purposes		70,910	59,962	+ 10,948	+ 18.3
Provisions	22	1,664	1,683	(19)	(1.1)
Income tax liabilities		1,632	1,378	+ 254	+ 18.4
Other liabilities		5,981	5,214	+ 767	+ 14.7
Subordinated capital	23	11,611	12,142	(531)	(4.4)
Liabilities of discontinued operations and of disposal groups held for sale	24, 25	1,293	152,920	(151,627)	(99.2)
Shareholders' equity		22,644	19,988	+ 2,656	+ 13.3
Shareholders' equity attributable to shareholders of HVB AG		21,795	16,690	+ 5,105	+ 30.6
Subscribed capital		2,252	2,252	0	0.0
Additional paid-in capital		8,883	8,883	0	0.0
Other reserves		4,911	4,061	+ 850	+ 20.9
Change in valuation of financial instruments		645	872	(227)	(26.0)
AfS reserve		902	1,195	(293)	(24.5)
Hedge reserve		(257)	(323)	+ 66	+ 20.4
Consolidated profit 2006		622	622	0	0.0
Net profit (loss) 1/1–31/3/2007		4,482	0	+ 4,482	>+ 100.0
Minority interest		849	3,298	(2,449)	(74.3)
Total shareholders' equity and liabilities		**362,861**	**508,033**	**(145,172)**	**(28.6)**

Statement of Changes in Shareholders' Equity

at March 31, 2007

€ millions	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	OF WHICH: PENSION AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at Jan. 1, 2006 before initial application				
of new and revised IFRSs	**2,252**	**9,128**	**864**	**0**
Effect of initial application of new and revised IFRSs	0	0	(806)	(806)
Shareholders' equity at Jan. 1, 2006 after initial application				
of new and revised IFRSs	**2,252**	**9,128**	**58**	**(806)**
Change from capital increases				
Change from capital reductions				
Change in valuation of financial instruments				
Change in net income (loss)				
Actuarial losses on defined benefit plans				
Change in holdings of, and net income from, own equity instruments		(3)		
Dividend payouts				
Changes in group of consolidated companies and reserve arising				
from foreign currency translation and other changes			(27)	
Shareholders' equity at March 31, 2006	**2,252**	**9,125**	**31**	**(806)**
including:				
shareholders' equity of discontinued operations and disposal group held for sale	0	0	51	0
Shareholders' equity at Jan. 1, 2007	**2,252**	**8,883**	**4,061**	**(814)**
Change from capital increases				
Change from capital reductions				
Change in valuation of financial instruments				
Change in net income (loss)				
Actuarial losses on defined benefit plans				
Change in holdings of, and net income from, own equity instruments				
Dividend payouts				
Changes in group of consolidated companies and reserve arising				
from foreign currency translation and other changes			850	590
Shareholders' equity at March 31, 2007	**2,252**	**8,883**	**4,911**	**(224)**
including:				
shareholders' equity of discontinued operations and disposal group held for sale	0	0	(1)	(2)

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS		CONSOLIDATED PROFIT/ NET PROFIT (LOSS) 1/1–31/3	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF HVB AG	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
AfS RESERVE	HEDGE RESERVE				
871	**(142)**	**191**	**13,164**	**3,219**	**16,383**
0	0		(806)	(166)	(972)
871	**(142)**	**191**	**12,358**	**3,053**	**15,411**
			0		0
			0		0
207	(197)		10	(4)	6
		651	651	147	798
			(3)		(3)
				(1)	(1)
(3)	1		(29)	92	63
1,075	**(338)**	**842**	**12,987**	**3,287**	**16,274**
1	0	11	63	62	125
1,195	**(323)**	**622**	**16,690**	**3,298**	**19,988**
			0		0
			0		0
112	(70)		42		42
		4,482	4,482	21	4,503
			0		0
			0		0
			0	(1)	(1)
(405)	136		581	(2,469)	(1,888)
902	(257)	5,104	21,795	849	22,644
0	0	0	(1)	0	(1)

Cash Flow Statement

€ millions	2007 HVB GROUP NEW	2006 FULL HVB GROUP
Cash and cash equivalents at January 1	**3,211**	**7,757**
Cash flows from operating activities	**(1,286)**	**(3,798)**
Cash flows from investing activities[1]	**3,192**	**1,653**
Cash flows from financing activities	**(374)**	**88**
Effects of exchange rate changes	(5)	(14)
Less disposal group held for sale and discontinued operations	(18)	—
Cash and cash equivalents at March 31	**4,720**	**5,686**

1 the net cash flow (€3,771 million) from the disposal of discontinued operations is included in the cash flows from investing activities for 2007

Notes to the Income Statement

1 Segment reporting

Income statement broken down by division for the period from January 1 to March 31, 2007

€ millions	RETAIL	WEALTH MANAGEMENT	CORPORATES & COMMERCIAL REAL ESTATE FINANCING	MARKETS & INVESTMENT BANKING	OTHER/ CONSOLI-DATION	HVB GROUP NEW	DISCONTINUED OPERATIONS[2]	FULL HVB GROUP[2]
TOTAL REVENUES								
1/1–31/3/2007	470	123	353	858	201	2,005	1	2,006
1/1–31/3/2006	480	166	353	687	28	1,714	1,316	3,030
Operating costs								
1/1–31/3/2007	(353)	(72)	(118)	(313)	(99)	(955)	(1)	(956)
1/1–31/3/2006	(356)	(94)	(124)	(289)	(101)	(964)	(737)	(1,701)
OPERATING PROFIT								
1/1–31/3/2007	117	51	235	545	102	1,050	0	1,050
1/1–31/3/2006	124	72	229	398	(73)	750	579	1,329
Net write-downs of loans								
and provisions for guarantees								
and commitments								
1/1–31/3/2007	(67)	(4)	(51)	(1)	(86)	(209)	0	(209)
1/1–31/3/2006	(29)	(4)	(62)	(15)	(100)	(210)	(113)	(323)
Other items[1]								
1/1–31/3/2007	0	1	(1)	215	49	264	3,771	4,035
1/1–31/3/2006	1	2	7	27	31	68	7	75
PROFIT BEFORE TAX								
1/1–31/3/2007	50	48	183	759	65	1,105	3,771	4,876
1/1–31/3/2006	96	70	174	410	(142)	608	473	1,081

