This document constitutes a registration document (the "**Registration Document**") within the meaning of section 12 (1) of the German Securities Prospectus Act (*Wertpapierprospektgesetz* – "**WpPG**") in connection with Art. 14 and Annex XI of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, in the version valid as of the date of the Registration Document (the "**Regulation**").

HypoVereinsbank Member of UniCredit

UniCredit Bank AG

Munich, Federal Republic of Germany

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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", and together with its consolidated subsidiaries, the "HVB Group") to fulfill its obligations under securities issued by it.

Prospective investors should consider these Risk Factors before deciding to purchase securities issued by HVB, especially since in certain cases the investor may lose his entire investment or (substantial) parts of it.

Prospective investors should consider all information provided in the Registration Document and consult with their own professional advisers (including their financial, accounting, legal and tax advisers) if they consider it necessary. In addition, prospective investors should be aware that the risk described below may arise individually or cumulatively with other risks and might have mutually reinforcing effects.

Risks relating to the business activity of HVB Group

1. Macroeconomic Risk

Based on the strategic orientation of HVB Group with the business segments Commercial Banking and Corporate & Investment Banking (**CIB**), offering customer-oriented products and concentrating on the core market of Germany, general economic developments in Germany in particular together 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.

The growth of the global economy ist expected to increase slightly in 2016 and in the following year (according to projections by the International Monetary Fund from 3.4% in 2016 to 3.6% in 2017). However, the prospects for individual economies vary greately. Whereas growth is likely to go on strengthening in Europe and the United States, the outlook in a number of emerging markets, including China and Brazil, is detoriorating. The forecasts are based on the assumption that important factors underpinning the recovery in the industrialised nations will remain in place, including reduced strains from the consolidation of state finances and highly acommodating monetary policy.

The European sovereign debt crisis continues to cast a long shadow over the banking industry. The monetary and economic measures taken notably within the European Union to date temporarily calmed the markets. In particular, uncertainty about developments in Greece and China, coupled with the possible economic and political effects of the refugees flows from countries like Syria and the terrorist activities of the so called Islamic State (IS), has led to greater uncertainty in the markets. The geopolitical risks which are still acute – such as the tensions between Russia and Ukraine coupled with the threats from international terrorism – might cause volatility to remain high.

It is not yet possible to predict for how long and to what extent the financial markets will be adversely affected by the consequences of the European sovereign debt crisis, current geopolitical uncertainties and the risks arising from changes in interest and exchange rates.

Due to the continuing high level of uncertainty in the macropolitical environment in Europe and the resulting structural volatility in the financial and capital markets, forward-looking statements regarding future business performance cannot be made with any great degree of confidence.

2. Systemic Risk

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 that conduct transactions with other 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), losses or other institutional defaults.

The above-mentioned risks, frequently referred to as "systemic 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.

3. Credit Risk

HVB Group is exposed to credit risk. Credit risk is defined as the risk that a change in the credit rating of a contracting party (borrower, counterparty, issuer or country) induces a change in the value of the corresponding receivables. This change in value may be brought about by the default of the contracting party, which is thus no longer in a position to meet its contractual obligations. Credit risk comprises the following components:

(i) Credit default risk (including counterparty risk and issuer risk):

Credit default risk comes into play regarding a specific counterparty when one or both of the following criteria are satisfied:

- The Bank assumes the counterparty is probably not in a position to meet its contractual obligation towards HVB Group as whole, without having to take recourse to measures like the sale of collateral (where present).
- The counterparty is more than 90 days in arrears in terms of a material receivable.

Counterparty risk arises from the possible loss of value due to the default or downgraded credit rating of the counterparty in trading activities (such as derivatives involving interest rates, foreign exchange, equities/indexes, or other futures or derivative contracts). It is divided into settlement risk, pre-settlement risk and money market risk.

Issuer risk is defined as credit default risk in the securities holding resulting from the downgraded credit rating or default of an issuer that can lead to a loss of value through to total loss.

(ii) Country risk:

Country risk is the risk of losses caused by events attributable to actions by government. This includes the repayment of capital in a specific country is prevented by government interference (such as transfer risk, expropriation risk, legal risk, tax risk, security risk) or by a deterioration in the economic and/or political environment (such as recession, currency and/or bank crisis, natural disaster, conflict, civil war and social unrest). The country risk includes the so-called sovereign risk, the transfer risk and convertibility risk.

3.1 Risk from a deterioration of the overall economic situation

The banking and financial services market in which HVB Group operates is subject to the influence of unforeseeable factors, including general economic trends, tax and monetary policies, changes in laws and regulatory requirements, liquidity and expectations of the capital markets, as well as consumer behaviour with regard to investments and saving. Above all the demand for credit in the area of traditional lending activities could slow down during an economic downturn. The general economic trend could have additional negative effects on the solvency of mortgage customers and other borrowers of HVB Group.

Any deterioration in the creditworthiness of major individual customers or counterparties or in the performance of loans and other receivables as well as inaccurate assessments of creditworthiness or country risks could have considerable detrimental effects on the financial situation and the operating results of HVB Group.

3.2 Risks from a decrease in value of credit collateral

A substantial share of loans of HVB Group to corporate and individual borrowers are collateralised with real estate, securities, ships, fixed-term deposits and receivables, among other assets. As mortgage loans comprise one of the most important items for HVB Group, they are highly exposed to developments in the real estate markets.

In trading activities, over-the-counter derivatives, security financing transactions and exchange-traded derivatives are hedged on the basis of the respective contractual provisions with the counterparties.

An economic downturn in countries in which HVB Group does business, a general deterioration of economic conditions in the industries in which its borrowers operate, or in other markets in which it holds collateral may cause the value of the loan collateral to fall below the amount of outstanding capital represented by such loans. The decline in the value of the collateral for these loans or the inability to obtain additional collateral could force HVB Group to arrange for a revaluation of the loan and/or form additional loan-loss provisions and higher reserves. In addition, the fact that HVB Group could be unable to realise the expected value of the collateral in case of debt enforcement could lead to considerable losses for HVB Group.

3.3 Risks from derivative/trading business

In addition to traditional banking activities such as lending and deposits, HVB Group is active in banking areas through which it is exposed to further default and/or counterparty risks. Such additional risks may result, for example, from transactions in securities, derivatives, foreign exchange, commodities or securities lending/repurchase transactions. They can 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).

Trading counterparties or counterparties that issue securities held by HVB Group units, could possibly fail to meet their obligations due to insolvency, political or economic events, a lack of liquidity, operational losses or other reasons. Counterparty defaults in a significant extent could have a major negative impact on the operating results of HVB Group and on its business and financial situation.

3.4 Risks from intra-group credit exposures

Some of the risks in the industry group banks, insurance companies (including sovereigns) result from credit exposures to the parent company of HVB Group, UniCredit S.p.A., (together with its consolidated subsidiaries, "**UniCredit**") and other legal entities in the UniCredit. This results from the strategic focus of HVB Group as a group-wide centre of competence for the markets and investment banking business of UniCredit and other business activities. Due to the nature of this business, the intra-Group credit exposure of HVB Group is volatile and can fluctuate widely from day to day.

Moreover, 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 on the operating results and the business and financial situation of HVB Group.

3.5 Risks from exposures to sovereigns / public sector

In the course of its activities, HVB Group is inter alia heavily exposed to government bonds from the large European countries, but also in other countries outside the eurozone. Apart from this exposure, HVB Group is also exposed to sovereign debt through loans to central governments, central banks and other government bodies (so called "sovereign exposure").

A global economic downturn or an economic crisis in individual countries could have a substantial impact, in particular on the quality of the sovereign bonds held by HVB Group and the ability to redeem them as well as the financial resources of its customers holding similar securities.

4. Market Risk

HVB Group defines market risk as the potential loss arising from 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) or trading-related events in the form of default or change in credit ratings of securities (especially price risk for interest net positions).

Market Risk includes interest rate risk, foreign currency risk, stock and commodity risk, credit spread risk and option risk.

4.1 Risk for trading and banking books from a deterioration in market conditions

Although the business activities of HVB Group that entail market risk are profitable under normal circumstances, this business is exposed to elevated risks during difficult market situations. The earnings are relatively volatile and depend on numerous factors that are beyond the control of HVB Group. These include the general market environment, general trading activities, equity prices, interest rates and credit spreads, exchange rate fluctuations and general market volatility.

4.2 Interest rate and foreign currency risk

Interest rate fluctuations in Europe and other markets where HVB Group does business may negatively affect its financial and profit situation. 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 is impossible to guarantee that there will be no substantial long-term decrease in earnings that would lead to a loss in market value of HVB Group.

As HVB Group earns income outside the eurozone, it is exposed to foreign exchange risks. Moreover, a portion of the transactions of HVB Group are conducted in other currencies than euro. That means that 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.

5. Liquidity Risk

HVB Group is subject to liquidity risk. We define liquidity risk as the risk that the Bank will not be able to meet its payment obligations in full or on time. However, it is also defined 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 the risk that the Bank will only be able to liquidate assets on the market at a discount.

5.1 Risks from the procurement of liquidity

The European sovereign debt crisis and the resulting financial instability led to a decline in the volume and availability of liquidity and medium-term funding in the market, flanked by increasing dependency on central bank liquidity. In particular, counterparty risk between banks in particular has increased substantially and caused a further decline in interbank business and in the confidence of bank customers. Reduced trust on the part of customers could result in liquidity problems for HVB Group and larger outflows of deposits. This could in turn limit HVB Group's ability to fund its activities and meet its minimum liquidity requirements.

Furthermore, access of HVB Group to liquidity could be impeded as a result of its inadequate access to bond markets, respectively through its inability to issue bonds or collateralise other forms of interbank loans.

Further increases in interbank funding costs, reduced availability and/or higher costs of such funding, combined with reduced access to similar or other forms of funding and/or the inability of HVB Group to dispose of its assets or liquidate its investments could have negative effects on its business activities and have substantial negative effects on its operating results and financial situation.

5.2 Intra-Group liquidity transfers

Transfers of liquidity between units of HVB Group are monitored by the regulatory authorities so that HVB and its subsidiaries could be forced to reduce their lending to other legal entities within the UniCredit. This monitoring could 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 negative effects on the operating results of HVB Group and on its business and financial situation.

5.3 Market liquidity risk

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

Greater volatility on the financial markets could also make it more difficult for HVB Group to value some of its assets and exposures. Significant changes to the fair values of such assets and exposures that might prove to be much lower than the present or estimated fair values could be a further consequence. All of these factors could force HVB Group to recognise amortisation charges or impairment losses, which would have a negative effect on its financial position and operating result.

6. Operational Risk

HVB Group is exposed to operational risk, i.e. the risk of losses resulting from flawed internal processes or systems, human error or external events. This definition also includes legal risk but not strategic risk or reputational risk.

HVB Group has a group-wide operational risk organisational structure. The individual business segments and each subsidiary of HVB Group are responsible for identifying, analysing and managing operational risk.

Although HVB Group has implemented active processes to limit and mitigate operational risk and the associated negative effects, unforeseen events that are entirely or partly beyond the control of HVB Group cannot be ruled out. Consequently, despite the implemented processes, it cannot be guaranteed that HVB Group will not incur substantial material losses from operational risks in the future.

6.1 IT risks

HVB's IT services are mostly provided by the group company UniCredit Business Integrated Services S.C.p.A. (UBIS). HVB's end-to-end information and communication technology (ICT) operating processes continue to require adjustments to be made to the internal control system for IT to allow for all significant risks to be monitored and managed appropriately alongside performance and quality considerations. Through the regular identification of potential for improvement and the knowledge gained from audits, the monitoring system is continually adapted.

Nevertheless, complications and/or unexpected problems may arise in the future that could delay or prevent the successful utilisation of the IT systems.

6.2 Risks from fraud (anti-money laundering and fraud prevention activities)

HVB is obliged by law to set up suitable internal precautions to ensure that it cannot be misused for the purposes of money laundering, terrorist financing or other criminal acts. The Anti-money-laundering/Financial Sanctions and Fraud Prevention units define, identify and analyse risk factors and units in the Bank, taking into account the statutory and regulatory requirements. Appropriate measures to prevent money laundering and fraud and to reduce risk are devised, performed and coordinated. Once a year, a threat analysis is drawn up describing the effectiveness of the risk management measures for the specific risks, among other things.

Regular second-level controls serve to document compliance with the Bank's policies and processes. The operating units are supported with advice on money-laundering and fraud-specific questions and subject-specific training courses. However, such cases of fraud could occur in the future and cause financial losses as well as a negative public perception of HVB Group.

6.3 Legal risks

At the date of this registration document HVB and other companies belonging to HVB Group are involved in various legal proceedings.

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 also include criminal cases and proceedings pursued by authorities. 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. For ongoing proceedings, HVB Group has created appropriate provisions for legal risks. However, the possibility that the existing provisions are inadequate cannot be ruled out.

6.4 Tax risks

At the date of the registration document, external tax audits of HVB and other HVB Group companies are taking place. The possibility cannot be ruled out that the external tax audits of HVB Group will lead to back payments of taxes and interest. Such back payments could have negative effects on the operating results of HVB Group and/or its business performance and financial situation.

Moreover, if a HVB Group company should, contrary to expectations, 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 result in damage to the reputation of HVB Group.

6.5 Compliance risk

Compliance risk is defined as the risk of statutory and regulatory sanctions, financial losses or reputational damage that HVB Group could suffer as a result of non-compliance with the law, regulations or other provisions.

In HVB, the Compliance function supports the management and monitoring of compliance risks. The Compliance function counters the risks arising from non-compliance with statutory obligations and other requirements. It is required to work towards the implementation of effective procedures and appropriate controls to ensure compliance with the material statutory provisions and other requirements for the institution. Alongside the regular review of the identified risks, ad hoc audits are carried out as and when required in order to incorporate newly arising risks in the assessment. The opening of new lines of business and structural changes in the Bank are examples of activities that may give rise to new risks.

7. Business Risk

HVB Group defines business risk as potential losses arising from unexpected negative changes in the business volume and/or margins that are not attributed to other risk types. It can lead to serious losses in earnings, thereby diminishing the fair value of a company. Business risk can result above all from a serious deterioration in the market environment, changes in the competitive situation or customer behaviour, or changes to the legal framework.

8. Real Estate Risk

Real estate risk covers potential losses resulting from changes in the fair 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 and SPVs (Special Purpose Vehicles).

The main risks for the Bank-owned portfolio stem mainly from the development of the current fair value, which is always compared with the carrying amount, and the Bank’s own usage requirements. The risk drivers are the future usage by the Bank, property rents/Bank rents, market rents, rental contract periods and required investment.

The situation in real estate markets depends on economic trends. If growth should 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.

9. Financial Investment Risk

Financial investment risk arises from equity interests held in companies that are not consolidated by HVB Group under IFRS or included in the trading book. The investment portfolio contains mainly listed and unlisted interests, private equity investments and holdings in private equity funds.

HVB Group has made a number of large investments in other companies, in some cases through the conversion of debt to equity under restructuring processes. Operational or financial losses or risks to which these companies are exposed could reduce the ability of HVB Group to dispose of the above-mentioned investments and cause substantial decreases in the value of these investments. This could have negative effects on the operating results, business performance and financial results of HVB Group.

In addition, as a result of fulfilling guarantees and/or signing agreements on debt restructuring, HVB Group holds controlling or minority interests in companies that are active in areas outside its current spheres of activity, or could acquire such participating interests in the future. These areas include real estate, oil, transport, energy and consumer goods, among others. They require specific competencies in terms of knowledge and management that are not part of HVB Group's skill set at present. However, HVB Group could be faced with the necessity of analysing such companies in the course of disposing of investments. This exposes HVB Group to the risks inherent in the activities of individual companies and their subsidiaries as well as risks resulting from the inefficient management of such shareholdings. This could have substantial negative consequences for the assets, liabilities, financial and profit situation of HVB Group.

10. Reputational Risk

Reputational risk is defined as the risk of a negative P/L effect caused by adverse reactions by stakeholders due to a changed perception of the Bank. This altered perception may be triggered by a primary risk such as credit risk, market risk, operational risk, liquidity risk, business risk, strategic risk or other primary risks. Customers, employees, regulatory authorities, rating agencies and creditors are defined as key stakeholders. The effects of a reputation risk that actually occurs could be reflected in the business risk or liquidity risk.

11. Strategic Risk

Strategic risk results from management being slow to recognize important developments in the banking sector or drawing false conclusions about these trends. This may result in fundamental management decisions that may prove to be disadvantageous in terms of the Bank’s long-term ex post goals; in addition, some of them may be difficult to reverse. In the worst case, this may have a negative impact on the Bank’s profitability and risk profile of HVB Group.

11.1 Risks arising from the strategic orientation of HVB Group’s business model

HVB Group is a universal bank that 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. This gives rise to a business model built upon several pillars. However, depending on developments on external markets, it cannot always be ruled out that imbalances in earnings contributions could arise. Thus, the low interest rates that have persisted for some time now are depressing earnings in the business segments to a differing extent.

HVB Group aims to make its retail banking activity sustainably profitable through the modernisation of its retail banking and the related transition to a multi-channel bank with comprehensive service, information and advisory offerings. The main strategic objectives are to implement a clearly differentiated service model aimed at upgrading the quality of the advice and service we give customers and to focus clearly on customers holding their main bank account with HVB Group.

The branch will continue to represent the core element of our multi-channel offer going forward, featuring a standard, modernised and upscale appearance. It will, however, act as more as a point of contact for top-drawer advice. It is possible that this strategic adjustment will result in the loss of a few customers, which may have a negative effect on the assets, liabilities, financial position, and profit or loss of HVB Group.

The strategic orientation of the CIB business segment is to be a leading, integrated European corporate and investment bank, offering customers added value through specific relationship models geared to individual customers’ needs. Despite the customer-oriented approach of our investment banking activities, income naturally remains relatively volatile as customer demand for CIB products is influenced by the market environment. Although investment banking is very profitable in a normal market environment, it is subject to increased income risks in difficult market situations.

11.2 Risks arising from the consolidation of the banking market

Consolidation on the German and international banking and financial markets has continued for many years. Further shifts in market share may arise, which could potentially have a negative impact on the assets, liabilities, financial position, and profit or loss of HVB Group. HVB Group does, however, enjoy a high level of flexibility that would allow it to exploit attractive opportunities arising from the tougher competition at the right time thanks to its excellent capital base, its permanent access to stable sources of funding at attractive costs and a conservative risk profile. The associated acquisition risk is adequately addressed on the basis of the available internal expertise and potentially by calling in external specialists.

11.3 Risks arising from changing competitive conditions in the German financial sector

The German financial services market, which is HVB Group's core market, is subject to tough competition due in part to its three-pillar structure (public saving banks and Landesbanks, cooperative banks and private banks). Overcapacity and market players with different profitability requirements still exist on the retail side of the German market despite some mergers and acquisitions. In addition, more and more European and international players in retail and corporate banking are seeking to enter the German market. The result is intensive competition for customers and market share, in which HVB Group is facing a lasting trade rivalry.

The possibility cannot be excluded that a further intensification of competitive conditions in the financial sector could have a negative effect on the assets, liabilities, financial position, and profit or loss of HVB Group.

11.4 Risks arising from a change in HVB's rating

HVB has a solid investment grade rating from the external rating agencies Standard & Poor's (S&P), Moody's and Fitch. The implementation of new regulations (Bank Recovery and Resolution Directive (BRRD)/Single Resolution Mechanism (SRM)) already led to numerous reactions by the three rating agencies listed in 2015 and at the start of 2016. In short, the assumptions regarding state aid in the event of resolution in particular have been fundamentally changed and the changes in German insolvency law incorporated. HVB's ratings were adjusted in response to these factors. It cannot be ruled out that in this context there will be further rating adjustments.

A further downgrade could make funding costs higher for HVB or have a negative impact on the business opportunities for HVB as a counterparty in the interbank market or with rating-sensitive major customers. The possibility cannot be excluded that the risk-reward profile of business activities affected will alter so significantly that modifications are made to business segments with potentially negative consequences for the assets, liabilities, financial position and profit or loss of HVB Group. The possible negative effects arising from this risk will depend notably on whether HVB's rating changes less than, the same as or more than that of its competitors.

12. Regulatory Risks

12.1 Risks arising from changes to the regulatory and statutory environment of HVB Group

The activities of HVB Group are regulated and supervised not only by the European Central Bank (ECB) but also by the central banks and regulatory authorities in the countries and regions where HVB Group does business.

The overcoming of the financial- and sovereign debt crisis results in the establishment of a Banking Union in Europe. This Banking Union aims to increase financial stability and is based on the following fundamental cornerstones:

- Single Supervisory Mechanism (SSM)

The SSM in Europe came into effect in November 2014. As a result, the ECB has assumed oversight of the largest and systemically important (i.e. significant) credit institutions in the eurozone. Consequently, HVB Group as a company in its own right, and as part of UniCredit, falls under ECB supervision. The potential effects of the introduction of the SSM on HVB Group remain to be seen. Following the Supervisory Review and Evaluation Process (SREP), ECB notified in October 2015 UniCredit S.p.A. and further belonging subsidiaries (inter alia HVB) on capital requirements for 2016. These requirements as well as capital buffer requests for other systemically important institutions (Section 10g Banking Act) for HVB Group were already fulfilled on 30 September 2015.

- Single Resolution Mechanism (SRM)

The SRM is consisting of the national resolution authorities and the Single Resolution Board (SRB), which inter alia takes decision on the resolution of banks supervised directly by the ECB, as well as the Single Resolution Fund (SRF). Beginning 1 January 2016 the national resolution funds have largely been replaced by the SRF in all member states participating in the SSM and SRM. The SRM is aimed to establish a systematic resolution scheme for a defaulting European bank to avoid respective limit potential burdens and negative effects for taxpayers and the economy.

- Deposit Guarantee Scheme harmonisation (DGS)

DGS is aimed to harmonise existing national deposit guarantee schemes throughout Europe.

The legal principles of the European Banking Union form the „Single Rule Book" that is harmonising the European banking supervision law and ensures a single legal framework throughout the participating countries. Essential elements of this rulebook are:

- Capital Requirement Directive (CRD IV, Directive 2013/36/EU of 26 June 2013) and the Capital Requirements Regulation (CRR, Regulation (EU) No 575/2013 of 26 June 2013) to implement Basel III rules
- Bank Recovery and Resolution Directive (BRRD, Directive 2014/59/EU of 15 May 2014) establishing a framework for the recovery and resolution of credit institutions and investment firms (for details please refer to chapter 12.2)
- Deposit Guarantee Schemes Directive, DGSD, Directive 2014/49/EU of 16 April 2014 and a package of proposals by the European Commission published in November 2015 with a view to create a uniform euro-area wide harmonised deposit guarantee scheme for bank deposits (also referred to as EDIS) as a third pillar of the European Banking Union
- Technical standards and delegated acts, issued by the European Commission, on the basis of the aforementioned directives and regulations (current and future)
- Guidelines and recommendations of the European Banking Authority (EBA)

Differences in the regulatory, statutory or tax requirements as well as accounting principles between countries/regions could lead to considerable distortions of competition. Generally, changes to the regulatory and statutory provisions, tax regulations and/or accounting principles in one state could yield further obligations for the HVB Group companies (further examples to the aforementioned requirements are the global bank separation efforts respective measures or the introduction of a European Financial Transaction Tax, EUFTT).

Besides a possible impact on the business model, the need for additional capital to meet the own funds, other capital or different prudential requirements or for other funding sources to meet liquidity requirement and the necessary adjustments of the IT systems could also accrue for HVB Group. These could have a negative impact on the assets, liabilities, financial and profit situation of HVB Group, and on the products and services, it offers. We assume that the trend towards more stringent regulatory provisions will persist.

The failure of HVB or one of its affiliates to comply fully with regulatory requirements of the supervisory authorities could lead to the responsible authority imposing sanctions or even withdrawing permits. Further, this may have other material adverse effects on the HVB's business, results of operations or financial condition such as restrictions on the business activities of HVB or its subsidiaries.

12.2. Risks in connection with potential resolution measures or a reorganisation proceeding

Through the implementation of the EU framework legislation to regulate the recovery and resolution of credit institutions and investment firms (BRRD, Directive 2014/59/EU of 15 May 2014), implemented in Germany in December 2014 with the Recovery and Resolution Act (SAG) and supplemented at the EU level through the provisions of the Single Resolution Mechanism Regulation (Regulation (EU) No. 806/2014 of 15 July 2014, SRM Regulation), the legal conditions for the recovery and resolution of banks have also changed in Germany. This may result in the responsible resolution authorities ordering claims to payments of capital, interest or other amounts arising from equity and debt instruments issued by HVB – referred to below as "**capital instruments**" – or the nominal value of the capital instruments to be written down permanently, in whole or in part, or converted into Common Equity Tier 1 instruments (such as ordinary core Tier 1 shares) ("**power to write down and convert**"). The responsible resolution authority has the power to issue such an order if it or the responsible regulatory authority determines that the conditions defined in the SAG or other applicable laws are met, for example if HVB or an affiliated institution is (considered to be) failing or likely to fail or require state aid or similar extraordinary public financial support (referred to below as "**conditions for resolution**").

If the conditions for resolution are met, the responsible resolution authorities can, in addition to the measures specified in the above paragraph, take other resolution measures, including the transfer of the capital instruments to another entity, amending the terms and conditions (e.g. by extending the maturity of a debt instrument), or cancelling or devaluing the capital instruments. All of the above measures, including the bail-in of creditors, are referred to below as "resolution measures". Resolution measures are binding for the holders of capital instruments. No claims against HVB or other rights accrue to the holders of capital instruments as a result of the resolution measures, and, depending on the resolution measure imposed, the payment obligations of HVB from the capital instruments may be deemed to be fulfilled.

The responsible resolution authority is the responsible authority at the European and/or national level which, on the basis of the provisions of the SAG or the SRM Regulation, would order the resolution measures or implement the resolution of an institution established in a member state of the European Economic Area (EEA). Effective 1 January 2016, the authority to initiate resolution measures for institutions, including those supervised by the ECB, such as HVB, was transferred to the European Single Resolution Board (SRB). Under the Single Resolution Board Regulation, the SRB works in close consultation with the national authorities. In Germany this is the Federal Agency for Financial Market Stabilisation (FMSA), which, among other functions, orders and implements resolution measures initiated by the SRB under the provisions of the SAG.

When applying bail-in tools, the resolution authorities must exercise their authority as follows: (i) first, by ordering the write-down of Common Equity Tier 1 instruments (such as HVB common stock) in proportion to the losses (ii) next, the permanent write-down of the principal amount of other subordinate capital instruments (Additional Tier 1 instruments) and Tier 2 instruments, or their conversion into Common Equity Tier 1 instruments according to their ranking and, finally (iii) the write-down or conversion into Common Equity Tier 1 instruments of eligible liabilities (e.g. claims from and in connection with capital instruments which are not subordinate bonds) according to the ranking of the claims defined for the case of an insolvency. In individual cases the resolution authorities can, under certain conditions, exclude eligible liabilities from the write-down or conversion (in particular in cases in which these actions cannot be carried out effectively), which may result in a greater share of the losses being borne by the creditors of other eligible liabilities.

Whether and to what extent the capital instruments are subject to resolution measures or affect the payment obligations of HVB from capital instruments depends on various factors, including factors beyond the control of HVB. Similarly, if UniCredit S.p.A. or other members of the UniCredit were found to meet the resolution conditions and, in such a case, resolution measures were ordered for them (according to applicable national laws), it is difficult to foresee whether and to what extent this would affect the determination of whether HVB fulfilled resolution conditions and the scope of resolution measures – if any – that would be imposed on it. It is therefore difficult, if not impossible, to predict whether, when and, if at all, to what extent resolution measures will be initiated by the responsible resolution authority and whether and to what extent such measures would affect the payment obligations of HVB with regard to capital instruments. In particular, the implementation of resolution measures does not result in a right to cancel or give notice of termination for the capital instruments.

Potential investors should be aware that extraordinary public financial support for troubled banks, if any, would only potentially be used as a last resort after having assessed and exploited, to the maximum extent practicable, the resolution measures, including the bail-in tool. Also, potential investors should bear in mind the risks that may result from resolution measures, and in particular that, in case such measures are initiated (and thus before an insolvency takes place), they may lose their entire investment, including the principal plus the accrued interest. Moreover, there is a risk that the terms and conditions of the capital instruments may be subject to changes and that the instruments may be transferred to another entity or be subject to other resolution measures.

In addition, in case of a threat to the viability as a going concern, a reorganisation plan put in place for a reorganisation process in accordance with the German Bank Reorganisation Act (*Kreditinstitute-Reorganisationsgesetz*) may stipulate measures that affect the creditors of the credit institution and thus the holders of the capital instruments in a similar manner, including a reduction of their claims or a suspension of payments.

13. Pension Risk

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. This is possible due to decreases in the fair value of the plan assets on the assets side as well as increases in the obligations on the liabilities side, caused for instance by changes to the discount rate. Furthermore, actuarial risks, such as longevity risk, 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 capital investment 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.

14. Risks arising from outsourcing activities

Outsourcing risk is considered a cross-risk-type risk at HVB Group and not treated as a separate risk type. Outsourcing activities affect the following risk types in particular: operational risk, reputational risk, strategic risk, business risk, credit, market and liquidity risk. Those risks that are identified and assessed in an in-depth risk analysis and are managed as part of the respective risk type. Specific risks arising from outsourcing activities that cannot be assigned directly to a specific risk type are managed by the unit responsible for the outsourcing activity in question.

Outsourcing involves the transfer of activities and processes to external service providers. This involves the transfer of some of the liability for operational risk, while contractual risks arising from the outsourcing arrangement remain with HVB or a subsidiary of HVB Group.

Errors in the risk assessment or in defining the risk-mitigating measures could have negative effects on the operating results of HVB Group and/or its business performance and financial situation.

15. Risks from concentrations of risk and earnings

Concentrations are accumulations of risk positions that react similarly to specific developments or events. 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 addition, the concentration of earnings in individual customers, business segments, products or regions represents a business-strategy risk for the Bank.

16. Risks from the stress testing measures imposed on HVB Group

HVB and HVB Group are subject to stress testing measures introduced by the German financial supervisory authorities, the German Federal Financial Supervisory Authority (BaFin), and the Deutsche Bundesbank, the European Banking Authority (EBA) and/or the ECB as well as by the supervisory authorities in the countries in which HVB and HVB Group operate.

Due to the fact that UniCredit has been classified by the ECB as a systemically important bank, HVB and HVB Group, as a part of UniCredit, were subject to the ECB Comprehensive Assessment in 2014, comprised of an asset quality review (AQR) and the stress test. As a result, HVB and HVB Group, as a part of UniCredit, may be subject to similar measures in the future as for example the EBA stress test in 2016. In addition, HVB and HVB Group are required to conduct regularly stress tests based on macroeconomic scenarios or on ad-hoc basis. The results of these stress tests are sent to the Deutsche Bundesbank as well as the top management of HVB.

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

17. Risks from inadequate risk measurement models

HVB and HVB Group have the necessary structures, processes and personnel resources in place for the development of risk management guidelines, procedures and measurement models in connection with its activities. They are in line with the proven industry methods applied within the market. The underlying models undergo constant development and improvement, the appropriateness of which is ensured through regular validation.

Nevertheless, it is possible that the internal models of HVB and HVB Group could be rated as inadequate following investigations or verification through the regulatory authorities, or that they could underestimate existing risks. This could have negative effects on HVB and HVB Group, in particular with regard to the calculation of capital requirements.

18. Unidentified/unexpected risks

After a baseline analysis of the risks incurred, since 2013 HVB and HVB Group have been conducting a risk inventory on an annual basis to identify risks not previously recognised. In this regard, methods and models were developed in order to identify risks and implement risk-mitigating measures.

These methods and strategies may not be sufficient, however, for monitoring and managing certain risks, for example the risk pertaining to financial products traded in unregulated markets (such as over-the-counter (OTC) derivatives). As a result, HVB and HVB Group could incur greater losses than those calculated with the current methods or losses previously left out of its calculations entirely. Moreover, unforeseen events with negative effects on the markets in which HVB and HVB Group operate and previously not covered by its risk management could harm the operating results of HVB and HVB Group as well as its business performance and financial situation. These risks and their effects could be exacerbated by the complexity of the task of integrating risk management guidelines into the acquired units of HVB Group.

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 no material information has been omitted.

STATUTORY AUDITORS

The independent auditors (*Wirtschaftsprüfer*) of UniCredit Bank AG for the financial years 2015 and 2014 have been Deloitte & Touche GmbH, Rosenheimer Platz 4, 81669 Munich. Deloitte is a member of the Chamber of German Public Accountants, an institution incorporated under public law (*Wirtschaftsprüferkammer, Anstalt des Öffentlichen Rechts*), Rauchstrasse 26, 10787 Berlin.

UNICREDIT BANK AG

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., Rome, 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% of HVB's share capital.

HVB's legal name is UniCredit Bank AG, the brand name is "HypoVereinsbank".

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.

BUSINESS OVERVIEW

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 private 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 for 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.

Business segments of HVB Group

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

− Commercial Banking

− Corporate & Investment Banking

− 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 needs of various customer groups, i.e. retail customers, business/ corporate customers and commercial real estate customers. The private side of wealthy clients is serviced by a dedicated joint venture between the two aforementioned business units: Private Banking & Wealth Management. It is covering the private wealthy individuals with its three service models: private banking, wealth management and family office, and for those corporate clients, who require support/service on their private investments, the joint venture offers investment advice to corporate owners and entrepreneurs. Growth is especially triggered by an intensive cooperation with Unternehmer Bank and focused acquisition activities.

Unternehmer Bank

HVB's Unternehmer Bank covers all corporate clients in Germany excluding multinational corporate clients, which are served in the Corporate & Investment Banking business segment. Clients of the Unternehmer Bank are divided into the following strategic groups: key account (larger enterprises), medium enterprises, small enterprises incl. the remote coverage concept Business Easy and commercial real estate. The Unternehmer Bank is committed to support the growth and internationalisation of its clients. In order to deepen client relationships, the Unternehmer Bank positions itself as a core bank and strategic business partner and serves the individual needs of the four client groups with a wide service range from standardised products to tailor-made solutions. The main aim is to secure further growth via qualified new client wins and increased cross selling based on solving operational and strategic client needs. To do so, the Unternehmer Bank continues to invest in its client coverage network as well as advisory and product know-how.

As specialists for asset-based financing, the UniCredit Leasing Group (UCLG) as UniCredit Leasing GmbH (100 per cent. subsidiary of UniCredit Bank AG) with the 100 per cent. subsidiaries UniCredit Leasing Finance GmbH, Structured Lease GmbH and UniCredit Aviation GmbH is responsible for the German market as a product specialist. As an "integrated leasing company" for mobile assets, UCLG is one of Germany's leading, non-captive leasing companies. As part of Unternehmer Bank, UCLG focuses on the classic commercial and corporate customer segment.

UniCredit Luxembourg S.A. (LUX) is a 100 per cent. owned subsidiary of UniCredit Bank AG. Organizationally, LUX is assigned to several business segments. LUX provides for the Unternehmer Bank EGON-loans and -deposits, which are short-term loans and deposits referred by the Unternehmer Bank business units on-line to LUX. Additionally, LUX supports the Unternehmer Bank and the Corporate & Investment Banking segment with the documentation, administration and monitoring of structured finance and syndicated transactions.

Private Clients Bank

Consisting of the two customer groups 'Private Clients' and 'Private Banking', Private Clients Bank is a full service provider for banking and insurance solutions. Specific distribution channels and responsibilities take account of the individual needs of the two customer segments and support the further development of affluent customers to Private Banking. Mutual use of specialist units, central functions and support units are increasing operational efficiency. Private Banking is operated within the Commercial Bank in a joint venture “Private Banking & Wealth Management” with joint responsibility of the board members of Private Clients Bank and Unternehmer Bank.

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 center of HVB Group. The primary focus of the service and sales activities is on customer relationship management by telephone, e-mail and the internet. Despite the sale of the subsidiary PlanetHome to Capital Investments and German Equity Partners in June 2015, HVB is cooperating still closely with PlanetHome. In March 2016 HVB agreement was reached with Bremer Kreditbank AG on the sale of Bankhaus Neelmeyer AG, previously a 100% subsidiary of the HypoVereinsbank The completion of the transaction (“Closing”) is conditional and awaiting, amongst other things, approval of the responsible authorities.

HVB aims to grow its retail banking business throughout Germany through the planned modernisation of its retail banking activities coupled with the related transition to a multi-channel bank with comprehensive service, information and advisory offerings. The main strategic objectives are: a clear customer strategy with a focus on affluent clients with a main banking account, positioning as a premium provider, outstanding quality advice as well as a transparent and customer oriented product range.

Approximately 40 per cent. of HVB’s current locations are merged or closed by the end of March 2016. Parallel, the remaining branches and advisory centers were modernised. There will also be a decrease of slightly fewer than 1,300 full-time positions in the private clients bank whereby contractual agreements were already made in this context with all employees concerned.

The branch will continue to represent the core element of HVB’s multi-channel offer going forward, featuring a standard, modernised and upscale appearance. It will, however, act as much more than just a point of contact for top-drawer advice.

Corporate & Investment Banking (CIB)

HVB supports the growth and internationalization of corporate, institutional and public sector clients, creating sustainable value for all stakeholders.

HVB aims to build stable, strategic business partnerships by providing services and solutions in both commercial and investment banking Based on its sector-specific expertise, HVB aims at actively driving and shaping strategic issues in close dialogue with its clients.

HVB serves local clients as well as international clients through its extensive network. The CIB business segment is active in the European markets and is also presenting the top financial centres worldwide such as New York, Hong Kong, Singapore and Tokyo.

HVB Capital Partners AG, a 100 per cent. owned subsidiary of UniCredit Bank AG, is assigned to the Corporate & Investment Banking business segment. Activities are the acquisition, holding, management and sale of direct and indirect participations in companies of all kinds.

UniCredit Luxembourg S.A., a 100 per cent. owned subsidiary of UniCredit Bank AG, is assigned to several segments, i.e. it is also active in the Corporate & Investment Banking segment.

CIB Product Lines

Besides the coverage of corporate and institutional clients, the Corporate & Investment Banking business segment is home to 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 Unternehmer 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.

GTB bundles HVB's competencies (product development and services) in e-business, cash management and foreign trade financing.

As a financing powerhouse, **F&A**'s diversified product range stretches from plain vanilla and core banking relationship products to highly sophisticated structured finance and capital markets solutions as well as M&A advisory services.

Markets comprises products and services with regard to: Corporate Treasury Sales, FX, Rates, Equity Derivatives, Credit Markets and Research. With its institutional and wholesale distribution, HVB services institutional investors and wholesale clients.

Other/consolidation

The "Other/consolidation" business segment encompasses Global Banking Services business unit, Group Corporate Centre activities and consolidation effects.

Global Banking Services

The Global Banking Services business unit acts as a central internal service provider for customers and employees and covers particularly 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.

Group Corporate Centre

The Group Corporate Centre business unit 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 non-consolidated holdings, provided they are not assigned to the business segments. In addition, contributions to earnings are reflected in this segment that arise within the scope of the management of HVB Group as a whole.

With a view to securing the envisaged earnings and return targets, HVB has added further measures to its Strategic Plan aimed at boosting both efficiency and earnings. These measures are scheduled for implementation during the period from 2016 to 2018. This action plan centres on the administration units of HVB and its subsidiaries. The objectives are to reduce complexity, make greater use of synergies and boost efficiency. Specifically, this involves shedding 1,200 jobs in the administration units of the Bank and its subsidiaries over a three-year period.

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 31 December 2015, HVB Group had 581 offices around the world (including 354 HVB offices in Germany) and 16,310 employees (in full-time equivalents, FTEs) (2014: 17,980).

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 9 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 reached at its 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**
Peter Buschbeck	Commercial Banking/Private Clients Bank	Wüstenrot & Württembergische AG, Stuttgart (Member of the Supervisory Board)
Dr Michael Diederich	Corporate & Investment Banking	PORR AG, Vienna (Member of the Supervisory Board)
Lutz Diederichs	Commercial Banking/ Unternehmer Bank	Bayerische Börse AG, Munich (MemberChairman of the Supervisory Board)
Francesco Giordano	Chief Financial Officer	HVB Trust Pensionsfonds AG, Munich (Deputy Chairman of the Supervisory Board)
Heinz Laber	Chief Operating Officer, Human Resources Management, Global Banking Services	HVB Trust Pensionsfonds AG, Munich (Chairman of the Supervisory Board), BVV Versicherungsverein des Bankgewerbes a.G., Berlin (Chairman of the Supervisory Board), BVV Versorgungskasse des Bankgewerbes e.V., Berlin (Chairman of the Supervisory Board)
Andrea Umberto Varese	Chief Risk Officer	-
Dr Theodor Weimer	Board Spokesman	ERGO Versicherungsgruppe Aktiengesellschaft, Düsseldorf (Member of the Supervisory Board), FC Bayern München AG, Munich, (Member of the Supervisory Board)

Supervisory Board

Name	**Principal Occupation**
Federico Ghizzoni, Milan, Chairman	Chief Executive Officer of UniCredit S.p.A., Milan
Florian Schwarz, Munich, Deputy Chairman(1)	Employee of UniCredit Bank AG
Dr Wolfgang Sprissler, Sauerlach,	Former Board Spokesman of UniCredit Bank AG

Name	Principal Occupation
Deputy Chairman	
Mirko Davide Georg Bianchi, Lugano-Casagnola	Chief Financial Officer of UniCredit Bank Austria AG, Wien
Beate Dura-Kempf, Litzendorf(1)	Employee of UniCredit Bank AG
Klaus Grünewald, Gröbenzell(1)	FB1 unit manager in the Bavarian division of Vereinte Dienstleistungsgewerkschaft, Munich
Werner Habich, Mindelheim(1)	Employee of UniCredit Bank AG
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
Gianni Franco Papa, Vienna	Head of Corporate & Investment Banking (CIB) Division of UniCredit S.p.A. Milan
Klaus-Peter Prinz, Trier(1)	Employee of UniCredit Luxembourg S.A., Luxembourg
Jens-Uwe Wächter, Himmelpforten(1)	Employee of UniCredit Bank AG

(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.

MAJOR SHAREHOLDERS

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

FINANCIAL STATEMENTS OF HVB

The audited consolidated financial statement in respect of the fiscal year ended 31 December 2014 of HVB and the audited unconsolidated financial statement of HVB as at 31 December 2014 (*HGB*) are incorporated by reference into this Registration Document (see "General Information – Information incorporated by reference" below). The audited consolidated financial statement in respect of the fiscal year ended 31 December 2015 and the audited unconsolidated financial statement of HVB as at 31 December 2015 (*HGB*) are laid down as F-Pages of this Registration Document.

AUDITORS

Deloitte, the independent auditors of HVB for the financial years 2015 and 2014 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 2015 and 31 December 2014 and have issued an unqualified audit opinion thereon.

LEGAL AND ARBITRATION PROCEEDINGS

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

HVB and other companies belonging to the 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 the HVB Group to damage claims, regulatory fines or other penalties. In many cases, there is a 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.

Medienfonds and other close-end-funds lawsuits

Various investors in VIP Medienfonds 4 GmbH & Co. KG brought legal proceedings against HVB. HVB did not sell shares of the VIP 4 Medienfonds fund, but granted loans to all private investors for a part of the amount invested in the fund; furthermore, HVB assumed specific payment obligations of certain film distributors with respect to the fund. The granted loans as well as the assumed payments obligations were due on 30 November 2014. The loans were paid back to HVB and the assumed payment obligations were paid to the fund by HVB.

The investors in the Medienfonds fund initially enjoyed certain tax benefits, which were later revoked by the tax authorities. 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 was recently referred back to the Higher Regional Court of Munich by the German Federal Court of Justice (*Bundesgerichtshof*), will affect only a few pending cases since a general settlement has already been reached with the vast majority of the investors. However, the German Federal Court of Justice overruled significant findings of the first instance court and set the barriers for a liability on the part of HVB because of an allegedly incorrect prospectus at a very high level. In the fiscal proceedings initiated by the fund, which are pending alongside the civil proceedings and concern the tax declaration of the fund for the 2004 financial year, no final decision has been issued regarding whether the tax benefits were revoked rightfully.

Furthermore, there are a number of separate lawsuits from investors pending regarding other closed-end funds (media funds, but also other asset classes). With regard to media funds the changed view of the fiscal authorities regarding tax benefits granted earlier often represents the economic background to the respective litigation. Among other things, the plaintiffs base their claims on alleged inadequate advice and/or on supposed errors in the prospectus. With their claims, the investors demand restitution of their equity contribution and offer in return the transfer of the related fund share to the Bank.

Relating to one retail fund with investment target in heating plants, a number of investors brought legal proceedings against HVB pursuant to the Capital Markets Test Case Act. Munich Higher Regional Court (*Oberlandesgericht*) has ordered to obtain several court expert opinions in order to assess the question of an alleged prospectus liability.

Real estate finance/financing of purchases of shares in real estate funds

In various cases, customers dispute their obligation to repay their property loan agreements. According to the law and the opinion on this subject expressed in the German Federal Court of Justice's established practice, the customer has to prove the conditions for the lapse of his repayment obligation or alleged violations of obligations to give information and advice on the part of HVB. Based on the experience gained to date, HVB can assume that noteworthy legal risks will not arise from these cases.

If a bank finances the purchase of shares in real estate funds for the borrower with a loan not secured by a real property lien, the borrower can – if the transaction is a so-called related transaction – contest the claim of the financing bank to repayment on the basis of objections which the borrower is entitled to assert against the seller or agent in the fund transaction on account of having received incorrect advice. From today's standpoint, HVB expects these circumstances to apply, if at all, only in exceptional cases.

Lawsuits related to financial instruments

On account of the unstable conditions of the financial markets, customers who invested in securities that have been negatively affected by the financial crisis have filed complaints; even though the number is declining, such complaints continue to be filed. Some customers have taken legal action with respect to losses from securities transactions based on information that was allegedly not suitable for the relevant investor or on investment advice that was allegedly inappropriate with respect to the relevant investment.

Proceedings related to derivative transactions

The number of complaints and lawsuits by German customers whose derivative transactions have suffered losses or currently have a negative fair value has decreased slightly. Among other things, the arguments produced are that the Bank allegedly did not sufficiently inform the customer with respect to the relevant investment and potential risks related to such transactions. Generally, there has been a trend for customer oriented judgements with respect to derivative-related lawsuits. The German Federal Court of Justice affirmed for instance the duty to inform about an initial negative market value of an interest rate swap, unless the interest rate swap is in a certain way related to a loan agreement (“Konnex”). In an oral hearing and in a press release the German Federal Court of Justice recently described the criteria supporting the presence of such a Konnex. Latest rulings also confirm that the characteristics of the relevant product and the individual circumstances of each case are decisive. In particular, the statute of limitations (under Section 37a of the earlier version of the German Securities Trading Act (*Wertpapierhandelsgestz – WpHG*) or the so called general limitation period), the client´s economic experience and risk tolerance, and the actual investment advice given may be relevant questions. Taking into consideration the current state of jurisprudence, HVB assumes to have made adequate provisions.

Proceedings related to German Tax Credits

The General Public Prosecutor (*Generalstaatsanwaltschaft*) Frankfurt/Main in 2012 has started a Preliminary Investigation (*Ermittlungsverfahren*) against a Customer of HVB (“Customer”) and others (including former and current employees of HVB) regarding securities transactions performed in 2006 to 2008 and around the dividend record date in the expectation of receiving withholding tax credits on dividends from German shares. In this context, the General Public Prosecutor Frankfurt/Main also initiated proceedings against HVB for an administrative fine according to the German Administrative Offences Act (*OWiG*). These proceedings have been concluded by a fine notice as of 02 February 2016.

In addition, HVB has notified the competent domestic and foreign (tax) authorities of the possibility of certain proprietary trading of HVB undertaken in domestic and foreign equities and equity derivatives close to dividend dates (so-called "cum/ex trades") and related withholding tax credits claimed or applications for refund of related taxes by HVB in Germany and elsewhere.

HVB has completed its investigations into these transactions. The results of the investigations performed by renowned international law firms show that, in some instances and to different extents, the cum/ex trades that HVB was involved in from 2005 to 2008 demonstrated similarities to the transactions carried out in the case of the Customer. From 2009 onwards such transactions were no longer conducted. The results of the inquiry indicate misconduct by individuals in the past. The Supervisory Board has requested individual former Management Board members for compensation of damages. The Supervisory Board sees no reason to take action against current members of the Management Board.

In the course of the open regular tax audits for 2005 to 2008, the Munich tax authorities and the German Central Federal Tax Authority (“**GCFTA**” - *Bundeszentralamt für Steuern*) examined above-mentioned proprietary transactions close to dividend dates in which withholding tax credits were claimed or applications for refund of related taxes have been made. HVB with the support of external advisors also reviewed the trades and rendered information to the relevant tax authorities. In addition, HVB has notified foreign (tax) authorities insofar as potential consequences of transactions in domestic and foreign equities and equity derivatives are concerned. The above-mentioned proprietary transactions are subject to a regular tax audit covering 2005 to 2008, which is not yet formally finalized. However further financial exposures for HVB vis-à-vis (foreign or domestic) tax authorities in this respect are not to be expected since HVB has insofar already repaid respective taxes (including interest thereon), withdrawn refund requests and received amended tax assessments.

The Cologne Public Prosecutor (*Staatsanwaltschaft Köln*) has opened a Preliminary Investigation against former employees of the Bank with regard to applications for refunds vis-à-vis the Central Federal Tax Authority. These proceedings were concluded by decision of Cologne District Court of 17 November 2015. Following the payment of an administrative fine and profit claw back this proceeding has become final. The Munich Public Prosecutor (*Staatsanwaltschaft München*) has also opened a Preliminary Investigation against former and current employees of the Bank with regard to withholding tax credits claimed in the corporate tax returns and has furthermore initiated a proceeding against HVB for an administrative fine according to the German Administrative Offences Act. HVB is fully cooperating with the prosecutors and competent authorities in all of these cases.

It remains largely unclear whether and under what circumstances taxes can be applied or reimbursed for certain types of trades undertaken near dividend dates. The related questions on the tax treatment of such transactions have only partly been adjudicated in higher German tax courts so far. On 16 April 2014, the German Federal Fiscal Court (*Bundesfinanzhof*) decided in a case dealing with specifically structured equity transactions around the dividend record date. In this specific case, the German Federal Fiscal Court denied economic ownership of the purchaser and hence application for capital gains tax purposes upon certain conditions, thereby leaving open numerous further questions.

The impact of the ongoing investigations is currently open. In this connection, HVB could be subject to penalties, fines and profit claw backs, and/or other consequences. At this time, it is not possible to assess the timing, extent, scope or impact of any decisions. In addition, HVB could be exposed to damage claims from third parties.

HVB is in communication with its relevant authorities regarding these matters.

Lawsuit in connection with Primeo-linked notes

HVB issued several tranches of notes whose potential return was to be calculated by reference to the performance of a synthetic hypothetical investment in the Primeo fund. The nominal value of the notes issued by HVB is around €27 million. Three legal proceedings have been commenced in Germany in connection with the issuance of said Primeo-linked notes, which named HVB as a defendant. In the first case, the court of appeal has dismissed the lawsuit and the German Federal Court of Justice has not allowed a further appeal. The second case has been abandoned by the plaintiff. The last case has been decided in favour of HVB at first instance and has been decided predominantly in favour of HVB but partially in favour of the plaintiffs by the court of appeal. This decision is not final and HVB has lodged an appeal against denial to leave to appeal in front of the German Federal Court of Justice.

Lawsuit for consequential damages

A customer filed an action against HVB with the regional court (*Landgericht*) Frankfurt for consequential damages in the amount of now €51.7 million on the following background: In 2010 HVB was ordered by the Higher Regional Court (*Oberlandesgericht*) Frankfurt to pay to the plaintiff damages from earlier faulty handling of a bill of exchange in the amount of €4.8 million and in addition to compensate further damages of the plaintiff resulting from such earlier deficiencies. In 2011, the plaintiff filed an action against HVB with the regional court (*Landgericht*) Frankfurt for alleged consequential damages in the amount of €33.7 million stating that he suffered such losses as a consequence of not being able to profitably invest the amount of the bill of exchange and now extended his claim to the amount of €51.7 million. HVB is of the view that the claim is unfounded and the allegations brought forward by the plaintiff unreasonable and too far-fetched. It can however not be ruled out that a court takes in parts of the points under dispute another view.

Legal proceedings relating to the restructuring of HVB

Numerous former minority shareholders filed suits challenging the resolutions of the Extraordinary Shareholders' Meeting of HVB on 25 October 2006 (resolutions of approval) approving the sale and transfer of the shares held by the Bank in Bank Austria Creditanstalt AG ("**BA-CA**") and in HVB Bank Ukraine to UniCredit S.p.A. and the shares held in Closed Joint Stock Company International Moscow Bank (IMB) (renamed as ZAO UniCredit Bank, Moscow in December 2007, but still referred to as IMB below) and in HVB Bank Latvia AS (later renamed as AS UniCredit Bank, Riga) to BA-CA, and the branches of the Bank in Vilnius and Tallinn to AS UniCredit Bank, Riga, asking the court to declare these resolutions null and void.

In a ruling dated 31 January 2008, Munich Regional Court I declared the resolutions of approval passed at the Extraordinary Shareholders' Meeting on 25 October 2006 null and void solely for formal reasons. The court did not decide on the issue of the allegedly inadequate purchase price paid for the purchased units.

In a decision dated 1 April 2015, Munich Higher Regional Court set aside the ruling of Munich Regional Court I and dismissed the respective actions; the decision of Munich Higher Regional Court is not legally binding yet. As an appeal was not granted, some plaintiffs applied for leave to appeal.

Financial Sanctions Matters

Recently, violations of US sanctions have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various US authorities, including the US Treasury Department's Office of Foreign Assets Control ("**OFAC**"), the US Department of Justice ("**DOJ**"), the New York State District Attorney ("**NYDA**"), the US Federal Reserve ("Fed") and the New York Department of Financial Services ("**DFS**") depending on the individual circumstances of each case.

In March 2011, HVB received a subpoena from the NYDA relating to historic transactions involving certain Iranian entities, designated by OFAC, and their affiliates. In June 2012, the DOJ opened an investigation of OFAC-related compliance by HVB and its subsidiaries more generally. HVB Group is cooperating with various US authorities and is updating other relevant non-US authorities as appropriate. Although we cannot at this time determine the form, extent or timing of any resolution with any relevant authorities, the investigation costs, remediation required and/or payment or other legal liability incurred can lead to liquidity outflows and could potentially have a material adverse effect on the net assets and operating results of HVB.

Investigation Tax evasion

The Cologne Public Prosecutor (Staatsanwaltschaft Köln) in mid-March 2015 opened a Preliminary Investigation alleging that there is a reasonable suspicion that individuals of HVB and/or its subsidiary in

Luxembourg assisted to tax evasion committed from 2004 to 2010 by several of their customers. The Cologne Public Prosecutor furthermore started to initiate a proceeding against HVB and the relevant subsidiary for an administrative fine according to the German Administrative Offences Act. Already at the end of February 2015, when similar allegations became public with respect to other banks, the Management Boards of both companies voluntarily took a proactive approach, started discussions and declared to fully cooperate with the prosecutor and competent authorities in all aspects of the case. Presumably, the banks will be subject to penalties, fines and forfeiture of profits. So far, the proceedings have not been concluded with legal effect.

GENERAL INFORMATION

Documents on Display

Copies of the articles of association of HVB, the consolidated annual reports in respect of the fiscal years ended 31 December 2015 and 31 December 2014 of HVB, the unconsolidated annual financial statements of HVB in respect of the fiscal years ended 31 December 2015 and 31 December 2014 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) will be available during usual business hours on any weekday (except Saturdays and public holidays) at the offices of HVB. For the life 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).

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 2016 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 31 December 2015, and (ii) no material adverse change in the prospects of the HVB Group since 31 December 2015, the date of its last published audited financial statements (Annual Report 2015).

Information incorporated by reference

The information specified below under "Audited consolidated financial statements at 31 December 2014" set out on pages F-1 to F-142 of the Registration Document of UniCredit Bank AG dated 24 April 2015 and under "Audited unconsolidated financial statements (HGB) at 31 December 2014" set out on pages F-143 to F-202 of the Registration Document of UniCredit Bank AG dated 24 April 2015, shall be deemed to be incorporated in, and to form part of, this Registration Document in accordance with section 11 (1) sentence 1 of the WpPG. Parts of such documents which are not incorporated by express reference are not relevant for potential investors.

Audited consolidated financial statements at 31 December 2014	**Extracted from the Registration Document of HVB dated 24 April 2015**	**Inserted in this Registration Document on the following pages:**
- Consolidated Income Statement	- p. F-1 to F-2	- p. - 18 -
- Consolidated Balance Sheet	- p. F-3 to F-4	- p. - 18 -
- Statement of Changes in Consolidated Shareholders' Equity	- p. F-5 to F-6	- p. - 18 -
- Consolidated Cash Flow Statement	- p. F-7 to F-8	- p. - 18 -
- Notes to the Consolidated Financial Statements	- p. F-9 to F-140	- p. - 18 -
- Declaration by the Management Board	- p. F-141	- p. - 18 -
- Auditors' Report	- p. F-142	- p. - 18 -

Audited unconsolidated financial statements (HGB) at 31 December 2014	Extracted from the Registration Document of HVB dated 24 April 2015	Inserted in this Registration Document on the following pages:
- Income Statement	- p. F-143 to F-144	- p. - 18 -
- Balance Sheet	- p. F-145 to F-150	- p. - 18 -
- Notes	- p. F-151 to F-200	- p. - 18 -
- Declaration by the Management Board	- p. F-201	- p. - 18 -
- Auditors' Report	- p. F-202	- p. - 18 -

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).

