



Annual Results Press Conference

HVB Group – Annual Report for the 2014 financial year

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Munich, 12 March 2015



Highlights in 2014

- ▶ Own targets achieved with profit before tax of well over €1 billion despite historically low interest rates
- ▶ Better than expected second half of the year, especially in Q4
- ▶ All business segments with positive contribution to profits
- ▶ Retail and corporate banking activities very robust; Corporate & Investment Banking – mainly Markets – much weaker than last year due to market conditions
- ▶ Costs and risks under control
- ▶ Outstanding capitalization despite introduction of Basel 3

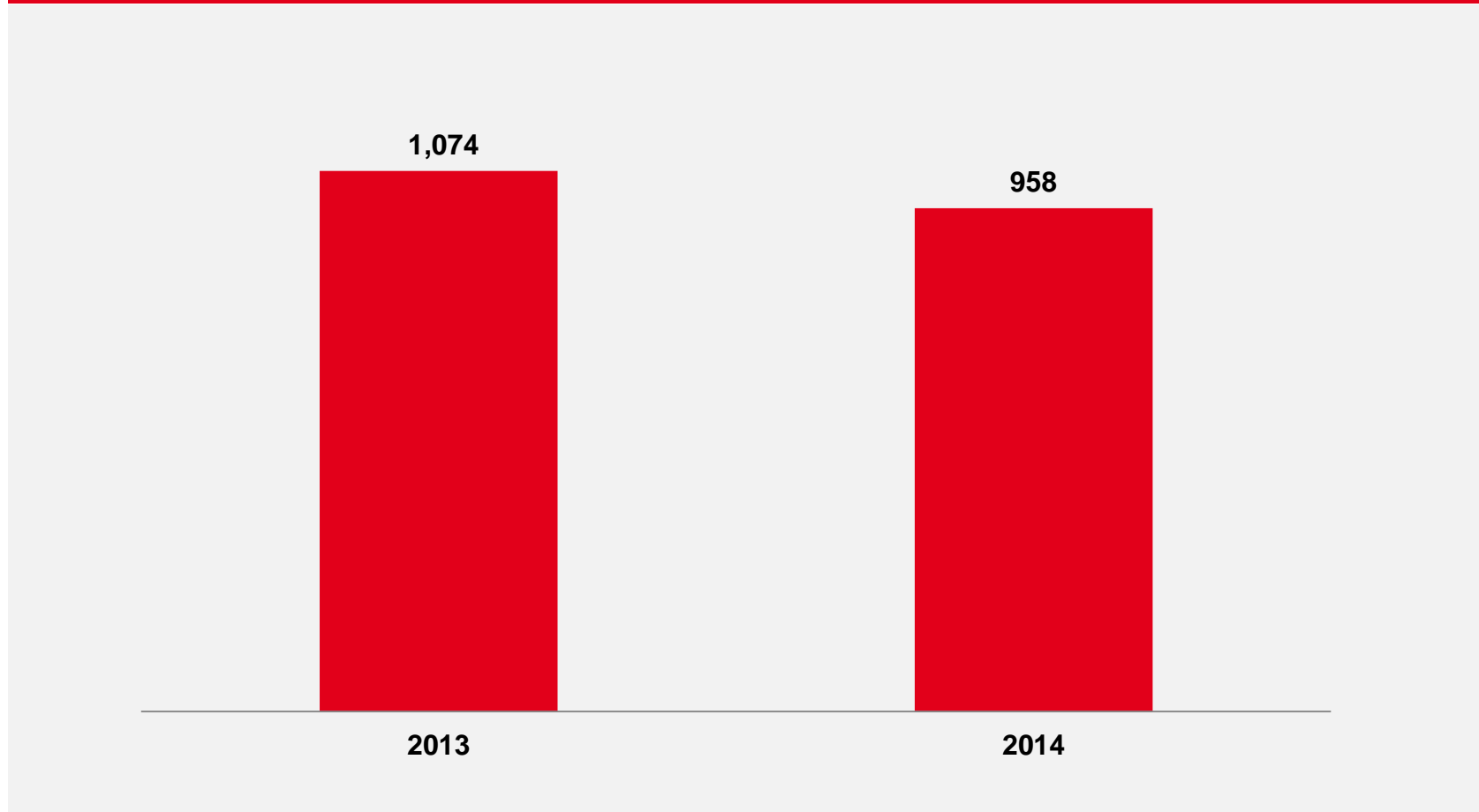
Market environment much more difficult than originally expected

Topic	Underlying conditions in 2014
Economic growth	<ul style="list-style-type: none"> ■ Global economic growth weaker than expected ■ Eurozone economy expands by 0.9%, less than 1.5% predicted ■ Germany with GDP growth of 1.6% vs. 2.5% predicted
Interest rate levels	<ul style="list-style-type: none"> ■ ECB benchmark rate lowered to 0.05% ■ Second long-term tender (TLTRO) and ABS/covered bond purchase programme ■ Yield on 10-yr German government bonds down from 1.93% to 0.54%
Geopolitical risks	<ul style="list-style-type: none"> ■ Worsening geopolitical tensions
	<p>Target set: profit before tax > €1 billion</p>

