


Presentation to Fixed Income Investors

München, September 2019

Banking that matters. |  **UniCredit**
Corporate & Investment Banking

Agenda

- 1 HypoVereinsbank at a glance**
- 2 Update on latest results
- 3 Funding
- 4 Cover pool
- 5 Annex
- 6 Contacts



150 Years – from Bayerische Vereinsbank to UniCredit Bank AG

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HypoVereinsbank at a glance

Founded in 1869 as “Bayerische Vereinsbank AG” the business was started in Munich, Bavaria



Headquarter of the Bayerische Vereinsbank in 1884

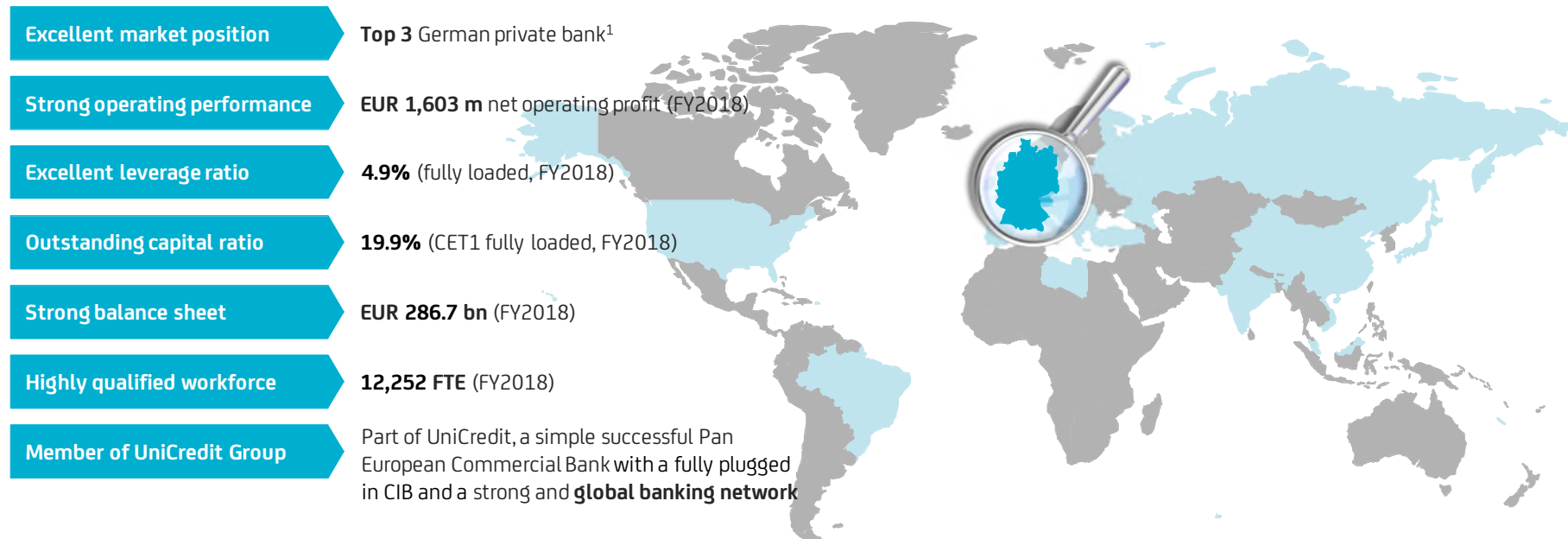
Since 2016 the HVB Tower has become Headquarter of the UniCredit Bank AG



Part of a simple successful Pan European UniCredit, HypoVereinsbank has an excellent market position in the strong German economy

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HypoVereinsbank at a glance



General remark Unless stated otherwise "HypoVereinsbank" refers to UniCredit Bank AG and its subsidiaries in this document

¹HypoVereinsbank ranked as top 3 German private bank based on Bundesbank definition of "Bankengruppe der Großbanken" in Germany and balance sheet ranking, FY2016



Resilient business model: Well balanced with access to a wide range of national and international clients



HypoVereinsbank at a glance

Commercial Banking

- **Corporate**
The “go to” bank for the German Mittelstand
- **Retail**
First mover in modernization of branch network with extended digital services
- **Private Banking & Wealth Management**
Solid market position in growing German market

#2 Private sector lender for German mid caps¹

Best bank for German mid cap²

Private Banking: Summa cum laude³

Corporate & Investment Banking

International competence centre for UniCredit S.p.A. and fully plugged into Commercial Banking

- **Financing & Advisory (F&A)**
Access to leading capital raising & financing solutions
- **Markets**
Top class solutions across multiple asset classes & channels
- **Global Transaction Banking (GTB)**
Best-in-class cash management, export, trade and supply chain finance as well as securities services

#1 All German syndicated loans:
14.4% market share⁴

#2 German corporate loans:
13.7% market share⁴

#1 All German bonds in EUR:
10.7% market share⁴

¹Source: Internal analysis, ²Source: Focus Money survey, 10/08/2016, ³Source: Handelsblatt Elite Report 2017, ⁴Source: Dealogic, 31 Dec 2018



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HypoVereinsbank with positive business performance in the extremely challenging market environment in 2018

