Half-yearly Financial Report at June 30, 2007

Disclaimer

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

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

Half-yearly Financial Report at June 30, 2007

Contents

Financial Highlights

	1/1–30/6/2007[1]	1/1–30/6/2006[1]
Key indicators		
Return on equity after taxes[2]	25.0%	12.7%
Return on equity after taxes, adjusted[2,3]	17.5%	12.8%
Return on equity before taxes[2]	36.3%	19.9%
Return on equity before taxes, adjusted[2,3]	28.1%	20.0%
Cost-income ratio (based on total revenues)	47.6%	58.2%

Operating performance	1/1–30/6/2007[1]	1/1–30/6/2006[1]
Operating profit	€2,089m	€1,343m
Profit before tax	€2,054m	€1,020m
Net profit	€1,394m	€654m
Earnings per share	€1.80	€0.87
Earnings per share, adjusted[3]	€1.30	€0.87

Balance sheet figures	30/6/2007	31/12/2006[4]
Total assets	€437.6bn	€358.3bn
Shareholders' equity	€23.4bn	€21.9bn

Key capital ratios compliant with German Banking Act (KWG)	30/6/2007	31/12/2006[4]
Core capital (including inflow to shareholders' equity arising		
from the disposal of discontinued operations)	€22.8bn	€21.6bn
Risk-weighted assets	€144.2bn[5]	€137.4bn
Core capital ratio (including inflow to shareholders' equity arising		
from the disposal of discontinued operations)	15.8%	15.8%
	30/6/2007[1]	**31/12/2006[1]**
Employees	24,967	25,738
Branch offices	847	785

1 without discontinued operations
2 return on equity relating to 6.8% tied equity capital as a proportion of average risk-weighted assets
3 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the sale of discontinued operations, the gains on disposal of Indexchange and Münchener Rückversicherungs-Gesellschaft AG and restructuring costs; 2006 adjusted for restructuring costs
4 HVB Group new: pro forma figures of continuing operations
5 including €0.3 billion discontinued operations (HVB AG branches Vilnius and Tallinn)

SHARE INFORMATION		1/1–30/6/2007	31/12/2006
Share price:	Reporting date	€41.98	€33.03
	High	€42.50	€36.65
	Low	€32.30	€25.52
Market capitalisation at reporting date		€33.7bn	€24.8bn

Ratings

	LONG-TERM	SHORT-TERM	OUTLOOK	PUBLIC PFANDBRIEFS	MORTGAGE PFANDBRIEFS
Moody's	A1	P-1	stable	Aa1[1]	Aa1[1]
S & P	A	A-1	positive	AAA	—
Fitch Ratings	A	F1	positive	AAA	AAA

1 on "review for possible upgrade" since May 14, 2007

Financial Review

GERMAN COMPETENCE CENTRE OF ONE OF THE LEADING BANKS IN EUROPE

Major steps to realign the organisational structure

HypoVereinsbank (HVB) pressed ahead with its strategic realignment in the first half of 2007, reaching significant milestones. The transfer of our activities in Austria and central and eastern Europe was completed in the first quarter of this year. HypoVereinsbank is now the competence centre within the UniCredit Group for operations in Germany and for group-wide investment banking activities.

On April 1, 2007, the investment banking business of UniCredit Banca Mobiliare (UBM) was transferred against the issue of new shares of common HVB stock. This transaction was a significant step towards bundling the investment banking operations of the entire UniCredit Group at HypoVereinsbank. At the same time, it reinforces our position as one of the leading European investment banks.

At this point, we would like to expressly thank our staff and their representatives. Their willingness to embrace change and simultaneously work hard to ensure our commercial success represents the platform on which our strong performance is based. This gives all of us the self-confidence we need to build a successful future.

Dynamic growth in Germany and Europe

It has been possible to complete the integration of HypoVereinsbank into the UniCredit Group very successfully and much earlier than planned. The Integration Office was closed in May of this year. The remaining integration activities will be implemented by the divisions responsible for the operations. The UniCredit Group highlighted its aspiration to strategically shape the European consolidation process through its combination with Italy-based Capitalia announced on May 20, 2007. This transaction, which is to be implemented as a merger in exchange for shares in October this year, reinforces UniCredit's aspirations of being one of the leading banks in Europe. This once again illustrates how attractive it is for HypoVereinsbank to belong to a dynamic, fast-growing group.

Annual General Meeting adopts resolution on squeeze-out

The 130th Annual General Meeting of HypoVereinsbank took place in Munich on June 26 and 27. On June 27, our shareholders approved the transfer of the shares held by minority shareholders to UniCredit in return for a cash compensation of €38.26 by a majority of 98.77% of the votes cast. The squeeze-out is a logical step in the course of restructuring our European Group, by means of which we will complete the integration of HypoVereinsbank into the UniCredit Group also under company law. UniCredit is taking this step to simplify the operating processes at HypoVereinsbank in order to continue shortening the time it takes to respond to changes in the market. At the same time, UniCredit is reinforcing its economic interest in the German market, thus reinforcing HypoVereinsbank's role within the corporate group.

Disposal of securities processing and custodial activities

At the beginning of July, HypoVereinsbank announced the sale of its securities processing and custodial services to the French financial service provider CACEIS S.A.S. by the end of 2007. CACEIS intends to base its German custodial business in Munich and is taking over our Financial Markets Service Bank subsidiary (FMSB) to this end. FMSB will be renamed CACEIS Bank Deutschland by the end of the year. The 500 or so FMSB employees have received employment guarantees until 2009. CACEIS has also undertaken to operate both FMSB facilities in Germany for at least five years.

We have found a strong strategic partner in the form of CACEIS, as it has an excellent level of knowledge in international custodial operations. Thus we can ensure that the quality and service will remain at a high level for our customers. At the same time, the sale enables us to realise tangible cost reductions in our operations and to concentrate more fully on our core competencies.

CORPORATE STRUCTURE AND BUSINESS OPERATIONS

Legal corporate structure

Bayerische Hypo- und Vereinsbank Aktiengesellschaft (HVB AG) was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich. HVG AG has been an affiliated company of UniCredito Italiano S.p.A., Genoa (UniCredit), since November 2005 and hence a major part of the UniCredit Group from that date as a sub-group.

HypoVereinsbank made decisive progress with its strategic realignment in the first half of 2007. Based on the resolution adopted by the Supervisory Board and the Management Board on September 12, 2006, which was approved by our shareholders at the Extraordinary Shareholders' Meeting on October 25 last year, the shares in Bank Austria Creditanstalt AG (BA-CA) and Joint Stock Commercial Bank Ukraine (HVB Bank Ukraine) were transferred to UniCredit, and the shares in Closed Joint Stock Company International Moscow Bank (IMB) and AS UniCredit Bank (formerly HVB Bank Latvia AS, Riga) to BA-CA, in the first quarter of this year. Legal actions challenging the resolutions of the Extraordinary Shareholders' Meeting of October 25, 2006 are still pending in the first instance. (For more information, please refer to the section entitled "Operational risk" in the Risk Report.)

At the end of March, the Board of Directors of UBM together with the Management Board and Supervisory Board of HypoVereinsbank approved the contribution of UBM's investment banking business against the issue of 51,684,532 new shares of common HVB stock, based on an evaluation report prepared by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC). The transfer took effect on April 1, 2007.

As UniCredit has already held at least 95% of HVB's capital stock since January 23, 2007, UniCredit's direct and indirect stake increased as a result of the capital increase. Its holding in HVB's capital stock totalled around 95.45% at the time of the Annual General Meeting on June 27, 2007.

Shareholders approve squeeze-out

On January 23, 2007, UniCredit announced its intention of acquiring the shares in HypoVereinsbank held by minority shareholders through a squeeze-out procedure. At the Annual General Meeting of Shareholders on June 27, 2007, a majority of 98.77% of the votes cast approved the transfer of HVB AG to UniCredit for a reasonable cash compensation (squeeze-out). The level of cash compensation had already been determined at €38.26 per share on May 9 by UniCredit's Board of Directors based on an expert opinion prepared by the auditing company Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft and confirmed as reasonable by the court-appointed auditor, the auditing company Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft. In the statements on the qualifying date both auditing companies again confirmed the level and the reasonableness of the proposed cash compensation at June 26, 2007, the first day of the Annual General Meeting.

At the Annual General Meeting of HVB AG on June 27, 2007, a resolution was adopted, upon a motion submitted by shareholders regarding item 10 of the agenda, to assert claims for compensation against current and former members of the Management Board and Supervisory Board of the Company as well as UniCredit S.p.A. and its affiliated companies – including their legal representatives in each case – for financial damage caused as a result of the sale of Bank Austria Creditanstalt AG and by the conclusion of the Business Combination Agreement (BCA). A special representative was appointed to assert the claims. Legal action challenging this resolution has meanwhile been filed by our majority shareholder, UniCredit S.p.A., especially because the resolution in terms of content and the parties against whom claims can potentially be asserted is much too vague, making the resolution ineffective. HVB AG assumes that there are very good reasons in favour of the resolution on the assertion of claims for compensation and the appointment of a special representative (agenda item 10) not being legally effective. In this connection the special representative, who is assuming that the resolution adopted by the Annual General Meeting is effective, has applied for a temporary injunction. HVB AG will oppose this application.

Until the completion of the squeeze-out, which takes effect when entered in the commercial register, HVB AG's shares of common stock will continue to be admitted to official trading on all German stock exchanges as well as on the Vienna Stock Exchange, Euronext in Paris and the SWX Swiss Exchange.

Financial Review continued

Information pursuant to Section 315 (4), German Commercial Code, in conjunction with the German Takeover Directive Implementation Act

In connection with the contribution of UBM's investment banking business by capital increases for contributions in kind, the subscribed capital of HVB AG increased by €155,053,596.00 to €2,407,151,016.00 compared to the end of 2006. The capital increase was entered in the commercial register on April 3, 2007.

Since this date, the subscribed capital of HVB AG has totalled €2,407,151,016.00 and is divided into

a) €2,363,490,216.00 shares of common bearer stock, broken down into 787,830,072 no par shares

b) €43,660,800.00 non-voting shares of registered preferred stock, broken down into 14,553,600 no par shares.

The common bearer stock makes up 98.19% of capital stock and the preferred stock 1.81%.

Shareholders holding shares of common bearer stock are entitled to attend the Annual General Meeting of Shareholders and exercise their voting rights subject to the conditions set out in Article 18 (2) of the Articles of Association. Each share of common stock is vested with one vote at the Annual General Meeting of Shareholders.

Each shareholder has the right to ask questions and speak at the Annual General Meeting of Shareholders, although the meeting chairman may limit the right to ask questions and speak as appropriate.

The shares of both common stock and preferred stock benefit from the equal disbursement of any profit distributions (dividend payment).

The preferred shares are non-voting and registered. They receive an advance share of profits of €0.064 per no par share, payable out of the cumulative profit on a cumulative basis, as well as a further share in the profits of the same amount as the shares of common stock. The claim to payment of the advance share of profits on a cumulative basis is granted to the holders of preferred stock as a separate right.

Shareholders holding shares of registered preferred stock are entitled to attend the Annual General Meeting of Shareholders subject to the conditions set out in Article 18 (1) of the Articles of Association.

In the event of a capital increase, the holders of common and preferred stock normally have a subscription right. The Management Board may exclude this subscription right if it is authorised to do so by a resolution adopted by the Annual General Meeting of Shareholders or by an amendment to the Articles of Association approved by the Annual General Meeting of Shareholders.

In addition, the holders of common and preferred shares enjoy the other rights granted by the German Stock Corporation Act.

Under Article 6 (2) of the Company's Articles of Association, the shares of registered preferred stock may only be transferred with the Company's approval. Compliant with Section 71 b) of the German Stock Corporation Act, treasury stock does not confer any rights to the Company. The Management Board is not aware of any restrictions regarding the exercise of voting rights or the transfer of shares that might arise from agreements between shareholders.

Compliant with the notifice dated November 22, 2005 pursuant to Section 21 of the German Securities Trading Act, UniCredit has held 93.9% of the capital stock and 93.8% of the voting shares of common bearer stock in the Company, of which 0.001% indirectly, since November 17, 2005. According to an ad hoc notifice dated January 23, 2007, the interest in HVB AG's capital stock had increased to 95% by this date.

On April 10, 2007, after implementing the capital increase for contributions in kind, UBM, a wholly owned subsidiary of UniCredit, informed the Company, compliant with Section 21 of the German Securities Trading Act, that it had held 6.56% of the voting capital in HVB AG since April 3, 2007. On May 16, 2007, the date on which the Annual General Meeting of Shareholders was called, and during the Annual General Meeting of Shareholders on June 26 and 27, 2007, at which one of the resolutions adopted on June 27 was on the transfer of the shares of minority shareholders to UniCredit, UniCredit held a direct interest of 88.8% and an indirect interest (via its UBM subsidiary) of a further 6.56%, totalling 95.36% of the voting capital. The direct and indirect interest in HVB AG's capital stock stood at around 95.45%.

The Company has not issued any shares that confer any special influence over the Company's executive bodies and hence any special control powers.

There is no distinction between control of voting rights and share with regard to employee holdings. Where Company employees have acquired Company shares, they can exercise their voting rights in the same way as any other shareholder: either in person or through a proxy.

The appointment and dismissal of members of the Management Board is based on the legal provisions set forth in Sections 84 and 85 of the German Stock Corporation Act. Under Section 179 of the German Stock Corporation Act, amendments to the Company's Articles of Association require a resolution from the Annual General Meeting of Shareholders. Such a resolution requires a majority of at least three quarters of the capital stock represented when the resolution is adopted. Article 21 (2) of the Company's Articles of Association confers to the Supervisory Board the authority to make amendments to the Articles of Association that only affect the wording but not the content (amendment of the wording).

A resolution adopted by the Annual General Meeting of Shareholders on April 29, 2004 authorises the Management Board to issue shares from the authorised capital increase (Section 202 et seq., German Stock Corporation Act) in accordance with Article 5 (2) of the Company's Articles of Association. Following the partial utilisation of the authorised capital increase in April this year, Article 5 (2), 1 and 2 of the Company's Articles of Association is worded as follows "The Management Board, with the consent of the Supervisory Board, is authorised until April 29, 2009 to increase the Company's share capital by issuing new shares in exchange for contributions in cash or kind, one or several times but in an aggregate volume of no more than 278,315,468 shares in a total par value of €834,946,404.00. Either only common shares or common shares and non-voting preferred stock vested with the same rights as the already existing non-voting preferred stock may be issued."

The Management Board is hereby authorised, with the approval of the Supervisory Board, to exclude the subscription rights of the shareholders in the instances listed individually in Article 5 (2) of the Company's Articles of Association in accordance with the authorisation granted on April 29, 2004.

Moreover, a resolution adopted by the Annual General Meeting of Shareholders on May 14, 2003 authorises the Management Board until May 14, 2008 to issue equity warrant bonds, convertible bonds, dividend bonds, option certificates and convertible certificates with an option or conversion right and/or conversion obligation into shares of common bearer stock of Bayerische Hypo- und Vereinsbank Aktiengesellschaft or dividend bonds (with or without option or conversion right/obligation) compliant with Section 221 of the German Stock Corporation Act in euros or any other legal tender. The total nominal value or equivalent amount may not exceed an aggregate of €1,500,000,000.00. Under Article 5 (4) of the Company's Articles of Association, a conditional capital of €375 million is available to grant shares of common stock to the holders of bonds and certificates issued in accordance with the authorisation granted on May 14, 2003.

Furthermore, the Management Board is authorised compliant with Section 71 (1) No. 7 of the German Stock Corporation Act to buy and sell treasury stock for trading purposes by a resolution adopted at the Annual general Meeting of Shareholders held on June 27, 2007.

Moreover, the Company is permitted to buy treasury stock in the instances provided for in Section 71 (1) Nos. 1–5 of the German Stock Corporation Act.

There are no significant agreements at HVB AG that are subject to the condition of a change of control following a takeover offer.

No compensation agreements have been reached with members of the Management Board or employees in the event of a takeover offer.

Financial Review continued

Main products, sales markets, competitive position and facilities

HVB Group offers a comprehensive range of banking and financial products and services to private and corporate customers as well as public-sector customers. Our range extends from mortgage loans and banking services for consumers, private banking, business loans and foreign trade finance through to fund products, advisory and brokerage services, securities transactions and wealth management.

Following the transfer of its interests and business activities in Austria, central and eastern Europe, Russia, Ukraine and the Baltic states, HVB Group will in future focus on Germany as its core market within the UniCredit Group. Moreover, there is the possibility of entering markets in other regions of Europe (notably Scandinavia and Benelux). The completed transfer of UBM's investment banking business is a first step towards locating and bundling the competence centre for the investment banking operations of the entire UniCredit Group at HypoVereinsbank, not only virtually but also in legal respects. At the same time, it reinforces our position as one of the leading European investment banks.

Organisation of management and control

The Management Board of HVB AG is the Company's management body. The Management Board provides the Supervisory Board with regular, timely and comprehensive reports on all issues relevant to corporate planning, strategic development, the course of business and the state of HVB Group, including the risk situation.