Audited consolidated financial statements as at 31 December 2015

Consolidated Income Statement

Income/Expenses	NOTES	2015 € millions	2014 € millions	CHANGE € millions	in %
Interest income		4,618	5,014	(396)	(7.9)
Interest expense		(1,890)	(2,371)	+ 481	(20.3)
Net interest	34	2,728	2,643	+ 85	+ 3.2
Dividends and other income from equity investments	35	69	92	(23)	(25.0)
Net fees and commissions	36	1,035	1,082	(47)	(4.3)
Net trading income	37	525	483	+ 42	+ 8.7
Net other expenses/income	38	318	302	+ 16	+ 5.3
Payroll costs		(1,821)	(1,782)	(39)	+ 2.2
Other administrative expenses		(1,560)	(1,532)	(28)	+ 1.8
Amortisation, depreciation and impairment losses on intangible and tangible assets		(198)	(245)	+ 47	(19.2)
Operating costs	39	(3,579)	(3,559)	(20)	+ 0.6
Net write-downs of loans and provisions for guarantees and commitments	40	(113)	(151)	+ 38	(25.2)
Provisions for risks and charges	41	(194)	25	(219)	
Restructuring costs	42	(112)	18	(130)	
Net income from investments	43	99	148	(49)	(33.1)
PROFIT BEFORE TAX		**776**	**1,083**	**(307)**	**(28.3)**
Income tax for the period	44	(26)	(298)	+ 272	(91.3)
PROFIT AFTER TAX		**750**	**785**	**(35)**	**(4.5)**
Impairment on goodwill		—	—	—	—
CONSOLIDATED PROFIT FROM CONTINUING OPERATIONS		**750**	**785**	**(35)**	**(4.5)**
Profit before tax from discontinued operations	45	—	185	(185)	
Income tax from discontinued operations	45	—	(12)	+ 12	
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	45	**—**	**173**	**(173)**	
CONSOLIDATED PROFIT OF FULL HVB GROUP		**750**	**958**	**(208)**	**(21.7)**
attributable to the shareholder of UniCredit Bank AG		743	947	(204)	(21.5)
attributable to minorities		7	11	(4)	(36.4)

Earnings per share

in €	NOTES	2015	2014
Earnings per share from continuing operations (undiluted and diluted)	46	0.93	0.96
Earnings per share of full HVB Group (undiluted and diluted)	46	0.93	1.18

Consolidated Income Statement

Consolidated statement of total comprehensive income for the year ended 31 December 2015

€ millions	2015	2014
Consolidated profit recognised in the income statement	**750**	**958**
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)	162	(873)
Non-current assets held for sale	—	—
Other changes	—	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	(52)	276
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	14	6
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (AfS reserve)	(45)	17
Unrealised gains/(losses)	(6)	42
Gains/(losses) reclassified to the income statement	(39)	(25)
Changes in valuation of financial instruments (hedge reserve)	3	3
Unrealised gains/(losses)	—	—
Gains/(losses) reclassified to the income statement	3	3
Other changes	(2)	20
Taxes on income and expenses to be reclassified to the income statement in future periods	2	(14)
Total income and expenses recognised in equity under other comprehensive income	**82**	**(565)**
Total comprehensive income	**832**	**393**
of which:		
attributable to the shareholder of UniCredit Bank AG	825	379
attributable to minorities	7	14

Consolidated Balance Sheet

Assets

	NOTES	31/12/2015 € millions	31/12/2014 € millions	CHANGE € millions		CHANGE in %	
Cash and cash balances	47	11,443	5,173	+	6,270	>+	100.0
Financial assets held for trading	48	97,800	111,838		(14,038)		(12.6)
Financial assets at fair value through profit or loss	49	33,823	31,205	+	2,618	+	8.4
Available-for-sale financial assets	50	1,354	1,569		(215)		(13.7)
Investments in associates and joint ventures	51	56	77		(21)		(27.3)
Held-to-maturity investments	52	63	66		(3)		(4.5)
Loans and receivables with banks	53	32,832	32,654	+	178	+	0.5
Loans and receivables with customers	54	113,488	109,636	+	3,852	+	3.5
Hedging derivatives	56	450	753		(303)		(40.2)
Hedge adjustment of hedged items in the fair value hedge portfolio		57	66		(9)		(13.6)
Property, plant and equipment	57	3,230	2,949	+	281	+	9.5
Investment properties	58	1,163	1,293		(130)		(10.1)
Intangible assets	59	462	478		(16)		(3.3)
of which: goodwill		418	418		—		—
Tax assets		1,631	1,695		(64)		(3.8)
Current tax assets		347	476		(129)		(27.1)
Deferred tax assets		1,284	1,219	+	65	+	5.3
Non-current assets or disposal groups held for sale	60	104	32	+	72	>+	100.0
Other assets	61	789	858		(69)		(8.0)
Total assets		**298,745**	**300,342**		**(1,597)**		**(0.5)**

Consolidated Balance Sheet

Liabilities

	NOTES	31/12/2015 € millions	31/12/2014 € millions	CHANGE € millions	CHANGE in %
Deposits from banks	63	58,480	54,080	+ 4,400	+ 8.1
Deposits from customers	64	107,690	100,674	+ 7,016	+ 7.0
Debt securities in issue	65	26,002	28,249	(2,247)	(8.0)
Financial liabilities held for trading	66	77,148	87,970	(10,822)	(12.3)
Hedging derivatives	67	1,049	749	+ 300	+ 40.1
Hedge adjustment of hedged items in the fair value hedge portfolio	68	2,030	2,430	(400)	(16.5)
Tax liabilities		745	749	(4)	(0.5)
Current tax liabilities		646	660	(14)	(2.1)
Deferred tax liabilities		99	89	+ 10	+ 11.2
Liabilities of disposal groups held for sale	69	31	1	+ 30	>+ 100.0
Other liabilities	70	2,572	2,534	+ 38	+ 1.5
Provisions	71	2,232	2,309	(77)	(3.3)
Shareholders' equity	72	20,766	20,597	+ 169	+ 0.8
Shareholders' equity attributable to the shareholder of UniCredit Bank AG		20,762	20,566	+ 196	+ 1.0
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		8,125	7,660	+ 465	+ 6.1
Changes in valuation of financial instruments		41	81	(40)	(49.4)
AfS reserve		11	54	(43)	(79.6)
Hedge reserve		30	27	+ 3	+ 11.1
Consolidated profit		398	627	(229)	(36.5)
Minority interest		4	31	(27)	(87.1)
Total shareholders' equity and liabilities		**298,745**	**300,342**	**(1,597)**	**(0.5)**

The 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 €398 million. We will propose to the Shareholders' Meeting that a dividend of €398 million be paid to UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.50 per share after around €0.78 in 2014.

Statement of Changes in Consolidated Shareholders' Equity

€ millions	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES: TOTAL OTHER RESERVES	OTHER RESERVES: OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at 1/1/2014	**2,407**	**9,791**	**7,920**	**(648)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[3]	**—**	**—**	**(581)**	**(597)**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	(597)	(597)
Reserve arising from foreign currency translation	—	—	7	—
Other changes	—	—	9	—
Total other changes in equity	**—**	**—**	**321**	**—**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	320	—
Changes in group of consolidated companies	—	—	1	—
Capital decreases	—	—	—	—
Shareholders' equity at 31/12/2014	**2,407**	**9,791**	**7,660**	**(1,245)**
Shareholders' equity at 1/1/2015	**2,407**	**9,791**	**7,660**	**(1,245)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under other comprehensive income[3]	**—**	**—**	**122**	**110**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	110	110
Reserve arising from foreign currency translation	—	—	14	—
Other changes	—	—	(2)	—
Total other changes in equity	**—**	**—**	**343**	**—**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	345	—
Changes in group of consolidated companies	—	—	(2)	—
Capital decreases	—	—	—	—
Shareholders' equity at 31/12/2015	**2,407**	**9,791**	**8,125**	**(1,135)**

1 The Shareholders' Meeting of 2 June 2014 resolved to distribute the 2013 consolidated profit in the amount of €756 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.94 per share. The Shareholders' Meeting of 20 May 2015 resolved to distribute the 2014 consolidated profit in the amount of €627 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.78 per share.

2 UniCredit Bank AG (HVB)

3 see Consolidated statement of total comprehensive income

Statement of Changes in Consolidated Shareholders' Equity

CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS					
AFS RESERVE	HEDGE RESERVE	CONSOLIDATED PROFIT[1]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDER OF HVB[2]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
63	**25**	**756**	**20,962**	**47**	**21,009**
—	**—**	**947**	**947**	**11**	**958**
11	**2**	**—**	**(568)**	**3**	**(565)**
27	—	—	27	2	29
(22)	2	—	(20)	—	(20)
—	—	—	(597)	—	(597)
(1)	—	—	6	—	6
7	—	—	16	1	17
(20)	**—**	**(1,076)**	**(775)**	**(30)**	**(805)**
—	—	(756)	(756)	(4)	(760)
—	—	(320)	—	—	—
(20)	—	—	(19)	(26)	(45)
—	—	—	—	—	—
54	**27**	**627**	**20,566**	**31**	**20,597**
54	**27**	**627**	**20,566**	**31**	**20,597**
—	**—**	**743**	**743**	**7**	**750**
(43)	**3**	**—**	**82**	**—**	**82**
(6)	—	—	(6)	—	(6)
(37)	3	—	(34)	—	(34)
—	—	—	110	—	110
—	—	—	14	—	14
—	—	—	(2)	—	(2)
—	**—**	**(972)**	**(629)**	**(34)**	**(663)**
—	—	(627)	(627)	(2)	(629)
—	—	(345)	—	—	—
—	—	—	(2)	(4)	(6)
—	—	—	—	(28)	(28)
11	**30**	**398**	**20,762**	**4**	**20,766**

Consolidated Cash Flow Statement

for the year ended 31 December 2015

€ millions	2015	2014
Consolidated profit	**750**	**958**
Write-downs, provisions for losses on, and write-ups of, loans and receivables and additions to provisions for losses on guarantees and indemnities	170	202
Write-downs and depreciation less write-ups on non-current assets	223	266
Change in other non-cash positions	791	(249)
Profit from the sale of investments, property, plant and equipment	(96)	(334)
Other adjustments (net interest and dividend income from the income statement, taxes on income paid)	(3,013)	(2,680)
Subtotal	**(1,175)**	**(1,837)**
Change in assets and liabilities from operating activities after correction for non-cash components		
Increase in assets/decrease in liabilities (-)		
Decrease in assets/increase in liabilities (+)		
Financial assets held for trading	(6,675)	(4,738)
Loans and receivables with banks	(204)	2,215
Loans and receivables with customers	(3,846)	617
Other assets from operating activities	156	(65)
Deposits from banks	4,234	6,288
Deposits from customers	6,830	(5,031)
Debt securities in issue	(2,203)	(2,618)
Other liabilities from operating activities	6,711	(1,198)
Taxes on income paid	(4)	(231)
Interest received	4,677	5,025
Interest paid	(2,035)	(2,524)
Dividends received	301	295
Cash flows from operating activities	**6,767**	**(3,802)**
Proceeds from the sale of investments	774	1,465
Proceeds from the sale of property, plant and equipment	144	155
Payments for the acquisition of investments	(411)	(641)
Payments for the acquisition of property, plant and equipment	(356)	(412)
Effects of the change in the group of companies included in consolidation	12	—
Effect of the disposal of discontinued operations	—	307
Cash flows from investing activities	**163**	**874**

Consolidated Cash Flow Statement

€ millions	2015	2,014
Change in additional paid-in capital	—	—
Dividend payments	(627)	(755)
Issue of subordinated liabilities and hybrid capital	12	434
Repayment/buy-back of subordinated liabilities and hybrid capital	(117)	(1,585)
Other financing activities (debt, fund for general banking risks) (+)	72	—
Other financing activities (debt, fund for general banking risks) (-)	—	(619)
Cash flows from financing activities	**(660)**	**(2,525)**
Cash and cash equivalents at end of previous period	**5,173**	**10,626**
Net cash provided/used by operating activities	**6,767**	**(3,802)**
Net cash provided/used by investing activities	**163**	**874**
Net cash provided/used by financing activities	**(660)**	**(2,525)**
Effects of exchange rate changes	—	—
Less non-current assets or disposal groups held for sale	—	—
Cash and cash equivalents at end of period	**11,443**	**5,173**

Legal basis

UniCredit Bank AG (HVB) is a universal bank with its registered office and principal place of business in Kardinal-Faulhaber-Straße 1, Munich, Germany. HVB is an affiliated company of UniCredit S.p.A., Rome, Italy (ultimate parent company).

As a globally active company, HVB prepares its financial statements in accordance with the requirements of the International Accounting Standards Board (IASB). This provides a reliable and internationally comparable basis for evaluating the assets, liabilities, financial position and profit or loss of HVB Group. Our value-based management is similarly based on these accounting principles.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to EU Commission Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 (IAS-VO) together with further regulations regarding the adoption of certain IFRS within the framework of the EU endorsement in conjunction with Section 315a (1) of the German Commercial Code (Handelsgesetzbuch - HGB) as non-exempt consolidated financial statements compliant with Section 4 of the IAS-VO Regulation. The present consolidated financial statements were prepared by the Management Board on 8 March 2016 and adopted by the Supervisory Board on 17 March 2016. Besides the standards defined as IFRS, the IFRS also comprise the existing International Accounting Standards (IAS) together with the interpretations of the IFRS Interpretations Committee (IFRS IC) and its predecessor known as IFRICs and SICs. All the standards and interpretations subject to mandatory adoption in the EU for the 2015 financial year have been applied. Section 315a HGB also contains national regulations to be applied alongside the IFRS by capital-market-oriented companies.

Our listed subsidiary AGROB Immobilien AG has published the equivalent statement of compliance required by Section 161 AktG on its website.

Management's Discussion and Analysis meets the requirements of Section 315 (1, 2) HGB. Also incorporated is a risk report pursuant to Section 315 HGB. Compliant with Section 264b HGB, the following companies are exempted from the obligation to prepare a management report and publish their annual financial statements:

- A & T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG, Munich
- Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG, Grünwald
- Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG, Grünwald
- Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG, Grünwald
- BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs KG, Munich
- Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG, Munich
- Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG, Munich
- Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG, Munich
- Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft, Munich
- H & B Immobilien GmbH & Co. Objekte KG, Munich
- HAWA Grundstücks GmbH & Co. OHG Hotelverwaltung, Munich
- HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung, Munich
- HVB Gesellschaft für Gebäude mbH & Co. KG, Munich
- HVZ GmbH & Co. Objekt KG, Munich
- Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße, Munich
- HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG, Munich
- Ocean Breeze Energy GmbH & Co. KG, Munich
- Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG, Munich
- Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG, Munich
- Omnia Grundstücks-GmbH & Co. Objekt Perlach KG, Munich
- Othmarschen Park Hamburg GmbH & Co. Centerpark KG, Munich

Legal basis

– Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG, Munich
– Portia Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt KG, Munich
– Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Saarland, Munich
– Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum, Munich
– Solos Immobilien- und Projektentwicklungs GmbH & Co. Sirius Beteiligungs KG, Munich
– TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs KG, Munich
– TRICASA Grundbesitz Gesellschaft mbH & Co. 1. Vermietungs KG, Munich
– Vermietungsgesellschaft mbH & Co. Objekt MOC KG, Munich

Compliant with Section 264 (3) HGB, the following companies are exempted from the obligation to prepare a management report and publish their annual financial statements:
– Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH, Munich
– BV Grundstücksentwicklungs-GmbH, Munich
– CUMTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– HJS 12 Beteiligungsgesellschaft mbH, Munich
– HVB Asset Management Holding GmbH, Munich
– HVB Capital Partners AG, Munich
– HVB Immobilien AG, Munich
– HVB Principal Equity GmbH, Munich
– HVB Profil Gesellschaft für Personalmanagement mbH, Munich
– HVB Projekt GmbH, Munich
– HVB Tecta GmbH, Munich
– HVB Verwa 1 GmbH, Munich
– HVB Verwa 4 GmbH, Munich
– HVB Verwa 4.4 GmbH, Munich
– Interra Gesellschaft für Immobilienverwaltung mbH, Munich
– MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich
– MILLETERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– NF Objekt FFM GmbH, Munich
– NF Objekt München GmbH, Munich
– NF Objekte Berlin GmbH, Munich
– Orestos Immobilien-Verwaltungs GmbH, Munich
– RHOTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Selfoss Beteiligungsgesellschaft mbH, Grünwald
– Spree Galerie Hotelbetriebsgesellschaft mbH, Munich
– Transterra Gesellschaft für Immobilienverwaltung mbH, Munich
– UniCredit Direct Services GmbH, Munich
– Verwaltungsgesellschaft Katharinenhof m.b.H., Munich

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1 Reporting date/period
The amounts shown in the tables and texts below relate to the reporting date of 31 December 2015 for disclosures regarding balance sheet items and totals and the period from 1 January to 31 December of the respective year for disclosures regarding the income statement.

2 Uniform Group accounting policies
The separate financial statements of the domestic and foreign subsidiaries are incorporated in the consolidated financial statements of HVB in accordance with uniform principles of accounting and valuation. Where options have been exercised, the details are explained under the balance sheet items concerned.

3 Consistency
In accordance with the IFRS Framework together with IAS 1 and IAS 8, we apply the accounting and disclosure principles consistently from one period to the next. Where significant accounting and valuation errors from earlier periods are corrected, the amounts involved are adjusted retroactively. Where retroactive adjustment is not possible in exceptional circumstances, the amounts involved are adjusted against retained earnings. Where we effect changes in accounting policies, any resulting adjustments are similarly recognised retrospectively.

At 31 December 2015, we recognised funding valuation adjustments (FVAs) in the income statement for the first time for the measurement at fair value of not fully unsecured derivatives. Apart from unsecured derivatives, this also affects derivatives for which collateral has been provided in favour of the counterparty only. The expenses of €94 million resulting from this change were posted to net trading income. Up until now, funding valuation adjustments were carried as deductible items in shareholders’ equity for regulatory purposes.

Changes in estimates have been recognised in net income for the period affected by the change in the estimation method. Provided the change in the estimation method does not affect the income statement, the carrying amount of the concerned asset or liability, or shareholders' equity position has been adjusted.

The consolidated financial statements are prepared under the assumption of a going concern. Accounting and valuation in accordance with IFRS contains values that have been determined reliably using estimates and assumptions. The estimates and assumptions applied are based on past experience and other factors such as budgets, expectations and forecasts regarding future events which seem appropriate under the present circumstances. This mainly affects the determination of the fair value of certain financial assets and liabilities, net write-downs of loans and provisions for guarantees and commitments, deferred taxes, and the accounting and valuation of provisions. The actual values may differ from the assumptions and estimates made.

The following matters in particular are affected by estimates, assumptions and discretionary decisions:
- Measurement of goodwill: The Strategic Plan drawn up by the Bank forms the main basis for the impairment test for goodwill. The Strategic Plan contains forecasts of future trends in terms of both the Bank’s respective business units and macroeconomic developments. This means that the impairment test for goodwill is also subject to estimates, assumptions and discretionary decisions.
- Determination of loan-loss allowances:
  Specific allowances: These represent the difference between the estimated, discounted expected future cash inflows and the carrying amount. This means that, to determine the loan-loss allowances, assumptions and forecasts must be made regarding the payments that may still be received from the borrower and/or proceeds from the realisation of the collateral.
  Portfolio allowances: Portfolio allowances are determined on the basis of the Bank’s credit portfolio model described in the Risk Report. This internal model similarly draws on forecasts and assumptions which are thus relevant for the measurement of the portfolio allowance.

Accounting and Valuation

- Determination of fair value: The Bank employs internal models to determine the fair value of financial instruments for which no price is available on an active market. The application of these internal models presupposes assumptions and forecasts, among other things, the scope of which depends on the complexity of the financial instrument and the valuation parameters derived from market data.
- Provisions are recognised for present or future obligations to cover the payments required to settle these obligations. In this context, it is necessary to estimate the amount of these expenses or costs and also the date at which the liabilities are expected to be settled. This involves making assumptions regarding the actual amount of the costs occurring and, in the case of long-term provisions, also estimating possible cost increases up until the settlement date. If the settlement date is more than one year in the future, the forecast expenses and costs are discounted over the period until the liability is settled.
- Deferred tax assets and liabilities: Apart from a few exceptions defined in the standard, deferred tax assets and liabilities are recognised for all temporary differences between the values stated in accordance with IFRS and the values stated for tax-reporting purposes (liability method). Accounting and valuation are performed in accordance with IAS 12 on the basis of local tax regulations that are expected to apply to the period when an asset is realised or a liability is settled. The regulations and applicable local tax rates are assumed that are enacted or substantively enacted at the reporting date. Deferred tax assets are not recognised to the extent that it seems unlikely that sufficient taxable profit will be available in future periods.

  Furthermore, deferred tax assets are recognised for unused tax losses carried forward and unused tax credits to the extent that recoverability is demonstrated. This is done on the basis of a five-year plan for HVB Group, which is subject to segment-specific and macroeconomic assumptions and takes account of local tax regulations. Appropriate haircuts are applied in the Strategic Plan. Estimation uncertainties are inherent.
- Share-based compensation: Assumptions must similarly be made to determine the cost of share-based compensation programmes. The costs for the instruments to be transferred are amortised over the vesting period or the beneficiaries' claims expire if they leave UniCredit first. This makes it necessary to forecast what proportion of employees will leave UniCredit during the vesting period. At the same time, the shares granted must be measured at fair value at the grant date. The comments made above regarding the determination of fair value are applicable analogously.
- Property, plant and equipment: Depreciable items of property, plant and equipment are depreciated over their useful lives. Since the useful life is not independent of the usage of the actual asset in question, it must be estimated in light of the circumstances in each case.
- Intangible assets: With the exception of goodwill, intangible assets are amortised over their useful life. Here, too, suitable assumptions must be made to estimate the useful life.
- Investment properties: These assets are depreciated over the useful life of the property (excluding the land portion), meaning that a forecast is also required here.

Apart from this, the accounting, valuation and disclosure principles applied in 2015 are the same as those applied in the consolidated financial statements for 2014, with the exception of the new IFRS rules to be applied as described in Note 6.

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4 Events after the reporting period

There were no significant events at HVB Group after 31 December 2015 to report.

5 Initial adoption of new IFRS accounting rules

The following standards and interpretations newly published or revised by the IASB were mandatorily applicable for EU-based enterprises for the first time in the 2015 financial year:
- IFRIC Interpretation 21 “Levies”
- “Annual Improvements to IFRSs 2011-2013 Cycle”

IFRIC 21 is an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” notably providing guidance on when a present obligation arises to pay levies imposed by a government that are not income taxes within the meaning of IAS 12, sales taxes, fines or penalties, and whether they are to be recognised in the financial statements as a provision or liability. Upon initial adoption in the 2015 financial year, IFRIC 21 was applied for the new EU bank levy, meaning that the annual contribution to the Single Resolution Fund was recognised in full as an expense in the first quarter of 2015. The amount was not recognised on a pro rata basis.

The 2011-2013 cycle to be applied as part of the IASB’s annual improvement process notably contains clarifications of the existing standards IFRS 3 (Business Combinations), IFRS 13 (Fair Value Measurement) and IAS 40 (Investment Property). Implementation did not have any effect on the consolidated financial statements of HVB Group.

6 Published IFRS that are not yet the subject of mandatory adoption and that have not been the subject of early adoption

As permitted, we have decided against the early voluntary adoption of the standards and interpretations adopted or revised by the IASB, which only become the subject of mandatory adoption for the 2016 financial year or thereafter. The Bank will apply these standards and interpretations in the financial year in which the new provisions in question become mandatorily applicable for EU-based enterprises for the first time.

The EU has adopted the following into European law:
- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”. The provisions are subject to mandatory adoption by EU-based enterprises for reporting periods beginning on or after 1 January 2016.
- Amendments to IAS 1 “Presentation of Financial Statements – Disclosure Initiative”. The provisions are subject to mandatory adoption by EU-based enterprises for reporting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 – “Clarification of Acceptable Methods of Depreciation and Amortisation”. The provisions are subject to mandatory adoption by EU-based enterprises for reporting periods beginning on or after 1 January 2016.
- Amendments to IAS 19 “Employee Benefits – Defined Benefit Plans: Employee Contributions”. The provisions are subject to mandatory adoption by EU-based enterprises for reporting periods beginning on or after 1 February 2015.
- Amendments to IAS 27 “Equity Method in Separate Financial Statements". The provisions are subject to mandatory adoption by EU-based enterprises for reporting periods beginning on or after 1 January 2016.
- “Annual Improvements to IFRSs 2010-2012 Cycle”. These minor amendments and corrections to various existing standards are subject to mandatory adoption for reporting periods beginning on or after 1 February 2015.
- “Annual Improvements to IFRSs 2012-2014 Cycle”. These minor amendments and corrections to various existing standards are subject to mandatory adoption for reporting periods beginning on or after 1 January 2016.

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The EU has not yet adopted the following into European law:

- IFRS 9 “Financial Instruments (July 2014)”. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
- IFRS 14 “Regulatory Deferral Accounts”. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2016. IFRS 14 has, however, not been adopted into European law by the EU (no EU endorsement).
- IFRS 15 “Revenue from Contracts with Customers”. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
- IFRS 16 “Leases”. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”. Mandatory adoption has been postponed by the IASB for an indefinite period and the EU endorsement shelved accordingly.

The new IFRS standards to be applied in the future that are relevant for HVB Group are discussed below:

In July 2014, the IASB published the definitive version of IFRS 9 “Financial Instruments” to replace IAS 39, the current standard covering the recognition and measurement of financial instruments. IFRS 9 contains a complete revision of the main regulations regarding the classification and measurement of financial instruments, the recognition of impairments of financial assets and the recognition of hedges. Provided it is adopted into European law by the EU, which is anticipated, IFRS 9 is subject to adoption for reporting periods beginning on or after 1 January 2018. Initial application should be retrospective.

UniCredit has started a group-wide project involving HVB to implement IFRS 9. The project is organised across department lines in order to integrate the new accounting requirements as well as their impact on the strategic orientation of the Bank. Within the group-wide project, HVB has assumed a pilot function for the implementation of IFRS 9 in the investment banking activity in line with its responsibility for the investment banking activity within the corporate group. Now that group-wide policies regarding IFRS 9 have been drawn up, the project activities are now focusing on the creation of detailed technical concepts to implement new requirements and the development of the methods and models required for the new and modified valuation techniques under IFRS 9. In addition, since IFRS 9 is principles-based, numerous interpretation issues regarding details have still to be clarified or are under discussion. Against this backdrop, it is impossible to make any quantitative assessment of the impact of the adoption of IFRS 9.

In May 2014, the IASB published a new standard regarding revenue realisation, IFRS 15 "Revenue from Contracts with Customers", which defines a uniform principles-based model for determining how and when revenue is recognised. Since income accruing in connection with financial instruments is not affected by this, we only expect IFRS 15 to have a minor effect on HVB Group.

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In January 2016, the IASB published the new IFRS 16 “Leases”, which will replace the existing standard covering the accounting treatment of leases, IAS 17, and the interpretations IFRIC 4, SIC-15 and SIC-27 as of 1 January 2019. The main new rules relate to the accounting treatment by the lessor, who will be required to recognise all leases in the balance sheet in the future, including any operating leases, which the lessor was previously not required to disclose in the balance sheet. The impact of the new standard is being analysed.

We do not expect the remaining amended standards to be applied in the future to have any significant effects on the consolidated financial statements.

7 Companies included in consolidation

The group of companies included in consolidation by HVB Group encompasses 192 (2014: 192) subsidiaries, of which 41 (2014: 37) are classified as structured entities within the meaning of IFRS 12.

	2015	2014
Total subsidiaries	**334**	**344**
Consolidated companies	192	192
of which:		
structured entities according to IFRS 12	41	37
Non-consolidated companies	142	152
of which:		
structured entities according to IFRS 12	7	11
Joint ventures	**2**	**2**
of which:		
accounted for using the equity method	—	—
Associated companies	**13**	**15**
of which:		
accounted for using the equity method	6	7

At year-end 2015, we had a total of 151 (2014: 162) affiliated and associated companies, and joint ventures in HVB Group that were neither fully consolidated nor fully accounted for using the equity method as they do not have a material impact for the Group.

The structured entities include 17 borrowers (2014: 23) over which HVB gained control during the course of restructuring or resolution. The borrowers are classified as structured entities within the meaning of IFRS 12 as, on account of their financial difficulties, they are controlled by their credit relationship with HVB and no longer by voting rights. Not all of the borrowers are disclosed in Note 96, "List of holdings pursuant to Section 313 HGB", for data protection reasons. Ten (2014: twelve) of these borrowers have been consolidated; seven (2014: eleven) borrowers have not been consolidated for materiality reasons.

The effects on the balance sheet of the contractual relationships between the Group companies and these non-consolidated companies are included in the consolidated financial statements. The aggregate net income for the year of these minor non-consolidated affiliated companies makes up 0.51% (2014: 0.23%) of the consolidated profit of HVB Group, while such companies provide around 0.09% (2014: 0.18%) of consolidated assets. Our interests in these companies are carried as available-for-sale financial assets and loans extended under loans and receivables with customers.

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Subsidiaries

The group of companies included in consolidation has been defined taking into account materiality criteria. In addition, smaller companies that are below the materiality thresholds have also been consolidated on account of the rules defined by the supervisory authorities that regulate UniCredit. The fully consolidated subsidiaries prepared their annual financial statements for the period ending 31 December 2015.

The following companies have different year-end dates:

– Grand Central Funding Corporation, New York	31 May
– Kinabalu Financial Products LLP, London	30 November
– Kinabalu Financial Solutions Limited, London	30 November

Since these companies are insignificant for the consolidated financial statements, it was decided not to convert their financial years. When the consolidated financial statements are being prepared, interim financial statements are prepared at the corporate year-end date for all these companies.
41 fully consolidated subsidiaries are classified as structured entities in accordance with IFRS 12. Please refer to Note 87 for more information about structured entities.

There were significant restrictions on the ability of HVB Group to access assets of the subsidiaries as follows:

– Subsidiaries classified as credit institutions or financial services institutions for supervisory purposes are subject to the provisions of the German Banking Act, the CRR and MaRisk/ICAAP regarding their capital base. The capital to be maintained under these provisions limits the ability of HVB Group to adopt resolutions regarding dividend distributions.
– Fully consolidated structured entities are not generally included in the consolidated financial statements on account of HVB Group’s position as a shareholder. Accordingly, HVB Group has no ability to decide on dividend distributions and is bound by the contractual arrangements (such as lending agreements or derivative contracts).

The non-controlling interests at 31 December 2015 have no significant effects on the consolidated financial statements of HVB Group either individually or in aggregate. At 31 December 2015, third parties hold non-controlling interests in 57 (2014: 51) fully consolidated subsidiaries. The non-controlling interests are shown separately in the consolidated balance sheet and generally participate in the profits and losses of the companies; their shareholders hold voting rights in the companies, but without breaking the controlling influence of HVB Group.

The following companies were newly added to the group of companies included in consolidation at HVB Group in 2015:

– Bayerische Wohnungsgesellschaft für Handel und Industrie Gesellschaft mit beschränkter Haftung, Munich
– Elektra Purchase No. 37 Ltd., Dublin
– Elektra Purchase No. 38 Ltd., Dublin
– Elektra Purchase No. 40 Ltd., Dublin
– Elektra Purchase No. 41 DAC, Dublin
– GELDILUX-TS-2015 S.A., Luxembourg
– Rosenkavalier 2015 UG, Frankfurt am Main
– WealthCap Aircraft 27 GmbH & Co. geschlossene Investment KG, Grünwald
– WMC Aircraft 27 Leasing Limited, Dublin

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The structured entities (Elektra Purchase No. 37 Ltd., Dublin; Elektra Purchase No. 38 Ltd., Dublin; Elektra Purchase No. 40 Ltd., Dublin; Elektra Purchase No. 41 DAC., Dublin; GELDILUX-TS-2015 S.A., Luxembourg; Rosenkavalier 2015 UG, Frankfurt am Main) are new entities that have entered into their assets (receivables) and liabilities (notes issued) at normal market terms and conditions. Thus, the carrying amounts correspond to the fair values upon addition or at the date of initial consolidation, meaning that it is not necessary to carry out a remeasurement in line with the application of IFRS 3.

The following companies left the group of companies included in consolidation of HVB Group in 2015 due to sale or completed liquidation:
– Alexanda Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden
– Enderlein & Co. GmbH, Bielefeld
– Keller Crossing Texas L.P., Wilmington
– PlanetHome AG, Unterföhring
– PlanetHome GmbH, Mannheim
– PlanetHome Immobilien Austria, Vienna
– Status Vermögensverwaltung GmbH, Schwerin

Moreover, another company left the group of companies included in consolidation; its only significant asset was a property that was sold to third parties during 2015. The proceeds upon disposal were used to redeem the loan extended to the company, meaning that the basis for consolidation under IFRS 10 no longer applied for HVB. No further information, including the name of the company, is being provided for data protection reasons.

On account of the deconsolidation of the subsidiaries listed above, HVB Group realised a gain upon deconsolidation in accordance with IFRS 10.25 of €5 million. This is disclosed under net income from investments in the income statement.

In addition, Life Science I Beteiligungs GmbH, Munich, was absorbed by HVB Life Science GmbH & Co. Beteiligungs-KG, Munich, and is therefore no longer included in the group of companies included in consolidation by HVB Group.

Associated companies
No financial statements at 31 December 2015 were available for the associated companies listed below valued using the equity method when the consolidated financial statements were prepared. The following financial statements were used for valuation using the equity method:

– Adler Funding LLC, Dover	30 September 2015
– Bulkmax Holding Ltd., Valletta	30 September 2015
– Comtrade Group B.V., Amsterdam	30 November 2015
– SwanCap Partners GmbH, Munich	30 September 2015

There were no significant events at these companies between the date when the above financial statements were prepared and 31 December 2015 that could have an impact on the assets, liabilities, financial position, and profit or loss.

The shares held by the Bank in Martur Sünger ve Koltuk Tesisleri Ticaret ve Sanayi A.S., Istanbul, were sold during the reporting period.

In addition, as of 19 November 2015 BV-BGPB Beteiligungsgesellschaft privater Banken für Internet- und mobile Bezahlungen mbH was renamed paydirekt Beteiligungsgesellschaft privater Banken mbH, which is consolidated using the equity method.

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The group of consolidated companies does not include any companies for which the proportionate consolidation method is applied.

There are no significant restrictions on our ability to access assets of the associated enterprises within the framework of the percentage interest we hold.

8 Principles of consolidation

An enterprise (or economically separate entity) is fully consolidated when it is controlled by HVB Group. Control is deemed to exist when the following three criteria defined in IFRS 10 are met: HVB Group must have power over the relevant activities of the company and be exposed to variable income from the enterprise. In addition, HVB Group must be able to use its power to influence the variable earnings it obtains from the enterprise.

Control is independent of the type of financial relationship between parent company and subsidiary and does not require any participation in the enterprise’s capital. Control may also be derived from contractual arrangements or legal provisions.

To assess whether an enterprise is controlled by HVB Group, a detailed analysis must be carried out of the business purpose, the relevant activities of the enterprise, the parties involved and the distribution of the variable income from the enterprise. The analysis includes an assessment of whether HVB Group is acting as the principal and has delegated power over the enterprise to a third party (agent). This may be the case when the decision-maker who has power over the enterprise does not pursue own economic interests out of the enterprise or these are insignificant and the decision-maker merely exercises delegated decision-making powers for HVB Group.

An enterprise is initially consolidated as soon as HVB Group gains control over the enterprise. During initial consolidation, the assets and liabilities of the enterprise measured are included at their fair values at the effective date. The uniform Group accounting and valuation policies are then applied. Expenses and income of the respective company are included in the consolidated income statement from the effective date of initial consolidation. Participating interests in a consolidated company held by third parties are carried under minority interests, provided the criteria for disclosure as shareholders’ equity are met. Otherwise, they are recognised as debt.

Consolidation is performed by offsetting the purchase price of a subsidiary company against the value of the interest held in the completely remeasured shareholders' equity at the time of acquisition, provided the transactions involved are not internal to UniCredit. This amount represents the difference between the assets and liabilities of the acquired company measured at the fair value at the time of initial consolidation. The difference between the higher acquisition cost and the remeasured balance of assets and liabilities is recognised as goodwill under intangible assets in the balance sheet on a prorated basis. Goodwill on companies accounted for using the equity method is carried under shares in associates valued at equity and joint ventures valued at equity. Compliant with IAS 36, depreciation is not recognised on goodwill. The goodwill is allocated to the cash-generating units that are expected to benefit from the synergies arising from the business combination. At HVB Group, these cash-generating units are the business segments. Where the commercial activities of a company span more than one segment, the goodwill is distributed in line with the expected contribution to results at the time of acquisition. The goodwill is tested for impairment at least once a year at cash-generating unit level. This involves comparing the carrying amount of the cash-generating unit with the recoverable amount defined as the maximum of the unit's value in use and the fair value less costs to sell.

The most recent Strategic Plan approved by the Management Board normally covering a period of five years and created at segment level forms the basis for testing impairment. In this context, the earnings drivers are net trading

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income, net interest, fees and commissions, operating costs and the projected net write-downs of loans and provisions for guarantees and commitments. To allow the earnings components to be planned, the Strategic Plan includes an income budget as well as budgets for risk-weighted assets and loans and receivables with customers and deposits from customers. The budgets are based on forecasts by the UniCredit Economics department, with the forecasts for overall economic development (gross domestic product) and interest and inflation rates playing a crucial role. Furthermore, the Strategic Plan also reflects the experience gained by management from past events and an assessment of the underlying economic conditions.

We have used the Strategic Plan as the basis for determining appropriate values in use for the CGUs to which goodwill is allocated. The values in use are determined using the discounted cash flow method. The figures for profit before tax from the segments' strategic plans are included as cash flows. The average cash flows in the Strategic Plan are assumed for the subsequent period. The segment-specific cost of capital rates used for discounting average 8.7% (2014: 12.0%) for the Corporate & Investment Banking business segment and 8.3% (2014: 9.8%) for the Commercial Banking business segment. No growth factor has been assumed for the government perpetuity. These values in use are employed as recoverable amounts and exceed the carrying amount and goodwill of the CGU. It is not necessary to estimate the selling price unless the value in use is less than the carrying amount.

IFRS 3 is not applicable to combinations of businesses under common control (IFRS 3.2 (c)). IAS 8.10 requires an appropriate accounting and valuation method to be developed accordingly for such cases. Given that HVB Group is part of UniCredit, the carrying amounts of the parent company are retained for business combinations within UniCredit. Any difference between the purchase price paid and the net carrying amount of the company acquired is recognised in equity under reserves.

Compliant with IAS 28, shares in associates are accounted for using the equity method and disclosed in the balance sheet accordingly. HVB is able to exercise significant influence over associates without being able to control them. Significant influence is assumed when a company holds more than 20% but less than 50% of the voting rights in an associate. This assumption of association can be refuted where a qualitative analysis demonstrates that significant influence over the financial and strategic decisions of the associate is not possible. Shares in associates are recognised at cost upon initial inclusion in the consolidated financial statements. For the purposes of subsequent measurement, the carrying amount increases or decreases in accordance with the share of HVB in the profit or loss of the associate. This share of the associate's profit or loss attributable to HVB is measured on the basis of the fair values of the associate's assets, liabilities and contingent liabilities when the shares were acquired. The accounting and valuation principles of HVB Group are applied for subsequent measurement.

Business transactions between consolidated companies are eliminated. Any profits or losses arising from intercompany transactions are also eliminated.

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9 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one company and a financial liability or equity instrument of another company.

The classes required by IFRS 7.6 are defined as follows:
- Cash and cash reserves
- Financial assets and liabilities held for trading
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets (measured at cost)
- Available-for-sale financial assets (measured at fair value)
- Held-to-maturity investments
- Loans and receivables with banks (classified as loans and receivables)
- Loans and receivables with customers (classified as loans and receivables)
- Receivables under finance leases (classified as loans and receivables)
- Hedging derivatives
- Other deposits from banks
- Other deposits from customers
- Other debt securities in issue
- Financial guarantees and irrevocable credit commitments

Among other things, the balance sheet disclosures and earnings contributions of the financial instruments must be shown separately, broken down by the IAS 39 valuation categories. In the present consolidated financial statements, we have included these changes in the explanatory notes to the balance sheet and the income statement. The information required by IFRS 7 regarding risks in connection with financial instruments is also provided in the Risk Report within Management's Discussion and Analysis. Compliant with IFRS 7.36 (a), the maximum credit exposure is the same as the carrying amount of the risk-bearing financial instruments or, in the case of financial guarantees and lending commitments, the nominal amount disclosed in Note 80 for the guarantee/amount of the lending commitments not yet utilised.

IAS 39 requires all financial instruments to be recognised in the balance sheet, classified in the given categories and measured in line with this classification.

Financial assets and liabilities are initially recognised from the date on which the corporate group becomes a contractual party to the financial instrument in question. HVB Group normally recognises customary market purchases and sales of financial assets (known as regular way contracts) at the settlement date. Derivatives are recognised at the trading date.

The regulations set forth in IAS 39 regarding reclassifications have been observed. The reclassifications carried out in 2008 and 2009 are disclosed in Note 77, “Reclassification of financial instruments pursuant to IAS 39.50 et seq. and IFRS 7”.

Accounting and Valuation

Financial assets and liabilities at fair value through profit or loss
The “at fair value through profit or loss” category is divided into two categories:

– Financial assets and liabilities held for trading

Financial assets and liabilities classified as held for trading at the time of initial recognition are financial instruments acquired or incurred for the purpose of short-term profit-taking as a result of changes in market prices or of realising a profit margin. This category also includes all derivatives (apart from hedging derivatives) which qualify for hedge accounting. Financial assets and liabilities held for trading purposes are shown under financial assets and liabilities held for trading.

In accordance with the provisions of IAS 32 (IAS 32.42 in conjunction with IAS 32.48), the positive and negative fair values of OTC derivatives that offset each other at currency level were netted for OTC derivatives concluded with the same central counterparty (CCP).

– All financial assets designated as financial instruments measured at fair value through profit or loss upon initial recognition (fair value option)

We only use the fair value option for certain financial assets designated as at fair value through profit or loss upon initial recognition. In this context, for most of the actual cases, we have exercised the designation option of the accounting mismatch by means of which valuation or profit-recognition inconsistencies are avoided or considerably reduced in economic hedges for which hedge accounting is not applied. Only for a specific, smaller portfolio is the designation based on fair value-based risk management or structured products that must be separated.

Financial assets and liabilities at fair value through profit or loss are disclosed upon initial recognition at their fair value without any transaction costs.

Both financial assets held for trading and fair value option portfolios are measured at fair value. Changes in value are recognised in the income statement.

Loans and receivables
The category “loans and receivables” includes non-derivative financial assets – both originated by us and acquired – with fixed or determinable payments that are not quoted in an active market unless they are classified as at fair value through profit or loss or available for sale. Loans and receivables are measured at amortised cost and capitalised under loans and receivables with banks and loans and receivables with customers. Premiums and discounts are taken to the income statement under net interest over the term of the underlying items. This is done using the effective interest method. Loans and receivables are disclosed upon initial recognition at their fair value including any transaction costs.

Accounting and Valuation

Held-to-maturity investments

Held-to-maturity (HtM) investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity, unless they are designated as at fair value through profit or loss or available for sale. We take a very restrictive approach when assessing whether the intention to hold to maturity exists and premature resale can be excluded. This means that investments are only classified as held-to-maturity in exceptional cases. When classifying financial instruments as held-to-maturity investments, we ensure that it is possible to hold the instruments to maturity taking liquidity considerations into account. Held-to-maturity investments are disclosed upon initial recognition at their fair value including any transaction costs and thereafter measured at amortised cost, with premiums and discounts taken to the income statement under net interest over the term of the underlying items. This is done using the effective interest method.

Available-for-sale financial assets

All other non-derivative financial assets are classified as available-for-sale (AfS) securities and receivables. A distinction is made within this category between measurement at fair value and measurement at cost.

- Debt instruments and equity instruments for which the fair value can be reliably determined are measured at fair value. The difference between the fair value and amortised cost is carried in a separate item under shareholders' equity (AfS reserve) in the balance sheet until the asset is sold or an impairment to be recognised in profit or loss has occurred. Premiums and discounts on debt instruments are taken to the income statement under net interest over the term of the underlying items.

- Equity instruments for which there is no quoted market price in an active market and whose fair value cannot be reliably determined are measured at cost. Besides shares in unlisted companies, this primarily concerns investments in private equity funds, which we measure at cost. It is not possible to reliably determine a fair value for these equity instruments since there is no active market in these instruments and, especially with regard to investments in private equity funds, the Bank as shareholder with a small holding does not have enough influence to obtain the necessary data promptly for a model-based determination of fair value. Consequently, they are not included in the AfS reserve.

With the exception of the effect on results arising from the translation of monetary available-for-sale financial assets denominated in foreign currency, gains or losses on available-for-sale financial assets are recognised in net income from investments in the income statement (see Note 43).

Determination of fair value

We can normally reliably determine the fair value of financial instruments measured at fair value. Certain equity instruments classified as available-for-sale represent an exception to this rule; these are measured at cost as described above. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (no forced liquidation or distress sale) between market participants at the measurement date. Thus, the fair value based on a notional transfer corresponds to a selling or, in the case of a liability, the transfer price (exit price).

Accounting and Valuation

The fair value is determined using the same three-level fair value hierarchy under IFRS 13 as is applicable for the disclosures regarding the fair value hierarchy (Note 79):
- Level 1: Financial instruments measured using (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Assets or liabilities for which no price can be observed on an active market and whose valuation is derived from directly observable (prices) or indirectly observable (derived from prices) input data
- Level 3: Assets or liabilities for which the fair value cannot be measured exclusively on the basis of observable market data; the fair values also include measurement based on model assumptions instead (non-observable input data)

Suitable adjustments are applied to the fair value determined in this way in order to reflect further factors affecting the fair value (such as the liquidity of the financial instrument or model risks when the fair value is determined using a valuation model). When determining these valuation adjustments, we have exercised the option permitted by IFRS 13 under certain circumstances to determine fair value on a portfolio basis for certain OTC derivative portfolios.

The risk of a counterparty defaulting on derivatives is covered by credit valuation adjustments (CVAs). Funding valuation adjustments (FVAs) are also set up for derivatives that are not fully covered by relevant collateral.

The own credit spread is also included in the underlying valuation parameters for liabilities held for sale.

Further disclosures regarding fair values and the fair value hierarchy are given in Note 79, “Fair value hierarchy”, and Note 80, “Fair values of financial instruments compliant with IFRS 7”.

Financial guarantees
Under IAS 39, a financial guarantee contract is a contract that requires the issuer to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Viewed overall, the fair value of a financial guarantee is zero when the contract is concluded because the value of the premium received will normally match the value of the guarantee obligation in standard market contracts. The guarantee premium is recognised on a pro-rata basis. The existence of an impairment is checked during the subsequent measurement.

Credit derivatives, and most notably standardised credit default swaps (CDS), are measured at fair value through profit or loss as they are considered derivatives held for trading and not financial guarantees.

Embedded derivatives
Outside the portfolio held for trading purposes or designated at fair value through profit or loss, embedded derivative financial instruments that must be separated within a structured product are detached from the underlying contract and recorded as separate derivative financial instruments. The underlying contract is then accounted for in accordance with the classification made. The change in value arising from the derivatives that are detached and carried at fair value is recognised in net trading income in the income statement.

Accounting and Valuation

Hedge accounting

Hedges between financial instruments are recognised in accordance with the forms of the fair value hedge described in IAS 39. In 2008 and 2009, HVB Group changed the previously applied macro cash flow hedge accounting to the fair value hedge similarly permitted by IAS 39 for interest rate risk at portfolio level in large areas of asset/liability interest rate risk management. This is described additionally below alongside the principles covering general fair value hedges.

A fair value hedge is generally a hedge of the exposure to changes in the fair value of a recognised asset, liability or an unrecognised firm commitment – or an identified portion thereof – that is attributable to a particular risk and that might affect net income for the period. In this respect, a high level of effectiveness is required, with the changes in the fair value of the hedged item with regard to the hedged risk and hedging derivative compensating each other within a range of 80% to 125%. In fair value hedge accounting, we use interest rate and credit derivatives to hedge changes in the fair value of recognised assets and liabilities. Under this method, the hedging instrument is measured at fair value through profit or loss. The carrying amounts of the hedged item are adjusted by the valuation results relating to the hedged risk in a way that affects the income statement.

Starting in 2009, we have applied fair value hedge accounting for credit risks (micro fair value hedge). The purpose of hedge accounting for credit risks is to reduce the volatility in the income statement. This is done by including existing hedges in hedge accounting. Otherwise existing inconsistencies upon valuation (accounting mismatch) are corrected by hedge accounting.

As part of hedge accounting for credit risks, in accordance with IAS 39.86 (a) the credit-induced changes in the fair value of selected hedged items such as loans and receivables with customers and irrevocable credit commitments (off-balance-sheet fixed commitments) and the full-induced changes in the fair value of the hedging instrument (CDS) are offset.

The change in the credit-induced fair value determined for the hedged items is taken to the income statement under effects arising from hedge accounting in net trading income. Where the hedged items are assets recognised in the balance sheet, the carrying amount is adjusted for the changes in the credit-induced fair value. Irrevocable credit commitments (fixed commitments not shown in the balance sheet), on the other hand, are not recognised in the balance sheet. The credit-related changes in the fair value relating to these are carried under other assets in the balance sheet.

We show the associated hedging instruments (CDS) at their fair value as hedging derivatives; the changes in the fair value are similarly taken to the income statement as effects arising from hedge accounting in net trading income.

The hedge is terminated compliant with IAS 39.91 if either the hedging instrument or the hedged item expires, the hedge is no longer efficient, or the Bank decides to terminate the hedge.

When the hedge is terminated, the credit-induced changes in the fair value accruing to that date with regard to the hedged risk (hedge adjustment) are amortised over the remaining term of the hedged item. This amortisation is disclosed in net interest. If the hedged item similarly expires upon termination of the hedge exceptionally (e.g. in the event of early repayment by the borrower), the hedge adjustment accruing to that date is taken directly to the income statement.

Accounting and Valuation

If the hedge is terminated prior to the hedging instrument maturing, this derivative is assigned to the held-for-trading portfolio at fair value and continues to be recognised at fair value under net trading income in the income statement.

We apply the fair value hedge accounting for a portfolio hedge of interest rate risk for the accounting treatment of interest rate risk in asset/liability interest rate risk management. Recognising a fair value hedge for a portfolio of interest-bearing financial assets and liabilities using interest rate derivatives makes it possible to largely reflect the standard bank risk management procedures for the hedging of fixed interest rate risks in the accounts.

Under this accounting treatment of hedges across several items, the changes in the value of the hedged amount of the hedged items attributable to the hedged risk are carried altogether as a separate asset or liability item and not as an adjustment to the carrying amount of individual items as is the case with micro hedges. The hedge adjustments have been recognised on a gross basis in the balance sheet for subsidiaries for which asset and liability holdings can be hedged separately. The hedged amount of the hedged items is determined as part of interest rate risk management and cannot be directly allocated to individual assets or liabilities. Where the hedge conditions are met, the offsetting changes in value of the hedged amount of the hedged items and the hedging instruments (interest derivatives) are recognised directly in profit and loss. Hedge inefficiencies arising within the necessary hedge efficiency thresholds of 80% to 125% are recognised as profit or loss in net hedging income.

Furthermore, for economic reasons cross-currency interest rate swaps (CCIRS) have been used in the refinancing of loans denominated in foreign currency. The CCIRS exchange longer dated fixed-interest positions denominated in euros for variable-yield positions denominated in foreign currency. This serves to hedge the hedged item against interest rate risk as part of the fair value hedge portfolio accordingly.

The cash flow hedge reserve existing at the changeover date and the offsetting clean fair values of the existing cash flow hedge derivatives are amortised over the remaining term in net interest. This means that the amortisation of the cash flow hedge reserve will have no overall impact on profit or loss in the future until they are fully amortised. The changes in value of the same hedged items and hedging derivatives, together with all new contracts arising after the changeover date, are treated in accordance with the new fair value hedge portfolio model.

The cash flow hedge that is no longer used was employed to hedge the risk arising from volatile cash flows resulting from a recognised asset, recognised liability or planned transaction to be taken to the income statement. We had employed derivatives in cash flow hedge accounting to hedge future streams of interest payments. In this context, payments arising from variable-interest assets and liabilities were swapped for fixed payments primarily using interest rate swaps. Hedging instruments were measured at fair value. The valuation result was divided into an effective and an ineffective portion. The effective portion of the hedging instruments was recognised in a separate item within shareholders' equity (hedge reserve) without affecting reported profit or loss. The ineffective portion of the hedging derivatives was recognised directly in profit and loss. The hedged item was recognised at amortised cost.

At the same time, HVB has also employed a fair value hedge for a portfolio of interest rate risks since 2007 for a limited portfolio of liabilities outside of asset/liability interest rate management.

Accounting and Valuation

10 Financial assets held for trading

This item includes securities held for trading purposes and positive fair values of traded derivatives. All other derivatives not classified as hedging derivatives (which are shown separately in the balance sheet) are similarly considered held for trading. Provided they are held for trading purposes, promissory notes, registered bonds and treasury bills are carried as other financial assets held for trading.

Financial assets held for trading purposes are carried at fair value. Gains and losses arising from the valuation and realisation of financial assets held for trading are taken to the income statement as gains less losses arising from trading securities.

11 Financial assets at fair value through profit or loss

In most cases, HVB Group applies the fair value option for financial assets with economic hedges for which hedge accounting is not applied. The designation removes or significantly reduces valuation or profit-recognition incongruences resulting from an accounting mismatch. The portfolio mostly comprises interest-bearing securities not held for trading that are hedged against interest rate risks by means of interest rate swaps. In the case of promissory note receivables similarly included here, there is no material fair value change in terms of the credit risk on account of the top rating of the issuers. Changes in fair value of the hedged items and the associated derivatives are shown separately in net trading income; current interest income/expenses are recognised in net interest. Given a fundamental intention to hold to maturity, the new investments were made primarily with a view to being able to sell the holdings again quickly if necessary (liquidity reserve). Alongside an accounting mismatch as the main grounds for designation, the designation for a specific, smaller portfolio is based on fair value-based risk management or structured products that must be separated.

12 Available-for-sale financial assets

We recognise interest-bearing securities, equities and other equity-related securities, investment certificates and participating interests as available-for-sale financial instruments under available-for-sale financial assets in the balance sheet.

Interest-bearing securities are accrued in accordance with the effective interest method. Should the estimated cash inflows and outflows underlying the calculation of the effective interest change, the effects are recognised in the income statement as net interest compliant with IAS 39 AG 8.

Provided they are not significant, both shares in non-consolidated subsidiaries and joint ventures and associates accounted for using the equity method are subsumed in available-for-sale financial assets. Listed companies are always carried at fair value. Where the fair value cannot be determined reliably for non-listed companies, they are valued at cost.

Accounting and Valuation

13 Shares in associates accounted for using the equity method and joint ventures accounted for using the equity method

Investments in joint ventures and associated companies are accounted for using the equity method.

14 Held-to-maturity investments

HVB Group has classified interest-bearing assets as held to maturity and recognised them under held-to-maturity investments. Held-to-maturity investments are measured at amortised cost; the resulting interest income is included in net interest.

15 Loans and receivables

Loans and receivables are recognised in the balance sheet under loans and receivables with banks, and loans and receivables with customers. They are carried at amortised cost, provided they are not hedged items of a recognised fair value hedge. The amount shown in the balance sheet has been adjusted for allowances for losses on loans and receivables.

16 Impairment of financial assets

Impairment losses are recognised for financial assets that are measured at amortised cost and classified as available for sale.

An impairment loss is determined in two steps. First, an assessment is made to see if there is any objective evidence that the financial asset is impaired. The second step involves assessing whether the financial instrument is actually impaired.

Objective evidence of impairment refers to events that normally lead to an actual impairment. In the case of debt instruments, these are events that could result in the borrower not being able to settle his obligations in full or at the agreed date. In the case of equity instruments, significant or prolonged lower fair values compared with the initial costs represent objective evidence of impairment. An equity instrument is considered impaired as soon as an impairment loss has been recognised.

Objective evidence is provided only by events that have already occurred, not anticipated events in the future.

How an impairment is determined for each relevant category is described below.

In the case of loans and receivables, objective evidence of an impairment exists when a default has occurred in accordance with the definition of a default given in Basel II and/or the German Solvency Regulation (Solvabilitätsverordnung - SolvV). This is the case when either the borrower is at least 90 days in arrears or HVB believes that the debtor is unable to meet the payment obligations in full without steps to realise collateral being undertaken. In this context, an event of default notably includes the period of 90 days in arrears, an application for or opening of insolvency proceedings, the expectation of liquidity problems as a result of the credit-monitoring process or the need for restructuring or collateral realisation steps such as terminating loans, putting loans on a non-accrual basis or enforcing realisation of collateral by HVB.

Accounting and Valuation

The assessment of the borrower’s credit-worthiness using internal rating processes is applicable. This assessment is reviewed periodically and when negative events occur. When the borrower is 90 days in arrears this is considered objective evidence of an impairment, similarly leading promptly to a review of the borrower’s individual rating on account of the occurrence of a negative event with regard to the borrower. Based on internal procedures, the classification of the borrower is updated to "in default" or "not in default". As a result, the borrower’s credit rating is always assessed with regard to his ability to meet outstanding liabilities.

The credit rating of the borrower and his ability to meet outstanding payment obligations is normally assessed irrespective of whether the borrower is already in arrears with payments or not.

Lending agreements can be modified to ease the burden on borrowers in poor financial situations and improve the probability of the loans being serviced ("forbearance"). It should be noted, however, that not every modification of a lending agreement is due to difficulties of the borrower and represents forbearance. Different strategies may be used to ease the burden on the borrower. Possible measures include deferrals and temporary moratoriums, longer periods allowed for repayment, reduced interest rates and rescheduling, and even debt forgiveness.

Exposures that are modified or refinanced to ease the burden on borrowers in financial difficulties (“forbearance”) are subject to the same risk-provisioning processes as other loans. A possible deferral agreement aimed at avoiding arrears does not automatically lead to the Bank not recognising impairments. Where repayments are deferred or terms adjusted (with longer periods allowed for repayment deferred or covenant clauses waived) as a result of a deterioration in credit quality, and there is objective evidence of an impairment with regard to the restructured payments, this is considered a separate impairment trigger for testing whether an impairment needs to be recognised. The simple deferral of payment obligations does not always have an influence on the borrower’s financial position and his ability to meet outstanding liabilities in full. Should a borrower not be in a position to meet all outstanding liabilities, a deferral of the liabilities does not alter the overall situation. A deferral neither reduces the amount of the payment obligations nor does it influence the amount of payments received by the borrower.

Where the Bank waives payments by the borrower (such as waived fees, reduction of contractual interest rates, etc.) as a result of a deterioration in credit quality, such a waiver represents objective evidence of the borrower defaulting. The write-off of such payments accruing to the Bank caused by an issued waiver is recognised in the income statement as an impairment, provided an allowance had not already been set up for this in the past or recognition was waived on account of the borrower defaulting (such as putting a loan on an internal non-accrual basis).

Please refer to Note 55, “Forbearance”, for more information about the forbearance portfolio of the HVB Group.

An impairment is the difference between the carrying amount and the present value of the anticipated future cash flows. The future cash flows are determined taking into account past events (objective evidence). The anticipated future cash flows may comprise the repayments and/or interest payments still expected and the income from the realisation of collateral. A specific loan-loss provision is recognised for the impairment determined in this way.

Accounting and Valuation

If a receivable is considered uncollectible, the amount concerned is written down, which leads to the receivable being written off.

The same method is applied for held-to-maturity investments.

In the case of loan receivables, the impairment determined in this way is posted to an impairment account, which reduces the carrying amount of the receivable on the assets side. In the case of securities, an impairment directly reduces the carrying amount of the security.

In the case of financial guarantees and irrevocable credit commitments, a possible impairment is determined in the same way; the impairment loss is recognised as a provision.

Specific loan-loss allowances are also determined on a collective basis for individual cases where the amounts involved are not significant. The classification as impaired is also based primarily on the individual rating of the borrower in these cases. These allowances are recognised and disclosed within specific loan-loss allowances at HVB Group. Specific loan-loss allowances or provisions to the amount of the anticipated loss have been made individually to cover all identifiable default risks arising from lending operations (loans, receivables, financial guarantees and credit commitments), with the amount of the expense being estimated. Both changes in the anticipated future cash flows and the time effect arising from a shortening of the discounting period are taken into account in the subsequent measurement. Specific loan-loss allowances are reversed as soon as the reason for forming the allowance no longer exists, or used if the receivable is classified as uncollectible and written off. Where a specific loan-loss allowance is reversed because the reason for its formation no longer exists, the borrower concerned is classified as recovered, meaning that the classification as “in default” is reversed. The amount is written off if the receivable in question is due, any available collateral has been realised and further attempts to collect the receivable have failed. Acute country-specific transfer risks are included in this process.

In the case of receivables (and guarantees and credit commitments) for which no specific allowances have been formed, portfolio allowances are set up to cover losses (= impairments) that have been incurred but not yet recognised by the Bank at the reporting date. We apply the loss confirmation period method for this. The loss confirmation period represents the period between a default event occurring or a borrower defaulting, and the point at which the Bank identifies the default. The loss confirmation period is determined separately for various credit portfolios on the basis of statistical surveys. The loss that has occurred but has not yet been recognised is estimated by means of the expected loss.

In the case of assets classified as available for sale, a distinction is made between debt and equity instruments.

A debt instrument is impaired when an event occurs that results in the borrower not being able to settle his contractual obligations in full or at the agreed date. Essentially, an impairment exists in the same cases as for credit receivables from the same borrower (issuer).

The amount of the impairment is defined as the difference between the amortised cost and the current fair value, whereby the difference first recognised in the AfS reserve in the balance sheet is taken to the income statement when an impairment occurs.

Should the reason for the impairment no longer apply, the difference between the higher fair value and the carrying amount at the previous reporting date is written back in the income statement up to the amount of amortised cost. If the current fair value at the reporting date exceeds the amortised cost, the difference is recognised in the AfS reserve under shareholders' equity.

Accounting and Valuation

In the case of equity instruments carried at fair value, an impairment exists if the current fair value is significantly below the initial cost or if the fair value has remained below the initial cost for a prolonged period of time. When impairment is first identified, the difference between the current fair value and initial cost is recognised as profit or loss in the income statement. Upon subsequent measurement, a further impairment loss is only taken to the income statement if the current fair value is below the initial cost less any impairment losses already recognised (amortised cost). If the fair value rises in the future, the difference between a higher fair value and the amortised cost is recognised in the AfS reserve under shareholders' equity.