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Update on latest results

	31/12/2017	31/12/2018	Δ
Profitability	Operating income	EUR 4,982 m	EUR 4,682m ↓ -6.0%
	Operating costs	EUR -3,270 m	EUR -3,079 m ↓ -5.8%
	Operating profit	EUR 1,712 m	EUR 1,603 m ↓ -6.4%
	Net write-down of loans and provisions for guarantees and commitments	EUR -195 m	EUR -16 m ↓ -91.8%
	Net operating profit	EUR 1,517 m	EUR 1,587 m ↑ +4.6%
	Profit before tax ¹	EUR 1,597 m	EUR 392 m ↓ -75.5%
Balance sheet	Total assets	EUR 299 bn	EUR 287 bn ↓ -4.0%
	Shareholders' equity	EUR 18.9 bn	EUR 17.8 bn ↓ -5.8%
	Leverage ratio (Basel III, fully loaded)	5.1%	4.9% ↓ -3.9%
Regulatory ratios	Common Equity Tier 1 ratio (fully loaded)	21.1%	19.9% ↓ -120bp
	Risk weighted assets (including equivalents for market risk and operational risk)	EUR 78.7 bn	EUR 82.6 bn ↑ +5.0%
	Liquidity Coverage Ratio (LCR)	>100%	>100% → -

¹Decline mainly due to US sanctions provision. UniCredit confirmed settlement with U.S. and New York authorities to resolve U.S. economic sanctions investigation in April 2019



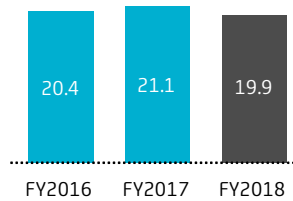
Healthy balance sheet provides sound base for sustainable growth and business continuity

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Update on latest results

Capital (CET1 fully loaded)

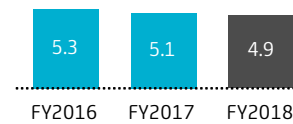
in %



- Continuously excellent capital base by both national and international standards.

Leverage ratio (Basel III, fully loaded)

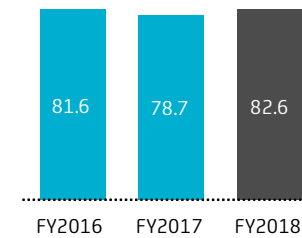
in %



- The leverage ratio slightly decreased since 2016.

Risk-weighted assets¹

in EUR bn



The total risk-weighted assets determined in accordance with Basel III requirements amounted to EUR 82.6 billion at 31 December 2018 and were thus EUR 3.9 billion higher than year-end 2017.

¹Including equivalents for market risk and operational risk



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Well diversified and centrally coordinated funding and liquidity profile

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Funding



Western Europe

CEE Banks
(11 CEE countries¹)

- ✓ **UniCredit S.p.A.** is operating as the Group **Holding** as well as the Italian operating bank and is the **TLAC/MREL issuer** assuming Single-Point-of-Entry (SPE)
- ✓ **Coordinated Group-wide funding and liquidity management** to optimise market access and funding costs
- ✓ **Diversified by geography and funding sources**
- ✓ **All Group Legal Entities to become self-funded** by progressively minimising intragroup exposures
- ✓ UniCredit Bank AG and UniCredit Bank Austria AG may resume issuance of Senior Preferred bonds onto the whole-sale institutional market

¹Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey



HypoVereinsbank¹: Funding and liquidity management

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Funding

- **UniCredit Bank AG**, as the German subsidiary of UniCredit SpA, manages its liquidity and funding on the base of the policies of the Group, exploiting the opportunity to leverage on its unique funding base, also geographical, with a solid mix of instruments.
- The activities are **coordinated Group wide** and are based on a **common framework**, to **optimise market access and funding costs**
- The funding strategy aims at:
 - Covering the bank's needs at limited cost
 - Limiting the maturity mismatch between assets and liabilities
 - Optimising the projected cash flows

UniCredit Bank AG is **active as Issuer** in the following instruments:

- Mortgage and public covered bonds ("Pfandbriefe")
- Private placements
- Retail issues
- Registered notes secured and unsecured
- French CD

A leading Pfandbrief issuer: EUR 18.2 bn² Covered bonds outstanding

- 83% mortgage covered bonds
- 17% public sector covered bonds

Funding as of 31 July 2019:

- Nearly 60% of the outstanding wholesale funding is issued in covered bonds
- Senior unsecured funding mainly in structured format

¹The legal entity to execute the funding plan/issuance programme is mainly "UniCredit Bank AG"

²Figure as of 31 July 2019



HypoVereinsbank's funding mix: Sustainable, diversified and risk adjusted

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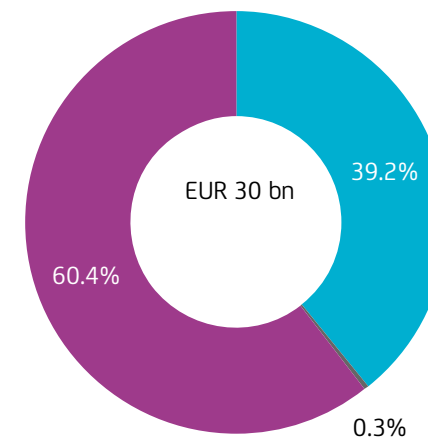
Funding

