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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TABLE OF CONTENTS

Risk Factors .... **- 3 -**
1 Risks related to the issuer´s financial situation .... - 3 -
2 Risks related to the issuer´s specific business activities .... - 4 -
3 General risks related to the issuer´s business operations .... - 5 -
4 Legal and regulatory risks .... - 6 -
5 Strategic and macroeconomic risks .... - 8 -
Persons responsible .... **- 9 -**
Statutory Auditors .... **- 9 -**
UniCredit Bank AG .... **- 10 -**
Information about HVB, the parent company of HVB Group .... - 10 -
Programme Transform 2019 .... - 10 -
Business Overview .... **- 10 -**
Principal Activities .... - 10 -
Business segments of HVB Group .... - 10 -
Principal Markets .... - 13 -
Management and Supervisory Bodies .... **- 13 -**
Major Shareholders .... **- 15 -**
Financial Statements of HVB .... **- 15 -**
Auditors .... **- 15 -**
Legal and Arbitration Proceedings .... **- 15 -**
Proceedings Related to Actions by the Regulatory Authorities .... **- 17 -**
General Information .... **- 18 -**
Documents on Display .... - 18 -
Significant Changes in HVB Group's Financial Position and Trend Information .... - 18 -
Information incorporated by reference .... - 18 -
Audited consolidated financial statements as at 31 December 2018 .... **F-1**
Consolidated Income Statement F-1
Consolidated Balance Sheet F-3
Statement of Changes in Consolidated Shareholders' Equity F-5
Consolidated Cash Flow Statement F-8
Notes to the Consolidated Financial Statements F-9
Declaration by the Management Board F-182
Auditors' Report F-183
Audited unconsolidated financial statements as at 31 December 2018 (HGB) F-**189**
Income Statement of UniCredit Bank AG F-189
Balance Sheet of UniCredit Bank AG F-191
Notes F-197
Declaration by the Management F-255
Auditors' Report F-256

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 investors may lose their 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.

1 Risks related to the issuer´s financial situation

1.1 Liquidity risk

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

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

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

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

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

1.2 Risks arising from pension commitments

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

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

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

2 Risks related to the issuer´s specific business activities

2.1 Risk from lending business (credit risk)

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

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

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

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

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

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

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

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

2.2 Risks from trading activities (market risk)

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

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

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

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

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

2.3 Risks from other business activities

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

Real estate risk covers potential losses resulting from changes in the market value of the real estate portfolio of HVB Group. Besides the real estate owned by HVB, the HVB Group portfolio also includes the real estate owned by the real estate holding companies, real estate owned by HVB subsidiaries (according to International Financial Reporting Standards (IFRS) scope of consolidation) and by the Special Purpose Vehicles (SPVs). No land or properties are included that serve as collateral in lending (credit) transactions.

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

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

Due to the continuously driven process of reducing numbers and complexity in HVB Group’s strategic and non-strategic shareholdings portfolio in the recent years, the financial investment risks significantly declined to only marginal importance for operating results, business performance and financial results of HVB Group. Nevertheless, operational or financial losses to which these companies are exposed could cause decreases in the value of these participations and thus have negative effects on the assets, liabilities, financial and profit situation of HVB Group.

3 General risks related to the issuer´s business operations

3.1 Business risk

HVB Group defines business risk as potential losses resulting from unexpected negative changes in the business volume and/or margins that are not attributed to other risk types. 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, in customer behaviour or in expenses structure, or changes to the legal framework.

3.2 Risks from concentrations of risk and earnings

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

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

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

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

3.3 Operational risk

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

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

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

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

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

3.4 Reputational risk

Reputational risk is defined as the risk of negative effects on the income statement 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 reputational risk that actually materialises could be reflected for example in the operational risk, in the business risk or liquidity risk.

4 Legal and regulatory risks

4.1 Legal and tax risks

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

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

In that regard, HVB Group has processes in place to ensure adequate analysis of procedures and risks as a basis for deciding whether provisions for legal risks must be increased in specific cases or whether they are appropriate under the current circumstances. 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. As of 31 December 2018, the provisions (included in the 2018 annual report) are equal to €2,182 million. Included in this amount are €1,617 million in the subitem "other provisions" and therein are €1,535 million provisions which include legal risks, litigation fees and damage payments.

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

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

4.2 Compliance risk

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

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

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

4.3 Regulatory risks

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

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

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

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

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

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

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

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

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

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

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

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

5 Strategic and macroeconomic risks

5.1 Strategic risk

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

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

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

5.2 Macroeconomic risk

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

According to projections by the International Monetary Fund (IMF), the global economy is likely to grow by 3.7%. throughout the year 2019, whereby the prospects with regard to the individual economies vary. Besides a decline in US growth, growth in the eurozone is also likely to weaken. Many emerging and developing countries will also probably lose momentum in 2019, as high (albeit declining) oil prices, higher US interest rates and a stronger US dollar exchange rate should continue to weigh on their economic development. A further burdening factor for the global economy is presumably somewhat weaker growth in China. In addition to the ongoing transformation of the Chinese economy, slower growth likely stems from stricter lending guidelines for real estate loans and house purchases as well as the associated normalization process in the Chinese real estate market. Moreover, uncertainties for global trade continue to originate from the unpredictable consequences of a tightening of protectionist measures by the US government and the outcome of Brexit negotiations. In the eurozone, ongoing budget negotiations between Italy and the EU Commission could also weigh on markets and impair economic development via higher financing conditions. At present, however, there are signs that the situation is easing.

Domestic consumption is expected to remain one of the key drivers of growth of the German economy in 2019, whereas foreign trade should dampen economic activity due to slower global growth in the second half of the year. Furthermore, manufacturing companies, in particular, could suffer from a further escalation of trade disputes in the US-China-Europe triad, although currently implemented US tariff measures (as well as retaliatory measures by other countries) did not yet have a significant negative impact on global trade.

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

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

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

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

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., Milan, Italy ("**UniCredit S.p.A.**" and together with its consolidated subsidiaries, "**UniCredit**") since November 2005 and hence a major part of UniCredit from that date as a sub-group. UniCredit S.p.A. holds directly 100 per cent. of HVB's share capital.

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

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.

Programme Transform 2019

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

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 retail customers through to business loans and foreign trade financing and investment banking products for corporate customers.

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

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

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 various customer groups, i.e. retail customers, private banking customers, wealth management customers, business/corporate customers and commercial real estate customers.

Unternehmer Bank

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

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

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

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

Private Clients Bank

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

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

The route adopted with the modernisation of the private clients business will be continued, e.g. with digitalisation. In this target group, the market share is to be actively extended in order to optimise the profitability of the private clients business. This should be achieved by individual consulting expertise, a modern multi-channel offering, loyalty programme and by a network of 341 branches.

Private Banking follows a clear growth strategy with its holistic advisory approach, a nationwide network and comprehensive product spectrum of investment and financing products.

Corporate & Investment Banking (CIB)

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

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

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

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

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

HVB Capital Partners AG, a 100 per cent. owned subsidiary of UniCredit Bank AG, is assigned to the CIB division. The activities of this subsidiary, which initially was established as an investment vehicle for direct and indirect participations in companies of all kinds, are limited to the management and run-down of the legacy portfolio.

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

CIB Product Lines

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

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

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

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

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

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

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

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

Group Corporate Centre

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

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 2018, HVB Group had 503 offices around the world (including 348 HVB branches in Germany) and 12,252 employees (in full-time equivalents, FTEs) (2017: 13,405).

MANAGEMENT AND SUPERVISORY BODIES

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

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

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

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

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

Management Board

Name	**Areas of Responsibility**	**Major activities outside HVB Group**
Sandra Betocchi Drwenski	Chief Operating Officer	UniCredit Services S.C.p.A. (vormals UniCredit Business Integrated Solutions S.C.p.A.), Milan (Member of the Consiglio di amministrazione)
Markus Beumer since 1 December 2018	Commercial Banking - Unternehmer Bank	DAW SE, Ober-Ramstadt (member of the Advisory Board)
Dr Emanuele Buttà	Commercial Banking – Private Clients Bank	-
Ljiljana Čortan	Chief Risk Officer	-
Dr Michael Diederich	Spokesman of the Management Board Human Capital/Arbeit und Soziales	FC Bayern München AG, Munich (member of the Supervisory Board since 17 December 2018)
		ESMT European School of Management and Technology GmbH, Berlin (Member of the Supervisory Board)
Jan Kupfer	Corporate & Investment Banking	Bayerische Börse Aktiengesellschaft, Munich, (Member of the Supervisory Board since 1 July 2018)

Name	Areas of Responsibility	Major activities outside HVB Group
Robert Schindler until 7 November 2018	Commercial Banking - Unternehmer Bank	-
Guglielmo Zadra	Chief Financial Officer	-

Supervisory Board

Name	Principal Occupation
Gianni Franco Papa, Vienna, Chairman	General Manager of UniCredit S.p.A., Milan
Florian Schwarz, Munich, Deputy Chairman(1)	Employee of UniCredit Bank AG
Dr Wolfgang Sprissler, Sauerlach, Deputy Chairman	Former Board Spokesman of UniCredit Bank AG
Paolo Cornetta, Milan	Head of Group Human Capital of UniCredit S.p.A.
Beate Dura-Kempf, Litzendorf(1) until 31 January 2019	Employee of UniCredit Bank AG
Francesco Giordano, Milan	Co-Chief Operating Officer of UniCredit S.p.A., Milan
Klaus Grünewald, Gröbenzell(1) until 30 June 2018	FB1 unit manager in the Bavarian division of Vereinte Dienstleistungsgewerkschaft, Munich
Professor Dr Annette G. Köhler, Düsseldorf	University Professor and Chair of Accounting, Auditing and Controlling, University of Duisburg-Essen, Faculty for Business Administration - Mercator School of Management, Duisburg
Dr Marita Kraemer, Frankfurt am Main	Former Member of the Management Board of Zurich GI Management Aktiengesellschaft (Deutschland), Frankfurt am Main, and former Member of the Management Board of Zurich Service GmbH, Bonn
Klaus-Peter Prinz, Trier(1)	Employee of UniCredit Bank AG Luxembourg Branch, Luxembourg
Claudia Richter, Fürth since 8 February 2019	Employee of UniCredit Bank AG
Christian Staack, Hamburg(1)	Employee of UniCredit Bank AG
Oliver Skrbot, Buttenwiesen(1)	Employee of UniCredit Bank AG
Gregor Völkl, Munich(1) since 1 July 2018	District Trade Secretary of Vereinte Dienstleistungsgewerkschaft ver.di FB 1 unit - Financial services Munich district;

(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 per cent. of HVB's share capital.

FINANCIAL STATEMENTS OF HVB

The audited consolidated financial statement in respect of the fiscal year ended 31 December 2017 of HVB and the audited unconsolidated financial statement of HVB as at 31 December 2017 (*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 2018 and the audited unconsolidated financial statement of HVB as at 31 December 2018 (*HGB*) are laid down as F-Pages of this Registration Document.

AUDITORS

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

LEGAL AND ARBITRATION PROCEEDINGS

Legal risks

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

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

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

VIP 4 Medienfonds Fund

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

Closed-end funds

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

Real-estate financing

In various cases, customers dispute their obligation to repay their property loan agreements because they are of the opinion that HVB gave insufficient advice about the intrinsic value of the acquired property and the expected rent. In the last few years only a small number of new lawsuits has been filed. In the light of the experience gained, HVB assumes that there are no significant risks expected in this context.

Derivative transactions

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

Proceedings related to claims for withholding tax credits

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

In addition, criminal investigations have been instigated against current or former employees of HVB by the Prosecutors in Frankfurt/Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. HVB cooperated - and continues to cooperate - with the aforesaid Prosecutors who investigated offences that include possible tax evasion in connection with cum-ex transactions both for HVB's own book as well as for a former customer of HVB. Proceedings in Cologne against HVB and its former employees came to a conclusion in November 2015 with, among other things, the payment by HVB of a fine of €9.8 million. The investigations by the Frankfurt/Main Prosecutor against HVB under section 30 of the Administrative Offences Act (*Ordnungswidrigkeitengesetz*) came to a conclusion in February 2016 by the payment of a fine of €5 million. The investigation by the Munich Prosecutor against HVB were legally completed in April 2017 following the payment of a forfeiture of €5 million. Currently, all criminal proceedings against HVB have come to a conclusion. In December 2018, in connection with a separate ongoing investigation against former bank employees by the Cologne prosecutor, the bank was informed of the initiation of additional proceedings in connection with administrative offence regarding "cum-ex" transactions involving Exchange Traded Funds ("ETF"). The facts are being examined internally. The Bank continues to cooperate with the authorities.

The Munich tax authorities are currently performing a regular field audit of HVB for the years 2009 to 2012 which includes, among other things, review of other transactions in equities around the dividend record date. During these years HVB performed, among other things, securities-lending with different domestic counterparties which include, but are not limited to, different types of securities transactions around the dividend date. It remains to be clarified whether, and under what circumstances, tax credits can be obtained or taxes refunded with regard to different types of transactions carried out close to the distribution of dividends, and what the further consequences for the Bank will be in the event of different tax treatment. The same applies for the years 2013 until 2015 following the current regular tax audit mentioned above. It cannot be ruled out that HVB might be exposed to tax-claims in this respect by relevant tax offices or third party claims under civil law. HVB is in constant communication with relevant regulatory authorities and competent tax authorities regarding these matters. HVB has made provisions deemed appropriate.

Lawsuit for consequential damages

A customer filed an action against HVB for consequential damages of €236 million for the following reasons: In 2010, HVB was ordered by Frankfurt Higher Regional Court to pay damages in the amount of €4.8 million to the plaintiff due to the faulty handling of a bill of exchange and in addition to compensate further damages suffered by the plaintiff as a result of this deficiency. In 2011, the plaintiff filed an action against HVB with Frankfurt Regional Court for alleged consequential damages in the amount of €33.7 million and extended this action several times to a total of €236 million, in the meantime. By ruling dated 31 August 2017, Frankfurt Regional Court dismissed the claim and followed HVB's opinion on the claim being unfounded and the allegations raised by the plaintiff being unreasonable. In the meantime the plaintiff has appealed against the court ruling to Frankfurt Higher Regional Court. Within the scope of the hearing on 20 November 2018, Frankfurt Higher Regional Court expressed its interim opinion according to which the plaintiff's appeal does not have any prospect of success.

Financial sanctions matters

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

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

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

Lehman Brothers Special Financing Claim

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

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

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

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

On 13 April 2018, LBSF filed notice of appeal to the Second Circuit Court of Appeals. The parties exchanged pleadings. A date for an oral hearing has not yet been set.

Statement of Objections from the European Commission

In early 2019 UniCredit S.p.A. received a statement of objections from the European Commission as part of its investigation into a suspected violation of antitrust rules in relation to European government bonds. UniCredit is currently examining the objections and will comment on them, including as far as transactions of UniCredit Bank AG are concerned.

PROCEEDINGS RELATED TO ACTIONS BY THE REGULATORY AUTHORITIES

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

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

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 2018 and 31 December 2017 of HVB, the unconsolidated annual financial statements of HVB in respect of the fiscal years ended 31 December 2018 and 31 December 2017 prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) will be available during usual business hours on any weekday (except Saturdays and public holidays) at the offices of HVB. During the validity of this Registration Document, all documents from which information has been incorporated by reference herein will be available for collection in the English language, free of charge, at the office of HVB (Arabellastrasse 12, 81925 Munich).

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

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

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

Information incorporated by reference

The information specified below under "Audited consolidated financial statements at 31 December 2017" set out on pages F-1 to F-148 of the Registration Document of UniCredit Bank AG dated 17 April 2018 and under "Audited unconsolidated financial statements (HGB) at 31 December 2017" set out on pages F-149 to F-221 of the Registration Document of UniCredit Bank AG dated 17 April 2018, 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 2017	**Extracted from the Registration Document of HVB dated 17 April 2018**	**Inserted in this Registration Document on the following pages:**
- Consolidated Income Statement	- p. F-1 to F-2	- p. -15-
- Consolidated Balance Sheet	- p. F-3 to F-4	- p. -15-
- Statement of Changes in Consolidated Shareholders' Equity	- p. F-5 to F-6	- p. -15-
- Consolidated Cash Flow Statement	- p. F-7 to F-8	- p. -15-
- Notes to the Consolidated Financial Statements	- p. F-9 to F-141	- p. -15-
- Declaration by the Management Board	- p. F-142	- p. -15-
- Auditors' Report	- p. F-143 –F-148	- p. -15-
Audited unconsolidated financial statements (HGB) at 31 December 2017	**Extracted from the Registration Document of HVB dated 17 April 2018**	**Inserted in this Registration Document on the following pages:**
- Income Statement	- p. F-149 to F-150	- p. -15-
- Balance Sheet	- p. F-151 to F-156	- p. -15-
- Notes	- p. F-157 to F-214	- p. -15-
- Declaration by the Management Board	- p. F-215	- p. -15-
- Auditors' Report	- p. F-216 – F-221	- p. -15-

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 2018

Consolidated Income Statement

Consolidated Income Statement

Income/Expense	NOTES	2018 € millions	2017 € millions	CHANGE € millions	in %
Interest income[1]		3,753	3,818	(65)	(1.7)
Negative interest on financial assets		(154)	(137)	(17)	+ 12.4
Interest expense		(1,387)	(1,401)	+ 14	(1.0)
Negative interest on financial liabilities		272	261	+ 11	+ 4.2
Net interest	38	2,484	2,541	(57)	(2.2)
Dividends and other income from equity investments	39	25	11	+ 14	>+ 100.0
Net fees and commissions	40	1,014	1,103	(89)	(8.1)
Net trading income	41	693	928	(235)	(25.3)
Net gains/losses on financial assets and liabilities at fair value	42	(110)	n/a		
Net gains/losses on derecognition of financial instruments measured at cost	43	52	n/a		
Net other expenses/income	44	524	399	+ 125	+ 31.3
Payroll costs		(1,468)	(1,600)	+ 132	(8.3)
Other administrative expenses		(1,405)	(1,443)	+ 38	(2.6)
Amortisation, depreciation and impairment losses on intangible and tangible assets		(206)	(227)	+ 21	(9.3)
Operating costs	45	(3,079)	(3,270)	+ 191	(5.8)
Net write-downs of loans and provisions for guarantees and commitments IAS 39	46	n/a	(195)		
Credit impairment losses IFRS 9	47	(16)	n/a		
Provisions for risks and charges	48	(919)	(25)	(894)	>+ 100.0
Restructuring costs	49	(14)	(7)	(7)	+ 100.0
Net income from investments	50	n/a	112		
Net gains/losses on disposals on investments	51	26	n/a		
PROFIT BEFORE TAX AND IMPAIRMENT ON GOODWILL		**680**	**1,597**	**(917)**	**(57.4)**
Impairment on goodwill	52	(288)	—	(288)	
PROFIT BEFORE TAX		**392**	**1,597**	**(1,205)**	**(75.5)**
Income tax for the period	53	(154)	(261)	+ 107	(41.0)
PROFIT AFTER TAX		**238**	**1,336**	**(1,098)**	**(82.2)**
CONSOLIDATED PROFIT		**238**	**1,336**	**(1,098)**	**(82.2)**
attributable to the shareholder of UniCredit Bank AG		236	1,332	(1,096)	(82.3)
attributable to minorities		2	4	(2)	(50.0)

1 The item "Interest income" contains interest of €2,960 million calculated using the effective interest method. The figure is based on classification according to IFRS 9, which means that statement of a previous-year figure is deemed unnecessary.

Earnings per share

(in €)

	NOTES	2018	2017
Earnings per share (undiluted and diluted)	54	0.29	1.66

Consolidated statement of total comprehensive income

(€ millions)

	2018	2017
Consolidated profit recognised in the income statement	**238**	**1,336**
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)	(101)	218
Change in fair value attributable to change in the credit risk of financial		
liability designated at FVTPL (own credit spread reserve)	31	n/a
Other changes	—	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	22	(68)
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	2	(8)
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (AfS reserve)	n/a	(19)
Unrealised gains/(losses)	n/a	89
Gains/(losses) reclassified to the income statement	n/a	(108)
Changes in valuation of financial instruments (hedge reserve)	6	(3)
Unrealised gains/(losses)	7	1
Gains/(losses) reclassified to the income statement	(1)	(4)
Changes in valuation of financial instruments at FVTOCI (FVTOCI reserve)	(31)	n/a
Unrealised gains/(losses)	(28)	n/a
Gains/(losses) reclassified to the income statement	(3)	n/a
Other changes	(7)	—
Taxes on income and expenses to be reclassified to the income statement in future periods	11	(2)
Total income and expenses recognised in equity under other comprehensive income	**(67)**	**118**
Total comprehensive income	**171**	**1,454**
of which:		
attributable to the shareholder of UniCredit Bank AG	169	1,450
attributable to minorities	2	4

Consolidated Balance Sheet

ASSETS	NOTES	2018 € millions	2017 € millions	CHANGE € millions	CHANGE in %
Cash and cash balances	55	19,990	36,414	(16,424)	(45.1)
Financial assets held for trading	56	68,957	75,493	(6,536)	(8.7)
Financial assets at FVTPL (FVO)	57	n/a	21,456		
Financial assets at FVTPL	58	16,683	n/a		
Financial assets at FVTOCI	59	7,370	n/a		
Available-for-sale financial assets	60	n/a	6,816		
Held-to-maturity investments	61	n/a	23		
Loans and receivables with banks (at cost)	62	33,648	30,330	+ 3,318	+ 10.9
Loans and receivables with customers (at cost)	63	133,706	121,178	+ 12,528	+ 10.3
Hedging derivatives	66	276	390	(114)	(29.2)
Hedge adjustment of hedged items					
in the fair value hedge portfolio		36	72	(36)	(50.0)
Investments in associates and joint ventures	67	23	34	(11)	(32.4)
Property, plant and equipment	68	2,489	2,599	(110)	(4.2)
Investment properties	69	256	808	(552)	(68.3)
Intangible assets	70	149	445	(296)	(66.5)
of which: goodwill		130	418	(288)	(68.9)
Tax assets		1,375	1,363	+ 12	+ 0.9
Current tax assets		132	113	+ 19	+ 16.8
Deferred tax assets		1,243	1,250	(7)	(0.6)
Non-current assets or disposal groups held for sale	71	742	511	+ 231	+ 45.2
Other assets	72	988	1,128	(140)	(12.4)
TOTAL ASSETS		**286,688**	**299,060**	**(12,372)**	**(4.1)**

LIABILITIES	NOTES	2018 € millions	2017 € millions	CHANGE € millions	in %
Deposits from banks	74	62,943	67,354	(4,411)	(6.5)
Deposits from customers	75	121,038	124,284	(3,246)	(2.6)
Debt securities in issue	76	24,360	25,552	(1,192)	(4.7)
Financial liabilities held for trading	77	48,105	56,217	(8,112)	(14.4)
Financial liabilities at fair value through profit or loss	78	5,152	n/a		
Hedging derivatives	79	598	469	+ 129	+ 27.5
Hedge adjustment of hedged items					
in the fair value hedge portfolio	80	1,210	1,215	(5)	(0.4)
Tax liabilities		429	693	(264)	(38.1)
Current tax liabilities		275	604	(329)	(54.5)
Deferred tax liabilities		154	89	+ 65	+ 73.0
Liabilities of disposal groups held for sale	81	—	102	(102)	(100.0)
Other liabilities	82	1,649	1,699	(50)	(2.9)
Provisions	83	3,453	2,601	+ 852	+ 32.8
Shareholders' equity	84	17,751	18,874	(1,123)	(5.9)
Shareholders' equity attributable to the shareholder					
of UniCredit Bank AG		17,748	18,867	(1,119)	(5.9)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		4,998	5,289	(291)	(5.5)
Changes in valuation of financial instruments		32	80	(48)	(60.0)
AfS reserve		n/a	52		
Hedge reserve		28	28	—	—
FVTOCI reserve		4	n/a		
Consolidated profit 2018		520	1,300	(780)	(60.0)
Minority interest		3	7	(4)	(57.1)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**286,688**	**299,060**	**(12,372)**	**(4.1)**

The 2018 profit available for distribution disclosed in the annual financial statements of UniCredit Bank AG (corresponding to the consolidated profit of HVB Group), which forms the basis for the appropriation of profit, amounts to €520 million. We will propose to the Shareholders' Meeting to pass a resolution that a dividend totalling €520 million be paid to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €0.65 per share after around €1.62 in the 2017 financial year. The consolidated profit disclosed in the previous year amounting to €1,300 million was distributed to UniCredit pursuant to the resolution of the Shareholders' Meeting of 11 June 2018.

Statement of Changes in Consolidated Shareholders' Equity

			OTHER RESERVES		
	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	TOTAL OTHER RESERVES	OF WHICH: OWN CREDIT SPREAD	OF WHICH: PENSIONS AND SIMILAR OBLIGA-TIONS (IAS 19)
Shareholders' equity at 1/1/2017	**2,407**	**9,791**	**5,107**	**n/a**	**(1,316)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**n/a**	**—**
Total income and expenses recognised in equity under					
other comprehensive income[3]	**—**	**—**	**142**	**n/a**	**150**
Changes in valuation of financial instruments not affecting income	—	—	—	n/a	—
Changes in valuation of financial instruments affecting income	—	—	—	n/a	—
Actuarial gains/(losses) on defined benefit plans	—	—	150	n/a	150
Reserve arising from foreign currency translation	—	—	(8)	n/a	—
Other changes	—	—	—	n/a	—
Total other changes in equity	**—**	**—**	**40**	**n/a**	**5**
Dividend payouts	—	—	—	n/a	—
Transfers from consolidated profit	—	—	32	n/a	—
Changes in group of consolidated companies	—	—	8	n/a	5
Capital decreases	—	—	—	n/a	—
Shareholders' equity at 31/12/2017	**2,407**	**9,791**	**5,289**	**n/a**	**(1,161)**
Shareholders' equity at 1/1/2018	**2,407**	**9,791**	**5,289**	**—**	**(1,161)**
Changes on initial application of IFRS 9	—	—	38	(21)	—
Shareholders' equity restated at 1/1/2018	**2,407**	**9,791**	**5,327**	**(21)**	**(1,161)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under					
other comprehensive income[3]	**—**	**—**	**(46)**	**21**	**(69)**
Changes in valuation of financial instruments not affecting income	—	—	21	21	—
Changes in valuation of financial instruments affecting income	—	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	(69)	—	(69)
Reserve arising from foreign currency translation	—	—	2	—	—
Other changes	—	—	—	—	—
Total other changes in equity	**—**	**—**	**(283)**	**—**	**—**
Dividend payouts	—	—	—	—	—
Transfers from consolidated profit	—	—	(284)	—	—
Changes in group of consolidated companies	—	—	1	—	—
Capital decreases	—	—	—	—	—
Shareholders' equity at 31/12/2018	**2,407**	**9,791**	**4,998**	**—**	**(1,230)**

1 The Shareholders' Meeting of 22 May 2017 resolved to distribute the 2016 consolidated profit in the amount of €3,005 million to our sole shareholder UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €3.75 per share. The Shareholders' Meeting of 11 June 2018 resolved to distribute the 2017 consolidated profit in the amount of €1,300 million as a dividend to our sole shareholder, UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €1.62 per share.

2 UniCredit Bank AG (HVB).

3 See Consolidated statement of total comprehensive income.

(€ millions)

	CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS						
	AFS RESERVE	HEDGE RESERVE	FVTOCI RESERVE	CONSOLIDATED PROFIT[1]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDER OF HVB[2]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
	74	**30**	**n/a**	**3,005**	**20,414**	**6**	**20,420**
	—	**—**	**n/a**	**1,332**	**1,332**	**4**	**1,336**
	(22)	**(2)**	**n/a**	**—**	**118**	**—**	**118**
	62	1	n/a	—	63	—	63
	(84)	(3)	n/a	—	(87)	—	(87)
	—	—	n/a	—	150	—	150
	—	—	n/a	—	(8)	—	(8)
	—	—	n/a	—	—	—	—
	—	**—**	**n/a**	**(3,037)**	**(2,997)**	**(3)**	**(3,000)**
	—	—	n/a	(3,005)	(3,005)	(3)	(3,008)
	—	—	n/a	(32)	—	—	—
	—	—	n/a	—	8	—	8
	—	—	n/a	—	—	—	—
	52	**28**	**n/a**	**1,300**	**18,867**	**7**	**18,874**
	52	**28**	**—**	**1,300**	**18,867**	**7**	**18,874**
	(52)	—	25	—	11	—	11
	n/a	**28**	**25**	**1,300**	**18,878**	**7**	**18,885**
	n/a	**—**	**—**	**236**	**236**	**2**	**238**
	n/a	**—**	**(21)**	**—**	**(67)**	**—**	**(67)**
	n/a	6	(19)	—	8	—	8
	n/a	(1)	(2)	—	(3)	—	(3)
	n/a	—	—	—	(69)	—	(69)
	n/a	—	—	—	2	—	2
	n/a	(5)	—	—	(5)	—	(5)
	n/a	**—**	**—**	**(1,016)**	**(1,299)**	**(6)**	**(1,305)**
	n/a	—	—	(1,300)	(1,300)	—	(1,300)
	n/a	—	—	284	—	—	—
	n/a	—	—	—	1	(6)	(5)
	n/a	—	—	—	—	—	—
	n/a	**28**	**4**	**520**	**17,748**	**3**	**17,751**

Statement of Changes in Consolidated Shareholders' Equity (Continued)

The changes in the statement of changes in shareholders' equity are the result of the first-time adoption of the IFRS 9 standard. The adjustments made in the statement of changes in shareholders' equity are described in the Note "First-time adoption of IFRS 9 – Changes in disclosure principles compared with the previous year". The amounts shown in the line "Effect of first-time adoption of IFRS 9" relating to measurement adjustments performed are described in the Note "Effects of first-time adoption of IFRS 9". It should be noted that the Note "Effects of first-time adoption of IFRS 9" presents the effects in relation to the respective balance sheet item before tax (taxes constitute a separate balance sheet item), while the statement of changes in shareholders' equity shows the amounts after tax, i.e. taking account of tax effects.

The available-for-sale reserve is reversed upon first-time adoption of IFRS 9 from 1 January 2018 as the category "available for sale" no longer applies.

To the extent that certain securities are measured at fair value directly in equity, the difference between amortised cost and the fair value for such portfolios is added to the fair value through other comprehensive income reserve. For the portfolios recorded in this category for the first time as of 1 January 2018, this difference is recorded in the statement of changes in shareholders' equity through the line "Effect of first-time adoption of IFRS 9", while follow-up measurement is performed through other comprehensive income in the consolidated statement of total comprehensive income.

If the required new classification and measurement of assets cause measurement effects (e.g. transition from measurement at cost to fair value measurement in the case of shareholdings), such measurement effects are recorded in retained earnings as at 1 January 2018 and added to Other reserves in the statement of changes in shareholders' equity through the line "Effects of first-time adoption of IFRS 9". As IFRS 9 is generally applied retrospectively, these effects remain in retained earnings on a permanent basis.

The effects arising from the changes in fair value of the own credit spread for financial liabilities designated as measured at fair value through profit or loss give rise to a special effect: According to the provisions of IFRS 9, such effects, to the extent they relate to periods prior to 1 January 2018, are added to the newly created reserve for the own credit spread effect. As these instruments were previously allocated to financial liabilities held for trading and have thus already been measured at fair value through profit or loss, such effect from the change in the own credit spread is already recorded through profit or loss in previous periods and is included in retained earnings. This means that these instruments must be reclassified from retained earnings to the new "own credit spread reserve". As both reserves are part of the Other reserves in the statement of shareholders' equity, there is no effect on equity at this point. The increase in Other reserves of €38 million is attributable to the remaining adjustments in the measurement of the financial instruments, as described in the Note "Effects of first-time adoption of IFRS 9".

Consolidated Cash Flow Statement

(€ millions)

	2018	2017
Consolidated profit	**238**	**1,336**
Write-downs, provisions for losses on, and write-ups of, loans and receivables and additions to		
provisions for losses on guarantees and indemnities	49	241
Write-downs and depreciation less write-ups on non-current assets	409	292
Change in other non-cash positions	(1,636)	(796)
Profit from the sale of investments, property, plant and equipment	(31)	(146)
Other adjustments (net interest and dividend income from the income statement, taxes on income paid)	(2,627)	(2,758)
Subtotal	**(3,598)**	**(1,831)**
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	6,563	10,673
Loans and receivables with banks (at cost)	(3,998)	2,634
Loans and receivables with customers (at cost)	(13,399)	(211)
Other assets from operating activities	(36)	(1,218)
Deposits from banks	(3,718)	10,852
Deposits from customers	(3,169)	7,594
Debt securities in issue	(298)	1,636
Other liabilities from operating activities	(284)	(2,552)
Taxes on income	(351)	19
Interest received	4,110	3,705
Interest paid	(1,529)	(1,212)
Dividends received	345	268
Cash flows from operating activities	**(19,362)**	**30,357**
Proceeds from the sale of investments	5,767	2,120
Proceeds from the sale of property, plant and equipment	82	90
Payments for the acquisition of investments	(1,366)	(2,926)
Payments for the acquisition of property, plant and equipment	(160)	(193)
Effects of the change in the group of companies included in consolidation	38	68
Effect of the disposal of discontinued operations	—	—
Cash flows from investing activities	**4,361**	**(841)**

	2018	2017
Change in additional paid-in capital	—	—
Dividend payments	(1,300)	(3,005)
Issue of subordinated liabilities and hybrid capital	—	—
Repayment/buy-back of subordinated liabilities and hybrid capital	(45)	(45)
Other financing activities (debt, fund for general banking risks) (+)	(78)	178
Other financing activities (debt, fund for general banking risks) (–)	—	—
Cash flows from financing activities	**(1,423)**	**(2,872)**
Cash and cash equivalents at end of previous period	**36,414**	**9,770**
Net cash provided/used by operating activities	**(19,362)**	**30,357**
Net cash provided/used by investing activities	**4,361**	**(841)**
Net cash provided/used by financing activities	**(1,423)**	**(2,872)**
Effects of exchange rate changes	—	—
Less non-current assets or disposal groups held for sale	—	—
Cash and cash equivalents at end of period	**19,990**	**36,414**

Legal basis

UniCredit Bank AG (HVB) is a universal bank with its registered office and principal place of business in Arabellastrasse 12, Munich, Germany. It is filed under HRB 42148 in the B section of the Commercial Register maintained by Munich District Court. HVB is an affiliated company of UniCredit S.p.A., Milan, Italy (ultimate parent company) in whose consolidated financial statements HVB Group is included. These are published on the UniCredit corporate group's website at the following address: https://www.unicreditgroup.eu/en/investors/financial-reports.html.

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. Further information on the Bank's products and services is provided in the Note "Components of segment reporting by business segment" in the notes to these consolidated financial statements.

As a globally active company, HVB prepares its financial statements in accordance with the requirements of the International Accounting Standards Board (IASB) in the version adopted by the EU. 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 Regulation) together with further regulations regarding the adoption of certain IFRS within the framework of the EU endorsement in conjunction with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB) as non-exempt consolidated financial statements compliant with Section 4 of the IAS Regulation. The present consolidated financial statements were prepared by HVB's Management Board on 12 March 2019 and approved by the Supervisory Board on 22 March 2019. Besides the standards defined as IFRS, the IFRS also comprise the existing International Accounting Standards (IAS) together with the interpretations known as IFRICs and SICs of the IFRS Interpretations Committee (IFRS IC) and its predecessor organisation. All the standards and interpretations subject to mandatory application in the EU for the 2018 financial year have been applied. Section 315e 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 declaration of compliance required by Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) on its website.

Management's Discussion and Analysis meets the requirements of Section 315 (1, 2 and 4) HGB. It also incorporates a risk report pursuant to Section 315 HGB.

Compliant with Section 264b HGB, the following partnerships 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
- 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
- HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung, Munich
- HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung, Munich
- H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing), Munich

– HVB Gesellschaft für Gebäude mbH & Co. KG, Munich
– HVZ GmbH & Co. Objekt KG, Munich
– Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße, Munich
– Ocean Breeze Energy GmbH & Co. KG, Bremen
– Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG, Munich
– Omnia Grundstücks-GmbH & Co. Objekt Perlach KG, Munich
– Othmarschen Park Hamburg GmbH & Co. Centerpark KG, Munich
– 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 corporations are exempted from the obligation to prepare a management report and publish their annual financial statements:
– Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH, Munich
– Food & more GmbH, Munich
– HJS 12 Beteiligungsgesellschaft mbH, Munich
– HVB Capital Partners AG, Munich
– HVB Immobilien AG, Munich
– HVB Projekt GmbH, Munich
– HVB Secur GmbH, Munich
– HVB Tecta 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
– NF Objekt FFM GmbH, Munich
– NF Objekte Berlin GmbH, Munich
– Orestos Immobilien-Verwaltungs GmbH, 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

Accounting and Valuation

1 Reporting date/period
The amounts shown in the tables and texts below relate to the reporting date of 31 December 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 Group 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, valuation and disclosure principles consistently from one period to the next. The first-time adoption of new or amended IFRS is described in the note "Initial adoption of new IFRS accounting rules". 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.

In the opening balance sheet, we have designated own structured issues of €4.7 billion as measured at fair value through profit or loss. These are structured issues containing embedded derivatives. On account of the measurement at fair value through profit or loss, the obligation to separate out embedded derivatives no longer applies. These issued instruments are primarily intended to refinance the Bank's business activities. Disclosure outside of financial liabilities held for trading thus reflects the presentation of the business purpose and provides the user of the financial statements with a better insight into the assets position of HVB Group. Correspondingly, the net income from the fair value measurement of liabilities designated at fair value through profit or loss is disclosed in the new income statement item "Net gains/losses on financial assets and liabilities at fair value". The corresponding accounting provision governing how issues are reported was adapted for this purpose. In the previous year, the portfolio was disclosed in the financial liabilities held for trading and the net income was disclosed in net trading income. The previous-year figures were not restated.

Furthermore, negative interest, whether relating to financial assets or liabilities, is shown for the first time as a separate income statement item. Disclosure as a separate item takes account of the fact that negative interest on assets does not reflect an economic benefit and thus does not constitute any (interest) income. This applies correspondingly to negative interest on liabilities. The previous-year figures have been adjusted accordingly.

The impairment test performed on goodwill resulted in an impairment loss. As the impairment loss on goodwill constitutes a material amount and this write-down is attributed a special character, we have inserted a new subtotal "Profit before tax and impairment on goodwill". The impairment loss is shown below that as a separate income statement item before continuing with the existing subtotal "Profit before tax". Presentation in this way takes account of the fact that the impairment loss on goodwill is not only relevant in terms of its amount but also specific and not comparable with other matters. This is due to the fact that it is not incurred on a regular but on an unscheduled basis and the impairment item itself is of a special nature that deviates from other assets so that an impairment loss on goodwill is not comparable with impairment losses on other assets. For this reason, it is presented separately in the income statement and not aggregated with other items or subtotals.

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, impairments in the lending business, 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 HVB Group 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 impairments (IFRS 9):
  Scenarios of the anticipated cash flows of debt instruments serve as a basis for determining the expected credit default. This means that, to determine the impairments, 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 and the probability of occurrence of the respective scenario must be estimated. This is carried out collectively for debt instruments at Stage 1 and Stage 2 and for insignificant individual cases at Stage 3 while the assumptions and estimates are made individually for significant individual cases at Stage 3.
– Determination of fair value:
  HVB Group 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:
  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 determining 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. If provisions are set up for future audits of tax returns by the tax authorities, the anticipated additional tax payments are not discounted. Instead the interest charged by the tax authorities on the additional amounts payable are added together. The uncertainties in making estimates are greater in this case as the interpretation of tax issues is constantly evolving and is also applied retrospectively.
– 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.
– 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 the 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 the 2018 financial year are the same as those applied in the consolidated financial statements for 2017, with the exception of the new IFRS rules to be applied as described in the Note "Initial adoption of new IFRS accounting rules".

Accounting and Valuation (Continued)

4 Initial adoption of new IFRS accounting rules

The amendments to the following standards newly published or revised by the IASB were mandatorily applicable in the EU for the first time in the 2018 financial year:

Standards

– First time adoption IFRS 9 – "Financial Instruments"
– First time adoption IFRS 15 – "Revenue from Contracts with Customers"

Interpretations

IFRIC 22 – "Foreign Currency Transactions and Advance Consideration"

Amendments and improvements

– Annual improvements to the 2014–2016 IFRS cycle (IFRS 1, IFRS 12 and IAS 28)
– Clarifications to IFRS 15 – "Issues emerging from the Joint Transition Resource Group for Revenue Recognition (TRG) discussions"
– Amendments to IFRS 2 – "Clarifications of classification and measurement of share-based payment transactions"
– Amendments to IAS 40 – "Transfers of Investment Property"

The implementation of the first time adoption of the IFRS 9 standard has a major impact on the consolidated financial statements of HVB Group. The resulting changes to the disclosure and valuation methods will be dealt with in the Notes "First-time adoption of IFRS 9 – Changes to measurement methods compared with the previous year", "First-time adoption of IFRS 9 – Changes to disclosure principles compared with the previous year" and "Effects of first-time adoption of IFRS 9".

The **new IFRS 15 standard** "Revenue from Contracts with Customers" is mandatory for the financial years beginning on or after 1 January 2018 and supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Constructions of Real Estate" and IFRIC 18 "Transfers of Assets from Customers" as well as SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 is to be applied to all contracts with customers with the exception of the following contracts:
– Leases that fall under IAS 17/IFRS 16 "Leases"
– Financial instruments and other contractual rights and obligations that fall under IFRS 9 "Financial Instruments", IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IAS 27 "Separate Financial Statements" or IAS 28 "Investments in Associates and Joint Ventures"
– Insurance contracts within the scope of application of IFRS 4 "Insurance Contracts"

The standard specifies how and when an IFRS reporting entity will recognise revenues as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures than previously. According to the key principle of IFRS 15 a company should report income at the amount at which consideration is expected for the performance obligation(s) assumed, i.e. the transfer of goods and/or the provision of services. This key principle is implemented through a five-step model to be applied to all contracts with customers.

On account of the areas of exclusion named above, only commission income comes under the scope of application of the standard. The Bank has analysed the impact of IFRS 15 and has come to the conclusion that the application of the new standard has no effects on the accounting of commission income. It was not necessary to convert the timing or the amount of the revenue realisation.

According to the amended disclosure requirements of IFRS 15, the Bank broke down commission income by type of service provided. Please see the Note "Net fees and commissions" for further information.

We likewise implemented the remaining interpretations, amendments and improvements, which had no impact on the consolidated financial statements.

As a result of the **first-time adoption of IFRS 9** there have been significant changes to the methods for the recognition and measurement of financial instruments. In July 2014, the IASB published the definitive version of IFRS 9 "Financial Instruments" which besides IFRS 9 also covered further standards (particularly IFRS 7 and IAS 1). It was endorsed by the European Union in November 2016. IFRS 9 contains a revision of the main regulations concerning the classification and measurement of financial instruments, the measurement of impairments of financial assets and the recognition of hedges.

HVB exercised the option to continue applying the provisions of IAS 39 on Hedge Accounting. The new provisions on the classification and measurement of financial instruments and on the measurement of impairments of financial assets will be dealt with in greater detail below.

IFRS 9 generally provides the following valuation categories for assets: measurement at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss. A precondition for measurement at amortised cost is firstly that the asset is allocated to the "Hold to maturity" business model, i.e. HVB intends to hold the asset concerned until maturity and secondly, that the terms of contract only contain payments that are either interest or redemption payments. If this applies, the cash flow criteria required have been met. Measurement at fair value through other comprehensive income is subject to the following conditions: The asset must be allocated to a business model that provides for financial instruments to be both held to maturity and be available for sale. The asset must also meet the same cash flow criteria that are required for measurement at amortised cost. If an asset cannot be measured at amortised cost or at fair value through other comprehensive income, it is to be recognised at fair value through profit or loss.

The accounting methods for assets held for trading have been continued as part of the financial instruments measured at fair value through profit or loss without any change compared with IAS 39.

For assets measured at amortised cost, impairments are to be recognised based on the expected losses. If the default risk has not significantly increased since the initial recognition of the asset, an impairment is to be recognised at the amount of the 12-month credit loss (Stage 1), otherwise at the amount of the loss expected over the residual term. In this context, a distinction is made between whether default has already occurred (Stage 3) or not (Stage 2). While interest income is recognised for performing assets (Stage 1 and 2) using the effective interest method based on the gross carrying amount, interest income for non-performing loans (Stage 3) may only be recognised using the effective interest method based on the net carrying amount. In addition, the rules of Stage 3 apply to assets whose creditworthiness was already adversely affected upon initial recognition for the entire residual term, i.e. upgrading to Stages 1 and 2 is ruled out.

For assets measured at fair value without affecting profit or loss, these regulations on impairments are also to be recognised through profit or loss while the difference in the carrying amount calculated as such to the fair value is recognised under other comprehensive income.

The IFRS rules on impairments are also to be applied to guarantees and credit commitments that are not measured at fair value through profit or loss. With regard to credit commitments, both irrevocable credit commitments and revocable credit commitments, exposing HVB Group to a credit default risk, are included.

IFRS 9 largely adopts the existing accounting rules of IAS 39 for financial liabilities. Only in the case of financial liabilities designated to be measured at fair value through profit or loss are changes in fair value on account of a change in the default risk of the liability to be recognised in other comprehensive income provided this does not produce or increase any accounting mismatch.

Accounting and Valuation (Continued)

5 First-time adoption of IFRS 9 – Changes to measurement methods compared with the previous year

Loans and receivables measured at cost

As the lending business for HVB Group puts a focus on customer care and customer relationships, the intention is generally to hold to maturity loans issued by the Bank. Provided the loans also meet cash flow criteria, these are allocated to the hold-to-maturity business model and measured at amortised cost. In addition, securities holdings that meet cash flow criteria and are intended to be held to maturity are also measured at amortised cost.

As the intention is generally to hold to maturity, debt instruments allocated to the "Hold to maturity" business model may be sold only in the following exceptional cases:
– sales occur infrequently or irregularly even if they are of significant value in this case,
– sales, if they occur frequently, are individually or in the aggregate of insignificant value,
– sales occur just before the final maturity date and the sales proceeds equal the outstanding contractual payments for the most part or
– sales are made as a result of an increase in the risk of credit default.

Depending on the allocation of the debtor, the loans and receivables measured at cost are reported in the balance sheet item "Loans and receivables with banks (at cost)" or "Loans and receivables with customers (at cost)".

HVB Group did not exercise the option of designating an asset to be measured at fair value through profit or loss. The Bank also waived measuring credit exposures at fair value through profit or loss.

Assets measured at fair value without affecting profit or loss

Certain securities holdings that are either held to maturity or can be sold have been allocated to the "Held for sale" business model. As these securities also meet cash flow criteria, the conditions for measurement at fair value without affecting profit or loss have been met. These holdings are reported under the balance sheet item named "Financial assets at FVTOCI".

Assets measured at fair value through profit or loss

HVB Group has decided that all financial instruments measured at fair value through profit or loss will also be managed on this basis in order to avoid the otherwise imminent risk of differences between planning/internal management and accounting. All debt instruments that do not meet cash flow criteria are thus allocated to the "Other" business model and thus measured at fair value through profit or loss.

The portion of syndicated loans that the Bank wishes to place because these are earmarked for sale (placement) is also allocated to the "Other" business model and measured at fair value through profit or loss.

In addition, particularly securities holdings which to date were designated under IAS 39 as financial instruments to be measured at fair value through profit or loss continue to be managed unchanged on a fair value basis. As a result, these holdings were also allocated to the "Other" business model and are measured at fair value through profit or loss.

As holdings are generally to be measured at fair value through profit or loss in accordance with IFRS requirements, we have allocated our holdings to this balance sheet item, unless they are measured using the equity method or are fully consolidated. HVB Group did not exercise the option of measuring holdings at fair value without affecting profit or loss.

Impairments based on expected losses

Upon the introduction of IFRS 9, the method for determining impairments is being converted to the Expected Loss model. This is to be applied for loans and receivables measured at cost, assets measured at fair value without affecting profit or loss and credit commitments or financial guarantees that are measured at fair value without affecting profit or loss. In the case of the loans and receivables measured at cost, the impairments determined are posted to an impairment account and reduce the carrying amount. In the case of assets measured at fair value without affecting profit or loss, the impairments are determined for the asset and recognised in the statement of total comprehensive income as a result of the measurement at fair value. A provision is set up for the impairments of credit commitments and financial guarantees.

The method of calculating impairment losses is based on two pillars:
– the allocation of the asset to a stage
– the calculation of the expected loss associated with the asset.

In the process of determining the expected credit losses, not only reliable information on past events is taken into account but also the current conditions and forecasts of future economic parameters. The starting point in this connection are the supervisory procedures for the determination of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These are then adjusted to meet IFRS 9 requirements. The main adjustments are as follows:
– Conservative elements, which are owed purely to regulatory requirements, were removed.
– Parameters were adjusted in order to move from a regulatory calculation based on long-term averages ("through the cycle") to a more cut-off date approach ("point-in-time") which takes greater account of the current macroeconomic situation.
– In addition, forward-looking information on the macroeconomic development is taken into account in the parameters.
– The credit risk parameters were adjusted to the required multi-year horizon in Level 2.

The following adjustments were made to the individual parameters:
– To determine a multi-year probability of default, which covers the lifetime of a financial instrument, PD curves based on long-term averages and calculated based on the default rates of the corresponding portfolios are determined as a first step. These PD curves are then adjusted to a more reference-date perspective using statistical methods and adjustments are made to integrate macroeconomic forecasts over the next three years.
– To calculate a multi-year probability of loss, the LGD used for regulatory purposes are adjusted for conservative elements, which are purely owing to regulatory requirements. Furthermore, a check is conducted to determine whether it is necessary to adjust the figures calculated based on long-term averages to current conditions and, where required, they are adjusted. In addition, the recovery rate is adjusted for the next three years on the basis of a macroeconomic forecast. For material collateral, macroeconomic forecasts are included in the market value forecast. Downturn adjustments required for regulatory purposes are not used. Nor are any internal costs of the Bank added to the loss ratio in the course of treating defaulting exposures.
– To determine the multi-year exposure at default (EAD), the parameters used by the regulatory authorities are adjusted for conservative elements arising purely from regulatory requirements. A parameter used from a regulatory perspective which covers drawdowns in excess of the existing credit line is not used under IFRS 9. An additional parameter was also introduced which reflects the expectations on average drawdowns of existing lines from the second year. Furthermore, a parameter representing an expected term for loans without a fixed term is modelled which determines the term over which an expected loss is calculated in Level 2. For loans with existing repayment schedules, expected repayments are taken into account in determining the multi-year EAD.

The process for incorporating macroeconomic scenarios into estimates is consistent with other forecasting processes in risk management (e. g. as part of the EBA stress tests and the ICAAP framework) and benefits from UniCredit's independent research department.

Accounting and Valuation (Continued)

Three macroeconomic developments to be expected in the future are identified. In addition to the probable scenario (baseline), a positive scenario and an adverse scenario are also estimated. The baseline scenario represents the central scenario and is considered to be the most likely to occur. The positive and the adverse scenarios represent other possible occurrences, each depicting better or worse economic developments in the countries relevant for the Bank compared to the baseline scenario. The individual scenarios are assigned probabilities of occurrence.

Models from the Group's central stress test area are used to adjust the "probability of default" and "loss ratio" parameters in order to calculate the expected loss. These model the relationship between macroeconomic development and the resulting development of PDs and LGDs. The parameters are adjusted on the basis of the baseline scenario by the respective differences determined for the three forecast years.

Moreover, the expected loss is adjusted with a factor that compensates for the partial non-linearity that might be included in the correlation between macroeconomic changes and the change in the expected loss. This means that an adjustment factor is calculated from the three scenarios, taking account of their weighting, which is applied directly to the expected loss.

The HVB Group units responsible for the restructuring or workout of non-performing exposures determine the future incoming payments for non-performing exposures which are significant in terms of amount based on the circumstances in each case. Consequently, specific allowances are recognised for these exposures while a collective allowance is recognised on a parameter basis for non-performing exposures which are insignificant in terms of amount in line with the method used in determining the expected credit losses.

The following applies to the allocation to stages:
- Stage 1 contains newly issued credit balances, financial instruments for which there has been no significant deterioration in the creditworthiness since they were first issued and securities with a low credit risk (low credit risk exemption).
- Stage 2 contains financial instruments which, although not yet in default, have undergone a significant deterioration in terms of their creditworthiness since they were first issued.
- Stage 3 contains financial instruments in default.

An impairment loss is generally recognised at the amount of the expected 12-month credit loss for a financial instrument upon initial recognition (Stage 1). Financial assets already impaired upon initial recognition are an exception to this rule as, in these cases, the expected credit losses have already been taken into account in the fair value at which such an asset is posted.

If the credit default risk has increased significantly since initial recognition, an impairment loss must be recognised in the amount of the (residual) loss expected over the term to maturity (Stage 2). HVB Group uses an internal model to determine when a significant increase in the credit default risk has occurred. Key factors in this context are:
- a comparison of PD upon initial recognition and at the reporting date at the level of each individual transaction whereby trigger levels to be exceeded for a significant increase are defined that take account of material elements for determining an expected change in the credit default risk such as maturity, age, PD level upon initial recognition,
- absolute thresholds like the "backstops" required by the standard, such as arrears of 30 days or more,
- further internal attributes such as renegotiations of financial instruments on account of financial difficulties (forbearance measure).

If the credit default risk is no longer significantly higher on the reporting date, the asset is transferred back to Stage 1.

A statistical model for quantile regression was introduced to implement the quantitative component for the allocation to a stage. This defines a threshold that determines the maximum change between the probability of default upon addition of the financial instrument and the current reference date. An important part of this model is defining the quantile that determines the expectation concerning the share of instruments in Stage 2 in long-term funds. As the consideration of individual influencing factors differs (such as rating upon issuance, age), the quantiles also vary depending on the portfolio. Essentially, the historical default rate of the portfolio concerned is used as a basis to determine the quantile and is supported by further absolute level allocation criteria, such as the share of instruments with 30 days default.

The actual share of financial instruments in Stage 2 varies by the long-term average of the quantile, depending on the current macroeconomic situation and expectations of developments in the economic cycle.

HVB Group has exercised the option for securities pursuant to IFRS 9.5.5.10 according to which it can be assumed in the case of debt instruments with a low credit default risk that no significant increase in the credit default risk has occurred. Securities of this kind with an investment grade rating are generally allocated to Stage 1.

If the borrower of a debt instrument has defaulted, such credit impaired assets are allocated to Stage 3. For these assets, interest income is recognised only in the amount of the interest on the basis of the net carrying amount.