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

2 contains the gains on the disposal of discontinued operations in other items (net income from investments)

Notes to the Income Statement continued

Income statement of the Retail division

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**271**	**280**	**261**	**285**	**270**
Net fees and commissions	195	196	140	139	154
Net trading, hedging and fair value income	1	(1)	(1)	(1)	2
Net other expenses/income	3	5	(10)	(2)	11
Net non-interest income	**199**	**200**	**129**	**136**	**167**
TOTAL REVENUES	**470**	**480**	**390**	**421**	**437**
Payroll costs	(152)	(141)	(132)	(139)	(145)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(201)	(215)	(213)	(227)	(210)
Operating costs	(353)	**(356)**	**(345)**	**(366)**	**(355)**
OPERATING PROFIT	**117**	**124**	**45**	**55**	**82**
Restructuring costs	0	0	(5)	(1)	(1)
Net write-downs of loans and provisions for guarantees and commitments	(67)	(29)	(43)	(50)	(51)
Net income from investments and other items[1]	0	1	(7)	(4)	1
PROFIT (LOSS) BEFORE TAX	**50**	**96**	**(10)**	**0**	**31**
Cost-income ratio in %	75.1	74.2	88.5	86.9	81.2

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

Developments in the Retail division

The Retail division was able in the first quarter of 2007 to almost match the above-average level of total revenues from the first quarter of 2006. With a quarterly figure of €470 million, total revenues are at almost the same level as last year and hence much higher than in the final three quarters of 2006. Net interest income declined slightly (down 3.2%), due primarily to the strategic reduction in real estate loans which was only partly offset by the higher margins on the deposit-taking side. The division recorded net fees and commissions of €195 million, equalling the extremely high previous-year figure of €196 million. As last year, a major contribution was made by the continued successful distribution of innovative investment products, such as the "HVB 6% Zins Ass" with a volume of €400 million, the "HVB Best of Fonds Zertifikate" with a volume of €100 million and the "KombiAnlage plus". Operating costs declined by a slight 0.8% despite the first-time consolidation of the PlanetHome Group, one of the leading providers of property finance specialising in the provision and financing of residential property. With an annual volume of brokered financing of around €1.2 billion, PlanetHome is one the three biggest brokers of private construction finance in Germany. In 2006, the division also succeeded in brokering real estate to the amount of €450 million. Within total operating costs, payroll expenses increased by 7.8%, due in part to the increase in expenses resulting from the first-time consolidation of the PlanetHome Group in the first quarter of 2007.

Other administrative expenses, including depreciation of property, plant and equipment, declined by 6.5% as a result of strict cost management. Although the operating profit of €117 million is slightly down on the high figure for the first quarter of 2006, it is far higher than the totals for the last three quarters of last year. At 75.1%, the cost-income ratio remained at around the same level as last year (March 31, 2006: 74.2%). The increase in net write-downs of loans and provisions for guarantees and commitments to €67 million after €29 million last year is a technical effect arising mostly in conjunction with the write-downs formed last year for the Special Credit Portfolio that was outplaced. Taking into account the write-downs relating to the portfolio of loans transferred by the Retail division to the Special Credit Portfolio, the aggregate net write-downs of loans and provisions for guarantees and commitments of €106 million for the first quarter of 2007 were at roughly the same level as in the first quarter of 2006 (€94 million). This resulted in a profit before tax of €50 million, which failed to match the outstanding profit contribution of the first quarter of 2006 (€96 million) but was still well above the other quarterly contributions in 2006 and the average quarterly profit for the whole of 2006 (€29 million).

Notes to the Income Statement continued

Income statement of the Wealth Management division

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**37**	**36**	**47**	**40**	**40**
Net fees and commissions	87	135	86	62	114
Net trading, hedging and fair value income	(1)	(5)	(1)	1	(8)
Net other expenses/income	0	0	1	(1)	3
Net non-interest income	**86**	**130**	**86**	**62**	**109**
TOTAL REVENUES	**123**	**166**	**133**	**102**	**149**
Payroll costs	(23)	(32)	(26)	(25)	(34)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(49)	(62)	(49)	(43)	(65)
Operating costs	**(72)**	**(94)**	**(75)**	**(68)**	**(99)**
OPERATING PROFIT	**51**	**72**	**58**	**34**	**50**
Restructuring costs	0	0	(5)	(2)	0
Net write-downs of loans and provisions for guarantees and commitments	(4)	(4)	(8)	(2)	4
Net income from investments and other items[1]	1	2	10	533	4
PROFIT BEFORE TAX	**48**	**70**	**55**	**563**	**58**
Cost-income ratio in %	58.5	56.6	56.4	66.7	66.4

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

Developments in the Wealth Management division

As part of the pooling of asset management activities in the UniCredit Group, the Activest Group (Activest Investmentgesellschaft mbH, Munich, Activest Investmentgesellschaft Luxembourg S. A., Luxembourg and Activest Investmentgesellschaft Schweiz AG, Berne) were transferred to Pioneer Global Asset Management S.p.A. with effect from July 1, 2006 along with Nordinvest in January 2007, and the depositary banking activities of HVB Banque Luxembourg S.A. were assigned away from the Wealth Management division with effect from January 1, 2007.