Equity instruments valued at cost are considered impaired if the present value is significantly or permanently less than the acquisition cost (or, if an impairment has already been recognised in the past, it is less than the acquisition cost less the recognised impairment). If there is objective evidence of an impairment, the present value of the equity instruments must be determined. The estimated future cash flows discounted by the current market return on a comparable asset are used as the basis for determining this value. The amount of the impairment is calculated as the difference between the present carrying amount and the value of the equity instrument determined as described above. The impairment is taken to the income statement. An impairment of an equity instrument is not permitted to be reversed if the reasons for the impairment no longer apply.

Accounting and Valuation

17 Property, plant and equipment

Property, plant and equipment is valued at acquisition or production cost less depreciation – insofar as the assets are depreciable – using the straight-line method based on the assets' useful lives. Fixtures in rented buildings are depreciated over the term of the rental contract, taking into account any extension options, if this is shorter than the normal useful life of the asset concerned.

PROPERTY, PLANT AND EQUIPMENT	USEFUL ECONOMIC LIFE
Buildings	25 - 60 years
Fixtures in buildings not owned	10 - 25 years
Plant and office equipment	3 - 25 years
Other property, plant and equipment	
Wind farm	25 years
Other property, plant and equipment	10 - 20 years

The estimated useful lives of property, plant and equipment are reviewed once a year and adjusted as appropriate should the expectations differ from earlier estimates.

Impairments are taken in accordance with IAS 36 on property, plant and equipment whose value is impaired. An asset is considered impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is normally determined on the basis of the value in use. Should the reasons for the impairment no longer apply, a subsequent write-up is taken to the income statement; the amount of this subsequent write-up must not increase the value of the property, plant and equipment to a level in excess of the amortised acquisition or production cost.

Depreciation, impairments and write-ups on items of property, plant and equipment are recognised in the income statement under amortisation, depreciation and impairment losses on intangible and tangible assets within operating costs.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised, provided additional future economic benefits will flow to the Bank. Expenditure on repairs or maintenance of property, plant and equipment is recognised as expense in the year in which it is incurred.

Government grants for items of property, plant and equipment (IAS 20.24) are deducted from the acquisition or production cost of the underlying assets on the assets side of the balance sheet.

Accounting and Valuation

18 Lease operations

Under IAS 17, a lease is an agreement under which the lessor transfers the right to use an asset to the lessee for an agreed period against payment.

Lease agreements are divided into finance leases and operating leases. A lease is classified as an operating lease if the lessor retains substantially all the risks and rewards incident to ownership of the asset. By contrast, a finance lease transfers substantially all the risks and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.

HVB Group nevertheless treats agreements concluded without the legal form of a lease as leases provided compliance with the agreement depends on the use of a given asset and the agreement transfers a right to use the asset.

HVB Group leases both movable assets and real estate.

HVB Group as lessor

- Operating leases
  The assets leased to the lessee under an operating lease are considered held by the lessor, who should continue to account for them. The leased assets are carried under property, plant and equipment, investment properties or intangible assets in the consolidated balance sheet and valued in accordance with the relevant methods. The lease proceeds are recognised on a straight-line basis over the lease term and disclosed under other operating income.
- Finance leases
  Where assets are transferred under a finance lease, the lessor is required to derecognise the leased asset in its balance sheet and recognise a receivable from the lessee. The receivable is carried at the amount of the net investment in the lease when the lease agreement was concluded. The lease payments received are divided into a finance charge recognised in the income statement and a redemption payment. The interest income is recognised over the period of the lease in such a way that it essentially reflects a constant periodic return on the net investment in the lease; the redemption payment represents a repayment of the principal that reduces the amount of the receivable outstanding.

HVB Group as lessee

- Operating leases
  The lease payments made by the lessee under operating leases are recognised as expense on a straight-line basis over the lease term and carried under other operating expenses or operating costs to the extent that they represent lease expenses. The lease term commences as soon as the lessee controls the physical use of the leased asset. The lessee does not capitalise the leased assets involved.
- Finance leases
  In the case of finance leases, the lessee recognises the leased assets under property, plant and equipment, investment properties or intangible assets in the balance sheet as well as a liability on the liabilities side. The asset and the corresponding liability are each initially recognised at the fair value of the leased asset at the inception of the lease or, if lower, the present value of the minimum lease payments. The internal rate of return underlying the lease is used to calculate the present value of the minimum lease payments. The lease payments under finance leases are divided into a finance charge and redemption payment. The redemption payment reduces the outstanding liability while the finance charge is treated as interest expense.

Accounting and Valuation

Conditional lease payments made under operating and finance leases are normally recognised as income by the lessor and expense by the lessee in the period in which they accrue. None of HVB Group's current lease agreements contain any conditional lease payments.

Please refer to Note 76 for more information.

19 Investment properties

Compliant with IAS 40.30 in conjunction with IAS 40.56, land and buildings held by us as investments with a view to generating rental income and/or capital gains are carried at amortised cost and written down on a straight-line basis over a useful economic life of 25 to 60 years.

Where investment properties additionally suffer an impairment, we recognise an impairment loss compliant with IAS 36. Should the reason for the impairment no longer apply, write-ups are taken to the income statement in an amount no more than the amortised acquisition or production cost.

Current expenses and rental income from investment properties are disclosed in net other expenses/income. Scheduled depreciation on such investments carried at amortised cost is included in operating costs, whereas impairments and write-ups are recognised in net income from investments.

In some cases, it may prove difficult to classify a property as an investment property rather than property, plant and equipment. Classification is especially difficult if part of the property is held by the Group as an investment while another part is used for the Bank's own purposes as an administration building, and the parts of the property cannot be sold separately or leased out under a finance lease, making it impossible to account for the two parts separately. In such cases, HVB Group classifies a mixed usage property in full as an investment property if more than 90% of the property is leased to an external third party and the part of the property used by the Bank is insignificant. The whole property is classified as property, plant and equipment if the part of the property leased externally totals 90% or less.

20 Intangible assets

The main items included in intangible assets are goodwill arising from the acquisition of fully consolidated subsidiaries and software. An intangible asset shall only be recognised if it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Goodwill has an indefinite useful life. Consequently, it is only tested for impairment compliant with IAS 36 and not amortised (impairment only approach). The value of goodwill is tested annually and where there is an indication of impairment. Impairments are taken where necessary. It is not permitted to write up in subsequent periods any impairment losses recognised on goodwill.

Accounting and Valuation

Software has a limited useful life and is valued at amortised cost. Amortisation is taken over an expected useful life of three to five years. Other intangible assets are also recognised at amortised acquisition or production cost less cumulative amortisation, as they have a limited useful life. Amortisation is taken on a straight-line basis over an expected useful life of up to ten years.

Where intangible assets additionally suffer impairment, we recognise an impairment loss compliant with IAS 36. Should the reason for the impairment no longer apply, write-ups are taken to the income statement in an amount no more than the amortised acquisition or production cost.

Impairment losses on goodwill are shown in a separate item in the income statement.

Amortisation, impairments and write-ups on software and other intangible assets are recognised in the income statement under amortisation, depreciation and impairment losses on intangible and tangible assets within operating costs.

21 Non-current assets or disposal groups held for sale

Under IFRS 5, non-current assets or disposal groups held for sale are carried upon reclassification at the lower of the carrying amount or fair value less costs to sell at the reporting date. Upon subsequent measurement following reclassification, the non-current assets or disposal groups held for sale are, if necessary, written down to a lower fair value less costs to sell if this has fallen at subsequent reporting dates. Should the fair value increase, the total may be written up to an amount that is no more than the cumulative impairment loss.

22 Liabilities

Deposits from banks and customers, and debt securities in issue that are not hedged items of an effective micro fair value hedge are reported at amortised cost. Upon initial recognition, they are disclosed at their fair value including any transaction costs.

23 Financial liabilities held for trading

This item includes the negative fair values of traded derivatives and all other derivatives that are not classified as hedging derivatives (which are recognised separately). Also included here 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.

Financial liabilities held for trading are carried at fair value. Gains and losses arising from the valuation and realisation of financial liabilities held for trading are taken to the income statement as net trading income. We act as market maker for the structured products we issue.

Accounting and Valuation

24 Hedge adjustment of hedged items in the fair value hedge portfolio
Net changes in the value of the hedged amount of hedged items are carried in this hedge adjustment of the fair value hedge portfolio to be shown separately (see Note 69). The hedge adjustments have been recognised on a gross basis in the balance sheet for subsidiaries for which asset and liability holdings can be hedged separately.

25 Other liabilities
Compliant with IAS 37, accruals and other items are shown under other liabilities. These reflect future expenditure of uncertain timing or amount, but the uncertainty is much less than for provisions. Accruals are liabilities for goods and services received that have been neither paid for nor invoiced by the supplier, nor formally agreed. This also includes current liabilities to employees, such as flexi-time credits and outstanding vacation. Accruals are carried at the amount likely to be used.

26 Provisions
Present legal or constructive obligations as a result of past events involving a probable outflow of resources, and whose amount can be reliably estimated, are recognised as provisions.

When assessing provisions for uncertain liabilities and anticipated losses on onerous transactions, we use the best estimate compliant with IAS 37.36 et seq. Long-term provisions are discounted.

In accordance with IAS 19, provisions for pensions and similar obligations arising from defined benefit plans are recorded on the basis of external actuarial reports by applying the projected unit credit method, with each pension plan being valued separately. This accrued benefit method pro-rated on service takes into account dynamic considerations when determining the expected pension benefits upon retirement and distributes these over the beneficiaries' entire period of employment. This means that the measurement of the defined benefit obligation is based on an actuarially calculated present value of the future benefit entitlement for services already rendered (vested benefit entitlements), taking into account the expected compensation increases including career trends and forecast pension progression. The actuarial assumptions to be defined when measuring the benefit obligation vary in line with the economic and other underlying conditions in the country in which the plans exist.

The underlying valuation assumptions may differ from the actual developments as a result of changing market, economic and social conditions. The actuarial gains or losses resulting from the change to the valuation parameters may have a significant impact on the amount of the obligations for pensions and similar post-employment benefits.

The discount rate used to discount the defined benefit obligations (actuarial interest rate) is determined by reference to yields recorded on the market at the reporting dated for high quality, fixed-rate corporate bonds and with maturities and currencies that match the obligations to be measured. A basket of AA-rated corporate bonds denominated in euros serves as the data basis for determining the discount rate for the obligations. These individual bond data are translated into a yield curve which forms the basis for determining the discount rate by using a numerical compensation technique. Funded pension obligations differ from unfunded pension obligations in that plan assets are allocated to cover the entitlements of the beneficiaries. The beneficiaries include active employees, former employees with vested benefit entitlements, and pensioners and their surviving dependants. Both HVB and a number of subsidiaries have set up plan assets in external, restricted-access pension organisations to fund their pension obligations.

Accounting and Valuation

If the beneficiaries' benefit entitlements or the Group's benefit obligations are not funded by assets, HVB Group recognises a pension provision in the amount of the present value of the defined benefit obligation (DBO) in its consolidated balance sheet.

In the case of funded pension obligations, by contrast, the present value of the defined benefit obligation is set against the fair value of the plan assets to determine the net defined benefit liability or net defined benefit asset from the defined benefit plans. The net amount is recognised in the consolidated balance sheet as a pension provision in the event of an excess of liabilities over assets or under other assets in the event of an excess of assets over liabilities adjusted for any effects of the asset ceiling. In the event of excess allocations to the plan, the amount of the net defined benefit asset recognised in the balance sheet is limited to the present value of the economic benefits associated with the surplus plan assets.

In the case of defined benefit obligations, actuarial gains and losses are recognised immediately and in full in other comprehensive income (OCI) in the period in which they accrue. Consequently, the pension provision or other asset recognised in the consolidated balance sheet corresponds to the actual deficit or surplus for a given commitment.

Under the net interest approach, the net interest to be recognised in profit or loss for the period is calculated by multiplying the net defined benefit liability (asset) from defined benefit plans by the discount rate underlying the measurement of the defined benefit obligation. Since any plan assets are deduced from the net defined benefit liability (asset), this calculation method implicitly assumes the return on plan assets in the amount of the discount rate.

If the present value of a defined benefit obligation changes as a result of a plan amendment or plan curtailment, the Group recognises the ensuing effects in full as past service cost in the profit or loss for the period. The amount is normally recognised at the date when the plan amendment or plan curtailment occurs. The gains and losses when a plan is settled are also recognised directly in profit or loss when the settlement occurs.

The net pension expense of defined benefit obligations consists of a service cost component, a net interest component and a remeasurement component. This is recognised in the consolidated income statement and consolidated statement of total comprehensive income as follows:

The service cost component consists of the current and past service cost including the gains and losses on plan settlements. The net interest component comprises the interest expense on the defined benefit obligation, the interest income on plan assets and, in the event of excess allocations to the plan, the interest on any effects arising from the adjustment of the asset surplus to reflect the asset ceiling. The service cost and net interest components are taken to the consolidated income statement in profit or loss for the period. HVB Group also recognises the net interest component under pension and other employee benefit costs in payroll costs alongside the service cost component.

Accounting and Valuation

The remeasurement component encompasses the actuarial gains and losses arising from the valuation of the defined benefit obligation, the difference between the typical return on plan assets assumed at the beginning of the period in the amount of the discount rate and the actual return realised on plan assets and, in the event of excess allocations to the plan, any adjustment of the asset surplus to reflect the asset ceiling, excluding the amounts already recognised in net interest. This component is recognised immediately in shareholders' equity without affecting profit or loss. The remeasurements recognised in other comprehensive income in the consolidated statement of total comprehensive income may not be reclassified in later periods in profit or loss (no recycling).

The disclosure requirements for defined benefit plans contain a principles-based disclosure concept requiring companies to make judgements regarding the necessary level of detail or any emphases in the disclosures pertaining to defined benefit plans. The reporting is intended to meet the information needs of the users of the financial statements and give them a wide-ranging understanding of the risk structure and risk management of the pension plans (pension governance).

In contrast to defined benefit plans, no provisions for pensions and similar obligations are recognised for defined contribution plans. The amounts paid are recognised in the period of the payment taken to the income statement under payroll costs.

The provisions for pensions and similar obligations are described in detail in Note 72.

In accordance with IAS 19, the provisions for partial retirement and similar benefits recognised under other provisions are measured on the basis of external actuarial reports.

The top-up amounts promised under partial-retirement agreements are accounted for as other long-term employee benefits and the associated expenses accrued over their vesting period. HVB Group applies the first-in first-out (FiFo) method for the straight-line accrual of top-up benefits. The benefits are discounted to determine their present value. Remeasurements are recognised in profit or loss in the period in which they arise.

The other long-term employee benefits also include the deferred employee compensation under the Group's bonus programmes, if not expected to be settled wholly before twelve months after the end of the reporting period. The Group has a net liability in the amount of the future benefits to which the employees are entitled in exchange for the work performed in the current period and earlier periods. HVB Group recognises a bonus provision in the amount of the present value of these benefits in its consolidated balance sheet, with allocations made to the promised bonus amounts over the respective vesting period on a pro rata basis. Remeasurements of the net liability are recognised directly in profit or loss for the period.

The employee compensation schemes are described in detail in Note 39.

Accounting and Valuation

27 Foreign currency translation

The consolidated financial statements are prepared in euros, which is the reporting currency of the corporate group. Amounts in foreign currency are translated in accordance with the principles set forth in IAS 21. This standard calls for monetary items not denominated in the respective functional currency (generally the local currency in each case) and cash transactions not completed at the valuation date to be translated into euros at the reporting date using current market rates. In the case of monetary assets available for sale, the effect arising from foreign currency translation is recognised as net currency income in net trading income. In other words, the monetary assets available for sale are treated in the same way as if they were recognised at amortised cost in the foreign currency. Non-monetary items carried at fair value are similarly translated into euros using current market prices at the valuation date. Non-monetary items carried at cost are translated using the historic rate applicable at the time of acquisition.

Income and expense items arising from foreign currency translation at the individual Group companies are stated under net trading income in the income statement.

Where they are not stated in euros, the assets and liabilities reported by our subsidiaries are translated using current market rates at the reporting date in the consolidated financial statements. Average rates are used to translate the income and expenses of these subsidiaries.

Exchange rate differences resulting from the translation of financial statements of international business units are recognised in shareholders' equity without affecting profit or loss and are only taken to the income statement if the operation is sold in part or in full.

28 Income tax for the period

Income tax for the period is accounted for in accordance with the principles set forth in IAS 12. Current taxes are determined taking into account local laws in the respective tax jurisdictions concerned. Apart from a few exceptions allowed for in the standard, deferred tax assets and liabilities are recognised for all temporary differences between the values stated in accordance with IFRS and the values stated for tax-reporting purposes (balance sheet approach). Deferred tax assets arising from unused losses carried forward for tax-reporting purposes are shown where permitted by IAS 12.

Since the concept is based on the approach of future tax assets and liabilities under the liability method, the assets and liabilities are computed using the relevant local tax rates that are expected to apply when the differences are reversed. Deferred tax assets and liabilities are offset provided the offsetting requirements defined in IAS 12 are met.

Segment Reporting

29 Method and components of segment reporting by business segment

Method of segment reporting by business segment

In segment reporting, the activities of HVB Group are divided into the following business segments:
– Commercial Banking
– Corporate & Investment Banking (CIB)
– Other/consolidation

Segment reporting is based on the internal organisational and management structure together with internal financial reporting. In accordance with IFRS 8 “Operating Segments”, segment reporting thus follows the Management Approach, which requires segment information to be presented externally in the same way as it is regularly used by the Management Board, as the responsible management body, when allocating resources (such as risk-weighted assets compliant with Basel III) to the business segments and assessing profitability (profit before tax). Since the income statement of HVB Group broken down by segment is reported internally to the Management Board of HVB down to profit before tax, we have also taken the profit before tax as the basis for external reporting. In this context, the segment data are determined in accordance with International Financial Reporting Standards (IFRS).

In segment reporting, the business segments operate as autonomous companies with their own equity resources and responsibility for profits and losses. The business segments are delimited by responsibility for serving customers. For a description of the customer groups assigned to the individual business segments and the main components of the segments, please refer to the section entitled “Components of the business segments of HVB Group”. In 2015, a change to the organisational structure of a unit within the Other/concolidation business segment led to some securities moving to the Corporate & Investment Banking business segment. The resulting reorganisation yielded a shift in net interest and net fees and commissions in the Corporate & Investment Banking and Other/consolidation business segments. In addition, there were minor shifts in net fees and commissions in all the business segments. The year-ago figures have been adjusted accordingly.

The income statement items of net fees and commissions, net trading profit and net other expenses/income shown in the segments are based almost exclusively on transactions involving external customers. Net interest is assigned to the business segments in accordance with the market interest calculation method on the basis of the external interest income and interest expenses. For this reason, a separate presentation broken down by external/internal revenues (operating income) has not been included.

The equity capital allocation used to calculate the return on investment on companies assigned to several business segments (HVB and UniCredit Luxembourg S.A.) is based on a uniform core capital allocation for each business segment. Pursuant to Basel III, this involves allocating 10.0% (previous year: 9.0%) of core capital from risk-weighted assets to the business segments. The average tied core capital calculated in this way is used to compute the return on investment, which is disclosed under net interest. The percentage used for the return on the equity capital allocated to the companies HVB and UniCredit Luxembourg S.A. equals the base rate plus a premium in the amount of the 6-year average of the spread curve for the lending business of HVB both secured by land charges and unsecured. This rate is set for one year in advance as part of each budgeting process. The percentage changed to 2.38% in 2015 after 2.80% in the 2014 financial year. Equity capital is not standardised for the other companies included in the consolidated financial statements.

Segment Reporting

Operating costs, which contain payroll costs, other administrative expenses as well as amortisation, depreciation and impairment losses on tangible and other intangible assets (without goodwill), are allocated to the appropriate business segment according to causation. The Global Banking Services and the Group Corporate Centre business units of the Other/consolidation business segment are treated as external service providers, charging the business segments for their services at a price which covers their costs. The method of calculating the costs of general banking services involves employing a weighted allocation key (costs, income, FTEs, base amount) in the budgeting process for each business segment to determine the assigned costs that cannot be allocated directly. The majority of the depreciation and impairment losses taken on property, plant and equipment are posted for the BARD Offshore 1 wind farm allocated to the Corporate & Investment Banking business segment and the real estate companies of HVB Group included in the Global Banking Services business unit of the Other/consolidation business segment.

The income of €10 million (previous year: €3 million) from investments in associated companies relates to the following companies accounted for using the equity method: Adler Funding LLC, Bulkmax Holding Ltd., Comtrade Group B.V., Nautilus Tankers Limited, paydirekt Beteiligungsgesellschaft privater Banken mbH and SwanCap Partners GmbH. All of these companies with the exception of paydirekt Beteiligungsgesellschaft privater Banken mbH are assigned to the CIB business segment. paydirekt Beteiligungsgesellschaft privater Banken mbH is assigned to the Commercial Banking business segment. The amount involved is disclosed under dividends and other income from equity investments in the income statement. The carrying amount of the companies accounted for using the equity method is €56 million (previous year: €77 million).

Components of the segments of HVB Group

Commercial Banking business segment

The Commercial Banking business segment serves all customers in Germany with a need for standardised or personalised service and advice. In this context, its Private Clients Bank and Unternehmer Bank business units offer a wide range of banking services. Depending on the service approach, a needs-based distinction is made within Commercial Banking between private customers, private banking clients, high net worth individuals/ultra high net worth individuals and family offices under Wealth Management, business and corporate customers, and commercial real estate customers. All in all, Commercial Banking serves around 2.5 million customers. In this context, the Commercial Banking business segment builds on a shared "HypoVereinsbank" brand and a largely identical sales network.

In line with the universal bank model, the range of products and services of Commercial Banking enables comprehensive customer support to be provided. This extends from payment services, consumer loans, mortgage loans, savings-and-loan and insurance products and banking services for private customers through to business loans, foreign trade financing, and liquidity and financial risk management for corporate customers through to investment banking products for corporate customers. For customers in the private banking and wealth management customer segments, we offer comprehensive financial and asset planning with needs-based advisory services by generalists and specialists.

In the Private Clients Bank business unit, in 2015 we were the first bank in Germany to complete a root-and-branch modernisation of our retail banking activities. We set ourselves up as a genuine multi-channel bank and invested heavily in mobile and internet-based offerings and in the attractiveness of our branches. The number of branches across Germany has been reduced from 579 at the end of 2013 to 278 by the end of 2015. A total of 63 branches are being retained as advice offices where customers will have access solely to self-service-based service functionalities alongside personal advice.

In the Key Account relationship model, corporate customers with complex advisory needs find the right contact for developing individual customer solutions, especially for large transaction volumes and international issues.

Segment Reporting

In the Mid & Small Cap relationship model for corporate and business customers, the product portfolio covers tailored financing offers, for example through the use of subsidies or leasing offers as well as solutions for the management of financial risks, in addition to the traditional bank services of payments and lending. Furthermore, the services provided for special target groups, such as insolvency administrators, healthcare professional or public sector workers, are being continuously refined.

The distinguishing features of the Real Estate relationship model are individual solutions for commercial real estate customers, institutional investors, residential construction firms, property developers and building contractors. In this context, customers benefit particularly from specific financing expertise, for example in the Real Estate Structured Finance and Loan Syndication product areas.

The Private Banking & Wealth Management customer segment within Commercial Banking is also managed under the shared sales responsibility of the Private Clients Bank and Unternehmer Bank. Based on a 360-degree advisory approach, very wealthy customers in the private banking and wealth management sales channels and corporate investment advisors are served by very well trained advisors and highly qualified specialists.

The Commercial Banking business segment is run by two members of the Management Board who bear joint responsibility. The business management and support functions are performed by staff units assigned to each of the business units. Reciprocal cross-servicing ensures that the products required are maintained only once.

The market environment for Commercial Banking is characterised by persistently low interest rates, fragmented competition and rising regulatory costs. In parallel with persistently subdued demand from customers, increasing digitalisation is causing a lasting change in customer requirements. HVB Group is facing up to the challenges posed by this framework in Commercial Banking with a premium positioning, a clearly defined digitalisation strategy and a diverse set of measures of growth and efficiency activities.

The competitive business model of HVB Group’s Commercial Banking was again rewarded by a number of awards in 2015:

– Private Clients Bank: top mark of 5***** awarded to the HVB FinanzKonzept for outstanding investment advice by the Institut für Vermögensaufbau in March 2015
– Private Banking & Wealth Management: “summa cum laude” and “Elite der Family Offices” in the Elite Report sector test
– Unternehmer Bank: named “Beste Mittelstandsbank” among private and public-sector banks in Germany for the second time in a row in the annual Focus Money customer survey

Corporate & Investment Banking business segment
In terms of advisory expertise, product and process quality, and value added, the Corporate & Investment Banking (CIB) business segment intends to be the first port of call for large corporate customers. At the same time, CIB is oriented to building stable, strategic business partnerships in the long term and to positioning itself as a core bank for customers in commercial and investment banking. Its customer focus entails professional, active relationship management that is competent, quick, transparent and works on the basis of an advice-centred approach with in-depth understanding of the customer's business model and sector. CIB supports our corporate customers – also those served in the Unternehmer Bank business unit of the Commercial Banking business segment – in their positioning, growth and internationalisation by acting as an intermediary to the capital market.

The business success of the CIB business segment is based on the close cooperation and coordination between the sales, service and product units as well as on its collaboration with other countries and segments of UniCredit, particularly with back offices. The three global product factories – Financing & Advisory, Global Transaction Banking and Markets – are integral parts of the segment's integrated value chain. They support customers in strategic, transaction-based activities, solutions and products. In the light of the change in markets and increase in

Segment Reporting

market risks, we are seeking to closely support customers. We also cover all the corporate banking needs of our customers, including in areas like growth, internationalisation and restructuring. This requires up-to-date knowledge of specific branches and markets which also meets the growing demands on a finance provider.

The CIB business segment has four business lines: Multinational Corporates (MNC), CIB Americas, CIB Asia Pacific, and Financial Institutions Group (FIG). MNC concentrates on European customers and on European subsidiaries of American or Asian corporate customers; most customers are investment grade rated or in a fringe area to this, they operate in an international context and/or on the capital market. CIB Americas and CIB Asia focus on American or Asian customers whose business is related to the home countries of UniCredit (inbound) or if customers headquartered outside America or Asia operate there (outbound). FIG is a globally operating sales unit that ensures the comprehensive care of UniCredit’s institutional customers.

The following customer groups are served by the **Financing & Advisory** (F&A) product factory on a global basis: Financial Sponsors, Global Project & Commodity Trade Finance, Global Syndicate & Capital Markets, Structured Finance (Corporate, Real Estate and Export) and Global Shipping. Portfolio & Pricing Management (PPM) is responsible groupwide for managing all leveraged, project, aircraft and commodity finance transactions. All other F&A asset classes are managed at the level of HVB by PPM in cooperation with representatives of the sales channels. Furthermore, the Ocean Breeze Energy GmbH & Co. KG subsidiary is overseen by F&A.

Global Transaction Banking (GTB) offers a broad array of products in the areas of cash management and e-banking, trade finance, supply chain management and global securities services.

The **Markets** business is essentially a customer-oriented product factory that supports the corporate banking operations of UniCredit. It covers the following product lines: Rates, Integrated Credit Trading, FX, CEE Trading, Commodities, Equity Derivatives and Treasury. The products are sold through three main sales channels: Institutional Distribution, Corporate Treasury Sales and Private Investor Product & Institutional Equity Derivatives, each of which are an integral part of the product lines. The sales units are supported by Research, the Structuring & Solutions Group, the Quants Team and the CVA Desk.

The profits and losses of several subsidiaries and holdings also flow into the business segment's result. Above all, this includes UniCredit Luxembourg S.A., which operates across business segments within HVB Group and is involved in the handling, management and securitisation of the national and international credit of the group and in interest management as the group's funding unit in the money market.

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Other/consolidation business segment
The Other/consolidation business segment encompasses the business units Global Banking Services (GBS) and Group Corporate Centre and consolidation effects.

The **Global Banking Services** business unit acts as a central internal service provider for customers and employees and covers particularly purchasing, organisation, corporate security, logistics and facility management, cost management and back-office 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 the Real Estate unit (GRE), HVB Immobilien AG and UniCredit Global Business Services GmbH (UGBS) engaged by HVB Immobilien AG by way of an operating contract.

The **Group Corporate Centre** business unit includes profit contributions that do not fall within the jurisdiction of the individual business segments. Among other items, this includes the profits and losses of consolidated subsidiaries and non-consolidated holdings, provided they are not assigned to the business segments, together with the net income from securities holdings for which the Management Board is responsible. Also incorporated in this business unit are the amounts arising from decisions taken by management with regard to asset/liability management. This includes contributions to earnings from securities and money trading activities involving UniCredit S.p.A. and its subsidiaries. The Group Corporate Centre also includes the Real Estate Restructuring (RER) customer portfolio.

30 Income statement, broken down by business segment

Income statement, broken down by business segment for the period from 1 January to 31 December 2015

€ millions INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,604	1,133	(9)	2,728
Dividends and other income from equity investments	48	18	3	69
Net fees and commissions	772	279	(16)	1,035
Net trading income	88	441	(4)	525
Net other expenses/income	10	129	179	318
OPERATING INCOME	**2,522**	**2,000**	**153**	**4,675**
Payroll costs	(716)	(488)	(617)	(1,821)
Other administrative expenses	(1,245)	(891)	576	(1,560)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(11)	(72)	(115)	(198)
Operating costs	**(1,972)**	**(1,451)**	**(156)**	**(3,579)**
OPERATING PROFIT/(LOSS)	**550**	**549**	**(3)**	**1,096**
Net write-downs of loans and provisions for guarantees and commitments	(80)	(54)	21	(113)
NET OPERATING PROFIT	**470**	**495**	**18**	**983**
Provisions for risks and charges	(119)	(69)	(6)	(194)
Restructuring costs	14	(30)	(96)	(112)
Net income from investments	40	2	57	99
PROFIT BEFORE TAX	**405**	**398**	**(27)**	**776**

Segment Reporting

Income statement, broken down by business segment for the period from 1 January to 31 December 2014

€ millions INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,585	1,027	31	2,643
Dividends and other income from equity investments	12	78	2	92
Net fees and commissions	804	291	(13)	1,082
Net trading income	20	450	13	483
Net other expenses/income	13	122	167	302
OPERATING INCOME	**2,434**	**1,968**	**200**	**4,602**
Payroll costs	(735)	(465)	(582)	(1,782)
Other administrative expenses	(1,233)	(859)	560	(1,532)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(11)	(105)	(129)	(245)
Operating costs	**(1,979)**	**(1,429)**	**(151)**	**(3,559)**
OPERATING PROFIT	**455**	**539**	**49**	**1,043**
Net write-downs of loans and provisions for guarantees and commitments	(108)	(112)	69	(151)
NET OPERATING PROFIT	**347**	**427**	**118**	**892**
Provisions for risks and charges	(11)	10	26	25
Restructuring costs	—	—	18	18
Net income from investments	2	126	20	148
PROFIT BEFORE TAX	**338**	**563**	**182**	**1,083**

Segment Reporting

Development of the Commercial Banking business segment

€ millions INCOME/EXPENSES	2015	2014	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest	1,604	1,585	397	404	410	393
Dividends and other income from equity investments	48	12	5	42	—	1
Net fees and commissions	772	804	169	191	197	215
Net trading income	88	20	30	10	41	7
Net other expenses/income	10	13	14	7	6	(16)
OPERATING INCOME	**2,522**	**2,434**	**615**	**654**	**654**	**600**
Payroll costs	(716)	(735)	(170)	(177)	(182)	(187)
Other administrative expenses	(1,245)	(1,233)	(296)	(310)	(317)	(322)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(11)	(11)	(2)	(3)	(3)	(3)
Operating costs	**(1,972)**	**(1,979)**	**(468)**	**(490)**	**(502)**	**(512)**
OPERATING PROFIT	**550**	**455**	**147**	**164**	**152**	**88**
Net write-downs of loans and provisions for guarantees and commitments	(80)	(108)	(22)	4	(29)	(33)
NET OPERATING PROFIT	**470**	**347**	**125**	**168**	**123**	**55**
Provisions for risks and charges	(119)	(11)	(43)	(40)	(33)	(3)
Restructuring costs	14	—	14	—	—	—
Net income from investments	40	2	4	(1)	36	—
PROFIT BEFORE TAX	**405**	**338**	**100**	**127**	**126**	**52**
Cost-income ratio in %	78.2	81.3	76.1	74.9	76.8	85.3

The Commercial Banking business segment increased its operating income by 3.6% year-on-year to reach €2,522 million during the 2015 financial year.

Net interest contributed €1,604 million to the total, a slight increase of €19 million achieved despite ultra-low interest rates. Among other things, this rise is attributable to the strong new business involving real estate finance as well as to consumer lending activities and a slight recovery in the demand for credit on the corporate banking side. Set against this, deposit-taking operations continued to be impacted by the persistently ultra-low interest rates. Furthermore, dividends and other income from equity investments rose by a strong €36 million to €48 million on account of an extraordinary dividend payout received from our investment in EURO Kartensysteme GmbH. In addition, net trading income also increased by a healthy €68 million to €88 million as a result of higher income from currency trading and the positive effect from credit valuation adjustments, among other things. At €772 million, net fees and commissions failed to fully match the year-ago total of €804 million. This is mainly due to the sale of PlanetHome AG and its subsidiaries in the second quarter of 2015. Furthermore, consumer loans are no longer being brokered externally, meaning that no fees and commissions were generated by this business in 2015. Loans are being extended by HVB directly instead, which is reflected in net interest.

Operating costs fell by a slight 0.4% to €1,972 million, with the business segment already starting to benefit from positive cost effects arising from the repositioning of the retail banking activity. Payroll costs fell by €19 million to €716 million. Despite the investments made in the branches, the multi-channel approach and staff training, other administrative expenses only rose by a minor €12 million to €1,245 million.

The cost-income ratio improved from 81.3% in the previous year to 78.2% in the reporting period on the back of the higher operating income together with the simultaneous slight decline in operating costs.

Segment Reporting

At €80 million, net write-downs of loans and provisions for guarantees and commitments were again at a very low level following a decline of around one-quarter. Together with the good operating performance, this led to a strong increase of 35.4% in operating profit to €470 million.

Provisions for risks and charges of €119 million essentially result from legal risks. The sharp rise in net income from investments to €40 million can be attributed mainly to the sale of the participating interests in Wüstenrot und Württembergische AG and PlanetHome AG together with its subsidiaries. All in all, the business segment generated a profit before tax of €405 million, which is 19.8% or €67 million higher than the year-ago total.

Segment Reporting

Development of the Corporate & Investment Banking business segment

€ millions INCOME/EXPENSES	2015	2014	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest	1,133	1,027	353	241	271	269
Dividends and other income from equity investments	18	78	3	7	3	5
Net fees and commissions	279	291	64	61	62	91
Net trading income	441	450	9	37	221	174
Net other expenses/income	129	122	64	57	16	(7)
OPERATING INCOME	**2,000**	**1,968**	**493**	**403**	**573**	**532**
Payroll costs	(488)	(465)	(116)	(126)	(124)	(121)
Other administrative expenses	(891)	(859)	(202)	(217)	(237)	(235)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(72)	(105)	(19)	(18)	(17)	(18)
Operating costs	**(1,451)**	**(1,429)**	**(337)**	**(361)**	**(378)**	**(374)**
OPERATING PROFIT	**549**	**539**	**156**	**42**	**195**	**158**
Net write-downs of loans and provisions for guarantees and commitments	(54)	(112)	(43)	24	(1)	(35)
NET OPERATING PROFIT	**495**	**427**	**113**	**66**	**194**	**123**
Provisions for risks and charges	(69)	10	(36)	(5)	(29)	—
Restructuring costs	(30)	—	(30)	—	—	—
Net income from investments	2	126	1	—	(5)	6
PROFIT BEFORE TAX	**398**	**563**	**48**	**61**	**160**	**129**
Cost-income ratio in %	72.6	72.6	68.4	89.6	66.0	70.3

The operating profit of the Corporate & Investment Banking business segment improved by a slight €10 million to €549 million during the reporting period compared with the previous year. Within this total, operating income rose by €32 million to €2,000 million, while operating costs increased by €22 million to €1,451 million.

The rise in operating income results mainly from the €106 million increase in net interest to €1,133 million. As was already the case in 2014, the extremely low interest rates in the reporting period generally had an adverse effect on the results in interest-related operations. Pleasingly, higher volumes in lending operations partly offset constantly narrowing margins. Furthermore, the increase in net interest can be attributed to the strategic adjustment of the liquidity reserve as well as non-recurring effects. The surplus arising from trading-induced interest activities improved by €14 million year-on-year as well. Besides net interest, net other expenses/income, which was up by €7 million to €129 million on account of higher gains on the sale of receivables, also contributed to the increase in operating income.

By contrast, dividend income essentially stemming from lower dividend payouts from private equity funds suffered a year-on-year decline of €60 million to €18 million in the reporting period. This development is down to the fact that the holdings of private equity investments have been greatly reduced for strategic reasons in response to the focus on core activities and in anticipation of regulatory changes. At €279 million, net fees and commissions were down only a slight €12 million on the year-ago total of €291 million, attributable mainly to the decline in demand from companies for equity or debt funding using capital market products such as bonds and shares. Net trading income remained at the same level as last year (2014: €450 million), suffering a slight decline of €9 million to €441 million. Within this total, a higher profit was generated on forex trading than in the previous year. A good result was again achieved in operations involving equity derivatives, although the year-ago total was not matched. Even though impressive profit contributions were generated from operations involving loan securitisations, fixed-income securities and interest derivatives, these were less than the year-ago total. The funding valuation adjustments included in net trading income for the first time had a negative effect, while lower credit valuation adjustments and

Segment Reporting

lower valuation effects from the inclusion of the own credit spread on financial liabilities held for trading had a positive impact on the total.

Operating costs increased by a slight €22 million year-on-year to €1,451 million. Within this total, payroll costs rose by €23 million to €488 million, while other administrative expenses and amortisation, depreciation and impairment losses on intangible and tangible assets, at €963 million, matched the year-ago level of €964 million. Within that total, amortisation, depreciation and impairment losses on intangible and tangible assets declined by a sharp €33 million to €72 million, as higher amortisation and depreciation was contained in the previous year in connection with the BARD Group. By contrast, other administrative expenses rose by €32 million to €891 million, driven by higher IT spending resulting among other things from the implementation of greater regulatory requirements. At 72.6%, the cost-income ratio remained at the same level as last year, as operating income and operating costs increased at almost exactly the same rate.

The very low net write-downs of loans and provisions for guarantees and commitments of just €54 million during the reporting period reflect our risk-sensitive business policy as well as the economic environment; the total was even €58 million below the extremely low figure of €112 million reported in the previous year. Provisions for risks and charges amounted to €69 million in the reporting period, accruing mainly in connection with legal risks. A net gain of €10 million was generated in the previous year on the back of reversals of provisions for derivative and certificate activities. Restructuring costs of €30 million (2014: €0 million) accrued in connection with measures aimed at boosting efficiency and earnings from the 2016–2018 Strategic Plan. Net income from investments amounted to €2 million in the reporting period, while €126 million was generated in the previous year mainly from the sale of holdings in direct investments and hedge funds.

This means that the CIB business segment recorded a profit before tax of €398 million in the 2015 financial year. This is €165 million below the total of €563 million recorded in the previous year due mainly to the higher provisions and lower net income from investments.

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Development of the Other/consolidation business segment

€ millions INCOME/EXPENSES	2015	2014	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest	(9)	31	14	(1)	(13)	(10)
Dividends and other income from equity investments	3	2	—	(1)	4	—
Net fees and commissions	(16)	(13)	(3)	(6)	(2)	(4)
Net trading income	(4)	13	(6)	(5)	8	(1)
Net other expenses/income	179	167	48	42	43	44
OPERATING INCOME	**153**	**200**	**53**	**29**	**40**	**29**
Payroll costs	(617)	(582)	(154)	(154)	(154)	(156)
Other administrative expenses	576	560	117	151	154	154
Amortisation, depreciation and impairment losses on intangible and tangible assets	(115)	(129)	(27)	(29)	(30)	(29)
Operating costs	**(156)**	**(151)**	**(64)**	**(32)**	**(30)**	**(31)**
OPERATING PROFIT/(LOSS)	**(3)**	**49**	**(11)**	**(3)**	**10**	**(2)**
Net write-downs of loans and provisions for guarantees and commitments	21	69	19	15	(18)	6
NET OPERATING PROFIT/(LOSS)	**18**	**118**	**8**	**12**	**(8)**	**4**
Provisions for risks and charges	(6)	26	(12)	1	5	1
Restructuring costs	(96)	18	(96)	—	—	—
Net income from investments	57	20	31	6	10	11
PROFIT/(LOSS) BEFORE TAX	**(27)**	**182**	**(69)**	**19**	**7**	**16**
Cost-income ratio in %	102.0	75.5	120.8	110.3	75.0	106.9

The operating income of this business segment came to €153 million in the reporting period compared with €200 million in the previous year, which represents a decline of €47 million. Within this total, net interest declined by €40 million to minus €9 million. This is attributable among other things to the lower return on investments due to declining interest rates. The net trading loss of €4 million in the reporting period is €17 million below the total recorded in the previous year. This decline can for the most part be attributed to currency effects. By contrast, other expenses/income rose by €12 million to €179 million, among other things as a result of the non-recurrence in the reporting period of expenses contained in 2014 from services provided in previous years. With operating costs increasing by a minor €5 million to €156 million, an operating loss of €3 million was recorded for 2015, down €52 million year-on-year.

There was a net reversal of €21 million in net write-downs of loans and provisions for guarantees and commitments compared with a net reversal of €69 million in the previous year. Restructuring costs of €96 million accrued in connection with measures aimed at boosting efficiency and earnings from the 2016–2018 Strategic Plan. A net reversal of €18 million was recorded in the previous year due to restructuring provisions that were no longer required. After taking account of the provisions for risks and charges of €6 million (2014: net reversal of €26 million) and net income from investments of €57 million (2014: €20 million) essentially arising from gains on the disposal of investment properties during the reporting period, a loss before tax of €27 million arose, well below the profit of €182 million reported a year ago, due mainly to spending on the measures aimed at boosting efficiency and earnings from the 2016–2018 Strategic Plan.

Segment Reporting

31 Balance sheet figures, broken down by business segment

€ millions	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP[1]
Loans and receivables with banks				
31/12/2015	985	32,925	(1,078)	32,832
31/12/2014	712	28,190	3,752	32,654
Loans and receivables with customers				
31/12/2015	77,154	37,344	(1,010)	113,488
31/12/2014	75,424	35,335	(1,123)	109,636
Goodwill				
31/12/2015	130	288	—	418
31/12/2014	130	288	—	418
Deposits from banks				
31/12/2015	3,442	48,190	6,848	58,480
31/12/2014	3,183	44,734	6,163	54,080
Deposits from customers				
31/12/2015	75,401	27,632	4,657	107,690
31/12/2014	71,187	24,626	4,861	100,674
Debt securities in issue				
31/12/2015	1,411	2,469	22,122	26,002
31/12/2014	916	3,084	24,249	28,249
Risk-weighted assets compliant with Basel III				
(including equivalents for market risk				
and operational risk)				
31/12/2015	28,171	42,327	7,559	78,057
31/12/2014	28,435	45,047	12,286	85,768

1 balance sheet figures for non-current assets or disposal groups held for sale are shown separately in Notes 61 and 70

32 Employees, broken down by business segment[1]

	2015	2014
Commercial Banking	7,467	8,768
Corporate & Investment Banking	2,654	2,671
Other/consolidation	6,189	6,541
Total	**16,310**	**17,980**

1 in full-time equivalents (FTEs)

Segment Reporting

33 Segment reporting by region

The allocation of amounts to regions is based on the head office of the Group companies or offices involved.

Income statement, broken down by region

€ millions	GERMANY	ITALY	LUXEMBOURG	UK	REST OF EUROPE	AMERICAS	ASIA	CONSOLIDATION	HVB GROUP
OPERATING INCOME									
2015	4,392	298	165	262	41	78	34	(595)	4,675
2014	5,460	234	151	303	66	91	21	(1,724)	4,602
OPERATING PROFIT/(LOSS)									
2015	745	206	125	36	1	32	(3)	(46)	1,096
2014	1,782	182	114	66	37	41	(29)	(1,150)	1,043

Total assets, broken down by region

€ millions	2015	2014
Germany	273,074	275,677
Italy	43,253	53,021
Luxembourg	24,832	25,088
UK	12,967	12,102
Rest of Europe	5,583	4,918
Americas	5,862	4,797
Asia	5,010	3,094
Consolidation	(71,836)	(78,355)
Total	**298,745**	**300,342**

Property, plant and equipment, broken down by region

€ millions	2015	2014
Germany	2,947	2,899
Italy	—	—
Luxembourg	32	32
UK	10	13
Rest of Europe	236	1
Americas	3	3
Asia	2	1
Consolidation	—	—
Total	**3,230**	**2,949**

Segment Reporting

Investment properties, broken down by region

€ millions	2015	2014
Germany	1,140	1,269
Italy	—	—
Luxembourg	23	24
UK	—	—
Rest of Europe	—	—
Americas	—	—
Asia	—	—
Consolidation	—	—
Total	**1,163**	**1,293**

Intangible assets, broken down by region

€ millions	2015	2014
Germany[1]	460	476
Italy	—	—
Luxembourg	2	1
UK	—	1
Rest of Europe	—	—
Americas	—	—
Asia	—	—
Consolidation	—	—
Total	**462**	**478**

1 includes goodwill

Employees, broken down by region[1]

	2015	2014
Germany	14,702	16,296
Italy	287	287
Luxembourg	170	175
UK	542	563
Rest of Europe	235	276
Africa	2	2
Americas	179	183
Asia	193	198
Total	**16,310**	**17,980**

1 in full-time equivalents (FTEs)

Notes to the Income Statement

34 Net interest

€ millions	2015	2014
Interest income from	4,618	5,014
lending and money market transactions	3,124	3,480
other interest income	1,494	1,534
Interest expense from	(1,890)	(2,371)
deposits	(328)	(574)
debt securities in issue and other interest expenses	(1,562)	(1,797)
Total	**2,728**	**2,643**

Interest income and interest expense for financial assets and liabilities not carried at fair value through profit or loss totalled €3,300 million (same period last year: €3,622 million) and €1,296 million (same period last year: €1,874 million), respectively. In this context, it should be noted that a comparison of these latter figures is of only limited informative value in economic terms, as the interest expenses for financial liabilities that are not measured at fair value through profit or loss also include refinancing for financial assets at fair value through profit or loss and partially for financial assets held for trading as well.

Interest that the Bank is required to pay on assets (such as interest payable on average reserves maintained with the ECB above the minimum required reserve and other deposits with the ECB) is carried as a negative item under interest income; where interest receivable accrues on the liabilities side, this is similarly recognised as a positive item under interest expense.

Net interest attributable to related parties
The following table shows the net interest attributable to related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	67	99
of which:		
UniCredit S.p.A.	24	46
Sister companies	41	53
Joint ventures	3	1
Associated companies	10	9
Other participating interests	—	—
Total	**80**	**109**

35 Dividends and other income from equity investments

€ millions	2015	2014
Dividends and other similar income	59	89
Companies accounted for using the equity method	10	3
Total	**69**	**92**

Notes to the Income Statement

36 Net fees and commissions

€ millions	2015	2014
Management, brokerage and consultancy services	528	520
Collection and payment services	206	225
Lending operations	295	310
Other service operations	6	27
Total	**1,035**	**1,082**

This item comprises the balance of fee and commission income of €1,355 million (equivalent period last year: €1,649 million) and fee and commission expense of €320 million (equivalent period last year: €567 million). Fee and commission income of €112 million (equivalent period last year: €117 million) and fee and commission expense of €5 million (equivalent period last year: €5 million) relate to financial instruments not measured at fair value through profit or loss.

Fees and commissions charged for individual services are recognised as soon as the service has been performed. In contrast, deferred income is recognised for fees and commissions relating to a specific period (such as fees for financial guarantees).

Net fees and commissions from related parties
The following table shows the net fees and commissions attributable to related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	42	91
of which:		
UniCredit S.p.A.	(38)	13
Sister companies	80	78
Joint ventures	1	—
Associated companies	14	34
Other participating interests	—	—
Total	**57**	**125**

37 Net trading income

€ millions	2015	2014
Net gains on financial assets held for trading[1]	556	450
Effects arising from hedge accounting	(7)	(14)
Changes in fair value of hedged items	159	(830)
Changes in fair value of hedging derivatives	(166)	816
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	(26)	45
Other net trading income	2	2
Total	**525**	**483**

1 including dividends on financial assets held for trading
2 also including the valuation results of derivatives concluded to hedge financial assets through fair value at profit or loss (effect in 2015: plus €158 million; 2014: minus €296 million)

Notes to the Income Statement

The net gains on financial assets in the reporting period include negative credit valuation adjustments of €14 million on our holdings of derivatives (equivalent period last year: minus €98 million).

At 31 December 2015, we recognised funding valuation adjustments (FVAs) in the income statement for the first time for the measurement at fair value of not fully secured derivatives. Apart from unsecured derivatives, this also affects derivatives for which collateral has been provided in favour of the counterparty only. The expenses of €94 million resulting from this change were posted to net trading income. Up until now, funding valuation adjustments were carried as deductible items in shareholders' equity for regulatory purposes.

The effects arising from hedge accounting include the hedge results of the fair value hedge portfolio and the individual micro fair value hedges as a net aggregate total. The net hedge accounting expense of €7 million (2014: expense of €14 million) arises from the increase of €159 million (2014: decrease of €830 million) in fair value relating to the secured risk of the hedged items and the decrease of €166 million in the fair value of hedging derivatives (2014: increase of €816 million).

The net gains on holdings at fair value through profit or loss (held-for-trading portfolio and fair value option) generally only contain the changes in fair value disclosed in the income statement. The interest income from held-for-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 only carried in net trading income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

Notes to the Income Statement

38 Net other expenses/income

€ millions	2015	2014
Other income	543	605
Other expenses	(225)	(303)
Total	**318**	**302**

Other income includes rental income of €170 million (2014: €166 million) from investment properties and mixed usage buildings. Current operating expenses (including repairs and maintenance) directly allocable to investment properties and current expenses from mixed usage buildings of €59 million (2014: €56 million) are netted with the other income. Other expenses include expenses of €53 million for the European bank levy accruing for the first time in the 2015 financial year. The year-ago total included expenses of €39 million for the German bank levy which was no longer payable in the reporting period following the introduction of the European bank levy. Net other expenses/income includes income of €172 million (2014: €158 million) in connection with the BARD Offshore 1 offshore wind farm.

At the same time, there were gains of €43 million (2014: €16 million) on the sale of unimpaired receivables.Net other expenses/income attributable to related parties

The following table shows the net other expenses/income attributable to related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	135	28
of which:		
UniCredit S.p.A.	26	11
Sister companies	109	17
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**135**	**28**

Notes to the Income Statement

39 Operating costs

€ millions	2015	2014
Payroll costs	(1,821)	(1,782)
Wages and salaries	(1,480)	(1,461)
Social security costs	(216)	(227)
Pension and other employee benefit costs	(125)	(94)
Other administrative expenses	(1,560)	(1,532)
Amortisation, depreciation and impairment losses	(198)	(245)
on property, plant and equipment	(177)	(193)
on software and other intangible assets, excluding goodwill	(21)	(52)
Total	**(3,579)**	**(3,559)**

Wages and salaries includes payments of €12 million (2014: €14 million) made upon the termination of the employment contract. The expenses for similar payments under restructuring measures are recognised under restructuring costs in the income statement and explained in Note 42.Operating costs of related parties

The following table shows the operating costs of related parties included in the total operating costs shown in the income statement:

€ millions	2015	2014
Non-consolidated affiliated companies	(653)	(599)
of which:		
UniCredit S.p.A.	(13)	(3)
Sister companies	(640)	(596)
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**(653)**	**(599)**

Share-based payment compliant with IFRS 2
Share-based payments were granted primarily under the Group Incentive System in the reporting period. In addition, UniCredit has further schemes under which shares or stock are granted that are also accounted for in accordance with IFRS 2: the long-term incentive programme, the “2012 Share Plan for Group Talents and Mission Critical Players”, and the employee share ownership plan (“Let’s Share”).

Group Incentive System
The Group Incentive System has governed variable compensation payable to selected staff since the 2010 financial year. This system is built around the principle that the variable compensation is granted partially in shares and scheduled for disbursement over a number of years.

Employees whose duties have a significant impact on the Bank’s overall risk are beneficiaries of the Group Incentive System. Under the Group Incentive System, the bonus promised for the respective reporting period is split into a cash component and a stock component.

Notes to the Income Statement

The cash component is disbursed in tranches over a period of up to five years. Accordingly, this group of employees received 20% to 30% of the bonus for 2015 in cash with the commitment at the beginning of 2016, and a further 10% to 20% will be disbursed after year-end 2016 and year-end 2018/2020.

At the beginning of 2016, the beneficiaries receive a commitment for the remaining 50% of the total bonus to allocate shares in UniCredit S.p.A. as part of the bonus for 2015, to be transferred to the beneficiaries after year-end 2017 to 2019 and 2020.

The deferred payment after year-end 2016, 2018 and 2020 and the transfer of shares after year-end 2017, 2018, 2019 and 2020 to the beneficiaries is subject to the provision that, as part of a malus arrangement, it is ensured that a loss has not been recorded at the UniCredit corporate level or at the level of the individual beneficiary, or a significant reduction in the results achieved.

The fair value of the granted shares is calculated using the average stockmarket price of UniCredit S.p.A. shares in the month prior to the resolution by the Board of Directors in March 2016 regarding the granting, adjusted for a discount for expected dividends during the vesting period.

6.2 million UniCredit S.p.A. shares (before possible adjustment due to adjustments in the equity of UniCredit S.p.A.) were granted in the reporting period as a component of the bonus granted for 2014, with a fair value of €34.6 million. The shares granted in 2015 as part of the bonus for 2014 will be transferred in 2018, 2019 and 2020. The following table shows the fair value per share at the time of granting:

	2015
Fair value of the shares to be transferred in 2018 (€ per share)	5.839
Fair value of the shares to be transferred in 2019 (€ per share)	5.559
Fair value of the shares to be transferred in 2020 (€ per share)	5.200

Notes to the Income Statement

Analysis of outstanding shares

	2015		2014	
	Total	**Average maturity**	**Total**	**Average maturity**
Outstanding at start of period	**19,741,750**	**December 2015**	**18,246,089**	**February 2015**
Additions				
Newly granted shares	6,160,619	January 2019	5,950,516	November 2016
From corporate transfers	—	—	—	—
Releases				
Forfeited shares	633,817	January 2017	737,942	August 2015
Transferred shares	7,971,995	May 2015	3,716,913	May 2014
Expired shares	—	—	—	—
Total at end of period	**17,296,557**	**June 2017**	**19,741,750**	**December 2015**

The promised bonuses are recognised in the income statement on a pro rata basis over the respective vesting period.

Bonuses for the 2015 financial year falling due for disbursement in 2016 are recognised in full as expense. Where cash payments are made at a later date, such payments are subject to the condition that the eligible employees remain employed by UniCredit or partly subject to further performance targets. Accordingly, the vesting period for the promised bonus consists of several financial years (target achievement plus waiting period) and is to be deferred over this period compliant with IAS 19.153 in conjunction with IAS 19.68. Thus, deferred cash payments under the bonus promised for 2015 are recognised as expense in the respective period (starting with the 2015 financial year to the end of the financial year in which the waiting period for the respective tranche ends) on a pro rata basis.

UniCredit S.p.A. delivers shares to the employees for commitments made by HVB Group once the conditions for granting shares have been met. HVB Group reimburses to UniCredit S.p.A. the expenses accruing in this regard. The expense for the shares transferred corresponds to the fair value of the shares at the grant date.

In the 2015 financial year, prorated expenses of €52 million (2014: €32 million) accrued for the stock component arising from the bonuses promised for 2011 to 2015 in the form of share-based payments compliant with IFRS 2. These expenses are recognised under payroll costs. The provision set up totalled €117 million (2014: €85 million).

Notes to the Income Statement

Long-term incentive programme
A long-term incentive programme including share-based remuneration transactions featuring compensation in UniCredit shares, has been set up for executives and junior managers of all UniCredit companies selected using defined criteria. Within this umbrella programme, individual schemes were set up in recent years, the key elements of which included the granting of stock options starting in 2011 in the form of performance stock options and performance shares.

UniCredit S.p.A. undertakes the commitment to employees of HVB; in return, HVB reimburses to UniCredit S.p.A. the expenses for stock options and performance shares actually transferred to the beneficiaries after the vesting period has expired and the conditions attached to the commitment have been checked. The fair value of the instrument at the time of granting is recognised as the expense for the stock options and performance shares transferred.

The following statements relate to all eligible HVB Group employees covered by the long-term incentive programme. The information provided in Note 92 in this regard merely relates to the stock options and performance shares granted to members of the Management Board.

The performance stock options grant entitlement to purchase a UniCredit share at a price which was fixed before the option was issued. In the case of stock options issued during or after 2011, beneficiaries are only entitled to exercise their options in a range between 0% and 150% (depending on the level of target achievement) of the underlying total originally granted if the respective targets have been met after around three to four years. The options may only be exercised during a fixed period which starts after the vesting period expires. If the beneficiary has already left UniCredit by that date, the stock options are normally forfeited, meaning that they can no longer be exercised. The options are acquired on a pro rata basis or in full in certain exceptional circumstances, such as disability, retirement or an employer leaving UniCredit.

The fair values of the stock options at the grant date are determined using Hull & White’s trinomial model. The following parameters have been taken into account in this context:
– The probability of the option expiring due to the beneficiary leaving the company prematurely after the lock-up period has expired.
– Definition of an exercise barrier. This means that the options are only exercised before the end of the exercise period if the current price of the UniCredit share exceeds the exercise price by the exercise barrier multiplier (usually a factor of 1.5).
– Dividend yield of the UniCredit share.
– Average historical daily volatility over a period equivalent to the vesting period.

The stock options granted in 2012 become exercisable in 2016, provided the relevant targets are achieved in each case. Furthermore, the stock options were granted subject to the condition that the beneficiaries continued to work for UniCredit. All other stock options granted in earlier years are already exercisable.

As in the previous year, no new stock options were granted in the 2015 financial year.

Notes to the Income Statement

Analysis of outstanding stock options

	2015			2014		
	Total	Average strike price (€)[1]	Average maturity	Total	Average strike price (€)[1]	Average maturity
Outstanding at start of period	**13,538,008**	**4.62**	**December 2018**	**13,955,927**	**4.64**	**December 2018**
Additions						
Newly granted options	—	—	—	—	—	—
From corporate transfers	—	—	—	—	—	—
Releases						
Forfeited stock options	355,356	4.83	November 2018	417,919	5.11	April 2018
Exercised stock options	—	—	—	—	—	—
Expired stock options	—	—	—	—	—	—
Total at end of period	**13,182,652**	**4.62**	**December 2018**	**13,538,008**	**4.62**	**December 2018**
Exercisable options at end of period	12,054,403	4.67	December 2018	12,409,759	4.68	August 2018

1 The average strike price is only of limited information value on account of the non-inclusion of completed capital increases and stock consolidations (final measure in 2012: stock consolidation at a ratio of 10:1 and subsequent capital increase at a ratio of 1:2 at a price of €1.943) in line with the conditions for granting the stock options.

The fair value of the options granted is recorded as an expense pro rata temporis over the vesting period on the basis of the expected number of options transferred at the end of the vesting period.

As in the previous year, no new performance shares were granted in 2015. This means that, as in the previous year, no performance shares were outstanding at the reporting date.

The forfeited instruments, the prorated expenses for the granted instruments and the income from the valuation of granted instruments resulted in a net gain of €2 million for stock options at HVB Group in 2015 (2014: net expense of €1 million). These expenses are recognised under payroll costs.

The provision set up to cover granted, not yet allocated and non-forfeited stock options at HVB Group totalled €0 million at year-end 2015 (2014: €2 million).

2012 Share Plan for Group Talents and Mission Critical Players

The parent company, UniCredit S.p.A., set up a Share Plan for Group Talents and Mission Critical Players in 2012 for selected employees with high potential and outstanding performance who generate sustainable growth for the corporate group. The beneficiaries were entitled to receive a previously defined number of UniCredit S.p.A. shares. The shares were granted in three equal tranches over a period of three years in 2013, 2014 and 2015, provided annually defined performance targets were met and the employees were in regular, indefinite employment at the respective grant date. Otherwise, the shares were normally forfeited. The shares may be transferred in full in certain exceptional cases, such as disability, retirement or employer leaving UniCredit.