A default is, as was the case to date, when either a material liability of the borrower is overdue for more than 90 days or HVB Group believes that the debtor is unable to meet the payment obligation in full without steps to realise collateral being taken. In such cases, an impairment is the difference between the carrying amount and the present value of the anticipated future cash flows. These are estimated by HVB Group and discounted at the respective interest rate. In the process, various realistic scenarios are then estimated, whereby the impairment is obtained from the expected value weighted with the probability of occurrence of default for each scenario. If the reasons for the default no longer apply, the liability is retransferred to Stages 1 or 2, depending on whether the default risk is still significantly increased or not compared with the default risk upon addition.

For financial assets that were already in default at the time of addition (purchased or originated credit impaired assets or POCI), interest income is likewise recognised only at the interest amount based on the net carrying amount. Only those new additions are recognised as a POCI asset that result not only in an insignificant increase in the existing exposure, i.e. do not exceed 20% of the unsecured, existing exposure. Loan losses expected at the time of addition are already taken into account in the carrying amount (fair value) when posted, which means that no impairment is recognised at the time of addition for POCI assets. In the subsequent measurement these are measured on the basis of the loss expected over the (residual) term whereby in the event of higher expected inflows than assumed at the time of addition, write-ups are also recognised in excess of the acquisition costs. The retrospective recognition of POCI assets was waived on account of cost-benefit considerations as the determination of the expected low level of POCI cases would have entailed an unreasonable amount of additional effort.

Modification of financial assets measured at amortised cost
If the contractual terms of financial assets are modified, it is necessary to review whether such modifications are significant or insignificant. Whereas significant modifications result in the derecognition of the existing asset and the posting of a new, significantly modified asset, in the case of insignificant modifications, only the agreed modifications to the contractual cash flows are discounted and the difference between the present value of the modified contractual payments determined in this way and the carrying amount (present value of the contractual payments before modification) are recognised through profit or loss.

A significant modification to the contractual terms has occurred where compliance with cash flow conditions has changed or where conditions have been adjusted to general market terms without this adjustment being seen as a concession made to the borrower based on his creditworthiness. In such cases, the existing loan is derecognised and the modified loan posted as a new loan. Conversely, the cases where HVB Group accepts an adjustment to the contractual terms merely on account of the weak creditworthiness of the borrower are insignificant modifications. As a rule, this concerns non-performing credit exposures which means that HVB Group shows the result of insignificant modifications in the income statement item “Credit impairment losses IFRS 9”.

The Bank waived the retrospective recognition of effects from insignificant modifications on account of cost-benefit considerations as the determination of the expected minor effects from this would have entailed an unreasonable amount of additional effort.

Accounting and Valuation (Continued)

6 First-time adoption of IFRS 9 – Changes to disclosure principles compared with the previous year

Changes to the income statement

The structure of the income statement was adjusted with effect from the 2018 financial year onwards on account of new requirements (particularly IFRS 9 and IFRS 7) and the resulting consequences. The new structure of the income statement follows the measurement categories changed by IFRS 9, thus complementing or replacing the previous structure based on IAS 39 categories. To this end, new items have been created and existing items adjusted or derecognised for the 2018 financial year. Items previously used that are not continued in the 2018 financial year are shown for the last time with the previous-year figures. As the first-time adoption of IFRS 9 is not retrospective, the comparability particularly of income statement items will be restricted to the extent that they are affected by the changes to disclosure and measurement principles on the basis of IFRS 9.

In order to match the new measurement categories contained in IFRS 9, the new item "Net gains/losses on financial assets and liabilities at fair value" was inserted in the income statement. Due to the increase in assets that are accounted for at fair value, it is necessary to use a separate item for this.

This item contains the measurement results and realised net gains and losses on the disposal of financial instruments measured at fair value which are not part of the assets held for trading. This item thus contains the following:
– the net gains/losses on financial instruments measured at fair value through profit or loss (assets and liabilities),
– the net gains/losses on the disposal of financial instruments measured at fair value directly in equity and
– the net gains/losses from hedge accounting.

The item "Net gains/losses on derecognition of financial instruments measured at cost" is shown for the first time in the 2018 financial year in order to comply with the requirements of IFRS 9. This item contains the effects from the disposal of assets and buy-backs of liabilities relating to all financial instruments measured at amortised cost pursuant to IFRS 9. This includes other net trading income (buy-backs of issued securities) that was disclosed in net trading income in the 2017 financial year, and income from the sale of receivables/securities measured at cost that were shown in the item "Net other expenses/income" in the 2017 financial year.

As a consequence, the scope covered by the "Net trading income" item has been reduced such that in the 2018 financial year it contains only the measurement results or realised gains from the held-for-trading portfolio.

The previous IAS 39 item "Net write-downs of loans and provisions for guarantees and commitments" is no longer used in the 2018 financial year on account of the introduction of the Expected Loss model due to the first-time adoption of IFRS 9 (previously Incurred Loss model) and is replaced by the new item "Credit impairment losses IFRS 9", which corresponds to the new Expected Loss model. The new item was created to show the fundamental changes to the methodology underlying the impairment model also in the income statement, as it does not simply involve a continuation of the former IAS 39 item and it is therefore not comparable with the previous-year figure.

The item "Net income from investments" was discontinued in the 2018 financial year and is shown for the last time with the figures for the 2017 financial year as the previously material components – available-for-sale and held-to-maturity financial instruments – no longer apply on account of IFRS 9, which means that net income from investments loses its original character. In order to provide a clear and meaningful income statement structure, the remaining components are reclassified to existing items or new ones especially created for this purpose. In this way, the gains on disposal of land and buildings and investment properties are shown in the item "Net other expenses/income" and the gains on disposal of shares in affiliated companies and companies accounted for using the equity method are shown in "Net gains/losses on disposal of investments". Impairment on companies accounted for using the equity method will be recognised in this item in future. The former available-for-sale and held-to-maturity financial instruments are, depending on the business model and SPPI test, allocated either to the item "Net gains/losses on financial assets and liabilities at fair value" (business model: "Other" or "Held for sale" after passing the SPPI test) or to the item "Net gains/losses on derecognition of financial instruments measured at cost" (business model: "Hold to maturity" after passing the SPPI test).

The scope covered by the item "Net other expenses/income" was also adjusted to match the changes. A portion of other income – the net profit from the sale of receivables – was reclassified to "Net gains/losses on derecognition of financial instruments measured at cost". Net profit from the disposal of land and buildings as well as investment properties previously shown in the item "Net income from investments" is recorded in this item for the first time in the 2018 financial year.

The item "Net gains/losses on disposals of investments" is shown in the 2018 financial year for the first time; it contains the gains on disposal of shares in affiliated companies and companies accounted for using the equity method that were previously shown in net income from investments. It also contains write-downs and write-ups on companies accounted for using the equity method. This item was created to provide an informative grouping and presentation of the positions contained.

Changes to the balance sheet

The structure of the balance sheet was likewise adjusted as of the 2018 financial year on account of the new requirements (particularly IFRS 9 and IFRS 7) and the resulting effects of the same. The new balance sheet structure corresponds to the new measurement categories of IFRS 9, thus replacing for the 2018 financial year the balance sheet structure based on the categories of IAS 39 in use until the 2017 financial year.

The item "Financial assets at FVTPL" is shown for the first time in the 2018 financial year in order to reflect the new measurement category introduced by IFRS 9. This item contains all the debt instruments that are to be measured at fair value through profit or loss on account of the "Other" business model as well as the shareholdings that are likewise to be measured at fair value through profit or loss. This also includes debt instruments that do not meet the cash flow criteria and were shown in the 2017 financial year in the item "Loans and receivables with banks (at cost)" or "Loans and receivables with customers (at cost)" or "Available-for-sale financial assets". This item also includes the financial instruments of the former item "Financial instruments at fair value through profit or loss (fair value option)" that have to be measured at fair value on account of the "Other" business model. Furthermore, the part of the syndicated loans is recognised here that we intend to outplace. This can relate to both an already disbursed loan or an undrawn credit commitment which, pursuant to IFRS 9.2.3 (a) falls within the scope of application of IFRS 9 and must therefore be measured at fair value.

The item "Financial assets at FVTOCI" is shown for the first time in the 2018 financial year in order to reflect the new measurement category introduced by IFRS 9. It contains all items measured at fair value directly in equity on account of the "Held for sale" business model and because the cash flow criteria are met. Only fixed-income securities reclassified from the previous available-for-sale portfolio are included.

The item "Financial instruments at fair value through profit or loss (fair value option)" no longer applies in the 2018 financial year and thus contains only previous-year figures for the 2017 financial year. This applies analogously for the items "Available-for-sale financial assets" and "Held-to-maturity investments".

Loans and receivables that cannot be measured at amortised cost on account of the "Other" business model are reclassified to the item "Financial assets at FVTPL" for the first time in the 2018 financial year on account of measurement at fair value through profit or loss. This means that the items "Loans and receivables with banks (at cost)" and "Loans and receivables with customers (at cost)" only contain loans and receivables that can be measured at amortised cost on account of the "Hold to maturity" business model and the fact that the cash flow criteria are met. The previous-year figures were not restated.

Equity/Statement of changes in shareholders' equity

The structure of equity, the statement of changes in shareholders' equity and the statement of total comprehensive income was adjusted as of the 2018 financial year on account of the requirements of IFRS 9 and the consequences therefrom. The item "AfS reserve" no longer applies from the 2018 financial year onwards, as the underlying category of financial instruments – available for sale – was discontinued upon the introduction of IFRS 9.

Accounting and Valuation (Continued)

The item "Changes in valuation of financial assets at FVTOCI" is shown for the first time in the 2018 financial year to take account of the newly introduced category of measurement at fair value through profit or loss. To the extent that the difference between amortised cost and fair value of assets is recorded under this item, any reserve still in existence at this time is to be taken to the income statement.

Furthermore, the reserve for the own credit spread is introduced in "Other reserves". This became necessary on account of the new rule introduced by IFRS 9 allowing changes in fair value to be recorded in equity on account of the own credit spread of liabilities. This option is applicable only to those liabilities that are designated for measurement at fair value through profit or loss. To the extent that, at the time of disposal of liabilities, there are still amounts in this reserve, recording these in the income statement is not permitted and the corresponding amounts are generally reclassified to retained earnings.

A line is inserted for only one time in order to show the changes in equity caused by the first-time adoption of IFRS 9 and in order to reconcile the equity from the closing IAS 39 balance sheet as at 31 December 2017 to the opening IFRS 9 balance sheet as at 1 January 2018.

Statement of total comprehensive income

The new item "Changes in valuation of financial instruments at FVTOCI" was included in order to record the measurement results of the assets measured at fair value without affecting profit or loss.

Following the option of recording in equity changes in fair value on account of the own credit spread with liabilities designated at fair value, the statement of total comprehensive income will contain for the first time in the 2018 financial year the item "Changes in fair value of financial liabilities at FVTPL". This item contains changes in fair value attributable to changes in the default risk (own credit spread reserve).

The changes in the measurement of financial instruments (available-for-sale reserve) is shown for the last time in the 2017 financial year as the underlying reserve no longer applies in the 2018 financial year following the introduction of IFRS 9.

7 Effects of first-time adoption of IFRS 9

The following tables explain the adjustments and reconciliations performed as of 1 January 2018 on account of the first-time adoption of IFRS 9. For this purpose, these are initially introduced in an overview relating to the respective measurement categories. Subsequently, separate tables for each individual measurement category present the details of the reconciliation from the IAS 39 measurement categories or balance sheet items to the new balance sheet items. These constitute the opening balance sheet for the 2018 financial year.

Retrospective adoption of IFRS 9 was not applied. Correspondingly, the effects of measurement adjustments on account of the new accounting provisions contained in IFRS 9 are recorded in equity. For details, please refer to the notes relating to the statement of changes in shareholders' equity.

The adjustments made to the disclosure and measurement methods used are presented in the corresponding note.

Overview of the effects of first-time adoption of IFRS 9

(€ millions)

	IAS 39 CARRYING AMOUNT 31/12/2017	RECLASSI-FICATIONS	REMEASURE-MENTS	IFRS 9 CARRYING AMOUNT 1/1/2018
Financial assets measured at fair value	97,339	766	46	98,151
Financial assets measured at fair value through other comprehensive income	6,816	(669)	—	6,147
Financial assets measured at amortised cost	151,531	(97)	(13)	151,421
Tax assets	1,363	—	64	1,427
Tax liabilities	693	—	51	744
Hedge adjustment of hedged items in the				
fair value hedge portfolio (liabilities)	1,215	—	15	1,230
Provisions for off-balance sheet liabilities	180	—	20	200

The following tables provide a detailed overview of the effects of first time adoption of IFRS 9:

Financial assets measured at fair value

(€ millions)

	IAS 39 CARRYING AMOUNT 31/12/2017	RECLASSI-FICATIONS	REMEASURE-MENTS	IFRS 9 CARRYING AMOUNT 1/1/2018
Financial assets held for trading				
Closing balance under IAS 39 on 31/12/2017	75,493			
remaining in assets held for trading		—	—	
Opening balance under IFRS 9 on 1/1/2018				75,493
Financial assets at FVTPL (FVO)				
Closing balance under IAS 39 on 31/12/2017	21,456			
to financial assets at FVTPL		(21,456)	—	
Opening balance under IFRS 9 on 1/1/2018				—
Financial assets at FVTPL				
Closing balance under IAS 39 on 31/12/2017	—			
from loans and receivables with banks (at cost)		—	—	
from loans and receivables with customers (at cost)		513	(2)	
from available-for-sale financial assets		252	48	
from held-to-maturity investments		1	—	
from financial assets at FVTPL (FVO)		21,456	—	
Opening balance under IFRS 9 on 1/1/2018				22,268
Hedging derivatives				
Closing balance under IAS 39 on 31/12/2017	390			
remaining in hedging derivatives		—	—	
Opening balance under IFRS 9 on 1/1/2018				390
Total	**97,339**	**766**	**46**	**98,151**

Accounting and Valuation (CONTINUED)

The assets held for trading are not affected by the first-time adoption of IFRS 9. As the definition of the held-for-trading portfolio has not been altered by IFRS 9 in comparison to IAS 39, the portfolio of assets held for trading remains unchanged.

The previous fair value option under IAS 39 no longer applies as these portfolios are managed in the HVB Group on the basis of fair value. These are correspondingly allocated to the “Other” business model and are consequently subject to the requirement of measurement at fair value through profit or loss. This means that the entire item “Financial assets at FVTPL (FVO)” is reclassified to the item “Financial assets at FVTPL”. There were no changes in measurement.

The balance sheet item “Financial assets at FVTPL” contains all assets not counted as held for trading that are measured at fair value. The following were reclassified to this item:
– All financial assets at FVTPL (FVO) without any change in measurement
– Debt instruments measured at cost under IAS 39 from the balance sheet items “Loans and receivables with banks (at cost)”, “Loans and receivables with customers (at cost)” and “Held-to-maturity investments” do not meet the cash flow criteria; these are measured at fair value for the first time and the difference between the fair value and the previous amortised cost is recorded in Other reserves in equity
– Available-for-sale financial assets measured at fair value (equity instruments measured at fair value and debt instruments) have been reclassified to this balance sheet item; remeasurement was not performed
– Available-for-sale financial assets measured at cost (equity instruments that are not listed on an active market and whose fair value cannot be reliably determined): As the exception for the measurement at amortised cost ceased to apply upon introduction of IFRS 9, these equity instruments are to be measured at fair value from the 2018 financial year onwards. HVB Group performed such fair-value measurement on the basis of the best possible models for the determination of fair value and the difference between the previous cost and fair value is added to other reserves

There were no changes relating to hedging derivatives. HVB Group exercises the respective option and continues to apply the hedge accounting provisions contained in IAS 39.

Financial assets measured at fair value through other comprehensive income (€ millions)

	IAS 39 CARRYING AMOUNT 31/12/2017	RECLASSI-FICATIONS	REMEASURE-MENTS	IFRS 9 CARRYING AMOUNT 1/1/2018
Financial assets at FVTOCI				
Closing balance under IAS 39 on 31/12/2017	—			
from available-for-sale financial assets		6,147	—	
Opening balance under IFRS 9 on 1/1/2018				6,147
Available-for-sale financial assets				
Closing balance under IAS 39 on 31/12/2017	6,816			
to financial assets at FVTPL		(252)	—	
to financial assets at FVTOCI		(6,147)	—	
to loans and receivables with banks (at cost)		(209)	—	
to loans and receivables with customers (at cost)		(208)	—	
Opening balance under IFRS 9 on 1/1/2018				—
Total	**6,816**	**(669)**	**—**	**6,147**

The item “Financial assets at FVTOCI” contains portfolios of assets allocated to the “Held for sale” business model that meet the cash flow criteria. These were previously contained in available-for-sale financial assets. No adjustment to measurement was performed in this respect.

The previous category “Available for sale” under IAS 39 ceased to apply upon the introduction of IFRS 9. All the equity instruments included here have been allocated to the item “Financial assets at FVTPL”. The allocation to a business model was decisive for the distribution of debt instruments: securities portfolios allocated to the “Held for sale” business model have become part of the item “Financial assets at FVTOCI”. Securities portfolios allocated to the “Held to maturity” business model have, depending on the debtor, become part of the items “Loans and receivables with banks (at cost)” or “Loans and receivables with customers (at cost)” and securities portfolios allocated to the “Other” business model have become part of the item “Financial assets at FVTPL”.

Financial assets measured at amortised cost **(€ millions)**

	IAS 39 CARRYING AMOUNT 31/12/2017	RECLASSI-FICATIONS	REMEASURE-MENTS	IFRS 9 CARRYING AMOUNT 1/1/2018
Held-to-maturity investments				
Closing balance under IAS 39 on 31/12/2017	23			
to financial assets at FVTPL		(1)	—	
to loans and receivables with banks (at cost)		—	—	
to loans and receivables with customers (at cost)		(22)	—	
Opening balance under IFRS 9 on 1/1/2018				—
Loans and receivables with banks (at cost)				
Closing balance under IAS 39 on 31/12/2017	30,330			
remaining in loans and receivables with banks (at cost)		—	(32)	
to financial assets at FVTPL		—	—	
from available-for-sale financial assets		209	(18)	
from held-to-maturity investments		—	—	
Opening balance under IFRS 9 on 1/1/2018				30,489
Loans and receivables with customers (at cost)				
Closing balance under IAS 39 on 31/12/2017	121,178			
remaining in loans and receivables with customers (at cost)		—	36	
to financial assets at FVTPL		(513)	—	
from available-for-sale financial assets		208	1	
from held-to-maturity investments		22	—	
Opening balance under IFRS 9 on 1/1/2018				120,932
Total	**151,531**	**(97)**	**(13)**	**151,421**

Accounting and Valuation (Continued)

The previous category for securities held to maturity under IAS 39 ceased to apply upon the introduction of IFRS 9. Accordingly, this item has to be distributed among other balance sheet items. Allocation to a business model was decisive for distribution: securities portfolios allocated to the "Held to maturity" business model have, depending on the debtor, become part of the items "Loans and receivables with banks (at cost)" or "Loans and receivables with customers (at cost)" and securities portfolios allocated to the "Other" business model have become part of the item "Financial assets at FVTPL". As the intention in this case is generally to hold the assets to maturity, the question as to whether the cash flow criteria are met was decisive: To the extent that these criteria are not met, the security is to be measured at fair value through profit or loss, which will lead to management on the basis of fair value, which necessitates allocation to the "Other" business model. If the cash flow criteria are met, the securities are allocated to the "Held to maturity" business model.

With assets disclosed in the items "Loans and receivables with banks (at cost)" and "Loans and receivables with customers (at cost)", the general intention is to hold them to maturity. If these assets meet the cash flow criteria, they are allocated to the "Held to maturity" business model and remain within the respective balance sheet item. There are measurement effects on these financial instruments on account of the transition in the method used to determine impairment losses to the Expected Loss model. If the cash flow criteria are not met, the debt instrument is to be measured at fair value through profit or loss, which will lead to management on the basis of fair value and therefore to allocation to the "Other" business model. Correspondingly, these financial instruments were reclassified to the item "Financial assets at FVTPL". This item also took in the debt instruments that were previously accounted for as held-to-maturity investments or available-for-sale financial instruments and were allocated to the "Held to maturity" business model. In cases of reclassification from the item "Available-for-sale financial assets", measurement has been adjusted as these debt instruments are no longer accounted for at fair value but at amortised cost. As, under IAS 39, the difference between amortised cost and fair value for available-for-sale assets was shown in the available-for-sale reserve in equity, this was reversed and the carrying values were adjusted correspondingly, to maintain consistency.

Income tax (€ millions)

	IAS 39 CARRYING AMOUNT 31/12/2017	RECLASSI-FICATIONS	REMEASURE-MENTS	IFRS 9 CARRYING AMOUNT 1/1/2018
Tax assets	**1,363**	**—**	**64**	**1,427**
Current tax assets				
Closing balance under IAS 39 on 31/12/2017	113			
remaining in current tax assets		—	—	
Opening balance under IFRS 9 on 1/1/2018				113
Deferred tax assets				
Closing balance under IAS 39 on 31/12/2017	1,250			
remaining in deferred tax assets		—	64	
Opening balance under IFRS 9 on 1/1/2018				1,314
Tax liabilities	**693**	**—**	**51**	**744**
Current tax liabilities				
Closing balance under IAS 39 on 31/12/2017	604			
remaining in current tax assets		—	—	
Opening balance under IFRS 9 on 1/1/2018				604
Deferred tax liabilities				
Closing balance under IAS 39 on 31/12/2017	89			
remaining in deferred tax assets		—	51	
Opening balance under IFRS 9 on 1/1/2018				140

The effects of first-time adoption on deferred taxes are a consequence of the adjustment of the measurement methods for assets on account of the first-time adoption of IFRS 9. As the carrying values change accordingly, while the values stated for tax reporting purposes remain unchanged as a rule, there is an impact on the recognition and measurement of deferred taxes.

Hedge adjustment of hedged items in the fair value hedge portfolio (€ millions)

	IAS 39 CARRYING AMOUNT 31/12/2017	RECLASSI-FICATIONS	REMEASURE-MENTS	IFRS 9 CARRYING AMOUNT 1/1/2018
Hedge adjustment of hedged items in the				
fair value hedge portfolio				
Closing balance under IAS 39 on 31/12/2017	1,215			
remaining in hedge adjustment of hedged items in the				
fair value hedge portfolio		—	15	
Opening balance under IFRS 9 on 1/1/2018				1,230
Total	**1,215**	**—**	**15**	**1,230**

On account of classification of a specific security (allocation to the "Other" business model on account of the cash flow criteria not being met), the hedge adjustment attributable to such security was released. The hedge adjustment on the liabilities side generally constitutes a net figure, such that elimination of the hedge adjustment attributable to this specific security results in an increase in the remaining balance (increase in the hedge adjustment on the liabilities side).

Overview of the effects of first-time adoption of IFRS 9 – Impairment losses (€ millions)

	IAS 39 IMPAIRMENTS FOR CREDIT DEFAULT AND PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES IN THE LENDING BUSINESS 31/12/2017	CHANGE DUE TO RECLASSI-FICATION	CHANGE DUE TO THE IMPLEMENTATION OF THE IFRS 9 ECL-MODEL	IFRS 9 IMPAIRMENTS FOR CREDIT DEFAULT AND PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES IN THE LENDING BUSINESS 1/1/2018
Financial assets measured at fair value	—	—	—	—
Financial assets measured at fair value through other comprehensive income	—	—	—	—
Financial assets measured at amortised cost	2,204	(61)	(3)	2,140
Total	**2,204**	**(61)**	**(3)**	**2,140**
Provisions for off-balance sheet liabilities	180	—	20	200

Accounting and Valuation (Continued)

The recognition of an impairment loss for financial assets at fair value is no longer necessary on account of the fair value measurement. For instruments reclassified to this item, the corresponding reversal of the impairment loss is shown in the receiving balance sheet item.

The effects on financial assets measured at fair value through other comprehensive income are so minor that, after rounding, they come to a figure of €0 million. The corresponding portfolio is of such prime ranking that it is completely allocated to Stage 1.

The increase in impairment losses for off-balance sheet liabilities arises from the transition to the expected credit loss model.

Financial assets measured at amortised cost (€ millions)

	IAS 39 IMPAIRMENTS FOR CREDIT DEFAULT AND PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES IN THE LENDING BUSINESS 31/12/2017	CHANGE DUE TO RECLASSI-FICATION	CHANGE DUE TO THE IMPLEMENTATION OF THE IFRS 9 ECL-MODEL	IFRS 9 IMPAIRMENTS FOR CREDIT DEFAULT AND PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES IN THE LENDING BUSINESS 1/1/2018
Held-to-maturity investments				
Closing balance under IAS 39 on 31/12/2017	—			
to financial assets at FVTPL		—	—	
to loans and receivables with banks (at cost)		—	—	
to loans and receivables with customers (at cost)		—	—	
Opening balance under IFRS 9 on 1/1/2018				—
Loans and receivables with banks (at cost)				
Closing balance under IAS 39 on 31/12/2017	55			
remaining in loans and receivables with banks (at cost)		—	32	
to financial assets at FVTPL		—	—	
from available-for-sale financial assets		—	—	
from held-to-maturity investments		—	—	
Opening balance under IFRS 9 on 1/1/2018				87
Loans and receivables with customers (at cost)				
Closing balance under IAS 39 on 31/12/2017	2,149			
remaining in loans and receivables with customers (at cost)		—	(36)	
to financial assets at FVTPL		(61)	—	
from available-for-sale financial assets		—	1	
from held-to-maturity investments		—	—	
Opening balance under IFRS 9 on 1/1/2018				2,053
Total	**2,204**	**(61)**	**(3)**	**2,140**

The increase in the impairment losses in the balance sheet item "Loans and receivables with banks (at cost)" arises from the introduction of the expected credit default model.

The net reversal of the impairment losses in the balance sheet item "Loans and receivables with customers (at cost)" constitutes the net balance of two effects: firstly, the transition to the expected credit default model is reflected here; secondly, the effect arising from taking account of several scenarios has an impact here (impairment corresponds to the difference between the carrying amount of the net write-downs of loans and provisions for guarantees and commitments and the expected proceeds upon realisation, with the proceeds upon realisation in various scenarios being estimated, discounted and weighted with the probability of occurrence of the respective scenario).

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

As permitted, HVB Group has decided against the early voluntary adoption of the standards and interpretations adopted or revised by the IASB, which become the subject of mandatory adoption for the 2019 financial year or thereafter. HVB Group 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:

– IFRS 16 "Leases". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
– IFRIC 23 "Uncertainty over Income Tax Treatments". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
– Amendments to IFRS 9 "Prepayment Features with Negative Compensation". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
– Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.

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

– IFRS 17 "Insurance Contracts". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2021.
– Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
– Amendments to IFRS 3 "Definition of a Business". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2020.
– Amendments to IAS 1 and IAS 8 "Definition of Material". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2020.
– Annual Improvements to IFRS Standards 2015–2017 Cycle. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
– Amendments of the references to the framework concept in IFRS Standards. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2020.

Accounting and Valuation (Continued)

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

On 13 January 2016 IASB published the new accounting standard IFRS 16 "Leases", which will replace the existing standard covering the accounting treatment of leases, IAS 17, and the accompanying interpretations IFRIC 4, SIC-15 and SIC-27 as of 1 January 2019. These were adopted into European law (referred to as endorsement) on 31 October 2017.

According to the new definition of leases in IFRS 16, an agreement is or contains a lease if it grants the right to control the use of a specific asset for a specific period of time in return for payment. IFRS 16 abolishes the previous classification of leases on the lessee side and instead introduces a standardised lessee accounting model (referred to as right-of-use approach). For lease agreements the lessee thus generally recognises an asset for the right to use the underlying leased asset and correspondingly a lease liability for the obligation to make lease payments. As a result, previously unrecognised leases will have to be recognised in the balance sheet in future – largely comparable to the current accounting treatment of finance leases. HVB Group will use the accounting simplifications provided by the standard for lessees of presenting short-term lease agreements with a term of up to twelve months and lease agreements for low-value assets in a simplified manner. The previous criteria of IAS 17 were adopted into the new IFRS 16 for classifying lease agreements with lessors as finance and operating lease agreements. The new standard covering leases also contains provisions on disclosure, on information to be provided in the notes to the financial statements and on sale-and-lease-back transactions.

The project on the implementation of the new requirements, including IT-related implementation, has been completed for the most part. The required analyses were conducted under the management of Corporate Finance & Accounting together with experts from real estate management and contract management. Specialist concepts were developed on the basis of the results. The largest part of the rights of use and liabilities to be recognised are the properties rented by HVB Group. According to our findings so far, the potential first-time application effect of IFRS 16 consists in a balance sheet extension on account of the recognition of the rights of use and corresponding liabilities. HVB Group's total assets are expected to increase to an amount running into the mid-triple digit million range. In addition, the application of IFRS 16 has led to changes in presentation in the income statement as the expenses for operating lease agreements incurred by the lessee to date have been replaced by amortisation expenses for the rights of use and interest expense for the lease liabilities.

HVB Group will apply the new provisions as of the 2019 financial year for the first time. During the transition to IFRS 16, we are using the accounting simplification option existing for lessees and lessors regarding the new definition of lease agreements. According to this option, already existing agreements do not need to be examined retrospectively to determine whether they are to be classified in whole or in part as a lease (referred to as grandfathering). Furthermore, HVB Group will apply the new standard retrospectively in a modified way and thus waive an adjustment of the previous-year figures.

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

9 Companies included in consolidation

The group of companies included in consolidation by HVB Group encompasses 139 (previous year: 187) controlled companies, of which 37 (previous year: 42) are classified as structured entities within the meaning of IFRS 12.

	2018	2017
Total controlled companies	**307**	**321**
Consolidated companies	139	187
of which: structured entities according to IFRS 12	37	42
Non-consolidated companies	**168**	**134**
Joint ventures	**3**	**4**
of which: accounted for using the equity method	—	—
Associated companies	**6**	**7**
of which: accounted for using the equity method	5	5

At year-end 2018, we had a total of 172 (previous year: 140) controlled and associated companies, and joint ventures in HVB Group that were neither fully consolidated nor fully accounted for using the equity method as they are not of material importance to the Group.

The structured entities include three borrowers (previous year: four) 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 the Note "List of holdings", for data protection reasons. Three (previous year: four) of these borrowers have been consolidated; as in the previous year, there were no borrowers who 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 amounts of net income for the year of these minor non-consolidated companies makes up 1.25% (previous year: 1.04%) of the consolidated profit of HVB Group, while such companies provide around 0.06% (previous year: 0.33%) of consolidated assets. The aggregate amounts of net income for the year of minor companies not accounted for using the equity method (joint ventures and associated companies) amounts to 0.07% (previous year: 0.08%) of the consolidated profit, their share in the Group capital is 0.001% (previous year: 0.003%). Our interests in these companies are carried as "Financial assets at FVTPL" and loans extended under "Loans and receivables with customers (at cost)".

Controlled companies

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 banking supervisory authorities that regulate UniCredit. The fully consolidated companies prepared their annual financial statements for the period ending 31 December 2018.

37 (previous year: 42) fully consolidated controlled entities are classified as structured entities pursuant to IFRS 12. Please refer to the Note "Disclosures regarding structured entities" for more information on structured entities.

There were significant restrictions on the ability of HVB Group to access assets of the controlled companies 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 2018 have no significant effects on the consolidated financial statements of HVB Group either individually or in aggregate. At 31 December 2018 third parties hold non-controlling interests in 47 (previous year: 58) fully consolidated companies. 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.

Accounting and Valuation (Continued)

The following companies were newly added to the group of companies included in consolidation at HVB Group in 2018:
– Elektra Purchase No. 56 DAC, Dublin
– Elektra Purchase No. 63 DAC, Dublin

The following companies left the group of companies included in consolidation of HVB Group in 2018 due to merger, sale, or imminent or completed liquidation:
– BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG, Munich
– Elektra Purchase No. 35 DAC, Dublin
– Elektra Purchase No. 40 DAC, Dublin
– Elektra Purchase No. 42 DAC, Dublin
– Elektra Purchase No. 47 DAC, Dublin
– Elektra Purchase No. 58 DAC, Dublin
– GELDILUX-TS-2013 S.A., Luxembourg
– Mobility Concept GmbH, Oberhaching
– Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG, Munich
– UniCredit Luxembourg S.A., Luxembourg
– WealthCap Objekte Südwest GmbH & Co. KG, Munich

The following companies left the group of companies included in consolidation in 2018 for materiality reasons:
– "Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung, Munich
– Antus Immobilien- und Projektentwicklungs GmbH, Munich
– ARRONDA Immobilienverwaltungs GmbH, Munich
– Aufbau Dresden GmbH, Munich
– B.I. International Limited, George Town
– Bayerische Wohnungsgesellschaft für Handel und Industrie Gesellschaft mit beschränkter Haftung, Munich
– BV Grundstücksentwicklungs-GmbH, Munich
– CUMTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Cuxhaven Steel Construction GmbH, Cuxhaven
– Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Grefrath KG, Oldenburg
– Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Krähenberg KG, Oldenburg
– Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Mose KG, Oldenburg
– GIMMO Immobilien-Vermietungs- und Verwaltungs GmbH, Munich
– Golf- und Country Club Seddiner See Immobilien GmbH, Munich
– H & B Immobilien GmbH & Co. Objekte KG, Munich
– HVB Export Leasing GmbH, Munich
– HVB Gesellschaft für Gebäude Beteiligungs GmbH, Munich
– HVB Investments (UK) Limited, George Town
– HVB London Investments (AVON) Limited, London
– HVB Profil Gesellschaft für Personalmanagement mbH, Munich
– HVBFF International Greece GmbH, Munich
– HVBFF Internationale Leasing GmbH, Munich
– HVBFF Objekt Beteiligungs GmbH, Munich
– Hypo-Bank Verwaltungszentrum GmbH, Munich
– HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG, Munich
– Life Management Zweite GmbH, Grünwald
– MILLETERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Movie Market Beteiligungs GmbH, Munich
– NF Objekt München GmbH, Munich
– RHOTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Roncasa Immobilien-Verwaltungs GmbH, Munich
– Salvatorplatz-Grundstücksgesellschaft mit beschränkter Haftung, Munich
– Terronda Development B.V., Amsterdam
– Trinitrade Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung, Munich
– UniCredit (China) Advisory Limited, Peking
– WealthCap Aircraft 27 GmbH & Co. KG, Grünwald
– WealthCap Aircraft 27 Komplementär GmbH, Grünwald
– WealthCap Stiftungstreuhand GmbH, Munich
– WealthCap USA Immobilien Verwaltungs GmbH, Munich

On account of the deconsolidation of the companies listed above, HVB realised a deconsolidation result in accordance with IFRS 10.25 of €6 million recognised in the item "Net other expenses/income" and €28 million in the item "Net gains/losses on disposals of investments" in the income statement.

Associated companies

No financial statements at 31 December 2018 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:

– Comtrade Group B.V., Rotterdam	30 September 2018
– Nautilus Tankers Limited, Valletta	30 September 2018
– SwanCap Partners GmbH, Munich	30 September 2018

There were no significant events at these companies between the date when the above financial statements were prepared and 31 December 2018 that could have an impact on the assets, liabilities, financial position, and profit or loss.

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

10 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 "Investments in associates and joint ventures". Compliant with IAS 36, scheduled amortisation is not taken 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.

Accounting and Valuation (Continued)

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 income, net interest, net 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 value in use represents the present value of the profit generated by the respective segment, which can be distributed or withdrawn. The figures for profit before tax from the segments' Strategic Plans are included as cash flows. Furthermore, changes to the allocated capital are taken into account for the first time in the course of determining cash flows. If the addition of allocated capital is required for a business segment to cover the higher capital backing for business growth or a higher capital backing to comply with tighter regulatory capital requirements, this addition reduces the cash flows generated by the segment as a kind of profit retention must be carried out at this amount and these amounts are not available for distribution purposes. The cash flows of the previous year in the Strategic Plan are assumed for the subsequent period, while in the previous year the average was taken as a basis in this regard. The segment-specific cost of capital rates used for discounting average 14.1% (previous year: 12.7%) for the Corporate & Investment Banking business segment and 13.2% (previous year: 12.4%) for the Commercial Banking business segment. No growth factor has been assumed for the perpetual annuity. The discount rates named are pre-tax interest rates.

These values in use are employed as recoverable amounts. If they exceed the carrying amount (including the goodwill) to be tested of the CGU, no impairment of goodwill is necessary. No such impairment was necessary for the 2017 financial year – even when the aforementioned refined method for reviewing write-downs to goodwill is applied. As the recoverable amount represents the higher amount of value in use and the selling price less costs to sell, it is not necessary to estimate the selling price, unless the value in use is lower than the carrying amount. In the reporting year, the value in use for the Commercial Banking business segment is higher than the carrying amount to be tested (including the goodwill allocated to this business segment), whereas the value in use for the CIB business segment is lower than the carrying amount (including the goodwill) to be tested of this business segment so that the goodwill assigned to it has to be written down. In view of the fact that the value in use has already been determined on the basis of a discounted cash flow model and there is no comparable market price available for the CIB business segment, the fair value would need to be calculated on the basis of a valuation model, such as a discounted cash flow model. In the final analysis, a fair value will not be higher than the value in use which means that the recoverable amount equals the value in use. More extensive write-downs on assets of the company relevant in this case (mostly real estate used by the Bank), which are allocated to the CGU, are not necessary as pursuant to IAS 36.105 et seq. such a write-down is required only if the carrying amount is higher than the fair value less costs to sell of the assets concerned. This is not the case because the assets concerned do not entail any hidden charges.

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 or the capital share 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.

11 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 balances
- Financial assets and liabilities held for trading
- Financial assets at FVTPL
- Financial assets at FVTOCI
- Loans and receivables with banks (at cost)
- Loans and receivables with customers (at cost)
- Receivables under finance leases
- Hedging derivatives
- Other deposits from banks
- Other deposits from customers
- Other debt securities in issue
- Financial liabilities at FVTPL
- Financial guarantees and irrevocable credit commitments

The changes to the classes required by IFRS 7.6 are attributable to the first-time adoption of IFRS 9 in the 2018 financial year. Accordingly, classes based on IAS 39 categories have been eliminated and classes based on IFRS 9 categories have been added.

For the presentation of the accounting and valuation methods in accordance with IAS 39, please refer to the Note "Accounting and valuation methods in relation to IAS 39". Only the accounting and valuation methods applied in the 2018 financial year are presented below.

With regard to the classes, the balance sheet disclosures and profit contributions of the financial instruments, among other things, must be presented separately according to IFRS 9 valuation categories. In the present consolidated financial statements, we have included these 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 credit commitments, the nominal amount disclosed in the Note "Fair values of financial instruments compliant with IFRS 7" for the guarantee/amount of the credit commitments not yet utilised.

Accounting and Valuation (Continued)

IFRS 9 requires all financial instruments to be recognised in the balance sheet, classified in the given valuation or portfolio categories and measured in line with this classification. In addition, debt instruments must be allocated to a business model.

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.

Financial assets and liabilities are derecognised when either the contractual rights or obligations to pay have expired, e.g. through repayment, or all the opportunities and risks have essentially been transferred to third parties. The HVB Group did not carry out any transactions in which all the opportunities and risks were essentially either transferred or retained. If the contractual rights to an asset or liability are transferred to third parties but the opportunities and risks are essentially retained, the assets or liabilities are not derecognised.

The regulations set forth in IFRS 9 on reclassification were observed. No reclassifications were carried out.

Financial assets and liabilities at fair value through profit or loss
The "at fair value through profit or loss" category is subdivided into the following 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. These are disclosed in the item "Financial assets held for trading" and "Financial 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).

– Assets subject to the requirement of measurement at fair value through profit or loss with the exception of held-for-trading portfolios:
  In accordance with the specifications, both shareholdings and assets that are neither allocated to the "Hold to maturity" nor to the "Held for sale" business model are generally subject to measurement at fair value through profit or loss. HVB Group did not exercise the option of measuring shareholdings at fair value without affecting profit or loss. As all assets measured at fair value through profit or loss are also managed on a fair value basis, any allocation of assets that do not meet cash flow criteria to the "Hold to maturity" business model is ruled out. These are to be allocated to the "Other" business model and are consequently subject to the requirement of measurement at fair value through profit or loss.

– HVB Group does not exercise the option to designate financial assets pursuant to IFRS 9.1.5 as measured at fair value through profit or loss:
  HVB Group only uses the fair value option for certain financial liabilities designated as at "fair value through profit or loss" upon initial recognition. Financial instruments issued for the first time in 2018 are designated on the basis of the fair value-based management of the portfolios concerned. In addition, with effect from 1 January 2018, financial instruments issued in previous years were designated as financial instruments at fair value through profit or loss in order to better reflect the business purpose of these financial instruments and thus provide the reader of the balance sheet with a better insight into the financial position of HVB Group.

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

Consequently, held-for-trading portfolios, assets subject to the requirement of measurement at fair value through profit or loss and liabilities allocated to the fair value option are measured at fair value. Changes in value are recognised in the income statement.

Assets measured at fair value without affecting profit or loss

Certain securities holdings that are either held to maturity or can be sold have been allocated to the "Held for sale" business model. As these securities also meet cash flow criteria, the conditions for measurement at fair value without affecting profit or loss have been met. These holdings are reported under the balance sheet item named "Financial assets at FVTOCI".

Loans and receivables measured at cost

In the lending business, HVB Group focuses on customer care and customer relationships so the intention is generally to hold extended loans to maturity. If, in exceptional cases, there is no intention to hold loan receivables to maturity at the time of their addition, these are allocated to the "Other" business model. Provided the loans also meet cash flow criteria, these are allocated to the "Hold-to-maturity" business model and measured at amortised cost. In addition, securities holdings that meet cash flow criteria and are intended to be held to maturity are also measured at amortised cost. 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. These assets are disclosed upon initial recognition at their fair value including any transaction costs.

As the intention is generally to hold to maturity, debt instruments allocated to the "Hold-to-maturity" business model may be sold only in the following exceptional cases:

– sales occur infrequently or irregularly even if they are of significant value in this case,
– sales, if they occur frequently, are individually or in the aggregate of insignificant value,
– sales occur just before the final maturity date and the sales proceeds equal the outstanding contractual payments for the most part or
– sales are made as a result of an increase in the risk of credit default.

Depending on the allocation of the debtor, the loans and receivables measured at cost are reported under the balance sheet item "Loans and receivables with banks (at cost)" or "Loans and receivables with customers (at cost)".

HVB Group did not exercise the option of designating an asset to be measured at fair value through profit or loss. The Bank also waived measuring credit exposures at fair value through profit or loss.

Accounting and Valuation (Continued)

Determination of fair value

We can normally reliably determine the fair value of financial instruments measured at fair value. 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).

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 "Fair value hierarchy"):

– 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) valuation parameters
– Level 3: Assets or liabilities for which the fair value cannot be measured exclusively on the basis of observable market data; but also on valuation parameters based on model assumptions (non-observable valuation parameters)

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.

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 and liabilities designated at fair value through profit or loss.

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

Financial guarantees

A financial guarantee 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.

Credit commitments

Credit commitments represent declarations made to the customer to extend loans, buy securities or provide guarantees and acceptances. If these have not yet been utilised, they are generally shown as contingent liabilities in the notes. Necessary impairments are recorded as provisions. An exception to this are credit commitments where the assets resulting from the drawdown are usually sold shortly after the loan has been extended. The latter are recognised at fair value through profit or loss.

Embedded derivatives
Outside the portfolio held for trading purposes or designated at FVTPL, 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.

Hedge accounting
The Bank exercised the option of continuing to apply the provisions of IAS 39 on Hedge Accounting.

Hedges between financial instruments are recognised almost exclusively 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.

Besides the portfolio fair value hedge, HVB Group has other micro fair value hedges for individual financial instruments as well as a cash flow hedge in which HVB Group designated a smaller portfolio of securities as a cash flow hedge in 2018. Furthermore, the amortisation of the cash flow hedge reserve for two cash flow hedges, which have since been terminated, will be carried out.

A micro 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%. 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.

At our Bank, we designated micro fair value hedges for interest rate risks. For fixed-interest European government bonds or bonds of issuers with a similar risk allocated to the "Held for sale" business model, the interest rate risk of which was hedged individually and completely with interest rate swaps, we set up a separate micro fair value hedge for each transaction.

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 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.

Accounting and Valuation (Continued)

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 (fair values excluding the related accrued interest) 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 existing at the changeover date 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.

Generally, a cash flow hedge is 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. For example, derivatives are deployed in cash flow hedge accounting to hedge future streams of interest payments. In this context, payments arising from variable-interest assets and liabilities are swapped for fixed payments primarily using interest rate swaps. Hedging instruments are measured at fair value. The valuation result is divided into an effective and an ineffective portion. The effective portion of the hedging instruments is recognised in a separate item within shareholders' equity (hedge reserve) without affecting reported profit or loss. The ineffective portion of the hedging derivatives is recognised directly in profit and loss. The hedged item is recognised at amortised cost.

HVB Group reported the hedging of the planned borrowing in advance through a forward interest rate swap in the form of a micro cash flow hedge for future transactions within the framework of the participation of our subsidiary at the time UniCredit Luxembourg S.A. in the TLTRO I and II of the European Central Bank (ECB). Upon receiving the borrowed funds from the ECB, this hedge was terminated. The cash flow hedge reserve existing on termination of the hedge and the offsetting equally high fair value of the interest rate swap are reversed periodically over the term of the hedged borrowings in the income statement. The borrowings effected and the interest rate swaps were included in the general portfolio fair value hedge for interest rate risks.

12 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.

With interest rate swaps, the two offsetting streams of interest payments are aggregated for each swap contract and reported in net terms as interest income or interest expense. In the case of pure derivatives trading portfolios, we report the netted interest payments under net trading income.

13 Financial assets at FVTPL

The item "Financial assets at FVTPL" is shown for the first time in the 2018 financial year in order to reflect the new measurement category introduced by IFRS 9. It contains all the assets subject to the IFRS requirement of measurement at fair value with the exception of the held-for-trading portfolios. This item thus contains all the debt instruments subject to measurement at fair value through profit or loss based on the "Other" business model as well as the shareholdings also subject to measurement at fair value through profit or loss. This includes debt instruments to be held to maturity that do not meet cash flow criteria and are thus managed on a fair value basis in line with the Bank's specifications.

The majority of debt instruments are hedged against interest rate risks with interest rate swaps. The changes in fair value of the assets and hedging derivatives are reported in the item "Net gains/losses on financial assets and liabilities at fair value" in the income statement. Current interest income from debt instruments is recorded as interest income and profit distributions from shareholdings in the item "Dividends and other income from equity investments".

14 Financial assets at FVTOCI

The balance sheet item “Financial assets at FVTOCI” is shown for the first time in the 2018 financial year in order to reflect the new measurement category introduced by IFRS 9. It contains all the assets measured at fair value through other comprehensive income on the basis of the “Held for sale” business model and the fulfilled cash flow criteria.

This item only contains interest-bearing assets that are deferred at the effective interest rate. Upon addition, they are posted at their fair value including transaction costs (acquisition cost). Current interest income is recorded under the item “Interest income” in the income statement. Impairments are recorded through profit or loss in the income statement. The difference between the amortised cost calculated in this way and the fair value of the assets is entered directly in equity in the FVTOCI reserve, whereby the changes are recognised or derecognised through other comprehensive income. A gain or loss on disposal (repayment/sale) is shown under the item “Net gains/losses on financial assets and liabilities at fair value”.

15 Loans and receivables

Debt instruments allocated to the “Hold to maturity” business model are shown under the balance sheet item “Loans and receivables with banks (at cost)” and “Loans and receivables with customers (at cost)”. Assets allocated to a business model other than to the “Hold to maturity” business model are not included in the balance sheet items “Loans and receivables with banks (at cost)” and “Loans and receivables with customers (at cost)”. In addition to loans and receivables from the lending business, these include securities allocated to the “Hold to maturity” business model. All the instruments allocated to the “Hold to maturity” business model meet the cash flow criteria and 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

Upon the introduction of IFRS 9, the method used to determine impairment losses was switched to the Expected Loss model. According to the criteria of IFRS 9, impairment losses have to be recognised for debt instruments that are measured at amortised cost or, alternatively, at fair value through equity. Furthermore, the rules applicable for determining an impairment are also to be applied to loan commitments or financial guarantee contracts that are not measured at fair value through profit or loss.

For the presentation of the measurement and management of credit risk, we refer to the statements made on credit risk in the Risk Report.

In the case of loans and receivables measured at cost, the impairment losses determined are posted to an impairment account and reduce the carrying amount; in the case of assets measured at fair value through equity, the impairment losses are determined in relation to the asset and, as a consequence of measurement at fair value, are recognised in the statement of total comprehensive income, whereas a provision is recognised for impairment losses on loan commitments and financial guarantee contracts.

HVB Group has not exercised the option of using the simplified approach pursuant to IFRS 9.5.5.15 for determining impairment losses on trade receivables, contract assets and lease receivables.

The method of calculating impairment losses is based on two pillars:
– the allocation of the asset to a stage
– the calculation of the expected loss associated with the asset.

Accounting and Valuation (Continued)

In the process of determining the expected credit losses, not only reliable information on past events is taken into account but also the current conditions and forecasts of future economic parameters. The starting point in this connection are the supervisory procedures for the determination of the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These are then adjusted to meet IFRS 9 requirements. The main adjustments are as follows:
– Conservative elements, which are owed purely to regulatory requirements, were removed.
– Parameters were adjusted in order to move from a regulatory calculation based on long-term averages ("through the cycle") to a more cut-off date approach ("point-in-time") which takes greater account of the current macroeconomic situation.
– In addition, forward-looking information on the macroeconomic development is taken into account in the parameters.
– The credit risk parameters were adjusted to the required multi-year horizon in Level 2.

The following adjustments were made to the individual parameters:
– To determine a multi-year probability of default, which covers the lifetime of a financial instrument, PD curves based on long-term averages and calculated based on the default rates of the corresponding portfolios are determined as a first step. These PD curves are then adjusted to a more reference-date perspective using statistical methods and adjustments are made to integrate macroeconomic forecasts over the next three years.
– To calculate a multi-year probability of loss, the LGD used for regulatory purposes are adjusted for conservative elements, which are purely owing to regulatory requirements. Furthermore, a check is conducted to determine whether it is necessary to adjust the figures calculated based on long-term averages to current conditions and, where required, they are adjusted. In addition, the recovery rate is adjusted for the next three years on the basis of a macroeconomic forecast. For material collateral, macroeconomic forecasts are included in the market value forecast. Downturn adjustments required for regulatory purposes are not used. Nor are any internal costs of the Bank added to the loss ratio in the course of treating defaulting exposures.
– To determine the multi-year exposure at default (EAD), the parameters used by the regulatory authorities are adjusted for conservative elements arising purely from regulatory requirements. A parameter used from a regulatory perspective which covers drawdowns in excess of the existing credit line is not used under IFRS 9. An additional parameter was also introduced which reflects the expectations on average drawdowns of existing lines from the second year. Furthermore, a parameter representing an expected term for loans without a fixed term is modelled which determines the term over which an expected loss is calculated in Level 2. For loans with existing repayment schedules, expected repayments are taken into account in determining the multi-year EAD.

The process for incorporating macroeconomic scenarios into estimates is consistent with other forecasting processes in risk management (e.g. as part of the EBA stress tests and the ICAAP framework) and benefits from UniCredit's independent research department.

Three macroeconomic developments to be expected in the future are identified. In addition to the probable scenario (baseline), a positive scenario and an adverse scenario are also estimated. The baseline scenario represents the central scenario and is considered to be the most likely to occur. The positive and the adverse scenarios represent other possible occurrences, each depicting better or worse economic developments in the countries relevant for the Bank compared to the baseline scenario. The individual scenarios are assigned probabilities of occurrence.

– The baseline scenario reflects the developments anticipated by HVB Group. It predicts positive and stable economic growth albeit losing momentum in comparison to 2018. This applies to the eurozone as well as to most CEE countries. Account is also taken of the slow growth of short-term interest rates in the euro area, which, however, remain at a historically low level.
  In detail, annual real growth in eurozone GDP of 1.7% for 2019, 1.1% for 2020 and 1.3% for 2021 is forecast (for Germany up 1.7%, up 1.5% and up 1.7%). This scenario implies that the 3-month Euribor will remain slightly negative in 2019 and will be positive again in 2020.

– The positive scenario is based on the hypothesis that the positive economic growth seen in 2018 both at a global level and at a European level will only weaken slightly in 2019, buoyed by the trend in global trade and continuation of a business-friendly policy. In this scenario, growth in the eurozone consolidates mainly on account of the contribution by Germany, accelerates in 2020, which will be reflected in higher annual growth in the gross domestic product (in comparison to the baseline scenario) of between 0.2% and 0.6% over the 2019–2021 three-year horizon. Specifically, the annual growth in real gross domestic product for the eurozone would be 2.0% in 2019, then slow to 1.7% over the course of 2020 and to 1.5% in 2021 (for Germany, stable at 2.0% in 2019, 2.1% in 2020 and 1.9% in 2021), in the context of still negative short-term interest rates in 2019 and constant albeit slow growth over the period from 2020 to 2021, driven by a more aggressive, more stringent monetary policy in comparison to the baseline scenario. The occurrence of such a scenario should be deemed plausible and suitable at the time this scenario was defined in order to quantify an economic trend that is better than the one assumed in the baseline scenario.
– The adverse scenario reflects one of the scenarios that is used in the evaluation process for capital adequacy (ICAAP). In compliance with the ICAAP framework, the scenario has been chosen in such a way that it represents the macroeconomic and financial risks that HVB Group sees as being most relevant. In this respect, the focus is placed on countries in which the Group operates and on the business operations of HVB Group. The "widespread contagion" scenario is built on the hypothesis of intensifying political risks in the European Union caused by the burgeoning influence of populist parties in Italy, Germany and France in conjunction with, among other things, a broadening of the tensions between the Spanish government and the region of Catalonia. This context would lead to a rise in the risk premiums for various investment classes and a slowing in the economic growth both in the eurozone (in comparison to the baseline scenario, one and a half percentage points per year lower for the real growth in gross domestic product in the three-year horizon) and in the CEE countries. In detail, the annual real growth of the gross domestic product in the eurozone would stand at 0.3% in 2019, minus 0.5% in 2020 and 0.5% in 2021 (for Germany at 0.8% in 2019, 0.5% in 2020 and 1.2% in 2021). In this context, it is assumed that short-term interest rates (three-month Euribor) will remain negative over the entire three-year horizon, based on the hypothesis that the ECB would prolong liquidity support for the market in such a market environment. The occurrence of such a scenario is deemed plausible and suitable at the time it was defined in order to quantify adverse economic developments. In line with the scenario and the extent of the deviation from the baseline scenario, the assumption made is that the adverse scenario is less likely than the positive scenario.

