This document constitutes a registration document (the "**Registration Document**") within the meaning of Art. 10 (1) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") in connection with Art. 7 and Annex 6 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019, in the version valid as of the date of the Registration Document (the "**Delegated Regulation**").

HypoVereinsbank Member of UniCredit

UniCredit Bank AG

Munich, Federal Republic of Germany

21 October 2019

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A. RISK FACTORS

The following is a disclosure of risk factors (the "Risk Factors") that are material with respect to the ability of UniCredit Bank AG ("HVB" or the "Issuer", and together with its consolidated subsidiaries, the "HVB Group") to fulfill its obligations under securities issued by it.

1. Risks related to the Issuer´s financial situation

1.1 Liquidity risk

In the course of its business activities, HVB Group must ensure, among other things, that the smooth and orderly processing of foreseeable and unforeseeable business transactions with regard to payment obligations entered into and means of payment available is guaranteed at all times within the regulatory framework. In this context HVB Group is subject to liquidity risk and defines this as the danger that the bank is not able to meet its payment obligations on time or in full and as the risk of not being able to obtain sufficient liquidity when required or that liquidity will only be available at higher interest rates, and/or as the risk that the bank will only be able to liquidate assets on the market at a discount.

For example a financial market crisis could lead to financial instability and to a decline in volume and availability of liquidity in the short-term, medium-term and long-term funding in the market. In such situation an increasing dependence on central bank liquidity could arise. In addition, counterparty risk between banks in particular could increase substantially which could cause a decline in interbank business and could entail a decrease of customers' confidence. In this connection, reduced trust could result in large outflows of deposits in HVB Group, which as a consequence could create liquidity problems for HVB Group and thus could result in a limited ability to fund its activities and meet its minimum liquidity requirements.

Furthermore the access for HVB Group to liquidity could be impeded in case of an inadequate access to bond markets or by the inability to issue bonds or to obtain other forms of interbank loans. Interbank funding costs could increase and reduced availability and/or higher costs of funding, combined with reduced access to similar or other forms of funding and/or the inability of HVB Group to dispose its assets or liquidate its investments could have negative effects on its business activities and on its operating results and financial situation.

Another risk concerns transfers of liquidity between units of HVB Group. These transfers are monitored by the regulatory authorities so that HVB and its subsidiaries could be forced to reduce their lending or borrowing to/from other legal entities within HVB Group and this could negatively impact the ability of HVB Group to meet the liquidity regulations of its subsidiaries through an intra-group transfer of capital, which in turn could have substantial negative effects on the operating results of HVB Group and on its business and financial situation.

Besides there are risks known as ‘systemic risks’. HVB Group routinely processes high volumes of transactions with numerous counterparties in the financial services sector, including business with brokers and traders, commercial banks, investment banks and other institutional clients. Financial services institutions operating transactions with such institutions, are linked through trading, investment, clearing and counterparty relationships, among others. Concerns regarding the stability of one or more of these institutions and/or the countries in which they operate could lead to a serious liquidity shortage (up to and including an entirely frozen interbank business), to losses and/or other institutional defaults. These risks could have detrimental effects on financial intermediaries such as clearing facilities, clearing houses, banks, securities houses and stock exchanges with which HVB Group interacts on a daily basis. This could in turn have negative effects on the ability of HVB Group to procure new funding.

1.2 Risks arising from pension commitments

HVB Group has undertaken to provide a range of different pension plans to current and former employees, which are largely financed by various forms of investment, some of which are external. Pension risk may arise in connection with the pension plans on both the assets side and the liabilities side (pension commitments). This may be caused by a decline in the fair value of plan assets on the assets side due to disadvantageous changes in market prices as well as by an increase in the obligations on the liabilities side, for instance due to a reduction in the discount rate. Furthermore, actuarial risks, such as longevity risk (changes to the mortality tables) may arise on the obligation side. In this context, pension risk is the risk that the pension provider will have to provide additional capital to service the vested pension commitments.

Low interest rates continue to be seen as the main negative factor for both the amount of the pension commitments disclosed and the amount of the income that can be generated from the plan assets with acceptable risk. It is perfectly conceivable that, should low interest rate levels persist for a longer period of time, the discount rate will have to be lowered again, thus causing the pension obligations to rise further.

Changes in the actuarial assumptions (for example, pension increases, salary increases, career trends and life expectancy) could influence the amount of the pension obligations, resulting in significant increases. Moreover, turmoil in the capital markets and the low interest rate environment could lead to losses in the plan assets of the various pension plans or prevent the achievement of the respective return targets. As a result, funding levels of the individual pension plans may be seriously compromised. All of the detrimental factors can have negative effects on the business results and the capital position of HVB Group, and thus on its financial situation. As of 31 December 2018 the present value of pension commitments in HVB Group was at € 4,874 million, the fair value of plan assets had a volume of € 4,073 million.

2. Risks related to the Issuer´s specific business activities

2.1 Risk from lending business (credit risk)

As a universal bank with a wide range of banking products and services, lending is one of HVB Group's main business areas. The HVB Group is thus exposed to a large extent to credit risks.

The credit risk of HVB Group, consisting of credit default risk including counterparty risk and issuer risk as well as country risk is influenced amongst others by several, unforeseeable factors, regarding economic and political trends, such as recessions, industry specific market developments, foreign currency risks, changes in tax and monetary policies, natural disasters, wars, changes in laws and regulatory requirements, liquidity and expectations of the capital markets as well as consumer behaviour with regard to investments and savings.

The solvency of HVB Group's customers could, among other things, deteriorate as a result of the above mentioned factors, with the result that they may probably not be in a position to meet their entire contractual obligation towards HVB Group as a whole, without having to take recourse to measures like the sale of collateral (where present).

In addition the value of the loan collaterals (e.g. real estate, securities, deposits, ships) could also fall below the amount of outstanding capital or in case of debt enforcement HVB Group could be unable to realise the expected value.

As result HVB Group could be forced to arrange for a revaluation of the loan and/or form additional loan loss provisions and higher reserves leading to losses for HVB Group.

A weakening of demand for financial products or inaccurate assessments of the creditworthiness or the country risk of the customers could also have detrimental effects on the operating results of HVB Group and its business and financial situation.

In addition to traditional banking activities, HVB Group is active in transactions in securities, derivatives, foreign exchange, commodities or securities lending/repurchase transactions. In this context further risks could arise from settlement or performance that is not provided at all or in a timely way by the counterparty as well as from system failures at clearing agencies/houses, stock exchanges or other financial intermediaries (including HVB Group).

A part of the credit risk of HVB Group results from credit exposures to the parent company of HVB Group, the UniCredit (UniCredit S.p.A. together with its consolidated subsidiaries). Changes in German and international laws and regulations with regard to the amount and weighting of intra-group exposures could have substantial negative effects on the internal funding of HVB Group, the costs of this funding (especially when it must be procured externally) and therefore on the business and financial situation of HVB Group.

2.2 Risks from trading activities (market risk)

HVB Group is exposed to market risk, which mainly arise in the Corporate & Investment Banking (CIB) business segment. Around one third of the market risk is in trading books while around two thirds – mainly invested in interest-bearing-securities – lie in strategic investments or in liquidity reserve portfolios in the banking book.

Market risk is defined as the potential loss of on- and off-balance-sheet positions in the trading and banking books that can arise in response to adverse changes in market prices (interest rates, equities, credit spreads, foreign exchange and commodities), other price-influencing parameters (volatilities, correlations), trading-related events in the form of default or change in credit ratings of securities (specific price risk for interest net positions) or decreased market liquidity.

Interest rate fluctuations in Europe and other markets in which HVB Group does business may negatively affect its financial situation and profitability. For example the current low interest rates are causing a decrease in margins, especially on the deposit side, that is having a direct negative impact on earnings. It cannot be guaranteed that there will be no substantial long-term decrease in earnings that would lead to a loss in market value of HVB Group.

HVB Group earns income outside the eurozone and a portion of its transactions is conducted in other currencies than euro. Consequently, HVB Group is exposed to exchange rate risks and risks pertaining to transactions in foreign currencies. Unfavourable changes in exchange rates could therefore negatively affect the business activities of HVB Group and its financial situation.

Market liquidity risk relates to the risk that the Issuer will suffer losses due to the disposal of assets that can only be liquidated on the market at a discount. In extreme cases, HVB Group may not be able to sell such an asset, as the market does not offer enough liquidity or the Issuer holds a position that is too large compared to the market turnover.

2.3 Risks from other business activities

In addition to the core/banking business, the Issuer is also exposed to risks from other business areas like own real estate and financial investments.

Real estate risk covers potential losses resulting from changes in the market value of the real estate portfolio of HVB Group. Besides the real estate owned by HVB, the HVB Group portfolio also includes the real estate owned by the real estate holding companies, real estate owned by HVB subsidiaries (according to International Financial Reporting Standards (IFRS) scope of consolidation) and by the Special Purpose Vehicles (SPVs). Following the introduction of the new IFRS16 accounting principle, rented/leased assets are also considered in the real estate portfolio. No land or properties are included that serve as collateral in lending (credit) transactions. The real estate portfolio value as estimated on 31 December 2018 is equal to €3,881 million. From a geographical perspective, the focus is on the Munich region with 50.6% of the portfolio value located there.

The main risk for the bank-owned portfolio stem mainly from the development of the current market value, which is always compared with the carrying amount. The risk drivers are the future usage by the bank, property rents/bank rents, market rents, occupancy rate, rental contract periods and required investment. The situation in real estate markets depends on economic trends. Should the growth slow down, there will be a corresponding decline in demand for rental properties. This could have negative consequences for the operating results and financial situation of HVB Group.

Financial investment risk covers potential losses arising from fluctuations in the measurement of HVB Group's equity interest. Financial investment risk of HVB Group stems from equity held in companies that are not included in the consolidated financial statements according to IFRS principles or are not included in market risk. The financial investment portfolio mainly consists of unlisted interests, private equity investments (co and direct investments), equity derivatives and other fund shares (real-estate funds and other closed funds).

Operational or financial losses to which these companies are exposed could cause decreases in the value of these participations and thus have negative effects on the assets, liabilities and situation of HVB Group.

3. General risks related to the Issuer´s business operations

3.1 Business risk

HVB Group defines business risk as potential losses resulting from unexpected negative changes in the business volume and/or margins that are not attributed to other risk types (e.g. credit, market, operational risk). It can lead to serious losses in earnings, thereby reducing the fair value of the company. Business risk can result above all from a serious deterioration in the local and global market environment, changes in the competitive situation, in customer behaviour or in expenses structure, or changes to the legal framework.

Essentially, business risk refers to the possibility that the bank will have lower than anticipated profits or experience a loss rather than taking a profit impairing the company's ability to provide its investors and stakeholders with adequate returns. Given that HVB Group's activities are mainly concentrated in Germany and Italy, scenarios that would include a deterioration of the macroeconomic conditions in these countries could cause an increase in the business risk of HVB Group.

3.2 Risks from concentrations of risk and earnings

Concentrations are accumulations of risk and/or earnings positions that react similarly to specific developments or events. Risk concentrations may have an impact within a risk type or equally across risk types. They indicate increased potential losses resulting from an imbalance of risk positions held in customers and products or specific industries and countries in line with HVB Group's business model and business strategy.

The largest concentrations of credit risk are in Germany, HVB Group's core market, and in Italy, which is partly due to HVB Group's role as a Group-wide competence centre for UniCredit's market and investment banking activities. In terms of industries, the largest concentrations of credit risk are in the financial institutions (including foreign countries), real estate and the public sector industry groups. The concentration in financial institutions (including foreign countries) and the public sector is partly due to HVB Group's own liquidity investments.

In addition, concentrations of earnings may also occur at individual customers, business segments, products, industries or regions which also represents a business-related strategy risk for HVB Group.

In the case of a deterioration in the economic environment, e.g. in individual sectors or countries in which the Bank is heavily involved, the Bank may be affected to a correspondingly greater extent by possible losses due to an existing concentration risk.

3.3 Operational risk

Due to its business operations HVB is exposed to operational risks (OpRisk).

HVB defines operational risk as the risk of losses resulting from inadequate or failed internal processes, systems and people or from external events in line with the Capital Requirement Regulation (CRR). The definition of OpRisk includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

The group of various types of operational risk of the Issuer HVB contains among others:

- Risks due to the use of necessary Information- and Communication Technology (ICT)-systems, e.g. due to unavailability of ICT, hacker attacks (ICT Risk)
- Risks due to disruption and/or discontinuity of critical business processes (business continuity management risk)
- Risks in the course of outsourcing of operations and processes to external providers (outsourcing risk)

In case operational risks occur, financial losses of Issuer HVB could arise, in the worst case leading to a total loss of securities issues.

3.4 Reputational risk

HVB Group defines reputational risk as the risk of a negative Profit and Loss ("**P&L**") effect caused by adverse reactions of stakeholders due to their altered perception of the bank, which can in turn be triggered by the materialization of a primary risk such as credit risk, market risk, operational risk, liquidity risk, business risk, strategic risk or other primary risks. Thus reputational risk potentially arises as an additional risk from the materialization of a primary risks as for example an operational risk of the bank. Moreover reputational risk may also not have to be linked to a primary risk as for example in case of a high-level representative of the bank making adversely perceived public statements concerning matters of the bank.

Basically reputational risk implies a loss of confidence of a stakeholder vis-à-vis the bank. The HVB Group, as part of a Pan-European Banking Group, defines as key stakeholders customers, employees, regulators, rating agencies and creditors. A possible reaction of stakeholders arising from the loss of confidence could be for example that customers cancel their relationship to HVB or rating agencies downgrade the bank’s rating.

The effects of a reputational risk event on the P&L of the bank may be reflected e.g. in the operational risk (e.g. losses due to increased client claims), in the business risk (e.g. decline in sales) or liquidity risk (e.g. increased refinancing costs).

4. Legal and regulatory risks

4.1 Legal and tax risks

With regard to legal risks HVB and other companies belonging to HVB Group are involved in various legal proceedings at the date of this Registration Document. HVB and other companies belonging to HVB Group are required to deal appropriately with various legal and regulatory requirements. Failure to do so may lead to litigation and administrative proceedings or investigations, and subject HVB and other companies belonging to HVB Group to damage claims, regulatory fines or other penalties.

In many cases, there is substantial uncertainty regarding the outcome of the proceedings and the amount of possible damages. These cases include criminal or administrative proceedings by the relevant authority and claims in which the claimant has not specifically quantified the amounts in dispute.

In that regard, HVB Group has processes in place to ensure adequate analysis of procedures and risks as a basis for deciding whether provisions for legal risks must be increased in specific cases or whether they are appropriate under the current circumstances. Following an analysis in each case, HVB Group has created appropriate provisions for legal risks for ongoing proceedings. However, the possibility that the existing provisions are inadequate cannot be ruled out. As of 31 December 2018, the provisions (included in the 2018 annual report) are equal to €2,182 million. Included in this amount are €1,617 million in the subitem “other provisions" and therein are €1,535 million provisions which include legal risks, litigation fees and damage payments.

Regarding tax risks, at the date of this Registration Document external tax audits of HVB and other HVB Group companies are taking place. It cannot be ruled out that these external tax audits of HVB Group will lead to supplementary payments of taxes and interest. Such additional payments could have negative effects on the operating results of HVB Group and/or its business performance and financial situation.

Moreover, if an HVB Group company should violate or be alleged to violate tax laws of one or more of the countries in which HVB Group does business, HVB Group could be exposed to additional tax risks and other risks. This would in turn increase the probability of additional tax proceedings and other official proceedings and could damage the reputation of HVB Group.

4.2 Compliance risk

Compliance risk is defined as an existing or future risk to income or capital as a consequence of infringements of or non-compliance with laws, regulations, statutory provisions, agreements, mandatory practices and ethical standards. This may result in fines, compensation for damage and/or contracts being rendered null and void in addition to damaging the HVB Group's reputation.

This includes the risk of being misused for the purposes of money laundering, terrorist financing and other criminal offences. In HVB Group, the Compliance function supports the management and monitoring of compliance risks with the main focus on breaching of laws and legal rules and regulations. The Compliance function identifies the compliance risk under consideration of external circumstances, potential impacts to the bank and their business activities and works towards the implementation of effective internal procedures and appropriate measures (including controls) to ensure compliance with the material statutory provisions and requirements for the institution. Dedicated risk analyses are therefore performed on a regular basis and follow the requirements from the Minimum Requirements for Risk Management (MaRisk), the German Banking Act (KWG), the German Securities Trading Act (WpHG), the Anti Money Laundering Act (GwG) as well as the Minimum Requirements for Compliance (MaComp).

Besides the regular updates of compliance risk results, ad hoc assessments are carried out in order to reflect newly arising risks. The opening of a new business line and/or structural changes within the bank are examples which could trigger a re-assessment. Risk results are reported on a quarterly basis to the Management Board of HVB. Based on the risk-results, activities within Compliance are managed, such as inter alia second-level controls, advice activities, subject-specific training courses etc. However, cases of non-compliance (e.g. fraud) could occur in the future and cause financial losses as well as a negative public perception of HVB Group.

4.3 Regulatory risks

The activities of HVB Group are regulated and supervised by the central banks and regulatory authorities in the countries and regions where HVB Group does business. Within the Single Supervisory Mechanism (SSM) HVB Group is subject to the supervision by the European Central Bank (ECB).

The bank regulatory regimes in the various local jurisdictions contain disparities and may change at any time. This could have a severe impact on the competitive situation and may require HVB Group to take wide-ranging measures. Apart from e.g. significantly higher capital costs and a significant rise of costs for the implementation of regulatory requirements also changes in the business model may be required.

Should HVB or any of its subsidiaries not fully comply with the regulatory requirements of the respective supervisory authorities, this could lead to sanctioning measures by the relevant Competent Authority supervisor right up to the withdrawal of the licence.

HVB has therefore established a process in accordance with the Minimum Requirements for Risk Management (MaRisk) which shall ensure the identification und implementation of new regulations by and applicable to HVB. In addition, the potential impacts of relevant new regulations on the Bank are assessed at an early stage according to defined criteria (e.g. relevant implementation costs or their impact on potential earnings or risk weighted assets (RWA)) and relevant measures are taken, if necessary. Moreover external audits and the communication with supervisory authorities are coordinated centrally in HVB.

Nevertheless changes of the regulatory and statutory environment of HVB or cases of non-compliance with regulatory requirements by the supervisors may still occur, which can have a severely disadvantageous impact on certain business activities, the earnings situation and the financial situation of HVB, such as restrictions on the business activity of HVB or its subsidiaries.

According to European and German regime on bank recovery and resolution law credit institutions are obliged to prepare recovery plans and to participate in the preparation of resolution plans by the relevant national resolution authority. The national competent supervisory authority may initiate early intervention measures in order to react to a critical financial situation. If the requirements for resolution are met the competent resolution authority may undertake a range of measures, especially resolution measures. In this case there is a risk of total loss of invested capital for shareholders and creditors.

Furthermore, credit institutions are required to meet the Minimum Requirement for Eligible Liabilities (MREL). The relevant minimum contribution shall be determined yearly by the competent resolution authority.

HVB and HVB Group are subject to stress testing measures introduced by the German financial supervisory authorities (German Federal Financial Supervisory Authority ("**BaFin**") and the German Central Bank (Deutsche Bundesbank), European institutions (European Banking Authority (EBA), ECB, European Commission and European Systemic Risk Board (ESRB)) as well as by the supervisory authorities in the countries in which HVB and HVB Group operate.

Since the ECB has classified UniCredit S.p.A. as a systemically important bank, HVB and HVB Group, as a part of UniCredit, were subject to the EU-wide stress tests. As these stress tests were run at the highest level of consolidation, HVB and HVB Group were subject to the EU-wide stress test only as a part of UniCredit, but not on a stand-alone level. HVB and HVB Group, as a part of UniCredit, may be subject to similar measures in the future.

In addition to the participation in EU-wide stress tests, HVB and HVB Group are required to regularly conduct internal stress tests based on macroeconomic scenarios or on ad-hoc basis. The results of these internal stress tests are provided to the top management of HVB and of relevant subsidiaries within HVB Group as well as to the German Central Bank.

In addition, UniCredit S.p.A. and HVB are subject to the Supervisory Review and Evaluation Process (SREP). HVB Group complies with all requirements from SREP 2018.

The business performance of HVB and HVB Group could be negatively affected and it may be required to comply with additional prudential requirements or to take remedial actions (such as raising own funds) in case of poor stress test results or deficiencies being identified in the course of stress testing measures or in connection with SREP by HVB, HVB Group, UniCredit or one of the financial institutions with which they do business.

5. Strategic and macroeconomic risks

5.1 Strategic risk

HVB Group as a universal bank focuses on the regional management of the German market and also acts as the centre of competence for the investment banking activities of UniCredit as a whole. As a consequence, the profitability and risk profile of HVB Group are influenced in particular by economic developments in Germany and by developments on the international financial and capital markets. In this context, strategic risk results from management either not recognising early enough or not correctly assessing significant developments or trends in the Bank's environment. As a consequence fundamental management decisions could, in retrospect, prove to be disadvantageous in terms of the Bank's long-term goals. In addition, some decisions may be difficult to reverse or cannot be reversed at all.

Presently the following areas determined as relevant for the occurrence of strategic risk:

- Economic environment – If, among other things, the stabilising measures in the eurozone do not take effect or economic growth in Europe slows down, this could have a negative impact on HVB Group's profit situation.
- Strategic orientation of HVB Group's business model - For example, the persistently low interest rate environment could lead to imbalances in the earnings contributions of the business areas.
- Banking industry specific risks - The intensification of competitive conditions in the financial sector could, for example, lead to further shifts in market shares.
- Regulatory and legal environment - The failure of HVB or one of its subsidiaries to fully satisfy the regulatory requirements of the supervisory authorities could lead to the responsible authority imposing sanctions.
- UniCredit Bank AG's rating - A rating downgrade could make funding costs higher for HVB or have a negative impact on the business opportunities of HVB as a counterparty in the interbank market or with rating-sensitive customers.

5.2 Macroeconomic risk

Based on the strategic orientation of HVB Group with the business segments Commercial Banking and Corporate & Investment Banking (CIB), their offering of products and concentration on the core market Germany, general economic developments in Germany, in combination with developments on the international financial and capital markets are of great importance for the assets, liabilities, financial position and profit or loss of HVB Group.