Strict three-pillar funding strategy¹:

- **Sustainability**
 - Solid medium/long term funding with constant presence on the debt capital market
 - Declining outstanding issuance volume within a sound balance sheet structure (2010: >EUR 62 bn; 07/2019: EUR 30 bn)
- **Diversification**
 - Diversification and activity in all channels to avoid concentration risk especially with regard to seniors
 - Covered bonds ("Pfandbriefe") as important source of funding due to cost-efficiency, first-class credit quality and high degree of safety for investors
- **Risk Management**
 - Maturity diversification to avoid concentration risk

Split of outstanding issuance¹ by instrument type

in %



■ Senior ■ Subordinated ■ Securitisation ■ Pfandbriefe

¹Figures as of 07/2019, Net volume of senior, subordinated and covered bonds "Pfandbriefe" and securitizations of HVB Group (without own issuances held on own books); Positions with UC Group are excluded, except held for trading purposes



Medium-Long Term Funding: Solid and diversified funding structure

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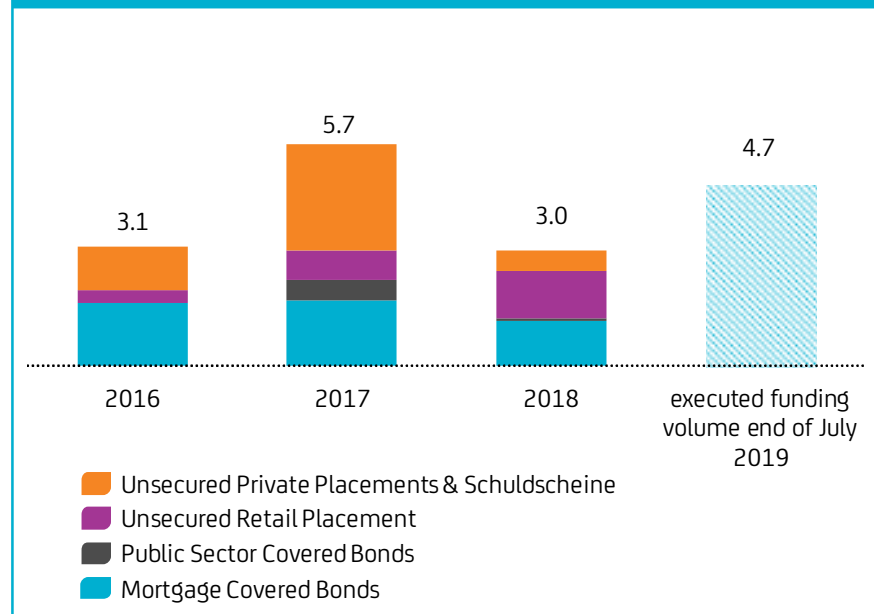
Funding

HypoVereinsbank's¹ funding risk continues to remain on a low level due to

- Use of various channels
- Wide range of funding products
- Issuance in multiple asset classes and markets
- Well diversified group of investors

Funding volume and breakdown of funding sources²

in EUR bn



¹The legal entity to execute the funding plan/issuance programme is mainly "UniCredit Bank AG"; without Other M/L Term Funding transactions and Supranational Funding

²Calculation incl. forward transactions, without Other M/L Term Funding and Supranational Funding



Ratings of HypoVereinsbank reflect robust business model and strong focus on the German market

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Funding

	MOODY'S	STANDARD & POOR'S	Fitch Ratings
Long-term/Outlook/ Short-term	Counterparty Rating: A1/-/P-1 Deposits: A2/stable/P-1 Sen. Unsec. & Issuer Rating: A2/stable/P-1 Jr. -Sen. Unsec. Bank Debt: Baa3/-/-	Resolution Counterparty Rating: A-/-/A-2 Issuer Credit Rating: BBB+/neg/A-2 Sen. Subord. Bank debt: BBB/-/-	Derivative Counterparty Ratings: BBB+ Deposits: BBB+/-/F2 Issuer Default Rating: BBB+/neg/ F2
Stand-alone Rating	baa2	bbb+	bbb+
Public Sector Covered Bonds/Outlook	Aaa/-	WD last published rating was AAA/stable	AAA/stable
Mortgage Covered Bonds/Outlook	Aaa/-	-	AAA/stable

