Munich, 10 February 2016

Press release for the provisional, unaudited results for 2015

HypoVereinsbank again records good results built around growth and efficiency measures in difficult conditions

- Strong operating performance driven by growth in lending volumes and deposits
- Costs again stable – despite investment in growth fields with higher compliance and pension costs
- Loan-loss provisions still at a low level thanks to high portfolio quality and conservative risk policy
- Higher net operating profit and adjusted consolidated profit year-on-year
- Focus remains on boosting efficiency in back office units and growing profitably in core business activities

HVB Group (also referred to as HypoVereinsbank) completed the 2015 financial year with a good performance, despite the challenging market environment. Operating income rose a slight 1.6 percent to €4,675 million while net operating income increased by 10.2 percent to €983 million. The consolidated profit after taxes adjusted for restructuring costs of €112 million totals €827 million. This represents a year-on-year rise of 7.0 percent. From today's viewpoint, the net restructuring costs cover the requirements of the multi-year plan for 2016-2018.

"We've achieved really good results in 2015 in an extremely demanding market environment and again demonstrated just how robust HypoVereinsbank is. After taxes, HypoVereinsbank again earned three quarters of a billion euros. The net operating profit has risen by around 10 percent. We've enjoyed profitable growth in all our core business activities and completed the modernisation

UniCredit Bank AG
Presseabteilung
Kardinal-Faulhaber-Straße 1
80333 München
Telefon: (089) 378-25801

of our retail banking business in record time," comments Dr Theodor Weimer, Spokesman of the Management Board of HypoVereinsbank.

Rise in operating income driven by increase in volume of loans and deposits, net interest and net trading slightly higher

Among other things, the strong operating performance was driven by a 3.5 percent rise in the volume of loans to customers to €113.5 billion (2014: €109.6 billion). At the same time, customer deposits rose by 7.0 percent to €107.7 billion (2014: €100.7 billion).

Greater customer activity led to slight increases in net interest and net trading income in 2015, with net interest rising by 3.2 percent to €2,728 million (2014: €2,643 million), despite persistently low interest rates. In terms of net trading income, HypoVereinsbank profited from a positive market trend in interest-related operations and credit spreads, recording an increase of 8.7 percent to €525 million (2014: €483 million). The total of €1,035 million for net fees and commissions at year-end was slightly below the year-ago figure of €1,082 million. In this context, the positive trend in lending activities involving business customers failed to fully offset the negative deconsolidation effect resulting from the sale of PlanetHome completed in 2015.

All in all, operating income rose by 1.6 percent to €4,675 million (2014: €4,602 million).

Cost trend again stable, despite investment in growth fields together with higher compliance and pension costs

At €3,579 million, operating costs again remained stable at the same level as last year (€3,559 million). Ongoing cost-cutting and consistent cost management in 2015 created leeway for investment of around €250 million in growth and digitisation, around 80 percent more than last year, together with an increase in spending on compliance and marketing. At the same time, HypoVereinsbank already started benefiting from initial positive cost effects from the strategic repositioning of the retail banking activities. This included positive effects in payroll and rental costs, among other things. The full cost effect from the modernisation of the retail banking business will be unlocked over the coming years.

Lower loan-loss provisions with simultaneous rise in lending volume thanks to high portfolio quality and conservative risk policy

Even though the volume of lending has risen overall, net write-downs of loans and provisions for guarantees and commitments were reduced from €151 million to €113 million. The very low level continues to reflect the high quality of the loan portfolio and HypoVereinsbank's conservative risk policy for new business.

The net operating profit rose by 10.2 percent to €983 million (2014: €892 million).

Healthy rise in earnings in both operating segments

Both operating segments contributed higher earnings to the positive operating performance of HypoVereinsbank.

The Commercial Banking segment, which encompasses the retail and corporate banking activities, generated operating income of €2,522 million in 2015, up 3.6 percent on the previous year (€2,434 million). Profit before tax increased from €338 million to €405 million (up 19.8 percent). During the reporting period, the Commercial Banking segment benefited from greater demand for property loans on both the commercial and the private side, among other things.

In addition, the corporate banking activities involving globally active companies have been expanded, with the first internationalisation initiatives focusing on Asia and the United States starting to have an impact. Despite low interest rates and stagnating demand for credit across the market as a whole, the volume of lending has expanded slightly faster than the market on the corporate banking side with stable margins.

In the retail banking activity, the modernisation of the business completed in record time at the end of 2015 already had a positive impact on costs and earnings, as did growth in lending and securities activities. Between August 2014 and December 2015, HypoVereinsbank invested over €300 million in the modernisation of 341 branches, the expansion of digital sales channels with over 35 innovations and the further training of its account managers. At the same time, it closed 234 of the original 575 branches, streamlined the product portfolio by 40 percent and has already completed a large part of the approved reduction of positions. This already led to a decline of 8.2 percent in payroll costs in the retail banking business. The net effect on rental costs for branches was a reduction of 20 percent. Moreover, implementing the modernisation of the retail banking activity rapidly made it possible to reverse some of the restructuring costs in 2015. Stable earnings and customer numbers, coupled with much greater customer satisfaction in the core target group than in 2014, are a further success of this package of growth and efficiency measures that has been implemented rapidly.

