INTERIM REPORT 2005

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Growing with Europe.

HVB Group

CONTENTS

Key indicators (%)	1/1–6/30/2005	1/1–6/30/2004
Return on equity after taxes[1]	9.7	5.4
Return on equity before taxes[1]	13.5	9.0
Cost-income ratio (based on operating revenues)	66.7	66.6
Operating performance	1/1–6/30/2005	1/1–6/30/2004
Operating profit (€ millions)	960	666
Profit (loss) from ordinary activities/net income (loss)		
before taxes (€ millions)	971	608
Consolidated profit (loss) (€ millions)	566	267
Earnings per share (€)[1]	0.75	0.53
Balance sheet figures (€ billions)	6/30/2005	12/31/2004
Total assets	492.7	467.4
Total volume of lending	333.3	324.6
Shareholders' equity	15.4	14.0
Key capital ratios compliant with BIS rules	6/30/2005	12/31/2004[2]
Core capital (€ billions)	15.7	15.7
Equity funds (€ billions)	27.8	27.1
Risk assets (€ billions)	246.5	238.6
Core capital ratio (%)	6.4	6.6[3]
Equity funds ratio (%)	10.0	10.4
Share information	1/1–6/30/2005	2004
Share price: Reporting date (€)	21.51	16.70
High (€)	22.15	21.13
Low (€)	16.30	12.86
Market capitalization at reporting date (€ billions)	16.1	12.5
	6/30/2005	12/31/2004
Employees	59,294	57,806
Branch offices	2,190	2,036

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

Ratings

	Long-term	Short-term	Outlook	Public Pfandbriefs	Mortgage Pfandbriefs
Moody's	A3[1]	P–1	rating under review	Aa2[4]	Aa3[4]
S&P	A–[2]	A–2[2]	not meaningful	AAA	—
Fitch Ratings	A–[3]	F2[3]	—	AAA	AAA

[1] On "review for possible upgrade" since June 13, 2005
[2] On "credit watch positive" since May 31, 2005
[3] On "rating watch positive" since June 13, 2005
[4] On "review for possible upgrade" since March 15, 2004

HVB Group and UniCredit join forces to become the first truly European bank

The Management and Supervisory Board of HVB Group and the Board of Directors of UniCredit approved the combination of HVB Group and UniCredit on June 12, 2005. Both banks have entered into a Business Combination Agreement setting forth clearly defined terms for the business model and corporate governance structure of the new group. With this transaction, which will create a new force in the banking market, HVB Group and UniCredit are at the forefront of the European banking consolidation.

With a customer base of more than 28 million customers, over 7,000 banking branches in 19 countries and total assets of €733 billion, the new banking group will occupy a dominant position in some of Europe's wealthiest regions and fastest-growing markets: It will build on leading positions in neighboring home markets with a unique presence in Bavaria, Austria and Northern Italy. At the same time, it will be the clearly leading banking group in Central and Eastern Europe, measured by total assets and the number of banking branches. The new banking group will have a much more broadly diversified business portfolio in terms of geographical presence on the one hand, and customer groups and product types on the other.

The new banking group will pursue clearly defined strategic goals. It will further strengthen its competitive position in its markets of presence. In particular, it will optimize its leading position in Central and Eastern Europe by consolidating its business activities on a national level and through leverage of joint brands. The new banking group can lower costs by exploiting complementary strengths and achieving critical mass in scale-driven business areas such as asset management and investment banking. At the same time, growth will be stepped up in selected regions and business segments. Another key goal is to maximize revenues and cost synergies through best practices transfer, optimizing production capacities and avoiding duplicate functions.

HVB Group and UniCredit offer their shareholders, customers and employees attractive growth prospects and high value appreciation potential. The combination is expected to generate pre-tax synergies of close to €1 billion per year, which are expected to be fully realized as of 2008, and of which over 90% are expected to result from lower costs and the remaining from increased revenues due to the application of best practices. Restructuring charges, which UniCredit and HVB have estimated at €1.35 billion, will be fully expensed in the financial statements for 2005.

With an average annual growth rate of 26%, the new banking group is aiming to increase its earnings per share substantially to €0.56 for 2007. Moreover, the intention is to strenghten the equity capital base significantly, particularly by means of profit retention. The goal is to attain a core capital ratio of 6.4% by the end of 2007. Until that time, the new banking group aims to generate a return on equity after taxes of 18%. Dividend distributions are expected to increase every year.

Details of the transaction were announced on June 12, 2005. More information on this subject is available at www.hvbgroup.com/ir.

General economic trends in the second quarter of 2005

After the boom year 2004, the momentum of the global economy slowed somewhat, but was still quite robust in the second quarter of 2005. Particularly in China and other emerging economies of Asia, the rate of economic growth has hardly slowed at all. The U.S. economy has been supported by consistently strong domestic demand. Consumer spending has been given a boost by rising disposable incomes and property value appreciation associated with the boom in the U.S. real estate markets. With regard to the euro zone, hard economic indicators like industrial production and retail sales present a somewhat mixed picture. A temporary slowdown in economic growth was registered also in Austria and the countries of Central and Eastern Europe in the first half of 2005.

Although the leading indicators for the euro zone continued to point down during the second quarter, they showed improvement towards the end of the quarter. This was not only the case in Germany, where survey results (ZEW, Ifo) might have been influenced by the announcement of early parliamentary elections. The indicators also rose overall in France, Belgium and the euro zone in general.

Specific trends affecting the financial services sector in Germany

The persistently modest economic environment, coupled with anxieties in the international bond markets and the political crisis within the EU, had the effect of nipping in the bud any possibility of a quick economic recovery in Germany, especially at the beginning of the second quarter.

The efforts undertaken by the German financial services industry in the last few years to sharpen the focus of their business activities while diversifying their income sources clearly began to bear fruit in the first quarter. Both fee and commission-based operations continued to benefit from this trend. Moreover, the strict application of risk-adjusted pricing policies has made it possible to offset, in part, the effects of the continued modest demand for loan products. The situation of trading profits and losses was quite different. In the first months of the current year, demand for capital market services was very strong, but did not hold up as well in the second quarter. Although the German stock market posted a gain in the second quarter, the volume of trading activities was considerably lower, due most of all to the uncertainties affecting the bond markets.

There were no major changes in the trend of loan-loss provisions compared with the preceding quarter. It remains to be seen, however, how economic conditions will develop in the further course of the year. Due to the restructuring measures that were implemented in recent years, the cost level has remained stable. We anticipate that economic conditions and capital markets alike will stabilize during the course of the year, which will support the revenue prospects of the entire banking industry.

Growing with Europe

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

Despite the difficult environment in the capital markets in the second quarter of 2005, HVB Group extended its strong operating performance into the middle of 2005.

Operating profit for the first six months of 2005 rose by 44.1% compared with the same period last year, and net income before taxes was sharply higher, by around 60%. Net income after taxes (after minority interests) of €566 million was twice as high as the corresponding prior-year figure.

The Outlook in the Financial Review (2004 Annual Report, page 81) stated a target figure between 8 and 9% for the return on equity after taxes in 2005. Having achieved a return on equity after taxes of 9.7% in the first six months of the current year, we have so far managed to exceed this target.