Models from the Group's central stress test area are used to adjust the "probability of default" and "loss ratio" parameters in order to calculate the expected loss. These model the relationship between macroeconomic development and the resulting development of PDs and LGDs. The parameters are adjusted on the basis of the baseline scenario by the respective differences determined for the three forecast years.

Moreover, the expected loss is adjusted with a factor that compensates for the partial non-linearity that might be included in the correlation between macroeconomic changes and the change in the expected loss. This means that an adjustment factor is calculated from the three scenarios, taking account of their weighting, which is applied directly to the expected loss.

The HVB Group units responsible for the restructuring or workout of non-performing exposures determine the future incoming payments for non-performing exposures which are significant in terms of amount based on the circumstances in each case. Consequently, specific allowances are recognised for these exposures while a collective allowance is recognised on a parameter basis for non-performing exposures which are insignificant in terms of amount in line with the method used in determining the expected credit losses.

The following applies to the allocation to stages:
– Stage 1 contains newly issued credit balances, financial instruments for which there has been no significant deterioration in the creditworthiness since they were first issued and securities with a low credit risk (low credit risk exemption).
– Stage 2 contains financial instrument which, although not yet in default, have undergone a significant deterioration in terms of their creditworthiness since they were first issued.
– Stage 3 contains financial instruments in default.

Accounting and Valuation (Continued)

An impairment loss is generally recognised at the amount of the expected 12-month credit loss for a financial instrument upon initial recognition (Stage 1). Financial assets already impaired upon initial recognition are an exception to this rule as, in these cases, the expected credit losses have already been taken into account in the fair value at which such an asset is posted.

If the credit default risk has increased significantly since initial recognition, an impairment loss must be recognised in the amount of the (residual) loss expected over the term to maturity (Stage 2). HVB Group uses an internal model to determine when a significant increase in the credit default risk has occurred. Key factors in this context are:
– a comparison of PD upon initial recognition and at the reporting date at the level of each individual transaction whereby trigger levels to be exceeded for a significant increase are defined that take account of material elements for determining an expected change in the credit default risk such as maturity, age, PD level upon initial recognition,
– absolute thresholds like the "backstops" required by the standard, such as arrears of 30 days or more,
– further internal attributes such as renegotiations of financial instruments on account of financial difficulties (forbearance measure).
If the credit default risk is no longer significantly higher on the reporting date, the asset is transferred back to Stage 1.

A statistical model for quantile regression was introduced to implement the quantitative component for the allocation to a stage. This defines a threshold that determines the maximum change between the probability of default upon addition of the financial instrument and the current reference date. An important part of this model is defining the quantile that determines the expectation concerning the share of instruments in Stage 2 in long-term funds. As the consideration of individual influencing factors differs (such as rating upon issuance, age), the quantiles also vary depending on the portfolio. Essentially, the historical default rate of the portfolio concerned is used as a basis to determine the quantile and is supported by further absolute level allocation criteria, such as the share of instruments with 30 days default.

The actual share of financial instruments in Stage 2 varies by the long-term average of the quantile, depending on the current macroeconomic situation and expectations of developments in the economic cycle.

HVB Group has exercised the option for securities pursuant to IFRS 9.5.5.10 according to which it can be assumed in the case of debt instruments with a low credit default risk that no significant increase in the credit default risk has occurred. Securities of this kind with an investment grade rating are generally allocated to Stage 1.

If the borrower of a debt instrument has defaulted, such credit impaired assets are allocated to Stage 3. For these assets, interest income is recognised only in the amount of the interest on the basis of the net carrying amount. Like in the past, default is when a material liability of the borrower is overdue by more than 90 days or HVB Group believes the borrower is unable to meet his payment obligations in full without steps to realise collateral being taken. This presupposes that there is objective evidence that the financial asset is 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. Objective evidence is provided only by events that have already occurred, not by events expected in the future. The assessment of the borrower's creditworthiness using internal rating processes is applicable. This assessment is reviewed periodically and when negative events occur. If 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 involving the borrower. Based on internal procedures, the classification of the borrower is updated to "in default" or "not in default". As a result, the assessment of the borrower's creditworthiness is always assessed with regard to his ability to meet outstanding liabilities.

At Stage 3, the impairment is calculated as the difference between the carrying amount and the present value of the expected future cash flow. These figures are estimated by HVB Group and discounted using the corresponding interest rate. In doing so, different, realistic scenarios are estimated whereby the impairment loss is obtained from the expected value of the credit defaults weighted by the probability of occurrence for each scenario. The impairment loss calculated in this way likewise corresponds to the expected credit losses for the debt instrument but, deviating from Stage 1 and Stage 2, the probability of default is no longer taken into account as default has already occurred.

As the debt instrument is in default, it is put on a non-accrual basis, i.e. the contractual interest payments are no longer recognised in the income statement, instead the interest income is determined on the basis of the net carrying value. For this purpose, the net carrying amount from the previous period is compounded at the original interest rate of the debt instrument over the reporting period and the impairment loss, which is calculated as the difference between the present value of the expected cash flow (net carrying amount) and the gross carrying amount, is recognised in interest income at the compounded amount through profit or loss. Furthermore, the amounts put on a non-accrual basis are recorded both in the gross carrying amount and in the impairment losses without affecting income. As, in doing so, the gross carrying amount and the impairment losses are increased by the same amount, the net carrying value does not change.

As soon as the reasons for the default no longer apply, the assets are transferred back to Stage 1 or 2, respectively, depending on whether the credit default risk is still significantly higher or not in comparison to when the assets were first acquired.

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

If a receivable is considered uncollectible, the amount concerned is written off, which leads to the receivable being derecognised. The amount is derecognised 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 taken into account in the process.

For financial assets that were already in default upon initial recognition (purchased or originated credit impaired assets – POCI), the interest income is likewise recognised only at the amount of interest based on the net carrying amount. Only those new additions are recognised as POCI assets that result in more than only an insignificant increase in the existing exposure, i.e. exceed 20% of the existing net exposure (exposure after deduction of recoverable collateral). Credit losses expected upon initial recognition are already taken into consideration in the fair value when posting assets so that no impairment is recorded for POCI assets upon initial recognition. With regard to subsequent measurement, these assets are measured on the basis of the loss anticipated over the (residual) term to maturity; in the case of higher expected additions than assumed upon initial recognition, however, the assets can be written up to amounts in excess of the acquisition cost.

Modification of financial assets measured at amortised cost
If the contractual terms of financial assets are modified, it is necessary to review whether such modifications are significant or insignificant. Whereas significant modifications result in the derecognition of the existing asset and the posting of a new, significantly modified asset, in the case of insignificant modifications, only the agreed modifications to the contractual cash flows are discounted and the difference between the present value of the modified contractual payments determined in this way and the carrying amount (present value of the contractual payments before modification) are recognised through profit or loss.

A significant modification to the contractual terms has occurred where compliance with cash flow conditions has changed or where conditions have been adjusted to general market terms without this adjustment being seen as a concession made to the borrower based on the borrower's credit rating. In such cases, the existing loan is derecognised and the modified loan posted as a newly extended loan.

In addition, 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). Various 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.

Accounting and Valuation (Continued)

Where the Bank waives payments by the borrower (such as waived fees, reduction of contractual interest rates, etc.) due to a deterioration in creditworthiness, such a waiver represents objective evidence of the borrower defaulting. The derecognition of payments due or of future repayments 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).

If the modification of the agreement does not give rise to derecognition of the receivable or part of the receivable on account of the waiver of payments due or of future repayments but merely to an adjustment of future cash flows, for example through a prospective reduction in the interest rate as of the date of the modification, the gross carrying amount has to be adjusted accordingly. For this purpose, the newly agreed cash flows have to be discounted at the original effective interest rate and this present value deducted from the gross carrying amount (prior to the modification to the agreement). The difference determined in this way is recorded as modification gain or loss through the income statement. As this primarily affects non-performing, impaired receivables, the modification gain or loss is reported under the income statement item "Credit impairment losses IFRS 9".

17 Investments in associates and joint ventures

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

18 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. For the wind farm, the residual carrying amount is distributed over the expected residual useful life based on the prorated consumption of value of the economic benefit potential. 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	28 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.

19 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.

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 the Note "Information regarding lease operations" for more information.

Accounting and Valuation (Continued)

20 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 acquisition or production cost is included in operating costs, whereas impairments and write-ups are also recognised in the item "Net other expenses/income".

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.

21 Intangible assets
The main items included in intangible assets are goodwill arising from the acquisition of fully consolidated subsidiaries and software. An intangible asset will 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. Impairment losses are taken where necessary. It is not permitted to write up in subsequent periods any impairment losses recognised on goodwill.

Software has a limited useful life and is valued at amortised acquisition or production cost. Amortisation is taken on a straight-line basis 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 the item "Amortisation, depreciation and impairment losses on intangible and tangible assets" within operating costs.

22 Non-current assets or disposal groups held for sale

Under IFRS 5, non-current assets or disposal groups held for sale which are expected to be sold within one year are to be recognised as non-current assets or disposal groups held for sale. Upon reclassification, these are carried 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.

23 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.

24 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, liabilities under repurchase agreements 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.

With interest rate swaps, the two offsetting streams of interest payments are aggregated for each swap contract and reported in net terms as interest income or interest expense. In the case of pure derivatives trading portfolios, we report the netted interest payments under net trading income.

25 Financial liabilities at FVTPL

HVB Group designated certain liabilities as financial instruments to be measured at fair value through profit and loss (fair value option) upon initial recognition. In this context, financial instruments issued for the first time in 2018 are designated on the basis of fair value-based management of the portfolios concerned. In addition, with effect from 1 January 2018, financial instruments already issued in previous years were designated as financial instruments at fair value through profit or loss in order to better reflect the business purpose of these financial instruments and thus provide the reader of the balance sheet with a better insight into the financial position of HVB Group.

Financial liabilities at fair value through profit or loss are disclosed upon initial recognition at their fair value without any transaction costs. Upon subsequent measurement, changes in fair value are recognised through profit or loss in the item “Net gains/losses on financial assets and liabilities at fair value”. If part of the change in fair value is attributable to changes in own credit spread, this partial amount is corrected again in the income statement and then recognised through other comprehensive income. This procedure does not lead to any accounting anomaly in the income statement.

In equity, the reserve for the own credit spread is introduced under “Other reserves”. If there are any changes in the financial liabilities at FVTPL in the course of measurement at fair value on account of the own credit spread, these changes are recognised through other comprehensive income. If this reserve still contains amounts on the date of disposal of the liability, the relevant amounts are not recognised in the income statement and are generally reclassified to retained earnings.

Accounting and Valuation (Continued)

26 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 the Note "Hedge adjustment of hedged items in the fair value hedge portfolio").

27 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 holiday entitlements. Accruals are carried at the amount likely to be used.

28 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 date 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.

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 (Continued)

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 the Note "Provisions".

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 the Note "Operating costs".

29 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. 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.

30 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 using 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.

31 Accounting and valuation methods in relation to IAS 39

The following describes the accounting and valuation methods under IAS 39 that were to be applied in the previous year and are still reported as previous-year figures due to the prospective application of IFRS 9.

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 FVTPL
– Available-for-sale financial assets (at cost)
– Available-for-sale financial assets (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 the Note "Fair values of financial instruments compliant with IFRS 7" 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.

Accounting and Valuation (Continued)

Financial assets and liabilities at fair value through profit or loss

The financial assets and liabilities at fair value through profit or loss category is subdivided 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 the Notes "Financial assets held for trading" and "Financial 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 financial instruments at FVTPL (FVO) 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 the items "Loans and receivables with banks (at cost)" and "Loans and receivables with customers (at cost)". 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.

Held-to-maturity investments
Held-to-maturity 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 FVTPL, loans or receivables 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.

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

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 the Note “Net income from investments”).

We recognise interest-bearing securities, equities and other equity-related securities, investment certificates and participating interests as available-for-sale financial instruments under the balance sheet item “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 (Continued)

Financial assets at FVTPL

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.

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 Article 178 of the Capital Requirement Regulation (CRR). This is the case when either a material liability of the borrower is at least 90 days overdue 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.

The assessment of the borrower's creditworthiness 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 coveant 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 the Note "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.

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.

Accounting and Valuation (Continued)

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.

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.

Segment Reporting

32 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)
– Group Corporate Centre
– 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 reported to the Management Board, as the responsible management body, and is used for the allocation of resources (such as risk-weighted assets compliant with Basel III) to the business segments and for assessing the profitability. 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".

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, until the merger effective as of 1 July 2018, UniCredit Luxembourg S.A.) is based on a uniform core capital allocation for each business segment. Pursuant to Basel III, this involves allocating 12.5% (previous year: 12.0%) 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, until the merger as of 1 July 2018, UniCredit Luxembourg S.A. equals the base rate plus a premium in the amount of the average spread curve for the medium and long-term lending business of HVB. This rate is set for one year in advance as part of each budgeting process. The percentage changed to 1.07% in 2018 after 1.02% in the previous financial year. Equity capital is not standardised for the other companies included in the consolidated financial statements.

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 Chief Operating Office and the 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) 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 Chief Operating Office business unit of the Other/consolidation business segment.

Segment Reporting (Continued)

As part of a reorganisation, the first half of 2018 basically saw shifts in the net income between all business segments in the income statement, broken down by business segment. These shifts are mainly attributable to a recalculation of the return on investment. In the second half of the year, there were essentially minor shifts in income and operating costs, largely due to the new allocation of a subsidiary in the Commercial Banking and Group Corporate Centre and a smaller shift between income and operating costs on account of changes in a service agreement.

The previous-year figures affected by this reorganisation have been adjusted accordingly.

The profit of €4 million (previous year: €1 million) from shares in associated companies relates to the following companies accounted for using the equity method: Adler Funding LLC, Dover, Comtrade Group B.V., Rotterdam, Nautilus Tankers Limited, Valetta, paydirekt Beteiligungsgesellschaft privater Banken mbH, Berlin and SwanCap Partners GmbH, Munich. 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 disclosure in profit and loss is made under the item "Dividends and other income from equity investments" in the income statement. The carrying amount of the companies accounted for using the equity method is €23 million (previous year: €34 million). The carrying amount of SwanCap Partners GmbH of €9 million is recognised under "Non-current assets or disposal groups held for sale" at 31 December 2018 and is no longer included in the carrying amount of companies accounted for using the equity method at the reporting date.

33 Components of segment reporting by business segment

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 retail 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. 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, mortgage loans, consumer loans, savings-and-loan and insurance products and banking services for retail customers through to business loans and foreign trade financing for corporate customers, fund products for all asset classes, advisory and brokerage services in the securities business and liquidity and financial risk management, advisory services for high net worth private customers through to investment banking products for companies requiring capital-market access. The wealth management approach includes not only customised portfolio concepts and financing solutions for high net worth private customers with an entrepreneurial background but also the brokerage of shareholdings.

The Private Clients Bank business unit serves retail customers in the Retail Banking business and the Private Banking business in all areas of demand. In this context, we are continuing along the path already taken towards a root-and-branch modernisation of the retail customer business by expanding our digital offering and are thus underlining our positioning as a provider of quality services. Our aspiration is to be the best customer bank in Germany: in terms of quality, innovation and empathy. In the process, we set high standards for the quality of advice given and services provided involving a modern approach and an innovative omni-channel business model. In the retail customer business, HVB's financial concept promotes a high standard of quality in advisory services and is one of the most innovative forms of personal advice provided in Germany. In the Private Banking relationship model, very high net worth clients are served by advisors and a network of highly qualified specialists based on a 360-degree advisory approach with the aim of achieving a sustainable increase in the prosperity of our customers and thus maintaining long-term, trusting customer relationships.

The Unternehmer Bank business unit bundles the corporate banking business in Germany. In this respect, Unternehmer Bank is the second largest lender (of the major private banks) to the German Mittelstand and their first choice from among the banks for Mittelstand companies. The corporate banking business is the place where companies requiring complex advisory services on the Key Account relationship model find the right address for customised solutions, also in particular for large transaction volumes, capital market transactions and international issues.

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 professionals 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 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 a staff unit 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, a fragmented competitive situation with a growing number of digital competitors and rising regulatory costs. In addition, increasing digitalisation is causing a lasting change in customer requirements, which is characterised by greater demand for omni-channel solutions and seamless customer experience. HVB Group is facing up to the challenges posed by this framework in Commercial Banking with a premium positioning and a diverse set of measures of growth and efficiency activities, which also include clearly defined digitalisation initiatives.

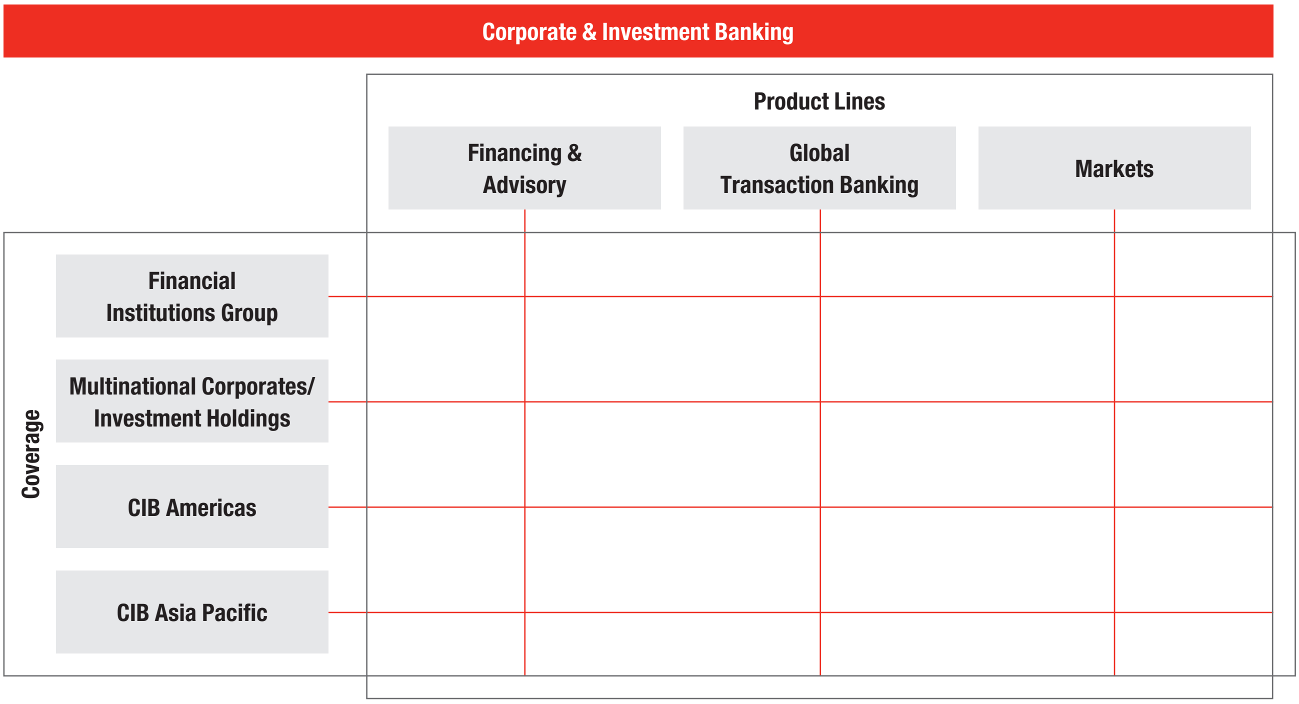
Corporate & Investment Banking (CIB) business segment
CIB is a business segment of UniCredit with global operations. It has a matrix organisational structure and has business activities at the three most important group companies: UniCredit Bank AG, UniCredit Bank Austria AG and UniCredit S.p.A.

The success of CIB's business stems not only from the close cooperation and coordination between customer care and the product units but also from collaboration with other countries and business segments of UniCredit as well as the pertinent credit risk management units.

As CIB acts as a global business segment, all statements and definitions apply both to CIB within HVB Group and CIB at a global level. In the form of its CIB business segment, which acts as a centre of competence for international markets and investment banking operations, HVB Group takes a share in structuring the global strategy of CIB. The member of UniCredit Bank's Management Board responsible for CIB has decided to apply the global CIB strategy to UniCredit Bank AG's CIB business in order to ensure a uniform approach worldwide for our customers.

CIB offers its customers:
– corporate banking and transaction services
– structured finance, capital markets and investment products
– access to Western, Central and Eastern Europe

Segment Reporting (Continued)



Service is organised horizontally:
Financial Institutions Group (FIG), Multinational Corporates (MNC) and Investment Holdings (GFO), CIB Americas and CIB Asia Pacific.

Vertically, there are three product factories:
Financing & Advisory (F&A) provides customer support worldwide in the areas of Financial Sponsor Solutions (FSS), Infrastructure & Power Project Finance (IPPF), Natural Resources (NR), Commodity Trade Finance (CTF) and Structured Trade and Export Finance (STEF). Further global business lines include Global Syndicate & Capital Markets (GSCM) and Corporate Finance Advisory (CFA). The local business units Corporate Structured Finance (CSF) and Real Estate Structured Finance (RESF) cooperate closely with the Commercial Banking business segment. The local unit Global Shipping (GLOS) conducts transactions worldwide. Portfolio & Pricing Management (PPM) is responsible for the management of all LP (Leveraged and project finance, covered by the Financial Sponsor Solutions, Infrastructure & Power Project Finance and Natural Resources business lines) portfolio transactions within UniCredit. RESF and CSF portfolios are managed by PPM in cooperation with representatives of the sales channels at the level of UniCredit Bank AG. Furthermore, we provide services to the subsidiary Ocean Breeze Energy GmbH & Co. KG.

Global Transaction Banking (GTB) offers a broad array of innovative products in the areas of cash management and trade finance, thus meeting customer needs in connection with transactions in the areas of payment services, account information, cash flow optimisation, liquidity management and mainly short-term import and export financing services.

The main product areas in cash management include clearing and foreign currency products, client access through electronic channels of access, payment products with payment services and account information, liquidity management with cash pooling and other optimisation procedures, cash innovations with company customer cards and dealer solutions and the business with sight deposits.

Trade finance offers supply chain finance solutions and conventional international trade products such as guarantees, letters of credit, collection services, etc. along the customer's value chain.

Markets is a customer-oriented business that supports the corporate and institutional business of UniCredit as an integral part of the CIB value chain. This product area extends over all asset classes: interest, foreign exchange, commodities and equity derivatives. It offers institutional customers, business customers and private investors risk management solutions and investment products through the Group's own or external networks.

With a view to achieving its objectives, CIB developed and implemented several key strategic initiatives last year, the basic purpose of which is to provide support to the relationship managers in their customer care tasks:
– value chains, growing importance of the approach of an integrated value chain across team boundaries
– shared goals, a structured objective-setting process between customer care and product lines
– senior bankers who serve selected key corporate and institutional customers as well as investment holdings/family offices
– capital structure advisory which enables the Bank to hold a focused and discerning strategic dialogue with customers

We are aiming to further expand our central role with core CIB customers, exploit opportunities with Mittelstand customers and become Europe's powerhouse for trade finance. We wish to increase our international footprint by selling our international services to customers in our core countries, strategically expand our presence in countries given special priority as well as standardising and refining our operating platform.

At the same time, we are planning to expand our presence along the future developments of trade flows and to win as customers the best international actors outside of our home markets. Furthermore, we would like to become the "go-to bank" for business customers by expanding the cross-selling opportunities as well as the underwriting and distribution capacities. We are also striving to heighten the service commitment for banks.

In addition, CIB maintains a close cooperation with Commercial Banking. With a view to promoting the realisation of synergies within the UniCredit corporate group and the "One Bank" approach, the UniCredit International Centres ("UIC") concept was extended from Commercial Banking to CIB. The Head of UIC Germany reports to the Management Board members responsible for CIB and Unternehmer Bank (UBK) in order to ensure an end-to-end and systematic approach to international business. The duties of the International Centre extend from serving inbound customers through to support for and coordination of outbound activities.

Group Corporate Centre business segment
The Group Corporate Centre business segment includes profit contributions that do not fall within the jurisdiction of the individual business segments. Among other items, this includes the CFO, CRO and the CEO business units as well as the profits and losses of consolidated subsidiaries and non-consolidated holdings, provided they are not assigned to the other business segments. Furthermore, this business segment incorporates the net income from securities holdings for which the Management Board is responsible. Also incorporated in this business segment 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 business segment also includes the Real Estate Restructuring (RER) customer portfolio.

Other/consolidation business segment
The Other/consolidation business segment encompasses the Chief Operating Office and consolidation effects. It acts as a central internal service provider for customers and employees. The Chief Operating Office activities extend to 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 operations have been outsourced. Strategic real estate management at HVB is similarly the responsibility of the Chief Operating Office business unit and is carried out by the Real Estate unit (GRE), HVB Immobilien AG, Munich and UniCredit Services S.C.p.A., Milan, respectively, as engaged by HVB Immobilien AG, Munich by way of an operating contract.

Information on products and services at company level
The information required by IFRS 8.32 on income from external customers generated from the products and services of HVB Group are contained under the disclosures regarding the income statement in these notes to the consolidated financial statements.

Segment Reporting (Continued)

34 Income statement, broken down by business segment

Income statement, broken down by business segment for the period from 1 January to 31 December 2018 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,467	997	51	(31)	2,484
Dividends and other income from equity investments	10	14	—	1	25
Net fees and commissions	761	263	(7)	(3)	1,014
Net trading income	57	500	22	—	579
Net other expenses/income	12	219	88	88	407
OPERATING INCOME	**2,307**	**1,993**	**154**	**55**	**4,509**
Payroll costs	(607)	(388)	(367)	(106)	(1,468)
Other administrative expenses	(1,064)	(792)	329	122	(1,405)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(9)	(115)	(27)	(55)	(206)
Operating costs	**(1,680)**	**(1,295)**	**(65)**	**(39)**	**(3,079)**
OPERATING PROFIT	**627**	**698**	**89**	**16**	**1,430**
Net write-downs of loans and provisions					
for guarantees and commitments	(197)	130	51	—	(16)
NET OPERATING PROFIT	**430**	**828**	**140**	**16**	**1,414**
Provisions for risks and charges	(298)	(620)	1	(2)	(919)
Restructuring costs	(30)	—	6	10	(14)
Net income from investments	10	(1)	123	67	199
PROFIT BEFORE TAX	**112**	**207**	**270**	**91**	**680**
Income tax for the period	(61)	(125)	61	(29)	(154)
PROFIT AFTER TAX	**51**	**82**	**331**	**62**	**526**
Impairment on goodwill	—	(288)	—	—	(288)
CONSOLIDATED PROFIT	**51**	**(206)**	**331**	**62**	**238**
attributable to the shareholder of UniCredit Bank AG	51	(206)	329	62	236
attributable to minorities	—	—	2	—	2

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

INCOME/EXPENSES	INCOME STATEMENT, BROKEN DOWN BY BUSINESS SEGMENT	RECLASSIFICATION	CONSOLIDATED INCOME STATEMENT
Net interest	2,484	—	2,484
Dividends and other income from equity investments	25	—	25
Net fees and commissions	1,014	—	1,014
Net trading income	579	114[1]	693
Financial assets mandatorily at FVTPL		42	
Financial liabilities designated at FVTPL		95	
Buy-backs of securities issued		1	
Effects arising from hedge accounting		(13)	
Fair value equity		(12)	
Net gains/(losses) on financial assets and liabilities at fair value	n/a	(110)	(110)
Financial assets mandatorily at FVTPL		(42)	
Financial liabilities designated at FVTPL		(95)	
Net gains/(losses) on the sale of securities (Held-for-sale business model)		2	
Effects arising from hedge accounting		13	
Fair value equity		12	
Net gains/(losses) on derecognition of financial instruments measured at cost	n/a	52	52
Net gains/(losses) on the sale of performing loans and receivables and securities		53	
Buy-backs of securities issued		(1)	
Net other expenses/income	407	117[1]	524
Net gains/(losses) on the sale of performing loans and receivables and securities		(53)	
Income from the sale of land and buildings		1	
Income from valuation/disposals of investment properties		160	
Income from the sale of other assets		10	
OPERATING INCOME	**4,509**	**173**	**4,682**
Payroll costs	(1,468)	—	(1,468)
Other administrative expenses	(1,405)	—	(1,405)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(206)	—	(206)
Operating costs	**(3,079)**	**—**	**(3,079)**
OPERATING PROFIT	**1,430**	**173**	**1,603**
Net write-downs of loans and provisions for guarantees and commitments/			
Credit impaired losses IFRS 9	(16)	—	(16)
NET OPERATING PROFIT	**1,414**	**173**	**1,587**
Provisions for risks and charges	(919)	—	(919)
Restructuring costs	(14)	—	(14)
Net income from investments	199	(199)	n/a
Net gains/(losses) on the sale of securities (Held-for-sale business model)		(2)	
Income from the sale of land and buildings		(1)	
Income from valuation/disposals of investment properties		(160)	
Income from the sale of other assets		(10)	
Net gains/(losses) on disposals of investments		(26)	
Net gains/losses on disposals on investments	n/a	26	26
PROFIT BEFORE TAX AND IMPAIRMENT ON GOODWILL	**—**	**—**	**680**
Impairment on goodwill	—	(288)	(288)
PROFIT BEFORE TAX	**680**	**(288)**	**392**
Income tax for the period	(154)	—	(154)
PROFIT AFTER TAX	**526**	**(288)**	**238**
Impairment on goodwill	(288)	288	—
CONSOLIDATED PROFIT	**238**	**—**	**238**
attributable to the shareholder of UniCredit Bank AG	236	—	236
attributable to minorities	2	—	2

1 Rounding difference.

Segment Reporting (Continued)

Income statement, broken down by business segment for the period from 1 January to 31 December 2017 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,443	919	210	(31)	2,541
Dividends and other income from equity investments	2	6	2	1	11
Net fees and commissions	793	324	(16)	2	1,103
Net trading income	57	859	15	(3)	928
Net other expenses/income	28	193	99	79	399
OPERATING INCOME	**2,323**	**2,301**	**310**	**48**	**4,982**
Payroll costs	(639)	(438)	(401)	(122)	(1,600)
Other administrative expenses	(1,146)	(808)	349	162	(1,443)
Amortisation, depreciation and impairment					
losses on intangible and tangible assets	(8)	(114)	(31)	(74)	(227)
Operating costs	**(1,793)**	**(1,360)**	**(83)**	**(34)**	**(3,270)**
OPERATING PROFIT	**530**	**941**	**227**	**14**	**1,712**
Net write-downs of loans and provisions for guarantees and commitments	(164)	(73)	42	—	(195)
NET OPERATING PROFIT	**366**	**868**	**269**	**14**	**1,517**
Provisions for risks and charges	(28)	5	(2)	—	(25)
Restructuring costs	(5)	—	(2)	—	(7)
Net income from investments	(2)	58	51	5	112
PROFIT BEFORE TAX	**331**	**931**	**316**	**19**	**1,597**
Income tax for the period	(49)	(247)	37	(2)	(261)
PROFIT AFTER TAX	**282**	**684**	**353**	**17**	**1,336**
Impairment on goodwill	—	—	—	—	—
CONSOLIDATED PROFIT	**282**	**684**	**353**	**17**	**1,336**
attributable to the shareholder of UniCredit Bank AG	282	684	349	17	1,332
attributable to minorities	—	—	4	—	4

Development of the Commercial Banking business segment (€ millions)

INCOME/EXPENSES	2018	2017
Net interest	1,467	1,443
Dividends and other income from equity investments	10	2
Net fees and commissions	761	793
Net trading income	57	57
Net other expenses/income	12	28
OPERATING INCOME	**2,307**	**2,323**
Payroll costs	(607)	(639)
Other administrative expenses	(1,064)	(1,146)
Amortisation, depreciation and impairment losses on intangible and tangible assets	(9)	(8)
Operating costs	**(1,680)**	**(1,793)**
OPERATING PROFIT	**627**	**530**
Net write-downs of loans and provisions for guarantees and commitments	(197)	(164)
NET OPERATING PROFIT	**430**	**366**
Provisions for risks and charges	(298)	(28)
Restructuring costs	(30)	(5)
Net income from investments	10	(2)
PROFIT BEFORE TAX	**112**	**331**
Income tax for the period	(61)	(49)
PROFIT AFTER TAX	**51**	**282**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**51**	**282**
attributable to the shareholder of UniCredit Bank AG	51	282
attributable to minorities	—	—
Cost-income ratio in %[1]	72.8	77.2

1 Ratio of operating costs to operating income.

The Commercial Banking business segment increased its operating profit (before net write-downs of loans and provisions for guarantees and commitments) by 18.3%, or €97 million, to €627 million in the reporting year.

At €2,307 million, operating income fell slightly by €16 million, or 0.7%, compared with the previous-year period (€2,323 million). It contains net interest of €1,467 million, which in spite of the still extremely low level of interest rates was 1.7% higher than in the previous year. This positive development trend was supported in the retail banking business by a rise in real estate financing and a strong increase in consumer lending activities (34% increase in volume). In the corporate customer business, it is attributable particularly to higher income from medium and long-term credit transactions and to foreign currency deposits. The customer deposit business continued to be weighed down by the persistently very low level of interest rates.

Compared with the previous year, there was a decrease of €32 million, or 4.0%, to €761 million in net fees and commissions. Net trading income remained unchanged at €57 million. In the reporting year, there was an income of €12 million in net other expenses/income. The decline of €16 million compared with the previous-year period is due to a higher charge for the European bank levy and a decline in contributions from our WealthCap subsidiary on account of non-recurring effects in the previous-year period. Dividends and other income from equity investments in the reporting year contributed €10 million to the operating income (previous year: €2 million).

In the reporting year, a significant reduction was achieved in operating costs, which were down by 6.3%, or €113 million, to €1,680 million compared with the previous-year period. This is attributable to both the sharp decrease in payroll costs by 5.0%, or €32 million, to €607 million as a result of a lower head-count and to lower other administrative expenses, which fell by 7.2%, or €82 million, to €1,064 million, compared with the previous-year period. Among other things, this decline is due to lower marketing expenses coupled with lower contributions to the voluntary deposit guarantee funds and a decrease in internal charges from other service units of the Bank on account of a lower number of employees.

The cost-income ratio improved from 77.2% in the previous-year period to 72.8% in the current reporting year on the back of the consistent cost reductions.

In the reporting year, there was a net addition of €197 million to net write-downs of loans and provisions for guarantees and commitments, which is equivalent to an increase of €33 million or 20.1% (previous year: €164 million). On account of our strict cost management in the reporting year, higher net operating income of €430 million was generated compared with the previous year (previous-year period: €366 million).

The additions to the provisions for risks and charges in the non-lending business, recorded with a net addition of €298 million in the current reporting period, are mainly related to legal risks (previous year: €28 million). This is offset by a €12 million increase in net income from investments totalling €10 million in the reporting year (previous year: net loss of €2 million) from gains on the disposal of financial investments.

With operating income remaining almost stable coupled with the cost reduction measures still in place and taking account of the non-recurring effect in provisions for risks and charges, the Commercial Banking business segment generated a profit before tax of €112 million in the reporting year (previous-year figure: €331 million).

In the reporting year, income tax expense comes to €61 million (previous-year period: €49 million). In Commercial Banking, a consolidated profit of €51 million was achieved in the reporting year (previous-year period: €282 million).

Segment Reporting (Continued)

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

INCOME/EXPENSES	2018	2017
Net interest	997	919
Dividends and other income from equity investments	14	6
Net fees and commissions	263	324
Net trading income	500	859
Net other expenses/income	219	193
OPERATING INCOME	**1,993**	**2,301**
Payroll costs	(388)	(438)
Other administrative expenses	(792)	(808)
Amortisation, depreciation and impairment		
losses on intangible and tangible assets	(115)	(114)
Operating costs	**(1,295)**	**(1,360)**
OPERATING PROFIT	**698**	**941**
Net write-downs of loans and provisions for guarantees and commitments	130	(73)
NET OPERATING PROFIT	**828**	**868**
Provisions for risks and charges	(620)	5
Restructuring costs	—	—
Net income from investments	(1)	58
PROFIT BEFORE TAX	**207**	**931**
Income tax for the period	(125)	(247)
PROFIT AFTER TAX	**82**	**684**
Impairment on goodwill	(288)	—
CONSOLIDATED PROFIT/(LOSS)	**(206)**	**684**
attributable to the shareholder of UniCredit Bank AG	(206)	684
attributable to minorities	—	—
Cost-income ratio in %[1]	65.0	59.1

1 Ratio of operating costs to operating income.

In the reporting period, the Corporate & Investment Banking business segment generated operating income of €1,993 million and was thus unable to match the year-ago figure of €2,301 million (down 13.4%), which benefited from a non-recurring effect.

The primary cause of this development is the decline in net trading income compared with the previous-year period, which fell a sharp €359 million, or 41.8%, to €500 million. In this context, lower income was posted in the areas of fixed-income products in particular. The decline is attributable, above all, to a non-recurring effect arising from a customer transaction in 2017 and mark-to-market effects occurring in 2018 as a result of high market volatility. By contrast, the profit contribution of valuation adjustments, which mainly include credit value adjustments and funding value adjustments, made a positive contribution to net trading income.

At €263 million, net fees and commissions were €61 million, or 18.8%, lower than in the previous-year period. On the one hand, this is due to less demand by companies for equity or borrowings using capital market products, such as bonds or share issues and, on the other hand, to lower loan commissions and advisory fees. In this context it should be taken into account that in the previous-year period fee and commission income benefited from larger capital measures.

By contrast, a positive trend was reported in net interest, which was up by €78 million, or 8.5%, to €997 million in the reporting period compared with the previous-year period. Besides an expansion of lending activities, this is also attributable to an increase in the Treasury contribution. Furthermore, higher interest income was generated from foreign currency deposits.

Net other expenses/income increased by 13.5% to €219 million (previous-year period: €193 million) and, at €14 million, dividends and other income from equity investments were also up on the previous-year period (€6 million).

Operating costs fell by €65 million, or 4.8%, to €1,295 million compared with the previous-year period. Within this total, payroll costs fell by €50 million, or 11.4%, to €388 million and other administrative expenses by €16 million, or 2.0%, to €792 million. At €115 million, amortisation, depreciation and impairment losses on intangible and tangible assets remained almost the same.

As a result of the declining earnings trend, the cost-income ratio rose from 59.1% to 65.0% in spite of the consistent reduction in costs. Operating profit decreased by €243 million, or 25.8%, to €698 million.

In the reporting period, there was a net reversal of €130 million in net write-downs of loans and provisions for guarantees and commitments after a net addition of €73 million in the previous-year period. Provisions for risks and charges of €620 million are primarily related to legal risks. A net reversal of €5 million was posted for this in the previous-year period. Net income from investments shows a negative amount of €1 million in the reporting period (previous-year period: income of €58 million).

In the reporting period, the Corporate & Investment Banking business segment generated a profit before tax of €207 million, which is thus significantly below the previous-year figure of €931 million.

The income tax expense totals €125 million in the reporting period (previous-year period: €247 million). On account of the goodwill amortisation of €288 million, Corporate & Investment Banking contributes a negative amount of €206 milliion to the consolidated profit in the reporting year.

Segment Reporting (Continued)

Development of the Group Corporate Centre business segment (€ millions)

INCOME/EXPENSES	2018	2017
Net interest	51	210
Dividends and other income from equity investments	—	2
Net fees and commissions	(7)	(16)
Net trading income	22	15
Net other expenses/income	88	99
OPERATING INCOME	**154**	**310**
Payroll costs	(367)	(401)
Other administrative expenses	329	349
Amortisation, depreciation and impairment		
losses on intangible and tangible assets	(27)	(31)
Operating costs	**(65)**	**(83)**
OPERATING PROFIT	**89**	**227**
Net write-downs of loans and provisions for guarantees and commitments	51	42
NET OPERATING PROFIT	**140**	**269**
Provisions for risks and charges	1	(2)
Restructuring costs	6	(2)
Net income from investments	123	51
PROFIT BEFORE TAX	**270**	**316**
Income tax for the period	61	37
PROFIT AFTER TAX	**331**	**353**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**331**	**353**
attributable to the shareholder of UniCredit Bank AG	329	349
attributable to minorities	2	4
Cost-income ratio in %[1]	42.2	26.8

1 Ratio of operating costs to operating income.

In the Group Corporate Centre business segment, which we are showing for the first time in the 2018 reporting period, the operating income of €154 million was significantly, or rather 50.3%, lower than the previous-year period (€310 million). This development is mainly due to the decline in net interest of €51 million (down 75.7%), which benefitted substantially from a positive non-recurring effect of €210 million on the reversal of provisions in the previous-year period.

With a decrease in operating costs of €18 million, or 21.7%, to €65 million compared with the previous-year period, the operating profit amounted to €89 million after €227 million in the previous-year period.

There was a net reversal of €51 million in net write-downs of loans and provisions for guarantees and commitments in the reporting period and of €42 million in the previous-year period. Net operating profit in the reporting period amounted to €140 million after €269 million in the previous-year period, thus representing a decline of 48.0%.

At €123 million, a significantly higher result was generated in net income from investments compared with the previous-year period (€51 million). This mainly relates to additions to investment properties.

Particularly on account of the positive non-recurring effect contained in net interest in the previous-year period, the profit before tax for the Group Corporate Centre business segment in the reporting period of €270 million was 14.6% lower than the year-ago figure of €316 million.

The income tax of €61 million for the reporting period and of €37 million in the previous-year period report tax income.

In the reporting period, the Group Corporate Centre business segment posted a consolidated profit of €331 million, which was a slight 6.2% lower than the figure of €353 million generated in the previous-year period.

Segment Reporting (Continued)

INCOME/EXPENSES	2018	2017
Net interest	(31)	(31)
Dividends and other income from equity investments	1	1
Net fees and commissions	(3)	2
Net trading income	—	(3)
Net other expenses/income	88	79
OPERATING INCOME	**55**	**48**
Payroll costs	(106)	(122)
Other administrative expenses	122	162
Amortisation, depreciation and impairment		
losses on intangible and tangible assets	(55)	(74)
Operating costs	**(39)**	**(34)**
OPERATING PROFIT	**16**	**14**
Net write-downs of loans and provisions for guarantees and commitments	—	—
NET OPERATING PROFIT	**16**	**14**
Provisions for risks and charges	(2)	—
Restructuring costs	10	—
Net income from investments	67	5
PROFIT BEFORE TAX	**91**	**19**
Income tax for the period	(29)	(2)
PROFIT AFTER TAX	**62**	**17**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**62**	**17**
attributable to the shareholder of UniCredit Bank AG	62	17
attributable to minorities	—	—
Cost-income ratio in %[1]	70.9	70.8

1 Ratio of operating costs to operating income.

At €55 million, the operating income generated by the Other/consolidation business segment in the reporting period was higher than in the previous-year period (€48 million).

With stable year-on-year operating costs, the operating profit amounted to €16 million after €14 million in the previous-year period.

Net operating profit reflects the operating profit as in the reporting period and in the previous-year period no net write-downs of loans and provisions for guarantees and commitments were set up.

At €67 million, a significantly higher result was generated in net income from investments compared with the previous-year period (€5 million). This mainly relates to proceeds from investment properties. Particularly on account of the net income from investments, the profit before tax of €91 million for the Other/consolidation business segment in the reporting period was significantly higher than the equivalent year-ago figure (€19 million).

Income tax expense comes to €29 million for the reporting period compared with €2 million in the previous-year period.

The Other/consolidation business segment posted a consolidated profit of €62 million, which is significantly higher than the amount of €17 million generated in the previous-year period.

35 Balance sheet figures, broken down by business segment

(€ millions)

	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	GROUP CORPORATE CENTRE	OTHER/ CONSOLIDATION	HVB GROUP[2]
Loans and receivables with customers (at cost)[1]					
31/12/2018	83,502	41,487	1,177	(2,540)	123,626
1/1/2018	79,250	34,738	1,671	(2,631)	113,028
Goodwill					
31/12/2018	130	—	—	—	130
31/12/2017	130	288	—	—	418
Deposits from customers					
31/12/2018	90,299	29,234	1,623	(118)	121,038
31/12/2017	88,528	32,609	3,229	(82)	124,284
Risk-weighted assets compliant with Basel III					
(including equivalents for market risk					
and operational risk)					
31/12/2018	30,955	44,218	5,057	2,362	82,592
31/12/2017	28,797	43,559	5,277	1,078	78,711

1 The loans and receivables with customers do not contain any securities holdings for internal management purposes.
2 Balance sheet figures for non-current assets or disposal groups held for sale are shown separately in the Notes "Non-current assets or disposal groups held for sale" and "Liabilities of disposal groups held for sale".

36 Employees, broken down by business segment[1]

	2018	2017
Commercial Banking	6,074	6,639
Corporate & Investment Banking	1,973	2,039
Group Corporate Centre	3,257	3,449
Other/consolidation	948	1,278
Total	**12,252**	**13,405**

1 In full-time equivalents (FTEs).

Segment Reporting (Continued)

37 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)

	2018		2017	
	OPERATING INCOME	OPERATING PROFIT/(LOSS)	OPERATING INCOME	OPERATING PROFIT/(LOSS)
Germany	4,447	1,201	4,532	1,197
Italy	13	1	348	311
Luxembourg	104	115	121	88
United Kingdom	213	60	409	229
Rest of Europe	10	31	28	45
Americas	115	51	102	49
Asia	62	16	36	(13)
Consolidation	(455)	(45)	(594)	(194)
HVB Group	**4,509**	**1,430**	**4,982**	**1,712**

Total assets, broken down by region (€ millions)

	2018	2017
Germany	263,327	279,941
Italy	25,688	28,690
Luxembourg	14,874	22,962
United Kingdom	11,384	12,428
Rest of Europe	8,016	9,739
Americas	7,230	7,048
Asia	9,811	4,309
Consolidation	(53,642)	(66,057)
HVB Group	**286,688**	**299,060**

Property, plant and equipment, broken down by region (€ millions)

	2018	2017
Germany	2,455	2,561
Italy	—	—
Luxembourg	27	29
United Kingdom	3	5
Rest of Europe	1	1
Americas	2	2
Asia	1	1
Consolidation	—	—
HVB Group	**2,489**	**2,599**

Investment properties, broken down by region

(€ millions)

	2018	2017
Germany	235	786
Italy	—	—
Luxembourg	21	22
United Kingdom	—	—
Rest of Europe	—	—
Americas	—	—
Asia	—	—
Consolidation	—	—
HVB Group	**256**	**808**

Intangible assets, broken down by region

(€ millions)

	2018	2017
Germany[1]	149	444
Italy	—	—
Luxembourg	—	1
United Kingdom	—	—
Rest of Europe	—	—
Americas	—	—
Asia	—	—
Consolidation	—	—
HVB Group	**149**	**445**

1 Includes goodwill.

Employees, broken down by region[1]

	2018	2017
Germany	11,236	12,165
Italy	226	222
Luxembourg	85	133
United Kingdom	379	419
Rest of Europe	62	194
Africa	2	3
Americas	121	127
Asia	141	142
HVB Group	**12,252**	**13,405**

1 In full-time equivalents (FTEs).

Notes to the Income Statement

38 Net interest

(€ millions)

	2018	2017
Interest income	3,753	3,818
from financial assets at cost	2,943	n/a
from financial assets at FVTOCI	17	n/a
from financial assets at FVTPL and hedging derivatives	550	n/a
from financial assets held for trading	126	n/a
other interest income	117	n/a
Negative interest on financial instruments on the assets side	(154)	(137)
Interest expense	(1,387)	(1,401)
from financial liabilities at cost	(930)	n/a
from financial liabilities at FVTPL and hedging derivatives	(77)	n/a
from financial liabilities held for trading	(380)	n/a
other interest expense	—	n/a
Negative interest on financial liabilities	272	261
Total	**2,484**	**2,541**

In order to comply with the extended disclosure requirements in connection with the first-time adoption of IFRS 9 and the modifications in IFRS 7, we have performed a breakdown of interest income and interest expense according to the new IFRS 9 measurement categories. As these are not applicable to the previous year, we have not broken down the previous-year figures.

In the reporting year, HVB Group generated €36 million (previous-year period: €45 million) in interest income on impaired financial assets that are valued at cost.

In the previous-year period, interest income totalled €2,924 million and interest expense €700 million for financial assets and liabilities not carried at fair value through profit or loss. 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 FVTPL and in some cases for financial assets held for trading as well.

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

Net interest attributable to related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	44	39
of which:		
UniCredit S.p.A.	17	6
Sister companies	26	32
Subsidiaries	1	1
Joint ventures	5	6
Associated companies	20	21
Other participating interests	11	15
Total	**80**	**81**

39 Dividends and other income from equity investments

(€ millions)

	2018	2017
Dividends and other similar income	21	10
Companies accounted for using the equity method	4	1
Total	**25**	**11**

40 Net fees and commissions

(€ millions)

	2018	2017
Fee and commission income	1,284	1,378
Securities services for clients	567	653
Payment transactions	293	290
Loan business	160	198
Guarantees	121	128
Distribution of third party products	85	71
Other commission income	58	38
Fee and commission expense	(270)	(275)
Securities services for clients	(171)	(162)
Payment transactions	(30)	(27)
Loan business	(7)	(10)
Guarantees	(5)	(9)
Distribution of third party products	—	—
Other commission expense	(57)	(67)
Net fees and commissions	**1,014**	**1,103**

In order to meet the new disclosure requirements of IFRS 15, we have performed a breakdown into commission income and commission expense. Furthermore, we have adjusted the breakdown of the commission income and commission expense to the current circumstances at HVB Group. The previous-year figures were adjusted accordingly.

For the effects of first-time adoption, please refer to the Note "Initial adoption of new IFRS accounting rules". All in all, there were no effects of first-time adoption for HVB Group.

Fee and commission income of €86 million (previous-year period: €113 million) and fee and commission expense of €1 million (previous-year period: €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 item "Net fees and commissions" includes the following amounts attributable to related parties:

(€ millions)

	2018	2017
Non-consolidated affiliated companies	(20)	70
of which:		
UniCredit S.p.A.	(19)	20
Sister companies	(2)	50
Subsidiaries	1	—
Joint ventures	1	1
Associated companies	2	2
Other participating interests	—	—
Total	**(17)**	**73**

Notes to the Income Statement (Continued)

41 Net trading income

(€ millions)

	2018	2017
Net gains on financial assets held for trading[1]	693	846
Effects arising from hedge accounting	n/a	77
Changes in fair value of hedged items	n/a	608
Changes in fair value of hedging derivatives	n/a	(531)
Net gains/(losses) on financial assets at FVTPL (FVO)[2]	n/a	(4)
Other net trading income	n/a	9
Total	**693**	**928**

1 Including dividends on financial assets held for trading.
2 In the previous-year period, this item also includes the valuation results of derivatives of plus €244 million concluded to hedge financial assets at FVTPL.

The net gains on holdings at fair value through profit or loss generally only contain the changes in fair value disclosed in the income statement. 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.

As of 1 January 2018, HVB Group has designated structured liabilities as measured at fair value through profit or loss. The total amount of these contained in the previous year in "Net gains on financial assets held for trading" is now shown in the item "Net gains/losses on financial assets and liabilities at fair value".

The item "Effects arising from hedge accounting" is contained in the item "Net gains/losses on financial assets and liabilities at fair value" as of 1 January 2018.

With regard to the item "Net gains/losses on financial instruments at FVTPL (FVO)", please refer to the Note "Effects of first-time adoption of IFRS 9".

As of 1 January 2018, the item "Other net trading income" is contained in the item "Net gains/losses on derecognition of financial instruments measured at cost".

As a result, the scope of the item "Net trading income" is reduced such that it now only contains the measurement results or realised net gains or losses of net trading income for the reporting period.

In the previous-year period, the hedge accounting income includes 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 income of €77 million in the previous-year period is the difference between the increase of €608 million in the fair value of the hedged risk of underlying transactions and the decrease of €531 million in the fair value of hedging derivatives.

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

To reflect the new measurement categories of IFRS 9, a new item “Net gains/losses on financial assets and liabilities at fair value” has been included in the income statement. On account of the increase in assets accounted for at fair value, it is appropriate to show a separate item for this. This item contains the measurement results and realised net gains or losses on the disposal of financial instruments measured at fair value which are not part of the assets held for trading.

(€ millions)

	2018	2017
Financial assets mandatorily at FVTPL	(42)	n/a
Financial liabilities designated at FVTPL	(95)	n/a
Derecognition from OCI	2	n/a
Effects arising from hedge accounting	13	n/a
Fair value equity	12	n/a
Total	**(110)**	**n/a**

(€ millions)

	2018	2017
Fair value hedges	13	n/a
Changes in fair value of hedges items	21	n/a
Portfolio fair value hedges	(33)	n/a
Micro fair value hedges	54	n/a
Changes in fair value of hedging derivatives	(8)	n/a
Portfolio fair value hedges	46	n/a
Micro fair value hedges	(54)	n/a
Cash flow hedges	—	n/a
Net gains/(losses) of the cash flows hedge (only ineffective part)	—	n/a
Total	**13**	**n/a**

Notes to the Income Statement (Continued)

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

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

	REMAINING TERM			CUMULATIVE AMOUNT OF THE HEDGE-RELATED ADJUSTMENT TO THE FAIR VALUE INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM RECOGNISED IN THE BALANCE SHEET		CARRYING AMOUNT		CHANGE IN FAIR VALUE USED TO RECOGNISE AN INEFFECTIVENESS IN THE HEDGE FOR THE PERIOD
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	ASSETS	LIABILITIES	ASSETS	LIABILITIES	
Balance at 31/12/2018								
Nominal								
Hedged items	2,300	2,941	2,038					
Hedging transactions	2,300	2,941	2,038					
Interest rate sensitivities in BPV								
Hedged items	—	(1)	(1)					
Hedging transactions	—	1	1					
Balance sheet values								
Hedged items				49		7,370		
Hedging transactions						7	96	
Hedge result								—
Hedged items								54
Hedging transactions								(54)
Balance at 31/12/2017								
Nominal								
Hedged items	1,770	3,126	1,114					
Hedging transactions	1,770	3,126	1,114					
Interest rate sensitivities in BPV								
Hedged items	—	—	(1)					
Hedging transactions	—	—	1					
Balance sheet values								
Hedged items				6		6,147		
Hedging transactions						14	118	
Hedge result								—
Hedged items								(1)
Hedging transactions								1

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

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

The balance-sheet item “Financial assets at FVTOCI” was created by reclassifying the securities from the previous balance-sheet item “Available-for-sale financial assets” as a result of the initial adoption of IFRS 9. No remeasurement of the assets was carried out. There was no change in the existing micro fair value hedges.

