Capital Markets Day

# UNLEASH THE FULL VALUE OF ASSET MANAGEMENT

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UniCredit Group

# ASSET MANAGEMENT DIVISION

UniCredit Group

**ASSET MANAGEMENT DIVISION**

**Total AuM €236 bn**

**Pioneer**

- **€227 billion in AuM (March '08)**
  - ✓ of which 40% Third Party
- **Strong Profitability (Operating Margin 55%) and contribution to UniCredit Group EVA >20% (Dec. '07)**
- **Strong leverage on UCG franchise ~ 40 million clients**
- **Operating and serving 200+ distributors in 26 countries**
- **Global unified brand and governance**
- **Leader in Eastern European Markets**

**Other Asset Management Operations**

| Unit | AuM | Comment |
|---|---|---|
| **WeM Capital Germany** | 6.0 | Closed end fund |
| **Turkey AM** | 3.2 | #2 asset manager |

# 2008/2010 STRATEGIC MAIN PILLARS

**Leverage UCG franchise trough**

- **Vertically integrated model producing synergies in product design and client services**
- **Turnaround of Italian and German net flows**
- **Leading position in CEE region**

**Keep investing in growth profitable areas**

- **Institutional, Wholesale and Alternatives**
- **Expansion in fast growing Emerging Markets: Russia and India**
- **Focus on high margin products/strategies**

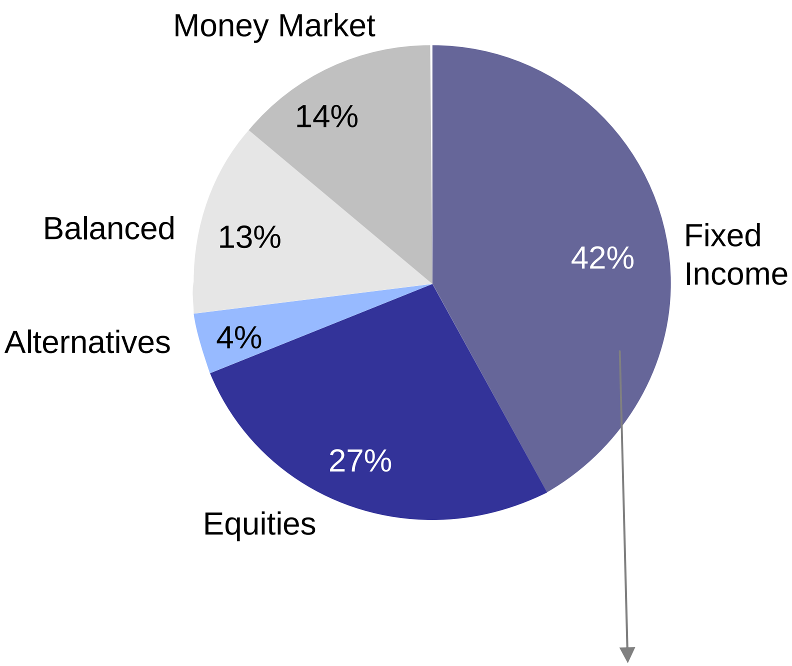
**Maintain high efficiency standards**

- **Streamline of global infrastructure and processes**
- **Optimization of multi locations in Europe**
- **Product rationalization and re-design** (40% reduction in number of funds)