Details on the reasons for our success are given below:

Operating revenues

Total operating revenues were up 3.4% over last year. With the exception of the trading profit, operating revenues were higher than the respective first quarter figures in all income categories.

Net interest income was 5.7% higher than last year and 6.3% higher than the corresponding figure for the first quarter of 2005. Non-recurrent and seasonal effects had a favorable impact compared to the first quarter in 2005. Along with a rise in volume, the interest margin, based on the average risk assets shown in the balance sheet, increased to 2.67%, exceeding both the interest margin in mid-2004 (2.53%) and the interest margin at March 31, 2005 (2.62%). The notes include a detailed breakdown of interest income and expense.

Net commission income, at €1,521 million, showed a 9.2% improvement on the prorated prior year level. At the same time, the contribution to profits made by the securities and depositary business rose by 12%, primarily as a result of the sale of innovative financial products such as our “interest joker” bond and the “interest collect” bond. In addition, there was a rise in net commission income from international transactions, payments and lending operations. The share of net commission income in total operating revenues reached 31.5% (June 30, 2004: 29.8%).

At €423 million, trading profit fell short of last year’s strong performance by 5.8%. After the very good trading profit in the first quarter of 2005, the second-quarter trading profit was weighed down in particular by the anxious state of the capital markets in April and May resulting from the developments in the U.S. automotive market. In June, the trading profit returned to the positive levels recorded in the first quarter of 2005.

General administrative expenses

At €3,223 million, the general administrative expenses of HVB Group were 3.5% higher than last year but slightly lower than pro-rated budget figure. The cost-income ratio (percentage of total operating revenues made up by general administrative expenses) amounted to 66.7%, almost unchanged from the prior-year figure (June 30, 2004: 66.6%).

Provisions for losses and loans and advances

For the whole of 2005, we continue to expect a substantially lower amount of provisions for losses on loans and advances in comparision to the preceding years. The expected provisions of about €1.3 billion, which translates to €649 million for the first six months. This represents a decrease of €246 million, or 27.5%, compared with the figure reported for the first half of the preceding year.

Operating profit and net income before taxes

The operating profit rose by 44.1%, or €294 million, compared to the first six months of last year. Due to the weaker trading profit, the operating profit for the second quarter fell short of the above-average operating profit of the first quarter. However, the second-quarter operating profit of €412 million was 16% higher than the quarterly average for the preceding year, indicating that the sustained profitability gains from the 2004 fiscal year have continued into the middle of 2005.

Net income from investments for the first six months of this year amounted to €84 million. This figure is mainly composed of the gain of €34 million from the sale of our shares in Premiere AG in the first quarter of 2005 and the gain of €36 million from the sale of our equity holding in Rhön-Klinikum in the second quarter. The decrease from the corresponding prior-year figure can be ascribed to the profits realized on the sale of our shares in Brau und Brunnen and E.ON in 2004.

Since January 1, 2005, scheduled amortization is no longer taken on goodwill in compliance with the IFRS 3. The 2004 income statement was still burdened by scheduled amortization of goodwill totaling €77 million. No non-scheduled amortization of goodwill was taken in the first six months of 2005.

The item of “Other income and expenses” essentially contains losses assumed in the first quarter of 2005 for companies allocated to the Real Estate Restructuring segment. Last year, this item included the expense incurred for the risk shield for Hypo Real Estate Group amounting to €65 million.

With net income before taxes of €971 million, we were able to exceed the prior-year figure by around 60%, even though the corresponding figure for the first six months of 2004 had been boosted by a high level of non-recurring income.

Consolidated profit

After deducting the minority interest of €138 million (prior year: €129 million) included in net income, we generated a consolidated profit of €566 million, which is more than twice as high as the corresponding figure for the first half of 2004.

Trends in individual business segments

The contributions of the individual business segments to the operating profit of €960 million were as follows:

Germany	€359 million
Austria and CEE	€467 million
Corporates & Markets	€361 million
Real Estate Restructuring	€ 19 million

As a result of the changes to the organizational structure of HVB Group described in detail in the interim report at 3/31/2005 (see page 4 of the interim report at 3/31/2005), the results of the business segments and business units disclosed in the prior year are no longer comparable with the figures calculated for the first half of fiscal 2005. Compliant with IAS 14.76, we have adjusted the prior year figures to match the new structure used to present the segment information.

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

Germany business segment

With its operating profit of €359 million, the Germany business segment made a significant contribution to the total operating profit of HVB Group. An operating profit of only €18 million was reported by the Germany business segment in the 2004 Annual Report for the whole of last year before changes were made to the organizational structure (including RER).

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

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

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

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

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

In the first half of 2005, the Germany business segment generated an operating profit before loan-loss provisions of €750 million. This is a 15.7% increase compared with last year, although it must be taken into consideration that the first half of 2004 benefited from the gain on the disposal of BethmannMaffei of around €53 million. The cost-income ratio improved by 3.8% points to reach 63.5%. The Germany business segment is reporting loan-loss provisions of €391 million for the first half of 2005 (based on €782 million for the whole of 2005). This is an increase of 19% over the first-quarter figure.

In the Private Customers business unit (including asset management and private banking activities), the operating profit before loan-loss provisions was able to be boosted by more than two thirds compared with last year, although last year profited from the gain on the disposal of BethmannMaffei. At the same time, there was a slight increase in operating revenues. Adjusted for the gain on the disposal of BethmannMaffei last year, the rise in operating revenues stands at 6.4%. There was also a 4.4% increase in net interest income. Among the factors contributing to this increase were the satisfactory development in volumes realized for both the loan product HVB Sofortkredit (an increase of €275 million) and savings deposits (mainly from the savings product PLUS-Sparen variabel). Net commission income rose by 8.6%, also as a result of the continued success in selling innovative investment products, for example the "interest joker" bond (€460 million) and the "interest collect" bond (€230 million). The extensive package of measures launched to optimize processes is starting to have a favorable impact on the cost structure. It has enabled a 7.3% reduction in general administrative expenses and a clear 82.8% improvement in the cost-income ratio (prior year: 89.8%, adjusted 95.0%).

In the Corporate Customers and Professionals business unit we were able to boost operating revenues by 7.8%, particularly due to the pleasing development in net commission income as a result of the increased sales in the derivatives business with customers and higher income in the securities and depositary business. In spite of higher general administrative expenses and hence a slight rise in the cost-income ratio of 47.6% (prior year: 46.2%), the operating profit before loan-loss provisions increased by 5.0%, to €458 million.

In the Real Estate business unit the cost-income ratio improved to 42.3% (prior year: 46.0%) due to higher operating revenues and lower general administrative expenses, while the operating profit before loan-loss provisions rose by €13 million to reach €127 million.

Austria and CEE business segment

The Austria and CEE business segment achieved an operating profit of €467 million in the first half of 2005, which is €103 million or at least one quarter more than in the same period last year.

Although there was a slight increase in general administrative expenses, the cost-income ratio improved to 62.8% due to the 9.3% rise in operating revenues. Despite the volume-induced 6.4% increase in loan-loss provisions, operating profit climbed to a healthy 28.3%.