Notes to the Income Statement

Under the terms of this plan, UniCredit S.p.A. undertakes the commitments directly with the HVB employees concerned. Similarly, HVB reimburses the expenses to UniCredit S.p.A. on the basis of the fair value at the grant date. The fair value for the shares is determined on the basis of the share price on the grant date, adjusted for a discount for expected dividend payments up to the transfer date, provided the criteria are met.

Information regarding the 2012 Share Plan for Group Talents and Mission Critical Players

	2012
Total (shares)	1,176,064
Market price of UniCredit share on grant date (€)	4.0100
Conditional grant date	27/3/2012
Exercise date should criteria be met (start of exercise period)	1/3 in each case by the end of July 2013, 2014 and 2015
Fair value per share on grant date (€)	4.0100

Analysis of outstanding shares

	2015	2014
	TOTAL (SHARES)	TOTAL (SHARES)
Outstanding at start of period	**364,501**	**759,840**
Additions		
Newly granted shares	—	—
Releases		
Forfeited shares	10,530	30,935
Transferred shares	353,971	364,404
Expired shares	—	—
Total at end of period	**—**	**364,501**

The fair value at the grant date is recorded as an expense for such shares pro rata temporis over the period of the respective tranche.

As in the previous year, there were no prorated expenses arising from the granted shares or income from forfeited shares in the reporting period.

The provision set up for this share plan totalled €1 million at year-end 2015 (2014: €1 million) as no utilisation has taken place yet.

Employee share ownership plan
An employee share ownership plan ("Let's Share") has been set up enabling UniCredit employees to purchase UniCredit shares at discounted prices.

Between January 2015 and December 2015, employees participating in the plan had the opportunity to use their contributions to buy regular UniCredit shares (known as investment shares). However, the plan offers the following advantage compared with buying the shares directly on the market:

Participating employees first receive the right to obtain free shares with a value of one-third of the amount they have invested under the plan. At the end of a one-year vesting period in January 2016 (or July 2016 in the event of participation from July 2015), the participants receive regular UniCredit shares in exchange for their rights, over which they have an immediate right of disposal. The rights to the free shares generally expire when employees sell the investment shares or their employment with a UniCredit company is terminated before the vesting period ends.

Notes to the Income Statement

Thus, employees can enjoy an advantage of around 33% of the investment made as a result of the granting of free shares. Added to this is a tax break that exists in Germany for such employee share ownership plans.

UniCredit S.p.A. also undertakes the commitments to the employees under the employee share ownership plan. The Bank reimburses the expenses actually accruing to UniCredit S.p.A. when the free shares are transferred. The expense corresponds to the fair value of the free shares at the grant date. The fair value of the outstanding free shares is determined on the basis of the share price at the date when the employees bought the investment shares, taking into account a discount for expected dividend payments over the vesting period.

It is intended to operate the plan on an annual basis. Similar programmes had already been set up in previous years. The employee share ownership plan is of minor significance for the consolidated financial statements of HVB Group overall.

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

€ millions	**2015**	**2014**
Additions	(1,090)	(1,198)
Allowances for losses on loans and receivables	(992)	(1,010)
Allowances for losses on guarantees and indemnities	(98)	(188)
Releases	920	996
Allowances for losses on loans and receivables	786	825
Allowances for losses on guarantees and indemnities	134	171
Recoveries from write-offs of loans and receivables	58	51
Gains/(losses) on the disposal of impaired loans and receivables	(1)	—
Total	**(113)**	**(151)**

Income from the disposal of performing loans and receivables is disclosed under net other expenses/income. This gave rise to a gain of €43 million in the year under review (equivalent period last year: €16 million). The net expenses (net write-downs of loans and provisions for guarantees and commitments, and gains on disposal) for loans and receivables amount to €106 million (equivalent period last year: net expense of €118 million).

Notes to the Income Statement

Net write-downs of loans and provisions for guarantees and commitments to related parties
The following table shows the net write-downs of loans and provisions for guarantees and commitments attributable to related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	—	—
of which:		
UniCredit S.p.A.	—	—
Sister companies	—	—
Joint ventures	—	—
Associated companies	—	—
Other participating interests	1	—
Total	**1**	**—**

41 Provisions for risks and charges

In 2015, €194 million were transferred to provisions for risks and charges which are primarily provisions for legal risks. The legal risks of HVB Group are described in detail in the section entitled “Operational risk” in the Risk Report of the Management’s Discussion and Analysis.

Net income of €25 million from net reversals related to derivative transactions was posted last year.

42 Restructuring costs

In the reporting period, further investments were made in the future of HVB Group resulting in net restructuring costs of €112 million. This total includes expenses for the creation of restructuring provisions relating to measures serving to boost efficiency and earnings in the 2016–2018 Strategic Plan (see “Strategic Plan links growth of the business segments to cost-cutting programme in the back office” in the section of Management’s Discussion and Analysis entitled “Corporate structure”). These provisions essentially contain net additions for severance payments. Restructuring costs were partially offset in the reporting period by income from the reversal of restructuring provisions that were created in 2013 to modernise our retail banking operations but were no longer needed. In 2014, net income of €18 million from net reversals was recorded for restructuring provisions.

Notes to the Income Statement

43 Net income from investments

€ millions	2015	2014
Available-for-sale financial assets	45	141
Shares in affiliated companies	5	(8)
Companies accounted for using the equity method	(10)	(9)
Held-to-maturity investments	—	4
Land and buildings	—	—
Investment properties[1]	51	17
Other	8	3
Total	**99**	**148**

1 gains on disposal, impairments and write-ups

Net income from investments breaks down as follows:

€ millions	2015	2014
Gains on the disposal of	89	170
available-for-sale financial assets	51	155
shares in affiliated companies	5	(8)
companies accounted for using the equity method	(10)	—
held-to-maturity investments	—	4
land and buildings	—	—
investment properties	35	16
other	8	3
Write-downs, value adjustments and write-ups on	10	(22)
available-for-sale financial assets	(6)	(14)
shares in affiliated companies	—	—
companies accounted for using the equity method	—	(9)
held-to-maturity investments	—	—
investment properties	16	1
Total	**99**	**148**

The gains on disposal of €89 million in the reporting period include a gain of €51 million from AfS financial assets stemming mostly from the sale of our shareholding in Wüstenrot & Württembergische AG. Furthermore, gains of €35 million were recognised on the sale of investment property.

In 2014, the gains on disposal included €155 million from AfS financial assets stemming essentially from the sale of private equity funds. Furthermore, gains of €16 million were recognised on the sale of investment properties.

Notes to the Income Statement

44 Income tax for the period

€ millions	2015	2014
Current taxes	(141)	(144)
Deferred taxes	115	(154)
Total	**(26)**	**(298)**

The current tax expense for 2015 includes tax income of €70 million for previous years (2014: €30 million).

The deferred tax income in the reporting period stems from income totalling €94 million arising from value adjustments on deferred tax assets on tax losses carried forward and temporary differences together with income totalling €21 million arising from the origination and reversal of temporary differences and the origination and utilisation of tax losses. The deferred tax expense in the previous year stemmed from an expense arising from the origination and reversal of temporary differences and the origination and utilisation of tax losses.

The differences between computed and recognised income tax are shown in the following reconciliation:

€ millions	2015	2014
Profit before tax	776	1,083
Applicable tax rate	31.4%	31.4%
Computed income taxes	(244)	(340)
Tax effects		
arising from previous years and changes in tax rates	173	47
arising from foreign income	16	12
arising from non-taxable income	45	55
arising from different tax laws	(21)	24
arising from non-deductible expenses	(65)	(79)
arising from value adjustments and the non-recognition of deferred taxes	69	(17)
arising from other differences	1	—
Recognised income taxes	**(26)**	**(298)**

As in 2014, an applicable tax rate of 31.4% has been assumed in the tax reconciliation. This comprises the current rate of corporate income tax in Germany of 15.0%, the solidarity surcharge of 5.5% and an average trade tax rate of 15.6%. This reflects the fact that the consolidated profit is dominated by profits generated in Germany, meaning that it is subject to German corporate income tax and trade tax.

The effects arising from tax on foreign income are a result of different tax rates applicable in other countries.

The item tax effects from different tax law comprises the municipal trade tax modifications applicable to domestic companies and other local peculiarities.

Notes to the Income Statement

The deferred tax assets and liabilities are broken down as follows:

€ millions	2015	2014
Deferred tax assets		
Financial assets/liabilities held for trading	244	350
Investments	8	30
Property, plant and equipment/intangible assets	108	117
Provisions	633	694
Other assets/other liabilities/hedging derivatives	579	725
Loans and receivables with banks and customers, including provisions for losses on loans and receivables	150	169
Losses carried forward/tax credits	376	334
Other	1	1
Total deferred tax assets	**2,099**	**2,420**
Effect of offsetting	(815)	(1,201)
Recognised deferred tax assets	**1,284**	**1,219**
Deferred tax liabilities		
Loans and receivables with banks and customers, including provisions for losses on loans and receivables	59	69
Financial assets/liabilities held for trading	27	176
Investments	99	167
Property, plant and equipment/intangible assets	69	34
Other assets/other liabilities/hedging derivatives	571	738
Deposits from banks/customers	3	14
Non-current assets or disposal groups held for sale	—	—
Other	86	92
Total deferred tax liabilities	**914**	**1,290**
Effect of offsetting	(815)	(1,201)
Recognised deferred tax liabilities	**99**	**89**

Deferred taxes are normally measured using the local tax rates of the respective tax jurisdiction. German corporations use the uniform corporate income tax rate that is not dependent on any dividend distribution of 15.8%, including the solidarity surcharge, and the municipal trade tax rate dependent on the applicable municipal trade tax multiplier. As last year, this resulted in an overall valuation rate for deferred taxes of 31.4% for HVB in Germany. The applicable local tax rates are applied analogously for other domestic and foreign units. Changes in tax rates have been taken into account, provided they had already been enacted or substantially enacted by the end of the reporting period.

No deferred tax liabilities were debited to the AfS reserve of HVB Group (2014: deferred tax liabilities of €2 million) and deferred tax liabilities of €13 million (2014: €12 million) were offset against the hedge reserve. The deferred taxes are mainly included in the items "Investments" and "Other assets/other liabilities/hedging derivatives" mentioned above. Deferred tax assets of €519 million (2014: €571 million) were recognised outside profit or loss in connection with the accounting for pension commitments in accordance with IAS 19. In each case, the deferred tax items offset directly against reserves or other comprehensive income are the balance of deferred tax assets and deferred tax liabilities before adjustment for minority interests.

Notes to the Income Statement

Compliant with IAS 12, no deferred tax assets have been recognised for unused tax losses of HVB Group of €3,025 million (2014: €3,418 million), most of which do not expire, and deductible temporary differences of €1,623 million (2014: €1,540 million).

The deferred tax assets were calculated using plans of the individual business segments, which are based on segment-specific and general macroeconomic assumptions. The amounts were measured taking into account appropriate valuation discounts. The planning horizon remained unchanged at five years. Measurement was carried out taking into account possible restrictions of local regulations regarding time and the so-called minimum taxation rule for domestic tax losses carried forward. Estimation uncertainties are inherent in the assumptions used in any strategic plan. Where changes are made to the Strategic Plan, this may have an impact on the valuation of the volume of deferred tax assets already capitalised or to be capitalised.

45 Income statement of discontinued operations

The income and expenses of discontinued operations disclosed in 2014 relate to DAB, which was sold in 2014 together with its direktanlage.at AG subsidiary. No amounts are shown for 2015 as there were no discontinued operations in the reporting period.

	2015	2014	CHANGE		
Income/Expenses	**€ millions**	**€ millions**		**€ millions**	**in %**
Interest income	—	58		(58)	(100.0)
Interest expense	—	(12)	+	12	(100.0)
Net interest	—	46		(46)	(100.0)
Dividends and other income from equity investments	—	—		—	—
Net fees and commissions	—	78		(78)	(100.0)
Net trading income	—	1		(1)	(100.0)
Net other expenses/income	—	(1)	+	1	(100.0)
Payroll costs	—	(38)	+	38	(100.0)
Other administrative expenses	—	(54)	+	54	(100.0)
Amortisation, depreciation and impairment losses on intangible and tangible assets	—	(11)	+	11	(100.0)
Operating costs	—	(103)	+	103	(100.0)
Net write-downs of loans and provisions for guarantees and commitments	—	(1)	+	1	(100.0)
Provisions for risks and charges	—	—		—	—
Restructuring costs	—	—		—	—
Net income from investments	—	165		(165)	(100.0)
PROFIT BEFORE TAX FROM DISCONTINUED OPERATIONS	**—**	**185**		**(185)**	**(100.0)**
Income tax for the period from discontinued operations	—	(12)	+	12	(100.0)
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	**—**	**173**		**(173)**	**(100.0)**
attributable to the shareholder of UniCredit Bank AG	—	167		(167)	(100.0)
attributable to minorities	—	6		(6)	(100.0)

Notes to the Income Statement

46 Earnings per share

	2015	2014
Average number of shares	802,383,672	802,383,672
Continuing operations		
Consolidated profit from continuing operations attributable to the shareholder (€ millions)	743	774
Earnings per share (€)	0.93	0.96
Full HVB Group		
Consolidated profit of full HVB Group attributable to the shareholder (€ millions)	743	947
Earnings per share (€)	0.93	1.18

Notes to the Balance Sheet

47 Cash and cash balances

€ millions	2015	2014
Cash on hand	530	492
Balances with central banks	10,913	4,681
Total	**11,443**	**5,173**

48 Financial assets held for trading

€ millions	2015	2014
Balance-sheet assets	36,187	31,178
Fixed-income securities	10,360	9,829
Equity instruments	11,446	9,430
Other financial assets held for trading	14,381	11,919
Positive fair value from derivative financial instruments	61,613	80,660
Total	**97,800**	**111,838**

The financial assets held for trading include €275 million (31 December 2014: €259 million) in subordinated assets.

Financial assets held for trading of related parties
The following table shows the breakdown of financial assets held for trading involving related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	16,359	19,579
of which:		
UniCredit S.p.A.	10,494	12,660
Sister companies[1]	5,865	6,919
Joint ventures	4	22
Associated companies	655	403
Other participating interests	11	15
Total	**17,029**	**20,019**

1 mostly derivative transactions involving UniCredit Bank Austria AG

49 Financial assets at fair value through profit or loss

€ millions	2015	2014
Fixed-income securities	32,660	29,935
Equity instruments	—	—
Investment certificates	—	—
Promissory notes	1,163	1,270
Other financial assets at fair value through profit or loss	—	—
Total	**33,823**	**31,205**

76% (31 December 2014: 79%) of the promissory notes was issued by the federal states and regional authorities in the Federal Republic of Germany. The portfolio also includes two promissory notes issued by the Republic of Austria.

Notes to the Balance Sheet

On account of the prime ratings of the promissory notes, the fair value fluctuations contain only minor effects from changes in credit ratings.

The financial assets at fair value through profit or loss (fair value option) include €6 million (31 December 2014: €324 million) in subordinated assets.

50 Available-for-sale financial assets

€ millions	2015	2014
Fixed-income securities	1,048	1,071
Equity instruments	95	113
Other available-for-sale financial assets	45	42
Impaired assets	166	343
Total	**1,354**	**1,569**

Available-for-sale financial assets at 31 December 2015 included €214 million (31 December 2014: €266 million) valued at cost. Within this total, equity instruments with a carrying amount of €4 million (31 December 2014: €126 million) were sold during the reporting period, yielding a gain of €2 million (31 December 2014: €128 million).

Available-for-sale financial assets at 31 December 2015 contain a total of €166 million (31 December 2014: €343 million) in impaired assets. Impairments of €7 million (31 December 2014: €15 million) were taken to the income statement during the period under review.

None of the non-impaired debt instruments are financial instruments past due.

The available-for-sale financial assets include €165 million (31 December 2014: €200 million) in subordinated assets at 31 December 2015.

Notes to the Balance Sheet

51 Shares in associated companies accounted for using the equity method and joint ventures accounted for using the equity method

€ millions	2015	2014
Associated companies accounted for using the equity method	56	77
of which: goodwill	11	29
Joint ventures accounted for using the equity method	—	—
Total	**56**	**77**

Two joint ventures and seven associated companies were not accounted for in the consolidated financial statements using the equity method for materiality reasons.

Change in portfolio of shares in associated companies accounted for using the equity method

€ millions	ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD
Carrying amounts at 1 January 2014	**71**
Additions	15
Purchases[1]	4
Write-ups	—
Changes from currency translation	5
Other additions[2]	6
Disposals	(9)
Sales	—
Impairments	(9)
Changes from currency translation	—
Non-current assets or disposal groups held for sale	—
Other disposals[2]	—
Carrying amounts at 31 December 2014	**77**
Carrying amounts at 1 January 2015	**77**
Additions	17
Purchases[1]	1
Write-ups	—
Changes from currency translation	5
Other additions[2]	11
Disposals	(38)
Sales	(35)
Impairments	—
Changes from currency translation	—
Non-current assets or disposal groups held for sale	—
Other disposals[2]	(3)
Carrying amounts at 31 December 2015	**56**

1 also including capital increases
2 also including changes in the group of companies included in consolidation

Notes to the Balance Sheet

None of the companies included in the consolidated financial statements using the equity method is individually significant for the consolidated financial statements of HVB Group. The following table shows in aggregate form the main items in the income statements of the companies accounted for using the equity method:

€ millions	2015	2014
Net interest	(8)	(9)
Net other expenses/income	137	117
Operating costs	(85)	(83)
Profit before tax	**44**	**25**
Income tax	(6)	(5)
Consolidated profit/loss from continuing operations	**38**	**20**
Consolidated profit/loss from discontinued operations	**—**	**—**
Other comprehensive income	**—**	**—**
Total comprehensive income	**38**	**20**

There were no changes in volume arising from other comprehensive income and other equity items at companies accounted for using the equity method. There was no prorated loss during the reporting period or 2014 from companies accounted for using the equity method. Furthermore, there were no prorated cumulative losses in the reporting period or 2014 from companies accounted for using the equity method.

There are no material commitments arising from contingent liabilities of associated companies.

52 Held-to-maturity investments

€ millions	2015	2014
Fixed-income securities	63	66
Impaired assets	—	—
Total	**63**	**66**

The held-to-maturity investments at 31 December 2015 include no subordinated assets, as was also the case at 31 December 2014.

As in 2014, the held-to-maturity investments at 31 December 2015 included no impaired assets.

Notes to the Balance Sheet

Development of held-to-maturity investments

€ millions	2015	2014
Balance at 1 January	**66**	**217**
Additions		
Purchases	—	—
Write-ups	—	—
Other additions	8	46
Disposals		
Sales	—	—
Redemptions at maturity	(11)	(29)
Write-downs	—	—
Other disposals	—	(168)
Balance at 31 December	**63**	**66**

53 Loans and receivables with banks

€ millions	2015	2014
Current accounts	1,355	1,345
Cash collateral and pledged credit balances	9,282	10,680
Reverse repos	14,474	7,155
Reclassified securities	523	1,255
Other loans to banks	7,198	12,219
Total	**32,832**	**32,654**

As part of credit risk management notably with regard to the counterparty risk arising from derivatives, master netting arrangements are frequently concluded that, in the event of default by the counterparty, permit all derivatives with this counterparty to be netted and positive and negative fair values of the individual derivatives to be set off to create a net receivable. Such net receivables are normally secured by cash collateral to further reduce the credit risk. This involves the debtor of the net receivable transferring money to the creditor and pledging these cash balances. The amount of the cash collateral is adjusted at regular intervals to reflect the current amount of a potential net receivable, although a receivable arising from cash collateral provided can become a liability arising from cash collateral received and vice versa depending on the balance of the potential net receivable.

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

The loans and receivables with banks include €5 million (31 December 2014: €24 million) in subordinated assets at 31 December 2015.

Notes to the Balance Sheet

Loans and receivables with related parties
The following table shows the breakdown of loans and receivables with banks involving related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	3,818	6,964
of which:		
UniCredit S.p.A.	1,970	4,567
Sister companies[1]	1,848	2,397
Joint ventures	260	165
Associated companies	86	110
Other participating interests	50	27
Total	**4,214**	**7,266**

1 mainly UniCredit Bank Austria AG

The figures stated for loans and receivables with banks are shown net of the associated allowances for losses on loans and receivables.These allowances break down as follows:

€ millions	2015	2014
Properly serviced loans and receivables - carrying amount	**32,815**	**32,437**
Carrying amount before allowances	32,863	32,463
Portfolio allowances	48	26
Properly serviced loans and receivables past due - carrying amount	**2**	**170**
Carrying amount before allowances	2	170
Portfolio allowances	—	—
Non-performing loans and receivables (rating classes 8-, 9 and 10) - carrying amount	**15**	**47**
Carrying amount before allowances	72	124
Specific allowances	57	77

Properly serviced loans and receivables with banks and value of collateral, broken down by period past due

€ millions	2015	2014
Properly serviced loans and receivables past due - carrying amount		
1 – 30 days	2	170
31 – 60 days	—	—
61 – 90 days	—	—
Value of collateral		
1 – 30 days	—	112
31 – 60 days	—	—
61 – 90 days	—	—

Notes to the Balance Sheet

Loans and receivables with banks and value of collateral, broken down by rating class

€ millions	2015	2014
Loans and receivables		
Not rated	704	534
Rating class 1 – 4	30,754	30,062
Rating class 5 – 8	1,359	2,011
Rating class 9 – 10	15	47
Collateral		
Not rated	63	7
Rating class 1 – 4	1,096	512
Rating class 5 – 8	99	169
Rating class 9 – 10	6	36

54 Loans and receivables with customers

€ millions	2015	2014
Current accounts	7,666	7,737
Cash collateral and pledged cash balances	2,498	2,832
Reverse repos	313	708
Mortgage loans	41,720	40,663
Finance leases	2,120	2,057
Reclassified securities	1,658	2,128
Non-performing loans and receivables	3,199	3,839
Other loans and receivables	54,314	49,672
Total	**113,488**	**109,636**

As part of credit risk management notably with regard to the counterparty risk arising from derivatives, master netting arrangements are frequently concluded that, in the event of default by the counterparty, permit all derivatives with this counterparty to be netted and positive and negative fair values of the individual derivatives to be set off to create a net receivable. Such net receivables are normally secured by cash collateral to further reduce the credit risk. This involves the debtor of the net receivable transferring money to the creditor and pledging these cash balances. The amount of the cash collateral is adjusted at regular intervals to reflect the current amount of a potential net receivable, although a receivable arising from cash collateral provided can become a liability arising from cash collateral received and vice versa depending on the balance of the potential net receivable.

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

Notes to the Balance Sheet

Loans and receivables with customers include an amount of €2,407 million (31 December 2014: €2,171 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 a majority of the loans and receivables relating to German borrowers.

The loans and receivables with customers include €503 million (31 December 2014: €650 million) in subordinated assets at 31 December 2015.

Loans and receivables with related parties
The following table shows the breakdown of loans and receivables with customers involving related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	17	97
of which:		
Sister companies	—	41
Subsidiaries	17	56
Joint ventures	29	—
Associated companies	57	39
Other participating interests	448	377
Total	**551**	**513**

The figures stated for loans and receivables with customers are shown net of the associated allowances for losses on loans and receivables. These allowances break down as follows:

€ millions	2015	2014
Properly serviced loans and receivables - carrying amount	**109,439**	**104,509**
Carrying amount before allowances	109,823	104,847
Portfolio allowances	384	338
Properly serviced loans and receivables past due - carrying amount	**850**	**1,288**
Carrying amount before allowances	854	1,292
Portfolio allowances	4	4
Non-performing loans and receivables (rating classes 8-, 9 and 10) - carrying amount	**3,199**	**3,839**
Carrying amount before allowances	5,394	6,253
Specific allowances	2,195	2,414

Notes to the Balance Sheet

Properly serviced loans and receivables with customers past due and the related value of collateral, broken down by period past due

€ millions	2015	2014
Properly serviced loans and receivables past due - Carrying amount		
1 – 30 days	711	1,178
31 – 60 days	112	83
61 – 90 days	27	27
Value of collateral		
1 – 30 days	417	782
31 – 60 days	85	72
61 – 90 days	25	23

Loans and receivables, and related collateral, broken down by rating class

€ millions	2015	2014
Loans and receivables		
Not rated	10,588	8,138
Rating class 1 – 4	67,438	63,531
Rating class 5 – 8	32,263	34,163
Rating class 9 – 10	3,199	3,804
Collateral		
Not rated	1,713	1,646
Rating class 1 – 4	33,981	31,545
Rating class 5 – 8	19,041	21,853
Rating class 9 – 10	1,418	1,663

Amounts receivable from customers under lease agreements (receivables under finance leases)
The amounts receivable from customers under finance lease agreements are described in more detail in Note 76.

Notes to the Balance Sheet

55 Forbearance

According to the definition of the European Banking Authority (EBA), forbearance exists when the lender grants concessions to a borrower in financial difficulties regarding the terms and conditions of the loan that it would not have been prepared to grant under other circumstances. In order to reduce the risk for the Bank, various strategies may be employed to ease the burden on borrowers that are capable of being restructured and are worth restructuring. Possible measures range from deferrals and temporary moratoriums, longer periods allowed for repayment, reduced interest rates and rescheduling, and even debt forgiveness. It should be noted, however, that not every modification of a lending agreement is due to financial difficulties on the part of the borrower and represents forbearance.

Forborne exposures may be classified as performing or non-performing under the EBA definition. The non-performing portfolio encompasses exposures for which the counterparty is listed in a default or impaired portfolio and exposures that do not yet satisfy the EBA's strict criteria for returning to the performing portfolio. The following table shows the breakdown of the forborne exposure portfolio at the reporting date:

€ millions	31/12/2015			31/12/2014		
	CARRYING AMOUNT BEFORE ALLOWANCES	ALLOWANCES	CARRYING AMOUNT	CARRYING AMOUNT BEFORE ALLOWANCES	ALLOWANCES	CARRYING AMOUNT
Performing loans	1,515	(26)	1,489	1,731	(37)	1,694
Non-performing loans	3,577	(1,319)	2,258	4,441	(1,605)	2,836
Total	**5,092**	**(1,345)**	**3,747**	**6,172**	**(1,642)**	**4,530**

Of the total forborne exposures, €3,659 million are carried under loans and receivables with customers (2014: €4,411 million) and €88 million (2014: €119 million) under loans and receivables with banks. As in the previous year, no securities with forbearance measures were held at the reporting date.

If allowances have not already been set up for forborne exposures, the loans involved are exposed to increased default risk as they have already become conspicuous. There is a risk that contractual servicing will fail despite the modification of the terms. Such exposures are closely tracked by the restructuring units or subject to strict monitoring by the back-office units. The accounting and valuation policies applicable to the creation of allowances for forborne exposures are explained in Note 16, "Impairment of financial assets".

Notes to the Balance Sheet

56 Allowances for losses on loans and receivables with customers and banks

Analysis of loans and receivables:

€ millions	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES	TOTAL
Balance at 1 January 2014	**2,943**	**430**	**3,373**
Changes affecting income			
Gross additions[1]	969	41	1,010
Releases	(725)	(100)	(825)
Changes not affecting income			
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	(10)	—	(10)
Use of existing loan-loss allowances	(665)	—	(665)
Effects of currency translation and other changes not affecting income	(21)	(3)	(24)
Non-current assets or disposal groups held for sale	—	—	—
Balance at 31 December 2014	**2,491**	**368**	**2,859**
Balance at 1 January 2015	**2,491**	**368**	**2,859**
Changes affecting income			
Gross additions[1]	897	95	992
Releases	(759)	(27)	(786)
Changes not affecting income			
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	—	—	—
Use of existing loan-loss allowances	(413)	—	(413)
Effects of currency translation and other changes not affecting income	36	—	36
Non-current assets or disposal groups held for sale	—	—	—
Balance at 31 December 2015	**2,252**	**436**	**2,688**

1 the additions include the losses on the disposal of impaired loans and receivables

57 Hedging derivatives

€ millions	2015	2014
Micro fair value hedge	—	—
Fair value hedge portfolio[1]	450	753
Total	**450**	**753**

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

Notes to the Balance Sheet

58 Property, plant and equipment

€ millions	2015	2014
Land and buildings	930	940
Plant and office equipment	776	444
Other property, plant and equipment	1,524	1,565
Total[1]	**3,230**	**2,949**

1 including leased assets of €817 million (31 December 2014: €634 million). More information about leases is contained in Note 76.

Other property, plant and equipment mainly contains the BARD Offshore 1 wind farm which belongs to the Ocean Breeze Energy GmbH & Co. KG subsidiary.

Costs of €27 million (2014: €16 million) accrued for the elimination of defects and were capitalised during the reporting period. The measures that have been implemented served to increase the economic benefit of the wind farm, meaning that the recognition requirements defined in IAS 16.10 in conjunction with IAS 16.7 are satisfied.

This item also includes the grants of €53 million (31 December 2014: €53 million) provided by the European Union that are classified as government grants in accordance with IAS 20. Compliant with IAS 20.24, these grants have been deducted from the initial cost of the other property, plant and equipment on the assets side of the balance sheet. The cash funds were granted on condition that specific expenses could be demonstrated by Ocean Breeze Energy GmbH & Co. KG. The company has provided the necessary evidence.

Notes to the Balance Sheet

Development of property, plant and equipment:

€ millions	LAND AND BUILDINGS	PLANT AND OFFICE EQUIPMENT	TOTAL INTERNALLY USED PROPERTY, PLANT AND EQUIPMENT	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL PROPERTY, PLANT AND EQUIPMENT[1]
Acquisition costs at 1 January 2014	**2,160**	**1,184**	**3,344**	**1,655**	**4,999**
Write-downs and write-ups from previous years	(1,248)	(802)	(2,050)	(36)	(2,086)
Carrying amounts at 1 January 2014	**912**	**382**	**1,294**	**1,619**	**2,913**
Additions					
Acquisition/production costs	72	182	254	12	266
Write-ups	4	1	5	—	5
Changes from currency translation	—	—	—	—	—
Other additions[2]	1	9	10	—	10
Disposals					
Sales	(6)	(31)	(37)	—	(37)
Amortisation and write-downs	(34)	(78)	(112)	(66)	(178)
Impairments	(5)	(4)	(9)	—	(9)
Changes from currency translation	—	—	—	—	—
Non-current assets or disposal groups held for sale	—	—	—	—	—
Other disposals[2]	(4)	(17)	(21)	—	(21)
Carrying amounts at 31 December 2014	**940**	**444**	**1,384**	**1,565**	**2,949**
Write-downs and write-ups from previous years plus year under review	1,240	750	1,990	102	2,092
Acquisition costs at 31 December 2014	**2,180**	**1,194**	**3,374**	**1,667**	**5,041**
Acquisition costs at 1 January 2015	**2,180**	**1,194**	**3,374**	**1,667**	**5,041**
Write-downs and write-ups from previous years	(1,240)	(750)	(1,990)	(102)	(2,092)
Carrying amounts at 1 January 2015	**940**	**444**	**1,384**	**1,565**	**2,949**
Additions					
Acquisition/production costs	84	225	309	27	336
Write-ups	12	4	16	—	16
Changes from currency translation	—	25	25	—	25
Other additions[2]	1	220	221	—	221
Disposals					
Sales	(68)	(47)	(115)	—	(115)
Amortisation and write-downs	(30)	(89)	(119)	(68)	(187)
Impairments	(4)	(4)	(8)	—	(8)
Changes from currency translation	—	—	—	—	—
Non-current assets or disposal groups held for sale	—	(1)	(1)	—	(1)
Other disposals[2]	(5)	(1)	(6)	—	(6)
Carrying amounts at 31 December 2015	**930**	**776**	**1,706**	**1,524**	**3,230**
Write-downs and write-ups from previous years plus year under review	1,186	737	1,923	174	2,097
Acquisition costs at 31 December 2015	**2,116**	**1,513**	**3,629**	**1,698**	**5,327**

1 including leased assets. More information about leases is contained in Note 76.
2 including changes in the group of companies included in consolidation

Notes to the Balance Sheet

59 Investment properties

The fair value of investment properties at HVB Group, which are measured at amortised cost, totalled €1,371 million (31 December 2014: €1,491 million). The appraisals prepared to calculate the fair values are based on recognised appraisal methods used by external assessors, primarily taking the form of asset-value and gross-rental methods. The fair values determined in this way are classified as Level 3 (please refer to Note 79 for the definition of the level hierarchy) due to the fact that each property is essentially unique and the fair value is determined using appraisals that reflect the special features of the real estate being valued. In the case of developed land, current market rents, operating costs and property yields are applied in the gross-rental method. Where necessary, property-specific considerations are also taken into account when determining the value. These property-specific factors include vacancy rates, deviations between current contractual rents and current market rents, the condition of the buildings' technical systems and so on. In the case of undeveloped land, figures for sales of nearby land that have been completed are normally taken as the basis; where these are not available, the standard land value is employed as a benchmark, with adjustments made for the individual location, size and layout of the land, among other factors.

The net carrying amount of the leased assets arising from finance leases included in investment properties amounted to €10 million (31 December 2014: €10 million) for land and buildings at the reporting date.

Notes to the Balance Sheet

Development of investment properties:

€ millions	INVESTMENT PROPERTIES MEASURED AT COST
Acquisition costs at 1 January 2014	**2,311**
Write-downs and write-ups from previous years	(855)
Carrying amounts at 1 January 2014	**1,456**
Additions	
Acquisition/production costs	2
Write-ups	11
Changes from currency translation	3
Other additions[1]	5
Disposals	
Sales	(61)
Amortisation and write-downs	(34)
Impairments	(10)
Changes from currency translation	—
Non-current assets or disposal groups held for sale	(7)
Other disposals[1]	(72)
Carrying amounts at 31 December 2014	**1,293**
Write-downs and write-ups from previous years plus year under review	802
Acquisition costs at 31 December 2014	**2,095**
Acquisition costs at 1 January 2015	**2,095**
Write-downs and write-ups from previous years	(802)
Carrying amounts at 1 January 2015	**1,293**
Additions	
Acquisition/production costs	3
Write-ups	34
Changes from currency translation	4
Other additions[1]	3
Disposals	
Sales	(67)
Amortisation and write-downs	(33)
Impairments	(18)
Changes from currency translation	—
Non-current assets or disposal groups held for sale	(56)
Other disposals[1]	—
Carrying amounts at 31 December 2015	**1,163**
Write-downs and write-ups from previous years plus year under review	746
Acquisition costs at 31 December 2015	**1,909**

1 also including changes in the group of companies included in consolidation

Notes to the Balance Sheet

60 Intangible assets

€ millions	2015	2014
Goodwill	418	418
Other intangible assets	44	60
Internally generated intangible assets	26	39
Other intangible assets	18	21
Total	**462**	**478**

Development of intangible assets:

€ millions	GOODWILL FROM	INTERNALLY	OTHER INTANGIBLE
Acquisition costs at 1 January 2014	**1,078**	**486**	**424**
Write-downs and write-ups from previous years	(660)	(436)	(374)
Carrying amounts at 1 January 2014	**418**	**50**	**50**
Additions			
Acquisition/production costs	—	9	15
Write-ups	—	—	—
Changes from currency translation	—	—	—
Other additions	—	—	—
Disposals			
Sales	—	—	—
Amortisation and write-downs	—	(20)	(17)
Impairments	—	—	—
Changes from currency translation	—	—	—
Non-current assets or disposal groups held for sale	—	—	—
Other disposals[1]	—	—	(27)
Carrying amounts at 31 December 2014	**418**	**39**	**21**
Write-downs and write-ups from previous years plus year under review	624	448	277
Acquisition costs at 31 December 2014	**1,042**	**487**	**298**
Acquisition costs at 1 January 2015	**1,042**	**487**	**298**
Write-downs and write-ups from previous years	(624)	(448)	(277)
Carrying amounts at 1 January 2015	**418**	**39**	**21**
Additions			
Acquisition/production costs	—	5	7
Write-ups	—	—	—
Changes from currency translation	—	—	—
Other additions	—	—	—
Disposals			
Sales	—	(1)	—
Amortisation and write-downs	—	(12)	(9)
Impairments	—	—	—
Changes from currency translation	—	—	—
Non-current assets or disposal groups held for sale	—	—	(1)
Other disposals[1]	—	(5)	—
Carrying amounts at 31 December 2015	**418**	**26**	**18**
Write-downs and write-ups from previous years plus year under review	624	360	242
Acquisition costs at 31 December 2015	**1,042**	**386**	**260**

1 also including changes in the group of companies included in consolidation

Notes to the Balance Sheet

HVB no longer generates any software internally. Software is provided to HVB by the UniCredit-wide service provider UBIS.

61 Non-current assets or disposal groups held for sale

ASSETS € millions	2015	2014
Loans and receivables with banks	3	—
Property, plant and equipment	25	26
Investment properties	57	6
Intangible assets	1	—
Tax assets	14	—
Other assets	4	—
Total	**104**	**32**

The investment properties designated as held for sale essentially relate to the disposal of non-strategic real estate. Also shown are assets relating to the planned sale of a subsidiary.

62 Other assets

Other assets include prepaid expenses of €87 million (31 December 2014: €90 million).

Notes to the Balance Sheet

63 Own securitisation

The Bank has securitised its own loan receivables for the purpose of obtaining cheap funding on the capital market, generating securities for use as collateral in repurchase agreements and reducing risk-weighted assets.

This involves structuring the cash flows of the underlying loan portfolio, meaning that at least two hierarchical positions (tranches) are formed when dividing up the risks and cash flows. In the case of synthetic securitisation, the transfer of risk and the ensuing reduction in regulatory capital requirements are mainly achieved using hedges in the form of guarantees and credit derivatives. In the case of traditional securitisation (true sale), this is achieved by selling receivables to a special purpose entity which in turn issues securities.

In the case of the true sale transaction Geldilux TS 2013, the senior tranche was placed on the capital market while the junior tranche was retained by HVB.

In the case of the true sale transaction Rosenkavalier 2008 with a volume of lending of €3.1 billion, HVB retained all of the tranches issued by the special purpose entity. The securities generated in this way can, if required, be used as collateral for repurchase agreements with the European Central Bank (ECB). The underlying receivables continue to be recognised by HVB and the special purpose entities set up for this purpose are fully consolidated in accordance with IFRS 10. The risk-weighted assets have not been reduced.

Two new transactions were structured during the reporting period in line with the principle of the Rosenkavalier transaction. Geldilux 2015 with a volume of lending of €2 billion was approved for use as collateral with central banks in the second half of the year. The collateral is available to UniCredit Luxembourg. The Rosenkavalier 2015 UG transaction with a volume of lending of €2.5 billion is available for the HVB liquidity cushion with the ECB.

The last synthetic transaction of the securitisation transactions originally set up to reduce risk-weighted assets – EuroConnect Issuer SME 2007-1 – expired during the reporting period. Consequently, HVB does not have any synthetic transactions outstanding at present to reduce risk-weighted assets.

The Newstone Mortgage Securities No. 1 plc transaction was concluded with a view to obtaining funding. The underlying receivables continue to be recognised by HVB and the special purpose entity set up for this purpose is fully consolidated in accordance with IFRS 10. The volume of lending at 31 December 2015 amounted to €0.3 billion. The risk-weighted assets have not been reduced.

Notes to the Balance Sheet

64 Deposits from banks

€ millions	2015	2014
Deposits from central banks	**9,319**	**6,137**
Deposits from banks	**49,161**	**47,943**
Current accounts	2,665	2,524
Cash collateral and pledged credit balances	13,300	13,079
Repos	18,663	17,730
Term deposits	4,316	5,138
Other liabilities	10,217	9,472
Total	**58,480**	**54,080**

As part of credit risk management notably with regard to the counterparty risk arising from derivatives, master netting arrangements are frequently concluded that, in the event of default by the counterparty, permit all derivatives with this counterparty to be netted and positive and negative fair values of the individual derivatives to be set off to create a net receivable. Such net receivables are normally secured by cash collateral to further reduce the credit risk. This involves the debtor of the net receivable transferring money to the creditor and pledging these cash balances. The amount of the cash collateral is adjusted at regular intervals to reflect the current amount of a potential net receivable, although a receivable arising from cash collateral provided can become a liability arising from cash collateral received and vice versa depending on the balance of the potential net receivable.

Amounts owed to related parties
The following table shows the breakdown of deposits from banks involving related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	5,255	6,288
of which:		
UniCredit S.p.A.	1,761	2,148
Sister companies[1]	3,494	4,140
Joint ventures	28	7
Associated companies	112	144
Other participating interests	23	19
Total	**5,418**	**6,458**

1 the largest single item relates to UniCredit Bank Austria AG

Notes to the Balance Sheet

65 Deposits from customers

€ millions	2015	2014
Current accounts	67,850	56,335
Cash collateral and pledged credit balances	2,126	1,489
Savings deposits	13,792	14,639
Repos	4,599	7,774
Term deposits	13,679	15,142
Promissory notes	3,825	3,854
Other liabilities	1,819	1,441
Total	**107,690**	**100,674**

As part of credit risk management notably with regard to the counterparty risk arising from derivatives, master netting arrangements are frequently concluded that, in the event of default by the counterparty, permit all derivatives with this counterparty to be netted and positive and negative fair values of the individual derivatives to be set off to create a net receivable. Such net receivables are normally secured by cash collateral to further reduce the credit risk. This involves the debtor of the net receivable transferring money to the creditor and pledging these cash balances. The amount of the cash collateral is adjusted at regular intervals to reflect the current amount of a potential net receivable, although a receivable arising from cash collateral provided can become a liability arising from cash collateral received and vice versa depending on the balance of the potential net receivable.

Amounts owed to related parties
The following table shows the breakdown of deposits from customers involving related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	290	269
of which:		
Sister companies	271	254
Subsidiaries	19	15
Joint ventures	4	1
Associated companies	6	17
Other participating interests	375	299
Total	**675**	**586**

Notes to the Balance Sheet

66 Debt securities in issue

€ millions	2015	2014
Bonds	23,961	26,401
of which:		
Registered mortgage Pfandbriefs	5,731	6,562
Registered public-sector Pfandbriefs	2,811	3,093
Mortgage Pfandbriefs	8,430	8,938
Public-sector Pfandbriefs	1,437	1,989
Registered bonds	2,283	2,229
Other securities	2,041	1,848
Total	**26,002**	**28,249**

Debt securities in issue, payable to related parties

The following table shows the breakdown of debt securities in issue involving related parties:

€ millions	2015	2014
Non-consolidated affiliated companies	254	250
of which:		
UniCredit S.p.A.	—	—
Sister companies	254	250
Joint ventures	2	15
Associated companies	193	252
Other participating interests	—	—
Total	**449**	**517**

67 Financial liabilities held for trading

€ millions	2015	2014
Negative fair values arising from derivative financial instruments	58,739	76,400
Other financial liabilities held for trading	18,409	11,570
Total	**77,148**	**87,970**

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 not held for trading purposes.

The cumulative valuation effects of the financial liabilities held for trading in the portfolio at 31 December 2015, which result from including the own credit spread, total €164 million (31 December 2014: €90 million). Valuation income of €74 million (31 December 2014: expense of €30 million) arising from own credit spread changes accrued for these holdings in the year under review.

Notes to the Balance Sheet

68 Hedging derivatives

€ millions	2015	2014
Micro fair value hedge	3	5
Fair value hedge portfolio[1]	1,046	744
Total	**1,049**	**749**

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

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

The net changes in fair value of portfolio hedged items for receivables and liabilities with interest rate hedges total €2,030 million (31 December 2014: €2,430 million). The fair value of the netted fair value hedge portfolio derivatives represents an economic comparable amount. The hedge adjustments are recognised separately in the balance sheet (for hedged lending and deposit-taking activities) for some subsidiaries for which it is possible to hedge assets and liabilities separately. The corresponding amount on the assets side of the balance sheet is €57 million (31 December 2014: €66 million).

70 Liabilities of disposal groups held for sale

LIABILITIES € millions	2015	2014
Deposits from banks	—	—
Tax liabilities	—	—
Other liabilities	10	1
Provisions	21	—
Total	**31**	**1**

71 Other liabilities

This item totalling €2,572 million (31 December 2014: €2,534 million) essentially encompasses deferred income and accruals compliant with IAS 37. Accruals include, notably, commitments arising from accounts payable with invoices outstanding, short-term liabilities to employees, and other accruals arising from fees and commissions, interest, cost of materials, etc.

Notes to the Balance Sheet

72 Provisions

€ millions	2015	2014
Provisions for pensions and similar obligations	618	751
Allowances for losses on guarantees and commitments and irrevocable credit commitments	197	232
Restructuring provisions	213	267
Other provisions	1,204	1,059
Payroll provisions	318	263
Provisions related to tax disputes (without income taxes)	42	61
Provisions for rental guarantees and dismantling obligations	143	133
Other provisions	701	602
Total	**2,232**	**2,309**

The effects arising from changes in the discount rate and compounding led to an increase of €29 million (2014: €22 million) in provisions recognised in the income statement in the reporting period. The effect arising from changes in the discount rate used for pension provisions is recognised in other comprehensive income.

Provisions for pensions and similar obligations

HVB Group grants its employees post-employment benefits that are structured as defined benefit plans or defined contribution plans.

In the case of defined benefit plans, the Bank undertakes to pay a defined future pension. The financial resources required to do so in the future can be accrued within the company (internal financing) or by payment of specific amounts to external pension funds (external financing).

In the case of defined contribution plans, the Bank undertakes to pay defined contributions to external pension funds which will later make the pension payments. Apart from paying the periodic contributions, the company has de facto no further obligations.

Defined benefit plans

Characteristics of the plans

The provisions for pensions and similar obligations include the direct commitments to HVB Group employees under company pension plans. These defined benefit plans are based in part on final salaries and in part on building-block schemes involving dynamic adjustment of vested rights. Fund-linked plans with a guaranteed minimum rate of interest of 2.75% have been granted in Germany since 2003.

The obligations financed by Pensionskasse der HypoVereinsbank VVaG (HVB Pensionskasse) are included in the disclosures regarding pension obligations (the total includes the obligations of HVB Unterstützungskasse e.V. reinsured by HVB Pensionskasse). The standard HVB Group valuation parameters are used when calculating these obligations. Any plan surplus is subject to the rules governing the asset ceiling, as the assets belong to the members of HVB Pensionskasse.

HVB Group set up plan assets in the form of contractual trust arrangements (CTA). This involved transferring the assets required to fund its pension obligations to legally independent trustees, including HVB Trust e.V., which manage the assets in line with the applicable trustee contracts.

There are no legal or regulatory minimum funding requirements in Germany.

Notes to the Balance Sheet

HVB reorganised its company plans for pensioners (direct commitments) in 2009. HVB Trust Pensionsfonds AG (pension fund) was set up in this process. Both the pension obligations to pensioners who in October 2009 had already received pension benefits from the Bank and the assets required to cover these obligations were transferred to the pension fund. The pensioners' pension claims are not affected by the restructuring; HVB continues to guarantee the pension. The pension fund is a legally independent institution regulated by the German Federal Financial Supervisory Authority (BaFin).

HVB Group is exposed to various risks in connection with its defined benefit plans. Potential pension risks exist with regard to both the benefit obligations (liabilities side) and the plan assets allocated to cover the beneficiaries' claims (assets side). The defined benefit obligations are exposed to actuarial risks such as interest rate risk, longevity risk, salary- and pension-adjustment risk and inflation risk. In the case of fund-linked pension obligations, there is the risk that it will prove impossible in the long run to generate the guaranteed interest rate of 2.75% from the funds allocated to the pension commitments, given persistently low interest rates. With regard to the capital investment, the assets are primarily exposed to market risk such as price risks in securities holdings or changes in the value of real estate investments.

The major pension risk is thus expressed as a deterioration in the funded status as a result of unfavourable developments of defined benefit obligations and/or plan assets, since the sponsoring companies are required to act to service the beneficiaries' claims in the event of any plan deficits. No unusual, company-specific or plan-specific risks or material risk concentrations that could affect the Group's pension plans are currently identifiable.

Reconciliations

The amounts arising from defined benefit plans for post-employment benefits recognised in the consolidated balance sheet can be derived as follows:

€ millions	2015	2014
Present value of funded pension obligations	4,664	4,740
Fair value of plan assets	(4,079)	(4,022)
Funded status	**585**	**718**
Present value of unfunded pension obligations	33	33
Net liability (net asset) of defined benefit plans	**618**	**751**
Asset ceiling	—	—
Capitalised excess cover of plan assets	—	—
Recognised pension provisions	**618**	**751**

Notes to the Balance Sheet

The following tables show the development of the present value of the total (funded and unfunded) pension obligations, the fair value of the plan assets and the net defined benefit liability (asset) from defined benefit plans resulting from the offsetting of these totals. The tables also show the changes in the effects of the asset ceiling during the reporting period and the reconciliations from the opening to the closing balance of the plan asset surplus capitalised as an asset and the recognised provisions for pensions and similar obligations:

€ millions	PRESENT VALUE OF PENSION COMMITMENTS	FAIR VALUE OF PLAN ASSETS	NET LIABILITY (NET ASSET) OF DEFINED BENEFIT PLANS	ASSET CEILING	CAPITALISED EXCESS COVER OF PLAN ASSETS	RECOGNISED PENSION PROVISIONS
Balance at 1 January 2014	**3,785**	**(3,652)**	**133**	**—**	**13**	**146**
Service cost component						
Current service cost	56	—	56	—	—	56
Past service cost	—	—	—	—	—	—
Gains and losses on settlement	—	—	—	—	—	—
Net interest component						
Interest expense/(income)	140	(136)	4	—	—	4
Service costs and net interest of defined benefit plans recognised in profit or loss for the period	**196**	**(136)**	**60**	**—**	**—**	**60**
Remeasurement component						
Gains/(losses) on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	—	(48)	(48)	—	—	(48)
Actuarial gains/(losses) - demographic assumptions	(3)	—	(3)	—	—	(3)
Actuarial gains/(losses) - financial assumptions	939	—	939	—	—	939
Actuarial gains/(losses) - experience adjustments	(15)	—	(15)	—	—	(15)
Changes due to asset ceiling excluding amounts included in net interest on the net defined benefit liability (asset)	—	—	—	—	—	—
Remeasurements component of defined benefit plans recognised in OCI	**921**	**(48)**	**873**	**—**	**—**	**873**
Other changes						
Excess cover of plan assets	—	—	—	—	(13)	(13)
Exchange differences	6	(8)	(2)	—	—	(2)
Contributions to the plan:						
Employer	—	(309)	(309)	—	—	(309)
Plan participants	6	(5)	1	—	—	1
Pension payments	(137)	136	(1)	—	—	(1)
Business combinations, disposals and other	(4)	—	(4)	—	—	(4)
Balance at 31 December 2014	**4,773**	**(4,022)**	**751**	**—**	**—**	**751**

Notes to the Balance Sheet

€ millions	PRESENT VALUE OF PENSION COMMITMENTS	FAIR VALUE OF PLAN ASSETS	NET LIABILITY (NET ASSET) OF DEFINED BENEFIT PLANS	ASSET CEILING	CAPITALISED EXCESS COVER OF PLAN ASSETS	RECOGNISED PENSION PROVISIONS
Balance at 1 January 2015	**4,773**	**(4,022)**	**751**	**—**	**—**	**751**
Service cost component						
Current service cost	74	—	74	—	—	74
Past service cost	—	—	—	—	—	—
Gains and losses on settlement	—	—	—	—	—	—
Net interest component						
Interest expense/(income)	112	(95)	17	—	—	17
Service costs and net interest of defined benefit plans recognised in profit or loss for the period	**186**	**(95)**	**91**	**—**	**—**	**91**
Remeasurement component						
Gains/(losses) on plan assets excluding amounts included in net interest on the net defined benefit liability (asset)	—	(70)	(70)	—	—	(70)
Actuarial gains/(losses) - demographic assumptions	6	—	6	—	—	6
Actuarial gains/(losses) - financial assumptions	(73)	—	(73)	—	—	(73)
Actuarial gains/(losses) - experience adjustments	(25)	—	(25)	—	—	(25)
Changes due to asset ceiling excluding amounts included in net interest on the net defined benefit liability (asset)	—	—	—	—	—	—
Remeasurements component of defined benefit plans recognised in OCI	**(92)**	**(70)**	**(162)**	**—**	**—**	**(162)**
Other changes						
Excess cover of plan assets	—	—	—	—	—	—
Exchange differences	6	(9)	(3)	—	—	(3)
Contributions to the plan:						
Employer	—	(56)	(56)	—	—	(56)
Plan participants	6	—	6	—	—	6
Pension payments	(139)	139	—	—	—	—
Business combinations, disposals and other	(43)	34	(9)	—	—	(9)
Balance at 31 December 2015	**4,697**	**(4,079)**	**618**	**—**	**—**	**618**

At the end of the reporting period, 33% (31 December 2014: 34%) of the present value of the defined benefit obligations of €4,697 million (31 December 2014: €4,773 million) was attributable to active employees, 22% (31 December 2014: 21%) to former employees with vested benefit entitlements and 45% (31 December 2014: 45%) to pensioners and surviving dependants.

Notes to the Balance Sheet

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation are listed below. The summarised disclosure for several plans takes the form of weighted average factors:

in %	2015	2014
Actuarial interest rate	2.35	2.35
Rate of increase in pension commitments	1.60	1.70
Rate of increase in future compensation and over career	2.50	3.00

The mortality rate underlying the actuarial calculation of the present value of the defined benefit obligation is based on the modified Heubeck 2005 G tables (generation tables) that allow for the probability of mortality to fall to 90% (31 December 2014: 90%) for women and 75% (31 December 2014: 75%) for men.

HVB Group similarly reduces the probability of disability based on these guidance tables to 80% (31 December 2014: 80%) for women and men equally. Since any changes in the actuarial assumptions regarding disability fundamentally only have a minor impact on the present value of the defined benefit obligation, HVB Group does not calculate any sensitivities for this valuation parameter.

In addition, the present value of the defined benefit obligation is influenced by assumptions regarding future inflation rates. Inflation effects are normally taken into account in the assumptions listed above.

Sensitivity analyses

The sensitivity analyses discussed below are intended to show how the present value of the defined benefit obligation would change given a change to an actuarial assumption in isolation with the other assumptions remaining unchanged compared with the original calculation. Possible correlation effects between the individual assumptions are not taken into account accordingly. The sensitivity analyses are based on the changes to the actuarial assumptions expected by HVB Group at the reporting date for the subsequent reporting period.

An increase or decrease in the significant actuarial assumptions in the amount of the percentage points shown in the table would have had the following impact on the present value of the defined benefit obligation at the reporting date:

Sensitivities at 31 December 2015:

	CHANGES OF THE ACTUARIAL ASSUMPTIONS	IMPACT ON THE PRESENT VALUE OF PENSION COMMITMENTS		
		PRESENT VALUE OF LIABILITY	ABSOLUTE CHANGES	RELATIVE CHANGES
		€ millions	€ millions	in %
	Basic value of the calculation of sensitivity	4,697		
Actuarial interest rate	Increase of 25 basis points	4,496	(201)	(4.3)
	Decrease of 25 basis points	4,912	215	4.6
Rate of increase in pension commitments	Increase of 25 basis points	4,843	146	3.1
	Decrease of 25 basis points	4,560	(137)	(2.9)
Rate of increase in future compensation/career trend	Increase of 25 basis points	4,706	9	0.2
	Decrease of 25 basis points	4,689	(8)	(0.2)

Notes to the Balance Sheet

Sensitivities at 31 December 2014:

	CHANGES OF THE ACTUARIAL ASSUMPTIONS	IMPACT ON THE PRESENT VALUE OF PENSION COMMITMENTS		
		PRESENT VALUE OF LIABILITY	ABSOLUTE CHANGES	RELATIVE CHANGES
		€ millions	€ millions	in %
	Basic value of the calculation of sensitivity	4,773		
Actuarial interest rate	Increase of 25 basis points	4,564	(209)	(4.4)
	Decrease of 25 basis points	4,998	225	4.7
Rate of increase in pension commitments	Increase of 25 basis points	4,923	150	3.1
	Decrease of 25 basis points	4,629	(144)	(3.0)
Rate of increase in future compensation/career trend	Increase of 25 basis points	4,782	9	0.2
	Decrease of 25 basis points	4,764	(9)	(0.2)

The observable decline in mortality rates is associated with an increase in life expectancy depending on the individual age of each beneficiary. In order to determine the sensitivity of the mortality or longevity, the lifetime for all beneficiaries was increased by one year. The present value of the defined benefit obligation at 31 December 2015 would rise by €143 million (3.0%) to €4,840 million (or by €142 million (3.0%) at 31 December 2014 to €4,915 million) as a result of this change. HVB Group considers an increase in mortality or a decrease in life expectancy to be unlikely and has therefore not calculated a sensitivity for this case.

When determining the sensitivities of the defined benefit obligation for the significant actuarial assumptions, the same method has been applied (projected unit credit method) as has been used to calculate the pension provisions recognised in the consolidated balance sheet. Increases and decreases in the various valuation assumptions do not entail the same absolute amount in their impact when the defined benefit obligation is calculated, due mainly to the compound interest effect when determining the present value of the future benefit. If more than one of the assumptions are changed simultaneously, the combined effect does not necessarily correspond to the sum total of the individual effects. Furthermore, the sensitivities only reflect a change in the present value of the defined benefit obligation for the actual extent of the change in the assumptions (such as 0.25%). If the assumptions change to a different extent, this does not necessarily have a straight-line impact on the present value of the defined benefit obligation. Since the sensitivity analyses are based on the average duration of the expected pension obligation, and consequently the expected disbursement dates are not taken into account, they only result in indicative information or trends.

Asset liability management

The plan assets are managed by a trustee with a view to ensuring that the present and future pension obligations are settled by applying an adequate investment strategy, thus minimising the risk of the trustors or sponsoring companies having to provide additional capital.

Under the CTA, the capital investment decisions are taken by an institutionalised body, the Investment Committee, which defines the investment strategy and policies for the plan assets. The concept calls for the assets to be invested in line with the structure of the pension obligations in particular and an appropriate return to be generated taking into account the associated risks. In order to optimise the risk/return ratio, the Investment Committee sets strategic allocation ranges and investment limits for the asset classes in the plan assets, which can be exploited flexibly within the agreed risk budget. The bodies and processes required by law have been set up as appropriate for HVB Pensionskasse and the pension fund.

Notes to the Balance Sheet

In order to allow for an integral view on plan assets and defined benefit obligations (asset liability management), the pension risks are monitored regularly with the aid of a specially developed risk model and included in the Bank's risk calculation. Since HVB Group employs various methods involving legally independent entities to implement the company pension plans, risk management concepts including stress tests and analysis of risk-taking capacity are also applied in specific instances.

Alongside the actuarial risks mentioned above, the risks associated with the defined benefit obligations relate primarily to financial risks in connection with the plan assets. The capital investment risk in the funding of the pension obligations encompasses notably potential liquidity, credit, concentration, market and real estate risks.

Liquidity risk can result from non-existent or limited marketability of the capital investments, which may cause losses to be realised when the assets are sold to settle payment obligations. HVB is not currently exposed to this risk as the expected incoming payments are sufficient to meet the payment obligations. In addition, an appropriate proportion of the capital investments is invested in assets classified as liquid (cash and cash equivalents/term deposits). Liquidity projections are prepared at regular intervals with a view to continue avoiding this risk.

Credit risk stems from anything from a deterioration in the solvency of individual debtors through to insolvency. This risk is mitigated by deliberately spreading the capital investments and complying with specific investment policies regarding the creditworthiness of issuers. The relevant ratings are monitored constantly.

Concentration risk arises from excessive investment in an individual asset class, individual industry, individual security or individual property. This risk is countered by means of broad diversification in line with investment policies, ongoing review of the capital investment policy and specific parameters for the asset managers. Among other things, targeted investment in mixed investment funds is used to reduce concentration risk by diversifying the composition of the fund assets.

Market risk has its roots in the risk of declining fair values caused by negative changes in market prices, equity prices and changes in interest rates. Here, too, compliance with the parameters specified for the composition and diversity of the capital investments is ensured and risk-limiting investment policies are defined for the asset managers.