Ratings as of 28 August 2019



Agenda

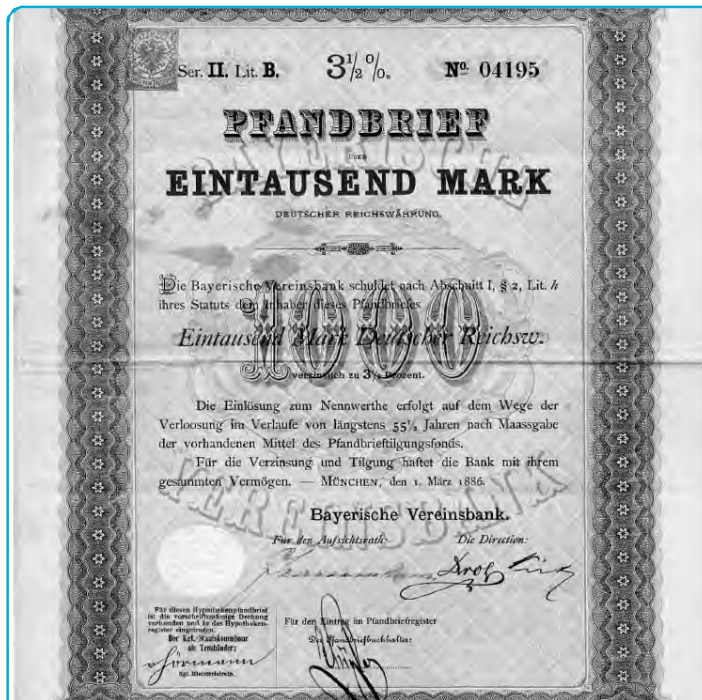
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From the first Communal Obligation in 1871 to the USD Public Pfandbrief in 2019

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Cover pool



- In **1869** the “**Bayerische Vereinsbank**” received the permission to issue Pfandbrief
- Since this time the Pfandbrief has always been one of the **main refinancing instruments** of the bank and HVB has established itself as a permanent issuer in the Capital markets
- **150 years** (and billions of Pfandbriefe) later it's time for the **first USD** denominated Public Pfandbrief



HypoVereinsbank and its Pfandbrief History

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Cover pool

King Frederick II decreed the first mortgage bond in Germany, referred to as "Pfandbrief"

1769



King Max II introduced the modern Pfandbrief system in Bavaria

1864



Foundation of Bayerische Vereinsbank

1869



Formation of a powerful mortgage bank: HypoVereinsbank
Merger of Bayerische Hypotheken- und Wechsel Bank and Bayerische Vereinsbank

1998



HypoVereinsbank becomes part of UniCredit Group

2005

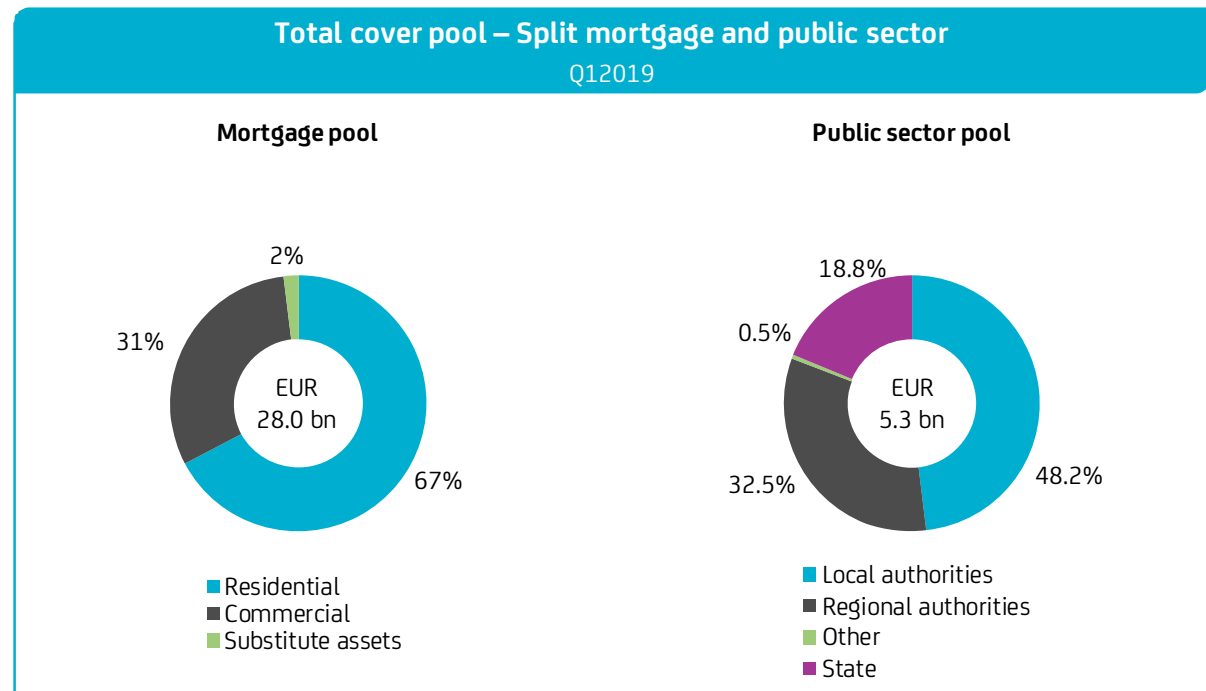


HypoVereinsbank's cover pool at a glance: A strong Pfandbrief house

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Cover pool

Per 31/03/2019	Mortgage	Public
Pool type	Dynamic	
Cover pool (EUR m)		
Nominal value ¹	27,497	5,317
Net present value	30,655	6,041
Substitute assets	533	0
Total number of loans	159,438	1,981
Fixed rate loans	80.0%	74.7%
Floating rate loans	20.0%	25.3%
Outstanding issues (EUR m)		
Nominal value	20,201	3,801
Net present value	21,514	4,233
Overcollateralisation²	38.8%	39.9%