In the Private Customers Austria business unit of the Austria and CEE business segment operating revenues rose by a total of 2.7% as a result of a favorable trend in net commission income, notably from the securities and depositary business. While general administrative expenses remained unchanged, the cost-income ratio improved to 79.6%. The business unit reported an 11.3% improvement in operating profit despite a slight rise in loan-loss provisions.

In the SMEs Austria business unit the operating revenues remained unchanged at the same level as last year. The slight decrease reported in net interest income was compensated by the increase in net commission income. With general administrative expenses almost unchanged, the cost-income ratio also remained stable. At €22 million, the operating profit was more than doubled due to the clear decline in loan-loss provisions.

At €131 million, the Large Corporates and Real Estate business unit achieved a 21.3% improvement in operating profit. This increase is a result both of a 7.0% reduction in general administrative expenses and a 5.3% rise in operating revenues. Particularly the balance of other operating income/expenses increased owing to deconsolidation gains from the disposal of the subsidiaries of Bank Austria Creditanstalt Leasing GmbH. This was able to more than compensate the decline in net interest income. The cost-income ratio improved to 47.5%.

In the Central and Eastern Europe (CEE) business unit, operating revenues rose by almost one quarter, mainly due to the favorable trend in net interest income and net commission income (up €693 million compared to €565 million last year). The development of our Polish subsidiary Bank BPH Spólka Akcyjna, Cracow, was particularly pleasing in this context.

Despite a 14.3% rise in general administrative expenses, the cost-income ratio improved by around 4 percentage points to 55.4%. In all, the operating profit rose by more than one third despite a €20 million increase in loan-loss provisions.

Including the results from Corporates & Markets and from the Other/consolidation segment, together with the Group-specific items such as the funding expense of goodwill, the Bank Austria Creditanstalt Group made an overall contribution of €531 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 places 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 €611 million is published separately by Bank Austria Creditanstalt.

Corporates & Markets business segment

In the Corporates & Markets business segment we achieved the same operating profit as last year. Net income before taxes was boosted by one third, mainly due to the gains realized on selling part of our holding of Premiere AG shares and shares in Rhön-Klinikum which are included in net income from investments (€79 million after a loss of €7 million last year).

The 29.0% decline in operating profit of the Markets business unit to €196 million was primarily a result of the 11.7% lower operating revenues. In addition to the decrease in trading profit due to the difficult conditions in the capital markets in April and May 2005, there was also a decline in other profit contributions to operating revenues compared with last year. In conjunction with the rise in general administrative expenses, this led to a increase of 9.1 percentage points in the cost-income ratio of 67.2%.

In contrast, the Corporates business unit reported a very pleasing development in operating profit, achieving €165 million compared to €87 million in the prior year. The 5.8% growth in operating revenues to €423 million resulted largely from the rise in net interest income and net commission income. With general administrative expenses remaining almost stable, this earnings performance led to a 3.3 percentage point improvement in the cost-income ratio at 52.5%. Due to the sharp 60.0% decline in loan-loss provisions to €36 million, the business unit recorded an increase in operating profit of around 90%.

Real Estate Restructuring business segment

In the Real Estate Restructuring (RER) business segment, there was a rise in operating revenues and general administrative expenses compared with the adjusted prior year figures. As no further loan-loss provisions were to be made for the loan portfolios allocated to this segment in 2005, the segment reported an operating profit of €19 million after posting an operating loss of €418 million last year.

Total assets and volume of lending

The total assets of HVB Group amounted to €492.7 billion at June 30, 2005, which represents an increase of €25.4 billion or 5.4% over the 2004 year-end total. International Moscow Bank, fully consolidated for the first time in the second quarter of 2005, accounts for €3.8 billion of this growth. This is also essentially the result of an increase in assets held for trading purposes of €11.6 billion; loans and advances to customers of €6.6 billion; placements with, and loans and advances to, other banks of €4.4 billion; investments of €2.3 billion; and other assets of €2.0 billion. At the same time, the cash reserve in particular declined by €1.0 billion.

The volume of lending rose by €8.7 billion to reach €333.3 billion after we had disclosed a decline of €13.8 billion in 2004. The increase can be attributed to higher loans and advances to customers and a rise in contingent liabilities, while placements with, and loans and advances to, other banks declined.

On the liabilities side, liabilities held for trading purposes and amounts owed to other depositors each increased by €8.3 billion, deposits from other banks by €5.8 billion and promissory notes and other liabilities evidenced by paper by €1.5 billion. The shareholders' equity shown in the balance sheet rose by around 9.9% to €15.4 billion mainly as a result of the profit generated in the first half of 2005 and the higher minority interest due to the first-time full consolidation of International Moscow Bank.

Risk assets, key capital ratios and liquidity

After the first six months of 2005, risk assets as per BIS rules increased by €7.9 billion compared with the level at the year-end of 2004 to €246.5 billion, primarily reflecting an expansion of our business activities and the first-time consolidation of International Moscow Bank. In addition, the synthetic transaction Geldilux 2002-1, which had a €3 billion lending volume and a €2.3 billion risk asset reduction, was discontinued.

The true sale transaction Geldilux-TS-2005, concluded in the second quarter, compensated this. The volume of lending launched on the capital market in this connection stands at €5.5 billion and has led to a €5.2 billion decline in risk assets compliant with BIS.

The core capital of HVB Group at June 30, 2005 totaled €15.7 billion. This gives rise to a core capital ratio of 6.4% and an equity funds ratio of 10.0%.

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 half of 2005 (at the end of 2004: 1.2).

IFRS basis

The present interim report has been prepared in accordance with IAS 34. With the exception of the new and revised IFRSs, we have applied the same accounting and valuation principles as in the consolidated financial statements for 2004. We have adjusted the prior year figures on the basis of the new and revised IFRSs which must be applied retrospectively as a basic principle. We have described these effects and the adjustments to the balance sheet at December 31, 2004 and to the income statement for the whole of 2004 in detail in the section entitled "Effects of applying new and revised IFRSs" in the interim report at March 31, 2005.

We have adjusted the income statement at June 30, 2004 and the second quarter of 2004 as follows:

	1/1–6/30/2004 after adjustment € millions	1/1–6/30/2004 before adjustment € millions	4/1–6/30/2004 after adjustment € millions	4/1–6/30/2004 before adjustment € millions
Net interest income	2,741	2,738	1,455	1,453
Provisions for losses on loans and advances	895	904	415	419
Net interest income after provisions for losses on loans and advances	1,846	1,834	1,040	1,034
Net commission income	1,393	1,393	692	692
Trading profit	449	444	184	182
General administrative expenses	3,113	3,113	1,571	1,571
Balance of other operating income and expenses	91	91	22	22
Operating profit (loss)	**666**	**649**	**367**	**359**
Net income from investments	195	139	178	120
Amortization of goodwill	77	77	39	39
Balance of other income and expenses	(176)	(176)	(104)	(104)
Profit (loss) from ordinary activities/ net income (loss) before taxes	**608**	**535**	**402**	**336**
Taxes on income	212	199	122	111
Net income (loss) after taxes	**396**	**336**	**280**	**225**
Minority interest in net income (loss)	(129)	(128)	(69)	(70)
Net income (loss) adjusted for minority interest	**267**	**208**	**211**	**155**

For information on the other accounting and valuation principles, please refer to the HVB Group Annual Report, starting on page 117.