According to projections by the International Monetary Fund (IMF), the global economy is likely to grow by 3.2%[1]. throughout the whole of 2019, whereby the prospects with regard to the individual economies vary. Besides another decline in US growth in second half of the year, growth in the eurozone is also likely to weaken further. Many emerging and developing countries will also probably lose momentum in the course of 2019, as still relatively high oil prices and a strong US dollar exchange rate should continue to weigh on their economic development. A further burdening factor for the global economy is presumably somewhat weaker growth in China. In addition to the ongoing transformation of the Chinese economy, slower growth likely stems from the normalization process in the Chinese real estate market. Moreover, uncertainties for global trade continue to originate from the unpredictable consequences of a tightening of protectionist measures by the US government and the outcome of the Brexit process. In the eurozone, budget negotiations for 2020 between Italy and the EU Commission could again weigh on markets and impair economic development via higher financing conditions.

Domestic consumption is expected to remain one of the key drivers of growth of the German economy in 2019, whereas foreign trade should dampen economic activity due to slower global growth in the second half of the year. Furthermore, manufacturing companies, in particular, could suffer from a further escalation of trade disputes in the US-China-Europe triad.

In 2019 political uncertainties will continue to play an important role and be dominated by US foreign policy and the ongoing Brexit process. Besides the ongoing effects of the European sovereign debt crisis, there are increasing political and economic uncertainties relating to the future development of the European Union as a whole. Existing tensions between the European Union (EU) and not only Turkey but also Russia, as well as continuing geopolitical conflicts, in Syria in particular, and increasing numbers of terrorist attacks entail further risks relating to the security, monetary and economic situation throughout Europe.

Extremely low interest rates will continue to be one of the main challenges for the financial sector. The measures taken by the European Central Bank (ECB) have so far contributed to calm the markets. It remains impossible to predict the extent and intensity to which the financial markets will react to all these developments seen as a whole.

Should the measures taken to stabilise the Eurozone fail to have the intended effect or in case the economic growth slow down or the financial and capital markets are further disrupted, this could have a negative effect on the assets, liabilities, financial position, and profit or loss of HVB Group. Due to the continuing high level of uncertainty in the macro-political environment and the resulting structural volatility in the financial and capital markets, forward-looking statements regarding future business performance cannot be made with great certainty.

B. PERSONS RESPONSIBLE

UniCredit Bank AG having its registered office at Arabellastrasse 12, 81925 Munich (acting through its head office or one of its foreign branches) accepts responsibility for the information contained in this Registration Document. UniCredit Bank AG declares that the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and that the Registration Document makes no omission likely to affect its import.

C. STATUTORY AUDITORS

The independent auditors (*Wirtschaftsprüfer*) of UniCredit Bank AG for the financial years 2018 and 2017 have been Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Rosenheimer Platz 4, 81669 Munich. Deloitte is a member of the Chamber of German Public Accountants, an institution incorporated under public law (*Wirtschaftsprüferkammer, Körperschaft des öffentlichen Rechts*), Rauchstrasse 26, 10787 Berlin.

[1] IMF World Economic Outlook (WEO) Update, July 2019.

D. UNICREDIT BANK AG

1. Information about HVB, the parent company of HVB Group

UniCredit Bank AG, formerly Bayerische Hypo- und Vereinsbank Aktiengesellschaft ("**HVB**", and together with its consolidated subsidiaries, the "**HVB Group**") was formed in 1998 through the merger of Bayerische Vereinsbank Aktiengesellschaft and Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft. It is the parent company of HVB Group, which is headquartered in Munich, Federal Republic of Germany. HVB has been an affiliated company of UniCredit S.p.A., Milan, Italy ("**UniCredit S.p.A.**" and together with its consolidated subsidiaries, "**UniCredit**") since November 2005 and hence a major part of UniCredit from that date as a sub-group. UniCredit S.p.A. holds directly 100 per cent. of HVB's share capital.

HVB's legal name is UniCredit Bank AG, the brand name is "HypoVereinsbank". The Legal Entity Identifier (LEI) is 2ZCNRR8UK83OBTEK2170.

HVB has its registered office at Arabellastrasse 12, 81925 Munich and is registered with the Commercial Register at the Local Court (*Amtsgericht*) in Munich under number HRB 42148, incorporated as a stock corporation under the laws of the Federal Republic of Germany. It can be reached via telephone under +49-89-378-0 or via www.hvb.de (whereby the information contained on such website shall not form part of this Registration Document, unless specified differently in the section "*General Information – Information incorporated by reference*" below).

As set out in Section 2 of the Articles of Association, the object and purpose of the company is to transaction all kinds of banking transactions and the business of a Pfandbrief bank, to provide financial services and perform all other principal and ancillary activities a credit institution or Pfandbrief bank may perform, both for its own account or for the account of a third party.

2. Ratings

UniCredit Bank AG is rated by Fitch Ratings ("**Fitch**"), Moody’s Investors Service ("**Moody’s**") and S&P Global Ratings ("**S&P**"), which are established in the European Economic Area or have relevant subsidiaries which are established in the European Economic Area and have been registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended and are included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk:

Moody's	A2 / P-1 (stable)
S&P	BBB+ / A-2 (negative)
Fitch	BBB+ / F2 (negative)

3. Programme Transform 2019

The persistently challenging environment for the banking industry and the huge downward pressure on profitability and costs this entails require adjustments to be made to bank structures and processes. To ensure the successful advancement of the Bank, we set up the Multi-Year Plan 2017-2019. Our strategic planning is embedded in the group-wide Transform 2019 programme, which comprises initiatives on the income, costs and cooperation side. Within the framework of the programme we are optimising our internal structures and processes (also through end-to-end optimisation and the streamlining of processes). This includes a transfer of activities between different locations and the centralisation of tasks as a restructuring measure and will extend into 2019 in parallel to a further adjustment of our staffing levels. At the same time, intensified cooperation between the business segments will create greater cross-selling potential and the use of the respective product expertise will leverage additional synergies and earnings potential. The implementation of the programme is proceeding according to schedule.

E. BUSINESS OVERVIEW

1. Principal Activities

As a universal bank, HVB with its subsidiaries is one of the leading providers of banking and financial services in Germany. It offers a comprehensive range of banking and financial products and services to private, corporate and public-sector customers, international companies and institutional customers. This range extends from mortgage loans, consumer loans, savings-and-loan and insurance products, and banking services for retail customers through to business loans and foreign trade financing and investment banking products for corporate customers.

In the private banking and wealth management customer segments, HVB offers comprehensive financial and asset planning with needs-based advisory services by generalists and specialists.

HVB Group continues to be the centre of competence for the international markets and investment banking operations of the entire UniCredit. In addition, the Corporate & Investment Banking ("**CIB**") business segment acts as a product factory for customers in the Commercial Banking business segment.

2. Business segments of HVB Group

The activities of HVB Group are divided into the following business segments:

- Commercial Banking
- Corporate & Investment Banking
- Group Corporate Centre
- Other
- Consolidation

Segment reporting is based on the internal organisation and management structure together with internal financial reporting.

Commercial Banking

The Commercial Banking business segment covers customers in Germany with standardised or individual service and advice across a wide range of banking services in the Private Clients Bank and Unternehmer Bank business units, applying service models in line with the various customer groups, i.e. retail customers, private banking customers, wealth management customers, business/corporate customers and commercial real estate customers.

Unternehmer Bank

Unternehmer Bank (UBK) covers the entire range of German companies as well as companies operating in Germany, with no threshold on revenues, as well as private individuals with ties to such companies. With the exception of customers served by Multinational Corporates (MNC) and subsidiaries positioned in the CIB business segment due to their frequent needs for capital market products, all customer relationships in the German "Mittelstand" segment and Commercial Real Estate are serviced within the Unternehmer Bank.

Clients of the Unternehmer Bank are divided into the following segments: Key Account (larger enterprises), Mid Cap (medium enterprises), Small Cap (small enterprises, both decentral in the sales regions and central in the remote coverage channel "Business Easy"), and Commercial Real Estate. In addition, the Wealth Management covers wealthy private clients (> €5m) and their respective investment vehicles such as Family Offices.

UBK pursues a growth strategy in which it seeks to position itself with clients as holistic and individual provider of solutions on all sales channels relevant to the client. This is established in the Mission Statement 2019 of Unternehmer Bank. Strategic developments for corporate clients are related to corporate succession, digitalisation, foreign trade, internationalization, Wealth Management and the intensified usage of capital market solutions.

The UniCredit Leasing Group comprises the equipment leasing-, hire-purchase and -financing business of Unternehmer Bank. As a 100% subsidiary of UniCredit Bank AG, UniCredit Leasing Group has a clearly defined growth mandate for the coming years.

*Private Clients Bank ("**PBK**")*

The Private Clients Bank serves private clients in the business segments "Retail" and "Private Banking", covering all banking needs with a focus on Affluent and Private Banking Customers. Specific sales channels and responsibilities take into account the sometimes divergent and individual needs of these customer segments, promoting the transition of wealthy investment customers into Private Banking while making efficient use of shared specialist, management and support units.

PBK's route adopted with the modernisation of the private clients business will be continued to achieve sustainable profitability and growth and to increase the market share. This should be achieved by highest individual consulting expertise, a modern omni-channel strategy incl. an extended digital product offering, the val*you* loyalty programme and by a network of more than 300 branches. In particular, Private Banking follows a clear growth strategy with its holistic advisory approach, a nationwide network and comprehensive product spectrum of investment and financing products.

The two subsidiaries WealthCap, and UniCredit Direct Services are supporting this strategy: WealthCap is a product factory for closed-end funds, with the focus on real estate and private equity funds. UniCredit Direct Services is the customer call and service centre of HVB Group. The primary focus of the service and sales activities is on customer relationship management by telephone, e-mail and internet.

Corporate & Investment Banking (CIB)

CIB is a global business division of UniCredit Group. It is organised in a matrix structure and has operations in the three major legal entities of the Group: UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit S.p.A.

CIB is based on the interaction between coverage and the product units, but also from cooperation with other countries and UniCredit Group business segments, as well as the responsible Credit Risk management units.

UniCredit Bank AG aims to build stable, strategic business partnerships by providing services and solutions in both corporate and investment banking.

The CIB is the competence centre of UniCredit Bank AG for international markets and investment banking. The local CIB strategy is closely aligned with the global CIB strategy to provide clients with consistent support.

UniCredit Bank AG serves local as well as international clients through its extensive network. The CIB division is active in the European markets and is also present in the top financial centres worldwide such as New York, Hong Kong, Singapore and Tokyo.

In line with the group-wide strategic plan "Transform 2019" UniCredit Luxembourg S.A. was merged on July 20th 2018 into UniCredit Bank AG. At the same time UniCredit Bank AG Luxembourg Branch was established that conducts the business activities of the former subsidiary.

CIB Product Lines

Besides the coverage of corporate and institutional clients, the Corporate & Investment Banking division comprise three product lines: Global Transaction Banking (GTB), Financing & Advisory (F&A) and Markets. Through close collaboration between the CIB product specialists and the coverage units of CIB and the Commerical Bank, CIB products are being delivered to a broad client range from small and medium size enterprises to large and multinational corporate clients as well as institutional clients and financial sponsors.

Coverage is set up horizontally: Financial Institutions Group (FIG), Multinational Corporates (MNC) and Family Offices & Investment Holdings (GFO), CIB Americas and CIB Asia Pacific. Three Product lines are set up vertically:

Global Transaction Banking (GTB) offers traditional and innovative products in the area of Cash Management and Trade Finance. Based on these, it provides services with regard to payment transactions, account information, cash-flow and working capital optimisation, liquidity management and predominantly short-term import and export financing of transaction-oriented customers.

Key product areas in Cash Management are clearing and FX, client access through electronic access channels, payment products with funds transfers and account information, liquidity management with cash pooling and other optimisation methods, cash innovations with corporate customer cards and retailer solutions as well as sight deposits business.

In the Trade Finance area GTB offers solutions along the whole customers' value chain such as working capital solutions, as well as traditional foreign trade products as guarantees, letters of credit, collections etc. Within the context of the cross-divisional Trade Finance initiative common goals are agreed upon by product specialists and relationship managers.

Financing & Advisory F&A supports the Financial Sponsors Solutions, Infrastructure & Power Project Finance, Natural Resources, Commodity Trade Finance, and Structured Trade and Export Finance customers at a global level. Further global business lines are Global Syndicate & Capital Markets and Corporate Finance Advisory. The local business units Corporate Structured Finance (CSF) and Real Estate Structured Finance (RESF) cooperate closely with the Commercial Banking business divisions. Global Shipping as a local unit follows transactions worldwide. Portfolio & Pricing Management (PPM) is responsible for management of all UniCredit Group's LP (Leveraged and Project Finance, covered by the business lines Financial Sponsor Solutions, Infrastructure & Power Project Finance and Natural Resources) portfolio transactions. RESF and CSF portfolios are managed at UniCredit Bank AG level by PPM in conjunction with sales channel representatives. In addition, it offers support to the subsidiary Ocean Breeze Energy GmbH & Co KG.

Markets is a client driven business line which supports UniCredit Group's Corporate and Institutional Business as an integral part of the CIB value chain. The product unit covers all asset classes: Rates, Currencies, Commodities and Equity Derivatives. It provides risk management solutions and investment services for Institutional Clients, Corporations and Private Investors via own and external networks.

Group Corporate Centre

The Group Corporate Centre pools the competence lines of HVB Group. They contain the organisations of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO) and the Chief Operating Officer (COO) including Human Resources Management (HR). The Group Corporate Centre encompasses profit contributions that do not fall within the responsibilities of the Commercial Banking or CIB business segments. Among other items, this includes the profits and losses of consolidated subsidiaries and of non-consolidated holdings, provided they are not assigned to other business segments. In addition, this segment reflects contributions to earnings that arise within the scope of the management of HVB Group as a whole.

Other/Consolidation

The "Other" and "Consolidation" business segments encompass the Global Banking Services business unit and consolidation effects.

Global Banking Services

The Global Banking Services business unit acts as a central internal service provider for customers and employees and particularly covers purchasing, organisation, corporate security, logistics and facility management, cost management and production functions for credit, accounts, foreign exchange, money market and derivatives, as well as in-house consulting. Payments, securities settlement, IT application development and IT operation have been outsourced. Strategic real estate management at HVB is also the responsibility of Global Banking Services and is carried out by HVB Immobilien AG and its subsidiaries. The Data Governance unit, which is tasked with the further development and operation of a data warehouse for financial and risk figures, was set up in 2016.

3. Principal Markets

In the opinion of HVB Group, it has a developed network of branches in Germany, particularly in Bavaria and the greater Hamburg area, which was modified to accommodate changed patterns of customer behaviour. As of 30 June 2019, HVB Group had 500 offices around the world (including 346 HVB branches in Germany) and 12,205 employees (in full-time equivalents, FTEs) (2018: 12,252).

F. MANAGEMENT AND SUPERVISORY BODIES

Like all German stock corporations, UniCredit Bank AG has a two-tier board system. The Management Board (*Vorstand*) is responsible for management and the representation of HVB with respect to third parties. The Supervisory Board (*Aufsichtsrat*) appoints and removes the members of the Management Board and supervises the Management Board's activities.

In accordance with Section 24 (1) sent. 2 of the German Act on the Co-determination of Employees in Connection with a Cross-border Merger (MgVG) in conjunction with Section 95 sent. 1 and 3 and Section 96 of the German Stock Corporation Act (*AktG*) and Section 8 of the Articles of Association, the Supervisory Board consists of 12 members, comprising an equal number of employee and shareholder representatives in accordance with the co-determination provisions. When new members of the Supervisory Board are appointed, care is taken to ensure that they have the required knowledge and skills and do not serve on governing bodies or perform advisory functions for key competitors. The members of the Supervisory Board are obliged to act in the interests of the company. Under the Supervisory Board's by-laws, any conflicts of interest must be disclosed to the Supervisory Board.

The Management Board is directly responsible for managing the company and works with the other bodies of the company and the employee representatives in the interests of the company. It develops the strategic orientation of the company, coordinates this with the Supervisory Board and is responsible for putting it into practice.

The members of the Management Board and the Supervisory Board of HVB may be contacted at their business address (UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany).

As of the date of this Registration Document, the composition of the Management Board and of the Supervisory Board of HVB and the functions and major activities performed by members of the Management Board outside HVB Group and the principal occupations of the members of its Supervisory Board are as follows:

Management Board

Name	**Areas of Responsibility**	**Major activities outside HVB Group**
Sandra Betocchi Drwenski	Chief Operating Officer	UniCredit Services S.C.p.A. (formerly UniCredit Business Integrated Solutions S.C.p.A.), Milan (Member of the Consiglio di amministrazione)

Name	Areas of Responsibility	Major activities outside HVB Group
Markus Beumer	Commercial Banking - Unternehmer Bank	DAW SE, Ober-Ramstadt (member of the Advisory Board)
Dr Emanuele Buttà	Commercial Banking – Private Clients Bank	-
Ljiljana Čortan	Chief Risk Officer	-
Dr Michael Diederich	Spokesman of the Management Board Human Capital/Arbeit und Soziales	FC Bayern München AG, Munich (member of the Supervisory Board since 17 December 2018)
		ESMT European School of Management and Technology GmbH, Berlin (Member of the Supervisory Board)
Jan Kupfer	Corporate & Investment Banking	Bayerische Börse Aktiengesellschaft, Munich (Member of the Supervisory Board since 1 July 2018)
Guglielmo Zadra	Chief Financial Officer	-

Supervisory Board

Name	Principal Occupation
Gianpaolo Alessandro, Milan Chairman	Head of Group Legal - Secretary of the Board of Directors der UniCredit S.p.A., Milan
Florian Schwarz, Munich, Deputy Chairman(1)	Employee of UniCredit Bank AG
Dr Wolfgang Sprissler, Sauerlach, Deputy Chairman	Former Board Spokesman of UniCredit Bank AG
Paolo Cornetta, Milan	Head of Group Human Capital of UniCredit S.p.A., Milan
Francesco Giordano, Milan	Co-CEO Commercial Banking Western Europe of UniCredit S.p.A, Milan
Professor Dr Annette G. Köhler, Düsseldorf	University Professor and Chair of Accounting, Auditing and Controlling, University of Duisburg-Essen, Faculty for Business Administration - Mercator School of Management, Duisburg
Dr Marita Kraemer, Frankfurt am Main	Former Member of the Management Board of Zurich GI Management Aktiengesellschaft (Deutschland), Frankfurt am Main, and former Member of the Management Board of Zurich Service GmbH, Bonn
Klaus-Peter Prinz, Trier(1)	Employee of UniCredit Bank AG Luxembourg Branch, Luxembourg
Claudia Richter, Fürth(1)	Employee of UniCredit Bank AG
Christian Staack, Hamburg(1)	Employee of UniCredit Bank AG
Oliver Skrbot, Buttenwiesen(1)	Employee of UniCredit Bank AG

Name	Principal Occupation
Gregor Völkl, Munich(1)	District Secretary (Bezirksfachbereichssekretär) of Vereinte Dienstleistungsgewerkschaft ver.di, Division 1 - Financial Services Munich district, Munich

(1) Representative of Employees

As at the date of this Registration Document, there are no potential conflicts of interest between the duties to HVB of the above-mentioned members of the Management Board and members of the Supervisory Board of HVB and their private interests and/or other duties.

G. MAJOR SHAREHOLDERS

UniCredit S.p.A. holds directly 100 per cent. of HVB's share capital.

H. FINANCIAL STATEMENTS OF HVB

The audited consolidated financial statement in respect of the fiscal year ended 31 December 2017 of HVB Group, the audited unconsolidated financial statement of HVB as at 31 December 2017 (*HGB*), the audited consolidated financial statement in respect of the fiscal year ended 31 December 2018 of HVB Group and the audited unconsolidated financial statement of HVB as at 31 December 2018 (HGB) are incorporated by reference into this Registration Document (see "General Information – Information incorporated by reference" below). The unaudited half-yearly financial report of HVB Group at 30 June 2019 is part of this Registration Document in the form of F-Pages.

I. AUDIT OPINION OF THE AUDITORS

Deloitte, the independent auditors of HVB for the financial years 2018 and 2017 have audited the consolidated financial statements of HVB Group and the unconsolidated financial statements of HVB as of and for the years ended 31 December 2018 and 31 December 2017 and have issued an unqualified audit opinion thereon.

J. LEGAL AND ARBITRATION PROCEEDINGS

Legal risks

A failure to deal appropriately with various legal and regulatory requirements may lead to litigation and administrative proceedings or investigations and subject HVB and/or other companies belonging to HVB Group to damage claims, regulatory fines or other penalties.

In many cases, there is substantial uncertainty regarding the outcome of the proceedings and the amount of possible damages. These cases include criminal or administrative proceedings by the relevant authority and claims in which the petitioner has not specifically quantified the amounts in dispute. In all proceedings where it is possible to reliably estimate the amount of possible losses, and the loss is considered likely, appropriate provisions have been set up based on the circumstances and consistent with IFRS accounting principles applied by HVB Group.

HVB and other companies belonging to HVB Group are involved in various legal proceedings. The following is a summary of cases against HVB or other companies belonging to HVB Group, which individually or collectively in the respective subject areas have a value in dispute exceeding €50 million or are of substantial significance for HVB for other reasons.

VIP 4 Medienfonds Fund

Various investors in Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG to whom the Bank issued loans to finance their participation, brought legal proceedings against HVB. In the context of the conclusion of the loan agreements the plaintiffs claim that inadequate advice was provided by the Bank about the fund structure and the related tax consequences. A settlement was reached with the vast majority of the plaintiffs. An outstanding final decision with respect to the question of HVB's liability for the prospectus in the proceeding pursuant to the Capital Markets Test Case Act (*Kapitalanleger-Musterverfahrensgesetz*) which is pending at Munich Higher Regional Court, will affect only a few pending cases.

Closed-end funds

Investors filed lawsuits against HVB and claim insufficient advice was provided by the Bank within the scope of their investment in closed-end funds. In particular, the investors claim that HVB did not or did not fully disclose any refunds made to the Bank or they were advised on the basis of an allegedly incorrect prospectus. The questions regarding a correct and sufficient advice provided to a customer as well as questions regarding the limitation period and thus the success prospects in proceedings depend on the individual circumstances of the particular case and are therefore difficult to predict. As far as these proceedings were disputed, the experience of the past has shown that the deciding courts have largely ruled in favour of HVB.

