

HVB Group

Results for the first half of 2016

Dr Theodor Weimer, Board Spokesman of HypoVereinsbank
Francesco Giordano, Chief Financial Officer of HypoVereinsbank

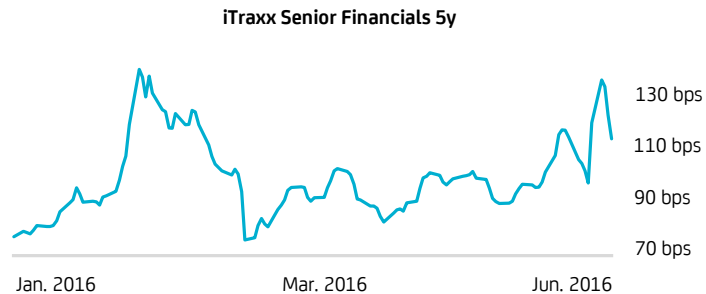
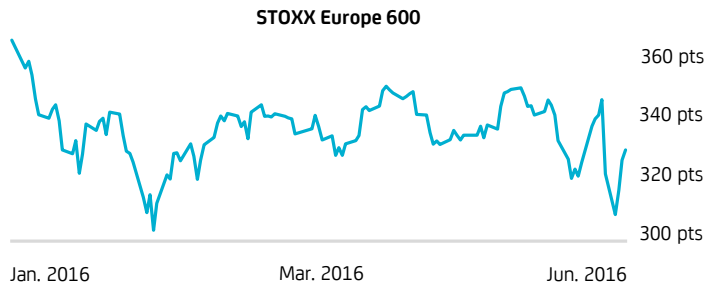
Munich, 4 August 2016