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

The Supervisory Board of HVB AG has 20 members and includes equal numbers of representatives of the shareholders and employees. The task of the Supervisory Board is to monitor and advise the Management Board as it conducts business. To support its work, the Supervisory Board set up three committees: the Remuneration & Nomination Committee, the Audit Committee and the Negotiating Committee.

HVB AG conducts risk monitoring and risk management on a group-wide basis. The monitoring systems are geared to identifying risks at an early stage. In 2007, risk control and risk management are combined under the area of responsibility of the Chief Risk Officer, who reports to the Audit Committee of the Supervisory Board on a regular basis. Please refer to the Risk Report of Management's Discussion and Analysis contained in the 2006 Annual Report for further details.

A list showing the names of all of the members of the Management Board and the Supervisory Board of HVB AG is given in this Half-yearly Financial Report under Note 31, "Members of the Supervisory and Management Boards".

Basic features of the remuneration system

Structure of compensation paid to members of the Management Board

We explained the structure of the compensation paid to members of the Management Board in our 2006 Annual Report, on pages 55 and 56 of Management's Discussion and Analysis. Where there have been any significant changes in compensation policy in 2007, we will describe these in the passages below. The direct compensation has three components comprising fixed and variable elements: fixed compensation, variable compensation as a bonus featuring profit-related components (short-term incentive) and a long-term incentive.

The bonus is a short-term incentive, the size of which depends on certain targets agreed at the beginning of the year with all members of the Management Board being met. The targets are shown in scorecards and include team targets, core targets and two competencies from the area of values and leadership. Team targets have a weighting of 20%, core targets 50% and competencies 30%. There is a maximum of two team targets. Members of the Management Board responsible for a business division have core targets which consist of the HVB division's contribution to the profit of the group division and the HVB division's EVA (economic value added, a key management ratio in the UniCredit Group). Other members of the Management Board have a maximum of two financial or operational targets. Thus the commercial targets remain largely geared to the performance of HVB.

As in the previous year, information on the amount of compensation paid to members of the Management Board will be provided in the note entitled "Information on relationships with related parties" in the notes to our consolidated financial statements at the end of 2007 (cf. pages 177 and 178 of the 2006 Annual Report for more details).

Compensation paid to members of the Supervisory Board

The compensation paid to members of the Supervisory Board is regulated in Article 15 of the Articles of Association of HVB AG. The compensation is divided into a fixed and a variable, dividend-dependent component and had not changed up to the middle of 2007 compared to the outline provided in Management's Discussion and Analysis on pages 56 and 57 of HVB Group's 2006 Annual Report.

As in the previous year, information on the amount of compensation paid to members of the Supervisory Board will be provided in the note entitled "Information on relationships with related parties" in the notes to the consolidated financial statements at the end of 2007 (cf. page 179 of the 2006 Annual Report).

Internal management

One of HVB Group's most important objectives is a sustained increase of corporate value. To take account of capital market requirements and the necessity of value-based management, we have implemented the concept of dual steering without any changes.

In the second half of 2007, this dual-steering concept will continue to be harmonised with the steering of the UniCredit Group.

GENERAL SITUATION AND INDUSTRY-SPECIFIC ECONOMIC TRENDS

Macroeconomic situation

Global economic activity continued to be buoyant in the second quarter of 2007, fuelled in particular by strong growth in emerging markets and the euro area. While global price developments continue to be influenced by changes in commodity prices, consumer price inflation has remained relatively steady overall.

However, there are still no clear signs of recovery in the US economy. After the very weak first quarter, US economic growth should only pick up slightly in Q2 following the recent reports of a sharp slowdown in the housing market. Indeed, the main economic indicators, such as industrial production and the ISM manufacturing index, picked up in June, point towards a sustained upturn in the industrial sector. However, consumption data has begun to reflect some of the effects of the sharp slowdown in the housing market, which appears to be continuing. US growth is expected to have averaged about 2.5% in the first half of this year.

Conversely, the euro-zone economy has surprised on the upside both last year and this, with the first half of 2007 confirming a very healthy picture.

Confidence indicators continued to improve in the first half of the year: in May, the economic sentiment index (a weighted average of consumer, business, construction and retail confidence calculated by the European Commission) hit its highest level since 2001.

Financial Review continued

On the back of the described trends, the euro strengthened further against the US dollar, reaching a new record high of around 1.38. The differential speed of the economies has also been reflected in a narrowing of the bond yield spread to around 50bp, compared to around 80bp at the end of 2006. The second quarter of 2007 proved very positive for international stock markets as well, although interest rate fears triggered a healthy market correction in June.

The German economy confirmed its strong momentum in Q2, notwithstanding some uncertain signals from current business sentiment indicators. Despite the impact on German consumption of the rise in VAT in the first quarter of 2007, domestic demand growth is consolidating, with both investment and private consumption strengthening. The favourable trend on the German labour market remains particularly encouraging, and industrial activity continues to move in a positive direction. Moreover, consumer sentiment keeps improving.

Specific trends affecting the banking sector in Germany
Banks' profitability drivers displayed an encouraging pattern overall during the second quarter of 2007, confirming our positive expectations for profit growth this year. In particular, the second quarter proved very positive for the non-interest components, with German stock markets markedly on the rise, comfortably outperforming its European peers and setting an upbeat tone for the mutual fund industry as well.

At the same time, net interest income drivers partly suffered from a renewed weakness of lending growth, which was marginally negative during the quarter. This is attributable to the government and self-employed sectors together with continued weak demand for housing loans resulting in part from construction of new homes being brought forward to take advantage of the home-owner subsidy prior to its abolition and to beat the increase in VAT. These effects had petered out at the beginning of this year. In line with a very strong business cycle, however, growth in demand for financial resources from non-financial enterprises was particularly buoyant, offsetting the weakness of the other sectors.

On the funding side, the increase in deposits continued to outstrip lending growth, thanks mainly to time deposits. Looking at bank interest rates, rates on outstanding loans again remained virtually unchanged in the second quarter, due to the prevalence of fixed-rate loans, while deposit rates rose. The spread (difference between lending and deposit rates) has continued to narrow as a consequence. On a positive note, the spread calculated on new business rates is gradually widening.

BUSINESS SITUATION AND DEVELOPMENT OF INCOME OF HVB GROUP

The transfers agreed by the Management Board and Supervisory Board on September 12, 2006 (see also the section entitled "Legal corporate structure" in the Financial Review earlier in this Half-yearly Financial Report), which were approved by the Extraordinary Shareholders' Meeting on October 25, 2006, represent a discontinued operation as defined by IFRS 5. Hence the results of the discontinued operations are only shown after the profit after taxes and minorities of the new HVB Group (continued operations) in the income statement. The comparative figures for the previous year have been adjusted.

Except for the branches in Vilnius and Tallinn, all the companies and sub-groups defined to date as discontinued operations (BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine) were transferred in the first quarter of 2007 and deconsolidated with effect from January 1, 2007. Hence in the income statement for the new HVB Group in 2007, only the profit from the activities of the Vilnius and Tallinn branches up to the economic completion date of March 1, 2007 are shown in the separate income statement items "Net profit after tax of discontinued operations" and "Minority interest in the net profit of discontinued operations" alongside the gains on the deconsolidation of the transferred sub-groups and companies, including the respective taxes and minority interests, after the profit of the new HVB Group. The comparative figures for the previous year, on the other hand, still contain the profit from ordinary activities of the transferred companies.

Discontinued operations account for €3,690 million (previous year: €1,052 million) of the net profit of €5,084 million after deduction of the minority interest of the full HVB Group (previous year: €1,706 million) as a result of the gains realised on the deconsolidation of the BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine. At €1,394 million, the profit from continuing operations (net profit of HVB Group new) more than doubled compared to the same period last year.

Operating profit

The operating profit of HVB Group rose by more than half to reach €2,089 million compared to the highly successful first half of 2006. The rise in operating profit over the same period last year is solely due to the increase of around one quarter in total revenues. This has produced a significant improvement in the cost-income ratio by 10.6 percentage points to reach 47.6% (percentage of total revenues made up by operating costs). After the first six months of 2007, this good operating performance enabled us to easily reach the ambitious targets we mentioned in Management's Discussion and Analysis in the consolidated financial statements at December 31, 2006 (on page 68 of the 2006 Annual Report) for achieving a tangible increase in total revenues with only a slight rise in operating costs and thus an improvement in the cost-income ratio.

Net interest income

Compared to last year, net interest income increased by 22.9% to €1,913 million.

This rise was driven strongly by the inflow of funds from the disposals of discontinued operations. Apart from the inflow of contractually agreed interest payments on the purchase price for the period since the Extraordinary Shareholders' Meeting in October 2006 and the investment of the gains realised on the disposals, this included the cessation of the funding expenses compared to the previous year.

The investment banking activities transferred from UBM have a negative effect on net interest income on account of the refinancing of the trading portfolios. These expenses are directly related to the very good trading profit arising from these investment banking activities.

This effect of initial consolidation in net interest income was offset by far higher trading-generated components in other parts of the Markets & Investment Banking division within HVB AG.

Excluding the factors listed above (liquidity advantages arising from the disposal of companies, the effect of initial consolidation arising from the transfer of UBM's investment banking activities and trading-generated interest components), net interest income was slightly higher than at this point last year.

Interest and similar income from dividends and other income from equity investments increased by €84 million to €231 million, mainly as a result of a rise in dividend payouts from private equity funds.

Net fees and commissions

At €975 million, net fees and commissions after the first six months of 2007 almost matched last year's figure (down 1%), despite the absence in 2007 of the gains on the disposal of the Activest companies in the middle of 2006 and the sale of Nordinvest and Indexchange in January 2007. Adjusted for currency, initial consolidation and deconsolidation effects, net fees and commissions rose by 5.3% compared to the high figure last year. Our continued success in selling innovative investment products in securities and custodial services such as "HVB 6% Zins Ass", "HVB Best of Fonds Zertifikate", "HVB Zukunftszertifikat II", "HVB 8% Favorit Anleihe", "Favorit Express Zertifikat" and "HVB Bonus Zertifikat Continental Star" helped us to achieve this good result. Overall, net fees and commissions generated from securities and custodial services almost matched the good figure reported in the first half of 2006 (adjusted for the effects of initial consolidation and deconsolidation), declining by 1.1%. The contributions to earnings from lending operations developed exceptionally well, rising by a significant 19.7%, with other service operations posting a sharp 43.3% increase.

Net trading, hedging and fair value income

At €819 million, a record result in net trading, hedging and fair value income was achieved. This is the highest half-yearly result in the Bank's history, even without the positive effect totalling €171 million from the inclusion of UBM's investment banking activities for the first time. In a very friendly capital market environment, the 35.7% year-on-year increase in the net income from financial instruments held for trading to €643 million, particularly contributed to the result. At the same time, interest and currency-related operations doubled to €257 million while dividend income generated from trading operations rose 6.4% to reach €300 million. In addition, gains on the realisation of private equity are being reported under net trading, hedging and fair value income for the first time as of the end of 2006. These gains amount to €99 million in the first half of 2007. (These were still included under net income from investments at June 30, 2006.)

Financial Review continued

Operating costs
Operating costs increased by 1.5%, to €1,898 million, compared to last year. The rise is a result of higher payroll costs and an increase in other administrative expenses, while there was a reduction in amortisation, depreciation and impairment losses on intangible and tangible assets. In net terms, initial consolidation and deconsolidation effects reduced the operating costs as a whole. Adjusted for consolidation and currency effects, the total operating costs would have increased by 2.1%. The increase results substantially from higher expenses for profit-related bonus payments contained in payroll costs and the effect of the rise in VAT to 19% contained in other administrative expenses.

Provisions for risks and charges
Provisions for risks and charges declined from €46 million in the first half of 2006 to €25 million as at the end of June 2007. The total for the current financial year mainly contains provisions in connection with potential repurchase commitments arising under real estate transactions.

Net write-downs of loans and provisions for guarantees and commitments
At €390 million, net write-downs of loans and provisions for guarantees and commitments at the end of June 2007 are 5.3% below last year's figure (€412 million).

Net income from investments
Net income from investments amounted to €383 million at June 30, 2007. The total includes gains of €219 million realised on the sale of Indexchange Investment AG to Barclays Bank PLC and of €47 million on the sale of Norddeutsche Investment-Gesellschaft mbH (Nordinvest) to the Pioneer Group. In addition, the gain on the sale of the remaining shares in Münchener Rückversicherungs-Gesellschaft AG at €113 million favourably impacted net income from investments. Thus HVB has completely divested itself of its remaining holding of around 2.2% in Münchener Rückversicherungs-Gesellschaft AG, continuing to systematically implement its strategy of reducing non-strategic financial investments. This will have no effect on the successful co-operation between HVB, Munich Re and ERGO, which will be continued in the future. At €138 million in the first half of 2006, net income from investments essentially contained the gains realised on the reduction of our interest in Babcock & Brown Limited (€55 million) and in Deutsche Lufthansa AG (€40 million).

Profit before tax
At €2,054 million, profit before tax is double the amount posted at this point last year (€1,020 million). Even without the favourable effect arising from interest payable on the purchase price relating to the disposal of discontinued operations of €93 million, the gains of €219 million and €113 million realised on the sale of our holdings in Indexchange and Münchener Rückversicherungs-Gesellschaft AG, respectively, and adjusted for restructuring costs, profit before tax, at an adjusted figure of €1,632 million, would have increased almost 60% compared to the same period last year.

Minorities and net profit
Income tax accounts for €617 million and minorities account for €43 million of the profit before tax. After deducting taxes and minorities, we generated a profit of €1,394 million, which is more than double the profit earned in the same period last year. Even when adjusted for the non-recurring effect from interest payable on the purchase price, the disposals of Indexchange and Münchener Rückversicherungs-Gesellschaft AG and restructuring costs, we succeeded in improving last year's profit by more than half to €1,012 million.

We have adjusted the return on equity of the new HVB Group to comply with the customary definition in the UniCredit Group. Adopting a purely economic approach, we will thus report this figure based on 6.8% of tied equity capital related to the average risk-weighted assets in our financial communications in future. The figures for the previous year have been adjusted accordingly. In the numerator of the ratio, we have adjusted the respective profit variable by imputed interest on to what is known as the average capital surplus. The interest rate applied in this context is the same as the rate used when assessing the equity capital allocated for companies assigned to several divisions in segment reporting (2007: 3.8%; 2006: 3.4%). The capital surplus is defined as the difference between the equity components under IFRS (subscribed capital, additional paid-in capital and other reserves including the gain on the disposal of the discontinued operations generated in the first quarter) relevant for calculating the return on equity and the capital sum which results, related to 6.8% of the tied capital related to average risk-weighted assets. Based on this definition, this provides a 25.0% return on equity after taxes and 36.3% before taxes for the first half of 2007. When adjusted by the non-recurring effects mentioned above, the ratios – at 17.5% after taxes and 28.1% before taxes – are significantly higher than the figures reported in the first half of 2006 (June 30, 2006: 12.7% return on equity after taxes, 12.8% adjusted; and 19.9% return on equity before taxes, 20.0% adjusted).

Developments in the individual divisions

The contributions of the divisions to the profit before tax of the new HVB Group of €2,054 million were as follows:

Retail	€132 million
Wealth Management	€93 million
Corporates & Commercial	
Real Estate Financing	€377 million
Markets & Investment Banking	€1,318 million
Other/consolidation	€134 million

The income statements of each division and comments on the performance of the divisions are described in Note 3, "Segment reporting". The components and targets of the divisions are described in detail in the 2006 Annual Report in Note 21, "Notes to segment reporting by division" (pages 125–128).

FINANCIAL SITUATION OF HVB GROUP

Total assets and volume of lending

The total assets of HVB Group amounted to €437.6 billion at June 30, 2007. Compared to the 2006 year-end total, this represents a decline of €70.4 billion or 13.9%. On the assets side, the item assets of discontinued operations and non-current assets or disposal groups held for sale decreased by €164.0 billion. This sharp decline is due to the disposal of the major companies and assets in the first quarter of 2007 which were still included under this item at December 31, 2006. This concerns the BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine defined as discontinued operations as well as the companies Indexchange, HVB Payment & Services and Nordinvest still classified as non-current assets or disposal groups held for sale at the end of 2006, and a non-strategic real estate portfolio.

The decline in the total assets as a result of the sales as described was partially compensated by the increase in volumes from the transfer of UBM's investment banking activities to HVB AG. At June 2007, the volume of assets of the transferred activities stood at €78.7 billion (initial consolidation effect). In particular, this caused the assets held for trading purposes to rise by €78.5 billion to €185.7 billion. In addition, the main increases on the assets side involved rises of €11.5 billion in placements with, and loans and advances to, other banks, and of €2.5 billion in both loans and advances to customers and investments.

The volume of lending rose by €6.4 billion compared to the 2006 year-end. In the process, placements with, and loans and advances to, other banks rose by €3.0 billion and contingent liabilities by €3.2 billion, whereas loans and advances to customers remained practically unchanged.