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

At June 30, 2005, the at-equity valued shareholdings in Investkredit Bank AG, Vienna, fell into the category "non-current assets held for sale" according to IFRS 5. For reasons of materiality, we have not reported the interests in a separate line in the balance sheet, but have continued to include them in the investments.

Changes in the group of companies included in consolidation

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

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

The deconsolidation of Austria Finanza S.P.A., Treviso, and Austrolease S.P.A., Bozen, took place at the end of February. Bank Austria Creditanstalt Leasing GmbH sold both of these companies to Fortis Lease Group S.A. for a cash payment of €32 million. This resulted in a non-recurrent gain of €17 million.

Bank Austria Creditanstalt Group purchased 99.91% of Hebros Bank Plovdiv. Of this share, 89.92% is allotted to Bank Austria Creditanstalt and 9.99% to Biochim Bank, Sofia (a 99.7% subsidiary of Bank Austria Creditanstalt AG). The purchase price of €124 million was paid in cash. After the closing, we deconsolidated the company.

The purchase of Hebros Bank has led to Bank Austria Creditanstalt Group reporting goodwill of €80 million.

Events after June 30, 2005

On July 13, 2005, Bank Austria Creditanstalt Group signed a contract for the sale of its 28.2% shareholding in Investkredit Bank AG, Vienna. The value of this transaction amounts to around €250 million. The financial market supervisory authority has already granted its approval.

General economic trends

For the whole of 2005, the global economy can be expected to grow at a rate of 3%, after 4% last year. China and the other emerging economies of Asia will continue to serve as growth engines. The United States economy may well be affected by the lower level of expansionary fiscal and monetary stimuli in the second half of the year, so that GDP growth could fall slightly below the long-term average (3.25%) toward the end of the year. But thanks to its strong showing in the first half of the year, the U.S. economy is likely to expand by around 3.5% on average for the year. In Japan, there is growing evidence of a lasting growth spurt, after years of stagnation. The economies of Central and Eastern Europe can be expected to expand at a rate of around 4% for the whole of 2005.

The somewhat slower pace of the global economy and the resulting lower demand for exports represent a drag on the European economy. Nonetheless, growth forces are increasingly shifting from exports to domestic demand, especially in Germany. After years of restrained capital spending, businesses will at least have to make investments in replacements. Consumer spending could also pick up in the second half of the year. The volume of domestic orders for consumer goods has steadily improved in the last few months. Furthermore, the pace of job cuts can be expected to weaken, which will assuage a critical concern that worries consumers. For the full year, the euro zone can be expected to see average GDP growth of at least 1.25%, in Germany at least 1%. The Austrian economy is also expected to pick up in the second half of the year, stimulated by stronger domestic demand and the budding recovery of other European economies, especially Germany's.

The high level of oil prices poses a fundamental risk to global economic growth. Nonetheless, today's economies are probably much more resilient in the face of rising oil prices than they were in the past. First of all, energy efficiency has doubled since the last oil price shock, and secondly the current increase in oil prices is occurring during an economic upswing, unlike the cases in the past.

The Federal Reserve Bank of the United States is likely to take a break from interest rate hikes after raising key interest rates in its next sessions. In view of the recently improved indicators, the European Central Bank has put an end to speculation about falling interest rates. The ECB can be expected to leave interest rates unchanged until well into the year 2006. The yields on 10-year U.S. treasuries remain at an historically low level, but they could temporarily move in the direction of 4.5% toward the end of the year. German Bunds will probably follow the trend in the United States, at a lower level.

Earnings performance of HVB Group

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

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

The results for the first six months of 2005 mean that we are well on the way to achieving these targets. We want to increase the core capital ratio appreciably as quickly as possible by reinvesting profits and releasing equity capital, among other things by rapidly paring back the portfolios in the Real Estate Restructuring segment.

In the second quarter of the year, our share clearly performed better than the overall stock market. The HVB share outperformed the DAX by 8.5% and the Prime Banks Index by 9.4%.

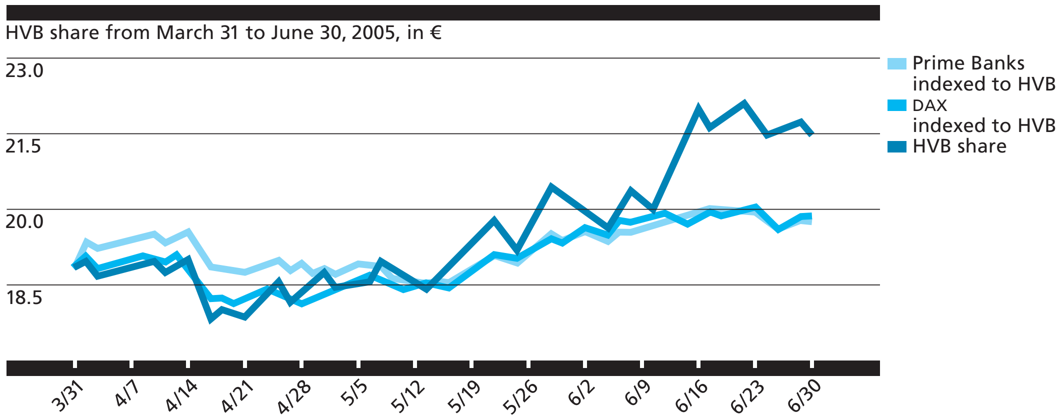
On May 30, 2005, HVB Group and UniCredit confirmed that they were holding talks on the possible combination of their two companies. As a result of the good business performance in the first quarter and the rumors circulating in the market in advance to the above-mentioned confirmation, the HVB share gained 8.4% up until this time, while the DAX gained only 3.0% in the same period.

After the announcement of the intended combination of HVB Group and UniCredit on June 12, 2005, the HVB share continued its upward trend. By the end of the second quarter, the HVB share had gained 7.4%, better at that time than both the benchmark indexes, the DAX (unchanged) and the Prime Banks-Index (+0.6%). The HVB share also performed better than other financial stocks.

On a subsequent road show in Europe and the United States, the management of HVB Group and UniCredit met with approximately 270 institutional investors to present to them the structure, business model and goals of the new banking group. Investor reaction has been predominantly positive.

At the end of June 2005, the HVB share was contained in the DAX with a weighting of 2.65% and in the Prime Banks Index with a weighting of 19.05%. At the beginning of July 2005, the stock analysts of 26 banks and brokerage firms rated the HVB share as follows: More than half (54%) of stock analysts recommend holding the share, while 23% recommend “underweighting” and 23% recommend “overweighting” the share.

