Interim Report 2006

30.9

HypoVereinsbank

Member of UniCredit Group

CONTENTS

FINANCIAL HIGHLIGHTS[1]

Key indicators	1/1–30/9/2006	1/1–30/9/2005
Return on equity after taxes, adjusted for the gain on disposal of HVB Splitska banka and Activest companies	17.6 %	—
Return on equity after taxes	29.8 %	10.4[2] %
Return on equity before taxes, adjusted for the gain on disposal of HVB Splitska banka and Activest companies	23.3 %	—
Return on equity before taxes	34.2 %	14.8[2] %
Cost-income ratio (based on total revenues)	58.6 %	66.7 %
Operating performance	1/1–30/9/2006	1/1–30/9/2005
Operating profit	3,533 € m	2,437 € m
Profit before tax	3,762 € m	1,574 € m
Net profit	2,548 € m	890 € m
Earnings per share, adjusted for the gain on disposal of HVB Splitska banka and Activest companies	2.00 €	—
Earnings per share	3.39 €	1.19 €
Balance sheet figures	30/9/2006	31/12/2005
Total assets	495.1 € bn	493.7[2] € bn
Total volume of lending	322.9 € bn	332.6 € bn
Shareholders' equity	18.5 € bn	15.4[2] € bn
Key capital ratios compliant with German Banking Act (KWG)	30/9/2006	31/12/2005[3]
Core capital	17.1 € bn	17.1 € bn
Equity funds	25.6 € bn	26.0 € bn
Risk assets	236.0 € bn	232.5 € bn
Core capital ratio	7.3 %	7.3 %
Equity funds ratio	10.4 %	10.6 %
Share information	1/1–30/9/2006	2005
Share price: Reporting date	34.50 €	25.61 €
High	35.13 €	26.85 €
Low	25.52 €	16.30 €
Market capitalisation at reporting date	25.9 € bn	19.2 € bn
	30/9/2006	31/12/2005
Employees	60,881	61,251
Branch offices	2,378	2,316

[1] Based on full HVB Group including the figures for discontinued operations

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

[3] As per approved financial statements

Ratings

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

THE FIRST TRULY EUROPEAN BANK TAKES SHAPE

Principal steps to realign the organisational structure and strategic orientation of HypoVereinsbank approved

On September 12, the Management Board and Supervisory Board of HypoVereinsbank approved the transfer of HypoVereinsbank's holdings in Bank Austria Creditanstalt (BA-CA) and other units in central and eastern Europe. This move is intended to reinforce the position of HypoVereinsbank and the UniCredit Group as a leading European financial services provider with a simple corporate structure and transparent corporate governance.

The goal of our bank is to have a clear orientation on our regional core markets and core competencies within the UniCredit Group, with a view to achieving our business objectives. When they signed the Business Combination Agreement on June 12, 2005, UniCredit and HVB had already outlined the possibility of creating such a structure. The transactions described below form part of the general focussing of strategy, which HypoVereinsbank is now implementing after reviewing the benefits.

HypoVereinsbank Shareholders' Meeting approves all transactions

On October 25, 2006 the Extraordinary Shareholders' Meeting of HypoVereinsbank approved the following six transactions:

- Sale and transfer to UniCredit of all no-par shares in Bank Austria Creditanstalt held by HypoVereinsbank
- Sale and transfer to UniCredit of all ordinary shares in HVB Bank Ukraine held by HypoVereinsbank
- Sale and transfer to Bank Austria Creditanstalt of all ordinary shares and options on ordinary shares in International Moscow Bank held by HypoVereinsbank
- Sale and transfer to Bank Austria Creditanstalt of all registered shares in HVB Bank Latvia held by HypoVereinsbank
- Sale and transfer to HVB Bank Latvia of the assets and liabilities of the HypoVereinsbank branch in Vilnius
- Sale and transfer to HVB Bank Latvia of the assets and liabilities of the HypoVereinsbank branch in Tallinn

In all the transactions, the consideration to be paid by the acquirer is based on an independent valuation appraisal carried out by PricewaterhouseCoopers.

As envisaged by the new Bank of the Regions agreement dated March 2006, BA-CA is thus assuming the responsibility within the UniCredit Group for operations in the countries of central and eastern Europe (excluding Poland). Furthermore, to carry out its mission, BA-CA is receiving various subsidiaries from UniCredit, such as Koç Finansal Hizmetler A.S., Turkey, Zagrebačka banka d. d., Croatia and Bulbank AD, Bulgaria. With this broader base, BA-CA is consolidating the diversification of the country-induced risks under a single roof.

It has the critical mass and the further consolidation potential to profitably exploit the future opportunities in these markets and to minimise risk. Thus it will play a leading role for the UniCredit Group in this region over the long run.

HypoVereinsbank strengthens its role in the UniCredit Group

The transactions are netting €13.7 billion for HypoVereinsbank, generating only lightly taxable gains on disposal of €6.57 billion in the separate financial statements of HypoVereinsbank AG. In this way we are cashing in on the strong growth in the value of our shareholdings at a time that is distinctly favourable for the sale of banks in central and eastern Europe. Building on this foundation, HypoVereinsbank can now concentrate its investments and skills more specifically than before on its German core market and investment banking. Thus it is completing a new strategic orientation, moving from the "Bank of the Regions in Europe" to a universal bank focussed strongly on the German market, where it intends to expand its competence fields.

In highly constructive talks, the management of UniCredit and HypoVereinsbank have agreed with the employee representatives of HypoVereinsbank that the considerable financial resources generated by the transactions should be made available to HypoVereinsbank in full. A special dividend payout to our shareholders – and hence also to UniCredit as the major shareholder – is not envisaged. Agreement has also been reached on HypoVereinsbank acting as the competence centre for investment banking within the UniCredit Group. The three parties have also agreed that, for resolutions regarding the restructuring of HypoVereinsbank in legally independent units for the duration of the Business Combination Agreement, a majority of four fifths of the members of the HypoVereinsbank Supervisory Board is required in addition to the appropriate majority on the UniCredit Board of Directors.

Key expansion in the core market of Germany

The disposals enable us to generate the funds required to continue expanding HypoVereinsbank from inside our organisation. We are clearly geared for growth in Germany as a result. Developments on the German banking market are opening up attractive business opportunities for profitable organic and external growth. This involves not only the complete takeover of competitors but also the acquisition of individual lines of business. What matters for us is not the size of the balance sheet but the value added that we offer our customers and shareholders. Besides expansion in Germany, which has top priority, acquisitions in the rest of Europe are also conceivable in the medium term, in particular in countries where UniCredit does not yet have an adequate presence (Scandinavia, Benelux).

Expansion of investment banking

HypoVereinsbank and UniCredit are currently involved in intensive negotiations regarding the future organisation of investment banking. The gains on disposal have given us the opportunity to significantly expand this line of business. Already today HypoVereinsbank generates 60% of UniCredit Group revenues in investment banking. We are to act as the competence centre for investment banking within the corporate group in the future. The investment banking activities currently grouped together in a virtual structure are to be consolidated at HypoVereinsbank for the next seven years at least, if possible in a separate legal unit. The proceeds from the transactions enable us to allocate adequate resources to this segment at a level appropriate for an expansion like this.

Gains on disposal strengthen capital base

By European and international standards, HypoVereinsbank's capital base has been fairly moderate to date. The gains on disposal generated by the transactions will help to considerably boost the core capital ratio. On a pro forma basis, it would have risen from 7.3% to more than 14.3% at June 30, 2006. At the same time, this will help us to optimise our equity and debt structure. Where legally possible and economically useful, we aim to buy back hybrid capital instruments in this context in order to minimise our cost of finance. This will, in the final analysis, have a positive impact on our debt ratings.

Customers continue to benefit from eastern European expertise

As in the past, Bank Austria Creditanstalt is retaining operational responsibility for commercial activities in central and eastern Europe. Consolidating the operations in CEE will, moreover, greatly enhance the presence and reach of the UniCredit Group. This enables HypoVereinsbank to offer its customers even better access to this region, so that they too can benefit from the planned transactions.

With its strategic re-orientation, HypoVereinsbank aims to be one of the leading banks in the German marketplace in terms of customer satisfaction and profitability. Irrespective of the disposals, we are thus opening up attractive, sustainable prospects for success for our customers, shareholders and employees.

General and industry-specific economic trends
Macro-economic situation

The world economy expanded at a somewhat slower pace in the third quarter. Even though the rate of growth stabilized in the United States following the very weak second quarter, it is still unlikely to have matched its long-term trend. The end of the property boom proved the main drag on growth, although the cessation of fiscal stimuli and the constantly widening trade gap also put on the brakes. After pausing for breath, the Japanese economy again grew rapidly in the third quarter. Once again, growth was driven by corporate capital spending, net exports and private consumption.

GDP growth in the euro area remained relatively robust in the third quarter, underpinned primarily by the demand for exports coupled with capital spending. At the same time, private consumption is slowly picking up pace as a result of employment gains on the labour market. That the leading indicators seem to have passed their peak, however, is a sign that a slowdown is imminent. The German economy benefited above all from constantly strong industrial activity in the third quarter. Nevertheless, available hard figures on the consumption side, including those from the retail trade, indicate that the rate of growth was not able to keep pace with a second quarter that was dominated by non-recurring effects.

Specific trends affecting the banking sector in Germany

Buoyed by the ongoing economic upswing, German banks have again been able to report satisfactory results in the third quarter of 2006. Lending volumes have increased slightly, providing for stable figures in net interest income. Starting from a very high level, securities operations have only declined a little in the third quarter, as reflected in net fees and commissions and net trading, hedging and fair value income. Rising levels of personal bankruptcy continued to occasion relatively high requirements for loan-loss provisions. As expected, the earnings trend at banks normalized in the third quarter. We assume that this development will continue in the fourth quarter as well.

CHANGES TO THE REPORTING STRUCTURE

The integration of HypoVereinsbank into the UniCredit Group has given rise to a new reporting and segment structure. Moreover, the transactions approved by the Shareholders' Meeting on October 25, 2006 have also had an inpact on the present interim report.

New income statement structure

In the present interim report, HypoVereinsbank has for the first time prepared its income statement using the structure employed by UniCredit in its capital market communications for years.

A reconciliation of the income statement structure used to date to the new income statement structure for the period from January 1 to September 30, 2006 is shown in Note 1 "Effects of adjusting the structure of the income statement to match disclosures in the UniCredit Group" together with the main differences.

Discontinued operations

The transfers agreed by the Management Board and Supervisory Board on September 12, 2006, which were approved by the Extraordinary Shareholders' Meeting on October 25, 2006 represent a discontinued operation as defined by IFRS 5.

In future, HVB AG is focussing on Germany as its core market within the UniCredit Group. It also has the opportunity to target other parts of northern Europe (notably Scandinavia and the Benelux countries) and significantly expand its investment banking operations, transforming itself into the investment banking competence centre for the entire UniCredit Group.

In carrying out the transactions listed above, HVB AG is discontinuing its activities in Austria and eastern Europe. Under IFRS 5, this represents a discontinued operation, which leads to a different presentation in the income statement.

The results of the discontinued operations are not shown in the income statement prepared in compliance with IFRS 5 until after the net profit after tax and minorities of "HVB Group new".

The income statement for HVB Group compliant with IFRS 5 (HVB Group new) down to the item "Net profit of HVB Group new" does not reflect the earnings power of the new HVB Group following the transactions listed either in the past or in the future. The profit now disclosed for HVB Group new does not contain any adequate revenues offsetting the capital tied by the holdings in BA-CA, IMB and the other units being transferred (dividends or primary revenues from the holdings). Looking into the future, the proceeds from the transactions will give HypoVereinsbank the chance to expand its core competencies and to tap additional sources of revenues.

Segment reporting

As a result of the integration into the UniCredit Group, the activities of HVB Group have been restructured in the following global divisions: Retail; Wealth Management; Corporates & Commercial Real Estate Finance; and Markets & Investment Banking.