Net profit after tax of nearly €1 billion almost at year-ago level, despite difficult market environment

HVB Group, € millions

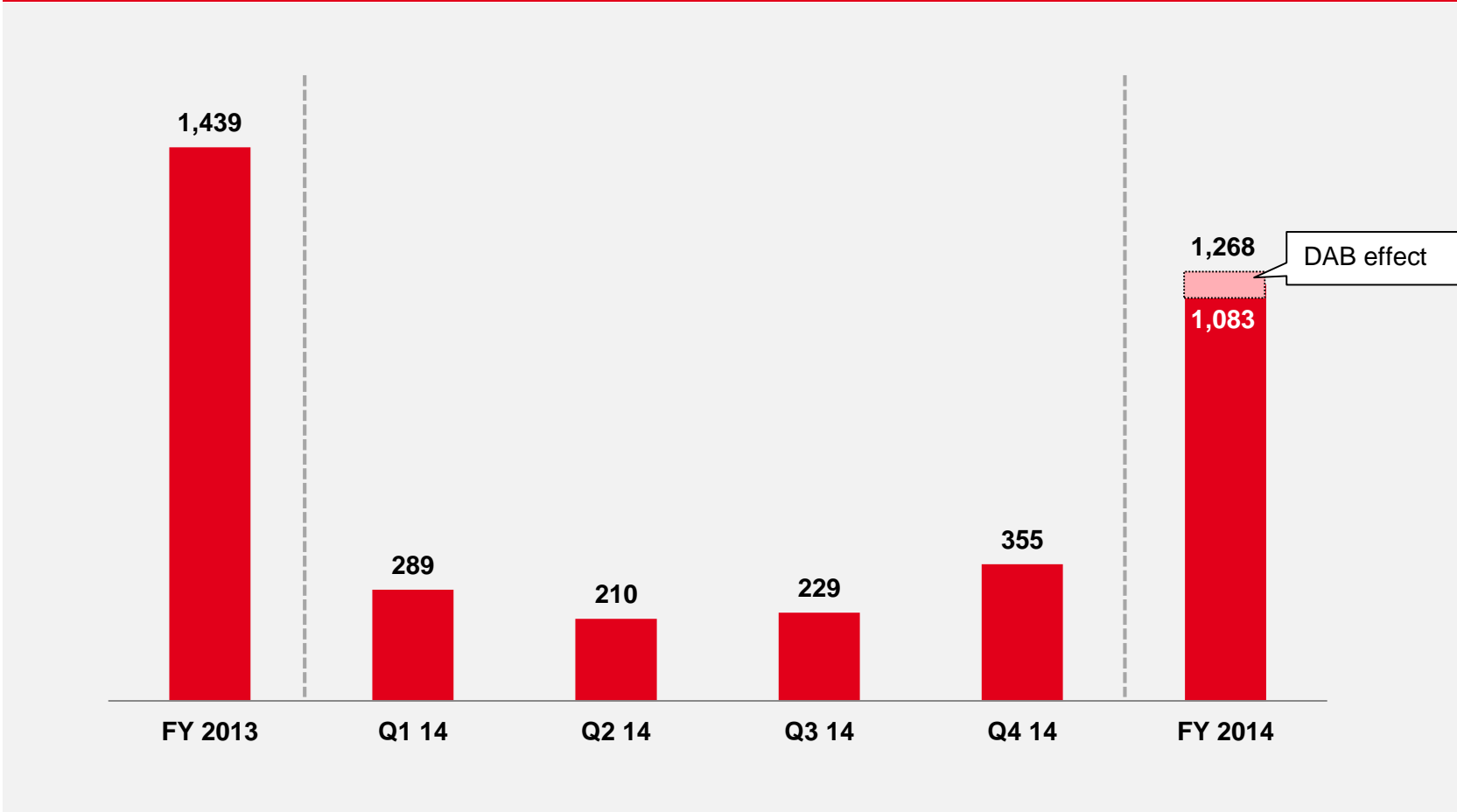
Consolidated profit after tax



Very stable earnings performance across all quarters