Consequently, the primary profit contributions of the Activest companies (only until mid-2006), Nordinvest and the profits from the depositary banking activities of HVB Banque Luxembourg from the quarters of last year are still included in the above income statement. To make it easier to compare the performance of our Wealth Management operations, we are showing below an income statement for the Wealth Management division, in which the quarterly figures for 2006 have been adjusted for the deconsolidation effects and the profits from the depositary banking ativities of HVB Banque Luxembourg.

Adjusted income statement of the Wealth Management division

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**37**	**34**	**46**	**40**	**39**
Net fees and commissions	87	87	72	53	76
Net trading, hedging and fair value income	(1)	(5)	(1)	1	(8)
Net other expenses/income	0	1	2	(1)	1
Net non-interest income	**86**	**83**	**73**	**53**	**69**
TOTAL REVENUES	**123**	**117**	**119**	**93**	**108**
Payroll costs	(23)	(21)	(24)	(23)	(22)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(49)	(47)	(48)	(42)	(50)
Operating costs	**(72)**	**(68)**	**(72)**	**(65)**	**(72)**
OPERATING PROFIT	**51**	**49**	**47**	**28**	**36**
Restructuring costs	0	0	2	(2)	0
Net write-downs of loans and provisions for guarantees and commitments	(4)	(4)	(8)	(2)	4
Net income from investments and other items[1]	1	1	(1)	(1)	3
PROFIT BEFORE TAX	**48**	**46**	**40**	**23**	**43**
Cost-income ratio in %	58.5	58.1	60.5	69.9	66.7

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

The Wealth Management division encompasses the Wealth Management Sales of HVB AG, the DAB Bank Group, the private banking activities of HVB Luxembourg, the internal real asset producer H.F.S. Hypo-Fondsbeteiligungen für Sachwerte GmbH, Munich, and the non-consolidated companies HVB Fonds Finance GmbH and Blue Capital GmbH.

The following description of developments relates to the adjusted income statement.

With profit before tax of €48 million, the Wealth Management division recorded an increase of 4.3% in the first quarter of 2007 over the equivalent figure for the corresponding period last year. HVB AG succeeded in almost matching the unusually high net fees and commissions from the first quarter of 2006 in the first three months of 2007, with March proving far more profitable than the equivalent month last year. The higher profit also reflects the rapidly expanding profits of the DAB Bank Group, which achieved the best quarterly result in its history with a 13% increase in profit before taxes.

The strong 4.1% rise in operating profit was driven by the 5.1% increase in total revenues to €123 million. The process of stepping up asset management activities in Wealth Management Sales is gaining momentum. The volume of assets under management increased by 40% to €2 billion over the last six months. In terms of real assets, private equity holdings in particular were successfully placed. The DAB Bank Group achieved record numbers of securities transactions. Net interest income in the division rose by 8.8%.

The 5.9% increase in operating costs includes the higher cost of securities settlement as a result of larger transaction numbers and the deliberate addition of new staff in the sales function with a view to generating sustainable organic growth. The cost-income ratio remained practically unchanged at 58.5%.

Notes to the Income Statement continued

Income statement of the Corporates & Commercial Real Estate Financing division, Corporates subdivision

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**200**	**209**	**205**	**185**	**202**
Net fees and commissions	98	85	63	76	73
Net trading, hedging and fair value income	1	0	2	4	(2)
Net other expenses/income	0	1	(4)	(1)	5
Net non-interest income	**99**	**86**	**61**	**79**	**76**
TOTAL REVENUES	**299**	**295**	**266**	**264**	**278**
Payroll costs	(46)	(41)	(43)	(41)	(43)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(60)	(69)	(73)	(69)	(65)
Operating costs	**(106)**	**(110)**	**(116)**	**(110)**	**(108)**
OPERATING PROFIT	**193**	**185**	**150**	**154**	**170**
Restructuring costs	0	0	0	(1)	0
Net write-downs of loans and provisions for guarantees and commitments	(40)	(44)	(74)	(48)	(35)
Net income from investments and other items[1]	(1)	7	(14)	(4)	1
PROFIT BEFORE TAX	**152**	**148**	**62**	**101**	**136**
Cost-income ratio in %	35.5	37.3	43.6	41.7	38.8

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

Developments in the Corporates subdivision

Corporates, which focuses primarily on the needs of our small and medium-sized corporate customers, beat the good figure for profit before tax recorded for the same period last year by 2.7%.

In the process, operating profit improved by 4.3% to €193 million as a result of an increase of 1.4% in total revenues and a fall of 3.6% in operating costs, thus helping to improve the cost-income ratio by 1.8 percentage points to 35.5%. The rise in income can be attributed to pleasing growth of 15.3% in net fees and commissions.

This development stems from higher payments income, increased sales in derivatives operations for customers and higher income from structured finance, resulting in part from mezzanine products involving the capital market via the PREPS™ platform. Net interest income, on the other hand, declined slightly due to lower margins.

The year-on-year decline of €8 million in net income from investments and other items was only partially offset by the €4 million reduction in net write-downs of loans and provisions for guarantees and commitments to €40 million, meaning that the profit before tax arising solely from operating activities rose to €152 million.