Derivative transactions

The number of complaints and lawsuits filed against HVB by customers in connection with inadequate advice in the context of the conclusion of derivative transactions is declining. Among other things, the arguments raised are that the Bank allegedly did not sufficiently inform the customer with respect to potential risks related to such transactions and especially did not inform the customer about a potential initial negative market value of the derivative. Experience gained so far show that the characteristics of the relevant product and the individual circumstances of each case are decisive. In particular, the statute of limitations, the client's economic experience and risk tolerance, and the actual investment advice given may be relevant aspects.

Proceedings related to claims for withholding tax credits

On 31 July 2014 the Supervisory Board of HVB concluded its internal investigation into the so-called "cum-ex" transactions (the short selling of equities around dividend dates and claims for withholding tax credits on German share dividends) at HVB. The findings of the Supervisory Board's investigation indicated that the bank sustained losses due to certain past acts/omissions of individuals. The Supervisory Board has brought proceedings for compensation against three individual former members of the management board, not seeing reasons to take any action against the current members. These proceedings are ongoing.

In addition, criminal investigations have been conducted against current or former employees of HVB by the Prosecutors in Frankfurt on the Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. HVB cooperated - and continues to cooperate - with the aforesaid Prosecutors who investigated offences that include alleged tax evasion in connection with cum-ex transactions both for HVB's own book as well as for a former customer of HVB. Proceedings in Cologne against HVB and its former employees were closed in November 2015 with, inter alia, the payment of a fine of €9.8 million by HVB. The investigations by the Frankfurt on the Main Prosecutor against HVB under section 30 of the Administrative Offences Act (the Ordnungswidrigkeitengesetz) were closed in February 2016 by the payment of a fine of €5 million. The investigation by the Munich Prosecutor against HVB was closed in April 2017 with legally binding effect following the payment of a forfeiture of €5 million.

In December 2018, in connection with an ongoing investigation against former bank employees by the Cologne prosecutor, HVB was informed of the initiation of an investigation in connection with an administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). In April 2019 these investigations were extended to so called Ex/Ex-transactions, in which an involvement of the bank in the sourcing of cum/ex transactions of other market participants on the ex-day is suspected. The facts are examined internally. HVB continues to cooperate with the authorities.

The Munich tax authorities are currently performing a regular field audit of HVB for the years 2013 to 2016 which includes, among other things, review of other transactions in equities around the dividend record date. During these years HVB performed, among other things, securities-lending transactions with different domestic counterparties which include, but are not limited to, different types of security transactions around the dividend date. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the dividend record days, and what the further consequences for the bank will be in the event of different tax treatment. It cannot be ruled out that HVB might be exposed to tax-claims in this respect by relevant tax-offices or third party claims under civil law. HVB is in constant communication with relevant regulatory authorities and the competent tax authorities regarding these matters. HVB has made provisions deemed appropriate.

Lawsuit for consequential damages

A customer filed an action against HVB for consequential damages of €236 million for the following reasons: In 2010, HVB was ordered by Frankfurt Higher Regional Court to pay damages in the amount of €4.8 million to the plaintiff due to the faulty handling of a bill of exchange and in addition to compensate further damages suffered by the plaintiff as a result of this deficiency. In 2011, the plaintiff filed an action against HVB with Frankfurt Regional Court for alleged consequential damages in the amount of €33.7 million and extended this action several times to a total of €236 million, in the meantime. By ruling dated 31 August 2017, Frankfurt Regional Court dismissed the claim and followed HVB's opinion on the claim being unfounded and the allegations raised by the plaintiff being unreasonable. The meanwhile filed appeal of the plaintiff against the court ruling to the Frankfurt Higher Regional Court was dismissed on 19. March 2019. The Frankfurt Higher Regional Court acknowledged the justification given by the Regional Court fully and did not permit an appeal. The plaintiff filed a complaint against not admitting the case to the third instance to the Federal Court of Justice, which is still pending.

Financial sanctions matters

In March 2011, HVB received a subpoena from the District Attorney for New York County ("**DANY**") relating to historical transactions involving certain Iranian entities designated by the U.S. Department of the Treasury’s Office of Foreign Assets Control ("**OFAC**") and their affiliates. In the subsequent years, DANY, the U.S. Department of Justice ("**DOJ**"), OFAC, the New York State Department of Financial Services ("**DFS**"), and the Board of Governors of the Federal Reserve System and the New York Federal Reserve Bank ("**Fed**") (collectively "**U.S. and New York authorities**") initiated their own investigations respecting historical compliance by UniCredit S.p.A., HVB, and UniCredit Bank Austria AG (together "**Group**") with applicable U.S. sanctions laws and regulations.

UniCredit S.p.A., HVB, and UniCredit Bank Austria AG have each cooperated extensively with the U.S. and New York authorities, including conducting their own voluntary investigation of their U.S. dollar payments practices and its historical compliance with applicable U.S. financial sanctions, in the course of which certain historical non-transparent practices were identified. Even before the conclusion of these investigations, the Group initiated substantial and substantive remediation activities relating to policies and procedures, which are ongoing.

On 15 April 2019, UniCredit S.p.A., HVB, and UniCredit Bank Austria AG reached a resolution with the U.S. and New York authorities regarding these investigations. As part of such resolution, UniCredit S.p.A., HVB, and UniCredit Bank Austria AG entities have paid penalties totaling approximately $1.3 billion and have agreed to implement certain remedial policies and procedures. The amount owed by the respective entities is entirely covered by their provisions, and the final penalty amount will not have a material impact on the UniCredit group. No further enforcement actions are expected relating to the subject of the resolved investigation.

As part of the settlements with the U.S. and New York authorities (DANY, OFAC, DOJ, DFS and Fed), UniCredit S.p.A., HVB, and UniCredit Bank Austria AG made certain commitments to implement remedial compliance controls and conduct risk assessments relating to the UniCredit group’s global business lines, to provide periodic reports and certifications concerning the implementation and effectiveness of the group’s compliance program to the U.S. and New York authorities, and to engage an independent external party to conduct an annual review of the effectiveness of the group’s compliance program whose findings will be shared with the U.S. and New York authorities. Most of these reporting requirements will expire after three to five years, but may be extended at the discretion of the U.S. and New York authorities.

Lehman Brothers Special Financing Claim

The Lehman Brothers Special Financing Claim (LBSF) relates to HVB’s holding of: (A) 2005-1 EUR 19,000,000 Class A2-A9 notes issued by Ruby Finance PLC ("Ruby"), and (B) 2004-1 Upper Thames EUR 25,000,000 Credit-Linked Synthetic Portfolio Notes due in 2043 and issued by Quartz Finance PLC ("Quartz").

Both Ruby and Quartz entered into contracts for derivatives with Lehman Brothers Special Financing, Inc.. LBSF included these credit derivative transactions in omnibus avoidance proceedings commenced before the US Bankruptcy Court on 1 October 2010 (LBSF v Bank of America, N.A. et. al. Adv. Pro. No. 10-03547; the "Adversary Proceeding"). On 18 July 2012, LBSF amended its First Amended Complaint in the Adversary Proceeding, in order to, among other things, add the London Branch of HVB as a "Noteholder Defendant", in an attempt to claw-back distributions for the benefit of LBSF (as derivative counterparty) already made by both Ruby and Quartz to HVB (as noteholder).

The U.S. Bankruptcy Court held a hearing on 4 May 2016 on an omnibus motion to dismiss filed by the Noteholder Defendants, and on 28 June 2016 the decision of Bankruptcy Judge Chapman on the omnibus motion was issued. In her decision, Judge Chapman dismissed the case against HVB and the other Noteholder Defendants.

LBSF unsuccessfully appealed such decision to the US District Court for the Southern District of New York.

On 13 April 2018, LBSF filed notice of appeal to the Second Circuit Court of Appeals. The parties exchanged pleadings. The Appeal hearing was held on 26 June 2019 and we await judgement.

Euro-denominated bonds issued by EU Countries

On 31 January 2019, UniCredit S.p.A. and HVB received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extends to certain periods from 2007 to 2012, and includes alleged activities by HVB in a part of this period. The Statement of

Objections does not prejudge the outcome of the proceeding; should the Commission conclude that there is sufficient evidence of an infringement, a decision prohibiting the conduct and imposing a fine could be adopted, with any fine subject to a statutory maximum of 10% of company's annual worldwide turnover.

UniCredit S.p.A. and HVB had access to the entirety of the European Commission's file on the investigation from 15 February 2019 onwards. As a result of the assessment of the files, the Bank regards it no longer remote but possible, even though not likely, that a cash outflow might be required to fulfill a potential fine arising from the outcome of the investigation. On the basis of the current information, it is not possible to reliably estimate the amount of any potential fine at the present date.

UniCredit S.p.A. and HVB have responded to the raised objections on 29 April 2019. Proceedings are ongoing. There is no legal deadline for the Commission to complete antitrust inquiries.

On 11 June 2019, HVB and UniCredit Capital Markets LLC have been named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The consolidated class action complaint alleges a conspiracy among dealers of Euro-denominated bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. The consolidated class action complaint does not include a quantification of damages claimed. The proceedings are in their inception. Motions to dismiss — a procedural device contemplated by the United States Federal Rules of Civil Procedure which provides defendants with an opportunity to challenge the legal sufficiency of a complaint and present arguments that the complaint should be dismissed — are currently scheduled to be fully briefed by February 2020 and will include the argument that the complaint fails to state a claim.

K. PROCEEDINGS RELATED TO ACTIONS BY THE REGULATORY AUTHORITIES

Various regulators are exercising oversight of operations of HVB. The main authorities are BaFin and German Central Bank (Bundesbank) and, from 4 November 2014, responsibility for banking supervision was transferred from BaFin to the ECB under the scope of the Single Supervisory Mechanism (SSM). Besides this, the foreign branches of HVB are subject to the supervision of the respective locally competent regulatory authorities.

If there are any findings during the inspections conducted by these authorities, HVB will implement the corrective measures in compliance with the mitigation plans and the time scales agreed with the authorities and provide these authorities with information about the implementation status of the corrective measures on a quarterly basis or when requested.

L. GENERAL INFORMATION

1. BaFin Approval

This Registration Document has been approved by BaFin as competent authority under the Prospectus Regulation. BaFin only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer that is subject to this Registration Document.

2. Documents on Display

The up-to-date articles of association of HVB, the consolidated annual reports in respect of the fiscal years ended 31 December 2018 and 31 December 2017 of HVB, the unconsolidated annual financial statements of HVB in respect of the fiscal years ended 31 December 2018 and 31 December 2017 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) and the Half-yearly financial report of HVB Group at 30 June 2019 will be available during usual business hours on any weekday (except Saturdays and public holidays) at the offices of HVB and can be found online under https://www.hypovereinsbank.de/hvb/ueber-uns/investor-relations-en. During the validity of this Registration Document, all documents from which information has been incorporated by reference herein will be available for collection in the English language, free of charge, at the office of HVB (Arabellastrasse 12, 81925 Munich).

3. Significant Changes in HVB Group's Financial Position and Trend Information

The performance of HVB Group will depend on the future development on the financial markets and the real economy in 2019 as well as other remaining imponderables. In this environment, HVB Group will continuously adapt its business strategy to reflect changes in market conditions and carefully review the management signals derived from this on a regular basis.

There has been (i) no significant change in the financial position of the HVB Group which has occurred since 30 June 2019, and (ii) no material adverse change in the prospects of the HVB Group since 31 December 2018, the date of its last published audited financial statements (Annual Report 2018).

4. Information incorporated by reference

The information specified below under "Audited consolidated financial statements at 31 December 2017" set out on pages F-1 to F-148 of the Registration Document of UniCredit Bank AG dated 17 April 2018, under "Audited unconsolidated financial statements (HGB) at 31 December 2017" set out on pages F-149 to F-221 of the Registration Document of UniCredit Bank AG dated 17 April 2018, "Audited consolidated financial statements at 31 December 2018" set out on pages F-1 to F-188 of the Registration Document of UniCredit Bank AG dated 17 April 2019 and under "Audited unconsolidated financial statements (HGB) at 31 December 2018" set out on pages F-189 to F-261 of the Registration Document of UniCredit Bank AG dated 17 April 2019, shall be deemed to be incorporated in, and to form part of, this Registration Document in accordance with Art. 19 of the Prospectus Regulation. The non-incorporated parts of the above-mentioned documents are either not relevant for the investor or covered elsewhere in the Registration Document.

Audited consolidated financial statements at 31 December 2017	**Extracted from the Registration Document of HVB dated 17 April 2018**	**Page on which the information from the registration document of UniCredit Bank AG dated 17 April 2018 has been incorporated into this Registration Document**
- Consolidated Income Statement	- p. F-1 to F-2	- p. 17
- Consolidated Balance Sheet	- p. F-3 to F-4	- p. 17
- Statement of Changes in Consolidated Shareholders' Equity	- p. F-5 to F-6	- p. 17
- Consolidated Cash Flow Statement	- p. F-7 to F-8	- p. 17
- Notes to the Consolidated Financial Statements	- p. F-9 to F-141	- p. 17
- Declaration by the Management Board	- p. F-142	- p. 17
- Auditors' Report	- p. F-143 –F-148	- p. 17
Audited unconsolidated financial statements (HGB) at 31 December 2017	**Extracted from the Registration Document of HVB dated 17 April 2018**	**Page on which the information from the registration document of UniCredit Bank AG dated 17 April 2018 has been incorporated into this Registration Document**
- Income Statement	- p. F-149 to F-150	- p. 17
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Copies of the documents from which information has been incorporated herein by reference will be available, free of charge, at the office of HVB (Arabellastrasse 12, 81925 Munich).

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Consolidated Income Statement

Consolidated Income Statement

INCOME/EXPENSE	NOTES	1/1–30/6/2019 € millions	1/1–30/6/2018 € millions	CHANGE € millions	CHANGE in %
Interest income[1]		1,813	1,890	(77)	(4.1)
Negative interest on financial assets		(68)	(76)	+ 8	(10.5)
Interest expense		(709)	(704)	(5)	+ 0.7
Negative interest on financial liabilities		113	134	(21)	(15.7)
Net interest	6	1,149	1,244	(95)	(7.6)
Dividends and other income from equity investments	7	2	9	(7)	(77.8)
Net fees and commissions	8	488	543	(55)	(10.1)
Net trading income	9	338	378	(40)	(10.6)
Net gains/(losses) on financial assets and liabilities at fair value	10	2	(39)	+ 41	
Net gains/(losses) on derecognition of financial instruments measured at cost	11	5	17	(12)	(70.6)
Net other expenses/income	12	491	231	+ 260	>+ 100.0
Payroll costs		(723)	(735)	+ 12	(1.6)
Other administrative expenses		(617)	(722)	+ 105	(14.5)
Amortisation, depreciation and impairment losses on intangible and tangible assets		(383)	(113)	(270)	>+ 100.0
Operating costs	13	(1,723)	(1,570)	(153)	+ 9.7
Credit impairment losses IFRS 9	14	(80)	101	(181)	
Provisions for risks and charges	15	288	(339)	+ 627	
Restructuring costs		—	(1)	+ 1	(100.0)
Net gains/(losses) on disposals of investments	16	13	28	(15)	(53.6)
PROFIT BEFORE TAX AND IMPAIRMENT ON GOODWILL		**973**	**602**	**+ 371**	**+ 61.6**
Impairment on goodwill		—	—	—	—
PROFIT BEFORE TAX		**973**	**602**	**+ 371**	**+ 61.6**
Income tax for the period		(370)	(340)	(30)	+ 8.8
PROFIT AFTER TAX		**603**	**262**	**+ 341**	**>+ 100.0**
CONSOLIDATED PROFIT		**603**	**262**	**+ 341**	**>+ 100.0**
attributable to the shareholder of UniCredit Bank AG		602	261	+ 341	>+ 100.0
attributable to minorities		1	1	—	—

1 The item "Interest income" contains interest of €1,460 million (prior-year period: €1,451 million) calculated using the effective interest rate method. The figure is based on classification according to IFRS 9.

Earnings per share

(in €)

	NOTES	1/1–30/6/2019	1/1–30/6/2018
Earnings per share (undiluted and diluted)	17	0.75	0.33

Consolidated statement of total comprehensive income

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Consolidated profit recognised in the income statement	**603**	**262**
Income and expenses recognised in other comprehensive income		
Income and expenses not to be reclassified to the income statement in future periods		
Actuarial profit/(loss) on defined benefit plans (pension commitments)	(347)	2
Change in fair value attributable to change in the credit risk of financial		
liability designated aFVtPL (own credit spread reserve)	10	(4)
Other changes	—	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	106	—
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	—	2
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (hedge reserve)	3	(1)
Unrealised gains/(losses)	3	—
Gains/(losses) reclassified to the income statement	—	(1)
Changes in valuation of financial instruments at FVTOCI (FVTOCI reserve)	10	(13)
Unrealised gains/(losses)	15	(12)
Gains/(losses) reclassified to the income statement	(5)	(1)
Other changes	(4)	4
Taxes on income and expenses to be reclassified to the income statement in future periods	(2)	4
Total income and expenses recognised in equity under other comprehensive income	**(224)**	**(6)**
Total comprehensive income	**379**	**256**
of which:		
attributable to the shareholder of UniCredit Bank AG	378	255
attributable to minorities	1	1

Consolidated Balance Sheet

ASSETS	NOTES	30/6/2019 € millions	31/12/2018 € millions	CHANGE € millions	CHANGE in %
Cash and cash balances		17,643	19,990	(2,347)	(11.7)
Financial assets held for trading	18	73,739	68,957	+ 4,782	+ 6.9
Financial assets at fair value through profit or loss	19	15,694	16,683	(989)	(5.9)
Financial assets at fair value through					
other comprehensive income	20	8,481	7,370	+ 1,111	+ 15.1
Loans and receivables with banks (at cost)	21	33,266	33,648	(382)	(1.1)
Loans and receivables with customers (at cost)	22	139,173	133,706	+ 5,467	+ 4.1
Hedging derivatives	23	286	276	+ 10	+ 3.6
Hedge adjustment of hedged items in the					
fair value hedge portfolio		49	36	+ 13	+ 36.1
Investments in associates and joint ventures	24	10	23	(13)	(56.5)
Property, plant and equipment	25	1,313	2,489	(1,176)	(47.2)
Investment properties		247	256	(9)	(3.5)
Intangible assets		146	149	(3)	(2.0)
of which: goodwill		130	130	—	—
Tax assets		1,353	1,375	(22)	(1.6)
Current tax assets		145	132	+ 13	+ 9.8
Deferred tax assets		1,208	1,243	(35)	(2.8)
Non-current assets or disposal groups held for sale	26	1,869	742	+ 1,127	>+ 100.0
Other assets		1,283	988	+ 295	+ 29.9
TOTAL ASSETS		**294,552**	**286,688**	**+ 7,864**	**+ 2.7**

LIABILITIES	NOTES	30/6/2019 € millions	31/12/2018 € millions	CHANGE € millions	in %
Deposits from banks	27	66,419	62,943	+ 3,476	+ 5.5
Deposits from customers	28	119,813	121,038	(1,225)	(1.0)
Debt securities in issue	29	26,551	24,360	+ 2,191	+ 9.0
Financial liabilities held for trading	30	50,941	48,105	+ 2,836	+ 5.9
Financial liabilities at fair value through profit or loss	31	5,663	5,152	+ 511	+ 9.9
Hedging derivatives	32	881	598	+ 283	+ 47.3
Hedge adjustment of hedged items					
in the fair value hedge portfolio	33	2,026	1,210	+ 816	+ 67.4
Tax liabilities		586	429	+ 157	+ 36.6
Current tax liabilities		448	275	+ 173	+ 62.9
Deferred tax liabilities		138	154	(16)	(10.4)
Liabilities of disposal groups held for sale	34	83	—	+ 83	+ 100.0
Other liabilities		1,507	1,649	(142)	(8.6)
Provisions	35	2,474	3,453	(979)	(28.4)
Shareholders' equity		17,608	17,751	(143)	(0.8)
Shareholders' equity attributable to the shareholder					
of UniCredit Bank AG		17,605	17,748	(143)	(0.8)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		4,766	4,998	(232)	(4.6)
Changes in valuation of financial instruments		39	32	+ 7	+ 21.9
Hedge reserve		28	28	—	—
FVTOCI reserve		11	4	+ 7	>+ 100.0
Consolidated profit 2018		—	520	(520)	(100.0)
Net profit 1/1–30/6/2019[1]		602	—	+ 602	+ 100.0
Minority interest		3	3	—	—
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**294,552**	**286,688**	**+ 7,864**	**+ 2.7**

1 Attributable to the shareholder of UniCredit Bank AG.

The 2018 profit available for distribution disclosed in the separate financial statements of UniCredit Bank AG (corresponding to the consolidated profit of HVB Group), which forms the basis for the appropriation of profit, amounts to €520 million. On 3 June 2019, the Shareholders' Meeting adopted a resolution to pay a dividend of €520 million to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €0.65 per share after around €1.62 in the 2017 financial year.

Statement of Changes in Shareholders' Equity

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES: TOTAL OTHER RESERVES	OTHER RESERVES: OF WHICH: OWN CREDIT SPREAD	OTHER RESERVES: OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at 1/1/2019	**2,407**	**9,791**	**4,998**	**—**	**(1,230)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[4]	**—**	**—**	**(231)**	**7**	**(238)**
Changes in valuation of financial instruments not affecting income	—	—	7	7	—
Changes in valuation of financial instruments affecting income	—	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	(238)	—	(238)
Reserve arising from foreign currency translation	—	—	—	—	—
Other changes	—	—	—	—	—
Total other changes in equity	**—**	**—**	**(1)**	**—**	**—**
Dividend payouts	—	—	—	—	—
Transfers from consolidated profit	—	—	—	—	—
Changes in group of consolidated companies	—	—	(1)	—	—
Capital decreases	—	—	—	—	—
Shareholders' equity at 30/6/2019	**2,407**	**9,791**	**4,766**	**7**	**(1,468)**
Shareholders' equity at 1/1/2018	**2,407**	**9,791**	**5,289**	**—**	**(1,161)**
Changes on initial application of IFRS 9	—	—	38	(21)	—
Shareholders' equity restated at 1/1/2018	**2,407**	**9,791**	**5,327**	**(21)**	**(1,161)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[4]	**—**	**—**	**—**	**(3)**	**1**
Changes in valuation of financial instruments not affecting income	—	—	(3)	(3)	—
Changes in valuation of financial instruments affecting income	—	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	1	—	1
Reserve arising from foreign currency translation	—	—	2	—	—
Other changes	—	—	—	—	—
Total other changes in equity	**—**	**—**	**2**	**—**	**—**
Dividend payouts	—	—	—	—	—
Transfers from consolidated profit	—	—	—	—	—
Changes in group of consolidated companies	—	—	2	—	—
Capital decreases	—	—	—	—	—
Shareholders' equity at 30/6/2018	**2,407**	**9,791**	**5,329**	**(24)**	**(1,160)**

1 The Shareholders' Meeting of 3 June 2019 resolved to distribute the 2018 consolidated profit in the amount of €520 million to our sole shareholder UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €0.65 per share. The Shareholders' Meeting of 11 June 2018 resolved to distribute the 2017 consolidated profit in the amount of €1,300 million to our sole shareholder UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €1.62 per share.
2 Attributable to the shareholder of UniCredit Bank AG.
3 UniCredit Bank AG (HVB).
4 See Consolidated statement of total comprehensive income.