Portfolio fair value hedge

(€ millions)

	REMAINING TERM			CUMULATIVE AMOUNT OF THE HEDGE-RELATED ADJUSTMENT TO THE FAIR VALUE INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM RECOGNISED IN THE BALANCE SHEET		CARRYING AMOUNT		CHANGE IN FAIR VALUE USED TO RECOGNISE AN INEFFECTIVENESS IN THE HEDGE FOR THE PERIOD
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	ASSETS	LIABILITIES	ASSETS	LIABILITIES	
Balance at 31/12/2018								
Interest rate sensitivities in BPV								
Hedged items								
EUR	—	8	10					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Hedging transactions								
EUR	—	(8)	(10)					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Balance sheet values								
Hedged items				36	1,210			
Hedging transactions						269	502	
Hedge result								13
Hedged items								(33)
Hedging transactions								46
Balance at 31/12/2017								
Interest rate sensitivities in BPV								
Hedged items								
EUR	—	7	11					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Hedging transactions								
EUR	—	(7)	(11)					
USD	—	—	—					
CHF	—	—	—					
GBP	—	—	—					
Balance sheet values								
Hedged items				72	1,215			
Hedging transactions						376	351	
Hedge result								77
Hedged items								609
Hedging transactions								(532)

Notes to the Income Statement (Continued)

HVB Group has exercised the option of continuing to apply the provisions of IAS 39 on hedge accounting. The portfolio fair value hedge will thus be continued in 2018.

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

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

The item "Net gains/losses on derecognition of financial instruments measured at cost" is shown for the first time in the 2018 financial year in order to satisfy the requirements of IFRS 9. This contains the effects of the disposal of assets or buy-backs of liabilities relating to all financial instruments measured at cost pursuant to IFRS 9. This includes other net trading income (repurchases of issued securities) that was shown in net trading income in the 2017 financial year, as well as the gains on sale of receivables/securities measured at cost that were shown in other comprehensive income in the 2017 financial year.

(€ millions)

	2018	2017
Loans and receivables (performing)	27	n/a
Buy-backs of securities issued	(1)	n/a
Promissory notes (assets side)	26	n/a
Total	**52**	**n/a**

44 Net other expenses/income

(€ millions)

	2018	2017
Other income	773	654
Disposal of land and buildings	1	n/a
Rental income	131	n/a
Valuation/disposals of investment properties	162	n/a
Other	479	n/a
Other expenses	(249)	(255)
Disposal of land and buildings	—	n/a
Valuation/disposals of investment properties	(2)	n/a
Expenses of investment properties	(1)	n/a
Bank levy	(93)	n/a
Other	(153)	n/a
Total	**524**	**399**

Other income includes rental income of €186 million from investment properties and mixed usage buildings (previous-year period: €220 million). Current operating expenses (including repairs and maintenance) directly allocable to investment properties and current expenses from mixed usage buildings of €55 million are netted with the other income (previous-year period: €82 million). Net other expenses/income contains income in connection with BARD Offshore 1 wind farm of €188 million (previous-year period: €203 million).

Stating the previous year's figures for the total items in a condensed form within the table was waived as a comparable breakdown is not possible due to the changes made in presentation (see Note "First-time adoption of IFRS 9 – changes in disclosure principles compared with the previous year").

The scope of the item "Net other expenses/income" was similarly adjusted to the changes due to the first-time adoption of IFRS 9. The gains on sale of receivables as part of other income were reclassified to "Net gains/losses on derecognition of financial instruments measured at cost". In the 2018 financial year, the gains on disposal of land and buildings and of investment properties are recorded here for the first time having previously been shown in "Net income from investments".

In the previous-year period, this item disclosed gains of €67 million on the sale of unimpaired receivables.

Net other expenses/income attributable to related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	87	87
of which:		
UniCredit S.p.A.	14	16
Sister companies	73	71
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**87**	**87**

Notes to the Income Statement (Continued)

45 Operating costs

(€ millions)

	2018	2017
Payroll costs	(1,468)	(1,600)
Wages and salaries	(1,176)	(1,303)
Social security costs	(179)	(177)
Pension and other employee benefit costs	(113)	(120)
Other administrative expenses	(1,405)	(1,443)
Amortisation, depreciation and impairment losses	(206)	(227)
on property, plant and equipment	(195)	(212)
on software and other intangible assets, excluding goodwill	(11)	(15)
Total	**(3,079)**	**(3,270)**

Wages and salaries includes payments of €3 million (previous-year period: €4 million made upon the termination of employment contracts. The expenses for similar payments under restructuring measures are recognised under restructuring costs in the income statement and explained in the Note "Restructuring costs".

Operating costs of related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	(709)	(703)
of which:		
UniCredit S.p.A.	(22)	(16)
Sister companies	(687)	(687)
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**(709)**	**(703)**

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 three further schemes under which shares or stock options are granted that are also accounted for in accordance with IFRS 2: the Long-term Incentive Programme, the Long-term Incentive Plan (LTI 2017–2019) and the "Let's Share" employee share ownership plan.

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 granted for the respective reporting period is split into a cash component and a share component.

The cash component is disbursed in tranches over a period of up to five years. Accordingly, this group of employees receives 20% to 30% of the bonus for 2018 in cash with the commitment at the beginning of 2019, and a further 10% to 20% will be disbursed after financial year-end 2019 and financial year-end 2021 or 2023.

At the beginning of 2019, the beneficiaries receive for the remaining 50% of the total bonus a commitment for an allocation of shares in UniCredit S.p.A. as part of the bonus for 2018, to be transferred to the beneficiaries after financial year-end 2020 to financial year-end 2022 or 2023.

The deferred payment after year-end 2019, 2021 and 2023 and the transfer of shares after year-end 2020, 2021, 2022 or 2023 to the beneficiaries is subject to the provision that, as part of a malus arrangement, it is ensured that no loss has been recorded at the level of UniCredit 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 stock market price of UniCredit S.p.A. shares in the month prior to the resolution by the Board of Directors in March 2019 regarding the granting, adjusted for a discount for expected dividends during the vesting period.

Notes to the Income Statement (Continued)

In the reporting period, 1.9 million UniCredit S.p.A. shares were granted as a component of the bonus granted for 2017, with a fair value of €30.7 million. In the eventuality that a corporate action is implemented after the grant date, the number of shares granted will be adjusted accordingly. The shares granted in 2018 as part of the bonus for 2017 will be transferred in 2020, 2021, 2022 and 2023.

The following table shows the fair values per share at the time of granting:

	2018
Fair value of the shares to be transferred in 2020 (€ per share)	16.800
Fair value of the shares to be transferred in 2021 (€ per share)	16.137
Fair value of the shares to be transferred in 2022 (€ per share)	15.478
Fair value of the shares to be transferred in 2023 (€ per share)	14.825

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

Bonuses for the 2018 financial year falling due for disbursement in 2019 are recognised in full as an 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 2018 are recognised as expense in the respective period (starting with the 2018 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.

Long-term Incentive Plan (LTI 2017–2019)

The Long-term Incentive Plan 2017–2019, introduced in the previous year constitutes a further component of the remuneration system in place at UniCredit for top management (Executive Vice Presidents and above) and key players at UniCredit Bank AG. This introduces a situation where a portion of the variable compensation of top management is not specified until after an assessment period of several years. The plan consists of a performance period of three years followed by a three-year retention period with an additional obligatory holding period. The grant is wholly based on UniCredit shares. The respective tranches are subject to malus terms and a claw back arrangement which makes it possible to reclaim each individual share tranche up to 4 years after vesting.

Altogether, 76,722 UniCredit S.p.A. shares with a fair value of €1.0 million were conditionally granted for the first time in the reporting period as a component of the LTI 2017–2019. If a capital measure is carried out after the date of grant, the number of shares granted will be adjusted accordingly.

The fair value of the conditionally granted shares is calculated using the average stock market price of UniCredit S.p.A. shares in the month prior to the resolution by the Board of Directors in January 2017 regarding the granting, adjusted for a discount for expected dividends during the vesting period.

The decision on the scope to which these shares are actually granted is made at the end of the performance period, i.e. after the end of the 2019 financial year. UniCredit Bank AG bears the costs of implementation of the Long-term Incentive Plan within HVB.

	2018
Fair value of the shares to be transferred in 2020 (€ per share)	13.253
Fair value of the shares to be transferred in 2021 (€ per share)	12.821
Fair value of the shares to be transferred in 2022 (€ per share)	12.391
Fair value of the shares to be transferred in 2023 (€ per share)	11.963

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 the expenses accruing in this regard to UniCredit S.p.A. The expense for the shares transferred corresponds to the fair value of the shares at the grant date.

Analysis of outstanding shares (Group Incentive System: LTI 2017–2019)

	2018		2017	
	TOTAL	AVERAGE MATURITY	TOTAL	AVERAGE MATURITY
Outstanding at start of period	**6,546,345**	**December 2019**	**20,745,754**	**October 2018**
after corporate action[1]	—	—	4,138,428	October 2018
Additions				
Newly granted shares	1,893,842	March 2021	1,876,447	March 2020
From corporate transfers	27,089	August 2019	16,544	March 2019
Conditionally granted shares	76,722	July 2021	1,333,703	August 2021
Releases				
Forfeited shares	218,837	September 2021	71,682	September 2018
Transferred shares	1,738,152	May 2018	728,213	May 2017
From corporate transfers	135,328	February 2020	18,882	January 2019
Expired shares	—		—	—
Total at end of period	**6,451,681**	**September 2020**	**6,546,345**	**December 2019**

1 As a consequence of the corporate actions implemented by UniCredit S.p.A. at the beginning of 2017, the outstanding shares were converted into new shares at the beginning of the period applying the official conversion factor.

In the 2018 financial year, prorated expenses of €29 million (previous-year period: €33 million) accrued for the share component arising from the bonuses promised for 2014 to 2018 in the form of share-based payments compliant with IFRS 2. These expenses are recognised under payroll costs. The provision set up totalled €123 million (previous-year period: €109 million).

Stock options as a part of share-based payment:
In the years prior to 2012, HVB also used stock options for UniCredit S.p.A. shares within the scope of UniCredit's programme relating to share-based payment, where the strike price was determined before the options were issued to the beneficiary. On account of the corporate actions carried out by UniCredit S.p.A. subsequent to the issue of the options (specifically capital consolidation), they are no longer expected to be exercised but will lapse. Correspondingly, there are no provisions in place as at year-end 2018 – as was the case in previous years. This also means that there are no longer any effects on operating costs. Of the total of 11 million options exercisable at year-end 2017, 10 million lapsed in the reporting year, the remaining 1 million stock options can only be exercised until year-end 2019, which is unlikely.

Employee share ownership plan (Let's Share)
An employee share ownership plan (Let's Share) that enabled UniCredit employees to purchase UniCredit shares at discounted prices was set up for the last time in 2017. The employee share ownership plan was of minor significance for the consolidated financial statements of HVB Group overall.

Notes to the Income Statement (Continued)

46 Net write-downs of loans and provisions for guarantees and commitments according to IAS 39

The IAS 39 item "Net write-downs of loans and provisions for guarantees and commitments" ceased to apply upon first-time adoption of IFRS 9. For more information, please refer to the Note "First-time adoption of IFRS 9 - changes to disclosure principles compared with the previous year".

(€ millions)

	2018	2017
Additions	n/a	(1,103)
Allowances for losses on loans and receivables	n/a	(904)
Allowances for losses on guarantees and indemnities	n/a	(199)
Releases	n/a	862
Allowances for losses on loans and receivables	n/a	668
Allowances for losses on guarantees and indemnities	n/a	194
Recoveries from write-offs of loans and receivables	n/a	46
Gains/(losses) on the disposal of impaired loans and receivables	n/a	—
Total	**n/a**	**(195)**

Income from the disposal of performing loans and receivables is disclosed under the item "Net other expenses/income" in the previous-year period. This gave rise to a gain of €67 million. The net expenses (net write-downs of loans and provisions for guarantees and commitments, and gains on disposal) for loans and receivables totalled a net expense of €123 million.

Net write-downs of loans and provisions for guarantees and commitments to related parties

In the previous-year period, the item "Net write-downs of loans and provisions for guarantees and commitments IAS 39" contained an addition of €7 million attributable to related parties. Further related parties were not affected.

47 Credit impairment losses IFRS 9

The new item "Credit impairment losses IFRS 9", which corresponds to the new expected credit loss model, has been created in order to show the underlying change in the methodology for the impairment model also in the income statement. This is not merely a continuation of the previous IAS 39 item "Net write-downs of loans and provisions for guarantees and commitments", which means it is not possible to make a comparison with the previous year.

Gains on the disposal of unimpaired assets measured at cost are recognised in the item "Net gains/losses on derecognition of financial instruments measured at cost" and come to €53 million. The net expenses (credit impairment losses IFRS 9 and gains on derecognition) for assets measured at cost amount to €20 million.

(€ millions)

	2018	2017
Additions	(1,051)	n/a
Allowances for losses on loans and receivables at amortised cost	(877)	n/a
Allowances for losses on loans and receivables at FVTOCI	—	n/a
Allowances for losses on guarantees and indemnities	(174)	n/a
Releases	1,002	n/a
Allowances for losses on loans and receivables at amortised cost	811	n/a
Allowances for losses on loans and receivables at FVTOCI	—	n/a
Allowances for losses on guarantees and indemnities	191	n/a
Gains/(losses) from not substantial modification	—	n/a
Recoveries from write-offs of loans and receivables	43	n/a
Gains/(losses) on the disposal of impaired loans and receivables	(10)	n/a
Total	**(16)**	**n/a**

Credit impairment losses IFRS 9 attributable to related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	—	n/a
of which:		
UniCredit S.p.A.	—	n/a
Sister companies	—	n/a
Joint ventures	—	n/a
Associated companies	11	n/a
Other participating interests	—	n/a
Total	**11**	**n/a**

48 Provisions for risks and charges

In the reporting period, there were expenses of €919 million for provisions for risks and charges after €25 million in the previous-year period. These were primarily provisions for legal risks in both years. The legal risks of HVB Group are described in greater detail in the section entitled "Operational risk" in the Risk Report of this Management's Discussion and Analysis.

49 Restructuring costs

Restructuring costs of €14 million were incurred in the reporting period (previous-year period: €7 million).

Notes to the Income Statement (Continued)

50 Net income from investments

The item "Net income from investments" ceased to apply upon the first-time adoption of IFRS 9. For more information, refer to the Note "First-time adoption of IFRS 9 – changes to disclosure principles compared with the previous year".

Net income from investments (€ millions)

	2018	2017
Available-for-sale financial assets	n/a	129
Shares in affiliated companies	n/a	(8)
Companies accounted for using the equity method	n/a	(4)
Held-to-maturity investments	n/a	—
Land and buildings	n/a	4
Investment properties[1]	n/a	(9)
Other	n/a	—
Total	**n/a**	**112**

1 Gains on disposal, impairments and write-ups.

Net income from investments breaks down as follows: (€ millions)

	2018	2017
Gains on the disposal of	n/a	140
available-for-sale financial assets	n/a	141
shares in affiliated companies	n/a	(8)
companies accounted for using the equity method	n/a	—
held-to-maturity investments	n/a	—
land and buildings	n/a	4
investment properties	n/a	3
other	n/a	—
Write-downs, value adjustments and write-ups on	n/a	(28)
available-for-sale financial assets	n/a	(12)
shares in affiliated companies	n/a	—
companies accounted for using the equity method	n/a	(4)
held-to-maturity investments	n/a	—
investment properties	n/a	(12)
other	n/a	—
Total	**n/a**	**112**

In the previous-year period, the net income from investments amounted to €112 million. This figure amounted to €140 million and was generated almost exclusively with gains on disposal of available-for-sale financial assets (€141 million). These essentially relate to two disposals from our shareholdings. In contrast, net write-downs and impairment charges totalling €28 million were incurred relating to available-for-sale financial assets (€12 million), investment properties (€12 million) and companies accounted for using the equity method (€4 million).

51 Net gains/losses on disposals of investments

The item "Net gains/losses on disposals of investments" is shown for the first time in the 2018 financial year and contains the gains on disposal of shares in affiliated companies and companies accounted for using the equity method that were previously shown under "Net income from investments". This item serves to group and present in a meaningful way the positions that it contains.

(€ millions)

	2018	2017
Shares in affiliated companies	28	n/a
Disposal of companies accounted for using the equity method	—	n/a
Write-downs	(2)	n/a
Total	**26**	**n/a**

Shares in affiliated companies include the gains of €28 million on the disposal of our subsidiary Mobility Concept GmbH, Oberhaching.

The write-downs relate to shares in an associated company accounted for using the equity method.

52 Impairment on goodwill

In the reporting year, goodwill of €288 million was written off completely for the CIB business segment. The impairment test to be carried out at least once a year according to IAS 36 showed that the higher of the value in use or fair value less costs to sell is lower than the business segment's carrying amount to be tested (including the goodwill) so that the goodwill allocated to this business segment must be amortised. This is mainly due to the fact that the value in use for the business segment is lower compared with the previous year. Mostly as a result of the increased capital requirements under Basel III and the related additions of allocated equity, the recoverable surplus of the cash flows of the business segment decreases, resulting in a lower value in use (present value of the recoverable surplus of the cash flows) for the business segment.

53 Income tax for the period

(€ millions)

	2018	2017
Current taxes	(29)	(205)
Deferred taxes	(125)	(56)
Total	**(154)**	**(261)**

The current tax expense for 2018 includes tax income totalling €112 million for previous years (previous-year period: €140 million) due, among other things, to the reversal of provisions.

The deferred tax expense in the reporting period contains income totalling €122 million arising from value adjustments of deferred tax assets on tax losses carried forward and temporary differences. The counteracting deferred tax expense of €247 million resulted overall from the origination and reversal of temporary differences and the utilisation of tax losses. The deferred tax expense of the previous year arises from income from the value adjustment of deferred tax assets on tax losses carried forward and temporary differences as well as an expense stemming from the origination and reversal of temporary differences and the utilisation of tax losses.

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

(€ millions)

	2018	2017
Profit before tax	392	1,597
Applicable tax rate	31.4%	31.4%
Computed income taxes	(123)	(501)
Tax effects		
arising from previous years and changes in tax rates	47	111
arising from foreign income	15	31
arising from non-taxable income	30	70
arising from different tax laws	(17)	(56)
arising from non-deductible expenses	(138)	(51)
arising from value adjustments and the non-recognition of deferred taxes	121	136
arising from amortisation of goodwill	(90)	—
arising from other differences	1	(1)
Recognised income taxes	**(154)**	**(261)**

Notes to the Income Statement (Continued)

As in the previous year, 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 in particular a result of different tax rates applicable in other countries.

Non-taxable income includes gains on the disposal of investments (see Note "Gains/losses on disposal of investments").

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

The deferred tax assets and liabilities are allocated to the following items: (€ millions)

	2018	2017
Deferred tax assets		
Investments	n/a	2
Other financial instruments at FVTPL	255	230
Financial instruments at FVTOCI	3	n/a
Loans and receivables with banks (at cost)/customers (at cost),		
including provisions for losses on loans and receivables	n/a	92
Loans and receivables with banks (at cost)/customers (at cost)/		
Deposits from banks/customers	50	n/a
Hedging derivatives and Hedge adjustment of hedged items in the fair value hedge portfolio (P&L)	286	236
Property, plant and equipment/intangible assets	116	123
Other assets/other liabilities	42	48
Provisions, pension fund and similar	736	625
Losses carried forward/tax credits	283	392
Other	3	2
Total deferred tax assets	**1,774**	**1,750**
Effect of offsetting	(531)	(500)
Recognised deferred tax assets	**1,243**	**1,250**
Deferred tax liabilities		
Other financial instruments at FVTPL	206	1
Financial instruments at FVTOCI	5	n/a
Loans and receivables with banks (at cost)/customers (at cost)/		
Deposits from banks/customers	17	34
Investments	n/a	112
Hedging derivatives and Hedge adjustment of hedged items in the fair value hedge portfolio (P&L)	290	282
Hedging derivatives and Hedge adjustment of hedged items in the fair value hedge portfolio (OCI)	11	12
Property, plant and equipment/intangible assets	54	40
Other assets/other liabilities	70	69
Other	32	39
Total deferred tax liabilities	**685**	**589**
Effect of offsetting	(531)	(500)
Recognised deferred tax liabilities	**154**	**89**

As a result of the first-time adoption of IFRS 9 in 2018, the presentation of the deferred tax assets and deferred tax liabilities has been changed compared with the previous year. Deferred taxes on financial assets/liabilities held for trading (netted previous-year figure: €229 million) are shown under the item "Other financial instruments at FVTPL" as of the reporting period. Changes to the scope of the "Loans and receivables with banks (at cost)" item and the "Loans and receivables with customers (at cost)" item are explained under the respective note in these notes to the consolidated financial statements. The related deferred taxes were allocated accordingly. The deferred taxes on hedging derivatives and hedge adjustment of hedged items (netted previous-year figure: minus €58 million (income statement and OCI)) were shown in previous years together with other assets and liabilities and are reported separately for the first time in the reporting period.

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.

All in all, deferred tax assets of €550 million (previous-year period: €501 million) were recorded directly in equity. These mainly arise from deferred tax assets of €564 million (previous-year period: €532 million) in connection with the accounting for pension commitments in accordance with IAS 19, which are included in the aforementioned item "Provisions, pension fund and similar" and have been offset against reserves. Further deferred taxes are listed separately in the aforementioned items "Financial instruments at FVTOCI" and "Hedging derivatives and Hedge adjustment of hedged items in the fair value hedge portfolio (OCI)".

Compliant with IAS 12, no deferred tax assets have been recognised for unused tax losses of HVB Group of €935 million (previous-year period: €2,604 million), most of which do not expire, and deductible temporary differences of €1,007 million (previous-year period: €1,847 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 timing and any rules on minimum taxation for tax losses carried forward. Estimation uncertainties are inherent in the assumptions used in any strategic plan. Where changes are made to the Strategic Plan over time, this may have an impact on the valuation of the volume of deferred tax assets already capitalised or to be capitalised.

54 Earnings per share

	2018	2017
Consolidated profit attributable to the shareholder (€ millions)	236	1,332
Average number of shares	802,383,672	802,383,672
Earnings per share (€) (undiluted and diluted)	0.29	1.66

Notes to the Balance Sheet

55 Cash and cash balances

(€ millions)

	2018	2017
Cash on hand	5,995	6,024
Balances with central banks	13,995	30,390
Total	**19,990**	**36,414**

56 Financial assets held for trading

(€ millions)

	2018	2017
Balance-sheet assets	26,694	32,082
Fixed-income securities	9,187	10,415
Equity instruments	7,520	12,636
Other financial assets held for trading	9,987	9,031
Positive fair value from derivative financial instruments	42,263	43,411
Total	**68,957**	**75,493**

The financial assets held for trading include, but are not limited to, securities held for trading purposes and positive fair values of derivatives other than hedging derivatives that are disclosed in hedge accounting (shown separately in the balance sheet). Provided they are held for trading purposes, other financial instruments such as receivables from repurchase transactions, promissory notes and registered bonds are additionally carried as other financial assets held for trading within financial assets held for trading.

The financial assets held for trading include €140 million (previous year: €178 million) in subordinated assets.

Financial assets held for trading of related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	10,786	11,570
of which:		
UniCredit S.p.A.	7,534	7,940
Sister companies[1]	3,252	3,630
Joint ventures	86	10
Associated companies	1,007	931
Other participating interests	4	5
Total	**11,883**	**12,516**

1 Mostly derivative transactions involving UniCredit Bank Austria AG.

57 Financial assets at FVTPL (FVO)

The item “Financial instruments at FVTPL (FVO)” ceased to apply upon the first-time adoption of IFRS 9. For further information, please refer to the Note “First-time adoption of IFRS 9 – changes to disclosure principles compared with the previous year”.

(€ millions)

	2018	2017
Fixed-income securities	n/a	20,346
Equity instruments	n/a	—
Investment certificates	n/a	—
Promissory notes	n/a	1,110
Other financial assets at FVTPL	n/a	—
Total	**n/a**	**21,456**

In the previous year, 75% of the promissory notes were issued by the federal states and regional authorities in the Federal Republic of Germany. The portfolio also included two promissory notes issued by the Republic of Austria.

In the previous year, the fair value fluctuations contained only minor effects from changes in credit ratings on account of the prime ratings of promissory notes.

At 31 December 2017, the financial assets at FVTPL (FVO) included €7 million in subordinated assets.

58 Financial assets at FVTPL

The item “Financial assets at FVTPL” is shown for the first time in the 2018 financial year in order to correctly reflect the new measurement category introduced by IFRS 9. This item contains all the debt instruments that are to be measured at fair value through profit or loss on account of the “Other” business model as well as the shareholdings that are likewise to be measured at fair value through profit or loss. This also includes debt instruments that do not meet the cash flow criteria and were shown in the 2017 financial year in the items “Loans and receivables with banks (at cost)”, “Loans and receivables with customers (at cost)” or “Available-for-sale financial instruments”. These items also include the financial instruments of the former “Fair value option (financial instruments at FVTPL (FVO))” that have to be measured at fair value on account of the “Other” business model.

(€ millions)

	2018	2017
Fixed-income securities	15,135	n/a
Equity instruments	242	n/a
Loans and promissory notes	1,243	n/a
Other	63	n/a
Total	**16,683**	**n/a**

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

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

Notes to the Balance Sheet (Continued)

59 Financial assets at FVTOCI

The item "Financial assets at FVTOCI" is shown for the first time in the 2018 financial year in order to correctly reflect the new measurement category introduced by IFRS 9. It contains all items measured at fair value directly in equity on account of the "Held for sale" business model and because the cash flow criteria are met. Only fixed interest bonds reclassified from the previous available-for-sale portfolio are included.

(€ millions)

	2018	2017
Fixed-income securities	7,370	n/a
Total	**7,370**	**n/a**

Development loss allowance (€ millions)

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

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

On account of the top rating of the securities holdings, the holdings or the change in impairment is lower than €0.5 million in each case which results in a rounded amount of €0 million.

Debt securities and collateral, broken down by rating class (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
1/1/2018					
Not rated	—	—	—	—	—
Rating class 1–4	6,147	—	—	—	6,147
Rating class 5–8	—	—	—	—	—
Rating class 9–10	—	—	—	—	—
Fair Value at 1/1/2018	**6,147**	**—**	**—**	**—**	**6,147**
Impairment recognised in the statement of total					
comprehensive income for these instruments	0	—	—	—	0
31/12/2018					
Not rated	—	—	—	—	—
Rating class 1–4	7,370	—	—	—	7,370
Rating class 5–8	—	—	—	—	—
Rating class 9–10	—	—	—	—	—
Fair Value at 31/12/2018	**7,370**	**—**	**—**	**—**	**7,370**
Impairment recognised in the statement of total					
comprehensive income for these instruments	0	—	—	—	0

There were no modifications to fixed-income securities in the reporting period.

There is no collateral at FVTOCI in the reporting period.

60 Available-for-sale financial assets

The item “Available-for-sale financial instruments” ceased to apply upon the first-time adoption of IFRS 9. For further information, please refer to the Note “First-time adoption of IFRS 9 – changes to disclosure principles compared with the previous year”.

(€ millions)

	2018	2017
Fixed-income securities	n/a	6,560
Equity instruments	n/a	117
Other available-for-sale financial assets	n/a	75
Impaired assets	n/a	64
Total	**n/a**	**6,816**

Available-for-sale financial assets as at 31 December 2017 include financial instruments of €147 million measured at cost.

At 31 December 2017, equity instruments with a carrying amount of €93 million had been sold, yielding a gain of €65 million.

Available-for-sale financial assets as at 31 December 2017 contain a total of €64 million in impaired assets.

As at 31 December 2017, none of the non-impaired debt instruments were financial instruments past due.

As at 31 December 2017, the available-for-sale financial assets include no subordinated assets.

61 Held-to-maturity investments

The item “Held-to-maturity investments” ceased to apply upon the first-time adoption of IFRS 9. For further information, please refer to the Note “First-time adoption of IFRS 9 – changes in disclosure principles compared with the previous year”.

(€ millions)

	2018	2017
Fixed-income securities	n/a	23
Impaired assets	n/a	—
Total	**n/a**	**23**

The held-to-maturity investments at 31 December 2017 include no subordinated assets.

The held-to-maturity investments at 31 December 2017 include no impaired or past due assets.

Development of held-to-maturity investments

(€ millions)

	2018	2017
Balance at 1 January	**n/a**	**36**
Additions		
Purchases	n/a	—
Write-ups	n/a	—
Other additions	n/a	—
Disposals		
Sales	n/a	—
Redemptions at maturity	n/a	(8)
Write-downs	n/a	—
Other disposals	n/a	(5)
Balance at 31 December	**n/a**	**23**

Notes to the Balance Sheet (Continued)

62 Loans and receivables with banks (at cost)

(€ millions)

	2018	2017
Current accounts	2,192	1,526
Cash collateral and pledged credit balances	6,847	7,306
Reverse repos	17,261	14,127
Securities	1,342	198
Other loans to banks	6,006	7,173
Non-performing loans and receivables	—	—
Total	**33,648**	**30,330**

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 (at cost)" include €2 thousand in subordinated assets as at the reporting date and in the previous year.

The scope of the item “Loans and receivables with banks (at cost)” has changed such that receivables that cannot be measured at amortised cost on account of the “Other” business model are reclassified to “Financial assets at FVTPL” in the 2018 financial year on account of measurement at fair value through profit or loss. This means that the item “Loans and receivables with banks (at cost)” only contains receivables that can be measured at amortised cost on account of the “Held for sale” business model and the fact that the cash flow criteria are met. The previous-year figures were not restated.

Development of the gross carrying amounts **(€ millions)**

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

Notes to the Balance Sheet (Continued)

Analysis of allowances

(€ millions)

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

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

Breakdown by rating class

(€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	COLLATERAL	TOTAL
1/1/2018						
Not rated	286	—	—	—	—	286
Rating class 1-4	28,895	18	—	—	889	28,913
Rating class 5-8	1,239	61	—	—	158	1,300
Rating class 9-10	—	—	38	—	—	38
Gross carrying amount at 1/1/2018	**30,420**	**79**	**38**	**—**	**1,047**	**30,537**
Impairment	(6)	(4)	(38)	—	n/a	(48)
Carrying amount at 1/1/2018	**30,414**	**75**	**—**	**—**	**1,047**	**30,489**
31/12/2018						
Not rated	1,361	—	—	—	11	1,361
Rating class 1-4	30,317	176	—	—	147	30,493
Rating class 5-8	1,513	288	—	—	110	1,801
Rating class 9-10	—	—	40	—	—	40
Gross carrying amount at 31/12/2018	**33,191**	**464**	**40**	**—**	**268**	**33,695**
Impairment	(6)	(1)	(40)	—	n/a	(47)
Carrying amount at 31/12/2018	**33,185**	**463**	**—**	**—**	**268**	**33,648**

The previous-year figures stated for "Loans and receivables with banks (at cost)" are shown net of the associated allowances for losses on loans and receivables.These allowances break down as follows:

(€ millions)

	2017
Properly serviced loans and receivables – carrying amount	**30,245**
Carrying amount before allowances	30,262
Portfolio allowances	17
Properly serviced loans and receivables past due – carrying amount	**85**
Carrying amount before allowances	85
Portfolio allowances	—
Non-performing loans and receivables (rating classes 8-, 9 and 10) – carrying amount	**—**
Carrying amount before allowances	38
Specific allowances	38

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

(€ millions)

	2017
Properly serviced loans and receivables past due – carrying amount	
1–30 days	85
31–60 days	—
61–90 days	—
Value of collateral	
1–30 days	—
31–60 days	—
61–90 days	—

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

(€ millions)

	2017
Loans and receivables	
Not rated	287
Rating class 1–4	28,634
Rating class 5–8	1,409
Rating class 9–10	—
Collateral	
Not rated	—
Rating class 1–4	889
Rating class 5–8	158
Rating class 9–10	—

There were no assets written off in the reporting period that are subject to an enforcement measure.

Loans and receivables with related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	3,892	4,667
of which:		
UniCredit S.p.A.	2,871	3,434
Sister companies[1]	1,021	1,233
Joint ventures	112	337
Associated companies	16	41
Other participating interests	24	60
Total	**4,044**	**5,105**

1 Mainly UniCredit Bank Austria AG.

Notes to the Balance Sheet (Continued)

63 Loans and receivables with customers (at cost)

(€ millions)

	2018	2017
Current accounts	6,641	6,548
Cash collateral and pledged cash balances	2,652	2,540
Reverse repos	3,842	1,422
Mortgage loans	46,635	44,667
Finance leases	1,847	1,689
Securities	11,248	8,125
thereof: ABS securities	8,266	6,113
Other loans and receivables	59,477	54,431
Non-performing loans and receivables	1,364	1,756
Total	**133,706**	**121,178**

The Bank's portfolio of asset-backed securities mainly consists of low-risk senior tranches. As the turbulence caused by the financial market crisis in 2007/2008, which particularly affected asset-backed securities, has settled, it is no longer necessary to report asset-backed securities in detail in a separate note. This note has thus been discontinued and the portfolio of asset-backed securities is shown separately in the table above.

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

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.

Loans and receivables with customers (at cost) include an amount of €4,282 million (previous year: €5,665 million) funded under the fully consolidated Arabella conduit programme. This essentially involves buying short-term accounts payable and medium-term receivables under lease agreements from customers and funding them by issuing commercial paper on the capital market. The securitised loans and receivables essentially reflect loans and receivables of European borrowers, with the majority of the loans and receivables relating to German borrowers.

In the reporting year, the loans and receivables with customers (at cost) include €34 million (previous year: €58 million) in subordinated assets.

The scope of the item "Loans and receivables with customers (at cost)" has changed such that receivables that cannot be measured at amortised cost on account of the "Other" business model are reclassified to "Financial assets at FVTPL" in the 2018 financial year on account of measurement at fair value through profit or loss. This means that the item "Loans and receivables with customers (at cost)" only contains receivables that can be measured at amortised cost on account of the "Held for sale" business model and the fact that the cash flow criteria are met. The previous-year figures were not restated.

Development of gross carrying amounts **(€ millions)**

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2018	**112,514**	**6,818**	**3,874**	**—**	**123,206**
Change in balance within the stage					
(including additions from new business and disposals)	14,113	(458)	(1,286)	—	12,369
Transfer to another stage due to					
deterioration in credit quality	(4,215)	3,732	483	—	—
from stage 1 to stage 2	(3,873)	3,873	—	—	—
from stage 2 to stage 3	—	(141)	141	—	—
from stage 1 to stage 3	(342)	—	342	—	—
Transfer to another stage due to					
improvement in credit quality	2,341	(2,177)	(164)	—	—
from stage 2 to stage 1	2,293	(2,293)	—	—	—
from stage 3 to stage 2	—	116	(116)	—	—
from stage 3 to stage 1	48	—	(48)	—	—
Increase reported directly in equity in gross carrying amounts					
for interest claims not recognised in profit or loss	—	—	52	—	52
Changes due to modification of assets,					
not leading to derecognition	—	—	2	—	2
Foreign currency movements					
and other changes	—	—	23	—	23
Balance at 31/12/2018	**124,753**	**7,915**	**2,984**	**—**	**135,652**

Notes to the Balance Sheet (Continued)

Analysis of allowances (€ millions)

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

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

Breakdown by rating class (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	COLLATERAL	TOTAL
1/1/2018						
Not rated	6,851	156	5	—	290	7,012
Rating class 1–4	84,709	1,572	5	—	37,616	86,286
Rating class 5–8	20,954	5,090	33	—	17,386	26,077
Rating class 9–10	—	—	3,831	—	893	3,831
Gross carrying amount at 1/1/2018	**112,514**	**6,818**	**3,874**	**—**	**56,185**	**123,206**
Impairment	(140)	(181)	(1,953)	—	n/a	(2,274)
Carrying amount at 1/1/2018	**112,374**	**6,637**	**1,921**	**—**	**56,185**	**120,932**
31/12/2018						
Not rated	7,597	16	4	—	438	7,617
Rating class 1–4	94,003	1,729	1	—	39,284	95,733
Rating class 5–8	23,153	6,170	23	—	15,580	29,346
Rating class 9–10	—	—	2,956	—	569	2,956
Gross carrying amount at 31/12/2018	**124,753**	**7,915**	**2,984**	**—**	**55,871**	**135,652**
Impairment	(139)	(187)	(1,620)	—	n/a	(1,946)
Carrying amount at 31/12/2018	**124,614**	**7,728**	**1,364**	**—**	**55,871**	**133,706**

The previous-year figures stated for “Loans and receivables with customers (at cost)” are shown net of the associated allowances for losses on loans and receivables. These allowances break down as follows:

(€ millions)

	2017
Properly serviced loans and receivables – carrying amount	**118,733**
Carrying amount before allowances	119,020
Portfolio allowances	287
Properly serviced loans and receivables past due – carrying amount	**689**
Carrying amount before allowances	693
Portfolio allowances	4
Non-performing loans and receivables (rating classes 8-, 9 and 10) – carrying amount	**1,756**
Carrying amount before allowances	3,614
Specific allowances	1,858

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

(€ millions)

	2017
Properly serviced loans and receivables past due – carrying amount	
1–30 days	660
31–60 days	22
61–90 days	7
Value of collateral	
1–30 days	194
31–60 days	9
61–90 days	1

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

(€ millions)

	2017
Loans and receivables	
Not rated	13,046
Rating class 1–4	77,354
Rating class 5–8	29,023
Rating class 9–10	1,755
Collateral	
Not rated	290
Rating class 1–4	37,616
Rating class 5–8	17,386
Rating class 9–10	893

The amount outstanding from assets written off in the reporting period which are subject to an enforcement measure totals €174 million.

Notes to the Balance Sheet (Continued)

Loans and receivables with related parties

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

	2018	2017
Non-consolidated affiliated companies	6	6
of which:		
Sister companies	3	5
Subsidiaries	3	1
Joint ventures	15	20
Associated companies	115	16
Other participating interests	473	420
Total	**609**	**462**

Amounts receivable from customers under lease agreements (receivables under finance leases)

The amounts receivable under finance lease agreements contained in the item "Loans and receivables with customers (at cost)" are described in more detail in the Note "Information regarding lease operations".

64 Forbearance

The European Banking Authority (EBA) defines forborne exposures as debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments that the lender would not have been prepared to grant under other circumstances. 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 at Level 3 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)

	2018			2017		
	CARRYING AMOUNT BEFORE ALLOWANCES	ALLOWANCES	CARRYING AMOUNT	CARRYING AMOUNT BEFORE ALLOWANCES	ALLOWANCES	CARRYING AMOUNT
Performing exposures	530	(8)	522	737	(14)	723
Non-Performing exposures	1,577	(882)	695	2,845	(1,178)	1,667
Total	**2,107**	**(890)**	**1,217**	**3,582**	**(1,192)**	**2,390**

An amount of €1,217 million is carried as forborne exposures under "Loans and receivables with customers (at cost)" (previous year: €2,390 million). No forborne exposures are contained in the "Loans and receivables with banks (at cost)", as was the case in the previous year. No securities with forbearance measures were held at the reporting date, as was the case in the previous year.

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. They are thus allocated to Level 2. Such exposures are closely tracked by the restructuring units or subject to strict monitoring by the back-office units.

65 Allowances for losses on "Loans and receivables with banks (at cost)" and "Loans and receivables with customers (at cost)"

Analysis of loans and receivables for the 2017 reporting year according to IAS 39

(€ millions)

	SPECIFIC ALLOWANCES	PORTFOLIO ALLOWANCES	TOTAL
Balance at 1/1/2017	**2,193**	**370**	**2,563**
Changes affecting income			
Gross additions[1]	880	24	904
Releases	(584)	(84)	(668)
Changes not affecting income			
Changes due to make-up of group of consolidated companies			
and reclassifications of disposal groups held for sale	(13)	(1)	(14)
Use of existing loan-loss allowances	(520)	—	(520)
Effects of currency translation and other changes not affecting income	(59)	(1)	(60)
Non-current assets or disposal groups held for sale	—	—	—
Balance at 31/12/2017	**1,897**	**308**	**2,205**

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

66 Hedging derivatives

(€ millions)

	2018	2017
Micro fair value hedge	7	14
Fair value hedge portfolio[1]	269	376
Total	**276**	**390**

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

67 Investments in associates and joint ventures

(€ millions)

	2018	2017
Associated companies accounted for using the equity method	23	34
of which: goodwill	—	8
Joint ventures accounted for using the equity method	—	—
Total	**23**	**34**

Three joint ventures and one associated company were not accounted for in the consolidated financial statements using the equity method for materiality reasons.

Notes to the Balance Sheet (Continued)

Change in portfolio of shares in associated companies accounted for using the equity method (€ millions)

	ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	
	2018	2017
Carrying amounts at 1/1	**34**	**44**
Additions	2	—
Purchases[1]	—	—
Write-ups	—	—
Changes from currency translation	1	—
Other additions[2]	1	—
Disposals	(13)	(10)
Sales	—	(2)
Impairments	(2)	(4)
Changes from currency translation	—	(2)
Non-current assets or disposal groups held for sale	(9)	—
Other disposals[2]	(2)	(2)
Carrying amounts at 31/12	**23**	**34**

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

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)

	2018	2017
Net interest	(5)	(4)
Net gains/(losses) on financial assets and liabilities at fair value	(6)	n/a
Net other expenses/income	104	86
Operating costs	(102)	(84)
Profit/(loss) before tax	**(9)**	**(2)**
Income tax	(1)	—
Consolidated profit/(loss)	**(10)**	**(2)**
Other comprehensive income	**—**	**—**
Total comprehensive income	**(10)**	**(2)**

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 the previous year from companies accounted for using the equity method. Furthermore, there were no prorated cumulative losses in the reporting period or the previous year from companies accounted for using the equity method.

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

68 Property, plant and equipment

(€ millions)

	2018	2017
Land and buildings	922	922
Plant and office equipment	329	364
Other property, plant and equipment	1,238	1,313
Total[1]	**2,489**	**2,599**

1 Including leased assets of €525 million (previous year: €449 million). More information about leases is contained in the Note "Information regarding lease operations".

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

This item also includes the grants of €53 million provided by the European Union in previous years 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 (Continued)

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 1/1/2018	**2,126**	**991**	**3,117**	**1,699**	**4,816**
Write-downs and write-ups from previous years	(1,204)	(627)	(1,831)	(386)	(2,217)
Carrying amounts at 1/1/2018	**922**	**364**	**1,286**	**1,313**	**2,599**
Additions					
Acquisition/production costs	29	88	117	36	153
Write-ups	21	—	21	—	21
Changes from currency translation	—	—	—	—	—
Other additions[2]	—	4	4	—	4
Disposals					
Sales	—	(4)	(4)	—	(4)
Amortisation and write-downs	(32)	(53)	(85)	(111)	(196)
Impairments	(17)	(4)	(21)	—	(21)
Changes from currency translation	—	—	—	—	—
Non-current assets or disposal groups held for sale	—	—	—	—	—
Other disposals[2]	(1)	(66)	(67)	—	(67)
Carrying amounts at 31/12/2018	**922**	**329**	**1,251**	**1,238**	**2,489**
Write-downs and write-ups from previous years plus					
year under review	1,129	561	1,690	497	2,187
Acquisition costs at 31/12/2018	**2,051**	**890**	**2,941**	**1,735**	**4,676**
Acquisition costs at 1/1/2017	**2,116**	**1,178**	**3,294**	**1,707**	**5,001**
Write-downs and write-ups from previous years	(1,185)	(654)	(1,839)	(293)	(2,132)
Carrying amounts at 1/1/2017	**931**	**524**	**1,455**	**1,414**	**2,869**
Additions					
Acquisition/production costs	20	138	158	15	173
Write-ups	11	—	11	—	11
Changes from currency translation	—	—	—	—	—
Other additions[2]	—	15	15	—	15
Disposals					
Sales	(4)	(69)	(73)	(6)	(79)
Amortisation and write-downs	(33)	(95)	(128)	(110)	(238)
Impairments	(2)	—	(2)	—	(2)
Changes from currency translation	—	(1)	(1)	—	(1)
Non-current assets or disposal groups held for sale	(1)	(148)	(149)	—	(149)
Other disposals[2]	—	—	—	—	—
Carrying amounts at 31/12/2017	**922**	**364**	**1,286**	**1,313**	**2,599**
Write-downs and write-ups from previous years plus					
year under review	1,204	627	1,831	386	2,217
Acquisition costs at 31/12/2017	**2,126**	**991**	**3,117**	**1,699**	**4,816**

1 Including leased assets. More information about leases is contained in Note "Information regarding lease operations".
2 Including changes in the group of companies included in consolidation.

69 Investment properties

The fair value of investment properties at HVB Group, which are measured at amortised cost, totalled €561 million (previous year: €1,141 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 the Note "Fair value hierarchy" 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 from finance leases included in investment properties amounted to €46 million (previous year: €11 million) for land and buildings at the reporting date.

Development of investment properties (€ millions)

	INVESTMENT PROPERTIES MEASURED AT COST	
	2018	2017
Acquisition costs at 1/1	**1,630**	**1,844**
Write-downs and write-ups from previous years	(822)	(816)
Carrying amounts at 1/1	**808**	**1,028**
Additions		
Acquisition/production costs	1	2
Write-ups	112	10
Changes from currency translation	—	—
Other additions[1]	—	—
Disposals		
Sales	(1)	(25)
Amortisation and write-downs	(25)	(27)
Impairments	(1)	(23)
Changes from currency translation	—	—
Non-current assets or disposal groups held for sale	(638)	(157)
Other disposals[1]	—	—
Carrying amounts at 31/12	**256**	**808**
Write-downs and write-ups from previous years plus year under review	476	822
Acquisition costs at 31/12	**732**	**1,630**

1 Also including changes in the group of companies included in consolidation.

The favourable development in the property market in Germany, which resulted in an increase in the fair values of the properties, is reflected in the write-up of investment properties. The unscheduled depreciation from previous periods thus had to be reversed in some cases.

Notes to the Balance Sheet (Continued)

70 Intangible assets

(€ millions)

	2018	2017
Goodwill	130	418
Other intangible assets	19	27
Internally generated intangible assets	12	17
Other intangible assets	7	10
Total	**149**	**445**

Development of intangible assets

(€ millions)

	GOODWILL FROM AFFILIATED COMPANIES		INTERNALLY GENERATED INTANGIBLE ASSETS		OTHER INTANGIBLE ASSETS	
	2018	2017	2018	2017	2018	2017
Acquisition costs at 1/1	**1,042**	**1,042**	**386**	**384**	**183**	**188**
Write-downs and write-ups from previous years	(624)	(624)	(369)	(362)	(173)	(173)
Carrying amounts at 1/1	**418**	**418**	**17**	**22**	**10**	**15**
Additions						
Acquisition/production costs	—	—	1	2	2	3
Write-ups	—	—	—	—	—	—
Changes from currency translation	—	—	—	—	—	—
Other additions	—	—	—	—	—	—
Disposals						
Sales	—	—	—	—	—	—
Amortisation and write-downs	—	—	(6)	(7)	(5)	(7)
Impairments	(288)	—	—	—	—	—
Changes from currency translation	—	—	—	—	—	—
Non-current assets or disposal groups held for sale	—	—	—	—	—	(1)
Other disposals[1]	—	—	—	—	—	—
Carrying amounts at 31/12	**130**	**418**	**12**	**17**	**7**	**10**
Write-downs and write-ups from previous years plus year under review	912	624	375	369	176	173
Acquisition costs at 31/12	**1,042**	**1,042**	**387**	**386**	**183**	**183**

1 Also including changes in the group of companies included in consolidation.

HVB no longer generates any software internally. Software is provided to HVB by the UniCredit-wide service provider UniCredit Services S.C.p.A.

71 Non-current assets or disposal groups held for sale

(€ millions)

	2018	2017
Cash	—	—
Financial assets at FVTPL	—	n/a
Financial assets at FVTOCI	—	n/a
Available-for-sale financial assets	n/a	—
Loans and receivables with banks (at cost)	—	—
Loans and receivables with customers (at cost)	—	201
Investments in associates and joint ventures	9	—
Property, plant and equipment	—	149
Investment properties	733	156
Tax assets	—	—
Other assets	—	5
Total	**742**	**511**

The investment properties designated as held for sale essentially relate to the disposal of non-strategic real estate. Also shown is the carrying amount of an associate accounted for using the equity method, the sale of which is planned. The assets of Mobility Concept GmbH, Oberhaching, recognised in the previous year are no longer included as the subsidiary left the group of companies included in consolidation at the close of 31 May 2018 following the disposal thereof.

The disposal of investment properties with carrying amounts totalling €89 million and the disposal of the investment accounted for using the equity method with a carrying amount of €9 million are planned in the first half of 2019. The disposal of the remaining investment properties with carrying amounts totalling €644 million is planned in the second half of 2019.

No valuation effects were recorded in the reporting period or in the previous year in connection with the non-current assets classified as for sale.

72 Other assets

Other assets include prepaid expenses of €131 million (previous year: €106 million).

This item also includes real estate of €306 million (previous year: €457 million) which is purchased by the WealthCap group belonging to HVB in order to either transfer it to funds and place the fund units with investors or sell it directly to institutional investors. These assets are recognised at cost. There are no reasons for a write-down to lower gains on disposal.

Notes to the Balance Sheet (Continued)

73 Own securitisation

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

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 traditional securitisation (true sale), receivables are sold to a special purpose entity which in turn issues securities.

In the reporting year, the true sale transaction Geldilux TS 2013 was terminated. The Geldilux 2015 and Rosenkavalier 2015 transactions were restructured and the transaction volume of both transactions was increased.

In the case of the true sale transactions Rosenkavalier 2008 (€3.1 billion), Rosenkavalier 2015 (€3.5 billion) and Geldilux 2015 (€2.1 billion) HVB retained all of the tranches issued by the special purpose entity. The senior positions (or senior tranches) of 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.

74 Deposits from banks

(€ millions)

	2018	2017
Deposits from central banks	16,886	19,857
Deposits from banks	46,057	47,497
Current accounts	2,691	2,590
Cash collateral and pledged credit balances	9,289	9,559
Repos	16,484	13,026
Term deposits	4,772	9,517
Other liabilities	12,821	12,805
Total	**62,943**	**67,354**

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 item “Deposits from banks” includes the following amounts attributable to related parties:

(€ millions)

	2018	2017
Non-consolidated affiliated companies	6,103	10,536
of which:		
UniCredit S.p.A.	2,626	6,900
Sister companies[1]	3,477	3,636
Joint ventures	19	35
Associated companies	79	38
Other participating interests	23	22
Total	**6,224**	**10,631**

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

75 Deposits from customers

(€ millions)

	2018	2017
Current accounts	76,334	71,011
Cash collateral and pledged credit balances	3,948	3,874
Savings deposits	13,659	13,905
Repos	6,196	8,607
Term deposits	18,075	21,887
Promissory notes	1,638	3,361
Other liabilities	1,188	1,639
Total	**121,038**	**124,284**

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	241	272
of which:		
Sister companies	236	242
Subsidiaries	5	30
Joint ventures	4	3
Associated companies	1	4
Other participating interests	320	282
Total	**566**	**561**

Notes to the Balance Sheet (Continued)

76 Debt securities in issue

(€ millions)

	2018	2017
Bonds	21,746	23,062
of which:		
Registered mortgage Pfandbriefs	4,766	5,020
Registered public-sector Pfandbriefs	2,590	3,700
Mortgage Pfandbriefs	8,216	7,883
Public-sector Pfandbriefs	85	136
Registered bonds	3,146	2,869
Other securities	2,614	2,490
Total	**24,360**	**25,552**

Debt securities in issue, payable to related parties

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

(€ millions)

	2018	2017
Non-consolidated affiliated companies	1,000	—
of which:		
UniCredit S.p.A.	1,000	—
Sister companies	—	—
Joint ventures	—	6
Associated companies	—	125
Other participating interests	—	—
Total	**1,000**	**131**

77 Financial liabilities held for trading

(€ millions)

	2018	2017
Negative fair values arising from derivative financial instruments	37,224	40,024
Other financial liabilities held for trading	10,881	16,193
Total	**48,105**	**56,217**

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

With regard to the decline in other financial liabilities held for trading, it should be noted that structured issues with a carrying amount of €4.7 billion were designated from financial liabilities held for trading to liabilities measured at fair value through profit or loss with effect from 1 January 2018.

78 Financial liabilities at FVTPL

The item "Financial liabilities at FVTPL" has been added to the balance sheet for the first time in the 2018 financial year as liabilities were designated as measured at fair value through profit or loss for the first time in the reporting year.

This item contains own structured issues of €5,152 million at the reporting date.

The difference between the carrying amount and the contractual amount payable amounts to €179 million.

79 Hedging derivatives

(€ millions)

	2018	2017
Micro fair value hedge	96	118
Fair value hedge portfolio[1]	502	351
Total	**598**	**469**

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

80 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 €1,210 million (previous year: €1,215 million). The fair value of the netted fair value hedge portfolio derivatives represents an economic comparable amount.

81 Liabilities of disposal groups held for sale

(€ millions)

	2018	2017
Deposits from banks	—	78
Deposits from customers	—	—
Tax liabilities	—	3
Other liabilities	—	21
Provisions	—	—
Total	**—**	**102**

The liabilities of Mobility Concept GmbH, Oberhaching disclosed in the previous year are no longer included as the subsidiary left the group of consolidated companies at the time of its disposal at the close of 31 May 2018.

82 Other liabilities

This item totalling €1,649 million (previous year: €1,699 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 (Continued)

83 Provisions

(€ millions)

	2018	2017
Provisions for pensions and similar obligations	801	734
Allowances for losses on financial guarantees and irrevocable credit commitments	214	180
Restructuring provisions	256	410
Other provisions	2,182	1,277
Payroll provisions	383	367
Provisions related to tax disputes (without income taxes)	28	48
Provisions for rental guarantees and dismantling obligations	154	134
Other provisions	1,617	728
Total	**3,453**	**2,601**

The effects arising from changes in the discount rate and compounding led to an increase of €3 million (previous year: €9 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 OCI.

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.