Also shown is a segment entitled "Other/consolidation" that covers Global Business Services and Group Corporate Centre activities. The latter also contain the former RER segment and the newly defined SCP portfolio.

Adjustment of comparison periods

Due to the changes listed above, the income statement presented in the present interim report and the segment report are no longer comparable with the figures reported for previous periods. For this reason, we have adjusted the figures for previous periods in the present report accordingly.

OVERALL OPERATING PERFORMANCE

The full HVB Group (including discontinued operations) continued to build strongly on its good operating performance through the first nine months of 2006. The operating profit rose a sharp €1,096 million, or 45%, to €3,533 million compared to the same period last year. This growth in earnings was due to the 16.7% rise in total revenues. Hence, we have comfortably met the targets stated in the outlook of the Management's Discussion and Analysis on page 74 of the 2005 Annual Report of achieving a significant rise in total revenues and a substantial improvement in our cost-income ratio. We were able to improve the cost-income ratio to 58.6% as a result of the growth in revenues (September 30, 2005: 66.7%, December 31, 2005: 68.6%). Net write-downs of loans and provisions for guarantees and commitments rose by €83 million, or 8.5%, to €1,057 million compared to last year as a result of higher provisioning requirements at the BA-CA Group.

Net income from investments, and hence also the subsequent results, benefited strongly from the gain of €669 million realized on the disposal of HVB Splitska banka, part of the BA-CA sub-group, in the second quarter of 2006 and the gain of €533 million from the sale of three Activest companies (Activest Investmentgesellschaft mbH, Activest Investmentgesellschaft Schweiz AG and Activest Investmentgesellschaft Luxembourg S.A.) to Pioneer Global Asset Management S.p.A., which was posted in the third quarter of 2006. Net income from investments rose to €1,387 million, after €183 million last year, primarily as a result of these gains on disposal. At €3,762 million, profit before tax rose by a factor of 1.4 over the corresponding figure for the previous year and, at almost €2,548 million, net profit trebled after deducting minorities. After nine months of 2006, return on equity stands at 29.8%. Thus, we easily met our expectations for return on equity after taxes – even when adjusted for the gains on the disposal of HVB Splitska banka and the Activest companies – at 17.6% after 10.4% at September 30, 2005.

OPERATING PERFORMANCE OF HVB GROUP NEW

As already mentioned in the section entitled “Changes to the reporting structure”, we provide a separate income statement for HVB Group new compliant with IFRS 5 rules. This statement no longer contains the respective income and expense items of the discontinued operations. Instead their profit contribution is reported only after net profit after minorities of HVB Group new.

Operating profit

The operating profit of HVB Group new rose by over half year-on-year to reach €1,785 million. The increase in operating profit compared to the same period last year is a result of both the rise in income and successful cost reduction measures. These efficiency enhancements have produced a significant improvement in the cost-income ratio by 10.1 percentage points to reach 61.0% (percentage of total revenues made up by operating costs).

Total revenues

The strong operating performance is reflected in a 12.4% rise in total revenues compared to last year.

Net interest income

As expected, net interest income failed to match the previous-year total for HVB Group new (down 2.3%, or €59 million, to €2,506 million) despite higher dividend income. The decline is primarily due to scheduled strategic portfolio disposals, chiefly in the Real Estate Restructuring unit. This development is also reflected in our segment report, by the decrease in net interest income in the Other/consolidation segment, while all other operating segments boosted net interest income over last year.

Net fees and commissions

At €1,356 million, net fees and commissions rose by 4.6% year-on-year as a result of a higher earnings contribution in the securities and depositary business (up 8.5%). Adjusted for consolidation effects (essentially the deconsolidation of Activest companies) and currency effects, the rate of increase in net fees and commissions totalled 7.8%. In particular, sales of innovative financial products like the “HVB Best of Fonds”, “HVB Flex Bonus Zertifikat”, “HVB 2 x 5% Profianleihe” and “HVB Höchststand-Zertifikat” helped to boost earnings. The other service units, including the lending business (up 8.8%), also made higher contributions to profits compared to last year.

Net trading, hedging and fair value income

The net trading, hedging and fair value income of HVB Group new developed especially well. At €673 million after nine months of 2006, it is more than double the figure reported for the same period last year (€285 million). Moreover, after the record figure of €297 million generated in a very friendly capital market environment in the first quarter of 2006, it also provided stable contributions to earnings in the second and third quarters of 2006 (Q2 2006: €185 million and Q3 2006: €191 million).

Net other expenses/income

Net other expenses/income is reported at €39 million at the end of September. A loss of €75 million was reported for this item last year on account of the losses absorbed from HVB Immobilien AG.

Operating costs

The operating costs of HVB Group new declined 3.6% compared to last year to €2,789 million. At the same time the 6.3% increase in payroll costs chiefly due to higher provisions for profit-related bonus payments in the Markets & Investment Banking division was more than compensated by the 11.9% reduction in other administrative expenses and the significant 28.1% decline in amortisation, depreciation and impairment losses on intangible and tangible assets. In net terms, initial consolidation and currency effects served to increase expenses by €11 million overall. In particular, the increase in expenses caused by the initial consolidation of the HVB Immobilien sub-group was offset by the lower expenses arising from the deconsolidation of the Activest companies.

Adjusted for consolidation and currency effects, operating costs would be down €115 million, or 4%, on the previous-year total.

Net write-downs of loans and provisions for guarantees and commitments

At the end of September 2006, net write-downs of loans and provisions for guarantees and commitments, at €638 million, were slightly below the figure of €645 million recorded for last year. Starting with the interim report at June 30, 2006, we have been reporting risk provisioning at the level actually required to this date and no longer as a proportion of the net write-downs of loans and provisions for guarantees and commitments expected for the whole year, which can also lead to fluctuations in the quarterly figures.

Profit before tax

The net income from investments recorded by HVB Group new benefited from the one-off effect of €533 million arising from the disposal of the Activest companies in the third quarter of 2006. Chiefly as a result of this gain on disposal and the gains realised from the reduction of our shareholdings in Babcock & Brown Limited (€55 million) in the first quarter of 2006 and Lufthansa AG (€40 million) in the second quarter of 2006, net income from investments rose to €689 million at the end of September 2006, after a loss of €120 million in the same period last year. The previous-year figure was depressed by non-recurrent expense of €210 million in connection with the acquisition of real estate from the assets of one of the real estate funds managed by our subsidiary Internationales Immobilien-Institut GmbH (iii-investments), which could only be partially offset by the disposal of shareholdings in Rhön-Klinikum and Premiere.

In compliance with IFRS 3, scheduled amortisation has no longer been taken on goodwill since January 1, 2005. No non-scheduled amortisation of goodwill was taken at September 30, 2006.

At €1,744 million, profit before tax, which also includes integration costs of €19 million and provisions for risks and charges of €73 million, increased by a factor of 4.4 over the previous year. Compared to the figure reported for the first nine months of last year, profit before tax, at €1,211 million after adjustment, would have trebled even without the gain on the disposal of the Activest companies.

Minorities and net profit

Minorities account for €65 million of net profit. After deducting the minorities we generated a profit of €1,304 million, which is at least five times the amount of the profit recorded for the same period last year. Even when adjusted for the one-off effect from the disposal of the Activest companies, we managed to more than treble the profit reported for last year.

Developments in the individual divisions

The segments were re-organised in connection with the integration of HVB into the UniCredit Group. The re-organisation mainly affected the former Germany business segment which was divided into the new Retail, Wealth Management and Corporates & Commercial Real Estate Financing divisions, the latter with two sub-divisions: Corporates and Commercial Real Estate Financing. As announced during the Capital Markets Day of the UniCredit Group at the beginning of July, moreover, a non-strategic portfolio of loans worth €20.5 billion known as the Special Credit Portfolio (SCP) has been set aside and assigned to the Other/consolidation segment together with the former Real Estate Restructuring segment. The SCP contains loans with little cross-selling potential, thus offering poor value for HypoVereinsbank. Only properly serviced loans have been assigned to this portfolio. When the SCP was defined, non-performing loans were also assigned, provided they met the criteria mentioned above. In all, properly serviced loans make up 90% of the total SCP.

The Retail and Wealth Management divisions were formed out of the former Private Customers business unit, while the Corporate Customers and Professionals business unit and the Real Estate business unit formed the basis for the new Corporates & Commercial Real Estate Financing division. Alongside this restructuring, there were some transfers from the former Corporate Customers and Professionals business unit (business customer segment) to the new Retail and Wealth Management divisions. The Markets & Investment Banking division was formed mainly from the former Corporates & Markets segment, but without the activities of the BA-CA Group or International Moscow Bank.

The contributions of the divisions to the profit before tax of HVB Group new of €1,744 million were as follows:

Retail	€127 million
Wealth Management	€691 million
Corporates & Commercial Real Estate Financing	€454 million
Markets & Investment Banking	€947 million
Other/consolidation	loss of €475 million

COMPONENTS AND MISSIONS OF THE NEW DIVISIONS

Retail division

Our customers are divided into three groups within the Retail division: private customers, affluents and business customers. We are implementing our growth strategy differently for each of the customer groups. For private customers, we are concentrating on attractive market segments, maintaining a clear range of products tailored to cater for specific customer needs and (re-)activating the single-product users among our customers. With regard to affluent customers, we are intensifying systematic customer contact, refining both our need-based approach and our products and maximising the risk/return for each customer. Finally, for our business customers, we are reinforcing our cross-selling (particularly asset gathering), adjusting our pricing and our service model and harmonising our distribution channels.

The Retail division serves around three million customers. Major subsidiaries allocated to this division include Bankhaus Neelmeyer and Vereinsbank Victoria Bauspar AG.

Wealth Management division

Wealth Management handles marketing for wealthy customers in Germany, private banking operations in Luxembourg, the activities of the DAB banking group and the production and marketing of real assets.

During the divisionalisation of HVB AG, more than 34,000 wealthy customers with an investment volume of almost €30 billion were transferred from retail and corporate banking operations.

This division serves customers with liquid assets of more than €500,000 under a relationship approach tailored to the requirements of high net worth customers. This is expanded to include specific family office services for customers with investments exceeding €30 million.

The following customer groups form the basis of the relationship model geared to providing comprehensive wealth management: family office customers, for whom the key element is providing comprehensive advice on very large and complex estates; private customers, where the focus is placed on individual asset strategies; professionals and business customers, for whom asset accumulation and corporate finance is the main element; and foundations and companies focussing on the professional management of large-scale assets. In addition, we attend to the private affairs of company owners and perform professional asset management for certain securities accounts, such as public-sector customers and professionals.

Corporates & Commercial Real Estate Financing division

In our **corporate banking operations** we concentrate on the needs of our around 70,000 mid-sized customers: supporting their cross-border expansion; helping them with new forms of finance and financial risk management; and opening them up to the capital market. To implement our growth strategy, we need to systematically exploit the business potential. Our ambitious goal is to become the leading corporate bank in Germany.

The corporate banking business involves various relationship models based on different customer requirements. In particular, we have relationship models for large caps, mid caps, small caps and the public sector. We combine these models with regional proximity, sector know-how and competent sales support.

Lending operations will continue to be our core business into the future. This involves making innovative solutions, such as mezzanine products involving our PREPS™ product which incorporate the capital market, accessible to our mid-sized corporate customers. These are offered in addition or as an alternative to the traditional loan. Besides providing sophisticated advisory services and the analysis and funding of current and non-current assets (working capital), we are offering structured loans to a broader array of mid-sized enterprises. We are also continuing to expand operations involving subordinated finance, small and medium-sized financing for corporate transactions and project finance.

We leverage our leading position in central and eastern Europe to support our customers through our European network.

Major subsidiaries allocated to this division include HVB Banque Luxembourg, which is assigned to several divisions, and HVB Leasing GmbH.