Financial Review continued

In the same way as on the assets side, the decline in total liabilities was also largely attributable to the deconsolidation of the companies and operations included under the item "liabilities of discontinued operations and liabilities of disposal groups held for sale". The item "liabilities of discontinued operations and liabilities of disposal groups held for sale" fell by €152.2 billion. This decline was compensated in part by the initial consolidation effect caused by the investment banking operations transferred from UBM. This essentially helped liabilities held for trading purposes to rise by €64.9 billion to €124.8 billion.

At the same time, deposits from other banks increased by €6.7 billion and amounts owed to other depositors by €6.2 billion.

The €3.5 billion rise in shareholders' equity to €23.4 billion can be attributed primarily to the net profit of almost €5.1 billion generated in the period from January 1 to June 30, 2007, caused essentially by the gain of €3.7 billion on the disposal of discontinued operations. Likewise, the minority interest is down by €2.5 billion on account of the deconsolidation of the companies and sub-groups defined as discontinued operations. At the same time, shareholders' equity rose by €1,061 million on account of the capital increase implemented in the course of the transfer of the investment banking activities for a contribution in kind (subscribed capital up €155 million, additional paid-in capital up €906 million). Furthermore, the other reserves increased by €1.1 billion, whilst the reserves arising from the change in valuation of financial instruments decreased by a total of €0.8 billion.

On June 27, 2007, the Annual General Meeting of Shareholders adopted a resolution to pay a dividend out of the net profit for 2006 (€622 million) at an amount of €301 million. This is equivalent to a dividend of €0.40 per share of common stock and per share of preferred stock, and an advance dividend of €0.064 per share of preferred stock. The remaining amount of €321 million was transferred to other reserves in compliance with the resolution adopted by the Annual General Meeting of Shareholders.

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

At €144.2 billion, the risk-weighted assets (without market risks) compliant with the German Banking Act (KWG) declined in comparison to the 2006 year-end total by around €75 billion. One major reason for this was the deconsolidation of the companies defined as discontinued operations. The transfer of UBM's investment banking activities caused a €6 billion rise in risk-weighted assets, including market risk positions. There was a rise of €165 million in market risk positions to €1.0 billion.

The reduction in risk assets compliant with the German Banking Act resulting from the current ABS transactions stood at €20 billion at the end of June 2007. In May 2007, the new true sale transaction Geldilux-TS 2007-1 was completed at a total lending volume of €2.1 billion and a reduction of €2 billion in risk-weighted assets.

At the reporting date for the first half of 2007, the core capital of HVB Group compliant with the German Banking Act amounted to €16.2 billion and equity funds to €22.9 billion. This results in a core capital ratio of 11.2% (excluding market risk positions) and an equity funds ratio of 14.6%. If the market risk positions in the core capital ratio are also taken into account, it stood at 10.3%. A pro forma view including the equity inflow from the disposal of discontinued operations gives rise to a core capital ratio of 15.8% and core capital ratio including market risk positions of 14.5%.

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, the figure averaged 1.2 in the first half of 2007 (annual average in 2006: 1.2).

Company acquisitions and disposals

Information on changes in the companies included in the financial statements for the first half of the year is provided in Note 2, "Changes in the group of companies included in consolidation".

Events after June 30, 2007

Under the terms of an agreement concluded on July 3, 2007, HVB is to sell its securities trading and custodial services to the French financial service provider CACEIS by the end of 2007. At the same time, the French bank will take over Financial Markets Service Bank GmbH (FMSB), the HVB subsidiary which has carried out these activities for HVB to date. The agreement is subject to approval by the supervisory authorities.

Concerning the events after June 30, 2007 in connection with the resolution adopted by the Annual General Meeting on the appointment of a special representative and on the actions which challenge resolutions, please refer to the corresponding passages in the Risk Report.

OUTLOOK

General economic trends

In our scenario, US GDP growth will remain below trend this year (+1.8% year-on-year) as the weakness of the housing market will probably drag down consumption in its wake. In the euro area, GDP growth should not be too far from last year's peak (we expect a 2.5% year-on-year increase this year, down from 2.7% in 2006). This year will be characterised by a robust increase in corporate capital spending, the main driver of growth. The buoyancy in the German corporate sector should continue to push investment activity, not least given capacity utilisation levels that are the highest for the past fifteen years. Investment in machinery and equipment in particular is projected to grow by 11.7% in 2007, outpacing the 7.3% recorded in 2006, and construction activity should also make a stronger contribution to GDP growth this year than in 2006.

The decline in consumer spending already recorded in Germany in the first quarter of 2007 is likely to continue, but GDP should still expand by 2.4% in 2007, slowing slightly from the 2.8% seen in 2006.

In this context, after having raised interest rates twice in the first half of 2007, taking the refinancing rate to 4.0%, the European Central Bank (ECB) will probably make further moves to tighten policy in the second half of 2007 on the basis of strong growth in monetary aggregates rather than current inflationary pressures. With the ECB possibly approaching its ceiling in this cycle and US monetary policy expected to remain on hold, the dollar could fluctuate a little during the rest of the year, ending 2007 at around 1.34 however. Long bond yields should remain almost stable at around current levels, closing the year at 5.0% in the US and 4.6% in the euro area.

Earnings performance and opportunities of HVB Group

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

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

Thanks to the sharp rise in total revenues coupled with a slight increase in operating costs, we have met our internal targets in the first half of 2007. Consequently we believe we are well on the way to meeting the targets we have set for 2007 as a whole, even if, given the market trend after June 30, 2007, we do not at the present time expect to be able to repeat the results recorded for total revenues for the first half of 2007 in the second half of the year.

From today's standpoint, we anticipate that net write-downs of loans and provisions for guarantees and commitments willprobably be lower than last year's level.

There has been no significant change in the opportunities arising from the development of the general conditions and future business strategy or in the opportunities in terms of corporate strategy, performance and other factors compared to those described in the Outlook of the 2006 Annual Report (page 69).

Risk Report

HVB GROUP AS A RISK-BEARING ENTITY

As a rule it is not possible to earn income in the banking business without incurring risk. By definition, risk entails the possibility of a negative future development of the economic state of HVB Group as part of the UniCredit Group. Consequently, the conscious handling, active management and ongoing monitoring of risk are core elements of the profit-oriented management of business transactions by HVB Group. We therefore regard it as one of our core tasks to apply these considerations in order to achieve a consistent integration of profitability and risk criteria in all divisions and functions of the Bank. HVB Group has also included the investment banking business of UniCredit Banca Mobiliare (UBM), which was absorbed by HVB at the beginning of April 2007 through the acquisition of its material assets and related liabilities.

For reasons of materiality, the Bank has not separately described in the Risk Report the discontinued operations that IFRS 5 requires to be shown separately. Consequently, only the new HVB Group is covered. The discontinued operations (HVB AG branches in Tallinn, Estonia and Vilnius, Lithuania) represent less than 0.3% of the various individual risk parameters / risk data of the new HVB Group and can therefore be regarded as immaterial. The effects of the integration of UBM's investment banking activities on the individual risk items are shown separately – if they are material – in the sections on the various risk types. For all other risk types, there were no material effects.

MANAGEMENT AND MONITORING OF RISK IN HVB GROUP

1 Risk management

For risk management purposes, the Bank defines its overall risk strategy at HVB Group level. In particular, this means determining, on the basis of the available capital cushion, the extent and manner of permissible risk exposure for the various divisions. This means that whenever risk is taken, it must be determined whether it is possible to do so, based on risk cover calculations, and whether it is worth doing so in terms of risk/reward calculations.

Through the targeted and controlled assumption of risk, the various divisions implement – with profit responsibility – the risk strategies defined for them within HVB Group. In doing so, they utilise the regulatory and economic capital allocated to them within the framework of limit systems.

2 Risk monitoring

The risk management process is accompanied by comprehensive risk monitoring, which is functionally and organisationally independent and encompasses the following tasks:

Risk analysis

Risk analysis involves the identification and analysis of risks from business activities and the development of methods for measuring them. Parallel to these activities, the available capital cushion is defined and quantified.

Risk control

In addition to the quantification and validation of the risks incurred and the monitoring of the allocated limits, the subsequent risk control process involves risk reporting, which at the same time provides management with recommendations for action when making future risk-policy decisions.

The functional segregation of risk management and risk monitoring is also taken into account in organisational structures. There have been no material changes compared with year-end 2006.

RISK TYPES AND RISK MEASUREMENT

1 Relevant risk types

At HVB Group we distinguish the following risk types:
– credit risk,
– market risk
– liquidity risk,
– operational risk,
– business risk,
– risks arising from our own real estate portfolio,
– risks arising from our shareholdings/financial investments,
– strategic risk.

2 Risk measurement methods

With the exception of liquidity and strategic risk, we measure all risk types using a value-at-risk approach under which potential future losses are measured on the basis of a defined confidence level.

The individual risk types are aggregated at HVB Group level as part of the economic capital calculation, applying a uniform one-year holding period and a 99.95 percent confidence level across all risk types.

This aggregation takes into account risk-reducing portfolio effects, which encompass both the correlations within the individual risk types between business units of HVB Group and the correlations across the risk types.

Liquidity risk and strategic risk are measured separately.

3 Development of risk measurement and monitoring methods

The methods used to measure and monitor risks are subject to an ongoing development and improvement process. This is the result of our own quality standards as well as a response by HVB Group to the more stringent statutory requirements and, to an even greater extent, the more stringent regulatory requirements (especially Basel II and the Minimum Requirements for Risk Management). In addition, differences in methodologies will be examined in the course of integration into the UniCredit Group.

OVERALL BANK MANAGEMENT

1 Dual management principle for overall bank management

The main focus of capital market-oriented management in HVB Group is on investment and the value-oriented allocation of our capital resources to business activities with attractive risk-return ratios. Within the framework of our dual management principle, the divisions are allocated both regulatory (or used core) capital and economic capital. Both resources are expected to yield an appropriate return, which is derived from the expectations of the capital markets and is expected to be earned by our business units. In the second half of 2007, harmonisation of the dual management principle with the management principles applied by the UniCredit Group will continue.

2 Regulatory capital adequacy

Used core capital

The divisions are required for planning purposes to have core capital backing for credit and market risks equal to an average of 6.8% of equivalent risk assets. In addition, average used core capital – for this purpose, excluding hybrid capital – is used to calculate the expected internal return.

Risk Report continued

Management of regulatory capital adequacy requirements
To manage our regulatory capital we apply the following three capital ratios, which are managed on the basis of internally defined minimum levels:
– core capital ratio (ratio of core capital to risk assets, with or without taking into account the market risk positions weighted by a factor of 12.5)
– equity capital ratio (ratio of equity capital to risk-weighted assets)
– equity funds ratio (ratio of equity funds to the sum of risk-weighted assets and market risk positions weighted by a factor of 12.5)

More detailed information on these ratios in the first half of 2007 can be found under “Risk-weighted assets, key capital ratios and liquidity of HVB Group” in the Financial Review in the present Half-yearly Financial Report.

To determine the appropriate capital funding, we have essentially defined the following process:
– Based on our multi-year plan, we prepare a rolling eight-quarter projection for ongoing forecasting of our capital ratios in accordance with the German Banking Act.
– Reports on the actual ratios and significant effects on them are submitted every month to the Asset & Liability Committee, which decides on appropriate action if the actual ratios deviate significantly from plan.
– The Group Management Board is informed on a monthly basis on the risk asset budget utilisation of the divisions.

3 Economic capital adequacy
The future economic capital requirements of the divisions – broken down by risk type – are determined under the annual planning process in close cooperation between Risk Control and the individual operating units. After approval by the Management Board of HVB Group, the economic capital parameters are anchored in the control and reporting instruments. A comparison between the targets and the actual values of the parameters is produced on a quarterly basis and reported to the Chief Risk Officer.

Our economic capital, aggregated for the new HVB Group (including minority interests), amounted to €4.8 billion at June 30, 2007 after taking into account all risk-reducing portfolio effects. This represents an overall increase of 16.1% as compared with year-end 2006. This increase can be attributed among other factors to the reduced portfolio effects due to the sale of the Bank Austria Creditanstalt Group (BA-CA Group) to the UniCredit Group. The economic capital for credit risk, at €2.2 billion as of June 30, 2007, remains the most important risk item, making up 45.7% of the total. The increase in credit risk resulted primarily from an expansion of business activities. Among the factors reflected in the decrease in economic capital for financial investment risks in the first half of 2007 is the complete elimination of our shareholdings/financial investments in Münchener Rückversicherungs-Gesellschaft AG. For the second half of 2007, we expect a similar economic capital structure.

In a quarterly analysis of our ability to support risk, we measure our economic capital against the capital cushion available to us to cover risk. According to our internal definition, the capital cushion is made up of IFRS capital components, participatory certificate and hybrid capital, reserves and the actual result. Minority interests are included and goodwill is deducted. The capital cushion for the new HVB Group amounted to €26.4 billion at June 30, 2007 (comparable figure at year-end 2006: €17.9 billion). The increase as compared with year-end 2006 is primarily the result of the sale of the BA-CA Group to the UniCredit Group. With an aggregate economic capital of €4.8 billion, this represents a utilisation of 18.3% of the cushion.

Even taking into account the results of risk type-specific stress results, we had a substantial buffer in the capital cushion at the level of the new HVB Group.

Economic capital after portfolio effects

(confidence level 99.95%)

	JUNE 2007		DECEMBER 2006	
	€ millions	in %	€ millions	in %
Broken down by risk type				
Market risk	222	4.6	174	4.2
Credit risk	2,211	45.7	1,763	42.3
Business risk	650	13.4	595	14.3
Operational risk	889	18.4	791	19.0
Risks arising from the Bank's own real estate portfolio	304	6.3	259	6.2
Risks arising from our shareholdings/financial investments	559	11.6	584	14.0
HVB Group new	**4,835**	**100.0**	**4,166**	**100.0**
Capital cushion to cover risks				
HVB Group new	**26,376**		**17,899**	
Utilisation, in %				
HVB Group new	**18.3**		**23.3**	

RISK TYPES IN DETAIL

As compared with the 2006 Annual Report, no substantial changes were made during the first half of 2007 in the risk management, measurement methodology and risk monitoring of the various risk types. Consequently, reference should be made in this regard to the appropriate section of the 2006 Annual Report of HVB Group starting on page 76. However, if any minor developments have taken place involving individual risk types, they are described with the risk types in question.

1 Credit risk

During the first half of 2007 the German regulatory authorities began the regulatory review of our IRBA model within the framework of the implementation of Basel II. The focus was especially on the rating processes in the corporate segment, the exposure-at-default estimate and the integration of the Basel II risk parameters in the Bank's management systems. A priority in the second half of the year will be the regulatory review of the rating systems in the retail segment and the loss given default (LGD) estimate. In addition, the German regulatory authorities will review the implementation of the group-wide rating and LGD models developed by UniCredit Holding and implemented across the entire UniCredit Group.

Because of the deconsolidation of the BA-CA Group and other units in central and eastern Europe, transactions with group companies of the BA-CA Group entailing loan default risk were allocated to the risks shown by the new HVB Group. Following the transfer of UBM's investment banking activities to HVB AG by the UniCredit Group effective April 1, 2007, all risks related to UBM are shown in the systems.

In the first half of 2007 an increase of €5.4 billion (2.4%) in credit risk and counterparty risk was recorded by the new HVB Group. The structure of the loan portfolio in terms of industries was essentially unchanged in the first half of 2007. There was a significant decrease (€5.0 billion) only for private customers. Increases in exposures took place primarily in the sector groups food/consumer goods/services (€3.7 billion), banks and insurers (€2.6 billion), chemical/health/pharmaceuticals (€2.3 billion) and mechanical engineering/steel (€1.7 billion).

The quality of the core portfolio, which refers to the portfolio of the new HVB Group excluding the loan portfolios from Real Estate Restructuring (RER), improved during the first half of 2007. The exposure in the unrated portfolios decreased by €3.1 billion, resulting in a 1.4 percentage-point decrease in their share in the core portfolio. The rating classes 1–4 showed the largest rise, increasing by €11.1 billion, or 3.5 percentage points. Rating classes 5–8 showed a small decline of €1.4 billion. In the default classes the exposure decreased by a slight €0.3 billion.