Income statement of the Corporates & Commercial Real Estate Financing division, Commercial Real Estate Financing subdivision

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**43**	**49**	**27**	**40**	**44**
Net fees and commissions	11	8	8	11	11
Net trading, hedging and fair value income	0	0	0	0	0
Net other expenses/income	0	1	(2)	0	2
Net non-interest income	**11**	**9**	**6**	**11**	**13**
TOTAL REVENUES	**54**	**58**	**33**	**51**	**57**
Payroll costs	(3)	(4)	(2)	(4)	(3)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(9)	(10)	(10)	(10)	(8)
Operating costs	**(12)**	**(14)**	**(12)**	**(14)**	**(11)**
OPERATING PROFIT	**42**	**44**	**21**	**37**	**46**
Restructuring costs	0	0	0	0	0
Net write-downs of loans and provisions for guarantees and commitments	(11)	(18)	(11)	(30)	(4)
Net income from investments and other items[1]	0	0	5	(6)	0
PROFIT BEFORE TAX	**31**	**26**	**15**	**1**	**42**
Cost-income ratio in %	22.2	24.1	36.4	27.5	19.3

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

Developments in the Commercial Real Estate Financing subdivision

In the first quarter of 2007, the Commercial Real Estate Financing subdivision again continued to implement the restructuring programme begun in 2005, which includes the associated strategic reduction of unprofitable portfolios and the expansion of new profitable business activities. Net interest income fell by 12.2% compared to the same quarter last year as a result. The decline in total revenues was only moderate (down 6.9%) on account of the massive 37.5% increase in net fees and commissions. The change in net fees and commissions primarily stems from higher corporate finance income and increased sales in derivatives operations for customers.

Operating costs declined by 14.3% on account of the resizing which accompanied the fall in volume, helping enhance profitability on the operating side overall as reflected in an improvement of 1.9 percentage points in the cost-income ratio to 22.2%. At €42 million, operating profit was at around the same good level as last year.

On account of a decline of €7 million, or 38.9%, in net write-downs of loans and provisions for guarantees and commitments, the profit before tax rose by 19.2% compared to last year, to €31 million.

Notes to the Income Statement continued

Income statement of the Markets & Investment Banking division

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**411**	**286**	**361**	**268**	**256**
Net fees and commissions	90	102	106	72	86
Net trading, hedging and fair value income	355	294	79	193	171
Net other expenses/income	2	5	3	(8)	5
Net non-interest income	**447**	**401**	**188**	**257**	**262**
TOTAL REVENUES	**858**	**687**	**549**	**525**	**518**
Payroll costs	(163)	(138)	(144)	(120)	(120)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(150)	(151)	(181)	(147)	(162)
Operating costs	**(313)**	**(289)**	**(325)**	**(267)**	**(282)**
OPERATING PROFIT	**545**	**398**	**224**	**258**	**236**
Restructuring costs	0	0	(1)	0	0
Net write-downs of loans and provisions for guarantees and commitments	(1)	(15)	20	(5)	16
Net income from investments and other items[1]	215	27	(221)	16	16
PROFIT BEFORE TAX	**759**	**410**	**22**	**269**	**268**
Cost-income ratio in %	36.5	42.1	59.2	50.9	54.4

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

Developments in the Markets & Investment Banking division

The Markets & Investment Banking division continued its successful, sustainable results trend, increasing its profit before tax year-on-year by 85.1% to €759 million in the first three months of 2007.

This development can be attributed equally to the substantial 36.9% rise in operating profit to €545 million and the gain of €218 million on the disposal of Indexchange recognised in net income from investments and other items. But even without this gain on disposal, profit before tax rose a strong €131 million, or 32.0%, to €541 million, putting it well ahead of the quarterly profits last year.

There was only a minor net addition of €1 million to net write-downs of loans and provisions for guarantees and commitments in the quarter under review (first quarter of 2006: net addition of €15 million) on account of the favourable market environment.

The good operating profit was driven by a rise of €171 million, or 24.9%, in total revenues. Net interest income in particular climbed an impressive €125 million, or 43.7%, partly as a result of beneficial interest trends. At the same time, net trading, hedging and fair value income exceeded the excellent total for the first quarter of last year by a further €61 million, or 20.7%, whereas net fees and commissions were down €12 million, or 11.8%, on the first quarter of last year.

Despite the rise of €24 million, or 8.3%, in operating costs, the cost-income ratio improved by 5.6 percentage points to 36.5%.

Income statement of the Other/consolidation division

INCOME/EXPENSES	1/1–31/3/2007 € millions	1/1–31/3/2006 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
TOTAL REVENUES	**201**	**28**	**7**	**(2)**	**60**
Operating costs	**(99)**	**(101)**	**(33)**	**(94)**	**(51)**
OPERATING PROFIT (LOSS)	**102**	**(73)**	**(26)**	**(96)**	**9**
Restructuring costs	0	0	(30)	(12)	(2)
Net write-downs of loans and provisions for guarantees and commitments	(86)	(100)	(179)	(91)	(132)
Net income from investments and other items[1]	49	31	(35)	(11)	2
PROFIT (LOSS) BEFORE TAX	**65**	**(142)**	**(270)**	**(210)**	**(123)**

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

Developments in the Other/consolidation division

The Other/consolidation segment encompasses the Global Banking Services and Group Corporate Centre subsegments together with the profit contributions from the Special Credit Portfolio newly defined in September 2006 and assigned to this segment, the Real Estate Restructuring portfolio previously shown separately, and consolidation effects.

The total revenues of this segment rose sharply, from €28 million last year to €201 million in the first quarter of 2007. This development results almost exclusively from net interest income, which benefited from the interest effects arising from the inflow of funds in conjunction with the disposal of the discontinued operations.