Willkommen bei der
 **HypoVereinsbank**

Member of  **UniCredit**

Market environment tightens again, but also offers opportunities

High market and industry volatility



Geopolitical uncertainties

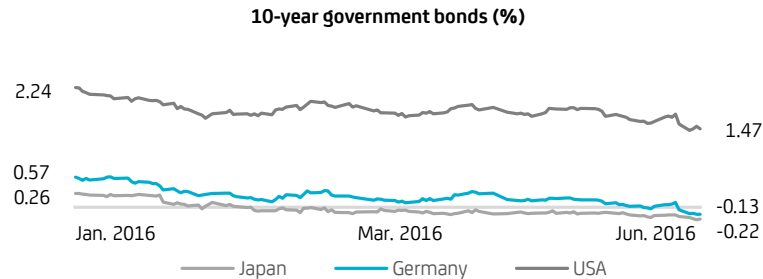
Oil prices

Terrorist attacks

Refugee crisis

Brexit

Looser monetary policy



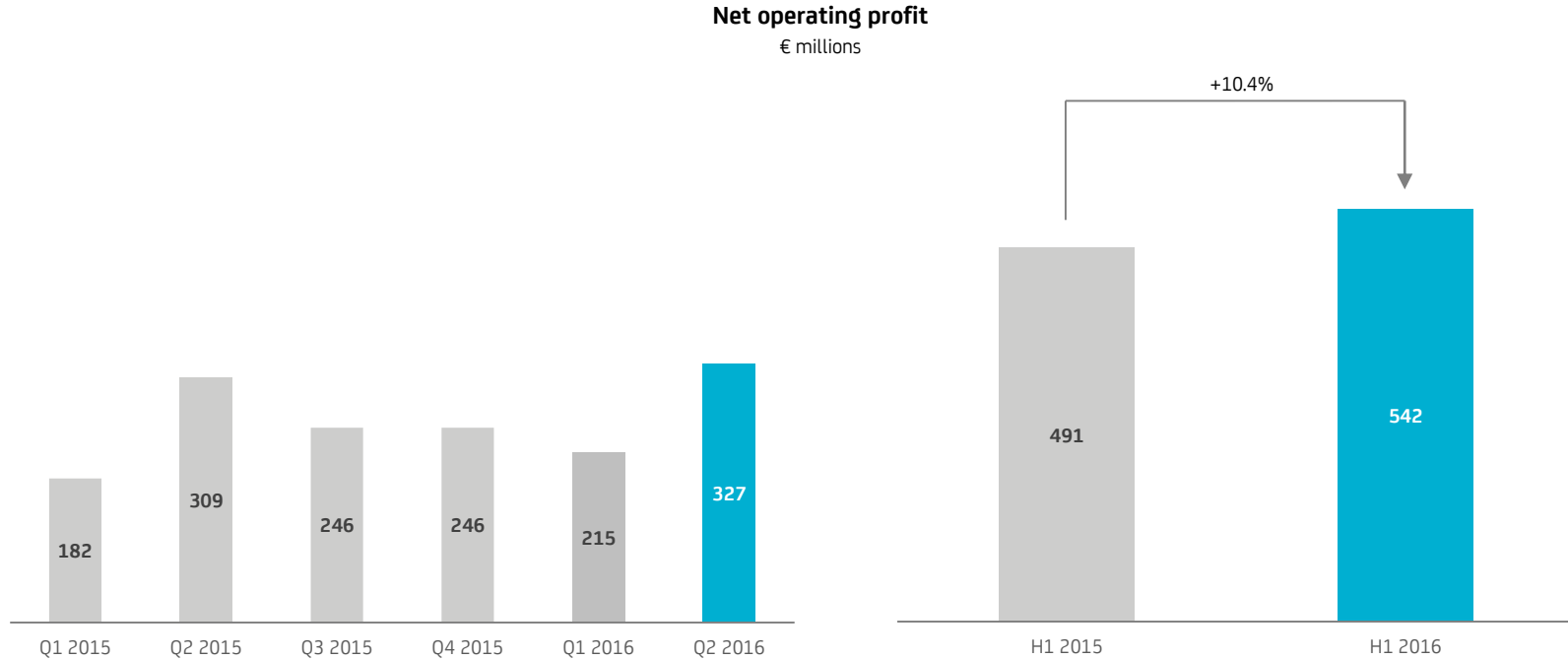
Operating profit up strongly year-on-year thanks to slightly higher income and lower costs

		Change, H1 2016 vs. H1 2015
Operating income	→	+0.5%
Operating costs	↓	-4.4%
Operating profit	↑	+15.3%
Net operating profit	↑	+10.4%



