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**").

UniCredit Bank AG

Munich, Federal Republic of Germany

17 April 2018

TABLE OF CONTENTS

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.

Risks relating to the business activity of HVB Group

1. Macroeconomic risk

Based on the strategic orientation of HVB Group with the business segments Commercial Banking and Corporate & Investment Banking (CIB), the 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 3.9 per cent. throughout the year 2018, whereby the prospects with regard to the individual economies vary. While growth will probably accelerate in the US, the growth rate in Europe is expected to remain broadly unchanged. The environment and growth prospects for many emerging and developing countries have enhanced further. Initial signs of a recovery of world trade and commodity prices should support this development. In particular, the further increase in oil prices in the recent past is likely to ease the situation for oil-exporting countries such as Russia. However, the slowdown in economic growth in China is having a negative impact on global growth prospects. Although fiscal stimuli will also assist GDP growth in China in 2018, primarily through further infrastructure projects, the change in economic structures towards more private consumption and services will result in production continuing to lose momentum. In addition, there is still uncertainty about global trade and the global economy due to the yet unforeseeable consequences of the Brexit decision and the election of Donald Trump as the new US president.

Domestic consumption is expected to remain one of the key drivers of growth in the German economy in 2018. The ongoing expansion of global trade should result in additional impulses. In particular, German manufacturing companies may benefit further from the recovery of exports. As a result, a continued increase of investments can be expected in the next few quarters. Activity in the construction sector will remain steady.

In 2018 political uncertainties will continue to play an important role and be dominated by US foreign policy, the tax reform in the US, elections in Italy 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 slows 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.

2. Systemic risk

HVB Group routinely processes high volumes of transactions with numerous counterparties in the financial services sector, including business with brokers and traders, commercial banks, investment banks and other institutional clients. Financial services institutions 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.

The above-mentioned risks, frequently referred to as "systemic risks", could have detrimental effects on financial intermediaries such as clearing facilities, clearing houses, banks, securities houses and stock exchanges with which HVB Group interacts on a daily basis. This could in turn have negative effects on the ability of HVB Group to procure new funding.

3. Credit risk

HVB Group is subject to credit risk. Credit risk is defined as the risk that a change in the credit rating of a contracting party (borrower, counterparty, issuer or country) induces a change in the value of the corresponding receivables. This change in value may be due to the default of the contracting party meaning it is no longer in a position to meet its contractual obligations. Credit risk comprises the following categories:

- Credit default risk (including counterparty risk and issuer risk)
- Country risk

(i) Credit default risk

Credit default risk is considered to occur with regard to a specific contracting party when one or both of the following criteria are satisfied:

- The bank assumes the contracting party is probably not in a position to meet its entire contractual obligation towards HVB Group as whole, having to take recourse to measures like the sale of collateral (where present).
- The contracting party is more than 90 days in arrears in terms of a material receivable of HVB Group.

Credit default risk also encompasses counterparty risk and issuer risk.

Counterparty risk arises from the possible loss of value due to the default of counterparty in trading activities. It is divided into the following components: settlement risk, pre-settlement risk and money market risk.

Issuer risk is defined as credit default risk in the securities holding resulting from the downgraded credit rating or default of an issuer that can lead to a loss of value through to total loss. Issuer risk arises from the purchase of security in proprietary trading, securities issuance activities, credit derivatives and the placement of securities.

(ii) Country risk

Country risk is the risk of losses caused by events attributable to actions by the government of a given country. This includes the repayment of capital in a specific country being prevented by government intervention, which gives rise to different risks (such as transfer risk, expropriation risk, legal risk, tax risk, security risk). It also includes the risk of repayment of capital being prevented by deterioration in the economic and/or political environment (such as through recession, a currency and/or banking crisis, natural disasters, war, civil war, social unrest). Country risk encompasses sovereign risk (sovereign as counterparty), transfer and conversion risk.

3.1 Risk from a deterioration of the overall economic situation

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

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

3.2 Risks from a decrease in value of credit collateral

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

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

An economic downturn in countries in which HVB Group does business, a general deterioration of economic conditions in the industries in which its borrowers operate, or in other markets in which it holds collateral may cause the value of the loan collateral to fall below the amount of outstanding capital represented by such loans. The decline in the value of the collateral for these loans or the inability to obtain additional collateral could force

HVB Group to arrange for a revaluation of the loan and/or form additional loan-loss provisions and higher reserves. In addition, the fact that HVB Group could be unable to realise the expected value of the collateral in case of debt enforcement could lead to considerable losses for HVB Group.

3.3 Risks from derivative/trading business

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

They can arise from settlement or performance that is not provided at all or in a timely way by the counterparty as well as from system failures at clearing agencies/houses, stock exchanges or other financial intermediaries (including HVB Group).

Trading counterparties or counterparties that issue securities held by HVB Group units, could possibly fail to meet their obligations due to insolvency, political or economic events, a lack of liquidity, operational losses or other reasons.

Counterparty defaults in a significant extent could have a major negative impact on the operating results of HVB Group and on its business and financial situation.

3.4 Risks from intra-group credit exposures

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

Moreover, changes in German and international laws and regulations with regard to the amount and weighting of intra-group exposures could have substantial negative effects on the internal funding of HVB Group, the costs of this funding (especially when it must be procured externally) and on the operating results and the business and financial situation of HVB Group.

3.5 Risks from exposures to sovereigns / public sector

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

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

4. Market risk

HVB Group defines market risk 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) or trading-related events in the form of default or change in credit ratings of securities (specific price risk for interest net positions).

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

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

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

4.2 Interest rate and foreign currency risk

Interest rate fluctuations in Europe and other markets 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.

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

5. Liquidity risk

HVB Group is subject to liquidity risk. HVB Group defines liquidity risk as the danger of not being able to meet its payment obligations on time or in full. However, it is also defined as the risk of not being able to obtain sufficient liquidity when required or that liquidity will only be available at higher interest rates, and the risk of only being able to liquidate assets on the market at a discount.

5.1 Risks from the procurement of liquidity

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 a deterioration of the 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. This could result in a limited ability of HVB Group to fund its activities and meet its minimum liquidity requirements.

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

Moreover, 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 of its assets or liquidate its investments could have negative effects on its business activities and on its operating results and financial situation.

5.2 Intra-Group liquidity transfers

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

5.3 Market liquidity risk

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

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

6. Operational risk

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

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

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

6.1 IT risks

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

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

6.2 Legal risks

At the date of this Registration Document, HVB and other companies belonging to HVB Group are involved in various legal proceedings.

HVB and other companies belonging to HVB Group are required to deal appropriately with various legal and regulatory requirements. Failure to do so may lead to litigation and administrative proceedings or investigations, and subject HVB and other companies belonging to HVB Group to damage claims, regulatory fines or other penalties.

In many cases, there is substantial uncertainty regarding the outcome of the proceedings and the amount of possible damages. These cases 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 2017, the provisions (included in the 2017 annual report) are equal to €1,277 million. Included in this amount are €728 million, therof "other provisions" of €623 million include legal risks, litigation fees and damage payments.

6.3 Tax risks

At the date of the 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.

6.4 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.

6.5 Business continuity management risk

The business continuity, IT service continuity and crisis management function demonstrated its effectiveness and appropriateness by successfully mastering critical situations so as to minimise their impact on HVB. Several successfully completed contingency tests showed that the performance of the critical business processes also works in emergency situations. In addition, the emergency precautions are adapted constantly to accommodate new threats. Nevertheless, it cannot be excluded that complications and/or unexpected problems may arise which could have negative effects on HVB Group´s ability to maintain business operations.

7. 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.

8. Real estate risk

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 risks for the portfolio owned by HVB-Group 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 HVB Group, 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.

9. Financial investment risk

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 consists of listed and unlisted interests, private equity investments (co and direct investments), equity derivatives and other fund shares (special cases, real estate 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.

10. 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 HVB Group. This altered perception may be triggered by a primary risk such as credit risk, market risk, operational risk, liquidity risk, business risk, strategic risk or other primary risks. Customers, employees, regulatory authorities, rating agencies and creditors are defined as key stakeholders. The effects of a reputation risk that actually materialises could be reflected in the business risk or liquidity risk.

11. Strategic risk

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. In the worst case, this can negatively impact the profitability and risk profile of HVB Group.

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

HVB Group as a universal bank and as such focuses on the regional management of the German market and also acts as the centre of competence for the investment banking activities of UniCredit.

In terms of its size and importance for the income and profit contribution, Commercial Banking is very important to HVB Group. The Commercial Banking business segment services all clients in the Private Clients Bank and the Unternehmer Bank business units with standardised or individual service and advisory needs with a diverse range of banking services in Germany. The Commercial Banking market environment is characterised by a sustained low interest rate level, a fragmented competitive situation and increasing regulatory costs. In addition to still subdued client demand, increasing digitalisation leads to a sustained change in client demand. HVB Group meets these external market conditions in Commercial Banking, amongst others, with a broadly diversified set of measures for growth and efficiency, including clear defined digitalisation initiatives.

Following the conclusion of the modernisation of the Private Clients Bank business, the focus is now in particular on growth and client retention, supported by the positioning as a quality provider. In the medium term, Private Banking aims to obtain a position among the leading Private Banking players in Germany, based on sustainable client relationships with a comprehensive advisory approach.

The Unternehmer Bank pursues a growth strategy in order to position itself with clients as a strategic business partner and as a provider of premium solutions. This is reinforced through the joint venture between Unternehmer Bank and Corporate & Investment Banking (CIB). Another focus of the Unternehmer Bank activities represents the further development of digital services for corporate clients.

The strategic orientation of the CIB business segment is to generate additional value for clients by offering specific advisory models and a wide variety of products according to clients' specific needs. Even though investment banking activities are client-driven, revenues are traditionally volatile and influenced by the market environment. Whilst in a normal market environment investment banking is very profitable, there are increased risks under difficult market conditions.

As a consequence, the bank's business model is based upon several pillars. Nevertheless, imbalances between the income contributions dependent on the external market development cannot be ruled out. In this context, the business segments are impacted by the long running low interest rate environment, each to a different extent.

11.2 Industry specific risk

Since the economic and financial crisis (2007 ongoing), the banking sector faces serious challenges and the necessity to undergo changes and adapt more quickly than in the past. In this regard, key factors for the bank industry as a whole and for HVB Group are:

- Sustained low market interest rate level with negative deposit rates at the ECB.
- Subdued customer demand combined with weakened customer trust.
- High level of competition, due to the three pillar structure (public-sector savings banks and Landesbanks, cooperative banks and private banks) with above average market share of the public sector banks and cooperative banking sector.
- Consolidation of the German and international banking and financial sector.
- Extensive and society-wide trend towards digitalisation which drives comprehensive changes in the area of bank/financial services, both in terms of client interaction (products, client needs and client perception) and efficiency enhancing opportunities for internal processes.
- New entrants, so-called Fintechs, which use modern technologies to provide or enable financial services, such as eCommerce, mobile payments, crowd-lending, crowd-investing.

HVB Group is responding to these external market changes and is aligning its strategic measures accordingly. Profitability and a strong capital position as well as the drive to change create a solid starting position for the future in order to act as a stable market player.

However, should competition conditions in the financial sector intensify further or should the stabilising measures to overcome the financial crisis within the Eurozone be not effective, this could also have negative effects on HVB Group's assets, financial and earnings position.

11.3 Risks arising from a change in HVB's rating

HVB has an investment grade rating from the external rating agencies Standard & Poor's (S&P), Moody's and Fitch. The ratings are subject to a constant monitoring by these rating agencies.

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. The possibility cannot be excluded that the risk-reward profile of business activities affected will alter so significantly that modifications are made to business units with potentially negative consequences for the assets, financial position and operating result of HVB Group. The possible negative effects arising from this risk will depend notably on whether HVB's rating changes less than, the same as or more than that of its competitors.

12. Regulatory risks

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

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

In response to the financial and sovereign debt crisis, the EU institutions agreed to establish a Banking Union, based on the main cornerstones "**Single Supervisory Mechanism**", "**Single Resolution Mechanism** " and "**Deposit Guarantee Scheme harmonisation**".

- **Single Supervisory Mechanism (SSM)**
  Within the framework of the SSM, HVB Group falls under ECB supervision. ECB's efforts for a consistent, proactive supervision are clearly noticeable in the cooperation with the ECB.

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

  Information relating to the contributions paid by HVB to the bank restructuring fund in connection with the SRF is available in the Annual Report 2017. Accordingly, 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). The cash collateral provided in this regard amounted to €48 million at 31 December 2017 (31 December 2016: €34 million).

- **Deposit Guarantee Scheme (DGS) harmonisation**
  Under the German Deposit Act (*Einlagensicherungsgesetz*) which became effective on 3 July 2015 (as amended on 6 November 2015 by the German Resolution Mechanism Act and as amended with effect from 3 January 2018 by the Second Act Amending Financial Markets Regulation) and implemented the Directive on Deposit Guarantee Scheme into German Law, protections for depositors have been expanded.

  The German statutory deposit protection scheme of HVB is the "*Entschädigungseinrichtung deutscher Banken GmbH*" (EdB). The EdB may levy special contributions to settle compensation claims where the funds available to the EdB are not sufficient to cover a compensation case. The EdB may levy several such special contributions and/or special payments per year, which may only in exceptional circumstances exceed an amount of 0.5 per cent. of covered deposits of the CRR credit institutions allocated to the EdB. In addition, the Deposit Protection Fund of the Association of German Banks (*"Einlagensicherungsfonds des Bundesverbandes deutscher Banken e. V. "*) which is the supplementary voluntary deposit protection scheme of German private banks in which HVB participates, is also funded by annual and special contributions by its participating institutions.

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

- **Capital Requirements Directive (CRD IV, Directive 2013/36/EU of 26 June 2013) and the Capital Requirements Regulation (CRR, Regulation (EU) No 575/2013 of 26 June 2013), as amended from time to time, to implement Basel III rules.**
  The period of strong and continuous financial crisis has led to the adoption of stricter regimes by international authorities. From 1 January 2014, the regulatory framework has been amended in order to implement the recommendations stemming from Basel III, mainly with the aim of strengthening the capital requirements, reconsidering the use of leverage and introducing policy and rules to counteract liquidity risk in credit institutions.

  In particular, with regards to the higher capital requirements, Basel III requires a transitional phase with minimum levels of capitalisation gradually growing. As from 2019, these levels for banks contemplate a Common Equity Tier 1 (CET1) ratio of at least 7 per cent. of risk-weighted assets (CET 1 minimum requirement of 4.5 per cent. plus 2.5 per cent. capital conservation buffer, CCB), a Tier 1 Capital ratio of at least 8.5 per cent. (thereof max. 1.5 per cent. Additional Tier 1 capital) and a Total Capital ratio of at least 10.5 per cent. (thereof max. 2 per cent. Tier 2 capital).

Following the Supervisory Review and Evaluation Process (SREP), ECB notified in December 2017 UniCredit S.p.A. and further subsidiaries (inter alia HVB) on capital requirements for 2018. The HVB Group SREP 2017 capital requirements have not been published in Germany.

According to a press release dated 11 December 2017within SREP, the ECB has lowered UniCredit's SREP Pillar 2 Capital Requirement (P2R) by 50 basis points to 200 basis points.

UniCredit is required to meet the following transitional capital requirements on a consolidated basis from 2018:

- 9.20 per cent. CET1 ratio,
- 10.70 per cent. Tier 1 ratio,
- 12.70 per cent. Total Capital ratio.

All transitional capital ratios are inclusive of 2.00 per cent. P2R, 1.88 per cent. Capital Conservation Buffer (CCB), 0.75 per cent. G-SIB buffer (buffer for globally systemically important banks) and an estimated 0.07 per cent. Countercyclical Capital Buffer (CCyB). The CCB and the G-SIB buffers, as required by CRD IV, will reach 2.50 per cent. and 1.00 per cent. respectively on a fully loaded basis in 2019, while CCyB depends on UniCredit's exposures towards the countries where countercyclical buffer rates are or will be set. It may therefore vary on a quarterly basis.

The SRB will set an institution-specific ratio for the regulatory capital and eligible liabilities to be maintained at a minimum for institutions directly supervised by the ECB (Minimum Requirements on Eligible Liabilities, MREL). Risks relating to non-compliance with the MREL requirement lie in the ongoing discussions of the European supervisory authorities regarding the qualitative requirements for eligible liabilities and the calibration and definition of MREL.

With regard to liquidity, Basel III provides, inter alia, the introduction of a short term indicator (Liquidity Coverage Ratio, LCR) which is aimed at creating and maintaining a liquidity buffer which allows the survival of a bank for a time period of at least 30 days in the event of severe stress, and a structural liquidity indicator (Net Stable Funding Ratio, NSFR) with a timeframe of one year and above, introduced to ensure that assets and liabilities have a sustainable maturity. Finally, the CRD IV/CRR-package sets out a non-risk-based minimum Leverage Ratio. While the CRR does not require banks immediately to comply with a specific leverage ratio, banks are required to report and publish their leverage ratios for future assessment and calibration of the leverage ratio. It is expected that banks will be required to fully comply with the leverage ratio starting in the near future. In relation to the indicators, it has to be noted that:

- For the LCR indicator, it has been requested a minimum of 80 per cent. from 1 January 2017, with a progressive increase up to reach 100 per cent. from 1 January 2018 according to Regulation of the European Commission No. 61/2015 (which integrates the CRR).
- For the NSFR indicator, although the proposal of the Basel Committee anticipated a minimum threshold of 100per cent. to be complied with as from 1 January 2018, the CRR for the time being does not provide for a regulatory limit on the structural liquidity.

- **Bank Recovery and Resolution Directive (BRRD, Directive 2014/59/EU of 15 May 2014)** establishing a framework for the recovery and resolution of credit institutions and investment firms (for details please refer to section 12.3. Risks in connection with potential resolution measures or a reorganisation proceeding"). The BRRD had been implemented in Germany on 18 December 2014 by the BRRD-Umsetzungsgesetz and supplemented at the EU level through the provisions of the SRM Regulation (Regulation (EU) No. 806/2014 of 15 July 2014).

- **NPL Regulation:** On 20 March 2017 the ECB published the "Guidance to banks on non-performing loans" (Guidance on NPL) following a consultation conducted between 12 September and 15 November 2016. On this basis the ECB published an addendum to the Guidance on NPL and a respective consultation on introducing "Prudential provisioning backstop for non performing exposure" on 4 October 2017. The consultation period ended on 8 December 2017. These guidelines address the main aspects of the management of non-performing loans, including the definition of the NPL strategy and of the operational plan to the NPL governance and operations, and provide several recommendations, based on best practices, that constitute, in the future, the ECB's SSM single supervisory mechanism's expectations. At the same time, the European Commission, amongst others, focuses on NPLs. On 10 November 2017, the European Commission published a consultation regarding NPLs, with a consultation period running to 30 November 2017. It can be expected that in 2018 not only the ECB, but also other institutions (in particular the European Commission) will focus on NPLs and their regulatory treatment. In this respect, in particular the EBA Consultation on its NPL Guidelines published in March 2018 and currently expected to enter into force on 1 January 2019, the Communication of the European Commission regarding NPLs published on the same day and the ECB addendum to the Guidance on NPL published on 15 March 2018 should be considered.

- **Deposit Guarantee Schemes Directive (DGSD), Directive 2014/49/EU of 16 April 2014** is already implemented in Germany by the German Deposit Protection Act, details for Germany see above under "Deposit Guarantee Scheme (DGS) harmonisation". Additionally, a package of proposals by the European Commission has been published in November 2015 with a view to create a uniform euro-area wide harmonised deposit guarantee scheme for bank deposits (also referred to as European Deposit Insurance System, EDIS). On 11 October 2017, the European Commission published a communication (*Communication to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions on completing the banking union*) intended to accelerate the completion of the missing parts of the Banking Union (including the creation of a single EDIS) by encouraging progress in the ongoing negotiations and suggesting some potential steps with regard to the phases and the timeline of EDIS. If, when and how this will be established, remains highly debated on EU level and unclear but would in any case have relevant effects on current national statutory scheme of Deposit Guarantee Scheme in Germany.

- **Technical standards and delegated acts**, issued by the European Commission, on the basis of the aforementioned directives and regulations (current and future).

- **Guidelines and recommendations of the European Banking Authority (EBA)**
  EBA published its final guidelines on the SREP (Guidelines for common procedures and methodologies for the supervisory review and evaluation process) in December 2014. These guidelines form the common framework for the EU supervisory authorities for the assessment of risks in the business models of banks and their solvency and liquidity under common European banking supervision.

On 23 November 2016, the European Commission released a package of proposals amending CRD IV, the CRR, the BRRD and the SRM Regulation (the so called "Banking Reform Package") which is expected to become fully applicable starting from 2019. Among other things, these proposals aim to implement a number of new Basel standards (such as the leverage ratio, the net stable funding ratio, market risk rules and requirements for own funds and eligible liabilities (MREL)) and to transpose the FSB's Total Loss-Absorbing Capacity Principles (TLAC) term sheet into European law. Once these proposals are finalised, changes to the CRR (then CRR II) will become directly applicable to the UniCredit Group. The CRD IV amendments and the amendments to the BRRD will need to be transposed into national law before taking effect.

In order to achieve consent on a European level with regard to certain areas prior to that, certain aspects provided for in the BRRD were regulated by means of a "fast track" procedure in the course of 2017.In this process, EU Directive 2017/2399, amending the BRRD as regards the ranking of debt instruments in insolvency, has been adopted by the European Parliament and the European Council on 12 December 2017 as one element of transposing the Banking Reform Package. EU Directive 2017/2399 must be implemented by the member states by 29 December 2018. Consequently, § 46f of the German Banking Act (KWG), as amended with effect from 1 January 2017 by the German Resolution Mechanism Act of 2 November 2015, will have to be amended again.

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

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

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

12.2 Risks in connection with International Financial Reporting Standards 9 (IFRS 9)

In July 2014, the International Accounting Standards Board (IASB) published the definitive version of IFRS 9 "Financial Instruments" to replace IAS 39, the current standard covering the recognition and measurement of financial instruments. IFRS 9 contains a complete revision of the main regulations regarding the classification and measurement of financial instruments, the recognition of impairments of financial assets and the recognition of hedges. IFRS 9, which was adopted into European law by the EU in November 2016, is subject to adoption for reporting periods beginning on or after 1 January 2018. First-time application should be retrospective.

Within the scope of the first time application of IFRS 9, the effects resulting from the retrospective application of IFRS 9 are recorded in equity. The largest effect in this respect is the conversion of the method used to establish the portfolio-based impairment for performing debt instruments. For performing debt instruments measured at amortised cost, impairment is calculated in future on the basis of the loss expected within one year (Stage 1) or in the case of significant deterioration in creditworthiness since the loan was issued with the loss expected over the term of the debt instrument (Stage 2). This will give rise to an increase in the portfolio impairment for performing debt instruments.

For determining whether there is a significant deterioration in the creditworthiness, the expected probability of default upon loan issue is compared to that as of the reporting date. If a certain trigger is exceeded in regard to the deterioration in creditworthiness, it will be allocated to Stage 2. This means that a transition is made to measurement on the basis of the loss expected over the term of the debt instrument. To this end, UniCredit Group has developed a corresponding model. As part of determining the expected loss, not only reliable information on past events but also current conditions and prognoses for future economic conditions are considered. To the extent that the reasons for the significant deterioration in creditworthiness no longer apply, a transfer back to Stage 1 is made. The option that there is no significant increase in the credit risk if the financial instrument has a lower risk of default as of the reporting date (e.g. external Investment Grade Rating), is used for securities.

Allocation to Stage 3 is made in the event of default of a borrower. A default is, as was the case to date, where a material liability of the borrower is overdue for more than 90 days or where HVB assumes that the debtor cannot meet its obligations to pay in full without recovery measures being made. In such cases, an impairment is recognised calculated from the difference of the present value of the future expected cash flows and the carrying amount. Due to taking account of various scenarios as required in this respect in future, there will be effects in relation to the amount of the net write-downs of loans and provisions for guarantees and commitments. This thus corresponds to the results of the scenarios included weighted by the probability of occurrence.

The cumulative effect from the first-time application of IFRS 9 in equity is expected to amount to less than €0.1 billion.

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

Through the implementation of the EU framework legislation to regulate the recovery and resolution of credit institutions and investment firms (BRRD, Directive 2014/59/EU of 15 May 2014), implemented in Germany on 18 December 2014 by the BRRD-Umsetzungsgesetz and supplemented at the EU level through the provisions of the SRM Regulation (Regulation (EU) No. 806/2014 of 15 July 2014), the legal conditions for the recovery and resolution of banks have changed in Germany. The BRRD provides in particular for a so-called bail-in tool pursuant to which claims for payment of principal, interest or other amounts under the instruments may be subject to a permanent reduction, including to zero, some other variation of the terms and conditions of the instruments in other aspects or a conversion into one or more instruments that constitute CET 1 instruments by intervention of the competent resolution authority (bail-in tool**).** The responsible resolution authorities can further order claims to payments of capital, interest or other amounts arising from equity and debt instruments issued by HVB – referred to below as "capital instruments" – or the nominal value of the capital instruments to be written down permanently, in whole or in part, or converted into CET 1 instruments (such as ordinary core Tier 1 shares) (power to write down and convert). The responsible resolution authority has the power to issue such an order if it or the responsible regulatory authority determines that the conditions defined in the German Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz*, SAG) or other applicable laws are met, for example if HVB or an affiliated institution is (considered to be) failing or likely to fail or require state aid or similar extraordinary public financial support (referred to below as "conditions for resolution").

If the conditions for resolution are met, the responsible resolution authorities can, in addition to the measures specified in the above paragraph, take other resolution measures, including the transfer of the capital instruments to another entity, amending the terms and conditions (e.g. by extending the maturity of a debt instrument), or cancelling or devaluing the capital instruments. All of the above measures, including the bail-in of creditors, are referred to below as "resolution measures". Resolution measures are binding for the holders of capital instruments. No claims against HVB or other rights accrue to the holders of capital instruments as a result of the resolution measures, and, depending on the resolution measure imposed, the payment obligations of HVB from the capital instruments may be deemed to be fulfilled. However, if the resolution measure leads to a holder of capital instruments being in a worse position than would have been the case in regular insolvency proceedings of the bank, this will give rise to a claim for settlement of the holders of capital instruments against the fund set up for resolution purposes (Single Resolution Fund, SRF).

The responsible resolution authority is the responsible authority at the European and/or national level which, on the basis of the provisions of the SAG or the SRM Regulation, would order the resolution measures or implement the resolution of an institution established in a member state of the European Economic Area (EEA). Effective from 1 January 2016, the authority to initiate resolution measures for institutions, including those supervised by the ECB, such as HVB, was transferred to the European SRB. Under the SRB Regulation, the SRB works in close consultation with the national authorities. Between 2015 and 2017 the Federal Agency for Financial Market Stabilisation (Bundesanstalt für Finanzmarktstabilisierung, FMSA) was functioning as national resolution authority. Since 1 January 2018, BaFin is the national resolution authority in Germany (the FMSA is an independently operating business unit of BaFin). The SAG forms the legal basis of the aforementioned.

When applying the bail-in tools, the resolution authorities must exercise their authority as follows: (i) first, by ordering the write-down of CET 1 instruments (such as HVB common stock) in proportion to the losses (ii) next, the permanent write-down of the principal amount of other subordinate capital instruments (Additional Tier 1 instruments) and Tier 2 instruments, or their conversion into CET1 instruments according to their ranking and, finally (iii) the write-down or conversion into CET1 instruments of eligible liabilities (e.g. claims from and in connection with capital instruments which are not subordinate bonds) according to the ranking of the claims defined for the case of an insolvency. In individual cases the resolution authorities can, under certain conditions, exclude eligible liabilities from the write-down or conversion (in particular in cases in which these actions cannot be carried out effectively), which may result in a greater share of the losses being borne by the creditors of other eligible liabilities. In respect of the risk to HVB it must be said that such hierarchy of claims may be subject to change. As mentioned above in "12.1 Risks arising from changes to the regulatory and statutory environment of HVB Group", the proposed Banking Reform Package resulted in the adoption of EU Directive 2017/2399 (12 December 2017), which amends the Bank Recovery and Resolution Directive as regards the ranking of debt instruments in insolvency. EU Directive 2017/2399 must be implemented by the member states by 29 December 2018.

The amendment by EU Directive 2017/2399 includes an amendment to Article 108 of the BRRD, aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called "senior non-preferred debt" is added that would be eligible to meet TLAC and MREL requirements. This new class of debt is senior to all subordinated debt, but junior to ordinary unsecured senior claims. The amendments to the BRRD and their implementation into national German law should not affect the then existing stocks of bank debt and their statutory ranking in insolvency pursuant to the relevant laws of the Member States in which the bank is incorporated. Considering the fact that the implementation of the European provisions will only take place in the course of 2018, the final wording of § 46f KWG cannot be predicted with certainty at the day of this Registration Document.

Whether and to what extent the capital instruments are subject to resolution measures or affect the payment obligations of HVB from capital instruments depends on various factors, including factors beyond the control of HVB. It is therefore difficult, if not impossible, to predict whether, when and, if at all, to what extent resolution measures will be initiated by the responsible resolution authority and whether and to what extent such measures would affect the payment obligations of HVB with regard to capital instruments. In particular, the implementation of resolution measures does not result in a right to cancel or give notice of termination for the capital instruments.

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

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

13. Pension risk

HVB Group has undertaken to provide a range of different pension plans to current and former employees, which are largely financed by various forms of investment, some of which are external. Pension risk may arise in connection with the pension plans on both the assets side and the liabilities side (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.

14. Risks arising from outsourcing activities

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

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

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

15. Risks from concentrations of risk and earnings

Concentrations are accumulations of risk positions that react similarly to specific developments or events. Concentrations may have an impact within a risk type or equally across risk types. They indicate increased potential losses resulting from an imbalance of risk positions held in customers and products or specific industries and countries. In addition, the concentration of earnings at individual customers, business segments, products, industries or regions represents a business-related strategy risk for HVB Group.

16. Risks from the stress testing measures imposed by ECB

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

Due to the fact that 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 ECB Comprehensive Assessment in 2014, comprised of an asset quality review (AQR) and the corresponding stress test. In 2016, UniCredit was subject to the 2016 EU-wide stress test carried out by the EBA, in cooperation with the Single Supervisory Mechanism (SSM), the ECB, the European Commission and the European Systemic Risk Board (ESRB). As this stress test was run at the highest level of consolidation, HVB and HVB Group were subject to the 2016 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 this context, EBA announced a new EU-wide stress test for 2018. On 17 November 2017 the final methodology was released. On 31 January 2018 the stress test exercise was formally launched and the results are expected to be published on 2 November 2018. As this stress test will also run at the highest level of consolidation, HVB and HVB Group will be subject to the 2018 EU-wide stress test only as a part of UniCredit, but not on a stand-alone level.

In addition to the participation in EBA stress tests, HVB and HVB Group are required to regularly conduct 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.

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 by HVB, HVB Group, UniCredit or one of the financial institutions with which they do business.

17. Risks from inadequate risk measurement models

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

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

18. Unidentified/unexpected risks

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

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

PERSONS RESPONSIBLE

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

STATUTORY AUDITORS

The independent auditors (*Wirtschaftsprüfer*) of UniCredit Bank AG for the financial years 2017 and 2016 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 conditions for the banking sector and the huge downward pressure on profitability and costs this entails is making a further adjustment of bank structures and processes necessary. HVB therefore established the 2017-2019 Strategy Plan to ensure a successful future going forward in the second half of 2016. The now updated strategic planning is embedded in the group-wide Transform 2019 programme. This programme is based on proactive action which, in addition to the increased realisation of cross-selling potential, also focuses on a further optimisation of the cost structure by streamlining the organisation and processes. At the same time, another adjustment of the staffing levels is being carried out. In this context, more jobs will be shed at HVB overall by 2019. The job cuts will affect all areas of HVB. By exploiting normal staff fluctuation and continuing existing programmes to create new employment perspectives, HVB is implementing the job cuts in a socially responsible manner.

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 needs of 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 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 strategic 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 unit covers wealthy German private clients and their respective family offices with total financial assets >€5 mn.

Unternehmer Bank pursues a growth strategy in which it seeks to position itself with its clients as a strategic business partner and provider of premium solutions. This means that UBK follows its clients' demands and develops individual banking solutions best suitable to their business needs. Important strategic developments for corporate clients are related to corporate succession, foreign trade, internationalisation and digitalisation.

As specialists for asset-based financing, the UniCredit Leasing Group (UCLG) is responsible for the German market as a product specialist. It comprises UniCredit Leasing GmbH (100 per cent. subsidiary of UniCredit Bank AG) and its 100 per cent. owned subsidiaries UniCredit Leasing Finance GmbH and UniCredit Aviation GmbH. UCLG offers the full product range for mobile asset financing and is one of Germany's leading, non-captive leasing companies. As part of Unternehmer Bank, UCLG focuses on the same customers as Unternehmer Bank. The growth strategy is focused on gaining market shares in the growing German leasing market.

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 now be continued with consistent digitalisation and by positioning as a top-quality provider for clients seeking advice. 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. The objective is to sustainably increase client's wealth and so to ensure a long-term and trustful relationship.

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's commercial success is based on cooperation and interaction between coverage and product units, and also on 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", it was decided to close UniCredit Luxembourg S.A. by the end of 2018. It is envisaged to transfer the corporate banking activities in the area of structured finance business from Luxembourg to UniCredit Bank AG in Germany in the second half of 2018. The remaining business is envisaged to be continued in a branch of UniCredit Bank AG in Luxembourg which is to be established at the same time.

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 2017, HVB Group had 553 offices around the world (including 350 HVB branches in Germany) and 13,405 employees (in full-time equivalents, FTEs) (2016: 14,748).

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 Business Integrated Solutions S.C.p.A., Milan (Member of the Consiglio di amministrazione)
Dr Emanuele Buttà since 1 March 2018	Commercial Banking – Private Clients Bank	-
Ljiljana Čortan since 1 January 2018	Chief Risk Officer	AO UniCredit Bank, Moscow (Deputy Chairman of the Supervisory Board)
Dr Michael Diederich	Spokesman of the Management Board Human Capital/Arbeit und Soziales since 1 January 2018	PORR AG, Vienna (Member of the Supervisory Board),
		Bayerische Börse Aktiengesellschaft, Munich, (Deputy Chairman of the Supervisory

Name	Areas of Responsibility	Major activities outside HVB Group
		Board), ESMT European School of Management and Technology GmbH, Berlin (Member of the Supervisory Board)
Jan Kupfer since 1 March 2018	Corporate & Investment Banking	
Robert Schindler	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)	Employee of UniCredit Bank AG
Francesco Giordano, Milan	Co-Chief Operating Officer of UniCredit S.p.A., Milan
Klaus Grünewald, Gröbenzell(1)	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 Luxembourg S.A., Luxembourg
Christian Staack, Hamburg(1)	Employee of UniCredit Bank AG
Oliver Skrbot, Buttenwiesen(1)	Employee of UniCredit Bank AG

(1) Representative of Employees

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

MAJOR SHAREHOLDERS

UniCredit S.p.A. holds directly 100 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 2016 of HVB and the audited unconsolidated financial statement of HVB as at 31 December 2016 (*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 2017 and the audited unconsolidated financial statement of HVB as at 31 December 2017 (*HGB*) are laid down as F-Pages of this Registration Document.

AUDITORS

Deloitte, the independent auditors of HVB for the financial years 2017 and 2016 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 2017 and 31 December 2016 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 provides a summary of the proceedings 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 a substantial uncertainty regarding the outcome of the proceedings and the amount of possible damages. These cases include criminal or administrative proceedings by the relevant authority and claims in which the petitioner has not specifically quantified the amounts in dispute. In all proceedings where it is possible to reliably estimate the amount of possible losses, and the loss is considered likely, appropriate provisions have been set up based on the circumstances and consistent with IFRS accounting principles applied by HVB Group.

VIP 4 Medienfonds Fund

Various investors in VIP Medienfonds 4 GmbH & Co. KG to whom HVB issued loans to finance their participation, brought legal proceedings against HVB. In the context of the conclusion of the loan agreements the plaintiffs claimed that inadequate advice was provided by HVB 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 (*Oberlandesgericht*), 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 of 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, such disputes were often decided favour of HVB in the past.

Relating to one retail fund with heating plants as its investment target, a number of investors brought legal proceedings against HVB pursuant to the Capital Markets Test Case Act (*Kapitalanleger-Musterverfahrensgesetz*). The Munich Higher Regional Court (*Oberlandesgericht*) has ordered several court expert opinions to be obtained in order to assess the question of an alleged prospectus liability. Since it can be expected that investors of this fund retain their invested capital mainly through fund payout, the consequences of a possibly negative decision of the Higher Regional Court are essentially limited to the compensation of lost profit and interest relating to the judicial proceedings. In the meantime nearly all proceedings have come to a conclusion in settlement agreements.

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 new lawsuits have only been filed occasionally. 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 German 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 HVB 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 HVB sustained losses due to certain past acts/omissions 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 on the Main, Cologne and Munich with the aim of verifying alleged tax evasion offences on their part. HVB cooperated - and continues to cooperate - with the aforesaid Prosecutors who investigated offences that include 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 on the 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 also came to a conclusion in April 2017 following the payment of a forfeiture of €5 million. At present, all criminal proceedings against HVB have been terminated.

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 counterparts 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 HVB 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 appropriate provisions.

Lawsuit for consequential damages

A customer filed an action against HVB with Frankfurt Regional Court (*Landgericht*) for consequential damages of €195 million for the following reasons: In 2010, HVB was ordered by Frankfurt Higher Regional Court (*Oberlandesgericht*) 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 stating that such losses were suffered as a consequence of not being able to profitably invest the amount of the bill of exchange. The plaintiff then extended the claim to the amount of €51.54 million and most recently to €195 million. 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.

Proceedings in connection with financial sanctions

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

In March 2011, HVB received a subpoena from the NYDA relating to historic transactions involving certain Iranian entities, designated by OFAC, and parties related to them. In June 2012, the DOJ opened an investigation of OFAC-related compliance by HVB and its subsidiaries in general. In this context, HVB is conducting a voluntary investigation of its US dollar payments practices and its historical compliance with applicable US financial sanctions, in the course of which certain historical non-transparent practices have been identified. HVB Group is cooperating with various US authorities and is updating other relevant non-US authorities as appropriate. Although it is currently not possible to determine the form, extent or timing of any resolution with any relevant authorities, the costs of the investigation, remediation required and/or payment or other legal liability incurred can lead to liquidity outflows and could potentially have a material adverse effect on the net assets and operating results of HVB.

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 2017 and 31 December 2016 of HVB, the unconsolidated annual financial statements of HVB in respect of the fiscal years ended 31 December 2017 and 31 December 2016 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 2018 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 2016, and (ii) no material adverse change in the prospects of the HVB Group since 31 December 2016, the date of its last published audited financial statements (Annual Report 2016).

Information incorporated by reference

The information specified below under "Audited consolidated financial statements at 31 December 2016" set out on pages F-1 to F-146 of the Registration Document of UniCredit Bank AG dated 21 April 2017 and under "Audited unconsolidated financial statements (HGB) at 31 December 2016" set out on pages F-147 to F-212 of the Registration Document of UniCredit Bank AG dated 21 April 2017, 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 2016	**Extracted from the Registration Document of HVB dated 21 April 2017**	**Inserted in this Registration Document on the following pages:**
- Consolidated Income Statement	- p. F-1 to F-2	- p. -26-
- Consolidated Balance Sheet	- p. F-3 to F-4	- p. -26-
- Statement of Changes in Consolidated Shareholders' Equity	- p. F-5 to F-6	- p. -26-
- Consolidated Cash Flow Statement	- p. F-7 to F-8	- p. -26-
- Notes to the Consolidated Financial Statements	- p. F-9 to F-144	- p. -26-
- Declaration by the Management Board	- p. F-145	- p. -26-
- Auditors' Report	- p. F-146	- p. -26-
Audited unconsolidated financial statements (HGB) at 31 December 2016	**Extracted from the Registration Document of HVB dated 21 April 2017**	**Inserted in this Registration Document on the following pages:**
- Income Statement	- p. F-147 to F-148	- p. -26-
- Balance Sheet	- p. F-149 to F-154	- p. -26-
- Notes	- p. F-155 to F-210	- p. -26-
- Declaration by the Management Board	- p. F-211	- p. -26-
- Auditors' Report	- p. F-212	- p. -26-

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 2017

Consolidated Income Statement

Income/Expense	NOTES	1/1–31/12/2017 € millions	1/1–31/12/2016 € millions	CHANGE € millions	CHANGE in %
Interest income		3,681	4,083	(402)	(9.8)
Interest expense		(1,140)	(1,565)	+ 425	(27.2)
Net interest	33	2,541	2,518	+ 23	+ 0.9
Dividends and other income from equity investments	34	11	57	(46)	(80.7)
Net fees and commissions	35	1,103	1,066	+ 37	+ 3.5
Net trading income	36	928	903	+ 25	+ 2.8
Net other expenses/income	37	399	354	+ 45	+ 12.7
Payroll costs		(1,600)	(1,668)	+ 68	(4.1)
Other administrative expenses		(1,443)	(1,536)	+ 93	(6.1)
Amortisation, depreciation and impairment losses on intangible and tangible assets		(227)	(257)	+ 30	(11.7)
Operating costs	38	(3,270)	(3,461)	+ 191	(5.5)
Net write-downs of loans and provisions for guarantees and commitments	39	(195)	(341)	+ 146	(42.8)
Provisions for risks and charges	40	(25)	(193)	+ 168	(87.0)
Restructuring costs	41	(7)	(645)	+ 638	(98.9)
Net income from investments	42	112	39	+ 73	>+ 100.0
PROFIT BEFORE TAX		**1,597**	**297**	**+ 1,300**	**>+ 100.0**
Income tax for the period	43	(261)	(140)	(121)	+ 86.4
PROFIT AFTER TAX		**1,336**	**157**	**+ 1,179**	**>+ 100.0**
Impairment on goodwill		—	—	—	—
CONSOLIDATED PROFIT		**1,336**	**157**	**+ 1,179**	**>+ 100.0**
attributable to the shareholder of UniCredit Bank AG		1,332	153	+ 1,179	>+ 100.0
attributable to minorities		4	4	—	—

Earnings per share

(in €)

	NOTES	2017	2016
Earnings per share (undiluted and diluted)	44	1.66	0.19

Consolidated statement of total comprehensive income

(€ millions)

	2017	2016
Consolidated profit recognised in the income statement	**1,336**	**157**
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)	218	(281)
Non-current assets held for sale	—	(2)
Other changes	—	—
Taxes on income and expenses not to be reclassified to the income statement in future periods	(68)	89
Income and expenses to be reclassified to the income statement in future periods		
Changes from foreign currency translation	(8)	(7)
Changes from companies accounted for using the equity method	—	—
Changes in valuation of financial instruments (AfS reserve)	(19)	78
Unrealised gains/(losses)	89	93
Gains/(losses) reclassified to the income statement	(108)	(15)
Changes in valuation of financial instruments (hedge reserve)	(3)	—
Unrealised gains/(losses)	1	7
Gains/(losses) reclassified to the income statement	(4)	(7)
Other changes	—	34
Taxes on income and expenses to be reclassified to the income statement in future periods	(2)	(24)
Total income and expenses recognised in equity under other comprehensive income	**118**	**(113)**
Total comprehensive income	**1,454**	**44**
of which:		
attributable to the shareholder of UniCredit Bank AG	1,450	40
attributable to minorities	4	4

Consolidated Balance Sheet

Assets

	NOTES	31/12/2017 € millions	31/12/2016 € millions	CHANGE € millions	in %
Cash and cash balances	45	36,414	9,770	+ 26,644	>+ 100.0
Financial assets held for trading	46	75,493	94,087	(18,594)	(19.8)
Financial assets at fair value through profit or loss	47	21,456	28,512	(7,056)	(24.7)
Available-for-sale financial assets	48	6,816	5,929	+ 887	+ 15.0
Investments in associates and joint ventures	49	34	44	(10)	(22.7)
Held-to-maturity investments	50	23	36	(13)	(36.1)
Loans and receivables with banks	51	30,330	33,043	(2,713)	(8.2)
Loans and receivables with customers	52	121,178	121,474	(296)	(0.2)
Hedging derivatives	55	390	384	+ 6	+ 1.6
Hedge adjustment of hedged items					
in the fair value hedge portfolio		72	51	+ 21	+ 41.2
Property, plant and equipment	56	2,599	2,869	(270)	(9.4)
Investment properties	57	808	1,028	(220)	(21.4)
Intangible assets	58	445	455	(10)	(2.2)
of which: goodwill		418	418	—	—
Tax assets		1,363	1,696	(333)	(19.6)
Current tax assets		113	333	(220)	(66.1)
Deferred tax assets		1,250	1,363	(113)	(8.3)
Non-current assets or disposal groups held for sale	59	511	1,077	(566)	(52.6)
Other assets	60	1,128	1,635	(507)	(31.0)
Total assets		**299,060**	**302,090**	**(3,030)**	**(1.0)**

Liabilities

	NOTES	31/12/2017 € millions	31/12/2016 € millions	CHANGE € millions	in %
Deposits from banks	62	67,354	57,584	+ 9,770	+ 17.0
Deposits from customers	63	124,284	117,204	+ 7,080	+ 6.0
Debt securities in issue	64	25,552	24,214	+ 1,338	+ 5.5
Financial liabilities held for trading	65	56,217	72,834	(16,617)	(22.8)
Hedging derivatives	66	469	997	(528)	(53.0)
Hedge adjustment of hedged items					
in the fair value hedge portfolio	67	1,215	1,785	(570)	(31.9)
Tax liabilities		693	723	(30)	(4.1)
Current tax liabilities		604	642	(38)	(5.9)
Deferred tax liabilities		89	81	+ 8	+ 9.9
Liabilities of disposal groups held for sale	68	102	1,162	(1,060)	(91.2)
Other liabilities	69	1,699	2,145	(446)	(20.8)
Provisions	70	2,601	3,022	(421)	(13.9)
Shareholders' equity	71	18,874	20,420	(1,546)	(7.6)
Shareholders' equity attributable to the shareholder					
of UniCredit Bank AG		18,867	20,414	(1,547)	(7.6)
Subscribed capital		2,407	2,407	—	—
Additional paid-in capital		9,791	9,791	—	—
Other reserves		5,289	5,107	+ 182	+ 3.6
Changes in valuation of financial instruments		80	104	(24)	(23.1)
AfS reserve		52	74	(22)	(29.7)
Hedge reserve		28	30	(2)	(6.7)
Consolidated profit		1,300	3,005	(1,705)	(56.7)
Minority interest		7	6	+ 1	+ 16.7
Total shareholders' equity and liabilities		**299,060**	**302,090**	**(3,030)**	**(1.0)**

The 2017 profit available for distribution disclosed in the separate financial statements of UniCredit Bank AG (corresponding to the consolidated profit of HVB Group), which forms the basis for the appropriation of profit, amounts to €1,300 million. We will propose to the Shareholders' Meeting to pass a resolution that a dividend of €1,300 million be paid to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €1.62 per share after around €3.75 in the 2016 financial year. The consolidated profit disclosed in the previous year amounting to €3,005 million (consisting of the net profit of €5 million and a withdrawal from other retained earnings of €3,000 million) was distributed to UniCredit pursuant to the resolution of the Shareholders' Meeting of 22 May 2017.