The HVB share relative to DAX and Prime Banks



RESULTS

INCOME STATEMENT FROM JANUARY 1 TO JUNE 30, 2005

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

Income/expenses	Notes	1/1–6/30/2005	1/1–6/30/2004	Change	Change
		€ millions	€ millions	€ millions	in %
Interest and similar income		8,543	8,631	(88)	(1.0)
Interest expense and similar charges		5,646	5,890	(244)	(4.1)
Net interest income	(2)	2,897	2,741	+ 156	+ 5.7
Provisions for losses on loans and advances	(3)	649	895	(246)	(27.5)
Net interest income after provisions for losses on loans and advances		2,248	1,846	+ 402	+ 21.8
Fee and commission income		1,823	1,713	+ 110	+ 6.4
Fee and commission expenses		302	320	(18)	(5.6)
Net commission income	(4)	1,521	1,393	+ 128	+ 9.2
Gains less losses arising from trading securities (trading profit)	(5)	423	449	(26)	(5.8)
General administrative expenses	(6)	3,223	3,113	+ 110	+ 3.5
Balance of other operating income and expenses	(7)	(9)	91	(100)	
Operating profit (loss)		**960**	**666**	**+ 294**	**+ 44.1**
Net income from investments		84	195	(111)	(56.9)
Amortization of goodwill		0	77	(77)	(100.0)
Balance of other income and expenses	(8)	(73)	(176)	+ 103	+ 58.5
Profit (loss) from ordinary activities/ net income (loss) before taxes		**971**	**608**	**+ 363**	**+ 59.7**
Taxes on income		267	212	+ 55	+ 25.9
Net income (loss) after taxes		**704**	**396**	**+ 308**	**+ 77.8**
Minority interest in net income (loss)		(138)	(129)	(9)	(7.0)
Consolidated profit (loss)		**566**	**267**	**+ 299**	**>+ 100.0**

	Notes	1/1–6/30/2005	1/1–6/30/2004
		€	€
Earnings per share[1]	(9)	0.75	0.41

[1] 2004 figures adjusted for amortization of goodwill: €0.53

Since no conversion rights or option rights on conditional capital existed at June 30, 2005, there is no calculation of diluted earnings per share.

INCOME STATEMENT
FROM APRIL 1 TO JUNE 30, 2005

Income/expenses	4/1–6/30/2005 € millions	4/1–6/30/2004 € millions	Change € millions	Change in %
Interest and similar income	4,334	4,321	+ 13	+ 0.3
Interest expense and similar charges	2,841	2,866	(25)	(0.9)
Net interest income	1,493	1,455	+ 38	+ 2.6
Provisions for losses on loans and advances	326	415	(89)	(21.4)
Net interest income after provisions for losses on loans and advances	1,167	1,040	+127	+12.2
Fee and commission income	920	859	+ 61	+ 7.1
Fee and commission expenses	156	167	(11)	(6.6)
Net commission income	764	692	+ 72	+10.4
Gains less losses arising from trading securities (trading profit)	101	184	(83)	(45.1)
General administrative expenses	1,623	1,571	+ 52	+ 3.3
Balance of other operating income and expenses	3	22	(19)	(86.4)
Operating profit (loss)	**412**	**367**	**+ 45**	**+ 12.3**
Net income from investments	30	178	(148)	(83.1)
Amortization of goodwill	0	39	(39)	(100.0)
Balance of other income and expenses	(36)	(104)	+ 68	+65.4
Profit (loss) from ordinary activities/ net income (loss) before taxes	**406**	**402**	**+ 4**	**+ 1.0**
Taxes on income	107	122	(15)	(12.3)
Net income (loss) after taxes	**299**	**280**	**+ 19**	**+ 6.8**
Minority interest in net income (loss)	(69)	(69)	0	0.0
Consolidated profit (loss)	**230**	**211**	**+ 19**	**+ 9.0**

	4/1–6/30/2005 €	4/1–6/30/2004 €
Earnings per share[1]	0,30	0.31

[1] 2004 figures adjusted for amortization of goodwill: €0.35

BALANCE SHEET AT JUNE 30, 2005

Assets	Notes	6/30/2005 € millions	12/31/2004 € millions	Change € millions	Change in %
Cash reserve		5,872	6,903	(1,031)	(14.9)
Assets held for trading purposes	(10)	103,334	91,711	+ 11,623	+ 12.7
Placements with, and loans and advances to, other banks	(11)	51,862	47,479	+ 4,383	+ 9.2
Loans and advances to customers	(12)	281,765	275,119	+ 6,646	+ 2.4
Allowances for losses on loans and advances	(14)	(13,858)	(13,404)	(454)	(3.4)
Investments	(15)	46,801	44,483	+ 2,318	+ 5.2
Property, plant and equipment		2,809	2,855	(46)	(1.6)
Intangible assets		2,671	2,627	+ 44	+ 1.7
Income tax assets		4,047	4,157	(110)	(2.6)
Other assets		7,442	5,455	+ 1,987	+ 36.4
Total assets		**492,745**	**467,385**	**+ 25,360**	**+ 5.4**

Shareholders' equity and liabilities	Notes	6/30/2005	12/31/2004	Change	Change
		€ millions	€ millions	€ millions	in %
Deposits from other banks	(16)	109,428	103,606	+ 5,822	+ 5.6
Amounts owed to other depositors	(17)	152,747	144,451	+ 8,296	+ 5.7
Promissory notes and other liabilities evidenced by paper	(18)	111,092	109,562	+ 1,530	+ 1.4
Liabilities held for trading purposes		68,144	59,831	+ 8,313	+ 13.9
Provisions	(19)	4,514	4,460	+ 54	+ 1.2
Income tax liabilities		3,069	3,030	+ 39	+ 1.3
Other liabilities		10,091	10,015	+ 76	+ 0.8
Subordinated capital	(20)	18,299	18,454	(155)	(0.8)
Shareholders' equity		15,361	13,976	+ 1,385	+ 9.9
Shareholders' equity attributable to shareholders of HVB AG		12,357	11,467	+ 890	+ 7.8
Subscribed capital		2,251	2,252	(1)	0.0
Additional paid-in capital		9,099	9,103	(4)	0.0
Retained earnings		—	—	—	—
Reserve arising from currency and other changes		281	227	+ 54	+ 23.8
Change in valuation of financial instruments		160	(115)	+ 275	
AfS reserve		409	354	+ 55	+ 15.5
Hedge reserve		(249)	(469)	+ 220	+ 46.9
Consolidated profit 2004		—	—	—	—
Consolidated profit (loss) 1/1–6/30		566	0	+ 566	+ 100.0
Minority interest		3,004	2,509	+ 495	+ 19.7
Total shareholders' equity and liabilities		**492,745**	**467,385**	**+ 25,360**	**+ 5.4**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	2005	2004
Shareholders' equity at January 1	**13,976**	**10,312**
Shareholders' equity attributable to shareholders of HVB AG at 1/1		
before initial application of new and revised IFRSs	—	10,312
Effect of initial application of new and revised IFRSs	—	(7)
Shareholders' equity attributable to shareholders of HVB AG at 1/1		
after initial application of new and revised IFRSs	11,467	10,305
Changes 1/1–6/30		
Subscribed capital		
Change from capital increase against cash contribution	—	643
Change in holdings of, and net income from, treasury stock	(1)	—
Additional paid-in capital		
Change from capital increase against cash contribution	—	2,362
Deduction of costs from capital increase	—	(62)
Change in holdings of, and net income from, treasury stock	(4)	17
Retained earnings		
Other changes	—	—
Reserve arising from currency and other changes	54	72
Change in valuation of financial instruments	275	(247)
Consolidated profit (loss) 1/1–6/30	566	267
Shareholders' equity attributable to shareholders of HVB AG at 6/30	12,357	13,357
Minority interest at 1/1 before initial application of new and revised IFRSs	2,509	2,476
Effect of initial application of new and revised IFRSs	—	(10)
Minority interest at 1/1 after initial application of new and revised IFRSs	2,509	2,466
Change in minority interest 1/1–6/30	495	(23)
Minority interest at 6/30	3,004	2,433
Shareholders' equity at June 30	**15,361**	**15,800**