Real estate risk exists with both directly held real estate and special-purpose real estate funds. It results from factors like possible unpaid rents, loss of property value, high maintenance costs and declining location attractiveness. To minimise these risks, the proportion that may be invested in real estate is constrained by a limit and the greatest possible diversification is targeted. In addition, no short-term rent contracts are concluded for directly owned real estate.

Notes to the Balance Sheet

Disaggregation of plan assets

The following table shows a disaggregation of the plan assets used to fund the defined benefit obligations by asset class:

€ millions	2015	2014
Participating interests	43	30
Debt securities	146	156
Properties	171	112
Mixed investment funds	3,314	3,444
Property funds	215	100
Cash and cash equivalents/term deposits	49	49
Other assets	141	131
Total	**4,079**	**4,022**

Quoted market prices in an active market were observed for all fixed-income securities held directly and almost all the types of asset held in the mixed investment fund. As a general rule, the fixed-income securities have an investment grade rating.

In terms of amount, the investment in mixed investment funds represents the lion's share of the asset allocation for the plan assets. The deliberate investment in various asset classes and the general restriction to traditional investment instruments serve to ensure a risk-mitigating minimum diversification and also reflect a conservative underlying strategy. The high proportion of bonds with a long-term benchmark (such as government and corporate bonds, and Pfandbriefs) held in the fund implies low volatility with the intention of balancing the development in the value of the long-term pension commitments that follows general interest rates.

The following table shows a detailed breakdown of the mixed investment fund:

in %	2015	2014
Equities	7.5	10.1
German equities	1.3	2.1
European equities	4.5	6.8
Other equities	1.7	1.2
Government bonds	27.1	26.6
Pfandbriefs	13.3	12.6
Corporate bonds	24.9	21.0
German corporate bonds	5.0	2.8
European corporate bonds	13.8	15.4
Other corporate bonds	6.1	2.8
Fund certificates	2.8	12.0
Cash and cash equivalents/term deposits	24.4	17.7
Total	**100.0**	**100.0**

Notes to the Balance Sheet

The plan assets comprised own financial instruments of the Group, property occupied by and other assets used by HVB Group companies at the reporting date:

€ millions	**2015**	**2014**
Participating interests	—	—
Debt securities	16	16
Properties	7	7
Mixed investment funds	318	337
Property funds	—	—
Cash and cash equivalents/term deposits	43	48
Other assets	—	—
Total	**384**	**408**

Future cash flows

There are financing agreements at HVB Group that contain measures to fund defined benefit plans. The minimum funding requirements included in the agreements may have an impact on future contribution payments. In the case of HVB Trust Pensionsfonds AG, HVB Group is liable for calls for additional capital should the assets fall below the minimum cover provision. For HVB Pensionskasse, the Bank is required to make an additional contribution if the permanent financing of the obligations is no longer ensured. No such requirement for calls for additional capital exists for the CTA.

HVB Group intends to make contributions of €17 million (2015 financial year: €16 million) to defined benefit plans in the 2016 financial year.

The weighted average duration of HVB Group's defined benefit obligations at the reporting date amounted to 18.1 years (31 December 2014: 18.2 years).

Multi-employer plans

HVB Group is a member of Versorgungskasse des Bankgewerbes e.V. (BVV), which also includes other financial institutions in Germany in its membership. BVV provides company pension benefits for eligible employees of the sponsoring companies. The BVV tariffs allow for fixed pension payments with profit participation. On account of the employer's statutory subsidiary liability applicable in Germany (Section 1 (1) 3 of the German Occupational Pensions Act (Betriebsrentengesetz – BetrAVG)), HVB Group classifies the BVV plan as a multi-employer defined benefit plan.

Since the available information is not sufficient to allow this plan to be accounted for as a defined benefit plan by allocating to the individual member companies the assets and the pension obligations relating to active and former employees, HVB Group accounts for the plan as if it were a defined contribution plan.

In the event of a plan deficit, the Group may be exposed to investment risk and actuarial risk. HVB Group does not currently expect that the statutory subsidiary liability will be used.

Notes to the Balance Sheet

In a ruling dated 30 September 2014, the German Federal Labour Court (Bundesarbeitsgericht – BAG) had decided that the escape clause concerning the adjustment of occupational pensions is not applicable for occupational pensions originated before the German Actuarial Reserve Regulation (Deckungsrückstellungsverordnung – DeckRV) came into force or under which the discount rate exceeds the maximum rate specified. This could also have been applicable to the occupational pension commitments undertaken by the Bank by way of Versicherungsverein des Bankgewerbes a.G. (BVV). At the end of 2015, the lawmaker responded to the BAG's decision by amending Section 16 (3) No. 2 of the BetrAVG and clarified its intention. Withdrawing the reference to the maximum rate under the Actuarial Reserve Regulation negates the employer's obligation to assess an adjustment if the occupational pension is provided by a regulated pension fund and the latter uses all the shares in surpluses accruing on the pension pool to increase the occupational pensions. Accordingly, the BAG decision is not expected to have any major impact and the existence or incurrence of an obligation for the Bank is not anticipated.

HVB Group expects to book employee contributions of €18 million for this pension plan in the 2016 financial year (2015 financial year: €18 million).

Defined contribution plans
HVB Group companies pay fixed amounts for each period to independent pension organisations for the defined contribution pension commitments. The contributions for the defined contribution plans and Pensions-Sicherungs-Verein VVaG (PSVaG) recognised as current expense under payroll costs totalled €35 million during the reporting period (31 December 2014: €33 million).

The employer contributions to the statutory pension scheme and the alternative professional pension schemes, which qualify as defined contribution state plans, are similarly included in payroll costs. Such contributions amounted to €99 million in the reporting period (31 December 2014: €100 million).

Notes to the Balance Sheet

Allowances for losses on financial guarantees and irrevocable credit commitments, restructuring provisions and other provisions

€ millions	ALLOWANCES FOR LOSSES ON FINANCIAL GUARANTEES AND COMMITMENTS AND IRREVOCABLE CREDIT COMMITMENTS	RESTRUCTURING PROVISIONS	OTHER PROVISIONS
Balance at 1 January 2014	**204**	**400**	**1,219**
Changes in consolidated group	—	—	(5)
Changes arising from foreign currency translation	3	—	3
Transfers to provisions	193	14[1]	288
Reversals	(168)	(30)[1]	(197)
Reclassifications	—	(92)	36
Amounts used	—	(25)	(285)
Non-current assets or disposal groups held for sale	—	—	—
Other changes	—	—	—
Balance at 31 December 2014	**232**	**267**	**1,059**
Balance at 1 January 2015	**232**	**267**	**1,059**
Changes in consolidated group	—	—	—
Changes arising from foreign currency translation	1	—	11
Transfers to provisions	99	140[1]	398
Reversals	(135)	(34)[1]	(84)
Reclassifications	—	(111)	23
Amounts used	—	(49)	(203)
Non-current assets or disposal groups held for sale	—	—	—
Other changes	—	—	—
Balance at 31 December 2015	**197**	**213**	**1,204**

1 the transfers and reversals are included in the income statement under restructuring costs together with other restructuring costs accruing during the reporting period

Restructuring provisions

The allocations to restructuring provisions in 2015 essentially relate to the measures aimed at boosting efficiency and earnings defined in the 2016–2018 Strategic Plan. The reversals, reclassifications and amounts used in the reporting period mostly relate to provisions set up in 2013 in connection with restructuring programmes for the modernisation of the retail banking business and to a lesser extent also programmes for changes to the organisational structure in years before that.

Notes to the Balance Sheet

Other provisions
The payroll provisions carried under other provisions encompass long-term obligations to employees such as service anniversary awards, early retirement or partial retirement. In addition, payroll provisions cover the parts of the bonus that are disbursed on a deferred basis, or transferred in cases where the bonus is granted in the form of shares, with the waiting period exceeding one year. The disbursement of these bonuses is additionally dependent upon the achievement of pre-defined targets. The bonus commitments for the 2011, 2012, 2013, 2014 and 2015 financial years to be disbursed as of 2016 are included here accordingly. The bonus provisions included here have been taken to the income statement in both the reporting period and the previous financial years. It is considered highly probable that the bonus will be disbursed. For details of the bonus plan, please refer to Note 40.

The other provisions of €701 million (31 December 2014: €602 million) include provisions of €579 million (31 December 2014: €428 million) for legal risks, litigation fees and damage payments.

The amount of the respective provisions reflects the best estimate of the amount required to settle the obligation at the reporting date. Nevertheless, the amounts involved are subject to uncertainties in the estimates made. Besides the assumptions regarding periods, the cost estimates are validated regularly for rental guarantees in particular.

With the exception of the provisions for rental guarantees and pre-emptive rights, the other provisions are normally expected to be utilised during the following financial year.

73 Shareholders' equity

The shareholders' equity of HVB Group at 31 December 2015 consisted of the following:

Subscribed capital
At 31 December 2015, the subscribed capital of HVB totalled €2,407 million (31 December 2014: €2,407 million) and consisted of 802,383,672 no par shares of common bearer stock (31 December 2014: 802,383,672 no par shares).

The proportionate amount of capital stock attributable to the share amounts to €3.00 per no par share. The shares are fully paid in.

Additional paid-in capital
The additional paid-in capital results from premiums generated on the issuance of shares; the total at 31 December 2015 amounted to €9,791 million (31 December 2014: €9,791 million).

Other reserves
The other reserves of €8,125 million (31 December 2014: €7,660 million) essentially comprise retained earnings. The year-on-year increase of €465 million essentially reflects transfers of €345 million from consolidated profit and adjustments of €110 million in pensions and similar obligations.

Change in valuation of financial instruments
The reserves arising from changes in valuation of financial instruments recognised in equity totalled €41 million at 31 December 2015 (31 December 2014: €81 million). This year-on-year decline of €40 million can be attributed to the €43 million decrease in the AfS reserve to €11 million resulting essentially from the sale of our shareholding in Wüstenrot & Württembergische AG. By contrast, the hedge reserve similarly included in the reserves arising from changes in valuation of financial instruments recognised in equity increased by a slight €3 million compared with year-end 2014 to €30 million.

Notes to the Balance Sheet

74 Subordinated capital

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

€ millions	2015	2014
Subordinated liabilities	637	669
Hybrid capital instruments	58	53
Total	**695**	**722**

In this context, subordinated liabilities and hybrid capital instruments have been classified as Tier 2 capital for banking supervisory purposes in accordance with the provisions set forth in Articles 62, para. 1a, 63 to 65, 66 para. 1a and 67 CRR. The hybrid capital instruments are allocated to Tier 2 capital in accordance with Articles 87 and 88 CRR in conjunction with Article 480 CRR.

The following table shows the breakdown of subordinated capital by balance sheet item:

€ millions	2015	2014
Deposits from customers	20	57
Deposits from banks	141	142
Debt securities in issue	534	523
Total	**695**	**722**

We have incurred interest expenses of €21 million (31 December 2014: €41 million) in connection with this subordinated capital. Subordinated capital includes proportionate interest of €5 million (31 December 2014: €9 million).

Subordinated liabilities

The borrower cannot be obliged to make early repayments in the case of subordinated liabilities. In the event of insolvency or liquidation, subordinated liabilities can only be repaid after the claims of all primary creditors have been settled.

There were subordinated liabilities of €395 million payable to related parties in the reporting period (31 December 2014: €392 million).

Hybrid capital instruments

Hybrid capital instruments may include, in part, issues placed by specially created subsidiaries in the form of capital contributions from silent partners.

Our hybrid capital instruments satisfy the requirements for classification as Tier 2 capital as defined in Article 63 CRR. At 31 December 2015, HVB Group had hybrid capital of €34 million (31 December 2014: €42 million) bolstering its capital base for banking supervisory purposes.

Notes to the Cash Flow Statement

75 Notes to the items in the cash flow statement

The cash flow statement shows the cash flows resulting from operating activities, investing activities and financing activities for the year under review. Operating activities are defined broadly enough to allow the same breakdown as for operating profit.

The cash and cash equivalents shown correspond to the "Cash and cash balances" item in the balance sheet, comprising both cash on hand and deposits with central banks repayable on demand.

Change in other non-cash positions comprises the changes in the valuation of financial instruments, net additions to deferred taxes, changes in provisions, changes in prorated and deferred interest, the reversal of premiums and discounts, changes arising from valuation using the equity method and minority interests in net income.

Gains of €12 million were generated on the disposal of shares in fully consolidated companies in the 2015 financial year, of which €12 million was in cash. The gains on disposal generated in cash relate almost exclusively to the sale of the Bank's participating interest in PlanetHome AG.

No net cash flow relating to discontinued operations accrued in 2015. In the previous year, there were outflows of €69 million for operating activities, €10 million for investing activities and €197 million for financing activities.

Notes to the Cash Flow Statement

The following table shows the assets and liabilities of the fully consolidated companies sold:

	2015		2014	
€ millions	ACQUIRED	SOLD	ACQUIRED	SOLD
Assets				
Cash and cash balances	—	—	—	8
Financial assets held for trading	—	—	—	6
Financial assets at fair value through profit or loss	—	—	—	6
Available-for-sale financial assets	—	—	—	3,363
Shares in associated companies accounted for using the equity method and joint ventures accounted for using the equity method	—	—	—	—
Held-to-maturity investments	—	—	—	133
Loans and receivables with banks	—	7	—	1,460
Loans and receivables with customers	—	—	—	329
Hedging derivatives	—	—	—	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Property, plant and equipment	—	1	—	8
Investment properties	—	—	—	—
Intangible assets	—	5	—	34
of which: goodwill	—	—	—	6
Tax assets	—	2	—	6
Non-current assets or disposal groups held for sale	—	—	—	23
Other assets	—	11	—	20
Liabilities				
Deposits from banks	—	—	—	48
Deposits from customers	—	—	—	4,983
Debt securities in issue	—	—	—	—
Financial liabilities held for trading	—	—	—	—
Hedging derivatives	—	—	—	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Tax liabilities	—	1	—	16
Liabilities of disposal groups held for sale	—	—	—	—
Other liabilities	—	11	—	57
Provisions	—	3	—	8

There were no significant acquisitions of subsidiaries or associated companies in the 2014 and 2015 financial years.

Other Information

76 Information regarding lease operations

HVB Group as lessor

Operating leases

HVB Group acts as a lessor under operating leases. The relevant lease agreements notably encompass real estate (land and buildings) and movable assets such as plant and office equipment, aircraft, motor vehicles and industrial machinery in the reporting period. The lease agreements for real estate are based on customary market terms and contain extension options and price adjustment clauses in the form of stepped rents or index clauses; options to purchase have generally not been agreed. The lease agreements for movable assets have generally been concluded with lease periods of between four and ten years and an additional option to purchase; they do not contain any extension or price adjustment clauses.

The following table shows the breakdown of the minimum lease payments to be received on non-cancellable operating leases:

€ millions	**2015**	**2014**
up to 1 year	123	102
from 1 year to 5 years	435	340
from 5 years and over	195	179
Total	**753**	**621**

Finance leases

HVB Group leases mobile assets as a lessor under finance leases. This notably includes plant and office equipment, aircraft, motor vehicles and industrial machinery. As a general rule, the lease agreements stipulate lease periods of between four and ten years and possibly a pre-emptive right in favour of the lessor; they do not contain any extension or price adjustment clauses.

The following table shows the reconciliation from the future minimum lease payments to the gross and net investment in the lease and to the present value of the future minimum lease payments at the reporting date. The amounts receivable from lease operations (finance leases) consist of the following:

€ millions	**2015**	**2014**
Future minimum lease payment:	2,279	2,226
+ Unguaranteed residual value	—	—
= Gross investment	**2,279**	**2,226**
- Unrealised finance income	(132)	(143)
= Net investment	**2,147**	**2,083**
- Present value of unguaranteed residual value	—	—
= Present value of future minimum lease payments	**2,147**	**2,083**

The future minimum lease payments reflect the total lease payments to be made by the lessee under the lease agreement plus the guaranteed residual value.

The unguaranteed residual value is that portion of the residual value of the leased asset which is not guaranteed to be realised by the lessor.

For the lessor, the gross investment in the lease is the aggregate of the minimum lease payments under a finance lease and any unguaranteed residual value accruing to the lessor.

Other Information

Unrealised finance income is the difference between the lessor's gross investment in the lease and its present value (net investment). It corresponds to the return implicit in the lease between the reporting date and the end of the lease.

The present value of the minimum lease payments is calculated as the net investment in the lease less the present value of the unguaranteed residual value.

The following table shows the remaining maturity of the gross investment in the leases and the present value of the minimum lease payments:

	GROSS INVESTMENT		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
€ millions	**2015**	**2014**	**2015**	**2014**
up to 1 year	813	868	765	812
from 1 year to 5 years	1,324	1,247	1,248	1,167
from 5 years and over	142	111	134	104
Total	**2,279**	**2,226**	**2,147**	**2,083**

The cumulative write-downs on uncollectible outstanding minimum lease payments in amounts receivable from customers under finance leases amounted to €15 million at the end of the reporting period (31 December 2014: €7 million).

The amounts receivable under finance leases included in loans and receivables with customers are shown net of allowances for losses on loans and receivables in each case (see Note 54). These break down as follows:

€ millions	**2015**	**2014**
Properly serviced loans and receivables - carrying amount	**2,110**	**2,050**
Carrying amount before allowances	2,117	2,057
Portfolio allowances	7	7
Properly serviced loans and receivables past due - carrying amount	**10**	**7**
Carrying amount before allowances	10	7
Portfolio allowances	—	—
Non-performing loans and receivables - carrying amount	**27**	**26**
Carrying amount before allowances	45	40
Specific allowances	18	14

Properly serviced loans and receivables past due and associated collateral, broken down by period past due

€ millions	**2015**	**2014**
Properly serviced loans and receivables past due - Carrying amount		
1 – 30 days	9	5
31 – 60 days	1	2
61 – 90 days	—	—
Value of collateral		
1 – 30 days	—	4
31 – 60 days	—	—
61 – 90 days	—	—

Other Information

Loans and receivables, and collateral, broken down by rating class

€ millions	2015	2014
Loans and receivables		
Not rated	217	286
Rating class 1 - 4	1,519	1,255
Rating class 5 – 8	384	516
Rating class 9 - 10	27	26
Value of collateral		
Not rated	1	—
Rating class 1 - 4	8	448
Rating class 5 – 8	2	105
Rating class 9 - 10	—	9

The presentation of the collateral broken down by rating class does not include the leased assets of €1,386 million (31 December 2014: €1,146 million) leased to external third parties under finance leases belonging legally to UniCredit Leasing GmbH or its subsidiaries.

HVB Group as lessee

Operating leases

HVB Group acts as lessee under operating leases. The current obligations in the reporting period relate primarily to rental and lease agreements for real estate (land and buildings) and movable assets, mainly comprising plant, office equipment and motor vehicles. The lease agreements for real estate generally contain extension options and price adjustment clauses in the form of stepped rents or index clauses; options to purchase have been agreed in some cases. The lease agreements for movable assets have been concluded at customary market terms for lease periods of between three and nine years.

In the reporting period, the commitments arising from operating leases under lease and sublease agreements resulted in minimum lease payments of €123 million (31 December 2014: €126 million) being recognised as expense in the income statement.

The following table shows the cumulative minimum lease payments arising from non-cancellable operating leases to be expected in future financial years:

€ millions	2015	2014
up to 1 year	119	112
from 1 year to 5 years	168	134
from 5 years and over	49	53
Total	**336**	**299**

The agreements regarding the outsourcing of information and communications technology processes to the UniCredit-wide service provider UBIS include the charged transfer of rights to use assets in the form of operating leases. The full service contracts concluded annually in this regard consist for the most part of rent payments for the provision of hardware and software that are included in the minimum lease payments of €37 million for the reporting period and €43 million for the following financial year mentioned above.

Other Information

HVB Group has concluded sublease agreements for real estate at customary market terms, some of which include rent adjustment clauses and extension options. Payments of €9 million (31 December 2014: €7 million) received from subleases were recognised as income in the income statement during the reporting period.

The aggregate future minimum lease payments arising from non-cancellable subleases expected to be received in the subsequent financial years amount to €18 million (31 December 2014: €12 million).

Finance leases
The finance leases entered into by HVB Group as lessee relate to real estate (land and buildings). The lease agreements generally contain an option to purchase and price adjustment clauses.

The following table shows the reconciliation from the aggregate future minimum lease payments at the reporting date to their present value. This gives rise to the amounts payable to customers from lease operations (finance leases):

€ millions	**2015**	**2014**
Future minimum lease payments	223	236
- Finance charge (interest included in minimum lease payments)	(23)	(27)
= Present value of future minimum lease payments	**200**	**209**

The difference between the future minimum lease payments and their present value represents unamortised interest expense.

The following table shows the remaining maturity of the future minimum lease payments and their present value at the reporting date:

	FUTURE MINIMUM LEASE PAYMENT		**PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS**	
€ millions	**2015**	**2014**	**2015**	**2014**
up to 1 year	12	12	12	12
from 1 year to 5 years	52	52	48	47
from 5 years and over	159	172	140	150
Total	**223**	**236**	**200**	**209**

The aggregate future minimum lease payments arising from non-cancellable subleases that are expected to be received in the subsequent financial years amount to €19 million (31 December 2014: €22 million).

Other Information

77 Reclassification of financial instruments in accordance with IAS 39.50 et seq. and IFRS 7

HVB reclassified certain financial assets to loans and receivables in 2008 and 2009 in accordance with the amendment to IAS 39 and IFRS 7 implemented by the International Accounting Standards Board (IASB) and Commission Regulation (EC) No 1004/2008. The intention to trade no longer exists for these reclassified holdings since the markets in these financial instruments had become illiquid as a result of the extraordinary circumstances created by the financial crisis (2008/09) through to the time of reclassification. Given the high quality of the assets concerned, HVB intends to retain the assets for a longer period. HVB has not reclassified any assets from the available-for-sale portfolio. No further reclassifications have been carried out since 2010.

The asset-backed securities and other debt securities reclassified in 2008 were disclosed at 31 December 2008 with a carrying amount of €13.7 billion and the holdings reclassified in 2009 were disclosed at 31 December 2009 with a carrying amount of €7.3 billion.

Analysis of the reclassified holdings for the current and previous reporting periods

RECLASSIFIED ASSET-BACKED SECURITIES AND OTHER DEBT SECURITIES € billions	CARRYING AMOUNT OF ALL RECLASSIFIED ASSETS[1]	FAIR VALUE OF ALL RECLASSIFIED ASSETS	NOMINAL AMOUNT OF ALL RECLASSIFIED ASSETS
Reclassified in 2008			
Balance at 31/12/2014	1.9	1.9	2.0
Balance at 31/12/2015	1.3	1.3	1.4
Reclassified in 2009			
Balance at 31/12/2014	1.6	1.9	1.8
Balance at 31/12/2015	1.1	1.3	1.2
Balance of reclassified assets at 31/12/2015[2]	**2.4**	**2.6**	**2.7**

1 before accrued interest
2 differences caused by rounding

The fair value at the date when the reclassification takes effect represents the new acquisition cost, which in some cases is considerably less than the nominal value. Accordingly, this difference (discount) is to be amortised over the remaining term of the reclassified financial assets. This together with the reclassified securities that had been matured or partially repaid gives rise to an effect of €29 million in the 2015 financial year (2014 financial year: €34 million), which is recognised in net interest. The effective interest rates for the reclassified securities are in a range from 0.11% to 20.62%.

A gain of €6 million (2014 financial year: €2 million) on reclassified securities that had been sold was recognised in the income statement in the 2015 financial year.

We took write-downs of €34 million (2014 financial year: €92 million) on reclassified assets in the 2015 financial year.

If these reclassifications had not been carried out in 2008 and 2009, mark-to-market valuation (inclusive realised disposals) would have given rise to a net loss of €72 million (2014 financial year: net gain of €227 million) in net trading income in the 2015 financial year. These effects reflect a theoretical, pro forma calculation, as the assets are measured at amortised cost on account of the reclassification. Accordingly, the inclusion of these effects on the income statement resulted in a profit before tax that was €73 million higher in the 2015 financial year (2014 financial year: €283 million lower). Between the date when the reclassifications took effect in 2008 and the reporting date, the cumulative net effect on the income statement from the reclassifications already carried out totalled minus €212 million before tax (31 December 2014: minus €285 million).

Other Information

78 Notes to selected structured products

Additional information regarding selected structured products is given below in order to provide greater transparency. Holdings of asset-backed securities (ABS) transactions issued by third parties are shown below alongside tranches retained by HVB Group.

ABS portfolio

In a securitisation transaction, above all the originator transfers credit receivables and/or credit risks to third parties. The securitisation itself is usually performed via what are known as structured entities (formerly called special purpose vehicles or SPVs). In order to refinance the acquisition of receivables, these vehicles issue securities on the capital market that are secured by the receivables acquired. This serves to transfer the associated credit risks to investors in the form of asset-backed securities. The securities issued by vehicles are generally divided into tranches which differ above all in terms of seniority in the servicing of claims to repayment and interest payments. These tranches are generally assessed by rating agencies.

Depending on the underlying assets in a securitisation transaction, the following types of security among others are distinguished in ABS transactions:

- residential mortgage-backed securities (RMBS) relating to mortgage loans in the private sector (residential mortgage loans)
- commercial mortgage-backed securities (CMBS) relating to mortgage loans in the commercial sector (commercial mortgage loans)
- collateralised loan obligations (CLO) relating to commercial bank loans
- collateralised bond obligations (CBO) relating to securities portfolios

Besides this, consumer loans, credit card receivables and receivables under finance leases are also securitised.

Other Information

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by rating class

€ millions		31/12/2015				31/12/2014
CARRYING AMOUNTS		SENIOR	MEZZANINE	JUNIOR	TOTAL	TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**	**61**
Positions in third-party ABS transactions		**5,243**	**735**	**—**	**5,978**	**4,702**
Residential mortgage-backed securities (RMBS)		2,820	326	—	3,146	2,688
Commercial mortgage-backed securities (CMBS)		191	80	—	271	634
Collateralised debt obligations (CDO)		64	—	—	64	61
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		714	293	—	1,007	464
Consumer loans		1,207	29	—	1,236	647
Credit cards		166	—	—	166	98
Receivables under finance leases		43	2	—	45	101
Others		38	5	—	43	9
Total	**31/12/2015**	**5,243**	**735**	**—**	**5,978**	
	31/12/2014	**3,667**	**1,096**	**—**	**4,763**	**4,763**

The positions are classified as senior, mezzanine and junior on the basis of external ratings, or internal ratings where no external rating exists. Only those tranches with the best rating are carried as senior tranches. Only tranches with low ratings (worse than BB- in external ratings) and unrated tranches (known as first loss pieces) are carried as junior tranches; all other tranches are grouped together as mezzanine tranches.

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by region

€ millions		31/12/2015				
CARRYING AMOUNTS		EUROPE	USA	ASIA	OTHER REGIONS	TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**	**—**
Positions in third-party ABS transactions		**5,464**	**473**	**—**	**41**	**5,978**
Residential mortgage-backed securities (RMBS)		3,125	2	—	19	3,146
Commercial mortgage-backed securities (CMBS)		185	86	—	—	271
Collateralised debt obligations (CDO)		6	36	—	22	64
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		664	343	—	—	1,007
Consumer loans		1,230	6	—	—	1,236
Credit cards		166	—	—	—	166
Receivables under finance leases		45	—	—	—	45
Others		43	—	—	—	43
Total	**31/12/2015**	**5,464**	**473**	**—**	**41**	**5,978**
	31/12/2014	**4,317**	**366**	**—**	**80**	**4,763**

Other Information

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by remaining maturity

€ millions		31/12/2015			
CARRYING AMOUNTS		LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Positions retained from own securitisations		—	—	—	—
Positions in third-party ABS transactions		**602**	**3,908**	**1,468**	**5,978**
Residential mortgage-backed securities (RMBS)		201	2,113	832	3,146
Commercial mortgage-backed securities (CMBS)		110	89	72	271
Collateralised debt obligations (CDO)		3	3	58	64
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		33	525	449	1,007
Consumer loans		220	989	27	1,236
Credit cards		—	166	—	166
Receivables under finance leases		35	10	—	45
Others		—	13	30	43
Total	**31/12/2015**	**602**	**3,908**	**1,468**	**5,978**
	31/12/2014	**530**	**3,219**	**1,014**	**4,763**

Positions retained from own securitisation transactions and in third-party ABS transactions, broken down by class as per IAS 39

€ millions		31/12/2015					
CARRYING AMOUNTS		HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Positions retained from own securitisations		—	—	—	—	—	—
Positions in third-party ABS transactions		**181**	**19**	**5,599**	**63**	**116**	**5,978**
Residential mortgage-backed securities (RMBS)		68	8	3,035	—	35	3,146
Commercial mortgage-backed securities (CMBS)		61	—	201	—	9	271
Collateralised debt obligations (CDO)		—	6	36	22	—	64
Collateralised loan obligations (CLO)/ collateralised bond obligations (CBO)		—	5	900	35	67	1,007
Consumer loans		47	—	1,183	6	—	1,236
Credit cards		—	—	166	—	—	166
Receivables under finance leases		5	—	35	—	5	45
Others		—	—	43	—	—	43
Total	**31/12/2015**	**181**	**19**	**5,599**	**63**	**116**	**5,978**
	31/12/2014	**267**	**32**	**4,161**	**66**	**237**	**4,763**

Other Information

79 Fair value hierarchy

The development of financial instruments measured at fair value and recognised at fair value in the balance sheet are 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 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 and liabilities of €2,136 million (2014: €759 million) have been transferred between Level 1 and Level 2. At the same time, financial assets or liabilities of €1,874 million (2014: €970 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 whose fair value is determined on a recurring basis:

€ millions		TO LEVEL 1	TO LEVEL 2
Financial assets held for trading			
	Transfer from Level 1	—	309
	Transfer from Level 2	237	—
Financial assets at fair value through profit or loss			
	Transfer from Level 1	—	1,680
	Transfer from Level 2	1,563	—
Available-for-sale financial assets			
	Transfer from Level 1	—	134
	Transfer from Level 2	36	—
Financial liabilities held for trading			
	Transfer from Level 1	—	13
	Transfer from Level 2	38	—

1 January is considered the transfer date for instruments transferred between the levels in the first half of the reporting period (1 January to 30 June). 1 July is considered the transfer date for transfers in the second half of the reporting period (1 July to 31 December).

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 date 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 reference and ABS bonds of an asset class for which no liquid market exists.

Other Information

If the value of a financial instrument is based on non-observable input 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% - 215%
Equities	Market approach	Price	0% - 100%
Asset-backed securities (ABS)	DCF method	Credit spread curves	21BPS - 20%
		Residual value	18% - 80%
		Default rate	1% - 3%
		Prepayment rate	0% - 30%
Equity derivatives	Option price model	Equity volatility	10% - 120%
	DCF method	Correlation between equities	(95)% - 95%
		Dividend yields	0% - 15%
Interest rate derivatives	DCF method	Swap interest rate	(30)BPS - 1,000BPS
	Option price model	Inflation swap interest rate	100BPS - 230BPS
		Inflation volatility	1% - 10%
		Interest rate volatility	10% - 100%
		Correlation between interest rates	0% - 100%
Credit derivatives	Option price model	Credit spread curves	2BPS - 236%
	Hazard rate model	Credit correlation	25% - 85%
		Residual value	7% - 75%
		Credit volatility	54% - 76%
Currency derivatives	DCF method	Yield curves	(30)% - 20%
	Option price model	FX volatility	1% - 40%
Commodity derivatives	DCF method	Swap interest rate	10% - 130%
	Option price model	Correlation between commodities	(95)% - 95%
		Commodity price volatility	10% - 120%
Hybrid derivatives	Option price model	Parameter correlation	(80)% - 80%
		Parameter volatility	10% - 120%

The impact of changing possible appropriate alternative parameter values on the fair value (after adjustments) is shown in the sensitivity analysis presented below. For portfolios at fair value through profit or loss, the positive change in fair value at 31 December 2015 resulting from the use of possible appropriate alternatives would be €148 million (2014: €171 million), and the negative change would be €61 million (2014: €81 million).

Other Information

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

€ millions	2015		2014	
	POSITIVE	NEGATIVE	POSITIVE	NEGATIVE
Fixed-income securities and other debt instruments	1	(2)	2	(2)
Equities	14	(14)	17	(17)
Asset-backed securities	1	—	1	—
Equity derivatives	89	(23)	119	(35)
Interest rate derivatives	5	(1)	8	(2)
Credit derivatives	32	(20)	22	(24)
Currency derivatives	2	(1)	1	(1)
Commodity derivatives	2	—	1	—
Hybrid derivatives	2	—	—	—
Other	—	—	—	—
Total	**148**	**(61)**	**171**	**(81)**

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 rating. For shares, 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. Any gain determined at the trade date is 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 on observable market data, the deferred trade date gain is taken directly to the income statement in net trading income.

Other Information

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

€ millions	2015	2014
Balance at 1/1	**64**	**80**
New transactions during the period	—	—
Write-downs	13	17
Expired transactions	—	—
Retroactive change in observability	51	—
Exchange rate changes	—	—
Balance at 31/12	**—**	**64**

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:

	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[1] (LEVEL 3)	
€ millions	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial assets recognised in the balance sheet at fair value						
Financial assets held for trading	22,329	19,308	74,424	90,521	1,047	2,009
thereof: derivatives	1,617	1,703	59,095	77,087	901	1,870
Financial assets at fair value through profit or loss	17,821	14,559	15,872	16,365	130	281
Available-for-sale financial assets[1]	653	619	456	645	31	39
Hedging derivatives	—	—	450	753	—	—
Financial liabilities recognised in the balance sheet at fair value						
Financial liabilities held for trading	5,934	4,462	69,591	82,493	1,623	1,015
thereof: derivatives	2,133	1,929	55,554	73,759	1,052	712
Hedging derivatives	—	—	1,049	749	—	—

1 Available-for-sale financial assets include financial instruments of €214 million (31 December 2014: €266 million) valued at historical cost that are not included in these totals at 31 December 2015

Other Information

The following tables show the development of the financial assets and financial liabilities that are assigned to Level 3 as part of the fair value hierarchy:

€ millions	2015			
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES
Balance at 1/1/2015	**2,009**	**281**	**39**	**—**
Additions				
Acquisitions	611	6	—	—
Realised gains[1]	6	—	7	—
Transfer from other levels	347	114	6	—
Other additions[2]	119	—	3	—
Reductions				
Sale	(434)	—	(7)	—
Repayment	(52)	(20)	(8)	—
Realised losses[1]	(34)	—	—	—
Transfer to other levels	(1,214)	(251)	—	—
Other reductions	(311)	—	(9)	—
Balance at 31/12/2015	**1,047**	**130**	**31**	**—**

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

In the case of the financial assets held for trading, the transfers to other levels are mainly attributable to parameters that can now be observed and the immateriality of the non-observable parameters of a significant interest rate swap transaction. The majority of the other transfers to and from other levels relate to securities and results from an increase or decrease in the actual trading of the securities concerned and an associated change in the bid-offer spreads. There are also transfers from other levels attributable to an increase in transactions at risk of default. All in all, the Level 3 volume of derivative contracts decreased by €962 million (2014: increase of €686 million) year-on-year on the assets side and increased by €608 million (2014: reduction of €401 million) on the liabilities side.

Other Information

€ millions	2015	
	FINANCIAL LIABILITIES HELD FOR TRADING	HEDGING DERIVATIVES
Balance at 1/1/2015	**1,015**	**—**
Additions		
Sale	342	—
Issues	639	—
Realised losses[1]	122	—
Transfer from other levels	1,560	—
Other additions[2]	58	—
Reductions		
Buy-back	(461)	—
Repayment	-116	—
Realised gains[1]	(128)	—
Transfer to other levels	(1,309)	—
Other reductions	(99)	—
Balance at 31/12/2015	**1,623**	**—**

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

The transfers from other levels relate to a change in the method used to determine the fair value level for credit-linked notes in the first half of 2015. The method was refined in the second half of the year, leading to a further change in the fair value level for credit-linked notes from Level 3 to Level 2.

Other Information

€ millions	2014			
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES
Balance at 1/1/2014	**1,323**	**576**	**230**	**—**
Additions				
Acquisitions	538	—	15	—
Realised gains[1]	759	2	2	—
Transfer from other levels	542	286	—	—
Other additions[2]	76	1	—	—
Reductions				
Sale	(586)	(255)	(12)	—
Repayment	—	(40)	(30)	—
Realised losses[1]	(111)	(2)	(2)	—
Transfer to other levels	(407)	(286)	(151)	—
Other reductions	(125)	(1)	(13)	—
Balance at 31/12/2014	**2,009**	**281**	**39**	**—**

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

€ millions	2014	
	FINANCIAL LIABILITIES HELD FOR TRADING	HEDGING DERIVATIVES
Balance at 1/1/2014	**1,416**	**—**
Additions		
Sale	352	—
Issues	710	—
Realised losses[1]	462	—
Transfer from other levels	658	—
Other additions[2]	90	—
Reductions		
Buy-back	(421)	—
Repayment	(134)	—
Realised gains[1]	(126)	—
Transfer to other levels	(1,945)	—
Other reductions	(47)	—
Balance at 31/12/2014	**1,015**	**—**

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

Other Information

80 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 places on the principal market for the instrument or the most advantageous market to which the Bank has access.

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

€ billions	2015		2014	
ASSETS	**CARRYING AMOUNT**	**FAIR VALUE**	**CARRYING AMOUNT**	**FAIR VALUE**
Cash and cash balances	11.4	11.4	5.2	5.2
Financial assets held for trading	97.8	97.8	111.8	111.8
Financial assets at fair value through profit or loss	33.8	33.8	31.2	31.2
Available-for-sale financial assets				
thereof measured:				
at cost	0.2	0.2	0.3	0.3
at fair value	1.1	1.1	1.3	1.3
Held-to-maturity investments	0.1	0.1	0.1	0.1
Loans and receivables with banks	32.8	33.4	32.7	33.1
Loans and receivables with customers	113.5	118.2	109.6	115.2
thereof: finance leases	2.1	2.1	2.1	2.1
Hedging derivatives	0.5	0.5	0.8	0.8
Total	**291.2**	**296.5**	**293.0**	**299.0**

€ billions	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)	
ASSETS	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial assets not carried at fair value in the balance sheet						
Cash and cash balances	—	—	11.4	5.2	—	—
Held-to-maturity investments	—	—	0.1	—	—	—
Loans and receivables with banks	0.4	3.4	26.4	16.5	6.6	13.2
Loans and receivables with customers	1.2	1.8	16.4	15.8	100.6	97.6
thereof: finance leases	—	—	—	—	2.1	2.1

Other Information

€ billions	2015		2014	
LIABILITIES	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Deposits from banks	58.5	59.0	54.1	54.8
Deposits from customers	107.7	107.9	100.7	101.1
Debt securities in issue	26.0	29.0	28.2	32.0
Financial liabilities held for trading	77.1	77.1	88.0	88.0
Hedging derivatives	1.0	1.0	0.7	0.7
Total	**270.3**	**274.0**	**271.7**	**276.6**

€ billions	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)	
LIABILITIES	2015	2014	2015	2014	2015	2014
Financial liabilities not carried at fair value in the balance sheet						
Deposits from banks	—	—	34.5	16.1	24.5	38.7
Deposits from customers	—	—	74.5	57.8	33.4	43.3
Debt securities in issue	7.2	7.4	6.6	8.1	15.2	16.5

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.

A new, enhanced valuation model was introduced in 2014 to determine the fair values of other loans and receivables. The fair value calculation 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 within the meaning of IFRS 13.

The fair value 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). 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.

Other Information

In this context, the loan portfolio is divided into four sectors in order to take account of the specific features of each sector: sovereign loans, loans to banks, corporate loans and retail loans. 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.

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.

Quoted market prices are used for exchange-traded securities and derivatives 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 described in Note 77 are employed for this purpose.

The anticipated future cash flows of the other liabilities 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 of single-currency and cross-currency swaps and interest rate futures is 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 Note 77 are employed for this purpose.

Investments in joint ventures and associated companies are valued 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.

Where the fair value of non-listed equity instruments cannot be reliably determined, such assets are recognised at cost.

The difference in HVB Group between the fair values and carrying amounts totals €5.3 billion (2014: €6.0 billion) for assets and €3.7 billion (2014: €4.9 billion) for liabilities. The balance of these amounts is €1.6 billion (2014: €1.1 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.

Other Information

81 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 31/12/2015
Derivatives[1]	81,114	(19,051)	62,063	(40,957)	(478)	(9,513)	11,115
Reverse repos[2]	30,107	(3,366)	26,741	—	(14,931)	—	11,810
Loans and receivables[3]	83,735	(1,422)	82,313	—	—	—	82,313
Total at 31/12/2015	**194,956**	**(23,839)**	**171,117**	**(40,957)**	**(15,409)**	**(9,513)**	**105,238**

1 derivatives are covered in the notes regarding financial assets held for trading and hedging derivatives
2 Reverse repos are covered in the notes regarding loans and receivables with banks and loans and receivables with customers. They are also included in financial assets held for trading with an amount of €11,954 million.
3 only relates to current accounts, cash collateral or pledged credit balances and other loans and receivables, as covered in the notes covering loans and receivables with banks and loans and receivables with customers

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 31/12/2015
Derivatives[1]	77,406	(17,618)	59,788	(40,957)	(1,711)	(9,901)	7,219
Repos[2]	34,076	(3,366)	30,710	—	(23,185)	—	7,525
Liabilities[3]	100,832	(2,855)	97,977	—	—	—	97,977
Total at 31/12/2015	**212,314**	**(23,839)**	**188,475**	**(40,957)**	**(24,896)**	**(9,901)**	**112,721**

1 derivatives are covered in the notes regarding financial liabilities held for trading and hedging derivatives
2 Repos are covered in the notes covering deposits from banks and deposits from customers. They are also included in financial liabilities held for trading with an amount of €7,448 million.
3 only relates to current accounts, cash collateral or pledged credit balances and other liabilities, as covered in the notes covering deposits from banks and deposits from customers

Other Information

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 31/12/2014
Derivatives[1]	104,061	(22,648)	81,413	(55,825)	(3,134)	(11,550)	10,904
Reverse repos[2]	19,144	(1,412)	17,732	—	(17,489)	—	243
Loans and receivables[3]	86,585	(2,100)	84,485	—	—	—	84,485
Total at 31/12/2014	**209,790**	**(26,160)**	**183,630**	**(55,825)**	**(20,623)**	**(11,550)**	**95,632**

1 derivatives are covered in the notes regarding financial assets held for trading and hedging derivatives
2 Reverse repos are covered in the notes regarding loans and receivables with banks and loans and receivables with customers. They are also included in financial assets held for trading with an amount of €9,869 million.
3 only relates to current accounts, cash collateral or pledged credit balances and other loans and receivables, as covered in the notes covering loans and receivables with banks and loans and receivables with customers

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 31/12/2014
Derivatives[1]	100,203	(23,054)	77,149	(55,825)	(311)	(13,025)	7,988
Repos[2]	28,900	(1,412)	27,488	—	(24,116)	—	3,372
Liabilities[3]	86,034	(1,694)	84,340	—	—	—	84,340
Total at 31/12/2014	**215,137**	**(26,160)**	**188,977**	**(55,825)**	**(24,427)**	**(13,025)**	**95,700**

1 derivatives are covered in the notes regarding financial liabilities held for trading and hedging derivatives
2 Repos are covered in the notes regarding deposits from banks and deposits from customers. They are also included in financial liabilities held for trading with an amount of €1,984 million.
3 only relates to current accounts, cash collateral or pledged credit balances and other liabilities, as covered in the notes covering deposits from banks and deposits from customers

We adjusted the presentation of the variation margin in the table at 30 June 2015: The receivables and liabilities from variation margins are no longer shown under derivatives as a gross sum or set off in the line for derivatives but disclosed and offset in the lines containing receivables and liabilities. For the sake of transparency, we have increased the book receivables/liabilities by other loans and receivables and by other liabilities not included therein to date to which the receivables or the liabilities from variation margins would be attributable. We have adjusted the year-ago figures accordingly.

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, listed future-styled derivatives and nettable receivables and liabilities repayable on demand with the same counterparty in the banking business are also offset in the balance sheet.

Other Information

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, the tables contain the financial instruments received or pledged as collateral in this context and cash collateral. Please refer to Notes 90 and 91 for more information on securities received or pledged as collateral for securities lending transactions without cash collateral not recognised in the balance sheet.

82 Undiscounted cash flow

Compliant with IFRS 7.39, we are disclosing the remaining terms for non-derivative and derivative financial liabilities and for credit commitments and financial guarantees. The breakdown of remaining terms is based on the contractual due dates. These are crucial for determining the timing of payments. Consequently, we have divided the contractually agreed, undiscounted payments into maturity buckets. The undiscounted cash flows shown here are not comparable with the carrying amounts, as the latter are based on discounted cash flows.

At the same time, we have broken down the financial assets by remaining term in this context compliant with IFRS 7.39 (c). These are financial assets that generate cash flows used to settle financial liabilities.

In the following tables, we have divided the derivative and non-derivative financial assets and liabilities into maturity buckets. All financial liabilities have been allocated to the respective maturity bucket. The derivatives on financial assets held for trading and financial liabilities held for trading have been allocated to the shortest maturity bucket with their fair value. This reflects the fact that the derivatives are subject to an intention to sell in the short term and hence the maturity of the contractual undiscounted cash flows does not adequately represent the timing of payments that is actually expected. The remaining financial instruments classified as financial assets held for trading and financial liabilities held for trading have been allocated to the earliest possible maturity bucket with their cash flows. Hedging derivatives used under hedge accounting have been allocated to the applicable maturity bucket with their contractually agreed, undiscounted cash flows.

Credit commitments and financial guarantees have been allocated with the maximum amount to the shortest maturity bucket (repayable on demand) in which they can be utilised at the earliest. The credit commitments amount to €48,683 million (2014: €38,821 million). This assumption defined in IFRS 7 is unrealistic for credit commitments not utilised and contingent liabilities for financial guarantees in particular, as the complete utilisation of all open credit commitments and financial guarantees on the next day cannot be expected. The same holds true for the presentation of the fair values of trading derivatives.

Other Information

Breakdown of financial assets by maturity bucket

€ millions	2015						
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDATED
Financial assets held for trading	439	3,174	3,345	7,833	7,828	10,591	12,093
Derivatives on financial assets held for trading	61,613	—	—	—	—	—	—
Financial assets at fair value through profit or loss	—	178	2,038	6,409	22,174	3,521	—
Available-for-sale financial assets	—	35	113	340	678	1,836	1,097
Held-to-maturity investments	—	—	—	1	37	33	—
Loans and receivables with banks	11,835	7,579	3,877	6,548	3,517	483	5,827
Loans and receivables with customers	12,000	8,440	5,553	9,800	37,961	52,472	438
thereof: finance leases	23	75	161	681	1,900	283	132
Hedging derivatives	—	115	230	1,036	1,620	1,566	—

€ millions	2014						
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDATED
Financial assets held for trading	115	6,219	1,710	6,137	4,813	3,207	11,386
Derivatives on financial assets held for trading	80,660	—	—	—	—	—	—
Financial assets at fair value through profit or loss	—	221	876	3,523	24,404	2,628	62
Available-for-sale financial assets	—	3	12	199	726	1,581	237
Held-to-maturity investments	—	—	—	—	42	29	—
Loans and receivables with banks	12,402	3,434	2,116	11,399	3,055	464	2,188
Loans and receivables with customers	12,302	9,040	5,106	11,111	37,315	50,412	524
thereof: finance leases	246	82	154	678	1,787	260	—
Hedging derivatives	—	134	269	1,210	2,115	1,345	—

Other Information

Breakdown of non-derivative and derivative financial liabilities by maturity bucket

€ millions	2015						
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDATED
Deposits from banks	15,888	9,001	17,027	6,632	5,580	4,452	—
Deposits from customers	71,111	8,801	15,858	7,517	2,633	1,771	—
Debt securities in issue	22	1,284	1,031	4,747	10,176	14,636	—
Financial liabilities held for trading	141	6,235	1,507	1,444	4,935	8,141	3,689
Derivatives on financial liabilities held for trading	58,739	—	—	—	—	—	—
Hedging derivatives	—	103	207	930	1,114	485	—
Credit commitments and financial guarantees	68,233	—	—	—	—	—	—

€ millions	2014						
	REPAYABLE ON DEMAND	UP TO 1 MONTH	1 MONTH TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNDATED
Deposits from banks	16,320	3,439	8,708	15,319	6,310	4,315	—
Deposits from customers	59,361	11,908	16,997	7,870	2,804	1,862	—
Debt securities in issue	27	2,454	2,635	2,797	12,793	14,031	—
Financial liabilities held for trading	77	8,720	5,180	2,259	2,964	1,707	2,830
Derivatives on financial liabilities held for trading	76,400	—	—	—	—	—	—
Hedging derivatives	—	78	155	695	1,297	755	—
Credit commitments and financial guarantees	61,585	—	—	—	—	—	—

83 Regulatory disclosure requirements (Disclosure Report)

HVB has been classified as a significant subsidiary of UniCredit within the meaning of Article 13 (1) of the Capital Requirements Regulation (CRR), making it subject to the scope of the CRR (Article 13 (1) and Part 8 CRR) and certain extended Regulatory disclosure requirements in accordance with Section 26a KWG (disclosure under Pillar III).

HVB discloses this information on a standalone basis in the form of a separate disclosure report. Since 2015, this report has been published on the Bank's website under About us > Investor Relations > Reports on an annual basis at 31 December, at each quarter-end during the year and shortly after the publication of the annual and interim reports.

Due to the increased significance, the disclosure of the remuneration policy and practices for those categories of staff whose professional activities have a material impact on the Bank's risk profile (known as "risk takers") required by Article 450 CRR in conjunction with Section 16 (1) of the German Regulation on the Requirements for the Remuneration Systems of Institutions under Regulatory Law (Institutsvergütungsverordnung – InstitutsVergV) takes the form of a separate report for HVB. This is published on the Bank's website under About us > Investor Relations > Corporate Governance once a year at 31 December and shortly after the Shareholders' Meeting of UniCredit Bank AG.

Other Information

84 Key capital ratios (based on IFRS)

HVB Group manages its economic and supervisory capital as part of its overall bank management strategy. The yield expectations are calculated in accordance with the allocated capital principle that UniCredit employs across its entire organisation. Under the principle of dual control, both regulatory capital in the sense of used core capital and internal capital are allocated to the business segments. Both resources are expected to yield an appropriate return, which is derived from the expectations of the capital market. Please refer to the Risk Report for more information about overall bank management.

The supervisory ratios are discussed below.

The legal basis is provided by the Regulation on Prudential Requirements for Credit Institutions and Investment Firms (CRR), which came into force on 1 January 2014. The supervisory total capital ratio prescribed in the CRR represents the ratio of the equity determined in accordance with Part Two CRR to the total eligible amount for default risk, market risk and operational risk multiplied by 12.5 (corresponds to the risk-weighted asset equivalent of these risk positions). Under Article 92 CRR, the core capital ratio calculated as the ratio of core capital to total risk-weighted assets determined as described above must be at least 6.0%.

The eligible equity underlying the calculation of the total capital ratio in accordance with CRR consists of Tier 1 and Tier 2 capital. HVB Group uses internal models in particular to measure market risk positions.

The following table shows equity funds based on financial statements approved by the Supervisory Board and risk-weighted assets together with the risk equivalents for market risk positions and operational risk at 31 December 2015:

Equity funds[1]

€ millions	2015	2014
Tier 1 - Total core capital for solvency purposes	**19,564**	**18,993**
Shares of common stock	2,407	2,407
Additional paid-in capital, retained earnings, minority interest, own shares	18,662	18,557
Hybrid capital instruments (silent partnership certificates) without prorated interest	—	—
Other	(707)	(886)
Capital deductions	(798)	(1,085)
Tier 2 - Total supplementary capital for solvency purposes	**538**	**650**
Unrealised reserves in land and buildings and in securities	—	—
Offsetting reserves for general banking risks	—	—
Cumulative shares of preferred stock	—	—
Participating certificates outstanding	—	—
Subordinated liabilities	340	412
Value adjustment excess for A-IRB positions	198	241
Other	—	—
Capital deductions	—	(3)
Total equity funds	**20,102**	**19,643**

1 group of consolidated companies and principles of consolidation in accordance with banking supervisory regulations

Other Information

The equity funds of HVB Group in accordance with Part Two CRR amounted to €20,102 million at 31 December 2015 (2014: €19,643 million). As in the previous year, we have not included in Tier 2 capital any unrealised reserves in accordance with Section 10 (2b) 1 No. 6 and 7 KWG in the version applicable until 31 December 2013.

The equity funds are determined on the basis of IFRS figures determined in accordance with CRR/CRD IV using the consolidated accounting method.

The following table shows the reconciliation from the equity items shown in the balance sheet prepared in accordance with IFRS:

€ millions	COMMON EQUITY TIER 1 CAPITAL	ADDITIONAL TIER 1 CAPITAL	TIER 2 CAPITAL	TOTAL OWN FUNDS
Shown in IFRS balance sheet				
Shareholders' equity	20,766	—	—	20,766
Reconciliation to the equity funds compliant with the Capital Requirements Regulation				
Cumulative shares of preferred stock	—	—	—	—
Ineligible profit components	(398)	—	—	(398)
Ineligible minority interests under banking supervisory regulations	(4)	—	—	(4)
Diverging consolidation perimeters	(1)	—	—	(1)
Deduction of intangible assets	(461)	—	—	(461)
Hybrid capital recognised under banking supervisory regulations	—	—	35	35
Eligible portion of subordinated liabilities	—	—	305	305
Value adjustment excess (+) or shortfall (-) for A-IRB positions	—	—	198	198
Adjustments to CET1 due to prudential filters	(318)	—	—	(318)
Deductible deferred tax assets	(222)	—	—	(222)
Capital deductions which can alternatively be subject to a 1,250% risk weight	(66)	—	—	(66)
Transitional adjustments	546	(277)	—	269
Other effects	(278)	277	—	(1)
Equity funds compliant with the Capital Requirements Regulation (CRR)	**19,564**	**—**	**538**	**20,102**

€ millions	2015 Basel III	2014 Basel III
Risk-weighted assets from		
on-balance-sheet counterparty risk positions	40,524	45,752
off-balance-sheet counterparty risk positions	10,572	9,517
other counterparty risk positions[1]	904	571
derivative counterparty risk positions	6,073	6,097
Total credit risk-weighted assets	**58,073**	**61,937**
Risk-weighted asset equivalent for market risk positions	**9,705**	**12,830**
Risk-weighted asset equivalent for operational risk	**10,279**	**11,001**
Total risk-weighted assets	**78,057**	**85,768**

1 primarily including repos and securities lending transactions

Other Information

At 31 December 2015, the key capital ratios (based on financial statements approved by the Supervisory Board) were as follows:

in %	2015 Basel III	2014 Basel III
Tier 1 Capital ratio [Tier 1 capital/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	25.1	22.1
CET1 capital ratio [Common Equity Tier 1 capital/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	25.1	22.1
Total capital ratio [own funds/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	25.8	22.9

85 Contingent liabilities and other commitments

€ millions	2015	2014
Contingent liabilities[1]	**19,353**	**22,527**
Guarantees and indemnities	19,353	22,527
Other commitments	**48,731**	**38,927**
Irrevocable credit commitments	48,683	38,821
Other commitments[2]	48	106
Total	**68,084**	**61,454**

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 operation leases. These are covered in Note 76.

Financial guarantees and irrevocable credit commitments are shown at their nominal amount (maximum outflow) less provisions set up for this purpose. Neither contingent liabilities nor irrevocable credit commitments contain any significant items. The guarantees and indemnities listed here essentially reflect guarantees and indemnities that the Bank has granted on behalf of customers. Consequently, the Bank has a right of recourse against the customer (contracting party) should the guarantee or indemnity in question be used. An appropriate provision is set up where such a customer's creditworthiness is doubtful. This takes account of the loss suffered by the Bank, as the recourse claim against the contracting party is not considered fully realisable on account of the party's doubtful creditworthiness.

It is hard to anticipate the date at which the contingent liabilities and other commitments mentioned here will result in an outflow of funds. Credit commitments frequently serve as liquidity reserve for the beneficiary in particular, meaning that the amounts are not necessarily utilised at all and hence an outflow of funds is not certain. In terms of financial guarantees, it is important to note that these are conditional payment commitments, meaning that the condition must be met before utilisation becomes possible (such as default on the guaranteed credit in the case of a credit guarantee or non-compliant delivery in the case of a delivery guarantee). Here, too, it is hard to assess whether and when this will be the case, as financial guarantees in particular are only ever utilised in exceptional circumstances entailing an outflow of funds.

Other Information

Up until now, we have carried the credit card facilities granted to customers (credit card limits) under irrevocable lending commitments. Given the fact that the credit card agreement and the related facility may be terminated at any time, these are revocable lending commitments that do not need to be disclosed. We have modified disclosure accordingly and adjusted the year-ago totals by €1,847 million.

Securities lending transactions are not recognised, as economic ownership remains with the lender. The Bank only becomes the legal owner of the borrowed securities which are returned to the lender when the lending transaction falls due. Obligations of €12,593 million (2014: €20,181 million) to return securities arising from securities lending transactions are thus offset by borrowed securities of the same amount, which are not carried as assets on the assets side of the balance sheet.

HVB has made use of the option to provide up to 30% 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 €22 million at year-end 2015.

Legal risks can give rise to losses for HVB Group, the occurrence of which is greater than improbable but less than probable, and for which no provisions have been set up. Such legal risks may result from negative developments in proceedings under civil law and the tendency for rulings to be made in favour of consumers or customers. The assessment of the risk of loss may prove to be too low or too high, depending on the outcome of the proceedings. We assume that it will not be necessary to utilise the vast majority of the contingent liabilities arising from legal risks, meaning that the amounts are not representative of actual future losses. Such contingent liabilities arising from significant legal risks for which an estimate is possible amounted to €84 million at year-end 2015 after €100 million at year-end 2014.

As part of real estate financing and development operations, we have assumed rental obligations or issued rental guarantees to make fund constructions more marketable – in particular for lease funds and (closed-end) KG real estate funds. Identifiable risks arising from such guarantees have been incorporated by setting up provisions.

Commitments for uncalled payments on shares not fully paid up amounted to €44 million at year-end 2015 (year-end 2014: €45 million), and similar obligations for shares in cooperatives totalled €1 thousand (year-end 2014: €1 thousand). We were not liable for any defaults on such calls under Section 22 (3 and 24) of the German Private Limited Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG).

At the reporting date, we had unlimited personal liability arising from shares in 67 partnerships (2014: 71).

Under Section 5 (10) of the by-laws of the Deposit Guarantee Fund, we have undertaken to indemnify the Association of German Banks, Berlin, against any losses it might incur as a result of action taken on behalf of the banks in which we have a majority interest.

With a Statement of Responsibility dated 21 December 1993, HVB issued an undertaking to the State of Baden-Wuerttemberg (Ministry of Finance) to assume a liquidity provision obligation in the event of the sale, liquidation or bankruptcy of HVB Projekt GmbH.

Other Information

In the same way as HVB and its affiliated banks assume liability in Germany, our subsidiaries, in their capacity as members of the respective deposit guarantee funds in their country of operations, assume liability in their respective countries.

Contingent liabilities payable to related parties

€ millions	2015	2014
Non-consolidated affiliated companies	1,388	1,309
of which:		
UniCredit S.p.A.	642	644
Sister companies	687	665
Subsidiaries	59	—
Joint ventures	62	156
Associated companies	1	—
Other participating interests	84	91
Total	**1,535**	**1,556**

86 Statement of Responsibility

HVB ensures that, to the extent of its shareholding, the companies set forth below are in a position to meet their contractual obligations except in the event of political risks:

1. Banks
Bankhaus Neelmeyer AG, Bremen
UniCredit Luxembourg S.A., Luxembourg
2. Financial companies
UniCredit Leasing GmbH, Hamburg
3. Companies with bank-related auxiliary services
HypoVereinsFinance N. V., Amsterdam

HVB's commitment arising from the above Statement of Responsibility declines by the extent to which HVB's shareholding decreases in the future with regard to such commitments of the relevant company that did not arise until after HVB's shareholding decreased. Where HVB is no longer a shareholder in a company listed above, our commitment arising from the above Statement of Responsibility ends on the date on which our holding ceased with regard to such liabilities of the relevant company that did not arise until our shareholding ceased.