HypoVereinsbank also enjoyed a strong expansion in its fast-growing Private Banking & Wealth Management unit – mainly on the wealth management side alongside an increase in the number of customers served.

Operating income in the Corporate & Investment Banking segment rose a moderate amount to €2,000 million. Activities involving multinational corporates and financial service providers were expanded and the market position reinforced. Set against its competitors, HypoVereinsbank was the clear market leader in the field of syndicated loans in Germany last year with a volume of more than €14 billion. On the fixed income side, the Bank occupies second place with a volume in excess of €20 billion. The customer-related Markets business grew mainly on the back of risk and trading products for business customers. The net operating profit rose from €427 million to €495 million, thanks mainly to positive developments in net interest and net trading income, which remained stable despite the burden from funding value adjustments. The result was supported additionally by the low level of net write-downs of loans and provisions for guarantees and commitments.

The strong operating performance by HypoVereinsbank overall in 2015 yielded a higher operating profit and adjusted consolidated profit than in 2014. In this context, two technical effects are reflected in the consolidated profit: the funding value adjustments posted to the income statement for the first time; and a lower tax burden due to the capitalisation of moderate levels of deferred taxes in accordance with the IFRS rules in light of future plans.

Balance sheet figures and capital ratios reflect Bank’s strength

HypoVereinsbank continues to enjoy an excellent capital base by both national and international standards. Both the Tier 1 ratio and the CET1 capital ratio amounted to 25.1 percent at December 31, 2015 (2014: 22.1 percent). The equity funds ratio was 25.8 percent after 22.9 percent at year-end 2014.

The leverage ratio defined as the ratio of core capital to the overall risk position (risk position values of all assets and off-balance-sheet items) amounted to 5.9 percent at year-end 2015 after 6.1 percent at December 31, 2014.

The liquidity coverage ratio amounted to over 100 percent at December 31, 2015, which is much higher than the minimum of 60 percent required under Basel III for 2015.

“Our conservative risk policy coupled with an excellent capital and liquidity base is what continues to make HypoVereinsbank such a reliable partner for our customers,” says Francesco Giordano, Chief Financial Officer of HypoVereinsbank.

<u>Multi-year plan links growth in the business segments with further efficiency measures in back office units</u>

HypoVereinsbank is set to continue systematically implementing its multi-year plan in light of a persistently challenging market environment in the current year. In this context, the Bank is seeking to achieve a cost-income ratio of at most 65 percent and a return on allocated capital after taxes of more than 9 percent by the end of 2018 – assuming that the market environment remains stable.

To achieve this, the goal is to increase market share and profitability in Private Banking & Wealth Management, Unternehmer Bank and Corporate & Investment Banking in particular. HypoVereinsbank will continue with the turnaround in its retail banking activity that has had a successful start. At the same time, the systematic digitisation of processes and structures is to be sustained throughout the Bank.

Additional efficiency gains are projected to be achieved by the job cuts in the back office units at HypoVereinsbank and its subsidiaries that have already been communicated. With this in mind, a reconciliation of interests was concluded by the employer and employee sides before the end of 2015, meaning that implementation can now move ahead quickly.

In concrete terms, the programme looks to reduce 1,200 positions in the back office units at the Bank and its subsidiaries over a period of three years. The Bank is committed to avoiding compulsory redundancies, relying instead on natural fluctuation, internal retraining courses and amicable solutions with employees.

Parallel to this, a reduction in the headcount in our retail banking activity, among others, from ongoing programmes is still awaiting completion, whereby contractual agreements have already been reached with all the employees affected in this regard. At the end of the third quarter of 2015, the reduction of 800 full-time equivalents was still outstanding, of which 450 were achieved in the fourth quarter. This means that, by year-end 2015, there were still 350 positions to be reduced under the ongoing programmes.

“Given all the geopolitical uncertainties and the high volatility on the financial markets, we can’t afford to rest on our laurels. The multi-year plan for 2016-18, which is driven strongly by growth in our core business activities and efficiency measures in the back office units, is our response to this,” comments Dr Theodor Weimer.

The complete Annual Report for 2015 will be published on the Investor Relations website at www.hvb.de/ir on 18 March 2016.

Contacts for the press:
Marion Nagl
Phone +49 89 378-25554; marion.nagl@unicredit.de

Nicholas Wenzel
Phone +49 89 378-44959; nicholas.wenzel@unicredit.de