(€ millions)

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS							
AFS RESERVE	HEDGE RESERVE	FVTOCI RESERVE	CONSOLIDATED PROFIT[1]	PROFIT 1/1–30/6[2]	TOTAL SHARE-HOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDER OF HVB[3]	MINORITY INTEREST	TOTAL SHARE-HOLDERS' EQUITY
n/a	**28**	**4**	**520**	**—**	**17,748**	**3**	**17,751**
n/a	**—**	**—**	**—**	**602**	**602**	**1**	**603**
n/a	**—**	**7**	**—**	**—**	**(224)**	**—**	**(224)**
n/a	3	10	—	—	20	—	20
n/a	—	(3)	—	—	(3)	—	(3)
n/a	—	—	—	—	(238)	—	(238)
n/a	—	—	—	—	—	—	—
n/a	(3)	—	—	—	(3)	—	(3)
n/a	**—**	**—**	**(520)**	**—**	**(521)**	**(1)**	**(522)**
n/a	—	—	(520)	—	(520)	(1)	(521)
n/a	—	—	—	—	—	—	—
n/a	—	—	—	—	(1)	—	(1)
n/a	—	—	—	—	—	—	—
n/a	**28**	**11**	**—**	**602**	**17,605**	**3**	**17,608**
52	**28**	**—**	**1,300**	**—**	**18,867**	**7**	**18,874**
(52)	—	25	—	—	11	—	11
n/a	**28**	**25**	**1,300**	**—**	**18,878**	**7**	**18,885**
n/a	**—**	**—**	**—**	**261**	**261**	**1**	**262**
n/a	**3**	**(9)**	**—**	**—**	**(6)**	**—**	**(6)**
n/a	—	(8)	—	—	(11)	—	(11)
n/a	(1)	(1)	—	—	(2)	—	(2)
n/a	—	—	—	—	1	—	1
n/a	—	—	—	—	2	—	2
n/a	4	—	—	—	4	—	4
n/a	**—**	**—**	**(1,300)**	**—**	**(1,298)**	**(6)**	**(1,304)**
n/a	—	—	(1,300)	—	(1,300)	—	(1,300)
n/a	—	—	—	—	—	—	—
n/a	—	—	—	—	2	(6)	(4)
n/a	—	—	—	—	—	—	—
n/a	**31**	**16**	**—**	**261**	**17,835**	**2**	**17,837**

Consolidated Cash Flow Statement (abridged version)

(€ millions)

	2019	2018
Cash and cash equivalents at 1/1	19,990	36,414
Net cash provided/used by operating activities	(1,412)	(25,614)
Net cash provided/used by investing activities	(49)	3,670
Net cash provided/used by financing activities	(886)	(1,313)
Effects of exchange rate changes	—	—
Less non-current assets or disposal groups held for sale	—	—
Cash and cash equivalents at 30/6	17,643	13,157

Legal basis

UniCredit Bank AG (HVB) is a universal bank with its registered office and principal place of business in Arabellastrasse 12, Munich. It is filed under HRB 42148 in the B section of the Commercial Register maintained by Munich District Court. HVB is an affiliated company of UniCredit S.p.A., Milan, Italy (ultimate parent company).

As a universal bank, HVB with its subsidiaries is one of the leading providers of banking and financial services in Germany. It offers a comprehensive range of banking and financial products and services to private, corporate and public-sector customers, international companies and institutional customers.

We did not avail ourselves of the possibility of reviewing the present Half-yearly Financial Report of HVB Group compliant with Section 115 (5) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

The current consolidated financial statements comprise UniCredit Bank AG and its subsidiaries (HVB Group) and are prepared in euros, which is the reporting currency of the corporate group.

The amounts shown in the tables and texts below relate to the period from 1 January to 30 June of the respective year for disclosures regarding the income statement and to the reporting date of 30 June 2019 for disclosures regarding balance sheet items and totals and to 31 December 2018 for disclosure for the previous year.

Accounting and Valuation

1 Accounting and valuation principles

The present Half-yearly Financial Report for HVB Group 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. Thus, the present Half-yearly Financial Report meets the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) for the half-yearly financial reporting of capital-market-oriented companies.

IFRS to be applied for the first time in the financial year

The amendments to the following standards newly published or revised by the IASB are mandatorily applicable in the European Union (EU) for the first time in the 2019 financial year:

Standards

IFRS 16 – "Leases"

Interpretations

IFRIC 23 – "Uncertainty over Income Tax Treatments"

Amendments and improvements

– Annual improvements to the 2015–2017 IFRS cycle (IFRS 3, IFRS 11, IAS 12 and IAS 23)
– Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation
– Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures
– Amendments to IAS 19 "Employee Benefits" – Plan Amendment, Curtailment or Settlement

New or amended accounting and valuation methods compared with the previous year

The new or amended rules to be applied for the first time in the reporting period that are relevant for HVB Group are shown below and the related effects discussed:

In some sub-areas, HVB has further developed liquidity management for the foreign currency portfolio using forward exchange transactions outside the trading book and, in this context, has decided to accrue or defer the difference between the spot and forward rates (swap rate) and recognise it under net interest. The accounting treatment of existing forward exchange transactions of the banking book in other sub-areas outside of Germany was adapted to this approach and the recognition changed. Therefore, interest income of €25 million and interest expense of €66 million were recognised on the accrual or deferral of swap rates in the first half of 2019, while a net loss of €36 million was recorded under net trading income for these transactions in the first half of 2018 from the accrual or deferral of swap rates. The change in the reporting method better reflects the commercial basis of the respective activities in the banking book (investment of funds in foreign currency, refinancing in euros and hedging through forward exchange transactions) and results in the financial statements providing more reliable and relevant information on the effects of business activities. The previous year's figures were not restated for materiality reasons.

As part of the optimisation of its payment transaction activities, HVB has decided to adjust the recognition of expenses for the purchase of certain payment transaction services (an external service provider carries out the activities required for the settlement of payment transactions on behalf of the Bank) and of services in connection with credit card payments or credit card management. These expenses are now reported under commission expense instead of operating costs. In view of the adjustments made in recent years to the pricing scheme for accounts and payment services, it is more appropriate to set off the expenses for the purchase of the services as commission expense from commission income for these services. The change in recognition results in the financial statements providing more reliable and relevant information on the respective banking services. Consequently, €21 million is recognised as commission expense in the first half of 2019, whereas €21 million was shown as operating costs for the purchase of these services in the first half of 2018. The previous year's figures were not restated for materiality reasons.

First-time adoption of IFRS 16 Leases
On 13 January 2016, the IASB published the new accounting standard IFRS "Leases", which supersedes the previous standard for lease accounting IAS 17 "Leases" as well as the accompanying interpretations IFRIC 4 "Determining whether an Arrangement Contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The incorporation of IFRS 16 into European law (endorsement) took place on 31 October 2017. Adoption of the standard is mandatory in the EU for financial years starting on or after 1 January 2019.

According to the new lease definition of IFRS 16, an agreement is or contains a lease when it grants the right to control the use of a specific asset for a specified period in exchange for a fee. HVB Group applies IFRS 16 to individual leases in full, and for agreements that establish or contain a lease, it generally accounts for each lease component separately from the non-lease components of the agreement as a lease. The rules in the new standard apply to leases relating to our property, plant and equipment/investment properties. IFRS 16 does not apply to leases on intangible assets.

For the lessee, IFRS 16 eliminates the previous classification of lease agreements as either operating leases or finance leases, and instead introduces a uniform lessee accounting model (right-of-use approach). According to this approach, for these lease agreements the lessee generally recognises an asset for the right of use of the underlying leased property and a corresponding lease liability for the obligation to make the outstanding lease payments. This means that previously unrecognised leases now have to be accounted for in a manner largely comparable to the recognition of finance leases in accordance with IAS 17. As a result, the capitalisation of the rights of use and the recognition of the corresponding lease liabilities as a liability leads to an extension of the balance sheet. As at 1 January 2019, our total assets increased by €373 million due to the adoption of IFRS 16.

Nevertheless, IFRS 16 provides the lessee with simplification options that allow short-term lease agreements with terms of up to 12 months and leases for low-value assets to be omitted from the balance sheet. HVB Group is exercising its right to use the simplified presentation of these leases and is directly recognising the associated lease payments – using the previous method of handling operating leases in accordance with IAS 17 – on a straight-line basis over the term of the lease as an expense in the consolidated income statement.

The rights of use reported under property, plant and equipment are recognised at cost less accumulated depreciation and if applicable any impairment losses. The right-of-use costs are determined as the present value of future lease payments plus initial direct costs, prepayments and dismantling costs, and less incentive payments received. Scheduled depreciation of the right of use is applied on a straight-line basis over the term of the lease. Available extension and purchase options are taken into account if these options are likely to be exercised.

The initial measurement of lease liabilities contained in the item "Deposits from customers" is applied at the present value of the future lease payments. The lease payments are discounted at the interest rate underlying the lease (interest rate implicit in the lease) if it can be readily determined. Otherwise, they are discounted using the lessee's incremental borrowing rate, i.e. the rate of interest that a lessee would have to pay to raise funds in a similar economic environment in order to obtain an asset of a similar value at comparable conditions. As a rule, we base our discount on the incremental borrowing rate because the interest rate implicit in the lease is generally not available to us. In the course of subsequent measurement, the lease liability is updated using the effective interest method from accounting mathematics, much like the rules for finance leases in IAS 17 applicable up to now. The carrying amount of the lease liability is compounded and reduced by the amount of the lease payments made with no effect on income.

Accounting and Valuation (Continued)

The adoption of IFRS 16 also results in changes to the consolidated income statement. The lease payments previously made by the lessee under operating leases in accordance with IAS 17, which were recognised as an other operating expense or under operating costs on a straight-line basis over the lease term if they were rental expenses, have now been replaced by depreciation expenses for the capitalised rights of use and interest expenses from the compounding of lease liabilities recognised as liabilities. Scheduled and unscheduled depreciation, impairments and write-ups on the rights of use reported under property, plant and equipment are recognised under the item "Depreciation and impairment losses on intangible and tangible assets" within operating costs. Compounding of the lease liability is carried out in interest expense as a component of net interest. In addition to the changed disclosure items with regard to the recognition of the lease expense, the accounting rules of IFRS 16 also result in slightly higher expenses than IAS 17 at the beginning of the term of a lease (front loading).

For accounting at the lessor, the rules of IAS 17 have essentially been incorporated unchanged into the new IFRS 16, such that the dual lessor accounting model which classifies lease agreements as either operating leases or finance leases is still applicable.

HVB Group adopted IFRS 16 for the first time on 1 January 2019. The initial adoption is being carried out in conformity with the transitional regulations according to the modified retrospective method. The figures for the comparable period were not restated. There were no initial adoption effects in equity.

During the transition to the new lease standard, we are making use of the accounting simplification option for lessees and lessors regarding the use of the new definition of lease agreements which eliminates the need to re-evaluate whether agreements in place prior to 1 January 2019 should be reclassified in whole or in part as leases in accordance with IFRS 16. The assessments reached in accordance with the previous rules of IAS 17 / IFRIC 4 were applied to the whole contract portfolio (grandfathering).

In its transition to the new standard, HVB Group applies the following simplification options and practical aids afforded by IFRS 16 for lessees:

– For lease agreements previously classified as operating leases under IAS 17, the lease liability is recognised at the present value of the outstanding lease payments discounted by the incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate was 2.36% p.a. The corresponding right of use is recognised in the amount of the lease liability.
– Rather than carry out an impairment review, the right of use at the time of initial adoption is reduced in a simplified manner by the amount as at 31 December 2018 recognised as a provision for onerous leases.
– Lease agreements which end by 31 December 2019 at the latest are treated as short-term leases, regardless of the original term of the agreement.
– We did not use the retroactive determination and consideration of the initial direct costs in the measurement of the right of use at the time of initial adoption.
– In specifying the term of lease agreements, the exercise of options to extend or terminate the lease was assessed according to the current state of the facts rather than retrospectively determining the likelihood that these options would be exercised when the agreement was initiated.

Upon the first-time adoption of IFRS 16, obligations arising under operating leases are recognised as rights of use or lease liabilities in the consolidated balance sheet for the first time.

In addition, the rights of use and lease liabilities contain leases which were previously accounted for as finance leases under IAS 17. For finance leases, the leased assets were shown in the consolidated balance sheet of the lessee under property, plant and equipment, and the corresponding obligation under deposits from customers. On 1 January 2019, the previous finance lease agreements with carrying amounts as at 31 December 2018 were recognised as a right of use and lease liability, and as a result were accounted for in accordance with IFRS 16.

In the context of the transition to IFRS 16, as at 1 January 2019, assets were recognised for the rights of use to the underlying leased assets of €373 million and lease liabilities of €546 million. A significant share of the newly recognised rights of use and liabilities comprise the real estate rented by HVB Group.

Based on the off-balance-sheet operating lease obligations as at 31 December 2018, the following table shows the reconciliation to the opening balance sheet value of the lease liabilities carried as liabilities as at 1 January 2019:

(€ millions)

Off-balance sheet obligations from operating leases in accordance with IAS 17 as at 31/12/2018	**289**
Application relief for short-term leases	(21)
Application relief for leases of low-value assets	—
Changes related to extend or terminate a lease	146
Others	(3)
Obligations from operating lease arrangements (gross amount undiscounted) as at 1/1/2019	**411**
Effect from the discounting with the incremental borrowing rate as at 1/1/2019	(38)
Obligation from operating lease arrangements (discounted) as at 1/1/2019	**373**
Adoption in the consolidated balance sheet as additional recognised lease liabilities	
due to first-time application of IFRS 16 as at 1/1/2019	**373**
Carrying amount of lease liabilities from finance leases in accordance with IAS 17 as at 31/12/2018	173
Carrying amount of total lease liabilities in accordance with IFRS 16 as at 1/1/2019	**546**

The initial value of the off-balance sheet obligations from operating leases in accordance with IAS 17 of €251 million as of 31 December 2018 was adjusted by €38 million to €289 million based on the operating lease portfolio additionally identified in the contract analysis.

Accounting and Valuation (Continued)

As shown in the following table, the difference between the amounts stated for the rights of use and the lease liabilities results mainly from the difference between the carrying amount of the leased items and the carrying amount of the lease liabilities from finance leases due to the impairment losses recognised in previous years, the offsetting of rights of use from provisions set up in connection with onerous leases as well as the derecognition of rights of use to the leased item in the case of subleases classified by the intermediary as finance leases:

(€ millions)

Leasing liabilities as at 1/1/2019	**546**
Adoption as initial value for the recognition of right of use assets as at 1/1/2019	**546**
Difference between the carrying amount of the leased assets and the lease liabilities from finance leases	
due to impairment losses in previous years	(123)
Offsetting with provisions for onerous lease arrangements	(29)
Derecognition in case of sub-leases classified as finance leases	(21)
Others	—
Carrying amount of right of use assets as at 1/1/2019	**373**
thereof: carrying amount of right of use assets from previous finance leases	50

As at 30 June 2019, the rights of use capitalised in the consolidated balance sheet amounted to €339 million and the recognised lease liabilities to €485 million. Moreover, in the first half of 2019, €25 million was recognised in depreciation expenses for the rights of use and €2 million in interest expense for the lease liabilities in the consolidated income statement.

Other new or amended accounting rules

We have also applied the remaining new or amended accounting rules. These have had no effect or no material effect on the consolidated financial statements.

Apart from the amendments described, the accounting and measurement methods have been applied unchanged compared with the previous year. These are described in the notes to the consolidated financial statements in the 2018 Annual Report.

We refer to the information contained in the notes to the consolidated financial statements in the 2018 Annual Report on the effects of IFRS that have been published but are not yet applicable.

For the effects of the first-time adoption of IFRS 9 included in the previous-year figures, please refer to the detailed explanations in the 2018 consolidated financial statements.

2 Companies included in consolidation

The following companies were added to the group of companies included in consolidation in the first half of 2019:
– Elektra Purchase No. 64 DAC, Dublin
– Wealthcap Objekt Dresden GmbH & Co. KG, Munich
– Wealthcap Objekt-Vorrat 24 GmbH & Co. KG, Munich
– Wealthcap Objekt-Vorrat 25 GmbH & Co. KG, Munich
– WealthCap Wohnen 1 GmbH & Co. KG, Munich
– Wealthcap Wohnen 1a GmbH & Co. KG, Munich
– Weicker S. à r.l., Luxembourg

The following companies left the group of companies included in consolidation in the first half of 2019 due to merger, sale or imminent or completed liquidation:
– Elektra Purchase No. 48 DAC, Dublin
– HVB Capital Partners AG, Munich
– SwanCap Partners GmbH, Munich

The following companies left the group of companies included in consolidation in the first half of 2019 for reasons of materiality:
– Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG, Munich
– Life Management Erste GmbH, Munich
– paydirekt Beteiligungsgesellschaft privater Banken mbH, Berlin
– Transterra Gesellschaft für Immobilienverwaltung mbH, Munich
– Verwaltungsgesellschaft Katharinenhof mbH, Munich
– WealthCap Objekt-Vorrat 20 GmbH & Co. KG, Munich

The deconsolidation of these companies does not have any material impact. The share of these companies in the total assets of the Group stood at 0.001% as at 31 December 2018.

With effect as of 1 June 2019, UniCredit Services S.C.p.A., Germany branch, a unit responsible for the administration and management of HVB properties, was transferred to HVB. This unit is an independent business operation with 154 employees and essentially has the pension plans for these employees. In line with HVB's methods for recognition and measurement of mergers under common control, the purchase price of €1 million, which was determined by an external expert, has been recorded in equity.

Segment Reporting

3 Notes to segment reporting by business segment

In segment reporting, the activities of HVB Group are divided into the following business segments and consolidation effects:

– Commercial Banking
– Corporate & Investment Banking (CIB)
– Group Corporate Centre
– Other
– Consolidation

The Other/consolidation business segment is shown separately for the first time as at the reporting date. The previous year's figures have been adjusted accordingly.

The information provided in the segment reports is based on HVB's internal management. Income and expenses can thus be recognised here for internal management purposes that are not based solely on external business activities but on internal transfers etc. Where such internal income and/or expenses between the respective segments are recognised in identical items of the segmented income statement, they are netted across all the segments. Any effects remaining from internal transfers are eliminated in the consolidation so that only external income/expenses remain as the result in the total amount of the segmented income/expenses across all segments, including the consolidation.

Method of segment reporting

The same principles are being applied in the 2019 financial year as were used at year-end 2018. We use risk-weighted assets compliant with Basel III as the criterion for allocating tied equity capital. In 2019, the core capital allocated to the business segments of HVB as a proportion of risk-weighted assets compliant with Basel III was left at the core capital ratio of 12.5%. The interest rate used to assess the equity capital allocated to companies assigned to several business segments (HVB and UniCredit Luxembourg S.A.) was 1.07% in the 2018 financial year. This interest rate was redetermined for the 2019 financial year and has been 0.98% since 1 January 2019.

The figures in previous periods affected by this reorganisation have been adjusted accordingly.

Loans and advances to banks have been included in addition to the previously already segmented disclosures of volume-related figures by business segment. The previous year's figures have been supplemented.