¹Excluding substitute assets

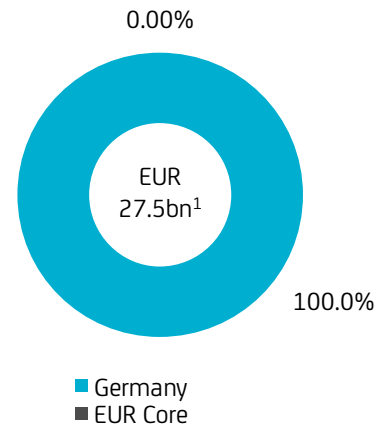
²OC calculated with nominal values of cover pool and outstanding issues



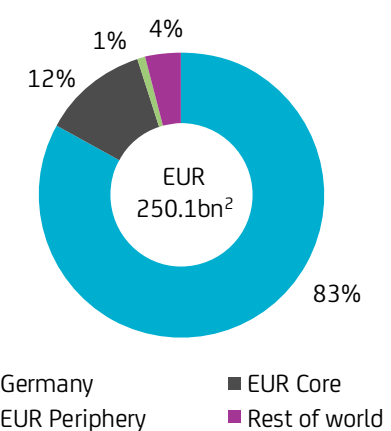
Mortgage cover pool with purely German assets

- As one of the oldest Pfandbrief players in Germany, HypoVereinsbank is well acquainted with the characteristics of the highly regulated German market
- With exclusively German assets in the mortgage cover pool, HypoVereinsbank benefits from the country's solid and reliable economic situation
- With 17 percent, the non-German exposure of the members of the Association of German Pfandbrief Banks (vdp) is substantially higher compared to HypoVereinsbank

Cover pool HypoVereinsbank¹
Q12019



Cover pool all vdp-members¹
HY2018



¹Without further cover assets, EUR Periphery: BUL, EST, GR, IT, IRL, LET, LIT, MALT, PORT, RO, SLO, SK, ESP, HU, CY, ²EUR Core: B, DK, F, FIN, GB, LUX, NL, AUT, PL, S, CZ, LIE, EU, Rest of world: ISL, NOR, CH, JAP, CAN, USA

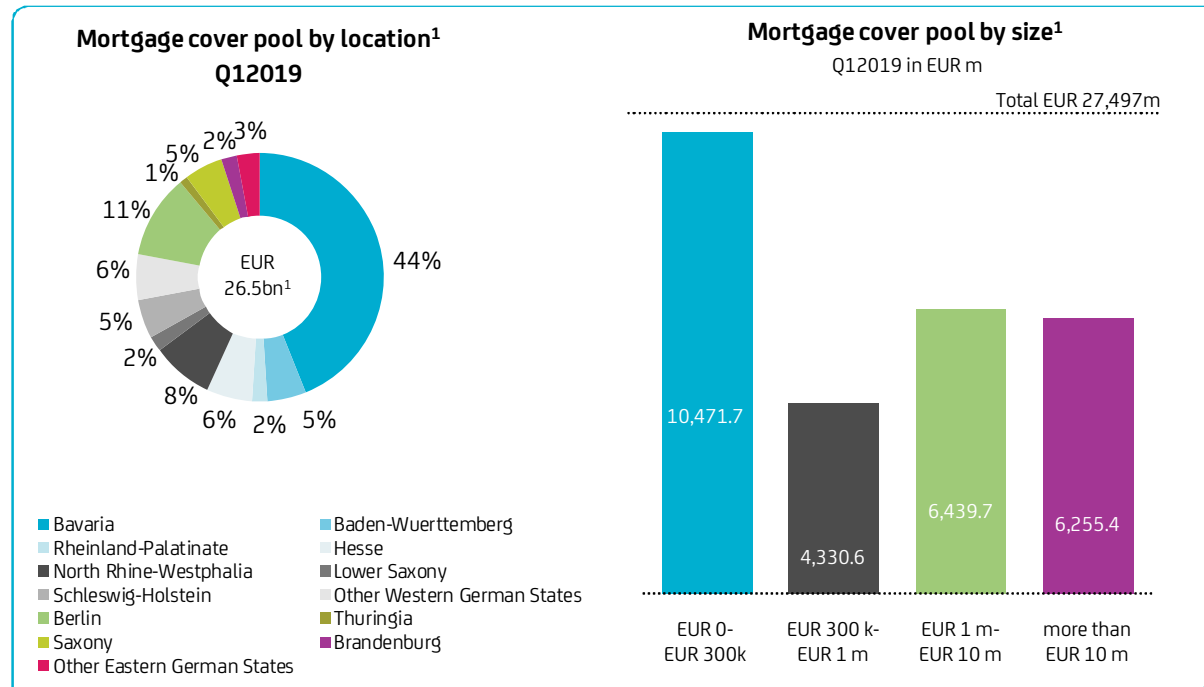


Mortgage cover pool with solid foothold in economically strong Bavaria

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Cover pool

- HypoVereinsbank mortgage cover pool is mostly concentrated in economically strong federal state Bavaria where the bank has strongest presence
- The non-Bavarian mortgage cover pool is well diversified between the capital Berlin and the remaining federal states
- Mortgages of up to three hundred thousand Euros account for almost 50 percent of the entire mortgage cover pool basing it on a wide an solid foundation