This effect was reinforced by the return on the purchase price together with the investment of the gains on disposal and the omission of the refinancing costs on the carrying amounts of the investments in the discontinued operations that were included last year. With operating costs remaining stable compared to the same period last year, the interest effect described above had a positive impact on operating profit. Net write-downs of loans and provisions for guarantees and commitments, which relate to the Special Credit Portfolio, fell by 14% to €86 million. At the same time, the gain of €47 million on the disposal of Nordinvest in particular led to the higher profit contribution from net income from investments and other items. Profit before tax improved to €65 million in the first quarter of the present financial year after a loss of €142 million in the equivalent period last year.

Notes to the Income Statement continued

2 Net interest income

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Interest and similar income from		
lending and money market transactions	3,225	2,591
fixed-income securities	730	630
finance leases	15	11
Interest expense and similar charges from		
deposits	1,861	1,408
promissory notes and other liabilities		
evidenced by paper	885	842
subordinated capital	150	178
Total	**1,074**	**804**

Interest income and interest expense for financial assets and liabilities not carried at fair value through profit or loss totalled €3,061 million and €2,201 million, respectively.

3 Dividends and other income from equity investments

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Interest and similar income from		
equity securities and other variable-yield securities	5	9
subsidiaries	8	8
companies accounted for using the equity method	2	3
participating interests	52	28
Total	**67**	**48**

4 Net fees and commissions

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Securities and custodial services	234	289
Foreign trade operations/money transfer operations	74	73
Lending operations	106	118
Other service operations	73	58
Total	**487**	**538**

This item comprises the balance of fee and commission income of €604 million (2006: €641 million) and fee and commission expense of €117 million (2006: €103 million).

In terms of the year-on-year change in net fees and commissions, the profit contributions made by the sold Activest companies, Index-change and Nordinvest are only included in net fees and commissions for 2006 up to the middle of the year, which has a negative effect when compared to 2006. Adjusted for consolidation and currency effects, last year's level was almost equalled, with a fall of just 1.1%.

5 Net trading, hedging and fair value income

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Net gains on financial instruments held for trading	**290**	**300**
Equity contracts	170	129
Interest rate and currency contracts	94	145
Dividend income arising from trading operations	26	26
Private equity realisation gains[1]	**46**	**0**
Effects arising from hedge accounting	**(1)**	**(1)**
Net gains on financial instruments designated at		
fair value through profit or loss	**26**	**12**
Other net trading, hedging and fair value income	**(11)**	**(14)**
Total	**350**	**297**

1 the gains on the disposal of actively managed holdings in the private equity business are recorded here. The gains of around €23 million realised in the previous year have not been adjusted. They are shown under net income from investments

6 Net other expenses/income

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Other income	**51**	**57**
Other expenses	**24**	**30**
Net other expenses/income	**27**	**27**

7 Net write-downs of losses and provisions for guarantees and commitments

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Additions	**408**	**410**
Allowances for losses on loans and advances	397	395
Allowances for losses on guarantees and indemnities	11	15
Reversals	**(190)**	**(183)**
Allowances for losses on loans and advances	(189)	(180)
Allowances for losses on guarantees and indemnities	(1)	(3)
Recoveries from write-offs of loans and receivables	(9)	(17)
Total	**209**	**210**

8 Net income from investments

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Gains on the disposal of		
placements, loans and advances	0	0
available-for-sale investments	(1)	90
held-to-maturity investments	0	0
companies accounted for using		
the equity method	0	0
shares in affiliated companies	265	0
land and buildings	6	0
Write-downs and value adjustments on		
available-for-sale investments	0	0
held-to-maturity investments	0	(1)
companies accounted for using the		
equity method	0	0
shares in affiliated companies	0	0
land and buildings	0	0
Total	**270**	**89**

The gains of €265 million on the disposal of shares in affiliated companies include the gains realised on the disposal of Indexchange amounting to €218 million and Nordinvest amounting to €47 million.

9 Income statement and earnings per share of discontinued operations

In 2007, the gains on disposal of the BA-CA Group, IMB, AS UniCredit Bank, Riga (formerly HVB Bank Latvia AS, Riga) and HVB Ukraine amounting to €3,771 million before tax are included under net income from investments in the income statement of discontinued operations. Compliant with IFRS, the gains on disposal account for a total of €82 million in taxes. In addition, the income and expenses of the HVB branches in Vilnius and Tallinn are disclosed in 2007. The previous-year figures also include the income and expenses of the business activities of the discontinued operations sold in the first quarter of 2007.

Income statement and earnings per share of discontinued operations

€ millions	1/1–31/3/ 2007	1/1–31/3/ 2006
Net interest income	1	694
Net fees and commissions	0	425
Net trading, hedging and fair value income	0	191
Net other income/expenses	0	6
TOTAL REVENUES	**1**	**1,316**
Operating costs	(1)	(737)
OPERATING PROFIT	**0**	**579**
Provisions for risks and charges	0	(3)
Write-down on goodwill	0	0
Restructuring costs	0	0
Net write-downs of loans and provisions for		
guarantees and commitments	0	(113)
Net income from investments	3,771	10
Other non-operating expenses	0	0
PROFIT BEFORE TAX	**3,771**	**473**
Income tax for the period	(82)	(91)
PROFIT AFTER TAX	**3,689**	**382**
Minorities	0	(123)
NET PROFIT	**3,689**	**259**

Earnings per share of discontinued operations

	1/1–31/3/ 2007	1/1–31/3/ 2006
Earnings per share (€)	4.91	0.35

10 Earnings per share

FULL HVB GROUP	1/1–31/3/ 2007	1/1–31/3/ 2006
Net profit adjusted for minorities (€ millions)	4,482	651
Average number of shares	750,699,140	750,699,140
Earnings per share (€)	5.97	0.87