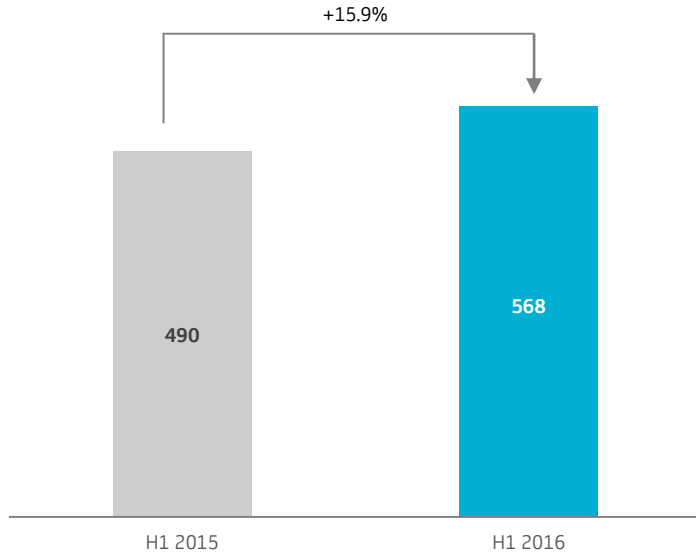
Stable quarterly performance continued

Market and growth opportunities exploited, mainly in Q2

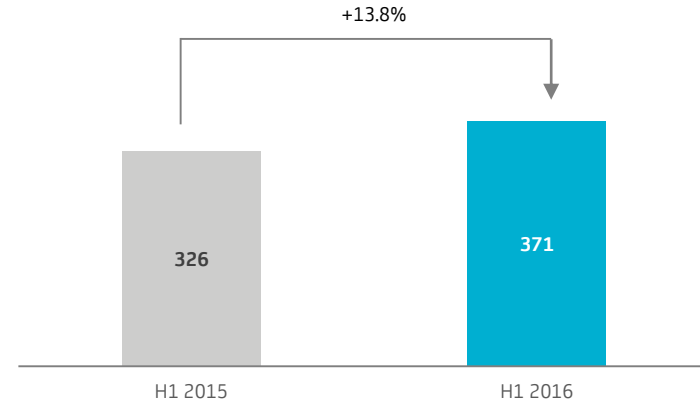


Profit after tax above year-ago level despite market turmoil

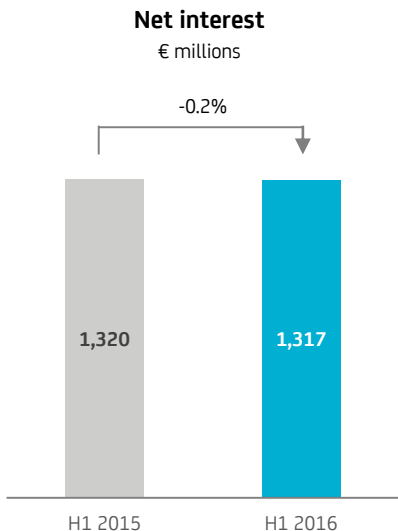
Profit before tax
€ millions



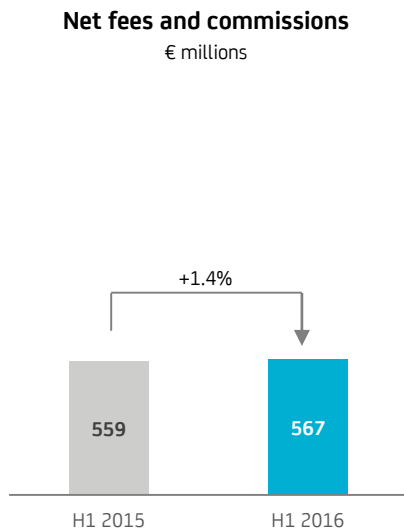
Profit after tax
€ millions



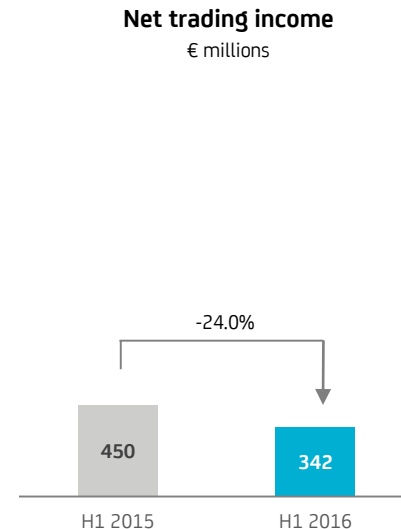
Healthy net interest, slight rise in net fees and commissions, weaker net trading income for market reasons