Organisationally, **commercial real estate financing** belongs to the Corporates division. It forms part of the UniCredit Group's growth strategy for Germany and Europe, aiming to significantly improve the risk/return profile of portfolios and sustainably boost the profitability of the business. The consistent implementation of our strict lending policies based on the current market conditions and the sustained reduction of unprofitable portions of portfolios are playing an important role in this process. Our target customers have access to tailored products from HypoVereinsbank's full range, extending from classic real estate finance and interest rate hedging through to the structuring, syndication and, where appropriate, securitisation of portfolios. Our customers are served by regional account management teams based at six locations in Germany (Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Nuremberg) and the structured loan specialists concentrated in Munich.

Markets & Investment Banking division

The global Markets & Investment Banking (MIB) division of the UniCredit Group started out as a virtual organisation in mid-2006. Headquartered in Munich, it has offices at all the major financial centres worldwide, including London, New York, Hong Kong and Singapore. Around 2,000 employees at 40 locations serve some 1,100 institutional customers and 270 multinationals. HypoVereinsbank has been defined as UniCredit Group's competence centre for investment banking. All related activities will be pooled at HVB for at least the next seven years, due in part to the expertise and know-how we possess in this area. Some 70% of the business volume and revenues of the investment banking activities of the UniCredit Group are already generated by HypoVereinsbank today and thus currently flow into the balance sheet and income statement of HypoVereinsbank. The goal is to increase the proportion of this business volume by integrating the respective activities of other units in the UniCredit Group and boosting our market share. At the same time all activities will focus on selected products and customer segments where HypoVereinsbank can provide differentiated expertise. The ambitious growth targets of this new player in the European investment banking marketplace are of direct importance to HypoVereinsbank.

Markets & Investment Banking will receive a uniform structure with global responsibility within the UniCredit Group so that it can address global customers accordingly. Thus, in terms of its organisation and in other ways, the division differs from other operating units that have a regional branding tailored to suit the respective market and are part of a separate legal unit responsible for the entire regional market.

By combining complementary product competencies in the areas of structured finance, structured derivatives, structured loans and currency and interest hedging operations, a broad, competitive product portfolio has been created which provides an excellent basis for winning new customers and for offering additional services to existing customers in all markets. Flagship products and market positions notably include:

- takeover finance: 20% share of the German market, one of the leading arrangers of leveraged buy-outs in Europe
- project finance: one of the leading arrangers in Europe
- structured foreign trade finance
- issuing operations for pfandbriefs: market leader in Germany with a share of 13%, number 6 in Europe
- structured derivatives: leading provider in Germany

Relationship management and customer retention is based on a direct approach. Senior bankers foster the primary relationships with customers and communicate their needs to appropriate specialists.

Moreover, Markets & Investment Banking sees itself as a supplier of innovative and specialized products for all regional sales units of the remaining divisions who are thus also important individual customers and primary sales partners (structured investment products or exchange-traded funds (ETFs) for Retail and Wealth Management customers, or derivatives to hedge commodity and currency risk for corporates).

Major subsidiaries allocated to this division include HVB Banque Luxembourg, which is assigned to several divisions, HVB Global Assets, HVB Capital Asia Ltd. and HVB Capital Partners AG.

Total assets and volume of lending

The total assets of the full HVB Group (including the assets and liabilities of the discontinued operations) amounted to €495.1 billion at September 30, 2006, representing an increase of €1.4 billion, or 0.3%, over the 2005 year-end total. On the assets side, the main changes were an increase of €13.4 billion in placements with, and loans and advances to, other banks, whereas loans and advances customers declined by €9.6 billion.

The volume of lending decreased by €9.7 billion to €322.9 billion, with loans and advances to customers falling by €9.0 billion and contingent liabilities by €1.4 billion, whilst placements with, and loans and advances to other banks, rose by €0.7 billion.

On the liabilities side, deposits from other banks increased by €5.0 billion, whereas primarily promissory notes and other liabilities evidenced by paper and liabilities held for trading purposes decreased, by €3.5 billion and €2.5 billion respectively. The shareholders' equity shown in the balance sheet rose by €3.1 billion to reach €18.5 billion, mostly on account of the profit generated in the first nine months of 2006. This total includes €3.5 billion of minority interest, up €0.4 billion on the year-end figure. Compliant with IAS 19.93A, actuarial losses of €1.0 billion were recorded in shareholders' equity for the first time in the first quarter of 2006. The prior year figures have been adjusted accordingly (see also "IFRS basis" in the section entitled "Other information" below).

The reduction of the balance sheet items "Non-current assets or disposal groups held for sale" and "Liabilities of disposal groups held for sale" results essentially from the deconsolidation of HVB Splitska banka d.d., Split, which has been sold. However, further items were included which were classified as non-current assets or disposal groups held for sale compliant with IFRS 5. See Note 15 for further details on these items. To improve comparability, we have not reclassified the companies defined as discontinued operations or units to "Non-current assets or disposal groups held for sale".

The balance sheet structure following disposal of the units defined as discontinued operations is shown in the pro forma balance sheet disclosed in Note 22.

Risk assets, key capital ratios and liquidity

At €236.0 billion, the risk assets compliant with the German Banking Act (KWG) rose by 1.1% compared to the previous quarter. Market risk positions compliant with the German Banking Act totalled €907 million. At HVB sub-group level, the risk assets compliant with the German Banking Act totalled €146.5 billion and market risk positions €606 million.

The core capital compliant with the German Banking Act rose by €0.2 billion compared to the previous quarter to reach €17.1 billion at September 30, 2006. This gives rise to a core capital ratio of 7.3% and an equity funds ratio of 10.4%. If market risk positions are also included, at 6.9% the core capital ratio remains unchanged over the previous quarter.

It is planned to reduce risk assets by the end of the year by carrying out new securitisation transactions, if there is sufficient need.

A bank's liquidity is evaluated using the liquidity ratio defined in Principle II of the German banking supervisory regulations. This figure is the ratio of cash and cash equivalents available with a month to the payment obligations falling due in this period. Liquidity is considered adequate if the ratio is at least 1.0. At HypoVereinsbank AG, the figure averaged 1.2 in the first three quarters of 2006 (at the reporting date on September 30, 2006: 1.2).

IFRS basis

The present interim report has been prepared in accordance with the regulations defined in the International Financial Reporting Standards (IFRS) and complies with IAS 34, which covers interim reporting. With the exception of the new and revised IFRSs, we have applied the same accounting and valuation principles as in the consolidated financial statements for 2005. As described in the section entitled “Changes to the reporting structure”, the presentation in the income statement has been adjusted to reflect the structure of the UniCredit Group.

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

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

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

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

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

Changes in the group of companies included in consolidation

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

The three Activest companies (Activest Investmentgesellschaft mbH, Activest Investmentgesellschaft Schweiz AG and Activest Investmentgesellschaft Luxembourg S.A.) were sold to Pioneer Global Asset Management S.p.A. in the third quarter for an aggregate price of €600 million. These companies left the group of companies included in consolidation of HVB AG with effect from July 1, 2006.

Compliant with IFRS 5, both the initial consolidations and the deconsolidations listed also have an impact on the items down to net profit after tax in the income statement.

In addition, there are further effects from initial consolidation and deconsolidation relating to the discontinued operations covering activities in Austria and eastern Europe:

- Joint Stock Commercial Bank HVB Bank Ukraine, Kiev and HVB Bank Latvia, Riga were added to the group of companies included in consolidation with effect from January 1, 2006. The following companies assigned to the BA-CA sub-group were also added to the group of companies included in consolidation with effect from January 1, 2006:
- CA IB Corporate Finance Beratungs Ges.m.b.H., Vienna (sub-group)
- Nova Banjalučka Banka a. d., Banja Luka
- Universale International Realitäten GmbH, Vienna (sub-group)

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

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

BA-CA AG sold its 99.75% holding in HVB Splitska banka d.d., Split, to France-based Société Générale on June 30, 2006. The sale of HVB Splitska banka, which is shown separately in the balance sheet at December 31, 2005 and March 31, 2006 as a disposal group held for sale compliant with IFRS 5, yielded a gain on disposal of €669 million disclosed by HVB Group under net income from investments.

Events after September 30, 2006

On October 25, 2006 the Extraordinary Shareholders' Meeting of HypoVereinsbank approved the sale to UniCredit of all shares in Bank Austria Creditanstalt AG and HVB Bank Ukraine held by HypoVereinsbank and the sale to Bank Austria Creditanstalt AG of all shares in International Moscow Bank and HVB Bank Latvia held by HypoVereinsbank. At the same time, the sale and transfer to HVB Bank Latvia of all assets and liabilities of the branches in Vilnius, Lithuania and Tallinn, Estonia was approved. These transactions are described in greater detail at the start of the present report.

In June 2006, an agreement was reached with the Nordea Finland Plc (Nordea) banking group regarding the purchase of a further interest in the voting capital of IMB totalling 26.44%. This transaction was completed in October 2006. The acquisition of the holding from Nordea increased our interest in IMB from 52.9% to 79.3%.

On November 7, 2006, HypoVereinsbank announced that it had reached agreement with Barclays Bank PLC (Barclays) on the sale of Indexchange AG (INDEXCHANGE) for €240 million. The transaction is expected to close after the appropriate regulatory approvals have been obtained, which should take no longer than three months. HypoVereinsbank will continue to provide a number of services to INDEXCHANGE, including acting as market-maker, custodial bank and depositary.

HypoVereinsbank completed the sale of Westfalenbank AG to Crown Northcorp in October 2006. The transaction concludes the restructuring of Westfalenbank AG. HVB had already sold the wealth management and retail activities in 2005. HypoVereinsbank integrated the corporate operations of Westfalenbank AG with more than 1,500 small and medium-sized enterprises during the current year.

OUTLOOK

General economic trends

The global economic data look set to deteriorate further over the coming months, although no hard landing is imminent. Furthermore, the strong start to 2006 will still provide for high annual average growth figures in all regions (3.7% for the global economy as a whole, followed by 2.8% in 2007). The United States will remain the engine of growth overall alongside China and the emerging economies of Asia, although U.S. growth is likely to slip below its long-term trend by the end of 2006. This can be attributed to the weakness of the U.S. property market coupled with fewer new jobs created and weakening consumer spending. Nevertheless, the economic downturn is being ameliorated by declining energy costs and positive wealth effects on the back of rising share prices. On account of the strong start to the year, GDP growth in the United States should still average 3.5% for 2006 as a whole. Not until 2007 will a clear slowdown in growth to 2.5% become evident. In Japan, the motor of growth should continue to perform well. Large companies in particular are still announcing large-scale investment plans and inadequate employment levels. Consequently the cooling of the Japanese economy should remain moderate next year, despite the slowdown in global growth (real GDP growth 2006: 3.0%; 2007: 2.2%).

In the euro area, the economy is expected to pick up pace temporarily in the fourth quarter. This can be attributed primarily to Germany, where the imminent rise in value-added tax in 2007 will cause consumer spending to be brought forward to the final quarter of 2006. The European economy can be expected to expand at a slower rate in the coming year, as indicated by the slight decline in external demand and the related falls in capital spending. At the same time, relief will come from an increase in employment on the labour market. Consequently private consumption should remain robust overall, following a temporary setback in the first quarter in 2007. Thus growth of 2.6% is predicted for 2006 and 1.5% for 2007. For Germany, the corresponding growth rates are 2.2% and 1.1%, respectively.

The cycle of interest rate rises by the Fed has come to an end. The U.S. central bank can be expected to lower its key lending rate again by 100 basis points as early as the first half of 2007. On the other hand, the European Central Bank is likely to raise its key lending rate once more in December 2006 to reach 3.5%, before taking a breather.

Trend yields on 10-year U.S. bonds can be expected to decline tangibly. This is signalled by the slowing of economic growth in the United States, the end of monetary tightening by the Fed and the tailing off of inflationary fears. Structural bond purchases by Asian central banks and institutional investors are also depressing yield levels. Yields on 10-year U.S. Treasury bonds will probably be around 4.5% by the end of 2006. The yields are likely to continuing falling at the start of 2007. German Treasury bonds will follow the lead from the United States at a lower level. The dollar is likely to depreciate further in the medium term. The reasons for this are the renewed focus of investors on the high U.S. current account deficit and the ongoing appreciation of the Chinese currency. As a result, the euro should be worth around $1.30 by the end of the year and rise slightly in the spring of 2007.