Statement of Changes in Consolidated Shareholders' Equity

	SUBSCRIBED CAPITAL	ADDITIONAL PAID-IN CAPITAL	OTHER RESERVES	
			TOTAL OTHER RESERVES	OF WHICH: PENSIONS AND SIMILAR OBLIGATIONS (IAS 19)
Shareholders' equity at 1/1/2016	**2,407**	**9,791**	**8,125**	**(1,135)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under				
other comprehensive income[3]	**—**	**—**	**(176)**	**(194)**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	(194)	(194)
Reserve arising from foreign currency translation	—	—	(7)	—
Other changes	—	—	25	—
Total other changes in equity	**—**	**—**	**(2,842)**	**13**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	(2,852)	—
Changes in group of consolidated companies	—	—	10	13
Capital decreases	—	—	—	—
Shareholders' equity at 31/12/2016	**2,407**	**9,791**	**5,107**	**(1,316)**
Shareholders' equity at 1/1/2017	**2,407**	**9,791**	**5,107**	**(1,316)**
Consolidated profit recognised in the consolidated income statement	**—**	**—**	**—**	**—**
Total income and expenses recognised in equity under				
other comprehensive income[3]	**—**	**—**	**142**	**150**
Changes in valuation of financial instruments not affecting income	—	—	—	—
Changes in valuation of financial instruments affecting income	—	—	—	—
Actuarial gains/(losses) on defined benefit plans	—	—	150	150
Reserve arising from foreign currency translation	—	—	(8)	—
Other changes	—	—	—	—
Total other changes in equity	**—**	**—**	**40**	**5**
Dividend payouts	—	—	—	—
Transfers from consolidated profit	—	—	32	—
Changes in group of consolidated companies	—	—	8	5
Capital decreases	—	—	—	—
Shareholders' equity at 31/12/2017	**2,407**	**9,791**	**5,289**	**(1,161)**

1 The Shareholders' Meeting of 10 May 2016 resolved to distribute the 2015 consolidated profit in the amount of €398 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €0.50 per share. The Shareholders' Meeting of 22 May 2017 resolved to distribute the 2016 consolidated profit in the amount of €3,005 million as a dividend to our sole shareholder UniCredit S.p.A. (UniCredit), Rome, Italy. This represents a dividend of around €3.75 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	CONSOLIDATED PROFIT[1]	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDER OF HVB[2]	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
11	**30**	**398**	**20,762**	**4**	**20,766**
—	**—**	**153**	**153**	**4**	**157**
63	**—**	**—**	**(113)**	**—**	**(113)**
76	5	—	81	—	81
(13)	(5)	—	(18)	—	(18)
—	—	—	(194)	—	(194)
—	—	—	(7)	—	(7)
—	—	—	25	—	25
—	**—**	**2,454**	**(388)**	**(2)**	**(390)**
—	—	(398)	(398)	(3)	(401)
—	—	2,852	—	—	—
—	—	—	10	1	11
—	—	—	—	—	—
74	**30**	**3,005**	**20,414**	**6**	**20,420**
74	**30**	**3,005**	**20,414**	**6**	**20,420**
—	**—**	**1,332**	**1,332**	**4**	**1,336**
(22)	**(2)**	**—**	**118**	**—**	**118**
62	1	—	63	—	63
(84)	(3)	—	(87)	—	(87)
—	—	—	150	—	150
—	—	—	(8)	—	(8)
—	—	—	—	—	—
—	**—**	**(3,037)**	**(2,997)**	**(3)**	**(3,000)**
—	—	(3,005)	(3,005)	(3)	(3,008)
—	—	(32)	—	—	—
—	—	—	8	—	8
—	—	—	—	—	—
52	**28**	**1,300**	**18,867**	**7**	**18,874**

Consolidated Cash Flow Statement

(€ millions)

	2017	2016
Consolidated profit	**1,336**	**157**
Write-downs, provisions for losses on, and write-ups of, loans and receivables and additions to		
provisions for losses on guarantees and indemnities	241	398
Write-downs and depreciation less write-ups on non-current assets	292	317
Change in other non-cash positions	(796)	(2,321)
Profit from the sale of investments, property, plant and equipment	(146)	(63)
Other adjustments (net interest and dividend income from the income statement, taxes on income paid)	(2,758)	(2,700)
Subtotal	**(1,831)**	**(4,212)**
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	10,673	7,270
Loans and receivables with banks	2,634	(223)
Loans and receivables with customers	(211)	(8,491)
Other assets from operating activities	(1,218)	(1,609)
Deposits from banks	10,852	(858)
Deposits from customers	7,594	9,601
Debt securities in issue	1,636	(1,690)
Other liabilities from operating activities	(2,552)	950
Taxes on income	19	(151)
Interest received	3,705	4,156
Interest paid	(1,212)	(1,639)
Dividends received	268	318
Cash flows from operating activities	**30,357**	**3,422**
Proceeds from the sale of investments	2,120	925
Proceeds from the sale of property, plant and equipment	90	102
Payments for the acquisition of investments	(2,926)	(5,246)
Payments for the acquisition of property, plant and equipment	(193)	(246)
Effects of the change in the group of companies included in consolidation	68	30
Effect of the disposal of discontinued operations	—	—
Cash flows from investing activities	**(841)**	**(4,435)**

(€ millions)

	2017	2016
Change in additional paid-in capital	—	—
Dividend payments	(3,005)	(398)
Issue of subordinated liabilities and hybrid capital	—	2
Repayment/buy-back of subordinated liabilities and hybrid capital	(45)	(100)
Other financing activities (debt, fund for general banking risks) (+)	178	—
Other financing activities (debt, fund for general banking risks) (–)	—	(164)
Cash flows from financing activities	**(2,872)**	**(660)**
Cash and cash equivalents at end of previous period	**9,770**	**11,443**
Net cash provided/used by operating activities	**30,357**	**3,422**
Net cash provided/used by investing activities	**(841)**	**(4,435)**
Net cash provided/used by financing activities	**(2,872)**	**(660)**
Effects of exchange rate changes	—	—
Less non-current assets or disposal groups held for sale	—	—
Cash and cash equivalents at end of period	**36,414**	**9,770**

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 are provided in the Note "Method and 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-VO) 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-VO Regulation. The present consolidated financial statements were prepared by the Management Board on 27 February 2018 and adopted by the Supervisory Board on 15 March 2018. Besides the standards defined as IFRS, the IFRS also comprise the existing International Accounting Standards (IAS) together with the interpretations of the IFRS Interpretations Committee (IFRS IC) and its predecessor known as IFRICs and SICs. All the standards and interpretations subject to mandatory adoption in the EU for the 2017 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 equivalent statement of compliance required by Section 161 AktG on its website.

Management's Discussion and Analysis meets the requirements of Section 315 (1, 2 and 4) HGB. Also incorporated is 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
– BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs KG, Munich
– Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG, Munich
– Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG, Munich
– Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG, Munich
– Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft, Munich
– H & B Immobilien GmbH & Co. Objekte KG, Munich
– HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung, Munich
– HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung, Munich
– HVB Gesellschaft für Gebäude mbH & Co. KG, Munich
– HVZ GmbH & Co. Objekt KG, Munich

– Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße, Munich
– HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG, Munich
– Ocean Breeze Energy GmbH & Co. KG, Bremen
– Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG, Munich
– Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG, Munich
– Omnia Grundstücks-GmbH & Co. Objekt Perlach KG, Munich
– Othmarschen Park Hamburg GmbH & Co. Centerpark KG, Munich
– 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
– BV Grundstücksentwicklungs-GmbH, Munich
– CUMTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Food & more GmbH, Munich
– HJS 12 Beteiligungsgesellschaft mbH, Munich
– HVB Capital Partners AG, Munich
– HVB Immobilien AG, Munich
– HVB Profil Gesellschaft für Personalmanagement mbH, 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
– MILLETERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– NF Objekt FFM GmbH, Munich
– NF Objekt München GmbH, Munich
– NF Objekte Berlin GmbH, Munich
– Orestos Immobilien-Verwaltungs GmbH, Munich
– RHOTERRA Gesellschaft für Immobilienverwaltung mbH, Munich
– Selfoss Beteiligungsgesellschaft mbH, Grünwald
– Spree Galerie Hotelbetriebsgesellschaft mbH, Munich
– Transterra Gesellschaft für Immobilienverwaltung mbH, Munich
– UniCredit Direct Services GmbH, Munich
– Verwaltungsgesellschaft Katharinenhof m.b.H., Munich

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 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. 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.

Within the scope of our participation in the targeted longer-term refinancing operations (TLTRO II) of the European Central Bank (ECB), the hedging of the planned borrowing at our subsidiary UniCredit Luxembourg S.A. was performed in advance using a forward interest rate swap in the form of a micro cash flow hedge in March 2017 applicable for future transactions. Upon receipt of the cash borrowed from the ECB at the end of March 2017 this hedge was terminated. The cash flow hedge reserve in existence at the time the hedge was terminated and the counteracting initial fair value of the interest rate swap of the same amount are reversed through the income statement in the matching periods over the term of the hedged borrowing to compensate. The borrowing taken out at the end of March 2017 and the hedging interest rate swap are included in the general portfolio fair value hedge of interest rate risk.

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

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

The following matters in particular are affected by estimates, assumptions and discretionary decisions:
– Measurement of goodwill: The Strategic Plan drawn up by the Bank forms the main basis for the impairment test for goodwill. The Strategic Plan contains forecasts of future trends in terms of both the Bank's respective business units and macroeconomic developments. This means that the impairment test for goodwill is also subject to estimates, assumptions and discretionary decisions.
– Determination of loan-loss allowances:
  Specific allowances: These represent the difference between the estimated, discounted expected future cash inflows and the carrying amount. This means that, to determine the loan-loss allowances, assumptions and forecasts must be made regarding the payments that may still be received from the borrower and/or proceeds from the realisation of the collateral.
  Portfolio allowances: Portfolio allowances are determined on the basis of the Bank's credit portfolio model described in the Risk Report. This internal model similarly draws on forecasts and assumptions which are thus relevant for the measurement of the portfolio allowance.
– Determination of fair value: The Bank employs internal models to determine the fair value of financial instruments for which no price is available on an active market. The application of these internal models presupposes assumptions and forecasts, among other things, the scope of which depends on the complexity of the financial instrument and the valuation parameters derived from market data.

– Provisions are recognised for present or future obligations to cover the payments required to settle these obligations. In this context, it is necessary to estimate the amount of these expenses or costs and also the date at which the liabilities are expected to be settled. This involves making assumptions regarding the actual amount of the costs occurring and, in the case of long-term provisions, also estimating possible cost increases up until the settlement date. If the settlement date is more than one year in the future, the forecast expenses and costs are discounted over the period until the liability is settled.
– Deferred tax assets and liabilities: Apart from a few exceptions defined in the standard, deferred tax assets and liabilities are recognised for all temporary differences between the values stated in accordance with IFRS and the values stated for tax-reporting purposes (liability method). Accounting and valuation are performed in accordance with IAS 12 on the basis of local tax regulations that are expected to apply to the period when an asset is realised or a liability is settled. The regulations and applicable local tax rates are assumed that are enacted or substantively enacted at the reporting date. Deferred tax assets are not recognised to the extent that it seems unlikely that sufficient taxable profit will be available in future periods. Furthermore, deferred tax assets are recognised for unused tax losses carried forward and unused tax credits to the extent that recoverability is demonstrated. This is done on the basis of a five-year plan for HVB Group, which is subject to segment-specific and macroeconomic assumptions and takes account of local tax regulations. Appropriate haircuts are applied in the Strategic Plan. Estimation uncertainties are inherent.
– Share-based compensation: Assumptions must similarly be made to determine the cost of share-based compensation programmes. The costs for the instruments to be transferred are amortised over the vesting period or the beneficiaries' claims expire if they leave UniCredit first. This makes it necessary to forecast what proportion of employees will leave UniCredit during the vesting period. At the same time, the shares granted must be measured at fair value at the grant date. The comments made above regarding the determination of fair value are applicable analogously.
– Property, plant and equipment: Depreciable items of property, plant and equipment are depreciated over their useful lives. Since the useful life is not independent of the usage of the actual asset in question, it must be estimated in light of the circumstances in each case.
– Intangible assets: With the exception of goodwill, intangible assets are amortised over their useful life. Here, too, suitable assumptions must be made to estimate the useful life.
– Investment properties: These assets are depreciated over the useful life of the property (excluding the land portion), meaning that a forecast is also required here.

Apart from this, the accounting, valuation and disclosure principles applied in the 2017 financial year are the same as those applied in the consolidated financial statements for 2016, with the exception of the new IFRS rules to be applied as described in the Note "Initial adoption of new IFRS accounting rules".

4 Initial adoption of new IFRS accounting rules

The changes to the following standards newly issued or revised by the IASB were subject to mandatory adoption in the EU in the 2017 financial year:
– Amendments to IAS 7 – "Disclosure Initiative"
– Amendments to IAS 12 – "Recognition of Deferred Tax Assets for Unrealised Losses"

The amendments to the standard IAS 7 ("Statement of Cash Flows") issued as part of the IASB's Disclosure Initiative supplement the cash flow statement with additional disclosures on an entity's financing activities. In this context, changes to liabilities arising from financing activities that are presented in the item "Cash flows from financing activities" in the cash flow statement must be disclosed. The disclosures were extended in line with these amendments.

The amendments to IAS 12 ("Income Taxes") clarify that deferred tax assets also have to be recognised on deductible temporary differences arising from unrealised losses relating to available-for-sale debt securities measured at fair value. The clarifications on IAS 12 were observed in the consolidated financial statements.

Accounting and Valuation (Continued)

5 Published IFRS that are not yet the subject of mandatory adoption and that have not been the subject of early adoption
As permitted, we have decided against the early voluntary adoption of the standards and interpretations adopted or revised by the IASB, which only become the subject of mandatory adoption for the 2018 financial year or thereafter. The Bank will apply these standards and interpretations in the financial year in which the new provisions in question become mandatorily applicable for EU-based enterprises for the first time.

The EU has adopted the following into European law:
– IFRS 9 "Financial Instruments (July 2014)". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
– IFRS 15 "Revenue from Contracts with Customers including amendments to IFRS 15: Effective Date of IFRS 15". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
– IFRS 16 "Leases". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2019.
– Amendments to IFRS 4 – "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
– Clarifications on IFRS 15 "Revenue from Contracts with Customers". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.

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.
– IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
– IFRIC Interpretation 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 2 – "Classification and Measurement of Share-based Payment Transactions". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
– 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 first-time mandatory adoption for reporting periods beginning on or after 1 January 2019.
– Amendments to IAS 40 – "Transfers of Investment Property". The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018.
– 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.
– Annual Improvements to IFRS Standards 2014–2016 Cycle. The provisions are subject to mandatory adoption for reporting periods beginning on or after 1 January 2018 (IAS 28).

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

In July 2014, the IASB published the definitive version of IFRS 9 "Financial Instruments" to replace IAS 39, the current standard covering the recognition and measurement of financial instruments. IFRS 9 contains a complete revision of the main regulations regarding the classification and measurement of financial instruments, the recognition of impairments of financial assets and the recognition of hedges. IFRS 9, which was adopted into European law by the EU in November 2016, is subject to adoption for reporting periods beginning on or after 1 January 2018. First-time application should be retrospective.

For debt instruments, IFRS 9 has introduced restrictive conditions that have to be complied with in future in measurement at amortised cost. This relates firstly to the business model (hold to maturity) and secondly the specific terms of the debt instrument. Only those where the cash flows essentially consist of interest and repayment may be measured at amortised cost. In light of the fact that the Bank's business model puts a focus on customer care and customer relationships, the intention is generally to hold to maturity with regard to loans issued by the Bank. Correspondingly, sales from this portfolio allocated to the "hold to maturity" business model may be made only in exceptional cases where they are insignificant or infrequent, or are made on account of an increase in the risk of default. An analysis of the loan portfolio revealed that only in a few exceptional cases are the cash flow terms (cash flows represent exclusively interest on and repayments of the outstanding capital) not met. Furthermore, the Bank's loan portfolio generally does not contain any instruments that provide for the payment of compensation for premature payment by the Bank to the debtor in the event of the exercise of termination rights. As the Bank has decided to also manage at fair value financial instruments accounted for at fair value, such loans are allocated to the "Other" business model, so that they are to be measured in future at fair value with a corresponding impact on the income statement. The portfolio of assets held for trading is also maintained unchanged. With regard to the portfolio of securities, there are likewise no material changes planned with regard to the business model. The securities portfolios that are allocated to the fair value option under IAS 39, also continue to be managed at fair value so that these securities portfolios are allocated to the "Other" business model. Furthermore, one securities portfolio that was previously classified as available for sale is allocated to the "Held for sale" business model. The remaining securities that were classified as available for sale, loans and receivables or held to maturity are allocated to the "Hold to maturity" business model apart from a few exceptions that do not meet the cash flow terms and – in a similar way to the loans – are allocated to the "Other" business model. This means that the portfolio of debt instruments that are in future measured at fair value instead of amortised cost or vice versa is very small. This covers only those instruments that were previously measured at amortised cost and in future – due to non-compliance with the cash flow terms – are measured at fair value though profit or loss. No relevant remeasurement effects from debt instruments (e.g. on account of modifications) that continue to be measured at amortised cost can currently be identified.

In future, equity instruments are to be measured at fair value through profit or loss pursuant to IFRS 9.4.1.4. The option of recognising changes in the fair value in other comprehensive income is not exercised. This means that equity instruments that were previously classified as available for sale pursuant to IAS 39.46 (c) and are measured at cost are in future to be measured at fair value through profit or loss.

HVB intends to continue to exercise the option presented by IFRS 9 and the provisions of IAS 39 on Hedge Accounting. In this respect, no material changes to hedge accounting are to be expected as a result of the application of IFRS 9.

Within the scope of the first time application of IFRS 9, the effects resulting from the retrospective application of IFRS 9 are recorded in equity. The largest effect in this respect is the conversion of the method used to establish the portfolio-based impairment for performing debt instruments. For performing debt instruments measured at amortised cost, impairment is calculated in future on the basis of the loss expected within one year (Stage 1) or in the case of significant deterioration in creditworthiness since the loan was issued with the loss expected over the term of the debt instrument (Stage 2). This will give rise to an increase in the portfolio impairment for performing debt instruments.

For determining whether there is a significant deterioration in the creditworthiness, the expected probability of default upon loan issue is compared to that as of the reporting date. If a certain trigger is exceeded in regard to the deterioration in creditworthiness, it will be allocated to Stage 2. This means that a transition is made to measurement on the basis of the loss expected over the term of the debt instrument. To this end, UniCredit Group has developed a corresponding model. As part of determining the expected loss, not only reliable information on past events but also current conditions and prognoses for future economic conditions are considered. To the extent that the reasons for the significant deterioration in creditworthiness no longer apply, a transfer back to Stage 1 is made. The option that there is no significant increase in the credit risk if the financial instrument has a lower risk of default as of the reporting date (e.g. external Investment Grade Rating), is used for securities.

Accounting and Valuation (Continued)

Allocation to Stage 3 is made in the event of default of a borrower. A default is, as was the case to date, where a material liability of the borrower is overdue for more than 90 days or where HVB assumes that the debtor cannot meet its obligations to pay in full without recovery measures being made. In such cases, an impairment is recognised calculated from the difference of the present value of the future expected cash flows and the carrying amount. Due to taking account of various scenarios as required in this respect in future, there will be effects in relation to the amount of the net write-downs of loans and provisions for guarantees and commitments. This thus corresponds to the results of the scenarios included weighted by the probability of occurrence.

The cumulative effect from the first-time application of IFRS 9 in equity will amount to less than €0.1 billion. The main drivers in this connection are the conversion to the new Expected Loss model including the introduction by IFRS 9 of the three-stage model and the measurement of equity instruments at fair value without exception. None of the aspects listed above exceeds an amount of €0.1 billion, in most cases single-digit millions or low double-digit millions are involved.

In May 2014, the IASB published a new standard regarding revenue realisation, IFRS 15 “Revenue from Contracts with Customers”, which is subject to mandatory application as of 1 January 2018 and was adopted into European law by the EU in September 2016. IFRS 15 supersedes IAS 18. IFRS 15 defines a uniform principles-based model for determining how and when revenue is recognised. Income accruing in connection with financial instruments is not affected by this. Otherwise, fee and commission income and expenses customary for a bank are subject to the scope of IFRS 15. Here again, this does not give rise to any effects on the allocation of income to individual periods or items in the income statement, which means that we expect IFRS 15 to have only a minor effect on HVB Group.

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

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

6 Companies included in consolidation

The group of companies included in consolidation by HVB Group encompasses 187 (previous year: 197) controlled companies, of which 42 (previous year: 44) are classified as structured entities within the meaning of IFRS 12.

	2017	2016
Total controlled companies	**321**	**335**
Consolidated companies	187	197
of which: structured entities according to IFRS 12	42	44
Non-consolidated companies	134	138
of which: structured entities according to IFRS 12	—	6
Joint ventures	**4**	**4**
of which: accounted for using the equity method	—	—
Associated companies	**7**	**10**
of which: accounted for using the equity method	5	6

At year-end 2017, we had a total of 140 (previous year: 146) 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 four borrowers (previous year: 16) 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. Four (previous year: ten) of these borrowers have been consolidated; no (previous year: six) borrowers have not been consolidated for materiality reasons.

The effects on the balance sheet of the contractual relationships between the Group companies and these non-consolidated companies are included in the consolidated financial statements. The aggregate net income for the year of these minor non-consolidated companies makes up 0.48% (previous year: 1.34%) of the consolidated profit of HVB Group, while such companies provide around 0.33% (previous year: 0.14%) of consolidated assets. Our interests in these companies are carried as available-for-sale financial assets and loans extended under loans and receivables with customers.

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 2017.

42 (previous year: 44) 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 2017 have no significant effects on the consolidated financial statements of HVB Group either individually or in aggregate. At 31 December 2017 third parties hold non-controlling interests in 58 (previous year: 61) 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.

The following companies were newly added to the group of companies included in consolidation at HVB Group in 2017:
Elektra Purchase No. 32 S.A. – Compartment 2, Luxembourg
Elektra Purchase No. 44 DAC, Dublin
Elektra Purchase No. 54 DAC, Dublin
Elektra Purchase No. 55 DAC, Dublin
Elektra Purchase No. 57 DAC, Dublin
Elektra Purchase No. 58 DAC, Dublin
Elektra Purchase No. 718 DAC, Dublin
H.F.S. Leasingfonds GmbH, Ebersberg
WealthCap Immobilienfonds Deutschland 36 Komplementär GmbH, Grünwald
WealthCap Immobilienfonds Deutschland 38 Komplementär GmbH, Grünwald
WealthCap Objekt-Vorrat 21 GmbH & Co. KG, Munich

Accounting and Valuation (Continued)

The structured entities (Elektra Purchase No. 32 S.A. – Compartment 2, Luxembourg, Elektra Purchase No. 44 DAC, Dublin, Elektra Purchase No. 54 DAC, Dublin, Elektra Purchase No. 55 DAC, Dublin, Elektra Purchase No. 57 DAC, Dublin, Elektra Purchase No. 58 DAC, Dublin, Elektra Purchase No. 718 DAC, Dublin) are new entities that have entered into their assets (receivables) and liabilities (notes issued) at normal market terms and conditions. Thus, the carrying amounts correspond to the fair values upon addition or at the date of initial consolidation, meaning that it is not necessary to carry out a remeasurement in line with the application of IFRS 3.

The following companies left the group of companies included in consolidation of HVB Group in 2017 due to merger, sale, or imminent or completed liquidation:
– BaLea Soft GmbH & Co. KG, Hamburg
– BaLea Soft Verwaltungsgesellschaft mbH, Hamburg
– Bankhaus Neelmeyer AG, Bremen
– Bulkmax Holding Ltd., Valletta
– Elektra Purchase No. 17 S.A. – Compartment 2, Luxembourg
– Grand Central Funding Corporation, New York
– HVB Asset Management Holding GmbH, Munich
– HVB Life Science GmbH & Co. Beteiligungs-KG, Munich
– HVB Verwa 1 GmbH, Munich
– HypoVereinsFinance N.V., Amsterdam
– Newstone Mortgage Securities No. 1 Plc., London
– OSI Off-shore Service Invest GmbH, Hamburg
– OWS Natalia Bekker GmbH & Co. KG, Emden
– OWS Logistik GmbH, Emden
– OWS Ocean Zephyr GmbH & Co. KG, Emden
– OWS Off-shore Wind Solutions GmbH, Emden
– OWS Windlift 1 Charter GmbH & Co. KG, Emden
– Redstone Mortgages Limited, London
– Structured Lease GmbH, Hamburg
– Verba Verwaltungsgesellschaft mit beschränkter Haftung, Munich
– WealthCap Spezial-AIF 5 GmbH & Co. geschlossene Investment KG, Munich
– WMC Aircraft 27 Leasing Limited, Dublin

On account of the deconsolidation of the companies listed above, HVB Group realised a deconsolidation result in accordance with IFRS 10.25 of €8 million recognised in the item "Net other expenses/income" and minus €8 million in the item "Net income from investments" in the income statement.

Associated companies
No financial statements at 31 December 2017 were available for the associated companies listed below valued using the equity method when the consolidated financial statements were prepared. The following financial statements were used for valuation using the equity method:

– Adler Funding LLC, Dover	30 September 2017
– Comtrade Group B.V., Rotterdam	31 October 2017
– Nautilus Tankers Limited, Valletta	30 September 2017
– SwanCap Partners GmbH, Munich	30 September 2017

There were no significant events at these companies between the date when the above financial statements were prepared and 31 December 2017 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.

7 Principles of consolidation

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

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

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

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

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

The most recent Strategic Plan approved by the Management Board normally covering a period of five years and created at segment level forms the basis for testing impairment. In this context, the earnings drivers are net trading income, net interest, fees and commissions, operating costs and the projected net write-downs of loans and provisions for guarantees and commitments. To allow the earnings components to be planned, the Strategic Plan includes an income budget as well as budgets for risk-weighted assets and loans and receivables with customers and deposits from customers. The budgets are based on forecasts by the UniCredit Economics department, with the forecasts for overall economic development (gross domestic product) and interest and inflation rates playing a crucial role. Furthermore, the Strategic Plan also reflects the experience gained by management from past events and an assessment of the underlying economic conditions.

Accounting and Valuation (Continued)

We have used the Strategic Plan as the basis for determining appropriate values in use for the CGUs to which goodwill is allocated. The values in use are determined using the discounted cash flow method. The figures for profit before tax from the segments' strategic plans are included as cash flows. The average cash flows in the Strategic Plan are assumed for the subsequent period. The segment-specific cost of capital rates used for discounting average 12.7% (previous year: 12.5%) for the Corporate & Investment Banking business segment and 12.4% (previous year: 12.2%) for the Commercial Banking business segment. No growth factor has been assumed for the perpetual annuity. These values in use are employed as recoverable amounts and exceed the carrying amount and goodwill of the CGU. It is not necessary to estimate the selling price unless the value in use is less than the carrying amount.

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

Compliant with IAS 28, shares in associates are accounted for using the equity method 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.

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

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

Among other things, the balance sheet disclosures and earnings contributions of the financial instruments must be shown separately, broken down by the IAS 39 valuation categories. In the present consolidated financial statements, we have included these changes in the explanatory notes to the balance sheet and the income statement. The information required by IFRS 7 regarding risks in connection with financial instruments is also provided in the Risk Report within Management's Discussion and Analysis. Compliant with IFRS 7.36 (a), the maximum credit exposure is the same as the carrying amount of the risk-bearing financial instruments or, in the case of financial guarantees and lending commitments, the nominal amount disclosed in 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.

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

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

– Financial assets and liabilities held for trading

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

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

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

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

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

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

Accounting and Valuation (Continued)

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

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

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

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

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

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

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

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 for certain OTC derivative portfolios.

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

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

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

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

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

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

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

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. In the 2017 financial year, we set up a micro cash flow hedge for future transactions for a special hedge.

Accounting and Valuation (Continued)

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%. In fair value hedge accounting, we use interest rate and credit derivatives to hedge changes in the fair value of recognised assets and liabilities. Under this method, the hedging instrument is measured at fair value through profit or loss. The carrying amounts of the hedged item are adjusted by the valuation results relating to the hedged risk in a way that affects the income statement.

At our Bank, we designated micro fair value hedges for interest rate risks. For purchases effected in the available-for-sale holdings of fixed-interest, European government bonds, 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 hedge adjustments have been recognised on a gross basis in the balance sheet in areas for which asset and liability holdings can be hedged separately. The hedged amount of the hedged items is determined as part of interest rate risk management and cannot be directly allocated to individual assets or liabilities. Where the hedge conditions are met, the offsetting changes in value of the hedged amount of the hedged items and the hedging instruments (interest derivatives) are recognised directly in profit and loss. Hedge inefficiencies arising within the necessary hedge efficiency thresholds of 80% to 125% are recognised as profit or loss in net hedging income.

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

The cash flow hedge reserve existing at the changeover date and the offsetting clean fair values (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.

In March 2017, hedging the planned borrowing was reported in advance through a forward interest rate swap in the form of a micro cash flow hedge for future transactions at our subsidiary UniCredit Luxembourg S.A. within the framework of our participation in the TLTRO II of the European Central Bank (ECB). Upon receiving the borrowed funds from the ECB at the end of March 2017, this hedge was terminated. The cash flow hedge reserve existing on termination of the hedge and the offsetting equally high initial fair value of the interest rate swap are reversed periodically over the term of the hedged borrowing in the income statement. The borrowing effected at the end of March 2017 and the interest rate swap were included in the general portfolio fair value hedge for interest rate risks.

9 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.

10 Financial assets at fair value through profit or loss

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

11 Available-for-sale financial assets

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

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

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

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

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

13 Held-to-maturity investments

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

14 Loans and receivables

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

Accounting and Valuation (Continued)

15 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 covenant clauses waived) as a result of a deterioration in credit quality, and there is objective evidence of an impairment with regard to the restructured payments, this is considered a separate impairment trigger for testing whether an impairment needs to be recognised. The simple deferral of payment obligations does not always have an influence on the borrower's financial position and his ability to meet outstanding liabilities in full. Should a borrower not be in a position to meet all outstanding liabilities, a deferral of the liabilities does not alter the overall situation. A deferral neither reduces the amount of the payment obligations nor does it influence the amount of payments received by the borrower.

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

Please refer to 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.

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.

Accounting and Valuation (Continued)

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.

16 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.

17 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.

Accounting and Valuation (Continued)

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.

18 Investment properties

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

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

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

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

19 Intangible assets

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

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

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

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

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

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

20 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.

21 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.

22 Financial liabilities held for trading

This item includes the negative fair values of traded derivatives and all other derivatives that are not classified as hedging derivatives (which are recognised separately). Also included here are warrants, certificates and bonds issued by our trading department as well as delivery obligations arising from short sales of securities held for trading purposes.

Financial liabilities held for trading are carried at fair value. Gains and lossess 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.

Accounting and Valuation (Continued)

23 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"). The hedge adjustments have been recognised separately in the balance sheet (for hedged lending and deposit-taking activities) in several areas in which asset and liability holdings can be hedged separately.

24 Other liabilities

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

25 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.

Accounting and Valuation (Continued)

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.

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".

26 Foreign currency translation

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

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

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

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

27 Income tax for the period

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

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

Segment Reporting

28 Method and components of segment reporting by business segment

Method of segment reporting by business segment

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

Segment reporting is based on the internal organisational and management structure together with internal financial reporting. In accordance with IFRS 8 "Operating Segments", segment reporting thus follows the Management Approach, which requires segment information to be presented externally in the same way as it is 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 UniCredit Luxembourg S.A.) is based on a uniform core capital allocation for each business segment. Pursuant to Basel III, this involves allocating 12.0% (previous year: 11.0%) of core capital from risk-weighted assets to the business segments. The average tied core capital calculated in this way is used to compute the return on investment, which is disclosed under net interest. The percentage used for the return on the equity capital allocated to the companies HVB and UniCredit Luxembourg S.A. equals the base rate plus a premium in the amount of the 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 1.02% in 2017 after 1.45% 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) in the budgeting process for each business segment to determine the assigned costs that cannot be allocated directly. The majority of the depreciation and impairment losses taken on property, plant and equipment are posted for the BARD Offshore 1 wind farm allocated to the Corporate & Investment Banking business segment and the real estate companies of HVB Group included in the Chief Operating Office business unit of the Other/consolidation business segment.

As part of a reorganisation, the first half of 2017 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 only minor shifts in administrative expenses mainly due to a new allocation of units in the Corporate & Investment Banking and Other/consolidation business segments.

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

The profit of €1 million (previous year: loss of €1 million) from investments 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 dividends and other income from equity investments in the income statement. The carrying amount of the companies accounted for using the equity method is €34 million (previous year: €44 million).

Components of the segments of HVB Group

Commercial Banking business segment

The Commercial Banking business segment serves all customers in Germany with a need for standardised or personalised service and advice. In this context, its Private Clients Bank and Unternehmer Bank business units offer a wide range of banking services. Depending on the service approach, a needs-based distinction is made within Commercial Banking between 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. All in all, Commercial Banking serves around 2.5 million customers. In this context, the Commercial Banking business segment builds on a shared "HypoVereinsbank" brand and a largely identical sales network.

In line with the universal bank model, the range of products and services of Commercial Banking enables comprehensive customer support to be provided. This extends from payment services, consumer loans, mortgage loans, savings-and-loan and insurance products and banking services for retail customers through to business loans, foreign trade financing, and liquidity and financial risk management for corporate customers through to investment banking products for companies requiring capital-market access. For customers in the private banking and wealth management customer segments, we offer comprehensive financial and asset planning with needs-based advisory services provided by personal advisers and specialists. 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 the retail banking business, we were the first bank in Germany to complete a root-and-branch modernisation of our retail banking activities. We will now continue along the successful path already taken towards modernising the retail customer business by consistently implementing digitalisation and positioning ourselves 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 this context, we set high standards for the quality of advice given and services provided involving a modern approach and an innovative multi-channel business model. Based on a 360-degree advisory approach, very high net worth clients are served by advisors and a network of highly qualified specialists.

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 (the "go-to" bank) 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.

Segment Reporting (Continued)

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.

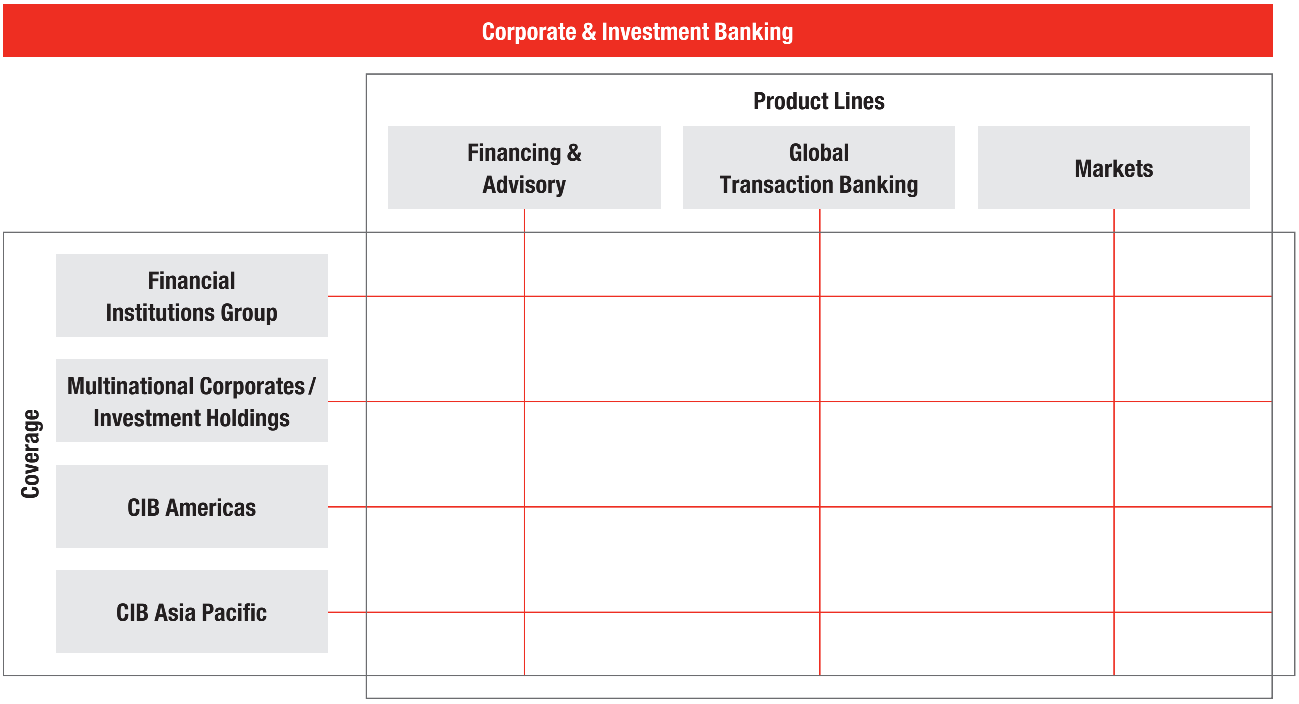
The market environment for Commercial Banking is characterised by persistently low interest rates, fragmented competition and rising regulatory costs. In parallel with persistently subdued demand from customers, increasing digitalisation is causing a lasting change in customer requirements. HVB Group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

Corporate & Investment Banking business segment
CIB is a business segment of UniCredit Group 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 Group 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 the following benefits:
– corporate banking and transaction services
– structured finance, capital markets and investment products
– access to Western, Central and Eastern Europe



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 Sponsors 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 Group. 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.

Segment Reporting (Continued)

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 Group 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, shifting from silo vision to an integrated value chain (increasing the marketing intensity through pitch matrix)
– 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.

Special coverage units from the international network are located in Asia Pacific, Americas and UK (London). In addition, CIB has representative offices and branches with a product focus in further EMEA countries.

The CIB growth strategy concept is aimed at providing our Mittelstand customers with even greater access to our investment banking platform. In order to ensure more intense provision of services and support in Germany, a Joint Venture (JV) between CIB and UBK has been set up and incorporated into the CIB Division for organisational purposes. The organisational setup focuses on selected products from the areas of CTS, DCM, ECM and CFA (M&A). The corresponding product specialists assigned to the joint venture focus exclusively on the needs of UBK customers. The focus on the sales approach is intended to give a significant boost to cross-selling.

Other/consolidation business segment
The Other/consolidation business segment encompasses the Chief Operating Office and Group Corporate Centre business units as well as consolidation effects.

The **Chief Operating Office** business unit acts as a central internal service provider for customers and employees. Its 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 Business Integrated Solutions S.C.p.A., Milan, respectively, as engaged by HVB Immobilien AG, Munich by way of an operating contract.

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

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)

29 Income statement, broken down by business segment

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	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,461	895	185	2,541
Dividends and other income from equity investments	2	6	3	11
Net fees and commissions	797	322	(16)	1,103
Net trading income	57	859	12	928
Net other expenses/income	41	193	165	399
OPERATING INCOME	**2,358**	**2,275**	**349**	**4,982**
Payroll costs	(649)	(440)	(511)	(1,600)
Other administrative expenses	(1,144)	(805)	506	(1,443)
Amortisation, depreciation and impairment				
losses on intangible and tangible assets	(10)	(114)	(103)	(227)
Operating costs	**(1,803)**	**(1,359)**	**(108)**	**(3,270)**
OPERATING PROFIT	**555**	**916**	**241**	**1,712**
Net write-downs of loans and provisions				
for guarantees and commitments	(164)	(73)	42	(195)
NET OPERATING PROFIT	**391**	**843**	**283**	**1,517**
Provisions for risks and charges	(28)	5	(2)	(25)
Restructuring costs	(4)	—	(3)	(7)
Net income from investments	(2)	58	56	112
PROFIT BEFORE TAX	**357**	**906**	**334**	**1,597**
Income tax for the period	(56)	(239)	34	(261)
PROFIT AFTER TAX	**301**	**667**	**368**	**1,336**
Impairment on goodwill	—	—	—	—
CONSOLIDATED PROFIT	**301**	**667**	**368**	**1,336**
attributable to the shareholder of UniCredit Bank AG	299	667	366	1,332
attributable to minorities	2	—	2	4

Income statement, broken down by business segment for the period from 1 January to 31 December 2016 (€ millions)

INCOME/EXPENSES	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP
Net interest	1,495	1,055	(32)	2,518
Dividends and other income from equity investments	24	8	25	57
Net fees and commissions	746	333	(13)	1,066
Net trading income	62	836	5	903
Net other expenses/income	18	164	172	354
OPERATING INCOME	**2,345**	**2,396**	**157**	**4,898**
Payroll costs	(656)	(468)	(544)	(1,668)
Other administrative expenses	(1,179)	(882)	525	(1,536)
Amortisation, depreciation and impairment				
losses on intangible and tangible assets	(10)	(125)	(122)	(257)
Operating costs	**(1,845)**	**(1,475)**	**(141)**	**(3,461)**
OPERATING PROFIT	**500**	**921**	**16**	**1,437**
Net write-downs of loans and provisions				
for guarantees and commitments	10	(377)	26	(341)
NET OPERATING PROFIT	**510**	**544**	**42**	**1,096**
Provisions for risks and charges	(74)	(116)	(3)	(193)
Restructuring costs	(160)	(91)	(394)	(645)
Net income from investments	10	6	23	39
PROFIT/(LOSS) BEFORE TAX	**286**	**343**	**(332)**	**297**
Income tax for the period	(89)	(115)	64	(140)
PROFIT/(LOSS) AFTER TAX	**197**	**228**	**(268)**	**157**
Impairment on goodwill	—	—	—	—
CONSOLIDATED PROFIT/(LOSS)	**197**	**228**	**(268)**	**157**
attributable to the shareholder of UniCredit Bank AG	194	228	(269)	153
attributable to minorities	3	—	1	4

Segment Reporting (Continued)

Development of the Commercial Banking business segment (€ millions)

INCOME/EXPENSES	2017	2016
Net interest	1,461	1,495
Dividends and other income from equity investments	2	24
Net fees and commissions	797	746
Net trading income	57	62
Net other expenses/income	41	18
OPERATING INCOME	**2,358**	**2,345**
Payroll costs	(649)	(656)
Other administrative expenses	(1,144)	(1,179)
Amortisation, depreciation and impairment		
losses on intangible and tangible assets	(10)	(10)
Operating costs	**(1,803)**	**(1,845)**
OPERATING PROFIT	**555**	**500**
Net write-downs of loans and provisions for guarantees and commitments	(164)	10
NET OPERATING PROFIT	**391**	**510**
Provisions for risks and charges	(28)	(74)
Restructuring costs	(4)	(160)
Net income from investments	(2)	10
PROFIT BEFORE TAX	**357**	**286**
Income tax for the period	(56)	(89)
PROFIT AFTER TAX	**301**	**197**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**301**	**197**
attributable to the shareholder of UniCredit Bank AG	299	194
attributable to minorities	2	3
Cost-income ratio in %[1]	76.5	78.7

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 11.0%, or €55 million, to €555 million in the reporting period.

