Interim Report

2006

30.6

HypoVereinsbank

Member of UniCredit Group

CONTENTS

FINANCIAL HIGHLIGHTS

Key indicators	1/1–6/30/2006	1/1–6/30/2005
Return on equity after taxes, adjusted for the gain on disposal of HVB Splitska banka	20.9 %	— %
Return on equity after taxes	30.0 %	9.9[1] %
Return on equity before taxes, adjusted for the gain on disposal of HVB Splitska banka	27.5 %	— %
Return on equity before taxes	36.6 %	13.7[1] %
Cost-income ratio (based on operating revenues)	57.0 %	67.0 %
Operating performance	1/1–6/30/2006	1/1–6/30/2005
Operating profit	1,882 € m	939 € m
Profit from ordinary activities/net income before taxes	2,677 € m	971 € m
Consolidated profit	1,706 € m	566 € m
Earnings per share, adjusted for the gain on disposal of HVB Splitska banka	1.59 €	— €
Earnings per share	2.27 €	0.75 €
Balance sheet figures	6/30/2006	12/31/2005
Total assets	486.8 € bn	493.7[1] € bn
Total volume of lending	323.7 € bn	332.6 € bn
Shareholders' equity	16.6 € bn	15.4[1] € bn
Key capital ratios compliant with German Banking Act (KWG)	6/30/2006	12/31/2005[2]
Core capital	16.9 € bn	17.1 € bn
Equity funds	25.3 € bn	26.0 € bn
Risk assets	233.5 € bn	232.5 € bn
Core capital ratio	7.2 %	7.3 %
Equity funds ratio	10.3 %	10.6 %
Share information	1/1–6/30/2006	2005
Share price: Reporting date	28.28 €	25.61 €
High	29.70 €	26.85 €
Low	25.52 €	16.30 €
Market capitalization at reporting date	21.2 € bn	19.2 € bn
	6/30/2006	12/31/2005
Employees	62,716	61,251
Branch offices	2,489	2,316

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

[2] As per approved financial statements

Ratings

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

THE FIRST TRULY EUROPEAN BANK TAKES SHAPE

The integration of HypoVereinsbank into the new UniCredit Group again proceeded on schedule in the second quarter. We have already largely completed the realignment of our divisions. Having homogeneous and focused customer groups now makes it possible for us to serve our customers in Germany even more purposefully with a range of products and services optimally geared to their respective needs.

We believe that reorganizing the corporate structures represents an essential prerequisite for increasing the efficiency and boosting the profitability of the new corporate group. Back in May, it was announced that the new UniCredit Group would bundle the entire investment banking activities of HypoVereinsbank (HVB Corporates & Markets), Bank Austria Creditanstalt (International Markets and CA IB), and UniCredit Banca Mobiliare in a single global division known as UniCredit Markets & Investment Banking (MIB). Based in Munich, the division will maintain important strategic facilities in London, Milan, and Vienna/CEE as well as the United States and Asia. UniCredit MIB will position itself as a leading European specialist with a focus on selected product and customer segments and a clear profile on the marketplace.

HypoVereinsbank and UniCredit had also agreed as part of the business combination to look into bundling the asset management activities of the new corporate group. At the beginning of July, we decided to sell the three Activest companies to Pioneer Global Asset Management for an aggregate price of €600 million. The sale means that HVB can exploit to greater effect the advantages of a strong, global asset management partner capable of delivering the correspondingly broad range of products for the benefit of the entire corporate group and its customers.

The activities of the UniCredit Group in the field of commercial real estate finance will be managed from the Munich base in the future as a global product factory within the Corporates division. The goals are to realize synergies on both the sales side and in the back office and to create added value for our customers by consolidating the relationship management structures. Thus HypoVereinsbank will also systematically position itself as a real estate boutique for complex and innovative finance and advisory services focused on specific target customers and markets. The aim behind this move is to tangibly optimize the risk/return profile of our portfolio.

On July 5, the new UniCredit Group ran its first ever Capital Markets Day, during which it presented itself together with all its divisions to international analysts and investors. The centrality of HypoVereinsbank and the German market for the new corporate group was made clear on this occasion.

Our focus will be on three strategic thrusts aimed at sustainably improving the value added by HypoVereinsbank in the future: first, boosting the earnings power from our core operating business on the basis of a distinct sales culture and increasing cross-selling and new customer acquisition; secondly, aligning our efficiency with top European standards; and thirdly, sustainably enhancing the risk profile.

Building on the corporate structures of HVB Group at the end of 2005 and the capital allocated in accordance with UniCredit Group policies gives rise to ambitious financial targets. As a result, we aim to grow faster than the market and are looking to increase earnings by an annual average of 8% between 2005 and 2008. Fee and commission operations are intended to play a major role in this. At the same time, we expect to record a significantly slower increase in costs at an annual average of around 1%. We aim to achieve a cost-income ratio of around 55% and a return on equity after taxes of 18% by 2008.

What this actually means for HVB's operations in Germany is that revenues are expected to rise by an average of 9% each year. The three key levers in this regard are our retail activities, investment banking, and our activities in the field of asset gathering. We expect to see our costs develop at a very stable rate. To achieve this, we intend to address the so-called indirect costs (overheads, cost of risk management, etc.) where we see plenty of potential for optimization. At the same time, a reduction in the headcount of the proportions already communicated will also help in this respect.

General and industry-specific economic trends

Macroeconomic situation

The global economy lost momentum in the second quarter. This can be attributed above all to economic developments in the United States, where the pace of expansion has more than halved compared with the first quarter. This is implied by falls not only in important indicators of business sentiment like the Purchasing Managers Index, but also in hard-core economic data. The real estate market, which has been the main driver of private consumption to date, weakened in this context. By contrast, the first half in Japan was highly promising. Above all the growth equilibrium gives grounds for optimism, with private consumption and capital spending by companies now also expanding following on from exports.

The euro-zone economy benefited from solid external demand in the second quarter, while domestic demand appears to have firmed up further. Thus the mood among companies, especially in Germany, signals strong business development. Nonetheless, private consumption has not picked up appreciably to date, depressed by the mixed situation on the labor market and the rise in energy prices. In Austria, growth again accelerated somewhat in the second quarter on the back of strong domestic demand and solid exports. Growth also remained strong in the countries of Central and Eastern Europe. This is attributable to a tangible increase in both private consumption and industrial investment. The turbulence on the global financial markets, on the other hand, had no impact on the pace of growth. Finally in Poland, the sharp rise in external demand ensured that growth even managed to beat expectations.

Specific trends affecting the banking sector in Germany

The positive economic mood in Germany helped to boost the economy again in the second quarter, which also had an impact on activities involving the capital markets. As a result, the financial institutions have once more been able to report good results.

Even though it usually takes some time for an economic upturn to feed through to greater demand for credit, interest income nevertheless remained at a high level and even increased slightly in places. The economic recovery also had a positive effect on trading profits and net commission income in the second quarter, which once more proved gratifyingly resilient. The positive stimuli coupled with a decline in company bankruptcies have resulted in a further decrease in the requirements for loan-loss provisions.

The second quarter developed positively for banks overall. Nevertheless, it must be assumed that this high level of earnings will not be maintained over the rest of the year, and we expect to see the earnings trend normalize in the second half of 2006.

In the first half of 2006, HVB Group continued to build strongly on its good operating performance of last year. At €1,882 million, operating profit in the first six months was twice as high as for the first half of 2005. Hence, we have comfortably met the targets stated in the outlook of the Management's Discussion and Analysis on page 74 of the 2005 Annual Report of achieving a significant rise in operating revenues and a substantial improvement in our cost-income ratio. The cost-income ratio of 57.0% is much better than last year (June 30, 2005: 67.0%, December 31, 2005: 66.4%).

The components of the results shown under operating profit benefited from the gain of €669 million realized on the disposal of HVB Splitska banka, part of the BA-CA subgroup. Net income before taxes of €2,677 million rose by a factor of 1.8 over the corresponding figure for the prior year while the consolidated profit of €1,706 million after taxes and after deducting minority interest trebled. Return on equity after taxes stood at 30.0% at the halfway stage. Thus, we easily met our expectations for return on equity after taxes – even when adjusted for the gain on the disposal of HVB Splitska banka – at 20.9% after 9.9% in the first half of 2005.