- Robust net interest despite even lower interest rates



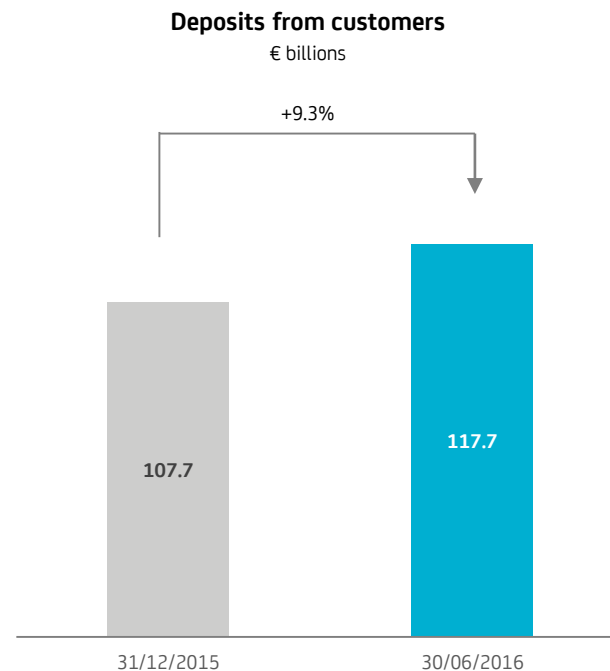
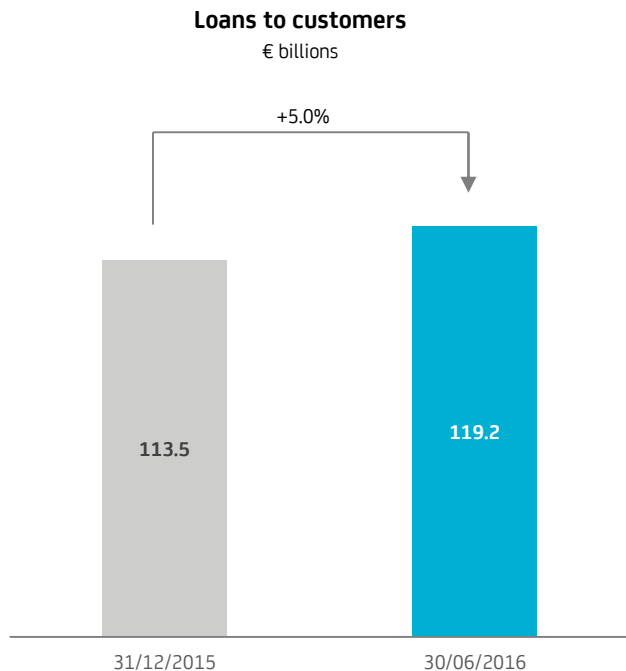
- Year-on-year rise despite sale of PlanetHome in Q2 2015



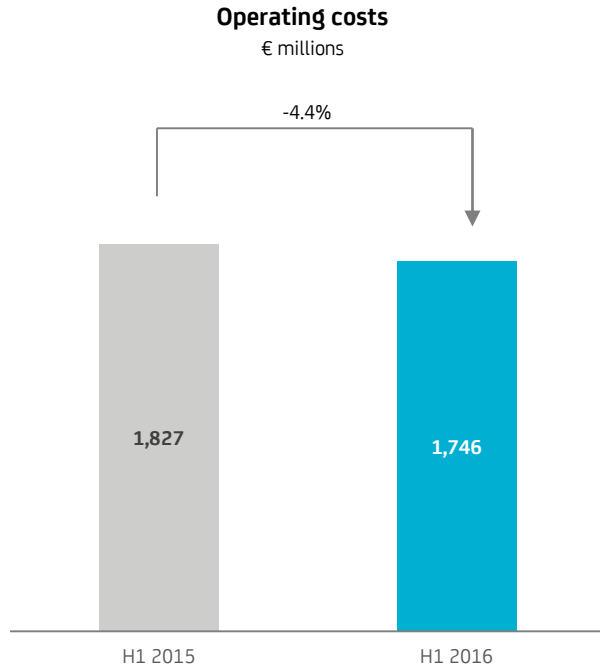
- Strong Q2 2016 unable to offset market-related weakness in Q1 2016