In comparison with the previous year, operating income rose slightly by €13 million, or 0.6%, to €2,358 million. On account of the extremely low interest rates, net interest of €1,461 million was generated, which had fallen by 2.3%. Deposit-taking operations continued to be weighed down by the persistently ultra-low interest rates. Despite a rise in real estate financing in the retail customer business with a slight fall in margins, a very good expansion in consumer lending activities (up 57.3%) and increased income from lending to corporate customers, it was not possible to compensate for the fall in profit in the deposit-taking business. Dividends and other income from equity investments of €2 million were generated in 2017, while an extraordinary dividend payout from our investment in EURO Kartensysteme GmbH was included in the previous year (€24 million). In the reporting period, net fees and commissions saw very satisfactory developments with a rise of €51 million, or 6.8%, to €797 million primarily on account of improvements in securities operations and repricing measures in the area of account fees. At €57 million, net trading income in the 2017 financial year mainly stemmed from the customer-driven foreign exchange business and to a certain extent from positive effects from CVA developments in the interest rate derivative business with corporate customers (previous year: €62 million). Net other expenses/income significantly improved by €23 million to €41 million.

Administrative expenses decreased once again in the 2017 financial year, falling by 2.3%, or €42 million, to €1,803 million. Payroll costs fell by 1.1%, or €7 million, to €649 million, particularly due to the lower headcount. Likewise, other administrative expenses were lowered by 3.0%, or €35 million, to €1,144 million.

The cost-income ratio improved from 78.7% in the previous year to 76.5% in the current reporting period, primarily due to cost reductions and, furthermore, also to a slight increase in operating income.

In the 2017 financial year, there was a net addition to net write-downs of loans and provisions for guarantees and commitments of €164 million, after a net reversal (€10 million) was recorded in the previous-year period. This resulted in net operating profit of €391 million after €510 million in the previous year.

The additions to provisions for risks and charges in the non-lending business mainly relate to legal transactions. At €28 million, this figure is lower than in the previous year (€74 million). Restructuring costs came to €4 million in the reporting period in contrast to the previous year which was weighed down by restructuring costs of €160 million. On the back of a €12 million decline in net income from investments, this business segment generated an overall profit before tax of €357 million in the 2017 financial year, which exceeded the previous-year figure by €71 million or 24.8%. After deducting income taxes of €56 million (previous year: €89 million), it succeeded in generating a consolidated profit of €301 million, which was €104 million, or 52.8%, up on the previous year's profit.

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

INCOME/EXPENSES	2017	2016
Net interest	895	1,055
Dividends and other income from equity investments	6	8
Net fees and commissions	322	333
Net trading income	859	836
Net other expenses/income	193	164
OPERATING INCOME	**2,275**	**2,396**
Payroll costs	(440)	(468)
Other administrative expenses	(805)	(882)
Amortisation, depreciation and impairment		
losses on intangible and tangible assets	(114)	(125)
Operating costs	**(1,359)**	**(1,475)**
OPERATING PROFIT	**916**	**921**
Net write-downs of loans and provisions for guarantees and commitments	(73)	(377)
NET OPERATING PROFIT	**843**	**544**
Provisions for risks and charges	5	(116)
Restructuring costs	—	(91)
Net income from investments	58	6
PROFIT BEFORE TAX	**906**	**343**
Income tax for the period	(239)	(115)
PROFIT AFTER TAX	**667**	**228**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT	**667**	**228**
attributable to the shareholder of UniCredit Bank AG	667	228
attributable to minorities	—	—
Cost-income ratio in %[1]	59.7	61.6

1 ratio of operating costs to operating income

In the 2017 financial year, the Corporate & Investment Banking business segment generated operating income of €2,275 million, a figure that is €121 million, or 5.1%, down on the previous year.

One key driver of this development is the €160 million, or 15.2%, decline to €895 million in net interest (2016: €1,055 million). As in the previous year, the interest-earning business again came under strong pressure from the ultra-low interest rate environment in the 2017 financial year. The decrease is mainly attributable to trading-induced interest. In addition, a lower level of interest income on account of margin contractions in lending operations contributed to this development. It should also be taken into account that the net interest seen in the previous year benefited from a gain in connection with the sale of a credit portfolio to finance commercial property. At €322 million, net fees and commissions did not quite manage to match the previous-year figure (€333 million) which is attributable, among other things, to a lower level of loan processing fees. The increase of €29 million to €193 million in net other expenses/income (previous year: €164 million) partly relates to the sale of receivables.

Segment Reporting (Continued)

Compared with the previous year, net trading income rose by €23 million, or 2.8%, to €859 million (2016: €836 million). This earnings improvement stems from the fixed-income products and the currencies business. In contrast, the earnings in the Treasury business and in the business with equity derivatives declined slightly. The contribution to earnings by valuation adjustments, which mainly include credit value adjustments and funding value adjustments as well as effects from a change in own credit spreads, also fell slightly compared with the previous year.

With a decrease of €116 million, or 7.9%, to €1,359 million, operating costs were reduced significantly compared with the previous year (2016: €1,475 million). Of this total, payroll costs fell by €28 million to €440 million and other administrative expenses by €77 million to €805 million, and amortisation, depreciation and impairment losses on intangible and tangible assets by €11 million to €114 million.

On account of the significant reduction in expenses, the cost-income ratio improved by 1.9 percentage points to 59.7%. At €916 million, the operating profit remained virtually unchanged compared with the previous year (2016: €921 million).

In the 2017 financial year, net write-downs of loans and provisions for guarantees and commitments amounted to €73 million which is a substantial €304 million lower than previous-year figure of €377 million. In this context, the net write-downs of loans and provisions for guarantees and commitments were still severely impacted by the deterioration in the shipping industry in the previous year. In the reporting period, provisions of €5 million on balance were reversed in the non-lending business, after €116 million on balance had been transferred to provisions in the previous year, which essentially relate to legal risks. The net income from investments of €58 million generated in the 2017 financial year (2016: €6 million) mainly stems from the gain on the disposal of an available-for-sale financial asset.

In the 2017 financial year, the business segment generated a profit before tax of €906 million, which very clearly exceeded the previous-year figure by €563 million (2016: €343 million). This development also benefited from the elimination of the restructuring costs of €91 million contained in the previous year. After deducting income taxes of €239 million (2016: €115 million), the business segment generated a consolidated profit of €667 million (2016: €228 million).

Development of the Other/consolidation business segment (€ millions)

INCOME/EXPENSES	2017	2016
Net interest	185	(32)
Dividends and other income from equity investments	3	25
Net fees and commissions	(16)	(13)
Net trading income	12	5
Net other expenses/income	165	172
OPERATING INCOME	**349**	**157**
Payroll costs	(511)	(544)
Other administrative expenses	506	525
Amortisation, depreciation and impairment		
losses on intangible and tangible assets	(103)	(122)
Operating costs	**(108)**	**(141)**
OPERATING PROFIT	**241**	**16**
Net write-downs of loans and provisions for guarantees and commitments	42	26
NET OPERATING PROFIT	**283**	**42**
Provisions for risks and charges	(2)	(3)
Restructuring costs	(3)	(394)
Net income from investments	56	23
PROFIT/(LOSS) BEFORE TAX	**334**	**(332)**
Income tax for the period	34	64
PROFIT/(LOSS) AFTER TAX	**368**	**(268)**
Impairment on goodwill	—	—
CONSOLIDATED PROFIT/(LOSS)	**368**	**(268)**
attributable to the shareholder of UniCredit Bank AG	366	(269)
attributable to minorities	2	1
Cost-income ratio in %[1]	30.9	89.8

1 ratio of operating costs to operating income

In the 2017 financial year, the operating income of the Other/consolidation business segment amounted to €349 million, a significant rise on the previous-year figure of €157 million. This increase of €192 million is attributable to the rise of €217 million to €185 million in net interest (2016: minus €32 million), which benefited in particular from a positive non-recurring effect from the reversal of provisions. In the reporting period, €3 million was received in dividends and similar income from equity investments, while €25 million was recognised in the previous year which is attributable to a single notable dividend yield from our shareholdings.

With a year-on-year decrease of €33 million to €108 million in operating costs, the operating profit amounted to €241 million after €16 million in the previous year.

There was a net reversal in net write-downs of loans and provisions for guarantees and commitments in both years: €42 million in 2017 and €26 million in 2016. This meant that the net operating profit in the reporting year amounted to €283 million after €42 million in the previous year.

At €56 million, the net income from investments generated in the reporting period was €33 million higher than in the previous year (2016: €23 million). Whereas the 2017 earnings mainly stem from gains on disposal of available-for-sale financial instruments, the 2016 earnings were mainly the result of the disposal of investment properties. At €334 million, the profit before tax, which was up by €666 million, is significantly higher than in the previous year (2016: loss of 332 million). Alongside the improvement in the operating profit, the elimination of the restructuring costs of €394 million contained in the previous year contributed to this development. After taking account of the positive income taxes of €34 million (2016: €64 million), the consolidated profit for the reporting period came to €368 million (2016: loss of €268 million).

30 Balance sheet figures, broken down by business segment

(€ millions)

	COMMERCIAL BANKING	CORPORATE & INVESTMENT BANKING	OTHER/ CONSOLIDATION	HVB GROUP[1]
Loans and receivables with customers				
31/12/2017	79,447	42,709	(978)	121,178
31/12/2016	78,435	43,863	(824)	121,474
Goodwill				
31/12/2017	130	288	—	418
31/12/2016	130	288	—	418
Deposits from customers				
31/12/2017	88,593	32,609	3,082	124,284
31/12/2016	81,962	30,519	4,723	117,204
Risk-weighted assets compliant with Basel III				
(including equivalents for market risk				
and operational risk)				
31/12/2017	29,196	43,559	5,956	78,711
31/12/2016	30,440	44,493	6,642	81,575

1 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"

Since the 2017 financial year, certain balance sheet items relating to segment assets (Loans and receivables with banks) and segment liabilities (Deposits from banks, Debt securities in issue) are no longer segmented because this information is no longer required on a regular basis for management purposes by the Management Board, as the responsible management body. Consequently, the balance sheet figures, broken down by business segment, are similarly no longer disclosed in the segment reporting for these items.

31 Employees, broken down by business segment[1]

	2017	2016
Commercial Banking	6,639	7,188
Corporate & Investment Banking	2,039	2,362
Other/consolidation	4,727	5,198
Total	**13,405**	**14,748**

1 in full-time equivalents (FTEs)

Segment Reporting (Continued)

32 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)

	2017		2016	
	OPERATING INCOME	OPERATING PROFIT/(LOSS)	OPERATING INCOME	OPERATING PROFIT/(LOSS)
Germany	4,532	1,197	4,554	980
Italy	348	311	230	158
Luxembourg	121	88	139	102
United Kingdom	409	229	277	133
Rest of Europe	28	45	23	26
Americas	102	49	109	59
Asia	36	(13)	46	10
Consolidation	(594)	(194)	(480)	(31)
HVB Group	**4,982**	**1,712**	**4,898**	**1,437**

Total assets, broken down by region (€ millions)

	2017	2016
Germany	279,941	279,696
Italy	28,690	39,207
Luxembourg	22,962	25,134
United Kingdom	12,428	13,490
Rest of Europe	9,739	6,336
Americas	7,048	7,783
Asia	4,309	4,006
Consolidation	(66,057)	(73,562)
HVB Group	**299,060**	**302,090**

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

	2017	2016
Germany	2,561	2,826
Italy	—	—
Luxembourg	29	30
United Kingdom	5	7
Rest of Europe	1	1
Americas	2	3
Asia	1	2
Consolidation	—	—
HVB Group	**2,599**	**2,869**

Investment properties, broken down by region (€ millions)

	2017	2016
Germany	786	1,006
Italy	—	—
Luxembourg	22	22
United Kingdom	—	—
Rest of Europe	—	—
Americas	—	—
Asia	—	—
Consolidation	—	—
HVB Group	**808**	**1,028**

Intangible assets, broken down by region (€ millions)

	2017	2016
Germany[1]	444	453
Italy	—	—
Luxembourg	1	2
United Kingdom	—	—
Rest of Europe	—	—
Americas	—	—
Asia	—	—
Consolidation	—	—
Total	**445**	**455**

1 includes goodwill

Employees, broken down by region[1]

	2017	2016
Germany	12,165	13,367
Italy	222	241
Luxembourg	133	162
United Kingdom	419	482
Rest of Europe	194	228
Africa	3	3
Americas	127	124
Asia	142	141
HVB Group	**13,405**	**14,748**

1 in full-time equivalents (FTEs)

Notes to the Income Statement

33 Net interest

(€ millions)

	2017	2016
Interest income from	3,818	4,205
lending and money market transactions	2,873	3,010
other interest income	945	1,195
Negative interest on financial instruments on the assets side	(137)	(122)
Interest expense from	(1,401)	(1,737)
deposits	(369)	(353)
debt securities in issue and other interest expenses	(1,032)	(1,384)
Positive interest on financial instruments on the liabilities side	261	172
Total	**2,541**	**2,518**

In the reporting year, the Bank generated €45 million (equivalent period last year: €48 million) in interest income on impaired financial assets that are valued at cost.

Interest income and interest expense for financial assets and liabilities not carried at fair value through profit or loss totalled €2,924 million (equivalent period last year: €3,049 million) and €700 million (equivalent period last year: €1,042 million), respectively. In this context, it should be noted that a comparison of these latter figures is of only limited informative value in economic terms, as the interest expenses for financial liabilities that are not measured at fair value through profit or loss also include refinancing for financial assets at fair value through profit or loss and partially for financial assets held for trading as well.

Interest that the Bank is required to pay on assets (such as interest payable on average reserves maintained with the ECB above the minimum required reserve and other deposits with the ECB) is carried as a negative item under interest income; where interest receivable accrues on the liabilities side, this is similarly recognised as a positive item under interest expense. This mainly relates to securities repurchase agreements, overnight deposits and forward transactions with banks and institutional investors.

Net interest attributable to related parties

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

(€ millions)

	2017	2016
Non-consolidated affiliated companies	39	54
of which:		
UniCredit S.p.A.	6	13
Sister companies	32	40
Subsidiaries	1	—
Joint ventures	6	5
Associated companies	21	6
Other participating interests	15	12
Total	**81**	**77**

34 Dividends and other income from equity investments

(€ millions)

	2017	2016
Dividends and other similar income	10	58
Companies accounted for using the equity method	1	(1)
Total	**11**	**57**

35 Net fees and commissions

(€ millions)

	2017	2016
Fee and commission income	1,378	1,420
Fee and commission expense	(275)	(354)
Net fees and commissions	**1,103**	**1,066**
thereof:		
Management, brokerage and consultancy services	562	533
Collection and payment services	264	219
Lending operations	288	329
Other service operations	(11)	(15)

Fee and commission income of €113 million (equivalent period last year: €146 million) and fee and commission expense of €5 million (equivalent period last year: €4 million) relate to financial instruments not measured at fair value through profit or loss.

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

Net fees and commissions from related parties

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

(€ millions)

	2017	2016
Non-consolidated affiliated companies	70	45
of which:		
UniCredit S.p.A.	20	(58)
Sister companies	50	94
Subsidiaries	—	9
Joint ventures	1	1
Associated companies	2	20
Other participating interests	—	—
Total	**73**	**66**

36 Net trading income

(€ millions)

	2017	2016
Net gains on financial assets held for trading[1]	846	880
Effects arising from hedge accounting	77	1
Changes in fair value of hedged items	608	87
Changes in fair value of hedging derivatives	(531)	(86)
Net gains/(losses) on financial assets at fair value through profit or loss (fair value option)[2]	(4)	22
Other net trading income	9	—
Total	**928**	**903**

1 including dividends on financial assets held for trading
2 also including the valuation results of derivatives concluded to hedge financial assets at fair value through profit or loss (effect in the reporting period: plus €244 million; effect in the previous year: plus €41 million)

Notes to the Income Statement (Continued)

The effects arising from hedge accounting include the hedge results of the fair value hedge portfolio and the individual micro fair value hedges as a net aggregate total.

The net hedge accounting income of €77 million (equivalent period last year: income of €1 million) arises from the increase of €608 million (equivalent period last year: increase of €87 million) in fair value relating to the secured risk of the hedged items and the decrease of €531 million in the fair value of hedging derivatives (equivalent period last year: decrease of €86 million).

The net gains on holdings at fair value through profit or loss (held-for-trading portfolio and fair value option) generally only contain the changes in fair value disclosed in the income statement. The interest income from held-for-trading portfolios is normally disclosed under net interest. To ensure that the full contribution of these activities to profits is disclosed, the interest cash flows are only carried in net trading income for the interest rate swap trading book, which exclusively contains interest rate derivatives.

37 Net other expenses/income

(€ millions)

	2017	2016
Other income	654	595
Other expenses	(255)	(241)
Total	**399**	**354**

Other income includes rental income of €220 million (equivalent period last year: €169 million) from investment properties and mixed usage buildings. Current operating expenses (including repairs and maintenance) directly allocable to investment properties and current expenses from mixed usage buildings of €82 million (equivalent period last year: €56 million) are netted with the other income. Other expenses include expenses of €80 million for the European bank levy (equivalent period last year: €70 million). Net other expenses/income includes netted income of €203 million (equivalent period last year: €219 million) in connection with the BARD Offshore 1 wind farm.

At the same time, this item contains gains of €67 million (equivalent period last year: €26 million) on the sale of unimpaired receivables.

Net other expenses/income attributable to related parties

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

(€ millions)

	2017	2016
Non-consolidated affiliated companies	87	87
of which:		
UniCredit S.p.A.	16	20
Sister companies	71	67
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**87**	**87**

38 Operating costs

(€ millions)

	2017	2016
Payroll costs	(1,600)	(1,668)
Wages and salaries	(1,303)	(1,360)
Social security costs	(177)	(207)
Pension and other employee benefit costs	(120)	(101)
Other administrative expenses	(1,443)	(1,536)
Amortisation, depreciation and impairment losses	(227)	(257)
on property, plant and equipment	(212)	(241)
on software and other intangible assets, excluding goodwill	(15)	(16)
Total	**(3,270)**	**(3,461)**

Wages and salaries includes payments of €4 million (equivalent period last year: €11 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 following table shows the operating costs of related parties included in the total operating costs shown in the income statement:

(€ millions)

	2017	2016
Non-consolidated affiliated companies	(703)	(712)
of which:		
UniCredit S.p.A.	(16)	(6)
Sister companies	(687)	(706)
Joint ventures	—	—
Associated companies	—	—
Other participating interests	—	—
Total	**(703)**	**(712)**

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 2017 in cash with the commitment at the beginning of 2018, and a further 10% to 20% will be disbursed after financial year-end 2018 and financial year-end 2020/2022.

Notes to the Income Statement (Continued)

At the beginning of 2018, 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 2017, to be transferred to the beneficiaries after financial year-end 2019 to financial year-end 2021 or 2022.

The deferred payment after year-end 2018, 2020 and 2022 and the transfer of shares after year-end 2019, 2020, 2021 and 2022 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 Group 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 2018 regarding the granting, adjusted for a discount for expected dividends during the vesting period.

In the reporting period, 1.9 million UniCredit S.p.A. shares were granted as a component of the bonus granted for 2016, with a fair value of €23.5 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 2017 as part of the bonus for 2016 will be transferred in 2019, 2020, 2021 and 2022. The following table shows the fair values per share at the time of granting:

	2017
Fair value of the shares to be transferred in 2019 (€ per share)	12.826
Fair value of the shares to be transferred in 2020 (€ per share)	12.495
Fair value of the shares to be transferred in 2021 (€ per share)	12.064
Fair value of the shares to be transferred in 2022 (€ per share)	11.636

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

Bonuses for the 2017 financial year falling due for disbursement in 2018 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 Group 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 2017 are recognised as expense in the respective period (starting with the 2017 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 reporting period constitutes a further component of the remuneration system in place at UniCredit Group 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, 1.3 million UniCredit S.p.A. shares with a fair value of €16.9 million were conditionally granted 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 stockmarket 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.

	2017
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):

	2017		2016	
	TOTAL	AVERAGE MATURITY	TOTAL	AVERAGE MATURITY
Outstanding at start of period	**20,745,754**	**October 2018**	**17,296,557**	**June 2017**
after corporate action[1]	4,138,428	October 2018		
Additions				
Newly granted shares	1,876,447	March 2020	10,536,220	March 2019
From corporate transfers	16,544	March 2019	441,058	August 2017
Conditionally granted shares	1,333,703	August 2021		
Releases				
Forfeited shares	71,682	September 2018	171,558	September 2018
Transferred shares	728,213	May 2017	7,185,845	May 2016
From corporate transfers	18,882	January 2019	170,678	February 2019
Expired shares	—	—	—	—
Total at end of period	**6,546,345**	**December 2019**	**20,745,754**	**October 2018**

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 2017 financial year, prorated expenses of €33 million (previous year: €19 million) accrued for the share component arising from the bonuses promised for 2012 to 2016 in the form of share-based payments compliant with IFRS 2. These expenses are recognised under payroll costs. The provision set up totalled €109 million (previous year: €77 million).

Long-term Incentive Programme

A long-term incentive programme including share-based remuneration transactions featuring compensation in UniCredit shares, has been set up for executives and junior managers of all UniCredit Group companies selected using defined criteria. Within this umbrella programme, several individual schemes were set up in the years up to 2012, the key elements of which included the granting of stock options starting in 2011 in the form of performance stock options.

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

Notes to the Income Statement (Continued)

The following statements relate to all eligible HVB Group employees covered by the long-term incentive programme. The information provided in the Note "Information on relationships with related parties" in this regard merely relates to the stock options granted to members of the Management Board.

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

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

All stock options granted in earlier years are already exercisable. No new stock options have been granted since 2012.

Analysis of outstanding stock options

	2017			2016		
	TOTAL	AVERAGE STRIKE PRICE (€)[1]	AVERAGE MATURITY	TOTAL	AVERAGE STRIKE PRICE (€)[1]	AVERAGE MATURITY
Outstanding at start of period	**12,003,612**	**4.67**	**August 2018**	**13,182,652**	**4.62**	**December 2018**
Additions						
Newly granted options	—	—	—	—	—	—
From corporate transfers	—	—	—	—	—	—
Releases						
Forfeited stock options	112,424	6.47	January 2018	50,791	5.94	March 2018
Exercised stock options	—	—	—	—	—	—
Expired stock options	1,020,257	7.09	July 2017	1,128,249	4.01	December 2022
Total at end of period	**10,870,931**	**4.42**	**September 2018**	**12,003,612**	**4.67**	**August 2018**
Exercisable options at end of period	10,870,931	4.42	September 2018	12,003,612	4.67	August 2018

1 The average strike price is only of limited information value on account of the non-inclusion of completed capital increases and stock consolidations (in 2012 and 2017: in each case stock consolidation at a ratio of 10:1 and subsequent capital increase) in line with the conditions for granting the stock options.

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

In the reporting period, no further prorated expenses arose nor did any income from forfeited instruments, as was the case in the previous year. No provisions were set up in 2017 and 2016 for stock options in HVB Group for which a firm commitment exists.

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

Between July 2017 and December 2017, employees participating in the plan had the opportunity to use their contributions to buy regular UniCredit shares (known as investment shares). However, the plan offers the following advantage compared with buying the shares directly on the market:

Participating employees first receive the right to obtain free shares with a value of one-third of the amount they have invested under the plan. At the end of a one-year vesting period, the participants receive at the beginning of August 2018 regular UniCredit shares in exchange for their rights, over which they have an immediate right of disposal. The rights to the free shares generally expire when employees sell the investment shares or their employment with a UniCredit Group company is terminated before the vesting period ends.

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

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

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

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

(€ millions)

	2017	2016
Additions	(1,103)	(1,265)
Allowances for losses on loans and receivables	(904)	(1,097)
Allowances for losses on guarantees and indemnities	(199)	(168)
Releases	862	867
Allowances for losses on loans and receivables	668	730
Allowances for losses on guarantees and indemnities	194	137
Recoveries from write-offs of loans and receivables	46	57
Gains/(losses) on the disposal of impaired loans and receivables	—	—
Total	**(195)**	**(341)**

Income from the disposal of performing loans and receivables is disclosed under net other expenses/income. This gave rise to a gain of €67 million in the reporting period (equivalent period last year: €26 million). The net expenses (net write-downs of loans and provisions for guarantees and commitments, and gains on disposal) for loans and receivables amount to €123 million (equivalent period last year: net expense of €284 million).

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

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

(€ millions)

	2017	2016
Non-consolidated affiliated companies	—	(1)
of which:		
UniCredit S.p.A.	—	—
Sister companies	—	(1)
Joint ventures	—	(2)
Associated companies	(7)	(5)
Other participating interests	—	1
Total	**(7)**	**(7)**

Notes to the Income Statement (Continued)

40 Provisions for risks and charges

In the reporting year, there were on balance expenses of €25 million for provisions for risks and charges after €193 million in the previous year. These are primarily provisions for legal risks in both years. The legal risks are described in greater detail in the section entitled "Operational risk" in the Risk Report of this Financial Review.

41 Restructuring costs

Restructuring costs of €7 million were incurred in the 2017 financial year, stemming in the main from restructuring provisions at subsidiaries. The restructuring costs of €645 million recognised for the previous year were largely attributable to the measures planned in the course of the "Transform 2019" strategy programme.

42 Net income from investments

Net income from investments (€ millions)

	2017	2016
Available-for-sale financial assets	129	20
Shares in affiliated companies	(8)	(1)
Companies accounted for using the equity method	(4)	(4)
Held-to-maturity investments	—	—
Land and buildings	4	—
Investment properties[1]	(9)	27
Other	—	(3)
Total	**112**	**39**

1 gains on disposal, impairments and write-ups

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

	2017	2016
Gains on the disposal of	140	52
available-for-sale financial assets	141	23
shares in affiliated companies	(8)	(1)
companies accounted for using the equity method	—	—
held-to-maturity investments	—	—
land and buildings	4	—
investment properties	3	33
other	—	(3)
Write-downs, value adjustments and write-ups on	(28)	(13)
available-for-sale financial assets	(12)	(3)
shares in affiliated companies	—	—
companies accounted for using the equity method	(4)	(4)
held-to-maturity investments	—	—
investment properties	(12)	(6)
other	—	—
Total	**112**	**39**

In the reporting 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).

The previous year's net income from investments (€39 million) contains gains on sale of €52 million generated largely from gains of €23 million on the disposal of available-for-sale financial assets and €33 million on the sale of investment properties. By contrast, net write-downs and value adjustments totalling €13 million were taken on the available-for-sale financial assets, companies accounted for using the equity method and investment properties.

43 Income tax for the period

(€ millions)

	2017	2016
Current taxes	(205)	(166)
Deferred taxes	(56)	26
Total	**(261)**	**(140)**

The current tax expense for 2017 includes tax income of €140 million for previous years (equivalent period last year: €43 million) due, among other things, to the reversal of provisions.

The deferred tax expense in the reporting period contains income totalling €139 million arising from value adjustments on deferred tax assets on tax losses carried forward and temporary differences. The counteracting deferred tax expense totalling €195 million resulted overall from the origination and reversal of temporary differences and the utilisation of tax losses. This includes a tax expense of €11 million as a consequence of the lowering of US tax rates. The deferred tax income in the previous year stemmed from a value adjustment and 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)

	2017	2016
Profit before tax	1,597	297
Applicable tax rate	31.4%	31.4%
Computed income taxes	(501)	(93)
Tax effects		
arising from previous years and changes in tax rates	111	(21)
arising from foreign income	31	1
arising from non-taxable income	70	93
arising from different tax laws	(56)	(23)
arising from non-deductible expenses	(51)	(65)
arising from value adjustments and the non-recognition of deferred taxes	136	(32)
arising from other differences	(1)	—
Recognised income taxes	**(261)**	**(140)**

Notes to the Income Statement (Continued)

As in 2016, 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 disposal gains from investments (see Note “Net income from investments”).

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

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

(€ millions)

	2017	2016
Deferred tax assets		
Financial assets/liabilities held for trading	230	257
Investments	2	2
Property, plant and equipment/intangible assets	123	118
Provisions	625	703
Other assets/other liabilities/hedging derivatives	284	465
Loans and receivables with banks and customers,		
including provisions for losses on loans and receivables	92	166
Losses carried forward/tax credits	392	374
Other	2	—
Total deferred tax assets	**1,750**	**2,085**
Effect of offsetting	(500)	(722)
Recognised deferred tax assets	**1,250**	**1,363**
Deferred tax liabilities		
Loans and receivables with banks and customers,		
including provisions for losses on loans and receivables	32	95
Financial assets/liabilities held for trading	1	1
Investments	112	169
Property, plant and equipment/intangible assets	40	67
Other assets/other liabilities/hedging derivatives	363	449
Deposits from banks/customers	2	3
Other	39	19
Total deferred tax liabilities	**589**	**803**
Effect of offsetting	(500)	(722)
Recognised deferred tax liabilities	**89**	**81**

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.

Deferred tax liabilities of €19 million were debited to the AfS reserve of HVB Group (equivalent period last year: €15 million) and deferred tax liabilities of €12 million (equivalent period last year: €13 million) were offset against the hedge reserve. The deferred taxes are mainly included in the items "Investments" and "Other assets/other liabilities/hedging derivatives" mentioned above. Deferred tax assets of €532 million (equivalent period last year: €602 million) were recognised outside profit or loss in connection with the accounting for pension commitments in accordance with IAS 19. In each case, the deferred tax items offset directly against reserves or other comprehensive income are the balance of deferred tax assets and deferred tax liabilities before adjustment for minority interests.

Compliant with IAS 12, no deferred tax assets have been recognised for unused tax losses of HVB Group of €2,604 million (equivalent period last year: €3,182 million), most of which do not expire, and deductible temporary differences of €1,847 million (equivalent period last year: €1,750 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, this may have an impact on the valuation of the volume of deferred tax assets already capitalised or to be capitalised.

44 Earnings per share

	2017	2016
Consolidated profit attributable to the shareholder (€ millions)	1,332	153
Average number of shares	802,383,672	802,383,672
Earnings per share (€) (undiluted and diluted)	1.66	0.19

Notes to the Balance Sheet

45 Cash and cash balances

(€ millions)

	2017	2016
Cash on hand	6,024	4,518
Balances with central banks	30,390	5,252
Total	**36,414**	**9,770**

46 Financial assets held for trading

(€ millions)

	2017	2016
Balance-sheet assets	32,082	35,691
Fixed-income securities	10,415	10,928
Equity instruments	12,636	11,315
Other financial assets held for trading	9,031	13,448
Positive fair value from derivative financial instruments	43,411	58,396
Total	**75,493**	**94,087**

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.

The financial assets held for trading include €178 million (31 December 2016: €170 million) in subordinated assets.

Financial assets held for trading of related parties

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

(€ millions)

	2017	2016
Non-consolidated affiliated companies	11,570	15,116
of which:		
UniCredit S.p.A.	7,940	9,937
Sister companies[1]	3,630	5,179
Joint ventures	10	20
Associated companies	931	703
Other participating interests	5	9
Total	**12,516**	**15,848**

1 mostly derivative transactions involving UniCredit Bank Austria AG

47 Financial assets at fair value through profit or loss

(€ millions)

	2017	2016
Fixed-income securities	20,346	27,423
Equity instruments	—	—
Investment certificates	—	—
Promissory notes	1,110	1,089
Other financial assets at fair value through profit or loss	—	—
Total	**21,456**	**28,512**

75% (previous year: 76%) of the promissory notes was issued by the federal states and regional authorities in the Federal Republic of Germany. The portfolio also includes two promissory notes issued by the Republic of Austria.

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

The financial assets at fair value through profit or loss (fair value option) include €7 million (previous year: €6 million) in subordinated assets.

48 Available-for-sale financial assets

(€ millions)

	2017	2016
Fixed-income securities	6,560	5,627
Equity instruments	117	99
Other available-for-sale financial assets	75	56
Impaired assets	64	147
Total	**6,816**	**5,929**

Available-for-sale financial assets as at 31 December 2017 include financial instruments of €147 million (previous year: €231 million) valued at cost.

Within this total, equity instruments with a carrying amount of €93 million (previous year: €3 million) were sold during the reporting period, yielding a gain of €65 million (previous year: €2 million).

Available-for-sale financial assets as at 31 December 2017 contain a total of €64 million (previous year: €147 million) in impaired assets. Impairments of €9 million (previous year: €4 million) were taken to the income statement during the reporting period.

None of the non-impaired debt instruments are financial instruments past due, as was the case in the previous year.

As at 31 December 2017, the available-for-sale financial assets include no subordinated assets, as was the case in the previous year.

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

(€ millions)

	2017	2016
Associated companies accounted for using the equity method	34	44
of which: goodwill	8	11
Joint ventures accounted for using the equity method	—	—
Total	**34**	**44**

Four joint ventures and three associated companies 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	
	2017	2016
Carrying amounts at 1 January	**44**	**56**
Additions	—	5
Purchases[1]	—	1
Write-ups	—	—
Changes from currency translation	—	—
Other additions[2]	—	4
Disposals	(10)	(17)
Sales	(2)	—
Impairments	(4)	(4)
Changes from currency translation	(2)	—
Non-current assets or disposal groups held for sale	—	—
Other disposals[2]	(2)	(13)
Carrying amounts at 31 December	**34**	**44**

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)

	2017	2016
Net interest	(4)	(6)
Net other expenses/income	86	117
Operating costs	(84)	(98)
Profit/(Loss) before tax	**(2)**	**13**
Income tax	—	(4)
Consolidated profit/loss	**(2)**	**9**
Other comprehensive income	**—**	**—**
Total comprehensive income	**(2)**	**9**

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.

50 Held-to-maturity investments

(€ millions)

	2017	2016
Fixed-income securities	23	36
Impaired assets	—	—
Total	**23**	**36**

The held-to-maturity investments at 31 December 2017 include no subordinated assets, as was also the case in the previous year.

The held-to-maturity investments at 31 December 2017 include no impaired or past due assets, as was also the case at 31 December 2016.

Development of held-to-maturity investments

(€ millions)

	2017	2016
Balance at 1 January	**36**	**63**
Additions		
Purchases	—	—
Write-ups	—	—
Other additions	—	2
Disposals		
Sales	—	—
Redemptions at maturity	(8)	(29)
Write-downs	—	—
Other disposals	(5)	—
Balance at 31 December	**23**	**36**

51 Loans and receivables with banks

(€ millions)

	2017	2016
Current accounts	1,526	1,059
Cash collateral and pledged credit balances	7,306	9,567
Reverse repos	14,127	13,169
Reclassified securities	198	450
Other loans to banks	7,173	8,798
Total	**30,330**	**33,043**

Notes to the Balance Sheet (Continued)

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

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

The loans and receivables with banks include €0 million (previous year: €5 million) in subordinated assets at 31 December 2017.

Loans and receivables with related parties

The following table shows the breakdown of loans and receivables with banks involving related parties: (€ millions)

	2017	2016
Non-consolidated affiliated companies	4,667	3,874
of which:		
UniCredit S.p.A.	3,434	1,897
Sister companies[1]	1,233	1,977
Joint ventures	337	295
Associated companies	41	12
Other participating interests	60	79
Total	**5,105**	**4,260**

1 mainly UniCredit Bank Austria AG

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

	2017	2016
Properly serviced loans and receivables – carrying amount	**30,245**	**32,899**
Carrying amount before allowances	30,262	32,916
Portfolio allowances	17	17
Properly serviced loans and receivables past due – carrying amount	**85**	**142**
Carrying amount before allowances	85	142
Portfolio allowances	—	—
Non-performing loans and receivables (rating classes 8–, 9 and 10) – carrying amount	**—**	**2**
Carrying amount before allowances	38	45
Specific allowances	38	43

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

	2017	2016
Properly serviced loans and receivables past due – carrying amount		
1–30 days	85	142
31–60 days	—	—
61–90 days	—	—
Value of collateral		
1–30 days	—	48
31–60 days	—	—
61–90 days	—	—

Loans and receivables with banks and value of collateral, broken down by rating class (€ millions)

	2017	2016
Loans and receivables		
Not rated	287	1,072
Rating class 1–4	28,634	29,915
Rating class 5–8	1,409	2,054
Rating class 9–10	—	2
Collateral		
Not rated	—	—
Rating class 1–4	889	850
Rating class 5–8	158	272
Rating class 9–10	—	2

52 Loans and receivables with customers

(€ millions)

	2017	2016
Current accounts	6,548	7,315
Cash collateral and pledged cash balances	2,540	2,529
Reverse repos	1,422	1,632
Mortgage loans	44,667	44,009
Finance leases	1,689	2,026
Reclassified securities	879	1,271
Non-performing loans and receivables	1,756	2,511
Other loans and receivables	61,677	60,181
Total	**121,178**	**121,474**

Notes to the Balance Sheet (Continued)

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

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

Loans and receivables with customers include an amount of €5,665 million (previous year: €3,515 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.

The loans and receivables with customers at 31 December 2017 include €451 million (previous year: €467 million) in subordinated assets.

Loans and receivables with related parties

The following table shows the breakdown of loans and receivables with customers involving related parties: (€ millions)

	2017	2016
Non-consolidated affiliated companies	6	54
of which:		
Sister companies	5	2
Subsidiaries	1	52
Joint ventures	20	24
Associated companies	16	37
Other participating interests	420	437
Total	**462**	**552**

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

	2017	2016
Properly serviced loans and receivables – carrying amount	**118,733**	**117,892**
Carrying amount before allowances	119,020	118,240
Portfolio allowances	287	348
Properly serviced loans and receivables past due – carrying amount	**689**	**1,071**
Carrying amount before allowances	693	1,076
Portfolio allowances	4	5
Non-performing loans and receivables (rating classes 8–, 9 and 10) – carrying amount	**1,756**	**2,511**
Carrying amount before allowances	3,614	4,661
Specific allowances	1,858	2,150

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

	2017	2016
Properly serviced loans and receivables past due – carrying amount		
1–30 days	660	993
31–60 days	22	59
61–90 days	7	19
Value of collateral		
1–30 days	194	340
31–60 days	9	46
61–90 days	1	16

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

	2017	2016
Loans and receivables		
Not rated	13,046	12,174
Rating class 1–4	77,354	76,453
Rating class 5–8	29,023	30,336
Rating class 9–10	1,755	2,511
Collateral		
Not rated	290	317
Rating class 1–4	37,616	37,543
Rating class 5–8	17,386	17,602
Rating class 9–10	893	977

Amounts receivable from customers under lease agreements (receivables under finance leases)
The amounts receivable from customers under finance lease agreements are described in more detail in the Note "Information regarding lease operations".

53 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 in a default or impaired portfolio and exposures that do not yet satisfy the EBA's strict criteria for returning to the performing portfolio. The following table shows the breakdown of the forborne exposure portfolio at the reporting date: (€ millions)

	2017			2016		
	CARRYING AMOUNT BEFORE ALLOWANCES	ALLOWANCES	CARRYING AMOUNT	CARRYING AMOUNT BEFORE ALLOWANCES	ALLOWANCES	CARRYING AMOUNT
Performing exposures	737	(14)	723	896	(16)	880
Non-performing exposures	2,845	(1,178)	1,667	3,502	(1,494)	2,008
Total	**3,582**	**(1,192)**	**2,390**	**4,398**	**(1,510)**	**2,888**

Notes to the Balance Sheet (Continued)

Of the total forborne exposures, €2,390 million are carried under loans and receivables with customers (previous year: €2,888 million). 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. There is a risk that contractual servicing will fail despite the modification of the terms. Such exposures are closely tracked by the restructuring units or subject to strict monitoring by the back-office units. The accounting and valuation policies applicable to the creation of allowances for forborne exposures are explained in the Note "Impairment of financial assets".

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

Analysis of loans and receivables:

(€ millions)

	SPECIFIC ALLOWANCES		PORTFOLIO ALLOWANCES		TOTAL	
	2017	2016	2017	2016	2017	2016
Balance at 1 January	**2,193**	**2,252**	**370**	**436**	**2,563**	**2,688**
Changes affecting income						
Gross additions[1]	880	1,076	24	21	904	1,097
Releases	(584)	(644)	(84)	(86)	(668)	(730)
Changes not affecting income						
Changes due to make-up of group of consolidated companies and reclassifications of disposal groups held for sale	(13)	(6)	(1)	(2)	(14)	(8)
Use of existing loan-loss allowances	(520)	(463)	—	—	(520)	(463)
Effects of currency translation and other changes not affecting income	(59)	(22)	(1)	1	(60)	(21)
Non-current assets or disposal groups held for sale	—	—	—	—	—	—
Balance at 31 December	**1.897**	**2.193**	**308**	**370**	**2.205**	**2.563**

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

55 Hedging derivatives

(€ millions)

	2017	2016
Micro fair value hedge	14	2
Fair value hedge portfolio[1]	376	382
Total	**390**	**384**

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

56 Property, plant and equipment

(€ millions)

	2017	2016
Land and buildings	922	931
Plant and office equipment	364	524
Other property, plant and equipment	1,313	1,414
Total[1]	**2,599**	**2,869**

1 including leased assets of €449 million (previous year: €576 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.

No subsequent production costs were capitalised for the wind farm over the reporting period (previous year: €5 million). The measures that have been implemented served to increase the economic benefit of the wind farm, meaning that the recognition requirements defined in IAS 16.10 in conjunction with IAS 16.7 are satisfied.

This item also includes the grants of €53 million 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 January 2016	**2,116**	**1,513**	**3,629**	**1,698**	**5,327**
Write-downs and write-ups from previous years	(1,186)	(737)	(1,923)	(174)	(2,097)
Carrying amounts at 1 January 2016	**930**	**776**	**1,706**	**1,524**	**3,230**
Additions					
Acquisition/production costs	47	154	201	15	216
Write-ups	1	—	1	—	1
Changes from currency translation	—	8	8	—	8
Other additions[2]	2	11	13	—	13
Disposals					
Sales	(4)	(77)	(81)	(5)	(86)
Amortisation and write-downs	(35)	(102)	(137)	(111)	(248)
Impairments	(4)	—	(4)	(9)	(13)
Changes from currency translation	—	—	—	—	—
Non-current assets or disposal groups held for sale	(4)	(244)	(248)	—	(248)
Other disposals[2]	(2)	(2)	(4)	—	(4)
Carrying amounts at 31 December 2016	**931**	**524**	**1,455**	**1,414**	**2,869**
Write-downs and write-ups from previous years plus					
year under review	1,185	654	1,839	293	2,132
Acquisition costs at 31 December 2016	**2,116**	**1,178**	**3,294**	**1,707**	**5,001**
Acquisition costs at 1 January 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 January 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 December 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 December 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

57 Investment properties

The fair value of investment properties at HVB Group, which are measured at amortised cost, totalled €1,141 million. The fair value of the comparative period came to €1,336 million and was corrected. 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 arising from finance leases included in investment properties amounted to €11 million (31 December 2016: €11 million) for land and buildings at the reporting date.

Development of investment properties: **(€ millions)**

	INVESTMENT PROPERTIES MEASURED AT COST	
	2017	2016
Acquisition costs at 1 January	**1,844**	**1,909**
Write-downs and write-ups from previous years	(816)	(746)
Carrying amounts at 1 January	**1,028**	**1,163**
Additions		
Acquisition/production costs	2	4
Write-ups	10	14
Changes from currency translation	—	—
Other additions[1]	—	2
Disposals		
Sales	(25)	(88)
Amortisation and write-downs	(27)	(29)
Impairments	(23)	(19)
Changes from currency translation	—	—
Non-current assets or disposal groups held for sale	(157)	(18)
Other disposals[1]	—	(1)
Carrying amounts at 31 December	**808**	**1,028**
Write-downs and write-ups from previous years plus year under review	822	816
Acquisition costs at 31 December	**1,630**	**1,844**

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

Notes to the Balance Sheet (Continued)

58 Intangible assets

(€ millions)

	2017	2016
Goodwill	418	418
Other intangible assets	27	37
Internally generated intangible assets	17	22
Other intangible assets	10	15
Total	**445**	**455**

Development of intangible assets:

(€ millions)

	GOODWILL FROM AFFILIATED COMPANIES		INTERNALLY GENERATED INTANGIBLE ASSETS		OTHER INTANGIBLE ASSETS	
	2017	2016	2017	2016	2017	2016
Acquisition costs at 1 January	**1,042**	**1,042**	**384**	**386**	**188**	**260**
Write-downs and write-ups from previous years	(624)	(624)	(362)	(360)	(173)	(242)
Carrying amounts at 1 January	**418**	**418**	**22**	**26**	**15**	**18**
Additions						
Acquisition/production costs	—	—	2	4	3	5
Write-ups	—	—	—	—	—	—
Changes from currency translation	—	—	—	—	—	—
Other additions	—	—	—	—	—	—
Disposals						
Sales	—	—	—	—	—	—
Amortisation and write-downs	—	—	(7)	(8)	(7)	(8)
Impairments	—	—	—	—	—	—
Changes from currency translation	—	—	—	—	—	—
Non-current assets or disposal groups held for sale	—	—	—	—	(1)	—
Other disposals[1]	—	—	—	—	—	—
Carrying amounts at 31 December	**418**	**418**	**17**	**22**	**10**	**15**
Write-downs and write-ups from previous years plus year under review	624	624	369	362	173	173
Acquisition costs at 31 December	**1,042**	**1,042**	**386**	**384**	**183**	**188**

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 UBIS.

59 Non-current assets or disposal groups held for sale

(€ millions)

	2017	2016
Cash	—	93
Available-for-sale financial assets	—	143
Loans and receivables with banks	—	116
Loans and receivables with customers	201	546
Property, plant and equipment	149	152
Investment properties	156	22
Tax assets	—	2
Other assets	5	3
Total	**511**	**1,077**

The investment properties designated as held for sale essentially relate to the disposal of non-strategic real estate. Also shown are assets relating to the planned sale of one subsidiary. This item no longer contains the assets of Bankhaus Neelmeyer AG, Bremen, contained in the previous year as the subsidiary left the group of companies included in consolidation at the close of 31 March 2017.