¹Without further cover assets in accordance with section 19 (1) PfandBG

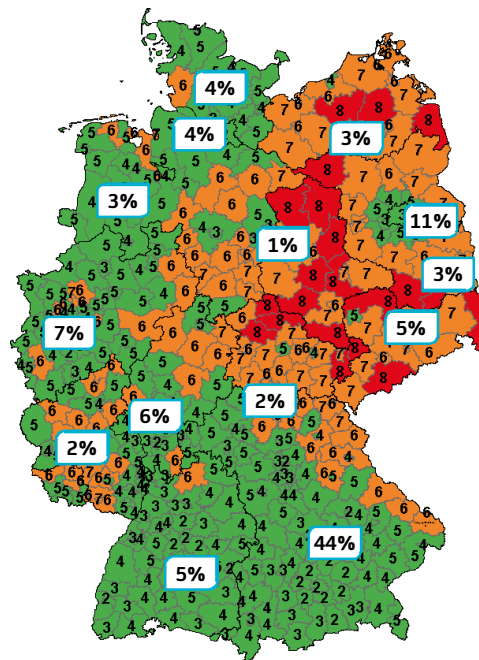


High quality mortgage cover pool due to consistent risk management

Consistent risk management

- Internal risk map based on empirical data from decades serves as basis for Loan-to-value (LTV) limits
- All focus areas of HypoVereinsbank's mortgage cover pool in low risk regions
- Majority of the mortgage cover pool with a LTV <100%

Risk map residential real estate¹



Loan-to-value limits

for retail and private banking clients

Division	Risk color	LTV limit ²	
		Owner-occupied	Buy to let
Retail		95%	80%
Retail		85%	70%
Retail		70%	no financing
Private Banking		100%	100%
Private Banking		70%	70%

¹As of 31/12/2015

²Loan-to-value limits are calculated on the basis of market values derived from internal calculations (System Wertweiser, KRQ and on-site visit)



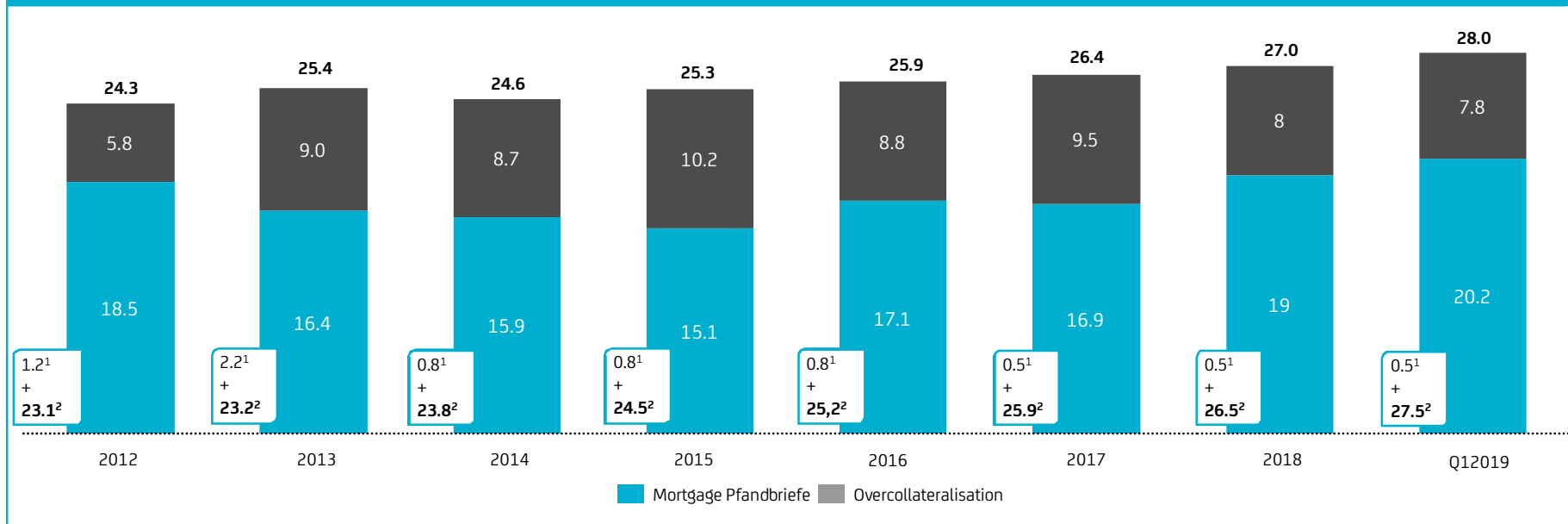
Investors benefit from high level of overcollateralization of outstanding Pfandbriefe