HVB Group 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. In December 2016, pension commitments and obligations of the Bank were again transferred to the pension fund for further beneficiaries who in October 2016 had already received pension benefits and the corresponding plan assets to cover the beneficiaries' claims. The pensioners' pension claims are not affected by the transfer; 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 under defined benefit plans for post-employment benefits recognised in the consolidated balance sheet can be derived as follows:

(€ millions)

	2018	2017
Present value of funded pension obligations	4,859	4,809
Fair value of plan assets	(4,073)	(4,090)
Funded status	**786**	**719**
Present value of unfunded pension obligations	15	15
Net liability (net asset) of defined benefit plans	**801**	**734**
Asset ceiling	—	—
Capitalised excess cover of plan assets	—	—
Recognised pension provisions	**801**	**734**

Notes to the Balance Sheet (Continued)

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 capitalized 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 1/1/2018	**4,824**	**(4,090)**	**734**	**—**	**—**	**734**
Service cost component						
Current service cost	65	—	65	—	—	65
Past service cost	3	—	3	—	—	3
Gains and losses on settlement	—	—	—	—	—	—
Net interest component						
Interest expense/(income)	103	(87)	16	—	—	16
Service costs and net interest						
of defined benefit plans recognised in						
profit or loss for the period	**171**	**(87)**	**84**	**—**	**—**	**84**
Remeasurement component						
Gains/(losses) on plan assets excluding						
amounts included in net interest on the net						
defined benefit liability (asset)	—	82	82	—	—	82
Actuarial gains/(losses) –						
demographic assumptions	(48)	—	(48)	—	—	(48)
Actuarial gains/(losses) –						
financial assumptions	93	—	93	—	—	93
Actuarial gains/(losses) –						
experience adjustments	(26)	—	(26)	—	—	(26)
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	**19**	**82**	**101**	**—**	**—**	**101**
Other changes						
Excess cover of plan assets	—	—	—	—	—	—
Exchange differences	(1)	1	—	—	—	—
Contributions to the plan:						
Employer	—	(112)	(112)	—	—	(112)
Plan participants	7	—	7	—	—	7
Pension payments	(146)	133	(13)	—	—	(13)
Business combinations, disposals and other	—	—	—	—	—	—
Balance at 31/12/2018	**4,874**	**(4,073)**	**801**	**—**	**—**	**801**

(€ 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 1/1/2017	**4,989**	**(4,091)**	**898**	**—**	**—**	**898**
Service cost component						
Current service cost	73	—	73	—	—	73
Past service cost	—	—	—	—	—	—
Gains and losses on settlement	—	—	—	—	—	—
Net interest component						
Interest expense/(income)	94	(78)	16	—	—	16
Service costs and net interest						
of defined benefit plans recognised in						
profit or loss for the period	**167**	**(78)**	**89**	**—**	**—**	**89**
Remeasurement component						
Gains/(losses) on plan assets excluding						
amounts included in net interest on the net						
defined benefit liability (asset)	—	(27)	(27)	—	—	(27)
Actuarial gains/(losses) –						
demographic assumptions	—	—	—	—	—	—
Actuarial gains/(losses) –						
financial assumptions	(160)	—	(160)	—	—	(160)
Actuarial gains/(losses) –						
experience adjustments	(31)	—	(31)	—	—	(31)
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	**(191)**	**(27)**	**(218)**	**—**	**—**	**(218)**
Other changes						
Excess cover of plan assets	—	—	—	—	—	—
Exchange differences	(5)	5	—	—	—	—
Contributions to the plan:						
Employer	—	(44)	(44)	—	—	(44)
Plan participants	8	—	8	—	—	8
Pension payments	(146)	145	(1)	—	—	(1)
Business combinations, disposals and other	2	—	2	—	—	2
Balance at 31/12/2017	**4,824**	**(4,090)**	**734**	**—**	**—**	**734**

At the end of the reporting period, 32% (previous year: 34%) of the present value of the defined benefit obligations of €4,874 million (previous year: €4,824 million) was attributable to active employees, 23% (previous year: 22%) to former employees with vested benefit entitlements and 45% (previous year: 44%) to pensioners and surviving dependants.

Notes to the Balance Sheet (Continued)

Actuarial assumptions
The main 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 %)

	2018	2017
Actuarial interest rate	2.10	2.15
Rate of increase in pension commitments	1.70	1.60
Rate of increase in future compensation and over career	2.00	2.00

The mortality rate underlying the actuarial calculation of the present value of the defined benefit obligation is based on the modified Heubeck 2018 G tables (previous year: 2005 G) (generation tables) that allow for the probability of mortality to fall to 95% (previous year: 90%) for women and 80% (previous year: 75%) for men.

HVB Group similarly reduces the probability of disability based on these guidance tables to 80% (previous year: 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:

	CHANGES OF THE ACTUARIAL ASSUMPTIONS	IMPACT ON THE PRESENT VALUE OF PENSION COMMITMENTS		
		PRESENT VALUE OF LIABILITY	ABSOLUTE CHANGES	RELATIVE CHANGES
		€ millions	€ millions	in %
Sensitivities at 31/12/2018				
	Basic value of the calculation of sensitivity	4,874		
Actuarial interest rate	Increase of 25 basis points	4,672	(202)	(4.1)
	Decrease of 25 basis points	5,090	216	4.4
Rate of increase in pension commitments	Increase of 25 basis points	5,012	138	2.8
	Decrease of 25 basis points	4,742	(132)	(2.7)
Rate of increase in future compensation/career trend	Increase of 25 basis points	4,879	5	0.1
	Decrease of 25 basis points	4,869	(5)	(0.1)
Sensitivities at 31/12/2017				
	Basic value of the calculation of sensitivity	4,824		
Actuarial interest rate	Increase of 25 basis points	4,619	(205)	(4.2)
	Decrease of 25 basis points	5,040	216	4.5
Rate of increase in pension commitments	Increase of 25 basis points	4,966	142	2.9
	Decrease of 25 basis points	4,686	(138)	(2.9)
Rate of increase in future compensation/career trend	Increase of 25 basis points	4,827	3	0.1
	Decrease of 25 basis points	4,818	(6)	(0.1)

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 2018 would rise by €163 million (3.3%) to €5,037 million (or by €149 million (3.1%) to €4,973 million at 31 December 2017) as a result of this change. HVB Group considers an opposite trend, that is an increase in mortality or a decrease in life expectancy, to be unlikely and has therefore not calculated a sensitivity for this case in the reporting period (and in the previous year).

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.

Notes to the Balance Sheet (Continued)

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.

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.

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)

	2018	2017
Participating interests	61	56
Fixed-income securities	124	130
Properties	215	186
Mixed investment funds	3,034	3,136
Property funds	427	390
Cash and cash equivalents/term deposits	76	50
Other assets	136	142
Total	**4,073**	**4,090**

Quoted market prices in an active market were observed for most of the 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 medium- to 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 %)

	2018	2017
Equities	11.1	12.2
German equities	1.3	2.1
European equities	6.2	6.5
Other equities	3.6	3.6
Government bonds	32.8	29.8
Pfandbriefs	16.6	14.6
Corporate bonds	28.3	28.0
German corporate bonds	5.8	5.1
European corporate bonds	15.5	15.1
Other corporate bonds	7.0	7.8
Fund certificates	4.3	4.6
Cash and cash equivalents/term deposits	6.9	10.8
Total	**100.0**	**100.0**

Notes to the Balance Sheet (Continued)

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)

	2018	2017
Participating interests	—	—
Fixed-income securities	15	15
Properties	—	—
Mixed investment funds	178	225
Property funds	—	—
Cash and cash equivalents/term deposits	46	50
Other assets	—	—
Total	**239**	**290**

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 €27 million (previous year: €28 million) to defined benefit plans in the 2019 financial year.

The weighted average duration of HVB Group's defined benefit obligations at the reporting date amounted to 17.6 years (previous year: 17.5 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. In addition, a need for adjustment might arise from compensating the beneficiaries for inflation. HVB Group does not currently expect that the statutory subsidiary liability will be used.

HVB Group expects to book employer contributions of €22 million for this pension plan in the 2019 financial year (previous year: €24 million). Due to the current interest rate environment, BVV reduced the payment for the future pension rights in 2016. To exempt the Bank's employees from this reduction in payment, the Bank, as the employer, pays an additional contribution so that employees do not suffer any disadvantage in their future pension rights. This additional contribution amounts to €6 million in the 2019 financial year (previous year: €7 million).

Notes to the Balance Sheet (Continued)

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 €25 million during the reporting period (previous year: €27 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 €83 million in the reporting period (previous year: €86 million).

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 PROVISIONS1[1]		OTHER PROVISIONS	
	2018	2017	2018	2017	2018	2017
Balance at 1/1	**180**	**230**	**410**	**631**	**1,277**	**1,263**
Changes on initial application of IFRS 9	20	n/a	n/a	n/a	n/a	n/a
Balance restated at 1/1	**200**	**230**	**410**	**631**	**1,277**	**1,263**
Changes in consolidated group	—	—	—	—	—	—
Changes arising from foreign currency translation	—	(1)	—	—	30	(4)
Transfers to provisions	160	151	75	5	1,042	179
Reversals	(146)	(200)	(83)	(9)	(70)	(69)
Reclassifications	—	—	(92)	(193)	27	55
Amounts used	—	—	(54)	(26)	(124)	(147)
Non-current assets or disposal groups held for sale	—	—	—	—	—	—
Other changes	—	—	—	2	—	—
Balance at 31/12	**214**	**180**	**256**	**410**	**2,182**	**1,277**

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

Analysis of allowances

(€ millions)

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balance at 1/1/2018	**48**	**25**	**127**	**200**
Addition due to new business	28	—	—	28
Changes within the same stage (net balance)[1]	(10)	11	167	168
Change of model	—	—	—	—
Reversal on account of derecognition of the financial obligation	(17)	(11)	(154)	(182)
Utilisation of existing provisions	—	—	—	—
Foreign currency movements				
and other changes	—	—	—	—
Balance at 31/12/2018	**49**	**25**	**140**	**214**

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

Restructuring provisions

The restructuring provisions essentially relate to measures taken by HVB Group as part of its "Transform 2019" strategy programme.

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 2013, 2014, 2015, 2016, 2017 and 2018 financial years to be disbursed as of 2019 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 the Note "Operating costs".

The other provisions of €1,617 million (previous year: €728 million) include provisions of €1,535 million (previous year: €623 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 dismantling obligations, most of the other provisions are normally expected to be utilised during the following financial year.

Notes to the Balance Sheet (Continued)

84 Shareholders' equity
The shareholders' equity of HVB Group at 31 December 2018 consisted of the following:

Subscribed capital
At 31 December 2018, the subscribed capital of HVB totalled €2,407 million (previous year: €2,407 million) and consisted of 802,383,672 no par shares of common bearer stock (previous year: 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 2018 amounted to €9,791 million (previous year: €9,791 million).

Other reserves
Other reserves of €4,998 million (previous year: €5,289 million) predominantly contain retained earnings. The year-on-year decrease of €291 million in other reserves essentially reflects the reallocation to consolidated profit of €284 million.

Change in valuation of financial instruments
The reserves arising from changes in valuation of financial instruments recognised in equity totalled €32 million at 31 December 2018 (previous year: €80 million). The changes in the composition are the result of the first-time adoption of the IFRS 9 standard.

Upon initial adoption of IFRS 9 from 1 January 2018 onwards, the AfS reserve was reversed as the available-for-sale classification ceased to apply, which leads to a decrease of €52 million.

The hedge reserve remains in place, the amount recorded here of €28 million remains unchanged on the previous year.

Where certain securities are measured at fair value directly in equity, the difference between amortised cost and fair value for these holdings is added to the FVTOCI reserve. For the holdings reported in this category for the first time as of 1 January 2018, this difference is recorded in line "Effect of first-time adoption of IFRS 9" in the statement of changes in consolidated shareholders' equity, whereas subsequent measurement is made through other comprehensive income in the consolidated statement of total comprehensive income. There was a corresponding addition of €4 million in the reporting year.

85 Subordinated capital

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

(€ millions)

	2018	2017
Subordinated liabilities	493	523
Hybrid capital instruments	52	51
Total	**545**	**574**

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.

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

(€ millions)

	2018	2017
Deposits from customers	—	—
Deposits from banks	313	313
Debt securities in issue	232	261
Total	**545**	**574**

We have incurred interest expenses of €16 million (previous year: €17 million) in connection with this subordinated capital. Subordinated capital includes proportionate interest of €4 million (previous year: €4 million).

Subordinated liabilities

The borrowers 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 €313 million payable to related parties in the reporting period (previous year: €313 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 the reporting date, no hybrid capital of HVB Group was included in our regulatory capital base.

Notes to the Cash Flow Statement

86 Notes to the items in the cash flow statement

The cash flow statement shows the cash flows for the reporting period, divided into the areas "operating activities", "investing activities" and "financing activities". 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.

The "Change in other non-cash positions" item 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 measurement using the equity method and minority interests in net income.

All proceeds and payments from transactions relating to equity and subordinated capital are allocated to cash flow from financing activities. The portfolios of subordinated and hybrid capital included in the cash flow from financing activities as financing liabilities have decreased by a net €45 million in the reporting period (previous year: €45 million).

Gains of €38 million were generated on the disposal of shares in fully consolidated companies in the 2018 financial year, of which €38 million was in cash. The gains on disposal generated in cash relate to the sale of the shareholding in Mobility Concept GmbH.

There were no significant acquisitions of subsidiaries or associated companies in the 2018 and 2017 financial years.

The following table shows the assets and liabilities of the fully consolidated companies sold: (€ millions)

	2018		2017	
	ACQUIRED	SOLD	ACQUIRED	SOLD
Assets				
Cash and cash balances	—	—	—	—
Financial assets held for trading	—	—	—	—
Financial assets at FVTPL (FVO)	n/a	n/a	—	—
Financial assets at FVTPL	—	—	n/a	n/a
Financial assets at FVTOCI	—	—	n/a	n/a
Available-for-sale financial assets	n/a	n/a	—	—
Held-to-maturity investments	n/a	n/a	—	—
Loans and receivables with banks (at cost)	—	—	—	—
Loans and receivables with customers (at cost)	—	—	—	—
Hedging derivatives	—	—	—	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Investments in associates and joint ventures	—	—	—	—
Property, plant and equipment	—	—	—	—
Investment properties	—	—	—	—
Intangible assets	—	—	—	—
of which: goodwill	—	—	—	—
Tax assets	—	—	—	—
Non-current assets or disposal groups held for sale	—	457	—	1,300
Other assets	—	—	—	—
Liabilities				
Deposits from banks	—	—	—	—
Deposits from customers	—	—	—	—
Debt securities in issue	—	—	—	—
Financial liabilities held for trading	—	—	—	—
Financial liabilities at FVTPL	—	—	n/a	n/a
Hedging derivatives	—	—	—	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Tax liabilities	—	—	—	—
Liabilities of disposal groups held for sale	—	442	—	1,233
Other liabilities	—	—	—	—
Provisions	—	—	—	—

Other Information

87 Events after the reporting period

In January 2019, we came to an agreement on the sale of SwanCap Partners GmbH, an associated company accounted for using the equity method. At year-end, the shares are presented in the balance sheet item "Non-current assets or disposal groups held for sale".

Furthermore, in February 2019, we came to an agreement with a buyer on the sale of the properties held by our companies Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG and NF Objekte Berlin GmbH; these properties are likewise recorded in the balance sheet item "Non-current assets or disposal groups held for sale".

Ms Beate Dura-Kempf resigned from UniCredit Bank AG's Supervisory Board as employee representative effective from the end of 31 January 2019. Munich District Court appointed Ms Claudia Richter as employee representative on the Supervisory Board for the remaining period of her term of office, effective from 8 February 2019.

On 6 February 2019, UniCredit S.p.A. announced the reorganisation of the Group Senior Management Team of UniCredit S.p.A. This also involves the resignation of Gianni Franco Papa as General Manager of UniCredit S.p.A. Furthermore, Gianni Franco Papa will resign from his office as Chairman of UniCredit Bank AG's Supervisory Board.

88 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, 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)

	2018	2017
up to 1 year	64	65
from 1 year to 5 years	123	218
from 5 years and over	101	122
Total	**288**	**405**

The year-on-year decline in the amount of the minimum lease payments to be received in future is primarily due to the fact that the operating leases of investment properties held for sale, mainly relating to the sale of non-strategic real estate are no longer included in the figures disclosed at financial year-end (for more information on disclosure pursuant to IFRS 5 refer to the Note "Non-current assets or disposal groups held for sale").

Other Information (Continued)

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)

	2018	2017
Future minimum lease payment	1,955	1,798
+ Unguaranteed residual value	—	—
= Gross investment	**1,955**	**1,798**
– Unrealised finance income	(81)	(88)
= Net investment	**1,874**	**1,710**
– Present value of unguaranteed residual value	—	—
= Present value of future minimum lease payments	**1,874**	**1,710**

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.

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:

(€ millions)

	GROSS INVESTMENT		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
	2018	2017	2018	2017
up to 1 year	722	669	692	635
from 1 year to 5 years	1,071	998	1,026	950
from 5 years and over	162	131	156	125
Total	**1,955**	**1,798**	**1,874**	**1,710**

The cumulative write-downs on uncollectible outstanding minimum lease payments in amounts receivable from customers under finance leases amounted to €13 million at the end of the reporting period (previous year: €12 million).

The receivables under finance leases included in the item “Loans and receivables with customers (at cost)”, the gross carrying amounts, the breakdown by rating class and the development of impairments are presented below for the reporting period in accordance with the amended disclosure requirements according to IFRS 7 (see also the Note “Loans and receivables with customers (at cost)”:

Development of gross carrying amounts (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2018	**1,695**	**—**	**39**	**—**	**1,734**
Change in balance within the stage					
(including additions from new business and disposals)	(105)	285	(15)	—	165
Transfer to another stage due to					
deterioration in credit quality	(375)	356	19	—	—
from stage 1 to stage 2	(356)	356	—	—	—
from stage 2 to stage 3	—	—	—	—	—
from stage 1 to stage 3	(19)	—	19	—	—
Transfer to another stage due to					
improvement in credit quality	1	1	(2)	—	—
from stage 2 to stage 1	—	—	—	—	—
from stage 3 to stage 2	—	1	(1)	—	—
from stage 3 to stage 1	1	—	(1)	—	—
Increase reported directly in equity in					
gross carrying amounts for interest claims not					
recognised in profit or loss	—	—	—	—	—
Changes due to modification of assets,					
not leading to derecognition	—	—	—	—	—
Foreign currency movements and other changes	—	—	—	—	—
Balance at 31/12/2018	**1,216**	**642**	**41**	**—**	**1,899**

Development of impairments (€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	TOTAL
Balance at 1/1/2018	**10**	**—**	**12**	**—**	**22**
Addition due to new business	2	—	—	—	2
Change in balance within the same stage (netted)[1]	(5)	6	1	—	2
Increase in impairment reported directly in equity for					
interest claims not recognised in profit or loss	—	—	—	—	—
Changes due to modification of assets,					
not leading to derecognition	—	—	—	—	—
Change of model	—	—	—	—	—
Disposals (reversal due to disposal of receivable)	—	—	—	—	—
Disposals (utilisation of impairments)	—	—	—	—	—
Reversal of the discounted amount and receipt of					
interest claims previously not recognised in					
profit or loss	—	—	—	—	—
Foreign currency movements and other changes	(3)	—	2	—	(1)
Balance at 31/12/2018	**4**	**6**	**15**	**—**	**25**

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

Other Information (Continued)

Breakdown by rating class

(€ millions)

	STAGE 1	STAGE 2	STAGE 3	POCI	COLLATERAL	TOTAL
1/1/2018						
Not rated	—	—	—	—	—	—
Rating class 1–4	1,487	—	—	—	853	1,487
Rating class 5–8	208	—	—	—	118	208
Rating class 9–10	—	—	39	—	17	39
Gross carrying amount at 1/1/2018	**1,695**	**—**	**39**		**988**	**1,734**
Impairment	(10)	—	(12)	—	—	(22)
Carrying amount at 1/1/2018	**1,685**	**—**	**27**	**—**	**988**	**1,712**
31/12/2018						
Not rated	—	—	—	—	—	—
Rating class 1–4	1,145	504	—	—	1,016	1,649
Rating class 5–8	71	138	—	—	128	209
Rating class 9–10	—	—	41	—	16	41
Gross carrying amount at 31/12/2018	**1,216**	**642**	**41**		**1,160**	**1,899**
Impairment	(4)	(6)	(15)	—	—	(25)
Carrying amount at 31/12/2018	**1,212**	**636**	**26**	**—**	**1,160**	**1,874**

With regard to the previous-year figures, it should be noted that IFRS 9 was applied prospectively, which means that the previous-year figures have not been restated.

The previous-year figures of receivables contained under finance leases included in the item “Loans and receivables with customers (at cost)” are shown net of allowances for losses on loans and receivables in each case (see the Note “Loans and receivables with customers (at cost)”). These break down as follows:

(€ millions)

	2017
Properly serviced loans and receivables – carrying amount	**1,630**
Carrying amount before allowances	1,636
Portfolio allowances	6
Properly serviced loans and receivables past due – carrying amount	**59**
Carrying amount before allowances	59
Portfolio allowances	—
Non-performing loans and receivables (rating classes 8, 9 and 10) – carrying amount	**21**
Carrying amount before allowances	39
Specific allowances	18

Properly serviced loans and receivables past due and associated collateral, broken down by period past due (€ millions)

	2017
Properly serviced loans and receivables past due – carrying amount	
1–30 days	57
31–60 days	2
61–90 days	—
Value of collateral	
1–30 days	12
31–60 days	1
61–90 days	—

Loans and receivables, and collateral, broken down by rating class (€ millions)

	2017
Loans and receivables	
Not rated	—
Rating class 1–4	1,480
Rating class 5–8	209
Rating class 9–10	21
Value of collateral	
Not rated	—
Rating class 1–4	853
Rating class 5–8	117
Rating class 9–10	18

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 €58 million (previous year: €57 million) being recognised as expense in the income statement.

Other Information (Continued)

Previously, the provision of hardware and software contained in the agreements regarding the outsourcing of information and communication technology processes to the UniCredit-wide service provider UniCredit Services S.C.p.A. (formerly UBIS) was classified as an operating lease relationship because a charged transfer of rights to use specific assets for an agreed period was assumed. However, a review performed as part of the project to implement the new lease standard IFRS 16 has revealed that fulfilment of the agreements does not depend on the use of specific assets and the agreements therefore do not constitute a lease relationship as defined in IAS 17 in conjunction with IFRIC 4. On the contrary, the full service agreements are purely service relationships. Over and above this, further issues were identified during the contract analysis that do not constitute a lease relationship and thus needed to be corrected. Correspondingly, the figures for the reporting year were determined on the basis of the new findings. For the same reason, €32 million was deducted from the figure for the previous year. The adjusted presentation of the lease agreements in the notes does not have any effect on the balance sheet or 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)

	2018	2017
up to 1 year	55	61[1]
from 1 year to 5 years	131	109
from 5 years and over	65	29
Total	**251**	**199**

1 The effect mentioned above concerning the classification of lease agreements ultimately leads to a €34 million reduction in the cumulative minimum lease payments anticipated for the previous year to €61 million.

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 €7 million (previous year: €9 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 €19 million (previous year: €20 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)

	2018	2017
Future minimum lease payments	187	201
– Finance charge (interest included in minimum lease payments)	(14)	(19)
= Present value of future minimum lease payments	**173**	**182**

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: (€ millions)

	FUTURE MINIMUM LEASE PAYMENT		PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
	2018	2017	2018	2017
up to 1 year	13	13	13	13
from 1 year to 5 years	55	55	50	50
from 5 years and over	119	133	110	119
Total	**187**	**201**	**173**	**182**

The aggregate future minimum lease payments arising from non-cancellable subleases that are expected to be received in the subsequent financial years amount to €26 million (previous year: €30 million).

89 Fair value hierarchy

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

This fair value hierarchy is divided into the following levels:

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

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

Financial assets or liabilities of €180 million (31 December 2017: €622 million) have been transferred between Level 1 and Level 2. At the same time, financial assets or liabilities of €2,253 million (31 December 2017: €1,679 million) were transferred between Level 2 and Level 1. Most of the transfers relate to securities, resulting from an increase or decrease in the actual trading taking place in the securities concerned and the associated change in the bid-offer spreads.

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

		TO LEVEL 1	TO LEVEL 2
Financial assets held for trading			
	Transfer from Level 1	—	76
	Transfer from Level 2	41	—
Financial assets at FVTPL			
	Transfer from Level 1	—	100
	Transfer from Level 2	1,928	—
Financial assets at FVTOCI			
	Transfer from Level 1	—	—
	Transfer from Level 2	280	—
Financial liabilities held for trading			
	Transfer from Level 1	—	4
	Transfer from Level 2	4	—
Financial liabilities at FVTPL			
	Transfer from Level 1	—	—
	Transfer from Level 2	—	—

The balance sheet items shown in the table were adjusted in accordance with the new balance sheet structure. The transfers disclosed relate to the comparison between the opening balance sheet as at 1 January 2018 and the balance sheet as at 31 December 2018.

Other Information (Continued)

1 January is considered the transfer date for instruments transferred between the levels in the reporting period (1 January 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 data on the determination of fair value is insignificant. Thus, the respective fair values also incorporate valuation parameters based on model assumptions. This includes derivatives and structured products that contain at least one "exotic" component, such as foreign currency or interest rate derivatives on illiquid currencies, derivatives without standard market terms, structured products with an illiquid underlying as the reference and ABS bonds of an asset class for which no liquid market exists.

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

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

PRODUCT TYPE	MEASUREMENT METHOD	SIGNIFICANT NON-OBSERVABLE PARAMETERS	RANGE
Fixed-income securities and other debt instruments	Market approach	Price	0%–199%
Equities	Market approach	Price	0%–100%
Asset-backed securities (ABS)	DCF method	Credit spread curves	7bps–1,190bps
		Residual value	20%–100%
		Default rate	0%–8%
		Prepayment rate	0%–30%
Commodity/equity derivatives	Option price model	Commodity price volatility/Equity volatility	1%–107%
		Correlation between commodity/equities	(98)%–98%
	DCF method	Dividend yields	0%–16.5%
Interest rate derivatives	DCF method	Swap interest rate	(40)bps–1000bps
		Inflation swap interest rate	0bps–230bps
	Option price model	Inflation volatility	1%–10%
		Interest rate volatility	1%–100%
		Correlation between interest rates	0%–100%
Credit derivatives	Hazard rate model	Credit spread curves	0%–28%
		Residual value	0%–54%
Currency derivatives	DCF method	Yield curves	(60)%–30%
	Option price model	FX volatility	1%–40%

The impact of changing possible appropriate alternative parameter values on the fair value (after adjustments) of the financial instruments classified as Level 3 is shown in the sensitivity analysis presented below. For portfolios at fair value through profit or loss, the positive change applying appropriate potential alternatives would be €91 million at 31 December 2018 (31 December 2017: €103 million), and the negative change €34 million (31 December 2017: minus €45 million).

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

(€ millions)

	2018		2017	
	POSITIVE	NEGATIVE	POSITIVE	NEGATIVE
Fixed-income securities and other debt instruments	1	(1)	1	(1)
Equities	1	(1)	—	—
Asset-backed securities	1	—	—	—
Commodity/equity derivatives	69	(17)	72	(21)
Interest rate derivatives	4	(2)	4	(1)
Credit derivatives	15	(13)	26	(22)
Currency derivatives	—	—	—	—
Total	**91**	**(34)**	**103**	**(45)**

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

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

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

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

(€ millions)

	2018	2017
Balance at 1/1	**15**	**9**
New transactions during the period	11	12
Write-downs	4	3
Expired transactions	—	—
Retroactive change in observability	4	3
Exchange rate changes	—	—
Balance at 31/12	**18**	**15**

Other Information (Continued)

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

(€ millions)

	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1)		FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2)		FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3)	
	2018	2017	2018	2017	2018	2017
Financial assets recognised						
in the balance sheet at fair value						
Financial assets held for trading	18,614	24,928	48,382	49,464	1,961	1,101
thereof: derivatives	2,244	1,709	38,759	40,993	1,260	709
Financial assets at FVTPL (FVO)	n/a	6,541	n/a	14,902	n/a	13
Financial assets at FVTPL	7,003	n/a	8,805	n/a	875	n/a
Financial assets at FVTOCI	6,994	n/a	376	n/a	0	n/a
Available-for-sale financial assets[1]	n/a	5,582	n/a	1,065	n/a	22
Hedging derivatives	—	—	276	390	—	—
Financial liabilities recognised						
in the balance sheet at fair value						
Financial liabilities held for trading	8,707	7,510	38,148	46,985	1,250	1,722
thereof: derivatives	2,234	1,987	34,050	37,292	940	745
Financial liabilities at FVTPL	—	n/a	4,949	n/a	203	n/a
Hedging derivatives	1	—	597	469	—	—

1 As at 31 December 2017, available-for-sale financial assets include financial instruments of €147 million valued at historical cost that are not included in these totals.

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)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FVTPL (FVO)	FINANCIAL ASSETS AT FVTPL	FINANCIAL ASSETS AT FVTOCI	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES
Balance at 1/1/2018	**1,101**	**n/a**	**714**	**—**	**n/a**	**—**
Additions						
Acquisitions	1,260	n/a	62	—	n/a	—
Realised gains[1]	115	n/a	58	—	n/a	—
Transfer from other levels	6	n/a	7	—	n/a	—
Other additions[2]	30	n/a	205	—	n/a	—
Reductions						
Sale	(458)	n/a	(38)	—	n/a	—
Repayment	—	n/a	—	—	n/a	—
Realised losses[1]	(14)	n/a	(24)	—	n/a	—
Transfer to other levels	(64)	n/a	(2)	—	n/a	—
Other reductions	(15)	n/a	(107)	—	n/a	—
Balance at 31/12/2018	**1,961**	**n/a**	**875**	**—**	**n/a**	**—**

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

(€ millions)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FVTPL (FVO)	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES
Balance at 1/1/2017	**1,036**	**14**	**6**	**—**
Additions				
Acquisitions	494	—	28	—
Realised gains[1]	1	—	—	—
Transfer from other levels	268	—	—	—
Other additions[2]	7	1	21	—
Reductions				
Sale	(532)	(2)	—	—
Repayment	—	—	(29)	—
Realised losses[1]	(40)	—	(1)	—
Transfer to other levels	(110)	—	—	—
Other reductions	(23)	—	(3)	—
Balance at 31/12/2017	**1,101**	**13**	**22**	**—**

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

The additions from purchases mainly arise from the acquisition of individual illiquid corporate bonds and asset-backed securities. The majority of the other transfers to and from other levels relate to securities and results from an increase or decrease in the actual trading of the securities concerned and an associated change in the bid-offer spreads.

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

	FINANCIAL LIABILITIES HELD FOR TRADING		FINANCIAL LIABILITIES AT FVTPL		HEDGING DERIVATIVES	
	2018	2017	2018	2017	2018	2017
Balance at 1/1	**1,722**	**1,331**	**—**	**n/a**	**—**	**—**
Reclassification of financial liabilities held for						
trading to financial liabilities at FVTPL	(551)	n/a	551	n/a	—	—
Balance at 1/1 (after reclassification)	**1,171**	**1,331**	**551**	**n/a**	**—**	**—**
Additions						—
Sale	700	405	—	n/a	—	—
Issues	149	457	106	n/a	—	—
Realised losses[1]	128	58	6	n/a	—	—
Transfer from other levels	16	462	1	n/a	—	—
Other additions[2]	6	1	10	n/a	—	—
Reductions						
Buy-back	(555)	(698)	(16)	n/a	—	—
Repayment	(5)	(42)	(210)	n/a	—	—
Realised gains[1]	(174)	(46)	(20)	n/a	—	—
Transfer to other levels	(159)	(198)	(218)	n/a	—	—
Other reductions	(27)	(8)	(7)	n/a	—	—
Balance at 31/12	**1,250**	**1,722**	**203**	**n/a**	**—**	**—**

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

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

Other Information (Continued)

90 Fair values of financial instruments compliant with IFRS 7

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

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

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

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

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

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

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

Investments in joint ventures and associated companies are 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.

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 as described in the Note "Fair value hierarchy" are employed for this purpose.

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

Please refer to the Note "Fair value hierarchy" for a description of the methods used to determine the fair value levels for non-listed derivatives.

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

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

(€ billions)

	CARRYING AMOUNT		FAIR VALUE	
ASSETS	2018	2017	2018	2017
Cash and cash balances	20.0	36.4	20.0	36.4
Financial assets held for trading	69.0	75.5	69.0	75.5
Financial assets at FVTPL (FVO)	n/a	21.5	n/a	21.5
Financial assets at FVTPL	16.7	n/a	16.7	n/a
Financial assets at FVTOCI	7.4	n/a	7.4	n/a
Available-for-sale financial assets	n/a		n/a	
thereof measured:				
at cost	n/a	0.1	n/a	0.1
at fair value	n/a	6.7	n/a	6.7
Held-to-maturity investments	n/a	—	n/a	—
Loans and receivables with banks (at cost)	33.6	30.3	33.8	30.5
Loans and receivables with customers (at cost)	133.7	121.2	136.7	123.5
thereof: finance leases	1.8	1.7	1.8	1.7
Hedging derivatives	0.3	0.4	0.3	0.4
Total	**280.7**	**292.1**	**283.9**	**294.6**

Other Information (Continued)

(€ billions)

ASSETS	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1) 2018	2017	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2) 2018	2017	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3) 2018	2017
Financial assets not carried at fair value						
in the balance sheet						
Cash and cash balances	—	—	20.0	36.4	—	—
Held-to-maturity investments	n/a	—	n/a	—	n/a	—
Loans and receivables with banks (at cost)	0.5	0.5	26.9	25.5	6.4	4.5
Loans and receivables with customers (at cost)	4.3	1.1	18.5	17.2	113.9	105.2
thereof: finance leases	—	—	—	—	1.8	1.7

(€ billions)

LIABILITIES	CARRYING AMOUNT 2018	2017	FAIR VALUE 2018	2017
Deposits from banks	62.9	67.4	62.8	67.2
Deposits from customers	121.0	124.3	121.2	124.5
Debt securities in issue	24.4	25.6	26.3	27.6
Financial liabilities held for trading	48.1	56.2	48.1	56.2
Financial liabilities at FVTPL	5.2	n/a	5.2	n/a
Hedging derivatives	0.6	0.5	0.6	0.5
Total	**262.2**	**274.0**	**264.2**	**276.0**

(€ billions)

LIABILITIES	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1) 2018	2017	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2) 2018	2017	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3) 2018	2017
Financial liabilities not carried at fair value						
in the balance sheet						
Deposits from banks	0.1	—	43.0	47.8	19.7	19.4
Deposits from customers	0.1	—	86.0	99.8	35.1	24.7
Debt securities in issue	5.9	5.9	5.9	5.9	14.5	15.8

The difference in HVB Group between the fair values and carrying amounts totals €3.2 billion (31 December 2017: €2.5 billion) for assets and €2.0 billion (31 December 2017: €2.0 billion) for liabilities. The balance of these amounts is €1.2 billion (31 December 2017: €0.5 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.

91 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 ARRANGE-MENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	NET AMOUNT 31/12
Derivatives[1]	58,738	(16,199)	42,539	(24,834)	(353)	(8,880)	8,472
Reverse repos[2]	26,455	(2,687)	23,768	—	(21,962)	—	1,806
Loans and receivables[3]	87,397	(3,582)	83,815	—	—	—	83,815
Total at 31/12/2018	**172,590**	**(22,468)**	**150,122**	**(24,834)**	**(22,315)**	**(8,880)**	**94,093**
Derivatives[1]	60,630	(16,829)	43,801	(25,845)	(599)	(8,269)	9,088
Reverse repos[2]	24,626	(4,866)	19,760	—	(19,532)	—	228
Loans and receivables[3]	87,805	(1,035)	86,770	—	—	—	86,770
Total at 31/12/2017	**173,061**	**(22,730)**	**150,331**	**(25,845)**	**(20,131)**	**(8,269)**	**96,086**

1 Derivatives are included in "Financial assets held for trading" and "Hedging derivatives".
2 Reverse repos are covered in the Notes "Loans and receivables with banks (at cost)" and "Loans and receivables with customers (at cost)". They are also included in "Financial assets held for trading" with an amount of €2,665 million (previous year: €4,211 million).
3 Only relates to current accounts, cash collateral or pledged credit balances and other loans and receivables (including cumulative variation margins), as covered in the Notes "Loans and receivables with banks (at cost)" and "Loans and receivables with customers (at cost)".

Financial liabilities that are netted in the balance sheet or subject to a legally enforceable master netting arrangement or similar agreement

(€ millions)

				AMOUNTS NOT RECOGNISED			
	FINANCIAL LIABILITIES (GROSS)	FINANCIAL ASSETS NETTED IN THE BALANCE SHEET (GROSS)	RECOGNISED LIABILITIES (NET)	EFFECTS OF MASTER NETTING ARRANGE-MENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	NET AMOUNT 31/12
Derivatives[1]	55,953	(18,131)	37,822	(24,834)	(492)	(8,713)	3,783
Repos[2]	27,435	(2,687)	24,748	—	(23,199)	—	1,549
Liabilities[3]	107,921	(1,650)	106,271	—	—	—	106,271
Total at 31/12/2018	**191,309**	**(22,468)**	**168,841**	**(24,834)**	**(23,691)**	**(8,713)**	**111,603**
Derivatives[1]	56,395	(15,902)	40,493	(25,845)	(503)	(8,660)	5,485
Repos[2]	29,858	(4,866)	24,992	—	(24,803)	—	189
Liabilities[3]	103,440	(1,962)	101,478	—	—	—	101,478
Total at 31/12/2017	**189,693**	**(22,730)**	**166,963**	**(25,845)**	**(25,306)**	**(8,660)**	**107,152**

1 Derivatives are included in the balance-sheet item "Financial liabilities held for trading" and "Hedging derivatives".
2 Repos are covered in the Notes "Deposits from banks" and "Deposits from customers". They are also included in financial liabilities held for trading with an amount of €1,401 million (previous year: €2,746 million).
3 Only relates to current accounts, cash collateral or pledged credit balances and other liabilities (including cumulative variation margins), as covered in the Notes "Deposits from banks" and "Deposits from customers".

Other Information (Continued)

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

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

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

92 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. 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 €49,405 million (previous year: €47,124 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.

Breakdown of financial assets by maturity bucket

(€ millions)

	2018						
	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	1,284	4,407	794	3,615	7,181	4,056	10,914
Derivatives on financial assets held for trading	42,263	—	—	—	—	—	—
Financial assets at FVTPL (FVO)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Financial assets at FVTPL	137	469	778	3,182	9,857	2,705	697
Financial assets at FVTOCI	—	1,911	4	441	3,037	2,087	26
Available-for-sale financial assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held-to-maturity investments	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Loans and receivables with banks (at cost)	10,086	3,667	10,857	7,428	4,465	6,801	855
Loans and receivables with customers (at cost)	16,140	10,445	7,320	14,862	54,578	66,386	119
thereof: finance leases	23	37	142	479	1,178	123	—
Hedging derivatives	—	404	808	3,632	3,817	1,509	—

(€ millions)

	2017						
	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	382	2,399	1,793	1,996	5,304	5,021	16,612
Derivatives on financial assets held for trading	43,411	—	—	—	—	—	—
Financial assets at FVTPL (FVO)	—	710	1,732	5,386	10,460	3,441	—
Financial assets at FVTPL	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Financial assets at FVTOCI	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Available-for-sale financial assets	66	1,189	29	885	3,507	2,255	102
Held-to-maturity investments	—	—	—	—	2	30	—
Loans and receivables with banks (at cost)	9,796	5,006	4,949	8,366	2,959	143	700
Loans and receivables with customers (at cost)	11,200	8,664	5,946	13,530	43,417	52,067	262
thereof: finance leases	24	58	163	660	1,732	283	100
Hedging derivatives	—	201	402	1,807	3,369	1,505	—

Breakdown of non-derivative and derivative financial liabilities by maturity bucket

(€ millions)

	2018						
	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	14,537	10,846	13,005	5,332	17,603	7,329	15
Deposits from customers	85,550	10,744	16,715	6,960	8,044	1,766	—
Debt securities in issue	265	3,746	1,431	2,487	13,289	19,054	32
Financial liabilities held for trading	123	2,729	2,340	465	3,110	3,469	2,778
Financial liabilities at FVTPL	—	45	28	182	1,446	703	2,813
Derivatives on financial liabilities held for trading	37,224	—	—	—	—	—	—
Hedging derivatives	—	420	840	3,782	3,029	652	—
Credit commitments and financial guarantees	75,823	—	—	—	—	—	—

Other Information (Continued)

(€ millions)

	2017						
	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	12,253	17,997	6,371	5,798	20,030	5,571	21
Deposits from customers	76,232	12,758	18,681	10,206	5,208	1,705	—
Debt securities in issue	1,055	1,798	1,498	2,846	9,627	13,135	—
Financial liabilities held for trading	132	2,375	694	1,153	4,079	4,601	3,581
Financial liabilities at FVTPL	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Derivatives on financial liabilities held for trading	40,024	—	—	—	—	—	—
Hedging derivatives	—	192	384	1,729	2,750	689	—
Credit commitments and financial guarantees	68,403	—	—	—	—	—	—

93 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. This report is produced on an annual basis at 31 December and at each quarter-end during the year and published on the Bank's website under About us > Investor Relations > Reports. The publication for the reporting date 31 December should appear soon after the publication of the Annual Report. The reports during the year should be published soon after the regulatory COREP report is submitted to the supervisory authorities responsible.

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 prepared once a year at 31 December and published on the Bank's website under About us > Investor Relations > Corporate Governance in the second quarter of the following year.

94 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 section of the Risk Report entitled "Implementation of overall bank management" for further details on the management of regulatory capital adequacy requirements and economic capital adequacy.

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 capital ratio 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 Tier 1 capital ratio calculated as the ratio of Tier 1 capital to total risk-weighted assets determined as described above must be at least 6.0%.

The eligible own funds 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 own funds based on the approved consolidated financial statements and risk-weighted assets together with the risk equivalents for market risk positions and operational risk at the reporting date:

Own funds[1] (€ millions)

	2018	2017
Tier 1 – Total core capital for solvency purposes	**16,454**	**16,639**
Shares of common stock	2,407	2,407
Additional paid-in capital, retained earnings, minority interest, own shares	16,370	15,910
Hybrid capital instruments (silent partnership certificates) without prorated interest	—	—
Other	(1,599)	(816)
Capital deductions	(724)	(862)
Tier 2 – Total supplementary capital for solvency purposes	**530**	**698**
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	356	420
Value adjustment excess for A-IRB positions	174	278
Other	—	—
Capital deductions	—	—
Total equity funds	**16,984**	**17,337**

1 Group of consolidated companies and principles of consolidation in accordance with banking supervisory regulations.

The own funds of HVB Group in accordance with Part Two CRR amounted to €16,984 million at the reporting date (previous year: €17,337 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 own funds are determined on the basis of IFRS figures determined in accordance with CRR/CRD IV using the consolidated accounting method.

Other Information (Continued)

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	17,751	—	—	17,751
Reconciliation to the equity funds compliant with the Capital Requirements Regulation				
Cumulative shares of preferred stock	—	—	—	—
Ineligible profit components	(520)	—	—	(520)
Ineligible minority interests under banking supervisory regulations	(3)	—	—	(3)
Diverging consolidation perimeters	(50)	—	—	(50)
Deduction of intangible assets	(157)	—	—	(157)
Hybrid capital recognised under banking supervisory regulations	—	—	—	—
Eligible portion of subordinated liabilities	—	—	356	356
Value adjustment excess (+) or shortfall (–) for A-IRB positions	—	—	174	174
Adjustments to CET1 due to prudential filters	(269)	—	—	(269)
Deductible deferred tax assets	(207)	—	—	(207)
Capital deductions which can alternatively be subject to a 1,250% risk weight	(3)	—	—	(3)
Transitional adjustments	—	—	—	—
Other effects	(88)	—	—	(88)
Equity funds compliant with the Capital Requirements Regulation (CRR)	**16,454**	**—**	**530**	**16,984**

(€ millions)

	2018 BASEL III	2017 BASEL III
Risk-weighted assets from		
on-balance-sheet counterparty risk positions	44,785	41,151
off-balance-sheet counterparty risk positions	13,294	12,135
other counterparty risk positions[1]	1,287	695
derivative counterparty risk positions	4,237	4,939
other risk exposure amounts[2]	529	n/a
Total credit risk-weighted assets	**64,132**	**58,920**
Risk-weighted asset equivalent for market risk positions	**9,214**	**11,068**
Risk-weighted asset equivalent for operational risk	**9,246**	**8,723**
Total risk-weighted assets	**82,592**	**78,711**

1 Primarily including repos and securities lending transactions.
2 Upon the introduction of the "Defaulted Assets Model", a lower RWA limit was imposed on UCB AG for default losses in the retail/corporate portfolio. If the calculated risk-weighted assets are below the lower RWA limit for the default losses in the retail/corporate portfolio, the difference is shown in this item.

At the respective reporting dates, the key capital ratios (based on the approved consolidated financial statements) were as follows: (in %)

	2018 BASEL III	2017 BASEL III
Tier 1 capital ratio		
[Tier 1 capital/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	19.9	21.1
CET1 capital ratio		
[Common Equity Tier 1 capital/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	19.9	21.1
Total capital ratio		
[own funds/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	20.6	22.0

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

(€ millions)

	2018		2017	
	CARRYING AMOUNT	OF WHICH: TRANSFERRED AS COLLATERAL	CARRYING AMOUNT	OF WHICH: TRANSFERRED AS COLLATERAL
Financial assets held for trading	68,957	2,114	n/a	n/a
Financial assets at FVTPL	16,683	760	n/a	n/a
Financial assets at FVTOCI	7,370	1,931	n/a	n/a
Loans and receivables with banks (at cost)	33,648	1,132	n/a	n/a
Loans and receivables with customers (at cost)	133,706	50	n/a	n/a
Total	**260,364**	**5,987**	**n/a**	**n/a**

The table contains the disclosure required for the first time under IFRS 9 of assets per balance sheet item that have been transferred to third parties but are not required to be derecognised. The previous-year figures are therefore not disclosed.

96 Contingent liabilities and other commitments

(€ millions)

	2018	2017
Contingent liabilities[1]	26,204	21,099
Guarantees and indemnities	26,204	21,099
Other commitments	49,438	47,161
Irrevocable credit commitments	49,405	47,124
Other commitments[2]	33	37
Total	**75,642**	**68,260**

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

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 other 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.

Other Information (Continued)

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.

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 €11,421 million (previous year: €10,293 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 some of the annual contribution to the bank restructuring fund in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 12 of the German Bank Restructuring Fund Act (Restrukturierungsfondsgesetz – RStruktFG). The cash collateral provided in this regard amounted to €64 million at the reporting date (previous year: €48 million).

HVB has made use of the option to provide up to 30% of the annual contribution to the deposit guarantee scheme of German banks (Entschädigungseinrichtung deutscher Banken) in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 19 of the German Regulation on Financing the Deposit Guarantee Scheme (Entschädigungseinrichtungs-Finanzierungsverordnung – EntschFinV). The financial security provided in this regard amounted to €22 million at the reporting date (cumulative amount in the previous year: €15 million).

Legal risks can give rise to losses for HVB, 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 civil-law proceedings 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. HVB assumes 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 €63 million at year-end 2018 after €112 million at year-end 2017.

As part of real estate financing and development operations, we have assumed rental obligations and pre-emptive 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 €29 million at the reporting date (previous year: €33 million), and similar obligations for shares in cooperatives totalled €1 thousand (previous year: €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 57 partnerships (previous year: 76).

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.

UniCredit Bank AG assumes liability as a member of the deposit guarantee funds in Germany within the scope of the valid provisions.

Contingent liabilities payable to related parties (€ millions)

	2018	2017
Non-consolidated affiliated companies	1,526	1,229
of which:		
UniCredit S.p.A.	745	486
Sister companies	781	743
Subsidiaries	—	—
Joint ventures	46	23
Associated companies	—	—
Other participating interests	132	126
Total	**1,704**	**1,378**

97 Statement of Responsibility

HVB ensures that, to the extent of its shareholding, the company set forth below is in a position to meet its contractual obligations except in the event of political risks:

Financial companies
UniCredit Leasing GmbH, Hamburg

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 company that did not arise until after HVB's shareholding decreased. Where HVB is no longer a shareholder in the 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 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 covered by such Statements of Responsibility that were provided before the reduction or cessation of the shareholding in each case.

Other Information (Continued)

98 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.

	2018	2017
Number of unconsolidated ABS vehicles (investor positions only)	244	292

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.

	2018	2017
Number of unconsolidated repackaging vehicles	2	2
Aggregate total assets of unconsolidated repackaging vehicles (€ millions)	22	22
Nominal value of the securities issued by unconsolidated repackaging vehicles (€ millions)	22	22

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.

	2018	2017
Number of unconsolidated funding vehicles for customers	33	37
Aggregate total assets of unconsolidated funding vehicles for customers (€ millions)	5,922	6,322
Nominal value of the securities issued by unconsolidated funding vehicles		
for customers (€ millions)	5,922	6,322

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 portfolio at FVTPL. 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. The number and aggregated net asset value of investment funds show funds to which HVB Group has an exposure. Regarding the statement of the number of unconsolidated investment funds classified as structured entities, we have separately reported every special purpose entity to which HVB Group has an exposure.

	2018	2017
Number of unconsolidated investment funds classified as structured entities	733	1,214
thereof: managed by HVB Group	45	26
Aggregate net asset value (including minority interests) of the investment funds classified as structured entities (€ millions)	556,171	846,200
thereof: managed by HVB Group	1,765	1,030

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 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.

	2018	2017
Number of other structured entities	20	26
Aggregate total assets (€ millions)	1,829	2,176

Other Information (Continued)

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)

	2018				
	ABS VEHICLES (INVESTOR POSITIONS)	REPACKAGING VEHICLES	FUNDING VEHICLES FOR CUSTOMERS	SOME INVESTMENT FUNDS	OTHER STRUCTURED ENTITIES
Assets	**7,193**	**2**	**5,915**	**3,300**	**21**
Financial assets held for trading	707	2	—	2,035	—
Financial assets at fair value through profit or loss (FVO)	n/a	n/a	n/a	n/a	n/a
Financial assets at FVTPL	33	—	—	32	2
Financial assets at FVTOCI	—	—	—	—	—
Available-for-sale financial instruments	n/a	n/a	n/a	n/a	n/a
Held-to-maturity investments	n/a	n/a	n/a	n/a	n/a
Loans and receivables with banks (at cost)	—	—	—	—	—
Loans and receivables with customers (at cost)	6,453	—	5,915	1,233	19
Hedging derivatives	—	—	—	—	—
Others assets	—	—	—	—	—
Liabilities	**12**	**—**	**39**	**2,202**	**66**
Deposits from banks	—	—	—	—	—
Deposits from customers	—	—	38	1,958	51
Debt securities in issue	—	—	—	2	—
Financial liabilities held for trading	12	—	—	242	—
Financial liabilities at FVTPL	—	—	—	—	—
Hedging derivatives	—	—	—	—	—
Other liabilities	—	—	—	—	—
Provisions	—	—	1	—	15
Off-balance-sheet positions	**38**	**—**	**1,153**	**128**	**16**
Irrevocable credit commitments and other commitments	38	—	1,153	121	8
Guarantees	—	—	—	7	8
Maximum exposure to loss	**7,231**	**2**	**7,068**	**3,428**	**37**

(€ millions)

	2017				
	ABS VEHICLES (INVESTOR POSITIONS)	REPACKAGING VEHICLES	FUNDING VEHICLES FOR CUSTOMERS	SOME INVESTMENT FUNDS	OTHER STRUCTURED ENTITIES
Assets	**7,047**	**2**	**6,183**	**3,961**	**203**
Financial assets held for trading	457	2	—	2,794	10
Financial assets at fair value through profit or loss (FVO)	12	—	—	—	—
Financial assets at FVTPL	n/a	n/a	n/a	n/a	n/a
Financial assets at FVTOCI	n/a	n/a	n/a	n/a	n/a
Available-for-sale financial instruments	6	—	41	85	—
Held-to-maturity investments	23	—	—	—	—
Loans and receivables with banks (at cost)	—	—	—	—	—
Loans and receivables with customers (at cost)	6,549	—	6,142	1,082	193
Hedging derivatives	—	—	—	—	—
Others assets	—	—	—	—	—
Liabilities	**9**	**—**	**41**	**2,992**	**72**
Deposits from banks	—	—	—	—	—
Deposits from customers	—	—	40	2,497	54
Debt securities in issue	—	—	—	6	—
Financial liabilities held for trading	9	—	—	489	—
Financial liabilities at FVTPL	n/a	n/a	n/a	n/a	n/a
Hedging derivatives	—	—	—	—	—
Other liabilities	—	—	—	—	—
Provisions	—	—	1	—	18
Off-balance-sheet positions	**38**	**—**	**1,311**	**93**	**100**
Irrevocable credit commitments and other commitments	38	—	1,311	86	54
Guarantees	—	—	—	7	46
Maximum exposure to loss	**7,085**	**2**	**7,494**	**4,054**	**303**

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 €11 million (previous year: €10 million) from charges and management fees was generated during the reporting period on investment funds managed by the Bank, of which €7 million (previous year: €5 million) was passed on to third parties in trailer fees.

Other Information (Continued)

Consolidated structured entities
The biggest consolidated structured entity is the multi-seller conduit programme Arabella. Securities with a nominal value of €4,312 million (previous year: €5,664 million) were outstanding at 31 December 2018. The total assets of the multi-seller conduit Arabella Finance DAC at the reporting date amounted to €4,317 million (previous year: €5,670 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 DAC 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 DAC with a nominal value of €1,698 million (previous year: €3,175 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 DAC 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.

99 Trust business

(€ millions)

	2018	2017
Trust assets	**4,416**	**2,788**
Loans and receivables with banks	—	—
Loans and receivables with customers	4	137
Equity securities and other variable-yield securities	—	—
Debt securities and other fixed-income securities	—	—
Participating interests	—	—
Property, plant and equipment	—	—
Other assets	—	—
Fund shares held in trust	4,412	2,650
Remaining trust assets	—	1
Trust liabilities	**4,416**	**2,788**
Deposits from banks	4	137
Deposits from customers	4,412	2,650
Debt certificates including bonds	—	—
Other liabilities	—	1

100 Transfer of financial assets

Transferred financial assets are derecognised in accordance with the derecognition criteria set forth in IFRS 9 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 IFRS 9, 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. Upon 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, Rosenkavalier 2015 and Geldilux 2015 (see the Note "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 "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 (Continued)

101 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 €37.3 billion (previous year: €41.6 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)

	2018	2017
Financial assets held for trading	10,300	17,832
Financial assets at FVTPL (FVO)	n/a	7,818
Financial assets at FVTPL	6,241	n/a
Financial assets at FVTOCI	4,936	n/a
Available-for-sale financial assets	n/a	3,000
Held-to-maturity investments	n/a	—
Loans and receivables with banks (at cost)	977	—
Loans and receivables with customers (at cost)	10,971	11,154
Property, plant and equipment	—	—
Non-recognised received securities pledged on:		
Pledged securities from non-capitalised securities lending transactions	9,266	9,167
Received collateral pledged	15,127	13,084
Total	**57,818**	**62,055**

The collateral pledged from "Loans and receivables with customers (at cost)" 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)

	2018	2017
Deposits from banks	38,416	36,025
Deposits from customers	6,337	8,880
Debt securities in issue	—	—
Financial liabilities held for trading	5,039	9,242
Financial liabilities at FVTPL	—	n/a
Contingent liabilities	—	—
Obligations to return non-expensed, borrowed securities	8,026	7,908
Total	**57,818**	**62,055**

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 security-taker.