No valuation effects were recorded in the reporting period in connection with the non-current assets classified as for sale (previous year: minus €13 million). The valuation effects of the previous year were recognised in net other expenses/income.

60 Other assets

Other assets include prepaid expenses of €106 million (previous year: €93 million).

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

In the case of the true sale transactions Rosenkavalier 2008 (€3.1 billion), Rosenkavalier 2015 (€2.5 billion) and Geldilux 2015 (€2 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.

Notes to the Balance Sheet (Continued)

62 Deposits from banks

(€ millions)

	2017	2016
Deposits from central banks	19,857	15,946
Deposits from banks	47,497	41,638
Current accounts	2,590	2,417
Cash collateral and pledged credit balances	9,559	11,132
Repos	13,026	12,362
Term deposits	9,517	4,720
Other liabilities	12,805	11,007
Total	**67,354**	**57,584**

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

Amounts owed to related parties

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

(€ millions)

	2017	2016
Non-consolidated affiliated companies	10,536	4,407
of which:		
UniCredit S.p.A.	6,900	1,139
Sister companies[1]	3,636	3,268
Joint ventures	35	33
Associated companies	38	78
Other participating interests	22	22
Total	**10,631**	**4,540**

1 the largest single item relates to UniCredit Bank Austria AG

63 Deposits from customers

(€ millions)

	2017	2016
Current accounts	71,011	69,341
Cash collateral and pledged credit balances	3,874	4,076
Savings deposits	13,905	13,780
Repos	8,607	8,798
Term deposits	21,887	16,028
Promissory notes	3,361	3,565
Other liabilities	1,639	1,616
Total	**124,284**	**117,204**

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

Amounts owed to related parties

The following table shows the breakdown of deposits from customers involving related parties: (€ millions)

	2017	2016
Non-consolidated affiliated companies	272	333
of which:		
Sister companies	242	326
Subsidiaries	30	7
Joint ventures	3	6
Associated companies	4	4
Other participating interests	282	370
Total	**561**	**713**

64 Debt securities in issue

(€ millions)

	2017	2016
Bonds	23,062	21,834
of which:		
Registered mortgage Pfandbriefs	5,020	5,498
Registered public-sector Pfandbriefs	3,700	3,027
Mortgage Pfandbriefs	7,883	7,351
Public-sector Pfandbriefs	136	262
Registered bonds	2,869	2,740
Other securities	2,490	2,380
Total	**25,552**	**24,214**

Debt securities in issue, payable to related parties

The following table shows the breakdown of debt securities in issue involving related parties: (€ millions)

	2017	2016
Non-consolidated affiliated companies	—	217
of which:		
UniCredit S.p.A.	—	—
Sister companies	—	217
Joint ventures	6	16
Associated companies	125	146
Other participating interests	—	—
Total	**131**	**379**

Notes to the Balance Sheet (Continued)

65 Financial liabilities held for trading

(€ millions)

	2017	2016
Negative fair values arising from derivative financial instruments	40,024	54,806
Other financial liabilities held for trading	16,193	18,028
Total	**56,217**	**72,834**

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.

66 Hedging derivatives

(€ millions)

	2017	2016
Micro fair value hedge	118	113
Fair value hedge portfolio[1]	351	884
Total	**469**	**997**

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 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 €1,215 million (previous year: €1,785 million). The fair value of the netted fair value hedge portfolio derivatives represents an economic comparable amount. The hedge adjustments are recognised separately in the balance sheet (for hedged lending and deposit-taking activities) for some subsidiaries for which it is possible to hedge assets and liabilities separately. The corresponding amount on the assets side of the balance sheet is €72 million (previous year: €51 million).

68 Liabilities of disposal groups held for sale

(€ millions)

	2017	2016
Deposits from banks	78	33
Deposits from customers	—	1,096
Tax liabilities	3	—
Other liabilities	21	7
Provisions	—	26
Total	**102**	**1,162**

The liabilities disclosed in 2017 relate to the planned disposal of a subsidiary. The liabilities of Bankhaus Neelmeyer AG, Bremen disclosed under this item 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 March 2017.

69 Other liabilities
This item totalling €1,699 million (previous year: €2,145 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.

70 Provisions
(€ millions)

	2017	2016
Provisions for pensions and similar obligations	734	898
Allowances for losses on guarantees and commitments and irrevocable credit commitments	180	230
Restructuring provisions	410	631
Other provisions	1,277	1,263
Payroll provisions	367	272
Provisions related to tax disputes (without income taxes)	48	60
Provisions for rental guarantees and dismantling obligations	134	133
Other provisions	728	798
Total	**2,601**	**3,022**

The effects arising from changes in the discount rate and compounding led to an increase of €9 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 other comprehensive income.

Provisions for pensions and similar obligations
HVB Group grants its employees post-employment benefits that are structured as defined benefit plans or defined contribution plans.

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

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

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

Notes to the Balance Sheet (Continued)

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

(€ millions)

	2017	2016
Present value of funded pension obligations	4,809	4,975
Fair value of plan assets	(4,090)	(4,091)
Funded status	**719**	**884**
Present value of unfunded pension obligations	15	14
Net liability (net asset) of defined benefit plans	**734**	**898**
Asset ceiling	—	—
Capitalised excess cover of plan assets	—	—
Recognised pension provisions	**734**	**898**

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

(€ millions)

	PRESENT VALUE OF PENSION COMMITMENTS	FAIR VALUE OF PLAN ASSETS	NET LIABILITY (NET ASSET) OF DEFINED BENEFIT PLANS	ASSET CEILING	CAPITALISED EXCESS COVER OF PLAN ASSETS	RECOGNISED PENSION PROVISIONS
Balance at 1 January 2016	**4,697**	**(4,079)**	**618**	**—**	**—**	**618**
Service cost component						
Current service cost	69	—	69	—	—	69
Past service cost	—	—	—	—	—	—
Gains and losses on settlement	—	—	—	—	—	—
Net interest component						
Interest expense/(income)	110	(96)	14	—	—	14
Service costs and net interest						
of defined benefit plans recognised in						
profit or loss for the period	**179**	**(96)**	**83**	**—**	**—**	**83**
Remeasurement component						
Gains/(losses) on plan assets excluding						
amounts included in net interest on the net						
defined benefit liability (asset)	—	(22)	(22)	—	—	(22)
Actuarial gains/(losses) –						
demographic assumptions	—	—	—	—	—	—
Actuarial gains/(losses) –						
financial assumptions	316	—	316	—	—	316
Actuarial gains/(losses) –						
experience adjustments	(11)	—	(11)	—	—	(11)
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	**305**	**(22)**	**283**	**—**	**—**	**283**
Other changes						
Excess cover of plan assets	—	—	—	—	—	—
Exchange differences	(15)	21	6	—	—	6
Contributions to the plan:						
Employer	—	(73)	(73)	—	—	(73)
Plan participants	7	—	7	—	—	7
Pension payments	(144)	143	(1)	—	—	(1)
Business combinations, disposals and other	(40)	15	(25)	—	—	(25)
Balance at 31 December 2016	**4,989**	**(4,091)**	**898**	**—**	**—**	**898**

Notes to the Balance Sheet (Continued)

(€ millions)

	PRESENT VALUE OF PENSION COMMITMENTS	FAIR VALUE OF PLAN ASSETS	NET LIABILITY (NET ASSET) OF DEFINED BENEFIT PLANS	ASSET CEILING	CAPITALISED EXCESS COVER OF PLAN ASSETS	RECOGNISED PENSION PROVISIONS
Balance at 1 January 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 December 2017	**4,824**	**(4,090)**	**734**	**—**	**—**	**734**

At the end of the reporting period, 34% (previous year: 33%) of the present value of the defined benefit obligations of €4,824 million (previous year: €4,989 million) was attributable to active employees, 22% (previous year: 23%) to former employees with vested benefit entitlements and 44% (previous year: 44%) to pensioners and surviving dependants.

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

(in %)

	2017	2016
Actuarial interest rate	2.15	1.90
Rate of increase in pension commitments	1.60	1.50
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 2005 G tables (generation tables) that allow for the probability of mortality to fall to 90% (previous year: 90%) for women and 75% (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 December 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)
Sensitivities at 31 December 2016				
	Basic value of the calculation of sensitivity	4,989		
Actuarial interest rate	Increase of 25 basis points	4,772	(217)	(4.3)
	Decrease of 25 basis points	5,224	235	4.7
Rate of increase in pension commitments	Increase of 25 basis points	5,141	152	3.0
	Decrease of 25 basis points	4,846	(143)	(2.9)
Rate of increase in future compensation/career trend	Increase of 25 basis points	4,996	7	0.1
	Decrease of 25 basis points	4,985	(4)	(0.1)

Notes to the Balance Sheet (Continued)

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 2017 would rise by €149 million (3.1%) to €4,973 million (or by €158 million (3.2%) at 31 December 2016 to €5,147 million) 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.

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)

	2017	2016
Participating interests	56	54
Debt securities	130	134
Properties	186	174
Mixed investment funds	3,136	3,182
Property funds	390	331
Cash and cash equivalents/term deposits	50	68
Other assets	142	148
Total	**4,090**	**4,091**

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 %)

	2017	2016
Equities	12.2	6.5
German equities	2.1	1.1
European equities	6.5	4.6
Other equities	3.6	0.8
Government bonds	29.8	32.2
Pfandbriefs	14.6	13.4
Corporate bonds	28.0	29.3
German corporate bonds	5.1	5.8
European corporate bonds	15.1	16.7
Other corporate bonds	7.8	6.8
Fund certificates	4.6	3.1
Cash and cash equivalents/term deposits	10.8	15.5
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)

	2017	2016
Participating interests	—	—
Debt securities	15	15
Properties	—	—
Mixed investment funds	225	332
Property funds	—	—
Cash and cash equivalents/term deposits	50	68
Other assets	—	—
Total	**290**	**415**

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 €28 million (previous year: €28 million) to defined benefit plans in the 2018 financial year.

The weighted average duration of HVB Group's defined benefit obligations at the reporting date amounted to 17.5 years (previous year: 18.1 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 €24 million for this pension plan in the 2018 financial year (previous year: €25 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 €7 million in the 2018 financial year (previous year: €8 million).

Defined contribution plans
HVB Group companies pay fixed amounts for each period to independent pension organisations for the defined contribution pension commitments. The contributions for the defined contribution plans and Pensions-Sicherungs-Verein VVaG (PSVaG) recognised as current expense under payroll costs totalled €27 million during the reporting period (previous year: €22 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 €86 million in the reporting period (previous year: €92 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	
	2017	2016	2017	2016	2017	2016
Balance at 1 January	**230**	**197**	**631**	**213**	**1,263**	**1,204**
Changes in consolidated group	—	—	—	—	—	—
Changes arising from foreign currency translation	(1)	1	—	—	(4)	11
Transfers to provisions	151	179	5	494	179	375
Reversals	(200)	(146)	(9)	(6)	(69)	(110)
Reclassifications	—	—	(193)	(50)	55	21
Amounts used	—	—	(26)	(20)	(147)	(234)
Non-current assets or disposal groups held for sale	—	(1)	—	—	—	(4)
Other changes	—	—	2	—	—	—
Balance at 31 December	**180**	**230**	**410**	**631**	**1,277**	**1,263**

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

Restructuring provisions
The allocations to restructuring provisions reported in the 2017 financial year essentially relate to the restructuring measures at subsidiaries.

The allocations to restructuring provisions in the previous year are mainly due to the measures planned in connection with the "Transform 2019" strategy programme.

Notes to the Balance Sheet (Continued)

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 and 2017 financial years to be disbursed as of 2018 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 €728 million (previous year: €798 million) include provisions of €623 million (previous year: €678 million) for legal risks, litigation fees and damage payments.

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

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

71 Shareholders' equity

The shareholders' equity of HVB Group at 31 December 2017 consisted of the following:

Subscribed capital

At 31 December 2017, 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 2017 amounted to €9,791 million (previous year: €9,791 million).

Other reserves

Other reserves of €5,289 million (previous year: €5,107 million) predominantly contain retained earnings. The year-on-year increase of €182 million in other reserves essentially reflects actuarial gains on defined benefit plans, which amounted to €150 million.

Change in valuation of financial instruments

The reserves arising from changes in valuation of financial instruments recognised in equity totalled €80 million at 31 December 2017 (previous year: €104 million). This year-on-year decrease of €24 million can be primarily attributed to the AfS reserve, which fell by €22 million to €52 million, essentially as a result of gains on the disposal of financial assets reclassified to the income statement.

72 Subordinated capital

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

(€ millions)

	2017	2016
Subordinated liabilities	523	543
Hybrid capital instruments	51	56
Total	**574**	**599**

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

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

(€ millions)

	2017	2016
Deposits from customers	—	10
Deposits from banks	313	96
Debt securities in issue	261	493
Total	**574**	**599**

We have incurred interest expenses of €17 million (previous year: €18 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 31 December 2017, HVB Group had hybrid capital of €10 million (previous year: €22 million) bolstering its capital base for banking supervisory purposes.

Notes to the Cash Flow Statement

73 Notes to the items in the cash flow statement

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

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

Change in other non-cash positions comprises the changes in the valuation of financial instruments, net additions to deferred taxes, changes in provisions, changes in prorated and deferred interest, the reversal of premiums and discounts, changes arising from 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 on balance decreased by €45 million in the reporting period (previous year: €92 million).

Gains of €68 million were generated on the disposal of shares in fully consolidated companies in the 2017 financial year, of which €68 million was in cash. The gains on disposal generated in cash relate to the sale of the shareholding in Bankhaus Neelmeyer.

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

	2017		2016	
	ACQUIRED	SOLD	ACQUIRED	SOLD
Assets				
Cash and cash balances	—	—	—	—
Financial assets held for trading	—	—	—	—
Financial assets at fair value through profit or loss	—	—	—	—
Available-for-sale financial assets	—	—	—	—
Shares in associated companies accounted for				
using the equity method and joint ventures				
accounted for using the equity method	—	—	—	—
Held-to-maturity investments	—	—	—	—
Loans and receivables with banks	—	—	—	28
Loans and receivables with customers	—	—	—	—
Hedging derivatives	—	—	—	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Property, plant and equipment	—	—	—	1
Investment properties	—	—	—	—
Intangible assets	—	—	—	1
of which: goodwill	—	—	—	—
Tax assets	—	—	—	14
Non-current assets or disposal groups held for sale	—	1,300	—	—
Other assets	—	—	—	5
Liabilities				
Deposits from banks	—	—	—	—
Deposits from customers	—	—	—	—
Debt securities in issue	—	—	—	—
Financial liabilities held for trading	—	—	—	—
Hedging derivatives	—	—	—	—
Hedge adjustment of hedged items in the fair value hedge portfolio	—	—	—	—
Tax liabilities	—	—	—	—
Liabilities of disposal groups held for sale	—	1,233	—	—
Other liabilities	—	—	—	13
Provisions	—	—	—	21

There were no significant acquisitions of subsidiaries or associated companies in the 2016 and 2017 financial years.

74 Events after the reporting period

At its meeting on 16 February 2018, the Supervisory Board appointed Jan Kupfer and Dr Emanuele Buttà as members of the Management Board with effect from 1 March 2018. Mr Kupfer will be in charge of the Corporate & Investment Banking business segment and succeeds Dr Michael Diederich, who was appointed Board Spokesman of UniCredit Bank AG as per 1 January 2018. Dr Emanuele Buttà is taking over the Private Clients Bank business unit from Peter Buschbeck which together with the Unternehmer Bank business unit constitutes the Commercial Banking business segment of the Bank.

75 Information regarding lease operations

HVB Group as lessor

Operating leases

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

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

	2017	2016
up to 1 year	65	114
from 1 year to 5 years	218	368
from 5 years and over	122	106
Total	**405**	**588**

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 a subsidiary held for sale (for more information on disclosure pursuant to IFRS 5 refer to the Note “Non-current assets or disposal groups held for sale”) and a subsidiary deconsolidated in the reporting period are no longer included in the figures disclosed at the end of the financial year.

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)

	2017	2016
Future minimum lease payment	1,798	2,159
+ Unguaranteed residual value	—	—
= Gross investment	**1,798**	**2,159**
– Unrealised finance income	(88)	(110)
= Net investment	**1,710**	**2,049**
– Present value of unguaranteed residual value	—	—
= Present value of future minimum lease payments	**1,710**	**2,049**

The year-on-year decline in the balance of amounts receivable from lease operations is chiefly attributable to the fact that the finance leases of a subsidiary held for sale (for more information on the disclosure pursuant to IFRS 5 refer to the note “Non-current assets or disposal groups held for sale”) are no longer included in the present value of the future minimum lease payments disclosed at the reporting date.

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.

Other Information (Continued)

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	
	2017	2016	2017	2016
up to 1 year	669	772	635	732
from 1 year to 5 years	998	1,247	950	1,184
from 5 years and over	131	140	125	133
Total	**1,798**	**2,159**	**1,710**	**2,049**

The cumulative write-downs on uncollectible outstanding minimum lease payments in amounts receivable from customers under finance leases amounted to €12 million at the end of the reporting period (previous year: €18 million).

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

(€ millions)

	2017	2016
Properly serviced loans and receivables – carrying amount	**1,630**	**2,017**
Carrying amount before allowances	1,636	2,022
Portfolio allowances	6	5
Properly serviced loans and receivables past due – carrying amount	**59**	**9**
Carrying amount before allowances	59	9
Portfolio allowances	—	—
Non-performing loans and receivables – carrying amount	**21**	**23**
Carrying amount before allowances	39	47
Specific allowances	18	24

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

(€ millions)

	2017	2016
Properly serviced loans and receivables past due – carrying amount		
1–30 days	57	7
31–60 days	2	2
61–90 days	—	—
Value of collateral		
1–30 days	12	7
31–60 days	1	1
61–90 days	—	—

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

	2017	2016
Loans and receivables		
Not rated	—	192
Rating class 1–4	1,480	1,512
Rating class 5–8	209	322
Rating class 9–10	21	23
Value of collateral		
Not rated	—	—
Rating class 1–4	853	1,159
Rating class 5–8	117	190
Rating class 9–10	18	19

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 €89 million (previous year: €103 million) being recognised as expense in the income statement.

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

	2017	2016
up to 1 year	95	98
from 1 year to 5 years	109	139
from 5 years and over	29	37
Total	**233**	**274**

The agreements regarding the outsourcing of information and communications technology processes to the UniCredit-wide service provider UBIS include the charged transfer of rights to use assets in the form of operating leases. The full service contracts concluded annually in this regard consist for the most part of rent payments for the provision of hardware and software that are included in the minimum lease payments of €28 million for the reporting period and €34 million for the following financial year mentioned above.

HVB Group has concluded sublease agreements for real estate at customary market terms, some of which include rent adjustment clauses and extension options. Payments of €9 million (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 €20 million (previous year: €27 million).

Other Information (Continued)

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)

	2017	2016
Future minimum lease payments	201	213
– Finance charge (interest included in minimum lease payments)	(19)	(20)
= Present value of future minimum lease payments	**182**	**193**

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	
	2017	2016	2017	2016
up to 1 year	13	13	13	12
from 1 year to 5 years	55	52	50	48
from 5 years and over	133	148	119	133
Total	**201**	**213**	**182**	**193**

The aggregate future minimum lease payments arising from non-cancellable subleases that are expected to be received in the subsequent financial years amount to €30 million (previous year: €22 million).

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

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

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

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

(€ billions)

RECLASSIFIED ASSET-BACKED SECURITIES AND OTHER DEBT SECURITIES	CARRYING AMOUNT OF ALL RECLASSIFIED ASSETS[1]	FAIR VALUE OF ALL RECLASSIFIED ASSETS	NOMINAL AMOUNT OF ALL RECLASSIFIED ASSETS
Reclassified in 2008			
Balance at 31/12/2016	0.9	0.9	1.0
Balance at 31/12/2017	0.6	0.6	0.7
Reclassified in 2009			
Balance at 31/12/2016	0.9	1.0	0.9
Balance at 31/12/2017	0.6	0.8	0.6
Balance of reclassified assets at 31/12/2017[2]	**1.2**	**1.3**	**1.3**

1 before accrued interest
2 differences caused by rounding

The fair value at the date when the reclassification takes effect represents the new acquisition cost, which in some cases is considerably less than the nominal value. Accordingly, this difference (discount) is to be amortised over the remaining term of the reclassified financial assets. This together with the reclassified securities that had been matured or partially repaid gives rise to an effect of €9 million in the 2017 financial year (2016 financial year: €13 million), which is recognised in net interest. The effective interest rates for the reclassified securities are in a range from 0.16% to 1.72%.

A gain of €5 million (previous year: €19 million) on reclassified securities that had been sold was recognised in the income statement in the 2017 financial year.

In the reporting period, we reversed write-downs of €3 million that had previously been taken on reclassified assets (previous year: reversal of €51 million).

If these reclassifications had not been carried out in 2008 and 2009, mark-to-market valuation (inclusive of realised disposals) would have given rise to a net loss of €20 million (previous year: €25 million) in net trading income in the reporting period. These effects reflect a theoretical, pro forma calculation, as the assets are measured at amortised cost on account of the reclassification. Accordingly, the inclusion of these effects on the income statement resulted in a profit before tax that was €37 million higher in the reporting period (previous year: €108 million). Between the date when the reclassifications took effect in 2008 and the reporting date, the cumulative net effect on the income statement from the reclassifications already carried out totalled minus €67 million before tax (31 December 2016: minus €104 million).

77 Notes to selected structured products

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

ABS portfolio

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

Depending on the underlying assets in a securitisation transaction, the following types of security among others are distinguished in ABS transactions:
– residential mortgage-backed securities (RMBS) relating to mortgage loans in the private sector (residential mortgage loans)
– commercial mortgage-backed securities (CMBS) relating to mortgage loans in the commercial sector (commercial mortgage loans)
– collateralised loan obligations (CLO) relating to commercial bank loans
– collateralised bond obligations (CBO) relating to securities portfolios

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

Other Information (Continued)

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

CARRYING AMOUNTS		31/12/2017 SENIOR	31/12/2017 MEZZANINE	31/12/2017 JUNIOR	31/12/2017 TOTAL	31/12/2016 TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**	**—**
Positions in third-party ABS transactions		**5,981**	**262**	**—**	**6,243**	**6,788**
Residential mortgage-backed securities (RMBS)		1,946	132	—	2,078	2,888
Commercial mortgage-backed securities (CMBS)		66	44	—	110	122
Collateralised debt obligations (CDO)		45	6	—	51	61
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		2,814	53	—	2,867	2,161
Consumer loans		1,082	21	—	1,103	1,417
Credit cards		—	—	—	—	77
Receivables under finance leases		5	2	—	7	26
Others		23	4	—	27	36
Total	**31/12/2017**	**5,981**	**262**	**—**	**6,243**	
	31/12/2016	**6,278**	**510**	**—**	**6,788**	**6,788**

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

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

CARRYING AMOUNTS		31/12/2017 EUROPE	31/12/2017 USA	31/12/2017 ASIA	31/12/2017 OTHER REGIONS	31/12/2017 TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**	**—**
Positions in third-party ABS transactions		**5,020**	**1,198**	**—**	**25**	**6,243**
Residential mortgage-backed securities (RMBS)		2,072	1	—	5	2,078
Commercial mortgage-backed securities (CMBS)		105	5	—	—	110
Collateralised debt obligations (CDO)		—	31	—	20	51
Collateralised loan obligations (CLO)/						
collateralised bond obligations (CBO)		1,709	1,158	—	—	2,867
Consumer loans		1,100	3	—	—	1,103
Credit cards		—	—	—	—	—
Receivables under finance leases		7	—	—	—	7
Others		27	—	—	—	27
Total	**31/12/2017**	**5,020**	**1,198**	**—**	**25**	**6,243**
	31/12/2016	**5,800**	**957**	**—**	**31**	**6,788**

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

CARRYING AMOUNTS		31/12/2017 LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**
Positions in third-party ABS transactions		**1,591**	**3,565**	**1,087**	**6,243**
Residential mortgage-backed securities (RMBS)		205	1,498	375	2,078
Commercial mortgage-backed securities (CMBS)		26	9	75	110
Collateralised debt obligations (CDO)		—	20	31	51
Collateralised loan obligations (CLO)/					
collateralised bond obligations (CBO)		1,165	1,119	583	2,867
Consumer loans		188	915	—	1,103
Credit cards		—	—	—	—
Receivables under finance leases		7	—	—	7
Others		—	4	23	27
Total	**31/12/2017**	**1,591**	**3,565**	**1,087**	**6,243**
	31/12/2016	**822**	**4,356**	**1,610**	**6,788**

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

CARRYING AMOUNTS		31/12/2017 HELD FOR TRADING	FAIR VALUE OPTION	LOANS & RECEIVABLES	HELD TO MATURITY	AVAILABLE FOR SALE	TOTAL
Positions retained from own securitisations		**—**	**—**	**—**	**—**	**—**	**—**
Positions in third-party ABS transactions		**89**	**12**	**6,113**	**23**	**6**	**6,243**
Residential mortgage-backed securities (RMBS)		31	6	2,040	—	1	2,078
Commercial mortgage-backed securities (CMBS)		—	—	105	—	5	110
Collateralised debt obligations (CDO)		—	6	25	20	—	51
Collateralised loan obligations (CLO)/							
collateralised bond obligations (CBO)		11	—	2,856	—	—	2,867
Consumer loans		43	—	1,057	3	—	1,103
Credit cards		—	—	—	—	—	—
Receivables under finance leases		4	—	3	—	—	7
Others		—	—	27	—	—	27
Total	**31/12/2017**	**89**	**12**	**6,113**	**23**	**6**	**6,243**
	31/12/2016	**156**	**14**	**6,517**	**36**	**65**	**6,788**

Other Information (Continued)

78 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 €622 million (31 December 2016: €1,168 million) have been transferred between Level 1 and Level 2. At the same time, financial assets or liabilities of €1,679 million (31 December 2016: €1,393 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	—	26
	Transfer from Level 2	335	—
Financial assets at fair value through profit or loss			
	Transfer from Level 1	—	595
	Transfer from Level 2	1,306	—
Available-for-sale financial assets			
	Transfer from Level 1	—	—
	Transfer from Level 2	10	—
Financial liabilities held for trading			
	Transfer from Level 1	—	1
	Transfer from Level 2	28	—

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%–193%
Equities	Market approach	Price	0%–100%
Asset-backed securities (ABS)	DCF method	Credit spread curves	13bps–800bps
		Residual value	20%–80%
		Default rate	0.25%–8%
		Prepayment rate	0.5%–30%
Commodity/equity derivatives	Option price model	Commodity price volatility/equity volatility	5%–80%
		Correlation between commodity/equities	(95)%–95%
	DCF method	Dividend yields	0%–7.5%
Interest rate derivatives	DCF method	Swap interest rate	(40)bps–1,000bps
		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%–8%
		Credit correlation	n.a.
		Residual value	10%–72%
	Option price model	Credit volatility	n.a.
Currency derivatives	DCF method	Yield curves	(200)%–30%
	Option price model	FX volatility	1%–40%

Other Information (Continued)

The impact of changing possible appropriate alternative parameter values on the fair value (after adjustments) is shown in the sensitivity analysis presented below. For portfolios at fair value through profit or loss, the positive change would be €103 million (31 December 2016: €125 million), and the negative change €45 million (31 December 2016: minus €61 million).

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

(€ millions)

	2017		2016	
	POSITIVE	NEGATIVE	POSITIVE	NEGATIVE
Fixed-income securities and other debt instruments	1	(1)	1	(1)
Equities	—	—	10	(10)
Asset-backed securities	—	—	1	—
Commodity/equity derivatives	72	(21)	82	(25)
Interest rate derivatives	4	(1)	2	(1)
Credit derivatives	26	(22)	26	(21)
Currency derivatives	—	—	3	(3)
Total	**103**	**(45)**	**125**	**(61)**

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 shares, the spot price is varied using a relative value.

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

Where trades are executed for which the transaction price deviates from the fair value at the trade date and non-observable parameters are employed to a considerable extent in valuation models, the financial instrument concerned is recognised at the trade price. This difference between the transaction price and the fair value of the valuation model is defined as the trade date gain/loss. 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 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)

	2017	2016
Balance at 1/1	**9**	**—**
New transactions during the period	12	13
Write-downs	3	1
Expired transactions	—	—
Retroactive change in observability	3	3
Exchange rate changes	—	—
Balance at 31/12	**15**	**9**

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)	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Financial assets recognised						
in the balance sheet at fair value						
Financial assets held for trading	24,928	23,431	49,464	69,620	1,101	1,036
thereof: derivatives	1,709	1,718	40,993	55,964	709	714
Financial assets at fair value through profit or loss	6,541	10,069	14,902	18,429	13	14
Available-for-sale financial assets[1]	5,582	4,846	1,065	846	22	6
Hedging derivatives	—	—	390	384	—	—
Financial liabilities recognised						
in the balance sheet at fair value						
Financial liabilities held for trading	7,510	7,661	46,985	63,842	1,722	1,331
thereof: derivatives	1,987	2,158	37,292	51,875	745	773
Hedging derivatives	—	—	469	997	—	—

1 as at 31 December 2017, available-for-sale financial assets include financial instruments of €147 million (31 December 2016: €231 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 FAIR VALUE THROUGH PROFIT OR LOSS		AVAILABLE-FOR-SALE FINANCIAL ASSETS		HEDGING DERIVATIVES	
	2017	2016	2017	2016	2017	2016	2017	2016
Balance at 1/1	**1,036**	**1,047**	**14**	**130**	**6**	**31**	**—**	**—**
Additions								
Acquisitions	494	721	—	—	28	2	—	—
Realised gains[1]	1	73	—	1	—	11	—	—
Transfer from other levels	268	41	—	—	—	—	—	—
Other additions[2]	7	20	1	—	21	—	—	—
Reductions								
Sale	(532)	(543)	(2)	(1)	—	(21)	—	—
Repayment	—	(18)	—	—	(29)	—	—	—
Realised losses[1]	(40)	(62)	—	—	(1)	—	—	—
Transfer to other levels	(110)	(227)	—	(116)	—	(7)	—	—
Other reductions	(23)	(16)	—	—	(3)	(10)	—	—
Balance at 31/12	**1,101**	**1,036**	**13**	**14**	**22**	**6**	**—**	**—**

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

In the case of derivative products, the transfers from and to other levels are attributable to the changed observability of the valuation parameters for interest rate derivatives as well as interest rate/currency derivatives in certain currencies. 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.

Other Information (Continued)

(€ millions)

	FINANCIAL LIABILITIES HELD FOR TRADING		HEDGING DERIVATIVES	
	2017	2016	2017	2016
Balance at 1/1	**1,331**	**1,623**	**—**	**—**
Additions				
Sale	405	445	—	—
Issues	457	345	—	—
Realised losses[1]	58	147	—	—
Transfer from other levels	462	78	—	—
Other additions[2]	1	20	—	—
Reductions				
Buy-back	(698)	(607)	—	—
Repayment	(42)	(117)	—	—
Realised gains[1]	(46)	(97)	—	—
Transfer to other levels	(198)	(482)	—	—
Other reductions	(8)	(24)	—	—
Balance at 31/12	**1,722**	**1,331**	**—**	**—**

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

The transfers from other levels relating to financial liabilities held for trading are attributable to the reduced observability of the valuation parameters for interest rate derivatives in certain currencies and the reduced liquidity of the underlyings of certain structured issues.

79 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 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). 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 four sectors (sovereign loans, loans to banks, corporate loans and retail loans) in order to take account of the specific features of each sector. 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.

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. Where the fair value of non-listed equity instruments cannot be reliably determined, such assets are recognised at cost.

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 covering the 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 covering the fair value hierarchy are employed for this purpose.

Please refer to the note covering the 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	**2017**	**2016**	**2017**	**2016**
Cash and cash balances	36.4	9.8	36.4	9.8
Financial assets held for trading	75.5	94.1	75.5	94.1
Financial assets at fair value through profit or loss	21.5	28.5	21.5	28.5
Available-for-sale financial assets				
thereof measured:				
at cost	0.1	0.2	0.1	0.2
at fair value	6.7	5.7	6.7	5.7
Held-to-maturity investments	—	—	—	—
Loans and receivables with banks	30.3	33.0	30.5	33.5
Loans and receivables with customers	121.2	121.5	123.5	125.0
thereof: finance leases	1.7	2.0	1.7	2.0
Hedging derivatives	0.4	0.4	0.4	0.4
Total	**292.1**	**293.2**	**294.6**	**297.2**

Other Information (Continued)

(€ billions)

ASSETS	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1) 2017	2016	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2) 2017	2016	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3) 2017	2016
Financial assets not carried at fair value						
in the balance sheet						
Cash and cash balances	—	—	36.4	9.8	—	—
Held-to-maturity investments	—	—	—	—	—	—
Loans and receivables with banks	0.5	0.5	25.5	25.6	4.5	7.4
Loans and receivables with customers	1.1	1.1	17.2	17.7	105.2	106.2
thereof: finance leases	—	—	—	—	1.7	2.0

(€ billions)

LIABILITIES	CARRYING AMOUNT 2017	2016	FAIR VALUE 2017	2016
Deposits from banks	67.4	57.6	67.2	57.5
Deposits from customers	124.3	117.2	124.5	117.8
Debt securities in issue	25.6	24.2	27.6	27.2
Financial liabilities held for trading	56.2	72.8	56.2	72.8
Hedging derivatives	0.5	1.0	0.5	1.0
Total	**274.0**	**272.8**	**276.0**	**276.3**

(€ billions)

LIABILITIES	FAIR VALUE OBSERVED ON AN ACTIVE MARKET (LEVEL 1) 2017	2016	FAIR VALUE BASED ON VALUATION PARAMETERS OBSERVED ON THE MARKET (LEVEL 2) 2017	2016	FAIR VALUE BASED ON VALUATION PARAMETERS NOT OBSERVED ON THE MARKET (LEVEL 3) 2017	2016
Financial liabilities not carried at fair value						
in the balance sheet						
Deposits from banks	—	—	47.8	25.7	19.4	31.8
Deposits from customers	—	—	99.8	82.2	24.7	35.6
Debt securities in issue	5.9	5.7	5.9	6.0	15.8	15.5

The difference in HVB Group between the fair values and carrying amounts totals €2.5 billion (31 December 2016: €4.0 billion) for assets and €2.0 billion (31 December 2016: €3.5 billion) for liabilities. The balance of these amounts is €0.5 billion (31 December 2016: €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.

80 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 31/12/2017
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 regarding loans and receivables with banks and loans and receivables with customers. They are also included in financial assets held for trading with an amount of €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 covering loans and receivables with banks and loans and receivables with customers

Financial liabilities that are netted in the balance sheet or subject to a legally enforceable master netting arrangement or similar agreement

(€ millions)

				AMOUNTS NOT RECOGNISED			
	FINANCIAL LIABILITIES (GROSS)	FINANCIAL ASSETS NETTED IN THE BALANCE SHEET (GROSS)	RECOGNISED LIABILITIES (NET)	EFFECTS OF MASTER NETTING ARRANGE-MENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	NET AMOUNT 31/12/2017
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 financial liabilities held for trading and hedging derivatives
2 repos are covered in the notes covering deposits from banks and deposits from customers. They are also included in financial liabilities held for trading with an amount of €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 covering deposits from banks and deposits from customers

Other Information (Continued)

Financial assets that are netted in the balance sheet or subject to a legally enforceable master netting arrangement or similar agreement

(€ millions)

	FINANCIAL ASSETS (GROSS)	FINANCIAL LIABILITIES NETTED IN THE BALANCE SHEET (GROSS)	RECOGNISED FINANCIAL ASSETS (NET)	AMOUNTS NOT RECOGNISED			NET AMOUNT 31/12/2016
				EFFECTS OF MASTER NETTING ARRANGE-MENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	
Derivatives[1]	77,853	(19,073)	58,780	(37,520)	(1,379)	(9,697)	10,184
Reverse repos[2]	29,142	(3,770)	25,372	—	(25,211)	—	161
Loans and receivables[3]	90,728	(1,279)	89,449	—	—	—	89,449
Total at 31/12/2016	**197,723**	**(24,122)**	**173,601**	**(37,520)**	**(26,590)**	**(9,697)**	**99,794**

1 derivatives are included in financial assets held for trading and hedging derivatives
2 reverse repos are covered in the notes regarding loans and receivables with banks and loans and receivables with customers. They are also included in financial assets held for trading with an amount of €10,571 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 covering loans and receivables with banks and loans and receivables with customers

Financial liabilities that are netted in the balance sheet or subject to a legally enforceable master netting arrangement or similar agreement

(€ millions)

	FINANCIAL LIABILITIES (GROSS)	FINANCIAL ASSETS NETTED IN THE BALANCE SHEET (GROSS)	RECOGNISED LIABILITIES (NET)	AMOUNTS NOT RECOGNISED			NET AMOUNT 31/12/2016
				EFFECTS OF MASTER NETTING ARRANGE-MENTS	FINANCIAL INSTRUMENTS AS COLLATERAL	CASH COLLATERAL	
Derivatives[1]	73,559	(17,756)	55,803	(37,520)	(1,114)	(10,280)	6,889
Repos[2]	29,908	(3,770)	26,138	—	(25,982)	—	156
Liabilities[3]	102,185	(2,596)	99,589	—	—	—	99,589
Total at 31/12/2016	**205,652**	**(24,122)**	**181,530**	**(37,520)**	**(27,096)**	**(10,280)**	**106,634**

1 derivatives are included in financial liabilities held for trading and hedging derivatives
2 repos are covered in the notes covering deposits from banks and deposits from customers. They are also included in financial liabilities held for trading with an amount of €4,978 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 covering deposits from banks and deposits from customers

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 counterparty 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, the tables contain the financial instruments received or pledged as collateral in this context and cash collateral. With regard to the presentation of reverse repos or repos, as the case may be, collateral in the form of financial instruments was recorded in a Group unit for the first time in the reporting year. The previous-year disclosures were correspondingly corrected. As the securities lending transactions without cash collateral not recognised in the balance sheet are not contained in the above netting tables either, we refer to the Note “Assets assigned or pledged as security for own liabilities” and the Note “Collateral received that HVB Group may pledge or sell on” for the securities received or pledged as collateral in this regard.

81 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 €47,124 million (previous year: €49,111 million). This assumption defined in IFRS 7 is unrealistic for credit commitments not utilised and contingent liabilities for financial guarantees in particular, as the complete utilisation of all open credit commitments and financial guarantees on the next day cannot be expected. The same holds true for the presentation of the fair values of trading derivatives.

Other Information (Continued)

Breakdown of financial assets by maturity bucket

(€ 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 fair value through profit or loss	—	710	1,732	5,386	10,460	3,441	—
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	9,796	5,006	4,949	8,366	2,959	143	700
Loans and receivables with customers	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	—

(€ millions)

	2016						
	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	399	6,771	1,725	3,652	4,135	6,067	13,334
Derivatives on financial assets held for trading	58,396	—	—	—	—	—	—
Financial assets at fair value through profit or loss	—	243	1,840	7,073	15,821	3,733	—
Available-for-sale financial assets	64	73	8	431	5,218	1,714	912
Held-to-maturity investments	—	—	—	1	10	34	—
Loans and receivables with banks	11,242	6,304	4,000	7,464	4,073	485	747
Loans and receivables with customers	12,058	8,627	6,219	10,158	42,436	53,917	3,173
thereof: finance leases	28	93	157	650	1,817	260	95
Hedging derivatives	—	179	358	1,609	3,945	1,484	—

Breakdown of non-derivative and derivative financial liabilities by maturity bucket

(€ 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
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	—	—	—	—	—	—

(€ millions)

	2016						
	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	13,801	9,122	18,006	5,411	7,047	4,956	13
Deposits from customers	74,502	11,495	17,806	9,420	2,763	1,754	—
Debt securities in issue	58	209	2,372	3,554	8,747	14,842	—
Financial liabilities held for trading	264	4,654	365	1,180	3,889	4,311	3,571
Derivatives on financial liabilities held for trading	54,806	—	—	—	—	—	—
Hedging derivatives	—	120	241	1,084	819	453	—
Credit commitments and financial guarantees	71,197	—	—	—	—	—	—

82 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.

83 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.

Other Information (Continued)

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 31 December 2017:

Own funds[1] (€ millions)

	2017	2016
Tier 1 – Total core capital for solvency purposes	**16,639**	**16,611**
Shares of common stock	2,407	2,407
Additional paid-in capital, retained earnings, minority interest, own shares	15,910	15,939
Hybrid capital instruments (silent partnership certificates) without prorated interest	—	—
Other	(816)	(872)
Capital deductions	(862)	(863)
Tier 2 – Total supplementary capital for solvency purposes	**698**	**562**
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	420	278
Value adjustment excess for A-IRB positions	278	284
Other	—	—
Capital deductions	—	—
Total equity funds	**17,337**	**17,173**

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 €17,337 million at 31 December 2017 (previous year: €17,173 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.

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	18,874	—	—	18,874
Reconciliation to the equity funds compliant with the Capital Requirements Regulation				
Cumulative shares of preferred stock	—	—	—	—
Ineligible profit components	(1,300)	—	—	(1,300)
Ineligible minority interests under banking supervisory regulations	(7)	—	—	(7)
Diverging consolidation perimeters	(65)	—	—	(65)
Deduction of intangible assets	(453)	—	—	(453)
Hybrid capital recognised under banking supervisory regulations	—	—	10	10
Eligible portion of subordinated liabilities	—	—	410	410
Value adjustment excess (+) or shortfall (–) for A-IRB positions	—	—	278	278
Adjustments to CET1 due to prudential filters	(147)	—	—	(147)
Deductible deferred tax assets	(297)	—	—	(297)
Capital deductions which can alternatively be subject to a 1,250% risk weight	(28)	—	—	(28)
Transitional adjustments	154	(91)	—	63
Other effects	(92)	91	—	(1)
Own funds compliant with the Capital Requirements Regulation (CRR)	**16,639**	**—**	**698**	**17,337**

(€ millions)

	2017 BASEL III	2016 BASEL III
Risk-weighted assets from		
on-balance-sheet counterparty risk positions	41,151	43,517
off-balance-sheet counterparty risk positions	12,135	11,591
other counterparty risk positions[1]	695	427
derivative counterparty risk positions	4,939	5,419
Total credit risk-weighted assets	**58,920**	**60,954**
Risk-weighted asset equivalent for market risk positions	**11,068**	**10,938**
Risk-weighted asset equivalent for operational risk	**8,723**	**9,683**
Total risk-weighted assets	**78,711**	**81,575**

1 primarily including repos and securities lending transactions

At the respective reporting dates, the key capital ratios (based on the approved consolidated financial statements) were as follows:

(in %)

	2017 BASEL III	2016 BASEL III
Tier 1 capital ratio		
[Tier 1 capital/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	21.1	20.4
CET1 capital ratio		
[Common Equity Tier 1 capital/(credit risk-weighted assets + 12.5x market risk positions + 12.5x operational risk)]	21.1	20.4
Total capital ratio		
[own funds/(credit risk-weighted assets +12.5x market risk positions + 12.5x operational risk)]	22.0	21.1

84 Contingent liabilities and other commitments

(€ millions)

	2017	2016
Contingent liabilities[1]	**21,099**	**21,856**
Guarantees and indemnities	21,099	21,856
Other commitments	**47,161**	**49,165**
Irrevocable credit commitments	47,124	49,111
Other commitments[2]	37	54
Total	**68,260**	**71,021**

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

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 €11,294 million (previous year: €13,603 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 €48 million at 31 December 2017 (31 December 2016: €34 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 €8 million at year-end 2017 (2016: €7 million).

Legal risks can give rise to losses for HVB Group, the occurrence of which is greater than improbable but less than probable, and for which no provisions have been set up. Such legal risks may result from negative developments in proceedings under civil law and the tendency for rulings to be made in favour of consumers or customers. The assessment of the risk of loss may prove to be too low or too high, depending on the outcome of the proceedings. We assume that it will not be necessary to utilise the vast majority of the contingent liabilities arising from legal risks, meaning that the amounts are not representative of actual future losses. For HVB such contingent liabilities arising from significant legal risks for which an estimate is possible amounted to €113 million at year-end 2017 after €162 million at year-end 2016.

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 €33 million at year-end 2017 (previous year: €50 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 76 partnerships (2016: 72).

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.

In the same way that HVB assumes liability in Germany, our subsidiaries, in their capacity as members of the respective deposit guarantee funds in their country of operations, assume liability in their respective countries.

Contingent liabilities payable to related parties (€ millions)

	2017	2016
Non-consolidated affiliated companies	1,229	1,403
of which:		
UniCredit S.p.A.	486	563
Sister companies	743	786
Subsidiaries	—	54
Joint ventures	23	46
Associated companies	—	—
Other participating interests	126	250
Total	**1,378**	**1,699**

85 Statement of Responsibility

HVB ensures that, to the extent of its shareholding, the companies set forth below are in a position to meet their contractual obligations except in the event of political risks:

1. Banks
UniCredit Luxembourg S.A., Luxembourg
2. 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 relevant company that did not arise until after HVB's shareholding decreased. Where HVB is no longer a shareholder in a company listed above, our commitment arising from the above Statement of Responsibility ends on the date on which our holding ceased with regard to such liabilities of the relevant company that did not arise until our shareholding ceased.