Risk Report continued

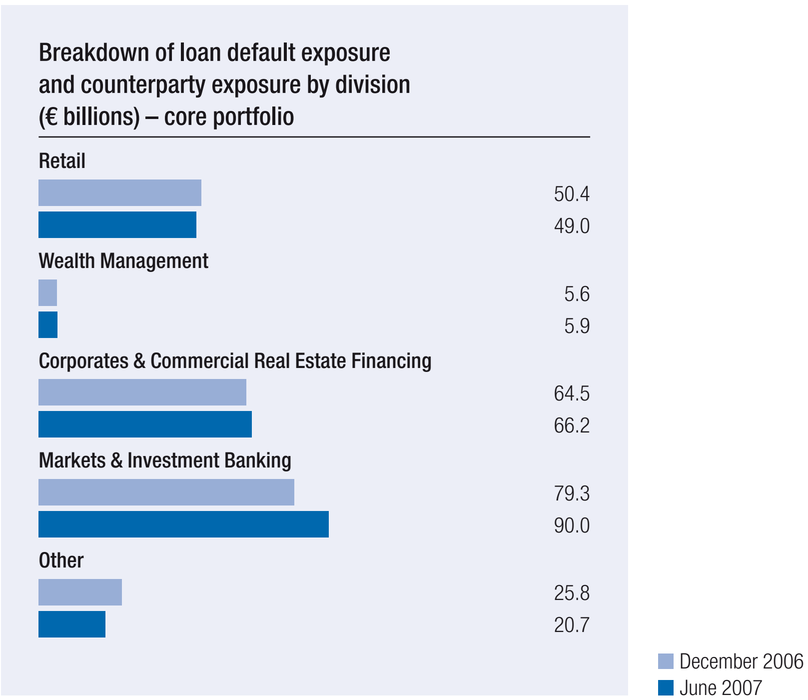
The largest increase was in the Markets & Investment Banking division, where the exposure rose by €10.7 billion. Minor increases in the Corporates & Commercial Real Estate Financing division (€1.7 billion) and the Wealth Management division (€0.3 billion) were offset by decreases in the Retail division (€1.4 billion) and Other (€5.1 billion).

In line with its business strategy, the Bank plans to continue reducing its exposure in the non-strategic loan portfolio in the second half of this year.

Our total loan-loss provisions, including allowances for losses on guarantees and indemnities, increased €0.1 billion to €6.4 billion in the first half of 2007, taking into account write-offs taken on the lending portfolio (€0.4 billion; previous year: €1.6 billion). We created a total loan-loss provision of €390 million for loan default risks in the first half of 2007 (previous year: €412 million). (More detailed information can be found in Notes 9, "Net write-downs of losses and provisions for guarantees and commitments", and 17, "Allowances for losses on loans and advances" in the notes to the present consolidated interim financial statements.)

Breakdown of loan default exposure and counterparty exposure by industry sector

€ billions	JUNE 2007	DECEMBER 2006
Industry sector		
Retail customers	46.1	51.1
Banks and insurers	44.7	42.1
Construction	34.7	34.6
Food, consumer goods, services	28.2	24.5
Chemicals, health, pharmaceuticals	14.4	12.1
Utilities	11.6	11.5
Transportation	11.0	10.4
Other	10.0	9.1
Public sector	8.6	8.6
Mechanical engineering, steel	7.9	6.2
Electrical, IT, communications	5.3	6.0
Automotive	4.5	4.9
Media, printing, paper	4.2	4.7
Mineral oil	3.9	3.9
HVB Group new	**235.1**	**229.7**



Breakdown of loan default exposure and counterparty exposure by rating class – core portfolio

	JUNE 2007		DECEMBER 2006	
	€ billions	in %	€ billions	in %
Rating				
Free of credit risk	7.7	3.3	7.8	3.5
Not rated	4.8	2.1	7.9	3.5
Rating 1–4	120.9	52.2	109.8	48.7
Rating 5–8	92.1	39.7	93.5	41.4
Rating 9–10	6.3	2.7	6.6	2.9
HVB Group new	**231.8**	**100.0**	**225.6**	**100.0**

Financial derivatives

HVB Group uses financial derivatives primarily to manage market price risk arising from trading activities (in particular risk arising from interest rate fluctuations and currency fluctuations). They also serve to provide cover for on- and off-balance-sheet items within asset/liability management or, in the case of credit derivatives, to manage credit risk.

The significant increase in the volume of derivative transactions compared with year-end 2006 is primarily attributable to the absorption of UBM's investment banking business by HVB AG effective April 1, 2007.

At June 30, 2007, the total nominal amount of worldwide derivative transactions of the new HVB Group was €4,319 billion (December 31, 2006: €2,188 billion). Of this amount, €1,733 billion is attributable to the absorption of the former UBM activities.

In accordance with the Solvency Ordinance of the German banking supervisory regulations (formerly: Principle I), and taking into account the risk-reducing effects of existing, legally enforceable bilateral netting agreements and the provision of collateral provided by borrowers, credit equivalents (counterparty risk including add-on) for the new HVB Group totalled €31.6 billion (full HVB Group at December 31, 2006: €20.1 billion) and the remaining risk after risk weighting amounted to €8.4 billion (full HVB Group at December 31, 2006: €5.9 billion).

Risk Report continued

Derivative transactions

€ millions	NOMINAL AMOUNT					FAIR VALUE			
	RESIDUAL MATURITY			TOTAL	TOTAL	POSITIVE		NEGATIVE	
	UP TO 1 YEAR	1–5 YEARS	MORE THAN 5 YEARS	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006
Interest rate derivatives	**1,242,359**	**1,148,420**	**865,315**	**3,256,094**	**1,467,841**	**36,549**	**19,062**	**36,515**	**20,502**
Foreign exchange derivatives	**264,384**	**111,737**	**39,937**	**416,058**	**259,269**	**5,153**	**3,872**	**4,582**	**3,679**
Equity/index derivatives	**128,845**	**168,629**	**15,606**	**313,080**	**205,253**	**18,589**	**10,396**	**19,333**	**10,602**
Credit derivatives	**56,956**	**178,059**	**92,398**	**327,413**	**252,068**	**2,836**	**2,748**	**3,764**	**3,231**
Protection buyer	28,224	87,561	55,527	171,312	135,972	1,082	1,201	2,234	2,000
Protection seller	28,732	90,498	36,871	156,101	116,096	1,754	1,547	1,530	1,231
Other transactions	**1,424**	**4,182**	**855**	**6,461**	**3,071**	**425**	**295**	**346**	**291**
HVB Group new	**1,693,968**	**1,611,027**	**1,014,111**	**4,319,106**	**2,187,502**	**63,552**	**36,373**	**64,540**	**38,305**

Derivative transactions by counterparty type

€ millions	FAIR VALUE			
	POSITIVE		NEGATIVE	
	30/6/2007	31/12/2006	30/6/2007	31/12/2006
OECD central governments (and central banks)	199	141	127	133
OECD banks	46,430	24,849	44,546	26,139
OECD financial institutions	14,596	8,888	17,052	9,604
Non-OECD central governments (and central banks)	32	91	20	54
Non-OECD banks	972	71	1,288	98
Non-OECD financial institutions	172	188	162	140
Other companies and private individuals	1,151	2,145	1,345	2,137
HVB Group new	**63,552**	**36,373**	**64,540**	**38,305**

Development of country risk in the first half of 2007

In the first half of 2007, the exposures of the new HVB Group entailing country risk increased by €4.7 billion to €52.7 billion. The portfolio of the new HVB Group displays good regional diversification. The majority (51%) of the exposure of the new HVB Group is related to low-risk western Europe (rating class 1). In the second half of 2007, the Bank plans to continue supporting the eastern European strategy of the UniCredit Group and utilise opportunities as they arise.

Country exposure* by region and product category

	LENDING		TRADING		ISSUER RISK		TOTAL	
€ millions	JUNE 2007	DECEMBER 2006	JUNE 2007	DECEMBER 2006	JUNE 2007	DECEMBER 2006	JUNE 2007	DECEMBER 2006
Region								
Africa	395	327	32	190	9	7	436	524
Eastern Europe	4,255	3,785	957	640	92	63	5,304	4,488
North America	2,342	1,755	2,833	2,156	700	302	5,875	4,213
Central and South America	2,707	2,578	3,135	2,115	912	1,270	6,754	5,963
Asia/Pacific	4,350	4,033	2,979	3,058	133	134	7,462	7,225
Western Europe	7,981	6,868	17,936	17,931	906	749	26,823	25,548
HVB Group new	**22,030**	**19,346**	**27,872**	**26,090**	**2,752**	**2,525**	**52,654**	**47,961**

* by collateral; excluding transactions with specific loan-loss provision

Risk Report continued

2 Market risk

With the absorption of UBM's investment banking activities into HVB AG in the second quarter of 2007, its portfolios were integrated into the Bank's internal model effective April 2, 2007 for purposes of internal market risk measurement. Regulatory reporting is based on the sum of the results from the internal model of HVB AG and the internal model of the former UBM. In the second half of 2007, activities related to the integration of UBM will continue to play a major role in the area of market risk.

We check the appropriateness of the methods used to measure market risk by means of periodic back-testing that compares the value-at-risk (VaR) calculations with the market value changes (hypothetical P/L) derived from the positions. An overdraft of the limit was identified on only one day during the past 250 days. The results of this back-testing confirm the high quality of our internal risk model.

The table below shows the aggregate market risks of our trading positions in the new HVB Group during the first half of the year.

At €0.22 billion, the economic capital for market risks at the new HVB Group was higher at June 30, 2007 than at year-end 2006. A decisive factor behind this change were the reduced portfolio effects due to the sale of the BA-CA Group to the UniCredit Group.

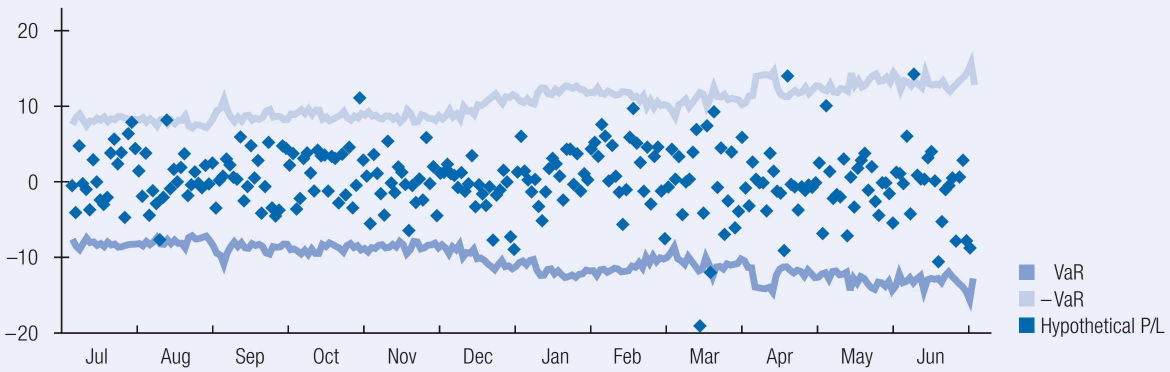
Market risk from trading positions for HVB Group new

(value-at-risk, 99% confidence level, one-day holding period)

€ millions	AVERAGE FIRST HALF OF 2007[1]	30/6/2007	31/3/2007	AVERAGE 2006[1]	31/12/2006	30/9/2006	30/6/2006
Interest rate positions (incl. credit spread risks)	9	9	8	12	12	9	10
Foreign exchange positions	3	3	4	5	3	4	6
Equity/index positions	8	9	7	5	4	5	5
Diversification effect[2]	(8)	(8)	(8)	(8)	(6)	(7)	(9)
HVB Group new	**12**	**13**	**11**	**14**	**13**	**11**	**12**

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

Back-testing of internal model: trading activities of HVB AG since July 2006
(€ millions)



At June 30, 2007, the banking book of the new HVB Group showed market risks of €10 million (year-end 2006: €13 million; one-day holding period).

In addition, regular stress tests and scenario analysis are carried out on the banking books of HVB AG that reveal the loss potential in case of extreme market movements.

In compliance with the Basel II requirements, the change in the market value of the banking books in case of an interest rate shock amounting to 200 basis points is compared with the Bank's eligible equity funds. With a notional utilisation of 4.6% of its regulatory equity capital at June 30, 2007, HVB AG is well below the outlier value of 20% required by the banking supervisory authorities. Because the profit from the sale of the BA-CA Group will be included in the Bank's eligible own funds in the 2007 annual financial statements, a slight decrease in the utilisation of equity capital can be expected in December 2007.

As part of the earnings perspective, a dynamic simulation of the net interest income is carried out for HVB AG on a quarterly basis. The future trend in net interest income is simulated in various scenarios in relation to business volume and interest rates. Assuming a constant volume of business, a parallel upward interest shock of 200 basis points would result in a €123 million decrease in net interest income within the next six months. Over a 12-month period, net interest income would be reduced by €253 million under unchanged assumptions.

3 Liquidity risk

Conditions on the money markets and capital markets remained satisfying during the first half of 2007. Disposals of other participating interests, in particular the sale of the BA-CA Group to the UniCredit Group, have improved the liquidity situation of the new HVB Group.

Risk Report continued

Short-term liquidity
Within the framework of our short-term liquidity limit system, which operates under conservative assumptions, we showed an overall positive balance of €10.2 billion in the new HVB Group for the next banking day at the end of June 2007. The portfolio of highly liquid securities eligible as collateral for central bank borrowings and available at short notice to compensate for unexpected outflows of liquidity amounted to €12.1 billion at June 30, 2007. With the acquisition of the material assets and the related liabilities of UBM the Milan entity was integrated into the liquidity limit system of the new HVB Group at the beginning of April.

The requirements of the regulatory Liquidity Principle II were met at all times by the relevant units of the new HVB Group during the first half of 2007. As of the end of June 2007, the funds available to HVB AG exceeded its payment obligations for the following month by an amount of €29.9 billion.

Funding risk
The funding risk of HVB Group is quite low due to our broad funding base with regard to products, markets and investor groups. This enables us to obtain adequate funding for our lending operations even during difficult market phases. As planned, the new HVB Group refinanced a volume of €4.8 billion on the capital market through the end of June 2007.

4 Operational risk
The economic capital for operational risks of the new HVB Group amounted to €0.89 billion at June 30, 2007.

The focus during the first half of 2007 was on the preparations for the regulatory review of the implementation of the Advanced Measurement Approach by the German banking supervisory authorities and the further harmonisation of the applied standards and processes in connection with the integration activities of the UniCredit Group. In the second half of 2007 the priority will be the continuation of the integration activities and the further development of risk management functions.

Handling crisis situations:
The crisis and emergency management organisation demonstrated its ability to perform by its appropriate and effective responses to real situations and drills. A project has been underway since the beginning of 2006 to prepare the Bank to face the threat of a possible worldwide flu epidemic (pandemic) while continuing the business operations of the new HVB Group. The Business Continuity Management (BCM) working group has identified and assessed the main processes critical to business operations. The results are included in the uniform BCM Policy due to be introduced in 2007. The BCM organisation plan was approved by the Management Board on July 3, 2007.

Legal risks:
The statements in the risk report for fiscal 2006 on main risks from litigation are unchanged unless otherwise indicated in the section below.

As a result of the sale of Bank Austria Creditanstalt AG (BA-CA), HVB Group is no longer affected by the following legal disputes: “EU antitrust proceedings and claims of consumer protection associations” and “Treuhandanstalt litigation”.

Court proceedings of HVB AG shareholders

The ruling by Munich Higher Regional Court dated January 18, 2006, dismissing the shareholders' suit against the reelection of the shareholder representatives to the Supervisory Board and the election of the auditor for the 2004 financial year at the Annual General Meeting of our Bank on April 29, 2004, was legally finalised in the Bank's favour following the rejection of an appeal by the German Supreme Court in a ruling dated May 7, 2007. The suit filed with the same arguments seeking a court ruling declaring the 2004 financial statements null and void was withdrawn.

In the cases in which shareholders sought court orders subsequent to our Bank's Extraordinary Shareholders' Meeting of October 25, 2006 requiring HVB AG to provide additional information and in particular to fully disclose the Business Combination Agreement between HVB AG and UniCredit of June 12, 2005, three motions were rejected; both of the remaining legal challenges were wound up after the bank disclosed the Business Combination Agreement in the proceedings without, however, conceding any legal obligation to do so, and covered the out-of-court costs. The transfer of the shares in Joint Stock Commercial Bank HVB Bank Ukraine to the UniCredit Group was carried out at the end of the first quarter of 2007.

The lawsuits contesting the resolutions passed at the Extraordinary Shareholders' Meeting of October 25, 2006 are still pending before the court of first instance. At the first hearing the court indicated that, according to its preliminary assessment, the suits could prove successful for formal reasons alone; HVB AG is still convinced that the aspects mentioned by the court in this regard (for instance the phrasing of clauses specifying the applicable legal system and place of jurisdiction in the Business Combination Agreement) do not represent any formal mistakes and in any case that the resolutions passed by the Extraordinary Shareholders' Meeting are not based on these clauses. Munich District Court also indicated that the resolutions could have material flaws if the governing bodies of HVB AG exceeded their very broad discretion to make entrepreneurial decisions with regard to the contractual terms and conditions when they entered into these contracts. Particularly with regard to the appraisals of the value of the sold units obtained from independent external auditors and the fairness opinion from a highly respected investment bank and other aspects, HVB AG expects the resolutions to pass a judicial review in this regard. From today's standpoint, however, the result of these proceedings is uncertain.