(€ millions)

	2018	2017
Aggregate carrying amount of assets pledged as security	57,818	62,055
of which: may be pledged/sold on	33,694	32,325

102 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 at customary market terms without the security provider having to be in arrears. The fair value of this security is €27.6 billion (previous year: €27.2 billion).

HVB Group has actually pledged or sold on €15.1 billion (previous year: €13.1 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.

103 Information on relationships with related parties

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

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

Like other affiliated companies, HVB has outsourced IT activities to UniCredit Services S.C.p.A., Milan, a company that is affiliated with the Bank. The goal is to exploit synergies and enable the Bank to offer fast, high-quality IT services by means of a service level agreement. HVB incurred expenses of €546 million for these services in the reporting year (previous-year period: €532 million). This was offset by income of €32 million (previous-year period: €23 million) from services rendered and internal charges. Moreover, software products worth €1 million (previous-year period: €1 million) were purchased from UniCredit Services S.C.p.A.

Furthermore, HVB has transferred certain back office activities to UniCredit Services S.C.p.A. In this context, UniCredit Services S.C.p.A. provides settlement services for HVB and other affiliated companies in line with a standard business and operating model. HVB incurred expenses of €114 million for these services in the reporting year (previous-year period: €116 million).

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.

Emoluments paid to members of the Management Board and Supervisory Board (€ thousands)

	2018						
	SHORT-TERM COMPONENTS		LONG-TERM INCENTIVES				
	FIXED SALARY	SHORT-TERM PERFORMANCE-RELATED CASH REMUNERATION	LONG-TERM PERFORMANCE-RELATED CASH REMUNERATION	SHARE-BASED REMUNERATION	POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	TOTAL
Members of the Management Board of UniCredit Bank AG	4,377	267	85	318	1.071	—	6,118
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	787	—	—	—	—	—	787
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	468	37	—	—	41	—	546
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	723	404	219	2,165	8.740	—	12,251

Other Information (Continued)

(€ thousands)

	2017						
	SHORT-TERM COMPONENTS		LONG-TERM INCENTIVES				
	FIXED SALARY	SHORT-TERM PERFORMANCE-RELATED CASH REMUNERATION	LONG-TERM PERFORMANCE-RELATED CASH REMUNERATION	SHARE-BASED REMUNERATION	POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	TOTAL
Members of the Management Board of UniCredit Bank AG	4,802	506	1,342	1,164	1,479	—	9,293
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	790	—	—	—	—	—	790
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	386	31	—	—	30	—	447
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	159	58	342	383	1,347	—	2,289

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.

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 2018. The Bank will provide/has provided 35% of the fixed salary contributions (reporting period: €978 thousand, previous-year period: €1,237 thousand).

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 €3 thousand were recognised in the reporting year (previous-year period: €24 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 €137,561 thousand (previous-year period: €140,119 thousand).

The compensation paid to retired members of the Management Board and their surviving dependants amounted to €8,740 thousand in the reporting period after the transfer of a large part of the pension commitments to HVB Trust Pensionsfonds AG (previous-year period: €1,347 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	2018	2017
Number of shares granted	1,445	248,064
Number of shares committed after capital measures in 2017	—	49,495
Fair value per share on grant date (€)	17.088	14.030

For details of share-based compensation, please refer to the disclosures in the Note "Operating costs", 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: (€ thousands)

	2018			2017		
	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES
Members of the Management Board of UniCredit Bank AG	2,235	10	3,166	2,401	10	8,156
Members of the Supervisory Board of UniCredit Bank AG	—	—	4,804	299	—	4,296
Members of the Executive Management Committee[1]	—	—	8,374	—	—	—

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

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

Mortgage loans were granted to members of the Management Board and their immediate family members with interest rates of between 0.491% and 4.14% falling due in the period from 2019 to 2037. An overdraft facility at an interest rate of 10.63% was granted to a member of the Supervisory Board.

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

104 Fees paid to the independent auditors

The following table shows the breakdown of fees (excluding value-added tax) recorded as expense in the reporting period, as paid to the independent auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft, for activities performed for HVB Group: (€ millions)

	2018	2017
Fee for	**12**	**11**
Auditing of the financial statements	10	8
Other auditing services	2	3
Tax consulting services	—	—
Other services	—	—

Other Information (Continued)

105 Employees

Average number of people employed by us

	2018	2017
Employees (excluding trainees)	13,652	15,265
Full-time	9,213	10,774
Part-time	4,439	4,491
Trainees	328	352

The staff's length of service was as follows:

(in %)

	WOMEN	MEN	2018	2017
	(EXCLUDING TRAINEES)		TOTAL	TOTAL
Staff's length of service				
31 years or more	15.5	14.9	15.2	14.2
from 21 years to less than 31 years	35.5	25.1	30.6	31.0
from 11 years to less than 21 years	27.1	26.4	26.8	26.5
less than 11 years	21.9	33.6	27.4	28.3

106 Offices

Offices, broken down by region

		ADDITIONS	REDUCTIONS			
	1/1/2018	NEW OPENINGS	CLOSURES	CONSOLIDATIONS	CHANGE IN CONSOLIDATED GROUP	31/12/2018
Germany						
Baden-Wuerttemberg	15	—	—	—	—	15
Bavaria	322	1	1	1	(34)	287
Berlin	9	—	—	1	—	8
Brandenburg	7	—	—	—	—	7
Bremen	4	—	—	—	—	4
Hamburg	16	—	—	—	—	16
Hesse	11	—	—	—	—	11
Lower Saxony	17	—	1	—	(4)	12
Mecklenburg-Western Pomerania	4	—	—	—	—	4
North Rhine-Westphalia	8	—	—	—	—	8
Rhineland-Palatinate	14	—	—	—	—	14
Saarland	4	—	—	—	—	4
Saxony	8	—	—	—	—	8
Saxony-Anhalt	9	—	—	—	—	9
Schleswig-Holstein	35	—	—	—	—	35
Thuringia	5	—	—	—	—	5
Subtotal	**488**	**1**	**2**	**2**	**(38)**	**447**
Other regions						
Africa	1	—	—	—	—	1
Americas	11	—	—	—	(2)	9
Asia	7	—	—	—	(1)	6
Europe	46	1	—	—	(7)	40
Subtotal	**65**	**1**	**—**	**—**	**(10)**	**56**
Total	**553**	**2**	**2**	**2**	**(48)**	**503**

Other Information (Continued)

107 List of holdings

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. The list also includes selected holdings pursuant to Section 271 (1) HGB 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						
UniCredit Leasing Finance GmbH	Hamburg	100.0	100.0	EUR	160,013	[2]
1.1.1.2 Other consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs						
GmbH & Co. Oberbaum City KG[3]	Grünwald	100.0	100.0	EUR	35	4,327
Acis Immobilien- und Projektentwicklungs						
GmbH & Co. Parkkolonnaden KG[3]	Grünwald	100.0	100.0	EUR	34	(12)
Acis Immobilien- und Projektentwicklungs						
GmbH & Co. Stuttgart Kronprinzstraße KG[3]	Grünwald	100.0	100.0	EUR	42	318
AGROB Immobilien AG (share of voting rights: 75.0%)[4,7]	Ismaning	52.7	52.7	EUR	26,720	2,399
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	793	[2]
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0	EUR	(36,362)	950
A&T-Projektentwicklungs GmbH & Co.						
Potsdamer Platz Berlin KG[3]	Munich	100.0	100.0	EUR	(37,240)	0
Bertram Projekt Unodecima Technikzentrum GmbH & Co. KG	Munich	94.0	94.0	EUR	(2,178)	114
BIL Leasing-Fonds GmbH & Co VELUM KG						
(share of voting rights: 66.7%, of which 33.3% held indirectly)	Grünwald	100.0		EUR	(2)	0
BIL Leasing-Fonds Verwaltungs-GmbH	Grünwald	100.0	100.0	EUR	2,243	1,731
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
Food & more GmbH[3]	Munich	100.0		EUR	235	[1.1]
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	1,341
HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung[3]	Munich	100.0	100.0	EUR	276	779
HAWA Grundstücks GmbH & Co. oHG Immobilienverwaltung[3]	Munich	100.0	100.0	EUR	54	455
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	[2]
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG						
(Immobilienleasing)[3]	Munich	99.4	99.4	EUR	22,519	2,763
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0	EUR	2	(34)
HJS 12 Beteiligungsgesellschaft mbH[3]	Munich	100.0		EUR	278	[1.2]
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	[1.3]
HVB Funding Trust II	Wilmington	100.0		GBP	2	0
HVB Gesellschaft für Gebäude mbH & Co. KG[3]	Munich	100.0		EUR	871,401	63,567
HVB Hong Kong Limited	Hong Kong	100.0		USD	2,273	(2,329)
HVB Immobilien AG[3]	Munich	100.0		EUR	86,644	[1.4]
HVB Projekt GmbH[3]	Munich	100.0	94.0	EUR	72,151	[2]

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
HVB Secur GmbH[3]	Munich	100.0		EUR	126	[1,5]
HVB Tecta GmbH[3]	Munich	100.0	94.0	EUR	1,751	[2]
HVB Verwa 4 GmbH[3]	Munich	100.0		EUR	10,132	[1,6]
HVB Verwa 4.4 GmbH[3]	Munich	100.0	100.0	EUR	10,025	[2]
HVZ GmbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	148,091	(29,022)
Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße[3]	Munich	100.0	100.0	EUR	26	(3,706)
Interra Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	51	[2]
Life Management Erste GmbH	Munich	100.0	100.0	EUR	24	[2]
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung[3]	Munich	100.0		EUR	16,692	[1,7]
NF Objekt FFM GmbH[3]	Munich	100.0	100.0	EUR	125	[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	9	44
Ocean Breeze Energy GmbH & Co. KG[3]	Bremen	100.0	100.0	EUR	(12,480)	28,092
Ocean Breeze GmbH	Bremen	100.0	100.0	EUR	30	26
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG[3]	Munich	100.0	94.0	EUR	26	(92)
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG[3]	Munich	100.0	100.0	EUR	3,233	(781)
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	37	25
Portia Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	500,014	36,120
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	60	13
Salvatorplatz-Grundstücksgesellschaft mbH & Co. oHG Saarland[3]	Munich	100.0	100.0	EUR	1,534	874
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum[3]	Munich	100.0	100.0	EUR	2,301	13,306
Selfoss Beteiligungsgesellschaft mbH[3]	Grünwald	100.0	100.0	EUR	25	[2]
Simon Verwaltungs-Aktiengesellschaft i.L.	Munich	<100.0		EUR	2,994	(27)
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	(30,973)	950
Spree Galerie Hotelbetriebsgesellschaft mbH[3]	Munich	100.0	100.0	EUR	249	[2]
Structured Invest Société Anonyme	Luxembourg	100.0		EUR	7,283	221
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(7,273)	(9)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,496)	(2)
TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs-KG[3]	Munich	75.0	75.0	EUR	(268,579)	0
TIVOLI Grundstücks-Aktiengesellschaft	Munich	99.7	99.7	EUR	12,959	5,443
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	11,174	848
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	23,637	36
UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,175	[1,8]
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	136,233	9,200
UniCredit Direct Services GmbH[3]	Munich	100.0		EUR	933	[1,9]

Other Information (Continued)

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
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	27,489	796
UniCredit Leasing GmbH[7]	Hamburg	100.0		EUR	452,026	[1.10]
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	115,645	213
Vermietungsgesellschaft mbH & Co. Objekt MOC KG[3]	Munich	89.3	89.3	EUR	(96,693)	1,821
Verwaltungsgesellschaft Katharinenhof mbH[3]	Munich	100.0		EUR	708	[1.11]
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	[2]
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,539	[1.12]
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	564	(6)
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	(6,663)	(7,133)
WealthCap Equity Management GmbH	Munich	100.0	100.0	EUR	1,394	1,369
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	2,243	1,731
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0	EUR	(156)	215
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0	EUR	1,159	1,015
WealthCap Immobilienfonds Deutschland 36 Komplementär GmbH	Grünwald	100.0	100.0	EUR	(285)	25
WealthCap Immobilienfonds Deutschland 38 Komplementär GmbH	Grünwald	100.0	100.0	EUR	(77)	(35)
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	3,736	2,158
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	[2]
WealthCap Investments, Inc.	Wilmington	100.0	100.0	USD	1,864	15
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	[2]
WealthCap Kapitalverwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	10,000	[2]
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	(91)	54
WealthCap Los Gatos 131 Albright Way L.P.	Wilmington	100.0	100.0	USD	2,918	4,584
WealthCap Management Services GmbH	Grünwald	100.0	100.0	EUR	7,254	6,032
WealthCap Objekt-Vorrat 20 GmbH & Co. KG	Munich	100.0	100.0	EUR	353	9,243
WealthCap Objekt-Vorrat 21 GmbH & Co. KG	Munich	100.0	100.0	EUR	(143)	(73)
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	28	(29)
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	2,882	1,627
WealthCap Portland Park Square, L.P.	Wilmington	100.0	100.0	USD	(940)	(187)
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	[2]
WealthCap Vorrats-2 GmbH	Grünwald	100.0	100.0	EUR	26	0
1.1.2 Non-consolidated subsidiaries[5]						
Acis Immobilien- und Projektentwicklungs GmbH	Grünwald	100.0	100.0	EUR	25	[2]
AGRUND Grundstücks-GmbH	Munich	90.0	90.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH i.L.	Ebersberg	98.8	98.8			
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0	EUR	(16,872)	0
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.9			
Apir Verwaltungsgesellschaft mbH & Co. Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(33,657)	0
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(40,601)	975
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0			
Aufbau Dresden GmbH	Munich	100.0	100.0	EUR	(23,944)	0
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	(254)	531
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0			
BIL Immobilien Fonds GmbH	Munich	100.0	100.0			
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0			
BV Grundstücksentwicklungs-GmbH	Munich	100.0	100.0	EUR	511	[2]
CUMTERRA Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]

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
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5			
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5			
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5			
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	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
Großkugel Immobilien- und Projektentwicklungs 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. 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	(49,339)	11
HVB Export Leasing GmbH	Munich	100.0				
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0				
HVB Investments (UK) Limited	George Town	100.0				
HVB London Investments (AVON) Limited	London	100.0				
HVB Services South Africa (Proprietary) Limited	Johannesburg	100.0				
HVBFF International Greece GmbH	Munich	100.0	100.0			
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0			
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			
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0			
HVBFF Produktionshalle GmbH i.L.	Munich	100.0	100.0			
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	2
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co.						
Immobilien-Vermietungs KG	Munich	80.0	80.0			
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			

Other Information (Continued)

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
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	26	[2]
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			
Movie Market Beteiligungs GmbH i. L.	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]
"Portia" Grundstücksverwaltungs-						
Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0			
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0	EUR	(5,690)	0
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Redstone Mortgages Limited	London	100.0		GBP	973	26,659
RHOTERRA Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.9	EUR	26	[2]
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(36,170)	950
Salvatorplatz-Grundstücksgesellschaft						
mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	[2]
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co.						
Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,002)	0
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(15,006)	(2)
Tishman Speyer Berlin Friedrichstraße KG i.L.						
(share of voting rights: 96.6%, of which 7.1% held indirectly)	Munich	97.1	5.9			
Trinitrade Vermögensverwaltungs-						
Gesellschaft mit beschränkter Haftung	Munich	100.0				
UniCredit CAIB Securities UK Ltd.	London	100.0				
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(21,097)	950
VereinWest Overseas Finance (Jersey) Limited	St. Helier	100.0				
WealthCap Aircraft 27 GmbH & Co. KG	Grünwald	100.0	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 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 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Immobilien Deutschland 42 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 36 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds						
Deutschland 37 Komplementär GmbH	Grünwald	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 Services GmbH	Munich	100.0	100.0			
WealthCap Immobilien und Verwaltung Sekundär GmbH	Munich	100.0	100.0			
WealthCap Immobilien 40 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien 41 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Immobilien 42 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			

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WealthCap Los Gatos 131 Albright Way GP, Inc.	Wilmington	100.0	100.0	USD	(3,161)	(1,123)
WealthCap Management, Inc.	Wilmington	100.0	100.0			
WealthCap Mountain View GP, Inc.	Georgia	100.0	100.0			
Wealthcap Objekt Dresden GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt Nürnberg GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 13 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 17 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 21 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Objekt-Vorrat 24 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 25 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 25 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Objekt-Vorrat 26 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 26 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Portfolio 3 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 4 GmbH & Co. KG	Grünwald	100.0	100.0			
Wealthcap Portfolio 4 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 5 GmbH & Co. KG	Grünwald	100.0	100.0			
Wealthcap Portfolio 5 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Portland Park Square GP Inc.	Atlanta	100.0	100.0	USD	(1,456)	(1,464)
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 Private Equity 21 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 22 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 4 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial 5 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Büro 6 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
Wealthcap Spezial Büro 6 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Spezial Portfolio Immobilien 1 Komplementär SARL	Luxembourg-Findel	100.0	100.0			
Wealthcap Spezial Portfolio Private Equity 1 Komplementär SARL	Luxembourg-Findel	100.0	100.0			
Wealthcap Spezial Wohnen 1 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0			
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Vorrats-1 GmbH	Grünwald	100.0	100.0			
Wealthcap Wohnen Spezial-AIF 1 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Wohnen 1 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Wohnen 1a GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Wohnen 1b GmbH & Co. KG	Munich	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			
WealthCap ZweitmarktWerte 5 GP S.à r.l.	Senningerberg	100.0	100.0			
WealthCap 39 Komplementär GmbH	Grünwald	100.0	100.0			
Weicker S.à r.l.	Luxembourg-Findel	100.0				

Other Information (Continued)

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 DAC	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
Elektra Purchase No. 28 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 31 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 32 S.A.	Luxembourg	0	EUR	31
Elektra Purchase No. 32 S.A. – Compartment 2	Luxembourg	0	EUR	<1
Elektra Purchase No. 33 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 34 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 36 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 37 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 38 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 39 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 41 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 43 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 44 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 46 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 48 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 54 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 55 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 56 DAC	Dublin	0	EUR	< 1
Elektra Purchase No. 57 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 63 DAC	Dublin	0	EUR	< 1
Elektra Purchase No. 718 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 911 Ltd.	St. Helier	0	EUR	<1
European-Office-Fonds	Munich	0	EUR	0
GELDILUX-TS-2015 S.A.	Luxembourg	0	EUR	31
GEMMA Verwaltungsgesellschaft mbH & Co.				
Vermietungs KG (held indirectly)	Pullach	6.1	EUR	68,272
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
Ocean Breeze Finance S.A. – Compartment 1	Luxembourg	0	EUR	0
Rosenkavalier 2008 GmbH	Frankfurt am Main	0	EUR	25
Rosenkavalier 2015 UG	Frankfurt am Main	0	EUR	8

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[5]						
Heizkraftwerk Cottbus Verwaltungs GmbH i.L.	Cottbus	33.3		EUR	354	245
Heizkraftwerke-Pool Verwaltungs-GmbH	Munich	33.3		EUR	119	863
WealthCap Portfolio Finanzierungs-						
GmbH & Co. KG (share of voting rights: 50.0%)	Grünwald	—		EUR	71,686	2,233
3 Associated companies						
3.1 Associated companies valued at equity						
Adler Funding LLC[4]	Dover	32.8		USD	(16,128)	(29,160)
Comtrade Group B.V.[4,7]	Rotterdam	21.1	21.1	EUR	53,673	6,613
Nautilus Tankers Limited[4]	Valletta	45.0	45.0	USD	36,333	4,390
paydirekt Beteiligungsgesellschaft privater Banken mbH	Berlin	24.0		EUR	598	(5,517)
SwanCap Partners GmbH (share of voting rights: 49.0%)[4]	Munich	75.3		EUR	7,147	2,727
3.2 Minor associated companies[5]						
MOC Verwaltungs GmbH	Munich	23.0	23.0			
4 Further Holdings according to						
Section 271 (1) HGB[5]						
4.1 Banks and financial institutions						
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt am Main	15.4		EUR	238,732	11,080
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3		EUR	11,526	278
BGG Bayerische Garantiegesellschaft mbH						
für mittelständische Beteiligungen	Munich	10.5		EUR	51,389	2,653
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8		EUR	29,088	1,486
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1		EUR	16,562	212
Bürgschaftsbank Nordrhein-Westfalen GmbH –						
Kreditgarantiegemeinschaft –	Düsseldorf	0.6		EUR	35,440	1,282
Bürgschaftsbank Rheinland-Pfalz GmbH	Mainz	1.4		EUR	16,605	79
Bürgschaftsbank Saarland Gesellschaft mit beschränkter						
Haftung, Kreditgarantiegemeinschaft für den Handel,						
Handwerk und Gewerbe	Saarbrücken	1.3		EUR	4,313	19
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9		EUR	15,612	454
Bürgschaftsbank Sachsen GmbH (share voting rights: 5.4%)	Dresden	4.7		EUR	42,015	1,645
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4		EUR	40,182	971
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7		EUR	25,946	642
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5		EUR	25,243	744
MCB Bank Limited	Lahore	>0.0		PKR	136,493,057	14,648,799
Niedersächsische Bürgschaftsbank GmbH	Hanover	3.0		EUR	26,397	1,934
Saarländische Investitionskreditbank AG	Saarbrücken	3.3		EUR	65,474	1,009
4.2 Other companies						
Acton GmbH & Co. Heureka II KG	Munich	8.9		EUR	72,257	(1,016)
Amstar Liquidating Trust						
(share voting rights: 0.0%)	New York	>0.0	>0.0			
Babcock & Brown Limited	Sydney	3.2				
Bavaria Servicos de Representacao Comercial Ltda.	Sao Paulo	>0.0	>0.0	BRL	6,500	868
BayBG Bayerische Beteiligungsgesellschaft mbH[8]	Munich	22.5		EUR	232,843	6,129
Bayerischer BankenFonds GbR[8]	Munich	25.6				
BGN GmbH & Co. KG	Wiesbaden	6.0	6.0			

Other Information (Continued)

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BIL Leasing-Fonds GmbH & Co. Altstadtsanierung Freiberg KG						
(share voting rights: 0.3%)	Grünwald	—	—	EUR	459	886
BIL Leasing-Fonds GmbH & Co HONOR KG i.L.						
(share voting rights: 0.1%)	Grünwald	—	—			
Bil Leasing-Fonds GmbH & Co Objekt Verwaltungssitz						
Bankenverband KG (share voting rights: 0.2%)	Grünwald	—	—	EUR	824	1,184
BIL Leasing GmbH & Co Objekte Freiberg KG	Grünwald	6.0	6.0			
BIL Leasing GmbH & Co Objekt Verwaltungsgebäude Halle KG						
(share voting rights: 0.1%)	Grünwald	—	—			
BioM Aktiengesellschaft Munich Bio Tech Development	Planegg	8.5		EUR	2,158	88
Blue Capital Equity I GmbH & Co. KG i.L.	Munich	>0.0	>0.0	EUR	903	(428)
Blue Capital Equity II GmbH & Co. KG i.L.	Munich	>0.0	>0.0	EUR	1,652	(160)
Blue Capital Equity III GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.8	0.8	EUR	5,686	(38)
Blue Capital Equity IV GmbH & Co. KG	Munich	>0.0	>0.0	EUR	9,438	612
Blue Capital Equity IX GmbH & Co. KG						
(share voting rights: 0.6%)	Munich	0.7	0.7	EUR	4,258	605
Blue Capital Equity V GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.1	0.1	USD	894	(176)
Blue Capital Equity VI GmbH & Co. KG	Munich	>0.0	>0.0	USD	19,225	(459)
Blue Capital Equity VII GmbH & Co. KG	Munich	>0.0	>0.0	USD	9,211	307
Blue Capital Equity VIII GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	0.7	0.7	EUR	9,464	826
Blue Capital Europa Immobilien GmbH & Co.						
Fünfte Objekte Österreich KG	Munich	0.1	0.1	EUR	15,005	952
Blue Capital Europa Immobilien GmbH & Co.						
Siebte Objekte Österreich KG	Munich	0.1	0.1	EUR	22,819	137
Blue Capital Metro Amerika Fund, L.P.	Wilmington	0.1	0.1	USD	163,290	5,792
Blue Capital Metropolitan Amerika GmbH & Co. KG	Munich	0.1	0.1	USD	120,035	7,380
Boston Capital Partners V, L.L.C.	Wilmington	10.0	10.0			
Boston Capital Ventures V, L.P. (share voting rights: 0.0%)	Wilmington	20.0		USD	12,818	(383)
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6		EUR	4,322	163
BV Capital GmbH & Co. Beteiligungs KG Nr. 1	Hamburg	16.8	16.8	EUR	2,094	237
Carlyle Partners V, L.P. (share voting rights: 0.0%)	Wilmington	>0.0	>0.0	USD	3,461,150	1,654,964
Carlyle U.S. Equity Opportunity Fund, L.P.						
(share voting rights: 0.0%)	Wilmington	0.9	0.9	USD	771,373	56,867
Charme II (share voting rights: 0.0%)	Milan	7.7		EUR	4,864	(387)
CHARME INVESTMENTS S.C.A. (share voting rights: 12.1%)	Luxembourg	13.4		EUR	22,677	(93)
China International Packaging Leasing Co., Ltd.	Beijing	17.5		CNY	(101,056)	553
China Investment Incorporations (BVI) Ltd.	Tortola	10.8	10.8	USD	9,135	(42,850)
CLS Group Holdings AG	Zurich	1.2		GBP	389,130	15,752
CMC-Hertz Partners, L.P. (share voting rights: 0.0%)	Wilmington	7.1	7.1			
CME Group Inc.	Wilmington	>0.0		USD	22,411,800	4,063,400
Earlybird GmbH & Co. Beteiligungskommanditgesellschaft III i.L.	Munich	9.7	9.7	USD	7,589	205
Easdaq NV	Leuven	>0.0		EUR	1,609	(257)
East Capital Financials Fund AB (share voting rights: 0.0%)	Stockholm	0.2		EUR	18,362	(6,963)
EDD AG (share voting rights: 3.1%)	Düsseldorf	3.0		EUR	27,792	(3,009)
Einkaufsgalerie Roter Turm Beteiligungs GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,447	253
Einkaufsgalerie Roter Turm Chemnitz GmbH & Co. KG	Munich	>0.0	>0.0	EUR	51,564	3,776
EURO Kartensysteme GmbH	Frankfurt am Main	6.0		EUR	11,835	199
Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG	Grünwald	9.9	9.9	EUR	23,679	(1,246)
H.F.S. Immobilienfonds Bahnhofspassagen						
Potsdam GmbH & Co. KG	Munich	6.0	6.0	EUR	23,663	2,578
H.F.S. Immobilienfonds “Das Schloss”						
Berlin-Steglitz GmbH & Co. KG	Munich	6.0	6.0	EUR	17,913	(732)

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H.F.S. Immobilienfonds Deutschland 4 GmbH & Co. KG	Munich	0.2	0.2	EUR	(618)	1,869
H.F.S. Immobilienfonds Deutschland 6 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	13,412	(207)
H.F.S. Immobilienfonds Deutschland 8 GmbH & Co. KG	Munich	0.1	0.1	EUR	11,403	(114)
H.F.S. Immobilienfonds Deutschland 9 GmbH & Co. KG	Munich	0.1	0.1	EUR	10,243	7,461
H.F.S. Immobilienfonds Deutschland 10 GmbH & Co. KG	Munich	1.4	1.4	EUR	120,942	5,541
H.F.S. Immobilienfonds Deutschland 12 GmbH & Co. KG	Munich	3.9	3.9	EUR	82,107	23,836
H.F.S. Immobilienfonds Deutschland 15 GmbH & Co. KG	Munich	0.1	0.1	EUR	18,040	2,702
H.F.S. Immobilienfonds Deutschland 16 GmbH & Co. KG	Munich	0.1	0.1	EUR	51,057	56,456
H.F.S. Immobilienfonds GmbH & Co. Europa 3 KG	Munich	0.1	0.1	EUR	10,547	(2,325)
H.F.S. Immobilienfonds Köln GmbH & Co. KG	Munich	>0.0	>0.0	EUR	6,603	48,072
H.F.S. Immobilienfonds Köln Supplier-Park GmbH & Co. KG	Munich	>0.0	>0.0	EUR	23,192	1,960
H.F.S. Immobilienfonds Schweinfurt GmbH & Co. KG	Munich	>0.0	>0.0	EUR	1,450	1,938
H.F.S. Zweitmarktfonds Deutschland 1 GmbH & Co. KG	Ebersberg	0.1	0.1	EUR	16,522	6,474
H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG	Ebersberg	>0.0	>0.0	EUR	83,283	15,359
HVBFF Life Britannia GmbH & Co Erste KG	Grünwald	>0.0	>0.0	EUR	15,783	842
HVB Trust Pensionsfonds AG (share voting rights: 0.0%)[9]	Munich	100.0				
IGEPA Gewerbepark GmbH & Co Vermietungs KG	Fürstenfeldbruck	2.0	2.0	EUR	(6,962)	11,408
Immobilienfonds Objekte Apolda, Kiel, Bergen und						
Sigmaringen GmbH & Co. KG	Oberhaching	0.1	0.1			
Immobilienfonds Objekt Rathenow GmbH & Co. KG	Oberhaching	0.2	0.2	EUR	1,903	935
Industriepalast in Leipzig Verwaltungs-GmbH & Co. KG i.L.						
(share voting rights: 6.3%)	Berlin	6.2				
Interbanking Systems S.A. (Dias S.A.)	Maroussi	0.9		EUR	26,734	0
IPE Tank and Rail Investment 1 S.C.A.	Luxembourg	7.8	7.8			
JBG/BC Investor, L.P.	Chevy Chase	0.5	0.5	USD	78,860	7,558
Kepler Cheuvreux S.A. (share voting rights: 4.6%)	Paris	10.3		EUR	79,092	15,907
Kreditgarantiegemeinschaft der freien Berufe						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	1.3				
Kreditgarantiegemeinschaft der Industrie,						
des Verkehrsgewerbes und des Gastgewerbes						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	2.6				
Kreditgarantiegemeinschaft des						
bayerischen Gartenbaues GmbH	Munich	8.1				
Kreditgarantiegemeinschaft des						
bayerischen Handwerks GmbH	Munich	7.2		EUR	4,846	0
Kreditgarantiegemeinschaft des Handels						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	2.3				
Kreditgarantiegemeinschaft des Handwerks						
Baden-Württemberg Verwaltungsgesellschaft mbH	Stuttgart	2.5				
Kreditgarantiegemeinschaft des Hotel- und						
Gaststättengewerbes in Bayern GmbH	Munich	9.7		EUR	4,359	0
Kreditgarantiegemeinschaft für den Handel in Bayern GmbH	Munich	2.2		EUR	6,317	0
Kreditgarantiegemeinschaft in Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	5.1				
Life Britannia First LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	12,988	1,615
Life Britannia Second LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	17,379	2,217
Life GmbH & Co Erste KG	Munich	>0.0	>0.0	USD	110,569	6,310
Life GmbH & Co. Zweite KG (share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	63,077	(4,436)
Lion Capital Fund I, L.P. (share voting rights: 0.0%)	London	0.9		EUR	2,429	(410)
Martin Schmälzle Grundstücksgesellschaft Objekt Wolfsburg						
GmbH & Co. KG	Munich	>0.0	>0.0	EUR	15,711	921
MBG Mittelständische Beteiligungsgesellschaft						
Baden-Württemberg GmbH	Stuttgart	5.0		EUR	72,488	5,540
MBG Mittelständische Beteiligungsgesellschaft						
Rheinland-Pfalz mbH (share voting rights: 11.1%)	Mainz	9.8		EUR	14,882	1,334

Other Information (Continued)

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
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel	3.6		EUR	39,021	2,978
MFP Munich Film Partners GmbH & Co. AZL Productions KG	Grünwald	0.1		EUR	0.2	7,525
MFP Munich Film Partners GmbH & Co. MI 2 Productions KG i.L.	Grünwald	0.1				
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam	11.6		EUR	20,061	1,783
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin	15.4		EUR	14,429	288
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH	Hanover	8.2		EUR	13,638	507
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7		EUR	23,304	434
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8		EUR	46,694	1,965
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt	13.4		EUR	24,944	1,214
Motion Picture Production GmbH & Co. Erste KG (share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	(28,035)	1,460
Mühoga Münchner Hochgaragen Gesellschaft mit beschränkter Haftung[8]	Munich	25.0	25.0	EUR	4,429	2,237
PICIC Insurance Ltd.	Karachi	>0.0		PKR	(4,020)	(42,231)
PRINCIPIA FUND (share voting rights: 0.0%)	Milan	10.0				
ProAreal GmbH i. I.	Wiesbaden	10.0		EUR	(93,513)	(26)
REF IV Associates (Caymans) L.P. Acqua CIV S.C.S. (share voting rights: 0.0%)	Luxembourg	38.3	38.3			
Rocket Internet Capital Partners (Euro) SCS (share voting rights: 0.0%)	Luxembourg	4.4		EUR	139,611	17,726
Roomstore Inc.	Richmond	7.7	7.7			
Saarländische Kapitalbeteiligungsgesellschaft mit beschränkter Haftung (share voting rights: 8.8%)	Saarbrücken	8.7		EUR	7,402	(72)
Social Venture Fund GmbH & Co. KG (share voting rights: 0.0%)	Munich	9.6		EUR	3,468	12
Social Venture Fund II GmbH & Co. KG (share voting rights: 0.0%)	Munich	4.5		EUR	13,101	(847)
Stahl Group S.A.	Luxembourg	0.4	0.4	EUR	651,494	914,893
SwanCap FLP II SCSp (share voting rights: 37.5%)[10]	Senningerberg	—				
SwanCap FLP SCS (share voting rights: 37.5%)[10]	Senningerberg	—		EUR	849	435
SwanCap TB II SCSp (share voting rights: 0.0%)[11]	Senningerberg	>0.0				
SwanCap Blocker GmbH & Co. KG[11]	Munich	—				
S.W.I.F.T. (Co-operative 'Society for Worldwide Interbank Financial Telecommunication')	Brussels	0.3		EUR	469,330	45,119
Texas Energy Future Holdings L.P. (share voting rights: 0.0%)	Fort Worth	1.5	1.5			
True Sale International GmbH	Frankfurt am Main	7.7		EUR	4,928	119
UniCredit Services Società Consortile per Azioni	Milan	>0.0		EUR	357,036	8,469
VISA Inc. (share voting rights: 0.0%)	Wilmington	>0.0		USD	34,006,000	10,301,000
WealthCap Aircraft 1 GmbH & Co. KG	Munich	>0.0	>0.0	USD	22,342	(118)
WealthCap Aircraft 25 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	38,578	(502)
WealthCap Aircraft 26 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	50,585	(81)
WealthCap Fondsportfolio Private Equity 21 GmbH & Co. geschlossene Investment KG	Grünwald	>0.0	>0.0			
WealthCap Fondsportfolio Private Equity 22 GmbH & Co. geschlossene Investment KG	Grünwald	0.2	0.2			
WealthCap Immobilien Deutschland 38 GmbH & Co. geschlossene Investment KG	Munich	>0.0	>0.0	EUR	101,188	15,422

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 Immobilien Deutschland 39 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	135,498	(7,937)
WealthCap Immobilien Deutschland 40 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0			
WealthCap Immobilien Deutschland 41 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0			
WealthCap Immobilienfonds Deutschland 30 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	45,929	5,664
WealthCap Immobilienfonds Deutschland 31 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	38,156	5,814
WealthCap Immobilienfonds Deutschland 32 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	51,242	3,516
WealthCap Immobilienfonds Deutschland 33 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	59,179	2,566
WealthCap Immobilienfonds Deutschland 34 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	40,195	2,535
WealthCap Immobilienfonds Deutschland 35 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	126,476	7,502
WealthCap Immobilienfonds Deutschland 37 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	63,676	2,443
WealthCap Immobilienfonds Donauwörth 1 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	20,213	1,604
WealthCap Immobilienfonds Donauwörth 2 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,067	563
WealthCap Immobilien Nordamerika 16 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	45,462	4,440
WealthCap Immobilien Nordamerika 17 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	36,777	(3,054)
WealthCap Infrastructure Fund I GmbH & Co. KG	Munich	>0.0	>0.0	EUR	4,908	(88)
WealthCap Infrastruktur Amerika GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	4,427	1,517
WealthCap Leasing 1 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	30,005	1,641
WealthCap Leasing 2 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	29,298	1,437
WealthCap Leasing 3 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	28,687	1,516
WealthCap Leasing 4 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	27,482	1,312
WealthCap LebensWert 1 GmbH & Co. KG						
(share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	874	999
WealthCap LebensWert 2. GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	5,936	1,291
WealthCap Life Britannia 2. GmbH & Co KG	Munich	>0.0	>0.0	EUR	12,787	(1,173)
WealthCap Life USA 4. GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	59,073	3,064
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	>0.0	>0.0	USD	64,590	3,523
WealthCap Mountain View I L.P. (share voting rights: 0.1%)	Georgia	—	—	USD	43,701	5,725
WealthCap Objekt Berg-am-Laim GmbH & Co. KG	Munich	5.2	5.2	EUR	121,259	8,173
Wealthcap Objekt Berg-am-Laim II GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Bogenhausen GmbH & Co. KG	Munich	>0.0	>0.0	EUR	132,593	2,566
WealthCap Objekt Essen GmbH & Co. KG	Munich	5.2	5.2	EUR	28,370	960
WealthCap Objekt Frankfurt GmbH & Co. KG	Munich	5.2	5.2	EUR	46,985	2,353
WealthCap Objekt Hackerbrücke GmbH & Co. KG	Munich	5.2	5.2	EUR	33,358	1,857
WealthCap Objekt Hamburg GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	5.2	5.2	EUR	16,100	959
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	5.2	5.2	EUR	3,781	513
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	5.2	5.2	EUR	17,022	451
WealthCap Objekt Hufelandstraße GmbH & Co. KG	Munich	5.2	5.2	EUR	11,748	538
WealthCap Objekt Riem GmbH & Co. KG	Munich	5.2	5.2	EUR	30,556	1,597
WealthCap Objekt Riem II GmbH & Co. KG	Munich	5.2	5.2	EUR	44,970	1,103
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	5.2	5.2	EUR	30,572	981
WealthCap Objekt Sendling GmbH & Co. KG	Munich	5.2	5.2	EUR	58,272	2,068
WealthCap Objekt Stuttgart Ia GmbH & Co. KG	Munich	>0.0	>0.0	EUR	18,051	(167)

Other Information (Continued)

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 Stuttgart Ib GmbH & Co. KG	Munich	>0.0	>0.0	EUR	20,484	809
WealthCap Objekt Stuttgart II GmbH & Co. KG	Munich	5.2	5.2	EUR	24,939	1,022
WealthCap Objekt Theresienhöhe GmbH & Co. KG	Munich	5.2	5.2	EUR	66,084	2,646
WealthCap Objekte Südwest GmbH & Co. KG	Munich	5.1	5.1	EUR	(1,180)	(385)
WealthCap Photovoltaik 1 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	27,210	2,749
WealthCap Portfolio 3 GmbH & Co. geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	9,864	(2,835)
WealthCap Private Equity 10 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	10,020	3,543
WealthCap Private Equity 11 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	3,751	1,687
WealthCap Private Equity 12 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	57,655	3,015
WealthCap Private Equity 13 GmbH & Co. KG	Grünwald	>0,0	>0,0	EUR	48,423	9,703
WealthCap Private Equity 14 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	27,989	5,752
WealthCap Private Equity 15 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	17,242	935
WealthCap Private Equity 16 GmbH & Co. KG						
(share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	3,691	183
WealthCap Private Equity 17 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	14,878	2,228
WealthCap Private Equity 18 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	10,729	1,596
WealthCap Private Equity 19 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	18,992	(2,549)
WealthCap Private Equity 20 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	5,173	(614)
WealthCap SachWerte Portfolio 1 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	32,946	3,115
WealthCap SachWerte Portfolio 2 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	88,674	(833)
WealthCap Spezial-AIF 1 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	169,805	23,317
WealthCap Spezial-AIF 2 GmbH & Co.						
geschlossene Investment KG	Munich	5.2	5.2	EUR	76,615	16,290
WealthCap Spezial-AIF 3 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	257,916	29,752
WealthCap Spezial-AIF 4 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	151,895	(76)
WealthCap Spezial-AIF 5 GmbH & Co.						
geschlossene Investment KG	Munich	10.5	10.5	EUR	165,733	1,382
Wealthcap Spezial Portfolio Immobilien 1 SA SICAV-SIF	Luxembourg	0.3	0.3			
Wealthcap Spezial Portfolio Immobilien 1 SCS SICAV-SIF	Luxembourg	50.0	50.0			
Wealthcap Spezial Portfolio Private Equity 1 SA SICAV-SIF	Luxembourg	0.1	0.1			
Wealthcap Spezial Portfolio Private Equity 1 SCS SICAV-SIF	Luxembourg	>0.0	>0.0			
WealthCap US Life Dritte GmbH & Co. KG						
(share voting rights: 0.0%)	Grünwald	0.1	0.1	USD	10,808	(16,138)
WealthCap Zweitmarkt 3 BASIS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	30,943	1,505
WealthCap Zweitmarkt 3 PLUS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	9,390	313
WealthCap ZweitmarktWerte Immobilien 4 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	8,496	433
WH – Erste Grundstücks GmbH & Co. KG	Munich	6.0		EUR	101,807	19,311
Wohnungsbaugesellschaft der Stadt						
Röthenbach a.d.Pegnitz mit beschränkter Haftung	Röthenbach a.d.Pegnitz	5.2		EUR	3,349	118

Exchange rates for 1 euro at the reporting date

Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

Brazil	1 EUR =	4.4440	BRL
China	1 EUR =	7.8751	CNY
UK	1 EUR =	0.89453	GBP
Pakistan	1 EUR =	159.54	PKR
USA	1 EUR =	1.1450	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 agreements with the following companies:

	COMPANY	PROFIT/(LOSS) TRANSFERRED € thousands
1.1	Food & more GmbH, Munich	(1,354)
1.2	HJS 12 Beteiligungsgesellschaft mbH, Munich	(6,103)
	thereof relating to 2018	2
1.3	HVB Capital Partners AG, Munich	(63)
1.4	HVB Immobilien AG, Munich	50,814
	thereof relating to 2018	39,914
1.5	HVB Secur GmbH, Munich	92
1.6	HVB Verwa 4 GmbH, Munich	(86)
1.7	MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	1,572
1.8	UniCredit Beteiligungs GmbH, Munich	(9)
1.9	UniCredit Direct Services GmbH, Munich	1,482
1.10	UniCredit Leasing GmbH, Hamburg	62,341
1.11	Verwaltungsgesellschaft Katharinenhof mbH, Munich	263
1.12	Wealth Management Capital Holding GmbH, Munich	21,732

2 Profit and loss transfer to shareholders and partners.

3 The exemption under Section 264b German Commercial Code and under Section 264 (3) German Commercial Code applies to the company.

4 Figures from the 2017 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.

6 Equity capital amounts to €18,000 and the net profit €29,000.

7 Pursuant to Section 340a (4) No. 2 German Commercial Code, all holdings in large corporations with a share of voting rights greater than 5 percent.

8 Despite a holding of more than 20%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and the voting patterns to date.

9 The company is held by a trustee on behalf of UniCredit Bank AG.

10 UniCredit Bank AG holds the position of a limited partner under company law and participates in the profit of the company.

11 UniCredit Bank AG holds the position of a limited partner under company law but does not participate in the profit of the company.

Other Information (Continued)

108 Supervisory Board

Gianni Franco Papa — **Chairman**

Deputy Chairmen
Florian Schwarz
Dr Wolfgang Sprissler

Members
Paolo Cornetta
Beate Dura-Kempf
Francesco Giordano
Klaus Grünewald
until 30 June 2018
Prof Dr Annette G. Köhler
Dr Marita Kraemer
Klaus-Peter Prinz
Oliver Skrbot
Christian Staack
Gregor Völkl
since 1 July 2018

109 Management Board

Sandra Betocchi Drwenski — **Chief Operating Officer (COO)**

Markus Beumer
since 1 December 2018 — **Commercial Banking – Unternehmer Bank**

Peter Buschbeck
until 28 February 2018 — **Commercial Banking – Private Clients Bank**

Dr Emanuele Buttà
since 1 March 2018 — **Commercial Banking – Private Clients Bank**

Ljiljana Čortan
since 1 January 2018 — **Chief Risk Officer (CRO)**

Dr Michael Diederich — **Board Spokesman**
(since 1 January 2018)
Human Capital/Labour and Social Affairs
(since 1 January 2018)
Corporate & Investment Banking
(interim until 28 February 2018)

Jan Kupfer
since 1 March 2018 — **Corporate & Investment Banking**

Robert Schindler
until 7 November 2018 — **Commercial Banking – Unternehmer Bank**

Guglielmo Zadra — **Chief Financial Officer (CFO)**

Munich, 12 March 2019

UniCredit Bank AG
The Management Board

Betocchi Drwenski — Beumer — Dr Buttà — Čortan

Dr Diederich — Kupfer — Zadra

Declaration by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, 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, 12 March 2019

UniCredit Bank AG
The Management Board

Betocchi Drwenski	Beumer	Dr Buttà	Čortan

Dr Diederich	Kupfer	Zadra

Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To UniCredit Bank AG, Munich

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions
We have audited the consolidated financial statements of UniCredit Bank AG, Munich, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement including the consolidated statement of total comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of UniCredit Bank AG, Munich, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the statement on business management pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures) included in section "Corporate structure" of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,
– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018, and
– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the above-mentioned statement on business management pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures).

Pursuant to § 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions
We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation"), and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:
1. Loan loss provisions in the credit business
2. Determination of the fair value of financial instruments that are measured at fair value and are not equity instruments
3. IT controls related to financial reporting
4. Valuation of significant legal risks from potential breach of financial sanctions

Our presentation of these key audit matters has been structured as follows:
a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor's response
c) Key observations

1. Loan loss provisions in the credit business

a) UniCredit Bank AG provides loans to customers. In accounting, the valuation of loans to customers regularly requires the use of estimates. In the consolidated financial statements, loan loss provisions are offset against the balance sheet item "Loans to customers". Furthermore, provisions for credit risks are disclosed under other provisions. A key element of risk provisioning in stage 1 and stage 2, according to IFRS 9, is the allocation of financial instruments to the various stages, based on the comparison of the current default risk with the default risk on initial recognition of the financial instrument. This allocation leads to the recognition of the expected one-year credit loss or the expected lifetime credit loss of the financial instrument as a loan loss provision. The loan loss provision is, therefore, largely determined by the models used to determine the stage transfer, the models for calculating the expected one-year credit loss or the expected lifetime credit loss of the financial instrument and the parameters used. Significant parameters within the models that affect the expected credit loss are; the probability of default, the exposure at default and the loss given default. The risk provisioning in stage 3, in accordance with IFRS 9, is based on assumptions relating to various scenarios for determining the expected cash flows from the defaulted loans or from the estimated probability of occurrence of the respective scenarios. Both the models and the valuation parameters used to measure risk provisioning have a significant impact on the level of loan loss provision. Since the determination of loan loss provision is subject to considerable uncertainty and margin of discretion and the underlying methodology for the calculation has changed compared to the previous year, due to the first-time application of IFRS 9, this was a key audit matter in our audit. The disclosures regarding the loan loss provisions are enclosed in sections 16 and 47 of the notes to the consolidated financial statements.

b) As part of the audit of the consolidated financial statements, we have initially audited the design, implementation and operating effectiveness of the internal controls regarding the recording, processing and valuation of loans as well as the related financial reporting. In doing so, we also took into account the relevant business organisation, including the significant IT systems and valuation models. The audit of the valuation included the assessment of the implemented processes and controls for identifying impaired loans, as well as an assessment of the models used to determine the stage transfer between stage 1 and stage 2, and the models used to determine the expected one-year or the expected life time credit loss of the financial instrument. On a sample basis, we have audited the credit-worthiness of borrowers, the estimated collateral values and the liquidation periods for credit collaterals based on empirical values of comparable collaterals in the past. In addition, we have evaluated the reasonableness of the probabilities of the scenarios used for the loans of our sample. We have used specialists from our Risk Advisory division specialised in credit risk management and IT audit for our audit. The group-wide valuation models were audited by our colleagues from Deloitte & Touche S.p.A., Milan (Italy), as these models were developed and validated by the parent company of the bank in Milan. We have used their results of the work for our purposes. For the audit of the valuation of loans and contingent liabilities, as well as other financial commitments related to the credit business, our focus was on the significantly impaired loans, since there are significant areas of judgement and these have a material impact on the valuation of loans and the recognition of loan loss provisions. We have evaluated the valuation of the loans based on group-internal forecasts of the future income and liquidity position of borrowers and assessed the appropriateness of the information basis used for planning purposes. In doing so, we have critically challenged and assessed the underlying assumptions of the legal representatives, with regard to the various expected cash flows of the audited loans, respectively the recovery of collaterals. During our audit, we utilised internal validation reports and third-party audit reports. Furthermore, we have audited the stage allocation, as well as the expected credit losses for a sample of financial instruments measured at amortised cost.

c) We challenged significant assumptions and estimates made by the legal representatives. Overall, the risk provisions are within acceptable ranges.

2. Determination of the fair value of financial instruments that are measured at fair value and are not equity instruments

a) Financial instruments assets, which are valued at fair value and are not equity instruments, are disclosed in the consolidated financial statements under the balance sheet items “Financial assets held for trading”, “Financial assets aFVtPL”, “Financial assets aFVtOCI”, and “Hedging derivatives”. Similarly, financial instruments liabilities at fair value are disclosed under the balance sheet items “Financial liabilities held for trading”, “Financial liabilities aFVtPL” and “Hedging derivatives”. The valuation of these financial instruments was identified as a key audit matter as it is subject to complex accounting principles, valuation procedures and -methods and is partially based on estimates and assumptions made by the legal representatives. The disclosure made by the legal representatives regarding the valuation of financial instruments is enclosed in section 5 of the notes to the consolidated financial statements.

b) We have audited the organizational structure and related processes with regards to the determination of the fair value of financial instruments that are not equity instruments by examination of the adequacy and operating effectiveness of the implemented key controls. We have used valuation specialists from our Risk Advisory division for our audit. In particular, our audit included the independent verification process for pricing, the validation of valuation methods and assumptions, the approval process for new financial instruments, the audit of controls for recording contractual and valuation inputs, the flow of market data, the governance and the reporting processes including the corresponding controls. The calculated fair values are adjusted for the Group’s creditworthiness, counterparty credit risk, model risk, bid-ask spread, refinancing costs and expected costs in connection with the liquidation of less actively traded instruments. With respect to these adjustments, we audited the Bank’s assumptions, procedures and models with regard to the use of valuation techniques used in the industry and a correct and comprehensible valuation. In addition, we have conducted our own independent valuation of selected financial instruments and compared our results with the valuation performed by the Bank. Noteworthy issues from disputes with counterparties and extraordinary gains or losses from the sale of financial instruments were investigated.

c) The valuation methods selected by the legal representatives of the Bank for the determination of the fair value of financial instruments are in line with industry standards. The scope of financial instruments measured at fair value has not increased significantly as a result of the introduction of IFRS 9.

3. IT controls related to financial reporting

a) As part of the preparation of the consolidated financial statements, the Bank uses a large number of IT applications that have numerous interfaces. In order to maintain the integrity of the data used for the preparation of the consolidated financial statements, the Bank has taken various precautionary measurements and implemented controls. The Bank has outsourced its IT services, to a large extent, to UniCredit Services S.C.p.A., Milan (Italy), which has further outsourced a part of these services to other service providers. The IT controls related to financial reporting has been selected as a key audit matter, as the security of information affects many aspects of the accounting and financial reporting process, results in a large audit effort and is characterised by a high level of complexity. We refer to the disclosure of the legal representatives in section 4 Operational Risk in the risk report of the group management report with regards to the outsourcing of IT services.

b) Based on our risk assessment, we have audited the design, implementation and operating effectiveness of the controls related to user rights and change management processes for the significant accounting-relevant IT applications by using IT specialists from our Risk Advisory division. In doing so, we agreed the scope of the ISAE 3402 audit with the ISAE 3402 auditor at UniCredit Services S.C.p.A. and the group auditors of UniCredit S.p.A. and used the audit results of those. We have informed ourselves of the professional competence, independence and regulatory governance of these auditors. When using these reports, we have inter alia critically assessed the reporting related to these audit procedures and audit results.

c) IT controls related to financial reporting implemented by the Bank were enhanced over the past years. In the area of individual data processing, the Bank is in the process of further improving controls.

4. Valuation of significant legal risks from potential breach of financial sanctions

a) Provisions for legal risks are disclosed under the balance sheet item "provisions" in the consolidated financial statements, of which a part relates to a potential breach of financial sanctions. This issue has been identified as a key audit matter, as the recognition and measurement of these quantitatively material legal risks are based, to a large extent, on estimates and assumptions made by the legal representatives. The disclosures made by the legal representatives regarding the provisions in relation to the legal risks are enclosed in section 48 of the notes to the consolidated financial statements and in section 4 Operational Risk in the risk report of the group management report.

b) As there is an increased risk of misstatements in accounting estimates and the fact that the valuation choices made by the legal representatives have a significant effect on the assets, liabilities, financial position and financial performance, we have audited the operational and organizational structure with regards to the recording and valuation of legal risks. In addition, we have assessed the appropriateness of the amounts stated by comparing with the calculations and assessments provided by the Company's attorneys and requested confirmation letters from them. With the support of a financial sanctions specialist, we have critically considered the underlying assumptions of the legal representatives.

c) The provision created by the legal representatives for the legal risks from a potential breach of financial sanctions reflects the discussions with the US authorities.

Other Information

The executive directors are responsible for the other information. The other information comprises:

– the statement on business management included in section "Corporate structure" of the group management report pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures),
– the executive directors' confirmation relating to the consolidated financial statements and to the group management report pursuant to § 297 (2) sentence 4 and § 315 (1) sentence 5 German Commercial Code (HGB) respectively, and
– the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements, that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also
– Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report, or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) German Commercial Code (HGB).
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
– Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
– Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 11 January 2018. We were engaged by the supervisory board on 24 July 2018. We have been the group auditor of UniCredit Bank AG, Munich, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report:
– Audits and reviews of reporting packages
– Support services in connection with external audits
– Audit of a net asset value calculation
– Audits pursuant to § 36 of the Securities Trading Act
– Audit of the internal control system of a service organization
– Performing agreed upon procedures
– Audits of financial information or their components
– Professional report
– Review of an assignment of findings to process areas

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Kopatschek.

Munich, March 12, 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof Dr Carl-Friedrich Leuschner)	(Martin Kopatschek)
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

The translation of the Independent Auditor's Report is an unofficial translation of the German version.