Details on the individual results components are discussed below:

Operating revenues

Total operating revenues rose a considerable €1,022 million, or 21.2%, compared with the first six months of last year, driven primarily by the disproportionately strong rise in net commission income and trading profit.

Net interest income improved by €155 million, or 5.4%, compared with last year, partly as a result of the effects of initial consolidation, higher dividend income, and interest income on a previously written-down loan commitment. We more than compensated for the impact of a planned strategic reduction in the volume of real estate lending together with declining volumes arising from the further acceleration of risk-adjusted pricing in the Germany business segment. Compliant with the German Banking Act (KWG), the interest margin based on the average risk assets recorded in the balance sheet of 3.06% is above the 2.83% recorded for the first half of 2005.

Net commission income

Net commission income rose an impressive 24.3%, to €1,891 million, partly as a result of much higher contributions to profits from our securities and depositary business (up 30.4%). In particular, sales of innovative financial products like the "HVB Best of Funds" helped to boost earnings. All other service units also developed strongly.

Trading profit

At €870 million, trading profit reached the highest half-year total ever recorded by HVB Group. This means that by mid-2006, trading profit had almost matched the figure of €926 million reported for the whole of 2005. We more than doubled the mid-year figure of €423 million recorded for last year. Compared with the first six months of last year, both the profits from equity contracts (up by a factor of three) and the contribution from interest rate and currency contracts (up 49.2%) increased in the process. At €362 million, trading profit in the second quarter of 2006 was below the first quarter's record-breaking total of €508 million generated in a more favorable capital market environment, but still significantly higher than the quarterly results of previous years.

General administrative expenses

HVB Group's general administrative expenses rose by 3.2%, to €3,326 million, primarily as a result of the effects of initial consolidation and higher provisions for profit-related bonus payments in the Corporates & Markets segment. Adjusted for initial consolidation and currency effects, general administrative expenses would be down €86 million, or 2.7%, on the prior year total.

The cost-income ratio (percentage of total operating revenues made up by general administrative expenses) has improved a significant 10.0 percentage points from 67.0% at June 30, 2005 to 57.0% on the back of the strong rise in operating revenues.

Provisions for losses on loans and advances

At the mid-point of 2006, provisions for losses on loans and advances, at €625 million, were slightly below the figure of €649 million recorded for the first half of 2005. At June 30, 2006, we have for the first time reported provisions for losses on loans and advances at the level actually required to this date and no longer as a proportion of the provisions for losses on loans and advances expected for the whole year. We continue to expect provisions for losses on loans and advances to be at a similar level in 2006 as in 2005 (adjusted for "additional provisions for losses on loans and advances"), with a total volume of around €1.3 billion.

Operating profit and net income before taxes

Operating profit for the first six months rose to €1,882 million, double the amount compared with the first half of 2005. At €906 million, operating profit for the second quarter of 2006 almost reached the record €976 million achieved in the first quarter of this year, and is thus twice as high as the total of €411 million posted for the second quarter of last year. In addition, the positive development of all components of operating revenues confirms that the sustained improvement in profitability of the last two fiscal years has been continued.

Net income from investments benefited from the one-off effect arising from the sale of the disposal group already held for sale at the end of 2005 and in the first quarter 2006, and from the assets and liabilities of the separately reported HVB Splitska banka. As a result of this gain on disposal of €669 million, net income from investments rose to €807 million in the first half of 2006, after €105 million in the same period last year. In addition, the gains of €55 million and €40 million realized respectively on the reduction of our shareholdings in Babcock & Brown Limited in the first quarter of 2006 and in Lufthansa AG in the second quarter of 2006 contributed to this strong result for net income from investments.

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

The balance of other income and expenses improved to a net expense of €9 million compared with a net expense of €73 million at June 30, 2005. This resulted from the addition of the HVB Immobilien subgroup to the group of companies included by HVB Group in consolidation and the related cessation of losses absorbed.

At €2,677 million, net income before taxes is 2.8 times higher than the prior year figure. Compared with the figure recorded for the first half of last year, net income before taxes, at €2,008 million after adjustment, would have doubled even without the gain on the disposal of HVB Splitska banka.

Minority interest included in net income and consolidated profit

Minority interest accounts for €464 million of the net income after taxes. This is equivalent to a €326 million rise in minority interest associated in part with the minority interest arising upon the disposal of HVB Splitska banka by BA-CA. After deducting the minority interest, we generated a consolidated profit of €1,706 million, which is more than three times higher than the corresponding figure for the same period last year. We managed to more than double the consolidated profit of last year, even when adjusted for the one-off effect realized by the disposal of HVB Splitska banka.

Trends in individual business segments

The contributions of the individual business segments to the operating profit of €2,677 million were as follows:

Germany	€484 million
Austria and CEE (adjusted for the gain on the disposal of HVB Splitska banka: €677 million)	€1,346 million
Corporates & Markets	€933 million
Real Estate Restructuring	loss of €23 million
Other/consolidation	loss of €63 million

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

Germany business segment

The Germany business segment increased its operating profit by a strong 37.3% compared with the first half of 2005, to €493 million. Besides a decline in general administrative expenses, the main factor contributing to this positive development was the greater income from services operations. As a result, the cost-income ratio improved by 7.0 percentage points to 56.5%. Net income before taxes similarly rose significantly compared with the prior year, by €131 million or 37.1%.

The Private Customers business unit (including asset management and private banking activities) performed well in the first half of 2006, with the €158 million in operating profit three times higher than last year.

Operating revenues increased by 6.5%, or €63 million, to reach €1,028 million. This rise was driven primarily by net commission income, which climbed a strong 15.8%. Successful marketing in particular of innovative investment products like the "HVB Best of Funds" also made a major contribution to this development. Net interest income remained unchanged. In the process, the positive impact gained from increased sales volumes of HVB Sofortkredit and improved margins on the deposits side offset a reduction in net interest income in connection with a decline in volumes of the real estate portfolio due to accelerated risk-adjusted pricing. At the same time, general administrative expenses declined by 7.4% to €740 million, among other things on account of the PRO efficiency program. As a result of the higher operating revenues and the simultaneous decline in general administrative expenses, the cost-income ratio improved by 10.8 percentage points to 72.0%.

In the Corporate Customers and Professionals business unit, we were able to boost operating profit by 6.4%, or €18 million, to €299 million despite the already high level reached last year. The 2.7% rise in operating revenues to €898 million results mainly from net commission income (up 9.8%) arising from higher advisory fees in conjunction with structured loans, higher earnings from domestic and international payments, and the similarly successful sale of innovative investment products. The cost-income ratio improved by 3.9 percentage points to 43.7% on the back of a decline of 5.8% in general administrative expenses.

The Real Estate business unit continued in 2006 to systematically implement the restructuring program initiated in 2005. The performance of the unit has been further affected by this restructuring accordingly, with operating revenues decreasing by 11.8% compared with the prior year. The decline results primarily from net interest income, which fell by €27 million, or 13.8%, in line with the continued portfolio disposals carried out for strategic reasons. Despite this, the cost-income ratio improved by 8.8 percentage points to 33.5% on the back of a decline of 30.1% in general administrative expenses. With provisions for losses on loans and advances decreasing slightly, the operating profit rose 20.0%, to €36 million.

Austria and CEE business segment

The Austria and CEE business segment generated an operating profit of €681 million with provisions for losses on loans and advances remaining constant; this was 52.7% more than the operating profit recorded for the first half of 2005.

The cost-income ratio improved to 59.2% from 63.6% at June 30, 2005 on the basis of a sharp rise in operating revenues (up 17.9%) and a simultaneous increase of 9.7% in general administrative expenses.

The Private Customers Austria business unit posted growth of 8.8% in operating revenues compared with the equivalent period last year as a result of an 18.7% expansion in net commission income. This increase in revenues, in conjunction with unchanged general administrative expenses, led to an improvement of 6.5 percentage points in the cost-income ratio to 73.1%. Consequently, the business unit posted a strong 40.6% rise in operating profit to €97 million despite the increase in provisions for losses on loans and advances to €70 million (2005: €47 million).