4 Income statement, broken down by business segment

Income statement, broken down by business segment for the period from 1 January to 30 June 2019 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	OTHER	CONSOLIDATION	HVB GROUP
Net interest	732	401	32	(3)	(13)	1,149
Dividends and other income from equity investments	2	—	—	—	—	2
Net fees and commissions	362	130	(2)	—	(2)	488
Net trading income	10	320	1	5	—	336
Net other expenses/income	(18)	41	35	34	4	96
OPERATING INCOME	**1,088**	**892**	**66**	**36**	**(11)**	**2,071**
Payroll costs	(300)	(198)	(175)	(50)	—	(723)
Other administrative expenses	(513)	(351)	163	75	9	(617)
Amortisation, depreciation and impairment losses						
on intangible and tangible assets	(6)	(328)	(5)	(44)	—	(383)
Operating costs	**(819)**	**(877)**	**(17)**	**(19)**	**9**	**(1,723)**
OPERATING PROFIT	**269**	**15**	**49**	**17**	**(2)**	**348**
Net write-downs of loans and provisions for						
guarantees and commitments	(30)	(54)	4	—	—	(80)
NET OPERATING PROFIT	**239**	**(39)**	**53**	**17**	**(2)**	**268**
Provisions for risks and charges	86	195	7	—	—	288
Restructuring costs	—	—	—	—	—	—
Net income from investments	11	18	377	11	—	417
PROFIT BEFORE TAX	**336**	**174**	**437**	**28**	**(2)**	**973**
Income tax for the period	(135)	(117)	(114)	(5)	1	(370)
PROFIT AFTER TAX	**201**	**57**	**323**	**23**	**(1)**	**603**
Impairment on goodwill	—	—	—	—	—	—
CONSOLIDATED PROFIT	**201**	**57**	**323**	**23**	**(1)**	**603**
attributable to the shareholder of UniCredit Bank AG	201	58	322	22	(1)	602
attributable to minorities	—	—	1	—	—	1

Segment Reporting (Continued)

Reconciliation of the segmented income statement to the income statement (€ millions)

INCOME/EXPENSES	INCOME STATEMENT, BROKEN DOWN BY BUSINESS SEGMENT	RECLASSIFICATION	CONSOLIDATED INCOME STATEMENT
Net interest	1,149	—	1,149
Dividends and other income from equity investments	2	—	2
Net fees and commissions	488	—	488
Net trading income	336	2	338
Financial assets mandatorily at FVTPL		11	
Financial liabilities designated at FVTPL		38	
Buy-backs of securities issued		(1)	
Effects arising from hedge accounting		(26)	
Fair value equity		(20)	
Net gains/losses on financial assets and liabilities at fair value	n/a	2	2
Financial assets mandatorily at FVTPL		(11)	
Financial liabilities designated at FVTPL		(38)	
Net gains/losses on the sale of financial securities (held-for-sale business model)		5	
Effects arising from hedge accounting		26	
Fair value equity		20	
Net gains/losses on derecognition of financial instruments measured at cost	n/a	5	5
Net gains/losses on the sale of performing loans and receivables and securities		4	
Buy-backs of securities issued		1	
Net other expenses/income	96	395	491
Net gains/losses on the sale of performing loans and receivables and securities		(4)	
Income from the sale of land and buildings		148	
Income from valuation/disposals of investment properties		251	
Income from the sale of other assets		—	
OPERATING INCOME	**2,071**	**404**	**2,475**
Payroll costs	(723)	—	(723)
Other administrative expenses	(617)	—	(617)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(383)	—	(383)
Operating costs	**(1,723)**	**—**	**(1,723)**
OPERATING PROFIT	**348**	**404**	**752**
Net write-downs of loans and provisions for guarantees and commitments/			
credit impaired losses IFRS 9	(80)	—	(80)
NET OPERATING PROFIT	**268**	**404**	**672**
Provisions for risks and charges	288	—	288
Restructuring costs	—	—	—
Net income from investments	417	(417)	n/a
Net gains/losses on the sale of securities (held-for-sale business model)		(5)	
Income from the sale of land and buildings		(148)	
Income from valuation/disposals of investment properties		(251)	
Income from the sale of other assets		—	
Net gains/losses on disposals of investments		(13)	
Net gains/losses on disposals of investments	n/a	13	13
PROFIT BEFORE TAX AND IMPAIRMENT ON GOODWILL	**—**	**—**	**973**
Impairment on goodwill	—	—	—
PROFIT BEFORE TAX	**973**	**—**	**973**
Income tax for the period	(370)	—	(370)
PROFIT AFTER TAX	**603**	**—**	**603**
Impairment on goodwill	—	—	—
CONSOLIDATED PROFIT	**603**	**—**	**603**
attributable to the shareholder of UniCredit Bank AG	602	—	602
attributable to minorities	1	—	1

Income statement, broken down by business segment for the period from 1 January to 30 June 2018 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	OTHER	CONSOLIDATION	HVB GROUP
Net interest	728	519	13	(2)	(14)	1,244
Dividends and other income from equity investments	—	1	—	—	—	1
Net fees and commissions	402	141	(5)	—	(3)	535
Net trading income	35	286	16	1	—	338
Net other expenses/income	(11)	74	43	36	4	146
OPERATING INCOME	**1,154**	**1,021**	**67**	**35**	**(13)**	**2,264**
Payroll costs	(300)	(191)	(187)	(57)	—	(735)
Other administrative expenses	(539)	(376)	160	63	(10)	(702)
Amortisation, depreciation and impairment losses						
on intangible and tangible assets	(6)	(58)	(14)	(43)	(5)	(126)
Operating costs	**(845)**	**(625)**	**(41)**	**(37)**	**(15)**	**(1,563)**
OPERATING PROFIT	**309**	**396**	**26**	**(2)**	**(28)**	**701**
Net write-downs of loans and provisions for						
guarantees and commitments	(91)	164	28	—	—	101
NET OPERATING PROFIT	**218**	**560**	**54**	**(2)**	**(28)**	**802**
Provisions for risks and charges	(104)	(236)	1	—	—	(339)
Restructuring costs	—	(1)	—	—	—	(1)
Net income from investments	11	—	101	28	—	140
PROFIT BEFORE TAX	**125**	**323**	**156**	**26**	**(28)**	**602**
Income tax for the period	(92)	(210)	(36)	(10)	8	(340)
PROFIT AFTER TAX	**33**	**113**	**120**	**16**	**(20)**	**262**
Impairment on goodwill	—	—	—	—	—	—
CONSOLIDATED PROFIT	**33**	**113**	**120**	**16**	**(20)**	**262**
attributable to the shareholder of UniCredit Bank AG	33	113	119	16	(20)	261
attributable to minorities	—	—	1	—	—	1

Segment Reporting (Continued)

Development of the Commercial Banking business segment

(€ millions)

INCOME/EXPENSES	1/1–30/6/2019	1/1–30/6/2018
Net interest	732	728
Dividends and other income from equity investments	2	—
Net fees and commissions	362	402
Net trading income	10	35
Net other expenses/income	(18)	(11)
OPERATING INCOME	**1,088**	**1,154**
Payroll costs	(300)	(300)
Other administrative expenses	(513)	(539)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(6)	(6)
Operating costs	**(819)**	**(845)**
OPERATING PROFIT	**269**	**309**
Net write-downs of loans and provisions for guarantees and commitments	(30)	(91)
NET OPERATING PROFIT	**239**	**218**
Provisions for risks and charges	86	(104)
Restructuring costs	—	—
Net income from investments	11	11
PROFIT BEFORE TAX	**336**	**125**
Income tax for the period	(135)	(92)
PROFIT AFTER TAX	**201**	**33**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**201**	**33**
attributable to the shareholder of UniCredit Bank AG	201	33
attributable to minorities	—	—
Cost-income ratio in %[1]	75.3	73.2

1 Ratio of operating costs to operating income.

In the first half of 2019, the Commercial Banking business segment generated an operating profit (before net write-downs of loans and provisions for guarantees and commitments) of €269 million, which is a significant 12.9% or €40 million lower than the previous-year period.

At €1,088 million, operating income fell slightly by €66 million, or 5.7%, compared with the previous-year period (€1,154 million). Despite the still extremely low level of interest rates, net interest of €732 million contained in operating income was marginally above the previous year's comparative figure of €728 million. This positive development trend was supported in the retail banking business by a slight rise in real estate financing (up 2%), a strong increase in consumer lending activities (up 4%) and, above all, a good increase in the lending business in corporate customer activities. The customer deposit business continued to be weighed down by the persistently ultra-low interest rates.

Compared with the previous-year period, net fees and commissions fell, also due to changes in accounting methods, by €40 million, or 10.0%, to €362 million and net trading income by a sharp €25 million, or 71.4%, to €10 million. The fall in net trading income was mainly due to negative effects of the change in the credit value adjustment of interest rate derivatives with corporate clients. Net other expenses/income totalled €18 million in the first half of 2019. The increase in this expense compared with the previous-year period (€7 million) is attributable to a higher charge for the European bank levy and falling profit contributions from our WealthCap subsidiary. Dividends and other income from equity investments contributed €2 million to operating income in the first half of 2019 (previous-year period: €0 million).

As expected, a reduction of 3.1%, or €26 million, to €819 million was achieved in operating costs in the first half of 2019. This is attributable to lower other administrative expenses, which fell by 4.8%, or €26 million, to €513 million compared with the previous-year period. Among other things, this decline is due to lower expenses for deposit guarantee schemes and lower internal charges from other service units of the Bank, for example for IT and payment transaction expenses.

The cost-income ratio increased slightly to 75.3% in the current reporting period compared with 73.2% in the first half of 2018 as a result of the declining earnings trend.

In the first half of 2019, there was a net addition of €30 million to net write-downs of loans and provisions for guarantees and commitments compared with €91 million in the previous-year period.

There was a strong increase of €21 million, or 9.6%, to €239 million in net operating profit in the first half of 2019 (previous-year period: €218 million). The decrease in net write-downs of loans and provisions for guarantees and commitments only partly offset the lower operating income.

In the first half of 2019, there was net income of €86 million from the reversal of provisions after additions of €104 million in the previous-year period. Towards the end of the first quarter of 2019, the Bank reached a settlement with the US and New York authorities to conclude the proceedings for violations of US economic sanctions in the period from 2002 to 2012. The amounts payable according to the settlement are lower than the provisions set up for it, which means that the excess was able to be reversed. The net additions to provisions for risks and charges in the first half of 2018 are largely due to the increase in provisions for this matter.

At €11 million, net income from investments equals the figure in the previous-year period.

Overall, the Commercial Banking business segment generated a profit before tax of €336 million in the first half of 2019, which is significantly higher than the previous-year figure of €125 million.

The income tax expense for the reporting period increased substantially by €43 million to €135 million compared with the first half of 2018.

The Commercial Banking business segment reported a profit after tax of €201 million for the first half of 2019, which is significantly above the previous year's comparative figure of €33 million.

Segment Reporting (Continued)

Development of the Corporate & Investment Banking business segment (€ millions)

INCOME/EXPENSES	1/1–30/6/2019	1/1–30/6/2018
Net interest	401	519
Dividends and other income from equity investments	—	1
Net fees and commissions	130	141
Net trading income	320	286
Net other expenses/income	41	74
OPERATING INCOME	**892**	**1,021**
Payroll costs	(198)	(191)
Other administrative expenses	(351)	(376)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(328)	(58)
Operating costs	**(877)**	**(625)**
OPERATING PROFIT	**15**	**396**
Net write-downs of loans and provisions for guarantees and commitments	(54)	164
NET OPERATING PROFIT	**(39)**	**560**
Provisions for risks and charges	195	(236)
Restructuring costs	—	(1)
Net income from investments	18	—
PROFIT BEFORE TAX	**174**	**323**
Income tax for the period	(117)	(210)
PROFIT AFTER TAX	**57**	**113**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**57**	**113**
attributable to the shareholder of UniCredit Bank AG	58	113
attributable to minorities	—	—
Cost-income ratio in %[1]	98.3	61.2

1 Ratio of operating costs to operating income.

In the first half of 2019, the Corporate & Investment Banking business segment generated operating income of €892 million and was thus unable to match the year-ago figure of €1,021 million.

The primary cause of this development is the decline in net interest compared with the previous-year period, which is down by 22.7%, or €118 million, to €401 million. This is primarily attributable to the persistently low interest rate environment. In addition, there was a significant decline in trading-induced interest compared with the previous-year period in connection with CIB's current trading strategy.

At €130 million, net fees and commissions were €11 million, or 7.8%, lower than in the previous-year period. On the one hand, this is due to less demand by companies for equity or borrowings using capital market products, such as bonds or share issues, whereby it should be taken into account that in the first half of 2018 fee and commission income benefited from larger capital measures, and on the other hand, it is attributable to lower loan commissions and advisory fees.

Net other expenses/income fell significantly to €41 million (previous-year period: €74 million) whereby the previous-year total includes a positive non-recurring effect in connection with the offshore wind farm. There were no dividends and other income from equity investments in the first half of 2019 (previous-year period: €1 million).

By contrast, net trading income was up compared with the previous-year period, increasing a significant €34 million, or 11.9%, to €320 million. This increase is due in particular to the areas of fixed income products as well as equity and commodity products. The key drivers in this context are a positive development in the customer business coupled with an improved market environment. By contrast, valuation adjustments, which primarily include credit value adjustments and funding value adjustments, made a negative contribution to net trading income.

Operating costs rose a sharp €252 million, or 40.3%, to €877 million compared with the previous-year period. This is mainly due to unplanned depreciation of €259 million on the offshore wind farm, which was classified as IFRS 5. The carrying amount is thus to be written down to the expected sales proceeds. Furthermore, payroll costs rose slightly by €7 million, or 3.7%, to €198 million on account of a non-recurring effect in the previous year whereas other administrative expenses fell by €25 million, or 6.6%, to €351 million.

The cost-income ratio rose from 61.2% in the first half of 2018 to 98.3% in the reporting period on account of the slight decline in the earnings trend and the unplanned depreciation. Operating profit fell by €381 million, or 96.2%, to €15 million.

In the first half of 2019, there was a net addition of €54 million in net write-downs of loans and provisions for guarantees and commitments after a net reversal of €164 million was reported in the previous-year period.

In the first half of 2019, there was net income of €195 million from the reversal of provisions for risks and charges after net additions of €236 million in the previous-year period. Towards the end of the first quarter of 2019, the Bank reached a settlement with the US and New York authorities to conclude the proceedings for violations of US economic sanctions in the period from 2002 to 2012. The amounts payable according to the settlement are lower than the provisions set up for it, which means that the excess was able to be reversed. Net additions to provisions for risks and charges in the first half of 2018 are largely due to the increase in provisions for this matter.

Net income from investments totalled €18 million in the first half of 2019, after no such contributions to profits was recorded in the previous-year period.

The Corporate & Investment Banking business segment generated profit before tax of €174 million in the first half of 2019, which is thus significantly lower than the previous-year figure of €323 million.

The income tax expense for the reporting period fell by €93 million, or 44.3%, to €117 million compared with the first half of 2018.

The Corporate & Investment Banking business segment reports a profit after tax of €57 million for the first half of 2019, which, however, is significantly lower than the previous-year figure of €113 million.

Segment Reporting (Continued)

Development of the Group Corporate Centre business segment

(€ millions)

INCOME/EXPENSES	1/1–30/6/2019	1/1–30/6/2018
Net interest	32	13
Dividends and other income from equity investments	—	—
Net fees and commissions	(2)	(5)
Net trading income	1	16
Net other expenses/income	35	43
OPERATING INCOME	**66**	**67**
Payroll costs	(175)	(187)
Other administrative expenses	163	160
Amortisation, depreciation and impairment losses on intangible and tangible assets	(5)	(14)
Operating costs	**(17)**	**(41)**
OPERATING PROFIT	**49**	**26**
Net write-downs of loans and provisions for guarantees and commitments	4	28
NET OPERATING PROFIT	**53**	**54**
Provisions for risks and charges	7	1
Restructuring costs	—	—
Net income from investments	377	101
PROFIT BEFORE TAX	**437**	**156**
Income tax for the period	(114)	(36)
PROFIT AFTER TAX	**323**	**120**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**323**	**120**
attributable to the shareholder of UniCredit Bank AG	322	119
attributable to minorities	1	1
Cost-income ratio in %[1]	25.8	61.2

1 Ratio of operating costs to operating income.

In the reporting period, the Group Corporate Centre business segment generated operating income of €66 million, therefore falling slightly by €1 million, or 1%, compared with the previous-year period.

In the first half of 2019, net interest improved by €19 million to €32 million after €13 million in the previous-year period. This increase is primarily due to asset/liability management. There were no dividends and other income from equity investments in the reporting or previous-year period. Net fees and commissions were up by €3 million compared with the first half of 2018 and report a commission expense of €2 million for the current reporting period. Net trading income fell by €15 million, or 93.8%, from €16 million in the previous-year period to €1 million in the first half of 2019 on account of IFRS 9 fair value adjustments. With a decrease in operating costs of €24 million or 58.5% compared with the previous-year period, the operating profit amounted to €49 million after €26 million in the first half of 2018.

There was a net reversal of €4 million in net write-downs of loans and provisions for guarantees and commitments in the reporting period and of €28 million in the previous-year period, representing a decline of 85.7%. In the first half of 2019, net operating profit thus totalled €53 million after €54 million in the first half of 2018.

At €377 million, net income from investments was significantly higher compared with the previous-year period (€101 million). This mainly relates to the income of €364 million reported in the first half of 2019 from the sale of the properties recognised in the balance-sheet item "Non-current assets or disposal groups held for sale" which were held by our companies Acis Immobilien und Projektentwicklungs GmbH & Co. Oberbaum City KG and NF Objekte Berlin GmbH.

Particularly on account of the net income from investments, the profit before tax of the Group Corporate Centre business segment, at €437 million in the reporting period, was significantly higher than the profit before tax of €156 million in the first half of 2018. For the reporting period, the income tax expense increased significantly over the first half of 2018, by €78 million to €114 million.

The Group Corporate Centre business segment reports a profit after tax of €323 million for the first half of 2019, which very clearly exceeds the comparable figure of €120 million for the previous-year period by €203 million. There were no expenses for the impairment of goodwill.

As a result of operating income remaining at the previous year's level, lower operating costs and the net income from investments, there was a substantial improvement in the cost-income ratio to 25.8% in the reporting period compared with 61.2% in the first half of 2018.

Segment Reporting (Continued)

Development of the Other business segment

(€ millions)

INCOME/EXPENSES	1/1–30/6/2019	1/1–30/6/2018
Net interest	(3)	(2)
Dividends and other income from equity investments	—	—
Net fees and commissions	—	—
Net trading income	5	1
Net other expenses/income	34	36
OPERATING INCOME	**36**	**35**
Payroll costs	(50)	(57)
Other administrative expenses	75	63
Amortisation, depreciation and impairment losses on intangible and tangible assets	(44)	(43)
Operating costs	**(19)**	**(37)**
OPERATING PROFIT	**17**	**(2)**
Net write-downs of loans and provisions for guarantees and commitments	—	—
NET OPERATING PROFIT	**17**	**(2)**
Provisions for risks and charges	—	—
Restructuring costs	—	—
Net income from investments	11	28
PROFIT BEFORE TAX	**28**	**26**
Income tax for the period	(5)	(10)
PROFIT AFTER TAX	**23**	**16**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**23**	**16**
attributable to the shareholder of UniCredit Bank AG	22	16
attributable to minorities	—	—
Cost-income ratio in %[1]	52.8	105.7

1 Ratio of operating costs to operating income.

The Other business segment, which is shown separately for the first time in the reporting period, generated operating income of €36 million in the first half of 2019 and is thus €1 million or 2.9% higher than the previous year's figure of €35 million.

The change in operating costs by €18 million, or 48.6%, to €19 million is largely due to an increase of €12 million, or 19%, to €75 million in other administrative expenses in the first half of 2019 compared with €63 million in the previous-year period. As expected, payroll costs fell by €7 million to €50 million. Amortisation, depreciation and impairment losses on intangible and tangible assets come to €44 million in the reporting period and are thus marginally higher at 2.3% compared to €43 million in the previous-year period.

On account of the decline in operating costs, the Other business segment generated an operating profit of €17 million in the reporting period after a loss of €2 million in the previous-year period.

Together with other operating income at 2018 levels, the cost-income ratio improved in the reporting period to 52.8% compared to 105.7% in the first half of 2018.

In the Other business segment, no expenses arose for net write-downs of loans and provisions for guarantees and commitments in the reporting period or in the previous-year period. Net operating profit thus totalled €17 million in the reporting period.

In the current reporting period as in the first half of 2018, no expenses arose in the items "Provisions for risks and charges" and "Restructuring costs".

Net income from investments posted a year-on-year decline from €17 million to €11 million.

Overall, the Other business segment generated profit before tax of €28 million in the first half of 2019, a 7.7% year-on-year rise of €2 million.

Income tax for the reporting period fell by 50% to €5 million compared to the first half of 2018.

For the first half of 2019, the Other business segment reported profit after tax of €23 million, representing a substantial 43.8% rise of €7 million compared to €16 million in the first half of 2018.

Segment Reporting (Continued)

5 Balance sheet figures, broken down by business segment

(€ millions)

	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	OTHER	CONSOLIDATION	HVB GROUP
Loans and receivables with banks (at cost)						
30/6/2019	417	31,563	53	(136)	112	32,009
31/12/2018	—	—	—	—	—	—
Loans and receivables with customers (at cost)[1]						
30/6/2019	86,745	42,839	1,035	(2,358)	—	128,261
31/12/2018	83,502	42,208	458	(2,542)	—	123,626
Goodwill						
30/6/2019	130	—	—	—	—	130
31/12/2018	130	—	—	—	—	130
Deposits from customers						
30/6/2019	88,361	29,659	1,525	(165)	116	119,496
31/12/2018	90,299	29,234	1,623	(235)	117	121,038
Risk-weighted assets compliant						
with Basel III (including equivalents for						
market risk and operational risk)						
30/6/2019	30,818	45,926	5,322	(510)	2,343	83,899
31/12/2018	31,501	44,521	5,077	(515)	2,008	82,592

1 The loans and receivables with customers do not contain any securities holdings for internal management purposes.

Notes to the Income Statement

6 Net interest

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Interest income	1,813	1,890
from financial assets at cost	1,446	1,445
from financial assets at FVTOCI	14	6
from financial assets at FVTPL and hedging derivatives	224	301
from financial assets held for trading	83	87
other interest income	46	51
Negative interest on financial assets	(68)	(76)
Interest expense	(709)	(704)
from financial liabilities at cost	(493)	(455)
thereof: from lease liabilities	(2)	n/a
from financial liabilities at FVTPL and hedging derivatives	(40)	(44)
from financial liabilities held for trading	(169)	(188)
other interest expense	(7)	(17)
Negative interest on financial liabilities	113	134
Total	**1,149**	**1,244**

Negative interest mainly relates to securities repurchase agreements, overnight deposits and forward transactions with banks and institutional investors.

For forward exchange transactions, the difference between the spot and forward rates (swap rate) must be accrued or deferred and is included in net interest in 2019 for the first time. In the previous year, this accrual or deferral was reported under net trading income for existing forward exchange transactions in the foreign banking book. Accordingly, interest income of €25 million and interest expense of €66 million from the accrual or deferral of swap rates were recognised in the first half of 2019, while a net loss of €36 million on these transactions from the accrual or deferral of swap rates was shown under net trading income in the first half of 2018. The previous year's figures were not restated for materiality reasons.

Net interest attributable to related parties

The item "Net interest" includes the following amounts attributable to related parties:

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Non-consolidated affiliated companies	14	21
of which:		
UniCredit S.p.A.	6	8
Sister companies	8	13
Subsidiaries	—	—
Joint ventures	4	2
Associated companies	1	13
Other participating interests	7	6
Total	**26**	**42**

Notes to the Income Statement (Continued)

7 Dividends and other income from equity investments

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Dividends and other similar income	2	8
Companies accounted for using the equity method	—	1
Total	**2**	**9**

8 Net fees and commissions

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Fee and commission income	641	677
Securities services for clients	276	316
Payment transactions	145	144
Loan business	78	85
Guarantees	62	60
Distribution of third party products	54	40
Other commission income	26	32
Fee and commission expense	(153)	(134)
Securities services for clients	(77)	(83)
Payment transactions	(34)	(13)
Loan business	(9)	(3)
Guarantees	(2)	(2)
Distribution of third party products	—	—
Other commission expense	(31)	(33)
Net fees and commissions	**488**	**543**

With regard to the increase in provision expenses for payment transactions, it should be noted that the disclosure of expenses for the purchase of certain payment transactions was changed. These expenses of €21 million were recorded under commission expense in the first half of 2019 instead of under operating costs, whereas €21 million for the purchase of these services was recorded under operating costs in the first half of 2018. For reasons of materiality, the previous year's figures were not restated.