# BREADTH OF INVESTMENT CAPABILITIES

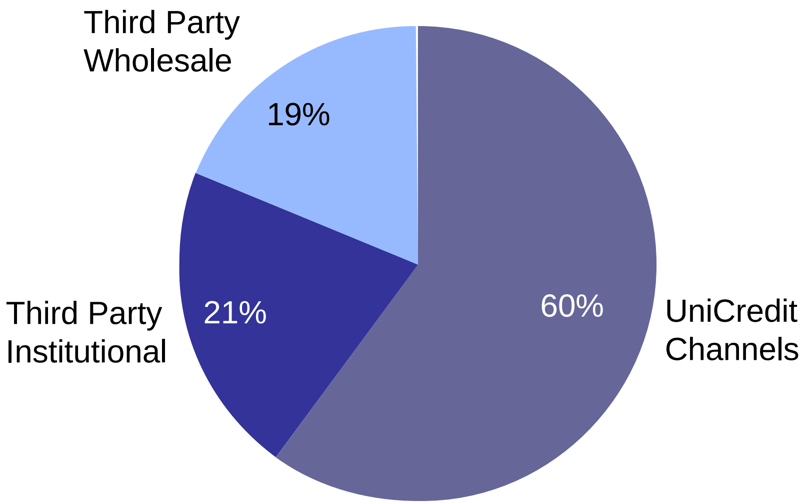
## AUM SPLIT BY ASSET CLASS – MARCH ’08

**Total AUM: €227 bn**




**Credit strategies counting for 45% of total fixed income assets**

## CHANNEL BREAKDOWN – MARCH ‘08



# INVESTMENTS PERFORMANCE

## LONG

- **Equity and Bond Funds: 65% of funds AUM in 1st and 2nd quartile**
- **US performance Top of the league: Total AUM Funds with 4/5 stars/Total AUM Funds: 63%**
- **Excellence in Core Asset Classes**
  - ✓ Global Equity & Emerging Market, Global High Yield & Distressed, US Core Equity, US Core Bond
- **2007 Core European Equity** under performance already addressed as a management priority