The SMEs Austria business unit succeeded in posting significantly higher operating revenues, up 11.2%, as a result of much higher net commission income, particularly from the securities and depositary business and the derivatives business. Net interest income declined a slight 1.6%. The growth in operating revenues coupled with a reduction in general administrative expenses led to an improved cost-income ratio of 59.1%, compared with 62.5% reported at June 30, 2005. With a sharp decline in provisions for losses on loans and advances by around one third, the business unit trebled its operating profit to reach €65 million.

The Large Corporates and Real Estate business unit posted a 30.9% rise in operating profit to €144 million. Alongside the significant decline in provisions for losses on loans and advances of €18 million, this is largely due to the strong 66.1% rise in net commission income (derivatives business and earnings of CA IB Corporate Finance). The cost-income ratio remained stable at 51.4% with operating revenues (up 12.8%) and general administrative expenses (up 12.9%) both moving in parallel.

In the Central and Eastern Europe (CEE) business unit, the significant rise of around one third in operating revenues can be attributed chiefly to the pleasing development of the two revenue components net interest income (up 28.6%) and net commission income (up 42.6%). The sharp rise in operating revenues more than offset the 26.3% increase in general administrative expenses, as a result of which the cost-income ratio improved by 3.1 percentage points to 52.3%. Operating profit rose by 53.1%, to €375 million, with provisions for losses on loans and advances remaining practically constant.

Including the result from Corporates & Markets and the Other/consolidation segment, together with the Group-specific items such as the funding expense of goodwill and the gain of €669 million on the disposal of HVB Splitska banka, the Bank Austria Creditanstalt Group made an overall contribution of €1,470 million to the net income before taxes reported by HVB Group. The segment reporting structure employed by HVB Group involves allocating all income and expenses to the business segments in line with causation. This takes place irrespective of whether they accrue directly at a Group company or need to be considered at corporate level, as is the case with the Group-specific items mentioned. Consequently, the earnings contribution made by the Bank Austria Creditanstalt Group and all other Group companies with Group-specific items do not, from the Group point of view, match their primary earnings. The primary net income before taxes reported by Bank Austria Creditanstalt Group of €1,549 million is published separately by Bank Austria Creditanstalt.

Corporates & Markets business segment

In the first half of 2006, the Corporates & Markets business segment succeeded in achieving 2.4 times the result generated in the same period last year, posting an operating profit of €872 million. This development was driven by a 60.6% increase in operating revenues, which experienced much stronger contributions from all sources of income. Trading profit, which expanded by double the prior year figure to €799 million, and net commission income, up 58.4% to €263 million, were particularly successful. The rise in general administrative expenses reflects higher performance-related personnel costs relating to the dynamic development of earnings, leading to an improvement in the cost-income ratio of 15.5 percentage points. With net income from investments down €18 million to €61 million, net income before taxes doubled to reach €933 million.

The Corporates business unit posted significant growth in operating revenues (up 74.2%) compared with the first half of last year. The full consolidation of Closed Joint Stock Company International Moscow Bank (IMB) performed for the first time in the second quarter of last year was one of the main factors contributing to this success. At the same time, all sources of income for operating revenues (net interest income, net commission income, and trading profit) experienced tangible growth. Despite a significant 27.5% rise in general administrative expenses relating to initial consolidation and bonuses, the cost-income ratio improved a significant 14.1 percentage points to 38.4% on the back of the higher level of revenues.

The operating revenues of the Markets business unit rose notably on account of the significant €334 million, or 86.3%, rise in trading profit to €721 million. At the same time, net commission income at double the amount was able to partially offset the decline in net interest income. General administrative expenses increased by 15.1% as a result of higher performance-related personnel expenses. Despite this, the cost-income ratio improved significantly, by 15.8 percentage points to 51.4%.

Real Estate Restructuring business segment

The HVB Immobilien subgroup, whose results have to date always been included in the results of HVB Group on account of the existing profit-and-loss transfer agreement with HVB AG, was fully consolidated for the first time in the first quarter of 2006. This means that the losses previously absorbed by this segment under other income and expenses are no longer applicable. The income and expenses accruing in the HVB Immobilien subgroup in the first half of 2006 are reflected in the individual items of the segment income statement as effects of initial consolidation. For this reason alone, general administrative expenses rose by €10 million, or 18.5%, compared with the prior year, leading to an operating loss of €11 million after an operating profit of €19 million in 2005. Net interest income decreased by €27 million, to €46 million, on account of portfolio disposals. With the charges arising from the HVB Immobilien subgroup that were still included in the prior year in the form of absorbed losses declining significantly, the net loss before taxes improved by €25 million to €23 million in the first half of 2006.

Other/consolidation segment

For the most part, the Other/consolidation segment contains HVB Group service companies. Compared with the first half of 2005, the operating loss improved by €93 million, to €153 million, and the net loss before taxes by €163 million, to €63 million. In addition, the rise in net income from investments to €98 million, primarily from the gain of €55 million realized on the disposal of our shareholding in Babcock & Brown Limited in the first quarter of 2006, contributed to this development.

Total assets and volume of lending

The total assets of HVB Group amounted to €486.8 billion at June 30, 2006, representing a decline of €6.9 billion, or 1.4%, over the 2005 year-end total. The main changes on the assets side saw assets held for trading purposes decline by €8.1 billion and loans and advances to customers by €6.0 billion, while placements with, and loans and advances to, other banks rose by €9.8 billion.

The volume of lending declined by €8.9 billion to €323.7 billion. In the process, loans and advances to customers decreased by €6.3 billion, contingent liabilities by €2.0 billion, and placements with, and loans and advances to, other banks by €0.6 billion.

On the liabilities side, the decline was mainly caused by a €7.2 billion decrease in deposits from other banks and a €4.1 billion decrease in liabilities held for trading purposes. This decline in volumes was not fully offset by an increase of €5.6 billion in amounts owed to other depositors. The shareholders' equity shown in the balance sheet rose €1.2 billion to reach €16.6 billion, primarily on account of the profit generated in the first half of 2006. This total includes €3.3 billion of minority interest, up €0.3 billion on the year-end figure. Compliant with IAS 19.93A, actuarial losses totaling €1.0 billion were recorded in shareholders' equity for the first time in the first quarter. The prior year figures have been adjusted accordingly (see also "IFRS basis" in the section entitled "Other information" below).

The reduction of the balance sheet items "Noncurrent assets or disposal groups held for sale" and "Liabilities of disposal groups held for sale" essentially results from the deconsolidation of HVB Splitska banka d.d., Split, which has been sold. However, further items were included which were classified as noncurrent assets or disposal groups held for sale compliant with IFRS 5. See Note 16 for further details on this item.

Risk assets, key capital ratios and liquidity

At €233.5 billion, the risk assets compliant with the German Banking Act (KWG) were almost unchanged over the prior quarter. Market risk positions compliant with the German Banking Act amounted to €0.96 billion.

The core capital compliant with the German Banking Act totaled €16.9 billion at June 30, 2006. This gives rise to a core capital ratio of 7.2% and an equity funds ratio of 10.3%. If market risk positions are also included, the core capital ratio totals 6.9%.

Risk assets pursuant to the German Banking Act rose by approximately €0.8 billion when the synthetic ABS transactions PROMISE-A 2000-1, PROMISE-A 2002-1, PROMISE Austria-2002, and Amadeus were terminated in the second quarter. To compensate, it is planned to reduce risk assets through new securitization measures by the end of the year if there is sufficient need.

A bank's liquidity is evaluated using the liquidity ratio defined in Principle II of the German banking supervisory regulations. This figure is a 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 2006 (at the reporting date on June 30, 2006: 1.2).

IFRS basis

The present interim report has been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS) and complies with IAS 34, which covers interim reporting. With the exception of the new and revised IFRSs, we have applied the same accounting and valuation principles as in the consolidated financial statements for 2005.

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

In the first quarter of 2006, HVB Group exercised the new option in the revised IAS 19.93A "Employee benefits" permitting unrealized actuarial gains or losses to be carried in shareholders' equity outside the profit or loss for the period. The comparative prior year figures and the statement of shareholders' equity were adjusted accordingly. Unrealized actuarial losses of €1,372 million were charged directly to shareholders' equity together with the related deferred tax assets of €400 million. Thus the change of method resulted in a reduction of €972 million in the shareholders' equity reported at December 31, 2005; €166 million of this total is attributable to minority interest. The reserves increased by €1,108 million, this being the balance of the unrealized actuarial loss (€1,372 million) and the capitalized excess cover for plan assets (€264 million). Investments (excess cover for plan assets) declined by €264 million accordingly.