Growth in credit and deposit volumes mainly with core customers



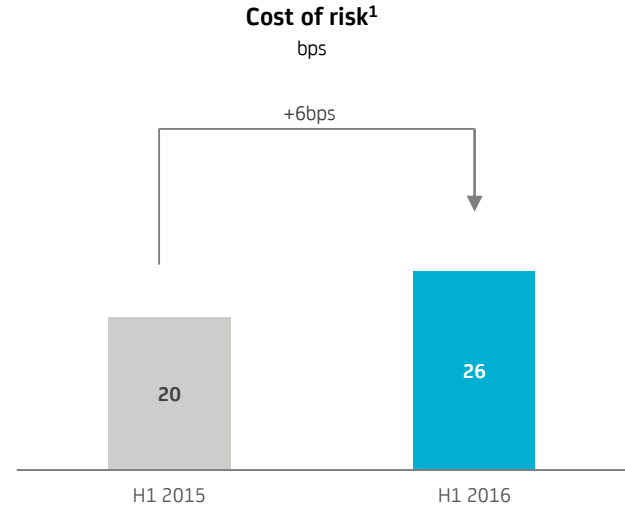
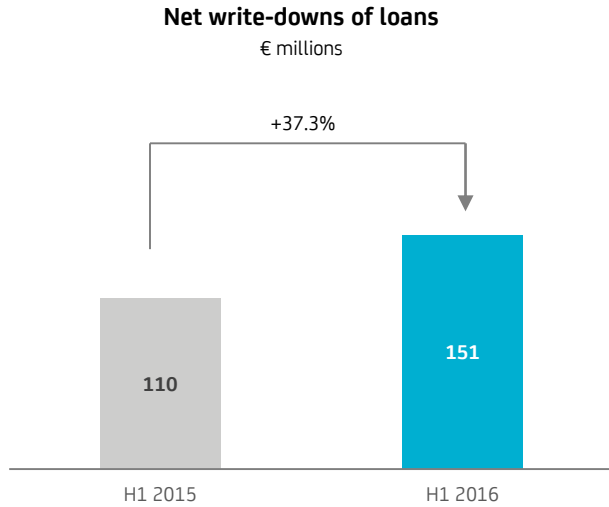
Consistent cost management greatly reduces operating costs and creates space for investment



- **Cost reduction driven strongly by completed repositioning of the retail banking activity**
 - Positive effects especially in payroll and building costs and in marketing and consulting expenses
- **Implementation of 2016–18 Strategic Plan on track**
 - Future cost effects from lower headcount and greater efficiency in the back office
 - Investment in growth fields and digitalisation
 - No further charges as restructuring costs already posted in 2015



Net write-downs of loans still at a low level



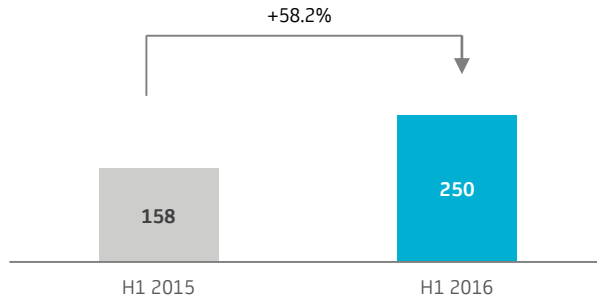
- Rise in net write-downs of loans due to non-recurring items, including higher write-downs in the shipping industry in Q2 2016
- High portfolio quality and conservative risk policy in new business
- Cost of risk up 6bps year-on-year and still at a low level of 26bps

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



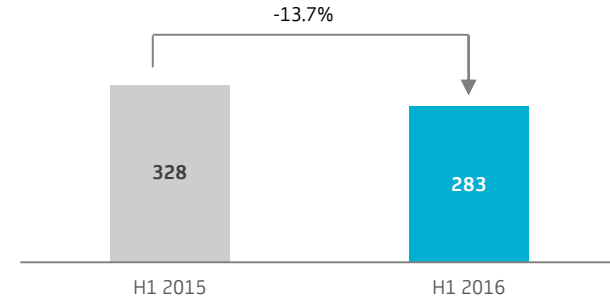
Strong performance in Commercial Banking offsets weaker result in Corporate & Investment Banking

Commercial Banking
Net operating profit
€ millions



- Retail banking activity continuing to perform well after modernisation
- Private Banking & Wealth Management growing faster than the market – in both customer numbers and assets under management in mandated business
- Unternehmer Bank with minor gains of market share and well-filled deal pipeline