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Cover pool

Total mortgage cover pool development and nominal overcollateralization in historical comparison

in EUR bn



¹Further cover assets in accordance with section 19 (1) German Pfandbrief Act

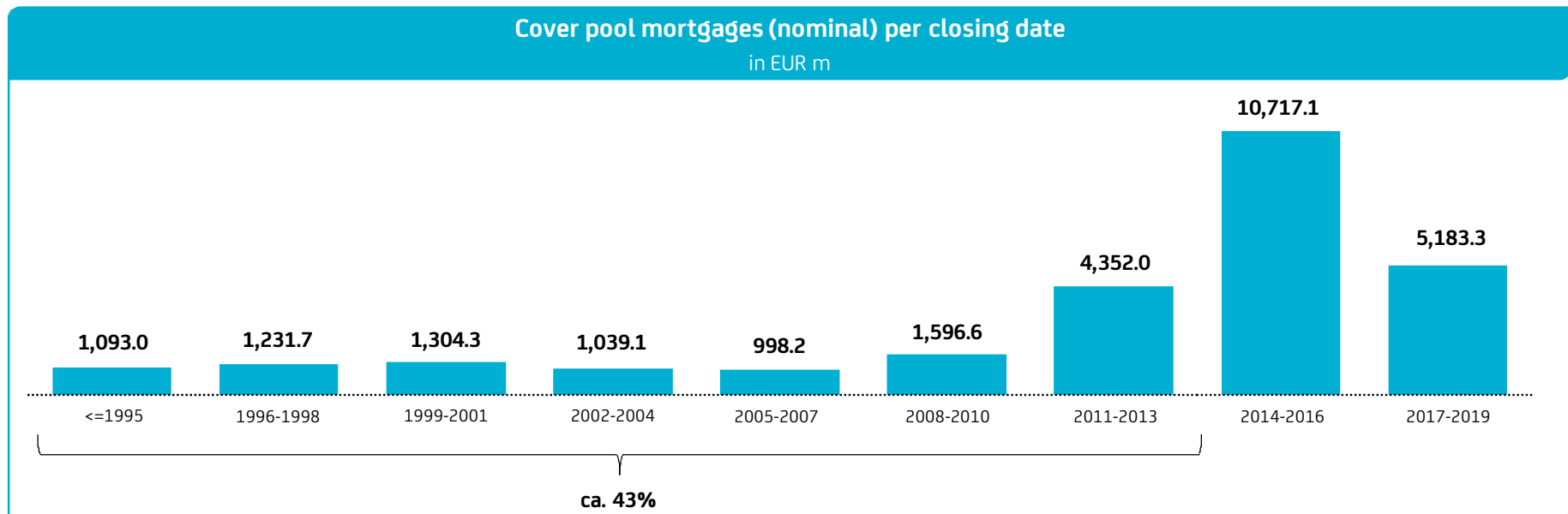
²Mortgage cover assets: There are no derivatives and foreign currency assets used as cover for Mortgage Pfandbriefe



High percentage of long lasting client relationship minimizes risk

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Cover pool



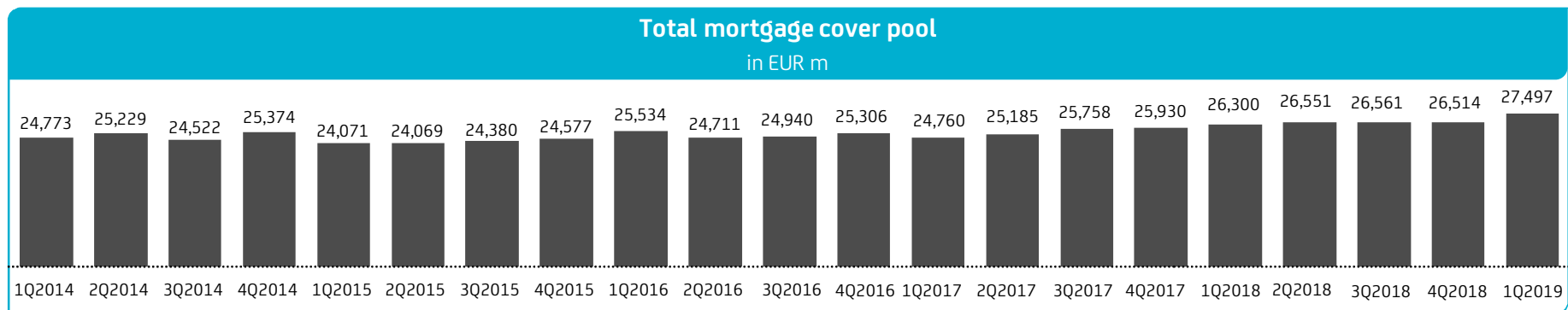
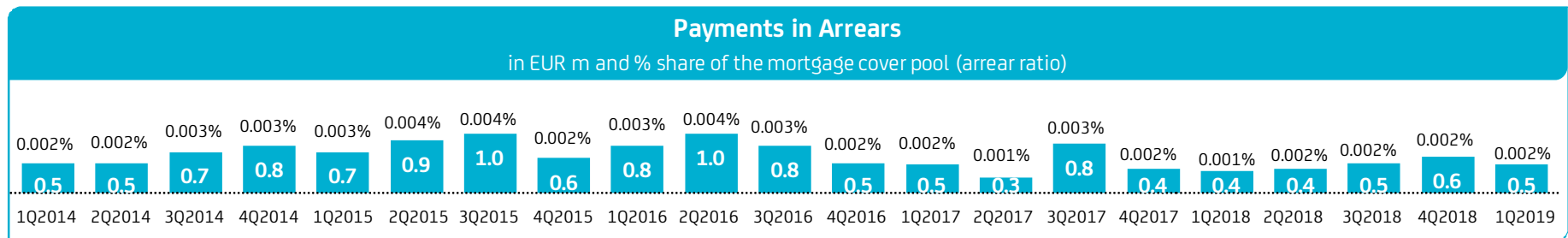
- Roughly 43% of HypoVereinsbank's cover pool mortgages date back to more than five years
- Reliable and predictable customer base due to long term client relationship