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

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

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

Changes in the group of companies included in consolidation

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

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

The following banks had already been added to the group of companies included in consolidation in fiscal 2005. However, their results still have an impact on comparisons with the first half of 2005 as they were initially consolidated during the first half of 2005 or after June 30, 2005 (see also 2005 Annual Report, starting on page 116):

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

In June 2006, an agreement was reached with the Nordea Bank Finland Plc (Nordea) banking group regarding the purchase of a further interest in the voting capital of IMB totaling 26.44%. The acquisition of the holding from Nordea will increase our interest in IMB from 52.9% to 79.3%. Since the conclusion of the transaction is dependent on certain conditions being met, such as the approval of the competent authorities, the interest held in IMB remained unchanged at 52.9% in the first half of 2006.

BA-CA AG sold its 99.75% holding in HVB Splitska banka d.d., Split, to France-based Société Générale on June 30, 2006. The sale of HVB Splitska banka, which is shown separately in the balance sheet as a disposal group held for sale compliant with IFRS 5, yielded a gain on disposal of €669 million disclosed by HVB Group under net income from investments.

Events after June 30, 2006

At the beginning of July, the Managing Board of BA-CA AG essentially approved the sale of Bank BPH S.A., Cracow, to UniCredit S.p.A., Genoa. The Supervisory Board is scheduled to approve the agreed terms on August 4, 2006.

The results of the negotiations running in parallel regarding the transfer of the CEE subsidiary banks of UniCredit S.p.A., Genoa, to BA-CA AG are also scheduled for approval on August 4.

At the end of June, the Management Board of Bayerische Hypo- und Vereinsbank AG decided to sell the three Activest companies (Activest Investmentgesellschaft mbH, Activest Investmentgesellschaft Schweiz AG, and Activest Investmentgesellschaft Luxembourg S.A.) to Pioneer Global Asset Management S.p.A. for an aggregate price of €600 million. The Supervisory Board of HVB approved the decision on July 4, 2006. Subject to the approval of the relevant bodies of Pioneer Global Asset Management S.p.A., the transaction is to be closed in the next few weeks.

In the business combination agreement between HVB Group and UniCredit Group, the parties had already agreed to look into bundling the asset management activities of the new corporate group under UniCredit subsidiary Pioneer Investments. The sale means that HVB can concentrate more fully on its advisory and sales mission and at the same time exploit to greater effect the advantages of a strong, global asset management partner capable of delivering the correspondingly broad range of products for the benefit of the entire corporate group and its customers.

During the Capital Markets Day staged by the UniCredit Group on July 5, 2006, it was announced that the separation of non-strategic assets worth approximately €30 billion was being prepared by HVB Group. This portfolio is intended to encompass the outstanding assets of the portfolio already disclosed separately in the Real Estate Restructuring segment and certain real estate loans worth a total of around €20 billion (predominantly "performing but not strategic" retail loans in Germany). In contrast to the Real Estate Restructuring portfolio, these exposures comprise performing loans grouped in risk class 8 or better that are marked by poor profitability and for which no cross-selling potential has been identified for the future. The objective is to have a specialized workout team cut back this portfolio quickly. A broad set of tools will be applied to achieve this, possibly including disposals.

General economic trends

The global economy will continue to cool down over the coming quarters. No hard landing is imminent, though, despite persistently high oil prices. In addition, the solid start to 2006 will still ensure high growth figures for the complete year in all regions, averaging 3.5% for the global economy as a whole, as last year. The United States will remain the engine of growth alongside China and the emerging economies of Asia, although U.S. growth is almost certain to slip below its long-term trend toward the end of the year. On account of the strong start to the year, however, GDP growth should still average 3.5% for 2006 as a whole after 3.4% in the prior year. The U.S. economy will be slowed in particular by the end of the U.S. real estate boom, which will tend to dampen private consumption. At the same time, the past interest rate rises coupled with the burgeoning trade deficit and the high oil price will also have a knock-on effect. The Japanese economy, on the other hand, will grow faster than trend for the fourth year in a row in 2006, expanding 2.7% after 2.6% in 2005. Deflation now appears to have been defeated, with prices rising again since the start of the year. Consequently, the Bank of Japan became the last of the major central banks to join the global cycle of interest rate rises, putting an end to its zero interest rate policy after a good five years. Both the extent and the frequency of further hikes in key interest rates should be moderate, however, with an upper limit of 25 basis points per quarter.

In the euro area, the leading indicators appear to have passed their peak and are signaling a renewed slowdown in GDP growth, with 1.75% forecast for 2006 after 1.4% in 2005. Whereas the demand for exports is expected to lose momentum in the second half of the year, capital spending by companies will almost certainly continue to grow strongly. Consumer demand from private households will remain feeble, however. This is indicated by the only gradual improvement in the situation on the labor market coupled with the restrained development of disposable incomes and the rise in oil prices. Only in Germany will private consumption pick up appreciably toward the end of the year, since the announced rise in value added tax will cause spending to be brought forward. This growth factor will no longer be present in 2007, however, once the tax hike and the withdrawal of numerous tax breaks have been implemented. Austria's economy is likely to suffer somewhat from waning export stimuli as the year wears on. At 2.5% year-on-year (2006: 1.8%), however, GDP growth will remain robust.

The growth prospects for the countries of Central and Eastern Europe remain favorable. The region as a whole should record GDP growth of around 5%. The pace of growth in Poland is projected to pick up further, leading to expectations of GDP expanding at an annual average of almost 5.5%. Rising incomes will boost private consumption, while higher corporate profits will foster capital spending.

The cycle of interest rate rises by the Fed has come to an end. A first cut in interest rates can already be expected at the start of next year. On the other hand, the European Central Bank is likely to raise its key lending rate once more to reach 3.25%. If the markets start to price in a reduction of interest rates by the Fed, yields on 10-year U.S. Treasury bonds will probably decline sharply again. This is also signaled by the slowdown in U.S. growth and the tailing off of inflationary fears. German Treasury bonds will follow the lead from the United States at a lower level. In the medium term, the dollar should depreciate further as a result of the renewed focus on the high U.S. current account deficit and the ongoing appreciation of the Chinese currency. By the end of the year, the euro should be worth just under $1.30 as a result.

Earnings performance of HVB Group

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

As already mentioned in Management's Discussion and Analysis in the consolidated financial statements at December 31, 2005 (on page 74 of the 2005 Annual Report), we are planning for a tangible increase in operating revenues in fiscal 2006, with general administrative expenses remaining practically unchanged. Trading profit and stronger net commission income are expected to be the main drivers of growth in operating revenues.

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

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

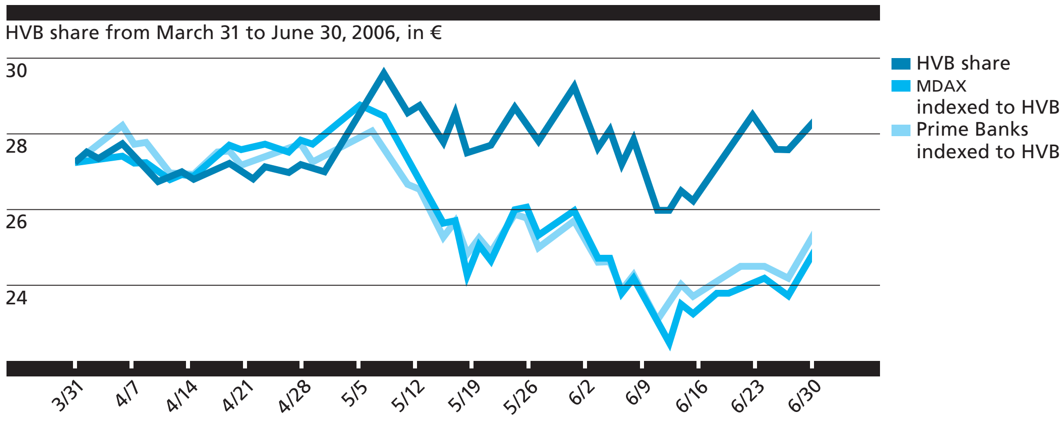
During the Capital Markets Day on July 5, 2006, long-term financial targets were also announced for HVB Group on the basis of the present structure. These call for HVB Group to increase its revenues by an annual average of around 8% between 2005 and 2008. Given a rise in costs averaging around only 1% each year, we assume that the cost-income ratio will improve to 55% by 2008. A target of 18% has been set for return on equity after taxes.