Net fees and commissions from related parties

The item "Net fees and commissions" includes the following amounts attributable to related parties:

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Non-consolidated affiliated companies	(14)	9
of which:		
UniCredit S.p.A.	(2)	7
Sister companies	(12)	—
Subsidiaries	—	2
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**(14)**	**9**

9 Net trading income

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Net gains on financial assets held for trading[1]	338	378
Total	**338**	**378**

1 Including dividends on financial assets held for trading.

The net gains on holdings at fair value through profit or loss generally only contain the changes in fair value disclosed in the income statement. For hedged forward exchange transactions in the non-trading portfolio used for liquidity management of foreign currency holdings, the swap rate is accrued or deferred over the remaining term of the transactions and reported in net interest. In the previous year, this accrual or deferral was reported under net trading income for existing forward exchange transactions in the banking book outside of Germany. Accordingly, interest income of €25 million and interest expense of €66 million from the accrual or deferral of swap rates were recognised in the first half of 2019, while a net loss of €36 million on these transactions from the accrual or deferral of swap rates was shown under net trading income in the first half of 2018. The previous year's figures were not restated for materiality reasons.

The interest income from trading portfolios is normally disclosed under net interest. To ensure that the full contribution of these activities to profits is disclosed, the interest cash flows are carried in net trading income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

10 Net gains/losses on financial assets and liabilities at fair value

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Financial assets mandatorily at FVTPL	(11)	(20)
Financial liabilities designated at FVTPL	(38)	(53)
Derecognition from OCI	5	1
Effects arising from hedge accounting	26	19
Fair value equity	20	14
Total	**2**	**(39)**

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Fair value hedges	26	19
Changes in fair value of hedged items	(592)	69
Portfolio fair value hedges	(783)	41
Micro fair value hedges	191	28
Changes in fair value of hedging instruments	618	(50)
Portfolio fair value hedges	809	(22)
Micro fair value hedges	(191)	(28)
Cash flow hedges	—	—
Net gains/(losses) of cash flow hedges (only ineffective part)	—	—
Total	**26**	**19**

Notes to the Income Statement (Continued)

The hedge accounting effects of the main hedge accounting approaches of HVB Group are described below:

Micro fair value hedge for holdings at FVTOCI (€ millions)

	REMAINING TERM			CUMULATIVE AMOUNT OF THE HEDGE-RELATED ADJUSTMENT TO THE FAIR VALUE INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM RECOGNISED IN THE BALANCE SHEET		CARRYING AMOUNT		CHANGE IN FAIR VALUE USED TO RECOGNISE AN INEFFECTIVENESS IN THE HEDGE FOR THE PERIOD
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	ASSETS	LIABILITIES	ASSETS	LIABILITIES	
Balance at 30/6/2019								
Nominal								
Hedged items	450	4,889	3,316					
Hedging transactions	450	4,889	3,316					
Interest rate sensitivities in BPV								
Hedged items	—	(2)	(2)					
Hedging transactions	—	2	2					
Balance sheet values								
Hedged items				224		8,481		
Hedging transactions						—	350	
Hedge result								—
Hedged items								191
Hedging transactions								(191)
Balance at 31/12/2018								
Nominal								
Hedged items	2,300	2,941	2,038					
Hedging transactions	2,300	2,941	2,038					
Interest rate sensitivities in BPV								
Hedged items	—	(1)	(1)					
Hedging transactions	—	1	1					
Balance sheet values								
Hedged items				49		7,370		
Hedging transactions						7	96	
Hedge result								—
Hedged items								54
Hedging transactions								(54)

The table above compares the nominal amounts of the hedged items and the hedging transactions. In addition, the interest rate sensitivities are stated in basis point values (BPV). This means that if the interest rate changes by one basis point (0.01%), the fair value will change by the amount stated in euro millions. The statement of interest sensitivities in BPV is a suitable instrument for describing the effectiveness of a hedge.

Securities holdings, which are allocated to the balance sheet item "Financial assets at FVTOCI", are separately hedged against interest rate risks for each transaction through a hedging transaction. This includes up-front payments on conclusion of the interest rate swaps to compensate for premiums and discounts in the purchase price of the securities which means that their fair value is not equal to zero at the inception of the hedge. Furthermore, the fair value of the derivatives also contains accrued interest (dirty fair value) whereas accrued interest for the hedged items is allocated to these directly and is thus not included in the cumulative amount of the hedge-related adjustments to the carrying amount of the hedged items. Consequently, the net fair value of the hedging derivatives does not reflect the cumulative amount of the hedge-related adjustments to the carrying amount of the hedged items.

Portfolio fair value hedge

(€ millions)

	REMAINING TERM			CUMULATIVE AMOUNT OF THE HEDGE-RELATED ADJUSTMENT TO THE FAIR VALUE INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM RECOGNISED IN THE BALANCE SHEET		CARRYING AMOUNT		CHANGE IN FAIR VALUE USED TO RECOGNISE AN INEFFECTIVENESS IN THE HEDGE FOR THE PERIOD
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	ASSETS	LIABILITIES	ASSETS	LIABILITIES	
Balance at 30/6/2019								
Interest rate sensitivities in BPV								
Hedged items								
EUR	1	6	11					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Hedging transactions								
EUR	(1)	(6)	(11)					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Balance sheet values								
Hedged items				49	2,026			
Hedging transactions						286	531	
Hedge result								26
Hedged items								(783)
Hedging transactions								809
Balance at 31/12/2018								
Interest rate sensitivities in BPV								
Hedged items								
EUR	—	8	10					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Hedging transactions								
EUR	—	(8)	(10)					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Balance sheet values								
Hedged items				36	1,210			
Hedging transactions						269	502	
Hedge result								13
Hedged items								(33)
Hedging transactions								46

Notes to the Income Statement (Continued)

HVB Group has exercised the option of continuing to apply the provisions of IAS 39 on hedge accounting. The portfolio fair value hedge will thus be continued.

In line with the standard bank risk management procedures for the hedging of fixed interest rate risks, the interest rate risks entailed in the hedged items are managed on a cross-item basis in the portfolio fair value hedge. For this purpose, the interest-relevant cash flows of the hedged items are allocated separately by currency to maturity buckets and the net position is determined. The interest rate hedging derivatives concluded thus relate to net interest rate risk positions across several items in the respective maturity buckets and not to specific hedged items. As a hedged item may thus have different effects in the respective maturity bucket, the effects of hedge accounting are presented by reference to interest sensitivity. The statement of interest sensitivity by maturity bucket represents an adequate measure for determining the hedged interest rate risks. The table shows the changes in fair value in € millions if the interest rate changes by one basis point (BPV or 0.01%).

11 Net gains/losses on derecognition of financial instruments measured at cost

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Loans and receivables (performing)	4	9
Buy-backs of securities issued	1	(1)
Promissory notes (assets side)	—	9
Total	**5**	**17**

12 Net other expenses/income

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Other income	657	406
Disposal of land and buildings	4	1
Rental income	56	66
Valuation/disposals of investment properties	396	110
Other	201	229
Other expenses	(166)	(175)
Disposal of land and buildings	—	—
Valuation/disposals of investment properties	(1)	—
Expenses of investment properties	—	(1)
Bank levy	(104)	(93)
Other	(61)	(81)
Total	**491**	**231**

Other income includes rental income of €77 million from investment properties and mixed usage buildings (previous-year period: €89 million). Current operating expenses (including repairs and maintenance) directly allocable to investment properties and current expenses from mixed usage buildings of €21 million (previous-year period: €23 million) are netted with the other income.

Net other expenses/income contains income of €139 million (previous year: €133 million) in the item "Other" and expenses of €35 million (previous year: €35 million) in "Other" in connection with the BARD Offshore 1 wind farm.

The item "Valuation/disposals of investment properties" includes income of €365 million from the sale of the properties held by our companies Acis Immobilien und Projektentwicklungs GmbH & Co. Oberbaum City KG and NF Objekte Berlin GmbH, which are reported in the balance sheet item "Non-current assets or disposal groups held for sale".

Net other expenses/income attributable to related parties

The item "Net other expenses/income" includes the following amounts attributable to related parties:

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Non-consolidated affiliated companies	44	36
of which:		
UniCredit S.p.A.	6	5
Sister companies	38	31
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**44**	**36**

13 Operating costs

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Payroll costs	(723)	(735)
Other administrative expenses	(617)	(722)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(383)	(113)
Total	**(1,723)**	**(1,570)**

The decline in other administrative costs must take into consideration that the recognition of expenses for the purchase of certain payment transaction services was adjusted. These expenses of €21 million were reported under commission expense in the first half of 2019 instead of operating costs, whereas expenses of €21 million for the purchase of these services in the first half of 2018 were recorded as operating costs. The previous year's figures were not restated for materiality reasons.

With regard to amortisation, depreciation and impairment losses on intangible and tangible assets, it must be noted that impairments of €259 million were recognised in the item "Non-current assets or disposal groups held for sale" in relation to the reclassification of the Offshore 1 wind farm.

Operating costs of related parties

The item "Operating costs" includes the following amounts attributable to related parties:

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Non-consolidated affiliated companies	(311)	(350)
of which:		
UniCredit S.p.A.	(8)	(8)
Sister companies	(303)	(342)
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**(311)**	**(350)**

Notes to the Income Statement (Continued)

14 Credit impairment losses IFRS 9

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Additions	(438)	(446)
Allowances for losses on loans and receivables at cost	(335)	(374)
Allowances for losses on loans and receivables at FVTOCI	—	—
Allowances for losses on guarantees and indemnities	(103)	(72)
Releases	340	543
Allowances for losses on loans and receivables at cost	250	446
Allowances for losses on loans and receivables at FVTOCI	—	—
Allowances for losses on guarantees and indemnities	90	97
Gains/(losses) from not substantial modification	1	—
Recoveries from write-offs of loans and receivables	17	16
Gains/(losses) on the disposal of impaired loans and receivables	—	(12)
Total	**(80)**	**101**

Credit impairment losses IFRS 9 attributable to related parties

The item “Credit impairment losses IFRS 9” includes the following amounts attributable to related parties:

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Non-consolidated affiliated companies	—	—
of which:		
UniCredit S.p.A.	—	—
Sister companies	—	—
Joint ventures	—	—
Associated companies	—	4
Other participating interests	—	—
Total	**—**	**4**

15 Provisions for risks and charges

In the first half of 2019, there was income of €288 million from the reversal of provisions for risks and charges after net additions of €339 million in the previous-year period. In April of 2019, the Bank reached a settlement with the US and New York authorities to conclude the proceedings for violations of US economic sanctions in the period from 2002 to 2012. The amounts payable according to the settlement are lower than the provisions set up for it, which means that the amount in excess was able to be reversed. The net additions to provisions for risks and charges in the first half of 2018 are largely due to the increase in provisions for this matter.

16 Net gains/losses on disposals of investments

(€ millions)

	1/1–30/6/2019	1/1–30/6/2018
Shares in affiliated companies	—	28
Disposal of companies accounted for using the equity method	15	—
Writedowns	(2)	—
Total	**13**	**28**

The disposal of companies accounted for using the equity method contains the gain of €15 million on the sale of our associated company SwanCap Partners GmbH, Munich.

In the previous year, shares in affiliated companies included the gains of €28 million on the sale of our subsidiary Mobility Concept GmbH, Oberhaching.

17 Earnings per share

	1/1–30/6/2019	1/1–30/6/2018
Consolidated profit attributable to the shareholder (€ millions)	602	261
Average number of shares	802,383,672	802,383,672
Earnings per share (€) (undiluted and diluted)	0.75	0.33

Notes to the Balance Sheet

18 Financial assets held for trading

(€ millions)

	30/6/2019	31/12/2018
Balance-sheet assets	24,416	26,694
Fixed-income securities	7,590	9,187
Equity instruments	7,442	7,520
Other financial assets held for trading	9,384	9,987
Positive fair value from derivative financial instruments	49,323	42,263
Total	**73,739**	**68,957**

The financial assets held for trading include €133 million (previous year: €140 million) in subordinated assets.

Financial assets held for trading of related parties

The item "Financial assets held for trading" includes the following amounts attributable to related parties:

(€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	13,556	10,786
of which:		
UniCredit S.p.A.	9,223	7,534
Sister companies[1]	4,333	3,252
Joint ventures	135	86
Associated companies	1,103	1,007
Other participating interests	5	4
Total	**14,799**	**11,883**

1 Mostly derivative transactions involving UniCredit Bank Austria AG.

19 Financial assets at FVTPL

(€ millions)

	30/6/2019	31/12/2018
Fixed-income securities	13,962	15,135
Equity instruments	264	242
Loans and promissory notes	1,397	1,243
Other	71	63
Total	**15,694**	**16,683**

Financial assets at FVTPL include an amount of €36 million in subordinated loans and receivables in the reporting year (previous year: €399 million).

In the reporting year and in the previous year the financial assets at FVTPL do not include any loans and receivables past due.

20 Financial assets at FVTOCI

(€ millions)

	30/6/2019	31/12/2018
Fixed-income securities	8,481	7,370
Total	**8,481**	**7,370**

Development loss allowance

(€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2019	**7,370**	**—**	**—**	**—**	**7,370**
Transfers to another stage due to					
deterioration of credit quality	—	—	—	—	—
Transfers to another stage due to					
improvement of credit quality	—	—	—	—	—
Changes due to modification that did					
not result in derecognition	—	—	—	—	—
Changes within the stage (net)[1]	1,111	—	—	—	1,111
Derecognition (due to incollectibility)	—	—	—	—	—
Other changes	—	—	—	—	—
Balance at 30/6/2019	**8,481**	**—**	**—**	**—**	**8,481**
Balance at 1/1/2018	**6,147**	**—**	**—**	**—**	**6,147**
Transfers to another stage due to					
deterioration of credit quality	—	—	—	—	—
Transfers to another stage due to					
improvement of credit quality	—	—	—	—	—
Changes due to modification that did					
not result in derecognition	—	—	—	—	—
Changes within the stage (net)[1]	1,223	—	—	—	1,223
Derecognition (due to incollectibility)	—	—	—	—	—
Other changes	—	—	—	—	—
Balance at 31/12/2018	**7,370**	**—**	**—**	**—**	**7,370**

1 Changes within the stage (net) include additions from purchases and disposals from sales and repayments.

No modifications to fixed-income securities were made in the reporting year, as also in the previous year.

No collateral was provided for assets held at FVTOCI in the reporting or previous year.

Notes to the Balance Sheet (Continued)

21 Loans and receivables with banks (at cost)

(€ millions)

	30/6/2019	31/12/2018
Current accounts	1,783	2,192
Cash collateral and pledged credit balances	8,523	6,847
Reverse repos	16,085	17,261
Securities	1,302	1,342
Other loans to banks	5,573	6,006
Non-performing loans and receivables	—	—
Total	**33,266**	**33,648**

The other loans to banks consist mostly of term deposits and bonds.

The “Loans and receivables with banks (at cost)” include €2,000 in subordinated assets as at the reporting date and in the previous year.

Development of the gross carrying amounts (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2019	**33,191**	**464**	**40**	**—**	**33,695**
Change in balance within the stage					
(including additions from new business and disposals)	73	(423)	(35)	—	(385)
Transfers to another stage due to deterioration in credit quality	(70)	39	31	—	—
from stage 1 to stage 2	(39)	39	—	—	—
from stage 2 to stage 3	—	—	—	—	—
from stage 1 to stage 3	(31)	—	31	—	—
Transfers to another stage due to improvement in credit quality	1	(1)	—	—	—
from stage 2 to stage 1	1	(1)	—	—	—
from stage 3 to stage 2	—	—	—	—	—
from stage 3 to stage 1	—	—	—	—	—
Increase reported directly in equity in gross carrying amounts					
for interest claims not recognised in profit or loss	—	—	—	—	—
Changes due to modification of assets, not leading to derecognition	—	—	—	—	—
Foreign currency movements and other changes	—	—	—	—	—
Balance at 30/6/2019	**33,195**	**79**	**36**	**—**	**33,310**
Balance at 1/1/2018	**30,276**	**223**	**38**	**—**	**30,537**
Change in balance within the stage					
(including additions from new business and disposals)	2,729	427	2	—	3,158
Transfers to another stage due to deterioration in credit quality	(18)	18	—	—	—
from stage 1 to stage 2	(18)	18	—	—	—
from stage 2 to stage 3	—	—	—	—	—
from stage 1 to stage 3	—	—	—	—	—
Transfers to another stage due to improvement in credit quality	204	(204)	—	—	—
from stage 2 to stage 1	204	(204)	—	—	—
from stage 3 to stage 2	—	—	—	—	—
from stage 3 to stage 1	—	—	—	—	—
Increase reported directly in equity in gross carrying amounts					
for interest claims not recognised in profit or loss	—	—	—	—	—
Changes due to modification of assets, not leading to derecognition	—	—	—	—	—
Foreign currency movements and other changes	—	—	—	—	—
Balance at 31/12/2018	**33,191**	**464**	**40**	**—**	**33,695**

Notes to the Balance Sheet (CONTINUED)

Analysis of allowances (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2019	**6**	**1**	**40**	**—**	**47**
Addition due to new business	5	—	—	—	5
Change in balance within the same stage (netted)[1]	—	—	(4)	—	(4)
Increase in impairment reported directly in equity for					
interest claims not recognised in profit or loss	—	—	—	—	—
Changes due to modification of assets,					
not leading to derecognition	—	—	—	—	—
Change of model	—	—	—	—	—
Disposals (reversal due to disposal of receivables)	(4)	—	—	—	(4)
Disposals (utilisation of impairments)	—	—	—	—	—
Reversal of the discounted amount and receipt of					
interest claims previously not recognised in profit or loss	—	—	—	—	—
Foreign currency movements and other changes	—	—	—	—	—
Balance at 30/6/2019	**7**	**1**	**36**	**—**	**44**
Balance at 1/1/2018	**6**	**4**	**38**	**—**	**48**
Addition due to new business	5	—	—	—	5
Change in balance within the same stage (netted)[1]	(1)	1	—	—	—
Increase in impairment reported directly in equity for					
interest claims not recognised in profit or loss	—	—	—	—	—
Changes due to modification of assets,					
not leading to derecognition	—	—	—	—	—
Change of model	—	—	—	—	—
Disposals (reversal due to disposal of receivables)	(5)	(4)	—	—	(9)
Disposals (utilisation of impairments)	—	—	—	—	—
Reversal of the discounted amount and receipt of					
interest claims previously not recognised in profit or loss	—	—	—	—	—
Foreign currency movements and other changes	1	—	2	—	3
Balance at 31/12/2018	**6**	**1**	**40**	**—**	**47**

1 Transfers between the individual stages are also shown here (disposal at the previous stage, addition at the new stage).

Loans and receivables with related parties

The item "Loans and receivables with banks (at cost)" includes the following amounts attributable to related parties:

(€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	3,101	3,892
of which:		
UniCredit S.p.A.	2,046	2,871
Sister companies[1]	1,055	1,021
Joint ventures	49	112
Associated companies	39	16
Other participating interests	38	24
Total	**3,227**	**4,044**

1 Mainly UniCredit Bank Austria AG.

22 Loans and receivables with customers (at cost)

(€ millions)

	30/6/2019	31/12/2018
Current accounts	7,274	6,641
Cash collateral and pledged cash balances	3,043	2,652
Reverse repos	2,631	3,842
Mortgage loans	48,021	46,635
Receivables under finance leases	1,852	1,847
Securities	12,216	11,248
thereof: asset-backed securities (ABS)	8,798	8,266
Other loans and receivables	62,768	59,477
Non-performing loans and receivables	1,368	1,364
Total	**139,173**	**133,706**

Other loans and receivables largely comprise miscellaneous other loans, instalment loans, term deposits and refinanced special credit facilities.

Loans and receivables with customers (at cost) include an amount of €4,771 million (previous year: €4,282 million) funded under the fully-consolidated Arabella conduit programme. This essentially involves buying short-term accounts payable and medium-term receivables under lease agreements from customers and funding them by issuing commercial paper on the capital market. The securitised loans and receivables essentially reflect loans and receivables of European borrowers, with the majority of the loans and receivables relating to German borrowers.

In the reporting year, the loans and receivables with customers (at cost) include €33 million (previous year: €34 million) in subordinated assets.