HVB GROUP NEW	1/1–31/3/ 2007	1/1–31/3/ 2006
Net profit adjusted for minorities (€ millions)	793	392
Net profit adjusted for minorities		
(adjusted[1], € millions)	522	392
Average number of shares	750,699,140	750,699,140
Earnings per share (€)	1.06	0.52
Earnings per share (adjusted[1], €)	0.70	0.52

1 2007 figures adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange

Notes to the Consolidated Balance Sheet

11 Assets held for trading purposes

€ millions	31/3/2007	31/12/2006
Debt securities and other fixed-income securities	49,230	45,709
Equity securities and other variable-yield securities	21,069	19,917
Positive fair values from derivative financial instruments	34,350	35,114
Other assets held for trading purposes	5,550	6,471
Total	**110,199**	**10,211**

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

€ millions	31/3/2007	31/12/2006
Repayable on demand	15,815	12,919
With agreed maturities	33,734	28,345
Total	**49,549**	**41,264**

13 Loans and advances to customers, broken down by maturity

€ millions	31/3/2007	31/12/2006
Repayable on demand	18,306	13,658
With agreed maturities	157,764	156,340
up to 3 months	27,762	22,838
from 3 months to 1 year	11,078	11,999
from 1 year to 5 years	33,381	34,040
from 5 years and over	85,543	87,463
Total	**176,070**	**169,998**

14 Total volume of lending

By content

€ millions	31/3/2007	31/12/2006
Placements with, and loans and advances to, other banks	19,613	18,027
Loans and advances to customers	169,581	167,068
Contingent liabilities arising from guarantees and indemnities	25,974	24,977
Total	**215,168**	**210,072**

15 Allowances for losses on loans and advances

Analysis of allowances for losses on loans and advances

€ millions	2007	2006
Balance at January 1, HVB Group new	**6,068**	**9,228**
Changes affecting income		
Gross additions	397	395
Releases	(189)	(180)
Changes not affecting income		
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	0	(307)
Use of existing loan-loss allowances	(93)	(186)
Effects of currency translation and other changes not affecting income	5	(21)
Non-current assets or disposal groups held for sale	—	—
Balance at March 31, HVB Group new	**6,188**	**8,929**

16 Investments

€ millions	31/3/2007	31/12/2006
Held-to-maturity investments		
Debt securities and other fixed-income securities	382	471
Available-for-sale investments	7,898	7,138
Non-consolidated subsidiaries	565	588
Participating interests	2,038	1,884
Debt securities and other fixed-income securities	3,173	2,700
Equity securities and other variable-yield securities	2,122	1,966
of which: long-term securities	1,667	1,413
Fair-value-option investments	11,634	11,728
Debt securities and other fixed-income securities	11,502	11,613
Equity securities and other variable-yield securities	132	115
Companies accounted for using the equity method	37	35
of which: goodwill	—	—
Investment property	477	473
Total	**20,428**	**19,845**

17 Assets of discontinued operations

Assets	31/3/2007 € millions	31/12/2006 € millions
Cash reserve	18	2,874
Assets held for trading purposes	0	17,188
Placements with, and loans and advances to, other banks	6	32,694
Loans and advances to customers	291	88,504
Allowances for losses on loans and advances	(2)	(2,755)
Investments	2	18,296
Property, plant and equipment	1	915
Intangible assets	1	1,984
Income tax assets	0	1,022
Other assets	0	2,725
Total assets	**317**	**163,447**

After the disposal of the BA-CA Group, International Moscow Bank, AS UniCredit Bank, Riga (formerly HVB Bank Latvia AS, Riga) and HVB Ukraine in the first quarter of 2007, only the HVB AG branches in Vilnius and Tallinn are now defined as discontinued operations. At December 31, 2006, the sold companies named above were also defined as discontinued operations in addition to the HVB AG branches in Vilnius and Tallinn.

18 Non-current assets or disposal groups held for sale

Compliant with IFRS 5, non-current assets held for sale and the assets of a disposal group held for sale are shown separately in the balance sheet. At March 31, 2007 this item contains the following:

– Financial Markets Service Bank GmbH (FMS Bank)
  In the course of focusing on its core competencies, HVB Group intends to assign its activities in the area of securities trading and custodial services to the French financial service provider Caceis. Appropriate exclusive negotiations were started in March 2007. The sale is intended to be completed by the end of 2007.

– As HVB Group companies concentrate on their respective core competencies, HVB Banque Luxembourg S. A., Luxembourg, will cease to offer depositary banking services from the middle of 2007 in accordance with a resolution adopted during 2006. Consequently, the balance sheet totals relating to its depositary banking activities have been classified as held for sale.

– In addition, various other investment properties previously carried under investments have been classified as held for sale. This is also the case for individual buildings which were carried under property, plant and equipment on account of their predominant use for bank operations.

Due to the disposals realised in the first quarter of 2007, the following, which were still shown as non-current assets or disposal groups held for sale at December 31, 2006, are no longer included in this item at March 31, 2007:

– HVB Payments & Services (PAS)
  In June 2006, Postbank and HypoVereinsbank concluded a preliminary contract on future co-operation in payments. With effect from January 1, 2007, we sold the payment subsidiary PAS to Postbank. Under this sale, Postbank also assumed the task of processing payments on behalf of HVB.

– The sale of a non-strategic real estate portfolio disclosed under investments to Värde Partners, Inc., announced by the Management Board of HVB AG on December 13, 2006, was completed in the first quarter of 2007.