Our share clearly outperformed the market as a whole in the second quarter of this year. The HVB share was able to beat our benchmark indexes, the MDAX and the Prime Banks index, by12.8% and 11.0% respectively. Our share also performed much better than other German banking stocks.

HVB announced its results for the first quarter on May 11, 2006. Our good performance in the first quarter resulted in our share reaching its highest price for four years (€29.70) on this date. The HVB share gained 3.8% over the prior quarter to close at a price of €28.28.

Average daily turnover declined from 0.7 million to 0.5 million shares quarter-on-quarter. At the end of June, the HVB share was weighted at 1.54% in the MDAX and 1.61% in the Prime Banks index. The HVB share was being tracked by analysts from eleven banks and securities firms at the end of July 2006. Over half of the analysts (55%) had issued a "buy" recommendation, 36% a "hold" recommendation, and 9% a "sell" recommendation.

The HVB share relative to MDAX and Prime Banks



RESULTS

INCOME STATEMENT
FROM JANUARY 1 TO JUNE 30, 2006

Income/expenses	Notes	1/1–6/30/2006	1/1–6/30/2005	Change	Change
		€ millions	€ millions	€ millions	in %
Interest and similar income		9,203	8,543	+ 660	+ 7.7
Interest expense and similar charges		6,151	5,646	+ 505	+ 8.9
Net interest income	(2)	3,052	2,897	+ 155	+ 5.4
Provisions for losses on loans and advances	(3)	625	649	(24)	(3.7)
Net interest income after provisions					
for losses on loans and advances		2,427	2,248	+ 179	+ 8.0
Fee and commission income		2,273	1,823	+ 450	+ 24.7
Fee and commission expenses		382	302	+ 80	+ 26.5
Net commission income	(4)	1,891	1,521	+ 370	+ 24.3
Gains less losses arising					
from trading securities (trading profit)	(5)	870	423	+ 447	>+100.0
General administrative expenses	(6)	3,326	3,223	+ 103	+ 3.2
Balance of other operating income and expenses	(7)	20	(30)	+ 50	
Operating profit (loss)		**1,882**	**939**	**+ 943**	**>+ 100.0**
Net income from investments		807	105	+ 702	>+100.0
Amortization of goodwill		0	0	0	0.0
Restructuring costs		3	0	+ 3	>+100.0
Balance of other income and expenses	(8)	(9)	(73)	+ 64	+ 87.7
Profit (loss) from ordinary activities/					
net income (loss) before taxes		**2,677**	**971**	**+ 1,706**	**>+ 100.0**
Taxes on income		507	267	+ 240	+ 89.9
Net income (loss) after taxes		**2,170**	**704**	**+ 1,466**	**>+ 100.0**
Minority interest in net income (loss)		(464)	(138)	(326)	>(100.0)
Consolidated profit (loss)		**1,706**	**566**	**+ 1,140**	**>+ 100.0**

		1/1–6/30/2006	1/1–6/30/2005
		€	€
Earnings per share (adjusted)[1]	(9)	1.59	—
Earnings per share	(9)	2.27	0.75

[1] 2006 figure adjusted for the gain on the disposal of HVB Splitska banka

Since no conversion rights or option rights on conditional capital existed at June 30, 2006, there is no calculation of diluted earnings per share.

INCOME STATEMENT
FROM APRIL 1 TO JUNE 30, 2006

Income/expenses	4/1–6/30/2006 € millions	4/1–6/30/2005 € millions	Change € millions	Change in %
Interest and similar income	4,836	4,334	+ 502	+ 11.6
Interest expense and similar charges	3,290	2,841	+ 449	+ 15.8
Net interest income	1,546	1,493	+ 53	+ 3.5
Provisions for losses on loans and advances	295	326	(31)	(9.5)
Net interest income after provisions for losses on loans and advances	1,251	1,167	+ 84	+ 7.2
Fee and commission income	1,118	920	+ 198	+ 21.5
Fee and commission expenses	199	156	+ 43	+ 27.6
Net commission income	919	764	+ 155	+ 20.3
Gains less losses arising from trading securities (trading profit)	362	101	+ 261	>+100.0
General administrative expenses	1,635	1,623	+ 12	+ 0.7
Balance of other operating income and expenses	9	2	+ 7	>+100.0
Operating profit (loss)	**906**	**411**	**+ 495**	**>+100.0**
Net income from investments	698	31	+ 667	>+100.0
Amortization of goodwill	0	0	0	0.0
Restructuring costs	3	0	+ 3	>+100.0
Balance of other income and expenses	(5)	(36)	+ 31	+ 86.1
Profit (loss) from ordinary activities/ net income (loss) before taxes	**1,596**	**406**	**+ 1,190**	**>+100.0**
Taxes on income	224	107	+ 117	>+100.0
Net income (loss) after taxes	**1,372**	**299**	**+ 1,073**	**>+100.0**
Minority interest in net income (loss)	(317)	(69)	(248)	>(100.0)
Consolidated profit (loss)	**1,055**	**230**	**+ 825**	**>+100.0**

	4/1–6/30/2006 €	4/1–6/30/2005 €
Earnings per share (adjusted)[1]	0.72	—
Earnings per share	1.40	0.30

[1] 2006 figure adjusted for the gain on the disposal of HVB Splitska banka

BALANCE SHEET AT JUNE 30, 2006

Assets	Notes	6/30/2006	12/31/2005	Change	Change
		€ millions	€ millions	€ millions	in %
Cash reserve		5,129	7,757	(2,628)	(33.9)
Assets held for trading purposes	(10)	95,376	103,519	(8,143)	(7.9)
Placements with, and loans and advances to, other banks	(11)	67,026	57,229	+ 9,797	+ 17.1
Loans and advances to customers	(12)	268,639	274,643	(6,004)	(2.2)
Allowances for losses on loans and advances	(14)	(10,443)	(12,511)	+ 2,068	+ 16.5
Investments	(15)	45,383	45,419	(36)	(0.1)
Property, plant and equipment		2,728	2,723	+ 5	+ 0.2
Intangible assets		2,709	2,776	(67)	(2.4)
Income tax assets		3,399	3,291	+ 108	+ 3.3
Other assets		5,097	5,573	(476)	(8.5)
Noncurrent assets or disposal groups held for sale	(16)	1,755	3,240	(1,485)	(45.8)
Total assets		**486,798**	**493,659**	**(6,861)**	**(1.4)**

Shareholders' equity and liabilities	Notes	6/30/2006 € millions	12/31/2005 € millions	Change € millions	Change in %
Deposits from other banks	(17)	106,572	113,739	(7,167)	(6.3)
Amounts owed to other depositors	(18)	163,982	158,421	+ 5,561	+ 3.5
Promissory notes and other liabilities evidenced by paper	(19)	105,482	105,982	(500)	(0.5)
Liabilities held for trading purposes		59,511	63,638	(4,127)	(6.5)
Provisions	(20)	5,988	5,672	+ 316	+ 5.6
Income tax liabilities		1,998	1,891	+ 107	+ 5.7
Other liabilities		9,648	9,406	+ 242	+ 2.6
Subordinated capital	(21)	16,787	17,612	(825)	(4.7)
Liabilities of disposal groups held for sale[1]	(22)	206	1,887	(1,681)	(89.1)
Shareholders' equity		16,624	15,411	+ 1,213	+ 7.9
Shareholders' equity attributable					
to shareholders of HVB AG		13,295	12,358	+ 937	+ 7.6
Subscribed capital		2,252	2,252	0	0.0
Additional paid-in capital		9,126	9,128	(2)	0.0
Other reserves		(53)	58	(111)	
Change in valuation of financial instruments		264	729	(465)	(63.8)
AfS reserve		826	871	(45)	(5.2)
Hedge reserve		(562)	(142)	(420)	>(100.0)
Consolidated profit 2005		0	191	(191)	(100.0)
Consolidated profit (loss) 1/1–6/30		1,706	0	+ 1,706	>+100.0
Minority interest		3,329	3,053	+ 276	+ 9.0
Total shareholders' equity and liabilities		**486,798**	**493,659**	**(6,861)**	**(1.4)**