Excellent payment discipline: Arrear ratio¹ below 0.005% for years

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Cover pool



¹Payments more than 90 days overdue in relation to mortgage receivables

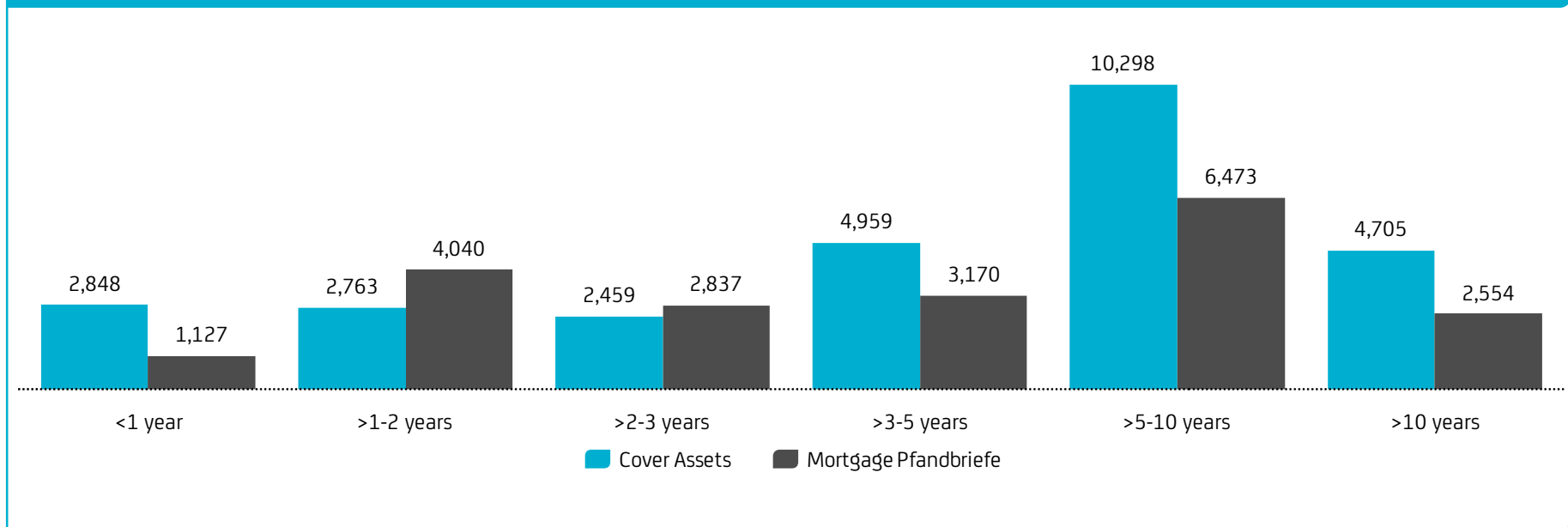


Well matching maturity profiles of mortgages and Pfandbrief issues

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Cover pool

Maturity structure of outstanding mortgage Pfandbriefe versus related cover assets Q12019
in EUR m



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Overview of benchmark issues

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Annex

COVERED Bonds – Benchmark issues since 2017

Pfandbrief Type	Initial Tenor and Interest Type	Issued Volume	Issue Date	Maturity	Spread
Mortgage Pfandbriefe	9Y. FXD RATE	EUR 0.750 bn	May-17	May-26	midswap -10bps
Mortgage Pfandbriefe	6Y. FXD RATE	EUR 0.5 bn	Jun-17	Oct-23	midswap -10bps
Mortgage Pfandbriefe	7Y. FXD RATE	EUR 0.750 bn	Nov-18	Nov-25	midswap flat
Mortgage Pfandbriefe	10Y. FXD RATE	EUR 0.5 bn	Jan-19	Jan-29	midswap +15bps
Mortgage Pfandbriefe	Tap 10Y. FXD RATE	EUR 0.5 bn	Feb-19	Jan-29	midswap +11bps
Mortgage Pfandbriefe	15Y. FXD RATE	EUR 1.0 bn	May-19	May-34	midswap +8bps



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Publication of Cover Pool data according to § 28 Pfandbriefact:

<https://www.hypovereinsbank.de/hvb/ueber-uns/investor-relations-en/emissions-collateral/data-on-collateral-pool>

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UniCredit Bank AG
as of 29 August, 2019