HVB no longer provides a Statement of Responsibility for companies for which a Statement of Responsibility had been provided in earlier annual reports but which no longer appear in the above list. Liabilities of these companies arising before the reduction or cessation of the shareholding are only covered by such Statements of Responsibility that were provided before the reduction or cessation of the shareholding in each case.

Other Information (Continued)

86 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.

	2017	2016
Number of unconsolidated ABS vehicles (investor positions only)	292	325

For more information on the exposure to unconsolidated ABS investor positions, please refer to the “Notes to selected structured products”.

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.

	2017	2016
Number of unconsolidated repackaging vehicles	2	6
Aggregate total assets of unconsolidated repackaging vehicles (€ millions)	22	109
Nominal value of the securities issued by unconsolidated repackaging vehicles (€ millions)	22	109

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.

	2017	2016
Number of unconsolidated funding vehicles for customers	37	31
Aggregate total assets of unconsolidated funding vehicles for customers (€ millions)	6,322	4,020
Nominal value of the securities issued by unconsolidated funding vehicles		
for customers (€ millions)	6,322	4,020

Some investment funds

Investment funds are classified as structured entities if they are not controlled by means of voting or similar rights. Investment funds invest in a range of assets and can also finance themselves with debt within the framework of their investment policies alongside the moneys provided by investors. Investment funds serve to achieve specifically defined investment goals.

HVB Group offers its customers investment funds under own and third party management and also itself invests in investment funds. We are also mandated by customers to keep shares in investment funds in securities accounts for third party account. Furthermore, HVB Group holds shares in investment funds in its own portfolio. These are mostly held in the held-for-trading portfolio and to a much smaller extent also in the AfS portfolio. In addition, we offer typical banking services to investment funds, including derivative and financing solutions and deposit-taking operations.

The European-Office-Fonds investment fund controlled by HVB Group is fully consolidated in the consolidated financial statements and is not one of the unconsolidated structured entities shown here. 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 while in the previous year we aggregated special purpose entities managed by the same investment company. The previous year's figures have been adjusted accordingly.

	2017	2016
Number of unconsolidated investment funds classified as structured entities	1,214	999
thereof: managed by HVB Group	26	35
Aggregate net asset value (including minority interests) of the investment funds classified as		
structured entities (€ millions)	846,200	680,181
thereof: managed by HVB Group	1,030	834

With regard to the aggregate net asset value, it should be noted that our risk is only calculated in terms of the participating interest held, loans extended or derivatives issued as a proportion of the aggregate fund volume. A risk analysis is provided in the table under "Risks in connection with unconsolidated structured entities" below.

Other Information (Continued)

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.

	2017	2016
Number of other structured entities	26	43
Aggregate total assets (€ millions)	2,176	1,775

Risks in connection with unconsolidated structured entities

The following tables show the carrying amounts of the assets and liabilities together with the off-balance-sheet risk positions of HVB Group in connection with unconsolidated structured entities:

(€ millions)

	31/12/2017				
	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	12	—	—	—	—
Available-for-sale financial instruments	6	—	41	85	—
Held-to-maturity investments	23	—	—	—	—
Loans and receivables with customers	6,549	—	6,142	1,082	193
Liabilities	**9**	**—**	**41**	**2,992**	**72**
Deposits from customers	—	—	40	2,497	54
Debt securities in issue	—	—	—	6	—
Financial liabilities held for trading	9	—	—	489	—
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**

(€ millions)

	31/12/2016				
	ABS VEHICLES (INVESTOR POSITIONS)	REPACKAGING VEHICLES	FUNDING VEHICLES FOR CUSTOMERS	SOME INVESTMENT FUNDS	OTHER STRUCTURED ENTITIES
Assets	**7,363**	**14**	**3,839**	**3,543**	**548**
Financial assets held for trading	432	14	—	2,407	30
Financial assets at fair value through profit or loss	14	—	—	—	—
Available-for-sale financial instruments	64	—	—	177	—
Held-to-maturity investments	36	—	—	—	—
Loans and receivables with customers	6,817	—	3,839	959	518
Liabilities	**6**	**23**	**42**	**2,905**	**63**
Deposits from customers	3	—	38	2,397	44
Debt securities in issue	—	—	—	16	—
Financial liabilities held for trading	3	23	1	492	1
Other liabilities	—	—	—	—	—
Provisions	—	—	3	—	18
Off-balance-sheet positions	**319**	**—**	**1,162**	**131**	**209**
Irrevocable credit commitments and other commitments	319	—	1,143	131	55
Guarantees	—	—	19	—	154
Maximum exposure to loss	**7,682**	**14**	**5,001**	**3,674**	**757**

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 €10 million (previous year: €9 million) from charges and management fees was generated during the reporting period on investment funds managed by the Bank, of which €5 million (previous year: €5 million) was passed on to third parties in trailer fees.

Consolidated structured entities
The biggest consolidated structured entity is the multi-seller conduit programme Arabella. Securities with a nominal value of €5,664 million (previous year: €3,515 million) were outstanding at 31 December 2017. The total assets of the multi-seller conduit Arabella Finance DAC at the reporting date amounted to €5,670 million (previous year: €3,517 million).

Other Information (Continued)

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 €3,175 million (previous year: €1,353 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.

87 Trust business

(€ millions)

	2017	2016
Trust assets	**2,788**	**2,713**
Loans and receivables with banks	—	—
Loans and receivables with customers	137	141
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	2,650	2,571
Remaining trust assets	1	1
Trust liabilities	**2,788**	**2,713**
Deposits from banks	137	141
Deposits from customers	2,650	2,571
Debt certificates including bonds	—	—
Other liabilities	1	1

88 Transfer of financial assets

Transferred financial assets are derecognised in accordance with the derecognition criteria set forth in IAS 39 when substantially all the risks and rewards incident to ownership of the asset are transferred.

HVB Group has no continuing involvement in transferred and derecognised financial assets for which substantially the risks and rewards are neither retained nor transferred.

Transferred, non-derecognised financial assets

However, HVB Group conducts business transactions under which it transfers previously recognised financial assets in accordance with IAS 39, but substantially retains all the risks and rewards associated with these assets, meaning that such assets are not derecognised. The recognised asset is simultaneously offset by an associated liability for the consideration received, which corresponds to recognition as a secured loan. HVB Group may not use these transferred, non-derecognised assets for other purposes.

Transactions of this type conducted by the Group relate primarily to securities repurchase agreements (repos) and securities lending transactions.

The securities (transferred) under repo transactions (cash sale) continue to be carried and measured in the consolidated balance sheet, as the Group as seller retains all the credit, share price, interest rate and currency risks associated with the assets and their results. The payment received by the buyer for whom the transferred security acts as security is recognised as a repo liability payable to banks or customers, depending on the counterparty. 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 and Rosenkavalier 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.

89 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 €41.6 billion (previous year: €51.5 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.

Other Information (Continued)

The following table shows the breakdown of assets that we provide as collateral for own liabilities:

(€ millions)

	2017	2016
Financial assets held for trading	17,832	20,265
Financial assets at fair value through profit or loss	7,818	16,559
Available-for-sale financial assets	3,000	3,640
Held-to-maturity investments	—	—
Loans and receivables with banks	—	24
Loans and receivables with customers	11,154	10,855
Property, plant and equipment	—	—
Non-recognised received securities pledged on:		
Pledged securities from non-capitalised securities lending transactions	9,167	11,645
Received collateral pledged	13,084	13,053
Total	**62,055**	**76,041**

The collateral pledged from loans and receivables with customers relates to special credit facilities provided by KfW and similar institutions.

The assets pledged by HVB Group as security relate to the following liabilities:

(€ millions)

	2017	2016
Deposits from banks	36,025	44,131
Deposits from customers	8,880	11,779
Debt securities in issue	—	36
Financial liabilities held for trading	9,242	11,310
Contingent liabilities	—	—
Obligations to return non-expensed, borrowed securities	7,908	8,785
Total	**62,055**	**76,041**

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)

	2017	2016
Aggregate carrying amount of assets pledged as security	62,055	76,041
of which: may be pledged/sold on	32,325	34,937

90 Collateral received that HVB Group may pledge or sell on

As part of repurchase agreements and collateral agreements for OTC derivatives, HVB Group has received security that it may pledge or sell on at any time without the security provider having to be in arrears. The fair value of this security is €27.2 billion (previous year: €29.6 billion).

HVB Group has actually pledged or sold on €13.1 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.

91 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 Business Integrated Solutions S.C.p.A. (UBIS), 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 €532.4 million (previous year: €560.7 million) for these services over the 2017 financial year. This was counteracted by income of €23.3 million (previous year: €16.8 million) from services rendered and internal charges. Moreover, software products worth €1.2 million (previous year: €2.1 million) were purchased from UBIS.

Furthermore, HVB has transferred certain back office activities to UBIS. In this context, UBIS provides settlement services for HVB and other affiliated companies in line with a standard business and operating model. HVB incurred expenses of €115.7 million (previous year: €100.5 million) for these services during the reporting period.

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)

	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

Other Information (Continued)

(€ thousands)

	2016						
	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	5,910	916	998	1,600	1,597	—	11,021
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	831	—	—	—	—	—	831
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	386	27	—	—	25	—	438
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	337	136	307	537	1,382	—	2,699

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 eight members of the Management Board are shown in the table alongside the direct emoluments. Six members of the Management Board took part in the employer-financed, fund-linked pension scheme for executives (known as AgfA) in 2017. The Bank will provide/has provided 35% of the fixed salary contributions in 2017 (2017: €1,237 thousand, previous year: €1,243 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 €24 thousand were reversed in the 2017 financial year (previous year: allocation of €187) 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 €140,119 thousand (previous year: €141,906 thousand).

The compensation paid to retired members of the Management Board and their surviving dependants amounted to €1,347 thousand in 2017 after the transfer of a large part of the pension commitments to HVB Trust Pensionsfonds AG (previous year: €1,382 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	2017	2016
Number of shares granted	248,064	372,176
Number of shares committed after capital measures in 2017	49,495	
Fair value per share on grant date (€)	14,030	3.462

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)

	2017			2016		
	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES	LOANS AND RECEIVABLES	CONTINGENT LIABILITIES ASSUMED	LIABILITIES
Members of the Management Board of UniCredit Bank AG	2,401	10	8,156	1,416	—	7,896
Members of the Supervisory Board of UniCredit Bank AG	299	0	4,296	340	—	4,260
Members of the Executive Management Committee[1]	—	—	—	—	—	1,994

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.

Loans and advances were granted to members of the Management Board and their immediate family members in the form of planned overdraft facilities with an interest rate of 6% with a term to maturity until 2021 and mortgage loans with interest rates of between 1.36% and 5.13% falling due in the period from 2022 to 2037.

Loans and advances were granted to members of the Supervisory Board and their immediate family members in the form of overdraft facilities with an interest rate of 10.63% with no fixed maturity, an overdraft with an interest rate of 10.63% and mortgage loans with an interest rate of 1.92% falling due in 2035.

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

Other Information (Continued)

92 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)

	2017	2016
Fee for	**11**	**12**
Auditing of the financial statements	8	9
Other auditing services	3	2
Tax consulting services	—	—
Other services	—	1

93 Employees

Average number of people employed by us:

	2017	2016
Employees (excluding apprentices)	15,265	16,322
Full-time	10,774	11,713
Part-time	4,491	4,609
Apprentices	352	455

The staff's length of service was as follows:

(in %)

	WOMEN (EXCLUDING APPRENTICES)	MEN (EXCLUDING APPRENTICES)	2017 TOTAL	2016 TOTAL
Staff's length of service				
31 years or more	14.1	14.4	14.2	12.5
from 21 years to less than 31 years	35.7	25.6	31.0	30.0
from 11 years to less than 21 years	27.3	25.5	26.5	26.3
less than 11 years	22.9	34.5	28.3	31.2

94 Offices

Offices, broken down by region

	1/1/2017	ADDITIONS	REDUCTIONS		CHANGE IN CONSOLIDATED GROUP	31/12/2017
		NEW OPENINGS	CLOSURES	CONSOLIDATIONS		
Germany						
Baden-Wuerttemberg	17	—	1	1	—	15
Bavaria	327	4	7	2	—	322
Berlin	10	—	1	—	—	9
Brandenburg	7	—	—	—	—	7
Bremen	7	—	3	—	—	4
Hamburg	20	—	4	—	—	16
Hesse	12	—	1	—	—	11
Lower Saxony	24	—	6	1	—	17
Mecklenburg-Western Pomerania	4	—	—	—	—	4
North Rhine-Westphalia	11	—	2	1	—	8
Rhineland-Palatinate	14	—	—	—	—	14
Saarland	4	—	—	—	—	4
Saxony	8	—	—	—	—	8
Saxony-Anhalt	9	—	—	—	—	9
Schleswig-Holstein	35	—	—	—	—	35
Thuringia	5	—	—	—	—	5
Subtotal	**514**	**4**	**25**	**5**	**—**	**488**
Other regions						
Africa	1	—	—	—	—	1
Americas	12	—	1	—	—	11
Asia	8	—	1	—	—	7
Europe	44	7	5	—	—	46
Subtotal	**65**	**7**	**7**	**—**	**—**	**65**
Total	**579**	**11**	**32**	**5**	**—**	**553**

Other Information (Continued)

95 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, together with other holdings. 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.

		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
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]
UniCredit Luxembourg S.A.[11]	Luxembourg	100.0		EUR	1,342,482	69,303
1.1.1.2 Other consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH & Co.						
Oberbaum City KG[3]	Grünwald	100.0	100.0	EUR	33	4,905
Acis Immobilien- und Projektentwicklungs GmbH & Co.						
Parkkolonnaden KG[3]	Grünwald	100.0	100.0	EUR	34	(372)
Acis Immobilien- und Projektentwicklungs GmbH & Co.						
Stuttgart Kronprinzstraße KG[3]	Grünwald	100.0	100.0	EUR	41	563
AGROB Immobilien AG (share of voting rights: 75.0%)[4, 11]	Ismaning	52.7	52.7	EUR	25,218	1,913
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0	EUR	(16,872)	
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	793	[2]
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(40,601)	975
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0	EUR	(37,312)	950
A&T-Projektentwicklungs GmbH & Co.						
Potsdamer Platz Berlin KG[3]	Munich	100.0	100.0	EUR	(37,240)	
Aufbau Dresden GmbH	Munich	100.0	100.0	EUR	(23,944)	
Bayerische Wohnungsgesellschaft für Handel und Industrie,						
Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	294	[2]
Bertram Projekt Unodecima Technikzentrum GmbH & Co. KG	Hanover	94.0	94.0	EUR	(2,291)	306
B.I. International Limited	George Town	100.0	100.0	EUR	(254)	531
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	31	(1)
BV Grundstücksentwicklungs-GmbH[3]	Munich	100.0	100.0	EUR	511	[2]
BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG[3]	Munich	100.0		EUR	611	(111)
CUMTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Delpha Immobilien- und Projektentwicklungs GmbH & Co.						
Großkugel Bauabschnitt Alpha Management KG[3]	Munich	100.0	100.0	EUR	(22,880)	
Delpha Immobilien- und Projektentwicklungs GmbH & Co.						
Großkugel Bauabschnitt Beta Management KG[3]	Munich	100.0	100.0	EUR	(53,477)	
Delpha Immobilien- und Projektentwicklungs GmbH & Co.						
Großkugel Bauabschnitt Gamma Management KG[3]	Munich	100.0	100.0	EUR	(59,493)	
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	24	6
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(326)	(5)
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co.						
Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(81)	(20)
Food & more GmbH[3]	Munich	100.0		EUR	235	[1.1]
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)	
Grundstücksaktiengesellschaft am Potsdamer Platz						
(Haus Vaterland)	Munich	98.2	98.2	EUR	4,495	[2]

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
Grundstücksgesellschaft Simon beschränkt haftende Kommanditgesellschaft[3]	Munich	100.0	100.0	EUR	52	1,289
H & B Immobilien GmbH & Co. Objekte KG[3]	Munich	100.0	100.0	EUR	5	(1)
HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung[3]	Munich	100.0	100.0	EUR	276	1,140
HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung[3]	Munich	100.0	100.0	EUR	54	496
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	[2]
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG (Immobilienleasing)	Munich	99.4	99.4	EUR	19,756	3,297
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0	EUR	36	121
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 Export Leasing GmbH	Munich	100.0		EUR	39	0
HVB Funding Trust II	Wilmington	100.0		GBP	2	
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0		EUR	29	0
HVB Gesellschaft für Gebäude mbH & Co KG[3]	Munich	100.0		EUR	871,401	26,676
HVB Hong Kong Limited	Hong Kong	100.0		USD	4,603	(15)
HVB Immobilien AG[3]	Munich	100.0		EUR	86,644	[1.4]
HVB Investments (UK) Limited	George Town	100.0		GBP	0	
HVB London Investments (AVON) Limited	London	100.0		GBP	0	
HVB Profil Gesellschaft für Personalmanagement mbH[3]	Munich	100.0		EUR	28	[1.5]
HVB Projekt GmbH[3]	Munich	100.0	94.0	EUR	72,151	[2]
HVB Secur GmbH[3]	Munich	100.0		EUR	126	[1.6]
HVB Tecta GmbH[3]	Munich	100.0	94.0	EUR	1,751	[2]
HVB Verwa 4 GmbH[3]	Munich	100.0		EUR	10,132	[1.7]
HVB Verwa 4.4 GmbH[3]	Munich	100.0	100.0	EUR	10,025	[2]
HVBFF International Greece GmbH	Munich	100.0	100.0	EUR	280	0
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0	EUR	7	0
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0	EUR	33	(2)
HVZ GmbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	148,091	4,525
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0	EUR	17	2
Hypo-Bank Verwaltungszentrum GmbH & Co. KG Objekt Arabellastraße[3]	Munich	100.0	100.0	EUR	26	(2,832)
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co. Immobilien-Vermietungs KG[3]	Munich	80.0	80.0	EUR	(850)	
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]
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	24	[2]
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung[3]	Munich	100.0		EUR	16,692	[1.8]
MILLETERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	100.0	EUR	25	[2]
Mobility Concept GmbH[11]	Oberhaching	60.0	60.0	EUR	13,561	5,186
Movie Market Beteiligungs GmbH i. L.	Munich	100.0	100.0	EUR	15	0
NF Objekt FFM GmbH[3]	Munich	100.0	100.0	EUR	125	[2]
NF Objekt München GmbH[3]	Munich	100.0	100.0	EUR	75	[2]
NF Objekte Berlin GmbH[3]	Munich	100.0	100.0	EUR	15,725	[2]
Ocean Breeze Asset GmbH & Co. KG	Bremen	100.0	100.0	EUR	(22)	(12)
Ocean Breeze Energy GmbH & Co. KG[3]	Bremen	100.0	100.0	EUR	(39,072)	19,136
Ocean Breeze GmbH	Bremen	100.0	100.0	EUR	4	(9)

Other Information (Continued)

		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
Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG[3]	Munich	100.0	100.0	EUR	26	(1)
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG[3]	Munich	100.0	94.0	EUR	26	(106)
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG[3]	Munich	100.0	100.0	EUR	4,014	449
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)	
Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG[3]	Munich	100.0	100.0	EUR	(44,083)	
Perikles 20092 Vermögensverwaltung GmbH	Bremen	100.0	100.0	EUR	12	(9)
Portia Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	500,014	3,811
"Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	31	0
RHOTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	48	5
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(36,170)	950
Salvatorplatz-Grundstücksgesellschaft mbH & Co. oHG Saarland[3]	Munich	100.0	100.0	EUR	1,534	928
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum[3]	Munich	100.0	100.0	EUR	2,301	(5,449)
Salvatorplatz-Grundstücksgesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	[2]
Selfoss Beteiligungsgesellschaft mbH[3]	Grünwald	100.0	100.0	EUR	25	[2]
Simon Verwaltungs-Aktiengesellschaft i.L.[4]	Munich	<100,0		EUR	3,045	(24)
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	(31,923)	950
Spree Galerie Hotelbetriebsgesellschaft mbH[3]	Munich	100.0	100.0	EUR	249	[2]
Structured Invest Société Anonyme	Luxembourg	100.0		EUR	7,061	41
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(7,024)	(19)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,494)	(11)
TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs-KG[3]	Munich	75.0	75.0	EUR	(268,579)	
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(360)	2
TIVOLI Grundstücks-Aktiengesellschaft[4]	Munich	99.7	99.7	EUR	11,791	4,275
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	10,325	791
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	23,601	1,597
Trinitrade Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0		EUR	233	(583)
UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,175	[1.9]
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	127,033	7,977
UniCredit (China) Advisory Limited	Beijing	100.0		CNY	210	(1,067)
UniCredit Direct Services GmbH[3]	Munich	100.0		EUR	937	[1.10]
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	26,693	(395)
UniCredit Leasing GmbH[2, 11]	Hamburg	100.0		EUR	452,026	[1.11]
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	115,432	801
Vermietungsgesellschaft mbH & Co. Objekt MOC KG[3]	Munich	89.3	89.3	EUR	(98,514)	1,802
Verwaltungsgesellschaft Katharinenhof mbH[3]	Munich	100.0		EUR	708	[1.12]
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	[2]
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,548	[1.13]
WealthCap Aircraft 27 GmbH & Co. KG	Grünwald	100.0	100.0	USD	2	
WealthCap Aircraft 27 Komplementär GmbH	Grünwald	100.0	100.0	EUR	25	0
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	570	70
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	3,437	2,937

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 Equity Management GmbH	Munich	100.0	100.0	EUR	1,255	1,230
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	1,042	530
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0	EUR	(371)	(373)
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0	EUR	144	98
WealthCap Immobilienfonds Deutschland 36						
Komplementär GmbH	Grünwald	100.0	100.0	EUR	(309)	(340)
WealthCap Immobilienfonds Deutschland 38						
Komplementär GmbH	Grünwald	100.0	100.0	EUR	16	(72)
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	4,940	3,370
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	[2]
WealthCap Investments, Inc.	Wilmington	100.0	100.0	USD	1,849	485
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	[2]
WealthCap Kapitalverwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	7,099	[2]
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	(145)	(170)
WealthCap Los Gatos 131 Albright Way L.P.	Wilmington	100.0	100.0	USD	(1,693)	(677)
WealthCap Management Services GmbH	Grünwald	100.0	100.0	EUR	3,222	3,186
WealthCap Objekte Südwest GmbH & Co. KG	Munich	100.0	100.0	EUR	(1,180)	(385)
WealthCap Objekt-Vorrat 20 GmbH & Co. KG	Munich	100.0	100.0	EUR	772	760
WealthCap Objekt-Vorrat 21 GmbH & Co. KG	Munich	100.0	100.0	EUR	30	20
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	57	3
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	2,381	1,141
WealthCap Portland Park Square, L.P.	Wilmington	100.0	100.0	USD	(827)	(665)
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	[2]
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0	EUR	43	2
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0	EUR	223	173
WealthCap Vorrats-2 GmbH	Grünwald	100.0	100.0	EUR	25	(8)
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			
Alexandersson Real Estate I B.V.	Apeldoorn	100.0	100.0			
"Alte Schmelze" Projektentwicklungsgesellschaft mbH	Munich	100.0	100.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH i.L.	Ebersberg	98.8	98.8			
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.9			
Apir Verwaltungsgesellschaft mbH & Co.						
Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(33,657)	950
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0			
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0			
BIL Immobilien Fonds GmbH	Munich	100.0	100.0			
BIL Leasing GmbH & Co Hotel Rostock KG i.L.	Rostock	58.9	58.9			
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0			
BV Grundstücksentwicklungs-GmbH & Co.						
Schloßberg-Projektentwicklungs-KG	Munich	100.0	100.0			
Deltaterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.9	EUR	26	[2]
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	[2]
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			

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
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	(49,346)	(25)
HVB Services South Africa (Proprietary) Limited	Johannesburg	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 Produktionshalle GmbH i.L.	Munich	100.0	100.0			
HVZ GmbH & Co. Objekt Unterföhring KG	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	[2]
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Verwaltungs Erste GmbH	Munich	100.0	100.0			
Life Verwaltungs Zweite GmbH	Grünwald	100.0	100.0			
Motion Picture Production GmbH	Grünwald	51.2	51.2			
Omnia Grundstücks-GmbH	Munich	100.0	100.0	EUR	26	[2]
Omnia Grundstücks-GmbH & Co. Betriebs KG	Munich	100.0	94.0			
Othmarschen Park Hamburg Wohn- und Gewerbepark GmbH	Munich	100.0	100.0	EUR	102	[2]
Perterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0			
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Redstone Mortgages Limited	London	100.0		GBP	52,580	665
Saphira Immobilien- und Projektentwicklungs GmbH & Co. Frankfurt City West Office Center und Wohnbau KG	Munich	100.0	100.0			
Schloßberg-Projektentwicklungs- GmbH & Co 683 KG	Munich	100.0	100.0			
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co. Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,002)	0
Tishman Speyer Berlin Friedrichstraße KG i.L. (share of voting rights: 96.6%, of which 7.1% held indirectly)	Munich	97.1	5.9			
UniCredit CAIB Securities UK Ltd.	London	100.0				
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(22,047)	950
VereinWest Overseas Finance (Jersey) Limited	St. Helier	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			

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 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 Fondsportfolio Private Equity 21 GmbH & Co.						
geschlossene Investment KG	Grünwald	100.0	100.0			
WealthCap Fondsportfolio Private Equity 22 GmbH & Co.						
geschlossene Investment KG	Grünwald	100.0	100.0			
WealthCap Immobilien Deutschland 39 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Deutschland 40 GmbH & Co.						
geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Immobilien Deutschland 41 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilien Nordamerika 16 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Nordamerika 17 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien 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 Immobilienfonds Deutschland 36 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 37 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Los Gatos 131 Albright Way GP, Inc.	Wilmington	100.0	100.0	USD	(2,037)	(793)
WealthCap Management, Inc.	Wilmington	100.0	100.0			
WealthCap Mountain View GP, Inc.	Georgia	100.0	100.0			
WealthCap Objekt Bogenhausen GmbH & Co. KG	Grünwald	94.9	94.9	EUR	5,900	(2,894)
WealthCap Objekt-Vorrat 9 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 13 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 15 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 16 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 17 GmbH & Co. KG	Munich	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 Portfolio 3 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Portland Park Square GP Inc.	Atlanta	100.0	100.0			
WealthCap Private Equity GmbH	Munich	100.0	100.0			
WealthCap Private Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Private Equity 19 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap 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 6 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial-AIF 4 GmbH & Co.						
geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Spezial-AIF 6 GmbH & Co. KG	Munich	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
WealthCap Vorrats-1 GmbH	Grünwald	100.0	100.0			
WealthCap Zweite Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Zweite USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte Immobilien 4 Komplementär GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte 5 GP S.à r.l.	Senningerberg	100.0	100.0			
WealthCap 21/22 Equity GmbH & Co. KG						
(share of voting rights: 100%)	Grünwald	—	—			
WealthCap 39 Komplementär GmbH	Grünwald	100.0	100.0			

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
Cuxhaven Steel Construction GmbH	Cuxhaven	0	EUR	25
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. 35 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. 40 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 41 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 42 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. 47 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. 57 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 58 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-2013 S.A.	Luxembourg	0	EUR	31
GELDILUX-TS-2015 S.A.	Luxembourg	0	EUR	31
GEMMA Verwaltungsgesellschaft mbH & Co.				
Vermietungs KG (held indirectly)	Pullach	6.1	EUR	68,272
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

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %	CURRENCY	SUBSCRIBED CAPITAL in thousands of currency units
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	SHARE OF CAPITAL IN % 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
MoneyMap GmbH	Berlin	46.4		EUR	825	(1,380)
WealthCap Portfolio Finanzierungs-GmbH & Co. KG						
(share of voting rights: 50.0%)	Grünwald	—		EUR	71,453	2,238
3 Associated companies						
3.1 Associated companies valued at equity						
Adler Funding LLC[4]	Dover	32.8		USD	13,032	2,442
Comtrade Group B.V.[4, 11]	Rotterdam	21.1	21.1	EUR	48,679	12,808
Nautilus Tankers Limited[4]	Valletta	45.0	45.0	USD	35,943	7,547
paydirekt Beteiligungsgesellschaft privater Banken mbH	Berlin	24.0		EUR	6,112	3
SwanCap Partners GmbH (share of voting rights: 49.0%)[4]	Munich	75.3		EUR	6,041	153
3.2 Minor associated companies[5]						
BioM Venture Capital GmbH & Co. Fonds KG						
(share of voting rights: 20.4%)	Planegg	23.5				
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	231,752	22,885
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3		EUR	11,249	450
BGG Bayerische Garantiegesellschaft mbH						
für mittelständische Beteiligungen	Munich	10.5		EUR	48,737	2,360
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8		EUR	27,601	1,273
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1		EUR	16,350	201
Bürgschaftsbank Nordrhein-Westfalen GmbH						
– Kreditgarantiegemeinschaft –	Düsseldorf	0.6		EUR	34,158	1,114
Bürgschaftsbank Rheinland-Pfalz GmbH	Mainz	1.4		EUR	16,525	145
Bürgschaftsbank Saarland Gesellschaft mit beschränkter						
Haftung, Kreditgarantiegemeinschaft für den Handel,						
Handwerk und Gewerbe	Saarbrücken	1.3		EUR	4,295	43
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9		EUR	15,158	209
Bürgschaftsbank Sachsen GmbH (share voting rights: 5.4%)	Dresden	4.7		EUR	40,370	2,220
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4		EUR	39,211	564
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7		EUR	25,304	700
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5		EUR	24,499	535
MCB Bank Limited	Lahore	>0.0		PKR	138,105,686	19,138,491

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
Niedersächsische Bürgschaftsbank GmbH	Hanover	3.0		EUR	24,464	1,273
Saarländische Investitionskreditbank AG	Saarbrücken	3.3		EUR	64,680	866
solarisBank AG	Berlin	11.8		EUR	5,675	(7,588)
4.2 Other companies						
Acton GmbH & Co. Heureka II KG	Munich	8.9		EUR	53,120	(895)
Amstar Liquidating Trust (share voting rights: 0.0%)	New York	>0.0	>0.0			
Babcock & Brown Limited	Sydney	3.2				
BayBG Bayerische Beteiligungsgesellschaft mbH[7]	Munich	22.5		EUR	226,714	12,688
Bayerischer BankenFonds GbR[7]	Munich	25.6				
BCV Investment SCA (share voting rights: 0.0%)	Luxembourg	1.1	1.1	EUR	603	230
BGN GmbH & Co. KG	Wiesbaden	6.0	6.0			
BIL Leasing-Fonds GmbH & Co. Altstadtsanierung Freiberg KG						
(share voting rights: 0.3%)	Grünwald	—	—	EUR	459	886
BIL Leasing-Fonds GmbH & Co. Bankgebäude Leipzig KG						
(share voting rights: 0.3%)	Grünwald	—	—	EUR	(597)	720
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-Fonds GmbH & Co. Stadtsanierung Freiberg KG						
(share voting rights: 0.2%)	Grünwald	—	—	EUR	2,005	6,829
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	2,198	(54)
Blue Capital Equity I GmbH & Co.KG i.L.	Munich	>0.0	>0.0			
Blue Capital Equity II GmbH & Co. KG i.L.	Munich	>0.0	>0.0	EUR	1,811	(45)
Blue Capital Equity III GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.8	0.8	EUR	8,800	(589)
Blue Capital Equity IV GmbH & Co. KG	Munich	>0.0	>0.0	EUR	15,576	275
Blue Capital Equity V GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.1	0.1	USD	4,135	134
Blue Capital Equity VI GmbH & Co. KG	Munich	>0.0	>0.0	USD	23,300	1,997
Blue Capital Equity VII GmbH & Co. KG	Munich	>0.0	>0.0	USD	18,831	2,834
Blue Capital Equity VIII GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	0.7	0.7	EUR	20,232	420
Blue Capital Equity IX GmbH & Co. KG						
(share voting rights: 0.6%)	Munich	0.7	0.7	EUR	9,515	414
Blue Capital Europa Immobilien GmbH & Co.						
Fünfte Objekte Österreich KG	Munich	0.1	0.1	EUR	15,149	343
Blue Capital Europa Immobilien GmbH & Co.						
Sechste Objekte Großbritannien KG i.L.	Munich	>0.0	>0.0	EUR	1,500	(3,506)
Blue Capital Europa Immobilien GmbH & Co.						
Siebte Objekte Österreich KG	Munich	0.1	0.1	EUR	24,360	2,237
Blue Capital Metro Amerika Fund, L.P.	Wilmington	0.1	0.1	USD	164,923	(2,524)
Blue Capital Metropolitan Amerika GmbH & Co. KG	Munich	0.1	0.1	USD	120,502	6,755
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	13,201	6
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6		EUR	4,158	584
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	4,668,584	666,851
Carlyle U.S. Equity Opportunity Fund, L.P.						
(share voting rights: 0.0%)	Wilmington	0.9	0.9	USD	992,567	(65,725)
Charme II (share voting rights: 0.0%)	Milan	7.7		EUR	8,651	6,866

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
CHARME INVESTMENTS S.C.A. (share voting rightsl: 12.1%)	Luxembourg	13.4		EUR	22,770	697
China International Packaging Leasing Co., Ltd.	Beijing	17.5		CNY	(101,056)	553
China Investment Incorporations (BVI) Ltd.	Tortola	10.8	10.8	USD	48,485	4,570
Circle 1 Luxembourg Holdings S.C.A.	Luxembourg	0.6	0.6			
CLS Group Holdings AG	Zurich	1.2		GBP	369,636	32,345
CMC-Hertz Partners, L.P. (share voting rights: 0.0%)	Wilmington	7.1	7.1			
CME Group Inc.	Wilmington	>0.0		USD	20,340,700	1,534,100
Earlybird GmbH & Co. Beteiligungskommanditgesellschaft III i.L.	Munich	9.7	9.7	USD	7,385	4,673
Easdaq NV	Leuven	>0.0		EUR	1,867	2,604
East Capital Financials Fund AB (share voting rights: 0.0%)	Stockholm	0.2		EUR	25,225	(11,047)
EDD AG (share voting rights: 3.1%)	Düsseldorf	3.0		EUR	32,245	(542)
Einkaufsgalerie Roter Turm Beteiligungs GmbH & Co. KG	Munich	>0.0	>0.0	EUR	7,926	310
Einkaufsgalerie Roter Turm Chemnitz GmbH & Co. KG	Munich	>0.0	>0.0	EUR	54,969	1,116
EURO Kartensysteme GmbH	Frankfurt am Main	6.0		EUR	11,635	173
FBEM Gesellschaft mit beschränkter Haftung i. L.	Berlin	3.0		EUR	271	2,740
Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG	Grünwald	9.3	9.3	EUR	24,939	(1,426)
FinLeap GmbH[8]	Berlin	3.6		EUR	21,935	(6,878)
Gut Waldhof GmbH & Co. Golfplatz Betriebs KG	Hamburg	0.7				
H.F.S. Immobilienfonds Bahnhofspassagen						
Potsdam GmbH & Co. KG	Munich	5.9	5.9	EUR	23,183	(397)
H.F.S. Immobilienfonds "Das Schloss"						
Berlin-Steglitz GmbH & Co. KG	Munich	6.0	6.0	EUR	26,861	776
H.F.S. Immobilienfonds Deutschland 1 GmbH & Co. KG	Munich	0.6	0.6	EUR	841	184
H.F.S. Immobilienfonds Deutschland 3 GmbH & Co. KG	Munich	0.2	0.2	EUR	1,903	935
H.F.S. Immobilienfonds Deutschland 4 GmbH & Co. KG	Munich	0.2	0.2	EUR	(2,487)	(962)
H.F.S. Immobilienfonds Deutschland 6 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	16,291	8,498
H.F.S. Immobilienfonds Deutschland 7 GmbH & Co. KG	Munich	0.1	0.1	EUR	7,034	1,549
H.F.S. Immobilienfonds Deutschland 8 GmbH & Co. KG	Munich	0.1	0.1	EUR	11,886	614
H.F.S. Immobilienfonds Deutschland 9 GmbH & Co. KG	Munich	0.1	0.1	EUR	6,619	410
H.F.S. Immobilienfonds Deutschland 10 GmbH & Co. KG	Munich	1.4	1.4	EUR	133,077	5,712
H.F.S. Immobilienfonds Deutschland 12 GmbH & Co. KG	Munich	3.9	3.9	EUR	80,655	11,511
H.F.S. Immobilienfonds Deutschland 15 GmbH & Co. KG	Munich	0.1	0.1	EUR	18,666	(36)
H.F.S. Immobilienfonds Deutschland 16 GmbH & Co. KG	Munich	0.1	0.1	EUR	61,584	1,367
H.F.S. Immobilienfonds Deutschland 18 GmbH & Co. KG i. L.	Munich	6.1	6.1	EUR	10,773	47,377
H.F.S. Immobilienfonds GmbH & Co. Europa 3 KG	Munich	0.1	0.1	EUR	13,161	(3,765)
H.F.S. Immobilienfonds Köln GmbH & Co. KG	Munich	>0.0	>0.0	EUR	67,570	359
H.F.S. Immobilienfonds Köln Supplier-Park GmbH & Co. KG	Munich	>0.0	>0.0	EUR	24,307	2,732
H.F.S. Immobilienfonds Schweinfurt GmbH & Co. KG	Munich	>0.0	>0.0	EUR	7,246	307
H.F.S. Zweitmarktfonds Deutschland 1 GmbH & Co. KG	Ebersberg	0.1	0.1	EUR	14,831	2,696
H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG	Ebersberg	>0.0	>0.0	EUR	86,863	11,978
HVBFF Immobilien-Fonds GmbH & Co Wohnungen Leipzig KG i.L.						
(share voting rights: 1.0%)	Munich	—	—	EUR	557	376
HVBFF Life Britannia GmbH & Co Erste KG	Grünwald	>0.0	>0.0	EUR	22,139	5,398
HVB Trust Pensionsfonds AG (share voting rights: 0.0%)[8]	Munich	100.0				
IGEPA Gewerbepark GmbH & Co Vermietungs KG	Fürstenfeldbruck	2.0	2.0	EUR	(9,704)	9,650
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	
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	85,812	6,172
Kepler Cheuvreux S.A. (share voting rights: 4.6%)	Paris	5.2		EUR	63,061	7,080
Kreditgarantiegemeinschaft der freien Berufe						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	1.3				

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
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	
Kreditgarantiegemeinschaft des Handels Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	2.3		EUR	1,022	
Kreditgarantiegemeinschaft des Handwerks						
Baden-Württemberg Verwaltungsgesellschaft mbH	Stuttgart	2.5		EUR	1,001	
Kreditgarantiegemeinschaft des Hotel- und						
Gaststättengewerbes in Bayern GmbH	Munich	9.7		EUR	4,359	
Kreditgarantiegemeinschaft für den Handel in Bayern GmbH	Munich	2.2		EUR	6,317	
Kreditgarantiegemeinschaft in Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	5.1		EUR	1,023	
Life Britannia First LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	17,699	429
Life Britannia Second LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	17,699	355
Life GmbH & Co Erste KG	Munich	>0.0	>0.0	USD	104,623	(17,436)
Life GmbH & Co. Zweite KG (share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	87,882	(3,738)
Lion Capital Fund I, L.P. (share voting rights: 0.0%)	London	0.9		EUR	2,429	(410)
Liquiditäts-Konsortialbank GmbH i.L.	Frankfurt am Main	5.7		EUR	230,536	(5,996)
Martin Schmälzle Grundstücksgesellschaft						
Objekt Wolfsburg GmbH & Co. KG	Munich	>0.0	>0.0	EUR	15,692	868
MBG Mittelständische Beteiligungsgesellschaft						
Baden-Württemberg GmbH	Stuttgart	5.0		EUR	66,948	6,067
MBG Mittelständische Beteiligungsgesellschaft						
Rheinland-Pfalz mbH (share voting rights: 11.1%)	Mainz	9.8		EUR	13,548	1,172
MBG Mittelständische Beteiligungsgesellschaft						
Schleswig-Holstein mbH	Kiel	3.6		EUR	36,042	2,604
MFG Flughafen-Grundstücksverwaltungs-						
gesellschaft mbH & Co Beta KG i.L.	Grünwald	10.6				
Mittelständische Beteiligungsgesellschaft						
Berlin-Brandenburg GmbH	Potsdam	11.6		EUR	18,278	1,956
Mittelständische Beteiligungsgesellschaft						
Mecklenburg-Vorpommern mbH	Schwerin	15.4		EUR	14,141	655
Mittelständische Beteiligungsgesellschaft						
Niedersachsen (MBG) mbH	Hanover	8.2		EUR	13,131	895
Mittelständische Beteiligungsgesellschaft						
Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7		EUR	22,870	153
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8		EUR	44,729	2,464
Mittelständische Beteiligungsgesellschaft						
Thüringen mbH	Erfurt	13.4		EUR	23,730	1,214
Motion Picture Production GmbH & Co. Erste KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	(28,103)	1,461
Mühoga Münchner Hochgaragen Gesellschaft						
mit beschränkter Haftung[7]	Munich	25.0	25.0	EUR	4,473	2,050
Natural Stone Investments S.A.	Luxembourg	7.4	7.4	EUR	(175,926)	(14,052)
Neumayer Tekfor Verwaltungs GmbH i.L.						
(share voting rights: 0.0%)	Offenburg	4.0	4.0			
Osca Grundstücksverwaltungsgesellschaft mbH & Co. KG i.L.	Grünwald	18.0				
PAI Europe VII-1 Global S.L.P.	Paris	0.5	0.5			
PICIC Insurance Ltd.	Karachi	>0.0		PKR	38,211	(311,789)
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			

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
Rocket Internet Capital Partners (Euro) SCS						
(share voting rights: 0.0%)	Luxembourg	4.4		EUR	37,806	5,002
Roomstore Inc.	Richmond	7.7	7.7			
Saarländische Kapitalbeteiligungsgesellschaft						
mit beschränkter Haftung (share voting rights: 8.8%)	Saarbrücken	8.7		EUR	7,475	35
Social Venture Fund GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	9.6		EUR	3,308	(264)
Social Venture Fund II GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	4.5		EUR	6,179	(2,362)
Stahl Group S.A.	Luxembourg	0.5	0.5	EUR	651,494	914,893
SwanCap FLP II SCSp (share voting rights: 37.5%)[9]	Senningerberg	—				
SwanCap FLP SCS (Stimmrechtsanteil: 37,5%)[9]	Senningerberg	—				
SwanCap TB II SCSp (share voting rights: 0.0%)[10]	Senningerberg	>0.0				
SwanCap Blocker GmbH & Co. KG[10]	Munich	—				
S.W.I.F.T., (Co-operative 'Society for Worldwide						
Interbank Financial Telecommunication')	Brussels	0.3		EUR	415,332	26,219
Texas Energy Future Holdings L.P. (share voting rights: 0.0%)	Fort Worth	1.5	1.5	USD	2,003	(172)
True Sale International GmbH	Frankfurt am Main	7.7		EUR	4,809	46
UniCredit Business Integrated Solutions						
Società Consortile per Azioni	Milan	>0.0		EUR	332,921	2,572
VISA Inc. (share voting rights: 0.0%)	Wilmington	>0.0		USD	32,912,000	5,991,000
VV Immobilien GmbH & Co. United States KG i.L.						
(share voting rights: 9.2%)	Munich	9.3				
VV Immobilien GmbH & Co. US City KG i.L.	Munich	0.9				
WealthCap Aircraft 1 GmbH & Co. KG	Munich	>0.0	>0.0	USD	22,461	344
WealthCap Aircraft 25 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	45,046	(835)
WealthCap Aircraft 26 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	57,251	(576)
WealthCap Immobilien Deutschland 38 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	89,704	6,513
WealthCap Immobilien Deutschland 39 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	1,070	(498)
WealthCap Immobilienfonds Deutschland 30 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	44,276	6,171
WealthCap Immobilienfonds Deutschland 31 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	35,062	1,514
WealthCap Immobilienfonds Deutschland 32 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	50,741	2,092
WealthCap Immobilienfonds Deutschland 33 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	59,900	2,516
WealthCap Immobilienfonds Deutschland 34 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	39,681	2,545
WealthCap Immobilienfonds Deutschland 35 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	124,993	7,463
WealthCap Immobilienfonds Deutschland 37 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	64,359	2,455
WealthCap Immobilienfonds Donauwörth 1 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	21,571	1,592
WealthCap Immobilienfonds Donauwörth 2 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,498	595
WealthCap Immobilien Nordamerika 16 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	USD	36,431	18
WealthCap Immobilien Nordamerika 17 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	USD	14,639	5,689
WealthCap Infrastructure Fund I GmbH & Co. KG	Munich	>0.0	>0.0	EUR	4,997	3,386
WealthCap Infrastruktur Amerika GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	4,995	(52)
WealthCap Leasing 1 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	31,529	1,576
WealthCap Leasing 2 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	30,985	1,471
WealthCap Leasing 3 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	30,223	1,453
WealthCap Leasing 4 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	29,153	1,233

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 LebensWert 1 GmbH & Co. KG						
share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	2,277	844
WealthCap LebensWert 2. GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	8,792	760
WealthCap Life Britannia 2. GmbH & Co KG	Munich	>0.0	>0.0	EUR	21,433	1,428
WealthCap Life USA 4. GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	76,013	8,495
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	>0.0	>0.0	USD	63,881	7,471
WealthCap Mountain View I L.P. (share voting rights: 0.1%)	Georgia	—	—	USD	40,063	5,070
WealthCap Objekt Berg-am-Laim GmbH & Co. KG	Munich	5.2	5.2	EUR	121,259	8,143
WealthCap Objekt Essen GmbH & Co. KG	Munich	5.2	5.2	EUR	30,877	(376)
WealthCap Objekt Frankfurt GmbH & Co. KG	Munich	5.2	5.2	EUR	(426)	(218)
WealthCap Objekt Hackerbrücke GmbH & Co. KG	Munich	5.2	5.2	EUR	33,358	1,253
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	5.2	5.2	EUR	17,169	229
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	5.2	5.2	EUR	3,885	450
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	5.2	5.2	EUR	17,955	86
WealthCap Objekt Hufelandstraße GmbH & Co. KG	Munich	5.2	5.2	EUR	11,748	851
WealthCap Objekt Riem GmbH & Co. KG	Munich	5.2	5.2	EUR	30,630	1,431
WealthCap Objekt Riem II GmbH & Co. KG	Munich	5.2	5.2	EUR	46,082	(1,676)
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	5.2	5.2	EUR	32,146	761
WealthCap Objekt Sendling GmbH & Co. KG	Munich	5.2	5.2	EUR	(822)	(813)
WealthCap Objekt Stuttgart Ib GmbH & Co. KG	Munich	>0.0	>0.0	EUR	21,775	(332)
WealthCap Objekt Stuttgart II GmbH & Co. KG	Munich	5.2	5.2	EUR	(170)	(177)
WealthCap Objekt Theresienhöhe GmbH & Co. KG	Munich	5.2	5.2	EUR	67,488	3,155
WealthCap Photovoltaik 1 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	26,021	(223)
WealthCap Portfolio 3 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0			
WealthCap Private Equity 10 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	14,212	3,917
WealthCap Private Equity 11 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,471	1,675
WealthCap Private Equity 12 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	58,879	3,050
WealthCap Private Equity 13 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	47,661	2,148
WealthCap Private Equity 14 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	28,216	1,349
WealthCap Private Equity 15 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	19,049	554
WealthCap Private Equity 16 GmbH & Co. KG						
(share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	4,135	134
WealthCap Private Equity 17 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	13,426	1,161
WealthCap Private Equity 18 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	9,683	841
WealthCap Private Equity 19 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	8,940	(5,899)
WealthCap Private Equity 20 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	2,208	(1,352)
WealthCap SachWerte Portfolio 1 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	42,141	1,955
WealthCap SachWerte Portfolio 2 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	90,090	(9,701)
WealthCap Spezial-AIF 1 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	158,188	17,936
WealthCap Spezial-AIF 2 GmbH & Co.						
geschlossene Investment KG	Munich	5.2	5.2	EUR	63,429	3,481
WealthCap Spezial-AIF 3 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	184,410	11,541

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 Spezial-AIF 5 GmbH & Co.						
geschlossene Investment KG	Munich	5.1	5.1	EUR	(769)	(779)
WealthCap US Life Dritte GmbH & Co. KG						
(share voting rights: 0.0%)	Grünwald	0.1	0.1	USD	26,949	528
WealthCap Zweitmarkt 3 BASIS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	36,027	1,373
WealthCap Zweitmarkt 3 PLUS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	13,092	1,220
WealthCap ZweitmarktWerte Immobilien 4 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	8,845	259
WH – Erste Grundstücks GmbH & Co. KG	Munich	6.0		EUR	82,496	18
Wohnungsbaugesellschaft der Stadt Röthenbach						
a. d. Pegnitz mit beschränkter Haftung	Röthenbach a. d. Pegnitz	5.2		EUR	3,223	80

Other Information (Continued)

Exchanges rates for 1 euro at 31 December 2017
Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

China	1 euro =	7.8044	CNY
UK	1 euro =	0.88723	GBP
Pakistan	1 euro =	132.483	PKR
USA	1 euro =	1.1993	USD

Notes and comments to the list of holdings

Percentages marked < or > are rounded up or down to one decimal place, e.g. < 100.0% = 99.99% or > 0.0% = 0.01%.