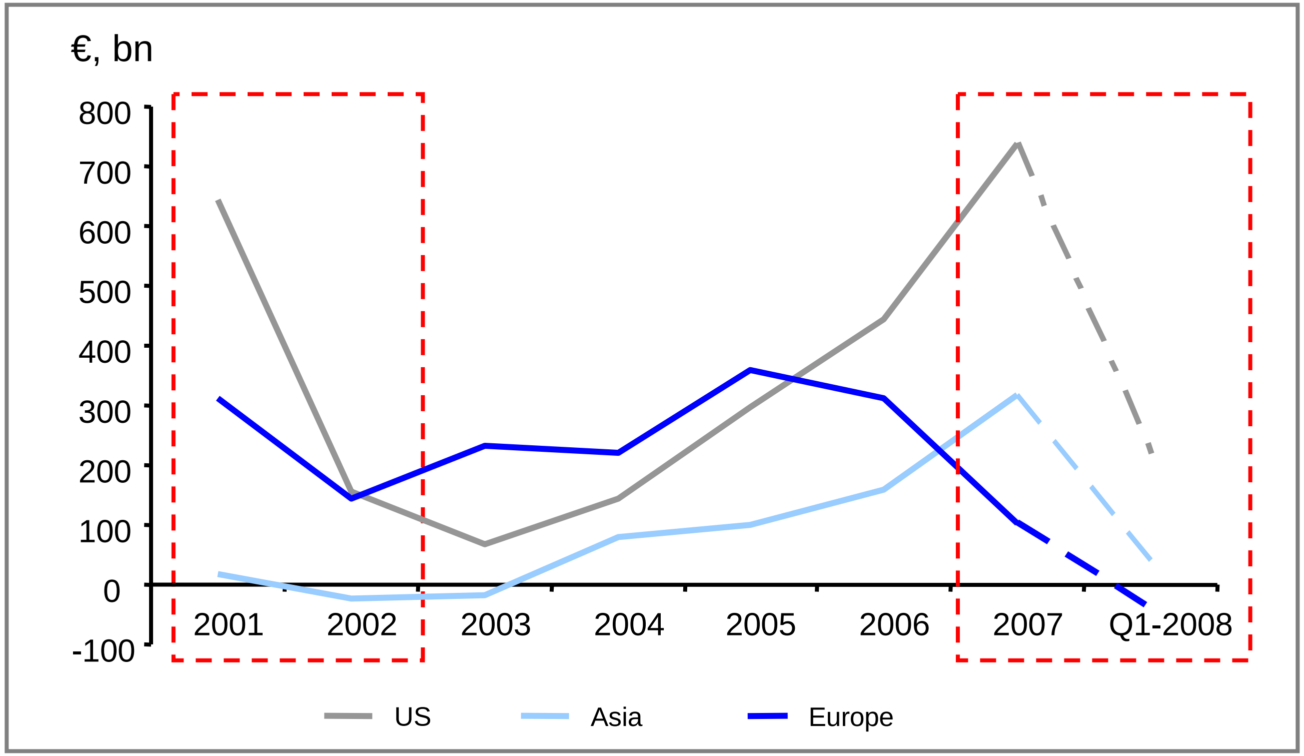
## ALTERNATIVES

- **Leading Low Volatility Strategy** – AllWeather Fund
- **Strong capability in restructuring and credit opportunities FoF**
- **Excellent track record in neutral Long Short Equity** in UCITS III fund form

## INSTITUTIONAL

- **11 global consultant positively rated strategies**
  - ✓ Global Equity, Global High Yield, Global Concentrate, Emerging Market Equity, Emerging Market Debt, Alternatives (low volatility, distressed)

# MUTUAL FUND INDUSTRY TREND




**2008**

**USA**
Asset Allocation switch into money markets

**EUROPE**
More impacted by banking re-intermediation

**ASIA**
Market correction slowing flows vs 2007

**FOCUS ON EUROPE: MARKET CONDITION**

- **High short term rates accelerating switch to bank deposits and structured products** (in Italy mutual funds share in household portfolio from 15% end '01 to 5% end '07)
- **MiFID implementation has proven initially negative to mutual fund industry, but this effect should reverse in 2009/2010 especially in Italy and Germany**

# INSTITUTIONAL BUSINESS: STABLE AND POSITIVE FLOWS

Confirmed weak correlation with short term market fluctuation

### USA

- Proactive legislative framework: **Pension Protection Act** favors diversified mutual funds as default solutions
- **Rollover plans** and **Variable Annuity**