Earnings performance of HVB Group

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

As already mentioned in Management's Discussion and Analysis in the consolidated financial statements at December 31, 2005 (on page 74 of the 2005 Annual Report), we are planning for a tangible increase in total revenues in the 2006 financial year, with operating costs remaining practically unchanged. Net trading, hedging and fair value income and stronger net fees and commissions are expected to be the main drivers of growth in total revenues.

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

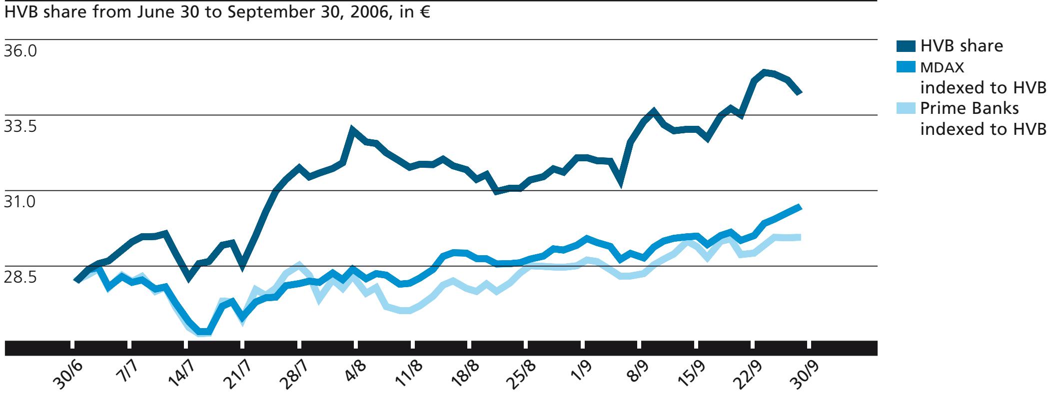
Thanks to the results achieved for the first nine months of 2006 on the back of strong total revenues, we have comfortably exceeded our internal targets for both HVB Group and HVB Group new. Consequently, we believe we are well on the way to meeting our targets for 2006 as a whole, even if the third quarter was not able to fully match the outstanding first half of the year.

Our share continued to perform admirably in the third quarter, reaching its highest price for five years on September 26, 2006 at €35.13. In the period under review, the HVB share outperformed our benchmark indexes, the MDAX and the Prime Banks index, by 13.6% and 17.1% respectively.

The new UniCredit Group unveiled its three-year plan together with the targets and business models of the individual divisions at the Capital Markets Day which was held in Munich on July 5, 2006. From this date until the results for the second quarter were published on August 4, 2006 our share gained 15% in value. The HVB share ended the quarter at a price of €34.50, which represents an increase of 21.7% compared to the end of the previous quarter.

Average daily turnover remained constant quarter-on-quarter at 0.5 million shares. At the end of September, the HVB share was weighted at 1.8% in the MDAX and 1.8% in the Prime Banks index. Our share was being tracked by analysts from nine banks and securities firms at the end of October 2006. Over half the analysts (67%) had issued a "buy" recommendation, 22% a "hold" recommendation and 11% a "sell" recommendation.

The HVB share relative to MDAX and Prime Banks



RESULTS

INCOME STATEMENT
FROM JANUARY 1 TO SEPTEMBER 30, 2006
HVB GROUP COMPLIANT WITH IFRS 5
(HVB GROUP NEW)

Income/expenses	Notes	1/1–30/9/2006 € millions	1/1–30/9/2005 € millions	Change € millions	Change in %
Net interest	(3)	2,322	2,406	(84)	(3.5)
Dividends and other income from equity investments	(4)	184	159	+ 25	+ 15.7
Net interest income		**2,506**	**2,565**	**(59)**	**(2.3)**
Net fees and commissions	(5)	1,356	1,296	+ 60	+ 4.6
Net trading, hedging and fair value income		673	285	+ 388	>+ 100.0
Net other expenses/income		39	(75)	+ 114	
Net non-interest income		**2,068**	**1,506**	**+ 562**	**+ 37.3**
TOTAL REVENUES		**4,574**	**4,071**	**+ 503**	**+ 12.4**
Payroll costs		1,699	1,599	+ 100	+ 6.3
Other administrative expenses		867	984	(117)	(11.9)
Amortisation, depreciation and impairment losses on intangible and tangible assets		223	310	(87)	(28.1)
Operating costs		**2,789**	**2,893**	**(104)**	**(3.6)**
OPERATING PROFIT		**1,785**	**1,178**	**+ 607**	**+ 51.5**
Provisions for risks and charges		73	13	+ 60	>+ 100.0
Write-down on goodwill		0	0	0	0.0
Integration costs		19	0	+ 19	+ 100.0
Net write-downs of loans and provisions for guarantees and commitments	(6)	638	645	(7)	(1.1)
Net income from investments		689	(120)	+ 809	
PROFIT BEFORE TAX		**1,744**	**400**	**+ 1,344**	**>+ 100.0**
Income tax for the period		375	162	+ 213	>+ 100.0
NET PROFIT		**1,369**	**238**	**+ 1,131**	**>+ 100.0**
Minorities		(65)	3	(68)	
NET PROFIT OF HVB GROUP NEW[1]		**1,304**	**241**	**+ 1,063**	**>+ 100.0**
Net profit after tax of discontinued operations		1,762	955	+ 807	+ 84.5
Minority interest in the net profit of discontinued operations		(518)	(306)	(212)	(69.3)
NET PROFIT OF FULL HVB GROUP		**2,548**	**890**	**+ 1,658**	**>+ 100.0**

[1] Without the income and expenses of companies to be defined as discontinued operations compliant with IFRS 5 (= Bank Austria Creditanstalt Group, IMB, HVB Latvia, HVB Ukraine and the HVB AG branches in Vilnius and Tallinn)

INCOME STATEMENT FROM JULY 1 TO SEPTEMBER 30, 2006 HVB GROUP COMPLIANT WITH IFRS 5 (HVB GROUP NEW)

Income/expenses	1/7–30/9/2006	1/7–30/9/2005	Change	
	€ millions	€ millions	€ millions	in %
Net interest	766	771	(5)	(0.6)
Dividends and other income from equity investments	37	66	(29)	(43.9)
Net interest income	**803**	**837**	**(34)**	**(4.1)**
Net fees and commissions	371	464	(93)	(20.0)
Net trading, hedging and fair value income	191	124	+ 67	+ 54.0
Net other expenses/income	(4)	(18)	+ 14	+ 77.8
Net non-interest income	**558**	**570**	**(12)**	**(2.1)**
TOTAL REVENUES	**1,361**	**1,407**	**(46)**	**(3.3)**
Payroll costs	558	526	+ 32	+ 6.1
Other administrative expenses	289	335	(46)	(13.7)
Amortisation, depreciation and impairment losses on intangible and tangible assets	72	92	(20)	(21.7)
Operating costs	**919**	**953**	**(34)**	**(3.6)**
OPERATING PROFIT	**442**	**454**	**(12)**	**(2.6)**
Provisions for risks and charges	27	11	+ 16	>+ 100.0
Write-down on goodwill	0	0	0	0.0
Integration costs	16	0	+ 16	+ 100.0
Net write-downs of loans and provisions for guarantees and commitments	226	208	+ 18	+ 8.7
Net income from investments	551	(178)	+ 729	
PROFIT BEFORE TAX	**724**	**57**	**+ 667**	**>+ 100.0**
Income tax for the period	60	15	+ 45	>+ 100.0
NET PROFIT	**664**	**42**	**+ 622**	**>+ 100.0**
Minorities	(14)	(5)	(9)	> (100.0)
NET PROFIT OF HVB GROUP NEW[1]	**650**	**37**	**+ 613**	**>+ 100.0**
Net profit after tax of discontinued operations	297	447	(150)	(33.6)
Minority interest in the net profit of discontinued operations	(105)	(160)	+ 55	+ 34.4
NET PROFIT OF FULL HVB GROUP	**842**	**324**	**+ 518**	**>+ 100.0**

[1] Without the income and expenses of companies to be defined as discontinued operations compliant with IFRS 5 (= Bank Austria Creditanstalt Group, IMB, HVB Latvia, HVB Ukraine and the HVB AG branches in Vilnius and Tallinn)

INCOME STATEMENT
FROM JANUARY 1 TO SEPTEMBER 30, 2006
FULL HVB GROUP[1]

Income/expenses	1/1–30/9/2006	1/1–30/9/2005		Change
	€ millions	€ millions	€ millions	in %
Net interest	4,348	4,198	+ 150	+ 3.6
Dividends and other income from equity investments	360	340	+ 20	+ 5.9
Net interest income	**4,708**	**4,538**	**+ 170**	**+ 3.7**
Net fees and commissions	2,677	2,352	+ 325	+ 13.8
Net trading, hedging and fair value income	1,060	496	+ 564	>+ 100.0
Net other expenses/income	88	(74)	+ 162	
Net non-interest income	**3,825**	**2,774**	**+1,051**	**+ 37.9**
TOTAL REVENUES	**8,533**	**7,312**	**+1,221**	**+ 16.7**
Payroll costs	2,966	2,701	+ 265	+ 9.8
Other administrative expenses	1,618	1,664	(46)	(2.8)
Amortisation, depreciation and impairment losses on intangible and tangible assets	416	510	(94)	(18.4)
Operating costs	**5,000**	**4,875**	**+ 125**	**+ 2.6**
OPERATING PROFIT	**3,533**	**2,437**	**+1,096**	**+ 45.0**
Provisions for risks and charges	79	12	+ 67	>+ 100.0
Write-down on goodwill	0	0	0	0.0
Integration costs	22	60	(38)	(63.3)
Net write-downs of loans and provisions for guarantees and commitments	1,057	974	+ 83	+ 8.5
Net income from investments	1,387	183	+1,204	>+ 100.0
PROFIT BEFORE TAX	**3,762**	**1,574**	**+2,188**	**>+ 100.0**
Income tax for the period	631	381	+ 250	+ 65.6
NET PROFIT	**3,131**	**1,193**	**+1,938**	**>+ 100.0**
Minorities	(583)	(303)	(280)	(92.4)
NET PROFIT OF FULL HVB GROUP	**2,548**	**890**	**+1,658**	**>+ 100.0**

	Notes	1/1–30/9/2006	1/1–30/9/2005
		€	€
Earnings per share (adjusted)[2]	(8)	2.00	—
Earnings per share	(8)	3.39	1.19

[1] Including the income and expenses of companies to be defined as discontinued operations compliant with IFRS 5 (= Bank Austria Creditanstalt Group, IMB, HVB Latvia, HVB Ukraine and the HVB AG branches in Vilnius and Tallinn)

[2] 2006 figure adjusted for the gain on the disposal of HVB Splitska banka and Activest companies

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

INCOME STATEMENT FROM JULY 1 TO SEPTEMBER 30, 2006 FULL HVB GROUP[1]