[1] Excluding internal funding

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ millions	2006	2005
Shareholders' equity at January 1 (before change in IAS 19)	**16,383**	**13,976**
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(972)	(288)
Shareholders' equity at January 1 (after change in IAS 19)	**15,411**	**13,688**
Shareholders' equity attributable to shareholders of HVB AG at 1/1 (before change in IAS 19)	13,164	11,467
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(806)	(245)
Shareholders' equity attributable to shareholders of HVB AG at 1/1 (after change in IAS 19)	12,358	11,222
Changes 1/1–6/30		
Subscribed capital	0	(1)
Change from capital increase against cash contribution	0	0
Change in holdings of, and net income from, treasury stock	0	(1)
Additional paid-in capital	(2)	(4)
Change from capital increase against cash contribution	0	0
Transaction costs of capital increase	0	0
Change in holdings of, and net income from, treasury stock	(2)	(4)
Other reserves	(111)	54
Pensions and similar obligations (IAS 19)	0	0
Actuarial losses on defined benefit plans	0	0
Changes from currency and other changes	(111)	54
Change in valuation of financial instruments	(465)	275
Consolidated profit 2005 (dividend payout of HVB AG)	(191)	0
Profit (loss) 1/1–6/30	1,706	566
Shareholders' equity attributable to HVB AG shareholders at 6/30	13,295	12,112
Minority interest at 1/1 (before change in IAS 19)	3,219	2,509
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(166)	(43)
Minority interest at 1/1 (after change in IAS 19)	3,053	2,466
Change in minority interest 1/1–6/30	276	495
Minority interest at 6/30	3,329	2,961
Shareholders' equity at June 30	**16,624**	**15,073**
including:		
Shareholders' equity of disposal groups held for sale	67	121

CASH FLOW STATEMENT

€ millions	2006	2005
Cash and cash equivalents at January 1	**7,757**	**6,903**
Cash flows from operating activities	(3,157)	511
Cash flows from investing activities	1,019	(1,397)
Cash flows from financing activities	(430)	(166)
Effects of exchange rate changes on cash and cash equivalents	(60)	21
Cash and cash equivalents at June 30	**5,129**	**5,872**

1

Segment reporting
Income statement from January 1 to June 30, 2006, broken down by business segment

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Net interest income						
1/1–6/30/2006	1,306	1,258	533	46	(91)	3,052
1/1–6/30/2005	1,345	1,138	462	73	(121)	2,897
Provisions for losses on loans and advances						
1/1–6/30/2006	430	195	8	—	(8)	625
1/1–6/30/2005	391	217	31	—	10	649
Net commission income						
1/1–6/30/2006	797	842	263	(1)	(10)	1,891
1/1–6/30/2005	705	649	166	2	(1)	1,521
Trading profit						
1/1–6/30/2006	1	49	799	—	21	870
1/1–6/30/2005	1	28	395	—	(1)	423
General administrative expenses						
1/1–6/30/2006	1,200	1,269	734	64	59	3,326
1/1–6/30/2005	1,307	1,157	613	54	92	3,223
Balance of other operating income and expenses						
1/1–6/30/2006	19	(4)	19	8	(22)	20
1/1–6/30/2005	6	5	(18)	(2)	(21)	(30)
Operating profit (loss)						
1/1–6/30/2006	493	681	872	(11)	(153)	1,882
1/1–6/30/2005	359	446	361	19	(246)	939
Net income from investments						
1/1–6/30/2006	(7)	666	61	(11)	98	807
1/1–6/30/2005	(3)	8	79	—	21	105
Amortization of goodwill						
1/1–6/30/2006	—	—	—	—	—	—
1/1–6/30/2005	—	—	—	—	—	—
Restructuring costs						
1/1–6/30/2006	1	—	—	—	2	3
1/1–6/30/2005	—	—	—	—	—	—

Income statement from January 1 to June 30, 2006, broken down by business segment (continued)

€ millions	Germany	Austria and CEE	Corporates & Markets	Real Estate Restructuring	Other/ consolidation	HVB Group
Balance of other income and expenses						
1/1–6/30/2006	(1)	(1)	—	(1)	(6)	(9)
1/1–6/30/2005	(3)	(2)	—	(67)	(1)	(73)
Profit (loss) from ordinary activities/ net income (loss) before taxes						
1/1–6/30/2006	484	1,346	933	(23)	(63)	2,677
1/1–6/30/2005	353	452	440	(48)	(226)	971
including:						
Bank Austria Creditanstalt Group						
1/1–6/30/2006	—	1,346	119	—	5	1,470
1/1–6/30/2005	—	452	76	—	3	531

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]						
1/1–6/30/2006[3]	22.7	23.9	50.8	—	—	27.5
1/1–6/30/2005[4]	15.3	17.8	24.5	—	—	13.7

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 Adjusted for the gain on the disposal of HVB Splitska banka; return on equity before taxes, including the gain on the disposal of HVB Splitska banka, totals 47.4% for Austria and CEE and 36.6% for HVB Group

4 Prior year figures adjusted to reflect the modified IAS 19.93A; in addition, the allocation of minority interest has been refined

Income statement by business unit
Germany business segment

€ millions	Private Customers	Corporate Customers and Professionals	Real Estate	Consolidation	Total
Operating revenues					
June 30, 2006	1,028	898	194	3	2,123
June 30, 2005	965	874	220	(2)	2,057
Provisions for losses on loans and advances					
June 30, 2006	130	207	93	—	430
June 30, 2005	118	177	97	(1)	391
General administrative expenses					
June 30, 2006	740	392	65	3	1,200
June 30, 2005	799	416	93	(1)	1,307
Operating profit					
June 30, 2006	158	299	36	—	493
June 30, 2005	48	281	30	—	359
Cost-income ratio					
June 30, 2006	72.0%	43.7%	33.5%	—	56.5%
June 30, 2005	82.8%	47.6%	42.3%	—	63.5%

Austria and CEE business segment

€ millions	Private Customers Austria	SMEs Austria	Large Corporates and Real Estate	CEE	Consolidation	Total
Operating revenues						
June 30, 2006	620	308	290	927	—	2,145
June 30, 2005	570	301	257	693	(1)	1,820
Provisions for losses on loans and advances						
June 30, 2006	70	61	(3)	67	—	195
June 30, 2005	47	91	15	64	—	217
General administrative expenses						
June 30, 2006	453	182	149	485	—	1,269
June 30, 2005	454	188	132	384	(1)	1,157
Operating profit						
June 30, 2006	97	65	144	375	—	681
June 30, 2005	69	22	110	245	—	446
Cost-income ratio						
June 30, 2006	73.1%	59.1%	51.4%	52.3%	—	59.2%
June 30, 2005	79.6%	62.5%	51.4%	55.4%	—	63.6%

Corporates & Markets business segment

€ millions	Markets	Corporates	Consolidation	Total
Operating revenues				
June 30, 2006	876	737	1	1,614
June 30, 2005	582	423	—	1,005
Provisions for losses on loans and advances				
June 30, 2006	(1)	9	—	8
June 30, 2005	(5)	36	—	31
General administrative expenses				
June 30, 2006	450	283	1	734
June 30, 2005	391	222	—	613
Operating profit				
June 30, 2006	427	445	—	872
June 30, 2005	196	165	—	361
Cost-income ratio				
June 30, 2006	51.4%	38.4%	—	45.5%
June 30, 2005	67.2%	52.5%	—	61.0%