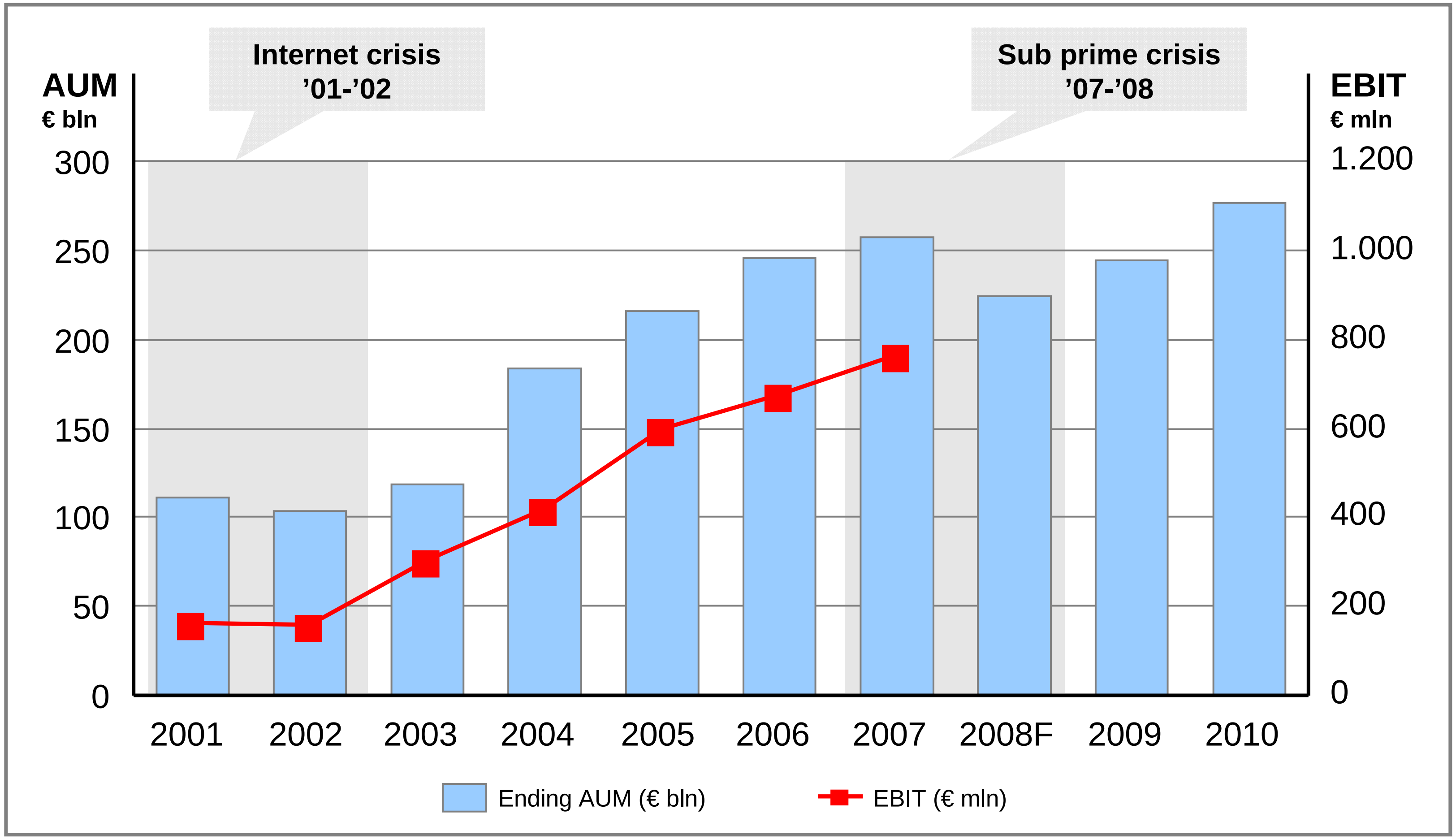
### EUROPE

- **Market fragmentation in II pillar funds**: UK and Nordic countries ahead, Germany and France positive developments, Italy and Spain potential developments
- **Insurance linked long term solutions** one of the most bullish sectors

### ASIA

- **I pillar pension coverage** uneven across countries, II and III pillar underdeveloped
- **Sovereign wealth funds** managing transition from reserve currency management to active portfolio management

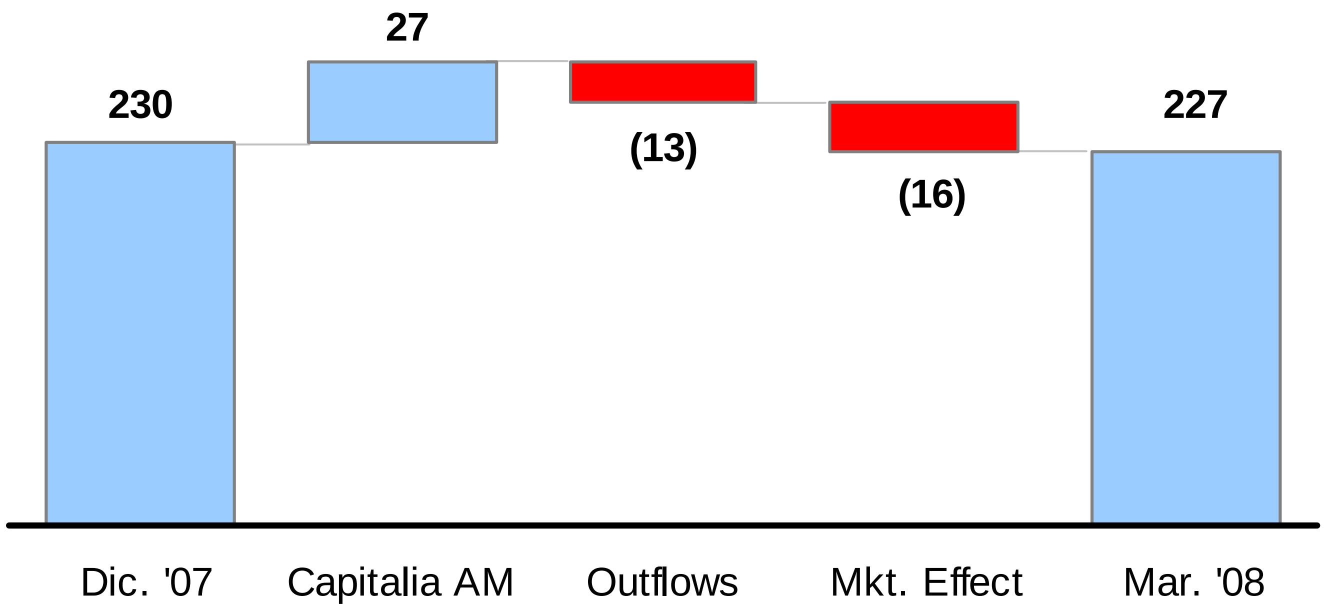
# ASSET MANAGEMENT DIVISION TRENDS AND TARGETS