HVB Group, € millions

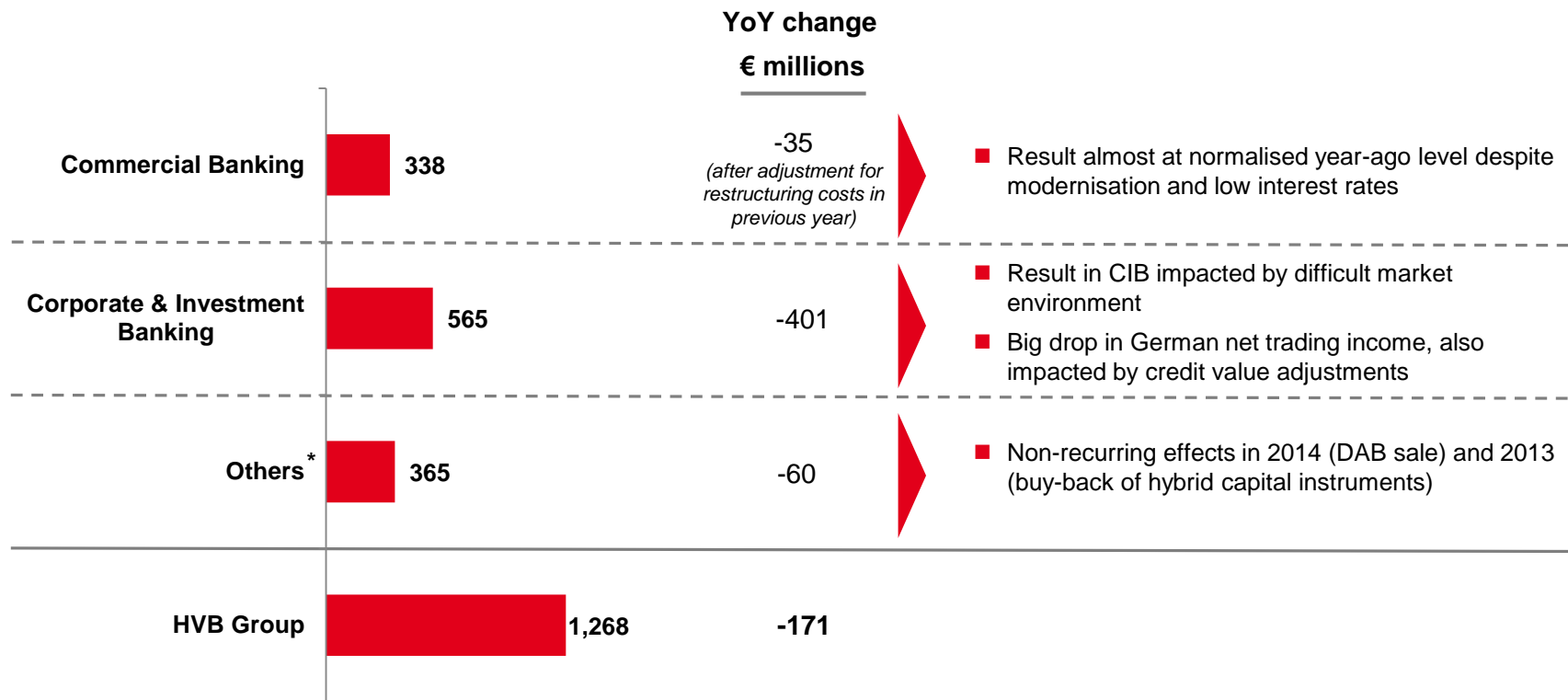
Profit before tax in each quarter



All business segments with positive contribution to results

€ millions

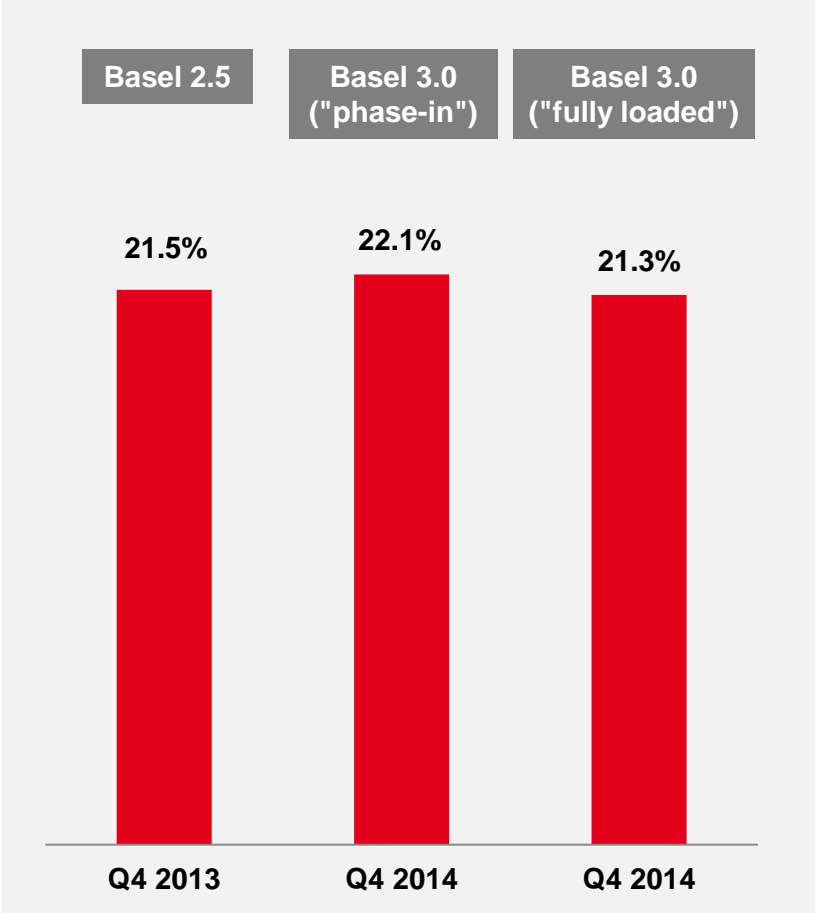