Income/expenses	1/7–30/9/2006	1/7–30/9/2005		Change
	€ millions	€ millions	€ millions	in %
Net interest	1,468	1,406	+ 62	+ 4.4
Dividends and other income from equity investments	117	112	+ 5	+ 4.5
Net interest income	**1,585**	**1,518**	**+ 67**	**+ 4.4**
Net fees and commissions	797	850	(53)	(6.2)
Net trading. hedging and fair value income	285	208	+ 77	+ 37.0
Net other expenses/income	(2)	(16)	+ 14	+ 87.5
Net non-interest income	**1,080**	**1,042**	**+ 38**	**+ 3.6**
TOTAL REVENUES	**2,665**	**2,560**	**+ 105**	**+ 4.1**
Payroll costs	979	911	+ 68	+ 7.5
Other administrative expenses	548	565	(17)	(3.0)
Amortisation. depreciation and impairment losses on intangible and tangible assets	125	161	(36)	(22.4)
Operating costs	**1,652**	**1,637**	**+ 15**	**+ 0.9**
OPERATING PROFIT	**1,013**	**923**	**+ 90**	**+ 9.8**
Provisions for risks and charges	29	13	+ 16	>+ 100.0
Write-down on goodwill	0	0	0	0.0
Integration costs	19	60	(41)	(68.3)
Net write-downs of loans and provisions for guarantees and commitments	439	326	+ 113	+ 34.7
Net income from investments	559	79	+ 480	>+ 100.0
PROFIT BEFORE TAX	**1,085**	**603**	**+ 482**	**+ 79.9**
Income tax for the period	124	114	+ 10	+ 8.8
NET PROFIT	**961**	**489**	**+ 472**	**+ 96.5**
Minorities	(119)	(165)	+ 46	+ 27.9
NET PROFIT OF FULL HVB GROUP	**842**	**324**	**+ 518**	**>+ 100.0**

	1/7–30/9/2006	1/7–30/9/2005
	€	€
Earnings per share (adjusted)[2]	0.41	—
Earnings per share	1.12	0.44

[1] Including the income and expenses of companies to be defined as discontinued operations compliant with IFRS 5 (= Bank Austria Creditanstalt Group, IMB, HVB Latvia, HVB Ukraine and the HVB AG branches in Vilnius and Tallinn)

[2] 2006 figure adjusted for the gain on the disposal of HVB Splitska banka and Activest companies

BALANCE SHEET AT SEPTEMBER 30, 2006
FULL HVB GROUP

Assets	Notes	30/9/2006	31/12/2005		Change
		€ millions	€ millions	€ millions	in %
Cash reserve		6,704	7,757	(1,053)	(13.6)
Assets held for trading purposes	(9)	103,217	103,519	(302)	(0.3)
Placements with, and loans and advances to, other banks	(10)	70,669	57,229	+13,440	+23.5
Loans and advances to customers	(11)	264,996	274,643	(9,647)	(3.5)
Allowances for losses on loans and advances	(13)	(10,292)	(12,511)	+ 2,219	+17.7
Investments	(14)	44,424	45,419	(995)	(2.2)
Property, plant and equipment		2,704	2,723	(19)	(0.7)
Intangible assets		2,708	2,776	(68)	(2.4)
Income tax assets		3,347	3,291	+ 56	+ 1.7
Other assets		4,994	5,573	(579)	(10.4)
Non-current assets or disposal groups held for sale[1]	(15)	1,634	3,240	(1,606)	(49.6)
Total assets		**495,105**	**493,659**	**+ 1,446**	**+ 0.3**

[1] Adjusted for companies defined as discontinued operations

Shareholders' equity and liabilities	Notes	30/9/2006	31/12/2005		Change
		€ millions	€ millions	€ millions	in %
Deposits from other banks	(16)	118,785	113,739	+5,046	+ 4.4
Amounts owed to other depositors	(17)	160,783	158,421	+2,362	+ 1.5
Promissory notes and other liabilities evidenced by paper	(18)	102,502	105,982	(3,480)	(3.3)
Liabilities held for trading purposes		61,108	63,638	(2,530)	(4.0)
Provisions	(19)	5,778	5,672	+ 106	+ 1.9
Income tax liabilities		2,155	1,891	+ 264	+ 14.0
Other liabilities		8,578	9,406	(828)	(8.8)
Subordinated capital	(20)	16,794	17,612	(818)	(4.6)
Liabilities of disposal groups held for sale[1]	(21)	82	1,887	(1,805)	(95.7)
Shareholders' equity		18,540	15,411	+3,129	+20.3
Shareholders' equity attributable to shareholders of HVB AG		15,059	12,358	+2,701	+21.9
Subscribed capital		2,252	2,252	0	0.0
Additional paid-in capital		9,125	9,128	(3)	(0.0)
Other reserves		19	58	(39)	(67.2)
Change in valuation of financial instruments		1,115	729	+ 386	+ 52.9
AfS reserve		1,142	871	+ 271	+ 31.1
Hedge reserve		(27)	(142)	+ 115	+ 81.0
Net profit 2005		0	191	(191)	(100.0)
Net profit (loss) 1/1–30/9		2,548	0	+2,548	+100.0
Minority interest		3,481	3,053	+ 428	+ 14.0
Total shareholders' equity and liabilities		**495,105**	**493,659**	**+1,446**	**+ 0.3**

[1] Adjusted for companies defined as discontinued operations

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FULL HVB GROUP

€ millions	2006	2005
Shareholders' equity at January 1 (before change in IAS 19)	**16,383**	**13,976**
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(972)	(288)
Shareholders' equity at January 1 (after change in IAS 19)	**15,411**	**13,688**
Shareholders' equity attributable to shareholders of HVB AG at 1/1 (before change in IAS 19)	13,164	11,467
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(806)	(245)
Shareholders' equity attributable to shareholders of HVB AG at 1/1 (after change in IAS 19)	12,358	11,222
Changes 1/1–30/9		
Subscribed capital	0	(2)
Change from capital increase against cash contribution	0	0
Change in holdings of, and net income from, treasury stock	0	(2)
Additional paid-in capital	(3)	(2)
Change from capital increase against cash contribution	0	0
Transaction costs of capital increase	0	0
Change in holdings of, and net income from, treasury stock	(3)	(2)
Other reserves	(39)	82
Pensions and similar obligations (IAS 19)	0	0
Actuarial losses on defined benefit plans	0	0
Changes from currency and other changes	(39)	82
Change in valuation of financial instruments	386	738
Consolidated profit 2005 (dividend payout of HVB AG)	(191)	0
Profit (loss) 1/1–30/9	2,548	890
Shareholders' equity attributable to HVB AG shareholders at 30/9	15,059	12,928
Minority interest at 1/1 (before change in IAS 19)	3,219	2,509
Pensions and similar obligations (IAS 19)		
Actuarial losses on defined benefit plans	(166)	(43)
Minority interest at 1/1 (after change in IAS 19)	3,053	2,466
Change in minority interest 1/1–30/9	428	621
Minority interest at 30/9	3,481	3,087
Shareholders' equity at September 30	**18,540**	**16,015**
including:		
Shareholders' equity of disposal groups held for sale	31	93

CASH FLOW STATEMENT FULL HVB GROUP

€ millions	2006	2005
Cash and cash equivalents at January 1	**7,757**	**6,903**
Cash flows from operating activities	(3,042)	1,698
Cash flows from investing activities	2,201	(1,203)
Cash flows from financing activities	(169)	(530)
Effects of exchange rate changes on cash and cash equivalents	(43)	42
Cash and cash equivalents at September 30	**6,704**	**6,910**

NOTES TO THE INCOME STATEMENT

1

Notes on the adjustment of disclosures the income statement to match the UniCredit Group structure

New income statement structure		Old income statement structure	
Income/expenses	1/1–30/9/2006	**Income/expenses**	1/1–30/9/2006
	€ millions		€ millions
Net interest	4,348	Interest and similar income	14,615
Dividends and other income from equity investments	360	Interest expense and similar charges	10,016
Net interest income	**4,708**	Net interest income	4,599
Net fees and commissions	2,677	Net write-downs of loans and provisions for guarantees and commitments	1,068
Net trading, hedging and fair value income	1,060	Net interest income after provisions for losses on loans and advances	3,531
Net other expenses/income	88	Fee and commission income	3,270
Net non-interest income	**3,825**	Fee and commission expenses	560
TOTAL REVENUES	**8,533**	Net commission income	2,710
Payroll costs	2,966	Gains less losses arising from trading securities (trading profit)	1,140
Other administrative expenses	1,618	General administrative expenses	4,968
Amortisation, depreciation and impairment losses on intangible and tangible assets	416	Balance of other operating income and expenses	11
Operating costs	**5,000**	**Operating profit (loss)**	**2,424**
OPERATING PROFIT	**3,533**	Net income from investments	1,386
Provisions for risks and charges	79	Amortisation of goodwill	0
Write-down on goodwill	0	Restructuring costs	22
Integration costs	22	Balance of other income and expenses	(26)
Net write-downs of loans and provisions for guarantees and commitments	1,057	**Profit (loss) from ordinary activities/ net income (loss) before taxes**	**3,762**
Net income from investments	1,387	Taxes on income	631
PROFIT BEFORE TAX	**3,762**	**Net income (loss) after taxes**	**3,131**
Income tax for the period	631	Minority interest in net income (loss)	(583)
NET PROFIT	**3,131**	**Consolidated profit (loss) of full HVB Group**	**2,548**
Minorities	(583)		
NET PROFIT OF FULL HVB GROUP	**2,548**		

The following remarks describe the main differences between the new income statement presentation using the UniCredit income statement structure and the old HVB income statement structure.

- In the new income statement structure, net interest income contains interest income and expenses arising from tradiing operations that were previously carried in trading profit. Furthermore, the income from investment properties (rental income) previously carried in net interest income is now assigned to net other expenses/income.
- Net fees and commissions contains fees and commissions arising from trading operations (previously carried in trading profit).
- Net trading, hedging and fair value income is shown without interest, fee and commission income arising from trading operations. Dividend income arising from trading operations remains part of net trading, hedging and fair value income. Furthermore, net trading, hedging and fair value income contains gains on the valuation of financial instruments at fair value through profit and loss, which were previously carried in net income from investments.
- Most of the income and expenses from investment properties previously carried in net income from investments are now included in “Net other expenses/income”. Furthermore, large parts of the old income statement item entitled “Balance of other income and expenses” (e.g. losses absorbed) are now included in “Net other expenses/income”. Provided restructuring provisions are not involved, the additions to and releases of provisions have been included in a separate item entitled “Provisions for risks and charges”.
- Write-downs on investment properties, which were previously deducted from net income from investments, are now carried under operating costs.
- The item entitled “Integration costs” has the same content as the old item entitled “Restructuring costs”.
- The UniCredit income statement structure shows net write-downs of loans and provisions for guarantees and commitments after operating profit, although the content has remained largely the same (with the exception of items like litigation risks in the lending business).

2

Segment reporting

When the segments were restructured, the methods and parameters used in segment reporting were modified as follows:

In the case of the companies assigned to several divisions, core capital amounting to 7% of risk-weighted assets and 50% of the market risks requiring cover under the German Banking Act is assigned to the divisions as before. Equity capital is not standardised for the subsidiaries.

The percentage used to assess the equity capital allocated to the companies assigned to several divisions (HVB AG, HVB Banque Luxembourg) has been reduced from 5% to 3.4%. This rate, which equals the 3-month EURIBOR plus a premium in the amount of the average 5-year UniCredit credit spread, is set for one year as part of the budgeting process.

The new method of charging costs that cannot be allocated directly involves identifying the overhead costs for each segment individually in the budgeting process and setting them in the form of a fixed premium on the direct and indirect costs for the current financial year. Differences between the actual overhead costs and the budgeted value are allocated to the Corporate Centre.