At the Annual General Meeting of Shareholders of HVB AG on June 27, 2007, a resolution was passed following a shareholders' motion on agenda item 10 to claim damages from current and former members of the management board and supervisory board of the company, from UniCredit and companies affiliated with it – including their legal representatives – for financial losses resulting from the sale of BA-CA (against the background of the eastern European strategy previously pursued by HVB Group, in view of the higher cash settlement determined one month later in connection with the BA-CA squeeze-out and the absence of an auction) and from the signing of the Business Combination Agreement between the company and UniCredit on June 12, 2005. To pursue these claims a special representative was appointed. Our principal shareholder, UniCredit, has since filed a suit contesting this resolution, in particular because the resolution is far too vague in terms of contents and potential opponents to the claims, and is thus invalid. HVB AG believes that there are very good reasons for assuming that the resolution to assert claims to damages and appoint a special representative (agenda item 10) is not legally valid.

Risk Report continued

Because HVB AG does not regard the resolution as a resolution passed by the Annual General Meeting as defined by law, the special representative has so far not been provided with documents and information to the extent requested by him; nor has HVB AG taken the other measures requested by him. For this reason the special representative, who assumes that the resolution passed by the Annual General Meeting is legally valid, has filed for an injunction with the aim of obtaining access to documents and information. HVB AG will contest this application for the above-named reasons. It is uncertain how the court will rule on this application.

Trade tax reimbursement: Hypo Real Estate

The fact that the plaintiffs have widened their previous claims and are now suing for €73 million does not change our opinion that the plaintiffs are not entitled to their claims.

5 Business risk

The calculated economic capital for business risks of the new HVB Group amounted to €0.65 billion at June 30, 2007.

The Process Redesign and Optimisation (PRO) efficiency programme launched in 2004 was largely completed during the first half of 2007. The savings target of €280 million was achieved in full. In the area of cost management, best practice approaches were established within the new HVB Group during the first half of the year in cooperation with the UniCredit Group.

In the second half of 2007 we will continue to place strong emphasis on cost control. Through the sale of our securities processing and custodial activities to the French financial services provider CACEIS, we expect to achieve savings on the operational side. Also helping to improve cost efficiency is our process cost management, which uses profitability calculation tools and target costing methods.

6 Risks arising from our real estate portfolio

The economic capital relating to our real estate portfolio amounted to €0.30 billion at June 30, 2007 for the new HVB Group. The real estate portfolio of the new HVB Group is located primarily in Munich, which accounts for 54% of the total. This increase in economic capital during the first half of the year can be largely attributed to the reduced portfolio effects due to the sale of the BA-CA Group to the UniCredit Group. Risk-reducing effects resulted from the sale of properties as planned. We expect to achieve our sale and rental targets for 2007 as a whole.

7 Risks arising from our shareholdings and investments

Economic capital of the new HVB Group was approximately 4.3% lower at June 30, 2007, at €0.56 billion. Reduced portfolio effects because of the BA-CA Group portfolio, which no longer belongs to the new HVB Group, and the complete elimination of our shareholding and financial investments in Münchener Rückversicherungs-Gesellschaft AG played a decisive role in this development.

The Bank will continue to reduce its portfolio of non-strategic investments in the second half of 2007. It will also evaluate potential acquisitions, provided that they complement our structure and core areas of our business, and generate value for our Bank and our Group.

8 Strategic risk

The statements made at the end of 2006 on risk associated with the general economic climate and the intensive competitive environment still apply.

In retrospect, the restrictive factors mentioned at year-end 2006 were less harmful than expected. The economy performed slightly better than expected. For the second half of 2007 we expect a robust business environment and a sustained economic recovery.

It is impossible to predict at present whether the current real estate crisis in the United States will have a serious impact on the European region and our Bank. Besides becoming more widespread regionally, the US real estate crisis could also spread to other market segments, as the fundamental willingness to take loan-default risk could decline or the market might expect higher risk premiums. This would also affect the transfer of risk under merger and acquisition financing or the options for hedging loan-default risk. Should the crisis widen in any of the possible scenarios, however, this could have a detrimental effect on the financial situation of HVB Group as well.

The European Central Bank could raise interest rates again as part of a tightening of monetary policy. This could negatively affect the development of the conventional lending business of HVB Group. Against this backdrop, loan-loss provisions remained stable.

Risks from the restructuring of the corporate group/integration risks

In April of this year HVB Group acquired the material assets and the related liabilities of UBM. The resulting integration of the investment banking business of the UniCredit Group could lead to unforeseen difficulties in connection with the related integration projects that could in turn prove detrimental to the Bank's financial situation. The associated restructuring activities, new processes and staff turnover, also at the management level of the operation, may also initially lead to additional risks. At the same time, the business combination of HVB Group and the UniCredit Group, which was initiated in 2005, was largely completed as of May 2007, when the Integration Office was closed at corporate level. Any projects not yet fully completed were transferred to the responsibility of the divisions and could, at worst, still cause minor unforeseen difficulties.

The transfer of the material assets and the related liabilities of UBM, which is a further step en route to establishing the competency centre for investment banking activities in HVB Group is in line with the group's strategy of bolstering the Bank's position among the leading European investment banks. Despite the status already achieved by the Bank at the European level it still remains to be seen whether this strategy will deliver the desired results. Pooling the trading, sales and investment banking activities within a single division of HVB AG enhances the importance of the investment banking business for HVB Group. The opportunities for stronger returns presented by this area as compared with classical banking business may be offset by higher risks. Consequently, the Bank's financial, income and net asset position will have a greater exposure to the fluctuations and cyclical effects of the international financial and securities markets. If the markets mentioned above do not perform according to our Bank's expectations, this would have a more serious effect on our result than in previous years.

The Management Board expects to profitably reinvest the gains from the transfer of the participating interest in the BA-CA Group and the other units in central and eastern Europe. However, the Bank cannot preclude the possibility that it may not prove possible to make these investments within the planned timeframe, make the desired volume of investments, or to obtain the desired terms. It is currently still uncertain whether the future investments will be sufficient to offset the growth and return potential of the parts of the Group that have been sold.

The possible risks listed above could individually or cumulatively have negative effects on the financial situation of HVB Group.

The HVB Share

In the first half of 2007, the price of the HVB share has risen by 25.5%, from €33.45 to €41.98.

This development has been influenced by the squeeze-out procedure announced by UniCredit in January 2007, among other factors. The corresponding benchmark Prime Banks and Prime All Share indexes rose by 9.9% and 19.2% respectively during the same period. The price increased by a moderate 5.5% in the second quarter to close at €41.98 on June 29, 2007. At the end of June, the HVB share was weighted at 1.62% in the Prime Banks index and 0.15% in the Prime All Share index.

The transfer of UBM's investment banking activities to HVB by way of a capital increase (51,684,532 new shares of common stock) against a contribution in kind on April 3, 2007 took UniCredit's interest in HVB's capital stock to 95.45%. With a remaining free float of around 4.6%, the average daily turnover fell considerably, by more than 45%, to 314,888 shares, compared to the first quarter of 2007.

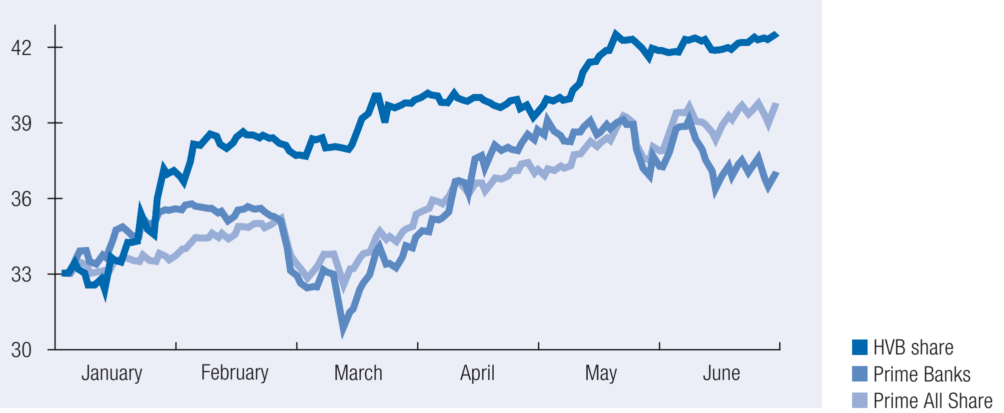
Nearly 97.5% of the ordinary share capital was represented at the Annual General Meeting of HypoVereinsbank held on June 26 and 27, 2007. The transfer to UniCredit of the shares held by minority shareholders against payment of an appropriate cash settlement was approved by 98.77% of the votes cast.

Investor Relations continued to keep analysts, institutional investors, rating agencies and private shareholders up to date on the Bank's development and strategic decisions in the second quarter of 2007.

Credit rating

On May 11, 2007, Moody's rating agency raised HVB AG's long-term credit rating from A2 to A1 and its financial strength rating from D+ to C-, reflecting the Bank's market position as one of the five biggest commercial banks in Germany coupled with the progress made in the restructuring process and our improved efficiency and profitability.

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



Income Statement

for the period from January 1 to June 30, 2007

The transfers agreed by the Management Board and Supervisory Board on September 12, 2006, which were approved by the Extraordinary Shareholders' Meeting on October 25, 2006 (see also the section entitled "Legal corporate structure" in the Financial Review earlier in this Half-yearly Financial Report), represent a discontinued operation as defined by IFRS 5. Hence the results of the discontinued operations are only shown after the profit after taxes and minorities of the new HVB Group (continuing operations) in the income statement. The comparative figures for the previous year have been adjusted.

Except for the branches in Vilnius and Tallinn, all the companies and sub-groups defined to date as discontinued operations (BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine) were transferred in the first quarter of 2007 and deconsolidated with effect from January 1, 2007. Hence, in the income statement for the new HVB Group in 2007, only the profit from the activities of the Vilnius and Tallinn branches up to the economic completion date of March 1, 2007 are shown in the separate income statement items "Net profit after tax of discontinued operations" and "Minority interest in the net profit of discontinued operations" alongside the gains on the deconsolidation of the transferred sub-groups and companies, including the respective taxes and minority interests, after the profit of the new HVB Group. The comparative figures for the previous year, on the other hand, still contain the profit from the activities of the transferred companies.

Income Statement continued

for the period from January 1 to June 30, 2007

Income/expenses	NOTES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	CHANGE € millions	in %
Net interest	4	1,913	1,556	+ 357	+ 22.9
Dividends and other income from equity investments	5	231	147	+ 84	+ 57.1
Net interest income		**2,144**	**1,703**	**+ 441**	**+ 25.9**
Net fees and commissions	6	975	985	(10)	(1.0)
Net trading, hedging and fair value income	7	819	482	+ 337	+ 69.9
Net other expenses/income	8	49	43	+ 6	+ 14.0
Net non-interest income		**1,843**	**1,510**	**+ 333**	**+ 22.1**
TOTAL REVENUES		**3,987**	**3,213**	**+ 774**	**+ 24.1**
Payroll costs		(1,149)	(1,141)	(8)	+ 0.7
Other administrative expenses		(626)	(578)	(48)	+ 8.3
Amortisation, depreciation and impairment losses on intangible and tangible assets		(123)	(151)	+ 28	(18.5)
Operating costs		**(1,898)**	**(1,870)**	**(28)**	**+ 1.5**
OPERATING PROFIT		**2,089**	**1,343**	**+ 746**	**+ 55.5**
Provisions for risks and charges		(25)	(46)	+ 21	(45.7)
Write-down on goodwill		—	—	—	—
Restructuring costs		(3)	(3)	0	0.0
Net write-downs of loans and provisions for guarantees and commitments	9	(390)	(412)	+ 22	(5.3)
Net income from investments	10	383	138	+ 245	>+ 100.0
PROFIT BEFORE TAX		**2,054**	**1,020**	**+ 1,034**	**>+ 100.0**
Income tax for the period		(617)	(315)	(302)	+ 95.9
NET PROFIT		**1,437**	**705**	**+ 732**	**>+ 100.0**
Minorities		(43)	(51)	+ 8	(15.7)
NET PROFIT OF HVB GROUP NEW		**1,394**	**654**	**+ 740**	**>+ 100.0**
Net profit after tax of discontinued operations	11	3,690	1,465	+ 2,225	>+ 100.0
Minority interest in the net profit of discontinued operations		0	(413)	+ 413	(100.0)
NET PROFIT OF FULL HVB GROUP		**5,084**	**1,706**	**+ 3,378**	**>+ 100.0**

Earnings per share (€)	1/1–30/6/2007	1/1–30/6/2006
Earnings per share of full HVB Group	6.55	2.27
Earnings per share of HVB Group new	1.80	0.87
Earnings per share of HVB Group new (adjusted)[1]	1.30	0.87

1 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the sale of discontinued operations, the gains on disposal of Indexchange and Münchener Rückversicherungs-Gesellschaft AG and restructuring costs; 2006 figure adjusted for restructuring costs.

Since no conversion rights or option rights on conditional capital existed at June 30, 2007, there is no calculation of diluted earnings per share.

Income Statement

for the period from April 1 to June 30, 2007

	1/4–30/6/2007	1/4–30/6/2006	CHANGE	
Income/expenses	€ millions	€ millions	€ millions	in %
Net interest	839	752	+ 87	+ 11.6
Dividends and other income from equity investments	164	99	+ 65	+ 65.7
Net interest income	**1,003**	**851**	**+ 152**	**+ 17.9**
Net fees and commissions	488	447	+ 41	+ 9.2
Net trading, hedging and fair value income	469	185	+ 284	>+ 100.0
Net other expenses/income	22	16	+ 6	+ 37.5
Net non-interest income	**979**	**648**	**+ 331**	**+ 51.1**
TOTAL REVENUES	**1,982**	**1,499**	**+ 483**	**+ 32.2**
Payroll costs	(578)	(570)	(8)	+ 1.4
Other administrative expenses	(306)	(260)	(46)	+ 17.7
Amortisation, depreciation and impairment losses on intangible and tangible assets	(59)	(76)	+ 17	(22.4)
Operating costs	**(943)**	**(906)**	**(37)**	**+ 4.1**
OPERATING PROFIT	**1,039**	**593**	**+ 446**	**+ 75.2**
Provisions for risks and charges	(19)	(25)	+ 6	(24.0)
Write-down on goodwill	—	—	—	—
Restructuring costs	(3)	(3)	0	0.0
Net write-downs of loans and provisions for guarantees and commitments	(181)	(202)	+ 21	(10.4)
Net income from investments	113	49	+ 64	>+ 100.0
PROFIT BEFORE TAX	**949**	**412**	**+ 537**	**>+ 100.0**
Income tax for the period	(326)	(123)	(203)	>+ 100.0
NET PROFIT	**623**	**289**	**+ 334**	**>+ 100.0**
Minorities	(22)	(27)	+ 5	(18.5)
NET PROFIT OF HVB GROUP NEW	**601**	**262**	**+ 339**	**>+ 100.0**
Net profit after tax of discontinued operations	1	1,083	(1,082)	(99.9)
Minority interest in the net profit of discontinued operations	0	(290)	+ 290	(100,0)
NET PROFIT OF FULL HVB GROUP	**602**	**1,055**	**(453)**	**(42.9)**

Earnings per share (€)	1/4–30/6/2007	1/4–30/6/2006
Earnings per share of full HVB Group	0.58	1.40
Earnings per share of HVB Group new	0.74	0.35
Earnings per share of HVB Group new (adjusted)[1]	0.60	0.35

1 2007 figure adjusted for the gain on disposal of Münchener Rückversicherungs-Gesellschaft AG and restructuring costs; 2006 figure adjusted for restructuring costs

Balance Sheet

at June 30, 2007

Assets	NOTES	30/6/2007 € millions	31/12/2006 € millions	CHANGE € millions	in %
Cash reserve		2,178	3,211	(1,033)	(32.2)
Assets held for trading purposes	13	185,683	107,211	+ 78,472	+ 73.2
Placements with, and loans and advances to, other banks	14	52,807	41,264	+ 11,543	+ 28.0
Loans and advances to customers	15	172,492	169,998	+ 2,494	+ 1.5
Allowances for losses on loans and advances	17	(6,109)	(6,068)	(41)	(0.7)
Investments	18	22,342	19,845	+ 2,497	+ 12.6
Property, plant and equipment		1,506	1,547	(41)	(2.7)
Intangible assets		772	808	(36)	(4.5)
Income tax assets		2,635	2,745	(110)	(4.0)
Other assets		2,890	3,021	(131)	(4.3)
Assets of discontinued operations and non-current assets or disposal groups held for sale	19, 20	444	164,451	(164,007)	(99.7)
Total assets		**437,640**	**508,033**	**(70,393)**	**(13.9)**