Profit before tax



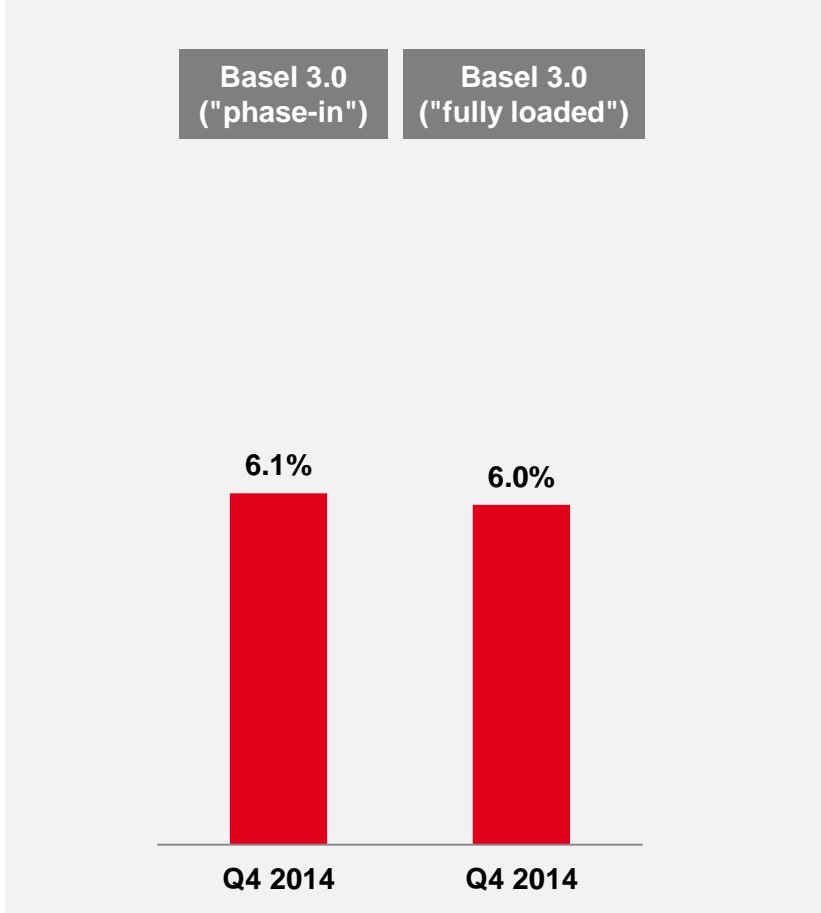
* Other/consolidation and profit from discontinued operations for 2014

Outstanding capitalization despite application of Basel 3

CT1 ratio (Q4 2013) / CET1 ratio (Q4 2014)