– Norddeutsche Investment-Gesellschaft mbH (Nordinvest), Hamburg
  After HVB AG and Pioneer Global Asset Management S.p.A. (PGAM) reached agreement on the sale of Nordinvest to PGAM on January 31, 2007, Nordinvest was transferred to PGAM in the first quarter of 2007. The aim is to integrate Nordinvest into the Pioneer Investment Group.

– The sale of Indexchange Investment AG to Barclays Bank PLC announced on November 7, 2006 was completed in the first quarter of 2007. The selling price amounted to €240 million.

Notes to the Consolidated Balance Sheet continued

The following table shows the breakdown of the main groups of assets described above:

Assets	31/3/2007 € millions	31/12/2006 € millions
Cash reserve	—	—
Assets held for trading purposes	—	—
Placements with, and loans and advances to, other banks	4	3
Loans and advances to customers	45	614
Allowances for losses on loans and advances	—	—
Investments	6	343
Property, plant and equipment	2	22
Intangible assets	15	4
Income tax assets	3	5
Other assets	8	13
Total assets	**83**	**1,004**

19 Deposits from other banks, broken down by maturity

€ millions	31/3/2007	31/12/2006
Repayable on demand	16,329	20,420
With agreed maturities	55,732	65,252
Total	**72,061**	**85,672**

20 Amounts owed to other depositors, broken down by maturity

€ millions	31/3/2007	31/12/2006
Savings deposits and home-loan savings deposits	15,708	15,794
Other liabilities	83,786	76,342
Repayable on demand	48,375	40,114
With agreed maturities	35,411	36,228
Total	**99,494**	**92,136**

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

€ millions	31/3/2007	31/12/2006
With agreed maturities		
up to 3 months	11,818	12,134
from 3 months to 1 year	12,683	11,613
from 1 year to 5 years	33,558	32,475
from 5 years and over	17,512	20,716
Total	**75,571**	**76,938**

22 Provisions

€ millions	31/3/2007	31/12/2006
Provisions for pensions and similar commitments	167	190
Allowances for losses on guarantees and indemnities	253	249
Restructuring provisions	226	243
Other provisions	1,018	1,001
Total	**1,664**	**1,683**

23 Subordinated capital

€ millions	31/3/2007	31/12/2006
Subordinated liabilities	8,037	8,514
Participating certificates outstanding	618	619
Hybrid capital instruments	2,956	3,009
Total	**11,611**	**12,142**

24 Liabilities of discontinued operations

The following table shows the breakdown of the liabilities of discontinued operations:

€ millions	31/3/2007	31/12/2006
Deposits from other banks	2	50,495
Amounts owed to other depositors	118	59,641
Promissory notes and other liabilities evidenced by paper	—	21,898
Liabilities held for trading purposes	—	5,237
Provisions	—	4,521
Income tax liabilities	—	655
Other liabilities	197	3,597
Subordinated capital	—	5,634
Total liabilities	**317**	**151,678**

25 Liabilites of disposal groups held for sale

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

€ millions	31/3/2007	31/12/2006
Deposits from other banks	8	8
Amounts owed to other depositors	938	1,176
Liabilities held for trading purposes	—	—
Provisions	16	37
Income tax liabilities	2	1
Other liabilities	12	20
Total liabilities	**976**	**1,242**

26 Treasury stock

In the period under review, treasury stock was purchased on the basis of the authorisation granted through the resolution adopted by the Annual General Meeting of HVB AG on May 23, 2006 pursuant to 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 658,218 shares of treasury stock were purchased by HVB AG and controlled or majority-owned companies at the respective current market prices as part of normal securities trading, and a total of 682,478 shares of treasury stock were sold at the respective current market prices.

The treasury stock was purchased at an average price of €36.95 per share and resold at an average price of €36.77 per share. The shares purchased during the period under review amounted to an equivalent of €2 million, or 0.1% of capital stock.

The highest number of shares of treasury stock held by the Bank on any given day during the reporting period was 23,858, equivalent to €0.07 million or 0.003% of capital stock.

Within the scope of lending operations, the Bank and its controlled or majority-owned companies had, in accordance with Section 71e (1) 2 of the German Stock Corporation Act, received a total of 70,725 shares as collateral as of March 31, 2007. This represents €0.2 million, or 0.01% of capital stock.

Other Information

27 Contingent liabilities and other commitments

€ millions	31/3/2007	31/12/2006
Contingent liabilities	**25,974**	**24,977**
of which: Guarantees and indemnities	25,974	24,977
Other commitments	**69,177**	**58,298**
of which: Irrevocable credit commitments	46,891	45,243
Total, HVB Group new	**95,151**	**83,275**
Discontinued operations and disposal group held for sale	0	23,622
Full HVB Group	**95,151**	**106,897**

Derivatives (derivative transactions)

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, 2007 (excluding add-on) totalled €35.6 billion (full HVB Group at December 31, 2006: €14.5 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) totalled €19.2 billion (full HVB Group at December 31, 2006: €20.1 billion); and the remaining risk after risk-weighting amounted to €5.4 billion (full HVB Group at December 31, 2006: €5.9 billion).