CASH FLOW STATEMENT

€ millions	2005	2004
Cash and cash equivalents at January 1	**6,903**	**5,708**
Cash flows from operating activities	511	(3,666)
Cash flows from investing activities	(1,397)	2,027
Cash flows from financing activities	(166)	2,588
Effects of exchange rate changes on cash and cash equivalents	21	33
Cash and cash equivalents at June 30	**5,872**	**6,690**

1

Segment reporting
Income statement from January 1 to June 30, 2005, broken down by business segment

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Net interest income						
1/1–6/30/2005	1,345	1,138	462	73	(121)	2,897
1/1–6/30/2004	1,284	1,049	462	59	(113)	2,741
Provisions for losses on loans and advances						
1/1–6/30/2005	391	217	31	—	10	649
1/1–6/30/2004	165	204	90	437	(1)	895
Net commission income						
1/1–6/30/2005	705	649	166	2	(1)	1,521
1/1–6/30/2004	616	602	169	5	1	1,393
Trading profit (loss)						
1/1–6/30/2005	1	28	395	—	(1)	423
1/1–6/30/2004	—	33	408	—	8	449
General administrative expenses						
1/1–6/30/2005	1,307	1,157	613	54	92	3,223
1/1–6/30/2004	1,334	1,116	602	43	18	3,113
Balance of other operating income and expenses						
1/1–6/30/2005	6	26	(18)	(2)	(21)	(9)
1/1–6/30/2004	82	—	16	(2)	(5)	91
Operating profit (loss)						
1/1–6/30/2005	359	467	361	19	(246)	960
1/1–6/30/2004	483	364	363	(418)	(126)	666
Net income from investments						
1/1–6/30/2005	(3)	(13)	79	—	21	84
1/1–6/30/2004	(7)	(16)	(7)	—	225	195
Amortization of goodwill						
1/1–6/30/2005	—	—	—	—	—	—
1/1–6/30/2004	10	42	20	—	5	77
Balance of other income and expenses						
1/1–6/30/2005	(3)	(2)	—	(67)	(1)	(73)
1/1–6/30/2004	(4)	(1)	(1)	(104)	(66)	(176)
Profit (loss) from ordinary activities/ net income (loss) before taxes						
1/1–6/30/2005	353	452	440	(48)	(226)	971
1/1–6/30/2004	462	305	335	(522)	28	608
including:						
Bank Austria Creditanstalt Group						
1/1–6/30/2005	—	452	76	—	3	531
1/1–6/30/2004	—	305	41	—	(6)	340

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]						
1/1–6/30/2005	12.2	21.0	25.9	—	—	13.5
1/1–6/30/2004[3]	15.8	16.7	19.5	—	—	9.0

[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] 2004 figures adjusted for amortization of goodwill

Income statement by business unit
Germany business segment

€ millions	Private Customers	Corporate Customers and Professionals	Real Estate	Consolidation	Total
Operating revenues					
June 30, 2005	965	874	220	(2)	2,057
June 30, 2004 (reorganized)	960	811	211	—	1,982
June 30, 2004 (before reorganization)	963	838	235	—	2,036[1]
Loan-loss provisions					
June 30, 2005	118	177	97	(1)	391
June 30, 2004 (reorganized)	52	112	1	—	165
June 30, 2004 (before reorganization)	86	283	202	—	571[1]
General administrative expenses					
June 30, 2005	799	416	93	(1)	1,307
June 30, 2004 (reorganized)	862	375	97	—	1,334
June 30, 2004 (before reorganization)	869	389	119	—	1,377[1]
Operating profit (loss)					
June 30, 2005	48	281	30	—	359
June 30, 2004 (reorganized)	46	324	113	—	483
June 30, 2004 (before reorganization)	8	166	(86)	—	88[1]
for information: operating profit before loan-loss provisions					
June 30, 2005	166	458	127	(1)	750
June 30, 2004 (reorganized)	98	436	114	—	648
June 30, 2004 (before reorganization)	94	449	116	—	659
Cost-income ratio					
June 30, 2005	82.8%	47.6%	42.3%	—	63.5%
June 30, 2004 (reorganized)	89.8%	46.2%	46.0%	—	67.3%
June 30, 2004 (before reorganization)	90.2%	46.4%	50.6%	—	67.6%

[1] As disclosed in 2004 Annual Report

Austria and CEE business segment

€ millions	Private Customers Austria	SMEs Austria	Large Corporates and Real Estate	CEE	Consolidation	Total
Operating revenues						
June 30, 2005	570	301	278	693	(1)	1,841
June 30, 2004	555	300	264	565	—	1,684
Loan-loss provisions						
June 30, 2005	47	91	15	64	—	217
June 30, 2004	40	106	14	44	—	204
General administrative expenses						
June 30, 2005	454	188	132	384	(1)	1,157
June 30, 2004	453	185	142	336	—	1,116
Operating profit						
June 30, 2005	69	22	131	245	—	467
June 30, 2004	62	9	108	185	—	364
Cost-income ratio						
June 30, 2005	79.6%	62.5%	47.5%	55.4%	—	62.8%
June 30, 2004	81.6%	61.7%	53.8%	59.5%	—	66.3%

Corporates & Markets business segment

€ millions	Markets	Corporates	Consolidation	Total
Operating revenues				
June 30, 2005	582	423	—	1,005
June 30, 2004	659	400	(4)	1,055
Loan-loss provisions				
June 30, 2005	(5)	36	—	31
June 30, 2004	—	90	—	90
General administrative expenses				
June 30, 2005	391	222	—	613
June 30, 2004	383	223	(4)	602
Operating profit				
June 30, 2005	196	165	—	361
June 30, 2004	276	87	—	363
Cost-income ratio				
June 30, 2005	67.2%	52.5%	—	61.0%
June 30, 2004	58.1%	55.8%	—	57.1%

Income statement by business segment
Quarterly figures

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Net interest income						
Q1 2005	663	548	224	32	(63)	1,404
Q2 2005	682	590	238	41	(58)	1,493
Provisions for losses on loans and advances						
Q1 2005	164	110	47	—	2	323
Q2 2005	227	107	(16)	—	8	326
Net commission income						
Q1 2005	364	322	68	2	1	757
Q2 2005	341	327	98	—	(2)	764
Trading profit (loss)						
Q1 2005	—	18	304	—	—	322
Q2 2005	1	10	91	—	(1)	101
General administrative expenses						
Q1 2005	654	575	309	23	39	1,600
Q2 2005	653	582	304	31	53	1,623
Balance of other operating income and expenses						
Q1 2005	(6)	20	(18)	(1)	(7)	(12)
Q2 2005	12	6	—	(1)	(14)	3
Operating profit (loss)						
Q1 2005	203	223	222	10	(110)	548
Q2 2005	156	244	139	9	(136)	412
Net income from investments						
Q1 2005	—	(7)	41	—	20	54
Q2 2005	(3)	(6)	38	—	1	30
Amortization of goodwill						
Q1 2005	—	—	—	—	—	—
Q2 2005	—	—	—	—	—	—
Balance of other income and expenses						
Q1 2005	(1)	—	—	(33)	(3)	(37)
Q2 2005	(2)	(2)	—	(34)	2	(36)
Profit (loss) from ordinary activities/ net income (loss) before taxes						
Q1 2005	202	216	263	(23)	(93)	565
Q2 2005	151	236	177	(25)	(133)	406
including:						
Bank Austria Creditanstalt Group						
Q1 2005	—	216	42	—	(14)	244
Q2 2005	—	236	34	—	17	287