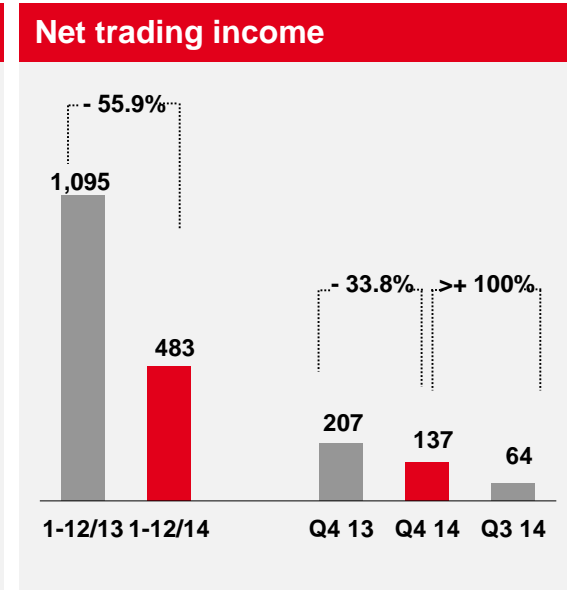
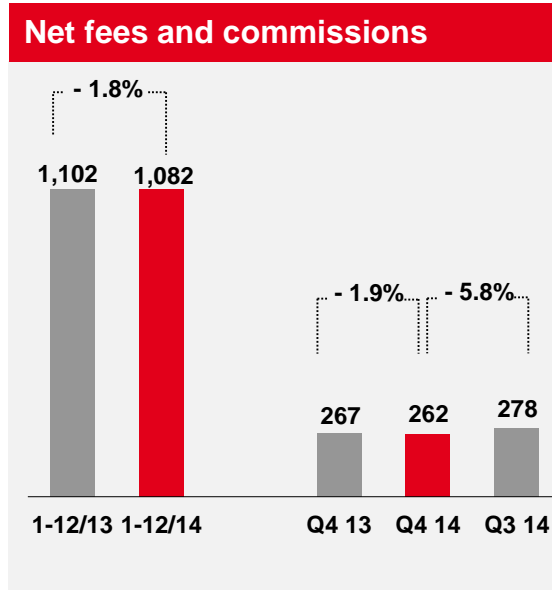
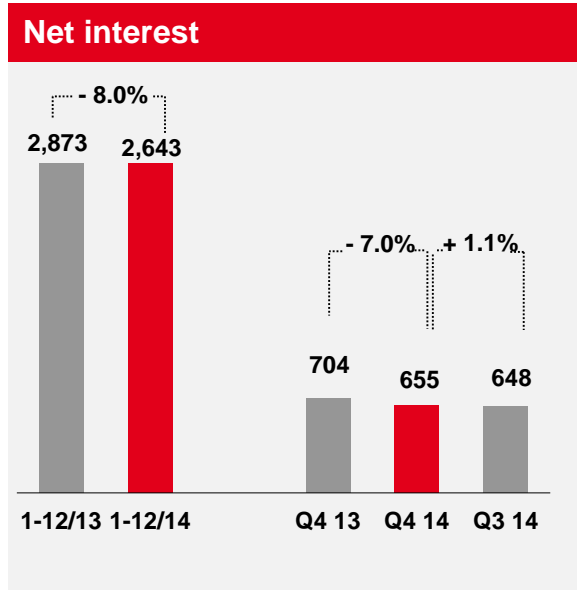
Leverage ratio compliant with Basel 3.0¹



¹ Definition: Ratio of core capital and total risk position metric, which is the aggregate of the risk position figures for all assets and off-balance-sheet items

Market environment and customer restraint reduce operating income; net fees and commissions almost constant

€ millions



- Net interest impacted by persistently very low interest rates
- CIB main driver: lower earnings from trading-induced interest and declining volumes in lending business
- Commercial Banking down only slightly on year-ago level

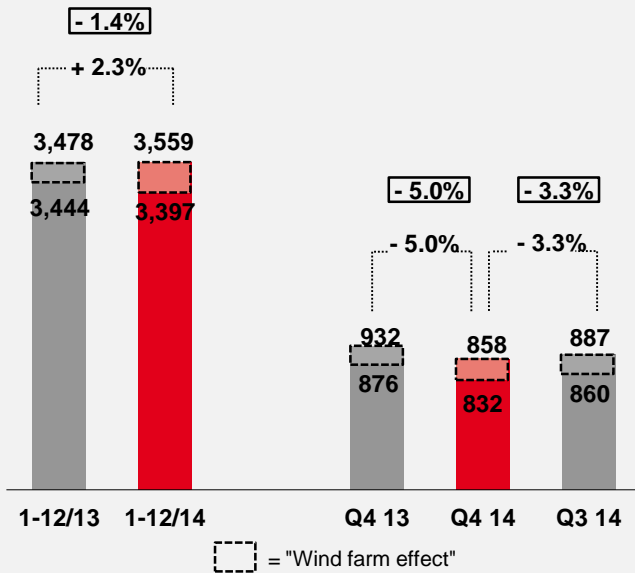
- Slight year-on-year decline due mainly to restrained demand for credit
- Slight increase in income from payment services
- Management, brokerage and advisory services at year-ago level

- High year-ago result benefited from gains on the buy-back of hybrid capital instruments
- Result also impacted by credit value adjustments (€98 million) and own credit spread (€30 million)
- Stronger trading in equity derivatives unable to fully offset declines in other areas

Consistent application of successful cost management; net write-downs of loans kept at a low level

€ millions

Operating costs

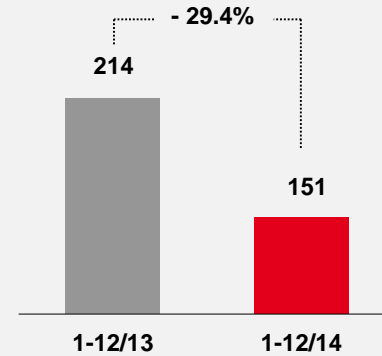


Net write-downs of loans

Cost of risk¹

18Bps

14Bps



- Consistent application of successful cost management of recent years
- Increase over last year due to initial consolidation of BARD Group
- Without this effect, year-on-year decline of 1.4% in operating costs
 - Decline driven by payroll costs and other administrative expenses