Corporate & Investment Banking
Net operating profit
€ millions



- Strong Q2 2016 unable to offset weak net trading income from Q1 2016 for market-related reasons
- Rise in net write-downs of loans due to non-recurring items resulting among other things from the worsening situation in the shipping industry in Q2 2016
- Positive development in Q2 2016 mainly in Markets and Global Transaction Banking; further expansion of market share in F&A and Trade Finance – e.g. position 1 for syndicated loans and corporate bonds



HypoVereinsbank still with excellent capital and liquidity base

	31/12/2015	30/06/2016
Capital (CET1 fully loaded)	24.7%	22.1%
Leverage ratio (fully loaded)	5.9%	5.7%
Liquidity coverage ratio	> 100% ¹	> 100% ¹

¹ Basel III requirement as of 30 June 2016: at least 70%



Summary

- ▶ **Persistently difficult market environment**
- ▶ **Volatility also yields opportunities**
- ▶ **Profit after tax above year-ago level despite considerable market turmoil**
 - ▶ **Market and growth opportunities exploited**
 - ▶ **Slight rise in operating income, weak markets in Q1 2016 make inroads into net trading income**
 - ▶ **Much lower operating costs thanks to completed repositioning of the private banking activity and consistent cost management**
 - ▶ **Strong performance in Commercial Banking offsets weaker results in Corporate & Investment Banking**
- ▶ **Continued focus on boosting efficiency and profitability**



Annex



HVB Group: Income statement

Income statement	1-6/2016	1-6/2015	Change	
	€ millions	€ millions	€ millions	%
Net interest	1,317	1,320	(3)	(0.2)
Dividends and other income from equity investments	48	13	+ 35	>+100.0
Net fees and commissions	567	559	+ 8	+ 1.4
Net trading income	342	450	(108)	(24.0)
Net other expenses/income	165	86	+ 79	+ 91.9
Operating income	2,439	2,428	+ 11	+ 0.5
Operating costs	(1,746)	(1,827)	+ 81	(4.4)
Operating profit	693	601	+ 92	+ 15.3
Net write-downs of loans	(151)	(110)	(41)	+ 37.3
Net operating profit	542	491	+ 51	+ 10.4
Provisions for risks and charges	(9)	(59)	+ 50	(84.7)
Restructuring costs	(2)	0	(2)	
Net income from investments	37	58	(21)	(36.2)
Profit before tax	568	490	+ 78	+ 15.9
Income tax for the period	(197)	(164)	(33)	+ 20.1
Profit after tax	371	326	+ 45	+ 13.8
Impairment on goodwill	0	0	0	0.0
Consolidated profit	371	326	+ 45	+ 13.8



Operating business segments: Income statement

HVB Group € millions	Commercial Banking vs 1-6/2015				Corporate & Investment Banking vs 1-6/2015			
	1-6/2016	1-6/2015	€ millions	%	1-6/2016	1-6/2015	€ millions	%
Net interest	789	802	(13)	(1.6)	577	534	+ 43	+ 8.1
Dividends	22	1	+ 21	>+100.0	4	8	(4)	(50.0)
Net fees and commissions	379	395	(16)	(4.1)	196	171	+ 25	+ 14.6
Net trading income	(7)	38	(45)		349	405	(56)	(13.8)
Net other expenses/income	5	(11)	+ 16		71	8	+ 63	>+100.0
Operating income	1,188	1,225	(37)	(3.0)	1,197	1,126	+ 71	+ 6.3
Payroll costs	(337)	(370)	+ 33	(8.9)	(236)	(246)	+ 10	(4.1)
Other administrative expenses	(604)	(630)	+ 26	(4.1)	(445)	(481)	+ 36	(7.5)
Amortisation and depreciation	(6)	(5)	(1)	+ 20.0	(58)	(35)	(23)	+ 65.7
Operating costs	(947)	(1,005)	+ 58	(5.8)	(739)	(762)	+ 23	(3.0)
Operating profit	241	220	+ 21	+ 9.5	458	364	+ 94	+ 25.8
Net write-downs of loans	9	(62)	+ 71		(175)	(36)	(139)	>+100.0
Net operating profit	250	158	+ 92	+ 58.2	283	328	(45)	(13.7)
Provisions for risks and charges	1	(35)	+ 36		(11)	(29)	+ 18	+ 62.1
Restructuring costs	0	0	0	0.0	(2)	0	(2)	
Net income from investments	14	36	(22)	(61.1)	3	2	+ 1	+ 50.0
Profit before tax	265	159	+ 106	+ 66.7	273	301	(28)	(9.3)