Notes to the Balance Sheet (Continued)

Development of gross carrying amounts

(€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2019	**124,753**	**7,915**	**2,984**	**—**	**135,652**
Change in balance within the stage					
(including additions from new business and disposals)	7,766	(1,525)	(833)	—	5,408
Transfers to another stage due to deterioration in credit quality	(5,790)	5,009	781	—	—
from stage 1 to stage 2	(5,114)	5,114	—	—	—
from stage 2 to stage 3	—	(105)	105	—	—
from stage 1 to stage 3	(676)	—	676	—	—
Transfers to another stage due to improvement in credit quality	1,935	(1,913)	(22)	—	—
from stage 2 to stage 1	1,923	(1,923)	—	—	—
from stage 3 to stage 2	—	10	(10)	—	—
from stage 3 to stage 1	12	—	(12)	—	—
Increase reported directly in equity in gross carrying amounts					
for interest claims not recognised in profit or loss	—	—	40	—	40
Changes due to modification of assets, not leading to derecognition	—	—	—	—	—
Foreign currency movements and other changes	—	—	—	—	—
Balance at 30/6/2019	**128,664**	**9,486**	**2,950**	**—**	**141,100**
Balance at 1/1/2018	**112,514**	**6,818**	**3,874**	**—**	**123,206**
Change in balance within the stage					
(including additions from new business and disposals)	14,113	(458)	(1,286)	—	12,369
Transfers to another stage due to deterioration in credit quality	(4,215)	3,732	483	—	—
from stage 1 to stage 2	(3,873)	3,873	—	—	—
from stage 2 to stage 3	—	(141)	141	—	—
from stage 1 to stage 3	(342)	—	342	—	—
Transfers to another stage due to improvement in credit quality	2,341	(2,177)	(164)	—	—
from stage 2 to stage 1	2,293	(2,293)	—	—	—
from stage 3 to stage 2	—	116	(116)	—	—
from stage 3 to stage 1	48	—	(48)	—	—
Increase reported directly in equity in gross carrying amounts					
for interest claims not recognised in profit or loss	—	—	52	—	52
Changes due to modification of assets, not leading to derecognition	—	—	2	—	2
Foreign currency movements and other changes	—	—	23	—	23
Balance at 31/12/2018	**124,753**	**7,915**	**2,984**	**—**	**135,652**

Analysis of allowances (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2019	**139**	**187**	**1,620**	**—**	**1,946**
Addition due to new business	41	—	—	—	41
Change in balance within the same stage (netted)[1]	(21)	42	134	—	155
Increase in impairment reported directly in equity for					
interest claims not recognised in profit or loss	—	—	40	—	40
Changes due to modification of assets,					
not leading to derecognition	—	—	1	—	1
Change of model	—	—	—	—	—
Disposals (reversal due to disposal of receivables)	(26)	(18)	(88)	—	(132)
Disposals (utilisation of impairments)	—	—	(107)	—	(107)
Reversal of the discounted amount and receipt of					
interest claims previously not recognised in profit or loss	—	—	(15)	—	(15)
Foreign currency movements and other changes	1	(1)	(2)	—	(2)
Balance at 30/6/2019	**134**	**210**	**1,583**	**—**	**1,927**
Balance at 1/1/2018	**140**	**181**	**1,953**	**—**	**2,274**
Addition due to new business	109	—	—	—	109
Change in balance within the same stage (netted)[1]	(42)	56	361	1	376
Increase in impairment reported directly in equity for					
interest claims not recognised in profit or loss	—	—	52	—	52
Changes due to modification of assets,					
not leading to derecognition	—	—	2	—	2
Change of model	—	—	—	—	—
Disposals (reversal due to disposal of receivables)	(55)	(61)	(405)	—	(521)
Disposals (utilisation of impairments)	—	—	(271)	(1)	(272)
Reversal of the discounted amount and receipt of					
interest claims previously not recognised in profit or loss	—	—	(46)	—	(46)
Foreign currency movements and other changes	(13)	11	(26)	—	(28)
Balance at 31/12/2018	**139**	**187**	**1,620**	**—**	**1,946**

1 Transfers between the individual stages are also shown here (disposal at the previous stage, addition at the new stage).

Notes to the Balance Sheet (Continued)

Loans and receivables with related parties

The item "Loans and receivables with customers (at cost)" includes the following amounts attributable to related parties: (€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	3	6
of which:		
Sister companies	2	3
Subsidiaries	1	3
Joint ventures	13	15
Associated companies	105	115
Other participating interests	455	473
Total	**576**	**609**

23 Hedging derivatives

(€ millions)

	30/6/2019	31/12/2018
Micro fair value hedge	—	7
Fair value hedge portfolio[1]	286	269
Total	**286**	**276**

1 The cross-currency interest rate swaps used in hedge accounting are carried at their aggregate fair value in the fair value hedge portfolio.

24 Investments in associates and joint ventures

(€ millions)

	30/6/2019	31/12/2018
Associated companies accounted for using the equity method	10	23
of which: goodwill	—	—
Joint ventures accounted for using the equity method	—	—
Total	**10**	**23**

25 Property, plant and equipment

(€ millions)

	30/6/2019	31/12/2018
Land and buildings[1]	707	922
Plant and office equipment[1]	317	329
Right of use assets (leases)	289	n/a
thereof: land and buildings	278	n/a
Other property, plant and equipment	—	1,238
Total	**1,313**	**2,489**

1 Including leased assets of €461 million (previous year: €525 million).

Other property, plant and equipment mainly contains the BARD Offshore 1 wind farm which belongs to the Ocean Breeze Energy GmbH & Co. KG subsidiary. This was reclassified to the item "Non-current assets or disposal groups held for sale" with effect from 30 June 2019.

26 Non-current assets or disposal groups held for sale

(€ millions)

	30/6/2019	31/12/2018
Cash and cash balances	—	—
Financial assets at FVTPL	—	—
Financial assets at FVTOCI	—	—
Loans and receivables with banks (at cost)	—	—
Loans and receivables with customers (at cost)	—	—
Investments in associates and joint ventures	11	9
Property, plant and equipment	1,151	—
Investment properties	645	733
Tax assets	4	—
Other assets	58	—
Total	**1,869**	**742**

As at 30 June 2019, property, plant and equipment totalling €1,151 million was designated as non-current assets or disposal groups held for sale. This relates to the planned disposal of the subsidiary Ocean Breeze Energy GmbH & Co. KG, Bremen, which operates a wind farm as well as other land and buildings. Non-strategic real estate held for sale is reported under investment properties. Furthermore, the carrying amount of an associate company accounted for using the equity method has been reclassified according to IFRS 5, the disposal of which is planned. The disposals planned for the first half of 2019 (investment properties with carrying amounts totalling €89 million and the disposal of the SwanCap Partners GmbH, Munich, an equity investment accounted for using the equity method) have been completed.

The disposal of investment properties classified as IFRS 5 as at 31 December 2018 is still planned for the second half of 2019. The disposal of the investment properties newly classified as IFRS 5 is definitely planned within the next 12 months, although it cannot be excluded that some of these properties may already be disposed of in the second half of 2019.

At 30 June 2019, allowances totalling €261 million were to be recorded in relation to the non-current assets or disposal groups which were classified for the first time as held for sale and were mostly attributable to the assets of Ocean Breeze Energy GmbH & Co. KG, Bremen. No valuation effects were recorded in the previous year.

Notes to the Balance Sheet (Continued)

27 Deposits from banks

(€ millions)

	30/6/2019	31/12/2018
Deposits from central banks	19,565	16,886
Deposits from banks	46,854	46,057
Current accounts	3,242	2,691
Cash collateral and pledged credit balances	8,938	9,289
Repos	17,419	16,484
Term deposits	4,151	4,772
Other liabilities	13,104	12,821
Total	**66,419**	**62,943**

Amounts owed to related parties

The item "Deposits from banks" includes the following amounts attributable to related parties:

(€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	5,299	6,103
of which:		
UniCredit S.p.A.	2,373	2,626
Sister companies[1]	2,926	3,477
Joint ventures	4	19
Associated companies	68	79
Other participating interests	21	23
Total	**5,392**	**6,224**

1 The largest single item relates to UniCredit Bank Austria AG.

28 Deposits from customers

(€ millions)

	30/6/2019	31/12/2018
Current accounts	76,033	76,334
Cash collateral and pledged credit balances	5,708	3,948
Savings deposits	13,652	13,659
Repos	2,550	6,196
Term deposits	19,075	18,075
Promissory notes	1,502	1,638
Lease liabilities	317	n/a
Other liabilities	976	1,188
Total	**119,813**	**121,038**

Leasing liabilities contain liabilities from operating leases that are recognised for the first time with the implementation of IFRS 16. These are shown here together with existing liabilities from finance leases.

Amounts owed to related parties

The item "Deposits from customers" includes the following amounts attributable to related parties:

(€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	328	241
of which:		
Sister companies	323	236
Subsidiaries	5	5
Joint ventures	1	4
Associated companies	—	1
Other participating interests	316	320
Total	**645**	**566**

29 Debt securities in issue

(€ millions)

	30/6/2019	31/12/2018
Bonds	24,074	21,746
of which:		
Registered mortgage Pfandbriefs	4,732	4,766
Registered public-sector Pfandbriefs	2,418	2,590
Mortgage Pfandbriefs	10,378	8,216
Public-sector Pfandbriefs	780	85
Registered bonds	3,282	3,146
Other securities	2,477	2,614
Total	**26,551**	**24,360**

Debt securities in issue, payable to related parties

The item "Debt securities in issue" includes the following amounts attributable to related parties:

(€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	1,000	1,000
of which:		
UniCredit S.p.A.	1,000	1,000
Sister companies	—	—
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**1,000**	**1,000**

30 Financial liabilities held for trading

(€ millions)

	30/6/2019	31/12/2018
Negative fair values arising from derivative financial instruments	43,291	37,224
Other financial liabilities held for trading	7,650	10,881
Total	**50,941**	**48,105**

The negative fair values arising from derivative financial instruments are carried as financial liabilities held for trading purposes. Also included under other financial liabilities held for trading purposes are warrants, certificates and bonds issued by our trading department as well as delivery obligations arising from short sales of securities held for trading purposes.

31 Financial liabilities at FVTPL

The item contains exclusively own structured issues of €5,663 million (previous year: €5,152 million).

Notes to the Balance Sheet (Continued)

32 Hedging derivatives

(€ millions)

	30/6/2019	31/12/2018
Micro fair value hedge	350	96
Fair value hedge portfolio[1]	531	502
Total	**881**	**598**

1 The cross-currency interest rate swaps used in hedge accounting are carried at their aggregate fair value in the fair value hedge portfolio.

33 Hedge adjustment of hedged items in the fair value hedge portfolio

The hedge adjustment of interest rate hedged receivables and liabilities in the fair value hedge portfolio total €2,026 million net (previous year: €1,210 million). The fair value of the netted fair value hedge portfolio derivatives represents a net comparable amount resulting from a move in the opposite direction.

34 Liabilities of disposal groups held for sale

(€ millions)

	30/6/2019	31/12/2018
Deposits from banks	—	—
Deposits from customers	16	—
Tax liabilities	7	—
Other liabilities	15	—
Provisions	45	—
Total	**83**	**—**

As at 30 June 2019, the liabilities of Ocean Breeze Energy GmbH & Co. KG, Bremen, were classified for the first time as liabilities of disposal groups held for sale.

35 Provisions

(€ millions)

	30/6/2019	31/12/2018
Provisions for pensions and similar obligations	1,179	801
Allowances for losses on guarantees and commitments and irrevocable credit commitments	227	214
Restructuring provisions	219	256
Other provisions	849	2,182
Payroll provisions	361	383
Provisions related to tax disputes (without income taxes)	35	28
Provisions for rental guarantees and dismantling obligations	102	154
Other provisions	351	1,617
Total	**2,474**	**3,453**

The fall in "Other provisions" was attributable mainly to the conclusion of proceedings concerning breaches of US economic sanctions. In April 2019, the Bank reached a settlement with the US and New York authorities to conclude the proceedings concerning breaches of US economic sanctions for the period 2002 – 2012. The amounts payable under the settlement are lower than the provisions set aside for this purpose, which means that the surplus amount was reversed.

Provisions for pensions and similar obligations

As at 30 June 2019, the provisions for pensions and similar obligations were remeasured on the basis of updated actuarial assumptions and market values of the plan assets. Compared with year-end 2018, pension provisions recognised in the consolidated balance sheet have increased by €378 million (+47.2%) to €1,179 million. The recognised pension provisions thus correspond to the net defined benefit liability from the defined benefit plans, resulting from netting the present value of the defined benefit obligation (DBO) of €5,347 million with the fair value of the plan assets of €4,168 million.

The key reason for the increase in the pension provisions was the lowering by 55 basis points of the discount rate (weighted average) to 1.55% (31 December 2018: 2.10%) due to the capital market developments in the first half of 2019. A reduced discount rate leads to a lower discounting of the liabilities from the defined benefit obligations and hence to an increase in the present value of liability.

The actuarial losses on the reporting date resulting from the calculation of the estimated present value of the defined benefit obligations, offset by the profit from the current market measurement of the plan assets (difference between standardised earnings and earnings actually realised), resulted in a negative total effect from remeasurements of €347 million, which was recognised immediately in shareholders' equity without affecting profit or loss and in other comprehensive income (OCI) within total comprehensive income.

36 Subordinated capital

The following table shows the breakdown of subordinated capital included in deposits from banks, deposits from customers and debt securities in issue:

(€ millions)

	30/6/2019	31/12/2018
Subordinated liabilities	411	493
Hybrid capital instruments	53	52
Total	**464**	**545**

Other Information

37 Events after the reporting period
At the beginning of August, HVB agreed on the sale of the companies Ocean Breeze Energy GmbH & Co. KG (and the subsidiaries held by this company) and Perikles 20092 Vermögensverwaltung GmbH. The assets and liabilities of the companies will be recognised in the items "Non-current assets or disposal groups held for sale" or "Liabilities of disposal groups held for sale".

38 Fair value hierarchy
The development of financial instruments measured at fair value and recognised at fair value in the balance sheet is described below, notably with regard to the fair value hierarchy.

This fair value hierarchy is divided into the following levels:

Level 1 contains financial instruments measured using prices of identical assets or liabilities listed on an active market. These prices are incorporated unchanged. We have assigned mostly listed equity instruments, bonds and exchange-traded derivatives to this category.

Assets and liabilities whose valuation is derived from directly observable (prices) or indirectly observable (derived from prices) input data (valuation parameters) are shown in Level 2. No price can be observed on an active market for the assets and liabilities concerned themselves. As a result of this, we notably show the fair values of interest rate and credit derivatives in this level together with the fair values of ABS bonds, provided a liquid market exists for the asset class in question.

Financial assets or liabilities of €248 million (previous year: €180 million) have been transferred between Level 1 and Level 2. At the same time, financial assets or liabilities of €1,593 million (previous year: €2,253 million) were transferred between Level 2 and Level 1. Most of the transfers relate to securities, resulting from an increase or decrease in the actual trading taking place in the securities concerned and the associated change in the bid-offer spreads.

The following table shows transfers between Level 1 and Level 2 for financial instruments where fair value is determined on a recurring basis:

(€ millions)

		TO LEVEL 1	TO LEVEL 2
Financial assets held for trading			
	Transfer from Level 1	—	73
	Transfer from Level 2	97	—
Financial assets at FVTPL			
	Transfer from Level 1	—	109
	Transfer from Level 2	1,416	—
Financial assets at FVTOCI			
	Transfer from Level 1	—	52
	Transfer from Level 2	69	—
Financial liabilities held for trading			
	Transfer from Level 1	—	14
	Transfer from Level 2	11	—
Financial liabilities at FVTPL			
	Transfer from Level 1	—	—
	Transfer from Level 2	—	—

1 January is considered the transfer date for instruments transferred between the levels in the reporting period (1 January to 30 June).

Level 3 relates to assets or liabilities for which the fair value cannot be calculated exclusively on the basis of observable market data (non-observable input data). The amounts involved are stated in Level 2 if the impact of the non-observable input data on the determination of fair value is insignificant. Thus, the respective fair values also incorporate valuation parameters based on model assumptions. This includes derivatives and structured products that contain at least one “exotic” component, such as foreign currency or interest rate derivatives on illiquid currencies, derivatives without standard market terms, structured products with an illiquid underlying as the reference and ABS bonds of an asset class for which no liquid market exists.

If the value of a financial instrument is based on non-observable valuation parameters, the value of these parameters may be selected from a range of possible appropriate alternatives at the reporting date. Appropriate values are determined for these non-observable parameters and applied for valuation purposes, when the annual financial statements are prepared, reflecting the prevailing market conditions. In addition, individual parameters that cannot be incorporated separately as standalone valuation parameters are taken into account by applying a model reserve.

The following measurement methods are applied for each product type, broken down by the individual classes of financial instrument. The valuations for financial instruments in fair value Level 3 depend upon the following significant parameters that cannot be observed on the market:

PRODUCT TYPE	MEASUREMENT METHOD	SIGNIFICANT NON-OBSERVABLE PARAMETERS	RANGE
Fixed-income securities and other debt instruments	Market approach	Price	0% – 213%
Equities	Market approach	Price	0% – 100%
Asset-backed securities (ABS)	DCF method	Credit spread curves	(47)bps – 1,385bps
		Residual value	0% – 100%
		Default rate	0% – 20%
		Prepayment rate	0% – 57%
Commodity/equity derivatives	Option price model	Commodity price volatility/equity volatility	1% – 174%
		Correlation between commodities/equities	(99)% – 99%
	DCF method	Dividend yields	0% – 21%
Interest rate derivatives	DCF method	Swap interest rate	(95)bps – 1,800bps
		Inflation swap interest rate	0bps – 360bps
	Option price model	Inflation volatility	0% – 8%
		Interest rate volatility	1% – 80%
		Correlation between interest rates	0% – 100%
Credit derivatives	Hazard rate model	Credit spread curves	0% – 132%
		Residual value	25% – 45%
Currency derivatives	DCF method	Yield curves	(5)% – 30%
	Option price model	FX volatility	1% – 40%

Other Information (Continued)

The impact of changing possible appropriate alternative parameter values on the fair value (after adjustments) of the financial instruments classified as Level 3 is shown in the sensitivity analysis presented below. For portfolios at fair value through profit or loss, the positive change applying appropriate potential alternatives would be €92 million at the reporting date (previous year: €91 million), and the negative change of €42 million (previous year: negative change of €34 million).

The following table shows the significant sensitivity effects, broken down by the individual classes of financial instrument for the various product types:

(€ millions)

	2019		2018	
	POSITIVE	NEGATIVE	POSITIVE	NEGATIVE
Fixed-income securities and other debt instruments	1	(1)	1	(1)
Equities	—	—	1	(1)
Asset-backed securities	2	—	1	—
Commodity/equity derivatives	65	(20)	69	(17)
Interest rate derivatives	4	(2)	4	(2)
Credit derivatives	20	(19)	15	(13)
Currency derivatives	—	—	—	—
Total	**92**	**(42)**	**91**	**(34)**

For fixed-income securities and other debt instruments and asset-backed securities, the credit spread curves were varied as part of the sensitivity analyses in line with the ratings. For equities, the spot price is varied using a relative value.

The following non-observable parameters were varied (stress test) for the sensitivity analysis for equity derivatives included in Level 3: spot prices for hedge funds, implicit volatility, dividends, implicit correlations and the assumptions regarding the interpolation between individual parameters observable on the market, such as volatilities. For interest rate products, interest rates, interest rate correlations and implicit volatilities were varied as part of the sensitivity analysis. For credit derivatives, rating-dependent shifts in the risk premium curves for credit risk were assumed together with changes in implicit correlations and increases in default rates. Foreign currency derivatives were varied in terms of interest rates and the implicit volatility.

Where trades are executed for which the transaction price deviates from the fair value at the trade date and non-observable parameters are employed to a considerable extent in valuation models, the financial instrument concerned is recognised at the trade price. This difference between the transaction price and the fair value of the valuation model is defined as the trade date gain/loss. Corresponding gains and losses determined at the trade date are deferred and recognised in the income statement over the term of the transaction. As soon as a reference price can be determined for the transaction on an active market, or the significant input parameters are based on observable market data, the deferred trade date gain is taken directly to the income statement in net trading income.

The following table shows a year-on-year comparison of changes in trade date gains and losses that were deferred on account of the application of significant non-observable parameters for financial instruments recognised at fair value:

(€ millions)

	2019	2018
Balance at 1/1	**18**	**15**
New transactions during the period	5	11
Write-downs	3	4
Expired transactions	—	—
Retroactive change in observability	1	4
Exchange rate changes	—	—
Balance at 30/06/2019 / 31/12/2018	**19**	**18**

The following table shows the assignment of the financial assets and financial liabilities shown in the balance sheet to the respective levels of the fair value hierarchy:

(€ millions)

	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1)		FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2)		FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3)	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Financial assets recognised						
in the balance sheet at fair value						
Financial assets held for trading	15,812	18,614	56,736	48,382	1,191	1,961
thereof: derivatives	1,815	2,244	47,076	38,759	432	1,260
Financial assets at FVTPL	8,009	7,003	7,042	8,805	643	875
Financial assets at FVTOCI	7,328	6,994	1,153	376	—	—
Hedging derivatives	—	—	286	276	—	—
Financial liabilities recognised						
in the balance sheet at fair value						
Financial liabilities held for trading	6,116	8,707	44,059	38,148	766	1,250
thereof: derivatives	2,143	2,234	40,685	34,050	463	940
Financial liabilities at FVTPL	—	—	5,374	4,949	289	203
Hedging derivatives	1	1	880	597	—	—

Other Information (Continued)

The following table shows the development of the financial assets that are assigned to Level 3 as part of the fair value hierarchy: (€ millions)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FVTPL	FINANCIAL ASSETS AT FVTOCI	HEDGING DERIVATIVES
Balance at 1/1/2019	**1,961**	**875**	**—**	**—**
Additions				
Acquisitions	158	104	—	—
Realised gains[1]	163	15	—	—
Transfer from other levels	24	12	—	—
Other additions[2]	16	21	—	—
Reductions				
Sale	(558)	—	—	—
Repayment	—	(366)	—	—
Realised losses[1]	(339)	(3)	—	—
Transfer to other levels	(217)	(12)	—	—
Other reductions	(17)	(3)	—	—
Balance at 30/6/2019	**1,191**	**643**	**—**	**—**
Balance at 1/1/2018	**1,101**	**714**	**—**	**—**
Additions				
Acquisitions	1,260	62	—	—
Realised gains[1]	115	58	—	—
Transfer from other levels	6	7	—	—
Other additions[2]	30	205	—	—
Reductions				
Sale	(458)	(38)	—	—
Repayment	—	—	—	—
Realised losses[1]	(14)	(24)	—	—
Transfer to other levels	(64)	(2)	—	—
Other reductions	(15)	(107)	—	—
Balance at 31/12/2018	**1,961**	**875**	**—**	**—**

1 In the income statement and shareholders' equity.
2 Also including changes in the group of companies included in consolidation.

The additions from purchases mainly arise from the acquisition of individual illiquid corporate bonds and asset-backed securities. The majority of the other transfers to and from other levels relate to securities and result from an increase or decrease in the actual trading of the securities concerned and an associated change in the bid-offer spreads. The disposals are as a result of short-term foreign currency transactions in specific currencies that have not yet been classified as observable. Due to better observability of the liquidity of these currencies, these are now classified as Level 2. The expired transactions are thus shown as a disposal, while existing transactions are reported as transfer to other levels.