2

Net interest income

€ millions	1/1–6/30/ 2005	1/1–6/30/ 2004
Interest and similar income from		
Lending and money market transactions	7,442	7,533
Fixed-income securities and government-inscribed debt	685	701
Equity securities and other variable-yield securities	116	95
Subsidiaries	31	63
Companies valued at equity	47	42
Participating interests	35	22
Investment property	14	14
Interest expense and similar charges for		
Deposits	2,910	2,979
Promissory notes and other liabilities evidenced by paper	2,140	2,306
Subordinated capital	503	508
Income (expense) from hedging relationships as a result of		
Hedge accounting	(9)	(10)
Fair value option for financial assets	—	—
Net income from lease operations	**89**	**74**
Total	**2,897**	**2,741**

Interest margin

in %	6/30/2005	6/30/2004
Based on average risk assets (BIS)	2.67	2.53
Based on average volume of business	1.52	1.38

3

Provisions for losses on loans and advances

€ millions	1/1–6/30/ 2005	1/1–6/30/ 2004
Additions	1,082	1,449
Allowances for losses on loans and advances	1,050	1,351
Allowances for losses on guarantees and indemnities	32	98
Releases	(394)	(531)
Allowances for losses on loans and advances	(353)	(480)
Allowances for losses on guarantees and indemnities	(41)	(51)
Recoveries from write-offs of loans and advances	(39)	(23)
Total	**649**	**895**

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	1/1–6/30/ 2005	1/1–6/30/ 2004
Securities and custodial services	625	558
Foreign trade operations/ money transfer operations	535	487
Lending operations	240	219
Other service operations	121	129
Total	**1,521**	**1,393**

5

Gains less losses arising from trading securities (trading profit)

€ millions	1/1–6/30/ 2005	1/1–6/30/ 2004
Equity contracts	124	173
Interest rate and currency contracts	299	276
Total	**423**	**449**

This item includes interest and dividend income totaling €530 million and refinancing costs totaling €292 million resulting from the balance of assets and liabilities held for trading purposes.

6

General administrative expenses

€ millions	1/1–6/30/ 2005	1/1–6/30/ 2004
Personnel expense	1,790	1,765
Other administrative expenses	1,099	1,050
Depreciation and amortization on intangible assets and property, plant and equipment	334	298
Total	**3,223**	**3,113**

7

Balance of other operating income and expenses

€ millions	1/1–6/30/ 2005	1/1–6/30/ 2004
Other operating income	128	185
Other operating expenses	137	94
Balance of other operating income and expenses	**(9)**	**91**

8

Balance of other income and expenses

€ millions	1/1–6/30/ 2005	1/1–6/30/ 2004
Other income	**—**	**—**
Other expenses	**73**	**176**
of which:		
Other taxes	4	4
Absorbed losses	69	107
Risk shield	—	65
Balance of other income and expenses	**(73)**	**(176)**

9

Earnings per share

	1/1–6/30/ 2005	1/1–6/30/ 2004
Consolidated profit (loss) adjusted for minority interest (€ millions)[1]	566	267
Average number of shares	750,699,140	643,493,920
Earnings per share (€)[1]	**0.75**	**0.41**

[1] 2004 figures adjusted for amortization of goodwill: €0.53

10

Assets held for trading purposes

€ millions	6/30/2005	12/31/2004
Debt securities and other fixed-income securities	40,008	37,398
Equity securities and other variable-yield securities	6,668	5,481
Positive fair values from derivative financial instruments	50,879	44,958
Other assets held for trading purposes	5,779	3,874
Total	**103,334**	**91,711**

11

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

€ millions	6/30/2005	12/31/2004
Repayable on demand	17,282	10,352
With agreed maturities	34,580	37,127
Total	**51,862**	**47,479**

12

Loans and advances to customers, broken down by maturity

€ millions	6/30/2005	12/31/2004
Repayable on demand	28,829	25,623
With agreed maturities	252,936	249,496
up to 3 months	33,911	33,282
from 3 months to 1 year	20,845	18,961
from 1 year to 5 years	54,159	55,669
from 5 years and over	144,021	141,584
Total	**281,765**	**275,119**

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Total volume of lending

By content

€ millions	6/30/2005	12/31/2004
Placements with, and loans and advances to, other banks	21,532	22,299
Loans and advances to customers	276,847	270,979
Contingent liabilities	34,945	31,315
Total	**333,324**	**324,593**

14

Allowances for losses on loans and advances

Analysis of allowances for losses on loans and advances

€ millions	2005	2004
Balance at January 1 before initial application of new and revised IFRSs	**—**	**11,361**
Initial application of new and revised IFRSs	—	110
Balance at January 1 after initial application of new and revised IFRSs	**13,404**	**11,471**
Changes affecting income		
Gross additions	+1,050	+1,351
Releases	– 353	– 480
Changes not affecting income		
Changes due to make-up of group of consolidated companies	+ 62	– 70
Use of existing loan-loss allowances	– 330	– 566
Effects of currency translation and other changes not affecting income	+ 25	+ 55
Balance at June 30	**13,858**	**11,761**

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Investments

€ millions	6/30/2005	12/31/2004
Held-to-maturity investments		
Debt securities and other fixed-income securities	8,388	8,417
Available-for-sale investments	16,212	16,207
Non-consolidated subsidiaries	1,819	1,777
Participating interests	1,507	1,475
Debt securities and other fixed-income securities	8,090	7,672
Equity securities and other variable-yield securities	4,796	5,283
Fair-value-option investments	20,633	18,203
Debt securities and other fixed-income securities	18,348	16,266
Equity securities and other variable-yield securities	2,285	1,937
Companies valued at equity	1,150	1,224
of which:		
Goodwill	172	172
Investment property	418	432
Total	**46,801**	**44,483**

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Deposits from other banks, broken down by maturity

€ millions	6/30/2005	12/31/2004
Repayable on demand	21,636	10,249
With agreed maturities	87,792	93,357
Total	**109,428**	**103,606**

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Amounts owed to other depositors, broken down by maturity

€ millions	6/30/2005	12/31/2004
Savings deposits and home-loan savings deposits	36,717	36,508
Other liabilities	116,030	107,943
Repayable on demand	60,835	52,721
With agreed maturities	55,195	55,222
Total	**152,747**	**144,451**

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

€ millions	6/30/2005	12/31/2004
With agreed maturities		
up to 3 months	13,953	10,103
from 3 months to 1 year	20,985	20,406
from 1 year to 5 years	43,923	47,914
from 5 years and over	32,231	31,139
Total	**111,092**	**109,562**

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Provisions

€ millions	6/30/2005	12/31/2004
Provisions for pensions and similar obligations	2,874	2,881
Restructuring provisions	298	299
Allowances for losses on guarantees and indemnities	564	505
Other provisions	778	775
Total	**4,514**	**4,460**

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Subordinated capital

€ millions	6/30/2005	12/31/2004
Subordinated liabilities	12,542	12,802
Participating certificates outstanding	1,939	1,987
Hybrid capital instruments	3,818	3,665
Total	**18,299**	**18,454**

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Treasury stock

The purchase of treasury stock during the reporting period was carried out on the basis of the authorization issued under the resolutions passed at the Annual General Meetings of Shareholders of HVB AG on April 29, 2004 and May 12, 2005 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 31,699,803 shares of HVB AG stock were purchased by the Bank and its controlled or majority-owned companies at the respective current market prices and 31,445,536 shares of HVB AG were sold at the respective current market prices.