Income Statement of UniCredit Bank AG

For the year ended 31 December

EXPENSES

(€ millions)

			2018	2017
1 Interest payable			1,143	1,160
including: netted positive interest from borrowings				
€263 million				(246)
2 Fees and commissions payable			248	255
3 Net expense from the held-for-trading portfolio			—	—
4 General administrative expenses				
a) payroll costs				
aa) wages and salaries	1,183			1,209
ab) social security costs and expenses for				
pensions and other employee benefits	441			335
		1,624		1,544
including: for pensions				
€271 million				(154)
b) other administrative expenses		1,586		1,574
			3,210	3,118
5 Amortisation, depreciation and impairment losses				
on intangible and tangible assets			26	27
6 Other operating expenses			988	92
7 Write-downs and impairments for receivables and				
certain securities as well as additions to provisions				
for losses on guarantees and indemnities			242	244
8 Write-downs and impairments on participating				
interests, shares in affiliated companies				
and investment securities			—	—
9 Expenses from absorbed losses			8	2
10 Extraordinary expenses			—	130
11 Taxes on income			(8)	158
12 Other taxes, unless shown under				
"Other operating expenses"			5	2
13 Net income			520	1,300
Total expenses			6,382	6,488

INCOME

(€ millions)

			2018	2017
1	**Interest income from**			
	a) loans and money market operations	3,103		2,981
	including: netted negative interest from borrowings			
	€154 million			(143)
	b) fixed-income securities and government-inscribed debt	234		420
			3,337	3,401
2	**Current income from**			
	a) equity securities and other variable-yield securities	348		278
	b) participating interests	9		3
	c) shares in affiliated companies	68		221
			425	502
3	**Income earned under profit-pooling**			
	and profit-and-loss transfer agreements		138	64
4	**Fees and commissions receivable**		1,298	1,449
5	**Net income from the held-for-trading portfolio**		345	652
	including: transfer as per Section 340e HGB			
	€— million			(—)
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		28	116
8	**Other operating income**		315	304
9	**Extraordinary income**		496	—
10	**Net loss**		—	—
	Total income		**6,382**	**6,488**
1	**Net income**		520	1,300
2	**Withdrawal from retained earnings**			
	a) from the reserve for shares in a controlling			
	or majority interest-holding company	—		—
	b) from other retained earnings	—		2
			—	2
3	**Transfer to retained earnings**			
	a) to the reserve for shares in a controlling			
	or majority interest-holding company	—		2
	b) to other retained earnings	—		—
			—	2
4	**Profit available for distribution**		**520**	**1,300**

Balance Sheet of UniCredit Bank AG

at 31 December

ASSETS

(€ millions)

		31/12/2018	31/12/2017
1 Cash and cash balances			
a) cash on hand	5,994		6,024
b) balances with central banks	4,995		2,967
including: with Deutsche Bundesbank			
€820 million			(700)
		10,989	8,991
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	—		4
including: eligible for refinancing with			
Deutsche Bundesbank			
€— million			(—)
b) bills of exchange	—		—
		—	4
3 Loans and receivables with banks			
a) repayable on demand	12,302		30,292
b) other loans and receivables	23,654		27,696
		35,956	57,988
including: mortgage loans			
€— million			(—)
municipal loans			
€53 million			(31)
against pledged securities			
€— million			(—)
4 Loans and receivables with customers		115,379	93,202
including: mortgage loans			
€42,676 million			(41,383)
municipal loans			
€7,230 million			(7,500)
against pledged securities			
€298 million			(309)
Amount carried forward:		162,324	160,185

LIABILITIES

(€ millions)

			31/12/2018	31/12/2017
1 Deposits from banks				
a) repayable on demand		5,734		6,843
b) with agreed maturity dates or periods of notice		51,540		53,406
			57,274	60,249
including: registered mortgage bonds in issue				
€496 million				(435)
registered public-sector bonds in issue				
€383 million				(229)
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	13,577			13,846
ab) with agreed period of notice				
of more than three months	82			59
		13,659		13,905
b) registered mortgage bonds in issue		4,271		4,586
c) registered public-sector bonds in issue		2,207		2,470
d) other debts				
da) repayable on demand	78,479			73,131
db) with agreed maturity dates or periods of notice	31,304			37,014
including: bonds given to lender as				
collateral for funds borrowed:				
registered mortgage bonds				
€— million				(1)
and registered public-sector bonds				
€— million				(—)
		109,783		110,145
			129,920	131,106
Amount carried forward:			187,194	191,355

Balance Sheet of UniCredit Bank AG (Continued)

at 31 December

ASSETS (€ millions)

			31/12/2018	31/12/2017
Amount brought forward:			162,324	160,185
5 Bonds and other				
fixed-income securities				
a) money market paper				
aa) issued by public authorities	3			154
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€— million				(151)
ab) issued by other borrowers	69			442
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€— million				(—)
		72		596
b) bonds and notes				
ba) issued by public authorities	16,379			16,845
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€13,148 million				(16,499)
bb) issued by other borrowers	28,497			26,187
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€15,788 million				(17,078)
		44,876		43,032
c) own bonds		7,133		5,067
nominal value €7,125 million				(5,000)
			52,081	48,695
6 Equity securities and other variable-yield securities			679	791
6a Held-for-trading portfolio			42,304	49,875
7 Participating interests			95	89
including: in banks				
€8 million				(15)
in financial service institutions				
€28 million				(9)
8 Shares in affiliated companies			1,597	2,389
including: in banks				
€— million				(795)
in financial service institutions				
€488 million				(488)
Amount carried forward:			259,080	262,024

LIABILITIES

(€ millions)

			31/12/2018	31/12/2017
Amount brought forward:			187,194	191,355
3 Debt securities in issue				
a) bonds				
aa) mortgage bonds	14,350			11,956
ab) public-sector bonds	1,169			1,284
ac) other bonds	4,634			3,470
		20,153		16,710
b) other debt securities in issue		—		3
including: money market paper				
€— million				(—)
acceptances and promissory notes				
€— million				(3)
			20,153	16,713
3a) Held-for-trading portfolio			24,707	27,258
4 Trust liabilities			4	4
including: loans taken out on a trust basis				
€4 million				(4)
5 Other liabilities			7,388	6,517
6 Deferred income				
a) from issuing and lending operations		80		84
b) other		250		122
			330	206
6a) Deferred tax liabilities			—	—
7 Provisions				
a) provisions for pensions				
and similar commitments		—		—
b) tax provisions		290		630
c) other provisions		3,051		2,569
			3,341	3,199
8 Subordinated liabilities			654	678
9 Participating certificates outstanding			—	—
including: those due in less than two years				
€— million				(—)
10 Fund for general banking risks			638	638
thereof: special items as per Section 340e (4) HGB				
€347 million				(347)
Amount carried forward:			244,409	246,568

at 31 December

ASSETS (€ millions)

		31/12/2018	31/12/2017
Amount brought forward:		259,080	262,024
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	6		9
c) goodwill	—		—
d) advance payments	—		1
		6	10
11 Property, plant and equipment		181	144
12 Other assets		735	613
13 Prepaid expenses			
a) from issuing and lending operations	33		37
b) other	123		101
		156	138
14 Deferred tax assets		—	—
15 Excess of plan assets over pension liabilities		120	288
Total assets		**260,282**	**263,221**

LIABILITIES

(€ millions)

			31/12/2018	31/12/2017
Amount brought forward:			244,409	246,568
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	10			10
cc) statutory reserve	—			—
cd) other retained earnings	3,145			3,145
		3,155		3,155
d) profit available for distribution		520		1,300
			15,873	16,653
Total liabilities and shareholders' equity			**260,282**	**263,221**
1 Contingent liabilities				
a) contingent liabilities on rediscounted				
bills of exchange credited to borrowers		—		—
b) liabilities under guarantees and				
indemnity agreements		26,097		36,458
c) contingent liabilities on assets pledged				
as collateral for third-party debts		—		—
			26,097	36,458
2 Other commitments				
a) commitments from the sale of assets				
subject to repurchase agreements		—		—
b) placing and underwriting commitments		—		—
c) irrevocable lending commitments		52,750		41,774
			52,750	41,774

Notes to the Annual Financial Statements

Legal basis

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

The annual financial statements of UniCredit Bank AG for the 2018 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

1 Reporting date/period

The amounts shown in the tables and texts below relate to the reporting date of 31 December 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 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.

UniCredit Luxembourg S.A., Luxembourg, was merged into UniCredit Bank AG with retroactive effect as per 1 July 2018. Effects on account of the lack of comparability with the previous-year figures are stated in the respective item notes.

3 Cash and cash balances

The cash and cash balances (asset item 1) are stated at nominal amounts.

4 Treasury bills and bills of exchange

Treasury bills and other bills (asset item 2) are shown at their cash value, i.e. less any discounted amounts.

5 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 are used when determining the level of write-downs compliant with Section 253 HGB. In the process, various realistic scenarios are estimated whereby the loss in value resulting from the expected value of the credit default losses is weighted by the probability of occurrence for each scenario. Specific loan-loss provisions are reversed once the receivable is classified as irrecoverable and written off. Accruals are reversed as soon as the default risk has ceased.

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 reversed 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) 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.

6 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) 5 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 fallen below 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.

The recognition of securities held for liquidity purposes was changed in 2018 to amortised cost, taking account of the lower of cost or market principle (Section 253 (4) 1 HGB) at the market value or fair value at the balance sheet date, whichever is lower. The amortisation of the premium and discount was applied retrospectively and offset against the opposing valuation adjustments in net interest income. This ensures comparability with the previous year.

In observance of the lower of cost or market principle, appropriate write-downs are taken to take account of the creditworthiness of the issuer and the liquidity of the financial instrument. 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 (Continued)

The Bank sets up portfolio valuation units documented in advance for certain interest-bearing securities, promissory notes (with a carrying amount of €29,613 million (previous year: €31,255 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 €367 million (previous year: €195 million) for the portfolios whose hedged items encompass securities and promissory notes. The change is largely attributable to the retrospective amortisation of the premiums. 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 the value of the hedge. 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.

7 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).

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 HVB's 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, closing out costs 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). Furthermore, funding valuation adjustments (FVAs) were recognised in the income statement 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.

Notes to the Annual Financial Statements (Continued)

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.

With interest rate swaps, the two opposing cash flows from interest are aggregated for each swap contract and disclosed net as interest income or interest expense. In the case of derivative portfolios purely held for trading, we disclose the netted interest payments in the net trading income.

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 Bank takes out the credit derivatives not held for trading exclusively as a protection buyer. In this context, the credit derivatives serve to hedge the risk of default of other transactions entered into by the Bank. The credit derivatives not held for trading are therefore accounted for according to the principles relating to loan collateral.

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 HVB's 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.

8 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 with write-downs on these investments. 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.

9 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 assumed by law. 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.

10 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 €250 (until 31 December 2017: €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 €250 and €1,000 (pool depreciation in accordance with Section 6 (2a) EStG, new version), one-fifth of which we reverse in the financial year of creation and each of the following four years in the income statement.

11 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 (Continued)

12 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. As a basic principle, 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 German Act Implementing the Directive on Credit Agreements Relating to Residential Immovable Property and Amending Provisions of Commercial Law enacted in 2016 changed the specified discount rate used in discounting provisions for pension obligations from a seven-year average to a ten-year average. The difference occurring in every financial year between the valuation of the provision applying the corresponding average market rate from the previous ten financial years and applying the corresponding average market rate from the previous seven financial years is subject to a ban on distribution.

	2018	2017
Discount rate (10-annual average)	3.21%	3.68%
Discount rate (7-annual average)	2.32%	2.80%
Pension trend	1.70%	1.60%
Anticipated wage and salary increases	1.50%	1.50%
Career trend	0.50%	0.50%
Reduction of the probabilities based on the modified		
Heubeck 2018 G (previous year: 2005 G) tables to		
Mortality		
Men	80%	75%
Women	95%	90%
Probability of disability		
Men	80%	80%
Women	80%	80%

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 pensions in connection with company restructuring activities. Similarly, the impact on earnings of the change in the discount rate is allocated to payroll costs.

Furthermore, the revised version of 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 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.

13 Plan assets

Assets serving exclusively to settle pension commitments or similar long-term commitments, and to which all other creditors do not have recourse (plan assets), 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 to be offset are shown in other operating income less other operating expenses.

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 (Continued)

14 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 reservations regarding general provisions and held-for-trading portfolios as well as tax loss carryforwards.

15 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 Income Statement

The condensed income statement is shown with the Management Report.

16 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 income from the held-for-trading portfolio and
– other operating income

(€ millions)

	2018	2017
Total income	**5,720**	**6,308**
Germany	4,580	4,945
Italy	170	509
United Kingdom	397	502
Rest of Europe	184	52
Americas	288	247
Asia	101	53

17 Net interest income

(€ millions)

	2018	2017
Net interest income	**2,757**	**2,807**
Interest income from		
lending and money market transactions	3,103	2,981
including: netted positive interest from borrowings	154	143
fixed-income securities and government-inscribed debt	234	420
Current income from equity securities and other variable-yield securities, participating		
interests and shares in affiliated companies	425	502
Income from profit-pooling and profit-and-loss-transfer agreements	138	64
Interest expenses	1,143	1,160
including: netted negative interest from borrowings	263	246

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

The amounts disclosed under interest income/expense for negative interest in the previous year have been adjusted in the reporting year.

The interest expense arising from the compounding of provisions amounts to €3 million (previous year: €3 million).

Notes to the Income Statement (Continued)

18 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.

19 Net income from the held-for-trading portfolio
The net income from the held-for-trading portfolio (net trading income) of €345 million (previous year: €652 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.

20 Breakdown of other operating income and expenses
Other operating income primarily includes the following:
– income from the reversal of provisions other than provisions for lending and securities operations (€162 million, previous year: €177 million),
– cross-charged payroll costs and cost of materials (€66 million, previous year: €65 million) and
– the recognition of income from services performed in earlier years (€16 million, previous year: €11 million).

Other operating expenses primarily include the following:
– additions to provisions other than provisions for lending and securities operations (€929 million, previous year: €44 million),
– expenses of €7 million (previous year: €19 million) arising from the compounding and discounting of other provisions in the non-lending business,
– expenses of €6 million (previous year: €4 million) related to other periods and
– compensation and ex gratia payments (€6 million, previous year: €13 million).

21 Expenses from absorbed losses
In the 2018 financial year, there was an expense of €6 million (previous year: €– million) from an absorbed loss in other accounting periods.

22 Extraordinary income/expenses
In the reporting year, this item includes a gain of €496 million on the merger of UniCredit Luxembourg S.A., Luxembourg, into UniCredit Bank AG in July 2018.

In the course of the introduction of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) in 2010, HVB exercised the option to aggregate the amount allocable to the provisions for pensions in annual instalments of at least one-fifteenth in every financial year up to 31 December 2024. The amount of €130 million still outstanding from the omitted transitional allocation was fully written up through the income statement in the 2017 financial year and is contained in extraordinary expenses.

23 Taxes on income
The income from current taxes on income of €8 million includes a net tax income of €118 million from earlier years.

24 Net income
The profit available for distribution amounts to €520 million. We will propose to the Shareholders' Meeting that a dividend of €520 million be paid to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €0.65 per share after around €1.62 in the 2017 financial year. In accordance with a resolution adopted by the Shareholders' Meeting on 11 June 2018, the profit available for distribution of €1,300 million reported in the previous year was distributed to UniCredit.

Notes to the Balance Sheet

25 Breakdown by maturity of selected asset items

(€ millions)

		2018	2017
A 3 b)	Other loans and receivables with banks		
	with residual maturity of less than 3 months	14,465	9,452
	at least 3 months but less than 1 year	7,151	11,530
	at least 1 year but less than 5 years	1,821	5,977
	5 years or more	217	737
A 4	Loans and receivables with customers		
	with residual maturity of less than 3 months	15,994	9,704
	at least 3 months but less than 1 year	8,503	7,415
	at least 1 year but less than 5 years	41,018	28,965
	5 years or more	40,810	38,539
	No fixed maturity	9,054	8,579
A 5	Bonds and other fixed-income securities, amounts due in the following year	9,157	10,452

26 Breakdown by maturity of selected liability items

(€ millions)

		2018	2017
L 1	Deposits from banks		
L 1b)	with agreed maturity dates or periods of notice		
	with residual maturity of less than 3 months	23,410	23,793
	at least 3 months but less than 1 year	4,384	5,948
	at least 1 year but less than 5 years	18,446	17,956
	5 years or more	5,300	5,709
L 2	Deposits from customers		
L 2 ab)	savings deposits with agreed maturity dates of more than 3 months		
	with residual maturity of less than 3 months	2	6
	at least 3 months but less than 1 year	4	13
	at least 1 year but less than 5 years	76	40
	5 years or more	—	—
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	13,794	18,119
	at least 3 months but less than 1 year	7,289	10,398
	at least 1 year but less than 5 years	9,443	7,395
	5 years or more	7,255	8,158
L 3	Debt securities in issue		
L 3 a)	Bonds, amounts due in following year	3,693	2,718
L 3 b)	other debt securities in issue		
	with residual maturity of less than 3 months	—	3
	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 (Continued)

27 Amounts receivable from and payable to affiliates and companies in which participating interests are held

(€ millions)

	2018		2017	
	AFFILIATES	PARTICIPATING INTERESTS	AFFILIATES	PARTICIPATING INTERESTS
Loans and receivables with banks	4,216	142	14,021	184
of which: UniCredit S.p.A.	2,871	—	3,217	—
Loans and receivables with customers	2,256	1,618	2,039	508
Bonds and other fixed-income securities	3	6,674	3	5,703
of which: UniCredit S.p.A.	—	—	—	—
Deposits from banks	3,005	86	9,456	109
of which: UniCredit S.p.A.	822	—	5,749	—
Deposits from customers	760	2,655	638	447
Debt securities in issue	1,000	—	125	—
of which: UniCredit S.p.A.	1,000	—	—	—
Subordinated liabilities	469	—	463	—

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.

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.

28 Trust business

(€ millions)

	2018	2017
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.

29 Foreign-currency assets and liabilities

(€ millions)

	2018	2017
Assets	**46,714**	**39,923**
Cash and cash balances	4,171	2,266
Treasury bills and other bills eligible for refinancing with central banks	—	4
Loans and receivables with banks	4,193	3,550
Loans and receivables with customers	17,878	14,386
Bonds and other fixed-income securities	5,780	3,190
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio (assets held for trading purposes)	14,507	16,350
Participating interests	8	8
Shares in affiliated companies	79	76
Trust assets	—	—
Intangible assets	—	—
Property, plant and equipment	3	4
Other assets	91	83
Prepaid expenses	4	6
Liabilities	**33,360**	**34,512**
Deposits from banks	10,104	11,257
Deposits from customers	10,065	10,202
Debt securities in issue	338	2
Held-for-trading portfolio (liabilities held for trading purposes)	11,174	12,319
Trust liabilities	—	—
Other liabilities	132	129
Deferred income	75	43
Provisions	1,317	410
Subordinated liabilities	155	150

The amounts shown represent the euro equivalents of all currencies.

30 Subordinated asset items

(€ millions)

	2018	2017
Subordinated asset items	**2,629**	**2,398**
Loans and receivables with banks	—	320
Loans and receivables with customers	33	36
Bonds and other fixed-income securities	2,449	1,856
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio	147	186

Notes to the Balance Sheet (Continued)

31 Marketable debt and investments

The listed and unlisted marketable securities included in the respective balance sheet items break down as follows:

(€ millions)

	2018			2017		
	TOTAL MARKETABLE SECURITIES	OF WHICH: LISTED	OF WHICH: UNLISTED	TOTAL MARKETABLE SECURITIES	OF WHICH: LISTED	OF WHICH: UNLISTED
Bonds and other fixed-income securities	51,966	39,078	12,888	48,695	39,497	9,198
Equity securities and other						
variable-yield securities	26	—	26	76	—	76
Held-for-trading portfolio	21,646	18,463	3,183	30,734	26,143	4,591
Participating interests	—	—	—	—	—	—
Shares in affiliated companies	—	—	—	—	—	—

Non-current marketable securities contain financial instruments carried at an amount higher than their fair value.

(€ millions)

	2018		2017	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current securities	**5,818**	**5,762**	**2,888**	**2,857**
Bonds and other fixed-income securities	5,818	5,762	2,888	2,857
Equity securities and other variable-yield securities	—	—	—	—

Given the development of interest and rating risks, we do not believe that these securities are permanently impaired.

32 Held-for-trading portfolio

The following table shows the breakdown of assets held for trading purposes (asset item 6a) by financial instruments:

(€ millions)

	2018	2017
Assets held for trading	**42,304**	**49,875**
Derivative financial instruments (positive fair values)	10,864	11,198
Loans and receivables	2,778	4,357
Bonds and other fixed-income securities	13,266	16,163
Equity securities and other variable-yield securities	10,060	16,129
Other assets	5,354	2,052
Less risk discount (for entire portfolio of assets held for trading purposes)	(18)	(24)

The following table shows the breakdown of liabilities held for trading purposes (liability item 3a) by financial instruments:

(€ millions)

	2018	2017
Liabilities held for trading	**24,707**	**27,258**
Derivative financial instruments (negative fair values)	7,006	7,590
Liabilities (including delivery obligations arising from short sales of securities)	17,701	19,668

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 €32.9 billion (previous year: €32.6 billion) with negative fair values of €33.5 billion (previous year: €33.7 billion) on derivatives held for trading with the associated receivables (€7.9 billion, previous year: €7.9 billion) and liabilities (€8.2 billion, previous year: €6.9 billion) from collateral provided.

33 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)

	2018				2017			
	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	**717**	**720**	**3**	**5.6**	**1,194**	**1,199**	**5**	**4.1**
Equity funds	176	176	—	—	214	214	—	—
Money market funds and								
near-money market funds	—	—	—	—	20	20	—	—
Mixed funds	183	186	3	2.9	455	460	5	0.8
Index funds	109	109	—	0.5	189	189	—	0.1
Bond funds	171	171	—	0.4	173	173	—	1.0
Funds of funds	78	78	—	1.8	143	143	—	2.2

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 (Continued)

34 Analysis of non-current assets

(€ millions)

	Intangible assets				Property, plant and equipment			Other non-current assets
	Software	Down-payments	Other intangible assets	Total	Land and buildings	Furniture and office equipment	Total	
Acquisition/Production costs								
Balance at 1/1	508	1	—	509	188	218	406	21
Additions from merger	8	—	—	8	102	10	112	—
Additions	2	—	—	2	—	2	2	—
Disposals	2	—	—	2	1	5	6	—
Reclassifications[1]	1	(1)	—	—	—	2	2	—
Post-capitalization	—	—	—	—	—	—	—	—
Balance at 31/12	517	—	—	517	289	227	516	21
Depreciation/Amortisation								
Balance at 1/1	499	—	—	499	105	157	262	—
Additions from merger	7	—	—	7	54	8	62	—
Additions	7	—	—	7	7	12	19	—
thereof non-scheduled	1	—	—	1	1	1	2	—
Disposals	2	—	—	2	1	4	5	—
Reclassifications[1]	—	—	—	—	—	2	2	—
Write-ups	—	—	—	—	5	—	5	—
Balance at 31/12	511	—	—	511	160	175	335	—
Net Book Value								
Balance at 1/1	9	1	—	10	83	61	144	21
Balance at 31/12	6	—	—	6	129	52	181	21

1 Including changes in value due to currency translation.

The carrying amount of the land and buildings used for the Bank's own purposes amounts to €108 million (previous year: €83 million) at 31 December 2018.

In connection with the merger of UniCredit Luxembourg S.A., Luxembourg, into UniCredit Bank AG effective as of 1 July 2018, the non-current assets, consisting of intangible assets and property, plant and equipment, from the closing balance sheet of the transferring entity were transferred at their carrying amounts to the acquiring entity. In the analysis of non-current assets, this is presented within historical acquisition/production cost and accumulated depreciation/amortisation in the "Additions from merger" lines. This means that the "Land and buildings" column contains for the first time a property that is not used by the Bank in its own operations. We changed the column's designation accordingly.

(€ millions)

	Acquisition cost	Changes +/–[1]	Net book value 31/12/2018	Net book value 31/12/2017
Participating interests	190	(95)	95	89
Shares in affiliated companies	1,764	(167)	1,597	2,389
Investment securities	9,698	1,684	11,382	9,698

1 Use has been made of the possibility of combining amounts allowed by Section 34 (3) RechKredV.

35 Other assets

The following table shows the main items included in other assets:

(€ millions)

	2018	2017
Claims to dividends from affiliated companies	191	160
Claims to tax reimbursements	173	135
thereof:		
Claims arising from income tax	156	109
Claims arising from non-income tax	17	26
Proportion of income from commission/interest not yet received	121	76
Proportion of income from portfolio fees	37	29
Trade debtors	36	20
Capital investments with life insurers	26	25
Works of art	21	21

36 Prepaid expenses

The prepaid expenses arising from issuing and lending operations include the following:

(€ millions)

	2018	2017
Discounts on funds borrowed	32	36
Premiums on amounts receivable	1	1

37 Excess of plan assets over pension liabilities

An amount payable of €1,534 million arising from liabilities due to pension and similar commitments was set against offsetting plan assets with a fair value of €1,657 million. The excess of assets over commitments is disclosed in the balance sheet as the excess of plan assets over pension liabilities (€120 million). The acquisition cost of the offsetting plan assets totalled €1,462 million. The assets involved are essentially fund shares, subordinated bonds, investments, and cash and cash equivalents.

(€ millions)

	2018	2017
Amount payable for offset pension and similar commitments (average interest rate 7 years)	1,837	1,588
Amount payable for offset pension commitments (average interest rate 10 years)	1,534	1,357
Fair value of the offsetting plan assets	1,657	1,645
Omitted transitional allocation	—	—
Excess of plan assets over the commitments, including the shortfall	120	288
Acquisition cost of the offsetting plan assets	1,462	1,444

The following table shows the surplus from pension commitments contained in other operating expenses:

(€ millions)

	2018	2017
Surplus from pension commitments	**(31)**	**(5)**
Income from plan assets used to offset pension and similar commitments	35	40
Expense component of the change in provisions for pensions and similar commitments	39	45
Expenses from plan assets used to offset pension and similar commitments	27	—

Notes to the Balance Sheet (Continued)

38 Assets assigned or pledged as security for own liabilities

Assets were assigned or pledged as security for the following liabilities:

(€ millions)

	2018	2017
Assets assigned or pledged as security for own liabilities	**40,105**	**40,216**
Deposits from banks	32,383	27,177
Deposits from customers	7,722	13,039

In addition, collateral is pledged to the ECB, irrespective of whether this is actually used to borrow funds or not. At the reporting date, the volume of pledged collateral amounted to €15.2 billion (previous year: €16.3 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 on as loans in compliance with their conditions.

As a seller under repurchase agreements, HVB has transferred assets with a book value of €27.2 billion (previous year: €29.9 billion) to its funding partners. The total includes €7.8 billion (previous year: €7.2 billion) relating to own securities holdings. These securities continue to be disclosed as 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 €13.1 billion (previous year: €12.6 billion) 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 secure pension and semi-retirement obligations. Pursuant to Section 8a AltTZG, employers are required to secure 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.

39 Other liabilities

The following table shows the main items included in other liabilities:

(€ millions)

	2018	2017
Amounts owed to special purpose entities	6,640	5,657
Obligations arising from debts assumed	175	339
Other amounts owed to employees	76	90
Taxes payable	39	45
Trading book valuation reserves	11	12
Liabilities from losses absorbed from subsidiaries	2	2
Amounts yet to be distributed from outplacements, etc.	1	7

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 include liabilities from other taxes of €39 million (previous year: €42 million).

40 Deferred income

Discounts on amounts receivable shown at nominal value totalled €12 million (previous year: €13 million). Furthermore, other deferred income includes accrued commissions of €12 million (previous year: €13 million), processing fees of €91 million (previous year: €64 million) and interest of €130 million (previous year: €42 million) collected in advance.

Notes to the Balance Sheet (Continued)

41 Provisions

Other provisions include the following items:

(€ millions)

	2018	2017
Total other provisions	**3,051**	**2,569**
Provisions for losses on guarantees and indemnities	178	228
Anticipated losses on pending transactions	—	—
Provisions for uncertain liabilities	2,873	2,341
thereof:		
Legal risks	1,512	603
Payments to employees	344	334
Restructuring	263	356
Valuation units	185	372
Payments for early retirement, semi-retirement, etc.	182	173
Anniversary bonus payments	30	34
Bonuses on saving plans	4	11
Other	353	458

The provisions for legal risks shown under provisions for uncertain liabilities contain provisions for litigation fees and damages payments. The other provisions include provisions for dismantling obligations, among other things.

42 Subordinated liabilities

This item includes accrued interest of €3 million (previous year: €3 million). At the reporting date, interest expenses on subordinated liabilities amounted to €25 million (previous year: €25 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 (Tier 2) 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.

On 28 December 2001, HypoVereinsFinance N.V. (merged into HVB in July 2017) issued a subordinated promissory note with a volume of €60 million. This subordinated promissory note matures on 28 December 2031 and bears interest at the 3-month Euribor rate, taking account of a surcharge of 0.75% p.a. for the entire term.

Shareholders' Equity

43 Analysis of shareholders' equity shown in the balance sheet

(€ millions)

a) Called-up capital		
Subscribed capital		
Balance at 1 January 2018	2,407	
Balance at 31 December 2018		2,407
b) Additional paid-in capital		
Balance at 1 January 2018	9,791	
Balance at 31 December 2018		9,791
c) Retained earnings		
ca) Legal reserve		
Balance at 1 January 2018	—	
Balance at 31 December 2018		—
cb) Reserve for shares in a controlling or majority interest-holding company		
Balance at 1 January 2018	10	
Withdrawal/transfer to the reserve for shares in a controlling or		
majority interest-holding company	—	
Balance at 31 December 2018		10
cc) Reserve set up under the Articles of Association		
Balance at 1 January 2018	—	
Balance at 31 December 2018		—
cd) Other retained earnings		
Balance at 1 January 2018	3,145	
Transfer from the reversal of the reserve for shares in a controlling		
or majority interest-holding company	—	
Withdrawal from retained earnings	—	
Balance at 31 December 2018		3,145
d) Profit available for distribution		
Balance at 1 January 2018	1,300	
Dividend payout of HVB for 2017	(1,300)	
Withdrawal from retained earnings	—	
Net profit 2018	520	
Balance at 31 December 2018		520
Shareholders' equity		
Balance at 31 December 2018		15,873

Shareholders' Equity (Continued)

44 Holdings of HVB stock in excess of 5%

(in %)

	2018	2017
UniCredit S.p.A.	100.0	100.0

Compliant with Section 271 (2) HGB, HVB is an affiliated company of UniCredit S.p.A., Milan, Italy, and is included in the consolidated financial statements of UniCredit, which can be obtained from the Trade and Companies Register in Milan, Italy.

45 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 €195 million (previous year: €200 million). The amount not available for distribution arising from the difference between the valuation of the provisions for pension commitments based on the respective average market rate of the past ten financial years and their valuation based on the respective average market rate of the past seven financial years totalled €300 million as at the reporting date. Freely disposable provisions have been set up to cover the amount not available for distribution.

46 List of shareholdings pursuant to Section 285 No. 11, 11a HGB, Section 340a (4) HGB

A 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.

Other Information

47 Report on subsequent events (events after the end of the reporting period)

The purchase agreement for the associated company SwanCap Partners GmbH accounted for using the equity method was signed at the end of January 2019.

Ms Beate Dura-Kempf resigned from the Supervisory Board of UniCredit Bank AG as an employee representative with effect from the end of 31 January 2019. For the remaining term of her office, Ms Claudia Richter was appointed to the Supervisory Board as an employee representative by Munich Local Court with effect from 8 February 2019.

On 6 February 2019 UniCredit S.p.A. announced the reorganisation of the Group Senior Management Team of UniCredit S.p.A. This also involves the resignation of Gianni Franco Papa as the General Manager of UniCredit S.p.A. Gianni Franco Papa will also resign as the Chairman of the Supervisory Board of UniCredit Bank AG.

48 Contingent liabilities and other financial commitments

The following table shows the breakdown of contingent liabilities arising from guarantees and indemnity agreements totalling €26,097 million:

(€ millions)

	2018	2017
Guarantees and indemnities	21,388	16,751
Loan guarantees	1,151	16,300
Documentary credits	3,558	3,407
Total	**26,097**	**36,458**
thereof to:		
affiliated companies	2,041	16,925
associated companies	1	1

Irrevocable lending commitments totalling €52,750 million break down as follows:

(€ millions)

	2018	2017
Book credits	46,849	35,918
Mortgage and municipal loans	2,836	3,023
Guarantees	3,065	2,833
Bills of exchange	—	—
Total	**52,750**	**41,774**
thereof to:		
affiliated companies	324	568
associated companies	—	—

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.

Other Information (Continued)

As a member of the deposit guarantee scheme in Germany, UniCredit Bank AG is liable in accordance with the current provisions.

HVB has made use of the option to provide up to 15% (previous year: 15%) 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 €64 million in the reporting period (previous year: €48 million).

HVB has made use of the option to provide up to 30% of the annual contribution to the compensation scheme of German banks in the form of fully secured payment claims (irrevocable payment commitments) in accordance with Section 19 of the Regulation on the Financing of the Compensation Scheme of German Banks (Entschädigungseinrichtungs-Finanzierungsverordnung – EntschFinV). The financial security provided in this regard amounted to €22 million in the reporting year (cumulative amount of the previous year: €15 million).

Legal risks can give rise to losses for HVB, 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. HVB assumes 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 €63 million at year-end 2018 after €112 million at year-end 2017.

Other financial commitments arising in particular from real estate and IT operations total €773 million (previous year: €759 million). A large part of the total relates to contracts with subsidiaries (€568 million (previous year: €648 million)). The contracts run for standard market periods, and no charges have been put off to future years.

At the reporting date, HVB had pledged securities worth €1,195 million (previous year: €1,531 million) as collateral for transactions with Eurex Frankfurt AG, Frankfurt am Main.

As part of real estate financing and development operations, HVB has 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. 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 €29 million in the reporting year (previous year: €33 million), and similar obligations for shares in cooperatives totalled €1 thousand (previous year: €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, the expense is to be taken to the income statement over the period on a pro rata basis accordingly. Hence, an expense accrued for the bonus commitments for the years 2013 to 2018 in the reporting period. Especially in the case of the group of employees identified as “risk-takers”, the German regulations governing institutions’ remuneration systems (Instituts-Vergütungsverordnung) requires the bonus in a financial year 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 negative contributions to earnings and any compliance violations are taken into account when determining the deferred variable compensation components or when determining the bonus. Provisions totalling €162 million were set aside in the income statement at 31 December 2018 (previous year: €144 million) in connection with bonus commitments. The final amount disbursed may be higher, should the plan conditions be met.

In its function as personally liable partner, HVB had unlimited liability arising from shares in the partnership Bayerischer BankenFonds GbR, Munich, at the reporting date, as was the case in the previous year.

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.

49 Statement of Responsibility

HVB ensures that, to the extent of its shareholding, the company set forth below is in a position to meet its contractual obligations except in the event of political risks:

Financial companies
UniCredit Leasing GmbH, Hamburg

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 company that did not arise until after HVB's shareholding decreased. Where HVB is no longer a shareholder in the company named 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 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 covered by such Statements of Responsibility that were provided before the reduction or cessation of the shareholding in each case.

50 Auditor's fees

We have exercised the option provided by Section 285 No. 17 HGB and refer to the disclosures regarding the fees paid to the independent auditor made in the section of the consolidated financial statements at 31 December 2018 entitled "Other Information".

51 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 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.

Other Information (Continued)

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 and activities relating to the settlement of transactions to UniCredit Services S.C.p.A., Milan. The goal is to exploit synergies and make it possible to provide fast, high-quality IT services and to make settlement services available in line with a standard business and operating model.

HVB has outsourced activities in the fields of payments, document management and archiving in Germany and the settlement of securities transactions in Germany and at its Milan branch to external service providers. The purpose of this for HVB is to permanently reduce its operating costs.

52 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. This report is produced on an annual basis at 31 December and in addition at each quarter-end during the year and published on the Bank's website under About us > Investor Relations > Reports. Publication for the reporting date at 31 December is scheduled for shortly after publication of the Annual Report. The interim reports should be published shortly after submission of the regulatory COREP report to the supervisory authorities responsible.

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 drawn up once a year at 31 December and published on the Bank's website under About us > Investor Relations > Corporate Governance in the second quarter of the following year.

53 Own funds
Pursuant to Article 72 CRR, for regulatory purposes own funds consists of Tier 1 capital and Tier 2 capital; they amounted to €16,253 million at year-end 2018 (previous year: €16,398 million) 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 €16,253 million at year-end 2018 (previous year: €16,398 million).

54 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		POSITIVE		NEGATIVE	
	UP TO 1 YEAR	MORE THAN 1 YEAR UP TO 5 YEARS	MORE THAN 5 YEARS	2018	2017	2018	2017	2018	2017
Interest rate derivatives	**852,804**	**901,541**	**761,605**	**2,515,950**	**2,267,755**	**46,710**	**48,244**	**42,568**	**44,136**
OTC products									
Forward rate agreements	243,160	—	—	243,160	42,402	5	2	4	2
Interest rate swaps	526,245	816,541	660,050	2,002,836	1,941,266	42,593	44,089	38,262	39,234
Interest rate options									
– purchased	6,786	36,809	52,462	96,057	96,376	3,532	3,467	471	383
– written	8,427	41,192	49,053	98,672	96,203	576	435	3,830	4,254
Other interest									
rate derivatives	11,388	17	—	11,405	51	4	—	1	1
Exchange-traded products									
Interest rate futures	50,036	6,982	—	57,018	42,867	—	—	—	—
Interest rate options	6,762	—	40	6,802	48,590	—	251	—	262
Foreign exchange derivatives	**224,331**	**35,652**	**6,937**	**266,920**	**309,669**	**3,237**	**3,511**	**3,625**	**3,832**
OTC products									
Foreign exchange forwards	180,222	22,072	1,837	204,131	247,613	2,680	3,027	3,009	3,211
Foreign exchange options									
– purchased	21,203	6,925	2,686	30,814	30,707	356	343	205	175
– written	22,686	6,655	2,414	31,755	31,085	175	132	411	446
Other foreign									
exchange derivatives	220	—	—	220	262	26	9	—	—
Exchange-traded products									
Foreign exchange futures	—	—	—	—	2	—	—	—	—
Foreign exchange options	—	—	—	—	—	—	—	—	—
Cross-currency swaps	**56,065**	**100,238**	**43,975**	**200,278**	**181,703**	**5,665**	**4,405**	**5,520**	**3,948**
Equity/index derivatives	**34,047**	**34,411**	**11,486**	**79,944**	**87,442**	**3,274**	**2,111**	**3,119**	**2,914**
OTC products									
Equity/index swaps	5,109	5,620	567	11,296	12,767	530	160	452	163
Equity/index options									
– purchased	2,286	2,189	765	5,240	6,015	268	251	48	190
– written	8,211	8,139	4,417	20,767	26,108	384	70	562	593
Other equity/index									
derivatives	425	299	131	855	1,204	55	34	2	1
Exchange-traded products									
Equity/index futures	4,988	770	1,023	6,781	7,594	—	9	—	9
Equity/index options	12,682	16,591	4,506	33,779	33,754	2,037	1,587	2,055	1,958
Credit derivatives	**13,380**	**13,805**	**1,399**	**28,584**	**40,731**	**223**	**385**	**341**	**443**
Other transactions	**8,657**	**3,248**	**435**	**12,340**	**12,538**	**1,568**	**375**	**807**	**530**
HVB	**1,189,284**	**1,088,895**	**825,837**	**3,104,016**	**2,899,838**	**60,677**	**59,031**	**55,980**	**55,803**

Most of the derivatives are held for trading purposes.

The banking book contains derivatives with positive fair values of €1.5 billion (previous year: €1.5 billion) and negative fair values of €0.7 billion (previous year: €0.7 billion).

Other Information (Continued)

55 Employees

The average number of staff employed was as follows:

	2018	2017
Staff (excluding trainees)	12,268	13,264
of whom:		
full-time	8,513	9,739
part-time	3,755	3,525
Trainees	318	337

The staff's length of service was as follows: (in %)

	WOMEN	MEN	2018	2017
STAFF'S LENGTH OF SERVICE	(EXCLUDING TRAINEES)		TOTAL	TOTAL
25 years or more	33.7	25.1	29.6	27.3
15 to 25 years	24.2	19.9	22.2	23.6
10 to 15 years	21.4	22.7	22.1	19.7
5 to 10 years	10.5	14.9	12.5	13.5
less than 5 years	10.2	17.4	13.6	15.9

56 Emoluments

(€ thousands)

	2018						
	SHORT-TERM COMPONENTS		LONG-TERM INCENTIVES				
	FIXED SALARY	SHORT-TERM PERFORMANCE-RELATED CASH REMUNERATION	LONG-TERM PERFORMANCE-RELATED CASH REMUNERATION	SHARE-BASED REMUNERATION	POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	TOTAL
Members of the Management Board of UniCredit Bank AG	4,377	267	85	318	1,071	—	6,118
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	787	—	—	—	—	—	787
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	468	37	—	—	41	—	546
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	723	404	219	2,165	8,740	—	12,251

(€ thousands)

	2017						
	SHORT-TERM COMPONENTS		LONG-TERM INCENTIVES				
	FIXED SALARY	SHORT-TERM PERFORMANCE-RELATED CASH REMUNERATION	LONG-TERM PERFORMANCE-RELATED CASH REMUNERATION	SHARE-BASED REMUNERATION	POST-EMPLOYMENT BENEFITS	TERMINATION BENEFITS	TOTAL
Members of the Management Board of UniCredit Bank AG	4,802	506	1,342	1,164	1,479	—	9,293
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	790	—	—	—	—	—	790
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	386	31	—	—	30	—	447
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	159	58	342	383	1,347	—	2,289

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 2018. The Bank will provide/has provided 35% of the fixed salary contributions (2018: €978 thousand; 2017: €1,237 thousand).

Other Information (Continued)

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 2018, there were provisions in the amount of €26 million (previous year: €25 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	2018	2017
Number of shares granted	14,415	248,064
Number of shares committed after capital measures in 2017	—	49,495
Fair value on grant date (€)	17.088	14.030

57 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)

	2018			2017		
	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES
Members of the Management Board						
and their related parties	2,235	10	3,166	2,401	10	8,156
Members of the Supervisory Board						
and their related parties	—	—	4,804	299	—	4,296

Members of the Supervisory Board and Management Board at HVB and their respective immediate family members are considered related parties.

Mortgage loans with interest rates of between 0.491% and 4.14% were granted to members of the Management Board and their immediate family members falling due in the period from 2019 to 2037.

An overdraft facility was made available to one member of the Supervisory Board with an interest rate of 10.63%.

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

58 Supervisory Board

Gianni Franco Papa	Chairman
Florian Schwarz Dr Wolfgang Sprissler	Deputy Chairmen
Paolo Cornetta Beate Dura-Kempf Francesco Giordano Klaus Grünewald until 30 June 2018 Prof Dr Annette G. Köhler Dr Marita Kraemer Klaus-Peter Prinz Oliver Skrbot Christian Staack Gregor Völkl since 1 July 2018	Members

59 Management Board

Sandra Betocchi Drwenski	Chief Operating Officer (COO)
Markus Beumer since 1 December 2018	Commercial Banking – Unternehmer Bank
Peter Buschbeck until 28 February 2018	Commercial Banking – Private Clients Bank
Dr Emanuele Buttà since 1 March 2018	Commercial Banking – Private Clients Bank
Ljiljana Čortan since 1 January 2018	Chief Risk Officer (CRO)
Dr Michael Diederich	Board Spokesman (since 1 January 2018) Human Capital/Labour and Social Affairs (since 1 January 2018) Corporate & Investment Banking (interim until 28 February 2018)
Jan Kupfer since 1 March 2018	Corporate & Investment Banking
Robert Schindler until 7 November 2018	Commercial Banking – Unternehmer Bank
Guglielmo Zadra	Chief Financial Officer (CFO)

List of Executives and Outside Directorships

60 Supervisory Board

NAME, OCCUPATION, PLACE OF RESIDENCE	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES[1]	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES[1]
Gianni Franco Papa General Manager of UniCredit S.p.A., Vienna Chairman		UniCredit Bank Austria AG, Vienna, (Chairman since 10 December 2018) Amundi S.A., Paris, since 14 February 2018
Florian Schwarz Employee of UniCredit Bank AG, Munich Deputy Chairman		
Dr Wolfgang Sprissler Former Board Spokesman of UniCredit Bank AG, Sauerlach Deputy Chairman		Dr. Pfleger Arzneimittel GmbH (formerly Dr. R. Pfleger Chemische Fabrik Gesellschaft mit beschränkter Haftung), Bamberg (Deputy Chairman)
Paolo Cornetta Head of Group Human Capital of UniCredit S.p.A., Milan		ES Shared Service Center S.p.A, Cernusco sul Naviglio/Milan, until 19 December 2018, UniCredit Bank Austria AG, Vienna, until 11 April 2018
Beate Dura-Kempf Employee of UniCredit Bank AG, Litzendorf		
Francesco Giordano Co-Chief Operating Officer of UniCredit S.p.A., Milan		UniCredit Services S.C.p.A. (formerly UniCredit Business Integrated Solutions S.C.p.A.), Milan, YAPI ve KREDİ BANKASI A.Ş., Istanbul, since 20 March 2018
Klaus Grünewald until 30 June 2018 Former state district secretary (Landesfachbereichs- sekretär), Division 1 – Financial Services, Bavarian state district of Vereinte Dienstleistungs- gewerkschaft ver.di, Gröbenzell		

1 As at 31 December 2018.

NAME, OCCUPATION, PLACE OF RESIDENCE	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES[1]	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES[1]
Prof Dr Annette G. Köhler University professor and Chair of Accounting, Auditing and Controlling, University of Duisburg-Essen, Faculty of Business Administration – Mercator School of Management, Düsseldorf	DMG MORI AKTIENGESELLSCHAFT, Bielefeld, Villeroy & Boch Aktiengesellschaft, Mettlach, since 23 March 2018	DKSH Holding AG, Zürich, since 22 March 2018
Dr Marita Kraemer Former member of the Management Board of Zurich GI Management Aktiengesellschaft (Deutschland), and former member of the Management Board of Zurich Service GmbH, Frankfurt am Main	Allianz Deutschland AG, Munich, since 2 March 2018	EULER HERMES GROUP S.A., Paris, until 20 June 2018, Allianz France S.A., Paris
Klaus-Peter Prinz Employee of UniCredit Bank AG, Luxembourg Branch, Trier		
Oliver Skrbot Employee of UniCredit Bank AG, Buttenwiesen		
Christian Staack Employee of UniCredit Bank AG, Hamburg		
Gregor Völkl since 1 July 2018 District secretary (Bezirksfachbereichssekretär) of Vereinte Dienstleistungsgewerkschaft ver.di, Division 1 – Financial Services Munich district, Munich		

1 As at 31 December 2018.

List of Executives and Outside Directorships (Continued)

61 Management Board

NAME	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER GERMAN COMPANIES[1]	POSITIONS ON COMPARABLE BOARDS OF GERMAN AND FOREIGN COMPANIES[1]
Sandra Betocchi Drwenski born 1958 Chief Operating Officer (COO)	HVB Immobilien AG, Munich (Chairwoman)[2]	UniCredit Services S.C.p.A. (formerly UniCredit Business Integrated Solutions S.C.p.A.), Milan
Markus Beumer born 1964 since 1 December 2018 Commercial Banking – Unternehmer Bank	DAW SE, Ober-Ramstadt	UniCredit Leasing GmbH, Hamburg (Chairman since 10 December 2018)[2], since 4 December 2018, UniCredit Leasing Finance GmbH, Hamburg (Chairman since 10 December 2018)[2], since 4 December 2018
Peter Buschbeck born 1961 until 28 February 2018 Commercial Banking – Private Clients Bank	WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Deputy Chairman)[2], until 31 March 2018, Wüstenrot & Württembergische AG, Stuttgart	Wealth Management Capital Holding GmbH, Munich (Deputy Chairman)[2], until 31 March 2018
Dr Emanuele Buttà born 1966 since 1 March 2018 Commercial Banking – Private Clients Bank	WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Deputy Chairman since 11 April 2018)[2], since 1 April 2018	Wealth Management Capital Holding GmbH, Munich (Deputy Chairman since 11 April 2018)[2], since 1 April 2018
Ljiljana Čortan born 1971 since 1 January 2018 Chief Risk Officer (CRO)	HVB Immobilien AG, Munich[2], since 1 January 2018, WealthCap Kapitalverwaltungsgesellschaft mbH, Munich[2], since 1 January 2018	AO UniCredit Bank, Moscow, until 9 April 2018, Wealth Management Capital Holding GmbH, Munich[2], since 1 January 2018
Dr Michael Diederich born 1965 Board Spokesman Human Capital/Labour & Social Affairs Corporate & Investment Banking (interim) until 28 February 2018	Bayerische Börse Aktiengesellschaft, Munich (Deputy Chairman), until 30 June 2018	PORR AG, Vienna, until 29 May 2018, ESMT European School of Management and Technology GmbH, Berlin, FC Bayern München AG, since 17 December 2018
Jan Kupfer born 1964 since 1 March 2018 Corporate & Investment Banking	Bayerische Börse Aktiengesellschaft, Munich, since 1 July 2018	
Robert Schindler born 1964 until 7 November 2018 Commercial Banking – Unternehmer Bank		UniCredit Leasing GmbH, Hamburg (Chairman)[2], until 30 November 2018, UniCredit Leasing Finance GmbH, Hamburg (Chairman)[2], until 30 November 2018
Guglielmo Zadra born 1972 Chief Financial Officer (CFO)		

1 As at 31 December 2018.
2 Group directorship.

62 List of employees and outside directorships

NAME	POSITIONS ON STATUTORY SUPERVISORY BOARDS OF OTHER COMPANIES[1]
Aurich, Peter	CAM AG, Munich
Biebl, Matthias	Wacker Chemie AG, Munich
Breiner, Thomas	AGROB Immobilien AG, Ismaning[2]
Dobrikat, Joachim	Düsseldorfer Hypothekenbank AG, Düsseldorf
Dr Fischer, Jochen	HVB Trust Pensionsfonds AG, Munich
Glückert, Matthias	OECHSLER AG, Ansbach
Höllinger, Marion	UniCredit Direct Services GmbH, Munich[2]
Rohleder, Georg	HVB Trust Pensionsfonds AG, Munich
Dr Wegener, Richard	UniCredit Direct Services GmbH, Munich[2]
Weidenhöfer, Peter	AGROB Immobilien AG, Ismaning[2]

1 As at 31 December 2018.
2 Group directorship.

List of Holdings

63 List of Holdings

Compliant with Section 313 (2) German Commercial Code (Handelsgesetzbuch – HGB) for the consolidated financial statements and Section 285 No. 11, 11a HGB and Section 340a (4) HGB for the annual financial statements of UniCredit Bank AG.