- 2001-2007: Third Party AUM CAGR 22%, Net Profit CAGR 47%
- UCG Channels AUM Growth 2008-2010: return to positive flows
- Increased weight of Third Party AUM on total AUM in 2010

# PIONEER INVESTMENTS RECENT DEVELOPMENT

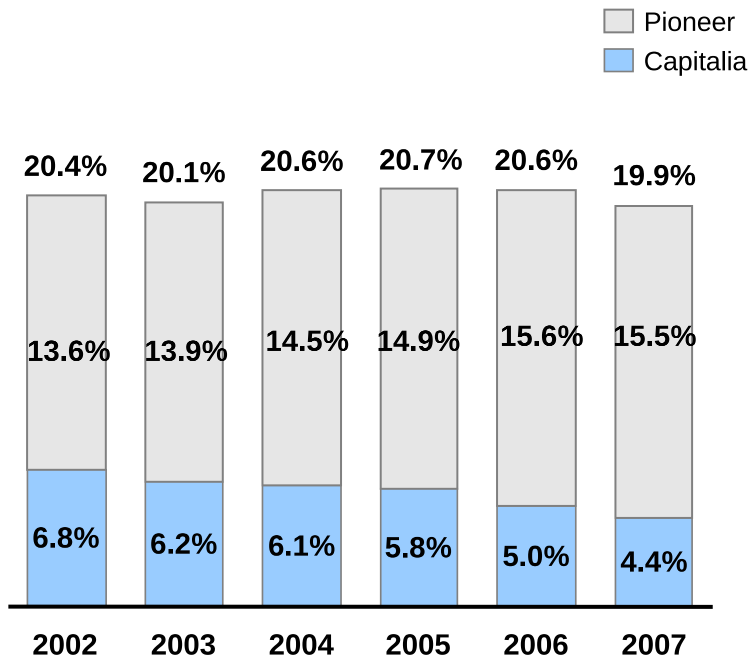
## PIONEER AUM UPDATE (€, bn)



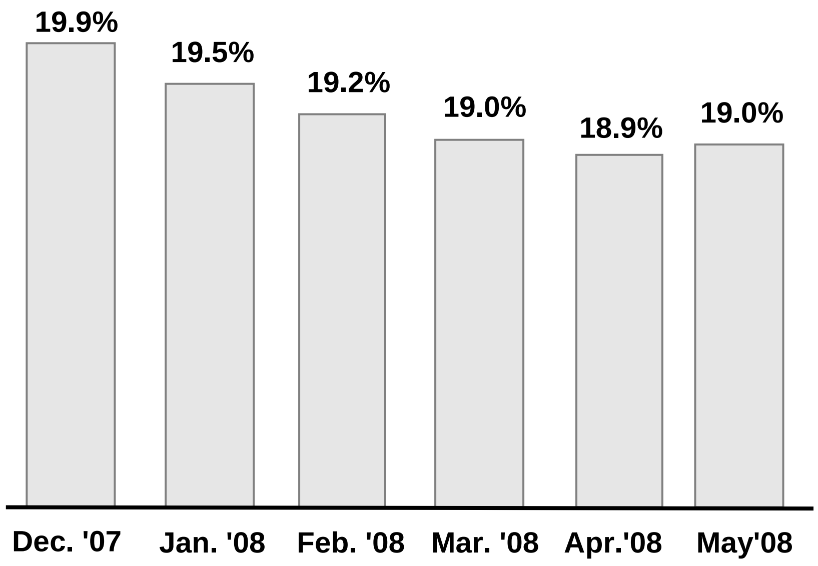

- 95% of total outflows due to Italy and Germany
- Outflows have remained within UCG total client assets and expected to revert to managed assets when credit market stabilize
- Third Party channels: positive in 2007 and YTD (May '08) in Alternatives and Institutional