Shareholders' equity and liabilities	NOTES	30/6/2007	31/12/2006	CHANGE	
		€ millions	€ millions	€ millions	in %
Deposits from other banks	21	92,322	85,672	+ 6,650	+ 7.8
Amounts owed to other depositors	22	98,327	92,136	+ 6,191	+ 6.7
Promissory notes and other liabilities evidenced by paper	23	77,550	76,938	+ 612	+ 0.8
Liabilities held for trading purposes		124,817	59,962	+ 64,855	>+ 100.0
Provisions	24	1,654	1,683	(29)	(1.7)
Income tax liabilities		1,670	1,378	+ 292	+ 21.2
Other liabilities	25	5,595	5,214	+ 381	+ 7.3
Subordinated capital	26	11,496	12,142	(646)	(5.3)
Liabilities of discontinued operations and of disposal groups held for sale	27, 28	763	152,920	(152,157)	(99.5)
Shareholders' equity		23,446	19,988	+ 3,458	+ 17.3
Shareholders' equity attributable to shareholders of HVB AG		22,603	16,690	+ 5,913	+ 35.4
Subscribed capital		2,407	2,252	+ 155	+ 6.9
Additional paid-in capital		9,789	8,883	+ 906	+ 10.2
Other reserves		5,203	4,061	+ 1,142	+ 28.1
Change in valuation of financial instruments		120	872	(752)	(86.2)
AfS reserve		774	1,195	(421)	(35.2)
Hedge reserve		(654)	(323)	(331)	> (100.0)
Consolidated profit 2006		—	622	(622)	(100.0)
Net profit 1/1–30/6/2007		5,084	—	+ 5,084	>+ 100.0
Minority interest		843	3,298	(2,455)	(74.4)
Total shareholders' equity and liabilities		**437,640**	**508,033**	**(70,393)**	**(13.9)**

Statement of Changes in Shareholders' Equity

at June 30, 2007 (abridged version)

€ millions	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	OF WHICH: PENSION AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at Jan. 1, 2006 before initial application of new and revised IFRSs	**2,252**	**9,128**	**864**	**0**
Effect of initial application of new and revised IFRSs	0	0	(806)	(806)
Shareholders' equity at Jan. 1, 2006 after initial application of new and revised IFRSs	**2,252**	**9,128**	**58**	**(806)**
Change from capital increases	—	—	—	—
Change from capital reductions	—	—	—	—
Change in valuation of financial instruments	—	—	—	—
Change in net income (loss)	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—
Change in holdings of, and net income from, own equity instruments	—	(2)	—	—
Dividend payouts	—	—	—	—
Changes in group of consolidated companies and reserve arising from foreign currency translation and other changes	—	—	(111)	—
Shareholders' equity at June 30, 2006	**2,252**	**9,126**	**(53)**	**(806)**
including:				
shareholders' equity of discontinued operations and disposal group held for sale	0	0	34	(5)
Shareholders' equity at Jan. 1, 2007	**2,252**	**8,883**	**4,061**	**(814)**
Change from capital increases	155	906	—	—
Change from capital reductions	—	—	—	—
Change in valuation of financial instruments	—	—	—	—
Change in net income (loss)	—	—	—	—
Actuarial losses on defined benefit plans	—	—	—	—
Change in holdings of, and net income from, own equity instruments	—	—	—	—
Dividend payouts[1]	—	—	—	—
Transfers from net income	—	—	321	—
Changes in group of consolidated companies and reserve arising from foreign currency translation and other changes	—	—	821	590
Shareholders' equity at June 30, 2007	**2,407**	**9,789**	**5,203**	**(224)**
including:				
shareholders' equity of discontinued operations and disposal group held for sale	0	0	0	(2)

1 the Annual General Meeting on June 27, 2007 decided to pay a dividend of €301 million from the profit generated in 2006 (€622 million). This is equivalent to a dividend of €0.40 per share of common stock and per share of preferred stock and an advance dividend of €0.064 per share of preferred stock. The remaining amount of €321 million has been transferred to retained earnings

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS		CONSOLIDATED PROFIT	NET PROFIT 1/1–30/6	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF HVB AG	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
AfS RESERVE	HEDGE RESERVE					
871	**(142)**	**191**	**—**	**13,164**	**3,219**	**16,383**
0	0	—	—	(806)	(166)	(972)
871	**(142)**	**191**	**—**	**12,358**	**3,053**	**15,411**
—	—	—	—	0	4	4
—	—	—	—	0	—	0
(44)	(419)	—	—	(463)	(35)	(498)
—	—	—	1,706	1,706	464	2,170
—	—	—	—	0	—	0
—	—	—	—	(2)	—	(2)
—	—	(191)	—	(191)	(151)	(342)
(1)	(1)	—	—	(113)	(6)	(119)
826	**(562)**	**0**	**1,706**	**13,295**	**3,329**	**16,624**
31	0	0	(3)	(62)	5	67
1,195	**(323)**	**622**	**—**	**16,690**	**3,298**	**19,988**
—	—	—	—	1,061	—	1,061
—	—	—	—	0	—	0
(17)	(466)	—	—	(483)	—	(483)
—	—	—	5,084	5,084	43	5,127
—	—	—	—	0	—	0
—	—	—	—	0	—	0
—	—	(301)	—	(301)	(33)	(334)
—	—	(321)	—	—	—	—
(404)	135	—	—	552	(2,465)	(1,913)
774	**(654)**	**0**	**5,084**	**22,603**	**843**	**23,446**
0	0	0	0	0	0	0

Cash Flow Statement

(abridged version)

€ millions	2007 HVB GROUP NEW	2006 FULL HVB GROUP
Cash and cash equivalents at January 1	**3,211**	**7,757**
Cash flows from operating activities	**(3,982)**	**(3,157)**
Cash flows from investing activities[1]	**3,320**	**1,019**
Cash flows from financing activities	**(352)**	**(430)**
Effects of exchange rate changes	(7)	(60)
Less disposal group held for sale and discontinued operations	(12)	—
Cash and cash equivalents at June 30	**2,178**	**5,129**

1 the net cash flow (€3,690 million) from the disposal of discontinued operations is included in the cash flows from investing activities for 2007

Selected Notes

1 Accounting and valuation principles

IFRS basis

The present interim report has been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS) and complies with IAS 34, which covers interim reporting. At the same time, this Half-yearly Financial Report prepared in accordance with IFRS meets the requirements in place since the 2007 financial year for capital-market oriented companies to provide financial reports during the year. These requirements have arisen under the German Securities Act (WpHG) as a result of the implementation of the EU Transparency Directive.

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

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

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

The IFRIC 7, 8, 9 and 10 interpretations to be applied for the first time in the 2007 financial year have had no material consequences for accounting and valuation. Starting in 2007, HVB has used the fair value hedge permitted by IFRS for interest rate risks at portfolio level for the first time, for a limited portfolio of bank liabilities.

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

Segment reporting

In the segment reporting the standardised uniform capital allocation to divisions used previously has been changed to a system of individual core capital allocation for each division in the case of companies assigned to several divisions. This involves allocating core capital to the divisions over a range between 5.9% and 6.8% of risk-weighted assets. The percentage used to assess the equity capital allocated to the companies assigned to several divisions (HVB AG, HVB Banque Luxembourg) stood at 3.4% in the 2006 financial year. This rate, which equals the 3-month EURIBOR plus a premium in the amount of the average 5-year UniCredit spread, is set for one year as part of the budgeting process. The percentage rate changed from 3.4% to 3.8% in connection with the new rules laid down for the 2007 financial year. Neither change has any material net effect. This is why we have dispensed with restating the previous periods.

Selected Notes continued

2 Changes in the group of companies included in consolidation
Among others, the following companies have been included in the group of consolidated companies of the new HVB Group for the first time:

– PlanetHome AG, Munich
– PlanetHome GmbH, Mannheim
– Enderlein & Co. GmbH, Bielefeld
– Wealth Management Capital Holding GmbH, Munich

Furthermore, the investment banking operations of UniCredit Banca Mobiliare, Milan, have been transferred to HVB AG. This transaction has the same effect as initial consolidation on the comparison of results with the first half of 2006 and the first quarter of 2007 as well as the balance sheet at December 31, 2006.

The following companies, among others, have left the group of companies consolidated by the new HVB Group in 2007:

– Indexchange Investment AG (Indexchange), Munich
– Norddeutsche Investment-Gesellschaft mbH (Nordinvest), Hamburg
– HVB Payments & Services GmbH (PAS), Aschheim

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

When comparing figures with the results achieved in the first half of 2007, the companies which were deconsolidated after June 30, 2006 in the 2006 financial year also had an impact on the figures. Essentially, this concerns Activest Investmentgesellschaft mbH, Activest Investmentgesellschaft Luxembourg S.A. and Westfalenbank Bochum.

The following companies, which had been defined as discontinued operations at December 31, 2006, were deconsolidated with retroactive effect from January 1, 2007:

– Bank Austria Creditanstalt AG including all companies included in the BA-CA sub-group
– AS UniCredit Bank, Riga
– Closed Joint Stock Company International Moscow Bank (IMB), Moscow
– Joint Stock Commercial Bank HVB Bank Ukraine, Kiev

Hence, the income statement now only includes under discontinued operations the results posted for the branches in Vilnius, Lithuania, and Tallinn, Estonia, up to March 1, 2007 and the gains on disposal of the companies listed above.

NOTES TO THE INCOME STATEMENT

3 Segment reporting

Income statement broken down by division for the period from January 1 to June 30, 2007

€ millions	RETAIL	WEALTH MANAGEMENT	CORPORATES & COMMERCIAL REAL ESTATE FINANCING	MARKETS & INVESTMENT BANKING	OTHER/ CONSOLI-DATION	HVB GROUP NEW	DISCONTINUED OPERATIONS[2]	FULL HVB GROUP[2]
TOTAL REVENUES								
1/1–30/6/2007	913	235	710	1,779	350	3,987	3	3,990
1/1–30/6/2006	917	315	688	1,205	88	3,213	2,655	5,868
Operating costs								
1/1–30/6/2007	(701)	(142)	(233)	(682)	(140)	(1,898)	(3)	(1,901)
1/1–30/6/2006	(711)	(193)	(243)	(571)	(152)	(1,870)	(1,478)	(3,348)
OPERATING PROFIT								
1/1–30/6/2007	212	93	477	1,097	210	2,089	—	2,089
1/1–30/6/2006	206	122	445	634	(64)	1,343	1,177	2,520
Net write-downs of loans								
and provisions for guarantees								
and commitments								
1/1–30/6/2007	(80)	(6)	(102)	(2)	(200)	(390)	—	(390)
1/1–30/6/2006	(80)	—	(101)	1	(232)	(412)	(206)	(618)
Other items[1]								
1/1–30/6/2007	—	6	2	223	124	355	3,772	4,127
1/1–30/6/2006	1	6	8	43	31	89	686	775
PROFIT BEFORE TAX								
1/1–30/6/2007	132	93	377	1,318	134	2,054	3,772	5,826
1/1–30/6/2006	127	128	352	678	(265)	1,020	1,657	2,677

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

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

Selected Notes continued

Income statement of the Retail division

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**540**	**550**	**269**	**271**	**261**	**285**	**270**
Net fees and commissions	367	350	172	195	140	139	154
Net trading, hedging and fair value income	1	1	—	1	(1)	(1)	2
Net other expenses/income	5	16	2	3	(10)	(2)	11
Net non-interest income	**373**	**367**	**174**	**199**	**129**	**136**	**167**
TOTAL REVENUES	**913**	**917**	**443**	**470**	**390**	**421**	**437**
Payroll costs	(295)	(286)	(143)	(152)	(132)	(139)	(145)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(406)	(425)	(205)	(201)	(213)	(227)	(210)
Operating costs	**(701)**	**(711)**	**(348)**	**(353)**	**(345)**	**(366)**	**(355)**
OPERATING PROFIT	**212**	**206**	**95**	**117**	**45**	**55**	**82**
Restructuring costs	—	(1)	—	—	(5)	(1)	(1)
Net write-downs of loans and provisions for guarantees and commitments	(80)	(80)	(13)	(67)	(43)	(50)	(51)
Net income from investments and other items[1]	—	2	—	—	(7)	(4)	1
PROFIT BEFORE TAX	**132**	**127**	**82**	**50**	**(10)**	**—**	**31**
Cost-income ratio in %	76.8	77.5	78.6	75.1	88.5	86.9	81.2

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

Developments in the Retail division

In the first half of 2007 the Retail division generated a 2.9% increase in total revenues over last year, reaching €212 million.

The improvement in the cost-income ratio to 76.8% contributed to this pleasing development.

At the same time operating costs declined by 1.4% despite the initial consolidation of the PlanetHome Group, one of the leading providers of property finance specialising in the provision and financing of residential property. Within total operating costs, payroll expenses increased by 3.1% due to the increase in expenses resulting from the initial consolidation of the PlanetHome Group in the first quarter of 2007. In contrast, however, the other administrative expenses, including depreciation of property, plant and equipment, declined by 4.5%, particularly as a result of the continuing strict cost management.

At €913 million, total revenues remained at the same level as last year despite the slight decline in net interest income (down 1.8%). Net interest income decreased largely as a result of a decline in volumes of lending for overdraft facilities, whereby the restrained demand for credit from business customers is particularly noticeable on the market and strategically induced in the case of real estate loans. This development was offset in part by the higher margins on the deposit-taking side and the increase in volumes for demand and term deposits. The main reason for the rise in total revenues was the pleasing development in the fees and commissions business with a 4.9% increase over last year in addition to the initial consolidation of the PlanetHome Group. Alongside "KombiAnlage plus", one of our core products in securities and custodial services, a major contribution was made by the continued successful distribution of innovative investment products with a nominal sales volume of €1.9 billion. Key products in this connection are include "HVB 6% Zins Ass", "HVB Best of Fonds Zertifikate", "HVB Zukunftszertifikat II", "HVB 8% Favorit Anleihe", "Favorit Express Zertifikat" and "HVB Bonus Zertifikat Continental Star".

With net write-downs of loans and provisions for guarantees and commitments unchanged compared to the previous year, the good operating performance resulted in a profit before tax of €132 million, which is 3.9% higher than the result for the first half of last year.

Selected Notes continued

Income statement of the Wealth Management division

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**77**	**76**	**40**	**37**	**47**	**40**	**40**
Net fees and commissions	166	249	79	87	86	62	114
Net trading, hedging and fair value income	(8)	(13)	(7)	(1)	(1)	1	(8)
Net other expenses/income	—	3	—	—	1	(1)	3
Net non-interest income	**158**	**239**	**72**	**86**	**86**	**62**	**109**
TOTAL REVENUES	**235**	**315**	**112**	**123**	**133**	**102**	**149**
Payroll costs	(47)	(66)	(24)	(23)	(26)	(25)	(34)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(95)	(127)	(46)	(49)	(49)	(43)	(65)
Operating costs	**(142)**	**(193)**	**(70)**	**(72)**	**(75)**	**(68)**	**(99)**
OPERATING PROFIT	**93**	**122**	**42**	**51**	**58**	**34**	**50**
Restructuring costs	—	—	—	—	(5)	(2)	—
Net write-downs of loans and provisions for guarantees and commitments	(6)	—	(2)	(4)	(8)	(2)	4
Net income from investments and other items[1]	6	6	5	1	10	533	4
PROFIT BEFORE TAX	**93**	**128**	**45**	**48**	**55**	**563**	**58**
Cost-income ratio in %	60.4	61.3	62.5	58.5	56.4	66.7	66.4

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

Developments in the Wealth Management division

As part of the pooling of asset management activities in the UniCredit Group, the Activest Group (Activest Investmentgesellschaft mbH, Munich, Activest Investmentgesellschaft Luxembourg S.A., Luxembourg and Activest Investmentgesellschaft Schweiz AG, Berne) were transferred to Pioneer Global Asset Management S.p.A. with effect from July 1, 2006 along with Nordinvest in January 2007, and the depositary banking activities of HVB Banque Luxembourg S.A. were assigned away from the Wealth Management division with effect from January 1, 2007. Consequently, the primary profit contributions of the Activest companies (only until mid-2006), Nordinvest and the profits from the depositary banking activities of HVB Banque Luxembourg from the quarters of last year are still included in the above income statement. To make it easier to compare the performance of our Wealth Management operations, we are showing below an income statement for the Wealth Management division, in which the quarterly figures for 2006 have been adjusted for the deconsolidation effects and the profits from the depositary banking activities of HVB Banque Luxembourg.