Income statement broken down by division for the period from January 1 to September 30, 2006

€ millions	Retail	Wealth Management	Corporates & Commercial Real Estate Financing
TOTAL REVENUES			
1/1–30/9/2006	1,338	417	1,003
1/1–30/9/2005	1,310	420	989
Operating costs			
1/1–30/9/2006	1,077	261	367
1/1–30/9/2005	1,167	288	429
OPERATING PROFIT			
1/1–30/9/2006	261	156	636
1/1–30/9/2005	143	132	560
Net write-downs of loans and provisions for guarantees and commitments			
1/1–30/9/2006	130	2	179
1/1–30/9/2005	174	1	248
Other items[1]			
1/1–30/9/2006	(4)	537	(3)
1/1–30/9/2005	9	4	(13)
PROFIT BEFORE TAX			
1/1–30/9/2006	127	691	454
1/1–30/9/2005	(22)	135	299

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill, integration costs and net income from investments

Markets & Investment Banking	Other/consolidation	HVB Group new	Discontinued operations	Full HVB Group
1,730	86	4,574	3,959	8,533
1,388	(36)	4,071	3,241	7,312
838	246	2,789	2,211	5,000
780	229	2,893	1,982	4,875
892	(160)	1,785	1,748	3,533
608	(265)	1,178	1,259	2,437
4	323	638	419	1,057
39	183	645	329	974
59	8	597	689	1,286
95	(228)	(133)	244	111
947	(475)	1,744	2,018	3,762
664	(676)	400	1,174	1,574

Income statement of the Retail division

Income/expenses	1/1–30/9/2006	1/1–30/9/2005	Q3/2006	Q2/2006	Q1/2006
	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	**835**	**824**	**285**	**270**	**280**
Net fees and commissions	489	466	139	154	196
Net trading, hedging and fair value income	0	1	(1)	2	(1)
Net other expenses/income	14	19	(2)	11	5
Net non-interest income	**503**	**486**	**136**	**167**	**200**
TOTAL REVENUES	**1,338**	**1,310**	**421**	**437**	**480**
Payroll costs	425	412	139	145	141
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	652	755	227	210	215
Operating costs	**1,077**	**1,167**	**366**	**355**	**356**
OPERATING PROFIT	**261**	**143**	**55**	**82**	**124**
Integration costs	2	0	1	1	0
Net write-downs of loans and provisions for guarantees and commitments	130	174	50	51	29
Net income from investments and other items[1]	(2)	9	(4)	1	1
PROFIT BEFORE TAX	**127**	**(22)**	**0**	**31**	**96**
Cost-income ratio in %	**80.5**	**89.1**	**86.9**	**81.2**	**74.2**

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Retail division

The Retail division has enjoyed a successful year through the first nine months of 2006, practically doubling its operating profit year-on-year. Total revenues are up by €28 million or 2.1%, driven primarily by a 4.9% increase in net fees and commissions. This results in part from the successful marketing of innovative investment products, like the “HVB Best of Fonds” with a volume of €540 million and the “HVB Flex Bonus Zertifikat” with €150 million in the first quarter, the “HVB 2 x 5% Profianleihe” with around €380 million in the second quarter and the “HVB Höchststand-Zertifikat” with €200 million in the third quarter. Net interest income has risen a slight 1.3% year-on-year, partly as a result of the growth in consumer finance involving our successful “Sofortkredit” product and the rise in volumes and margins in deposit-taking operations. Despite a 7.7% rise in payroll costs, operating costs declined, among other things on account of the PRO efficiency programme. The cost-income ratio improved sharply, by 8.6 percentage points to 80.5%, benefiting from the increase in total revenues and the simultaneous reduction in operating costs. Despite the cyclical weaker profit contribution in the third quarter of 2006 that was expected over the summer months, the better profitability situation than last year led to an operating profit of €261 million, almost doubling the total at this point last year. Taking into account the decline of one quarter in net write-downs of loans and provisions for guarantees and commitments, the segment generated profit before tax of €127 million following a negative profit contribution of €22 million at September 30, 2005.

Income statement of the Wealth Management division

Income/expenses	1/1–30/9/2006	1/1–30/9/2005	Q3/2006	Q2/2006	Q1/2006
	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	**116**	**106**	**40**	**40**	**36**
Net fees and commissions	311	315	62	114	135
Net trading, hedging and fair value income	(12)	(7)	1	(8)	(5)
Net other expenses/income	2	6	(1)	3	0
Net non-interest income	**301**	**314**	**62**	**109**	**130**
TOTAL REVENUES	**417**	**420**	**102**	**149**	**166**
Payroll costs	91	95	25	34	32
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	170	193	43	65	62
Operating costs	**261**	**288**	**68**	**99**	**94**
OPERATING PROFIT	**156**	**132**	**34**	**50**	**72**
Integration costs	2	0	2	0	0
Net write-downs of loans and provisions for guarantees and commitments	2	1	2	(4)	4
Net income from investments and other items[1]	539	4	533	4	2
PROFIT BEFORE TAX	**691**	**135**	**563**	**58**	**70**
Cost-income ratio in %	**62.6**	**68.6**	**66.7**	**66.4**	**56.6**

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Wealth Management division

The net profit after tax of the Wealth Management division is dominated by the gain on the disposal of the Activest companies (Activest Investmentgesellschaft mbH, Munich, Activest Investmentgesellschaft Luxembourg S. A., Luxembourg and Activest Investmentgesellschaft Schweiz AG, Berne) to Pioneer Investments. This sale yielded a gain on disposal of €533 million, which is carried under net income from investments. The Activest companies left the group of companies included in consolidation with effect from July 1, 2006.

At the same time, it is important to note that, unlike the previous year or the previous quarter, the totals for the third quarter of 2006 do not include the primary profit contributions of the Activest companies.

Adjusted for the gain on disposal, the division's profit before tax totalled €158 million at September 30, 2006. This represents an increase of 17% over the same period last year. Adjusted additionally for the effects of deconsolidation (without the primary profits from the Activest companies in the third quarter of 2006), the increase would total an even more impressive 29.5%. In particular, this development reflects the strong performance of the private banking sub-segment, where we were able to record a year-on-year improvement of 27.3% in profits.

The positive trend is expressed in an improvement of six percentage points in the cost-income ratio compared to last year. This is evidence of how the positive developments in total revenues have not been matched by similar rises on the cost side.

Adjusting the figures for the effects of deconsolidation gives rise to an 8.6% increase in the total revenues of HVB Wealth Management.

Within this figure, a sharp 14% rise in net fees and commissions in the private banking sub-segment compared to last year largely offset the effect of deconsolidation arising from the sale of the Activest companies. The increase in net fees and commissions was achieved mainly by modifying the product mix in favour of high-margin investment funds and asset management products. Net interest income reflects a streamlined loan portfolio compensated by higher income from deposit-taking operations. A change in the funding policy employed by DAB-Bank led to higher net interest income, but this needs to be seen in the context of a net trading, hedging and fair value loss.

Operating costs declined by 9.4%, caused mostly by the deconsolidation of the Activest companies. Even after adjustment for the effects of deconsolidation, operating costs remained largely stable, declining by 1.5%, despite investments made in the new division.

Adjusted for the effects of the gain on disposal and deconsolidation, net profit for the quarter was less than in the previous quarters. Above all, this can be attributed to the cyclical development of net fees and commissions in private banking during the summer months coupled with the high level of internal sales resources tied up during the transfer of customer responsibility.

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

Income/expenses	1/1–30/9/2006	1/1–30/9/2005	Q3/2006	Q2/2006	Q1/2006
	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	**596**	**593**	**185**	**202**	**209**
Net fees and commissions	234	222	76	73	85
Net trading, hedging and fair value income	2	1	4	(2)	0
Net other expenses/income	5	9	(1)	5	1
Net non-interest income	**241**	**232**	**79**	**76**	**86**
TOTAL REVENUES	**837**	**825**	**264**	**278**	**295**
Payroll costs	125	115	41	43	41
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	203	262	69	65	69
Operating costs	**328**	**377**	**110**	**108**	**110**
OPERATING PROFIT	**509**	**448**	**154**	**170**	**185**
Integration costs	1	0	1	0	0
Net write-downs of loans and provisions for guarantees and commitments	127	168	48	35	44
Net income from investments and other items[1]	4	(3)	(4)	1	7
PROFIT BEFORE TAX	**385**	**277**	**101**	**136**	**148**
Cost-income ratio in %	**39.2**	**45.7**	**41.7**	**38.8**	**37.3**

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Corporates sub-division

Starting from the already high level achieved last year, we increased the profit before tax from our corporate banking operations, which focus on the needs of our small and medium-sized corporate customers in the Corporate sub-division, by 39% to €385 million. This was generated by a decrease of around one quarter in net write-downs of loans and provisions for guarantees and commitments coupled with the sharp 13.6% rise in operating profit to €509 million. Operating costs declined by 13%, mainly on the back of a fall in other administrative expenses. The increase in total revenues results primarily from the 5.4% rise in net fees and commissions stemming from higher revenues from payments and from advisory fees charged in conjunction with structured loans. Attractive interest margins continue to be generated in this line of business. Net interest income increased by a slight 0.5%. Rising revenues coupled with falling costs helped to improve the cost-income ratio by a significant 6.5 percentage points to 39.2%.

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

Income/expenses	1/1–30/9/2006	1/1–30/9/2005	Q3/2006	Q2/2006	Q1/2006
	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	**133**	**130**	**40**	**44**	**49**
Net fees and commissions	30	29	11	11	8
Net trading, hedging and fair value income	0	0	0	0	0
Net other expenses/income	3	5	0	2	1
Net non-interest income	**33**	**34**	**11**	**13**	**9**
TOTAL REVENUES	**166**	**164**	**51**	**57**	**58**
Payroll costs	11	15	4	3	4
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	28	37	10	8	10
Operating costs	**39**	**52**	**14**	**11**	**14**
OPERATING PROFIT	**127**	**112**	**37**	**46**	**44**
Integration costs	0	0	0	0	0
Net write-downs of loans and provisions for guarantees and commitments	52	80	30	4	18
Net income from investments and other items[1]	(6)	(10)	(6)	0	0
PROFIT BEFORE TAX	**69**	**22**	**1**	**42**	**26**
Cost-income ratio in %	**23.5**	**31.7**	**27.5**	**19.3**	**24.1**

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Commercial Real Estate Financing sub-division

In 2006, the Commercial Real Estate Financing sub-division is continuing to implement the restructuring programme initiated in 2005, notably involving the disposal of unprofitable portfolios. At €69 million, profit before tax was three times higher than at this point last year. This development results from a 13.4% rise in operating profit as well as a 35% reduction in net write-downs of loans and provisions for guarantees and commitments. On the operating side, operating costs declined by around one quarter, reflecting a decline in both payroll costs and other administrative expenses including amortisation, depreciation and impairment losses on tangible and intangible assets. With quarterly profit contributions remaining relatively stable through 2006, total revenues increased by a slight 1.2% year-on-year on the back of higher net fees and commissions and net interest income. The ongoing reduction of our strategic portfolio net continues to depress net interest income. Consequently, the increase in net interest income over last year must be seen in the light of a non-recurring charge taken against this item in the third quarter of last year.

Income statement of the Markets & Investment Banking division

Income/expenses	1/1–30/9/2006	1/1–30/9/2005	Q3/2006	Q2/2006	Q1/2006
	€ millions	€ millions	€ millions	€ millions	€ millions
Net interest income	**810**	**803**	**268**	**256**	**286**
Net fees and commissions	260	220	72	86	102
Net trading, hedging and fair value income	658	357	193	171	294
Net other expenses/income	2	8	(8)	5	5
Net non-interest income	**920**	**585**	**257**	**262**	**401**
TOTAL REVENUES	**1,730**	**1,388**	**525**	**518**	**687**
Payroll costs	378	320	120	120	138
Other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets	460	460	147	162	151
Operating costs	**838**	**780**	**267**	**282**	**289**
OPERATING PROFIT	**892**	**608**	**258**	**236**	**398**
Integration costs	0	0	0	0	0
Net write-downs of loans and provisions for guarantees and commitments	4	39	5	(16)	15
Net income from investments and other items[1]	59	95	16	16	27
PROFIT BEFORE TAX	**947**	**664**	**269**	**268**	**410**
Cost-income ratio in %	**48.4**	**56.2**	**50.9**	**54.4**	**42.1**

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Markets & Investment Banking division

In the first nine months of 2006, the Markets & Investment Banking division succeeded in increasing its net profit by 42.6%, from €664 million to €947 million, compared to the equivalent period last year.

This development can be attributed almost exclusively to the 46.7% improvement in operating profit, to €892 million, as the decline in net income from investments and the improvement in net write-downs of loans and provisions for guarantees and commitments largely offset each other.