HVB no longer provides a Statement of Responsibility for companies for which a Statement of Responsibility had been provided in earlier annual reports but which no longer appear in the above list. Liabilities of these companies arising before the reduction or cessation of the shareholding are only not covered by such Statements of Responsibility that were provided before the reduction or cessation of the shareholding in each case.

Other Information

87 Disclosures regarding structured entities

A structured entity as defined in IFRS 12 is an enterprise (or an economically separate entity) that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are frequently characterised by restricted activities, a narrow, well-defined objective, insufficient equity or financing in tranches.

Structured entities may be consolidated or not consolidated, depending on whether HVB Group has control over the entity or not. Transactions involving structured entities can be divided into the following categories using the business model applied by HVB Group:
– ABS vehicles
– Repackaging vehicles
– Funding vehicles for customers
– Some investment funds
– Other structured entities

Financial instruments with unconsolidated structured entities

Financial instruments with unconsolidated structured entities encompass all contractual relationships from which HVB Group obtains variable earnings and exposure to loss from the structured entities, but without gaining control over the structured entity. These might be equity and debt instruments, derivatives, liquidity facilities or guarantees.

ABS vehicles

HVB Group invests in ABS vehicles and uses ABS vehicles for its own securitisations. These vehicles buy loans or receivables and refinance themselves by issuing securities on the money or capital market. The securities are backed by the assets purchased. HVB Group can also provide finance for these vehicles in the form of liquidity facilities.

ABS vehicles used for own securitisations are fully consolidated in the consolidated financial statements and are not included in the unconsolidated structured entities shown here. This means that only such ABS vehicles in which HVB Group solely has an interest as an investor are classified as unconsolidated structured entities.

	2015	2014
Number of unconsolidated ABS vehicles (investor positions only)	302	335

For more information on the exposure to unconsolidated ABS investor positions, please refer to Note 78.

Repackaging vehicles

Repackaging vehicles are used to offer customers specific securities and derivatives solutions. These vehicles buy assets (such as securities, loans and receivables, and derivatives) and restructure the cash flows from these assets by incorporating other instruments or securities. The vehicles refinance themselves by issuing custom-packaged securities or derivatives that meet the customer’s demands. The funding is normally secured by the acquired assets.

Other Information

	2015	2014
Number of unconsolidated repackaging vehicles	6	6
Aggregate total assets of unconsolidated repackaging vehicles (€ millions)	109	222
Nominal value of the securities issued by unconsolidated repackaging vehicles (€ millions)	109	222

Funding vehicles for customers
Customers use these vehicles as a source of funding. These funding vehicles buy current receivables or leasing receivables from customers and refinance themselves mostly by issuing securities on the capital and money market (mostly commercial paper conduits). HVB Group can also provide financing for these vehicles in the form of liquidity facilities or other lending products.

The majority of the vehicles listed below were set up by the customer or by HVB Group on behalf of the customer. These vehicles are not consolidated as HVB Group is not exposed to a majority of the variable income from the vehicles and has no possibility of influencing them.

	2015	2014
Number of unconsolidated funding vehicles for customers	25	23
Aggregate total assets of unconsolidated funding vehicles for customers (€ millions)	3,489	3,342
Nominal value of the securities issued by unconsolidated funding vehicles for customers (€ millions)	3,242	3,167

Some investment funds
Investment funds are classified as structured entities if they are not controlled by means of voting or similar rights. Investment funds invest in a range of assets and can also finance themselves with debt within the framework of their investment policies alongside the moneys provided by investors. Investment funds serve to achieve specifically defined investment goals.

HVB Group offers its customers investment funds under own and third party management and also itself invests in investment funds. We are also mandated by customers to keep shares in investment funds in securities accounts for third party account. Furthermore, HVB Group holds shares in investment funds in its own portfolio. These are mostly held in the held-for-trading portfolio and to a much smaller extent also in the AfS portfolio. In addition, we offer typical banking services to investment funds, including derivative and financing solutions and deposit-taking operations.

The European-Office-Fonds investment fund controlled by HVB Group is fully consolidated in the consolidated financial statements and is not one of the unconsolidated structured entities shown here.

	2015	2014
Number of unconsolidated investment funds classified as structured entities	1,200	1,258
thereof: managed by HVB Group	32	26
Aggregate net asset value (including minority interests) of the investment funds classified as structured entities (€ millions)	646,276	641,446
thereof: managed by HVB Group	907	583

With regard to the aggregate net asset value, it should be noted that our risk is only calculated in terms of the participating interest held, loans extended or derivatives issued as a proportion of the aggregate fund volume. A risk analysis is provided in the table under “Risks in connection with unconsolidated structured entities” below.

Other Information

Other structured entities

This category covers structured entities that cannot be assigned to any of the other categories. For the most part, HVB Group mainly performs lending activities under this category with structured entities set up by customers or by HVB Group on behalf of customers.

These entities are mostly leasing vehicles that have only insufficient equity and are controlled economically by the lessee. Some of the leasing vehicles were financed through syndicated loans.

In addition, other structured entities include borrowers over which HVB Group gained control during the course of restructuring and/or resolution but which have not been consolidated for materiality reasons (see Note 7, "Companies included in consolidation").

	2015	2014
Number of other structured entities	52	76
Aggregate total assets (€ millions)	889	3,327

Risks in connection with unconsolidated structured entities

The following tables show the carrying amounts of the assets and liabilities together with the off-balance-sheet risk positions of HVB Group in connection with unconsolidated structured entities:

€ millions	31/12/2015				
	ABS VEHICLES (INVESTOR POSITIONS)	REPACKAGING VEHICLES	FUNDING VEHICLES FOR CUSTOMERS	SOME INVESTMENT FUNDS	OTHER STRUCTURED ENTITIES
Assets	**6,262**	**11**	**2,649**	**3,636**	**594**
Financial assets held for trading	269	11	—	1,798	38
Financial assets at fair value through profit or loss	9	—	—	—	—
Available-for-sale financial instruments	89	—	—	966	—
Held-to-maturity investments	28	—	—	—	—
Loans and receivables with customers	5,867	—	2,649	872	556
Liabilities	**25**	**7**	**56**	**3,630**	**105**
Deposits from customers	21	—	54	3,057	83
Debt securities in issue	—	—	—	6	—
Financial liabilities held for trading	4	7	—	567	2
Other liabilities	—	—	—	—	1
Provisions	—	—	2	—	19
Off-balance-sheet positions	**400**	**—**	**1,125**	**37**	**87**
Irrevocable credit commitments and other commitments	400	—	941	37	7
Guarantees	—	—	184	—	80
Maximum exposure to loss	**6,662**	**11**	**3,774**	**3,673**	**681**

Other Information

€ millions	31/12/2014				
	ABS VEHICLES (INVESTOR POSITIONS)	REPACKAGING VEHICLES	FUNDING VEHICLES FOR CUSTOMERS	SOME INVESTMENT FUNDS	OTHER STRUCTURED ENTITIES
Assets	**5,223**	**20**	**2,522**	**2,877**	**946**
Financial assets held for trading	358	20	—	2,042	43
Financial assets at fair value through profit or loss	24	—	—	—	—
Available-for-sale financial instruments	204	—	—	80	—
Held-to-maturity investments	26	—	—	—	—
Loans and receivables with customers	4,611	—	2,522	755	903
Liabilities	**159**	**—**	**50**	**3,081**	**88**
Deposits from customers	156	—	49	2,130	68
Debt securities in issue	—	—	—	8	—
Financial liabilities held for trading	2	—	—	943	3
Other liabilities	1	—	—	—	2
Provisions	—	—	1	—	15
Off-balance-sheet positions	**1**	**—**	**745**	**286**	**71**
Irrevocable credit commitments and other commitments	—	—	745	42	12
Guarantees	1	—	—	244	59
Maximum exposure to loss	**5,224**	**20**	**3,267**	**3,163**	**1,017**

The maximum exposure to loss from unconsolidated structured entities arises from the assets and off-balance-sheet risk positions relating to structured entities. This view does not, however, reflect the economic risk, as security received and hedging instruments are not included.

No financial or other support (“implicit support”) was provided to unconsolidated structured entities during the reporting period without having a contractual obligation to do so. Neither are there any concrete plans to provide support to unconsolidated structured entities in future.

Sponsored unconsolidated structured entities
Structured entities are classified as sponsored by HVB Group if HVB Group was materially involved in setting up the entities. HVB Group has sponsored structured entities without having a participating interest in these entities through financial instruments. Thus, HVB Group is not exposed to the economic risks arising from these structured entities.

We only generate income from structured entities without participating interests to a limited extent through financial instruments. Fee and commission income of €9 million (2014: €9 million) from charges and management fees was generated during the reporting period on investment funds managed by the Bank, of which €5 million (2014: €7 million) was passed on to third parties in trailer fees.

Other Information

Consolidated structured entities
The biggest consolidated structured entity is the multi-seller conduit programme Arabella Finance. Securities with a nominal value of €2,404 million (2014: €2,169 million) were outstanding at 31 December 2015. The total assets of the multi-seller conduit Arabella Finance Ltd. at the reporting date amounted to €2,409 million (2014: €2,172 million).

Contractual arrangements that oblige HVB Group to provide financial assistance to consolidated structured entities exist notably in the form of liquidity facilities. These may be drawn by the vehicles to bridge maturity mismatches between the assets acquired and the securities issued.

Financial or other support was provided to consolidated structured entities without a contractual obligation to do so ("implicit support"):

Where the market conditions prevented the securities issued by the consolidated multi-seller conduit Arabella Finance Ltd. being placed, HVB has acquired such issues. Without the purchases of the securities, HVB would have been required to provide liquidity facilities in the same amount to individual Elektra Purchase companies. At the reporting date, HVB held securities issued by Arabella Finance Ltd. with a nominal value of €627 million (2014: €571 million) in its portfolio.

Future support arrangements are planned as follows: HVB will continue to decide on a case-by-case basis whether to buy temporarily non-placeable securities issued by the consolidated multi-seller conduit Arabella Finance Ltd. or utilise the liquidity lines. Accordingly, the volume of securities to be acquired depends on the funding required, the prevailing market conditions and the above decision in each case.

Both contractual financial and other support provided to consolidated structured entities without a contractual obligation to do so are not material for the consolidated financial statements, as these represent intra-group transactions.

88 Trust business

€ millions	2015	2014
Trust assets	**2,429**	**3,262**
Loans and receivables with banks	—	618
Loans and receivables with customers	151	161
Equity securities and other variable-yield securities	—	1
Debt securities and other fixed-income securities	—	—
Participating interests	—	—
Property, plant and equipment	—	—
Other assets	—	—
Fund shares held in trust	2,277	2,481
Remaining trust assets	1	1
Trust liabilities	**2,429**	**3,262**
Deposits from banks	151	779
Deposits from customers	2,277	2,481
Debt certificates including bonds	—	—
Other liabilities	1	2

Other Information

89 Transfer of financial assets

Transferred financial assets are derecognised in accordance with the derecognition criteria set forth in IAS 39 when substantially all the risks and rewards incident to ownership of the asset are transferred.

HVB Group has no continuing involvement in transferred and derecognised financial assets for which substantially the risks and rewards are neither retained nor transferred.

Transferred, non-derecognised financial assets

However, HVB Group conducts business transactions under which it transfers previously recognised financial assets in accordance with IAS 39, but substantially retains all the risks and rewards associated with these assets, meaning that such assets are not derecognised. The recognised asset is simultaneously offset by an associated liability for the consideration received, which corresponds to recognition as a secured loan. HVB Group may not use these transferred, non-derecognised assets for other purposes.

Transactions of this type conducted by the Group relate primarily to securities repurchase agreements (repos) and securities lending transactions.

The securities (transferred) under repo transactions (cash sale) continue to be carried and measured in the consolidated balance sheet, as the Group as seller retains all the credit, share price, interest rate and currency risks associated with the assets and their results. The payment received by the buyer for whom the transferred security acts as security is recognised as a repo liability payable to banks or customers, depending on the counterparty. With delivery of the securities, the unrestricted power of disposal passes to the buyer.

Where the corporate group acts as a lender of securities in securities lending transactions, the securities lent to the counterparty continue to be carried in the balance sheet of the lender.

The transactions are conducted under the customary market terms for securities lending and repurchasing agreements, under which the counterparty holds a contractual or customary right to sell on or pledge on the securities received.

At the same time, these transaction types also encompass such examples as the true sale securitisation transactions Rosenkavalier 2008 and Rosenkavalier 2015 (see Note 63, "Own securitisation") carried out by HVB Group, under which non-derecognised securitised customer receivables indirectly serve as security for repurchase agreements with the ECB.

The following Note 90, "Assets assigned or pledged as security for own liabilities", contains details of repo transactions, securities lending transactions and other transactions under which the financial assets transferred as security for own liabilities are not derecognised.

Other Information

90 Assets assigned or pledged as security for own liabilities

Examples of own liabilities of HVB Group for which we provide collateral are special credit facilities provided by KfW and similar institutions, which we have passed on as loans in compliance with their conditions. In addition, security has been provided for borrowings under repurchase agreements on international money markets, for open market transactions with central banks and for securities lending transactions. As a seller under repurchase agreements, HVB Group has entered into sales and repurchase transactions for securities with a carrying amount of €47.4 billion (2014: €42.9 billion) or transferred them to a collateral pool with the European Central Bank or GC Pooling. It is not always necessary for liabilities to exist in the latter instance. These securities continue to be shown under our assets, and the consideration received in return is stated under liabilities.

The following table shows the breakdown of assets that we provide as collateral for own liabilities:

€ millions	**2015**	**2014**
Financial assets held for trading	19,313	20,792
Financial assets at fair value through profit or loss	15,514	19,380
Available-for-sale financial assets	1,320	934
Held-to-maturity investments	—	—
Loans and receivables with banks	75	47
Loans and receivables with customers	9,436	10,831
Property, plant and equipment	—	—
Non-recognised received securities pledged on:		
Pledged securities from non-capitalised securities lending transactions	11,162	13,690
Received collateral pledged	16,291	5,579
Total	**73,111**	**71,253**

The collateral pledged from loans and receivables with customers relates to special credit facilities provided by KfW and similar institutions.

The assets pledged by HVB Group as security relate to the following liabilities:

€ millions	**2015**	**2014**
Deposits from banks	42,421	38,221
Deposits from customers	5,233	7,947
Debt securities in issue	36	36
Financial liabilities held for trading	14,749	11,487
Contingent liabilities	—	—
Obligations to return non-expensed, borrowed securities	10,672	13,562
Total	**73,111**	**71,253**

Compliant with IFRS 7.14, we are disclosing the carrying amount of the financial assets which we provide as security. In addition, figures are disclosed showing the extent to which the security provided may be pledged or sold on by the borrower.

€ millions	**2015**	**2014**
Aggregate carrying amount of assets pledged as security	73,111	71,253
of which: may be pledged/sold on	38,563	39,600

Other Information

91 Collateral received that HVB Group may pledge or sell on

As part of repurchase agreements and collateral agreements for OTC derivatives, HVB Group has received security that it may pledge or sell on at any time without the security provider having to be in arrears. The fair value of this security is €32.0 billion (2014: €18.5 billion).

HVB Group has actually pledged or sold on €16.0 billion (2014: €5.6 billion) of this total, for which there is an obligation to return collateral received of the same type, volume and quality.

The transactions that make it possible to use this collateral were conducted under the customary market terms for repurchase agreements and securities lending transactions.

92 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. Furthermore, HVB places excess liquidity efficiently with other UniCredit group companies. The section of the Risk Report in Management's Discussion and Analysis 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 Business Integrated Solutions S.C.p.A. (UBIS), a company that is affiliated with the Bank. The goal is to exploit synergies and enable HVB to offer fast, high-quality IT services by means of a service level agreement. HVB incurred expenses of €538.6 million (2014: €495.3 million) for these services during 2015. This was offset by income of €11.4 million (2014: €11.8 million) from services rendered and internal charges. Moreover, software products worth €3.2 million (2014: €6.2 million) were purchased from UBIS.

Furthermore, HVB has transferred certain back office activities to UBIS. In this context, UBIS provides settlement services for HVB and other affiliated companies in line with a standard business and operating model. HVB incurred expenses of €67.5 million (2014: €64.5 million) for these services during 2015.

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

Subsequent to the filing of the squeeze-out resolution in the Commercial Register on 15 September 2008, HVB is not listed any more. Consequently, the compensation paid to the members of the Management Board is not shown on an individualised basis.

Other Information

Emoluments paid to members of the Management Board and Supervisory Board

€ thousands	2015						
	Short-term components		Long-term incentives		Post-employment benefits	Termination benefits	Total
	Fixed salary	Short-term performance-related cash remuneration	Long-term performance-related cash remuneration	Share-based remuneration			
Members of the Management Board of UniCredit Bank AG	6,376	923	901	1,724	1,519	—	11,443
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	804	—	—	—	—	—	804
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	477	32	—	—	30	—	539
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	—	30	54	100	1,993	—	2,177

€ thousands	2014						
	Short-term components		Long-term incentives		Post-employment benefits	Termination benefits	Total
	Fixed salary	Short-term performance-related cash remuneration	Long-term performance-related cash remuneration	Share-based remuneration			
Members of the Management Board of UniCredit Bank AG	6,239	956	1,182	686	1,523	—	10,586
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	810	—	—	—	—	—	810
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	475	66	—	—	54	—	595
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	—	—	—	—	1,945	—	1,945

It is the task of the Bank's full Supervisory Board to decide on the total remuneration paid to the individual members of the Management Board and to review the structure of the remuneration systems for the Management Board. The full Supervisory Board receives assistance in this regard from the Remuneration Control committee, which submits appropriate proposals to the full Supervisory Board. Appropriateness and sustainability are key criteria for the form and structure of the remuneration paid to the members of the Management Board. The structure of remuneration is derived from the service agreements with the members of the Management Board. It has two components: a fixed salary and a variable element. The variable remuneration is normally granted in deferred tranches over several years in the form of cash and in shares, with disbursement dependent upon defined corporate targets being achieved in the subsequent years.

Other Information

Pension commitments for seven members of the Management Board are shown in the table alongside the direct emoluments. Seven members of the Management Board took part in the employer-financed, fund-linked pension scheme for executives (known as AgfA) in 2015. The Bank will provide/has provided 35% of the fixed salary contributions (2015: €1,368 thousand (2014: €1,523 thousand)). It has been agreed with the members of the Management Board that this amount of their pay would be converted which means that, instead of a disbursed sum of money, the Management Board member receives a pension commitment to the same value from the Bank.

Non-monetary compensation and other fringe benefits are granted to members of the Management Board to the usual extent. The amounts involved are included in the totals for fixed remuneration shown.

Compensation paid to members of the Management Board for positions on supervisory boards of any UniCredit group companies is surrendered to HVB.

Provisions for pensions totalling €2,487 thousand were reversed in the 2015 financial year (2014: addition of €16,694 thousand) with regard to the commitments (for death benefits) made to the members of the Management Board.

The provisions for pensions compliant with IFRS for former and retired members of the Management Board of HVB and their surviving dependants (including the pension commitments transferred to HVB Trust Pensionsfonds AG) amounted to €138,477 thousand (2014: €146,268 thousand).

The compensation paid to retired members of the Management Board and their surviving dependants amounted to €1,993 thousand in 2015 after the transfer of a large part of the pension commitments to HVB Trust Pensionsfonds AG (2014: €1,945 thousand).

Share-based remuneration was granted to the members of the Management Board under the Group Incentive Scheme in the reporting period as follows:

SHARES GRANTED TO MEMBERS OF THE MANAGEMENT BOARD OF UNICREDIT BANK AG	2015	2014
Number of shares granted	468,856	160,019
Fair value per share on grant date	6.190	6.115

For details of share-based compensation, please refer to the disclosures in Note 39, where the underlying UniCredit programmes are described.

Loans and advances made to, and contingent liabilities and liabilities assumed for, related parties at the reporting date were as follows: Members of the Supervisory Board and Management Board at HVB, and members of the Executive Management Committee and their respective immediate family members are considered related parties.

€ thousands	2015			2014		
	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES
Members of the Management Board of UniCredit Bank AG	1,758	—	7,058	2,791	3	7,620
Members of the Supervisory Board of UniCredit Bank AG	337	—	3,461	522	—	3,498
Members of the Executive Management Committee[1]	—	—	1,370	—	—	1,282

1 excluding members of the Management Board and Supervisory Board of UniCredit Bank AG

Other Information

Loans and advances were granted to members of the Management Board and their immediate family members in the form of mortgage loans with interest rates of between 1.36% and 3.96% and falling due in the period from 2016 to 2025.

Loans and advances were granted to members of the Supervisory Board and their immediate family members in the form of unplanned overdraft facilities with interest rates of between 6.00% and 10.89%, planned overdraft facilities with an interest rate of 10.89% and no fixed maturity, and mortgage loans with interest rates of between 1.92% and 3.33% falling due in the period from 2017 to 2035.

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

93 Fees paid to the independent auditors

The following table shows the breakdown of fees (excluding value-added tax) of €12 million (2014: €12 million) recorded as expense in the year under review, as paid to the independent auditors Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, for activities performed for HVB Group:

€ millions	**2015**	**2014**
Fee for	**12**	**12**
Auditing of the financial statements	8	7
Other auditing services	3	5
Tax consulting services	—	—
Other services	1	—

94 Employees

Average number of people employed by us

	2015	**2014**
Employees (excluding apprentices)	17,994	19,768
Full-time	12,934	14,523
Part-time	5,060	5,245
Apprentices	657	836

The staff's length of service was as follows:

	Women	**Men**	**2015**	**2014**
	(excluding apprentices)		**Total**	**Total**
Staff's length of service				
31 years or more	12.1	12.0	12.1	11.2
from 21 years to less than 31 years	32.9	23.4	28.4	25.0
from 11 years to less than 21 years	29.1	24.4	26.8	24.8
less than 11 years	25.9	40.2	32.7	39.0

Other Information

95 Offices

Offices, broken down by region

	1/1/2015	ADDITIONS NEW OPENINGS	REDUCTIONS CLOSURES	REDUCTIONS CONSOLIDATIONS	CHANGE IN CONSOLIDATED GROUP	31/12/2015
Germany						
Baden-Wuerttemberg	28	—	9	1	(1)	17
Bavaria	423	2	68	33	1	325
Berlin	14	—	3	1	—	10
Brandenburg	9	—	2	—	—	7
Bremen	8	—	1	—	—	7
Hamburg	25	—	2	2	(1)	20
Hesse	17	—	5	—	—	12
Lower Saxony	37	—	13	1	—	23
Mecklenburg-Western Pomerania	6	—	1	—	(1)	4
North Rhine-Westphalia	24	—	12	—	(1)	11
Rhineland-Palatinate	24	1	10	1	—	14
Saarland	7	—	3	—	—	4
Saxony	15	1	8	—	—	8
Saxony-Anhalt	13	—	3	1	—	9
Schleswig-Holstein	67	—	30	2	—	35
Thuringia	12	—	7	—	—	5
Subtotal	**729**	**4**	**177**	**42**	**(3)**	**511**
Other regions						
Africa	1	—	—	—	—	1
Americas	17	—	1	—	(1)	15
Asia	9	—	—	—	—	9
Europe	40	1	1	—	5	45
Subtotal	**67**	**1**	**2**	**—**	**4**	**70**
Total	**796**	**5**	**179**	**42**	**1**	**581**

Other Information

96 List of holdings pursuant to Section 313 HGB

The separate list of holdings drawn up in compliance with Section 313 (2) HGB, contains all joint ventures, and affiliated and associated companies broken down by whether they are included in the consolidated financial statements or not, together with other holdings. The list also includes selected holdings of less than 20% and structured entities included in the consolidated financial statements, with and without an HVB shareholding.

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	SHARE OF CAPITAL IN % OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
1 Controlled companies						
1.1 Controlled by voting rights						
1.1.1 Consolidated subsidiaries						
1.1.1.1 Banks and financial institutions						
Bankhaus Neelmeyer AG	Bremen	100.0		EUR	63,400	[1.1]
UniCredit Leasing Finance GmbH	Hamburg	100.0	100.0	EUR	160,013	[2]
UniCredit Luxembourg S.A.	Luxembourg	100.0		EUR	1,339,356	64,243
1.1.1.2 Other consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG[3]	Grünwald	100.0	100.0	EUR	31	8,142
Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG[3]	Grünwald	100.0	100.0	EUR	34	144
Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG[3]	Grünwald	100.0	100.0	EUR	39	679
AGROB Immobilien AG (share of voting rights: 75.0%)[4]	Ismaning	52.7	52.7	EUR	23,495	1,723
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0	EUR	(16,872)	0
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	793	[2]
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(42,551)	975
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0	EUR	(39,212)	(1)
A&T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG[3]	Munich	100.0	100.0	EUR	(37,209)	0
Aufbau Dresden GmbH	Munich	100.0	100.0	EUR	(23,944)	0
BaLea Soft GmbH & Co. KG	Hamburg	100.0	100.0	EUR	7,669	627
BaLea Soft Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0	EUR	92	2
Bayerische Wohnungsgesellschaft für Handel und Industrie, Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	294	[2]
B.I. International Limited	George Town	100.0	100.0	EUR	(1,210)	(80)
BIL Leasing-Fonds GmbH & Co VELUM KG (share of voting rights: 66.7% total, of which 33.3% held indirectly)	Grünwald	100.0		EUR	(2)	0
BIL Leasing-Fonds Verwaltungs-GmbH	Grünwald	100.0	100.0	EUR	32	(1)
Blue Capital Europa Immobilien GmbH & Co. Achte Objekte Großbritannien KG	Munich	100.0	100.0	EUR	30	334
BV Grundstücksentwicklungs-GmbH[3]	Munich	100.0	100.0	EUR	511	[2]
BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG[3]	Munich	100.0		EUR	511	0
CUMTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG[3]	Munich	100.0	100.0	EUR	(22,880)	0
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG[3]	Munich	100.0	100.0	EUR	(53,477)	0
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG[3]	Munich	100.0	100.0	EUR	(59,493)	0
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	71	(91)
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(440)	35
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	416	(23)

Other Information

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
Food & more GmbH	Munich	100.0		EUR	235	1.2
GIMMO Immobilien-Vermietungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	2
Golf- und Country Club Seddiner See Immobilien GmbH	Munich	100.0	100.0	EUR	(15,507)	0
Grundstücksaktiengesellschaft am Potsdamer Platz (Haus Vaterland)	Munich	98.2	98.2	EUR	4,495	2
Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft[3]	Munich	100.0	100.0	EUR	52	1,004
H & B Immobilien GmbH & Co. Objekte KG[3]	Munich	100.0	100.0	EUR	5	(1)
HAWA Grundstücks GmbH & Co. OHG Hotelverwaltung[3]	Munich	100.0	100.0	EUR	276	594
HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung[3]	Munich	100.0	100.0	EUR	54	238
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	2
HJS 12 Beteiligungsgesellschaft mbH[3]	Munich	100.0		EUR	278	1.3
HVB Asset Leasing Limited	London	100.0		USD	0	(37)
HVB Asset Management Holding GmbH[3]	Munich	100.0	100.0	EUR	25	2
HVB Capital LLC	Wilmington	100.0		USD	1,128	87
HVB Capital LLC II	Wilmington	100.0		GBP	2	0
HVB Capital LLC III	Wilmington	100.0		USD	1,107	90
HVB Capital Partners AG[3]	Munich	100.0		EUR	12,671	1.4
HVB Export Leasing GmbH	Munich	100.0		EUR	39	0
HVB Funding Trust II	Wilmington	100.0		GBP	2	0
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0		EUR	28	0
HVB Gesellschaft für Gebäude mbH & Co KG[3]	Munich	100.0		EUR	871,401	12,978
HVB Hong Kong Limited	Hong Kong	100.0		USD	4,631	384
HVB Immobilien AG[3]	Munich	100.0		EUR	86,644	1.5
HVB Investments (UK) Limited	George Town	100.0		GBP	0	0
HVB Life Science GmbH & Co. Beteiligungs-KG	Munich	100.0		EUR	1,025	36
HVB London Investments (AVON) Limited	London	100.0		GBP	0	0
HVB Principal Equity GmbH[3]	Munich	100.0		EUR	34	1.6
HVB Profil Gesellschaft für Personalmanagement mbH[3]	Munich	100.0		EUR	28	1.7
HVB Projekt GmbH[3]	Munich	100.0	94.0	EUR	72,151	2
HVB Realty Capital Inc.	New York	100.0	100.0	USD	0	0
HVB Secur GmbH	Munich	100.0		EUR	126	1.8
HVB Tecta GmbH[3]	Munich	100.0	94.0	EUR	1,751	2
HVB Verwa 1 GmbH[3]	Munich	100.0		EUR	41	1.9
HVB Verwa 4 GmbH[3]	Munich	100.0		EUR	10,132	1.10
HVB Verwa 4.4 GmbH[3]	Munich	100.0	100.0	EUR	10,025	2
HVBFF International Greece GmbH	Munich	100.0	100.0	EUR	14	(1)
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0	EUR	8	(1)
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0	EUR	37	(2)
HVBFF Produktionshalle GmbH i.L.	Munich	100.0	100.0	EUR	20	0
HVZ GmbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	148,091	(10,906)
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0	EUR	14	2
Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße[3]	Munich	100.0	100.0	EUR	26	(2,103)
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG[3]	Munich	80.0	80.0	EUR	(850)	0
HypoVereinsFinance N.V.	Amsterdam	100.0		EUR	2,279	201
Interra Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	51	2
Kinabalu Financial Products LLP	London	100.0		GBP	818	(28)
Kinabalu Financial Solutions Limited	London	100.0		GBP	1,700	0

Other Information

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Life Management Erste GmbH	Munich	100.0	100.0	EUR	24	2
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	26	2
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung[3]	Munich	100.0		EUR	16,692	1.11
MILLETERRA Gesellschaft für Immobilien-verwaltung mbH[3]	Munich	100.0	100.0	EUR	25	2
Mobility Concept GmbH	Oberhaching	60.0	60.0	EUR	11,373	6,967
Movie Market Beteiligungs GmbH	Munich	100.0	100.0	EUR	16	(1)
NF Objekt FFM GmbH[3]	Munich	100.0	100.0	EUR	125	2
NF Objekt München GmbH[3]	Munich	100.0	100.0	EUR	75	2
NF Objekte Berlin GmbH[3]	Munich	100.0	100.0	EUR	15,725	2
Ocean Breeze Asset GmbH & Co. KG	Bremen	100.0	100.0	EUR	0	(3)
Ocean Breeze Energy GmbH & Co. KG[3]	Bremen	100.0	100.0	EUR	(57,444)	(26,247)
Ocean Breeze GmbH	Bremen	100.0	100.0	EUR	22	(2)
Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG[3]	Munich	100.0	94.0	EUR	26	(1)
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG[3]	Munich	100.0	94.0	EUR	26	(142)
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG[3]	Munich	100.0	100.0	EUR	3,075	(1,316)
Orestos Immobilien-Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	56,674	2
Othmarschen Park Hamburg GmbH & Co. Centerpark KG[3]	Munich	100.0	100.0	EUR	(18,942)	0
Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG[3]	Munich	100.0	100.0	EUR	(44,083)	0
Perikles 20092 Vermögensverwaltung GmbH	Bremen	100.0	100.0	EUR	24	(1)
Portia Grundstücks-Verwaltungs-gesellschaft mbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	500,014	2,850
"Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	30	0
Redstone Mortgages Limited	London	100.0		GBP	26,674	10,814
RHOTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	2
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(38,070)	950
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Saarland[3]	Munich	100.0	100.0	EUR	1,534	(1,103)
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum[3]	Munich	100.0	100.0	EUR	2,301	10,725
Salvatorplatz-Grundstücksgesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	2
Selfoss Beteiligungsgesellschaft mbH[3]	Grünwald	100.0	100.0	EUR	25	2
Simon Verwaltungs-Aktiengesellschaft i.L.[4]	Munich	<100.0		EUR	3,084	(15)
Sirius Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0	EUR	(143,835)	2
Solos Immobilien- und Projektentwicklungs GmbH & Co. Sirius Beteiligungs KG[3]	Munich	100.0	100.0	EUR	(33,823)	950
Spree Galerie Hotelbetriebsgesellschaft mbH[3]	Munich	100.0	100.0	EUR	249	2
Structured Invest Société Anonyme	Luxembourg	100.0		EUR	7,000	3
Structured Lease GmbH	Hamburg	100.0	100.0	EUR	36,750	2
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(7,024)	(17)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,489)	(24)
TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs-KG[3]	Munich	75.0	75.0	EUR	(268,579)	0
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(391)	(20)
TIVOLI Grundstücks-Aktiengesellschaft	Munich	99.7	99.7	EUR	12,366	4,850
Transterra Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	2
TRICASA Grundbesitz Gesellschaft mbH & Co. 1. Vermietungs KG[3]	Munich	100.0	100.0	EUR	8,757	945
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	21,291	3,842
Trinitrade Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0		EUR	1,319	(3)

Other Information

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UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,175	[1.12]
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	103,216	3,216
UniCredit (China) Advisory Limited	Beijing	100.0		CNY	2,427	186
UniCredit Direct Services GmbH[3]	Munich	100.0		EUR	927	[1.13]
UniCredit Global Business Services GmbH	Unterföhring	100.0		EUR	11,546	3,538
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	(2,985)	(1,112)
UniCredit Leasing GmbH	Hamburg	100.0		EUR	452,026	[1.14]
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	114,597	18
UniCredit Zweite Beteiligungs GmbH	Munich	100.0		EUR	1,000	[1.15]
US Property Investments Inc.	Dallas	100.0		USD	721	(20)
Verba Verwaltungsgesellschaft mit beschränkter Haftung	Munich	100.0		EUR	748	(6)
Vermietungsgesellschaft mbH & Co. Objekt MOC KG[3]	Munich	89.0	89.0	EUR	(102,083)	1,787
Verwaltungsgesellschaft Katharinenhof mbH[3]	Munich	100.0		EUR	708	[1.16]
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	[2]
VuWB Investments Inc.	Wilmington	100.0	100.0	USD	3,684	308
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,531	[1.17]
WealthCap Aircraft 27 GmbH & Co. geschlossene Investment KG	Grünwald	100.0	100.0	USD	1	-1
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	1,256	(460)
WealthCap Equity Management GmbH	Munich	100.0	100.0	EUR	1,219	1,194
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	(392)	208
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	275	219
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	[2]
WealthCap Investments, Inc.	Wilmington	100.0	100.0	USD	1,386	(6)
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	[2]
WealthCap Kapitalverwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	7,099	[2]
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	531.2311	180
WealthCap Management Services GmbH	Grünwald	100.0	100.0	EUR	210.24541	23
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	46	15
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	3,065	2,019
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	[2]
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0	EUR	43	1
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0	EUR	178	128
WMC Aircraft 27 Leasing Limited	Dublin	100.0	100.0	USD	(2,500)	3,401
1.1.2 Non-consolidated subsidiaries[5]						
Other non-consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH	Grünwald	100.0	100.0	EUR	25	[2]
AGRUND Grundstücks-GmbH	Munich	90.0	90.0			
Alexandersson Real Estate I B.V.	Apeldoorn	100.0	100.0			
"Alte Schmelze" Projektentwicklungsgesellschaft mbH	Munich	100.0	100.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH	Ebersberg	98.8	98.8			
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.9			
Apir Verwaltungsgesellschaft mbH & Co. Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(27,550)	950
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0			
BFL Beteiligungsgesellschaft für Flugzeug-Leasing mbH	Munich	100.0				

Other Information

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BIL Aircraftleasing GmbH	Grünwald	100.0	100.0			
BIL Immobilien Fonds GmbH	Munich	100.0	100.0			
BIL Leasing GmbH & Co Hotel Rostock KG i.L.	Rostock	58.9	58.9			
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0			
BV Grundstücksentwicklungs-GmbH & Co. Schloßberg-Projektentwicklungs-KG	Munich	100.0	100.0			
Deltaterra Gesellschaft für Immobilien-verwaltung mbH	Munich	100.0	93.9	EUR	26	[2]
Ferra Immobilien- und Projektentwicklungs GmbH & Co. Projekt Großenhainer Straße KG	Munich	100.0	100.0	EUR	(8,933)	900
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	[2]
Großkugel Immobilien- und Projekt-entwicklungs GmbH	Munich	100.0	100.0	EUR	(3,354)	[2]
H.F.S. Immobilienfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 3 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 4 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 6 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 7 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 8 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 9 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 10 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 11 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 12 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 15 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 16 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 18 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 19 GmbH & Co. KG	Munich	100.0	100.0			
H.F.S. Immobilienfonds Europa 2 Beteiligungs GmbH	Munich	100.0	100.0			
H.F.S. Immobilienfonds Europa 3 Beteiligungs B.V.	The Hague	100.0	100.0			
H.F.S. Immobilienfonds Europa 3 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds GmbH & Co. Europa 4 KG	Munich	100.0	100.0			
H.F.S. Leasingfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Leasingfonds Deutschland 7 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0			
H.F.S. Value Management GmbH	Munich	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 2 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 3 GmbH & Co. KG	Munich	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 4 GmbH & Co. KG	Munich	100.0	100.0			
Hofgarten Real Estate B.V. (share of voting rights: 50.5%)	Amsterdam	47.2	47.2	EUR	(49,269)	(19)
HVB Life Science GmbH	Munich	100.0				
HVB London Trading Ltd.	London	100.0				
HVB Services South Africa (Proprietary) Limited	Johannesburg	100.0				
HVBFF Baumanagement GmbH	Munich	100.0	100.0	EUR	50	[2]
HVBFF Kapitalvermittlungs GmbH	Munich	100.0	100.0	EUR	19	[2]

Other Information

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HVBFF Leasing & Investition GmbH & Co Erste KG	Munich	100.0	100.0			
HVBFF Leasing Objekt GmbH	Grünwald	100.0	100.0			
HVBFF Leasing-Fonds Verwaltungs GmbH	Munich	100.0	100.0			
HVZ GmbH & Co. Objekt Unterföhring KG	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	[2]
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Verwaltungs Erste GmbH	Munich	100.0	100.0			
Life Verwaltungs Zweite GmbH	Grünwald	100.0	100.0			
Motion Picture Production GmbH	Grünwald	51.2	51.2			
Olos Immobilien- und Projektentwicklungs GmbH & Co. Grundstücksentwicklungs KG	Munich	100.0	100.0			
Omnia Grundstücks-GmbH	Munich	100.0	100.0	EUR	26	[2]
Omnia Grundstücks-GmbH & Co. Betriebs KG	Munich	100.0	94.0			
Othmarschen Park Hamburg Wohn- und Gewerbepark GmbH	Munich	100.0	100.0	EUR	102	[2]
Perterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Projekt Vorrat GmbH	Munich	100.0	100.0			
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0			
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0			
Saphira Immobilien- und Projektentwicklungs GmbH & Co. Frankfurt City West Office Center und Wohnbau KG	Munich	100.0	100.0			
Schloßberg-Projektentwicklungs-GmbH & Co 683 KG	Munich	100.0	100.0			
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co. Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,002)	0
Tishman Speyer Berlin Friedrichstraße KG i.L. (share of voting rights: 96.6% total, of which 7.1% held indirectly)	Munich	97.1	5.9			
UniCredit CAIB Securities UK Ltd.	London	100.0				
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(23,947)	975
VereinWest Overseas Finance (Jersey) Limited	St. Helier	100.0				
WealthCap Aircraft 27 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Canadian Management Inc.	Toronto	100.0	100.0			
WealthCap Dritte Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	263	251
WealthCap Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Erste Kanada Immobilien Verwaltung GmbH	Munich	100.0	100.0			
WealthCap Europa Erste Immobilien - Objekt Niederlande - Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Fünfte Objekte Österreich Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Europa Immobilien Siebte Objekte Österreich Komplementär GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Immobilien Deutschland 39 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilien Nordamerika 16 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Nordamerika 17 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien und Verwaltung Sekundär GmbH	Munich	100.0	100.0			
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0			

Other Information

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
WealthCap Immobilienfonds Deutschland 36 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 36 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilienfonds Deutschland 37 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilienfonds Deutschland 38 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	100.0	100.0			
WealthCap Los Gatos 131 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Los Gatos 131 Albright Way L.P.	Wilmington	100.0	100.0			
WealthCap Management, Inc.	Wilmington	100.0	100.0	USD	238	297
WealthCap Mountain View GP, Inc.	Georgia	100.0	100.0			
WealthCap Objekt Essen GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Riem II GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 6 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 9 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 9 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 11 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 12 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 13 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Private Equity GmbH	Munich	100.0	100.0			
WealthCap Private Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Private Equity 19 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Real Estate GmbH	Munich	100.0	100.0			
WealthCap Real Estate Komplementär GmbH	Munich	100.0	100.0			
WealthCap Real Estate Sekundär GmbH	Munich	100.0	100.0			
WealthCap SachWerte Portfolio 2 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial 3 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial-AIF 3 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Vorrats-1 GmbH	Grünwald	100.0	100.0			
WealthCap Vorrats-2 GmbH	Grünwald	100.0	100.0			
WealthCap Zweite Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Zweite USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte Immobilien 4 Komplementär GmbH	Munich	100.0	100.0			

Other Information

NAME	REGISTERED OFFICE	SHARE OF CAPITAL in %	CURRENCY	SUBSCRIBED CAPITAL in thousands of currency units
1.2 Fully consolidated structured entities with or without shareholding				
Altus Alpha Plc	Dublin	0	EUR	40
Arabella Finance Ltd.	Dublin	0	EUR	<1
BARD Engineering GmbH	Emden	0	EUR	100
BARD Holding GmbH	Emden	0	EUR	25
Buitengaats Holding B.V.	Eemshaven	0	EUR	18
Cuxhaven Steel Construction GmbH	Cuxhaven	0	EUR	25
Elektra Purchase No. 17 S.A. - Compartment 2	Luxembourg	0	EUR	<1
Elektra Purchase No. 28 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 31 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 32 S.A.	Luxembourg	0	EUR	31
Elektra Purchase No. 33 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 34 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 35 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 36 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 37 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 38 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 40 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 41 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 911 Ltd.	St. Helier	0	EUR	<1
European-Office-Fonds	Munich	0	EUR	0
GELDILUX-TS-2013 S.A.	Luxembourg	0	EUR	31
GELDILUX-TS-2015 S.A.	Luxembourg	0	EUR	31
GEMMA Verwaltungsgesellschaft mbH & Co. Vermietungs KG (held indirectly)	Pullach	6.1	EUR	68,326
Grand Central Funding Corporation	New York	0	USD	1
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing) (held indirectly)	Munich	<0.1	EUR	61,171
H.F.S. Leasingfonds Deutschland 7 GmbH & Co. KG (held indirectly)	Munich	<0.1	EUR	56,605
HVB Funding Trust	Wilmington	0	USD	0
HVB Funding Trust III	Wilmington	0	USD	0
MOC Verwaltungs GmbH & Co. Immobilien KG (held indirectly)[4,6]	Munich	23.0	EUR	5,113
Newstone Mortgage Securities No. 1 Plc.	London	0	GBP	13
Ocean Breeze Finance S.A. - Compartment 1	Luxembourg	0	EUR	0
OSI Off-shore Service Invest GmbH	Hamburg	0	EUR	25
OWS Logistik GmbH	Emden	0	EUR	13
OWS Natalia Bekker GmbH & Co. KG	Emden	0	EUR	1
OWS Ocean Zephyr GmbH & Co. KG	Emden	0	EUR	6
OWS Off-shore Wind Solutions GmbH	Emden	0	EUR	25
OWS Windlift 1 Charter GmbH & Co. KG	Emden	0	EUR	1
Pure Funding No. 10 Ltd.	Dublin	0	EUR	<1
Rosenkavalier 2008 GmbH	Frankfurt am Main	0	EUR	25
Rosenkavalier 2015 UG	Frankfurt am Main	0	EUR	8
Royston Leasing Ltd.	Grand Cayman	0	USD	1

Other Information

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
2 Joint ventures						
Minor joint ventures						
Other companies						
Heizkraftwerk Cottbus Verwaltungs GmbH i.L.	Cottbus	33.3		EUR	354	245
Heizkraftwerke-Pool Verwaltungs-GmbH	Munich	33.3		EUR	138	822

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
3 Associated companies						
3.1 Associated companies valued at equity						
Other companies						
Adler Funding LLC	Dover	32.8		USD	11,027	4,192
Bulkmax Holding Ltd.	Valletta	45.0	45.0	USD	29,252	(598)
Comtrade Group B.V.	Amsterdam	21.1	21.1	EUR	32,577	9,636
Nautilus Tankers Limited	Valletta	45.0	45.0	USD	31,424	2,200
paydirekt Beteiligungsgesellschaft privater Banken mbH	Berlin	24.0		EUR	8,384	5
SwanCap Partners GmbH (share of voting rights: 49.0%)	Munich	75.3		EUR	5,238	2,734
3.2 Minor associated companies[5]						
Other companies						
BioM Venture Capital GmbH & Co. Fonds KG (share of voting rights: 20.4%)	Planegg	23.5		EUR	453	(1,701)
CMP Fonds I GmbH (share of voting rights: 25.0%)	Berlin	32.7				
DFA Deggendorfer Freihafen Ansiedlungs-GmbH	Deggendorf	50.0	50.0			
DFA Deggendorfer Freihafen Ansiedlungs-GmbH & Co.Grundstücks-KG	Deggendorf	50.0	50.0			
InfrAm One Corporation	City of Lewes	37.5	37.5	USD	(7,675)	(3,256)
MOC Verwaltungs GmbH	Munich	23.0	23.0			
SK BV Grundstücksentwicklung Verwaltung GmbH i.L.	Cologne	50.0	50.0			

Other Information

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	SHARE OF CAPITAL IN % OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
4 Holdings in excess of 20% without significant influence[5]						
Other companies						
BayBG Bayerische Beteiligungsgesellschaft mbH[7]	Munich	22.5		EUR	200,331	6,734
Bayerischer BankenFonds GbR	Munich	25.6				
B.I.I. Creditanstalt International Ltd. (share of voting rights: 0%)	George Town	40.2				
Felicitas GmbH i.L.	Munich	20.8				
GermanIncubator Erste Beteiligungs GmbH (share of voting rights: 9.9%)	Munich	39.6				
HVB Trust Pensionsfonds AG (share of voting rights: 0%)[8]	Munich	100.0		EUR	4,022	103
Lauro Ventidue S.p.A. (share of voting rights: 0%)	Milan	24.2	24.2	EUR	21,148	(91,451)
Meditinvest Gayrimenkul Danismanlik A.S.	Istanbul	42.1	42.1	TRY	20,014	(671)
Mozfund (Proprietary) Limited (share of voting rights: 12.5%)	Sandton	40.0				
Mühoga Münchner Hochgaragen Gesellschaft mit beschränkter Haftung	Munich	25.0	25.0	EUR	4,391	2,133
REF IV Associates (Caymans) L.P. Acqua CIV S.C.S. (share of voting rights: 0%)	Luxembourg	38.3	38.3	EUR	80	(15,685)
SwanCap FLP SCS (share of voting rights: 37.5%)[9]	Senningerberg	0		EUR	1,755	3
SwanCap FLP II SCSp (share of voting rights: 37.5%)[9]	Senningerberg	0				

NAME	REGISTERED OFFICE	SHARE OF CAPITAL OF HVB in %	SHARE OF VOTING RIGHTS OF HVB in %
5 Holdings in large corporations in which the holding exceeds 5% of the voting rights but is not already listed under holdings in excess 20%			
5.1 Banks and financial institutions			
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt am Main	15.4	15.4
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich	10.5	10.5
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8	7.8
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1	9.1
Bürgschaftsbank Sachsen GmbH	Dresden	4.7	5.4
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9	8.9
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4	5.4
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7	8.7
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5	10.5
5.2 Other companies			
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	6.0	6.0
VBW Bauen und Wohnen GmbH	Bochum	10.1	10.1

Other Information

NAME	REGISTERED OFFICE	SHARE OF CAPITAL OF HVB in %	SUBSCRIBED CAPITAL € millions
6 Other selected holdings below 20%			
6.1 Banks and financial institutions			
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3	3.2
Saarländische Investitionskreditbank AG	Saarbrücken	3.3	5.2
6.2 Other companies			
BioM Aktiengesellschaft Munich Bio Tech Development	Planegg	8.5	2.9
Börse Düsseldorf AG	Düsseldorf	3.0	5.0
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6	4.1
EURO Kartensysteme GmbH	Frankfurt	6.0	2.6
Kepler Cheuvreux S.A.	Paris	5.2	54.7
MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH	Stuttgart	5.0	3.6
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH (share of voting rights: 11.1%)	Mainz	9.8	2.6
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH (share of voting rights: 3.7%)	Kiel	3.6	1.4
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg mbH	Potsdam	11.6	5.7
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern GmbH	Schwerin	15.4	5.1
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH	Hanover	8.2	0.9
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8	29.0
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7	6.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt	13.4	10.0
Saarländische Kapitalbeteiligungsgesellschaft mbH	Saarbrücken	8.7	0.8

Other Information

Exchanges rates for 1 euro at 31 December 2015

Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

China	1 euro =	7.0608	CNY
Turkey	1 euro =	3.1765	TRY
UK	1 euro =	0.73395	GBP
USA	1 euro =	1.0887	USD

Notes and comments to the list of holdings

Percentages marked < or > are rounded up or down to one decimal place, e.g. <100.0% = 99.99% or > 0.0% = 0.01%.

1) UniCredit Bank AG has concluded profit-and-loss transfer agreements with the following companies:

	COMPANY	PROFIT/(LOSS) TRANSFERRED €'000
1.1)	Bankhaus Neelmeyer AG, Bremen	2,068
1.2)	Food & more GmbH, Munich	(823)
1.3)	HJS Beteiligungsgesellschaft mbH, Munich	4
1.4)	HVB Capital Partners AG, Munich	(2,232)
1.5)	HVB Immobilien AG, Munich	17,486
1.6)	HVB Principal Equity GmbH, Munich	(12)
1.7)	HVB Profil Gesellschaft für Personalmanagement mbH, Munich	(129)
1.8)	HVB Secur GmbH, Munich	2
1.9)	HVB Verwa 1 GmbH, Munich	(2)
1.10)	HVB Verwa 4 GmbH, Munich	266
1.11)	MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	794
1.12)	UniCredit Beteiligungs GmbH, Munich	4,526
1.13)	UniCredit Direct Services GmbH, Munich	1,941
1.14)	UniCredit Leasing GmbH, Hamburg	20,000
1.15)	UniCredit Zweite Beteiligungs GmbH, Munich	1
1.16)	Verwaltungsgesellschaft Katharinenhof mbH, Munich	(112)
1.17)	Wealth Management Capital Holding GmbH, Munich	13,339

2) Profit and loss transfer to shareholders and partners

3) Compliant with Sections 264b and 264 (3), German Commercial Code, the company is exempt from the obligation to make annual financial statements public in accordance with the provisions applicable to corporations.

4) Figures of the 2014 annual accounts are indicated for this consolidated company.

5) Where equity capital and net profit are not stated, the information is omitted due to minor importance compliant with Section 286 (3) 1 No. 1, German Commercial Code. This information is omitted for companies compliant with Section 285 No. 11a, German Commercial code, for the same reason.

6) Equity capital amounts to €23,000 and net profit €1,069,000.

7) Despite a holding of 22.5%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and voting patterns to date.

8) The company is held by a trustee for UniCredit Bank AG.

9) UniCredit Bank AG has the position of a limited partner under company law and participates in the profit of the company.

Other Information

97 Members of the Supervisory Board

Federico Ghizzoni	**Chairman**
Peter König until 20 May 2015 Florian Schwarz since 20 May 2015 Dr Wolfgang Sprissler	**Deputy Chairmen**
Mirko Davide Georg Bianchi Aldo Bulgarelli until 20 May 2015 Beate Dura-Kempf Klaus Grünewald Werner Habich Prof Dr Annette G. Köhler since 20 May 2015 Dr Marita Kraemer Dr Lothar Meyer until 20 May 2015 Gianni Franco Papa since 20 May 2015 Klaus-Peter Prinz Jens-Uwe Wächter	**Members**

Other Information

98 Members of the Management Board

Dr Andreas Bohn until 30 September 2015	**Corporate & Investment Banking**
Peter Buschbeck	**Commercial Banking/ Private Clients Bank**
Dr Michael Diederich since 1 September 2015	**Corporate & Investment Banking**
Lutz Diederichs	**Commercial Banking/ Unternehmer Bank**
Francesco Giordano since 1 June 2015	**Chief Financial Officer (CFO)**
Peter Hofbauer until 31 May 2015	**Chief Financial Officer (CFO)**
Heinz Laber	**Chief Operating Officer (COO) Human Resources Management, Global Banking Services (GBS)**
Andrea Umberto Varese	**Chief Risk Officer (CRO)**
Dr Theodor Weimer	**Board Spokesman**

Munich, 8 March 2016

UniCredit Bank AG
The Management Board

Buschbeck Dr Diederich Diederichs Giordano

Laber Varese Dr Weimer

Declaration by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and Management's Discussion and Analysis 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.

Munich, 8 March 2016

UniCredit Bank AG
The Management Board

Buschbeck　　Dr Diederich　　Diederichs　　Giordano

Laber　　Varese　　Dr Weimer

Independent Auditors' Report

We have audited the consolidated financial statements prepared by UniCredit Bank AG, Munich, – comprising the income statement, statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements – and the group management report for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB ("German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of UniCredit Bank AG, Munich, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 8 March 2016

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Leuschner	Kopatschek
German Public Auditor	German Public Auditor

Income Statement of UniCredit Bank AG

For the year ended 31 December 2015

Expenses

	€ millions			2015	2014
1	**Interest payable**			1,781	2,456
2	**Fees and commissions payable**			297	543
3	**Net expense from the held-for-trading portfolio**			—	—
4	**General administrative expenses**				
	a) payroll costs				
	aa) wages and salaries	1,425			1,248
	ab) social security costs and expenses for				
	pensions and other employee benefits	461			316
			1,886		1,564
	including: for pensions				
	€266 million				(121)
	b) other administrative expenses		1,743		1,695
				3,629	3,259
5	**Amortisation, depreciation and impairment losses**				
	on intangible and tangible assets			37	40
6	**Other operating expenses**			286	182
7	**Write-downs and impairments for receivables and**				
	certain securities as well as additions to provisions				
	for losses on guarantees and indemnities			37	268
8	**Write-downs and impairments on participating**				
	interests, shares in affiliated companies				
	and investment securities			19	50
9	**Expenses from absorbed losses**			5	10
10	**Extraordinary expenses**			22	22
11	**Taxes on income**			101	97
12	**Other taxes, unless shown under**				
	"Other operating expenses"			44	2
13	**Net income**			**398**	**627**
	Total expenses			**6,656**	**7,556**

Income Statement of UniCredit Bank AG

For the year ended 31 December 2015

Income

	€ millions		2015	2014
1	**Interest income from**			
	a) loans and money market operations	3,565		4,107
	b) fixed-income securities and government-inscribed debt	570		666
			4,135	4,773
2	**Current income from**			
	a) equity securities and other variable-yield securities	246		248
	b) participating interests	46		48
	c) shares in affiliated companies	85		100
			377	396
3	**Income earned under profit-pooling**			
	and profit-and-loss transfer			
	agreements		62	166
4	**Fees and commissions receivable**		1,435	1,670
5	**Net income from the held-for-trading portfolio**		284	162
	including: transfer as per Section 340e HGB			
	€32 million			(18)
6	**Write-ups on bad and doubtful debts and on certain**			
	securities as well as release of provisions for losses on			
	guarantees and indemnities		—	—
7	**Write-ups on participating interests,**			
	shares in affiliated companies and			
	investment securities		—	—
8	**Other operating income**		363	389
9	**Net loss**		—	—
	Total income		**6,656**	**7,556**
1	**Net income**		398	627
2	**Withdrawal from retained earnings**			
	a) from the reserve for shares in a controlling			
	or majority interest-holding company	—		—
	b) from other retained earnings	38		29
			38	29
3	**Transfer to retained earnings**			
	a) to the reserve for shares in a controlling			
	or majority interest-holding company	38		29
	b) to other retained earnings	—		—
			38	29
4	**Profit available for distribution**		**398**	**627**

Balance Sheet of UniCredit Bank AG

at 31 December 2015

Assets

	€ millions		31/12/2015	31/12/2014
1	**Cash and cash balances**			
	a) cash on hand	527		489
	b) balances with central banks	10,271		4,649
	including: with Deutsche Bundesbank			
	€5,824 million			(2,188)
			10,798	5,138
2	**Treasury bills and other bills eligible**			
	for refinancing with central banks			
	a) Treasury bills and zero-interest treasury notes and			
	similar securities issued by public authorities	—		—
	including: eligible for refinancing with			
	Deutsche Bundesbank			
	€— million			(—)
	b) bills of exchange	—		—
			—	—
3	**Loans and receivables with banks**			
	a) repayable on demand	3,937		4,418
	b) other loans and receivables	30,309		28,318
			34,246	32,736
	including: mortgage loans			
	€— million			(—)
	municipal loans			
	€65 million			(97)
	against pledged securities			
	€— million			(—)
4	**Loans and receivables with customers**		88,036	85,233
	including: mortgage loans			
	€38,995 million			(38,536)
	municipal loans			
	€9,757 million			(9,842)
	against pledged securities			
	€455 million			(585)
	Amount carried forward:		133,080	123,107

Balance Sheet of UniCredit Bank AG

at 31 December 2015

Liabilities

€ millions			31/12/2015	31/12/2014
1 Deposits from banks				
a) repayable on demand		9,148		6,203
b) with agreed maturity dates or periods of notice		42,392		44,232
			51,540	50,435
including: registered mortgage pfandbriefs in issue				
€451 million				(495)
registered public pfandbriefs in issue				
€232 million				(268)
bonds given to lender as				
collateral for funds borrowed:				
registered mortgage bonds				
€— million				(—)
and registered public-sector bonds				
€— million				(—)
2 Deposits from customers				
a) savings deposits				
aa) with agreed period of notice of three months	13,708			14,523
ab) with agreed period of notice				
of more than three months	84			116
		13,792		14,639
b) registered mortgage pfandbriefs in issue		5,282		6,069
c) registered public pfandbriefs in issue		2,579		2,825
d) other debts				
da) repayable on demand	67,816			56,998
db) with agreed maturity dates or periods of notice	24,971			28,876
including: bonds given to lender as				
collateral for funds borrowed:				
registered Mortgage Pfandbriefs				
€4 million				(4)
and registered Public Pfandbriefs				
€— million				(4)
		92,787		85,874
			114,440	109,407
Amount carried forward:			165,980	159,842

Balance Sheet of UniCredit Bank AG

at 31 December 2015

Assets

	€ millions			31/12/2015	31/12/2014
	Amount brought forward:			133,080	123,107
5	**Bonds and other**				
	fixed-income securities				
	a) money market paper				
	aa) issued by public authorities	3			3
	including: those eligible for collateral for				
	Deutsche Bundesbank advances				
	€- million				(-)
	ab) issued by other borrowers	1,628			4,431
	including: those eligible for collateral for				
	Deutsche Bundesbank advances				
	€- million				(-)
			1,631		4,434
	b) bonds and notes				
	ba) issued by public authorities	20,860			19,817
	including: those eligible for collateral for				
	Deutsche Bundesbank advances				
	€20,491 million				(19.501)
	bb) issued by other borrowers	27,508			25,562
	including: those eligible for collateral for				
	Deutsche Bundesbank advances				
	€17,054 million				(18.327)
			48,368		45,379
	c) own bonds		2,509		750
	nominal value €2,500 million				(750)
				52,508	50,563
6	**Equity securities and other variable-yield securities**			961	991
6a	**Held-for-trading portfolio**			55,027	52,250
7	**Participating interests**			164	308
	including: in banks				
	€8 million				(8)
	in financial service institutions				
	€7 million				(7)
8	**Shares in affiliated companies**			2,487	2,503
	including: in banks				
	€878 million				(878)
	in financial service institutions				
	€557 million				(488)
	Amount carried forward:			244,227	229,722

Balance Sheet of UniCredit Bank AG

at 31 December 2015

Liabilities

	€ millions			31/12/2015	31/12/2014
	Amount brought forward:			165,980	159,842
3	**Debt securities in issue**				
	a) bonds				
	aa) mortgage pfandbriefs	10,311			10,102
	ab) public pfandbriefs	2,595			2,042
	ac) other pfandbriefs	2,502			3,078
			15,408		15,222
	b) other debt securities in issue		—		—
	including: money market paper				
	€— million				(—)
	acceptances and promissory notes				
	€— million				(—)
				15,408	15,222
3a)	**Held-for-trading portfolio**			34,242	28,907
4	**Trust liabilities**			4	4
	including: loans taken out on a trust basis				
	€4 million				(4)
5	**Other liabilities**			7,170	4,627
6	**Deferred income**				
	a) from issuing and lending operations		32		17
	b) other		137		112
				169	129
6a)	**Deferred tax liabilities**			—	—
7	**Provisions**				
	a) provisions for pensions				
	and similar commitments		—		—
	b) tax provisions		627		647
	c) other provisions		2,591		2,444
				3,218	3,091
8	**Subordinated liabilities**			554	575
9	**Participating certificates outstanding**			—	—
	including: those due in less than two years				
	€— million				(—)
10	**Fund for general banking risks**			622	590
	thereof: as per Section 340e HGB				
	€331 million				(299)
	Amount carried forward:			227,367	212,987

Balance Sheet of UniCredit Bank AG

at 31 December 2015

Assets

	€ millions		**31/12/2015**	**31/12/2014**
	Amount brought forward:		244,227	229,722
9	**Trust assets**		4	4
	including: loans granted on a trust basis			
	€4 million			(4)
10	**Intangible assets**			
	a) internally generated intellectual property rights			
	and similar rights and assets	—		—
	b) purchased franchises, intellectual property rights,			
	and similar rights and assets,			
	as well as licences to such rights and assets	21		26
	c) goodwill	—		—
	d) advance payments	3		10
			24	36
11	**Property, plant and equipment**		170	159
12	**Other assets**		883	1,070
13	**Prepaid expenses**			
	a) from issuing and lending operations	39		40
	b) other	74		69
			113	109
14	**Deferred tax assets**		—	—
15	**Excess of plan assets over**			
	pension liabilities		697	867
	Total assets		**246,118**	**231,967**

Balance Sheet of UniCredit Bank AG

at 31 December 2015

Liabilities

	€ millions			**31/12/2015**	**31/12/2014**
	Amount brought forward:			227,367	212,987
11	**Shareholders' equity**				
	a) called-up capital				
	subscribed capital		2,407		2,407
	divided into:				
	802,383,672 shares of common				
	bearer stock				
	b) additional paid-in capital		9,791		9,791
	c) retained earnings				
	ca) legal reserve	—			—
	cb) reserve for shares in a controlling				
	or majority interest-holding company	92			54
	cc) statutory reserve	—			—
	cd) other retained earnings	6,063			6,101
			6,155		6,155
	d) profit available for distribution		398		627
				18,751	18,980
	Total liabilities and shareholders' equity			**246,118**	**231,967**
1	**Contingent liabilities**				
	a) contingent liabilities on rediscounted				
	bills of exchange credited to borrowers		—		—
	b) liabilities under guarantees and				
	indemnity agreements		32,798		34,602
	c) contingent liabilities on assets pledged				
	as collateral for third-party debts		—		—
				32,798	34,602
2	**Other commitments**				
	a) commitments from the sale of assets				
	subject to repurchase agreements		—		—
	b) placing and underwriting commitments		—		—
	c) irrevocable lending commitments		38,578		26,876
				38,578	26,876

Notes to the Annual Financial Statements

Legal basis

The annual financial statements of UniCredit Bank AG (HVB) for the 2015 financial year are prepared in accordance with the accounting regulations in the German Commercial Code (Handelsgesetzbuch – HGB), the German Stock Corporation Act (Aktiengesetz – AktG), the German Pfandbrief Act (Pfandbriefgesetz – PfandBG) and the Regulations Governing Disclosures in the Financial Statements of Banks and Similar Financial Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV).