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 2006	662	631	282	21	(90)	1,506
Q2 2006	644	627	251	25	(1)	1,546
Provisions for losses on loans and advances						
Q1 2006	201	110	19	—	—	330
Q2 2006	229	85	(11)	—	(8)	295
Net commission income						
Q1 2006	433	411	132	1	(5)	972
Q2 2006	364	431	131	(2)	(5)	919
Trading profit (loss)						
Q1 2006	1	13	465	—	29	508
Q2 2006	—	36	334	—	(8)	362
General administrative expenses						
Q1 2006	610	630	370	32	49	1,691
Q2 2006	590	639	364	32	10	1,635
Balance of other operating income and expenses						
Q1 2006	3	(6)	9	3	2	11
Q2 2006	16	2	10	5	(24)	9
Operating profit (loss)						
Q1 2006	288	309	499	(7)	(113)	976
Q2 2006	205	372	373	(4)	(40)	906
Net income from investments						
Q1 2006	(6)	—	55	(5)	65	109
Q2 2006	(1)	666	6	(6)	33	698
Amortization of goodwill						
Q1 2006	—	—	—	—	—	—
Q2 2006	—	—	—	—	—	—
Restructuring costs						
Q1 2006	—	—	—	—	—	—
Q2 2006	1	—	—	—	2	3
Balance of other income and expenses						
Q1 2006	(1)	—	(1)	(1)	(1)	(4)
Q2 2006	—	(1)	1	—	(5)	(5)
Profit (loss) from ordinary activities/ net income (loss) before taxes						
Q1 2006	281	309	553	(13)	(49)	1,081
Q2 2006	203	1,037	380	(10)	(14)	1,596
including:						
Bank Austria Creditanstalt Group						
Q1 2006	—	309	75	—	2	386
Q2 2006	—	1,037	44	—	3	1,084

2

Net interest income

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Interest and similar income from		
lending and money market transactions	7,968	7,442
fixed-income securities and government-inscribed debt	743	685
equity securities and other variable-yield securities	94	116
subsidiaries	14	31
companies accounted for using the equity method	40	47
participating interests	94	35
investment property	36	14
Interest expense and similar charges for		
deposits	3,518	2,910
promissory notes and other liabilities evidenced by paper	2,041	2,140
subordinated capital	481	503
Income (expense) from hedges as a result of		
hedge accounting	—	(9)
fair value option for financial assets	—	—
Net income from lease operations	**103**	**89**
Total	**3,052**	**2,897**

Interest margin:

in %	6/30/2006	6/30/2005
Based on average risk assets (KWG)[1]	3.06	2.83
Based on average volume of business	1.55	1.52

[1] Relating to on-balance-sheet transactions

3

Provisions for losses on loans and advances

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Additions	1,334	1,082
Allowances for losses on loans and advances	1,293	1,050
Allowances for losses on guarantees and indemnities	41	32
Releases	(615)	(394)
Allowances for losses on loans and advances	(558)	(353)
Allowances for losses on guarantees and indemnities	(57)	(41)
Recoveries from write-offs of loans and advances	(94)	(39)
Total	**625**	**649**

4

Net commission income

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Securities and custodial services	815	625
Foreign trade operations/ money transfer operations	636	535
Lending operations	282	240
Brokerage of third-party products	81	46
Other service operations	77	75
Total	**1,891**	**1,521**

5

Gains less losses arising from trading securities (trading profit)

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Equity contracts	424	124
Interest rate and currency contracts	446	299
Total	**870**	**423**

This item includes interest and dividend income totaling €706 million and refinancing costs totaling €283 million resulting from the balance of assets and liabilities held for trading purposes.

6

General administrative expenses

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Personnel expense	1,959	1,790
Other administrative expenses	1,095	1,099
Depreciation and amortization on intangible assets and property, plant and equipment	272	334
Total	**3,326**	**3,223**

7

Balance of other operating income and expenses

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Other operating income	186	107
Other operating expenses	166	137
Balance of other operating income and expenses	**20**	**(30)**

8

Balance of other income and expenses

€ millions	1/1–6/30/ 2006	1/1–6/30/ 2005
Other income	**—**	**—**
Other expenses	**9**	**73**
of which:		
Other taxes	3	4
Absorbed losses	6	69
Balance of other income and expenses	**(9)**	**(73)**

9

Earnings per share

	1/1–6/30/ 2006	1/1–6/30/ 2005
Consolidated profit adjusted for minority interest, € millions	1,706	566
Average number of shares	750,699,140	750,699,140
Earnings per share (adjusted)[1], €	1.59	—
Earnings per share, €	2.27	0.75

[1] 2006 figure adjusted for the gain on the disposal of HVB Splitska banka

10

Assets held for trading purposes

€ millions	6/30/2006	12/31/2005
Debt securities and other fixed-income securities	43,458	41,838
Equity securities and other variable-yield securities	11,972	11,663
Positive fair values from derivative financial instruments	34,535	44,371
Other assets held for trading purposes	5,411	5,647
Total	**95,376**	**103,519**

11

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

€ millions	6/30/2006	12/31/2005
Repayable on demand	17,813	13,459
With agreed maturities	49,213	43,770
Total	**67,026**	**57,229**

12

Loans and advances to customers, broken down by maturity

€ millions	6/30/2006	12/31/2005
Repayable on demand	24,087	23,423
With agreed maturities	244,552	251,220
up to 3 months	35,262	35,679
from 3 months to 1 year	18,291	18,774
from 1 year to 5 years	53,966	55,602
from 5 years and over	137,033	141,165
Total	**268,639**	**274,643**

13

Total volume of lending

By content:

€ millions	6/30/2006	12/31/2005
Placements with, and loans and advances to, other banks	21,880	22,495
Loans and advances to customers	264,342	270,611
Contingent liabilities	37,513	39,513
Total	**323,735**	**332,619**

14

Allowances for losses on loans and advances

Analysis of allowances for losses on loans and advances:

€ millions	2006	2005
Balance at January 1	**12,511**	**13,404**
Changes affecting income		
Gross additions	+ 1,293	+ 1,050
Releases	– 558	– 353
Changes not affecting income		
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	– 909	+ 62
Use of existing loan-loss allowances	– 1,829	– 330
Effects of currency translation and other changes not affecting income	– 65	+ 25
Balance at June 30	**10,443**	**13,858**

15

Investments

€ millions	6/30/2006	12/31/2005
Held-to-maturity investments		
Debt securities and other fixed-income securities	6,766	8,017
Available-for-sale investments	13,686	14,697
Non-consolidated subsidiaries	822	1,149
Participating interests	1,973	1,693
Debt securities and other fixed-income securities	6,802	7,491
Equity securities and other variable-yield securities	4,089	4,364
Fair-value-option investments	22,531	21,136
Debt securities and other fixed-income securities	20,630	19,134
Equity securities and other variable-yield securities	1,901	2,002
Companies accounted for using the equity method	1,076	1,036
of which:		
Goodwill	83	83
Investment property	1,324	533
Total	**45,383**	**45,419**

16

Noncurrent assets or disposal groups held for sale

Compliant with IFRS 5, noncurrent assets held for sale and the assets of a disposal group held for sale are shown separately in the balance sheet. The following individual items are included under this caption:

– Activest Investmentgesellschaft mbH, Munich
– Activest Investmentgesellschaft Luxembourg S.A., Luxembourg
– Activest Investmentgesellschaft Schweiz AG, Berne
It has been agreed to sell these capital investment companies to UCI subsidiary Pioneer Global Asset Management S.p.A. as part of the bundling of the asset management activities in the new UCI Group.

– Project Aphrodite credit portfolio sale
Under the terms of a framework agreement dated January 16, 2006, HVB AG has sold a credit portfolio to Kypris Acquistions, Ltd., London. The sale had not yet been closed by June 30, 2006.

– HVB Payments & Services (PAS)
In June 2006, Postbank and HypoVereinsbank signed a letter of understanding regarding future collaboration in the field of payments. Postbank intends to have its Betriebs-Center für Banken Deutschland GmbH & Co. KG (BCB) subsidiary handle HVB's payments. PAS, HVB's payments subsidiary, could be integrated into BCB. The main contract is currently under negotiation.

– Westfalenbank AG
The integration of Westfalenbank AG's corporate customer operations into HVB was completed at the start of July 2006. We are seeking to sell Westfalenbank to Crown NorthCorp Inc., Ohio, USA, following the restructuring and realignment of Westfalenbank.

In addition, various investment properties previously carried under investments have been classified as held for sale. This is also the case for a building which was carried under property, plant and equipment on account of its predominant use for bank operations.

As part of the reduction of its non-strategic shareholdings, HVB Group intends to sell its interest in Euroclear Plc. Consequently this holding is similarly classified as held for sale.