HVB Group: Quarterly performance

Income Statement € millions	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net interest	675	642	764	644	668
Dividends and other income from equity investments	7	41	8	48	7
Net fees and commissions	276	291	230	246	257
Net trading income	238	104	33	42	270
Net other expenses/income	103	62	126	106	65
Operating income	1,299	1,140	1,161	1,086	1,267
Operating costs	(871)	(875)	(869)	(883)	(910)
Operating profit	428	265	292	203	357
Net write-downs of loans	(101)	(50)	(46)	43	(48)
Net operating profit	327	215	246	246	309
Provisions for risks and charges	(3)	(6)	(91)	(44)	(57)
Restructuring costs	(2)	0	(112)	0	0
Net income from investments	36	1	36	5	41
Profit before tax	358	210	79	207	293
Income tax for the period	(125)	(72)	210	(72)	(98)
Profit after tax	233	138	289	135	195
Impairment on goodwill	0	0	0	0	0
Consolidated profit	233	138	289	135	195



HVB Group: Balance sheet

Assets € millions	30/06/2016	31/12/2015	Change in %
Cash and cash balances	8,338	11,443	(27.1)
Financial assets held for trading	107,847	97,800	+ 10.3
Financial assets at fair value through profit or loss	32,054	33,823	(5.2)
Available-for-sale financial assets	5,597	1,354	>+ 100.0
Investments in associates and joint ventures	50	56	(10.7)
Held-to-maturity investments	52	63	(17.5)
Loans and receivables with banks	34,731	32,832	+ 5.8
Loans and receivables with customers	119,191	113,488	+ 5.0
Hedging derivatives	480	450	+ 6.7
Hedge adjustment of hedged items in the fair value hedge portfolio	12	57	(78.9)
Property, plant and equipment	2,924	3,230	(9.5)
Investment properties	1,068	1,163	(8.2)
Intangible assets	457	462	(1.1)
Tax assets	1,590	1,631	(2.5)
Non-current assets or disposal groups held for sale	1,235	104	>+ 100.0
Other assets	982	789	+ 24.5
Total assets	316,608	298,745	+ 6.0

Liabilities € millions	30/06/2016	31/12/2015	Change in %
Deposits from banks	59,496	58,480	+ 1.7
Deposits from customers	117,661	107,690	+ 9.3
Debt securities in issue	23,750	26,002	(8.7)
Financial liabilities held for trading	85,166	77,148	+ 10.4
Hedging derivatives	1,021	1,049	(2.7)
Hedge adjustment of hedged items in the fair value hedge portfolio	2,406	2,030	+ 18.5
Tax liabilities	718	745	(3.6)
Liabilities of disposal groups held for sale	1,218	31	>+ 100.0
Other liabilities	2,159	2,572	(16.1)
Provisions	2,637	2,232	+ 18.1
Shareholders' equity	20,376	20,766	(1.9)
Shareholders' equity attributable to the shareholder of UniCredit Bank AG	20,371	20,762	(1.9)
Minority interest	5	4	+ 25.0
Total shareholders' equity and liabilities	316,608	298,745	+ 6.0



Financial calendar and contacts

- **Financial calendar:**

- **4 August 2016**

- Half-yearly Financial Report at 30 June 2016

- **11 November 2016**

- Interim report at 30 September 2016

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