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						
UniCredit Leasing Finance GmbH	Hamburg	100.0	100.0	EUR	160,013	[2]
1.1.1.2 Other consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG[3]	Grünwald	100.0	100.0	EUR	35	4,327
Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG[3]	Grünwald	100.0	100.0	EUR	34	(12)
Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG[3]	Grünwald	100.0	100.0	EUR	42	318
AGROB Immobilien AG (share of voting rights: 75.0%)[4,7]	Ismaning	52.7	52.7	EUR	26,720	2,399
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	793	[2]
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0	EUR	(36,362)	950
A&T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG[3]	Munich	100.0	100.0	EUR	(37,240)	0
Bertram Projekt Unodecima Technikzentrum GmbH & Co. KG	Munich	94.0	94.0	EUR	(2,178)	114
BIL Leasing-Fonds GmbH & Co VELUM KG (share of voting rights: 66.7%, of which 33.3% held indirectly)	Grünwald	100.0		EUR	(2)	0
BIL Leasing-Fonds Verwaltungs-GmbH	Grünwald	100.0	100.0	EUR	2,243	1,731
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
Food & more GmbH[3]	Munich	100.0		EUR	235	[1.1]
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	1,341
HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung[3]	Munich	100.0	100.0	EUR	276	779
HAWA Grundstücks GmbH & Co. oHG Immobilienverwaltung[3]	Munich	100.0	100.0	EUR	54	455
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	[2]
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing)[3]	Munich	99.4	99.4	EUR	22,519	2,763
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0	EUR	2	(34)
HJS 12 Beteiligungsgesellschaft mbH[3]	Munich	100.0		EUR	278	[1.2]
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	[1.3]
HVB Funding Trust II	Wilmington	100.0		GBP	2	0
HVB Gesellschaft für Gebäude mbH & Co. KG[3]	Munich	100.0		EUR	871,401	63,567
HVB Hong Kong Limited	Hong Kong	100.0		USD	2,273	(2,329)
HVB Immobilien AG[3]	Munich	100.0		EUR	86,644	[1.4]
HVB Projekt GmbH[3]	Munich	100.0	94.0	EUR	72,151	[2]

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
HVB Secur GmbH[3]	Munich	100.0		EUR	126	[1,5]
HVB Tecta GmbH[3]	Munich	100.0	94.0	EUR	1,751	[2]
HVB Verwa 4 GmbH[3]	Munich	100.0		EUR	10,132	[1,6]
HVB Verwa 4.4 GmbH[3]	Munich	100.0	100.0	EUR	10,025	[2]
HVZ GmbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	148,091	(29,022)
Hypo-Bank Verwaltungszentrum GmbH & Co. KG						
Objekt Arabellastraße[3]	Munich	100.0	100.0	EUR	26	(3,706)
Interra Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	51	[2]
Life Management Erste GmbH	Munich	100.0	100.0	EUR	24	[2]
MERKURHOF Grundstücksgesellschaft						
mit beschränkter Haftung[3]	Munich	100.0		EUR	16,692	[1,7]
NF Objekt FFM GmbH[3]	Munich	100.0	100.0	EUR	125	[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	9	44
Ocean Breeze Energy GmbH & Co. KG[3]	Bremen	100.0	100.0	EUR	(12,480)	28,092
Ocean Breeze GmbH	Bremen	100.0	100.0	EUR	30	26
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG[3]	Munich	100.0	94.0	EUR	26	(92)
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG[3]	Munich	100.0	100.0	EUR	3,233	(781)
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	37	25
Portia Grundstücks-Verwaltungsgesellschaft mbH & Co.						
Objekt KG[3]	Munich	100.0	100.0	EUR	500,014	36,120
Rolin Grundstücksplanungs- und						
-verwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	60	13
Salvatorplatz-Grundstücksgesellschaft						
mbH & Co. oHG Saarland[3]	Munich	100.0	100.0	EUR	1,534	874
Salvatorplatz-Grundstücksgesellschaft						
mbH & Co. OHG Verwaltungszentrum[3]	Munich	100.0	100.0	EUR	2,301	13,306
Selfoss Beteiligungsgesellschaft mbH[3]	Grünwald	100.0	100.0	EUR	25	[2]
Simon Verwaltungs-Aktiengesellschaft i.L.	Munich	<100.0		EUR	2,994	(27)
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	(30,973)	950
Spree Galerie Hotelbetriebsgesellschaft mbH[3]	Munich	100.0	100.0	EUR	249	[2]
Structured Invest Société Anonyme	Luxembourg	100.0		EUR	7,283	221
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(7,273)	(9)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,496)	(2)
TERRENO Grundstücksverwaltung GmbH & Co.						
Entwicklungs- und Finanzierungsvermittlungs-KG[3]	Munich	75.0	75.0	EUR	(268,579)	0
TIVOLI Grundstücks-Aktiengesellschaft	Munich	99.7	99.7	EUR	12,959	5,443
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	11,174	848
TRICASA Grundbesitzgesellschaft						
des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	23,637	36
UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,175	[1,8]
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	136,233	9,200
UniCredit Direct Services GmbH[3]	Munich	100.0		EUR	933	[1,9]

List of Holdings (Continued)

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
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	27,489	796
UniCredit Leasing GmbH[7]	Hamburg	100.0		EUR	452,026	[1.10]
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	115,645	213
Vermietungsgesellschaft mbH & Co. Objekt MOC KG[3]	Munich	89.3	89.3	EUR	(96,693)	1,821
Verwaltungsgesellschaft Katharinenhof mbH[3]	Munich	100.0		EUR	708	[1.11]
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	[2]
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,539	[1.12]
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	564	(6)
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	(6,663)	(7,133)
WealthCap Equity Management GmbH	Munich	100.0	100.0	EUR	1,394	1,369
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	2,243	1,731
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0	EUR	(156)	215
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0	EUR	1,159	1,015
WealthCap Immobilienfonds Deutschland 36 Komplementär GmbH	Grünwald	100.0	100.0	EUR	(285)	25
WealthCap Immobilienfonds Deutschland 38 Komplementär GmbH	Grünwald	100.0	100.0	EUR	(77)	(35)
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	3,736	2,158
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	[2]
WealthCap Investments, Inc.	Wilmington	100.0	100.0	USD	1,864	15
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	[2]
WealthCap Kapitalverwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	10,000	[2]
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	(91)	54
WealthCap Los Gatos 131 Albright Way L.P.	Wilmington	100.0	100.0	USD	2,918	4,584
WealthCap Management Services GmbH	Grünwald	100.0	100.0	EUR	7,254	6,032
WealthCap Objekt-Vorrat 20 GmbH & Co. KG	Munich	100.0	100.0	EUR	353	9,243
WealthCap Objekt-Vorrat 21 GmbH & Co. KG	Munich	100.0	100.0	EUR	(143)	(73)
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	28	(29)
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	2,882	1,627
WealthCap Portland Park Square, L.P.	Wilmington	100.0	100.0	USD	(940)	(187)
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	[2]
WealthCap Vorrats-2 GmbH	Grünwald	100.0	100.0	EUR	26	0
1.1.2 Non-consolidated subsidiaries[5]						
Acis Immobilien- und Projektentwicklungs GmbH	Grünwald	100.0	100.0	EUR	25	[2]
AGRUND Grundstücks-GmbH	Munich	90.0	90.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH i.L.	Ebersberg	98.8	98.8			
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0	EUR	(16,872)	0
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.9			
Apir Verwaltungsgesellschaft mbH & Co. Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(33,657)	0
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(40,601)	975
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0			
Aufbau Dresden GmbH	Munich	100.0	100.0	EUR	(23,944)	0
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	(254)	531
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0			
BIL Immobilien Fonds GmbH	Munich	100.0	100.0			
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0			
BV Grundstücksentwicklungs-GmbH	Munich	100.0	100.0	EUR	511	[2]
CUMTERRA Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]

		SHARE OF CAPITAL IN %			EQUITY CAPITAL	NET PROFIT
NAME	REGISTERED OFFICE	TOTAL	OF WHICH HELD INDIRECTLY	CURRENCY	in thousands of currency units	in thousands of currency units
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5			
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5			
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5			
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	[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
Großkugel Immobilien- und Projektentwicklungs 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. 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	(49,339)	11
HVB Export Leasing GmbH	Munich	100.0				
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0				
HVB Investments (UK) Limited	George Town	100.0				
HVB London Investments (AVON) Limited	London	100.0				
HVB Services South Africa (Proprietary) Limited	Johannesburg	100.0				
HVBFF International Greece GmbH	Munich	100.0	100.0			
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0			
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			
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0			
HVBFF Produktionshalle GmbH i.L.	Munich	100.0	100.0			
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	[2]
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co.						
Immobilien-Vermietungs KG	Munich	80.0	80.0			
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			

List of Holdings (Continued)

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
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	26	2
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			
Movie Market Beteiligungs GmbH i. L.	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
"Portia" Grundstücksverwaltungs-						
Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0			
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0	EUR	(5,690)	0
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	2
Redstone Mortgages Limited	London	100.0		GBP	973	26,659
RHOTERRA Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.9	EUR	26	2
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(36,170)	950
Salvatorplatz-Grundstücksgesellschaft						
mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	2
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co.						
Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,002)	0
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(15,006)	(2)
Tishman Speyer Berlin Friedrichstraße KG i.L.						
(share of voting rights: 96.6%, of which 7.1% held indirectly)	Munich	97.1	5.9			
Trinitrade Vermögensverwaltungs-						
Gesellschaft mit beschränkter Haftung	Munich	100.0				
UniCredit CAIB Securities UK Ltd.	London	100.0				
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(21,097)	950
VereinWest Overseas Finance (Jersey) Limited	St. Helier	100.0				
WealthCap Aircraft 27 GmbH & Co. KG	Grünwald	100.0	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 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 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Immobilien Deutschland 42 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 36 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds						
Deutschland 37 Komplementär GmbH	Grünwald	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 Services GmbH	Munich	100.0	100.0			
WealthCap Immobilien und Verwaltung Sekundär GmbH	Munich	100.0	100.0			
WealthCap Immobilien 40 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien 41 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Immobilien 42 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			

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 Los Gatos 131 Albright Way GP, Inc.	Wilmington	100.0	100.0	USD	(3,161)	(1,123)
WealthCap Management, Inc.	Wilmington	100.0	100.0			
WealthCap Mountain View GP, Inc.	Georgia	100.0	100.0			
Wealthcap Objekt Dresden GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt Nürnberg GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 13 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 17 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 21 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Objekt-Vorrat 24 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 25 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 25 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Objekt-Vorrat 26 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Objekt-Vorrat 26 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Portfolio 3 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 4 GmbH & Co. KG	Grünwald	100.0	100.0			
Wealthcap Portfolio 4 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Portfolio 5 GmbH & Co. KG	Grünwald	100.0	100.0			
Wealthcap Portfolio 5 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Portland Park Square GP Inc.	Atlanta	100.0	100.0	USD	(1,456)	(1,464)
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 Private Equity 21 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 22 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 4 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial 5 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
Wealthcap Spezial Büro 6 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
Wealthcap Spezial Büro 6 Komplementär GmbH	Grünwald	100.0	100.0			
Wealthcap Spezial Portfolio Immobilien 1 Komplementär SARL	Luxembourg-Findel	100.0	100.0			
Wealthcap Spezial Portfolio Private Equity 1 Komplementär SARL	Luxembourg-Findel	100.0	100.0			
Wealthcap Spezial Wohnen 1 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0			
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Vorrats-1 GmbH	Grünwald	100.0	100.0			
Wealthcap Wohnen Spezial-AIF 1 GmbH & Co. geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Wohnen 1 GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Wohnen 1a GmbH & Co. KG	Munich	100.0	100.0			
Wealthcap Wohnen 1b GmbH & Co. KG	Munich	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			
WealthCap ZweitmarktWerte 5 GP S.à r.l.	Senningerberg	100.0	100.0			
WealthCap 39 Komplementär GmbH	Grünwald	100.0	100.0			
Weicker S.à r.l.	Luxembourg-Findel	100.0				

List of Holdings (Continued)

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 DAC	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
Elektra Purchase No. 28 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 31 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 32 S.A.	Luxembourg	0	EUR	31
Elektra Purchase No. 32 S.A. – Compartment 2	Luxembourg	0	EUR	<1
Elektra Purchase No. 33 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 34 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 36 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 37 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 38 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 39 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 41 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 43 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 44 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 46 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 48 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 54 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 55 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 56 DAC	Dublin	0	EUR	< 1
Elektra Purchase No. 57 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 63 DAC	Dublin	0	EUR	< 1
Elektra Purchase No. 718 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 911 Ltd.	St. Helier	0	EUR	<1
European-Office-Fonds	Munich	0	EUR	0
GELDILUX-TS-2015 S.A.	Luxembourg	0	EUR	31
GEMMA Verwaltungsgesellschaft mbH & Co. Vermietungs KG (held indirectly)	Pullach	6.1	EUR	68,272
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
Ocean Breeze Finance S.A. – Compartment 1	Luxembourg	0	EUR	0
Rosenkavalier 2008 GmbH	Frankfurt am Main	0	EUR	25
Rosenkavalier 2015 UG	Frankfurt am Main	0	EUR	8

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[5]						
Heizkraftwerk Cottbus Verwaltungs GmbH i.L.	Cottbus	33.3		EUR	354	245
Heizkraftwerke-Pool Verwaltungs-GmbH	Munich	33.3		EUR	119	863
WealthCap Portfolio Finanzierungs-						
GmbH & Co. KG (share of voting rights: 50.0%)	Grünwald	—		EUR	71,686	2,233
3 Associated companies						
3.1 Associated companies valued at equity						
Adler Funding LLC[4]	Dover	32.8		USD	(16,128)	(29,160)
Comtrade Group B.V.[4,7]	Rotterdam	21.1	21.1	EUR	53,673	6,613
Nautilus Tankers Limited[4]	Valletta	45.0	45.0	USD	36,333	4,390
paydirekt Beteiligungsgesellschaft privater Banken mbH	Berlin	24.0		EUR	598	(5,517)
SwanCap Partners GmbH (share of voting rights: 49.0%)[4]	Munich	75.3		EUR	7,147	2,727
3.2 Minor associated companies[5]						
MOC Verwaltungs GmbH	Munich	23.0	23.0			
4 Further Holdings according to						
Section 271 (1) HGB[5]						
4.1 Banks and financial institutions						
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt am Main	15.4		EUR	238,732	11,080
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3		EUR	11,526	278
BGG Bayerische Garantiegesellschaft mbH						
für mittelständische Beteiligungen	Munich	10.5		EUR	51,389	2,653
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8		EUR	29,088	1,486
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1		EUR	16,562	212
Bürgschaftsbank Nordrhein-Westfalen GmbH –						
Kreditgarantiegemeinschaft –	Düsseldorf	0.6		EUR	35,440	1,282
Bürgschaftsbank Rheinland-Pfalz GmbH	Mainz	1.4		EUR	16,605	79
Bürgschaftsbank Saarland Gesellschaft mit beschränkter						
Haftung, Kreditgarantiegemeinschaft für den Handel,						
Handwerk und Gewerbe	Saarbrücken	1.3		EUR	4,313	19
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9		EUR	15,612	454
Bürgschaftsbank Sachsen GmbH (share voting rights: 5.4%)	Dresden	4.7		EUR	42,015	1,645
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4		EUR	40,182	971
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7		EUR	25,946	642
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5		EUR	25,243	744
MCB Bank Limited	Lahore	>0.0		PKR	136,493,057	14,648,799
Niedersächsische Bürgschaftsbank GmbH	Hanover	3.0		EUR	26,397	1,934
Saarländische Investitionskreditbank AG	Saarbrücken	3.3		EUR	65,474	1,009
4.2 Other companies						
Acton GmbH & Co. Heureka II KG	Munich	8.9		EUR	72,257	(1,016)
Amstar Liquidating Trust						
(share voting rights: 0.0%)	New York	>0.0	>0.0			
Babcock & Brown Limited	Sydney	3.2				
Bavaria Servicos de Representacao Comercial Ltda.	Sao Paulo	>0.0	>0.0	BRL	6,500	868
BayBG Bayerische Beteiligungsgesellschaft mbH[8]	Munich	22.5		EUR	232,843	6,129
Bayerischer BankenFonds GbR[8]	Munich	25.6				
BGN GmbH & Co. KG	Wiesbaden	6.0	6.0			

List of Holdings (Continued)

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
BIL Leasing-Fonds GmbH & Co. Altstadtsanierung Freiberg KG						
(share voting rights: 0.3%)	Grünwald	—	—	EUR	459	886
BIL Leasing-Fonds GmbH & Co HONOR KG i.L.						
(share voting rights: 0.1%)	Grünwald	—	—			
Bil Leasing-Fonds GmbH & Co Objekt Verwaltungssitz						
Bankenverband KG (share voting rights: 0.2%)	Grünwald	—	—	EUR	824	1,184
BIL Leasing GmbH & Co Objekte Freiberg KG	Grünwald	6.0	6.0			
BIL Leasing GmbH & Co Objekt Verwaltungsgebäude Halle KG						
(share voting rights: 0.1%)	Grünwald	—	—			
BioM Aktiengesellschaft Munich Bio Tech Development	Planegg	8.5		EUR	2,158	88
Blue Capital Equity I GmbH & Co. KG i.L.	Munich	>0.0	>0.0	EUR	903	(428)
Blue Capital Equity II GmbH & Co. KG i.L.	Munich	>0.0	>0.0	EUR	1,652	(160)
Blue Capital Equity III GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.8	0.8	EUR	5,686	(38)
Blue Capital Equity IV GmbH & Co. KG	Munich	>0.0	>0.0	EUR	9,438	612
Blue Capital Equity IX GmbH & Co. KG						
(share voting rights: 0.6%)	Munich	0.7	0.7	EUR	4,258	605
Blue Capital Equity V GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.1	0.1	USD	894	(176)
Blue Capital Equity VI GmbH & Co. KG	Munich	>0.0	>0.0	USD	19,225	(459)
Blue Capital Equity VII GmbH & Co. KG	Munich	>0.0	>0.0	USD	9,211	307
Blue Capital Equity VIII GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	0.7	0.7	EUR	9,464	826
Blue Capital Europa Immobilien GmbH & Co.						
Fünfte Objekte Österreich KG	Munich	0.1	0.1	EUR	15,005	952
Blue Capital Europa Immobilien GmbH & Co.						
Siebte Objekte Österreich KG	Munich	0.1	0.1	EUR	22,819	137
Blue Capital Metro Amerika Fund, L.P.	Wilmington	0.1	0.1	USD	163,290	5,792
Blue Capital Metropolitan Amerika GmbH & Co. KG	Munich	0.1	0.1	USD	120,035	7,380
Boston Capital Partners V, L.L.C.	Wilmington	10.0	10.0			
Boston Capital Ventures V, L.P. (share voting rights: 0.0%)	Wilmington	20.0		USD	12,818	(383)
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6		EUR	4,322	163
BV Capital GmbH & Co. Beteiligungs KG Nr. 1	Hamburg	16.8	16.8	EUR	2,094	237
Carlyle Partners V, L.P. (share voting rights: 0.0%)	Wilmington	>0.0	>0.0	USD	3,461,150	1,654,964
Carlyle U.S. Equity Opportunity Fund, L.P.						
(share voting rights: 0.0%)	Wilmington	0.9	0.9	USD	771,373	56,867
Charme II (share voting rights: 0.0%)	Milan	7.7		EUR	4,864	(387)
CHARME INVESTMENTS S.C.A. (share voting rights: 12.1%)	Luxembourg	13.4		EUR	22,677	(93)
China International Packaging Leasing Co., Ltd.	Beijing	17.5		CNY	(101,056)	553
China Investment Incorporations (BVI) Ltd.	Tortola	10.8	10.8	USD	9,135	(42,850)
CLS Group Holdings AG	Zurich	1.2		GBP	389,130	15,752
CMC-Hertz Partners, L.P. (share voting rights: 0.0%)	Wilmington	7.1	7.1			
CME Group Inc.	Wilmington	>0.0		USD	22,411,800	4,063,400
Earlybird GmbH & Co. Beteiligungskommanditgesellschaft III i.L.	Munich	9.7	9.7	USD	7,589	205
Easdaq NV	Leuven	>0.0		EUR	1,609	(257)
East Capital Financials Fund AB (share voting rights: 0.0%)	Stockholm	0.2		EUR	18,362	(6,963)
EDD AG (share voting rights: 3.1%)	Düsseldorf	3.0		EUR	27,792	(3,009)
Einkaufsgalerie Roter Turm Beteiligungs GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,447	253
Einkaufsgalerie Roter Turm Chemnitz GmbH & Co. KG	Munich	>0.0	>0.0	EUR	51,564	3,776
EURO Kartensysteme GmbH	Frankfurt am Main	6.0		EUR	11,835	199
Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG	Grünwald	9.9	9.9	EUR	23,679	(1,246)
H.F.S. Immobilienfonds Bahnhofspassagen						
Potsdam GmbH & Co. KG	Munich	6.0	6.0	EUR	23,663	2,578
H.F.S. Immobilienfonds "Das Schloss"						
Berlin-Steglitz GmbH & Co. KG	Munich	6.0	6.0	EUR	17,913	(732)

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H.F.S. Immobilienfonds Deutschland 4 GmbH & Co. KG	Munich	0.2	0.2	EUR	(618)	1,869
H.F.S. Immobilienfonds Deutschland 6 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	13,412	(207)
H.F.S. Immobilienfonds Deutschland 8 GmbH & Co. KG	Munich	0.1	0.1	EUR	11,403	(114)
H.F.S. Immobilienfonds Deutschland 9 GmbH & Co. KG	Munich	0.1	0.1	EUR	10,243	7,461
H.F.S. Immobilienfonds Deutschland 10 GmbH & Co. KG	Munich	1.4	1.4	EUR	120,942	5,541
H.F.S. Immobilienfonds Deutschland 12 GmbH & Co. KG	Munich	3.9	3.9	EUR	82,107	23,836
H.F.S. Immobilienfonds Deutschland 15 GmbH & Co. KG	Munich	0.1	0.1	EUR	18,040	2,702
H.F.S. Immobilienfonds Deutschland 16 GmbH & Co. KG	Munich	0.1	0.1	EUR	51,057	56,456
H.F.S. Immobilienfonds GmbH & Co. Europa 3 KG	Munich	0.1	0.1	EUR	10,547	(2,325)
H.F.S. Immobilienfonds Köln GmbH & Co. KG	Munich	>0.0	>0.0	EUR	6,603	48,072
H.F.S. Immobilienfonds Köln Supplier-Park GmbH & Co. KG	Munich	>0.0	>0.0	EUR	23,192	1,960
H.F.S. Immobilienfonds Schweinfurt GmbH & Co. KG	Munich	>0.0	>0.0	EUR	1,450	1,938
H.F.S. Zweitmarktfonds Deutschland 1 GmbH & Co. KG	Ebersberg	0.1	0.1	EUR	16,522	6,474
H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG	Ebersberg	>0.0	>0.0	EUR	83,283	15,359
HVBFF Life Britannia GmbH & Co Erste KG	Grünwald	>0.0	>0.0	EUR	15,783	842
HVB Trust Pensionsfonds AG (share voting rights: 0.0%)[9]	Munich	100.0				
IGEPA Gewerbepark GmbH & Co Vermietungs KG	Fürstenfeldbruck	2.0	2.0	EUR	(6,962)	11,408
Immobilienfonds Objekte Apolda, Kiel, Bergen und						
Sigmaringen GmbH & Co. KG	Oberhaching	0.1	0.1			
Immobilienfonds Objekt Rathenow GmbH & Co. KG	Oberhaching	0.2	0.2	EUR	1,903	935
Industriepalast in Leipzig Verwaltungs-GmbH & Co. KG i.L.						
(share voting rights: 6.3%)	Berlin	6.2				
Interbanking Systems S.A. (Dias S.A.)	Maroussi	0.9		EUR	26,734	0
IPE Tank and Rail Investment 1 S.C.A.	Luxembourg	7.8	7.8			
JBG/BC Investor, L.P.	Chevy Chase	0.5	0.5	USD	78,860	7,558
Kepler Cheuvreux S.A. (share voting rights: 4.6%)	Paris	10.3		EUR	79,092	15,907
Kreditgarantiegemeinschaft der freien Berufe						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	1.3				
Kreditgarantiegemeinschaft der Industrie,						
des Verkehrsgewerbes und des Gastgewerbes						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	2.6				
Kreditgarantiegemeinschaft des						
bayerischen Gartenbaues GmbH	Munich	8.1				
Kreditgarantiegemeinschaft des						
bayerischen Handwerks GmbH	Munich	7.2		EUR	4,846	0
Kreditgarantiegemeinschaft des Handels						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	2.3				
Kreditgarantiegemeinschaft des Handwerks						
Baden-Württemberg Verwaltungsgesellschaft mbH	Stuttgart	2.5				
Kreditgarantiegemeinschaft des Hotel- und						
Gaststättengewerbes in Bayern GmbH	Munich	9.7		EUR	4,359	0
Kreditgarantiegemeinschaft für den Handel in Bayern GmbH	Munich	2.2		EUR	6,317	0
Kreditgarantiegemeinschaft in Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	5.1				
Life Britannia First LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	12,988	1,615
Life Britannia Second LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	17,379	2,217
Life GmbH & Co Erste KG	Munich	>0.0	>0.0	USD	110,569	6,310
Life GmbH & Co. Zweite KG (share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	63,077	(4,436)
Lion Capital Fund I, L.P. (share voting rights: 0.0%)	London	0.9		EUR	2,429	(410)
Martin Schmälzle Grundstücksgesellschaft Objekt Wolfsburg						
GmbH & Co. KG	Munich	>0.0	>0.0	EUR	15,711	921
MBG Mittelständische Beteiligungsgesellschaft						
Baden-Württemberg GmbH	Stuttgart	5.0		EUR	72,488	5,540
MBG Mittelständische Beteiligungsgesellschaft						
Rheinland-Pfalz mbH (share voting rights: 11.1%)	Mainz	9.8		EUR	14,882	1,334

List of Holdings (Continued)

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MBG Mittelständische Beteiligungsgesellschaft						
Schleswig-Holstein mbH	Kiel	3.6		EUR	39,021	2,978
MFP Munich Film Partners GmbH & Co. AZL Productions KG	Grünwald	0.1		EUR	0.2	7,525
MFP Munich Film Partners GmbH & Co. MI 2 Productions KG i.L.	Grünwald	0.1				
Mittelständische Beteiligungsgesellschaft						
Berlin-Brandenburg GmbH	Potsdam	11.6		EUR	20,061	1,783
Mittelständische Beteiligungsgesellschaft						
Mecklenburg-Vorpommern mbH	Schwerin	15.4		EUR	14,429	288
Mittelständische Beteiligungsgesellschaft						
Niedersachsen (MBG) mbH	Hanover	8.2		EUR	13,638	507
Mittelständische Beteiligungsgesellschaft						
Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7		EUR	23,304	434
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8		EUR	46,694	1,965
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt	13.4		EUR	24,944	1,214
Motion Picture Production GmbH & Co. Erste KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	(28,035)	1,460
Mühoga Münchner Hochgaragen Gesellschaft						
mit beschränkter Haftung[8]	Munich	25.0	25.0	EUR	4,429	2,237
PICIC Insurance Ltd.	Karachi	>0.0		PKR	(4,020)	(42,231)
PRINCIPIA FUND (share voting rights: 0.0%)	Milan	10.0				
ProAreal GmbH i. I.	Wiesbaden	10.0		EUR	(93,513)	(26)
REF IV Associates (Caymans) L.P. Acqua CIV S.C.S.						
(share voting rights: 0.0%)	Luxembourg	38.3	38.3			
Rocket Internet Capital Partners (Euro) SCS						
(share voting rights: 0.0%)	Luxembourg	4.4		EUR	139,611	17,726
Roomstore Inc.	Richmond	7.7	7.7			
Saarländische Kapitalbeteiligungsgesellschaft						
mit beschränkter Haftung (share voting rights: 8.8%)	Saarbrücken	8.7		EUR	7,402	(72)
Social Venture Fund GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	9.6		EUR	3,468	12
Social Venture Fund II GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	4.5		EUR	13,101	(847)
Stahl Group S.A.	Luxembourg	0.4	0.4	EUR	651,494	914,893
SwanCap FLP II SCSp (share voting rights: 37.5%)[10]	Senningerberg	—				
SwanCap FLP SCS (share voting rights: 37.5%)[10]	Senningerberg	—		EUR	849	435
SwanCap TB II SCSp (share voting rights: 0.0%)[11]	Senningerberg	>0.0				
SwanCap Blocker GmbH & Co. KG[11]	Munich	—				
S.W.I.F.T. (Co-operative 'Society for Worldwide						
Interbank Financial Telecommunication')	Brussels	0.3		EUR	469,330	45,119
Texas Energy Future Holdings L.P. (share voting rights: 0.0%)	Fort Worth	1.5	1.5			
True Sale International GmbH	Frankfurt am Main	7.7		EUR	4,928	119
UniCredit Services						
Società Consortile per Azioni	Milan	>0.0		EUR	357,036	8,469
VISA Inc. (share voting rights: 0.0%)	Wilmington	>0.0		USD	34,006,000	10,301,000
WealthCap Aircraft 1 GmbH & Co. KG	Munich	>0.0	>0.0	USD	22,342	(118)
WealthCap Aircraft 25 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	38,578	(502)
WealthCap Aircraft 26 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	50,585	(81)
WealthCap Fondsportfolio Private Equity 21 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0			
WealthCap Fondsportfolio Private Equity 22 GmbH & Co.						
geschlossene Investment KG	Grünwald	0.2	0.2			
WealthCap Immobilien Deutschland 38 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	101,188	15,422

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WealthCap Immobilien Deutschland 39 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	135,498	(7,937)
WealthCap Immobilien Deutschland 40 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0			
WealthCap Immobilien Deutschland 41 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0			
WealthCap Immobilienfonds Deutschland 30 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	45,929	5,664
WealthCap Immobilienfonds Deutschland 31 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	38,156	5,814
WealthCap Immobilienfonds Deutschland 32 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	51,242	3,516
WealthCap Immobilienfonds Deutschland 33 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	59,179	2,566
WealthCap Immobilienfonds Deutschland 34 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	40,195	2,535
WealthCap Immobilienfonds Deutschland 35 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	126,476	7,502
WealthCap Immobilienfonds Deutschland 37 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	63,676	2,443
WealthCap Immobilienfonds Donauwörth 1 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	20,213	1,604
WealthCap Immobilienfonds Donauwörth 2 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,067	563
WealthCap Immobilien Nordamerika 16 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	45,462	4,440
WealthCap Immobilien Nordamerika 17 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	36,777	(3,054)
WealthCap Infrastructure Fund I GmbH & Co. KG	Munich	>0.0	>0.0	EUR	4,908	(88)
WealthCap Infrastruktur Amerika GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	4,427	1,517
WealthCap Leasing 1 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	30,005	1,641
WealthCap Leasing 2 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	29,298	1,437
WealthCap Leasing 3 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	28,687	1,516
WealthCap Leasing 4 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	27,482	1,312
WealthCap LebensWert 1 GmbH & Co. KG						
(share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	874	999
WealthCap LebensWert 2. GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	5,936	1,291
WealthCap Life Britannia 2. GmbH & Co KG	Munich	>0.0	>0.0	EUR	12,787	(1,173)
WealthCap Life USA 4. GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	59,073	3,064
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	>0.0	>0.0	USD	64,590	3,523
WealthCap Mountain View I L.P. (share voting rights: 0.1%)	Georgia	—	—	USD	43,701	5,725
WealthCap Objekt Berg-am-Laim GmbH & Co. KG	Munich	5.2	5.2	EUR	121,259	8,173
Wealthcap Objekt Berg-am-Laim II GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Bogenhausen GmbH & Co. KG	Munich	>0.0	>0.0	EUR	132,593	2,566
WealthCap Objekt Essen GmbH & Co. KG	Munich	5.2	5.2	EUR	28,370	960
WealthCap Objekt Frankfurt GmbH & Co. KG	Munich	5.2	5.2	EUR	46,985	2,353
WealthCap Objekt Hackerbrücke GmbH & Co. KG	Munich	5.2	5.2	EUR	33,358	1,857
WealthCap Objekt Hamburg GmbH & Co. KG	Munich	10.1	10.1			
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	5.2	5.2	EUR	16,100	959
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	5.2	5.2	EUR	3,781	513
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	5.2	5.2	EUR	17,022	451
WealthCap Objekt Hufelandstraße GmbH & Co. KG	Munich	5.2	5.2	EUR	11,748	538
WealthCap Objekt Riem GmbH & Co. KG	Munich	5.2	5.2	EUR	30,556	1,597
WealthCap Objekt Riem II GmbH & Co. KG	Munich	5.2	5.2	EUR	44,970	1,103
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	5.2	5.2	EUR	30,572	981
WealthCap Objekt Sendling GmbH & Co. KG	Munich	5.2	5.2	EUR	58,272	2,068
WealthCap Objekt Stuttgart Ia GmbH & Co. KG	Munich	>0.0	>0.0	EUR	18,051	(167)

List of Holdings (Continued)

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
WealthCap Objekt Stuttgart Ib GmbH & Co. KG	Munich	>0.0	>0.0	EUR	20,484	809
WealthCap Objekt Stuttgart II GmbH & Co. KG	Munich	5.2	5.2	EUR	24,939	1,022
WealthCap Objekt Theresienhöhe GmbH & Co. KG	Munich	5.2	5.2	EUR	66,084	2,646
WealthCap Objekte Südwest GmbH & Co. KG	Munich	5.1	5.1	EUR	(1,180)	(385)
WealthCap Photovoltaik 1 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	27,210	2,749
WealthCap Portfolio 3 GmbH & Co. geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	9,864	(2,835)
WealthCap Private Equity 10 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	10,020	3,543
WealthCap Private Equity 11 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	3,751	1,687
WealthCap Private Equity 12 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	57,655	3,015
WealthCap Private Equity 13 GmbH & Co. KG	Grünwald	>0,0	>0,0	EUR	48,423	9,703
WealthCap Private Equity 14 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	27,989	5,752
WealthCap Private Equity 15 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	17,242	935
WealthCap Private Equity 16 GmbH & Co. KG						
(share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	3,691	183
WealthCap Private Equity 17 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	14,878	2,228
WealthCap Private Equity 18 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	10,729	1,596
WealthCap Private Equity 19 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	18,992	(2,549)
WealthCap Private Equity 20 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	5,173	(614)
WealthCap SachWerte Portfolio 1 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	32,946	3,115
WealthCap SachWerte Portfolio 2 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	88,674	(833)
WealthCap Spezial-AIF 1 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	169,805	23,317
WealthCap Spezial-AIF 2 GmbH & Co.						
geschlossene Investment KG	Munich	5.2	5.2	EUR	76,615	16,290
WealthCap Spezial-AIF 3 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	257,916	29,752
WealthCap Spezial-AIF 4 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	151,895	(76)
WealthCap Spezial-AIF 5 GmbH & Co.						
geschlossene Investment KG	Munich	10.5	10.5	EUR	165,733	1,382
Wealthcap Spezial Portfolio Immobilien 1 SA SICAV-SIF	Luxembourg	0.3	0.3			
Wealthcap Spezial Portfolio Immobilien 1 SCS SICAV-SIF	Luxembourg	50.0	50.0			
Wealthcap Spezial Portfolio Private Equity 1 SA SICAV-SIF	Luxembourg	0.1	0.1			
Wealthcap Spezial Portfolio Private Equity 1 SCS SICAV-SIF	Luxembourg	>0.0	>0.0			
WealthCap US Life Dritte GmbH & Co. KG						
(share voting rights: 0.0%)	Grünwald	0.1	0.1	USD	10,808	(16,138)
WealthCap Zweitmarkt 3 BASIS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	30,943	1,505
WealthCap Zweitmarkt 3 PLUS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	9,390	313
WealthCap ZweitmarktWerte Immobilien 4 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	8,496	433
WH – Erste Grundstücks GmbH & Co. KG	Munich	6.0		EUR	101,807	19,311
Wohnungsbaugesellschaft der Stadt						
Röthenbach a.d.Pegnitz mit beschränkter Haftung	Röthenbach a.d.Pegnitz	5.2		EUR	3,349	118

Exchange rates for 1 euro at the reporting date

Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

Brazil	1 EUR =	4.4440	BRL
China	1 EUR =	7.8751	CNY
UK	1 EUR =	0.89453	GBP
Pakistan	1 EUR =	159.54	PKR
USA	1 EUR =	1.1450	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 agreements with the following companies:

	COMPANY	PROFIT/(LOSS) TRANSFERRED € thousands
1.1	Food & more GmbH, Munich	(1,354)
1.2	HJS 12 Beteiligungsgesellschaft mbH, Munich	(6,103)
	thereof relating to 2018	2
1.3	HVB Capital Partners AG, Munich	(63)
1.4	HVB Immobilien AG, Munich	50,814
	thereof relating to 2018	39,914
1.5	HVB Secur GmbH, Munich	92
1.6	HVB Verwa 4 GmbH, Munich	(86)
1.7	MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	1,572
1.8	UniCredit Beteiligungs GmbH, Munich	(9)
1.9	UniCredit Direct Services GmbH, Munich	1,482
1.10	UniCredit Leasing GmbH, Hamburg	62,341
1.11	Verwaltungsgesellschaft Katharinenhof mbH, Munich	263
1.12	Wealth Management Capital Holding GmbH, Munich	21,732

2 Profit and loss transfer to shareholders and partners.

3 The exemption under Section 264b German Commercial Code and under Section 264 (3) German Commercial Code applies to the company.

4 Figures from the 2017 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.

6 Equity capital amounts to €18,000 and the net profit €29,000.

7 Pursuant to Section 340a (4) No. 2 German Commercial Code, all holdings in large corporations with a share of voting rights greater than 5 percent.

8 Despite a holding of more than 20%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and the voting patterns to date.

9 The company is held by a trustee on behalf of UniCredit Bank AG.

10 UniCredit Bank AG holds the position of a limited partner under company law and participates in the profit of the company.

11 UniCredit Bank AG holds the position of a limited partner under company law but does not participate in the profit of the company.

Mortgage Banking

64 Coverage

The statement of coverage is as follows:

(€ millions)

	2018	2017
1. Mortgage bonds		
Standard coverage		
1. Loans and receivables with banks	—	—
Mortgage loans	—	—
2. Loans and receivables with customers	26,514	25,930
Mortgage loans	26,514	25,930
Other eligible cover[1]		
1. Other lending to banks	—	—
2. Bonds and other fixed-income securities	533	460
3. Equalisation claims on government authorities	—	—
Subtotal	**27,047**	**26,390**
Total mortgage bonds requiring cover	19,005	16,868
Excess coverage	**8,042**	**9,522**
2. Public-sector bonds		
Standard coverage		
1. Loans and receivables with banks	12	17
Mortgage loans	—	—
Municipal loans	12	17
2. Loans and receivables with customers	5,017	5,243
Mortgage loans	2	4
Municipal loans	5,015	5,239
3. Bonds and other fixed-income securities	269	269
Other eligible cover[2]		
Other lending to banks	—	—
Subtotal	**5,298**	**5,529**
Total public-sector bonds requiring cover	3,713	3,936
Excess coverage	**1,585**	**1,593**

1 Compliant with Section 19 (1) of the German Pfandbrief Act.
2 Compliant with Section 20 (2) of the German Pfandbrief Act.

65 Pfandbriefs outstanding and cover assets used

The following table shows Pfandbriefs outstanding and cover assets, broken down by Mortgage Pfandbriefs and Public Pfandbriefs: (€ millions)

	2018			2017		
	NOMINAL	PRESENT VALUE	RISK PRESENT VALUE[1]	NOMINAL	PRESENT VALUE	RISK PRESENT VALUE[1]
1. Mortgage bonds						
Mortgage bonds	19,005	20,076	19,362	16,868	17,978	17,205
thereof: derivatives	—	—	—	—	—	—
Covering assets[2]	27,047	29,164	27,804	26,390	28,493	27,196
thereof: derivatives	—	—	—	—	—	—
Excess coverage	**8,042**	**9,088**	**8,442**	**9,522**	**10,515**	**9,991**
2. Public-sector bonds						
Public-sector bonds	3,713	4,113	3,932	3,936	4,382	4,154
thereof: derivatives	—	—	—	—	—	—
Covering assets[3]	5,298	5,959	5,675	5,529	6,234	5,910
thereof: derivatives	—	—	—	—	—	—
Excess coverage	**1,585**	**1,846**	**1,743**	**1,593**	**1,852**	**1,756**

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 €533 million as at 31 December 2018 and €460 million at 31 December 2017.
3 Including no further cover assets compliant with Section 20 (2) of the German Pfandbrief Act as at 31 December 2018 and as at 31 December 2017.

66 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)

	2018		2017	
	MORTGAGE BONDS	COVERING ASSETS	MORTGAGE BONDS	COVERING ASSETS
1. Mortgage bonds[1]	**19,005**	**27,047**	**16,868**	**26,390**
up to 0.5 years	484	1,923	437	1,920
at least 0.5 years but less than 1 year	2,033	1,354	589	1,225
at least 1 year but less than 1.5 years	1,282	1,200	477	1,408
at least 1.5 years but less than 2 years	2,108	1,415	2,032	1,180
at least 2 years but less than 3 years	2,326	2,469	2,390	2,495
at least 3 years but less than 4 years	1,982	2,396	1,804	2,578
at least 4 years but less than 5 years	2,042	2,334	1,977	2,295
at least 5 years but less than 10 years	4,922	9,758	5,423	9,593
10 years or more	1,826	4,198	1,739	3,696
2. Public-sector bonds[2]	**3,713**	**5,298**	**3,936**	**5,529**
up to 0.5 years	297	267	101	405
at least 0.5 years but less than 1 year	133	525	136	264
at least 1 year but less than 1.5 years	130	388	593	286
at least 1.5 years but less than 2 years	636	561	123	431
at least 2 years but less than 3 years	689	528	745	911
at least 3 years but less than 4 years	419	449	136	477
at least 4 years but less than 5 years	289	384	689	418
at least 5 years but less than 10 years	483	1,233	747	1,328
10 years or more	637	963	666	1,009

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 (Continued)

67 Volume of claims used as cover for Pfandbriefs, broken down by size class

The following table shows the volume of claims used as cover for Pfandbriefs:

(€ millions)

	2018	2017
1. Mortgage covering assets	**26,514**	**25,930**
up to and including €300,000	10,346	10,576
over €300,000 up to and including €1,000,000	4,241	3,990
over €1,000,000 up to and including €10,000,000	6,272	6,090
more than €10,000,000	5,655	5,274
2. Public-sector bonds[1]	**5,298**	**5,529**
up to and including €10,000,000	1,353	1,511
over €10,000,000 up to and including €100,000,000	1,550	1,742
more than €100,000,000	2,395	2,276

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.

68 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:

(€ millions)

	2018		2017	
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY
Germany	**18,249**	**8,264**	**17,680**	**8,249**
Condominiums	4,346	—	4,289	—
Single-family and two-family houses	7,165	—	6,992	—
Multiple-family houses	6,598	—	6,261	—
Office buildings	—	4,400	—	4,183
Retail buildings	—	2,494	—	2,543
Industrial buildings	—	368	—	481
Other commercially used buildings	—	801	—	804
New buildings under construction, not yet profitable	82	142	109	166
Building land	58	59	29	72
France	**1**	**—**	**1**	**—**
Single-family and two-family houses	1	—	1	—
Italy	**—**	**—**	**—**	**—**
Single-family and two-family houses	—	—	—	—
Total	**18,250**	**8,264**	**17,681**	**8,249**

69 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 and head office (state) as well as by whether or not the guarantee was granted for reasons of promoting exports:

(€ millions)

	2018	2017
Germany		
Central government	673	355
thereof owed	—	—
thereof guaranteed	673	355
Regional authorities	1,757	2,020
thereof owed	1,292	1,474
thereof guaranteed	465	546
Local authorities	2,603	2,889
thereof owed	2,134	2,338
thereof guaranteed	469	551
Other	25	45
thereof owed	25	28
thereof guaranteed	—	17
Total Germany	**5,058**	**5,309**
thereof owed	3,451	3,840
thereof guaranteed	1,607	1,469
Guarantees for reasons of promoting exports	673	355
Denmark	**20**	**—**
Central government	20	—
thereof owed	—	—
thereof guaranteed	20	—
Guarantees for reasons of promoting exports	20	—
Austria	**220**	**220**
Central government	220	220
thereof owed	200	200
thereof guaranteed	20	20
Total	**5,298**	**5,529**
thereof owed	3,651	4,040
thereof guaranteed	1,647	1,489
Guarantees for reasons of promoting exports	693	355

Mortgage Banking (Continued)

70 Other eligible cover

The following table shows the breakdown of other eligible cover for Pfandbriefs:

(€ millions)

	2018	2017
1. Mortgage bonds	**533**	**460**
Equalisation claims according to Section 19 (1) No. 1 PfandBG	—	—
All states	—	—
Money claims according to Section 19 (1) No. 2 PfandBG[1]	—	—
Germany	—	—
thereof: covered bonds according to Article 129 of Regulation (EU) No. 575/2013	—	—
Other states	—	—
Bonds according to Section 19 (1) No. 3 PfandBG[2]	533	460
Germany	533	460
Other states	—	—
2. Public-sector bonds	**—**	**—**
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.

71 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:

		2018	2017
1. Mortgage bonds			
Mortgage bonds outstanding	€ millions	19,005	16,868
thereof: share of fixed-interest Pfandbriefs (Section 28 (1) No. 9 PfandBG)	%	81.94	82.11
Eligible cover[1]	€ millions	27,047	26,390
thereof: total amount of loans and receivables exceeding the thresholds according to Section 13 (1) PfandBG (Section 28 (1) No. 7 PfandBG)	€ millions	—	—
thereof: total amount of loans and receivables exceeding the thresholds stated in Section 19 (1) No. 2 PfandBG (Section 28 (1) No. 8 PfandBG)	€ millions	—	—
thereof: total amount of loans and receivables exceeding the thresholds stated in Section 19 (1) No. 3 PfandBG (Section 28 (1) No.8 PfandBG)	€ millions	—	—
thereof: share of fixed-interest cover (Section 28 (1) No. 9 PfandBG)	%	80.06	77.99
Net present value according 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 loans and receivables (period passed since loan granting – seasoning) (Section 28 (1) No. 11 PfandBG)	years	7.3	7.6
Average weighted loan-to-value ratio (Section 28 (2) No. 3 PfandBG)	%	41.68	41.20
2. Public-sector bonds			
Public-sector bonds outstanding	€ millions	3,713	3,936
thereof: share of fixed-income Pfandbriefs (Section 28 (1) No. 9 PfandBG)	%	89.23	96.19
Eligible cover[2]	€ millions	5,298	5,529
thereof: total amount of loans and receivables exceeding the thresholds stated 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)	%	76.14	82.41
Net present value according to Section 6 Pfandbrief Net Present Value Regulation for each foreign currency in € millions (Section 28 (1) No. 10 PfandBG – balance of asset/liability sides)	USD	7	—

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 (Continued)

72 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)

	2018	2017
1. Mortgage bonds		
Payments in arrears of at least 90 days	(1)	—
Germany	(1)	—
Payments in arrears of at least 90 days, arrears equal at least 5% of the loan	(1)	—
Germany	(1)	—
2. Public-sector bonds		
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	—	—

73 Foreclosures and sequestrations

The following table shows the breakdown of foreclosures and sequestrations carried out in 2018:

		OF WHICH IN 2018	
	NUMBER OF PROCEEDINGS	COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY
1. Foreclosures and sequestrations			
a) Pending at 31 December 2018			
Foreclosure proceedings	299	47	252
Sequestration proceedings	13	3	10
Foreclosure and sequestration proceedings	229	45	184
	541	**95**	**446**
(comparative figures from 2017	554	99	455)
b) Foreclosures finalised in 2018	**21**	**3**	**18**
(comparative figures from 2017	16	2	14)
2. Properties repossessed			
As in the prevoius year the Pfandbrief bank did not have to repossess any properties during the year under review to prevent losses on mortgage loans.			

74 Interest in arrears

Interest in arrears on mortgage-covering assets due between 1 October 2017 and 30 September 2018 breaks down as follows:

(€ millions)

	2018	2017
Interest in arrears	—	—
Commercial property	—	—
Residential property	—	—

The present annual financial statements were prepared on 12 March 2019.

UniCredit Bank AG
The Management Board

Betocchi Drwenski	Beumer	Dr Buttà	Čortan
Dr Diederich	Kupfer	Zadra	

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, 12 March 2019

UniCredit Bank AG
The Management Board

Betocchi Drwenski	Beumer	Dr Buttà	Čortan

Dr Diederich	Kupfer	Zadra

Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To UniCredit Bank AG, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions
We have audited the annual financial statements of UniCredit Bank AG, Munich, which comprise the balance sheet as at 31 December 2018, the income statement for the financial year from 1 January to 31 December 2018 and the notes to the financial statements, including the presentation of the accounting and measurement methods. In addition, we have audited the management report of UniCredit Bank AG, Munich, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the statement on business management pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures) included in section "Corporate structure of UniCredit Bank AG" of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,
– the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
– the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the above-mentioned statement on business management pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures).

Pursuant to § 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions
We conducted our audit of the annual financial statements and of the management report in accordance with § 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation"), and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:
1. Loan loss provisions in the credit business
2. Determination of the fair value of financial instruments held for trading
3. IT controls related to financial reporting
4. Valuation of significant legal risks from potential breach of financial sanctions
5. Merger of UniCredit Luxembourg S.A. with UniCredit Bank AG

Our presentation of these key audit matters has been structured as follows:
a) Description (including reference to corresponding information in the annual financial statements)
b) Auditor's response
c) Key observations

1. Loan loss provisions in the credit business

a) UniCredit Bank AG provides loans to customers. In accounting, the valuation of loans to customers regularly requires the use of estimates. In the annual financial statements, loan loss provisions are offset against the balance sheet item "Loans to customers". Furthermore, provisions for credit risks are disclosed under other provisions. The valuation parameters used for the measurement of the loan loss provisions have a significant impact on the recognition respectively the amount of the required provisions for credit risk. In this respect, the determination of the provisions are subject to considerable uncertainty and margin of discretion and therefore this issue was identified as a key audit matter. The disclosures regarding the loan loss provisions are enclosed in section 5 of the notes.

b) As part of the audit of the annual financial statements, we have initially audited the design, implementation and operating effectiveness of the internal controls regarding the recording, processing and valuation of loans as well as the related financial reporting. In doing so, we also took into account the relevant business organisation, including the significant IT systems and valuation models. The audit of the valuation included the assessment of the implemented processes and controls for identifying impaired loans. On a sample basis, we have audited the credit-worthiness of borrowers, the estimated collateral values and the liquidation periods for credit collaterals based on empirical values of comparable collaterals in the past. In addition, we have evaluated the reasonableness of the probabilities of the scenarios used for the loans of our sample. We have used specialists from our Risk Advisory division specialised in credit risk management and IT audit for our audit. For the audit of the valuation of loans and contingent liabilities, as well as other financial commitments related to the credit business, our focus was on the significantly impaired loans, since there are significant areas of judgement and these have a material impact on the valuation of loans and the recognition of loan loss provisions. We have evaluated the valuation of the loans based on bank-internal forecasts of the future income and liquidity position of borrowers and assessed the appropriateness of the information basis used for planning purposes. In doing so, we have critically challenged and assessed the underlying assumptions of the legal representatives, with regard to the various expected cash flows of the audited loans, respectively the recovery of collaterals.

c) We challenged significant assumptions and estimates made by the legal representatives. Overall, the risk provisions are within acceptable ranges.

2. Determination of the fair value of financial instruments held for trading

a) Financial instruments assets, which are valued at fair value, are disclosed net of a risk discount under the balance sheet item "Held-for-trading portfolio" in accordance with § 340e (3) German Commercial Code (HGB) in the annual financial statements. Similarly, financial instruments liabilities at fair value are disclosed under the balance sheet item "Held-for-trading portfolio" in the annual financial statements. The valuation of financial instruments held for trading was identified as a key audit matter as it is subject to complex accounting principles, valuation procedures and -methods and is partially based on estimates and assumptions made by the legal representatives. The disclosures made by the legal representatives regarding the valuation of financial instruments are enclosed in section 7 and 32 of the notes.

b) We have audited the organizational structure and related processes with regards to the determination of the fair value of financial instruments by examination of the adequacy and operating effectiveness of the implemented key controls. We have used valuation specialists from our Risk Advisory division for our audit. In particular, our audit included the independent verification process for pricing, the validation of valuation methods and assumptions, the approval process for new financial instruments, the audit of controls for recording contractual and valuation inputs, the flow of market data, the governance and the reporting processes including the corresponding controls. The calculated fair values are adjusted for the Bank's credit-worthiness, counterparty credit risk, model risk, bid-ask spread, refinancing costs and expected costs in connection with the liquidation of less actively traded instruments. With respect to these adjustments, we audited the Bank's assumptions, procedures and models with regard to the use of valuation techniques used in the industry and a correct and comprehensible valuation. In addition, we have conducted our own independent valuation of selected financial instruments and compared our results with the valuation performed by the Bank. Noteworthy issues from disputes with counterparties and extraordinary gains or losses from the sale of financial instruments were investigated.

c) The valuation methods selected by the legal representatives of the Bank for the determination of the fair value of financial instruments are in line with industry standards.

3. IT controls related to financial reporting

a) As part of the preparation of the annual financial statements, the Bank uses a large number of IT applications that have numerous interfaces. In order to maintain the integrity of the data used for the preparation of the annual financial statements, the Bank has taken various precautionary measurements and implemented controls. The Bank has outsourced its IT services, to a large extent, to UniCredit Services S.C.p.A., Milan (Italy), which has further outsourced a part of these services to other service providers. The IT controls related to financial reporting has been selected as a key audit matter, as the security of information affects many aspects of the accounting and financial reporting process, results in a large audit effort and is characterised by a high level of complexity. We refer to the disclosure of the legal representatives in section 4 Operational Risk in the risk report of the management report with regards to the outsourcing of IT services.

b) Based on our risk assessment, we have audited the design, implementation and operating effectiveness of the controls related to user rights and change management processes for the significant accounting-relevant IT applications by using IT specialists from our Risk Advisory division. In doing so, we agreed the scope of the ISAE 3402 audit with the ISAE 3402 auditor at UniCredit Services S.C.p.A. and the group auditors of UniCredit S.p.A. and used the audit results of those. We have informed ourselves of the professional competence, independence and regulatory governance of these auditors. When using these reports, we have inter alia critically assessed the reporting related to these audit procedures and audit results.

c) IT controls related to financial reporting implemented by the Bank were enhanced over the past years. In the area of individual data processing, the Bank is in the process of further improving controls.

4. Valuation of significant legal risks from potential breach of financial sanctions

a) Provisions for legal risks are disclosed under the balance sheet item “other provisions” in the annual financial statements, of which a part relates to a potential breach of financial sanctions. This issue has been identified as a key audit matter, as the recognition and measurement of these quantitatively material legal risks are based, to a large extent, on estimates and assumptions made by the legal representatives. The disclosures made by the legal representatives regarding the provisions in relation to the legal risks are enclosed in section 41 of the notes to the annual financial statements and in section 4 Operational Risk in the risk report of the management report.

b) As there is an increased risk of misstatements in accounting estimates and the fact that the valuation choices made by the legal representatives have a significant effect on the assets, liabilities, financial position and financial performance, we have audited the operational and organizational structure with regards to the recording and valuation of legal risks. In addition, we have assessed the appropriateness of the amounts stated by comparing with the calculations and assessments provided by the Company’s attorneys and requested confirmation letters from them. With the support of a financial sanctions specialist, we have critically considered the underlying assumptions of the legal representatives.

c) The provision created by the legal representatives for the legal risks from a potential breach of financial sanctions reflects the discussions with the US authorities.

5. Merger of UniCredit Luxembourg S.A. with UniCredit Bank AG

a) In the financial year, the subsidiary UniCredit Luxembourg S.A., Luxembourg was cross-border merged with UniCredit Bank AG, Munich. Its business activities continued as a foreign branch of the bank. The merger took place economically effective on 1st of July, whereby the assets, liabilities and accruals were proceed at their carrying amounts, adjusted for German Commercial Law purposes. The transferred net book value of the net assets was higher than the book value of the investment in UniCredit Luxembourg S.A., which had a significant impact on the Bank’s net income of the year. The Luxembourg branch has adjusted its financial reporting processes, including IT interfaces, and since then has reported to UniCredit Bank AG in accordance with German Commercial Law. We have identified the cross-border merger as a key audit matter as it was an unusual transaction for the Bank and had a significant impact on the Bank’s net income. The information provided by the legal representatives on the merger is enclosed in section 22 of the notes to the annual financial statements and in section corporate structure of UniCredit Bank AG in the management report.

b) As part of our audit, we have audited the design and implementation of financial reporting processes of the Luxembourg Branch to UniCredit Bank AG, in particular with regard to the appropriateness and effectiveness of the implemented key controls. We have included our colleagues from Deloitte Luxembourg and our IT specialists from our Risk Advisory division for our audit. We performed substantive audit procedures for the reconciliation of local GAAP financial reporting to German GAAP financial reporting. We have audited the calculation, recording and presentation of the gain from the merger in the accounting system and in the annual financial statements of the Bank.

c) The merger was recorded in the commercial register on July 20, 2018. The merger has thus become legally effective.

Other Information

The executive directors are responsible for the other information. The other information comprises:

– the statement on business management included in section "Corporate structure of UniCredit Bank AG" of the management report pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures),
– the executive directors' confirmation relating to the annual financial statements and to the management report pursuant to § 264 (2) sentence 3 and § 289 (1) sentence 5 German Commercial Code (HGB) respectively, and
– the remaining parts of the annual report, with the exception of the audited annual financial statements and management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements, that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also
– Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
– Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
– Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
– Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report, or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
– Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
– Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
– Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor’s Report (Continued)

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on 11 January 2018. We were engaged by the supervisory board on 24 July 2018. We have been the auditor of UniCredit Bank AG, Munich, without interruption since the financial year 2013.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the Company, respectively to entities controlled by the company, the following services that are not disclosed in the annual financial statements or in the management report:
– Audits and reviews of reporting packages
– Support services in connection with external audits
– Audit of a net asset value calculation
– Audits pursuant to § 36 of the Securities Trading Act
– Audit of the internal control system of a service organization
– Performing agreed upon procedures
– Audits of financial information or their components
– Professional report
– Review of an assignment of findings to process areas

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Kopatschek.

Munich, March 12, 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof Dr Carl-Friedrich Leuschner)	(Martin Kopatschek)
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

The translation of the Independent Auditor’s Report is an unofficial translation of the German version.