Adjusted income statement of the Wealth Management division

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**77**	**73**	**40**	**37**	**46**	**40**	**39**
Net fees and commissions	166	163	79	87	72	53	76
Net trading, hedging and fair value income	(8)	(13)	(7)	(1)	(1)	1	(8)
Net other expenses/income	—	2	—	—	2	(1)	1
Net non-interest income	**158**	**152**	**72**	**86**	**73**	**53**	**69**
TOTAL REVENUES	**235**	**225**	**112**	**123**	**119**	**93**	**108**
Payroll costs	(47)	(43)	(24)	(23)	(24)	(23)	(22)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(95)	(97)	(46)	(49)	(48)	(42)	(50)
Operating costs	**(142)**	**(140)**	**(70)**	**(72)**	**(72)**	**(65)**	**(72)**
OPERATING PROFIT	**93**	**85**	**42**	**51**	**47**	**28**	**36**
Restructuring costs	—	—	—	—	2	(2)	—
Net write-downs of loans and provisions for guarantees and commitments	(6)	—	(2)	(4)	(8)	(2)	4
Net income from investments and other items[1]	6	4	5	1	(1)	(1)	3
PROFIT BEFORE TAX	**93**	**89**	**45**	**48**	**40**	**23**	**43**
Cost-income ratio in %	60.4	62.2	62.5	58.5	60.5	69.9	66.7

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

The Wealth Management division encompasses the Wealth Management Sales of HVB AG, the DAB Bank Group, the private banking activities of HVB Banque Luxembourg and Wealth Management Capital Holding GmbH, Munich, which was consolidated for the first time in the second quarter of 2007 and encompasses participating interests in HVB Fonds Finance GmbH, Blue Capital GmbH and H.F.S. Hypo-Fondsbeteiligungen für Sachwerte GmbH, Munich.

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

With profit before tax of €93 million, the Wealth Management division recorded an increase of 4.5% in the first half of 2007 over the equivalent figure for the corresponding period last year. This development reflects in particular the rapidly expanding profits of the DAB Bank Group, which succeeded in achieving an increase in profit before tax of 16% compared to last year.

The strong 9.4% rise in operating profit was driven by the 4.4% increase in total revenues to €235 million. The process of stepping up asset management activities in Wealth Management Sales is gaining momentum. Compared to last year, the division achieved a 6.3% net increase in the number of customers. The volume of assets under management increased by 24% to €2.9 billion in the last six months. In terms of real assets, private equity holdings in particular were successfully placed. Net fees and commissions improved by 1.8% over last year. Net interest income in the division rose by 5.5% as a result of higher dividend income.

The 1.4% increase in operating costs reflects the deliberate expansion of the sales force, which is intended to generate sustained organic growth. The cost-income ration improved by 1.8 percentage points to 60.4% on the back of higher total revenues.

Selected Notes continued

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

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**418**	**411**	**218**	**200**	**205**	**185**	**202**
Net fees and commissions	180	158	82	98	63	76	73
Net trading, hedging and fair value income	—	(2)	(1)	1	2	4	(2)
Net other expenses/income	3	6	3	—	(4)	(1)	5
Net non-interest income	**183**	**162**	**84**	**99**	**61**	**79**	**76**
TOTAL REVENUES	**601**	**573**	**302**	**299**	**266**	**264**	**278**
Payroll costs	(88)	(84)	(42)	(46)	(43)	(41)	(43)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(123)	(134)	(63)	(60)	(73)	(69)	(65)
Operating costs	**(211)**	**(218)**	**(105)**	**(106)**	**(116)**	**(110)**	**(108)**
OPERATING PROFIT	**390**	**355**	**197**	**193**	**150**	**154**	**170**
Restructuring costs	—	—	—	—	—	(1)	—
Net write-downs of loans and provisions for guarantees and commitments	(101)	(79)	(61)	(40)	(74)	(48)	(35)
Net income from investments and other items[1]	3	8	4	(1)	(14)	(4)	1
PROFIT BEFORE TAX	**292**	**284**	**140**	**152**	**62**	**101**	**136**
Cost-income ratio in %	35.1	38.0	34.8	35.5	43.6	41.7	38.8

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

Developments in the Corporates subdivision

The Corporates subdivision, which focuses on business with small- and medium-sized customers as its core competence, again succeeded in surpassing last year's excellent figure posted for operating profit, with an increase of 9.9%. This is a result of the pleasing developments both on the earnings side and on the cost side which are reflected in a tangible improvement in the cost-income ratio (down 2.9 percentage points to 35.1% in the first half of 2007). At the same time operating costs posted a 3.2% decline whilst total revenues rose by 4.9%. Net fees and commissions contributed 13.9% of the growth in earnings, largely as a result of increased sales in derivatives operations and an expansion of transactions in payments. Despite greater competitive pressure on the German market, there was a slight improvement of 1.7% in net interest income.

The good operating performance more than offset the rise in net write-downs of loans and provisions for guarantees and commitments (up 27.8%) and lower revenues from net income from investments and other items, resulting in a 2.8% increase of profit before tax to €292 million.

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

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**84**	**93**	**41**	**43**	**27**	**40**	**44**
Net fees and commissions	24	19	13	11	8	11	11
Net trading, hedging and fair value income	—	—	—	—	—	—	—
Net other expenses/income	1	3	1	—	(2)	—	2
Net non-interest income	**25**	**22**	**14**	**11**	**6**	**11**	**13**
TOTAL REVENUES	**109**	**115**	**55**	**54**	**33**	**51**	**57**
Payroll costs	(7)	(7)	(4)	(3)	(2)	(4)	(3)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(15)	(18)	(6)	(9)	(10)	(10)	(8)
Operating costs	**(22)**	**(25)**	**(10)**	**(12)**	**(12)**	**(14)**	**(11)**
OPERATING PROFIT	**87**	**90**	**45**	**42**	**21**	**37**	**46**
Restructuring costs	—	—	—	—	—	—	—
Net write-downs of loans and provisions for guarantees and commitments	(1)	(22)	10	(11)	(11)	(30)	(4)
Net income from investments and other items[1]	(1)	—	(1)	—	5	(6)	—
PROFIT BEFORE TAX	**85**	**68**	**54**	**31**	**15**	**1**	**42**
Cost-income ratio in %	20.2	21.7	18.2	22.2	36.4	27.5	19.3

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

Developments in the Commercial Real Estate Financing subdivision

The performance of the Commercial Real Estate Financing subdivision in the first half 2007 was marked by a decline in volumes as a result of the restructuring programme begun in 2005 as well as the sales of our customers' portfolios. At the same time, we succeeded in significantly expanding service operations.

Net interest income fell by 9.7% in the first half of 2007 compared to last year. In the process, lower net interest income due to the continued strategic reduction of volumes was partially offset by higher volumes in the deposit-taking business. The good 26.3% rise in net fees and commissions resulted from a significant increase in commissions contributed by derivatives operations, structured financing and M&A clients. Despite the 5.2% decline in total revenues, there was a slight improvement in the cost-income ratio on account of lower operating costs (down 12.0%) as a result of the lower payroll costs entailed in the reduction of portfolios: at 20.2%, the cost-income ratio is at a very good level after 21.7% in 2006.

Due to the significant decline in additions to impairment losses (down 95.5% compared to the same period last year), a substantial rise of 25% was recorded for profit before tax.

Selected Notes continued

Income statement of the Markets & Investment Banking division

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
Net interest income	**712**	**542**	**301**	**411**	**361**	**268**	**256**
Net fees and commissions	240	188	150	90	106	72	86
Net trading, hedging and fair value income	818	465	463	355	79	193	171
Net other expenses/income	9	10	7	2	3	(8)	5
Net non-interest income	**1,067**	**663**	**620**	**447**	**188**	**257**	**262**
TOTAL REVENUES	**1,779**	**1,205**	**921**	**858**	**549**	**525**	**518**
Payroll costs	(364)	(258)	(201)	(163)	(144)	(120)	(120)
Other administrative expenses, amortisation, depreciation and impairment losses on intangible and tangible assets	(318)	(313)	(168)	(150)	(181)	(147)	(162)
Operating costs	**(682)**	**(571)**	**(369)**	**(313)**	**(325)**	**(267)**	**(282)**
OPERATING PROFIT	**1,097**	**634**	**552**	**545**	**224**	**258**	**236**
Restructuring costs	—	—	—	—	(1)	—	—
Net write-downs of loans and provisions for guarantees and commitments	(2)	1	(1)	(1)	20	(5)	16
Net income from investments and other items[1]	223	43	8	215	(221)	16	16
PROFIT BEFORE TAX	**1,318**	**678**	**559**	**759**	**22**	**269**	**268**
Cost-income ratio in %	38.3	47.4	40.1	36.5	59.2	50.9	54.4

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

Developments in the Markets & Investment Banking division
The Markets & Investment Banking division continued its successful, sustainable results trend in the current year, almost doubling its profit before tax year-on-year by 94.4% in the first half of 2007. In the first six months of 2007, profit before tax stands at €1,318 million compared to €678 million in the same period last year.

This good performance can be primarily attributed to the substantial rise of €463 million in operating profit and the gain of €219 million realised on the disposal of Indexchange recognised in net income from investments and other items.

Total revenues were up by a total of €574 million, or 47.6%. €108 million of this growth relates to the initial consolidation of UBM's investment banking activities, the income and expenses of which have been incorporated since April 1, 2007. But even when the transferred investment banking activities are not included in the figures, total revenues posted a significant year-on-year rise of almost 39%.

The strong growth in net trading, hedging and fair value income in particular, which climbed €353 million, is important to note. At the same time, net interest income and net fees and commissions, which both benefited from the excellent performance in structured finance, also recorded a substantial increase.

The sharp 19.4% rise in operating costs is attributable particularly to higher performance-related payroll costs alongside the first-time inclusion of UBM's investment banking activities. The cost-income ratio nevertheless improved considerably, from 47.4% in the first half of 2006 to 38.3% in the first half of 2007.

Income statement of the Other/consolidation division

INCOME/EXPENSES	1/1–30/6/2007 € millions	1/1–30/6/2006 € millions	Q2 2007 € millions	Q1 2007 € millions	Q4 2006 € millions	Q3 2006 € millions	Q2 2006 € millions
TOTAL REVENUES	**350**	**88**	**149**	**201**	**7**	**(2)**	**60**
Operating costs	**(140)**	**(152)**	**(41)**	**(99)**	**(33)**	**(94)**	**(51)**
OPERATING PROFIT	**210**	**(64)**	**108**	**102**	**(26)**	**(96)**	**9**
Restructuring costs	(3)	(2)	(3)	—	(30)	(12)	(2)
Net write-downs of loans and provisions for							
guarantees and commitments	(200)	(232)	(114)	(86)	(179)	(91)	(132)
Net income from investments and other items[1]	127	33	78	49	(35)	(11)	2
PROFIT BEFORE TAX	**134**	**(265)**	**69**	**65**	**(270)**	**(210)**	**(123)**

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

Developments in the Other/consolidation division

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

The total revenues of this segment rose sharply, from €88 million last year to €350 million in the first half of 2007. This development results almost exclusively from net interest income, which benefited from the interest effects arising from the inflow of funds in conjunction with the disposal of the discontinued operations. This effect was reinforced by the return on the purchase price (generated in the first quarter of 2007) together with the investment of the gains on disposal and the omission of the refinancing costs on the carrying amounts of the investments in the discontinued operations that were included last year. With operating costs remaining stable compared to the same period last year, the interest effect described above had a positive impact on operating profit. Net write-downs of loans and provisions for guarantees and commitments, which relate to the Special Credit Portfolio, fell by 13.8%, to €200 million. At the same time, the gain of €47 million on the disposal of Nordinvest and the gain of €113 million on the disposal of Münchener Rückversicherungs-Gesellschaft in particular led to the higher profit contribution from net income from investments and other items. Last year, this item included the gain of €55 million on the disposal of Babcock & Brown and €40 million on the disposal of Lufthansa. Profit before tax improved to €134 million after the first six months of the present financial year after a loss of €265 million in the equivalent period last year.

Selected Notes continued

4 Net interest income

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Interest and similar income from		
lending and money market transactions	6,411	5,841
fixed-income securities	1,910	902
finance leases	30	21
Interest expense and similar charges from		
deposits	4,351	3,207
promissory notes and other liabilities		
evidenced by paper	1,776	1,651
subordinated capital	311	350
Total	**1,913**	**1,556**

Interest income and interest expense for financial assets and liabilities not carried at fair value through profit or loss totalled €6,067 million and €5,315 million, respectively.

5 Dividends and other income from equity investments

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Interest and similar income from		
equity securities and other variable-yield securities	67	59
subsidiaries	24	11
companies accounted for using the equity method	4	4
participating interests	136	73
Total	**231**	**147**

The interest income from participating interests increased by €63 million to €136 million essentially on account of higher dividend payouts by private equity funds.

6 Net fees and commissions

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Securities and custodial services	451	540
Foreign trade operations/money transfer operations	144	148
Lending operations	231	193
Other service operations	149	104
Total	**975**	**985**

This item comprises the balance of fee and commission income of €1,269 million (2006: €1,230 million) and fee and commission expense of €294 million (2006: €245 million).

In terms of the year-on-year change in net fees and commissions, the profit contributions made by the sold Activest companies, Index-change and Nordinvest are only included in net fees and commissions for 2006 up to the middle of the year, which has a negative effect when compared to 2006. In contrast, the initial consolidation of UBM's investment banking activities and the PlanetHome Group has a positive impact. When adjusted for initial consolidation, deconsolidation and currency effects, last year's level was exceeded by 5.3%.

7 Net trading, hedging and fair value income

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Net gains on financial instruments held for trading	**643**	**474**
Equity contracts	86	75
Interest rate and currency contracts	257	117
Dividend income arising from trading operations	300	282
Private equity realisation gains[1]	**99**	**—**
Effects arising from hedge accounting	**(4)**	**—**
Net gains on financial instruments designated at		
fair value through profit or loss	**57**	**7**
Other net trading, hedging and fair value income	**24**	**1**
Total	**819**	**482**

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

8 Net other expenses/income

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Other income	**164**	**105**
Other expenses	**115**	**62**
Net other expenses/income	**49**	**43**

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

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Additions	**908**	**884**
Allowances for losses on loans and advances	884	861
Allowances for losses on guarantees and indemnities	24	23
Reversals	**(483)**	**(403)**
Allowances for losses on loans and advances	(478)	(395)
Allowances for losses on guarantees and indemnities	(5)	(8)
Recoveries from write-offs of loans and receivables	**(35)**	**(69)**
Total	**390**	**412**

10 Net income from investments

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Gains on the disposal of		
placements, loans and advances	1	—
available-for-sale investments	104	155
held-to-maturity investments	—	2
companies accounted for using		
the equity method	—	—
shares in affiliated companies	258	—
land and buildings	20	—
Write-downs and value adjustments on		
available-for-sale investments	—	(19)
held-to-maturity investments	—	—
companies accounted for using		
the equity method	—	—
shares in affiliated companies	—	—
land and buildings	—	—
Total	**383**	**138**

The gains of €258 million on the disposal of shares in affiliated companies include the gains realised on the disposal of Indexchange amounting to €219 million and Nordinvest amounting to €47 million.

The gains on the disposal of the available-for-sale investments can be attributed essentially to the €113 million realised on the disposal of Münchener Rückversicherungs-Gesellschaft AG.

11 Income statement and earnings per share of discontinued operations

In 2007, the gains on disposal of the BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine amounting to €3,772 million before tax are included under net income from investments in the income statement of discontinued operations. Compliant with IFRS, the gains on disposal account for a total of €82 million in taxes. In addition, the income and expenses of the HVB branches in Vilnius and Tallinn up to the economic completion date of March 1, 2007 are disclosed in 2007. The previous-year figures also include the income and expenses of the business activities of the discontinued operations sold in the first quarter of 2007.