The shares were purchased at an average price of €18.17 per share, and resold at an average price of €18.24 per share. The shares purchased during the reporting period amount to the equivalent of €95 million, or 4.2% of capital stock.

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

Within the scope of its lending operations, the Bank and its controlled or majority-owned companies had received a total of 3,008,591 shares of treasury stock at June 30, 2005 as collateral in accordance with Section 71e (1) 2 of the German Stock Corporation Act. This represents €9 million, or 0.4% of capital stock.

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Contingent liabilities and other commitments

€ millions	6/30/2005	12/31/2004
Contingent liabilities	34,970	31,334
of which:		
Guarantees and indemnity agreements	34,945	31,315
Other commitments	57,591	55,742
of which:		
Irrevocable credit commitments	48,462	46,865
Total	**92,561**	**87,076**

Futures contracts (derivatives)

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

Without taking risk-reducing effects into account, the maximum counterparty risk (excluding add-on) totaled €54.8 billion at June 30, 2005 (December 31, 2004: €48.1 billion). Compliant with Principle I of the German banking supervisory regulations, taking into account existing netting agreements and collateral received, this gives rise to total risk assets (counterparty risk including add-on) of €19.3 billion (December 31, 2004: €18.2 billion); €5.4 billion remains after weighting for credit rating (December 31, 2004: €4.7 billion).

€ millions	Nominal amount		Positive fair values		Negative fair values	
	6/30/2005	12/31/2004	6/30/2005	12/31/2004	6/30/2005	12/31/2004
Interest rate derivatives	2,095,438	2,055,621	46,131	36,698	47,297	37,399
Foreign exchange derivatives	308,039	296,109	5,132	7,835	6,071	9,851
Equity/index derivatives	166,136	139,341	3,174	3,263	3,511	3,113
Credit derivatives	82,224	53,353	464	411	1,608	1,206
Other transactions	1,659	355	44	15	41	13
Total	**2,653,496**	**2,544,779**	**54,945**	**48,222**	**58,528**	**51,582**

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

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

Value-at-risk[1]

€ millions	6/30/2005	12/31/2004
Interest rate positions	22	13
Foreign exchange positions	13	25
Equity/index positions	73	74
Diversification effect	(20)	—
Total	**88**	**112**

[1] Due to the correlation effect between the types of risk, the overall risk is lower than the total amount of the individual risks

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Noncurrent assets held for sale

At June 30, 2005, the at-equity valued shareholdings in Investkredit Bank AG, Vienna, fell into the category “noncurrent assets held for sale” according to IFRS 5. For reasons of materiality, we have not reported the interests in a separate line in the balance sheet, but have continued to include them in the investments.

Furthermore, HVB Group did not have any noncurrent assets held for sale or discontinued operations at June 30, 2005 that require disclosure compliant with IFRS 5.

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Human Resources Management

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

Dr. Wolfgang Sprissler
Chief Financial Officer (CFO)

QUARTERLY FIGURES

	Q2 (2005)	Q1 (2005)	Q4 (2004)	Q3 (2004)	Q2 (2004)
Operating performance (€ millions)					
Net interest income	1,493	1,404	1,477	1,444	1,455
Provisions for losses on loans and advances	326	323	445	455	415
Net interest income after provisions for losses on loans and advances	1,167	1,081	1,032	989	1,040
Net commission income	764	757	761	691	692
Trading profit	101	322	166	113	184
General administrative expenses	1,623	1,600	1,442	1,563	1,571
Balance of other operating income and expenses	3	(12)	(16)	26	22
Operating profit (loss)	**412**	**548**	**501**	**256**	**367**
Net income from investments	30	54	(242)	(17)	178
Amortization of goodwill	—	—	49	39	39
Addition to restructuring provisions	—	—	250	—	—
Allocation to special provisions for bad debts	—	—	2,500	—	—
Balance of other income and expenses	(36)	(37)	(95)	(86)	(104)
Profit (loss) from ordinary activities/ net income (loss) before taxes	**406**	**565**	**(2,635)**	**114**	**402**
Taxes on income	107	160	(27)	39	122
Net income (loss) after taxes	**299**	**405**	**(2,608)**	**75**	**280**
Minority interest in net income (loss)	(69)	(69)	(94)	(65)	(69)
Consolidated profit (loss)	**230**	**336**	**(2,702)**	**10**	**211**
Earnings per share (€)[1]	**0.30**	**0.45**	**0.12**	**0.05**	**0.35**

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

	6/30/2005	3/31/2005	12/31/2004	9/30/2004	6/30/2004
Key indicators (%)					
Return on equity after taxes[1]	9.7	11.6	3.9	4.1	5.4
Cost-income ratio (based on profit from ordinary activities)	66.5	64.3	72.0	69.3	67.4
Cost-income ratio (based on operating revenues)	66.7	64.8	65.5	67.3	66.6
Ratio of net commission income to operating revenues	31.5	30.6	30.5	30.0	29.8
Balance sheet figures (€ billions)					
Total assets	492.7	469.9	467.4	460.5	469.4
Total volume of lending	333.3	326.2	324.6	329.1	334.2
Shareholders' equity	15.4	14.6	14.0	15.7	15.8
Key capital ratios compliant with BIS rules					
Core capital (€ billions)	15.7	15.4	15.7	17.5	17.4
Equity funds (€ billions)	27.8	27.2	27.1	29.7	29.8
Risk assets (€ billions)	246.5	242.0	238.6	241.3	241.5
Core capital ratio (%)	6.4	6.4	6.6[2]	7.2	7.2
Equity funds ratio (%)	10.0	10.2	10.4	11.3	11.3
Share information					
Share price (€)	21.51	18.87	16.70	15.46	14.62
Market capitalization (€ billions)	16.1	14.2	12.5	11.6	11.0
Employees	59,294	57,437	57,806	57,973	57,874
Branch offices	2,190	2,085	2,036	2,055	2,055

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

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

Important dates 2005/2006	
Third-quarter earnings	October 27, 2005
Preliminary annual results	February 23, 2006
Publication of the 2005 annual results	March 16, 2006
Annual General Meeting of Shareholders	May 24, 2006
ICM International Congress Center Munich	
Neue Messe Munich-Riem, 81823 Munich, Germany	
First-quarter earnings	May 10, 2006
Second-quarter earnings	July 26, 2006
Third-quarter earnings	October 26, 2006

Contacts

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