# FOCUS ITALY

## COMBINED MARKET SHARE

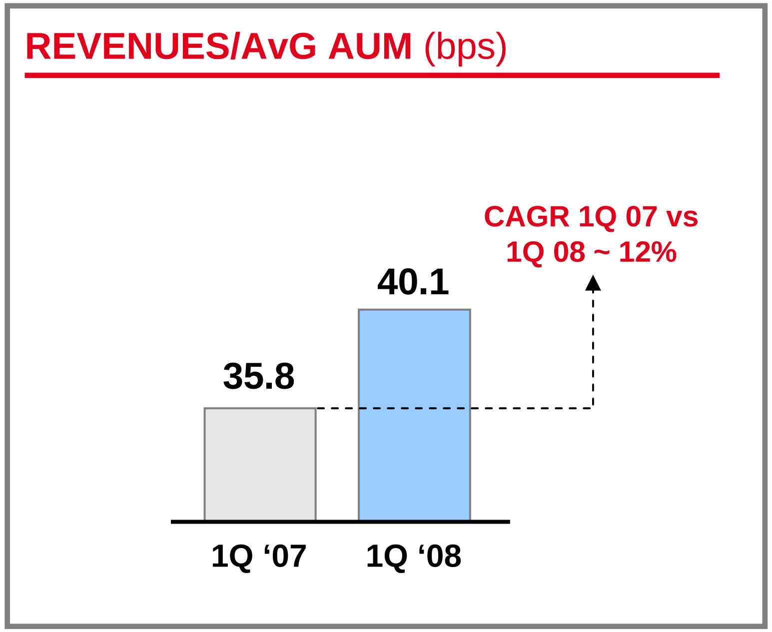


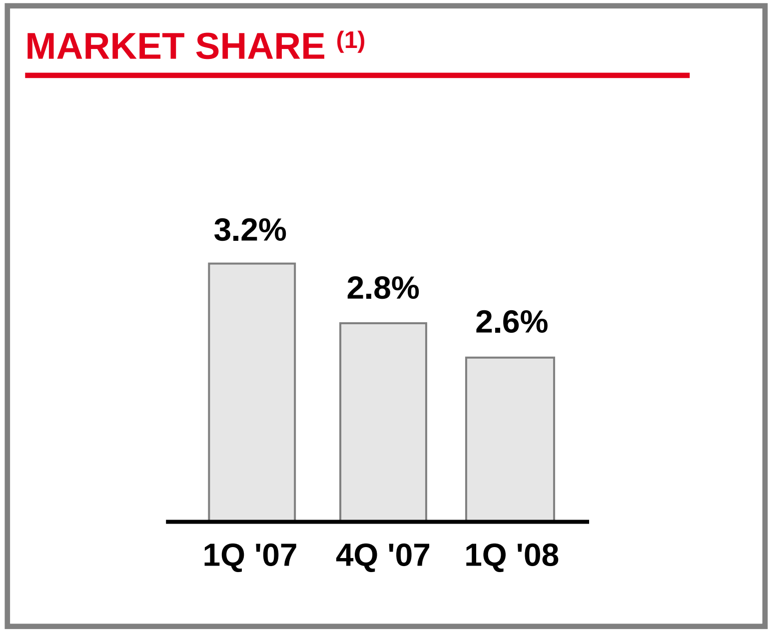

## MARKET SHARE 2008 TRENDS




- **Fast track Capitalia integration** has resulted in temporary loss of 90 bps market share but forced strong improvement in efficiency: 80% funds merged/closed, cost synergy targets exceeded
- **Pioneer Market share** (end of May ’08) **stabilized at 19%** with positive trend
- **Actions in place**
  - ✓ full implementation of UCG service model
  - ✓ product range full MiFID compliant by 3Q ‘08