The following table shows the breakdown of the main groups of assets described on page 27:

€ millions	6/30/2006	12/31/2005
Cash reserve	—	598
Assets held for trading purposes	—	226
Placements with, and loans and advances to, other banks	1	169
Loans and advances to customers, less allowances for losses on loans and advances	1,495	1,854
Investments	193	267
Property, plant and equipment	18	32
Intangible assets	15	67
Income tax assets	6	7
Other assets	27	20
Total assets	**1,755**	**3,240**

The decline in the asset items compared with year-end 2005 can be attributed to the deconsolidation of HVB Splitska banka, which was sold in June 2006.

17

Deposits from other banks, broken down by maturity

€ millions	6/30/2006	12/31/2005
Repayable on demand	19,479	16,394
With agreed maturities	87,093	97,345
Total	**106,572**	**113,739**

18

Amounts owed to other depositors, broken down by maturity

€ millions	6/30/2006	12/31/2005
Savings deposits and home-loan savings deposits	36,075	36,711
Other liabilities	127,907	121,710
Repayable on demand	71,911	65,303
With agreed maturities	55,996	56,407
Total	**163,982**	**158,421**

19

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

€ millions	6/30/2006	12/31/2005
With agreed maturities		
up to 3 months	13,438	14,487
from 3 months to 1 year	15,230	19,683
from 1 year to 5 years	45,340	42,956
from 5 years and over	31,474	28,856
Total	**105,482**	**105,982**

20

Provisions

€ millions	6/30/2006	12/31/2005
Provisions for pensions and similar obligations	3,938	3,905
Restructuring provisions	456	564
Allowances for losses on guarantees and indemnities	508	482
Other provisions	1,086	721
Total	**5,988**	**5,672**

21

Subordinated capital

€ millions	6/30/2006	12/31/2005
Subordinated liabilities	11,530	11,990
Participating certificates outstanding	1,569	1,830
Hybrid capital instruments	3,688	3,792
Total	**16,787**	**17,612**

22

Liabilities of disposal groups held for sale

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

€ millions	6/30/2006	12/31/2005
Deposits from other banks	—	444
Amounts owed to other depositors	63	1,360
Liabilities held for trading purposes	—	14
Provisions	73	23
Income tax liabilities	10	3
Other liabilities	58	43
Subordinated capital	2	—
Total liabilities	**206**	**1,887**

The decline in the liability items compared with year-end 2005 can be attributed to the deconsolidation of HVB Splitska banka, which was sold in June 2006.

23

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 Meeting of Shareholders of HVB AG on April 29, 2004 and May 12, 2005 and in accordance with Section 71 (1) No. 7 of the German Stock Corporation Act.

For the purposes of securities trading as permitted under Section 71 (1) No. 7 of the German Stock Corporation Act, a total of 2,018,865 shares of treasury stock were purchased by the Bank and controlled or majority-owned companies at the respective current market prices as part of normal securities trading, and a total of 1,826,320 shares of treasury stock were sold at the respective current market prices.

The treasury stock was purchased at an average price of €27.15 per share, and resold at an average price of €27.21 per share. The shares purchased during the period under review amounted to an equivalent of €6 million, or 0.3% of capital stock.

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

Within the scope of its lending operations, the Bank and its controlled or majority-owned companies had received a total of 171,153 shares of treasury stock as collateral in accordance with Section 71e (1) 2 of the German Stock Corporation Act at June 30, 2006. This represents €0.5 million, or 0.02% of capital stock.

24

Contingent liabilities and other commitments

€ millions	6/30/2006	12/31/2005
Contingent liabilities	37,527	39,534
of which:		
Guarantees and indemnities	37,513	39,513
Other commitments	74,237	61,058
of which:		
Irrevocable credit commitments	52,194	52,341
Total	**111,764**	**100,592**

Derivatives

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

Without taking risk-reducing effects into account, the maximum counterparty risk at June 30, 2006 (excluding add-on) totaled €37.3 billion (December 31, 2005: €47.5 billion). In accordance with Principle I of the banking supervisory regulations, and taking into account existing netting agreements and the provision of collateral, credit equivalents (counterparty risk including add-on) totaled €19.6 billion (December 31, 2005: €19.5 billion), and the remaining risk after risk weighting amounted to €5.6 billion (December 31, 2005: €5.4 billion).

€ millions	Nominal amount		Positive fair values		Negative fair values	
	6/30/2006	12/31/2005	6/30/2006	12/31/2005	6/30/2006	12/31/2005
Interest rate derivatives	1,987,926	1,952,534	24,806	37,310	26,447	37,668
Foreign exchange derivatives	355,931	323,298	5,459	4,542	4,690	4,949
Equity/index derivatives	194,477	197,605	5,318	4,699	6,438	5,434
Credit derivatives	220,275	139,688	1,683	903	2,407	1,743
Other transactions	3,597	2,290	252	117	243	122
Total	**2,762,206**	**2,615,415**	**37,518**	**47,571**	**40,225**	**49,916**

25

Potential market risk of trading activities

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

Value-at-risk[1]:

€ millions	6/30/2006	12/31/2005
Interest rate positions (incl. credit-spread risks)	23	23
Foreign exchange positions	10	9
Equity/index positions	10	14
Diversification effect	(18)	(17)
Total	**25**	**29**

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

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QUARTERLY FIGURES

	Q2/2006	Q1/2006	Q4/2005 (adjusted)[1]	Q4/2005	Q3/2005	Q2/2005
Operating performance (€ millions)						
Net interest income	1,546	1,506	1,520	1,520	1,468	1,493
Provisions for losses on loans and advances	295	330	390	537	327	326
Net interest income after provisions for losses on loans and advances	1,251	1,176	1,130	983	1,141	1,167
Net commission income	919	972	859	859	860	764
Trading profit	362	508	225	225	278	101
General administrative expenses	1,635	1,691	1,736	1,736	1,623	1,623
Balance of other operating income and expenses	9	11	(133)	(133)	20	2
Operating profit	**906**	**976**	**345**	**198**	**676**	**411**
Net income from investments	698	109	193	193	23	31
Amortization of goodwill	0	0	0	0	0	0
Restructuring costs	3	—	—	486	60	—
Balance of other income and expenses	(5)	(4)	(180)	(180)	(36)	(36)
Profit (loss) from ordinary activities/ net income (loss) before taxes	**1,596**	**1,081**	**358**	**(275)**	**603**	**406**
Taxes on income	224	283	6	(119)	114	107
Net income (loss) after taxes	**1,372**	**798**	**352**	**(156)**	**489**	**299**
Minority interest in net income (loss)	(317)	(147)	(114)	(92)	(165)	(69)
Consolidated profit (loss)	**1,055**	**651**	**238**	**(248)**	**324**	**230**
Earnings per share[2] (€)	0.72	0.87	0.32	(0.33)	0.44	0.30

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

[2] Q2/2006 figure adjusted for the gain on the disposal of HVB Splitska banka; the unadjusted figure for earnings per share is €1.40

	6/30/2006	3/31/2006	12/31/2005 (adjusted)[1]	12/31/2005	9/30/2005	6/30/2005
Key indicators (%)						
Return on equity after taxes, adjusted for the gain on disposal of HVB Splitska banka	20.9					
Return on equity after taxes	30.0	22.8	10.2[2]	5.6[2]	10.4[2]	9.9[2]
Cost-income ratio (based on operating revenues)	57.0	56.4		66.4	65.2	67.0
Balance sheet figures (€ billions)						
Total assets	486.8	498.2		493.7[2]	495.9[2]	492.9[2]
Total volume of lending	323.7	330.3		332.6	334.1	333.3
Shareholders' equity	16.6	16.3		15.4	16.0	15.1
Key capital ratios compliant with German Banking Act (KWG)						
Core capital (€ billions)	16.9	17.1		17.1	16.1	16.1
Equity funds (€ billions)	25.3	25.6		26.0	26.0	25.8
Risk assets (€ billions)	233.5	231.7		232.5	237.5	233.0
Core capital ratio (%)	7.2	7.4		7.3	6.8	6.9
Equity funds ratio (%)	10.3	10.5		10.6	9.6	9.8
Share information						
Share price (€)	28.28	27.24		25.61	23.44	21.51
Market capitalization (€ billions)	21.2	20.4		19.2	17.6	16.1
Employees	62,716	62,696		61,251	60,923	59,294
Branch offices	2,489	2,461		2,316	2,263	2,190

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

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

Important dates 2006

Second-quarter earnings	August 4, 2006
Third-quarter earnings	November 14, 2006

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