1 UniCredit Bank AG has concluded profit-and-loss transfer agreements with the following companies:

	COMPANY	PROFIT/(LOSS) TRANSFERRED €'000
1.1	Food & more GmbH, Munich	(417)
1.2	HJS 12 Beteiligungsgesellschaft mbH, Munich	2
1.3	HVB Capital Partners AG, Munich	2,920
1.4	HVB Immobilien AG, Munich	7,697
1.5	HVB Profil Gesellschaft für Personalmanagement mbH, Munich	(445)
1.6	HVB Secur GmbH, Munich	1
1.7	HVB Verwa 4 GmbH, Munich	(361)
1.8	MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	2,514
1.9	UniCredit Beteiligungs GmbH, Munich	(14)
1.10	UniCredit Direct Services GmbH, Munich	(483)
1.11	UniCredit Leasing GmbH, Hamburg	20,000
1.12	Verwaltungsgesellschaft Katharinenhof mbH, Munich	437
1.13	Wealth Management Capital Holding GmbH, Munich	30,225

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 of the 2016 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 minus €10,000 and the net profit €50,000.

7 Despite a holding of more than 20%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and voting patterns to date.

8 The company is held by a trustee for UniCredit Bank AG.

9 UniCredit Bank AG has the position of a limited partner under company law and participates in the profit of the company.

10 UniCredit Bank AG has the position of a limited partner under company law but does not participate in the profit of the company.

11 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.

Other Information (Continued)

96 Supervisory Board

Chairman
Gianni Franco Papa

Deputy Chairmen
Florian Schwarz
Dr Wolfgang Sprissler

Members
Paolo Cornetta
Beate Dura-Kempf
Francesco Giordano
Klaus Grünewald
Werner Habich
until 30 November 2017
Prof Dr Annette G. Köhler
Dr Marita Kraemer
Klaus-Peter Prinz
Jens-Uwe Wächter
until 30 September 2017
Oliver Skrbot
since 1 December 2017
Christian Staack
since 1 October 2017

97 Management Board

Sandra Betocchi Drwenski, since 1 November 2017 – **Chief Operating Officer (COO)**

Peter Buschbeck – **Commercial Banking – Private Clients Bank**

Ljiljana Čortan, since 1 January 2018 – **Chief Risk Officer (CRO)**

Dr Michael Diederich – **Corporate & Investment Banking**
Board Spokesman
(since 1 January 2018)
Human Capital/Labour and Social Affairs
(since 1 January 2018)

Heinz Laber, until 31 October 2017 – **Chief Operating Officer (COO)**

Robert Schindler – **Commercial Banking – Unternehmer Bank**

Andrea Umberto Varese, until 31 December 2017 – **Chief Risk Officer (CRO)**

Dr Theodor Weimer, until 31 December 2017 – **Board Spokesman**
Human Capital/Labour and Social Affairs

Guglielmo Zadra – **Chief Financial Officer (CFO)**

Munich, 27 February 2018

UniCredit Bank AG
The Management Board

Betocchi Drwenski

Buschbeck

Čortan

Dr Diederich

Schindler

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, 27 February 2018

UniCredit Bank AG
The Management Board

Betocchi Drwenski	Buschbeck	Čortan
Dr Diederich	Schindler	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 2017, the consolidated statement of 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 2017 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 2017. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report specified in the "Other information" section of our auditor's 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 International Financial Reporting Standards (IFRS) 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 2017 and of its financial performance for the financial year from 1 January to 31 December 2017, 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 group management report specified in the "Other information" section of our auditor's report.

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 2017. 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 of the trading book
3. IT controls related to financial reporting
4. Valuation of significant legal risks from potential breach of financial sanctions
5. Valuation of deferred taxes

Our presentation of these key audit matters has been structured as follows:
– Description (including reference to corresponding information in the consolidated financial statements)
– Auditor's response
– 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 often require the use of estimates. In the consolidated financial statements, loan loss provisions are set off against the balance sheet item “loans to customers”. Furthermore, provisions for credit risks are disclosed under other provisions. Further, it is to be estimated until which point of time the loss event is recognized and the default risk is taken into account by means of a specific loan loss provision. Also, in particular cases, portfolio provisions were built for special cases being based on certain assumptions and estimates. The key feature of the portfolio allowance in accordance with IAS 39 is the use of various risk parameters in relation to defined portfolios. Significant valuation parameters are the probability of default of a certain portfolio, the exposure as well as the loss given default. 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, these provisions are subject to considerable uncertainty and therefore this issue was selected as a key audit matter. The disclosure regarding the loan loss provisions are enclosed in sections 39, 51, 52, 54 and 70 in the notes to the consolidated financial statements.

b) During the audit of the consolidated financial statements, we firstly audited the effectiveness of the internal controls that capture recording, processing and valuation of loans as well as 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 also included the assessment of implemented processes and controls in place to identify the impaired loans. For a sample, we have audited the credit-worthiness of borrowers, the estimated collateral values and the liquidation periods for credit collaterals based on the historical values of comparable collaterals in the past. We used specialists from our Risk Advisory division who have their focus on credit risk management and IT- audit. For the audit of valuation of loans and contingent liabilities as well as other financial commitments related to credit business, focus was set on the significant impaired loans, since significant areas of judgement are exercised und these have a material impact on the valuation of loans and the recognition of loan loss provisions. We evaluated the valuation of the loans based on group-internal forecasts for the future income and liquidity position of borrowers and assessed the appropriateness of the information basis used for planning purposes. In doing so, we critically challenged and assessed the underlying assumptions of the legal representatives with regard to the expected cash flows of the audited loans respectively the recovery of collaterals. During our audit, we utilised the internal validation reports and third-party audit reports and we evaluated the internal audit reports. Furthermore, we reviewed the portfolio allowance for the different balance sheet items on the basis of our own calculations for expected values.

c) The development of the loan loss provisions was influenced by the favorable economic environment.

2. Determination of the fair value of financial instruments of the trading book

a) Financial instruments assets, which are valued at fair value, are disclosed under the balance sheet items “Financial assets held for trading”, “Financial assets at fair value through profit or loss”, “Available-for-sale financial assets” and “Hedging derivatives” in the consolidated financial statements. Similarly, financial instruments liabilities at fair value are disclosed under the balance sheet items „Financial liabilities held for trading“ and „Hedging derivatives“ in the consolidated financial statements. The valuation of financial instruments has been selected 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 8 of the notes to the consolidated financial statements.

b) We have audited the organizational structure and relating processes with regard to the determination of fair value of financial instruments by examination of the adequacy and effectiveness of the implemented key controls. We used specialists from our Risk Advisory division for our audit. In particular our audit includes the independent verification process for pricing, the validation of valuation methods and assumptions, the approval process for new financial instruments as well as the audit of controls for recording business and valuation parameters and the flow of market data, the governance and the reporting processes including the corresponding controls. Noteworthy issues from disputes with counterparties and extraordinary gains or losses from the sale of financial instruments were investigated. For adjustments to the calculated fair values due to the Group’s creditworthiness, the counterparty credit risk, model risk mitigation, bid-ask spreads, refinancing costs and costs in connection with the liquidation for less actively traded instruments we have audited the assumptions, procedures and models of the bank with regard to the use of valuation techniques used in the industry and a correct and comprehensible valuation. In addition, we conducted our own independent valuation of selected financial instruments and compared our results with the valuation performed by the holding company.

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 and are, according to our evaluation, within an acceptable range.

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 IT services to a large extent to UniCredit Business Integrated Solutions S.C.p.A., Milan (Italy), (UBIS) that 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 functionality of the controls related to user rights and change management processes for the significant accounting-relevant IT applications by incorporating IT-specialists from Risk Advisory for the audit. In doing so, we have coordinated the plan for the ISAE 3402 audit with the ISAE 3402 auditor at UBIS and the group auditors of UniCredit S.p.A. and utilised the audit activities and -results of the ISAE 3402 auditors and the group auditors. We have informed ourselves of the professional competence, independence and regulatory governance of these auditors. During the utilisation of the 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. They are adequately designed with regard to the complexity and size of the Bank.

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 selected as a key audit matter, since 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 disclosure made by the legal representatives regarding the provisions in relation to the legal risks is enclosed in section 70 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 for estimates and the valuation choices made by the legal representatives have a significant effect on the annual group result, we have audited the operational and organizational structure with regard to the recording and valuation of legal risks. In addition, we have assessed the appropriateness of the amount stated, i.a. using values determined according to comparable settlement proceedings and based on the calculations and assessments provided by the Group's attorneys and requested confirmation letters from them. With the support of a financial sanctions expert, we have critically considered the underlying assumptions of the legal representatives. In addition, we have reviewed group-internal investigation results.

c) The provision created by the legal representatives for the legal risks from a potential breach of financial sanctions is within the spectrum of estimations of the Group's Attorneys. In our opinion, the assumptions selected by the legal representatives are justified.

5. Valuation of deferred taxes

a) Deferred tax assets are disclosed under the balance sheet item "Tax assets" in the consolidated financial statements. Deferred tax assets are based on either deductible temporary differences between the tax base and book value in accordance with IFRS or on tax assets from tax-loss carryforwards, to the extent that it is expected that these differences will reverse within the next five years, with a reducing effect on tax. Deferred tax assets are valued at the current effective tax rate or if applicable, at the established future tax rate. The valuation of deferred tax assets is highly dependent on the assumptions made by the legal representatives about the amount and timing of reversal effects from temporary differences and utilisation of tax-loss carryforwards. As the planning assumptions, which are the foundation for the valuation of tax-loss carryforwards (especially future taxable income and expenses), are subject to considerable uncertainty, the valuation of deferred taxes has been selected as a key audit matter. The disclosure made by the legal representatives regarding the deferred taxes is contained in section 43 of the notes to the consolidated financial statements.

b) We used specialists from our Tax and Financial Advisory divisions for our audit. We have assessed the valuation of the capitalised deferred taxes on loss carry-forwards and temporary differences on the basis of bank-internal forecasts based on future taxable income and expenses and the five-years planning prepared by the legal representatives on the future tax income situation of the Bank. Due to the importance of deferred tax assets and due to the fact that the valuation thereof is dependent on economic parameters, which cannot be influenced by the Group, we have conducted a sensitivity analysis for the deferred taxes. Furthermore, we have audited the consistency of material assumptions used in forecasts by comparison with the general and sector-specific market expectations.

c) The tax planning is derived from the multi-year plan, approved by the executive board.

Other information

The legal representatives are responsible for the other information. The other information comprises:

– the statement on business management included in section "Fundamentals of UniCredit Bank AG" of the group management report pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures),
– the legal representatives' confirmation relating to the consolidated financial statements and to the group management report pursuant to § 297 (2) sentence 4 and Section 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 legal representatives and the supervisory board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, that comply, in all material respects, with IFRS 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 legal representatives 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 legal representatives 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 legal representatives 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 legal representatives 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 Institute 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 control.
– 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 legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
– conclude on the appropriateness of the legal representatives’ 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 IFRS as adopted by the EU and with 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 legal representatives in the group management report. On the basis of sufficient appropriate audit evidence, we evaluate in particular, the significant assumptions used by the legal representatives 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 22 May 2017. We were engaged by the supervisory board on 20 June 2017. 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
– Audits recording to § 36 of the Securities Trading Act
– Project assurance related to the implementation of new accounting standard
– Non audit services in connection with a follow-up audit

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Kopatschek.

Munich, March 6, 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof Dr Leuschner)	(Kopatschek)
German Public Auditor	German Public Auditor

The translation of the Independent Auditor's Report is for convenience only; the German version prevail.

Income Statement of UniCredit Bank AG

For the year ended 31 December 2017

EXPENSES

(€ millions)

			2017	2016
1 Interest payable			1,160	1,658
including: netted positive interest from borrowings				
€230 million				(153)
2 Fees and commissions payable			255	338
3 Net expense from the held-for-trading portfolio			—	—
4 General administrative expenses				
a) payroll costs				
aa) wages and salaries	1,209			1,656
ab) social security costs and expenses for				
pensions and other employee benefits	335			392
		1,544		2,048
including: for pensions				
€154 million				(204)
b) other administrative expenses		1,574		1,836
			3,118	3,884
5 Amortisation, depreciation and impairment losses				
on intangible and tangible assets			27	30
6 Other operating expenses			92	305
7 Write-downs and impairments for receivables and				
certain securities as well as additions to provisions				
for losses on guarantees and indemnities			244	480
8 Write-downs and impairments on participating				
interests, shares in affiliated companies				
and investment securities			—	—
9 Expenses from absorbed losses			2	13
10 Extraordinary expenses			130	69
11 Taxes on income			158	130
12 Other taxes, unless shown under				
“Other operating expenses”			2	34
13 Net income			1,300	5
Total expenses			**6,488**	**6,946**

INCOME

(€ millions)

			2017	2016
1	**Interest income from**			
	a) loans and money market operations	2,981		3,559
	including: netted negative interest from borrowings			
	€127 million			(99)
	b) fixed-income securities and government-inscribed debt	420		473
			3,401	4,032
2	**Current income from**			
	a) equity securities and other variable-yield securities	278		339
	b) participating interests	3		45
	c) shares in affiliated companies	221		25
			502	409
3	**Income earned under profit-pooling**			
	and profit-and-loss transfer agreements		64	61
4	**Fees and commissions receivable**		1,449	1,473
5	**Net income from the held-for-trading portfolio**		652	572
	including: transfer as per Section 340e HGB			
	€— million			(16)
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		116	117
8	**Other operating income**		304	282
9	**Net loss**		—	—
	Total income		**6,488**	**6,946**
1	**Net income**		1,300	5
2	**Withdrawal from retained earnings**			
	a) from the reserve for shares in a controlling			
	or majority interest-holding company	—		84
	b) from other retained earnings	2		3,000
			2	3,084
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	—		84
			2	84
4	**Profit available for distribution**		**1,300**	**3,005**

Balance Sheet of UniCredit Bank AG

at 31 December 2017

ASSETS

(€ millions)

		31/12/2017	31/12/2016
1 Cash and cash balances			
a) cash on hand	6,024		4,518
b) balances with central banks	2,967		2,445
including: with Deutsche Bundesbank			
€700 million			(745)
		8,991	6,963
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	30,292		6,461
b) other loans and receivables	27,696		29,410
		57,988	35,871
including: mortgage loans			
€— million			(—)
municipal loans			
€31 million			(50)
against pledged securities			
€— million			(—)
4 Loans and receivables with customers		93,202	94,489
including: mortgage loans			
€41,383 million			(40.165)
municipal loans			
€7,500 million			(9.618)
against pledged securities			
€309 million			(349)
Amount carried forward:		160,185	137,323

LIABILITIES

(€ millions)

			31/12/2017	31/12/2016
1 Deposits from banks				
a) repayable on demand		6,843		7,591
b) with agreed maturity dates or periods of notice		53,406		43,474
			60,249	51,065
including: registered mortgage bonds in issue				
€435 million				(478)
registered public-sector bonds in issue				
€229 million				(189)
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	13,846			13,724
ab) with agreed period of notice				
of more than three months	59			56
		13,905		13,780
b) registered mortgage bonds in issue		4,586		5,021
c) registered public-sector bonds in issue		2,470		2,338
d) other debts				
da) repayable on demand	73,131			71,180
db) with agreed maturity dates or periods of notice	37,014			31,830
including: bonds given to lender as				
collateral for funds borrowed:				
registered mortgage bonds				
€1 million				(3)
and registered public-sector bonds				
€— million				(—)
		110,145		103,010
			131,106	124,149
Amount carried forward:			191,355	175,214

ASSETS

(€ millions)

			31/12/2017	31/12/2016
Amount brought forward:			160,185	137,323
5 **Bonds and other**				
fixed-income securities				
a) money market paper				
aa) issued by public authorities	154			4
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€151 million				(—)
ab) issued by other borrowers	442			1,549
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€— million				(60)
		596		1,553
b) bonds and notes				
ba) issued by public authorities	16,845			21,541
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€16,499 million				(20.971)
bb) issued by other borrowers	26,187			27,840
including: those eligible for collateral for				
Deutsche Bundesbank advances				
€17,078 million				(18.765)
		43,032		49,381
c) own bonds		5,067		2,513
nominal value €5,000 million				(2.500)
			48,695	53,447
6 **Equity securities and other variable-yield securities**			791	801
6a **Held-for-trading portfolio**			49,875	54,505
7 **Participating interests**			89	174
including: in banks				
€15 million				(13)
in financial service institutions				
€9 million				(7)
8 **Shares in affiliated companies**			2,389	2,484
including: in banks				
€795 million				(878)
in financial service institutions				
€488 million				(488)
Amount carried forward:			262,024	248,734

LIABILITIES

(€ millions)

			31/12/2017	31/12/2016
Amount brought forward:			191,355	175,214
3 Debt securities in issue				
a) bonds				
aa) mortgage bonds	11,956			9,689
ab) public-sector bonds	1,284			1,417
ac) other bonds	3,470			2,114
		16,710		13,220
b) other debt securities in issue		3		—
including: money market paper				
€— million				(—)
acceptances and promissory notes				
€3 million				(—)
			16,713	13,220
3a) Held-for-trading portfolio			27,258	31,900
4 Trust liabilities			4	3
including: loans taken out on a trust basis				
€4 million				(3)
5 Other liabilities			6,517	6,719
6 Deferred income				
a) from issuing and lending operations		84		30
b) other		122		145
			206	175
6a) Deferred tax liabilities			—	—
7 Provisions				
a) provisions for pensions				
and similar commitments		—		—
b) tax provisions		630		662
c) other provisions		2,569		2,939
			3,199	3,601
8 Subordinated liabilities			678	500
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:			246,568	231,970

ASSETS

(€ millions)

		31/12/2017	31/12/2016
Amount brought forward:		262,024	248,734
9 Trust assets		4	3
including: loans granted on a trust basis			
€4 million			(3)
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	9		13
c) goodwill	—		—
d) advance payments	1		3
		10	16
11 Property, plant and equipment		144	160
12 Other assets		613	771
13 Prepaid expenses			
a) from issuing and lending operations	37		32
b) other	101		84
		138	116
14 Deferred tax assets		—	—
15 Excess of plan assets over pension liabilities		288	528
Total assets		263,221	250,328

LIABILITIES

(€ millions)

			31/12/2017	31/12/2016
Amount brought forward:			246,568	231,970
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			8
cc) statutory reserve	—			—
cd) other retained earnings	3,145			3,147
		3,155		3,155
d) profit available for distribution		1,300		3,005
			16,653	18,358
Total liabilities and shareholders' equity			**263,221**	**250,328**
1 Contingent liabilities				
a) contingent liabilities on rediscounted				
bills of exchange credited to borrowers		—		—
b) liabilities under guarantees and				
indemnity agreements		36,458		36,018
c) contingent liabilities on assets pledged				
as collateral for third-party debts		—		—
			36,458	36,018
2 Other commitments				
a) commitments from the sale of assets				
subject to repurchase agreements		—		—
b) placing and underwriting commitments		—		—
c) irrevocable lending commitments		41,774		40,966
			41,774	40,966

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 2017 financial year are prepared in accordance with the accounting regulations in the German Commercial Code (Handelsgesetzbuch – HGB), the German Stock Corporation Act (Aktiengesetz – AktG), the German Pfandbrief Act (Pfandbriefgesetz – PfandBG) and the Regulations Governing Disclosures in the Financial Statements of Banks and Similar Financial Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute – RechKredV).

HVB is active in all of the sectors served by commercial and mortgage banks.

Accounting, valuation and disclosure

The amounts shown in the tables and text below are figures at the reporting date of December 31 in the case of disclosures of balances and developments from 1 January to 31 December of the year in question in the case of disclosures regarding the income statement.

1 Consistency

The same accounting and valuation methods have essentially been applied as last year. Changes in accounting and valuation methods as well as disclosure modifications are indicated for the respective items.

2 Cash and cash balances

The cash and cash balances (asset item 1) are stated at nominal amounts.

3 Treasury bills and bills of exchange

Treasury bills and other bills (asset item 2) are shown at their cash value, less any discounted amounts.

4 Loans and receivables with banks and customers

Loans and receivables with banks and customers (asset items 3 and 4) are always stated at the nominal amount plus any accrued interest. Differences between acquisition cost and nominal amount (premiums/discounts) that are attributable to interest are allocated to prepaid expenses or deferred income and taken to the income statement under net interest income in the correct period over the term of the underlying items. Any necessary write-downs and provisions compliant with Section 340f HGB are deducted.

Loans and receivables are valued at the lower of cost or market as stipulated in Section 253 (4) 1 HGB. HVB creates specific loan-loss provisions and accruals to the amount of the anticipated loss for all identifiable exposure to acute counterparty default risk. The expected flow-backs discounted with the original effective interest rate were used when determining the level of write-downs compliant with Section 253 HGB. Specific loan-loss provisions 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 amortised over the period to which they apply.

The purpose defined at the time of acquisition (Section 247 (1) and (2) HGB) determines the assignment of loans, receivables and securities to the held-for-trading portfolios, the liquidity reserve or investment assets.

The Bank has made use of the option permitted by Section 340f (3) and has included the change in provisions compliant with Section 340f HGB to net the write-downs and impairments for receivables and certain securities as well as additions to provisions for losses on guarantees and indemnities with the write-ups on bad and doubtful debts and on certain securities as well as release of provisions for losses on guarantees and indemnities.

5 Bonds and other fixed-income securities, and equity securities and other variable-yield securities

Investment securities and securities held for liquidity purposes (securities treated neither as held for trading purposes nor as investment securities) are shown under bonds and other fixed-income securities (asset item 5) and equity securities and other variable-yield securities (asset item 6).

We measure investment securities in accordance with the modified lower of cost or market principle compliant with Section 253 (3) 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. On the other hand, securities held for liquidity purposes are treated as current assets valued at the lower of cost or market (Section 253 (4) 1 HGB) and carried at their acquisition cost or market value, or fair value, whichever is the lower. Appropriate write-downs are taken to take account of the creditworthiness of the issuer and the liquidity of the financial instrument. 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 €31,255 million (2016: €34,115 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 €195 million (2016: €344 million) for the portfolios whose hedged items encompass securities and promissory notes. The requirements of Section 254 HGB regarding valuation units have been met. The prospective hedging efficiency is documented using the interest rate risk sensitivity analysis based on basis point values (BPV). The changes in value arising from the hedged items and hedges induced from the hedged risk are set against each other and offset within the individual valuation units. Under the net hedge presentation method, no net valuation gain is taken to the income statement; provisions are set up to cover any net loss on the ineffective portion of the changes in 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.

6 Held-for-trading portfolio

Compliant with Section 340e (3) HGB, financial instruments held by banks for trading purposes are measured at fair value less a risk discount and recognised in the balance sheet. Any ensuing changes in value and provisions relating to trading transactions are recognised in the income statement under net income from the held-for-trading portfolio. In addition, compliant with Section 340e (4) HGB an amount is allocated to the “Fund for general banking risks” in accordance with Section 340g HGB, and shown in the balance sheet separately. HVB assigns all financial instruments (bonds, equity securities, derivatives, loans and receivables, and liabilities, including delivery obligations arising from short sales of securities) to the held-for-trading portfolio that are acquired and sold with the intention of generating a short-term gain on proprietary trading. This is done to exploit existing or anticipated differences between buying and selling prices or fluctuations in market rates, prices, values or interest rates to generate a trading gain or margin. No changes have been made compared with last year regarding the criteria for assignment to the trading portfolio (definition of the intention to trade). No financial instruments have been reclassified to or from the held-for-trading portfolio. The assets and liabilities that are held for trading are shown separately in the balance sheet (asset item 6a and liability item 3a).

We have determined the fair value of the financial instruments held for trading purposes in accordance with the valuation hierarchy specified in Section 255 (4) HGB. The fair value is normally defined as the amount at which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the balance sheet date. The market price is used for financial instruments for which there is an active market. Where there is no active market that can be used to determine the market price, the fair value is determined with the aid of generally recognised valuation methods (notably present value and option price models).

The fair values of securities and derivatives are assumed on the basis of either external price sources (such as stock exchanges or other price providers like Reuters) or determined using internal valuation models. For the most part, prices from external sources are used to calculate the fair value of securities. HVB's credit risk is included in the fair value of liabilities held for trading purposes. Derivatives are primarily measured on the basis of valuation models. The parameters for our internal valuation models (such as yield curves, volatilities and spreads) are taken from external sources, and checked for their validity and correctness by the Risk Control unit.

Appropriate adjustments (referred to as fair value adjustments) are made to the fair values calculated in this way in order to take account of further influences on the fair value (such as the liquidity of the financial instrument or model risks when the fair value is calculated using a valuation model). Rating-related default risk in trading-book derivatives is covered by applying suitable valuation adjustments (CVAs and DVAs). 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 our derivative financial instruments, complete with detailed breakdowns by product and risk type, and showing the nominal amounts, fair values and the counterparty structure, is included in the note to the annual financial statements regarding derivative financial instruments.

The Risk Report contains a detailed overview of the Bank's derivative transactions.

7 Participating interests and shares in affiliated companies

Participating interests and shares in affiliated companies (asset items 7 and 8) are shown at the lower of acquisition cost or – if there is a permanent impairment – fair value prevailing at the balance sheet date.

Where HVB holds a controlling interest, profits and losses of partnerships as well as dividends paid by limited or incorporated companies are recognised in the year in which they arise, provided the relevant legal conditions are met.

Compliant with Section 340c (2) 1 HGB, HVB nets income from write-ups on participating interests, shares in affiliated companies and investment securities 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.

8 Intangible assets

Goodwill and software are disclosed under intangible assets (asset item 10).

Purchased goodwill is calculated by setting the acquisition cost of a company against the value of the company's individual assets, less the liabilities at the time of acquisition. It is normally amortised over the standard useful life 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.

9 Property, plant and equipment

Property, plant and equipment (asset item 11) is valued at acquisition or production cost, less – insofar as the assets are depreciable – depreciation using the straight-line method based on their expected useful life. In such cases, the useful lives are closely related to the depreciation rules specified in Section 7 of the German Income Tax Act (Einkommensteuergesetz – EStG) in conjunction with the depreciation tables for equipment. Pro rata depreciation is taken to the income statement for additions to furniture and office equipment in the year of acquisition.

Low-value assets with acquisition costs of up to €150 are fully expensed in the year of acquisition and shown as additions and disposals in the analysis of non-current assets. We set up a collective item for all items of property, plant and equipment with acquisition costs of between €150 and €1,000 (pool depreciation in accordance with Section 6 (2a) EStG), one-fifth of which we reverse in the financial year of creation and each of the following four years in the income statement.

10 Liabilities

Liabilities (liability items 1 to 3, 8 and 9) are stated at the amount repayable plus accrued interest. Differences between the amount repayable and the amount disbursed (premiums/discounts) that are attributable to interest are allocated to prepaid expenses or deferred income, and reversed under net interest income in the correct accounting period. Liabilities without current interest payments (zero-coupon bonds) are stated at their present value calculated using a constant discount rate over the relevant terms.

Notes to the Annual Financial Statements (Continued)

11 Provisions

In accordance with the principles of sound commercial judgement, we assess provisions for taxes, uncertain liabilities and anticipated losses on pending transactions (liability item 7) at the amount repayable, taking into account anticipated future price and cost increases. 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 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.

(in %)

	2017	2016
Discount rate (10-annual average)	3.68	4.01
Discount rate (7-annual average)	2.80	3.24
Pension trend	1.60	1.50
Anticipated wage and salary increases	1.50	1.50
Career trend	0.50	0.50
Reduction of the probabilities based on the modified Heubeck 2005 G tables to		
Mortality		
Men	75	75
Women	90	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 pension in connection with company restructuring activities. Similarly, the impact on earnings of the change in the discount rate is allocated to payroll costs.

An allocation totalling €332 million is required as the recognised provision for pensions and similar commitments has increased on account of the change in valuation due to the changeover to the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG). HVB makes use of the option compliant with Section 67 (1) 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch – EGHGB) to aggregate at least one-fifteenth of the amount allocable to the provisions for pensions in every financial year up to 31 December 2024 at the latest. The outstanding amount of €130 million of the omitted transitional allocation was fully written up under extraordinary income/expenses in the 2017 financial year.

Furthermore, IDW RS BFA 3 requires the Bank to check whether it has incurred a loss on the aggregate holding of interest-bearing transactions in the banking book. The Bank applies the net present value approach to ascertain whether there are any circumstances beyond the individual valuation that had already occurred in economic terms at the reporting date that would lead to losses in the future. In this instance, it would be necessary to set up a provision for anticipated losses on pending transactions to ensure loss-free valuation in the banking book. To do this, the cash flows from the interest-bearing transactions in the banking book are discounted on the basis of the market interest rates at the reporting date and set against their carrying amounts using the net present value approach. All on- and off-balance-sheet, interest-bearing financial instruments outside of the held-for-trading portfolio are included in this process. All costs to be incurred in connection with the interest-bearing transactions such as risk costs, administration costs for handling the transactions through to their maturity, funding costs and so on are taken into account for discounting. The contractual cash flows are normally used as the basis; appropriate assumptions regarding the anticipated utilisation are only made and hence an economic maturity used as the basis for financial instruments with no fixed maturity (such as demand and savings deposits) in compliance with the internal risk management rules. The present values calculated in this way are set against the carrying amounts; derivatives concluded to hedge interest rate risk in the banking book are recognised at their fair value and generally set against a carrying amount of zero as they are not carried as general hedging derivatives individually in the banking book. A provision for anticipated losses on pending transactions needs to be set up to cover any shortfall between the present value determined in this way and the carrying amount. In this context, positive differences on interest-bearing transactions may not be offset against negative differences unless the transactions concerned are controlled together in internal interest rate risk management.

12 Plan assets

Assets serving exclusively to settle pension commitments or similar long-term commitments, and to which all other creditors do not have recourse, are measured at fair value and offset against the underlying commitment.

If the offsetting results in an excess of commitments over plan assets, we recognise a provision for pensions and similar commitments (liability item 7) to this amount. If the value of the assets exceeds the commitments, the amount is recognised under excess of plan assets over pension liabilities (asset item 15).

The plan assets consist mainly of investment fund shares that are recognised at the current redemption price (fair value).

Notes to the Annual Financial Statements (Continued)

Income and expenses arising from plan assets 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.

13 Deferred tax assets and liabilities

Compliant with Section 274 HGB, deferred tax items are determined for temporary differences between the carrying amount of an asset, liability or deferred item shown in the commercial balance sheet and the corresponding amount disclosed for tax reporting purposes as well as for tax loss carryforwards and tax credits. German corporations are normally charged a corporate income tax rate of 15%, irrespective of any dividend distribution. Deferred taxes are measured using the uniform corporate income tax rate of 15.8%, including the solidarity surcharge, and the municipal trade tax dependent upon the applicable municipal trade tax multiplier. At HVB, this results in an overall valuation rate for the domestic portion of deferred taxes of 31.4%. The respective local tax rates are applied analogously for the foreign establishments. Compliant with Section 274 (1) 2 HGB, the deferred tax assets involved have not been recognised on account of an aggregate future reduction in tax. This results mainly from tax valuation provisions regarding general provisions and held-for-trading portfolios as well as tax loss carryforwards.

14 Foreign currencies

Amounts in foreign currency are translated in accordance with the principles set forth in Section 340h and Section 256a HGB. As a result, assets and liabilities denominated in foreign currency and spot transactions outstanding at the balance sheet date are always converted into euros using the mean spot rate applicable at the balance sheet date. The foreign currency positions in the portfolio not held for trading that are concluded in each currency are transferred to the held-for-trading portfolio on a daily basis under a standard system of currency risk management that is applicable across the Bank as a whole. The translation gains on the foreign currency positions managed in the held-for-trading portfolio are recognised at fair value in the income statement in accordance with the valuation methods applicable to the held-for-trading portfolio (Section 340e (3) 1 HGB). Consequently, the entire net income from FX trading is disclosed under net income from the held-for-trading portfolio in the income statement. On the other hand, investment securities denominated in foreign currency that are not specifically covered in the same currency and are not transferred to the held-for-trading portfolio as part of currency risk management applicable throughout the Bank are carried at their historical cost. Outstanding forward transactions are translated using the forward rate effective at the balance sheet date.

Notes to the Income Statement

The condensed income statement is shown with the Management Report.

15 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)

	2017	2016
Total income	**6,308**	**6,768**
Germany	4,945	5,491
Italy	509	434
United Kingdom	502	446
Rest of Europe	52	54
Americas	247	259
Asia	53	84

16 Net interest income

The following table shows the breakdown of net interest:

(€ millions)

	2017	2016
Net interest income	**2,807**	**2,844**
Interest income from		
lending and money market transactions	2,981	3,559
fixed-income securities and government-inscribed debt	420	473
Current income from equity securities and other variable-yield securities, participating		
interests and shares in affiliated companies	502	409
Income from profit-pooling and profit-and-loss-transfer agreements	64	61
Interest expenses	1,160	1,658

Negative interest that the Bank is required to pay for assets (such as interest for average reserve assets exceeding the required minimum reserves and for other deposits at the ECB) is reported under interest income with a negative sign (€127 million, 2016: €99 million); where negative interest is received on the liabilities side, this is entered as interest expenses with a positive sign (€230 million, 2016: €153 million). This mainly relates to securities repurchase agreements, overnight deposits and forward transactions with banks and institutional investors.

The interest expense arising from the compounding of provisions amounts to €3 million (2016: €3 million).

Notes to the Income Statement (Continued)

17 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.

18 Net income from the held-for-trading portfolio
The net income from the held-for-trading portfolio (net trading income) of €652 million (2016: €572 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.

19 Breakdown of other operating income and expenses
This item primarily includes income from the reversal of provisions other than provisions for lending and securities operations (€177 million (2016: €142 million)), payroll costs and cost of materials passed on (€65 million (2016: €65 million)) and the recognition of income from services performed in earlier years (€11 million (2016: €7 million)).

Other operating expenses include the following:
– compensation and ex gratia payments (€13 million (2016: €32 million))
– additions to provisions other than provisions for lending and securities operations (€44 million (2016: €200 million))
– expenses of €19 million (2016: €24 million) arising from the compounding and discounting of other provisions in the non-lending business as well as
– expenses of €4 million (2016: €1 million) related to other periods

20 Expenses from absorbed losses
As in the previous year, there was no expense from an absorbed loss in other accounting periods in the 2017 financial year.

21 Extraordinary income/expenses
In the course of the changeover to the BilMoG in 2010, HVB exercised the option compliant with Section 67 (1) 1 EGHGB of aggregating at least one-fifteenth of the amount allocable to the provisions for pensions in every financial year up to 31 December 2024 at the latest. The outstanding allocation amount of €130 million was fully written up in the 2017 financial year and charged to extraordinary income/expenses in the income statement.

22 Taxes on income and net income
The current taxes on income of €158 million include a net tax income of €134 million from earlier years.

The profit available for distribution amounts to €1,300 million. We will propose to the Shareholders' Meeting that a dividend of €1,300 million be paid to UniCredit S.p.A. (UniCredit), Milan, Italy. This represents a dividend of around €1.62 per share after around €3.75 in 2016. In accordance with a resolution adopted by the Shareholders' Meeting on 22 May 2017, the profit available for distribution of €3,005 million (consisting of the net income of €5 million and a withdrawal from other retained earnings of €3,000 million) disclosed in 2016 was distributed to UniCredit.

Notes to the Balance Sheet

23 Breakdown by maturity of selected asset items

The following table shows the breakdown by maturity of selected asset items:

(€ millions)

		2017	2016
A 3 b)	Other loans and receivables with banks		
	with residual maturity of less than 3 months	9,452	12,030
	at least 3 months but less than 1 year	11,530	10,495
	at least 1 year but less than 5 years	5,977	6,153
	5 years or more	737	732
A 4	Loans and receivables with customers		
	with residual maturity of less than 3 months	9,704	10,157
	at least 3 months but less than 1 year	7,415	7,111
	at least 1 year but less than 5 years	28,965	30,014
	5 years or more	38,539	38,002
	No fixed maturity	8,579	9,205
A 5	Bonds and other fixed-income securities, amounts due in the following year	10,452	12,073

24 Breakdown by maturity of selected liability items

The following table shows the breakdown by maturity of selected liability items:

(€ millions)

		2017	2016
L 1	Deposits from banks		
L 1b)	with agreed maturity dates or periods of notice		
	with residual maturity of less than 3 months	23,793	21,614
	at least 3 months but less than 1 year	5,948	6,350
	at least 1 year but less than 5 years	17,956	10,309
	5 years or more	5,709	5,201
L 2	Deposits from customers		
L 2 ab)	savings deposits with agreed maturity dates or periods of notice		
	with residual maturity of less than 3 months	6	11
	at least 3 months but less than 1 year	13	16
	at least 1 year but less than 5 years	40	28
	5 years or more	—	1
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	18,119	16,349
	at least 3 months but less than 1 year	10,398	9,529
	at least 1 year but less than 5 years	7,395	4,721
	5 years or more	8,158	8,590
L 3	Debt securities in issue		
L 3 a)	Bonds, amounts due in following year	2,718	3,549
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)

25 Amounts receivable from and payable to affiliates and companies in which participating interests are held

(€ millions)

	2017		2016	
	AFFILIATES	PARTICIPATING INTERESTS	AFFILIATES	PARTICIPATING INTERESTS
Loans and receivables with banks	14,021	184	14,903	169
of which: UniCredit S.p.A.	3,217	—	1,777	—
Loans and receivables with customers	2,039	508	3,438	599
Bonds and other fixed-income securities	3	5,703	3	5,669
of which: UniCredit S.p.A.	—	—	—	—
Deposits from banks	9,456	109	5,089	138
of which: UniCredit S.p.A.	5,749	—	929	—
Deposits from customers	638	447	938	583
Debt securities in issue	125	—	321	—
of which: UniCredit S.p.A.	—	—	—	—
Subordinated liabilities	463	—	264	—

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.

26 Trust business

Trust business assets and liabilities break down as follows:

(€ millions)

	2017	2016
Trust assets	**4**	**3**
Loans and receivables with banks	—	—
Loans and receivables with customers	4	3
Equity securities and other variable-yield securities	—	—
Participating interests	—	—
Other assets	—	—
Trust liabilities	**4**	**3**
Deposits from banks	4	3
Deposits from customers	—	—
Debt securities in issue	—	—
Other liabilities	—	—

There were no significant changes in trustee activities compared with last year.

27 Foreign-currency assets and liabilities

(€ millions)

	2017	2016
Assets	**39,923**	**44,609**
Cash and cash balances	2,266	1,700
Treasury bills and other bills eligible for refinancing with central banks	4	—
Loans and receivables with banks	3,550	3,152
Loans and receivables with customers	14,386	16,030
Bonds and other fixed-income securities	3,190	3,386
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio (assets held for trading purposes)	16,350	20,150
Participating interests	8	8
Shares in affiliated companies	76	85
Trust assets	—	—
Intangible assets	—	—
Property, plant and equipment	4	5
Other assets	83	88
Prepaid expenses	6	5
Liabilities	**34,512**	**41,342**
Deposits from banks	11,257	13,504
Deposits from customers	10,202	7,634
Debt securities in issue	2	12
Held-for-trading portfolio (liabilities held for trading purposes)	12,319	19,362
Trust liabilities	—	—
Other liabilities	129	177
Deferred income	43	57
Provisions	410	428
Subordinated liabilities	150	168

The amounts shown represent the euro equivalents of all currencies.

28 Subordinated asset items

The following balance sheet items contain subordinated assets:

(€ millions)

	2017	2016
Subordinated asset items	**2,398**	**2,568**
Loans and receivables with banks	320	321
Loans and receivables with customers	36	39
Bonds and other fixed-income securities	1,856	2,007
Equity securities and other variable-yield securities	—	—
Held-for-trading portfolio	186	201

Notes to the Balance Sheet (Continued)

29 Marketable debt and investments

The listed and unlisted marketable securities included in the respective balance sheet items break down as follows:

(€ millions)

	2017			2016		
	TOTAL MARKETABLE SECURITIES	OF WHICH: LISTED	OF WHICH: UNLISTED	TOTAL MARKETABLE SECURITIES	OF WHICH: LISTED	OF WHICH: UNLISTED
Bonds and other fixed-income securities	48,695	39,497	9,198	53,447	43,089	10,358
Equity securities and other						
variable-yield securities	76	—	76	76	—	76
Held-for-trading portfolio	30,734	26,143	4,591	27,132	20,587	6,545
Participating interests	—	—	—	2	—	2
Shares in affiliated companies	—	—	—	—	—	—

Non-current marketable securities contain financial instruments carried at an amount higher than their fair value.

(€ millions)

	2017		2016	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Non-current securities	**2,888**	**2,857**	**2,472**	**2,365**
Bonds and other fixed-income securities	2,888	2,857	2,472	2,365
Equity securities and other variable-yield securities	—	—	—	—

Given the development of interest and rating risks, we do not believe that these securities have suffered a permanent loss of value.

30 Held-for-trading portfolio

The following table shows the breakdown of assets held for trading purposes (asset item 6a) by financial instruments:

(€ millions)

	2017	2016
Assets held for trading	**49,875**	**54,505**
Derivative financial instruments (positive fair values)	11,198	14,245
Loans and receivables	4,357	10,788
Bonds and other fixed-income securities	16,163	14,891
Equity securities and other variable-yield securities	16,129	13,845
Other assets	2,052	764
Less risk discount (for entire portfolio of assets held for trading purposes)	(24)	(28)

The following table shows the breakdown of liabilities held for trading purposes (liability item 3a) by financial instruments: (€ millions)

	2017	2016
Liabilities held for trading	**27,258**	**31,900**
Derivative financial instruments (negative fair values)	7,590	10,799
Liabilities (including delivery obligations arising from short sales of securities)	19,668	21,101

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 €32.6 billion (2016: €44.6 billion) with negative fair values of €33.7 billion (2016: €46.1 billion) on derivatives held for trading with the associated receivables (€7.9 billion, 2016: €9.2 billion) and liabilities (€6.9 billion, 2016: €7.7 billion) from collateral provided.