Income statement of discontinued operations

€ millions	1/1–30/6/ 2007	1/1–30/6/ 2006
Net interest income	2	1,420
Net fees and commissions	1	895
Net trading, hedging and fair value income	—	293
Net other income/expenses	—	47
TOTAL REVENUES	**3**	**2,655**
Operating costs	(3)	(1,478)
OPERATING PROFIT	**—**	**1,177**
Provisions for risks and charges	—	(4)
Write-down on goodwill	—	—
Restructuring costs	—	—
Net write-downs of loans and provisions for		
guarantees and commitments	—	(206)
Net income from investments	3,772	690
Other non-operating expenses	—	—
PROFIT BEFORE TAX	**3,772**	**1,657**
Income tax for the period	(82)	(192)
PROFIT AFTER TAX	**3,690**	**1,465**
Minorities	—	(413)
NET PROFIT	**3,690**	**1,052**

Earnings per share of discontinued operations

Earning per share (€)	1/1–30/6/ 2007	1/1–30/6/ 2006
	4.75	1.40

12 Earnings per share

FULL HVB GROUP	1/1–30/6/ 2007	1/1–30/6/ 2006
Net profit (€ millions)	5,084	1,706
Average number of shares	776,541,406	750,699,140
Earnings per share (€)	6.55	2.27

HVB GROUP NEW	1/1–30/6/ 2007	1/1–30/6/ 2006
Net profit (€ millions)	1,394	654
Net profit (adjusted[1], € millions)	1,012	656
Average number of shares	776,541,406	750,699,140
Earnings per share (€)	1.80	0.87
Earnings per share (adjusted[1], €)	1.30	0.87

1 2007 figures adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations, the gains on disposal of Indexchange and Münchener Rückversicherungs-Gesellschaft AG and restructuring costs; 2006 adjusted for restructuring costs

Selected Notes continued

NOTES TO THE BALANCE SHEET

13 Assets held for trading purposes

€ millions	30/6/2007	31/12/2006
Debt securities and other fixed-income securities	62,662	45,709
Equity securities and other variable-yield securities	27,458	19,917
Positive fair values from derivative financial instruments	62,182	35,114
Other assets held for trading purposes	33,381	6,471
Total	**185,683**	**107,211**

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

€ millions	30/6/2007	31/12/2006
Repayable on demand	15,283	12,919
With agreed maturities	37,524	28,345
Total	**52,807**	**41,264**

15 Loans and advances to customers, broken down by maturity

€ millions	30/6/2007	31/12/2006
Repayable on demand	13,271	13,658
With agreed maturities	159,221	156,340
up to 3 months	27,440	22,838
from 3 months to 1 year	12,022	11,999
from 1 year to 5 years	35,299	34,040
from 5 years and over	84,460	87,463
Total	**172,492**	**169,998**

16 Total volume of lending

By content

€ millions	30/6/2007	31/12/2006
Placements with, and loans and advances to, other banks	21,026	18,027
Loans and advances to customers	167,336	167,068
Contingent liabilities arising from guarantees and indemnities	28,138	24,977
Total	**216,500**	**210,072**

17 Allowances for losses on loans and advances

Analysis of allowances for losses on loans and advances

€ millions	2007	2006
Balance at January 1, HVB Group new	**6,068**	**9,228**
Changes affecting income		
Gross additions	884	861
Releases	(478)	(395)
Changes not affecting income		
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	—	(869)
Use of existing loan-loss allowances	(372)	(1,554)
Effects of currency translation and other changes not affecting income	7	3
Non-current assets or disposal groups held for sale	—	—
Balance at June 30, HVB Group new	**6,109**	**7,274**

18 Investments

€ millions	30/6/2007	31/12/2006
Held-to-maturity investments		
Debt securities and other fixed-income securities	2,627	471
Available-for-sale investments	7,832	7,138
Non-consolidated subsidiaries	567	588
Participating interests	2,051	1,884
Debt securities and other fixed-income securities	3,538	2,700
Equity securities and other variable-yield securities	1,676	1,966
of which: long-term securities	1,146	1,413
Fair-value-option investments	11,367	11,728
Debt securities and other fixed-income securities	11,309	11,613
Equity securities and other variable-yield securities	58	115
Companies accounted for using the equity method	39	35
of which: goodwill	—	—
Investment property	477	473
Total	**22,342**	**19,845**

19 Assets of discontinued operations

Assets	30/6/2007 € millions	31/12/2006 € millions
Cash reserve	12	2,874
Assets held for trading purposes	—	17,188
Placements with, and loans and advances to, other banks	12	32,694
Loans and advances to customers	292	88,504
Allowances for losses on loans and advances	(2)	(2,755)
Investments	2	18,296
Property, plant and equipment	1	915
Intangible assets	—	1,984
Income tax assets	—	1,022
Other assets	—	2,725
Total assets	**317**	**163,447**

After the disposal of the BA-CA Group, IMB, AS UniCredit Bank and HVB Bank Ukraine in the first quarter of 2007, only the HVB AG branches in Vilnius and Tallinn were defined as discontinued operations in the first half of 2007. At December 31, 2006, the sold companies named above were also defined as discontinued operations in addition to the HVB AG branches in Vilnius and Tallinn.

20 Non-current assets or disposal groups held for sale

Compliant with IFRS 5, non-current assets held for sale and the assets of a disposal group held for sale are shown separately in the balance sheet. At June 30, 2007 this item contains the following:

– Financial Markets Service Bank GmbH (FMS Bank)
Under the terms of an agreement dated July 3, 2007, HVB will transfer securities processing and custodial operations to the French financial services provider CACEIS. The sale is to take place by the end of 2007.

– As HVB Group companies concentrate on their respective core competencies, HVB Banque Luxembourg S. A., Luxembourg, will cease to offer depositary banking services from the middle of 2007 in accordance with a resolution adopted during 2006. Consequently, the balance sheet totals relating to its depositary banking activities have been classified as held for sale. At June 30, 2007, a small amount arising from depositary banking activites was still on the balance sheet, with the transfer expected to take place in the third quarter of 2007.

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

– Tishman Speyer
The only asset held by this company is a property that is not part of HVB's strategic property portfolio and will probably be sold at the start of August 2007. Tishman Speyer will then be wound up.

Due to the disposals realised in the first quarter of 2007, the following, which were still shown as non-current assets or disposal groups held for sale at December 31, 2006, are no longer included in this item at June 30, 2007:

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

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

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

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

Selected Notes continued

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

Assets	30/6/2007 € millions	31/12/2006 € millions
Cash reserve	—	—
Assets held for trading purposes	—	—
Placements with, and loans and advances to,		
other banks	55	3
Loans and advances to customers	1	614
Allowances for losses on loans and advances	—	—
Investments	50	343
Property, plant and equipment	1	22
Intangible assets	14	4
Income tax assets	3	5
Other assets	3	13
Total assets	**127**	**1,004**

21 Deposits from other banks, broken down by maturity

€ millions	30/6/2007	31/12/2006
Repayable on demand	21,495	20,420
With agreed maturities	70,827	65,252
Total	**92,322**	**85,672**

22 Amounts owed to other depositors, broken down by maturity

€ millions	30/6/2007	31/12/2006
Savings deposits and home-loan savings deposits	15,235	15,794
Other liabilities	83,092	76,342
Repayable on demand	45,582	40,114
With agreed maturities	37,510	36,228
Total	**98,327**	**92,136**

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

€ millions	30/6/2007	31/12/2006
With agreed maturities		
up to 3 months	14,388	12,134
from 3 months to 1 year	15,840	11,613
from 1 year to 5 years	29,783	32,475
from 5 years and over	17,539	20,716
Total	**77,550**	**76,938**

24 Provisions

€ millions	30/6/2007	31/12/2006
Provisions for pensions and similar commitments	147	190
Allowances for losses on guarantees and indemnities	255	249
Restructuring provisions	215	243
Other provisions	1,037	1,001
Total	**1,654**	**1,683**

In mid-2007, we reviewed the relevant parameters used to calculate the provision for direct pension obliations. The effects of the latest changes to the parameters for the rate of increase in pension obligations, the rate of increase over career, the modified underlying biometric data and the interest rate (currently 4.75% after 4.25% for 2006) were calculated in a reconciliation. This did not give rise to any net material changes to the pension commitments, meaning that it was not necessary to adjust the provisions for pensions or shareholders' equity during the year.

25 Other liabilities

Among other things, other liabilities include the change in the fair value of hedged transactions arising from the portfolio of fair value hedges for interest risks on a limited portfolio of bank liabilities, which has been used for the first time in 2007. The adjusted hedge amount, which is shown separately from the hedged transactions in the balance sheet, totals €47 million. This is offset by high positive fair values to almost the same amount for the related hedging derivatives recognised under Other assets.

26 Subordinated capital

€ millions	30/6/2007	31/12/2006
Subordinated liabilities	7,927	8,514
Participating certificates outstanding	616	619
Hybrid capital instruments	2953	3,009
Total	**11,496**	**12,142**

27 Liabilities of discontinued operations

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

€ millions	30/6/2007	31/12/2006
Deposits from other banks	2	50,495
Amounts owed to other depositors	77	59,641
Promissory notes and other liabilities evidenced by paper	—	21,898
Liabilities held for trading purposes	—	5,237
Provisions	—	4,521
Income tax liabilities	—	655
Other liabilities	237	3,597
Subordinated capital	—	5,634
Total liabilities	**316**	**151,678**

For information regarding changes in this balance sheet item, please refer to note 19 “Assets of discontinued operations”.

28 Liabilities of disposal groups held for sale

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

€ millions	30/6/2007	31/12/2006
Deposits from other banks	224	8
Amounts owed to other depositors	200	1,176
Liabilities held for trading purposes	—	—
Provisions	14	37
Income tax liabilities	2	1
Other liabilities	7	20
Total liabilities	**447**	**1,242**

For information regarding changes in this balance sheet item, please refer to note 20 “Non-current assets or disposal groups held for sale”.

29 Treasury stock

In the period under review, treasury stock was purchased on the basis of the authorisation granted through the resolution adopted by the Annual General Meeting of HVB AG on May 23, 2006 and June 27, 2007 pursuant to Section 71 (1) No. 7 of the German Stock Corporation Act.

For the purposes of securities trading as permitted under Section 71 (1) No. 7 of the German Stock Corporation Act, a total of 1,044,642 shares of treasury stock were purchased by HVB AG and controlled or majority-owned companies at the respective current market prices as part of normal securities trading, and a total of 1,068,902 shares of treasury stock were sold at the respective current market prices.

The treasury stock was purchased at an average price of €38.40 per share and resold at an average price of €38.20 per share. The shares purchased during the period under review amounted to an equivalent of €3.1 million, or 0.1% of capital stock.

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

Within the scope of lending operations, the Bank and its controlled or majority-owned companies had, in accordance with Section 71e (1) 2 of the German Stock Corporation Act, received a total of 77,025 shares as collateral as of June 30, 2007. This represents €0.2 million, or 0.01% of capital stock.

Selected Notes continued

OTHER INFORMATION

30 Contingent liabilities and other commitments

€ millions	30/6/2007	31/12/2006
Contingent liabilities	**28,138**	**24,977**
of which: Guarantees and indemnities	28,138	24,977
Other commitments	**74,318**	**58,298**
of which: Irrevocable credit commitments	56,339	45,243
Total, HVB Group new	**102,456**	**83,275**
Discontinued operations and disposal group		
held for sale	—	23,622
Full HVB Group	**102,456**	**106,897**

31 Members of the Supervisory and Management Boards

Supervisory Board

Alessandro Profumo
Chairman

Peter König
Deputy Chairman

Dr Lothar Meyer
Deputy Chairman

Aldo Bulgarelli

Beate Dura-Kempf

Sergio Ermotti

Paolo Fiorentino

Dario Frigerio

Klaus Grünewald

Günter Guderley

Friedrich Koch

Hanns-Peter Kreuser

Ranieri de Marchis

Roberto Nicastro

Vittorio Ogliengo

Panagiotis Sfeliniotis
since July 1, 2007

Professor Hans-Werner Sinn

Maria-Magdalena Stadler

Ursula Titze

Jens-Uwe Wächter

Helmut Wunder
until June 30, 2007

Management Board

Willibald Cernko
Retail division

Stefan Ermisch
Markets & Investment Banking division
Internal organisation, integration and establishment of global investment banking activities
since March 21, 2007

Rolf Friedhofen
Chief Financial Officer (CFO)

Heinz Laber
Human Resources Management

Dr Stefan Schmittmann
Corporates & Commercial Real Estate Financing division

Ronald Seilheimer
Markets & Investment Banking division
Markets

Matthias Sohler
Chief Operating Officer (COO)

Dr Wolfgang Sprissler
Board Spokesman

Andrea Umberto Varese
Chief Risk Officer (CRO)

Andreas Wölfer
Wealth Management division

Munich, August 1, 2007

Bayerische Hypo- und Vereinsbank
Aktiengesellschaft
The Management Board

Cernko Ermisch Friedhofen Laber Schmittmann

Seilheimer Sohler Sprissler Varese Wölfer

Statement by the Management Board

in accordance with Section 37y of the German Securities Trading Act in conjunction with Section 37w (2) No. 3 of the German Securities Trading Act

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, August 1, 2007

Bayerische Hypo- und Vereinsbank
Aktiengesellschaft
The Management Board

Cernko Ermisch Friedhofen Laber Schmittmann

Seilheimer Sohler Sprissler Varese Wölfer

Certification of the audited review

of abbreviated interim consolidated financial statements compliant with IFRS for interim management reporting as applicable in the EU and group interim management reports.

To Bayerische Hypo- und Vereinsbank AG, München
We have reviewed the condensed interim consolidated financial statements – comprising the balance sheet, income statement, condensed changes in equity, condensed cash flow statement and selected explanatory notes – and the interim group management report of Bayerische Hypo- und Vereinsbank AG, München, for the period from 1 January to 30 June, 2007 which are part of the half year financial reports according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report which has been prepared in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a review report on these condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and conduct the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Munich, August 1, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Becker	Pukropski
Wirtschaftsprüfer	Wirtschaftsprüfer

Summary of Quarterly Financial Data

HVB Group

Operating performance (€ millions)	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	1,003	1,141	893	803	851
Net fees and commissions	488	487	397	371	447
Net trading, hedging and fair value income	469	350	95	191	185
Net other expenses/income	22	27	(7)	(4)	16
TOTAL REVENUES	**1,982**	**2,005**	**1,378**	**1,361**	**1,499**
Operating costs	(943)	(955)	(906)	(919)	(906)
OPERATING PROFIT	**1,039**	**1,050**	**472**	**442**	**593**
Provisions for risks and charges	(19)	(6)	(91)	(27)	(25)
Write-down on goodwill	—	—	—	—	—
Restructuring costs	(3)	0	(41)	(16)	(3)
Net write-downs of loans and provisions for guarantees and commitments	(181)	(209)	(295)	(226)	(202)
Net income from investments	113	270	(18)	551	49
Other non-operating expenses	—	—	(153)	—	—
PROFIT BEFORE TAX	**949**	**1,105**	**(126)**	**724**	**412**
Income tax for the period	(326)	(291)	500	(60)	(123)
NET PROFIT	**623**	**814**	**374**	**664**	**289**
Minorities	(22)	(21)	(38)	(14)	(27)
NET PROFIT OF HVB GROUP NEW	**601**	**793**	**336**	**650**	**262**
Profit after tax of discontinued operations	1	3,689	1,695	297	1,083
Minorities in profit of discontinued operations	—	—	(159)	(105)	(290)
NET PROFIT OF FULL HVB GROUP	**602**	**4,482**	**1,872**	**842**	**1,055**
Earnings per share (€)[1], HVB Group new	0.60	0.70	0.45	0.18	0.35

1 Q2 2007 figure adjusted for the gain on disposal of Münchener Rückversicherungs-Gesellschaft AG and restructuring costs; unadjusted earnings per share total €0.74
Q1 2007 figure adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange; unadjusted earnings per share total €1.06
Q4 2006 figure adjusted for restructuring costs, special effect of write-downs of loans and provisions for guarantees and commitments, gains on disposal of Münchener Rückversicherungs-Gesellschaft AG, valuation expenses for the announced disposal of a portfolio of non-strategic real estate, and other non-operating expenses; unadjusted earnings per share total €0.44
Q3 2006 figure adjusted for restructuring costs and the gain on disposal of the Activest companies; unadjusted earnings per share total €0.87
Q2 2006 figure adjusted for restructuring costs; unadjusted earnings per share total €0.35

HVB Group

	30/6/2007	31/3/2007	31/12/2006	30/9/2006	30/6/2006
Key indicators (%)					
Return on equity after taxes, adjusted[2]	17.5	18.6	11.1	10.4	12.8
Return on equity after taxes	25.0	29.4	15.9	16.8	12.7
Cost-income ratio (based on total revenues)	47.6	47.6	62.1	61.0	58.2
Balance sheet figures (€ billions)					
Total assets	437.6	362.9	508.0	495.1	486.8
Shareholders' equity	23.4	22.6	20.0	18.5	16.6
Key capital ratios compliant with German Banking Act (KWG)					
Core capital (€ billions)	22.8[3]	21.3[3]	18.3	17.1	16.9
Risk-weighted assets (€ billions)	144.2	139.4	219.3	236.0	233.5
Core capital ratio (%)	15.8[3]	15.3[3]	8.4	7.3	7.2
Share information					
Share price (€)	41.98	39.78	33.03	34.50	28.28
Market capitalisation (€ billions)	33.7	29.9	24.8	25.9	21.2
Employees	24,967[1]	24,861[1]	50,659	60,881	62,716
Offices	847[1]	788[1]	1,877	2,378	2,489

1 without discontinued operations
2 figure at June 30, 2007 adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations, the gains on disposal of Indexchange and Münchener Rückversicherungs-Gesellschaft AG and restructuring costs
figure at March 31, 2007 adjusted for the effect arising from interest payable on the purchase price relating to the disposal of discontinued operations and for the gain on disposal of Indexchange
figure at December 31, 2006 adjusted for restructuring costs, special effect of write-downs of loans and provisions for guarantees and commitments, gains on disposal of Activest companies and Münchener Rückversicherungs-Gesellschaft AG, valuation expenses for the announced disposal of a portfolio of non-strategic real estate and other non-operating expenses
figure at September 30, 2006 adjusted for restructuring costs and the gain on disposal of Activest companies
figure at June 30, 2006 adjusted for restructuring costs
3 core capital and core capital ratio at March 31, 2007 and June 30, 2007 including inflow to shareholders' equity arising from the disposal of discontinued operations

Financial Calendar

IMPORTANT DATES 2007

Half-yearly Financial Report	August 3, 2007
Third-quarter interim report	November 13, 2007

Contacts

Should you have any questions about the annual report or our interim reports please contact Group Investor Relations
calling +49 (0)89 378-25276,
faxing +49 (0)89 378-24083, or
e-mailing ir@hvbgroup.com
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