The decline in net income from investments and other items essentially reflects the fact that we posted gains on the disposal of our holdings in Premiere AG and Rhön-Klinikum last year which are not matched by comparable gains on disposal in the current year.

In terms of net write-downs of loans and provisions for guarantees and commitments, the division continues to operate at a low level.

Operating profit was boosted by the €342 million rise in total revenues, an increase of 24.6% driven by extremely strong net trading, hedging and fair value income, which we succeeded in almost doubling over the equivalent quarter last year. A significant rise of 18.2% was also recorded for net fees and commissions.

As a result of the enhanced total revenues, the cost-income ratio improved by 7.8 percentage points to 48.4%, even though operating costs rose by 7.4% on account of higher performance-related payroll costs.

We succeeded in repeating the strong performance of the second quarter in the third quarter. As a result of a 4.7% increase in net interest income and a 12.9% boost to net trading, hedging and fair value income, operating profit rose by 9.3% compared to the previous quarter, flanked by an improvement in the cost-income ratio to 50.9%.

Income statement of the Other/consolidation division

Income/expenses	1/1–30/9/2006	1/1–30/9/2005	Q3/2006	Q2/2006	Q1/2006
	€ millions	€ millions	€ millions	€ millions	€ millions
TOTAL REVENUES	**86**	**(36)**	**(2)**	**60**	**28**
Operating costs	**246**	**229**	**94**	**51**	**101**
OPERATING PROFIT	**(160)**	**(265)**	**(96)**	**9**	**(73)**
Integration costs	14	0	12	2	0
Net write-downs of loans and provisions for guarantees and commitments	323	183	91	132	100
Net income from investments and other items[1]	22	(228)	(11)	2	31
PROFIT BEFORE TAX	**(475)**	**(676)**	**(210)**	**(123)**	**(142)**

[1] Contains the following income statement items: provisions for risks and charges, write-down on goodwill and net income from investments

Developments in the Other/consolidation division

The Other/consolidation segment contains the Global Banking Services and Group Corporate Centre sub-segments together with the profit contributions from the newly created Special Credit Portfolio that has been brought together under this segment, the Real Estate Restructuring segment that was previously shown separately and the effects of consolidation. After the first nine months of 2006, the total revenues of this segment totalled €86 million following a negative total of €36 million recorded for the corresponding period last year. This improvement can be attributed mostly to the large reduction in the current financial year of charges from the HVB Immobilien sub-group that were still included as absorbed losses last year. Compensating effects have also had an impact in places. Net interest income declined as a result of the reduction in volume of the former Real Estate Restructuring segment and lower income from dividends. At the same time, net trading, hedging and fair value income rose after being depressed last year by expenses arising from currency conversion compliant with IAS 21.28, among other things. The increase in operating costs also results from an effect caused by the initial consolidation of the HVB Immobilien sub-group. The operating loss improved by €105 million compared to last year, to €160 million. The segment reported a net loss before taxes amounting to €475 million at September 30, 2006, partly as a result of the net write-downs of loans and provisions for guarantees and commitments of €323 million required for the newly created Special Credit Portfolio. This does not include any net write-downs of loans and provisions for guarantees and commitments for the portfolios of the former Real Estate Restructuring segment. Last year, the net loss before taxes totalled €676 million.

3

Net interest income HVB Group new

€ millions	1/1–30/9/ 2006	1/1–30/9/ 2005
Interest and similar income	10,363	8,832
Interest expense and similar charges	8,041	6,426
Total	**2,322**	**2,406**

4

Dividends and other income from equity investments HVB Group new

€ millions	1/1–30/9/ 2006	1/1–30/9/ 2005
Interest and similar income from		
equity securities and other variable-yield securities	65	80
subsidiaries	17	25
companies accounted for using the equity method	4	4
participating interests	98	50
Total	**184**	**159**

5

Net fees and commissions HVB Group new

€ millions	1/1–30/9/ 2006	1/1–30/9/ 2005
Securities and custodial services	703	648
Foreign trade operations/money transfer operations	221	224
Lending operations	284	261
Brokerage of third-party products	71	61
Other service operations	77	102
Total	**1,356**	**1,296**

6

Net write-downs of loans and provisions for guarantees and commitments HVB Group new

€ millions	1/1–30/9/ 2006	1/1–30/9/ 2005
Additions	1,299	996
Allowances for losses on loans and advances	1,262	971
Allowances for losses on guarantees and indemnities	37	25
Releases	(582)	(323)
Allowances for losses on loans and advances	(568)	(319)
Allowances for losses on guarantees and indemnities	(14)	(4)
Recoveries from write-offs of loans and advances	(79)	(28)
Total	**638**	**645**

7

Profit (loss) of discontinued operations

The following have been defined as discontinued operations: the BA-CA Group, International Moscow Bank, HVB Latvia, HVB Ukraine and the HVB AG branches in Vilnius and Tallinn.

€ millions	1/1–30/9/ 2006	1/1–30/9/ 2005
Net interest income	2,202	1,973
Net fees and commissions	1,321	1,056
Net trading, hedging and fair value income	387	211
Net other expenses/income	49	1
Operating costs	2,211	1,982
OPERATING PROFIT	**1,748**	**1,259**
Provisions for risks and charges	6	(1)
Write-down on goodwill	0	0
Integration costs	3	60
Net write-downs of loans and provisions for guarantees and commitments	419	329
Net income from investments	698	303
PROFIT BEFORE TAX	**2,018**	**1,174**
Income tax for the period	256	219
NET PROFIT	**1,762**	**955**
Minorities	(518)	(306)
PROFIT (LOSS)	**1,244**	**649**

8

Earnings per share full HVB Group

	1/1–30/9/ 2006	1/1–30/9/ 2005
Consolidated profit adjusted for minority interest, € millions[1]	1,499	890
Average number of shares	750,699,140	750,699,140
Earnings per share, €	3.39	1.19
Earnings per share (adjusted)[1], €	2.00	—

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

9

Assets held for trading purposes

€ millions	30/9/2006	31/12/2005
Debt securities and other fixed-income securities	46,281	41,838
Equity securities and other variable-yield securities	16,520	11,663
Positive fair values from derivative financial instruments	34,712	44,371
Other assets held for trading purposes	5,704	5,647
Total	**103,217**	**103,519**

10

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

€ millions	30/9/2006	31/12/2005
Repayable on demand	17,251	13,459
With agreed maturities	53,418	43,770
Total	**70,669**	**57,229**

11

Loans and advances to customers, broken down by maturity

€ millions	30/9/2006	31/12/2005
Repayable on demand	23,039	23,423
With agreed maturities	241,957	251,220
up to 3 months	33,740	35,679
from 3 months to 1 year	19,112	18,774
from 1 year to 5 years	55,405	55,602
from 5 years and over	133,700	141,165
Total	**264,996**	**274,643**

12

Total volume of lending

By content

€ millions	30/9/2006	31/12/2005
Placements with, and loans and advances to, other banks	23,118	22,495
Loans and advances to customers	261,645	270,611
Contingent liabilities arising from guarantees and indemnities	38,090	39,513
Total	**322,853**	**332,619**

13

Allowances for losses on loans and advances

Analysis of allowances for losses on loans and advances

€ millions	2006	2005
Balance at January 1	**12,511**	**13,404**
Changes affecting income		
Gross additions	+1,976	+1,619
Releases	(776)	(562)
Changes not affecting income		
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	(839)	+31
Use of existing loan-loss allowances	(2,500)	(1,313)
Effects of currency translation and other changes not affecting income	(80)	(26)
Balance at September 30	**10,292**	**13,153**

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Investments

€ millions	30/9/2006	31/12/2005
Held-to-maturity investments		
Debt securities and other fixed-income securities	6,499	8,017
Available-for-sale investments	15,120	14,697
Non-consolidated subsidiaries	1,103	1,149
Participating interests	2,069	1,693
Debt securities and other fixed-income securities	7,458	7,491
Equity securities and other variable-yield securities	4,490	4,364
Fair-value-option investments	20,376	21,136
Debt securities and other fixed-income securities	18,516	19,134
Equity securities and other variable-yield securities	1,860	2,002
Companies accounted for using the equity method	1,094	1,036
of which:		
Goodwill	83	83
Investment property	1,335	533
Total	**44,424**	**45,419**

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Non-current assets or disposal groups held for sale

Non-current assets held for disposal and the assets of a disposal group held for sale are reported separately in the balance sheet compliant with IFRS 5. The following facts are included in this item:

– Project Aphrodite credit portfolio sale

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

– HVB Payments & Services (PAS)

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

Furthermore, various investment properties previously shown under investments have been classified as held for sale. This applies likewise to a building that was shown under property, plant and equipment on account of it being used for banking purposes.

In the course of the disposal of non-strategic investments, HVB Group is seeking to sell its shareholdings in Euroclear plc, which is why this investment is also classified as held for sale.

On November 7, 2006, HypoVereinsbank announced that it had agreed to sell Indexchange AG (INDEXCHANGE) to Barclays Bank PLC for €240 million. The requirement to classify Indexchange AG as a disposal group held for sale already existed by the reporting date on September 30, 2006.

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

€ millions	30/9/2006	31/12/2005
Cash reserve	0	598
Assets held for trading purposes	0	226
Placements with, and loans and advances to, other banks	0	169
Loans and advances to customers, and allowances for losses on loans and advances	1,479	1,854
Investments	134	267
Property, plant and equipment	14	32
Intangible assets	0	67
Income tax assets	3	7
Other assets	4	20
Total assets	**1,634**	**3,240**

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

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Deposits from other banks, broken down by maturity

€ millions	30/9/2006	31/12/2005
Repayable on demand	19,024	16,394
With agreed maturities	99,761	97,345
Total	**118,785**	**113,739**

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Amounts owed to other depositors, broken down by maturity

€ millions	30/9/2006	31/12/2005
Savings deposits and home-loan savings deposits	35,418	36,711
Other liabilities	125,365	121,710
Repayable on demand	66,732	65,303
With agreed maturities	58,633	56,407
Total	**160,783**	**158,421**

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

€ millions	30/9/2006	31/12/2005
With agreed maturities		
up to 3 months	16,937	14,487
from 3 months to 1 year	12,326	19,683
from 1 year to 5 years	45,231	42,956
from 5 years and over	28,008	28,856
Total	**102,502**	**105,982**

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Provisions

€ millions	30/9/2006	31/12/2005
Provisions for pensions and similar obligations	3,842	3,905
Restructuring provisions	416	564
Allowances for losses on guarantees and indemnities	479	482
Other provisions	1,041	721
Total	**5,778**	**5,672**

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Subordinated capital

€ millions	30/9/2006	31/12/2005
Subordinated liabilities	11,509	11,990
Participating certificates outstanding	1,568	1,830
Hybrid capital instruments	3,717	3,792
Total	**16,794**	**17,612**

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Liabilities of disposal groups held for sale

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

€ millions	30/9/2006	31/12/2005
Deposits from other banks	0	444
Amounts owed to other depositors	39	1,360
Liabilities held for trading purposes	0	14
Provisions	22	23
Income tax liabilities	1	3
Other liabilities	20	43
Subordinated capital	0	—
Total liabilities	**82**	**1,887**

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

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Balance sheet at September 30, 2006 HVB Group new (pro forma, without discontinued operations)

Given the assumptions listed below, the transfers of BA-CA, IMB, HVB Bank Ukraine, HVB Bank Latvia, the assets and liabilities of the HVB branches in Vilnius, Lithuania and Tallinn, Estonia as a whole give rise to the pro forma balance sheet for HVB Group new shown below:

Assets	30/9/2006	31/12/2005		Change
	€ millions	€ millions	€ millions	in %
Cash reserve	2,338	3,557	(1,219)	(34.3)
Assets held for trading purposes	91,328	88,601	+ 2,727	+ 3.1
Placements with, and loans and advances to, other banks	62,117	48,897	+13,220	+ 27.0
Loans and advances to customers	170,944	185,241	(14,297)	(7.7)
Allowances for losses on loans and advances	(7,089)	(9,228)	+ 2,139	+ 23.2
Investments	25,513	26,981	(1,468)	(5.4)
Property, plant and equipment	1,582	1,568	+ 14	+ 0.9
Intangible asset	874	947	(73)	(7.7)
Income tax assets	2,291	2,274	+ 17	+ 0.7
Other assets	2,813	2,820	(7)	(0.2)
Noncurrent assets or disposal groups held for sale	1,610	0	+ 1,610	+ 100.0
Total assets	**354,321**	**351,658**	**+ 2,663**	**+ 0.8**

Shareholders' equity and liabilities	30/9/2006	31/12/2005		Change
	€ millions	€ millions	€ millions	in %
Deposits from other banks	78,394	72,465	+ 5,929	+ 8.2
Amounts owed to other depositors	93,052	93,381	(329)	(0.4)
Promissory notes and other liabilities evidenced by paper	79,541	83,784	(4,243)	(5.1)
Liabilities held for trading purposes	59,975	59,775	+ 200	+ 0.3
Provisions	1,574	1,522	+ 52	+ 3.4
Income tax liabilities	1,537	1,347	+ 190	+ 14.1
Other liabilities	5,410	5,636	(226)	(4.0)
Subordinated capital	12,623	13,243	(620)	(4.7)
Liabilities of disposal groups held for sale	82	0	+ 82	+ 100.0
Shareholders' equity	22,133	20,505	+ 1,628	+ 7.9
Shareholders' equity attributable to shareholders of HVB AG	21,174	19,650	+ 1,524	+ 7.8
Minority interest	959	855	+ 104	+ 12.2
Total shareholders' equity and liabilities	**354,321**	**351,658**	**+ 2,663**	**+ 0.8**

The preparation of the (pro forma) balance sheets of HVB Group new for the reporting dates of December 31, 2005 and September 30, 2006 were based on the following assumptions:

– To simplify matters, it was assumed in the pro forma figures at the reporting dates of both December 31, 2005 and September 30, 2006 that the gains on disposal determined on the day of the Extraordinary Shareholders' Meeting on October 25, 2006 could have been realised on each of these dates. Furthermore, disposal costs were not taken into consideration in either set of figures.

– For the pro forma values at September 30, 2006, the fact must be taken into account that the right to a dividend for the results generated by Bank Austria Creditanstalt, IMB, HVB Bank Ukraine, HVB Bank Latvia in the 2006 financial year passes to the buyer and is discharged with the gain on disposal.

– Any effects arising from the re-investment of the gains on disposal in the balance sheet and income statement are not shown in this pro forma view because no specific decisions were made about possible re-investments and there are thus no specific expected returns that can serve as a basis. The effects of these transactions on the income statement are not shown for the same reasons.

– Based on current German tax laws, the gain on disposal realised on the sale of the holdings is exempted from corporation tax, solidarity surcharge and trade tax. An amount of 5% of the gain on disposal is not considered a deductible operating expense and is thus subject to corporation tax, solidarity surcharge and trade tax. The gain realised on the disposal of the Vilnius, Lithuania branch is subject to income tax of 19%, whilst the gain on the sale of the Tallinn, Estonia branch is subject to a income tax of 24%. The tax charges were included in the tax provisions.

– As in the first quarter 2006 HVB Group exercised the retroactively applicable option provided in the revised IAS 19.93A "Employee Benefits" to report unrealised actuarial gains and losses in equity outside the net income for the period, last year's figures provided for comparison and the development of equity have been adjusted accordingly.

– In July 2006, the holdings in Activest Investmentgesellschaft mbH, Unterföhring, Activest Investmentgesellschaft Luxembourg S. A., Luxembourg and Activest Investmentgesellschaft Schweiz AG, Berne held by HypoVereinsbank subsidiaries were sold to Pioneer Global Asset Management S.p.A. These disposals (for an aggregate price of €600 million) were approved by the HypoVereinsbank Management Board at the end of June 2006 and ratified by the Supervisory Board on July 4, 2006. The effects resulting from these disposals, which were completed in the third quarter of 2006, are shown in the table at September 30, 2006.

– The capital increase of €40 million was approved at the Annual General Meeting of HVB Bank Latvia held on August 14, 2006. The effects arising from this capital increase are included in the pro forma presentation at September 30, 2006.

– A capital increase at IMB of approximately $100 million is to be completed in the fourth quarter of 2006. The impact of this capital increase is not taken into account in the pro forma presentation.

– In June 2006, an agreement was made on the purchase of a further holding in IMB's voting capital of 26.44% with the Nordea Finland PLc banking group (Nordea). This transaction was completed in October 2006. The pro forma figures do not include the effects arising from this transaction.

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Treasury stock

The purchase of treasury stock during the reporting period was carried out on the basis of the authorization issued under the resolutions passed at the Annual General Meeting of Shareholders of HVB AG on April 29, 2004 and May 12, 2005 and in accordance with Section 71 (1) No. 7 of the German Stock Corporation Act.

For the purposes of securities trading as permitted under Section 71 (1) No. 7 of the German Stock Corporation Act, a total of 2,700,365 shares of treasury stock were purchased by the Bank and controlled or majority-owned companies at the respective current market prices, and a total of 2,297,908 shares of treasury stock were sold at the respective current market prices.

The treasury stock was purchased at an average price of €28.15 per share and resold at an average price of €28.17 per share. The shares purchased during the period under review amounted to an equivalent of €8.1 million, or 0.4% of capital stock.

The highest number of shares of treasury stock held by the Bank on any given day during the reporting period was 155,694, equivalent to €0.4 million, or 0.02% of capital stock.

Within the scope of its lending operations, the Bank and its controlled or majority-owned companies had received a total of 172,163 shares of treasury stock as collateral in accordance with Section 71e (1) 2 of the German Stock Corporation Act at September 30, 2006. This represents €0.5 million, or 0.02% of capital stock.

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Contingent liabilities and other commitments

€ millions	30/9/2006	31/12/2005
Contingent liabilities	38,111	39,534
of which:		
Guarantees and indemnities	38,090	39,513
Other commitments	74,517	61,058
of which:		
Irrevocable credit commitments	57,557	52,341
Total	**112,628**	**100,592**

Derivatives (derivative transactions)

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

Without taking risk-reducing effects into account, the maximum counterparty risk at September 30, 2006 (excluding add-on) totalled €37.6 billion (December 31, 2005: €47.5 billion). In accordance with Principle I of the banking supervisory regulations, and taking into account existing netting agreements and the provision of collateral, credit equivalents (counterparty risk including add-on) totalled €20.1 billion (December 31, 2005: €19.5 billion) and the remaining risk after risk-weighting amounted to €5.8 billion (December 31, 2005: €5.4 billion).

€ millions	Nominal amount		Positive fair values		Negative fair values	
	30/9/2006	31/12/2005	30/9/2006	31/12/2005	30/9/2006	31/12/2005
Interest rate derivatives	1,926,622	1,952,534	25,327	37,310	26,586	37,668
Foreign exchange derivatives	379,873	323,298	4,137	4,542	3,952	4,949
Equity/index derivatives	231,778	197,605	6,176	4,699	6,987	5,434
Credit derivatives	223,201	139,688	1,819	903	2,735	1,743
Other transactions	3,706	2,290	241	117	258	122
Total	**2,765,180**	**2,615,415**	**37,700**	**47,571**	**40,518**	**49,916**

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Potential market risk of trading activities

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

Value-at-risk[1]

€ millions	30/9/2006	31/12/2005
Interest rate positions		
(incl. credit-spread risks)	22	23
Foreign exchange positions	8	9
Equity/index positions	9	14
Diversification effect	(15)	(17)
Total	**24**	**29**

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

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Deputy Chairman

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Retail division,
since February 23, 2006

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Andreas Wölfer
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QUARTERLY FIGURES FULL HVB GROUP

	Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q4/2005 (adjusted)[1]	Q3/2005
Operating performance (€ millions)						
Net interest income	1,585	1,577	1,546	1,571	1,571	1,518
Net fees and commissions	797	917	963	846	846	850
Net trading, hedging and fair value income	285	287	488	160	160	208
Net other expenses/income	(2)	57	33	(248)	(248)	(16)
TOTAL REVENUES	**2,665**	**2,838**	**3,030**	**2,329**	**2,329**	**2,560**
Operating costs	1,652	1,647	1,701	1,733	1,733	1,637
OPERATING PROFIT	**1,013**	**1,191**	**1,329**	**596**	**596**	**923**
Provisions for risks and charges	29	26	24	86	86	13
Write-down on goodwill	0	0	0	0	0	0
Integration costs	19	3	0	459	0	60
Net write-downs of loans and provisions for guarantees and commitments	439	295	323	508	361	326
Net income from investments	559	729	99	182	209	79
PROFIT BEFORE TAX	**1,085**	**1,596**	**1,081**	**(275)**	**358**	**603**
Income tax for the period	124	224	283	(119)	6	114
NET PROFIT	**961**	**1,372**	**798**	**(156)**	**352**	**489**
Minorities	(119)	(317)	(147)	(92)	(114)	(165)
NET PROFIT OF FULL HVB GROUP	**842**	**1,055**	**651**	**(248)**	**238**	**324**

Earnings per share[2] (€)	0.41	0.72	0.87	(0.33)	0.32	0.44

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

[2] Q2/2006 figure adjusted for the gain on the disposal of HVB Splitska banka; the unadjusted figure for earnings per share is €1.40
Q3/2006 figure adjusted for the gain on the disposal of Activest companies; the unadjusted figure for earnings per share is €1.12

	30/9/2006	30/6/2006	31/3/2006	31/12/2005	31/12/2005	30/9/2005
				(adjusted)[1]		
Key indicators (%)						
Return on equity after taxes, adjusted for the gain on disposal of HVB Splitska banka and Activest companies	17.6	20.9	—	—	—	—
Return on equity after taxes	29.8	30.0	22.8	10.2[2]	5.6[2]	10.4[2]
Cost-income ratio (based on total revenues)	58.6	57.0	56.4		66.4	65.2
Balance sheet figures (€ billions)						
Total assets	495.1	486.8	498.2		493.7[2]	495.9[2]
Total volume of lending	322.9	323.7	330.3		332.6	334.1
Shareholders' equity	18.5	16.6	16.3		15.4	16.0
Key capital ratios compliant with German Banking Act (KWG)						
Core capital (€ billions)	17.1	16.9	17.1		17.1	16.1
Equity funds (€ billions)	25.6	25.3	25.6		26.0	26.0
Risk assets (€ billions)	236.0	233.5	231.7		232.5	237.5
Core capital ratio (%)	7.3	7.2	7.4		7.3	6.8
Equity funds ratio (%)	10.4	10.3	10.5		10.6	9.6
Share information						
Share price (€)	34.50	28.28	27.24		25.61	23.44
Market capitalisation (€ billions)	25.9	21.2	20.4		19.2	17.6
Employees	60,881	62,716	62,696		61,251	60,923
Branch offices	2,378	2,489	2,461		2,316	2,263

1 Adjusted for integration costs and additional provisions for losses on loans and advances

2 Previous-year figures adjusted to reflect application of the modified IAS 19 (see also "IFRS basis" in the section entitled "Other information")

Important dates 2007

First-quarter earnings	May 10, 2007
Annual General Meeting of Shareholders	May 16, 2007
Second-quarter earnings	August 3, 2007
Third-quarter earnings	November 14, 2007

Contacts

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Published by

Bayerische Hypo- und Vereinsbank Aktiengesellschaft
Head Office
D-80311 Munich
www.hvb.com
Registrar of companies:
Munich HRB 421 48

Layout: Gottschalk+Ash Int'l

Typesetting: Layoutsatz 2000 GmbH & Co. KG
Printing: Druckerei Kriechbaumer

Print deadline: November 13, 2006
Publication date: November 20, 2006

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 aspects.

With effect from the present English-language interim report, we are switching to British usage and conventions.

Printed in Germany

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