31 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)

	2017				2016			
	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	**1,194**	**1,199**	**5**	**4.1**	**934**	**938**	**4**	**1.7**
Equity funds	214	214	—	—	156	156	—	0.1
Money market funds and near-money market funds	20	20	—	—	20	20	—	0.1
Mixed funds	455	460	5	0.8	308	312	4	0.5
Index funds	189	189	—	0.1	163	163	—	—
Bond funds	173	173	—	1.0	130	130	—	0.2
Funds of funds	143	143	—	2.2	157	157	—	0.8

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)

32 Analysis of non-current assets

(€ millions)

	INTANGIBLE ASSETS				PROPERTY, PLANT AND EQUIPMENT			
	SOFTWARE	DOWN-PAYMENTS	OTHER INTANGIBLE ASSETS	TOTAL	LAND AND BUILDINGS USED BY HVB IN ITS OPERATIONS	FURNITURE AND OFFICE EQUIPMENT	TOTAL	OTHER NON-CURRENT ASSETS
Acquisition/Production costs								
Balance at 1/1	506	3	—	509	200	224	424	21
Additions	2	1	—	3	—	4	4	—
Disposals	3	—	—	3	9	4	13	—
Reclassifications[1]	3	(3)	—	—	(3)	(6)	(9)	—
Post-capitalization	—	—	—	—	—	—	—	—
Balance at 31/12	508	1	—	509	188	218	406	21
Depreciation/Amortisation								
Balance at 1/1	493	—	—	493	109	155	264	—
Additions	9	—	—	9	7	11	18	—
thereof non-scheduled	—	—	—	—	1	—	1	—
Disposals	3	—	—	3	5	4	9	—
Reclassifications[1]	—	—	—	—	(3)	(5)	(8)	—
Write-ups	—	—	—	—	3	—	3	—
Balance at 31/12	499	—	—	499	105	157	262	—
Net Book Value								
Balance at 1/1	13	3	—	16	91	69	160	21
Balance at 31/12	9	1	—	10	83	61	144	21

1 including changes in value due to currency translation

(€ millions)

	ACQUISITION COST	CHANGES +/–[1]	NET BOOK VALUE 31/12/2017	NET BOOK VALUE 31/12/2016
Participating interests	190	(101)	89	174
Shares in affiliated companies	2,557	(168)	2,389	2,484
Investment securities	10,769	(1,071)	9,698	10,769

1 use has been made of the possibility of combining amounts allowed by Section 34 (3) RechKredV

33 Other assets

The following table shows the main items included in other assets:

(€ millions)

	2017	2016
Claims to dividends from affiliated companies	160	84
Claims to tax reimbursements	135	414
thereof:		
Claims arising from income tax	109	332
Claims arising from non-income taxes	26	82
Proportion of income from commission/interest not yet received	76	64
Proportion of income from portfolio fees	29	29
Capital investments with life insurers	25	27
Works of art	21	21
Trade debtors	20	34

34 Prepaid expenses

The prepaid expenses arising from issuing and lending operations include the following:

(€ millions)

	2017	2016
Discounts on funds borrowed	36	31
Premiums on amounts receivable	1	1

35 Excess of plan assets over pension liabilities

An amount payable of €1,357 million arising from liabilities due to pension and similar commitments was set against offsetting plan assets with a fair value of €1,645 million. Under the initial application provisions of the BilMoG, use was made of the option compliant with Article 67 (1) 1 EGHGB to aggregate at least one-fifteenth of the amount allocable to the provisions for pensions in every financial year up to 31 December 2024 at the latest. An amount of €69 million was allocated to provisions for pensions in the 2016 financial year. This amount includes the write-up of the part of the transitional allocation attributable to the transfer of further assets and liabilities to HVB Trust Pensionsfonds AG, Munich. The outstanding amount of €130 million allocable to provisions for pensions was fully written up in the 2017 financial year. The excess of assets over commitments is disclosed in the balance sheet as the excess of plan assets over pension liabilities (€288 million). The acquisition cost of the offsetting plan assets totalled €1,444 million. The assets involved are essentially fund shares, subordinated bonds, investments, and cash and cash equivalents.

(€ millions)

	2017	2016
Amount payable for offset pension and similar commitments (average interest rate 7 years)	1,588	1,374
Amount payable for offset pension and similar commitments (average interest rate 10 years)	1,357	1,201
Fair value of the offsetting plan assets	1,645	1,599
Omitted transitional allocation	—	130
Excess of plan assets over the commitments, including the shortfall	288	528
Acquisition cost of the offsetting plan assets	1,444	1,420

Notes to the Balance Sheet (Continued)

The following table shows the surplus from pension commitments contained in other operating expenses:

(€ millions)

	2017	2016
Surplus from pension commitments	**(5)**	**(11)**
Income from plan assets used to offset pension and similar commitments	40	94
Expense component of the change in provisions for pensions and similar commitments	45	56
Expenses from plan assets used to offset pension and similar commitments	—	49

36 Assets assigned or pledged as security for own liabilities

Assets were assigned or pledged as security for the following liabilities:

(€ millions)

	2017	2016
Assets assigned or pledged as security for own liabilities	**40,216**	**43,044**
Deposits from banks	27,177	28,041
Deposits from customers	13,039	15,003

In addition, collateral is pledged to the ECB, irrespective of whether this is actually used to borrow funds or not. At 31 December 2017, the volume of pledged collateral amounted to €16.3 billion (2016: €23.0 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 €29.9 billion (2016: €33.4 billion) to its funding partners. The total includes €7.2 billion (2016: €6.4 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 €12.6 billion (2016: €13.6 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 hedge pension and semi-retirement obligations. Pursuant to Section 8a AltTZG, employers are required to hedge credit exceeding three times the amount of normal earnings, including the associated employer's contribution to the total social security charge, against the risk of insolvency. Recognised provisions and obligations to cover the costs of other group companies are not considered suitable means of security.

37 Other liabilities

The following table shows the main items included in other liabilities:

(€ millions)

	2017	2016
Amounts owed to special purpose entities	5,657	5,657
Obligations arising from debts assumed	339	332
Other amounts owed to employees	90	100
Taxes payable	45	110
Trading book valuation reserves	12	11
Amounts yet to be distributed from outplacements, etc.	7	3
Liabilities from losses absorbed from subsidiaries	2	13

The true sale transactions included under amounts owed to special purpose entities were carried out with a view to using the securities generated as collateral for repurchase agreements with the ECB. The underlying receivables are still recognised by HVB. All tranches are retained by the Bank, meaning that there is no corresponding reduction in risk-weighted assets.

The obligations arising from debts assumed essentially reflect obligations arising from the liquidation of media funds.

The taxes payable mainly include liabilities from non-income taxes of €42 million (2016: €110 million).

38 Deferred income

Discounts on amounts receivable shown at nominal value totalled €13 million (2016: €12 million). Furthermore, other deferred income includes accrued commissions of €13 million (2016: €24 million), processing fees of €64 million (2016: €66 million) and interest of €42 million (2016: €53 million) collected in advance.

Notes to the Balance Sheet (Continued)

39 Provisions

Other provisions include the following items:

(€ millions)

	2017	2016
Total other provisions	**2,569**	**2,939**
Provisions for losses on guarantees and indemnities	228	218
Anticipated losses on pending transactions	—	—
Provisions for uncertain liabilities	2,341	2,721
thereof:		
Legal risks	603	676
Valuation units	372	418
Restructuring	356	574
Payments to employees	334	279
Payments for early retirement, semi-retirement, etc.	173	102
Anniversary bonus payments	34	38
Bonuses on saving plans	11	18
Other	458	616

The provisions for legal risks shown under provisions for uncertain liabilities contain provisions for litigation fees and damage payments. The other provisions include provisions for pre-emptive rights and dismantling obligations, among other things.

40 Subordinated liabilities

This item includes accrued interest of €3 million (2016: €3 million). HVB incurred interest expenses of €25 million on subordinated liabilities as at 31 December 2017 (2016: €27 million).

The borrower cannot be obliged to make early repayment in the case of subordinated liabilities. In the event of insolvency or liquidation, subordinated loans are only repaid after the claims of all primary creditors have been settled. For the purposes of a bank's liable funds as defined under banking supervisory regulations, subordinated liabilities are regarded as supplementary capital.

On 25 January 2001, HVB issued a subordinated promissory note with a volume of €96 million. This subordinated promissory note matures on 27 January 2031 and bears interest at the 6-month Euribor rate, taking account of a surcharge of 0.65% p.a. for the entire term.

Shareholders' Equity

41 Analysis of shareholders' equity shown in the balance sheet

(€ millions)

a) Called-up capital		
Subscribed capital		
Balance at 1 January 2017	2,407	
Balance at 31 December 2017		2,407
b) Additional paid-in capital		
Balance at 1 January 2017	9,791	
Balance at 31 December 2017		9,791
c) Retained earnings		
ca) Legal reserve		
Balance at 1 January 2017	—	
Balance at 31 December 2017		—
cb) Reserve for shares in a controlling or majority interest-holding company		
Balance at 1 January 2017	8	
Transfer to the reserve for shares in a controlling or		
majority interest-holding company	2	
Balance at 31 December 2017		10
cc) Reserve set up under the Articles of Association		
Balance at 1 January 2017	—	
Balance at 31 December 2017		—
cd) Other retained earnings		
Balance at 1 January 2017	3,147	
Withdrawal for transfer of the reserve for shares in a controlling		
or majority interest-holding company	(2)	
Withdrawal from retained earnings	—	
Balance at 31 December 2017		3,145
d) Profit available for distribution		
Balance at 1 January 2017	3,005	
Dividend payout of HVB for 2016	(3,005)	
Withdrawal from retained earnings	—	
Net profit 2017	1,300	
Balance at 31 December 2017		1,300
Shareholders' equity		
Balance at 31 December 2017		16,653

Shareholders' Equity (Continued)

42 Holdings of HVB stock in excess of 5%

(in %)

	2017	2016
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.

43 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 €200 million (2016: €179 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 €231 million at year-end 2017. Freely disposable provisions have been set up to cover the amount not available for distribution.

44 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

45 Report on subsequent events (events after the end of the reporting period)

At its meeting on 16 February 2018, the Supervisory Board appointed Jan Kupfer and Dr Emanuele Buttà as members of the Management Board with effect from 1 March 2018. Mr Kupfer will be in charge of the Corporate & Investment Banking business segment and succeeds Dr Michael Diederich, who was appointed Board Spokesman of UniCredit Bank AG as per 1 January 2018. Dr Emanuele Buttà is taking over the Private Clients Bank business unit from Peter Buschbeck which together with the Unternehmer Bank business unit constitutes the Commercial Banking business segment of the Bank.

46 Contingent liabilities and other financial commitments

The following table shows the breakdown of contingent liabilities arising from guarantees and indemnity agreements totalling €36,458 million:

(€ millions)

	2017	2016
Guarantees and indemnities	16,751	17,526
Loan guarantees	16,300	15,290
Documentary credits	3,407	3,202
Total	**36,458**	**36,018**
thereof to:		
affiliated companies	16,925	16,713
associated companies	1	—

Irrevocable lending commitments totalling €41,774 million break down as follows:

(€ millions)

	2017	2016
Book credits	35,918	34,889
Mortgage and municipal loans	3,023	2,866
Guarantees	2,833	3,211
Bills of exchange	—	—
Total	**41,774**	**40,966**
thereof to:		
affiliated companies	568	673
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)

HVB has made use of the option to provide up to 15% (2016: 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 €48 million at year-end 2017 (2016: €34 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 €8 million at year-end 2017 (2016: €7 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. We assume that it will not be necessary to utilise the vast majority of the contingent liabilities arising from legal risks, meaning that the amounts are not representative of actual future losses. Such contingent liabilities arising from significant legal risks for which an estimate is possible amounted to €112 million at year-end 2017 after €162 million at year-end 2016.

Other financial commitments arising from real estate and IT operations total €759 million (2016: €808 million). A large part of the total relates to contracts with subsidiaries (€648 million (2016: €687 million)). The contracts run for standard market periods, and no charges have been put off to future years. Whereas in the previous year the commitments for one year were stated, this year we are showing the commitments arising under the expected remaining terms of the contracts. The previous year's figure has been adjusted accordingly.

At the reporting date on 31 December 2017, HVB had pledged securities worth €1,531 million (2016: €1,590 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 and granted pre-emptive rights to make fund constructions more marketable – in particular for lease funds and (closed) KG real estate funds. Provisions have been set aside to cover identifiable risks arising from such guarantees.

Commitments for uncalled payments on shares not fully paid up amounted to €33 million at year-end 2017 (2016: €50 million), and similar obligations for shares in cooperatives totalled €1 thousand (2016: €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 2017 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 €144 million were set aside in the income statement at 31 December 2017 in connection with bonus commitments. The final amount disbursed may be higher, should the plan conditions be met.

In its function as personally liable shareholder, HVB had unlimited liability arising from shares in the partnership Bayerischer BankenFonds GbR at the balance sheet date (2016: Bayerischer BankenFonds GbR; Gesellschaft des bürgerlichen Rechts Industrie- und Handelskammer/Rheinisch-Westfälische Börse).

With a Statement of Responsibility dated 21 December 1993, HVB issued an undertaking to the State of Baden Wuerttemberg (Ministry of Finance) to assume a liquidity provision obligation in the event of the sale, liquidation or bankruptcy of HVB Projekt GmbH.

47 Statement of Responsibility

HVB ensures that, to the extent of its shareholding, the companies set forth below are in a position to meet their contractual obligations except in the event of political risks:

1. Banks
UniCredit Luxembourg S.A., Luxembourg
2. 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 relevant company that did not arise until after HVB's shareholding decreased. Where HVB is no longer a shareholder in a company listed above, our commitment arising from the above Statement of Responsibility ends on the date on which our holding ceased with regard to such liabilities of the relevant company that did not arise until our shareholding ceased.

HVB no longer provides a Statement of Responsibility for companies for which a Statement of Responsibility had been provided in earlier annual reports but which no longer appear in the above list. Liabilities of these companies arising before the reduction or cessation of the shareholding are only covered by such Statements of Responsibility that were provided before the reduction or cessation of the shareholding in each case.

48 Auditor's fees

We have made use of the option provided by Section 285 No. 17 HGB and refer to the disclosures regarding the fees paid to the independent auditors in the section of the consolidated financial statements at 31 December 2017 entitled "Other Information".

49 Off-balance-sheet transactions

Special purpose entities

HVB maintains business relations with a number of special purpose entities that pursue varying business models and hold various different types of assets. HVB's business relations with the special purpose entities are recognised in the financial statements either on or off the balance sheet.

The Bank uses special purpose entities to securitise both the Bank's own receivables and customer receivables. The latter involve commercial paper conduits for which the Bank provides guarantees and liquidity facilities.

In the case of the Bank's own receivables, the special purpose entities mainly serve to procure liquidity. These do not, however, result in the securitised receivables being taken off the books as they involve 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 Business Integrated Solutions 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.

50 Regulatory disclosure requirements (Disclosure Report)
HVB has been classified as a significant subsidiary of UniCredit within the meaning of Article 13 (1) of the Capital Requirements Regulation (CRR), making it subject to the scope of the CRR (Article 13 (1) and Part 8 CRR) and certain extended 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. The publication for the reporting date at 31 December should appear 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.

51 Own funds
Pursuant to Article 72 CRR, for regulatory purposes own funds consists of Tier 1 capital and Tier 2 capital; they amounted to €16,398 million (year-end 2016: €16,073 million) at year-end 2017 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 €16,398 million (year-end 2016: €16,073 million) at year-end 2017.

52 Derivative financial instruments

The following table provides detailed information about the nominal amount and fair values of all derivative transactions and credit derivative transactions of HVB:

(€ millions)

	NOMINAL AMOUNT					FAIR VALUE			
	RESIDUAL MATURITY			TOTAL		POSITIVE		NEGATIVE	
	UP TO 1 YEAR	MORE THAN 1 YEAR UP TO 5 YEARS	MORE THAN 5 YEARS	2017	2016	2017	2016	2017	2016
Interest rate derivatives	**633,326**	**850,343**	**784,086**	**2,267,755**	**2,066,289**	**48,244**	**60,988**	**44,136**	**57,880**
OTC products									
Forward rate agreements	42,402	—	—	42,402	67,869	2	5	2	2
Interest rate swaps	491,432	765,582	684,252	1,941,266	1,705,298	44,089	57,257	39,234	50,012
Interest rate options									
– purchased	7,212	36,319	52,845	96,376	106,788	3,467	3,507	383	195
– written	10,369	38,845	46,989	96,203	99,813	435	153	4,254	5,736
Other interest									
rate derivatives	22	29	—	51	310	—	65	1	68
Exchange-traded products									
Interest rate futures	33,299	9,568	—	42,867	47,641	—	—	—	1,867
Interest rate options	48,590	—	—	48,590	38,570	251	1	262	—
Foreign exchange derivatives	**269,246**	**34,208**	**6,215**	**309,669**	**327,049**	**3,511**	**5,424**	**3,832**	**6,011**
OTC products									
Foreign exchange forwards	223,975	22,635	1,003	247,613	263,711	3,027	4,667	3,211	5,211
Foreign exchange options									
– purchased	22,206	5,823	2,678	30,707	31,780	343	597	175	161
– written	22,801	5,750	2,534	31,085	31,554	132	160	446	639
Other foreign									
exchange derivatives	262	—	—	262	—	9	—	—	—
Exchange-traded products									
Foreign exchange futures	2	—	—	2	4	—	—	—	—
Foreign exchange options	—	—	—	—	—	—	—	—	—
Cross-currency swaps	**43,662**	**93,174**	**44,867**	**181,703**	**191,581**	**4,405**	**6,545**	**3,948**	**6,801**
Equity/index derivatives	**43,515**	**33,272**	**10,655**	**87,442**	**78,942**	**2,111**	**2,251**	**2,914**	**3,186**
OTC products									
Equity/index swaps	6,211	5,920	636	12,767	9,994	160	204	163	302
Equity/index options									
– purchased	3,399	1,778	838	6,015	5,338	251	377	190	152
– written	13,716	7,934	4,458	26,108	26,930	70	58	593	641
Other equity/index									
derivatives	440	259	505	1,204	194	34	17	1	—
Exchange-traded products									
Equity/index futures	6,079	1,242	273	7,594	5,667	9	5	9	5
Equity/index options	13,670	16,139	3,945	33,754	30,819	1,587	1,590	1,958	2,086
Credit derivatives	**11,438**	**27,687**	**1,606**	**40,731**	**56,205**	**385**	**671**	**443**	**556**
Other transactions	**8,215**	**3,901**	**422**	**12,538**	**13,389**	**375**	**438**	**530**	**624**
HVB	**1,009,402**	**1,042,585**	**847,851**	**2,899,838**	**2,733,455**	**59,031**	**76,317**	**55,803**	**75,058**

Most of the derivatives are held for trading purposes.

The banking book contains derivatives with positive fair values of €1.5 billion (2016: €1.7 billion) and negative fair values of €0.7 billion (2016: €0.9 billion).

Other Information (Continued)

53 Employees

The average number of staff employed was as follows:

	2017	2016
Staff (excluding apprentices)	13,264	13,745
of whom:		
full-time	9,739	10,231
part-time	3,525	3,514
Apprentices	337	425

The staff's length of service was as follows: (in %)

	WOMEN	MEN	2017	2016
STAFF'S LENGTH OF SERVICE	(EXCLUDING TRAINEES)		TOTAL	
25 years or more	30.2	24.0	27.3	24.3
15 to 25 years	26.6	20.3	23.6	26.4
10 to 15 years	19.3	20.1	19.7	18.0
5 to 10 years	11.3	16.1	13.5	16.4
less than 5 years	12.6	19.5	15.9	14.9

54 Emoluments

(€ 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

(€ thousands)

	2016						
	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	5,910	916	998	1,600	1,597	—	11,021
Members of the Supervisory Board of UniCredit Bank AG for Supervisory Board activities	831	—	—	—	—	—	831
Members of the Supervisory Board of UniCredit Bank AG for activities as employee representatives	386	27	—	—	25	—	438
Former members of the Management Board of UniCredit Bank AG and their surviving dependants	377	136	307	537	1,382	—	2,699

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 eight members of the Management Board are shown in the table alongside the direct emoluments. Six members of the Management Board took part in the employer-financed, fund-linked pension scheme for executives (known as AgfA) in 2017. The Bank will provide/has provided 35% of the fixed salary contributions (2017: €1,237 thousand; 2016: €1,243 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 2017, there were provisions in the amount of €25.2 million (2016: €17.8 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	2017	2016
Number of shares granted	248,064	372,176
Number of shares committed after capital measures in 2017	49,495	
Fair value on grant date (€)	14,030	3.462

55 Loans to executive board members

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

	2017			2016		
	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES	LOANS AND ADVANCES	CONTINGENT LIABILITIES	LIABILITIES
Members of the Management Board						
and their related parties	2,401	10	8,156	1,416	—	7,896
Members of the Supervisory Board						
and their related parties	299	—	4,296	340	—	4,260

Members of the Supervisory Board and Management Board at HVB and their respective immediate family members are considered related parties.

Loans and advances were granted to members of the Management Board and their immediate family members in the form of overdraft facilities with an interest rate of 6% and a maturity until 2021 and mortgage loans with interest rates of between 1.36% and 5.13% falling due in the period from 2022 to 2037.

Loans and advances were granted to members of the Supervisory Board and their immediate family members in the form of planned overdraft facilities with interest rates of 10.63% and no fixed maturities, unplanned overdraft facilities with an interest rate of 10.63%, and mortgage loans with an interest rate of 1.92% falling due in 2035.

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

56 Supervisory Board

Chairman
Gianni Franco Papa

Deputy Chairmen
Florian Schwarz
Dr Wolfgang Sprissler

Members
Paolo Cornetta
Beate Dura-Kempf
Francesco Giordano
Klaus Grünewald
Werner Habich
until 30 November 2017
Prof Dr Annette G. Köhler
Dr Marita Kraemer
Klaus-Peter Prinz
Jens-Uwe Wächter
until 30 September 2017
Oliver Skrbot
since 1 December 2017
Christian Staack
since 1 October 2017

57 Management Board

Sandra Betocchi Drwenski since 1 November 2017	**Chief Operating Officer (COO)**
Peter Buschbeck	**Commercial Banking – Private Clients Bank**
Ljiljana Čortan since 1 January 2018	**Chief Risk Officer (CRO)**
Dr Michael Diederich	**Corporate & Investment Banking** **Board Spokesman** (since 1 January 2018) **Human Capital/Labour and Social Affairs** (since 1 January 2018)
Heinz Laber until 31 October 2017	**Chief Operating Officer (COO)**
Robert Schindler	**Commercial Banking – Unternehmer Bank**
Andrea Umberto Varese until 31 December 2017	**Chief Risk Officer (CRO)**
Dr Theodor Weimer until 31 December 2017	**Board Spokesman** **Human Capital/Labour and Social Affairs**
Guglielmo Zadra	**Chief Financial Officer (CFO)**

List of Executives and Outside Directorships

58 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, Bank Polska Kasa Opieki Spółka Akcyjna (BANK PEKAO SA), Warsaw, until 7 June 2017
Florian Schwarz Employee of UniCredit Bank AG, Munich Deputy Chairman		
Dr Wolfgang Sprissler Former Board Spokesman of UniCredit Bank AG, Sauerlach Deputy Chairman		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, UniCredit Bank Austria AG, Vienna, since 19 April 2017
Beate Dura-Kempf Employee of UniCredit Bank AG, Litzendorf		
Francesco Giordano Co-Chief Operating Officer of UniCredit S.p.A., Milan		UniCredit Business Integrated Solutions S.C.p.A., Milan, Pioneer Asset Global Management S.p.A., Milan, until 3 July 2017
Klaus Grünewald FB1 unit manager in the Bavarian division of Vereinte Dienstleistungsgewerkschaft, Gröbenzell	Fiducia & GAD IT AG, Frankfurt am Main, until 29 June 2017	
Werner Habich until 30 November 2017 Employee of UniCredit Bank AG, Mindelheim		

1 as of 31 December 2017

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	Value-Holdings Capital Partners AG, Gersthofen, until 26 April 2017, DMG MORI AKTIENGESELLSCHAFT, Bielefeld, since 5 May 2017	
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		EULER HERMES GROUP S.A., Paris, Allianz France S.A., Paris
Klaus-Peter Prinz Employee of UniCredit Luxembourg S.A., Trier		
Oliver Skrbot since 1 December 2017 Employee of UniCredit Bank AG, Buttenwiesen		
Christian Staack since 1 October 2017 Employee of UniCredit Bank AG, Hamburg		
Jens-Uwe Wächter until 30 September 2017 Employee of UniCredit Bank AG, Himmelpforten		

1 as of 31 December 2017

List of Executives and Outside Directorships (Continued)

59 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 since 1 November 2017 Chief Operating Officer (COO)	HVB Immobilien AG, Munich (Chairwoman)[2], since 1 November 2017	UnCredit Business Integrated Solutions S.C.p.A., Milan
Peter Buschbeck born 1961 Commercial Banking – Private Clients Bank	Bankhaus Neelmeyer Aktiengesellschaft, Bremen (Chairman)[2], until 31 March 2017, WealthCap Kapitalverwaltungsgesellschaft mbH, Munich (Deputy Chairman)[2], Wüstenrot & Württembergische AG, Stuttgart	Wealth Management Capital Holding GmbH, Munich (Deputy Chairman)[2]
Dr Michael Diederich born 1965 Corporate & Investment Banking	Bayerische Börse Aktiengesellschaft, Munich (Deputy Chairman)	PORR AG, Vienna, ESMT European School of Management and Technology GmbH, Berlin
Heinz Laber born 1953 until 31 October 2017 Chief Operating Officer (COO)	HVB Immobilien AG, Munich (Chairman)[2], until 31 October 2017, HVB Trust Pensionsfonds AG, Munich (Chairman)	BVV Versorgungskasse des Bankgewerbes e. V., Berlin (Chairman), BVV Versicherungsverein des Bankgewerbes a.G., Berlin (Chairman), UniCredit Business Integrated Solutions S.C.p.A., Milan, Deputy Chairman, until 10 April 2017
Robert Schindler born 1964 Commercial Banking – Unternehmer Bank		UniCredit Leasing GmbH, Hamburg (Chairman)[2], UniCredit Leasing Finance GmbH, Hamburg (Chairman)[2]
Andrea Umberto Varese born 1964 until 31 December 2017 Chief Risk Officer (CRO)	HVB Immobilien AG, Munich[2], WealthCap Kapitalverwaltungsgesellschaft mbH, Munich[2]	UniCredit Luxembourg S.A., Luxembourg (Chairman)[2], Wealth Management Capital Holding GmbH, Munich[2], UniCredit Bank Austria AG, Vienna, since 27 November 2017
Dr Theodor Weimer born 1959 until 31 December 2017 Board Spokesman Human Capital/Labour & Social Affairs	FC Bayern München AG, Munich, Thyssen'sche Handelsgesellschaft mit beschränkter Haftung, Mülheim an der Ruhr, since 1 January 2017	
Guglielmo Zadra born 1972 Chief Financial Officer (CFO)		

1 as of 31 December 2017
2 Group directorship

60 List of employees and outside directorships

NAME	POSITIONS[1] ON STATUTORY SUPERVISORY BOARDS OF OTHER COMPANIES
Matthias Biebl	Wacker Chemie AG, Munich
Thomas Breiner	AGROB Immobilien AG, Ismaning[2]
Dr Bernhard Brinker	UniCredit Luxembourg S.A., Luxembourg[2]
Matthias Brückl	M&M Militzer & Münch International Holding GmbH, St. Gallen
Joachim Dobrikat	VALOVIS BANK AG, Essen
Matthias Glückert	OECHSLER AG, Ansbach
Stephanie Kraus-Nijboer	UniCredit Luxembourg S.A., Luxembourg[2]
Dr Andreas Mayer	UniCredit Luxembourg S.A., Luxembourg[2]
Gabriele Rauer	UniCredit Direct Services GmbH, Munich[2]
Dr Richard Wegener	UniCredit Direct Services GmbH, Munich[2]
Peter Weidenhöfer	AGROB Immobilien AG, Ismaning[2]

1 as of 31 December 2017
2 Group directorship

List of Holdings

61 List of Holdings

Compliant with Section 313 (2) German Commercial Code for the consolidated financial statements and Section 285 No. 11, 11a German Commercial Code and Section 340a (4) German Commercial Code 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]
UniCredit Luxembourg S.A.[11]	Luxembourg	100.0		EUR	1,342,482	69,303
1.1.1.2 Other consolidated subsidiaries						
Acis Immobilien- und Projektentwicklungs GmbH & Co. Oberbaum City KG[3]	Grünwald	100.0	100.0	EUR	33	4,905
Acis Immobilien- und Projektentwicklungs GmbH & Co. Parkkolonnaden KG[3]	Grünwald	100.0	100.0	EUR	34	(372)
Acis Immobilien- und Projektentwicklungs GmbH & Co. Stuttgart Kronprinzstraße KG[3]	Grünwald	100.0	100.0	EUR	41	563
AGROB Immobilien AG (share of voting rights: 75.0%)[4, 11]	Ismaning	52.7	52.7	EUR	25,218	1,913
Antus Immobilien- und Projektentwicklungs GmbH	Munich	90.0	90.0	EUR	(16,872)	
Argentaurus Immobilien-Vermietungs- und Verwaltungs GmbH[3]	Munich	100.0	100.0	EUR	793	[2]
ARRONDA Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(40,601)	975
Atlanterra Immobilienverwaltungs GmbH	Munich	90.0	90.0	EUR	(37,312)	950
A&T-Projektentwicklungs GmbH & Co. Potsdamer Platz Berlin KG[3]	Munich	100.0	100.0	EUR	(37,240)	
Aufbau Dresden GmbH	Munich	100.0	100.0	EUR	(23,944)	
Bayerische Wohnungsgesellschaft für Handel und Industrie, Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	294	[2]
Bertram Projekt Unodecima Technikzentrum GmbH & Co. KG	Hanover	94.0	94.0	EUR	(2,291)	306
B.I. International Limited	George Town	100.0	100.0	EUR	(254)	531
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	31	(1)
BV Grundstücksentwicklungs-GmbH[3]	Munich	100.0	100.0	EUR	511	[2]
BV Grundstücksentwicklungs-GmbH & Co. Verwaltungs-KG[3]	Munich	100.0		EUR	611	(111)
CUMTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Alpha Management KG[3]	Munich	100.0	100.0	EUR	(22,880)	
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Beta Management KG[3]	Munich	100.0	100.0	EUR	(53,477)	
Delpha Immobilien- und Projektentwicklungs GmbH & Co. Großkugel Bauabschnitt Gamma Management KG[3]	Munich	100.0	100.0	EUR	(59,493)	
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Grefrath KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	24	6
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Krähenberg KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(326)	(5)
Erste Onshore Windkraft Beteiligungsgesellschaft mbH & Co. Windpark Mose KG (share of voting rights: 68.3%)	Oldenburg	68.5	68.5	EUR	(81)	(20)
Food & more GmbH[3]	Munich	100.0		EUR	235	[1.1]
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)	
Grundstücksaktiengesellschaft am Potsdamer Platz (Haus Vaterland)	Munich	98.2	98.2	EUR	4,495	[2]

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
Grundstücksgesellschaft Simon						
beschränkt haftende Kommanditgesellschaft[3]	Munich	100.0	100.0	EUR	52	1,289
H & B Immobilien GmbH & Co. Objekte KG[3]	Munich	100.0	100.0	EUR	5	(1)
HAWA Grundstücks GmbH & Co. oHG Hotelverwaltung[3]	Munich	100.0	100.0	EUR	276	1,140
HAWA Grundstücks GmbH & Co. OHG Immobilienverwaltung[3]	Munich	100.0	100.0	EUR	54	496
H.F.S. Immobilienfonds GmbH	Ebersberg	100.0	100.0	EUR	26	[2]
H.F.S. Leasingfonds Deutschland 1 GmbH & Co. KG						
(Immobilienleasing)	Munich	99.4	99.4	EUR	19,756	3,297
H.F.S. Leasingfonds GmbH	Ebersberg	100.0	100.0	EUR	36	121
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 Export Leasing GmbH	Munich	100.0		EUR	39	0
HVB Funding Trust II	Wilmington	100.0		GBP	2	
HVB Gesellschaft für Gebäude Beteiligungs GmbH	Munich	100.0		EUR	29	0
HVB Gesellschaft für Gebäude mbH & Co KG[3]	Munich	100.0		EUR	871,401	26,676
HVB Hong Kong Limited	Hong Kong	100.0		USD	4,603	(15)
HVB Immobilien AG[3]	Munich	100.0		EUR	86,644	[1,4]
HVB Investments (UK) Limited	George Town	100.0		GBP	0	
HVB London Investments (AVON) Limited	London	100.0		GBP	0	
HVB Profil Gesellschaft für Personalmanagement mbH[3]	Munich	100.0		EUR	28	[1,5]
HVB Projekt GmbH[3]	Munich	100.0	94.0	EUR	72,151	[2]
HVB Secur GmbH[3]	Munich	100.0		EUR	126	[1,6]
HVB Tecta GmbH[3]	Munich	100.0	94.0	EUR	1,751	[2]
HVB Verwa 4 GmbH[3]	Munich	100.0		EUR	10,132	[1,7]
HVB Verwa 4.4 GmbH[3]	Munich	100.0	100.0	EUR	10,025	[2]
HVBFF International Greece GmbH	Munich	100.0	100.0	EUR	280	0
HVBFF Internationale Leasing GmbH	Munich	100.0	100.0	EUR	7	0
HVBFF Objekt Beteiligungs GmbH	Munich	100.0	100.0	EUR	33	(2)
HVZ GmbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	148,091	4,525
Hypo-Bank Verwaltungszentrum GmbH	Munich	100.0	100.0	EUR	17	2
Hypo-Bank Verwaltungszentrum GmbH & Co. KG						
Objekt Arabellastraße[3]	Munich	100.0	100.0	EUR	26	(2,832)
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH & Co.						
Immobilien-Vermietungs KG[3]	Munich	80.0	80.0	EUR	(850)	
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]
Life Management Zweite GmbH	Grünwald	100.0	100.0	EUR	24	[2]
MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung[3]	Munich	100.0		EUR	16,692	[1,8]
MILLETERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	100.0	EUR	25	[2]
Mobility Concept GmbH[11]	Oberhaching	60.0	60.0	EUR	13,561	5,186
Movie Market Beteiligungs GmbH i. L.	Munich	100.0	100.0	EUR	15	0
NF Objekt FFM GmbH[3]	Munich	100.0	100.0	EUR	125	[2]
NF Objekt München GmbH[3]	Munich	100.0	100.0	EUR	75	[2]
NF Objekte Berlin GmbH[3]	Munich	100.0	100.0	EUR	15,725	[2]
Ocean Breeze Asset GmbH & Co. KG	Bremen	100.0	100.0	EUR	(22)	(12)
Ocean Breeze Energy GmbH & Co. KG[3]	Bremen	100.0	100.0	EUR	(39,072)	19,136
Ocean Breeze GmbH	Bremen	100.0	100.0	EUR	4	(9)

List of Holdings (Continued)

		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
Omnia Grundstücks-GmbH & Co. Objekt Eggenfeldener Straße KG[3]	Munich	100.0	100.0	EUR	26	(1)
Omnia Grundstücks-GmbH & Co. Objekt Haidenauplatz KG[3]	Munich	100.0	94.0	EUR	26	(106)
Omnia Grundstücks-GmbH & Co. Objekt Perlach KG[3]	Munich	100.0	100.0	EUR	4,014	449
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)	
Othmarschen Park Hamburg GmbH & Co. Gewerbepark KG[3]	Munich	100.0	100.0	EUR	(44,083)	
Perikles 20092 Vermögensverwaltung GmbH	Bremen	100.0	100.0	EUR	12	(9)
Portia Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt KG[3]	Munich	100.0	100.0	EUR	500,014	3,811
"Portia" Grundstücksverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	31	0
RHOTERRA Gesellschaft für Immobilienverwaltung mbH[3]	Munich	100.0	93.9	EUR	26	[2]
Rolin Grundstücksplanungs- und -verwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	48	5
Roncasa Immobilien-Verwaltungs GmbH	Munich	100.0	100.0	EUR	(36,170)	950
Salvatorplatz-Grundstücksgesellschaft mbH & Co. oHG Saarland[3]	Munich	100.0	100.0	EUR	1,534	928
Salvatorplatz-Grundstücksgesellschaft mbH & Co. OHG Verwaltungszentrum[3]	Munich	100.0	100.0	EUR	2,301	(5,449)
Salvatorplatz-Grundstücksgesellschaft mit beschränkter Haftung	Munich	100.0	100.0	EUR	711	[2]
Selfoss Beteiligungsgesellschaft mbH[3]	Grünwald	100.0	100.0	EUR	25	[2]
Simon Verwaltungs-Aktiengesellschaft i.L.[4]	Munich	<100,0		EUR	3,045	(24)
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	(31,923)	950
Spree Galerie Hotelbetriebsgesellschaft mbH[3]	Munich	100.0	100.0	EUR	249	[2]
Structured Invest Société Anonyme	Luxembourg	100.0		EUR	7,061	41
T & P Frankfurt Development B.V.	Amsterdam	100.0	100.0	EUR	(7,024)	(19)
T & P Vastgoed Stuttgart B.V.	Amsterdam	87.5	87.5	EUR	(15,494)	(11)
TERRENO Grundstücksverwaltung GmbH & Co. Entwicklungs- und Finanzierungsvermittlungs-KG[3]	Munich	75.0	75.0	EUR	(268,579)	
Terronda Development B.V.	Amsterdam	100.0	100.0	EUR	(360)	2
TIVOLI Grundstücks-Aktiengesellschaft[4]	Munich	99.7	99.7	EUR	11,791	4,275
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	10,325	791
TRICASA Grundbesitzgesellschaft des bürgerlichen Rechts Nr. 1	Munich	100.0	100.0	EUR	23,601	1,597
Trinitrade Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung	Munich	100.0		EUR	233	(583)
UniCredit Beteiligungs GmbH	Munich	100.0		EUR	1,175	[1.9]
UniCredit Capital Markets LLC	New York	100.0	100.0	USD	127,033	7,977
UniCredit (China) Advisory Limited	Beijing	100.0		CNY	210	(1,067)
UniCredit Direct Services GmbH[3]	Munich	100.0		EUR	937	[1.10]
UniCredit Leasing Aviation GmbH	Hamburg	100.0	100.0	EUR	26,693	(395)
UniCredit Leasing GmbH[2, 11]	Hamburg	100.0		EUR	452,026	[1.11]
UniCredit U.S. Finance LLC	Wilmington	100.0		USD	115,432	801
Vermietungsgesellschaft mbH & Co. Objekt MOC KG[3]	Munich	89.3	89.3	EUR	(98,514)	1,802
Verwaltungsgesellschaft Katharinenhof mbH[3]	Munich	100.0		EUR	708	[1.12]
V.M.G. Vermietungsgesellschaft mbH	Munich	100.0	100.0	EUR	26	[2]
Wealth Management Capital Holding GmbH	Munich	100.0		EUR	20,548	[1.13]
WealthCap Aircraft 27 GmbH & Co. KG	Grünwald	100.0	100.0	USD	2	
WealthCap Aircraft 27 Komplementär GmbH	Grünwald	100.0	100.0	EUR	25	0
WealthCap Entity Service GmbH	Munich	100.0	100.0	EUR	570	70
WealthCap Equity GmbH	Munich	100.0	100.0	EUR	3,437	2,937

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 Equity Management GmbH	Munich	100.0	100.0	EUR	1,255	1,230
WealthCap Fonds GmbH	Munich	100.0	100.0	EUR	1,042	530
WealthCap Immobilien 1 GmbH & Co. KG	Munich	100.0	100.0	EUR	(371)	(373)
WealthCap Immobilien 2 GmbH & Co. KG	Munich	100.0	100.0	EUR	144	98
WealthCap Immobilienfonds Deutschland 36						
Komplementär GmbH	Grünwald	100.0	100.0	EUR	(309)	(340)
WealthCap Immobilienfonds Deutschland 38						
Komplementär GmbH	Grünwald	100.0	100.0	EUR	16	(72)
WealthCap Initiatoren GmbH	Munich	100.0	100.0	EUR	4,940	3,370
WealthCap Investment Services GmbH	Munich	100.0	90.0	EUR	5,101	[2]
WealthCap Investments, Inc.	Wilmington	100.0	100.0	USD	1,849	485
WealthCap Investorenbetreuung GmbH	Munich	100.0	100.0	EUR	155	[2]
WealthCap Kapitalverwaltungsgesellschaft mbH	Munich	100.0	100.0	EUR	7,099	[2]
WealthCap Leasing GmbH	Grünwald	100.0	100.0	EUR	(145)	(170)
WealthCap Los Gatos 131 Albright Way L.P.	Wilmington	100.0	100.0	USD	(1,693)	(677)
WealthCap Management Services GmbH	Grünwald	100.0	100.0	EUR	3,222	3,186
WealthCap Objekte Südwest GmbH & Co. KG	Munich	100.0	100.0	EUR	(1,180)	(385)
WealthCap Objekt-Vorrat 20 GmbH & Co. KG	Munich	100.0	100.0	EUR	772	760
WealthCap Objekt-Vorrat 21 GmbH & Co. KG	Munich	100.0	100.0	EUR	30	20
WealthCap PEIA Komplementär GmbH	Grünwald	100.0	100.0	EUR	57	3
WealthCap PEIA Management GmbH	Munich	100.0	94.0	EUR	2,381	1,141
WealthCap Portland Park Square, L.P.	Wilmington	100.0	100.0	USD	(827)	(665)
WealthCap Real Estate Management GmbH	Munich	100.0	100.0	EUR	108	[2]
WealthCap Stiftungstreuhand GmbH	Munich	100.0	100.0	EUR	43	2
WealthCap USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0	EUR	223	173
WealthCap Vorrats-2 GmbH	Grünwald	100.0	100.0	EUR	25	(8)
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			
Alexandersson Real Estate I B.V.	Apeldoorn	100.0	100.0			
"Alte Schmelze" Projektentwicklungsgesellschaft mbH	Munich	100.0	100.0			
Altea Verwaltungsgesellschaft mbH & Co. Objekt I KG	Munich	100.0	100.0			
AMMS Ersatz-Komplementär GmbH	Ebersberg	100.0	100.0			
AMMS Komplementär GmbH i.L.	Ebersberg	98.8	98.8			
ANWA Gesellschaft für Anlagenverwaltung mbH	Munich	95.0	93.9			
Apir Verwaltungsgesellschaft mbH & Co.						
Immobilien- und Vermietungs KG	Munich	100.0	100.0	EUR	(33,657)	950
Arena Stadion Beteiligungsverwaltungs-GmbH	Munich	100.0				
A&T-Projektentwicklungs-Verwaltungs GmbH	Munich	100.0	100.0			
BIL Aircraftleasing GmbH	Grünwald	100.0	100.0			
BIL Immobilien Fonds GmbH	Munich	100.0	100.0			
BIL Leasing GmbH & Co Hotel Rostock KG i.L.	Rostock	58.9	58.9			
Blue Capital Metro Amerika Inc.	Wilmington	100.0	100.0			
BV Grundstücksentwicklungs-GmbH & Co.						
Schloßberg-Projektentwicklungs-KG	Munich	100.0	100.0			
Deltaterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	93.9	EUR	26	[2]
GCCS Golfanlagen Errichtungs- und Verwaltungs GmbH	Munich	100.0	100.0	EUR	26	[2]
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			

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
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	(49,346)	(25)
HVB Services South Africa (Proprietary) Limited	Johannesburg	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 Produktionshalle GmbH i.L.	Munich	100.0	100.0			
HVZ GmbH & Co. Objekt Unterföhring KG	Munich	100.0	100.0			
HYPO-REAL Haus- und Grundbesitz Gesellschaft mbH	Munich	100.0	100.0	EUR	128	[2]
Landos Immobilien- und Projektentwicklungs GmbH	Munich	100.0	100.0			
Life Britannia GP Limited	Edgware	100.0	100.0			
Life Britannia Management GmbH	Grünwald	100.0	100.0			
Life Verwaltungs Erste GmbH	Munich	100.0	100.0			
Life Verwaltungs Zweite GmbH	Grünwald	100.0	100.0			
Motion Picture Production GmbH	Grünwald	51.2	51.2			
Omnia Grundstücks-GmbH	Munich	100.0	100.0	EUR	26	[2]
Omnia Grundstücks-GmbH & Co. Betriebs KG	Munich	100.0	94.0			
Othmarschen Park Hamburg Wohn- und Gewerbepark GmbH	Munich	100.0	100.0	EUR	102	[2]
Perterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Projekt-GbR Kronstadter Straße München	Munich	75.0	75.0			
Quinterra Gesellschaft für Immobilienverwaltung mbH	Munich	100.0	100.0	EUR	26	[2]
Redstone Mortgages Limited	London	100.0		GBP	52,580	665
Saphira Immobilien- und Projektentwicklungs GmbH & Co.						
Frankfurt City West Office Center und Wohnbau KG	Munich	100.0	100.0			
Schloßberg-Projektentwicklungs- GmbH & Co 683 KG	Munich	100.0	100.0			
TERRENO Grundstücksverwaltung GmbH	Munich	75.0	75.0			
TERRENO Grundstücksverwaltung GmbH & Co.						
Objektgesellschaft Grillparzerstraße KG	Munich	75.0		EUR	(3,002)	0
Tishman Speyer Berlin Friedrichstraße KG i.L.						
(share of voting rights: 96.6%, of which 7.1% held indirectly)	Munich	97.1	5.9			
UniCredit CAIB Securities UK Ltd.	London	100.0				
VCI Volta Center Immobilienverwaltungs GmbH	Munich	100.0	100.0	EUR	(22,047)	950
VereinWest Overseas Finance (Jersey) Limited	St. Helier	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			