- Cost of risk kept at a very low level
- Year-ago level beaten again

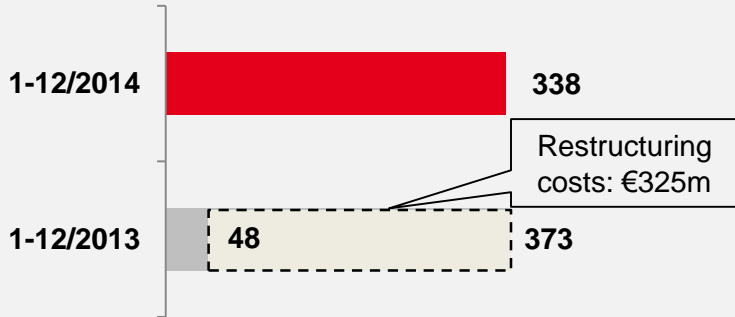
x.x% = Changes excl. initial consolidation of the BARD Group and ordinary depreciation taken on the wind farm

¹ Definition: Ratio of net write-downs of loans to average loans to customers

Commercial Banking business segment

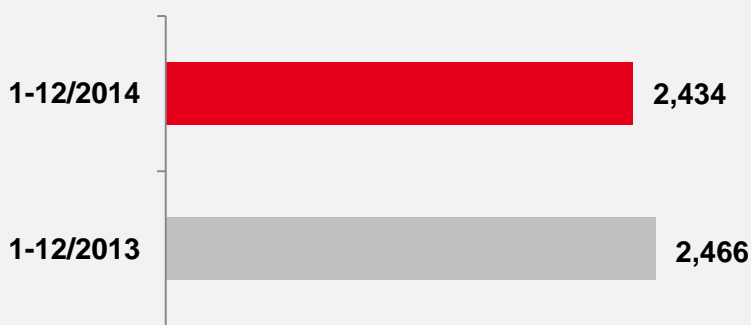
Profit before tax

€ millions



Operating income

€ millions



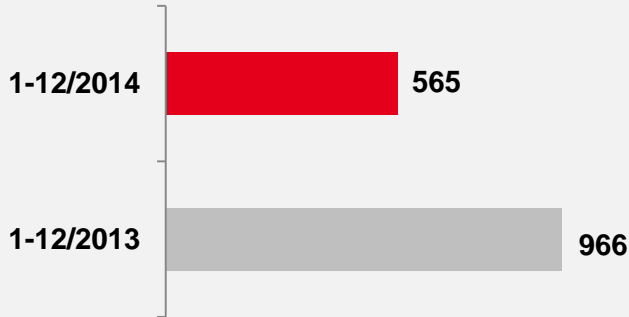
Highlights in 2014

- ▶ Healthy profit before tax of €338 million
- ▶ Operating income nearly at year-ago level; decline driven by credit value adjustments
- ▶ Net fees and commissions up year-on-year
- ▶ Lower operating costs despite wide-ranging renovation work

Corporate & Investment Banking business segment

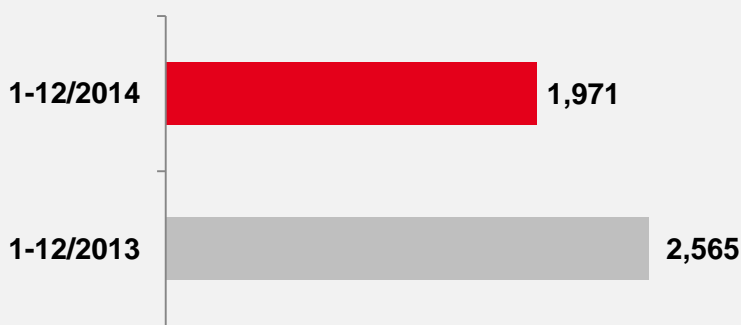
Profit before tax

€ millions



Operating income

€ millions



Highlights in 2014

Result in CIB reflects difficult market environment

Sharp fall in net trading income exacerbated by credit value adjustments

Net interest impacted by lower trading-induced interest and lending volumes

Operating costs down 3.1% on last year, without initial inclusion of BARD

Summary and outlook

HVB with yet another very solid year: healthy income statement and strong balance sheet

Loyal customers; employees passionately follow our customers' aspirations

HVB well equipped for the future:

- Future trends identified promptly and acted on quickly
- Successful modernisation of retail banking business, completed by year-end

Volatile markets, but offering more opportunities in 2015

HVB aims to grow – mainly in Private Banking & Wealth Management and also in business with corporate customers