# FOCUS ON GERMANY




- **Market share** declined due to: **active restructuring** of low margin "legacy" Institutional business and **market impact** on credit and equity portfolio
- **Actions in place**
  - ✓ pick up of **Institutional higher margin mandates**: gross sales €2.8 bn in 1Q '08 vs €0,6 bn in 4Q '07
  - ✓ **efficiency focus** through costs reduction (-16%) and increased revenues margin
  - ✓ **new products line** both MiFID compliant and fiscally efficient for 2H '08 fiscal incentives

(1) Excluding Money Markets

# SERVICE MODEL: UNIFIED SOLUTIONS FOR UNICREDIT GROUP

## Tailored solutions for each customer segment

Performance Fees Related

<table>
<tr><th></th><th>CLIENT NEEDS</th><th colspan="2">MASS</th><th>AFFLUENT</th><th>UPPER AFFLUENT</th><th>HNWI</th></tr>
<tr><td>Capital preservation</td><td>PROTECTION</td><td colspan="3">GUARANTEED FUNDS</td><td colspan="2">FLEXIBLE GUARANTEED SOLUTIONS</td></tr>
<tr><td rowspan="3">Capital appreciation</td><td>ABSOLUTE RETURN</td><td colspan="2"></td><td>Total Return funds</td><td colspan="2">UCITS III Alternatives and Hedge funds</td></tr>
<tr><td rowspan="2">ASSET ACCUMULATION</td><td rowspan="2">Saving plans</td><td colspan="2" rowspan="2">FLEXIBLE BALANCED FUND OF FUNDS</td><td colspan="2">ADVISORY on funds</td></tr>
<tr><td colspan="2">STANDARDIZED & CUSTOMIZED SEGREGATED ACCOUNTS</td></tr>
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# PIONEER STRATEGIC INITIATIVES

## INVESTMENTS

- Separately organized **investment solutions** for UCG channels
- Continued focus on centralization of **global hubs**
- **Product innovation** alpha focused (130/30, Equity Styles, Credit Opportunities)
- Special **Focus on Alternative Capabilities**

## SALES & DISTRIBUTION

- **Boost to sales** due to Sales & Marketing re-engineering project
- **Client and portfolio service** model for global consultant related Institutional mandates
- **New Markets**:
  - ✓ ***India***: JV with Bank of Baroda
  - ✓ ***Russia***: operation launched in 1Q '08

## OPERATIONS & GOVERNANCE

- Fully Integrated **Global Operating Model** in **Ops** & **IT**
- Continued investments in **Global IT infrastructure**
- Full implementation of **Global Governance** for support functions
- Streamlining of **global processes** to further improve efficiency

**FLAT EXPENSES INCLUDE SIGNIFICANT INVESTMENT IN GROWTH AREAS**

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# ASSET MANAGEMENT DIVISION – KPIs

Market Performance[1]: 4.5% in ‘09 and 5.5% in ‘10

| | 2007 | 2010 |
|---|---|---|
| Ending AuM, bn | 257 | 276 |
| Total Revenues (bn) | 1.45 | 1.52 |
| Operating Income (bn) | 0.80 | 0.84 |

| | 2007 | 2010 |
|---|---|---|
| Cost/Income | 45% | 45% |
| Revenues (2), bp | 52 | 53 |
| PBT/Total Assets (3), bp | 30 | 30 |

- Value creation indicators maintained at high level
- Increase Third Party weight on total AuM while returning positive in UCG channels
- Increase 4/5 stars performance strategy and unify solutions for UCG channels
- New investments financed by further improvement in efficiency
- Keep efficiency standards: Cost/Income at the top of the industry

2007 KPIs for Capitalia exclude pro-forma for pricing

(1) Net Performance on Total AUM

(2) Net commissions excl. performance fees/Total avg AUM

(3) Profit before tax net of extraordinary items/Total Assets

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