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 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 Fondsportfolio Private Equity 21 GmbH & Co.						
geschlossene Investment KG	Grünwald	100.0	100.0			
WealthCap Fondsportfolio Private Equity 22 GmbH & Co.						
geschlossene Investment KG	Grünwald	100.0	100.0			
WealthCap Immobilien Deutschland 39 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Deutschland 40 GmbH & Co.						
geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Immobilien Deutschland 41 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilien Nordamerika 16 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien Nordamerika 17 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Immobilien 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 Immobilienfonds Deutschland 36 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Immobilienfonds Deutschland 37 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Los Gatos 121 Albright Way GP, Inc.	Wilmington	100.0	100.0			
WealthCap Los Gatos 131 Albright Way GP, Inc.	Wilmington	100.0	100.0	USD	(2,037)	(793)
WealthCap Management, Inc.	Wilmington	100.0	100.0			
WealthCap Mountain View GP, Inc.	Georgia	100.0	100.0			
WealthCap Objekt Bogenhausen GmbH & Co. KG	Grünwald	94.9	94.9	EUR	5,900	(2,894)
WealthCap Objekt-Vorrat 9 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Objekt-Vorrat 13 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 15 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 16 GmbH & Co. KG	Munich	100.0	100.0			
WealthCap Objekt-Vorrat 17 GmbH & Co. KG	Munich	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 Portfolio 3 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Portland Park Square GP Inc.	Atlanta	100.0	100.0			
WealthCap Private Equity GmbH	Munich	100.0	100.0			
WealthCap Private Equity Sekundär GmbH	Munich	100.0	100.0			
WealthCap Private Equity 19 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Private Equity 20 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap 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 6 Komplementär GmbH	Grünwald	100.0	100.0			
WealthCap Spezial-AIF 1 Komplementär GmbH	Munich	100.0	100.0			
WealthCap Spezial-AIF 4 GmbH & Co.						
geschlossene Investment KG	Munich	100.0	100.0			
WealthCap Spezial-AIF 6 GmbH & Co. KG	Munich	100.0	100.0			

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 Vorrats-1 GmbH	Grünwald	100.0	100.0			
WealthCap Zweite Europa Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap Zweite USA Immobilien Verwaltungs GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte Immobilien 4 Komplementär GmbH	Munich	100.0	100.0			
WealthCap ZweitmarktWerte 5 GP S.à r.l.	Senningerberg	100.0	100.0			
WealthCap 21/22 Equity GmbH & Co. KG						
(share of voting rights: 100%)	Grünwald	—	—			
WealthCap 39 Komplementär GmbH	Grünwald	100.0	100.0			

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
Cuxhaven Steel Construction GmbH	Cuxhaven	0	EUR	25
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. 35 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. 40 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 41 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 42 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. 47 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. 57 DAC	Dublin	0	EUR	<1
Elektra Purchase No. 58 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-2013 S.A.	Luxembourg	0	EUR	31
GELDILUX-TS-2015 S.A.	Luxembourg	0	EUR	31
GEMMA Verwaltungsgesellschaft mbH & Co.				
Vermietungs KG (held indirectly)	Pullach	6.1	EUR	68,272
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

NAME	REGISTERED OFFICE	SHARE OF CAPITAL IN %	CURRENCY	SUBSCRIBED CAPITAL in thousands of currency units
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
MoneyMap GmbH	Berlin	46.4		EUR	825	(1,380)
WealthCap Portfolio Finanzierungs-GmbH & Co. KG						
(share of voting rights: 50.0%)	Grünwald	—		EUR	71,453	2,238
3 Associated companies						
3.1 Associated companies valued at equity						
Adler Funding LLC[4]	Dover	32.8		USD	13,032	2,442
Comtrade Group B.V.[4, 11]	Rotterdam	21.1	21.1	EUR	48,679	12,808
Nautilus Tankers Limited[4]	Valletta	45.0	45.0	USD	35,943	7,547
paydirekt Beteiligungsgesellschaft privater Banken mbH	Berlin	24.0		EUR	6,112	3
SwanCap Partners GmbH (share of voting rights: 49.0%)[4]	Munich	75.3		EUR	6,041	153
3.2 Minor associated companies[5]						
BioM Venture Capital GmbH & Co. Fonds KG						
(share of voting rights: 20.4%)	Planegg	23.5				
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	231,752	22,885
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin	4.3		EUR	11,249	450
BGG Bayerische Garantiegesellschaft mbH						
für mittelständische Beteiligungen	Munich	10.5		EUR	48,737	2,360
Bürgschaftsbank Brandenburg GmbH	Potsdam	7.8		EUR	27,601	1,273
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin	9.1		EUR	16,350	201
Bürgschaftsbank Nordrhein-Westfalen GmbH						
– Kreditgarantiegemeinschaft –	Düsseldorf	0.6		EUR	34,158	1,114
Bürgschaftsbank Rheinland-Pfalz GmbH	Mainz	1.4		EUR	16,525	145
Bürgschaftsbank Saarland Gesellschaft mit beschränkter						
Haftung, Kreditgarantiegemeinschaft für den Handel,						
Handwerk und Gewerbe	Saarbrücken	1.3		EUR	4,295	43
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg	8.9		EUR	15,158	209
Bürgschaftsbank Sachsen GmbH (share voting rights: 5.4%)	Dresden	4.7		EUR	40,370	2,220
Bürgschaftsbank Schleswig-Holstein GmbH	Kiel	5.4		EUR	39,211	564
Bürgschaftsbank Thüringen GmbH	Erfurt	8.7		EUR	25,304	700
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg	10.5		EUR	24,499	535
MCB Bank Limited	Lahore	>0.0		PKR	138,105,686	19,138,491

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
Niedersächsische Bürgschaftsbank GmbH	Hanover	3.0		EUR	24,464	1,273
Saarländische Investitionskreditbank AG	Saarbrücken	3.3		EUR	64,680	866
solarisBank AG	Berlin	11.8		EUR	5,675	(7,588)
4.2 Other companies						
Acton GmbH & Co. Heureka II KG	Munich	8.9		EUR	53,120	(895)
Amstar Liquidating Trust (share voting rights: 0.0%)	New York	>0.0	>0.0			
Babcock & Brown Limited	Sydney	3.2				
BayBG Bayerische Beteiligungsgesellschaft mbH[7]	Munich	22.5		EUR	226,714	12,688
Bayerischer BankenFonds GbR[7]	Munich	25.6				
BCV Investment SCA (share voting rights: 0.0%)	Luxembourg	1.1	1.1	EUR	603	230
BGN GmbH & Co. KG	Wiesbaden	6.0	6.0			
BIL Leasing-Fonds GmbH & Co. Altstadtsanierung Freiberg KG						
(share voting rights: 0.3%)	Grünwald	—	—	EUR	459	886
BIL Leasing-Fonds GmbH & Co. Bankgebäude Leipzig KG						
(share voting rights: 0.3%)	Grünwald	—	—	EUR	(597)	720
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-Fonds GmbH & Co. Stadtsanierung Freiberg KG						
(share voting rights: 0.2%)	Grünwald	—	—	EUR	2,005	6,829
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	2,198	(54)
Blue Capital Equity I GmbH & Co.KG i.L.	Munich	>0.0	>0.0			
Blue Capital Equity II GmbH & Co. KG i.L.	Munich	>0.0	>0.0	EUR	1,811	(45)
Blue Capital Equity III GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.8	0.8	EUR	8,800	(589)
Blue Capital Equity IV GmbH & Co. KG	Munich	>0.0	>0.0	EUR	15,576	275
Blue Capital Equity V GmbH & Co. KG						
(share voting rights: >0.0%)	Munich	0.1	0.1	USD	4,135	134
Blue Capital Equity VI GmbH & Co. KG	Munich	>0.0	>0.0	USD	23,300	1,997
Blue Capital Equity VII GmbH & Co. KG	Munich	>0.0	>0.0	USD	18,831	2,834
Blue Capital Equity VIII GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	0.7	0.7	EUR	20,232	420
Blue Capital Equity IX GmbH & Co. KG						
(share voting rights: 0.6%)	Munich	0.7	0.7	EUR	9,515	414
Blue Capital Europa Immobilien GmbH & Co.						
Fünfte Objekte Österreich KG	Munich	0.1	0.1	EUR	15,149	343
Blue Capital Europa Immobilien GmbH & Co.						
Sechste Objekte Großbritannien KG i.L.	Munich	>0.0	>0.0	EUR	1,500	(3,506)
Blue Capital Europa Immobilien GmbH & Co.						
Siebte Objekte Österreich KG	Munich	0.1	0.1	EUR	24,360	2,237
Blue Capital Metro Amerika Fund, L.P.	Wilmington	0.1	0.1	USD	164,923	(2,524)
Blue Capital Metropolitan Amerika GmbH & Co. KG	Munich	0.1	0.1	USD	120,502	6,755
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	13,201	6
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg	13.6		EUR	4,158	584
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	4,668,584	666,851
Carlyle U.S. Equity Opportunity Fund, L.P.						
(share voting rights: 0.0%)	Wilmington	0.9	0.9	USD	992,567	(65,725)
Charme II (share voting rights: 0.0%)	Milan	7.7		EUR	8,651	6,866

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
CHARME INVESTMENTS S.C.A. (share voting rightsl: 12.1%)	Luxembourg	13.4		EUR	22,770	697
China International Packaging Leasing Co., Ltd.	Beijing	17.5		CNY	(101,056)	553
China Investment Incorporations (BVI) Ltd.	Tortola	10.8	10.8	USD	48,485	4,570
Circle 1 Luxembourg Holdings S.C.A.	Luxembourg	0.6	0.6			
CLS Group Holdings AG	Zurich	1.2		GBP	369,636	32,345
CMC-Hertz Partners, L.P. (share voting rights: 0.0%)	Wilmington	7.1	7.1			
CME Group Inc.	Wilmington	>0.0		USD	20,340,700	1,534,100
Earlybird GmbH & Co. Beteiligungskommanditgesellschaft III i.L.	Munich	9.7	9.7	USD	7,385	4,673
Easdaq NV	Leuven	>0.0		EUR	1,867	2,604
East Capital Financials Fund AB (share voting rights: 0.0%)	Stockholm	0.2		EUR	25,225	(11,047)
EDD AG (share voting rights: 3.1%)	Düsseldorf	3.0		EUR	32,245	(542)
Einkaufsgalerie Roter Turm Beteiligungs GmbH & Co. KG	Munich	>0.0	>0.0	EUR	7,926	310
Einkaufsgalerie Roter Turm Chemnitz GmbH & Co. KG	Munich	>0.0	>0.0	EUR	54,969	1,116
EURO Kartensysteme GmbH	Frankfurt am Main	6.0		EUR	11,635	173
FBEM Gesellschaft mit beschränkter Haftung i. L.	Berlin	3.0		EUR	271	2,740
Film & Entertainment VIP Medienfonds 4 GmbH & Co. KG	Grünwald	9.3	9.3	EUR	24,939	(1,426)
FinLeap GmbH[8]	Berlin	3.6		EUR	21,935	(6,878)
Gut Waldhof GmbH & Co. Golfplatz Betriebs KG	Hamburg	0.7				
H.F.S. Immobilienfonds Bahnhofspassagen						
Potsdam GmbH & Co. KG	Munich	5.9	5.9	EUR	23,183	(397)
H.F.S. Immobilienfonds “Das Schloss”						
Berlin-Steglitz GmbH & Co. KG	Munich	6.0	6.0	EUR	26,861	776
H.F.S. Immobilienfonds Deutschland 1 GmbH & Co. KG	Munich	0.6	0.6	EUR	841	184
H.F.S. Immobilienfonds Deutschland 3 GmbH & Co. KG	Munich	0.2	0.2	EUR	1,903	935
H.F.S. Immobilienfonds Deutschland 4 GmbH & Co. KG	Munich	0.2	0.2	EUR	(2,487)	(962)
H.F.S. Immobilienfonds Deutschland 6 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	16,291	8,498
H.F.S. Immobilienfonds Deutschland 7 GmbH & Co. KG	Munich	0.1	0.1	EUR	7,034	1,549
H.F.S. Immobilienfonds Deutschland 8 GmbH & Co. KG	Munich	0.1	0.1	EUR	11,886	614
H.F.S. Immobilienfonds Deutschland 9 GmbH & Co. KG	Munich	0.1	0.1	EUR	6,619	410
H.F.S. Immobilienfonds Deutschland 10 GmbH & Co. KG	Munich	1.4	1.4	EUR	133,077	5,712
H.F.S. Immobilienfonds Deutschland 12 GmbH & Co. KG	Munich	3.9	3.9	EUR	80,655	11,511
H.F.S. Immobilienfonds Deutschland 15 GmbH & Co. KG	Munich	0.1	0.1	EUR	18,666	(36)
H.F.S. Immobilienfonds Deutschland 16 GmbH & Co. KG	Munich	0.1	0.1	EUR	61,584	1,367
H.F.S. Immobilienfonds Deutschland 18 GmbH & Co. KG i. L.	Munich	6.1	6.1	EUR	10,773	47,377
H.F.S. Immobilienfonds GmbH & Co. Europa 3 KG	Munich	0.1	0.1	EUR	13,161	(3,765)
H.F.S. Immobilienfonds Köln GmbH & Co. KG	Munich	>0.0	>0.0	EUR	67,570	359
H.F.S. Immobilienfonds Köln Supplier-Park GmbH & Co. KG	Munich	>0.0	>0.0	EUR	24,307	2,732
H.F.S. Immobilienfonds Schweinfurt GmbH & Co. KG	Munich	>0.0	>0.0	EUR	7,246	307
H.F.S. Zweitmarktfonds Deutschland 1 GmbH & Co. KG	Ebersberg	0.1	0.1	EUR	14,831	2,696
H.F.S. Zweitmarktfonds Deutschland 2 GmbH & Co. KG	Ebersberg	>0.0	>0.0	EUR	86,863	11,978
HVBFF Immobilien-Fonds GmbH & Co Wohnungen Leipzig KG i.L.						
(share voting rights: 1.0%)	Munich	—	—	EUR	557	376
HVBFF Life Britannia GmbH & Co Erste KG	Grünwald	>0.0	>0.0	EUR	22,139	5,398
HVB Trust Pensionsfonds AG (share voting rights: 0.0%)[8]	Munich	100.0				
IGEPA Gewerbepark GmbH & Co Vermietungs KG	Fürstenfeldbruck	2.0	2.0	EUR	(9,704)	9,650
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	
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	85,812	6,172
Kepler Cheuvreux S.A. (share voting rights: 4.6%)	Paris	5.2		EUR	63,061	7,080
Kreditgarantiegemeinschaft der freien Berufe						
Baden-Württemberg Verwaltungs-GmbH	Stuttgart	1.3				

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
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	
Kreditgarantiegemeinschaft des Handels Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	2.3		EUR	1,022	
Kreditgarantiegemeinschaft des Handwerks						
Baden-Württemberg Verwaltungsgesellschaft mbH	Stuttgart	2.5		EUR	1,001	
Kreditgarantiegemeinschaft des Hotel- und						
Gaststättengewerbes in Bayern GmbH	Munich	9.7		EUR	4,359	
Kreditgarantiegemeinschaft für den Handel in Bayern GmbH	Munich	2.2		EUR	6,317	
Kreditgarantiegemeinschaft in Baden-Württemberg						
Verwaltungs-GmbH	Stuttgart	5.1		EUR	1,023	
Life Britannia First LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	17,699	429
Life Britannia Second LP (share voting rights: 1.0%)	Uxbridge	—	—	GBP	17,699	355
Life GmbH & Co Erste KG	Munich	>0.0	>0.0	USD	104,623	(17,436)
Life GmbH & Co. Zweite KG (share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	87,882	(3,738)
Lion Capital Fund I, L.P. (share voting rights: 0.0%)	London	0.9		EUR	2,429	(410)
Liquiditäts-Konsortialbank GmbH i.L.	Frankfurt am Main	5.7		EUR	230,536	(5,996)
Martin Schmälzle Grundstücksgesellschaft						
Objekt Wolfsburg GmbH & Co. KG	Munich	>0.0	>0.0	EUR	15,692	868
MBG Mittelständische Beteiligungsgesellschaft						
Baden-Württemberg GmbH	Stuttgart	5.0		EUR	66,948	6,067
MBG Mittelständische Beteiligungsgesellschaft						
Rheinland-Pfalz mbH (share voting rights: 11.1%)	Mainz	9.8		EUR	13,548	1,172
MBG Mittelständische Beteiligungsgesellschaft						
Schleswig-Holstein mbH	Kiel	3.6		EUR	36,042	2,604
MFG Flughafen-Grundstücksverwaltungs-						
gesellschaft mbH & Co Beta KG i.L.	Grünwald	10.6				
Mittelständische Beteiligungsgesellschaft						
Berlin-Brandenburg GmbH	Potsdam	11.6		EUR	18,278	1,956
Mittelständische Beteiligungsgesellschaft						
Mecklenburg-Vorpommern mbH	Schwerin	15.4		EUR	14,141	655
Mittelständische Beteiligungsgesellschaft						
Niedersachsen (MBG) mbH	Hanover	8.2		EUR	13,131	895
Mittelständische Beteiligungsgesellschaft						
Sachsen-Anhalt mit beschränkter Haftung	Magdeburg	12.7		EUR	22,870	153
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden	11.8		EUR	44,729	2,464
Mittelständische Beteiligungsgesellschaft						
Thüringen mbH	Erfurt	13.4		EUR	23,730	1,214
Motion Picture Production GmbH & Co. Erste KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	(28,103)	1,461
Mühoga Münchner Hochgaragen Gesellschaft						
mit beschränkter Haftung[7]	Munich	25.0	25.0	EUR	4,473	2,050
Natural Stone Investments S.A.	Luxembourg	7.4	7.4	EUR	(175,926)	(14,052)
Neumayer Tekfor Verwaltungs GmbH i.L.						
(share voting rights: 0.0%)	Offenburg	4.0	4.0			
Osca Grundstücksverwaltungsgesellschaft mbH & Co. KG i.L.	Grünwald	18.0				
PAI Europe VII-1 Global S.L.P.	Paris	0.5	0.5			
PICIC Insurance Ltd.	Karachi	>0.0		PKR	38,211	(311,789)
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			

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
Rocket Internet Capital Partners (Euro) SCS						
(share voting rights: 0.0%)	Luxembourg	4.4		EUR	37,806	5,002
Roomstore Inc.	Richmond	7.7	7.7			
Saarländische Kapitalbeteiligungsgesellschaft						
mit beschränkter Haftung (share voting rights: 8.8%)	Saarbrücken	8.7		EUR	7,475	35
Social Venture Fund GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	9.6		EUR	3,308	(264)
Social Venture Fund II GmbH & Co. KG						
(share voting rights: 0.0%)	Munich	4.5		EUR	6,179	(2,362)
Stahl Group S.A.	Luxembourg	0.5	0.5	EUR	651,494	914,893
SwanCap FLP II SCSp (share voting rights: 37.5%)[9]	Senningerberg	—				
SwanCap FLP SCS (Stimmrechtsanteil: 37,5%)[9]	Senningerberg	—				
SwanCap TB II SCSp (share voting rights: 0.0%)[10]	Senningerberg	>0.0				
SwanCap Blocker GmbH & Co. KG[10]	Munich	—				
S.W.I.F.T., (Co-operative 'Society for Worldwide						
Interbank Financial Telecommunication')	Brussels	0.3		EUR	415,332	26,219
Texas Energy Future Holdings L.P. (share voting rights: 0.0%)	Fort Worth	1.5	1.5	USD	2,003	(172)
True Sale International GmbH	Frankfurt am Main	7.7		EUR	4,809	46
UniCredit Business Integrated Solutions						
Società Consortile per Azioni	Milan	>0.0		EUR	332,921	2,572
VISA Inc. (share voting rights: 0.0%)	Wilmington	>0.0		USD	32,912,000	5,991,000
VV Immobilien GmbH & Co. United States KG i.L.						
(share voting rights: 9.2%)	Munich	9.3				
VV Immobilien GmbH & Co. US City KG i.L.	Munich	0.9				
WealthCap Aircraft 1 GmbH & Co. KG	Munich	>0.0	>0.0	USD	22,461	344
WealthCap Aircraft 25 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	45,046	(835)
WealthCap Aircraft 26 GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	57,251	(576)
WealthCap Immobilien Deutschland 38 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	89,704	6,513
WealthCap Immobilien Deutschland 39 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	1,070	(498)
WealthCap Immobilienfonds Deutschland 30 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	44,276	6,171
WealthCap Immobilienfonds Deutschland 31 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	35,062	1,514
WealthCap Immobilienfonds Deutschland 32 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	50,741	2,092
WealthCap Immobilienfonds Deutschland 33 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	59,900	2,516
WealthCap Immobilienfonds Deutschland 34 GmbH & Co. KG						
(share voting rights: 0.1%)	Munich	>0.0	>0.0	EUR	39,681	2,545
WealthCap Immobilienfonds Deutschland 35 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	124,993	7,463
WealthCap Immobilienfonds Deutschland 37 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	64,359	2,455
WealthCap Immobilienfonds Donauwörth 1 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	21,571	1,592
WealthCap Immobilienfonds Donauwörth 2 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,498	595
WealthCap Immobilien Nordamerika 16 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	USD	36,431	18
WealthCap Immobilien Nordamerika 17 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	USD	14,639	5,689
WealthCap Infrastructure Fund I GmbH & Co. KG	Munich	>0.0	>0.0	EUR	4,997	3,386
WealthCap Infrastruktur Amerika GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	4,995	(52)
WealthCap Leasing 1 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	31,529	1,576
WealthCap Leasing 2 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	30,985	1,471
WealthCap Leasing 3 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	30,223	1,453
WealthCap Leasing 4 GmbH & Co. KG	Grünwald	5.5	5.5	EUR	29,153	1,233

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
WealthCap LebensWert 1 GmbH & Co. KG						
share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	2,277	844
WealthCap LebensWert 2. GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	8,792	760
WealthCap Life Britannia 2. GmbH & Co KG	Munich	>0.0	>0.0	EUR	21,433	1,428
WealthCap Life USA 4. GmbH & Co. KG	Grünwald	>0.0	>0.0	USD	76,013	8,495
WealthCap Los Gatos 121 Albright Way L.P.	Wilmington	>0.0	>0.0	USD	63,881	7,471
WealthCap Mountain View I L.P. (share voting rights: 0.1%)	Georgia	—	—	USD	40,063	5,070
WealthCap Objekt Berg-am-Laim GmbH & Co. KG	Munich	5.2	5.2	EUR	121,259	8,143
WealthCap Objekt Essen GmbH & Co. KG	Munich	5.2	5.2	EUR	30,877	(376)
WealthCap Objekt Frankfurt GmbH & Co. KG	Munich	5.2	5.2	EUR	(426)	(218)
WealthCap Objekt Hackerbrücke GmbH & Co. KG	Munich	5.2	5.2	EUR	33,358	1,253
WealthCap Objekt Hannover Ia GmbH & Co. KG	Munich	5.2	5.2	EUR	17,169	229
WealthCap Objekt Hannover Ib GmbH & Co. KG	Munich	5.2	5.2	EUR	3,885	450
WealthCap Objekt Hannover II GmbH & Co. KG	Munich	5.2	5.2	EUR	17,955	86
WealthCap Objekt Hufelandstraße GmbH & Co. KG	Munich	5.2	5.2	EUR	11,748	851
WealthCap Objekt Riem GmbH & Co. KG	Munich	5.2	5.2	EUR	30,630	1,431
WealthCap Objekt Riem II GmbH & Co. KG	Munich	5.2	5.2	EUR	46,082	(1,676)
WealthCap Objekt Schwabing GmbH & Co. KG	Munich	5.2	5.2	EUR	32,146	761
WealthCap Objekt Sendling GmbH & Co. KG	Munich	5.2	5.2	EUR	(822)	(813)
WealthCap Objekt Stuttgart Ib GmbH & Co. KG	Munich	>0.0	>0.0	EUR	21,775	(332)
WealthCap Objekt Stuttgart II GmbH & Co. KG	Munich	5.2	5.2	EUR	(170)	(177)
WealthCap Objekt Theresienhöhe GmbH & Co. KG	Munich	5.2	5.2	EUR	67,488	3,155
WealthCap Photovoltaik 1 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	26,021	(223)
WealthCap Portfolio 3 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0			
WealthCap Private Equity 10 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	14,212	3,917
WealthCap Private Equity 11 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	5,471	1,675
WealthCap Private Equity 12 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	58,879	3,050
WealthCap Private Equity 13 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	47,661	2,148
WealthCap Private Equity 14 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	EUR	28,216	1,349
WealthCap Private Equity 15 GmbH & Co. KG						
(share voting rights: 0.1%)	Grünwald	>0.0	>0.0	USD	19,049	554
WealthCap Private Equity 16 GmbH & Co. KG						
(share voting rights: 0.3%)	Grünwald	>0.0	>0.0	USD	4,135	134
WealthCap Private Equity 17 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	13,426	1,161
WealthCap Private Equity 18 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	9,683	841
WealthCap Private Equity 19 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	8,940	(5,899)
WealthCap Private Equity 20 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	2,208	(1,352)
WealthCap SachWerte Portfolio 1 GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	42,141	1,955
WealthCap SachWerte Portfolio 2 GmbH & Co.						
geschlossene Investment KG	Grünwald	>0.0	>0.0	EUR	90,090	(9,701)
WealthCap Spezial-AIF 1 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	158,188	17,936
WealthCap Spezial-AIF 2 GmbH & Co.						
geschlossene Investment KG	Munich	5.2	5.2	EUR	63,429	3,481
WealthCap Spezial-AIF 3 GmbH & Co.						
geschlossene Investment KG	Munich	>0.0	>0.0	EUR	184,410	11,541

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 Spezial-AIF 5 GmbH & Co.						
geschlossene Investment KG	Munich	5.1	5.1	EUR	(769)	(779)
WealthCap US Life Dritte GmbH & Co. KG						
(share voting rights: 0.0%)	Grünwald	0.1	0.1	USD	26,949	528
WealthCap Zweitmarkt 3 BASIS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	36,027	1,373
WealthCap Zweitmarkt 3 PLUS GmbH & Co. KG	Grünwald	>0.0	>0.0	EUR	13,092	1,220
WealthCap ZweitmarktWerte Immobilien 4 GmbH & Co. KG	Munich	>0.0	>0.0	EUR	8,845	259
WH – Erste Grundstücks GmbH & Co. KG	Munich	6.0		EUR	82,496	18
Wohnungsbaugesellschaft der Stadt Röthenbach						
a. d. Pegnitz mit beschränkter Haftung	Röthenbach a. d. Pegnitz	5.2		EUR	3,223	80

List of Holdings (Continued)

Exchanges rates for 1 euro at 31 December 2017
Currency abbreviation according to the International Organisation for Standardisation (ISO) code.

China	1 euro =	7.8044	CNY
UK	1 euro =	0.88723	GBP
Pakistan	1 euro =	132.483	PKR
USA	1 euro =	1.1993	USD

Notes and comments to the list of holdings

Percentages marked < or > are rounded up or down to one decimal place, e.g. < 100.0% = 99.99% or > 0.0% = 0.01%.

1 UniCredit Bank AG has concluded profit-and-loss transfer agreements with the following companies:

	COMPANY	PROFIT/(LOSS) TRANSFERRED €'000
1.1	Food & more GmbH, Munich	(417)
1.2	HJS 12 Beteiligungsgesellschaft mbH, Munich	2
1.3	HVB Capital Partners AG, Munich	2,920
1.4	HVB Immobilien AG, Munich	7,697
1.5	HVB Profil Gesellschaft für Personalmanagement mbH, Munich	(445)
1.6	HVB Secur GmbH, Munich	1
1.7	HVB Verwa 4 GmbH, Munich	(361)
1.8	MERKURHOF Grundstücksgesellschaft mit beschränkter Haftung, Munich	2,514
1.9	UniCredit Beteiligungs GmbH, Munich	(14)
1.10	UniCredit Direct Services GmbH, Munich	(483)
1.11	UniCredit Leasing GmbH, Hamburg	20,000
1.12	Verwaltungsgesellschaft Katharinenhof mbH, Munich	437
1.13	Wealth Management Capital Holding GmbH, Munich	30,225

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 of the 2016 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 minus €10,000 and the net profit €50,000.

7 Despite a holding of more than 20%, UniCredit Bank AG has no significant influence over the company on account of the ownership structure and voting patterns to date.

8 The company is held by a trustee for UniCredit Bank AG.

9 UniCredit Bank AG has the position of a limited partner under company law and participates in the profit of the company.

10 UniCredit Bank AG has the position of a limited partner under company law but does not participate in the profit of the company.

11 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.

Mortgage Banking

62 Coverage

The statement of coverage is as follows:

(€ millions)

	2017	2016
A. Mortgage bonds		
Standard coverage		
1. Loans and receivables with banks	—	—
Mortgage loans	—	—
2. Loans and receivables with customers	25,930	24,545
Mortgage loans	25,930	24,545
Other eligible cover[1]		
1. Other lending to banks	—	—
2. Bonds and other fixed-income securities	460	760
3. Equalisation claims on government authorities	—	—
Subtotal	**26,390**	**25,305**
Total mortgage bonds requiring cover	16,868	15,057
Excess coverage	**9,522**	**10,248**
B. Public-sector bonds		
Standard coverage		
1. Loans and receivables with banks	17	34
Mortgage loans	—	—
Municipal loans	17	34
2. Loans and receivables with customers	5,243	5,834
Mortgage loans	4	4
Municipal loans	5,239	5,830
3. Bonds and other fixed-income securities	269	269
Other eligible cover[2]		
Other lending to banks	—	—
Subtotal	**5,529**	**6,137**
Total public-sector bonds requiring cover	3,936	3,887
Excess coverage	**1,593**	**2,250**

1 compliant with Section 19 (1) of the German Pfandbrief Act
2 compliant with Section 20 (2) of the German Pfandbrief Act

63 Pfandbriefs outstanding and cover assets used

The following table shows Pfandbriefs outstanding and cover assets, broken down by Mortgage Pfandbriefs and Public Pfandbriefs: (€ millions)

	2017			2016		
	NOMINAL	PRESENT VALUE	RISK PRESENT VALUE[1]	NOMINAL	PRESENT VALUE	RISK PRESENT VALUE[1]
1. Mortgage bonds						
Mortgage bonds	16,868	17,978	17,205	15,057	16,441	15,523
thereof: derivatives	—	—	—	—	—	—
Covering assets[2]	26,390	28,493	27,196	25,305	27,718	26,208
thereof: derivatives	—	—	—	—	—	—
Excess coverage	**9,522**	**10,515**	**9,991**	**10,248**	**11,277**	**10,685**
2. Public-sector bonds						
Public-sector bonds	3,936	4,382	4,154	3,887	4,456	4,214
thereof: derivatives	—	—	—	—	—	—
Covering assets[3]	5,529	6,234	5,910	6,137	7,045	6,600
thereof: derivatives	—	—	—	—	—	—
Excess coverage	**1,593**	**1,852**	**1,756**	**2,250**	**2,589**	**2,386**

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 €460 million as at 31 December 2017 and €760 million at 31 December 2016
3 including no further cover assets compliant with Section 20 (2) of the German Pfandbrief Act as at 31 December 2017 and as at 31 December 2016

64 Maturity structure of Pfandbriefs outstanding and fixed-interest periods of respective cover assets

The following table shows the maturity structure of Pfandbriefs outstanding and fixed-interest periods of cover assets: (€ millions)

	2017		2016	
	MORTGAGE BONDS	COVERING ASSETS	MORTGAGE BONDS	COVERING ASSETS
1. Mortgage bonds[1]	**16,868**	**26,390**	**15,057**	**25,305**
up to 0.5 years	437	1,920	1,508	2,309
at least 0.5 years but less than 1 year	589	1,225	1,154	1,591
at least 1 year but less than 1.5 years	477	1,408	429	1,522
at least 1.5 years but less than 2 years	2,032	1,180	1,089	1,133
at least 2 years but less than 3 years	2,390	2,495	1,609	2,505
at least 3 years but less than 4 years	1,804	2,578	1,350	2,569
at least 4 years but less than 5 years	1,977	2,295	1,154	2,394
at least 5 years but less than 10 years	5,423	9,593	4,844	8,507
10 years or more	1,739	3,696	1,920	2,775
2. Public-sector bonds[2]	**3,936**	**5,529**	**3,887**	**6,137**
up to 0.5 years	101	405	341	440
at least 0.5 years but less than 1 year	136	264	118	516
at least 1 year but less than 1.5 years	593	286	635	454
at least 1.5 years but less than 2 years	123	431	81	238
at least 2 years but less than 3 years	745	911	451	667
at least 3 years but less than 4 years	136	477	774	849
at least 4 years but less than 5 years	689	418	106	428
at least 5 years but less than 10 years	747	1,328	866	1,366
10 years or more	666	1,009	515	1,179

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)

65 Volume of claims used as cover for Pfandbriefs, broken down by size class

The following table shows volume of claims used as cover for Pfandbriefs:

(€ millions)

	2017	2016
Mortgage covering assets	**25,930**	**24,545**
up to and including €300,000	10,576	10,613
over €300,000 up to and including €1,000,000	3,990	3,713
over €1,000,000 up to and including €10,000,000	6,090	5,690
more than €10,000,000	5,274	4,529
Public-sector bonds[1]	**5,529**	**6,137**
up to and including €10,000,000	1,511	1,588
over €10,000,000 up to and including €100,000,000	1,742	2,004
more than €100,000,000	2,276	2,545

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

66 Volume of claims used as cover for Mortgage Pfandbriefs, broken down by state in which the real property collateral is located and property type

The following table shows the volume of claims used as cover for Mortgage Pfandbriefs, broken down by state in which the real property collateral is located and property type:

(€ millions)

	2017		2016	
	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY
1. Germany	**17,680**	**8,249**	**16,568**	**7,976**
Condominiums	4,289	—	4,167	—
Single-family and two-family houses	6,992	—	6,614	—
Multiple-family houses	6,261	—	5,639	—
Office buildings	—	4,183	—	3,806
Retail buildings	—	2,543	—	2,609
Industrial buildings	—	481	—	478
Other commercially used buildings	—	804	—	815
New buildings under construction, not yet profitable	109	166	128	200
Building land	29	72	20	68
2. France	**1**	**—**	**1**	**—**
Single-family and two-family houses	1	—	1	—
3. Italy	**—**	**—**	**—**	**—**
Single-family and two-family houses	—	—	—	—
Total	**17,681**	**8,249**	**16,569**	**7,976**

67 Volume of claims used as cover for Public Pfandbriefs, broken down by type of debtor or guaranteeing entity and its home country

The following table shows the volume of claims used as cover for Public Pfandbriefs broken down by type of borrower or guaranteeing entity (in case of a full guarantee) and head office (state) as well as by whether or not the guarantee was granted for reasons of promoting exports: (€ millions)

	2017	2016
1. Germany		
Central government	355	458
thereof owed	—	—
thereof guaranteed	355	458
Regional authorities	2,020	2,155
thereof owed	1,474	1,585
thereof guaranteed	546	570
Local authorities	2,889	3,192
thereof owed	2,338	2,484
thereof guaranteed	551	708
Other	45	82
thereof owed	28	48
thereof guaranteed	17	34
Total Germany	**5,309**	**5,887**
thereof owed	3,840	4,117
thereof guaranteed	1,469	1,770
Guarantees for reasons of promoting exports	355	458
2. Austria	**220**	**250**
Central government	220	250
thereof owed	200	250
thereof guaranteed	20	—
Total	**5,529**	**6,137**
thereof owed	4,040	4,367
thereof guaranteed	1,489	1,770
Guarantees for reasons of promoting exports	355	458

68 Other eligible cover

The following table shows the breakdown of other eligible cover for Pfandbriefs: (€ millions)

	2017	2016
1. Mortgage bonds	**460**	**760**
Equalization 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]	460	760
Germany	460	760
Other states	—	—
2. Public-sector bonds	**—**	**—**
Equalization claims according to Section 20 (2) No. 1 PfandBG	—	—
All states	—	—
Money claims according to Section 20 (2) No. 2 PfandBG	—	—
All states	—	—
thereof: covered bonds according to Article 129 of Regulation (EU) No. 575/2013	—	—

1 without cover assets according to Section 4 (1) sentence 2 No. 1 and 2 German Pfandbrief Act
2 including cover assets according to Section 19 (1) No. 2 German Pfandbrief Act in conjunction with Section 4 (1) sentence 2 No. 1 and 2 German Pfandbrief Act

Mortgage Banking (Continued)

69 Key figures for Pfandbriefs outstanding and associated cover assets

The following table shows the breakdown of key figures for Pfandbriefs outstanding and their respective cover assets:

		2017	2016
1. Mortgage bonds			
Mortgage bonds outstanding	€ millions	16,868	15,057
thereof: share of fixed-interest Pfandbriefs (Section 28 (1) No. 9 PfandBG)	%	82.11	84.76
Eligible cover[1]	€ millions	26,390	25,305
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)	%	77.99	76.80
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	7.6	8.1
Average weighted loan-to-value ratio (Section 28 (2) No. 3 PfandBG)	%	41.20	40.45
2. Public-sector bonds			
Public-sector bonds outstanding	€ millions	3,936	3,887
thereof: share of fixed-income Pfandbriefs (Section 28 (1) No. 9 PfandBG)	%	96.19	78.26
Eligible cover[2]	€ millions	5,529	6,137
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)	%	82.41	82.82
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	—	—

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

70 Payments in arrears

Total amount of payments in arrears for at least 90 days in respect of the claims used as cover for Pfandbriefs and breakdown by states in which the real property collateral is located:

(€ millions)

	2017	2016
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	—	—
Germany	—	—
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	—	—

71 Foreclosures and sequestrations

The following table shows the breakdown of foreclosures and sequestrations carried out in 2017:

		OF WHICH IN 2017	
	NUMBER OF PROCEEDINGS	COMMERCIAL PROPERTY	RESIDENTIAL PROPERTY
1. Foreclosures and sequestrations			
a) Pending at 31 December 2017			
Foreclosure proceedings	295	47	248
Sequestration proceedings	13	3	10
Foreclosure and sequestration proceedings	246	49	197
	554	**99**	**455**
(comparative figures from 2016	558	103	455)
b) Foreclosures finalised in 2017	**16**	**2**	**14**
(comparative figures from 2016	39	2	37)
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.			

72 Interest in arrears

Interest in arrears on mortgage-covering assets due between 1 October 2016 and 30 September 2017 breaks down as follows: (€ millions)

	2017	2016
Interest in arrears	—	—
Commercial property	—	—
Residential property	—	—

The present annual financial statements were prepared on 27 February 2018.

UniCredit Bank AG
The Management Board

Betocchi Drwenski | Buschbeck | Čortan

Dr Diederich | Schindler | 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, 27 February 2018

UniCredit Bank AG
The Management Board

Betocchi Drwenski	Buschbeck	Čortan
Dr Diederich	Schindler	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 2017, the income statement for the financial year from 1 January to 31 December 2017 and the notes to the financial statements, including the accounting and measurement methods presented therein. In addition, we have audited the management report of UniCredit Bank AG, Munich, for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of those parts of the management report specified in the "Other information" section of our auditor's 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, in compliance with the German principles of proper accounting give a true and fair view of the assets, liabilities, and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017, 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 those parts of the management report specified in the "Other information" section of our auditor's report.

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 2017. 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 of the trading book
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:
- Description (including reference to corresponding information in the annual financial statements)
- Auditor's response
- 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 often require the use of estimates. In the annual financial statements, loan loss provisions are set off 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, these provisions are subject to considerable uncertainty and therefore this issue was selected as a key audit matter. The disclosure regarding the loan loss provisions are enclosed in section 4 in the notes.

b) During the audit of the annual financial statements, we firstly audited the effectiveness of the internal controls that capture recording, processing and valuation of loans as well as 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 also included the assessment of implemented processes and controls in place to identify the impaired loans. For a sample, we have audited the credit-worthiness of borrowers, the estimated collateral values and the liquidation periods for credit collaterals based on the historical values of comparable collaterals in the past. We used specialists from our Risk Advisory division who have their focus on credit risk management and IT audit. For the audit of valuation of loans and contingent liabilities as well as other financial commitments related to credit business, our focus was set on the significant impaired loans, since significant areas of judgement are exercised und these have a material impact on the valuation of loans and the recognition of loan loss provisions. We evaluated the valuation of loans based on Bank-internal forecasts for the future income and liquidity position of borrowers and assessed the appropriateness of the information basis used for planning purposes. In doing so, we critically challenged and assessed the underlying assumptions of the legal representatives with regard to the expected cash flows of the audited loans respectively the recovery of collaterals.

c) The development of the loan loss provisions was influenced by the favorable economic environment.

2. Determination of the fair value of financial instruments of the trading book

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). Similarly, financial instruments liabilities at fair value are disclosed under the balance sheet item “Held-for-trading portfolio” in the financial statements. The valuation of financial instruments has been selected 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 6 and 30 of the notes.

b) We have audited the organizational structure and relating processes with regard to the determination of fair value of financial instruments by examination of the adequacy and effectiveness of the implemented key controls. We used specialists from our Risk Advisory division for our audit. In particular our audit includes the independent verification process for pricing, the validation of valuation methods and assumptions, the approval process for new financial instruments as well as the audit of controls for recording business and valuation parameters and the flow of market data, the governance and the reporting processes including the corresponding controls. Noteworthy issues from disputes with counterparties and extraordinary gains or losses from the sale of financial instruments were investigated. For adjustments to the calculated fair values due to the Bank’s creditworthiness, the counterparty credit risk, model risk mitigation, bid-ask spreads, refinancing costs and costs in connection with the liquidation for less actively traded instruments we have audited the assumptions, procedures and models of the Bank with regard to the use of valuation techniques used in the industry and a correct and comprehensible valuation. In addition, we conducted our own independent valuation of selected financial instruments and compared our results with the valuation performed by the Bank.

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 and are, according to our evaluation, within an acceptable range.

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 IT services to a large extent to UniCredit Business Integrated Solutions S.C.p.A., Milan (Italy), (UBIS) that 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 functionality of the controls related to user rights and change management processes for the significant accounting-relevant IT applications by incorporating IT-specialists from Risk Advisory for the audit. In doing so, we have coordinated the plan for the ISAE 3402 audit with the ISAE 3402 auditor at UBIS and the group auditors of UniCredit S.p.A. and utilised the audit activities and -results of the ISAE 3402 auditors and the group auditors. We have informed ourselves of the professional competence, independence and regulatory governance of these auditors. During the utilisation of the 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. They are adequately designed with regard to the complexity and size of the Bank.

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 selected as a key audit matter, since 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 disclosure made by the legal representatives regarding the provisions in relation to the legal risks is enclosed in section 39 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 for estimates and the valuation choices made by the legal representatives have a significant effect on the annual result, we have audited the operational and organizational structure with regard to the recording and valuation of legal risks. In addition, we have assessed the appropriateness of the amount stated, i.a. using values determined according to comparable settlement proceedings and based on the calculations and assessments provided by the Bank’s attorneys and requested confirmation letters from them. With the support of a financial sanctions expert, we have critically considered the underlying assumptions of the legal representatives. In addition, we have reviewed bank-internal investigation results.

c) The provision created by the legal representatives for the legal risks from a potential breach of financial sanctions is within the spectrum of estimations of the Bank’s Attorneys. In our opinion, the assumptions selected by the legal representatives are justified.

Other information

The legal representatives are responsible for the other information. The other information comprises:

– the statement on business management included in section “Corporate structures of UniCredit Bank AG” of the management report pursuant to § 289f (4) German Commercial Code (HGB) (gender quota disclosures),
– the legal representatives’ 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 Legal Representatives and the Supervisory Board for the Annual Financial Statements and the Management Report

The legal representatives 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 principles of proper accounting. In addition, the legal representatives are responsible for such internal control as they, in accordance with German principles of proper accounting, 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 legal representatives 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 legal representatives 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 legal representatives 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 legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- conclude on the appropriateness of the legal representatives' 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 principles of proper accounting.
- 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 legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives 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 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 22 May 2017. We were engaged by the supervisory board on 20 June 2017. 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, in particular the following services that are not disclosed in the annual financial statements or in the management report:
– Audits and reviews of reporting packages
– Audits recording to § 36 of the Securities Trading Act
– Project assurance related to the implementation of new accounting standard
– Non audit services in connection with a follow-up audit

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Martin Kopatschek.

Munich, March 6, 2018

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Prof Dr Leuschner)	(Kopatschek)
German Public Auditor	German Public Auditor

The translation of the Independent Auditor's Report is for convenience only; the German version prevail.