Annex

HVB Group: Income statement

Income Statement €m	1-12/2014	1-12/2013	Change	
			€ m	%
■ Net interest	2,643	2,873	(230)	(8.0)
■ Dividends and other income from equity investments	92	117	(25)	(21.4)
■ Net fees and commissions	1,082	1,102	(20)	(1.8)
■ Net trading income	483	1,095	(612)	(55.9)
■ Net other expenses/income	302	328	(26)	(7.9)
Operating income	4,602	5,515	(913)	(16.6)
■ Operating costs	(3,559)	(3,478)	(81)	+ 2.3
Operating profit	1,043	2,037	(994)	(48.8)
■ Net write-downs of loans	(151)	(214)	+ 63	(29.4)
Net operating profit	892	1,823	(931)	(51.1)
■ Provisions for risks and charges	25	(220)	+ 245	
■ Restructuring costs	18	(362)	+ 380	
■ Net income from investments	148	198	(50)	(25.3)
Profit before tax	1,083	1,439	(356)	(24.7)
■ Income tax for the period	(298)	(377)	+ 79	(21.0)
Consolidated profit from continuing operations	785	1,062	(277)	(26.1)
Profit before tax from discontinued operations	185	19	+ 166	>+100.0
Income tax related to discontinued operations	(12)	(7)	(5)	+ 71.4
Profit after tax from discontinued operations	173	12	+ 161	>+100.0
Consolidated Profit of Full HVB Group	958	1,074	(116)	(10.8)

HVB Group: Quarterly development

Income Statement €m	Q4 2014	Q3 2014	Q2 2014	Q1 2014
■ Net interest	655	648	683	657
■ Dividends and other income from equity investments	18	25	43	6
■ Net fees and commissions	262	278	287	255
■ Net trading income	137	64	16	266
■ Net other expenses/income	199	26	33	44
Operating income	1,271	1,041	1,062	1,228
■ Operating costs	(858)	(887)	(907)	(907)
Operating profit	413	154	155	321
■ Net write-downs of loans	(156)	95	(12)	(78)
Net operating profit	257	249	143	243
■ Provisions for risks and charges	20	(34)	(1)	40
■ Restructuring costs	18	0	2	(2)
■ Net income from investments	60	14	66	8
Profit before tax	355	229	210	289
■ Income tax for the period	(8)	(115)	(72)	(103)
Consolidated profit from continuing operations	347	114	138	186

Operating business segments: Income statement

HVB Group €m	Commercial Banking				CIB			
	1-12/2014	1-12/2013	vs 1-12/2013		1-12/2014	1-12/2013	vs 1-12/2013	
			€m	%			€m	%
■ Net interest	1,585	1,600	(15)	(0.9)	1,022	1,193	(171)	(14.3)
■ Dividends	12	8	+ 4	+ 50.0	78	101	(23)	(22.8)
■ Net fees and commissions	804	799	+ 5	+ 0.6	291	303	(12)	(4.0)
■ Net trading income	20	66	(46)	(69.7)	458	892	(434)	(48.7)
■ Net other expenses/income	13	(7)	+ 20		122	76	+ 46	+ 60.5
Operating income	2,434	2,466	(32)	(1.3)	1,971	2,565	(594)	(23.2)
■ Payroll costs	(735)	(751)	+ 16	(2.1)	(465)	(455)	(10)	+ 2.2
■ Other administrative expenses	(1,233)	(1,224)	(9)	+ 0.7	(858)	(854)	(4)	+ 0.5
■ Amortisation and depreciation	(11)	(11)	0	0.0	(106)	(32)	(74)	>+100.0
■ Operating costs	(1,979)	(1,986)	+ 7	(0.4)	(1,429)	(1,341)	(88)	+ 6.6
Operating profit	455	480	(25)	(5.2)	542	1,224	(682)	(55.7)
■ Net write-downs of loans	(108)	(74)	(34)	+ 45.9	(112)	(240)	+ 128	(53.3)
Net operating profit	347	406	(59)	(14.5)	430	984	(554)	(56.3)
■ Provisions for risks and charges	(11)	(34)	+ 23	(67.6)	9	(134)	+ 143	
■ Restructuring costs	0	(325)	+ 325	(100.0)	0	0	0	0.0
■ Net income from investments	2	1	+ 1	+ 100.0	126	116	+ 10	+ 8.6
Profit before tax	338	48	+ 290	>+100.0	565	966	(401)	(41.5)