€ millions	Nominal amount		Positive fair value		Negative fair value	
	31/3/2007	31/12/2006	31/3/2007	31/12/2006	31/3/2007	31/12/2006
Interest rate derivatives	1,585,469	1,467,841	17,963	19,062	19,662	20,502
Foreign exchange derivatives	287,276	259,269	3,364	3,872	3,252	3,679
Equity/index derivatives	233,622	205,253	11,084	10,396	12,329	10,602
Credit derivatives	277,093	252,068	2,866	2,748	3,746	3,231
Other transactions	3,299	3,071	325	295	184	291
Total, HVB Group new	**2,386,759**	**2,187,502**	**35,602**	**36,373**	**39,173**	**38,305**
Discontinued operations and non-current assets or disposal groups held for sale	—	525,440	—	5,139	—	5,474
Full HVB Group	**2,386,759**	**2,712,942**	**35,602**	**41,512**	**39,173**	**43,779**

28 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 89 and following of the HVB Group Annual Report 2006).

Value-at-risk[1]

€ millions	31/3/2007	31/12/2006
Interest rate positions (incl. credit spread risks)	8	12
Foreign exchange positions	4	3
Equity/index positions	7	4
Diversification effect	(8)	(6)
Total	**11**	**13**

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

Boards

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Retail division

Stefan Ermisch
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Internal organisation, integration and establishment of global investment banking activities
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Markets

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Andreas Wölfer
Wealth Management division

Summary of Quarterly Financial Data

HVB Group (compliant with IFRS 5)

Operating performance (€ millions)	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net interest income	1,141	893	803	851	852
Net fees and commissions	487	397	371	447	538
Net trading, hedging and fair value income	350	95	191	185	297
Net other expenses/income	27	(7)	(4)	16	27
TOTAL REVENUES	**2,005**	**1,378**	**1,361**	**1,499**	**1,714**
Operating costs	(955)	(906)	(919)	(906)	(964)
OPERATING PROFIT	**1,050**	**472**	**442**	**593**	**750**
Provisions for risks and charges	(6)	(91)	(27)	(25)	(21)
Write-down on goodwill	0	0	0	0	0
Restructuring costs	0	(41)	(16)	(3)	0
Net write-downs of loans and provisions for guarantees and commitments	(209)	(295)	(226)	(202)	(210)
Net income from investments	270	(18)	551	49	89
Other non-operating expenses	0	(153)	0	0	0
PROFIT BEFORE TAX	**1,105**	**(126)**	**724**	**412**	**608**
Income tax for the period	(291)	500	(60)	(123)	(192)
NET PROFIT	**814**	**374**	**664**	**289**	**416**
Minorities	(21)	(38)	(14)	(27)	(24)
NET PROFIT OF HVB GROUP NEW	**793**	**336**	**650**	**262**	**392**
Profit after tax of discontinued operations	3,689	1,695	297	1,083	382
Minorities in profit of discontinued operations	0	(159)	(105)	(290)	(123)
NET PROFIT OF FULL HVB GROUP	**4,482**	**1,872**	**842**	**1,055**	**651**
Earnings per share (€)[1], HVB Group new	0.70	0.45	0.18	0.35	0.52

1 Q1 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange; unadjusted earnings per share total €1.06
Q4 2006 figure adjusted for restructuring costs, special effect of write-downs of loans and provisions for guarantees and commitments, gains on disposal of Munich Re, valuation expenses for the announced disposal of a portfolio of non-strategic real estate, and other non-operating expenses; unadjusted earnings per share total €0.44
Q3 2006 figure adjusted for restructuring costs and the gain on disposal of the Activest companies; unadjusted earnings per share total €0.87
Q2 2006 figure adjusted for restructuring costs; unadjusted earnings per share total €0.35

HVB Group

	31/3/2007	31/12/2006	30/9/2006	30/6/2006	31/3/2006
Key indicators (%)					
Return on equity after taxes, adjusted[2]	20.8	10.5	9.7	12.1	14.3
Return on equity after taxes	31.6	15.3	16.1	12.0	14.3
Cost-income ratio (based on total revenues)	47.6	62.1	61.0	58.2	56.2
Balance sheet figures (€ billions)					
Total assets	362.9	508.0	495.1	486.8	498.2
Shareholders' equity	22.6	20.0	18.5	16.6	16.3
Key capital ratios compliant with German Banking Act (KWG)					
Core capital (€ billions)	21.3[3]	18.3	17.1	16.9	17.1
Risk-weighted assets (€ billions)	139.4	219.3	236.0	233.5	231.7
Core capital ratio (%)	15.3[3]	8.4	7.3	7.2	7.4
Share information					
Share price (€)	39.78	33.03	34.50	28.28	27.24
Market capitalisation (€ billions)	29.9	24.8	25.9	21.2	20.4
Employees	24,861[1]	50,659	60,881	62,716	62,696
Offices	788[1]	1,877	2,378	2,489	2,461

1 without discontinued operations

2 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange
Figure at December 31, 2006 adjusted for restructuring costs, special effect of write-downs of loans and provisions for guarantees and commitments, gains on disposal of the Activest companies and Munich Re, valuation expenses for the announced disposal of a portfolio of non-strategic real estate, and other non-operating expenses
Figure at September 30, 2006 adjusted for restructuring costs and gains on disposal of the Activest companies
Figure at June 30, 2006 adjusted for restructuring costs

3 core capital and core capital ratio at March 31, 2007 including inflow to shareholders' equity arising from the disposal of discontinued operations

Financial Calendar

IMPORTANT DATES 2007

Publication of the 2006 annual results	March 22, 2007
Annual General Meeting of Shareholders	June 26 (27), 2007[1]
ICM International Congress Center Munich	
Neue Messe Munich-Riem, 81823 Munich, Germany	
First-quarter earnings	May 10, 2007
Second-quarter earnings	August 3, 2007
Third-quarter earnings	November 13, 2007

1 The Annual General Meeting of Shareholders has been convened for June 26, 2007 and also for June 27, 2007 as a precautionary measure in the event that it cannot be concluded on the first day.

Contacts

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