HVB is active in all of the sectors served by commercial and mortgage banks.

Accounting, valuation and disclosure

The amounts shown in the tables and text below are figures at the reporting date of December 31 in the case of disclosures of balances and developments from 1 January to 31 December of the year in question in the case of disclosures regarding the income statement.

1 Consistency

The same accounting and valuation methods have essentially been applied as last year. Changes in accounting and valuation methods as well as disclosure modifications are indicated for the respective items.

2 Cash and cash balances

The cash and cash balances (asset item 1) are stated at nominal amounts.

3 Treasury bills and bills of exchange

Treasury bills and other bills (asset item 2) are shown at their cash value, less any discounted amounts.

4 Loans and receivables with banks and customers

Loans and receivables with banks and customers (asset items 3 and 4) are always stated at the nominal amount plus any accrued interest. Differences between acquisition cost and nominal amount (premiums/discounts) that are attributable to interest are allocated to prepaid expenses or deferred income and taken to the income statement under net interest income in the correct period over the term of the underlying items. Any necessary write-downs and provisions compliant with Section 340f HGB are deducted.

Loans and receivables are valued at the lower of cost or market as stipulated in Section 253 (4) 1 HGB. HVB creates specific loan-loss provisions and accruals to the amount of the anticipated loss for all identifiable exposure to acute counterparty default risk. The expected flow-backs discounted with the original effective interest rate were used when determining the level of write-downs compliant with Section 253 HGB. Specific loan-loss provisions and accruals are reversed as soon as the default risk has ceased, or used if the receivable is classified as irrecoverable and written off.

Notes to the Annual Financial Statements

Country risk is covered by specific loan-loss provisions for loans at risk of default; a distinction is no longer made between the default risk of the borrower and the transfer risk from the borrower to the Bank.

Latent lending risks are covered by global provisions. When assessing domestic latent lending risks, HVB applies the principles of the German tax regulations allowing financial institutions to deduct global provisions. When assessing foreign latent lending risks, HVB similarly applies the principles of the German tax regulations allowing financial institutions to deduct global provisions. The only exception is the calculation of latent lending risks for the Athens branch, where the global provisions are set up on the basis of Greek law (1% of the average volume of loans and receivables with customers).

Like other loans and receivables, mortgage loans are shown at their nominal values. Differences between the nominal amount and the actual amount paid out are included under either prepaid expenses or deferred income, and amortised over the period to which they apply.

The purpose defined at the time of acquisition (Section 247 (1) and (2) HGB) determines the assignment of loans, receivables and securities to the held-for-trading portfolios, the liquidity reserve or investment assets.

The Bank has made use of the option permitted by Section 340f (3) in the 2015 financial year and has included the change in provisions compliant with Section 340f HGB to net the write-downs and impairments for receivables and certain securities as well as additions to provisions for losses on guarantees and indemnities with the write-ups on bad and doubtful debts and on certain securities as well as release of provisions for losses on guarantees and indemnities.

5 Bonds and other fixed-income securities, and equity securities and other variable-yield securities

Investment securities and securities held for liquidity purposes (securities treated neither as held for trading purposes nor as investment securities) are shown under bonds and other fixed-income securities (asset item 5) and equity securities and other variable-yield securities (asset item 6).

We measure investment securities in accordance with the modified lower of cost or market principle compliant with Section 253 (3) 3 HGB, under which impairments are only to be deducted from the acquisition cost if the loss of value is expected to be permanent. In the case of equity instruments, we recognise an impairment loss if the fair value at the reporting date is significantly lower than the carrying amount or if the fair value has exceeded the carrying amount for a long period of time. In the case of debt instruments, on the other hand, an impairment that is likely to be permanent occurs when the issuer of the securities defaults. In the event of a loss of value that is attributable to market prices, we assume that the impairment is only temporary, as these losses will be balanced out again by the due date at the latest. On the other hand, securities held for liquidity purposes are treated as current assets valued at the lower of cost or market (Section 253 (4) 1 HGB) and carried at their acquisition cost or market value, or fair value, whichever is the lower. Appropriate write-downs are taken to take account of the creditworthiness of the issuer and the liquidity of the financial instrument (for more information about these fair value adjustments, please refer to the comments regarding the held-for-trading portfolio). Where the reasons for a write-down to the lower of cost or market no longer apply, the write-down is reversed compliant with Section 253 (5) HGB.

Notes to the Annual Financial Statements

The Bank sets up portfolio and micro-valuation units documented in advance for certain interest-bearing securities, promissory notes (with a carrying amount of €35,015 million (2014: €29,807 million)) and certain interest rate derivatives hedged against interest rate risk by equivalent hedging derivatives (notably interest rate swaps). The hedge of the dynamic portfolio within the framework of the valuation unit is of unlimited duration; the hedging period of the individual hedging derivatives is always related to the residual maturity of the respective hedged items in the portfolio. The offset changes in the value of the interest-bearing securities amount to an increase of €299 million (2014: €506 million) for the portfolios whose hedged items encompass securities and promissory notes. The requirements of Section 254 HGB regarding valuation units have been met. The prospective hedging efficiency is documented using the interest rate risk sensitivity analysis based on basis point values (BPV). The changes in value arising from the hedged items and hedges induced from the hedged risk are set against each other and offset within the individual valuation units. Under the net hedge presentation method, no net valuation gain is taken to the income statement; provisions are set up to cover any net loss on the ineffective portion of the changes in value. Any valuation loss arising from the unhedged risk is included in the respective hedged items and hedging derivatives in accordance with the imparity principle.

The Bank makes use of the option permitted by Section 340f (3) HGB to net the write-downs and impairments for receivables and certain securities as well as additions to provisions for losses on guarantees and indemnities with the write-ups on bad and doubtful debts and on certain securities as well as release of provisions for losses on guarantees and indemnities.

6 Held-for-trading portfolio

Compliant with Section 340e (3) HGB, financial instruments held by banks for trading purposes are measured at fair value less a risk discount and recognised in the balance sheet. Any ensuing changes in value and provisions relating to trading transactions are recognised in the income statement under net income from the held-for-trading portfolio. In addition, compliant with Section 340e (4) HGB an amount is allocated to the “Fund for general banking risks” in accordance with Section 340g HGB, and shown in the balance sheet separately. HVB assigns all financial instruments (bonds, equity securities, derivatives, loans and receivables, and liabilities, including delivery obligations arising from short sales of securities) to the held-for-trading portfolio that are acquired and sold with the intention of generating a short-term gain on proprietary trading. This is done to exploit existing or anticipated differences between buying and selling prices or fluctuations in market rates, prices, values or interest rates to generate a trading gain or margin. No changes have been made compared with last year regarding the criteria for assignment to the trading portfolio (definition of the intention to trade). No financial instruments have been reclassified to or from the held-for-trading portfolio. The assets and liabilities that are held for trading are shown separately in the balance sheet (asset item 6a and liability item 3a).

We have determined the fair value of the financial instruments held for trading purposes in accordance with the valuation hierarchy specified in Section 255 (4) HGB. The fair value is normally defined as the amount at which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the balance sheet date. The market price is used for financial instruments for which there is an active market. Where there is no active market that can be used to determine the market price, the fair value is determined with the aid of generally recognised valuation methods (notably present value and option price models).

Notes to the Annual Financial Statements

The fair values of securities and derivatives are assumed on the basis of either external price sources (such as stock exchanges or other price providers like Reuters) or determined using internal valuation models. For the most part, prices from external sources are used to calculate the fair value of securities. HVB's credit risk is included in the fair value of liabilities held for trading purposes. Derivatives are primarily measured on the basis of valuation models. The parameters for our internal valuation models (such as yield curves, volatilities and spreads) are taken from external sources, and checked for their validity and correctness by the Risk Control unit.

Appropriate adjustments (referred to as fair value adjustments) are made to the fair values calculated in this way in order to take account of further influences on the fair value (such as the liquidity of the financial instrument or model risks when the fair value is calculated using a valuation model). Rating-related default risk in trading-book derivatives is covered by applying suitable valuation adjustments (CVAs and DVAs). Funding valuation adjustments (FVAs) were recognised in the income statement for the first time at 31 December 2015 for the measurement at fair value of not fully secured derivatives. Apart from unsecured derivatives, this also affects derivatives for which collateral has been provided in favour of the counterparty only.

The main conditions that can influence the amount, timing and certainty of future cash flows from derivatives essentially relate to the following features of derivatives:
- Where the cash flows under derivatives are linked to current market prices or rates, the respective market price or market rate at the payment date determines the amount payable (in the case of interest rate swaps, for instance, the payment of the variable interest rate on the payment date depends on the interest rate fixed on this date, such as Euribor).
- Where the derivatives allow for cash settlement at fair value on the due date, the amount payable is calculated as the difference between the price set when the derivative was entered into and the current market price (in the case of a foreign exchange forward with cash settlement, for instance, the difference between the agreed forward price and the current price is payable).
- In the case of American options, unlike European options, the option buyer has the right to exercise the option at any time during the term of the option.
- Where it is possible to terminate a derivative prior to maturity (as is the case with all exchange-traded derivatives, for instance), the derivative may be terminated by paying the current fair value.
- The counterparty's credit rating and solvency are a further important consideration. If the counterparty becomes insolvent, it can no longer be expected that it will meet its obligations arising from the derivative.

These features may be included in the terms agreed for any type of derivative. Thus it is possible that foreign exchange, interest rate and equity options may be exercised at any time (American option) or only at maturity (European option). It is generally possible to determine the size of the derivative positions entered into from the respective nominal amounts.

In order to obtain the final figures disclosed in the balance sheet for the held-for-trading portfolios, the risk discount required by Section 340e (3) 1 HGB is deducted from the fair values of the financial instruments held for trading purposes determined in this way. Including the risk discount in net trading income reflects the risk of possible price losses up until the earliest possible date of realisation of unrealised valuation gains or losses. In accordance with the relevant regulatory rules, the risk discount is determined on the basis of the internal risk management system using an accounting value-at-risk approach (holding period of ten days; confidence level: 99%; 2-year observation period). We have deducted the risk discount determined for the entire held-for-trading portfolio from the assets held for trading purposes in the balance sheet (asset item 6a) and recognised it in the net income from the held-for-trading portfolio.

HVB employs derivative financial instruments both for trading purposes and to hedge balance sheet items. The vast majority are trading derivatives which are disclosed at their fair value in the held-for-trading portfolio items on the assets side and liabilities side of the balance sheet and taken to the income statement.

Notes to the Annual Financial Statements

Derivatives that are not associated with the held-for-trading portfolio continue to be treated in accordance with the principle of the non-recognition of pending transactions. Only cash flows that have started, such as option premiums and accrued upfront payments on unvalued banking book derivatives, are disclosed under other assets (asset item 12), other liabilities (liability item 5) and deferred income or prepaid expenses (asset item 13 and liability item 6). Irrespective of whether it results from the hedged item or the hedging derivative, any net loss arising from valuation units set up for the netting (compensation) of the change in value of the hedged item and hedging derivative associated with the hedged risk is to be taken to the income statement as a provision for valuation units. In accordance with German GAAP, any change in fair value arising from the unhedged risk in both the hedged item and the hedging instrument is recognised on a gross basis in compliance with individual valuation under the imparity principle.

The interest rate derivatives employed for asset/liability management of the general interest rate risk associated with receivables and liabilities in the banking book are measured as part of the aggregate interest position. Please refer to the Risk Report for a discussion of the management of the overall interest rate position.

The few remaining standalone derivatives outside the trading book are valued in accordance with the imparity principle. A provision for anticipated losses on pending transactions is set up for unrealised valuation losses; unrealised valuation gains are not recognised.

Derivatives held for trading purposes that were concluded under master agreements together with a credit support annex allowing for daily exchange of collateral are netted for each counterparty in the balance sheet. Such netting encompasses both the carrying amount of the derivatives and the collateral provided for each counterparty.

Extensive information about our derivative financial instruments, complete with detailed breakdowns by product and risk type, and showing the nominal amounts, fair values and the counterparty structure, is included in the note to the annual financial statements regarding derivative financial instruments.

The Risk Report contains a detailed overview of the Bank’s derivative transactions.

7 Participating interests and shares in affiliated companies

Participating interests and shares in affiliated companies (asset items 7 and 8) are shown at the lower of acquisition cost or – if there is a permanent impairment – fair value prevailing at the balance sheet date.

Where HVB holds a controlling interest, profits and losses of partnerships as well as dividends paid by limited or incorporated companies are recognised in the year in which they arise, provided the relevant legal conditions are met.

Compliant with Section 340c (2) 1 HGB, HVB nets income from write-ups on participating interests, shares in affiliated companies and investment securities (income item 7) with write-downs on these investments (expense item 8). In addition, the expense and income items which reflect the results from the disposal of financial assets are included in this netting process in accordance with the option permitted by Section 340c (2) 2 HGB.

Notes to the Annual Financial Statements

8 Intangible assets
Goodwill and software are disclosed under intangible assets (asset item 10).

Purchased goodwill is calculated by setting the acquisition cost of a company against the value of the company's individual assets, less the liabilities at the time of acquisition. It is normally amortised over the standard useful life of five years assumed by law. In justified cases, the goodwill may be amortised over a longer period, provided the individual expected useful operating life exceeds five years. An impairment is recognised in the event of a permanent loss of value. Should the reasons for the impairment no longer apply, the lower amount recognised for derivative goodwill is retained.

Purchased intangible assets are capitalised at cost and amortised over their expected useful life of three to five years (software) or a longer contractual useful life of up to ten years (other intangible assets). Impairments are recognised where necessary. HVB has not made use of the capitalisation option for internally generated intangible assets classified as non-current.

9 Property, plant and equipment
Property, plant and equipment (asset item 11) is valued at acquisition or production cost, less – insofar as the assets are depreciable – depreciation using the straight-line method based on their expected useful life. In such cases, the useful lives are closely related to the depreciation rules specified in Section 7 of the German Income Tax Act (Einkommensteuergesetz – EStG) in conjunction with the depreciation tables for equipment. Pro rata depreciation is taken to the income statement for additions to furniture and office equipment in the year of acquisition.

Low-value assets with acquisition costs of up to €150 are fully expensed in the year of acquisition and shown as additions and disposals in the analysis of non-current assets. We set up a collective item for all items of property, plant and equipment with acquisition costs of between €150 and €1,000 (pool depreciation in accordance with Section 6 (2a) EStG), one-fifth of which we reverse in the financial year of creation and each of the following four years in the income statement.

10 Liabilities
Liabilities (liability items 1 to 3, 8 and 9) are stated at the amount repayable plus accrued interest. Differences between the amount repayable and the amount disbursed (premiums/discounts) that are attributable to interest are allocated to prepaid expenses or deferred income, and reversed under net interest income in the correct accounting period. Liabilities without current interest payments (zero-coupon bonds) are stated at their present value calculated using a constant discount rate over the relevant terms.

Notes to the Annual Financial Statements

11 Provisions

In accordance with the principles of sound commercial judgement, we assess provisions for taxes, uncertain liabilities and anticipated losses on pending transactions (liability item 7) at the amount repayable, taking into account anticipated future price and cost increases. Provisions falling due in more than one year are discounted using the average market rate of the past seven financial years determined and published by Deutsche Bundesbank as appropriate for the respective maturities.

HVB offers its employees various types of company pension plans. To fund the company pension plans, HVB has covered its pension commitments largely with plan assets managed as external trustee assets with limited access. These plan assets are set against the liabilities arising from pension commitments or similar long-term commitments. If the plan assets of the pension funds, pension guarantee associations or retirement benefit corporations in question do not cover the amount of the equivalent pension commitments payable, HVB recognises a provision for pension funds and similar obligations in the amount of the shortfall. If the fair value of the plan assets exceeds the commitments, the difference is recognised as the excess of plan assets over pension liabilities.

We measure payment obligations arising from pension commitments at the amount payable calculated using the projected unit credit method on the basis of biometric probabilities. Anticipated future salary and pension increases are taken into account when measuring the pension commitment. Insofar as the amount of the pension commitments is determined exclusively by the fair value of securities, we recognise provisions for this at the fair value of these securities where it exceeds a guaranteed minimum amount. HVB has made use of the option to employ the average market rate determined and published by Deutsche Bundesbank as the discount rate for an assumed residual maturity of 15 years.

The discount rate for December 2015 published by Deutsche Bundesbank for a residual maturity of 15 years at 3.89% p.a. (2014: 4.58% p.a.) and a pension trend of 1.60% p.a. (2014: 1.70% p.a.) were applied in the actuarial calculation of the amount payable at 31 December 2015. A figure of 2.00% p.a. (2014: 2.50% p.a.) has been included in the calculation for the anticipated wage and salary increases; a figure of 0.50% (2014: 0.50%) has been included in the calculation for the career trend. Mortality and disability rates are based on the modified Heubeck 2005 G tables. At HVB, life expectancy has been reduced to 90% for women (2014: 90%) and 75% for men (2014: 75%), and the probability of disability to 80% for both men and women (2014: 80%), of the figures shown in the tables.

Income and expenses arising from the compounding and discounting of provisions for pensions are included in other operating income less other operating expenses. However, the current service cost accruing during the period and the effects arising from changed assumptions regarding the wage, salary and pension trend and biometric probabilities are disclosed under payroll costs. The same principles apply for the impact on earnings arising from the change in the group of beneficiaries and the change in provisions for pension in connection with company restructuring activities. Similarly, the impact on earnings of the change in the discount rate arising during the course of the 2015 financial year is allocated to payroll costs.

An allocation totalling €332 million is required as the recognised provision for pensions and similar commitments rises on account of the inclusion of future pay and pension increases and the change in the discount rate caused by the changeover to the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG). HVB makes use of the option compliant with Section 67 (1) 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB) to aggregate the amount allocable to the provisions for pensions in annual instalments of one-fifteenth in every financial year up to 31 December 2024. The annual allocation of €22 million is charged to extraordinary income/expenses in the income statement.

Furthermore, IDW RS BFA 3 requires the Bank to check whether it has incurred a loss on the aggregate holding of interest-bearing transactions in the banking book. The Bank applies the net present value approach to ascertain

Notes to the Annual Financial Statements

whether there are any circumstances beyond the individual valuation that had already occurred in economic terms at the reporting date that would lead to losses in the future. In this instance, it would be necessary to set up a provision for anticipated losses on pending transactions to ensure loss-free valuation in the banking book. To do this, the cash flows from the interest-bearing transactions in the banking book are discounted on the basis of the market interest rates at the reporting date and set against their carrying amounts using the net present value approach. All on- and off-balance-sheet, interest-bearing financial instruments outside of the held-for-trading portfolio are included in this process. All costs to be incurred in connection with the interest-bearing transactions such as risk costs, administration costs for handling the transactions through to their maturity, funding costs and so on are taken into account for discounting. The contractual cash flows are normally used as the basis; appropriate assumptions regarding the anticipated utilisation are only made and hence an economic maturity used as the basis for financial instruments with no fixed maturity (such as demand and savings deposits) in compliance with the internal risk management rules. The present values calculated in this way are set against the carrying amounts; derivatives concluded to hedge interest rate risk in the banking book are recognised at their fair value and generally set against a carrying amount of zero as they are not carried as general hedging derivatives individually in the banking book. A provision for anticipated losses on pending transactions needs to be set up to cover any shortfall between the present value determined in this way and the carrying amount. In this context, positive differences on interest-bearing transactions may not be offset against negative differences unless the transactions concerned are controlled together in internal interest rate risk management.

12 Plan assets

Assets serving exclusively to settle pension commitments or similar long-term commitments, and to which all other creditors do not have recourse, are measured at fair value and offset against the underlying commitment.

If the offsetting results in an excess of commitments over plan assets, we recognise a provision for pensions and similar commitments (liability item 7) to this amount. If the value of the assets exceeds the commitments, the amount is recognised under excess of plan assets over pension liabilities (asset item 15).

The plan assets consist mainly of investment fund shares that are recognised at the current redemption price (fair value).

Income and expenses arising from plan assets are shown in net interest income.

Compliant with Section 8a of the German Semi-Retirement Act (Altersteilzeitgesetz – AltTZG), employee credits for semi-retirement are secured by pledging securities to the trustee.

Notes to the Annual Financial Statements

13 Deferred tax assets and liabilities

Compliant with Section 274 HGB, deferred tax items are determined for temporary differences between the carrying amount of an asset, liability or deferred item shown in the commercial balance sheet and the corresponding amount disclosed for tax reporting purposes as well as for tax loss carryforwards and tax credits. German corporations are normally charged a corporate income tax rate of 15%, irrespective of any dividend distribution. Deferred taxes are measured using the uniform corporate income tax rate of 15.8%, including the solidarity surcharge, and the municipal trade tax dependent upon the applicable municipal trade tax multiplier. At HVB, this results in an overall valuation rate for the domestic portion of deferred taxes of 31.4%. The respective local tax rates are applied analogously for the foreign establishments. Compliant with Section 274 (1) 2 HGB, the deferred tax assets involved have not been recognised on account of an aggregate future reduction in tax. This results mainly from tax valuation provisions regarding general provisions and held-for-trading portfolios as well as tax loss carryforwards.

14 Foreign currencies

Amounts in foreign currency are translated in accordance with the principles set forth in Section 340h and Section 256a HGB. As a result, assets and liabilities denominated in foreign currency and spot transactions outstanding at the balance sheet date are always converted into euros using the mean spot rate applicable at the balance sheet date. The foreign currency positions in the portfolio not held for trading that are concluded in each currency are transferred to the held-for-trading portfolio on a daily basis under a standard system of currency risk management that is applicable across the Bank as a whole. The translation gains on the foreign currency positions managed in the held-for-trading portfolio are recognised at fair value in the income statement in accordance with the valuation methods applicable to the held-for-trading portfolio (Section 340e (3) 1 HGB). Consequently, the entire net income from FX trading is disclosed under net income from the held-for-trading portfolio in the income statement. On the other hand, investment securities denominated in foreign currency that are not specifically covered in the same currency and are not transferred to the held-for-trading portfolio as part of currency risk management applicable throughout the Bank are carried at their historical cost. Outstanding forward transactions are translated using the forward rate effective at the balance sheet date.

Notes to the Balance Sheet

15 Breakdown by maturity of selected asset items

The following table shows the breakdown by maturity of selected asset items:

€ millions			2015	2014
A 3 b)	Other loans and receivables with banks			
	with residual maturity of less than 3 months		15,248	11,623
		at least 3 months but less than 1 year	9,021	11,656
		at least 1 year but less than 5 years	5,242	4,257
		5 years or more	798	782
A 4	Loans and receivables with customers			
	with residual maturity of less than 3 months		7,028	6,715
		at least 3 months but less than 1 year	7,074	6,134
		at least 1 year but less than 5 years	28,658	27,703
		5 years or more	36,222	35,508
		No fixed maturity	9,054	9,173
A 5	Bonds and other fixed-income securities, amounts due in the following year		10,932	15,703

Notes to the Balance Sheet

16 Breakdown by maturity of selected liability items

The following table shows the breakdown by maturity of selected liability items:

€ millions			2015	2014
L 1	Deposits from banks			
L 1b)	with agreed maturity dates or periods of notice			
	with residual maturity of less than 3 months		24,621	17,314
		at least 3 months but less than 1 year	6,813	15,261
		at least 1 year but less than 5 years	6,297	7,187
		5 years or more	4,661	4,470
L 2	Deposits from customers			
L 2 ab)	savings deposits with agreed maturity dates or periods of notice			
	with residual maturity of less than 3 months		12	6
		at least 3 months but less than 1 year	20	28
		at least 1 year but less than 5 years	50	77
		5 years or more	2	5
L 2 b)	registered mortgage pfandbriefs in issue			
L 2 c)	registered public pfandbriefs in issue			
L 2 db)	other debts with agreed maturity dates or periods of notice			
	with residual maturity of less than 3 months		11,331	15,330
		at least 3 months but less than 1 year	8,042	8,103
		at least 1 year but less than 5 years	4,843	5,179
		5 years or more	8,616	9,158
L 3	Debt securities in issue			
L 3 a)	Bonds, amounts due in following year		4,218	5,065
L 3 b)	other debt securities in issue			
	with residual maturity of less than 3 months		—	—
		at least 3 months but less than 1 year	—	—
		at least 1 year but less than 5 years	—	—
		5 years or more	—	—

Notes to the Balance Sheet

17 Amounts receivable from and payable to affiliates and companies in which participating interests are held

€ millions	2015		2014	
	AFFILIATES	PARTICIPATING INTERESTS	AFFILIATES	PARTICIPATING INTERESTS
Loans and receivables with banks	15,428	221	19,920	205
of which: UniCredit S.p.A.	1,830	—	873	—
Loans and receivables with customers	3,066	716	3,021	679
Bonds and other fixed-income securities	43	5,669	4,488	3,174
of which: UniCredit S.p.A.	39	—	4,178	—
Deposits from banks	5,403	165	10,702	191
of which: UniCredit S.p.A.	961	—	1,142	—
Deposits from customers	1,120	542	1,278	411
Debt securities in issue	321	—	457	—
of which: UniCredit S.p.A.	—	—	—	—
Subordinated liabilities	308	—	292	—

There have been a number of transactions involving UniCredit S.p.A. and other UniCredit group companies since the integration of HVB into the UniCredit group of companies.

The sharp rise in loans and receivables with UniCredit S.p.A. in the reporting period results mainly from securities repurchase transactions. Furthermore, the portfolio of bonds and other fixed-income securities with UniCredit S.p.A. fell sharply on account of short-term issues falling due.

In its role as centre of competence for markets and investment banking for the entire UniCredit group, HVB acts as counterparty for derivative transactions conducted by UniCredit companies. For the most part, this involves hedge derivatives of UniCredit group companies that are externalised on the market by HVB.

Notes to the Balance Sheet

18 Trust business

Trust business assets and liabilities break down as follows:

€ millions	2015	2014
Trust assets	**4**	**4**
Loans and receivables with banks	—	—
Loans and receivables with customers	4	4
Equity securities and other variable-yield securities	—	—
Participating interests	—	—
Other assets	—	—
Trust liabilities	**4**	**4**
Deposits from banks	4	4
Deposits from customers	—	—
Debt securities in issue	—	—
Other liabilities	—	—

There were no significant changes in trustee activities compared with last year.

Notes to the Balance Sheet

19 Foreign-currency assets and liabilities

€ millions	2015	2014
Assets	**46,672**	**46,706**
Cash and cash balances	4,447	2,461
Treasury bills and other bills eligible for refinancing with central banks	—	—
Loans and receivables with banks	3,511	4,211
Loans and receivables with customers	14,657	13,303
Bonds and other fixed-income securities	3,151	2,571
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio (assets held for trading purposes)	20,710	23,975
Participating interests	8	8
Shares in affiliated companies	86	80
Trust assets	—	—
Intangible assets	—	—
Property, plant and equipment	5	5
Other assets	91	85
Prepaid expenses	6	7
Liabilities	**40,615**	**36,596**
Deposits from banks	13,013	9,040
Deposits from customers	6,463	6,489
Debt securities in issue	10	239
Held-for-trading portfolio (liabilities held for trading purposes)	20,720	20,381
Trust liabilities	—	—
Other liabilities	147	197
Deferred income	52	40
Provisions	43	59
Subordinated liabilities	167	151

The amounts shown represent the euro equivalents of all currencies.

Notes to the Balance Sheet

20 Subordinated asset items

The following balance sheet items contain subordinated assets:

€ millions	2015	2014
Subordinated asset items	**2,839**	**2,492**
Loans and receivables with banks	322	642
Loans and receivables with customers	68	86
Bonds and other fixed-income securities	2,174	1,495
Equity securities and other variable-yield securities	—	7
Held-for-trading portfolio	275	262

21 Marketable debt and investments

The listed and unlisted marketable securities included in the respective balance sheet items break down as follows:

	2015			2014		
€ millions	TOTAL MARKETABLE SECURITIES	OF WHICH: LISTED	OF WHICH: UNLISTED	TOTAL MARKETABLE SECURITIES	OF WHICH: LISTED	OF WHICH: UNLISTED
Bonds and other fixed-income securities	52,508	41,781	10,727	50,563	40,096	10,467
Equity securities and other variable-yield securities	76	—	76	80	4	76
Held-for-trading portfolio	27,248	22,209	5,039	25,518	20,467	5,051
Participating interests	—	—	—	106	106	—
Shares in affiliated companies	—	—	—	—	—	—

Non-current marketable securities contain financial instruments carried at an amount higher than their fair value.

	2015		2014	
€ millions	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current securities	**4,652**	**4,530**	**2,199**	**2,080**
Bonds and other fixed-income securities	4,652	4,530	2,199	2,080
Equity securities and other variable-yield securities	—	—	—	—

Given the development of interest and rating risks, we do not believe that these securities have suffered a permanent loss of value.

Notes to the Balance Sheet

22 Held-for-trading portfolio

The following table shows the breakdown of assets held for trading purposes (asset item 6a) by financial instruments:

€ millions	2015	2014
Assets held for trading	**55,027**	**52,250**
Derivative financial instruments (positive fair values)	13,679	15,662
Loans and receivables	12,204	9,946
Bonds and other fixed-income securities	14,766	14,899
Equity securities and other variable-yield securities	13,624	11,567
Other assets	777	201
Less risk discount (for entire portfolio of assets held for trading purposes)	(23)	(25)

The following table shows the breakdown of liabilities held for trading purposes (liability item 3a) by financial instruments:

€ millions	2015	2014
Liabilities held for trading	**34,242**	**28,907**
Derivative financial instruments (negative fair values)	11,618	12,862
Liabilities (including delivery obligations arising from short sales of securities)	22,624	16,045

Derivatives held for trading purposes that were concluded under master agreements together with a credit support annex allowing for daily exchange of collateral were netted for each counterparty in the balance sheet. The netting for each counterparty encompasses both the carrying amount of the derivatives and the collateral provided. This involved netting positive fair values of €48.2 billion with negative fair values of €49.3 billion on derivatives held for trading with the associated receivables (€9.4 billion) and liabilities (€8.3 billion) from collateral provided.

Notes to the Balance Sheet

23 Investment funds

The following table contains information regarding shares in investment funds compliant with Section 285 No. 26 HGB for which the Bank's holding exceeds 10% of the total number of shares:

€ millions	2015				2014			
	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE CARRYING AMOUNT/ FAIR VALUE	DIVIDEND PAYMENTS	CARRYING AMOUNT	FAIR VALUE	DIFFERENCE CARRYING AMOUNT/ FAIR VALUE	DIVIDEND PAYMENTS
Total investment funds	**840**	**844**	**4**	**2.7**	**658**	**661**	**3**	**0.6**
Equity funds	256	256	—	1.7	151	151	—	—
Money market funds and near-money market funds	32	32	—	—	20	20	—	—
Mixed funds	188	192	4	0.2	220	223	3	0.2
Index funds	241	241	—	0.2	208	208	—	0.1
Bond funds	66	66	—	0.3	37	37	—	0.3
Funds of funds	57	57	—	0.3	22	22	—	—

In addition, the Bank holds all the shares in the "European-Office-Fonds" property special purpose entity, which is fully consolidated in the Bank's consolidated financial statements in accordance with IFRS 10.

Under Section 246 (2) HGB, assets to which all other creditors do not have access and which serve exclusively to settle liabilities arising from pension commitments or similar long-term commitments must be offset against these liabilities. Where these assets represent shares in investment funds, they are not shown in this table.

The shares listed in this table are held in either the Bank's held-for-trading portfolio or its liquidity reserve. Where necessary, the holdings in the liquidity reserve are always written down to the lower fair value.

In the case of the information regarding the dividend payments, it should be noted that the positions included in the table frequently represent investment funds that reinvest dividends in themselves. Consequently, the dividend payments shown in the table serve only as a limited indicator for the performance of the investment funds.

There are no indications of a restriction on daily return for the shares listed here.

Notes to the Balance Sheet

24 Analysis of non-current assets

€ millions	ACQUISITION/ PRODUCTION COST	ADDITIONS DURING FINANCIAL YEAR	DISPOSALS DURING FINANCIAL YEAR	RECLASSIFICATIONS DURING FINANCIAL YEAR[1]	WRITE-UPS DURING FINANCIAL YEAR	DEPRECIATION/ AMORTISATION ACCUMULATED	SCHEDULED DEPRECIATION/ AMORTISATION DURING FINANCIAL YEAR	NON-SCHEDULED DEPRECIATION/ AMORTISATION DURING FINANCIAL YEAR	DISPOSALS DEPRECIATION/ AMORTISATION DURING FINANCIAL YEAR	NET BOOK VALUE 31/12/2015	NET BOOK VALUE 31/12/2014
Intangible assets	**699**	**6**	**127**	**1**	**—**	**555**	**17**	**—**	**125**	**24**	**36**
thereof:											
Software	689	3	127	11	—	555	17	—	125	21	26
Downpayments	10	3	—	(10)	—	—	—	—	—	3	10
Other intangible assets	—	—	—	—	—	—	—	—	—	—	—
Property, plant and equipment	**456**	**31**	**42**	**6**	**—**	**281**	**19**	**1**	**36**	**170**	**159**
thereof:											
Land and buildings used by HVB in its operations	205	2	6	(1)	—	104	7	1	6	96	103
Furniture and office equipment	251	29	36	7	—	177	12	—	30	74	56
Other non-current assets	**21**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**21**	**21**

	ACQUISITION COST	CHANGES +/-[2]	NET BOOK VALUE 31/12/2015	NET BOOK VALUE 31/12/2014
Participating interests	272	(108)	164	308
Shares in affiliated companies	2,696	(209)	2,487	2,503
Investment securities	11,539	(2,054)	9,485	11,539

1 The "Reclassifications during financial year" column shows the changes in value as a result of currency translation, among other things.

2 Use has been made of the possibility of combining amounts allowed by Section 34 (3) RechKredV.

Notes to the Balance Sheet

25 Other assets

The following table shows the main items included in other assets:

€ millions	2015	2014
Claims to tax reimbursements	526	518
Claims to dividends from affiliated companies	138	261
Proportion of income from commission/interest not yet received	57	64
Trade debtors	35	25
Proportion of income from portfolio fees	30	33
Capital investments with life insurers	24	22
Works of art	21	21

The claims to tax reimbursements consist of claims of €346 million (2014: €473 million) arising from income tax and of €180 million (2014: €45 million) arising from non-income taxes. The claims to dividends from affiliated companies include €64 million (2014: €85 million) in prorated income from UniCredit Luxembourg.

26 Prepaid expenses

The prepaid expenses arising from issuing and lending operations include the following:

€ millions	2015	2014
Discounts on funds borrowed	39	40
Premiums on amounts receivable	—	—

Notes to the Balance Sheet

27 Excess of plan assets over pension liabilities

An amount payable of €1,543 million arising from liabilities due to pension and similar commitments was set against offsetting plan assets with a fair value of €2,041 million. Under the initial application provisions of the BilMoG, use was made of the option to spread the amount allocable to pension provisions equally over a period of 15 years. One-fifteenth of the transitional amount was allocated to the provision for pensions in the 2015 financial year. The omitted transitional allocation in the year under review totalled €199 million. The excess of assets over commitments, taking into account the omitted transitional allocation, is disclosed in the balance sheet as the excess of plan assets over pension liabilities (€697 million). The acquisition cost of the offsetting plan assets totalled €1,814 million. The assets involved are essentially fund shares, subordinated bonds, investments, and cash and cash equivalents.

€ millions	2015	2014
Amount payable for offset pension and similar commitments	1,543	1,335
Fair value of the offsetting plan assets	2,041	1,981
Omitted transitional allocation	199	221
Excess of plan assets over the commitments, including the shortfall	697	867
Acquisition cost of the offsetting plan assets	1,814	1,788

The following table shows the surplus from pension commitments:

€ millions	2015	2014
Net interest income from pension commitments	**—**	**17**
Income from plan assets used to offset pension and similar commitments	58	75
Expense component of the change in provisions for pensions and similar commitments	58	58
Expenses from plan assets used to offset pension and similar commitments	—	—

Notes to the Balance Sheet

28 Assets assigned or pledged as security for own liabilities

Assets were assigned or pledged as security for the following liabilities:

€ millions	2015	2014
Assets assigned or pledged as security for own liabilities	**43,306**	**33,860**
Deposits from banks	31,018	25,954
Deposits from customers	12,288	7,906

In addition, collateral is pledged to the ECB, irrespective of whether this is actually used to borrow funds or not. At 31 December 2015, the volume of pledged collateral amounted to €14 billion (2014: €13 billion).

Examples of own liabilities for which HVB provides collateral are special credit facilities provided by KfW and similar institutions, which the Bank has passed as loans in compliance with their conditions.

As a seller under repurchase agreements, HVB has transferred securities with a book value of €34 billion (2014: €24 billion) to its funding partners. The total includes €7 billion relating to own securities holdings. These securities continue to be shown under HVB's assets. The consideration received in return is stated under liabilities. They comprise mainly international money market transactions.

At the same time, further assets totalling €16,132 million (2014: €17,405 million) were pledged as security for securities lending transactions and exchange-traded derivatives.

In setting up a contractual trust arrangement (CTA), HVB transferred collateral to the asset administrator to hedge pension and semi-retirement obligations. Pursuant to Section 8a AltTZG, employers are required to hedge credit exceeding three times the amount of normal earnings, including the associated employer's contribution to the total social security charge, against the risk of insolvency. Recognised provisions and obligations to cover the costs of other group companies are not considered suitable means of security.

Notes to the Balance Sheet

29 Other liabilities

The following table shows the main items included in other liabilities:

€ millions	2015	2014
Amounts owed to special purpose entities	5,657	3,140
Obligations arising from debts assumed	846	911
Taxes payable	173	67
Other amounts owed to employees	122	109
Trading book valuation reserves	13	26
Amounts yet to be distributed from outplacements, etc.	6	10
Liabilities from losses absorbed from subsidiaries	4	9

The true sale transactions included under amounts owed to special purpose entities were carried out with a view to using the securities generated as collateral for repurchase agreements with the ECB. The underlying receivables are still recognised by HVB. All tranches are retained by the Bank, meaning that there is no corresponding reduction in risk-weighted assets.

The obligations arising from debts assumed essentially reflect obligations arising from the liquidation of media funds.

The taxes payable mainly include liabilities from non-income taxes of €173 million.

30 Deferred income

Discounts on amounts receivable shown at nominal value totalled €13 million (2014: €10 million). Furthermore, other deferred income includes accrued commissions of €23 million (2014: €15 million) and interest of €58 million (2014: €61 million) collected in advance.

Notes to the Balance Sheet

31 Provisions

Other provisions include the following items:

€ millions	2015	2014
Total other provisions	**2,591**	**2,444**
Provisions for losses on guarantees and indemnities	224	243
Anticipated losses on pending transactions	—	—
Provisions for uncertain liabilities	2,367	2,201
thereof:		
Legal risks	548	416
Valuation units	482	455
Payments to employees	319	293
Restructuring	204	264
Payments for early retirement, semi-retirement, etc.	91	57
Anniversary bonus payments	41	43
Bonuses on saving plans	23	24
Other	659	649

The provisions for legal risks shown under provisions for uncertain liabilities contain provisions for litigation fees and damage payments. The other provisions essentially include provisions for pre-emptive rights and rental guarantees.

32 Subordinated liabilities

This item includes accrued interest of €4 million (2014: €5 million). HVB incurred interest expenses of €29 million on subordinated liabilities in 2015 (2014: €48 million).

The borrower cannot be obliged to make early repayment in the case of subordinated liabilities. In the event of insolvency or liquidation, subordinated loans are only repaid after the claims of all primary creditors have been settled. For the purposes of a bank's liable funds as defined under banking supervisory regulations, subordinated liabilities are regarded as supplementary capital.

On 25 January 2001, HVB issued a subordinated promissory note with a volume of €96 million. This subordinated promissory note matures on 27 January 2031 and bears interest at the 6-month Euribor rate, taking account of a surcharge of 0.65% p.a. for the entire term.

Shareholders' Equity

33 Analysis of shareholders' equity shown in the balance sheet

€ millions		
a) Called-up capital		
Subscribed capital		
Balance at 1 January 2015	2,407	
Balance at 31 December 2015		2,407
b) Additional paid-in capital		
Balance at 1 January 2015	9,791	
Balance at 31 December 2015		9,791
c) Retained earnings		
ca) Legal reserve		
Balance at 1 January 2015	—	
Balance at 31 December 2015		—
cb) Reserve for shares in a controlling or majority interest-holding company		
Balance at 1 January 2015	54	
Transfer to the reserve for shares in a controlling or majority interest-holding company	38	
Balance at 31 December 2015		92
cc) Reserve set up under the Articles of Association		
Balance at 1 January 2015	—	
Balance at 31 December 2015		—
cd) Other retained earnings		
Balance at 1 January 2015	6,101	
Withdrawal for the transfer to the reserve for shares in a controlling or majority interest-holding company	(38)	
Balance at 31 December 2015		6,063
d) Profit available for distribution		
Balance at 1 January 2015	627	
Dividend payout of HVB for 2014	(627)	
Net profit 2015	398	
Balance at 31 December 2015		398
Shareholders’ equity		
Balance at 31 December 2015		18,751

Shareholders' Equity

34 Holdings of HVB stock in excess of 5%

in %	2015	2014
UniCredit S.p.A.	100.0	100.0

Compliant with Section 271 (2) HGB, HVB is an affiliated company of UniCredit S.p.A., Rome (UniCredit), and is included in the consolidated financial statements of UniCredit, which can be obtained from the Trade and Companies Register in Rome, Italy.

35 Amounts not available for distribution

The measurement at fair value of offsetting plan assets in connection with pension commitments and semi-retirement agreements gives rise to an amount of €228 million (2014: €193 million). Compliant with Section 268 (8) HGB, freely disposable provisions have been set up to cover the amount not available for distribution.

36 Holdings pursuant to Section 285 No. 11 and 11a HGB

The complete list of shareholdings as a constituent part of the notes to the financial statements is given in the section entitled "List of Holdings" in this Annual Report.

Notes to the Income Statement

The condensed income statement is shown with the Management Report.

37 Breakdown of income by region

The following table shows a breakdown by region of:
– interest income
– current income from equity securities and other variable-yield securities, participating interests and shares in affiliated companies
– fees and commissions receivable
– net profit on financial operations and
– other operating income

€ millions	2015	2014
Total income	**6,595**	**7,389**
Germany	5,567	6,108
Italy	441	623
UK	330	380
Rest of Europe	40	41
Americas	144	153
Asia	73	84

Notes to the Income Statement

38 Net interest income

The following table shows the breakdown of net interest:

€ millions	2015	2014
Net interest income	**6,355**	**2,879**
Interest income from		
lending and money market transactions	3,565	4,107
fixed-income securities and government-inscribed debt	570	666
Current income from equity securities and other variable-yield securities, participating interests and shares in affiliated companies	377	396
Income from profit-pooling and profit-and-loss-transfer agreements	62	166
Interest expenses	1,781	2,456

Negative interest that the Bank is required to pay for assets (such as interest for average reserve assets exceeding the required minimum reserves and for other deposits at the ECB) is reported under interest income with a negative sign; where negative interest is received on the liabilities side, this is entered as interest expenses with a positive sign.

Current interest income and expenses related to the held-for-trading portfolios as well as dividend income (so-called trading-induced interest) of €476 million are included in net interest income.

The interest expense arising from the compounding of provisions amounts to €4 million (2014: €6 million).

Notes to the Income Statement

39 Services performed for third parties
HVB performed significant services for third parties notably in portfolio, asset and trust-loan management, in the brokerage of insurance, savings and loan contracts and investment funds, in investment and securities commission activities, and in the handling of payments.

40 Net income from the held-for-trading portfolio
The net income from the held-for-trading portfolio (net trading income) of €284 million (2014: €162 million) includes the offset income and expenses arising from transactions involving financial instruments held for trading purposes, complete with the full net income from FX operations. Also carried here are certain fees and commissions in connection with transactions involving financial instruments held for proprietary trading purposes and trading with precious metals. We carry the current interest income/expense resulting from held-for-trading portfolios (so-called trading-induced interest) as well as dividend income in net interest income and in current income rather than in net trading income in accordance with our internal management.

41 Breakdown of other operating income and expenses
This item primarily includes income from the reversal of provisions other than provisions for lending and securities operations (€154 million (2014: €232 million)), payroll costs and cost of materials passed on (€67 million (2014: €71 million)) and the recognition of income from services performed in earlier years (€8 million).

Other operating expenses include the following:
- compensation and ex gratia payments (€21 million (2014: €14 million))
- additions to provisions other than provisions for lending and securities operations (€218 million (2014: €101 million))
- expenses of €3 million related to other periods as well
- expenses of €58 million (2014: €58 million) arising from the compounding and discounting of provisions for pensions and similar provisions

42 Expenses from absorbed losses
There was an expense of €110,000 from an absorbed loss in other accounting periods in the 2015 financial year.

43 Extraordinary income/expenses
The initial application of the new provisions set forth in the BilMoG at 1 January 2010 resulted in expenses of €22 million in 2015 (2014: €22 million) arising from the revaluation of provisions for pensions to be disclosed under extraordinary income/expenses.

Notes to the Income Statement

44 Taxes on income

All of the taxes on income relate to income from ordinary operations.

45 Net profit

The profit available for distribution amounts to €398 million. We will propose to the Shareholders' Meeting that a dividend of €398 million be paid to UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.50 per share after around €0.78 in 2014. In accordance with a resolution adopted by the Shareholders' Meeting on 20 May 2015, the profit available for distribution of €627 million generated in 2014 was distributed to UniCredit.

Other Information

46 Contingent liabilities and other financial commitments

The following table shows the breakdown of contingent liabilities arising from guarantees and indemnity agreements totalling €32,798 million:

€ millions	2015	2014
Guarantees and indemnities	16,554	19,346
Loan guarantees	14,264	13,016
Documentary credits	1,980	2,240
Total	**32,798**	**34,602**
thereof to affiliated companies	15,940	15,368

Irrevocable lending commitments totalling €38,578 million break down as follows:

€ millions	2015	2014
Book credits	33,544	24,758
Mortgage and municipal loans	2,319	1,601
Guarantees	2,715	517
Bills of exchange	—	—
Total	**38,578**	**26,876**
thereof to affiliated companies	944	855

Utilisation by the Bank on account of the contingent liabilities and other commitments that it has entered into is possible as part of its banking activities. Thus, every loan is fundamentally granted by utilising a previously made lending commitment that is shown under other commitments. Although utilisation by the Bank under contingent liabilities is not very probable in the case of guarantees it has issued, the possibility cannot be excluded. Utilisation is also the general case with regard to the documentary credits also shown here, as these are employed in the handling of foreign trade payments.

The key factor in this regard is that utilisation by the Bank under its contingent liabilities and other commitments does not generally lead to a loss. Instead, it results in the loan granted being recognised as is the case when a lending commitment is utilised. Provisions for anticipated losses on pending transactions that are required due to commitments to make payouts to defaulting borrowers are set up and deducted from the disclosed contingent liabilities and other commitments.

Up until now, we have carried the credit card facilities granted to customers (credit card limits) under irrevocable lending commitments. Given the fact that the credit card agreement and the related facility may be terminated at any time, these are revocable lending commitments that do not need to be disclosed. We have modified disclosure accordingly and adjusted the year-ago totals by €1,847 million.

HVB has made use of the option to provide up to 30% 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 €22 million at year-end 2015.

Other Information

Other financial commitments arising from real estate and IT operations total €293 million (2014: €268 million). A large part of the total relates to contracts with subsidiaries (€149 million (2014: €138 million)). The contracts run for standard market periods, and no charges have been put off to future years.

At the reporting date on 31 December 2015, HVB had pledged securities worth €1,885 million (2014: €1,090 million) as collateral for transactions with Eurex Frankfurt AG, Frankfurt am Main.

As part of real estate financing and development operations, HVB assumes rental obligations or issues rental guarantees to make fund constructions more marketable – in particular for lease funds and (closed) KG real estate funds. Provisions have been set aside to cover identifiable risks arising from such guarantees.

Commitments for uncalled payments on shares not fully paid up amounted to €44 million at year-end 2015 (2014: €45 million), and similar obligations for shares in cooperatives totalled €1 thousand (2014: €1 thousand). HVB was not liable for any defaults on such calls under Section 22 (3) and Section 24 GmbHG.

Where employees are granted a bonus that is disbursed over a period of several years under their variable compensation arrangements, such a bonus represents an expense for the period from 2011 to 2015 and is taken to the income statement on a pro rata basis accordingly. Especially in the case of the group of employees identified as “risk-takers”, the German regulations governing institutions’ remuneration systems (Instituts-Vergütungsverordnung) requires such a bonus to be disbursed over a period of several years. The bonus is granted subject to the proviso that the beneficiaries satisfy specific criteria (in the case of bonuses granted in the form of shares, stock options or deferred cash payments) that comply with both the regulatory requirements and the Bank’s own rules. In addition, the bonus is linked to further conditions (such as a malus arrangement that ensures that no loss is recorded at either the UniCredit corporate level or the level of the individual beneficiary or there is a significant reduction in the results achieved). Provisions totalling €166 million were set aside in the income statement at 31 December 2015 in connection with bonus commitments. The final amount disbursed may be higher, should the plan conditions be met.

In a ruling dated 30 September 2014, the German Federal Labour Court (Bundesarbeitsgericht – BAG) had decided that the escape clause concerning the adjustment of occupational pensions is not applicable for occupational pensions originated before the German Actuarial Reserve Regulation (Deckungsrückstellungsverordnung – DeckRV) came into force or under which the discount rate exceeds the maximum rate specified. This could also have been applicable to the occupational pension commitments undertaken by the Bank by way of Versicherungsverein des Bankgewerbes a.G. (BVV). At the end of 2015, the lawmaker responded to the BAG’s decision by amending Section 16 (3) No. 2 of the German Occupational Pensions Act (Betriebsrentengesetz – BetrAVG) and clarified its intention. Withdrawing the reference to the maximum rate under the Actuarial Reserve Regulation negates the employer’s obligation to assess an adjustment if the occupational pension is provided by a regulated pension fund and the latter uses all the shares in surpluses accruing on the pension pool to increase the occupational pensions. Accordingly, the BAG decision is not expected to have any major impact and the existence or incurrence of an obligation for the Bank is not anticipated.

In its function as personally liable shareholder, HVB had unlimited liability arising from shares in two partnerships at the reporting date.

Other Information

Under Section 5 (10) of the by-laws of the Deposit Guarantee Fund, we have undertaken to indemnify the Association of German Banks, Berlin, against any losses it might incur as a result of action taken on behalf of the banks in which we have a majority interest.
With a Statement of Responsibility dated 21 December 1993, HVB issued an undertaking to the State of Baden Wuerttemberg (Ministry of Finance) to assume a liquidity provision obligation in the event of the sale, liquidation or bankruptcy of HVB Projekt GmbH.

47 Statement of Responsibility

HVB ensures that, to the extent of its shareholding, the companies set forth below are in a position to meet their contractual obligations except in the event of political risks:

1. Banks
Bankhaus Neelmeyer AG, Bremen
UniCredit Luxembourg S.A., Luxembourg
2. Financial companies
UniCredit Leasing GmbH, Hamburg
3. Companies with bank-related auxiliary services
HypoVereinsFinance N.V., Amsterdam

HVB's commitment arising from the above Statement of Responsibility declines by the extent to which HVB's shareholding decreases in the future with regard to such commitments of the relevant company that did not arise until after HVB's shareholding decreased. Where HVB is no longer a shareholder in a company listed above, our commitment arising from the above Statement of Responsibility ends on the date on which our holding ceased with regard to such liabilities of the relevant company that did not arise until our shareholding ceased.

HVB no longer provides a Statement of Responsibility for companies for which a Statement of Responsibility had been provided in earlier annual reports but which no longer appear in the above list. Liabilities of these companies arising before the reduction or cessation of the shareholding are only not covered by such Statements of Responsibility that were earlier subject to the Statements of Responsibility provided before the reduction or cessation of the shareholding in each case.

48 Auditor's fees

We have made use of the option provided by Section 285 No. 17 HGB and refer to the disclosures regarding the fees paid to the independent auditors in the section of the consolidated financial statements at 31 December 2015 entitled “Other Information”.

Other Information

49 Off-balance-sheet transactions

Special purpose entities

HVB maintains business relations with a number of special purpose entities that pursue varying business models and hold various different types of assets. HVB's business relations with the special purpose entities are recognised in the financial statements either on or off the balance sheet.

The Bank uses special purpose entities to securitise both the Bank's own receivables and customer receivables. The latter involve commercial paper conduits for which the Bank provides guarantees and liquidity facilities.

In the case of the Bank's own receivables, the special purpose entities mainly serve to procure liquidity. These do not, however, result in the securitised receivables being taken off the books as they involve either synthetic securitisations aimed at reducing risk or securitisation transactions with all risks retained to create securities as collateral with central banks. The securitisation of customer receivables is generally accompanied by an improvement in the customer's liquidity situation and a broadening of the funding base, whereby the Bank generates income from the structuring service and the facilities provided. HVB may face economic disadvantages, in particular, should the facilities provided be drawn down.

In addition, there are special purpose entities for which HVB acts solely as an investor, for instance to purchase securities or grant loans. The ensuing risks may lead to write-downs being recognised on the positions involved.

In some instances, HVB controls a special purpose entity from an economic point of view, which entails full consolidation of the special purpose entity in the consolidated financial statements of HVB.

Revocable credit commitments

HVB has granted its customers credit and liquidity facilities that are callable at any time and are not shown either on or off the balance sheet. The advantage for HVB from this customary, standardised product lies in the possibility of generating additional interest and commission income. This is set against the risk of a deterioration in the financial situation of those customers to whom these credit commitments were made.

Outsourcing of activities

Like other affiliated companies, HVB has outsourced IT activities to UniCredit Business Integrated Solutions S.C.p.A., Milan. The goal is to exploit synergies and enable HVB to offer fast, high-quality IT services.

Furthermore, HVB has transferred certain activities relating to the settlement of transactions to UniCredit Global Business Services GmbH, Unterföhring, and UniCredit Business Integrated Solutions S.C.p.A., Milan, companies affiliated with the Bank that provide settlement services for HVB and other affiliated companies in line with a standard business and operating model.

HVB has outsourced the handling of securities transactions in Germany and its Milan branch to an external service provider. The purpose of this for HVB is to permanently reduce its operating costs.

Other Information

50 Regulatory disclosure requirements (Disclosure Report)

HVB has been classified as a significant subsidiary of UniCredit within the meaning of Article 13 (1) of the Capital Requirements Regulation (CRR), making it subject to the scope of the CRR (Article 13 (1) and Part 8 CRR) and certain extended in accordance with Section 26a KWG (disclosure under Pillar III).

HVB discloses this information on a standalone basis in the form of a separate disclosure report. Since 2015, this report has been published on the Bank's website under About us > Investor Relations > Reports on an annual basis at 31 December, at each quarter-end during the year and shortly after the publication of the annual and interim reports.

Due to the increased significance, the disclosure of the remuneration policy and practices for those categories of staff whose professional activities have a material impact on the Bank's risk profile (known as "risk takers") required by Article 450 CRR in conjunction with section 16 (1) of the German Regulation on the Requirements for the Remuneration Systems of Institutions under Regulatory Law (Institutsvergütungsverordnung – InstitutsVergV) takes the form of a separate report for HVB. This is published on the Bank's website under About us > Investor Relations > Corporate Governance once a year at 31 December and shortly after the Shareholders' Meeting of UniCredit Bank AG.

51 Own funds

Pursuant to Article 72 CRR, for regulatory purposes own funds consists of Tier 1 capital and Tier 2 capital; they amounted to €19,007 million (year-end 2014: €18,889 million) at year-end 2015 based on annual financial statements approved by the Supervisory Board. We have not allocated any unrealised reserves to Tier 2 capital compliant with Section 10 (2b) KWG as applicable until 31 December 2013.

The eligible capital calculated in accordance with Article 4 (1) (71)(b) in conjunction with Article 494 CRR are used primarily to determine thresholds for large exposures and loans to executive board members and for investment limits. It amounted to €19,007 million (year-end 2014: €18,889 million) at year-end 2015.