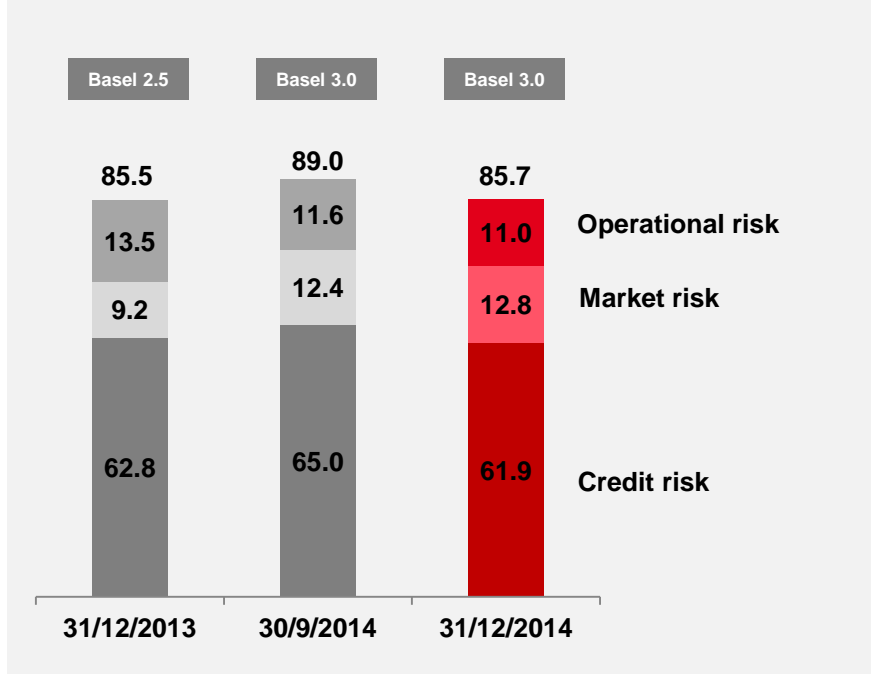
HVB Group: Balance sheet

€ m	31/12/2014	31/12/2013	Change in %	€ m	31/12/2014	31/12/2013	Change in %
Cash and cash balances	5,173	10,626	- 51.3	Deposits from banks	54,080	47,839	+ 13.0
Financial assets held for trading	111,838	91,301	+ 22.5	Deposits from customers	100,674	107,850	- 6.7
Financial assets at fair value through profit or loss	31,205	29,712	+ 5.0	Debt securities in issue	28,249	31,804	- 11.2
Available-for-sale financial assets	1,569	4,576	- 65.7	Financial liabilities held for trading	87,970	73,535	+ 19.6
Investments in associates and joint ventures	77	71	+ 8.5	Hedging derivatives	749	373	>+100.0
Held-to-maturity investments	66	217	- 69.6	Hedge adjustment of hedged items in the fair value hedge portfolio	2,430	1,646	+ 47.6
Loans and receivables with banks	32,654	35,312	- 7.5	Tax liabilities	749	906	- 17.3
Loans and receivables with customers	109,636	109,589	+ 0.0	Liabilities of disposal groups held for sale	1	4	- 75.0
Hedging derivatives	753	1,053	- 28.5	Other liabilities	2,534	3,083	- 17.8
Hedge adjustment of hedged items in the fair value hedge portfolio	66	67	- 1.5	Provisions	2,309	1,969	+ 17.3
Property, plant and equipment	2,949	2,913	+ 1.2	Shareholders' equity	20,597	21,009	- 2.0
Investment properties	1,293	1,456	- 11.2	Shareholders' equity attributable to the shareholder of UniCredit Bank AG	20,566	20,962	- 1.9
Intangible assets	478	518	- 7.7	Minority interest	31	47	- 34.0
Tax assets	1,695	1,654	+ 2.5	Total shareholders' equity and liabilities	300,342	290,018	+ 3.6
Non-current assets or disposal groups held for sale	32	154	- 79.2				
Other assets	858	799	+ 7.4				
Total assets	300,342	290,018	+ 3.6				

Slight increase in RWA due to Basel 3; CET1 ratio still at an excellent level of >20%

€ billions

Total risk-weighted assets



Capital ratios, in %		31/12/2013	30/9/2014	31/12/2014
Core Tier 1 ratio	Basel 2.5	21.5	-	-
CET1 capital ratio	Basel 3.0	-	21.2	22.1
Tier 1 ratio		21.6	21.2	22.1
Equity funds ratio		23.4	22.0	22.9

- Increase of €0.2 billion vs. last year in total risk-weighted assets notably as a result of Basel 3; change over year-end 2013 caused mainly by the increase in risk-weighted assets arising from market risk (up €3.6 billion), while risk-weighted assets arising from operational risk (down €2.5 billion) and from credit risk declined (down €0.9 billion)
- Common Equity Tier 1 (CET1) capital ratio of 22.1% under Basel 3, up on year-ago level of 21.5% under Basel 2.5
- Liquidity Coverage Ratio at 31 December 2014 well above the minimum value required for the first time at 1 October 2015; Net Stable Funding Ratio also higher than the future regulatory requirement

Financial calendar and contacts

Financial calendar

12 May 2015

Interim Report at
31 March 2015

6 August 2015

Half-yearly Financial Report
at 30 June 2015

12 November 2015

Interim Report at
30 September 2015

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