The following table shows the change in the financial liabilities assigned to Level 3 under the fair value hierarchy: (€ millions)

	FINANCIAL LIABILITIES HELD FOR TRADING		FINANCIAL LIABILITIES AT FVTPL		HEDGING DERIVATIVES	
	2019	2018	2019	2018	2019	2018
Balance at 1/1	**1,250**	**1,722**	**203**	**—**	**—**	**—**
Reclassification of financial liabilities						
held for trading to financial liabilities at FVTPL	—	(551)	—	551	—	—
Balance at 1/1 (after reclassification)	**1,250**	**1,171**	**203**	**551**	**—**	**—**
Additions						
Sale	177	700	—	—	—	—
Issues	92	149	152	106	—	—
Realised losses[1]	94	128	3	6	—	—
Transfer from other levels	37	16	94	1	—	—
Other additions[2]	6	6	1	10	—	—
Reductions						
Buy-back	(435)	(555)	(33)	(16)	—	—
Repayment	—	(5)	—	(210)	—	—
Realised gains[1]	(12)	(174)	(7)	(20)	—	—
Transfer to other levels	(439)	(159)	(123)	(218)	—	—
Other reductions	(4)	(27)	(1)	(7)	—	—
Balance at 30/6/2019 / 31/12/2018	**766**	**1,250**	**289**	**203**	**—**	**—**

1 In the income statement and shareholders' equity.
2 Also including changes in the group of companies included in consolidation.

The transfers to other levels relating to liabilities held for trading as well as financial liabilities are primarily attributable to the improved liquidity of the instruments underlying certain structured issues.

Other Information (Continued)

39 Fair values of financial instruments compliant with IFRS 7

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is assumed in this context that the transaction takes place on the principal market for the instrument or the most advantageous market to which the Bank has access.

The method used to determine the fair values for loans was developed further in the first half of 2018. While the method for determining the fair values of performing loans is based on the previous fair value model which was supplemented by additional factors, a separate model was implemented for determining the fair values of non-performing loans.

The calculation of the fair value for performing loans is explained to begin with: The fair value of loans is calculated as the sum total of the discounted, risk-adjusted anticipated cash flows discounted on the basis of the swap curve (based on Libor). Cash flows are determined on the basis of the conditions of the loan agreement (interest and redemption), whereby rights of termination are taken into account for the first time. In this context, the anticipated, risk-adjusted cash flows are based on the survival probability and the loss given default. The survival probability is determined on the basis of the risk-neutral probability of default, while the proceeds upon realisation are determined on the basis of the internal loss given default parameters. In turn, the risk-neutral probability of default is determined on the basis of the internally calculated one-year default rate (real-world probability of default), the market risk premium and the correlation between the respective loan and the general market risk. The market risk premium represents a factor used to cover the difference between the real-world probability of default and the market's return expectations for the risk assumed. The loan portfolio is divided into five sectors (sovereign loans, loans to banks, corporate loans, syndicated loans and retail loans) in order to take account of the specific features of each sector. The sector for syndicated loans is taken into account in 2018 for the first time. For each of these sectors with exception of retail loans, first of all the market risk premium is determined on the basis of a portfolio of specific, liquid CDS prices for the respective sector. Only for retail loans is the market risk premium derived from the market risk premiums for the other sectors due to the lack of a CDS market (except for syndicated loans). Furthermore, the fair value calculated by the model is calibrated in 2018 for the first time in order to take account of the difference between this value and the fair value upon addition. This is in line with the assumption based on IFRS 13.58 according to which the transaction price reflects the fair value.

The proceeds upon realisation estimated by the Bank are taken as a basis to determine the fair value of non-performing loans. These already take account of the expected credit default. The maturities of the expected proceeds upon realisation are determined using model assumptions. These cash flows are discounted at a market interest rate in order to establish the fair value.

The fair values of certain financial instruments stated with their nominal values are roughly equivalent to their carrying amounts. These include the cash and cash balances as well as receivables and liabilities without a defined maturity or fixed interest rate. Such instruments are transferred at regular intervals at the amount repayable (such as the repayment of a deposit repayable on demand at the nominal amount), meaning that listed prices for identical and similar instruments are available on inactive markets. These instruments are allocated to Level 2 accordingly.

The fair value calculation for other loans and receivables for which the fair value is not roughly equivalent to the carrying amount is built around the risk-neutral credit spread, which takes account of all relevant factors on the market. Further parameters besides the risk-neutral credit spread and the risk-free return on investment are not included. Provided the markets are liquid and no relevant market disruptions are evident, as is currently the case, the arbitrage between the markets on which credit risks are traded leads to a narrowing of the credit spreads. Accordingly, the CDS market is defined as the relevant exit market for loans and receivables.

Since the parameters used to determine the real-world probability of default (PD) and loss given default (LGD) are not immaterial when determining the fair value, and these are determined on the basis of internal procedures meaning they cannot be observed on the market, the other loans and receivables are allocated to Level 3.

Investments in joint ventures and associated companies are accounted for using the equity method, provided they are not of minor significance. Investments in non-consolidated companies and listed companies not accounted for using the equity method are normally carried at their fair value.

Quoted market prices are used for securities and derivatives traded on an exchange as well as for listed debt instruments. These instruments are allocated to Level 1. The fair value of the remaining securities is calculated as the net present value of anticipated future cash flows. The methods used to determine the fair value levels as described in the Note “Fair value hierarchy” are employed for this purpose.

The fair values of single-currency and cross-currency swaps and interest rate futures are calculated on the basis of discounted, anticipated future cash flows. In doing so, we apply the market rates applicable for the remaining maturity of the financial instruments. The fair value of forward exchange transactions is computed on the basis of current forward rates. Options are valued using price quotations or generally accepted models used to calculate the price of options. The common Black & Scholes model and the Bachelier model are used to value simple European options. In the case of more complex instruments, the interest is simulated using term-structure models with the current interest rate structure as well as caps and swaption volatilities as parameters relevant for valuation. The disbursement structure of the equities or indexes for the complex instruments is valued using either Black & Scholes or a stochastic volatility model with equity prices, volatilities, correlations and dividend expectations as parameters. The methods used to determine the fair value levels described in the Note “Fair value hierarchy” are employed for this purpose.

Please refer to the Note “Fair value hierarchy” for a description of the methods used to determine the fair value levels for unlisted derivatives.

The anticipated future cash flows of the liabilities (deposits from banks and customers, and debt securities in issue, provided these are not listed) are discounted to the present value using current interest rates taking into account internally determined funding premiums. The funding premiums correspond to the parameters that the Bank uses when setting the prices for its own issues. These funding premiums represent internally determined parameters that are essential for the determination of the fair value; the other liabilities are allocated to Level 3 accordingly.

The fair values are calculated using the market information available at the reporting date as well as individual company valuation methods.

(€ billions)

	CARRYING AMOUNT		FAIR VALUE	
ASSETS	30/6/2019	31/12/2018	30/6/2019	31/12/2018
Cash and cash balances	17.6	20.0	17.6	20.0
Financial assets held for trading	73.7	69.0	73.7	69.0
Financial assets at FVTPL	15.7	16.7	15.7	16.7
Financial assets at FVTOCI	8.5	7.4	8.5	7.4
Loans and receivables with banks (at cost)	33.3	33.6	33.3	33.8
Loans and receivables with customers (at cost)	139.2	133.7	143.0	136.7
thereof: finance leases	1.9	1.8	1.9	1.8
Hedging derivatives	0.3	0.3	0.3	0.3
Total	**288.3**	**280.7**	**292.1**	**283.9**

Other Information (Continued)

(€ billions)

ASSETS	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1) 30/6/2019	31/12/2018	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2) 30/6/2019	31/12/2018	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3) 30/6/2019	31/12/2018
Financial assets not carried at fair value						
in the balance sheet						
Cash and cash balances	—	—	17.6	20.0	—	—
Loans and receivables with banks (at cost)	0.4	0.5	28.1	26.9	4.8	6.4
Loans and receivables with customers (at cost)	1.3	4.3	27.9	18.5	113.8	113.9
thereof: finance leases	—	—	—	—	1.9	1.8

(€ billions)

LIABILITIES	CARRYING AMOUNT 30/6/2019	31/12/2018	FAIR VALUE 30/6/2019	31/12/2018
Deposits from banks	66.4	62.9	66.5	62.8
Deposits from customers	119.8	121.0	120.0	121.2
Debt securities in issue	26.6	24.4	29.2	26.3
Financial liabilities held for trading	50.9	48.1	50.9	48.1
Financial liabilities at FVTPL	5.7	5.2	5.7	5.2
Hedging derivatives	0.9	0.6	0.9	0.6
Total	**270.3**	**262.2**	**273.2**	**264.2**

(€ billions)

LIABILITIES	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1) 30/6/2019	31/12/2018	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2) 30/6/2019	31/12/2018	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3) 30/6/2019	31/12/2018
Financial liabilities not carried at fair value						
in the balance sheet						
Deposits from banks	—	0.1	47.9	43.0	18.6	19.7
Deposits from customers	—	0.1	97.3	86.0	22.7	35.1
Debt securities in issue	9.3	5.9	5.1	5.9	14.8	14.5

The difference in HVB Group between the fair values and carrying amounts totals €3.8 billion (previous year: €3.2 billion) for assets and €2.9 billion (previous year: €2.0 billion) for liabilities. The balance of these amounts is €0.9 billion (previous year: €1.2 billion). When comparing carrying amounts and fair values for the hedged items, it should be noted that part of the undisclosed reserves/charges has already been included in the hedge adjustment amount.

40 Disclosures regarding the offsetting of financial assets and liabilities

The following two tables separately show the recognised financial assets and financial liabilities that have already been netted in the balance sheet in accordance with IAS 32.42 together with the financial instruments that are subject to a legally enforceable master netting arrangement or similar agreement but that do not satisfy the criteria for offsetting in the balance sheet.

Financial assets that are netted in the balance sheet or subject to a legally enforceable master netting arrangement or similar agreement: **(€ millions)**

				AMOUNTS NOT RECOGNISED			
	FINANCIAL ASSETS (GROSS)	FINANCIAL LIABILITIES NETTED IN THE BALANCE SHEET (GROSS)	RECOGNISED FINANCIAL ASSETS (NET)	EFFECTS OF MASTER NETTING ARRANGEMENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	NET AMOUNT
Derivatives[1]	78,939	(29,330)	49,609	(28,800)	(232)	(11,221)	9,356
Reverse repos[2]	23,689	(3,920)	19,769	—	(19,617)	—	152
Loans and receivables[3]	93,374	(4,410)	88,964	—	—	—	88,964
Total at 30/6/2019	**196,002**	**(37,660)**	**158,342**	**(28,800)**	**(19,849)**	**(11,221)**	**98,472**
Derivatives[1]	58,738	(16,199)	42,539	(24,834)	(353)	(8,880)	8,472
Reverse repos[2]	26,455	(2,687)	23,768	—	(21,962)	—	1,806
Loans and receivables[3]	87,397	(3,582)	83,815	—	—	—	83,815
Total at 31/12/2018	**172,590**	**(22,468)**	**150,122**	**(24,834)**	**(22,315)**	**(8,880)**	**94,093**

1 Derivatives are included in the balance sheet items “Financial assets held for trading” and “Hedging derivatives”.
2 Reverse repos are covered in the Notes “Loans and receivables with banks (at cost)” and “Loans and receivables with customers (at cost)”. They are also included in “Financial assets held for trading” with an amount of €1,053 million (previous year: €2,665 million).
3 Only relates to current accounts, cash collateral or pledged credit balances and other loans and receivables (including cumulative variation margins), as covered in the Notes “Loans and receivables with banks (at cost)” and “Loans and receivables with customers (at cost)”.

Financial liabilities that are netted in the balance sheet or subject to a legally enforceable master netting arrangement or similar agreement: **(€ millions)**

				AMOUNTS NOT RECOGNISED			
	FINANCIAL LIABILITIES (GROSS)	FINANCIAL ASSETS NETTED IN THE BALANCE SHEET (GROSS)	RECOGNISED LIABILITIES (NET)	EFFECTS OF MASTER NETTING ARRANGEMENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	NET AMOUNT
Derivatives[1]	75,956	(31,784)	44,172	(28,800)	(559)	(10,864)	3,949
Reverse repos[2]	25,717	(3,920)	21,797	—	(21,760)	—	37
Liabilities[3]	109,957	(1,956)	108,001	—	—	—	108,001
Total at 30/6/2019	**211,630**	**(37,660)**	**173,970**	**(28,800)**	**(22,319)**	**(10,864)**	**111,987**
Derivatives[1]	55,953	(18,131)	37,822	(24,834)	(492)	(8,713)	3,783
Reverse repos[2]	27,435	(2,687)	24,748	—	(23,199)	—	1,549
Liabilities[3]	107,921	(1,650)	106,271	—	—	—	106,271
Total at 31/12/2018	**191,309**	**(22,468)**	**168,841**	**(24,834)**	**(23,691)**	**(8,713)**	**111,603**

1 Derivatives are included in the balance sheet items “Financial liabilities held for trading” and “Hedging derivatives”.
2 Repos are covered in the Notes “Deposits from banks” and “Deposits from customers”. They are also included in financial liabilities held for trading with an amount of €522 million (previous year: €1,401 million).
3 Only relates to current accounts, cash collateral or pledged credit balances and other liabilities (including cumulative variation margins), as covered in the Notes “Deposits from banks” and “Deposits from customers”.

Other Information (Continued)

Compliant with IAS 32.42, financial assets and liabilities with the same counterparty are to be offset and recognised in the balance sheet at the net amount if such offsetting of the amounts recognised at the present date is legally enforceable and the intention is to settle on a net basis during the normal course of business or to realise the asset and settle the liability simultaneously. The tables show a reconciliation from the gross amounts prior to netting and the set-off amounts to the net amounts after offsetting for these set-offs in the balance sheet. At HVB Group, the set-offs in the balance sheet relate to transactions with central counterparties (CCPs), being OTC derivatives (set-off of the balancing positive and negative fair values at currency level) and the receivables and liabilities arising from reverse repos and repos concluded with the same central counterparty. At the same time, nettable receivables and liabilities repayable on demand with the same counterparties in the banking business are also offset in the balance sheet. In addition, cumulative changes in the fair value of listed future-styled derivatives are netted with the cumulative variation margin payments.

The column "Effects of master netting arrangements" shows the financial instruments that are subject to a legally enforceable master netting arrangement or similar agreement, but which are not netted in the balance sheet as they do not satisfy the IAS 32.42 offsetting requirements as described above. At HVB Group, this includes OTC derivatives and repo transactions with individual counterparties with which legally enforceable master netting arrangements have been concluded allowing netting in the event of default.

In addition, collateral in the form of financial instruments and cash collateral pledged or received in this context is presented in the tables. Furthermore, the securities lending transactions shown off the balance sheet without the cash collateral are not included in the above netting tables.

41 Securities sale and repurchase and securities lending transactions by balance sheet item

(€ millions)

	30/6/2019		31/12/2018	
	CARRYING AMOUNT	OF WHICH: TRANSFERRED AS COLLATERAL	CARRYING AMOUNT	OF WHICH: TRANSFERRED AS COLLATERAL
Financial assets held for trading	73,739	2,035	68,957	2,114
Financial assets at FVTPL	15,694	1,777	16,683	760
Financial assets at FVTOCI	8,481	1,074	7,370	1,931
Loans and receivables with banks (at cost)	33,266	—	33,648	1,132
Loans and receivables with customers (at cost)	139,173	—	133,706	50
Total	**270,353**	**4,886**	**260,364**	**5,987**

42 Contingent liabilities and other commitments

(€ millions)

	30/6/2019	31/12/2018
Contingent liabilities[1]	23,853	26,204
Guarantees and indemnities	23,853	26,204
Other commitments	53,711	49,438
Irrevocable credit commitments	53,680	49,405
Other commitments[2]	31	33
Total	**77,564**	**75,642**

1 Contingent liabilities are offset by contingent assets to the same amount.
2 Not included in other commitments are the future payment commitments arising from non-cancellable operating leases.

HVB has made use of the option to provide some of the annual contribution to the bank restructuring fund in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 12 of the German Bank Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG). The cash collateral provided in this regard amounted to €82 million at the reporting date (previous year: €64 million).

HVB has made use of the option to provide up to 30% of the annual contribution to the deposit guarantee scheme of German banks (Entschädigungseinrichtung deutscher Banken) in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 19 of the German Regulation on Financing the Deposit Guarantee Scheme (Entschädigungseinrichtungs-Finanzierungsverordnung – EntschFinV). The financial security provided in this regard amounted to €22 million at the reporting date (year-end: €22 million).

Euro-denominated government bonds issued by EU countries

On 31 January 2019, UniCredit S.p.A. and HVB received a Statement of Objections from the European Commission referring to the investigation by the European Commission of a suspected violation of antitrust rules in relation to European government bonds. The subject matter of the investigation extends to certain periods from 2007 to 2012, and includes alleged activities by HVB in a part of this period. The Statement of Objections does not prejudge the outcome of the proceeding; should the Commission conclude that there is sufficient evidence of an infringement, a decision prohibiting the conduct and imposing a fine could be adopted, with any fine subject to a statutory maximum of 10% of company’s annual worldwide turnover.

UniCredit S.p.A. and HVB had access to the entirety of the European Commission’s file on the investigation from 15 February 2019 onwards. As a result of the assessment of the files, the Bank regards it no longer remote but possible, even though not likely, that a cash outflow might be required to fulfill a potential fine arising from the outcome of the investigation. On the basis of the current information, it is not possible to reliably estimate the amount of any potential fine at the present date.

UniCredit S.p.A. and HVB have responded to the raised objections on 29 April 2019. Proceedings are ongoing. There is no legal deadline for the Commission to complete antitrust inquiries.

Other Information (Continued)

On 11 June 2019, HVB and UniCredit Capital Markets LLC have been named, among other financial institutions, as defendants in a putative class action already pending in the United States District Court for the Southern District of New York. The consolidated class action complaint alleges a conspiracy among dealers of Euro-denominated government bonds issued by European central banks to fix and manipulate the prices of those bonds, among other things by widening the bid-ask spreads they quoted to customers. The putative class consists of those who purchased or sold Euro-denominated bonds issued by European central banks in the US between 2007 and 2012. The consolidated class action complaint does not include a quantification of damages claimed. The proceedings are in their inception. Motions to dismiss – a procedural device contemplated by the United States Federal Rules of Civil Procedure which provides defendants with an opportunity to challenge the legal sufficiency of a complaint and present arguments that the complaint should be dismissed – are currently scheduled to be fully briefed by December 2019 and will include the argument that the complaint fails to state a claim.

Contingent liabilities payable to related parties (€ millions)

	30/6/2019	31/12/2018
Non-consolidated affiliated companies	1,418	1,526
of which:		
UniCredit S.p.A.	758	745
Sister companies	660	781
Subsidiaries	—	—
Joint ventures	32	46
Associated companies	—	—
Other participating interests	80	132
Total	**1,530**	**1,704**

43 Information on relationships with related parties

Besides the relationships with consolidated, affiliated companies, there are a number of transactions involving UniCredit S.p.A. and other affiliated but not consolidated UniCredit companies as a result of the integration of HVB into the UniCredit group of companies. The quantitative information in this regard can be found in the notes to the balance sheet and the income statement.

HVB has been assigned the role of centre of competence for the markets and investment banking activities of the entire UniCredit corporate group. Among other things, HVB acts as counterparty for derivative transactions conducted by UniCredit companies in this role. For the most part, this involves hedge derivatives that are externalised on the market via HVB. The section of the Risk Report in the Management Report entitled “Credit risk” under “Risk types in detail” contains further information regarding the exposure to UniCredit and its subsidiaries.

Like other affiliated companies, HVB has outsourced IT activities to UniCredit Services S.C.p.A., Milan, a company that is affiliated with the Bank. The goal is to exploit synergies and enable the Bank to offer fast, high-quality IT services by means of a service level agreement. HVB incurred expenses of €239 million for these services in the reporting year (previous-year period: €271 million). This was offset by income of €16 million (previous-year period: €14 million) from services rendered and internal charges. Moreover, software products worth €0 million (previous-year period: €0 million) were purchased from UniCredit Services S.C.p.A.

Furthermore, HVB has transferred certain back office activities to UniCredit Services S.C.p.A. In this context, UniCredit Services S.C.p.A. provides settlement services for HVB and other affiliated companies in line with a standard business and operating model. HVB incurred expenses of €52 million for these services in the reporting year (previous-year period: €60 million).

Transactions involving related parties are always conducted on an arm's length basis.

Loans and advances made to, and contingent liabilities and liabilities assumed for, related parties at the reporting date were as follows: **(€ thousands)**

	30/6/2019			31/12/2018		
	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES
Members of the Management Board of UniCredit Bank AG	2,199	10	3,951	2,235	10	3,166
Members of the Supervisory Board of UniCredit Bank AG	1	—	4,652	—	—	4,804
Members of the Executive Management Committee[1]	—	—	8,449	—	—	8,374

1 Excluding members of the Management Board and Supervisory Board of UniCredit Bank AG.

Members of the Supervisory Board and Management Board at HVB, and members of the Executive Management Committee of UniCredit S.p.A. and their respective immediate family members are considered related parties.

Mortgage loans were granted to members of the Management Board and their immediate family members with interest rates of between 1.36% and 4.14% falling due in the period from 2019 to 2037.
An overdraft facility at an interest rate of 6.0% was granted to a member of the Supervisory Board.

All banking transactions involving the group of people listed were conducted at customary market terms with the usual collateral.

Other Information (Continued)

44 Supervisory Board

Gianpaolo Alessandro since 3 June 2019	**Chairman**
Gianni Franco Papa until 2 June 2019	
Florian Schwarz	**Deputy Chairmen**
Dr Wolfgang Sprissler	
Paolo Cornetta	**Members**
Beate Dura-Kempf until 31 January 2019	
Francesco Giordano	
Prof Dr Annette G. Köhler	
Dr Marita Kraemer	
Klaus-Peter Prinz	
Claudia Richter since 8 February 2019	
Oliver Skrbot	
Christian Staack	
Gregor Völkl	

45 Management Board

Sandra Betocchi Drwenski	**Chief Operating Officer (COO)**
Markus Beumer	**Commercial Banking – Unternehmer Bank**
Dr Emanuele Buttà	**Commercial Banking – Privatkunden Bank**
Ljiljana Čortan	**Chief Risk Officer (CRO)**
Dr Michael Diederich	**Spokesman of the Management Board Human Capital/Labour and Social Affairs**
Jan Kupfer	**Corporate & Investment Banking**
Guglielmo Zadra	**Chief Financial Officer (CFO)**

Munich, 5 August 2019

UniCredit Bank AG
The Management Board

Betocchi Drwenski   Beumer   Dr Buttà   Čortan

Dr Diederich   Kupfer   Zadra

Declaration by the Management Board

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

Munich, 5 August 2019

UniCredit Bank AG
The Management Board

Betocchi Drwenski | Beumer | Dr Buttà | Čortan

Dr Diederich | Kupfer | Zadra