Other Information

52 Derivative financial instruments

The following table provides detailed information about the nominal amount and fair values of all derivative transactions and credit derivative transactions of HVB:

€ millions	NOMINAL AMOUNT					FAIR VALUE			
	RESIDUAL MATURITY			TOTAL	TOTAL	POSITIVE		NEGATIVE	
	Up to 1 year	More than 1 year up to 5 years	More than 5 years	2015	2014	2015	2014	2015	2014
Interest rate derivatives	**1,004,886**	**737,453**	**813,172**	**2,555,511**	**2,566,066**	**64,455**	**88,581**	**62,177**	**85,193**
OTC products									
Forward rate agreements	181,844	2,278	—	184,122	124,167	26	13	21	8
Interest rate swaps	624,464	676,868	673,711	1,975,043	2,059,250	60,965	82,922	56,350	77,402
Interest rate options									
- purchased	64,174	26,094	74,007	164,275	150,047	3,325	4,951	203	495
- written	64,724	20,954	63,477	149,155	136,684	125	691	5,259	7,285
Other interest rate derivatives	16,570	—	—	16,570	2,916	11	3	341	2
Exchange-traded products									
Interest rate futures	26,730	11,259	1,213	39,202	37,893	—	—	—	1
Interest rate options	26,380	—	764	27,144	55,109	3	1	3	—
Foreign exchange derivatives	**281,065**	**31,263**	**985**	**313,313**	**233,971**	**4,059**	**4,837**	**4,476**	**5,069**
OTC products									
Foreign exchange forwards	244,146	26,029	943	271,118	205,646	3,695	4,406	4,021	4,618
Foreign exchange options									
- purchased	18,033	2,735	24	20,792	14,467	237	347	153	101
- written	18,880	2,499	18	21,397	13,848	127	84	302	350
Other foreign exchange derivatives	—	—	—	—	—	—	—	—	—
Exchange-traded products									
Foreign exchange futures	6	—	—	6	10	—	—	—	—
Foreign exchange options	—	—	—	—	—	—	—	—	—
Cross-currency swaps	**54,791**	**101,774**	**62,306**	**218,871**	**251,534**	**6,503**	**5,901**	**7,910**	**6,859**
Equity/index derivatives	**36,349**	**33,629**	**6,160**	**76,138**	**157,944**	**2,157**	**2,268**	**2,956**	**2,888**
OTC products									
Equity/index swaps	4,295	4,751	155	9,201	9,825	165	219	139	217
Equity/index options									
- purchased	4,160	2,327	252	6,739	20,240	483	514	66	168
- written	7,411	10,353	4,512	22,276	91,463	25	30	690	896
Other equity/index derivatives	320	—	—	320	2,332	3	136	3	2
Exchange-traded products									
Equity/index futures	6,232	15	—	6,247	5,825	15	12	6	11
Equity/index options	13,931	16,183	1,241	31,355	28,259	1,466	1,357	2,052	1,594
Credit derivatives	**14,213**	**52,184**	**3,124**	**69,521**	**92,503**	**1,446**	**1,823**	**1,124**	**1,533**
Other transactions	**5,522**	**3,722**	**725**	**9,969**	**8,167**	**671**	**365**	**384**	**319**
HVB	**1,396,826**	**960,025**	**886,472**	**3,243,323**	**3,310,185**	**79,291**	**103,775**	**79,027**	**101,861**

Most of the derivatives are held for trading purposes.

The banking book contains derivatives with positive fair values of €1.7 billion (2014: €2.0 billion) and negative fair values of €0.9 billion (2014: €1.3 billion).

Other Information

53 Employees

The average number of staff employed was as follows:

	2015	2014
Staff (excluding apprentices)	14,485	14,890
of whom:		
full-time	10,840	11,216
part-time	3,645	3,674
Apprentices	616	773

The staff's length of service was as follows:

	WOMEN	MEN	2015	2014
Staff's length of service in %	(EXCLUDING TRAINEES)		TOTAL	
25 years or more	23.2	21.1	22.2	22.4
15 to 25 years	32.5	21.9	27.5	31.3
10 to 15 years	18.5	17.8	18.2	10.0
5 to 10 years	12.8	17.6	15.0	21.9
less than 5 years	13.0	21.6	17.1	14.4

Other Information

54 Emoluments

€ thousands	2015						
	Short-term components		Long-term incentives		Post-employment benefits	Termination benefits	Total
	Fixed salary	Short-term performance-related cash remuneration	Long-term performance-related cash remuneration	Share-based remuneration			
Members of the Management Board of UniCredit Bank AG	6,376	923	901	1,724	1,519	—	11,443
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	804	—	—	—	—	—	804
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	477	32	—	—	30	—	539
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	—	30	54	100	1,993	—	2,177

€ thousands	2014						
	Short-term components		Long-term incentives		Post-employment benefits	Termination benefits	Total
	Fixed salary	Short-term performance-related cash remuneration	Long-term performance-related cash remuneration	Share-based remuneration			
Members of the Management Board of UniCredit Bank AG	6,239	956	1,182	686	1,523	—	10,586
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	810	—	—	—	—	—	810
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	475	66	—	—	54	—	595
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	—	—	—	—	1,945	—	1,945

Other Information

It is the task of the Bank's full Supervisory Board to decide on the total remuneration paid to the individual members of the Management Board and to review the structure of the remuneration systems for the Management Board. The full Supervisory Board receives assistance in this regard from the Remuneration Control committee, which submits appropriate proposals to the full Supervisory Board. Appropriateness and sustainability are key criteria for the form and structure of the remuneration paid to the members of the Management Board. The structure of remuneration is derived from the service agreements with the members of the Management Board. It has two components: a fixed salary and a variable element. The variable remuneration is normally granted in deferred tranches over several years in the form cash and in shares, with disbursement dependent upon defined corporate targets being achieved in the subsequent years.

Pension commitments for seven members of the Management Board are shown in the table alongside the direct emoluments. Seven members of the Management Board took part in the employer-financed, fund-linked pension scheme for executives (known as AgfA) in 2015. The Bank will provide/has provided 35% of the fixed salary contributions (2015: €1,368 thousand (2014: €1,523 thousand)). It has been agreed with the members of the Management Board that this amount of their pay would be converted which means that, instead of a disbursed sum of money, the Management Board member receives a pension commitment to the same value from the Bank.

Non-monetary compensation and other fringe benefits are granted to members of the Management Board to the usual extent. The amounts involved are included in the totals for fixed remuneration shown.

Compensation paid to members of the Management Board for positions on supervisory boards of any UniCredit group companies is surrendered to HVB.

At 31 December 2015, there were provisions in the amount of €43.6 million (2014: €39.6 million) for pensions payable to former members of the Management Board and retired members of the Management Board of HVB and their surviving dependents, as calculated in accordance with actuarial principles using the projected unit credit method, taking into account anticipated future rises in pensions.

Share-based remuneration was granted to the members of the Management Board under the Group Incentive Scheme in the reporting period as follows:

Shares granted to members of the Management Board of UniCredit Bank AG	2015	2014
Number of shares granted	468,856	160,019
Fair value on grant date (€)	6.190	6.115

Other Information

55 Loans to executive board members

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

€ thousands	2015			2014		
	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES
Members of the Management Board and their related parties	1,761	—	7,058	2,392	3	7,620
Members of the Supervisory Board and their related parties	337	—	3,461	522	—	3,497

Members of the Supervisory Board and Management Board at HVB and their respective immediate family members are considered related parties.

Loans and advances were granted to members of the Management Board and their immediate family members in the form of mortgage loans with interest rates of between 1.36% and 3.96% and falling due in the period from 2016 to 2025.

Loans and advances were granted to members of the Supervisory Board and their immediate family members in the form of unplanned overdraft facilities with interest rates of between 6.00% and 10.89%, planned overdraft facilities with an interest rate of 10.89% and no fixed maturity, and mortgage loans with interest rates of between 1.92% and 3.33% falling due in the period from 2017 to 2035.

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

Other Information

56 Supervisory Board

Federico Ghizzoni	**Chairman**
Peter König until 20 May 2015	**Deputy Chairmen**
Florian Schwarz since 20 May 2015	
Dr Wolfgang Sprissler	
Mirko Davide Georg Bianchi	**Ordinary Members**
Aldo Bulgarelli until 20 May 2015	
Beate Dura-Kempf	
Klaus Grünewald	
Werner Habich	
Prof Dr Annette G. Köhler since 20 May 2015	
Dr Marita Kraemer	
Dr Lothar Meyer until 20 May 2015	
Gianni Franco Papa since 20 May 2015	
Klaus-Peter Prinz	
Jens-Uwe Wächter	

Other Information

57 Management Board

Dr Andreas Bohn until 30 September 2015	**Corporate & Investment Banking**
Peter Buschbeck	**Commercial Banking/ Privat Clients Bank**
Dr Michael Diederich since 1 September 2015	**Corporate & Investment Banking**
Lutz Diederichs	**Commercial Banking/ Unternehmer Bank**
Francesco Giordano since 1 June 2015	**Chief Financial Officer (CFO)**
Peter Hofbauer until 31 May 2015	**Chief Financial Officer (CFO)**
Heinz Laber	**Chief Operating Officer (COO) Human Resources Management, Global Banking Services (GBS)**
Andrea Umberto Varese	**Chief Risk Officer (CRO)**
Dr Theodor Weimer	**Board Spokesman**

List of Executives and Outside Directorships

58 Supervisory Board

Name, occupation, place of residence	Positions[1] on statutory supervisory boards of other German companies	Positions[1] on comparable boards of German and foreign companies
Federico Ghizzoni Chief Executive Officer of UniCredit S.p.A., Milan Chairman		
Peter König until 20 May 2015 Employee, UniCredit Bank AG, Haar-Salmdorf Deputy Chairman	BVV Pensionsfonds des Bankgewerbes AG, Berlin	BVV Versicherungsverein des Bankgewerbes a.G., Berlin BVV Versorgungskasse des Bankgewerbes e.V., Berlin
Florian Schwarz since 20 May 2015 Employee, UniCredit Bank AG, Munich Deputy Chairman		
Dr Wolfgang Sprissler Former Board Spokesman of UniCredit Bank AG, Sauerlach Deputy Chairman	HFI Hansische Vermögensverwaltungs Aktiengesellschaft, Hamburg (Chairman)	UniCredit Bank Austria AG, Vienna, until 8 May 2015 Dr. R. Pfleger Chemische Fabrik Gesellschaft mit beschränkter Haftung, Bamberg (Deputy Chairman)
Mirko Davide Georg Bianchi Chief Financial Officer der UniCredit Bank Austria AG, Lugano-Casagnola		UniCredit Bank Ireland p.l.c., Dublin, until 5 August 2015 UniCredit Bank Czech Republic and Slovakia, a.s., Prague (Chairman), since 24 September 2015 Zagrebačka banka d.d., Zagreb, since 10 December 2015 UniCredit Bank SA, Bucharest (formerly UniCredit Bank Tiriac Bank S.A.), since 30 July 2015 Koç Finansal Hizmetler A.S., Istanbul, since 30 June 2015 Yapi ve Kredi Bankasi A.S., Istanbul, since 9 July 2015
Aldo Bulgarelli until 20 May 2015 Attorney, BULGARELLI & CO. AVVOCATI, Verona		AMMANN Italy S.p.A., Bussolengo (President of the Collegio Sindacale)
Beate Dura-Kempf Employee, UniCredit Bank AG, Litzendorf		

List of Executives and Outside Directorships

Klaus Grünewald FB1 unit manager in the Bavarian division of Vereinte Dienstleistungsgewerkschaft, Gröbenzell	Fiducia & GAD IT AG, Frankfurt am Main (formerly FIDUCIA IT AG, Karlsruhe)	
Werner Habich Employee, UniCredit Bank AG, Mindelheim		
Prof Dr Annette G. Köhler since 20 May 2015 University professor and Chair of Accounting, Auditing and Controlling, University of Duisburg-Essen, Faculty of Business Administration – Mercator School of Management, Düsseldorf	Value-Holdings Capital Partners AG, Gersthofen	
Dr Marita Kraemer Member of the Management Board of Zurich GI Management Aktiengesellschaft (Deutschland) and member of the Management Board of Zurich Service GmbH, Frankfurt am Main		
Dr Lothar Meyer until 20 May 2015 Former Chairman of the Management Board of ERGO Versicherungsgruppe Aktiengesellschaft, Bergisch Gladbach	ERGO Versicherungsgruppe Aktiengesellschaft, Düsseldorf, until 27 March 2015	
Gianni Franco Papa since 20 May 2015 Head of Corporate & Investment Banking (CIB) Division of UniCredit S.p.A., Vienna		Koç Finansal Hizmetler A.S., Istanbul (Deputy Chairman) Yapi ve Kredi Bankasi A.S., Istanbul
Klaus-Peter Prinz Employee, UniCredit Luxembourg S.A., Trier		
Jens-Uwe Wächter Employee, UniCredit Bank AG, Himmelpforten		

1 as of 31 December 2015

List of Executives and Outside Directorships

59 Management Board

Name	Positions[1] on statutory boards of other German companies	Positions[1] on comparable boards of German and foreign companies
Dr Andreas Bohn born 1963 Corporate & Investment Banking until 30 September 2015		SwanCap Partners GmbH, Munich (Chairman)[2], until 23 July 2015 Tikehau Investment Management S.A.S., Paris
Peter Buschbeck born 1961 Commercial Banking/ Private Clients Bank	Bankhaus Neelmeyer AG, Bremen (Chairman)[2] PlanetHome AG, Unterföhring (Chairman)[2], until 15 June 2015 WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Chairman)[2] Wüstenrot & Württembergische AG, Stuttgart	Wealth Management Capital Holding GmbH, Munich (Chairman)[2]
Dr Michael Diederich born 1965 Corporate & Investment Banking since 1 September 2015		PORR AG, Vienna
Lutz Diederichs born 1962 Commercial Banking/ Unternehmer Bank	Bayerische Börse AG, Munich, since 1 January 2015	ESMT European School of Management and Technology GmbH, Berlin, since 17 June 2015 UniCredit Luxembourg S.A., Luxembourg (Chairman)[2] UniCredit Leasing GmbH, Hamburg (Chairman)[2] UniCredit Leasing Finance GmbH, Hamburg (Chairman)[2]
Francesco Giordano born 1966 Chief Financial Officer (CFO) since 1 June 2015	HVB Trust Pensionsfonds AG, Munich (Deputy Chairman), since 2 July 2015 UniCredit Global Business Services GmbH, Unterföhring[2], since 30 June 2015 WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Deputy Chairman)[2], since 1 July 2015	Immobilien Holding GmbH, Vienna (Deputy Chairman), until 30 June 2015 Koç Finansal Hizmetler A.S., Istanbul, until 30 June 2015 UniCredit Tiriac Bank S.A., Bucharest, until 1 July 2015 UniCredit Turn-Around Management CEE GmbH, Vienna (Deputy Chairman), until 30 June 2015 UniCredit Bank Czech Republic and Slovakia, a.s., Prague (Chairman), until 15 July 2015 Wealth Management Capital Holding GmbH, Munich (Deputy Chairman)[2], since 1 July 2015 Yapi ve Kredi Bankasi A.S., Istanbul, until 30 June 2015
Peter Hofbauer born 1964 Chief Financial Officer (CFO) until 31 May 2015	HVB Immobilien AG, Munich (Deputy Chairman)[2], until 30 June 2015 HVB Trust Pensionsfonds AG, Munich (Deputy Chairman), until 13 May 2015 UniCredit Global Business Services GmbH, Unterföhring[2], until 30 June 2015 WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Deputy Chairman)[2], until 30 June 2015	Wealth Management Capital Holding GmbH, Munich (Deputy Chairman)[2], until 30 June 2015 Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck, since 13 May 2015 Oberbank AG, Linz, since 19 May 2015 BKS Bank AG, Klagenfurt, since 20 May 2015
Heinz Laber born 1953 Chief Operating Officer (COO)	HVB Immobilien AG, Munich (Chairman)[2] HVB Trust Pensionsfonds AG, Munich (Chairman) UniCredit Global Business Services GmbH, Unterföhring (Chairman)[2]	BVV Versorgungskasse des Bankgewerbes e.V., Berlin (Chairman) BVV Versicherungsverein des Bankgewerbes a.G., Berlin (Chairman)

List of Executives and Outside Directorships

Human Resources Management, Global Banking Services		ESMT European School of Management and Technology GmbH, Berlin, until 14 April 2015
Andrea Umberto Varese born 1964 Chief Risk Officer (CRO)	HVB Immobilien AG, Munich[2] UniCredit Global Business Services GmbH, Unterföhring[2] WealthCap Kapitalverwaltungsgesellschaft mbH, Munich[2]	UniCredit Luxembourg S.A., Luxembourg (Deputy Chairman)[2] Wealth Management Capital Holding GmbH, Munich[2]
Dr Theodor Weimer born 1959 Board Spokesman	DAB Bank AG, Munich (Chairman), until 17 January 2015 ERGO Versicherungsgruppe Aktiengesellschaft, Düsseldorf FC Bayern München AG, Munich	

1 as of 31 December 2015
2 Group directorship

List of Executives and Outside Directorships

60 List of employees and outside directorships

Name	Positions[1] on statutory supervisory boards of other companies
Matthias Biebl	Wacker Chemie AG, Munich
Thomas Breiner	AGROB Immobilien AG, Ismaning[2]
Dr Bernhard Brinker	UniCredit Luxembourg S.A., Luxembourg[2]
Matthias Brückl	M&M Militzer & Münch International Holding GmbH, St. Gallen
Bernd Brunke	bmp media investors AG, Berlin
Joachim Dobrikat	VALOVIS BANK AG, Essen
Dr Jochen Fischer	Bankhaus Neelmeyer AG, Bremen[2]
Matthias Glückert	OECHSLER AG, Ansbach
Christian Klatt	Bankhaus Neelmeyer AG, Bremen[2]
Stephanie Kraus	UniCredit Luxembourg S.A., Luxembourg[2]
Dr Andreas Mayer	UniCredit Luxembourg S.A., Luxembourg[2]
Ansgar Oberreuter	Bankhaus Neelmeyer AG, Bremen[2]
Jörg Pietzner	Bankhaus Neelmeyer AG, Bremen[2]
Gabriele Rauer	UniCredit Direct Services GmbH, Munich[2]
Dr Christian Reichmayr	UniCredit Direct Services GmbH, Munich[2]
Dr Guido Schacht	AVAG Holding SE, Augsburg
Peter Weidenhöfer	AGROB Immobilien AG, Ismaning[2]
Karoline Würtz	Saarländische Investitionskreditbank Aktiengesellschaft, Saarbrücken

1 as of 31 December 2015
2 Group directorship

List of Holdings

Compliant with Section 313 (2) German Commercial Code for the consolidated financial statements and Section 285 No. 11 and 11a German Commercial Code for the annual financial statements of UniCredit Bank AG

61 List of Holdings

		SHARE OF CAPITAL IN %				
NAME	REGISTERED OFFICE	TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
1 Controlled companies						
1.1 Controlled by voting rights						
1.1.1 Consolidated subsidiaries						
1.1.1.1 Banks and financial institutions						
Bankhaus Neelmeyer AG	Bremen	100.0		EUR	63,400	[1.1]
UniCredit Leasing Finance GmbH	Hamburg	100.0	100.0	EUR	160,013	[2]
UniCredit Luxembourg S.A.	Luxembourg	100.0		EUR	1,339,356	64,243
1.1.1.2 Other consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG[3]	Grünwald	100.0	100.0	EUR	31	8,142
Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG[3]	Grünwald	100.0	100.0	EUR	34	144
Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG[3]	Grünwald	100.0	100.0	EUR	39	679
AGROB Immobilien AG (share of voting rights: 75.0%)[4]	Ismaning	52.7	52.7	EUR	23,495	1,723
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0	EUR	(16,872)	0
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	793	[2]
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(42,551)	975
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0	EUR	(39,212)	(1)
A&T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG[3]	Munich	100.0	100.0	EUR	(37,209)	0
Aufbau Dresden GmbH	Munich	100.0	100.0	EUR	(23,944)	0
BaLea Soft GmbH & Co. KG	Hamburg	100.0	100.0	EUR	7,669	627
BaLea Soft Verwaltungsgesellschaft mbH	Hamburg	100.0	100.0	EUR	92	2
Bayerische Wohnungsgesellschaft für Handel und Industrie, Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	294	[2]
B.I. International Limited	George Town	100.0	100.0	EUR	(1,210)	(80)
BIL Leasing-Fonds GmbH & Co VELUM KG (share of voting rights: 66.7% total, of which 33.3% held indirectly)	Grünwald	100.0		EUR	(2)	0
BIL Leasing-Fonds Verwaltungs-GmbH	Grünwald	100.0	100.0	EUR	32	(1)
Blue Capital Europa Immobilien GmbH & Co. Achte Objekte Großbritannien KG	Munich	100.0	100.0	EUR	30	334
BV Grundstücksentwicklungs-GmbH[3]	Munich	100.0	100.0	EUR	511	[2]
BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG[3]	Munich	100.0		EUR	511	0
CUMTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG[3]	Munich	100.0	100.0	EUR	(22,880)	0
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG[3]	Munich	100.0	100.0	EUR	(53,477)	0
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG[3]	Munich	100.0	100.0	EUR	(59,493)	0
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	71	(91)

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %		CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
		TOTAL	OF WHICH HELD INDIRECTLY			
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(440)	35
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	416	(23)
Food & more GmbH	Munich	100.0		EUR	235	[1.2]
GIMMO Immobilien-Vermietungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	[2]
Golf- und Country Club Seddiner See Immobilien GmbH	Munich	100.0	100.0	EUR	(15,507)	0
Grundstücksaktiengesellschaft am Potsdamer Platz (Haus Vaterland)	Munich	98.2	98.2	EUR	4,495	[2]
Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft[3]	Munich	100.0	100.0	EUR	52	1,004
H & B Immobilien GmbH & Co. Objekte KG[3]	Munich	100.0	100.0	EUR	5	(1)
HAWA Grundstücks GmbH & Co. OHG Hotelverwaltung[3]	Munich	100.0	100.0	EUR	276	594
HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung[3]	Munich	100.0	100.0	EUR	54	238
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	[2]
HJS 12 Beteiligungsgesellschaft mbH[3]	Munich	100.0		EUR	278	[1.3]
HVB Asset Leasing Limited	London	100.0		USD	0	(37)
HVB Asset Management Holding GmbH[3]	Munich	100.0	100.0	EUR	25	[2]
HVB Capital LLC	Wilmington	100.0		USD	1,128	87
HVB Capital LLC II	Wilmington	100.0		GBP	2	0
HVB Capital LLC III	Wilmington	100.0		USD	1,107	90
HVB Capital Partners AG[3]	Munich	100.0		EUR	12,671	[1.4]
HVB Export Leasing GmbH	Munich	100.0		EUR	39	0
HVB Funding Trust II	Wilmington	100.0		GBP	2	0
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0		EUR	28	0
HVB Gesellschaft für Gebäude mbH & Co KG[3]	Munich	100.0		EUR	871,401	12,978
HVB Hong Kong Limited	Hong Kong	100.0		USD	4,631	384
HVB Immobilien AG[3]	Munich	100.0		EUR	86,644	[1.5]
HVB Investments (UK) Limited	George Town	100.0		GBP	0	0
HVB Life Science GmbH & Co. Beteiligungs-KG	Munich	100.0		EUR	1,025	36
HVB London Investments (AVON) Limited	London	100.0		GBP	0	0
HVB Principal Equity GmbH[3]	Munich	100.0		EUR	34	[1.6]
HVB Profil Gesellschaft für Personalmanagement mbH[3]	Munich	100.0		EUR	28	[1.7]
HVB Projekt GmbH[3]	Munich	100.0	94.0	EUR	72,151	[2]
HVB Realty Capital Inc.	New York	100.0	100.0	USD	0	0
HVB Secur GmbH	Munich	100.0		EUR	126	[1.8]
HVB Tecta GmbH[3]	Munich	100.0	94.0	EUR	1,751	[2]
HVB Verwa 1 GmbH[3]	Munich	100.0		EUR	41	[1.9]
HVB Verwa 4 GmbH[3]	Munich	100.0		EUR	10,132	[1.10]
HVB Verwa 4.4 GmbH[3]	Munich	100.0	100.0	EUR	10,025	[2]
HVBFF International Greece GmbH	Munich	100.0	100.0	EUR	14	(1)
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0	EUR	8	(1)
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0	EUR	37	(2)
HVBFF Produktionshalle GmbH i.L.	Munich	100.0	100.0	EUR	20	0
HVZ GmbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	148,091	(10,906)
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0	EUR	14	2

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße[3]	Munich	100.0	100.0	EUR	26	(2,103)
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG[3]	Munich	80.0	80.0	EUR	(850)	0
HypoVereinsFinance N.V.	Amsterdam	100.0		EUR	2,279	201
Interra Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	51	[2]
Kinabalu Financial Products LLP	London	100.0		GBP	818	(28)
Kinabalu Financial Solutions Limited	London	100.0		GBP	1,700	0
Life Management Erste GmbH	Munich	100.0	100.0	EUR	24	[2]
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	26	[2]
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung[3]	Munich	100.0		EUR	16,692	[1.11]
MILLETERRA Gesellschaft für Immobilien-verwaltung mbH[3]	Munich	100.0	100.0	EUR	25	[2]
Mobility Concept GmbH	Oberhaching	60.0	60.0	EUR	11,373	6,967
Movie Market Beteiligungs GmbH	Munich	100.0	100.0	EUR	16	(1)
NF Objekt FFM GmbH[3]	Munich	100.0	100.0	EUR	125	[2]
NF Objekt München GmbH[3]	Munich	100.0	100.0	EUR	75	[2]
NF Objekte Berlin GmbH[3]	Munich	100.0	100.0	EUR	15,725	[2]
Ocean Breeze Asset GmbH & Co. KG	Bremen	100.0	100.0	EUR	0	(3)
Ocean Breeze Energy GmbH & Co. KG[3]	Bremen	100.0	100.0	EUR	(57,444)	(26,247)
Ocean Breeze GmbH	Bremen	100.0	100.0	EUR	22	(2)
Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG[3]	Munich	100.0	94.0	EUR	26	(1)
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG[3]	Munich	100.0	94.0	EUR	26	(142)
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG[3]	Munich	100.0	100.0	EUR	3,075	(1,316)
Orestos Immobilien-Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	56,674	[2]
Othmarschen Park Hamburg GmbH & Co. Centerpark KG[3]	Munich	100.0	100.0	EUR	(18,942)	0
Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG[3]	Munich	100.0	100.0	EUR	(44,083)	0
Perikles 20092 Vermögensverwaltung GmbH	Bremen	100.0	100.0	EUR	24	(1)
Portia Grundstücks-Verwaltungs-gesellschaft mbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	500,014	2,850
"Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	30	0
Redstone Mortgages Limited	London	100.0		GBP	26,674	10,814
RHOTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(38,070)	950
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Saarland[3]	Munich	100.0	100.0	EUR	1,534	(1,103)
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum[3]	Munich	100.0	100.0	EUR	2,301	10,725
Salvatorplatz-Grundstücksgesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	[2]
Selfoss Beteiligungsgesellschaft mbH[3]	Grünwald	100.0	100.0	EUR	25	[2]
Simon Verwaltungs-Aktiengesellschaft i.L.[4]	Munich	<100,0		EUR	3,084	(15)
Sirius Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0	EUR	(143,835)	[2]
Solos Immobilien- und Projektentwicklungs GmbH & Co. Sirius Beteiligungs KG[3]	Munich	100.0	100.0	EUR	(33,823)	950

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	SHARE OF CAPITAL IN % OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
Spree Galerie Hotelbetriebsgesellschaft mbH[3]	Munich	100.0	100.0	EUR	249	[2]
Structured Invest Société Anonyme	Luxembourg	100.0		EUR	7,000	3
Structured Lease GmbH	Hamburg	100.0	100.0	EUR	36,750	[2]
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(7,024)	(17)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,489)	(24)
TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs-KG[3]	Munich	75.0	75.0	EUR	(268,579)	0
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(391)	(20)
TIVOLI Grundstücks-Aktiengesellschaft	Munich	99.7	99.7	EUR	12,366	4,850
Transterra Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
TRICASA Grundbesitz Gesellschaft mbH & Co. 1. Vermietungs KG[3]	Munich	100.0	100.0	EUR	8,757	945
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	21,291	3,842
Trinitrade Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0		EUR	1,319	(3)
UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,175	[1.12]
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	103,216	3,216
UniCredit (China) Advisory Limited	Beijing	100.0		CNY	2,427	186
UniCredit Direct Services GmbH[3]	Munich	100.0		EUR	927	[1.13]
UniCredit Global Business Services GmbH	Unterföhring	100.0		EUR	11,546	3,538
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	(2,985)	(1,112)
UniCredit Leasing GmbH	Hamburg	100.0		EUR	452,026	[1.14]
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	114,597	18
UniCredit Zweite Beteiligungs GmbH	Munich	100.0		EUR	1,000	[1.15]
US Property Investments Inc.	Dallas	100.0		USD	721	(20)
Verba Verwaltungsgesellschaft mit beschränkter Haftung	Munich	100.0		EUR	748	(6)
Vermietungsgesellschaft mbH & Co. Objekt MOC KG[3]	Munich	89.0	89.0	EUR	(102,083)	1,787
Verwaltungsgesellschaft Katharinenhof mbH[3]	Munich	100.0		EUR	708	[1.16]
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	[2]
VuWB Investments Inc.	Wilmington	100.0	100.0	USD	3,684	308
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,531	[1.17]
WealthCap Aircraft 27 GmbH & Co. geschlossene Investment KG	Grünwald	100.0	100.0	USD	1	-1
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	1,256	(460)
WealthCap Equity Management GmbH	Munich	100.0	100.0	EUR	1,219	1,194
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	(392)	208
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	275	219
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	[2]
WealthCap Investments, Inc.	Wilmington	100.0	100.0	USD	1,386	(6)
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	[2]
WealthCap Kapitalverwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	7,099	[2]
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	531	180
WealthCap Management Services GmbH	Grünwald	100.0	100.0	EUR	210	23
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	46	15
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	3,065	2,019
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	[2]
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0	EUR	43	1

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0	EUR	178	128
WMC Aircraft 27 Leasing Limited	Dublin	100.0	100.0	USD	(2,500)	3,401
1.1.2 Non-consolidated subsidiaries[5]						
Other non-consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH	Grünwald	100.0	100.0	EUR	25	[2]
AGRUND Grundstücks-GmbH	Munich	90.0	90.0			
Alexandersson Real Estate I B.V.	Apeldoorn	100.0	100.0			
"Alte Schmelze" Projektentwicklungsgesellschaft mbH	Munich	100.0	100.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH	Ebersberg	98.8	98.8			
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.9			
Apir Verwaltungsgesellschaft mbH & Co. Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(27,550)	950
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0			
BFL Beteiligungsgesellschaft für Flugzeug-Leasing mbH	Munich	100.0				
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0			
BIL Immobilien Fonds GmbH	Munich	100.0	100.0			
BIL Leasing GmbH & Co Hotel Rostock KG i.L.	Rostock	58.9	58.9			
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0			
BV Grundstücksentwicklungs-GmbH & Co. Schloßberg-Projektentwicklungs-KG	Munich	100.0	100.0			
Deltaterra Gesellschaft für Immobilien-verwaltung mbH	Munich	100.0	93.9	EUR	26	[2]
Ferra Immobilien- und Projektentwicklungs GmbH & Co. Projekt Großenhainer Straße KG	Munich	100.0	100.0	EUR	(8,933)	900
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	[2]
Großkugel Immobilien- und Projekt-entwicklungs GmbH	Munich	100.0	100.0	EUR	(3,354)	[2]
H.F.S. Immobilienfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 3 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 4 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 6 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 7 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 8 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 9 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 10 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 11 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 12 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 15 Komplementär GmbH	Grünwald	100.0	100.0			

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
H.F.S. Immobilienfonds Deutschland 16 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 18 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds Deutschland 19 GmbH & Co. KG	Munich	100.0	100.0			
H.F.S. Immobilienfonds Europa 2 Beteiligungs GmbH	Munich	100.0	100.0			
H.F.S. Immobilienfonds Europa 3 Beteiligungs B.V.	The Hague	100.0	100.0			
H.F.S. Immobilienfonds Europa 3 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Immobilienfonds GmbH & Co. Europa 4 KG	Munich	100.0	100.0			
H.F.S. Leasingfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Leasingfonds Deutschland 7 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0			
H.F.S. Value Management GmbH	Munich	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 1 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 2 Komplementär GmbH	Grünwald	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 3 GmbH & Co. KG	Munich	100.0	100.0			
H.F.S. Zweitmarktfonds Deutschland 4 GmbH & Co. KG	Munich	100.0	100.0			
Hofgarten Real Estate B.V. (share of voting rights: 50.5%)	Amsterdam	47.2	47.2	EUR	(49,269)	(19)
HVB Life Science GmbH	Munich	100.0				
HVB London Trading Ltd.	London	100.0				
HVB Services South Africa (Proprietary) Limited	Johannesburg	100.0				
HVBFF Baumanagement GmbH	Munich	100.0	100.0	EUR	50	2
HVBFF Kapitalvermittlungs GmbH	Munich	100.0	100.0	EUR	19	2
HVBFF Leasing & Investition GmbH & Co Erste KG	Munich	100.0	100.0			
HVBFF Leasing Objekt GmbH	Grünwald	100.0	100.0			
HVBFF Leasing-Fonds Verwaltungs GmbH	Munich	100.0	100.0			
HVZ GmbH & Co. Objekt Unterföhring KG	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	2
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Verwaltungs Erste GmbH	Munich	100.0	100.0			
Life Verwaltungs Zweite GmbH	Grünwald	100.0	100.0			
Motion Picture Production GmbH	Grünwald	51.2	51.2			
Olos Immobilien- und Projektentwicklungs GmbH & Co. Grundstücksentwicklungs KG	Munich	100.0	100.0			
Omnia Grundstücks-GmbH	Munich	100.0	100.0	EUR	26	2
Omnia Grundstücks-GmbH & Co. Betriebs KG	Munich	100.0	94.0			
Othmarschen Park Hamburg Wohn- und Gewerbepark GmbH	Munich	100.0	100.0	EUR	102	2
Perterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	2
Projekt Vorrat GmbH	Munich	100.0	100.0			
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0			
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	2
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0			

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
Saphira Immobilien- und Projektentwicklungs GmbH & Co. Frankfurt City West Office Center und Wohnbau KG	Munich	100.0	100.0			
Schloßberg-Projektentwicklungs-GmbH & Co 683 KG	Munich	100.0	100.0			
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co. Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,002)	0
Tishman Speyer Berlin Friedrichstraße KG i.L. (share of voting rights: 96.6% total, of which 7.1% held indirectly)	Munich	97.1	5.9			
UniCredit CAIB Securities UK Ltd.	London	100.0				
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(23,947)	975
VereinWest Overseas Finance (Jersey) Limited	St. Helier	100.0				
WealthCap Aircraft 27 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Canadian Management Inc.	Toronto	100.0	100.0			
WealthCap Dritte Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	263	251
WealthCap Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Erste Kanada Immobilien Verwaltung GmbH	Munich	100.0	100.0			
WealthCap Europa Erste Immobilien - Objekt Niederlande - Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Fünfte Objekte Österreich Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Europa Immobilien Siebte Objekte Österreich Komplementär GmbH	Munich	100.0	100.0			
WealthCap Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Immobilien Deutschland 39 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilien Nordamerika 16 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Nordamerika 17 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien und Verwaltung Sekundär GmbH	Munich	100.0	100.0			
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 36 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 36 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilienfonds Deutschland 37 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilienfonds Deutschland 38 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	100.0	100.0			
WealthCap Los Gatos 131 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Los Gatos 131 Albright Way L.P.	Wilmington	100.0	100.0			
WealthCap Management, Inc.	Wilmington	100.0	100.0	USD	238	297
WealthCap Mountain View GP, Inc.	Georgia	100.0	100.0			
WealthCap Objekt Essen GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	100.0	100.0			

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
WealthCap Objekt Riem II GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 6 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 9 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 9 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 11 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 12 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 13 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Private Equity GmbH	Munich	100.0	100.0			
WealthCap Private Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Private Equity 19 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Real Estate GmbH	Munich	100.0	100.0			
WealthCap Real Estate Komplementär GmbH	Munich	100.0	100.0			
WealthCap Real Estate Sekundär GmbH	Munich	100.0	100.0			
WealthCap SachWerte Portfolio 2 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial 3 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial-AIF 3 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Vorrats-1 GmbH	Grünwald	100.0	100.0			
WealthCap Vorrats-2 GmbH	Grünwald	100.0	100.0			
WealthCap Zweite Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Zweite USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte Immobilien 4 Komplementär GmbH	Munich	100.0	100.0			

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL in %	CURRENCY	SUBSCRIBED CAPITAL in thousands of currency units
1.2 Fully consolidated structured entities with or without shareholding				
Altus Alpha Plc	Dublin	0	EUR	40
Arabella Finance Ltd.	Dublin	0	EUR	<1
BARD Engineering GmbH	Emden	0	EUR	100
BARD Holding GmbH	Emden	0	EUR	25
Buitengaats Holding B.V.	Eemshaven	0	EUR	18
Cuxhaven Steel Construction GmbH	Cuxhaven	0	EUR	25
Elektra Purchase No. 17 S.A. - Compartment 2	Luxembourg	0	EUR	<1
Elektra Purchase No. 28 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 31 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 32 S.A.	Luxembourg	0	EUR	31
Elektra Purchase No. 33 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 34 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 35 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 36 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 37 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 38 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 40 Ltd.	Dublin	0	EUR	<1
Elektra Purchase No. 41 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 911 Ltd.	St. Helier	0	EUR	<1
European-Office-Fonds	Munich	0	EUR	0
GELDILUX-TS-2013 S.A.	Luxembourg	0	EUR	31
GELDILUX-TS-2015 S.A.	Luxembourg	0	EUR	31
GEMMA Verwaltungsgesellschaft mbH & Co. Vermietungs KG (held indirectly)	Pullach	6.1	EUR	68,326
Grand Central Funding Corporation	New York	0	USD	1
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing) (held indirectly)	Munich	<0.1	EUR	61,171
H.F.S. Leasingfonds Deutschland 7 GmbH & Co. KG (held indirectly)	Munich	<0.1	EUR	56,605
HVB Funding Trust	Wilmington	0	USD	0
HVB Funding Trust III	Wilmington	0	USD	0
MOC Verwaltungs GmbH & Co. Immobilien KG (held indirectly)[4,6]	Munich	23.0	EUR	5,113
Newstone Mortgage Securities No. 1 Plc.	London	0	GBP	13
Ocean Breeze Finance S.A. - Compartment 1	Luxembourg	0	EUR	0
OSI Off-shore Service Invest GmbH	Hamburg	0	EUR	25
OWS Logistik GmbH	Emden	0	EUR	13
OWS Natalia Bekker GmbH & Co. KG	Emden	0	EUR	1
OWS Ocean Zephyr GmbH & Co. KG	Emden	0	EUR	6
OWS Off-shore Wind Solutions GmbH	Emden	0	EUR	25
OWS Windlift 1 Charter GmbH & Co. KG	Emden	0	EUR	1
Pure Funding No. 10 Ltd.	Dublin	0	EUR	<1
Rosenkavalier 2008 GmbH	Frankfurt am Main	0	EUR	25
Rosenkavalier 2015 UG	Frankfurt am Main	0	EUR	8
Royston Leasing Ltd.	Grand Cayman	0	USD	1

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
2 Joint ventures						
Minor joint ventures						
Other companies						
Heizkraftwerk Cottbus Verwaltungs GmbH i.L.	Cottbus	33.3		EUR	354	245
Heizkraftwerke-Pool Verwaltungs-GmbH	Munich	33.3		EUR	138	822

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
3 Associated companies						
3.1 Associated companies valued at equity						
Other companies						
Adler Funding LLC	Dover	32.8		USD	11,027	4,192
Bulkmax Holding Ltd.	Valletta	45.0	45.0	USD	29,252	(598)
Comtrade Group B.V.	Amsterdam	21.1	21.1	EUR	32,577	9,636
Nautilus Tankers Limited	Valletta	45.0	45.0	USD	31,424	2,200
paydirekt Beteiligungsgesellschaft privater Banken mbH	Berlin	24.0		EUR	8,384	5
SwanCap Partners GmbH (share of voting rights: 49.0%)	Munich	75.3		EUR	5,238	2,734
3.2 Minor associated companies[5]						
Other companies						
BioM Venture Capital GmbH & Co. Fonds KG (share of voting rights: 20.4%)	Planegg	23.5		EUR	453	(1,701)
CMP Fonds I GmbH (share of voting rights: 25.0%)	Berlin	32.7				
DFA Deggendorfer Freihafen Ansiedlungs-GmbH	Deggendorf	50.0	50.0			
DFA Deggendorfer Freihafen Ansiedlungs-GmbH & Co.Grundstücks-KG	Deggendorf	50.0	50.0			
InfrAm One Corporation	City of Lewes	37.5	37.5	USD	(7,675)	(3,256)
MOC Verwaltungs GmbH	Munich	23.0	23.0			
SK BV Grundstücksentwicklung Verwaltung GmbH i.L.	Cologne	50.0	50.0			

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN % TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	EQUITY CAPITAL in thousands of currency units	NET PROFIT in thousands of currency units
4 Holdings in excess of 20% without significant influence[5]						
Other companies						
BayBG Bayerische Beteiligungsgesellschaft mbH[7]	Munich	22.5		EUR	200,331	6,734
Bayerischer BankenFonds GbR	Munich	25.6				
B.I.I. Creditanstalt International Ltd. (share of voting rights: 0%)	George Town	40.2				
Felicitas GmbH i.L.	Munich	20.8				
GermanIncubator Erste Beteiligungs GmbH (share of voting rights: 9.9%)	Munich	39.6				
HVB Trust Pensionsfonds AG (share of voting rights: 0%)[8]	Munich	100.0		EUR	4,022	103
Lauro Ventidue S.p.A. (share of voting rights: 0%)	Milan	24.2	24.2	EUR	21,148	(91,451)
Meditinvest Gayrimenkul Danismanlik A.S.	Istanbul	42.1	42.1	TRY	20,014	(671)
Mozfund (Proprietary) Limited (share of voting rights: 12.5%)	Sandton	40.0				
Mühoga Münchner Hochgaragen Gesellschaft mit beschränkter Haftung	Munich	25.0	25.0	EUR	4,391	2,133
REF IV Associates (Caymans) L.P. Acqua CIV S.C.S. (share of voting rights: 0%)	Luxembourg	38.3	38.3	EUR	80	(15,685)
SwanCap FLP SCS (share of voting rights: 37.5%)[9]	Senningerberg	0		EUR	1,755	3
SwanCap FLP II SCSp (share of voting rights: 37.5%)[9]	Senningerberg	0				

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL OF HVB in %	SHARE OF VOTING RIGHTS OF HVB in %
5 Holdings in large corporations in which the holding exceeds 5% of the voting rights but is not already listed under holdings in excess of 20%			
5.1 Banks and financial institutions			
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt am Main	15.4	15.4
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich	10.5	10.5
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8	7.8
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1	9.1
Bürgschaftsbank Sachsen GmbH	Dresden	4.7	5.4
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9	8.9
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4	5.4
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7	8.7
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5	10.5
5.2 Other companies			
ConCardis Gesellschaft mit beschränkter Haftung	Eschborn	6.0	6.0
VBW Bauen und Wohnen GmbH	Bochum	10.1	10.1

List of Holdings

NAME	REGISTERED OFFICE	SHARE OF CAPITAL OF HVB in %	SUBSCRIBED CAPITAL € millions
6 Other selected holdings below 20%			
6.1 Banks and financial institutions			
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3	3.2
Saarländische Investitionskreditbank AG	Saarbrücken	3.3	5.2
6.2 Other companies			
BioM Aktiengesellschaft Munich Bio Tech Development	Planegg	8.5	2.9
Börse Düsseldorf AG	Düsseldorf	3.0	5.0
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6	4.1
EURO Kartensysteme GmbH	Frankfurt	6.0	2.6
Kepler Cheuvreux S.A.	Paris	5.2	54.7
MBG Mittelständische Beteiligungsgesellschaft Baden-Württemberg GmbH	Stuttgart	5.0	3.6
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH (share of voting rights: 11.1%)	Mainz	9.8	2.6
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH (share of voting rights: 3.7%)	Kiel	3.6	1.4
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg mbH	Potsdam	11.6	5.7
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern GmbH	Schwerin	15.4	5.1
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH	Hanover	8.2	0.9
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8	29.0
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7	6.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt	13.4	10.0
Saarländische Kapitalbeteiligungsgesellschaft mbH	Saarbrücken	8.7	0.8

List of Holdings

Exchanges rates for 1 euro at 31 December 2015

Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

China	1 euro =	7.0608	CNY
Turkey	1 euro =	3.1765	TRY
UK	1 euro =	0.73395	GBP
USA	1 euro =	1.0887	USD

Notes and comments to the list of holdings

Percentages marked < or > are rounded up or down to one decimal place, e.g. <100.0% = 99.99% or > 0.0% = 0.01%.

1) UniCredit Bank AG has concluded profit-and-loss transfer agreements with the following companies:

	COMPANY	PROFIT/(LOSS) TRANSFERRED €'000
1.1)	Bankhaus Neelmeyer AG, Bremen	2,068
1.2)	Food & more GmbH, Munich	(823)
1.3)	HJS Beteiligungsgesellschaft mbH, Munich	4
1.4)	HVB Capital Partners AG, Munich	(2,232)
1.5)	HVB Immobilien AG, Munich	17,486
1.6)	HVB Principal Equity GmbH, Munich	(12)
1.7)	HVB Profil Gesellschaft für Personalmanagement mbH, Munich	(129)
1.8)	HVB Secur GmbH, Munich	2
1.9)	HVB Verwa 1 GmbH, Munich	(2)
1.10)	HVB Verwa 4 GmbH, Munich	266
1.11)	MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	794
1.12)	UniCredit Beteiligungs GmbH, Munich	4,526
1.13)	UniCredit Direct Services GmbH, Munich	1,941
1.14)	UniCredit Leasing GmbH, Hamburg	20,000
1.15)	UniCredit Zweite Beteiligungs GmbH, Munich	1
1.16)	Verwaltungsgesellschaft Katharinenhof mbH, Munich	(112)
1.17)	Wealth Management Capital Holding GmbH, Munich	13,339

2) Profit and loss transfer to shareholders and partners

3) Compliant with Sections 264b and 264 (3), German Commercial Code, the company is exempt from the obligation to make annual financial statements public in accordance with the provisions applicable to corporations.

4) Figures of the 2014 annual accounts are indicated for this consolidated company.

5) Where equity capital and net profit are not stated, the information is omitted due to minor importance compliant with Section 286 (3) 1 No. 1, German Commercial Code. This information is omitted for companies compliant with Section 285 No. 11a, German Commercial code, for the same reason.

6) Equity capital amounts to €23,000 and net profit €1,069,000.

7) Despite a holding of 22.5%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and voting patterns to date.

8) The company is held by a trustee for UniCredit Bank AG.

9) UniCredit Bank AG has the position of a limited partner under company law and participates in the profit of the company.

Mortgage Banking

62 Coverage

The statement of coverage is as follows:

€ millions	2015	2014
A. Mortgage Pfandbriefs		
Standard cover		
1. Loans and receivables with banks	—	—
Mortgage loans	—	—
2. Loans and receivables with customers	23,815	23,165
Mortgage loans	23,815	23,165
Other eligible cover[1]		
1. Other lending to banks	—	—
2. Bonds and other fixed-income securities	763	2,209
3. Equalisation claims on government authorities	—	—
Subtotal	**24,578**	**25,374**
Total Mortgage Pfandbriefs requiring cover	15,870	16,418
Overcollateralisation	**8,708**	**8,956**
B. Public Pfandbriefs		
Standard cover		
1. Loans and receivables with banks	49	182
Mortgage loans	—	—
Municipal loans	49	182
2. Loans and receivables with customers	6,198	6,579
Mortgage loans	15	19
Municipal loans	6,183	6,560
3. Bonds and other fixed-income securities	1,039	439
Other eligible cover[2]		
Other lending to banks	—	—
Subtotal	**7,286**	**7,200**
Total Public Pfandbriefs requiring cover	5,324	5,047
Overcollateralisation	**1,962**	**2,153**

1 compliant with Section 19 (1) of the German Pfandbrief Act
2 compliant with Section 20 (2) of the German Pfandbrief Act

Mortgage Banking

63 Pfandbriefs outstanding and cover assets used

The following table shows Pfandbriefs outstanding and cover assets, broken down by Mortgage Pfandbriefs and Public Pfandbriefs:

€ millions	2015			2014		
	Nominal	Present value	Risk present value[1]	Nominal	Present value	Risk present value[1]
1. Mortgage Pfandbriefs						
Mortgage Pfandbriefs	15,870	17,325	16,526	16,418	18,306	17,625
thereof: derivatives	—	—	—	—	—	—
Cover assets[2]	24,578	26,816	25,762	25,374	27,949	27,053
thereof: derivatives	—	—	—	—	—	—
Overcollateralisation	**8,708**	**9,491**	**9,236**	**8,956**	**9,643**	**9,428**
2. Public Pfandbriefs						
Public Pfandbriefs	5,324	5,953	5,703	5,047	5,829	5,591
thereof: derivatives	—	—	—	—	—	—
Cover assets[3]	7,286	8,127	7,701	7,200	8,162	7,803
thereof: derivatives	—	—	—	—	—	—
Overcollateralisation	**1,962**	**2,174**	**1,998**	**2,153**	**2,333**	**2,212**

1 dynamic procedure compliant with Section 5 (1) No.2 of the German Pfandbrief Net Present Value Regulation
2 including further cover assets compliant with Section 19 (1) of the German Pfandbrief Act with a nominal amount of €763 million at 31 December 2015 and €2,209 million at 31 December 2014
3 including further cover assets compliant with Section 20 (2) of the German Pfandbrief Act with a nominal amount of €0 million at 31 December 2015 and €0 million at 31 December 2014

Mortgage Banking

64 Maturity structure of Pfandbriefs outstanding and fixed-interest periods of respective cover assets

The following table shows the maturity structure of Pfandbriefs outstanding and fixed-interest periods of cover assets:

€ millions	2015		2014	
	Pfandbriefs	Cover assets	Pfandbriefs	Cover assets
1. Mortgage Pfandbriefs[1]	**15,870**	**24,578**	**16,418**	**25,374**
up to 0.5 years	1,822	2,633	3,323	2,735
more than 0.5 years up to 1 year	457	1,689	1,183	1,940
more than 1 year up to 1.5 years	1,515	1,575	1,819	1,923
more than 1.5 years up to 2 years	1,179	2,040	478	1,795
more than 2 years up to 3 years	1,429	2,829	2,258	3,631
more than 3 years up to 4 years	1,605	2,365	992	2,892
more than 4 years up to 5 years	1,360	2,202	552	1,955
more than 5 years up to 10 years	4,457	7,549	3,638	7,389
more than 10 years	2,046	1,696	2,175	1,114
2. Public Pfandbriefs[2]	**5,324**	**7,286**	**5,047**	**7,200**
up to 0.5 years	1,321	868	229	459
more than 0.5 years up to 1 year	122	603	390	649
more than 1 year up to 1.5 years	336	366	1,312	831
more than 1.5 years up to 2 years	118	590	128	523
more than 2 years up to 3 years	716	752	454	765
more than 3 years up to 4 years	451	704	226	614
more than 4 years up to 5 years	773	888	451	580
more than 5 years up to 10 years	896	1,372	1,060	1,675
more than 10 years	591	1,143	797	1,104

1 including further cover assets in accordance with Section 19 (1) of the German Pfandbrief Act; broken down by fixed-interest period and maturity of Pfandbriefs respectively

2 including further cover assets in accordance with Section 20 (2) of the German Pfandbrief Act; broken down by fixed-interest period and maturity of Pfandbriefs respectively

Mortgage Banking

65 Volume of claims used as cover for Pfandbriefs, broken down by size class

The following table shows volume of claims used as cover for Pfandbriefs:

€ millions	2015	2014
Mortgage cover assets	**23,815**	**23,165**
up to and including €300,000	10,688	10,900
more than €300,000 up to and including €1,000,000	3,423	3,254
more than €1,000,000 up to and including €10,000,000	5,236	5,182
more than €10,000,000	4,468	3,829
Public Pfandbriefs[1]	**7,286**	**—**
up to and including €10,000,000	1,682	—
more than €10,000,000 up to and including €100,000,000	2,028	—
more than €100,000,000	3,576	—

1 Volume of claims used as cover for public Pfandbriefs according to size classes, in each case with respect to a debtor or a guaranteeing entity. Publication as of 30 June 2015, pursuant to the 2014 amendment of the Pfandbrief Act; no appropriate data therefore exist before 2015.

Mortgage Banking

66 Volume of claims used as cover for Mortgage Pfandbriefs, broken down by state in which the real property collateral is located and property type

The following table shows the volume of claims used as cover for Mortgage Pfandbriefs, broken down by state in which the real property collateral is located and property type:

	2015		2014	
€ millions	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY
1. Germany	**16,082**	**7,731**	**15,779**	**7,383**
Condominiums	4,083	—	4,043	—
Single-family and two-family houses	6,229	—	6,053	—
Multiple-family houses	5,487	—	5,366	—
Office buildings	—	3,688	—	3,541
Retail buildings	—	2,492	—	2,282
Industrial buildings	—	480	—	503
Other commercially used buildings	—	776	—	729
New buildings under construction, not yet profitable	266	246	304	260
Building land	17	49	13	68
2. France	**2**	**—**	**2**	**—**
Single-family and two-family houses	2	—	2	—
New buildings under construction, not yet profitable	—	—	—	—
3. Italy	**—**	**—**	**1**	**—**
Single-family and two-family houses	—	—	1	—
Multiple-family houses	—	—	—	—
Total	**16,084**	**7,731**	**15,782**	**7,383**

Mortgage Banking

67 Volume of claims used as cover for Public Pfandbriefs, broken down by type of debtor or guaranteeing entity and its home country

The following table shows the volume of claims used as cover for Public Pfandbriefs broken down by type of borrower or guaranteeing entity (in case of a full guarantee) and head office (state) as well as by whether or not the guarantee was granted for reasons of promoting exports:

€ millions	2015	2014
1. Germany		
Central government	573	—
Regional authorities	2,940	2,701
Local authorities	3,369	3,502
Other	54	789
Total Germany	**6,936**	**6,992**
thereof: guarantees for reasons of promoting exports[1]	573	—
2. Austria	**350**	**200**
Central government	350	200
3. Spain	**—**	**8**
Local authorities	—	8
Total	**7,286**	**7,200**
thereof: guarantees for reasons of promoting exports[1]	573	—

1 publication as of 30 June 2015, pursuant to the 2014 amendment of the Pfandbrief Act; no appropriate data therefore exist before 2015

Mortgage Banking

68 Other eligible cover

The following table shows the breakdown of other eligible cover for Pfandbriefs:

€ millions	2015	2014
1. Mortgage Pfandbriefs	**763**	**2,209**
Equalisation claims according to Section 19 (1) No. 1 PfandBG	—	—
All states	—	—
Money claims according to Section 19 (1) No. 2 PfandBG[1]	—	—
All states	—	—
thereof: covered bonds according to Article 129 of Regulation (EU) No. 575/2013	—	—
Bonds according to Section 19 (1) No. 3 PfandBG[2]	763	2,209
Germany	763	2,089
Italy	—	20
Austria	—	100
2. Public Pfandbriefs	**—**	**—**
Equalisation claims according to Section 20 (2) No. 1 PfandBG	—	—
All states	—	—
Money claims according to Section 20 (2) No. 2 PfandBG	—	—
All states	—	—
thereof: covered bonds according to Article 129 of Regulation (EU) No. 575/2013	—	—

1 without cover assets according to Section 4 (1) sentence 2 No. 1 and 2 German Pfandbrief Act
2 including cover assets according to Section 19 (1) No. 2 German Pfandbrief Act in conjunction with Section 4 (1) sentence 2 No. 1 and 2 German Pfandbrief Act

Mortgage Banking

69 Key figures for Pfandbriefs outstanding and associated cover assets

The following table shows the breakdown of key figures for Pfandbriefs outstanding and their respective cover assets:

		2015	2014
1. Mortgage Pfandbriefs			
Mortgage Pfandbriefs outstanding	€ millions	15,870	16,418
thereof: percentage share of fixed-interest Pfandbriefs (Section 28 (1) No. 9 PfandBG)	%	85.26	86.27
Cover assets[1]	€ millions	24,578	25,374
thereof: total amount of claims which exceed the limits laid down in Section 13 (1) PfandBG (Section 28 (1) No. 7 PfandBG)	€ millions	—	—
thereof: total amount of claims which exceed the limits laid down in Section 19 (1) No. 2 PfandBG (Section 28 (1) No. 8 PfandBG)	€ millions	—	—
thereof: total amount of claims which exceed the limits laid down in Section 19 (1) No. 3 PfandBG (Section 28 (1) No.8 PfandBG)	€ millions	—	—
thereof: percentage share of fixed-interest cover (Section 28 (1) No. 9 PfandBG)	%	73.61	73.65
Net present value pursuant to Section 6 Pfandbrief Net Present Value Regulation for each foreign currency, in euros (Section 28 (1) No. 10 PfandBG – balance of asset/liability sides)	€ millions	—	—
Volume-weighted average age of the maturity that has passed since the loan was granted (seasoning) (Section 28 (1) No. 11 PfandBG)	years	8.5	9.1
Average loan-to-value ratio (Section 28 (2) No. 3 PfandBG)	%	40.38	39.81
2. Public Pfandbriefs			
Public Pfandbriefs outstanding	€ millions	5,324	5,047
thereof: percentage share of fixed-income Pfandbriefs (Section 28 (1) No. 9 PfandBG)	%	83.94	87.37
Cover assets[2]	€ millions	7,286	7,200
thereof: total amount of claims which exceed the limits laid down in Section 20 (2) No. 2 PfandBG (Section 28 (1) No. 8 PfandBG)	€ millions	—	—
thereof: share of fixed-income cover (Section 28 (1) No. 9 PfandBG)	%	78.24	79.12
Net present value pursuant to Section 6 Pfandbrief Net Present Value Regulation for each foreign currency, in euros (Section 28 (1) No. 10 PfandBG – balance of asset/liability sides)	€ millions	—	—

1 including further cover assets according to Section 19 (1) German Pfandbrief Act
2 including further cover assets according to Section 20 (2) German Pfandbrief Act

Mortgage Banking

70 Payments in arrears

Total amount of payments in arrears for at least 90 days in respect of the claims used as cover for Pfandbriefs and breakdown by states in which the real property collateral is located:

€ millions	2015	2014
1. Mortgage Pfandbriefs		
Payments in arrears of at least 90 days	(1)	(1)
Germany	(1)	(1)
Payments in arrears of at least 90 days, arrears equal at least 5% of the loan	—	(1)
Germany	—	(1)
2. Public Pfandbriefs		
Payments in arrears of at least 90 days	—	—
All states	—	—
Payments in arrears of at least 90 days, arrears equal at least 5% of the loan	—	—
All states	—	—

Mortgage Banking

71 Foreclosures and sequestrations

The following table shows the breakdown of foreclosures and sequestrations carried out in 2015:

		of which in 2015:	
	Number of proceedings	Commercial property	Residential property
1. Foreclosures and sequestrations			
a) Pending at 31 December 2015			
Foreclosure proceedings	328	53	275
Sequestration proceedings	15	3	12
Foreclosure and sequestration proceedings	253	51	202
	596	**107**	**489**
(comparative figures from 2014	637	112	525)
b) Foreclosures finalised in 2015	**48**	**1**	**47**
(comparative figures from 2014	70	5	65)
2. Properties repossessed			
As in the previous year, the Pfandbrief bank did not have to repossess any properties during the year under review to prevent losses on mortgage loans.			

Mortgage Banking

72 Interest in arrears

Interest in arrears on mortgage-covering assets due between 1 October 2014 and 30 September 2015 breaks down as follows:

€ millions	2015	2014
Interest in arrears	**—**	**—**
Commercial property	—	—
Residential property	—	—

The present annual financial statements were prepared on 8 March 2016.

UniCredit Bank AG

The Management Board

Buschbeck Dr Diederich Diederichs Giordano

Laber Varese Dr Weimer

Declaration by the Management

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

Munich, 8 March 2016

UniCredit Bank AG
The Management Board

Buschbeck   Dr Diederich   Diederichs   Giordano

Laber   Varese   Dr Weimer

Auditors’ Report

Independent Auditors’ Report

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system, and the management report of UniCredit Bank AG, Munich, for the business year from 1 January to 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB (“German Commercial Code”) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements of UniCredit Bank AG, Munich, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 8 March 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Leuschner)
German Public Auditor

(Kopatschek)
German Public Auditor

UniCredit Bank AG
Arabellastrasse 12
81925 Munich

Signed by

Michael Furmans Michaela Karg