Bank of America Merrill Lynch
Annual Banking & Insurance CEO Conference

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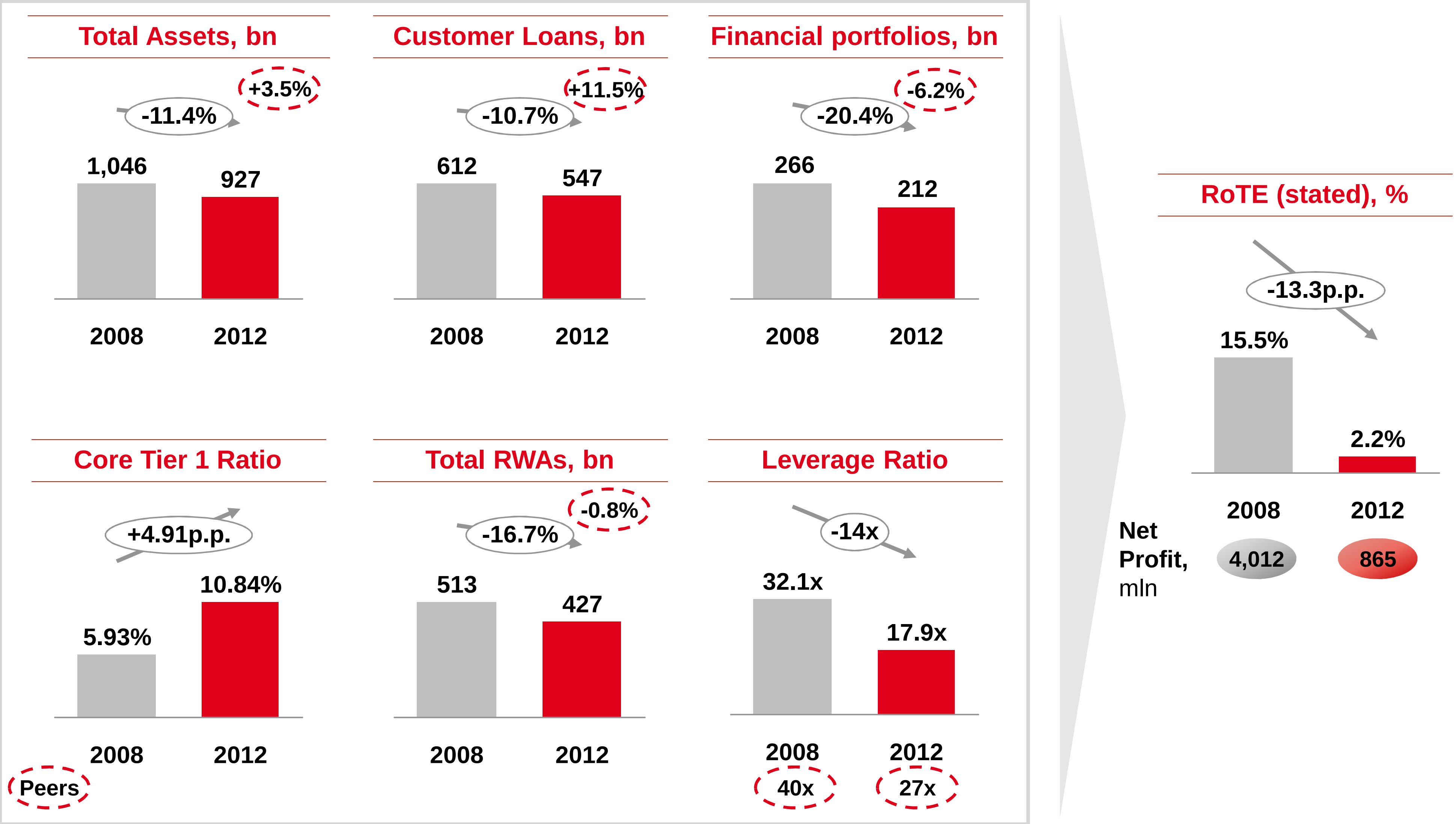
London, 25th September 2013

Agenda

- **Our Potential**
- The Key Drivers

UCG potential - 2008/12 transformation

A deep balance sheet reshaping and cleaning in 2008-2012 to strengthen UCG solidity and capital position has so far weighed on RoTE…

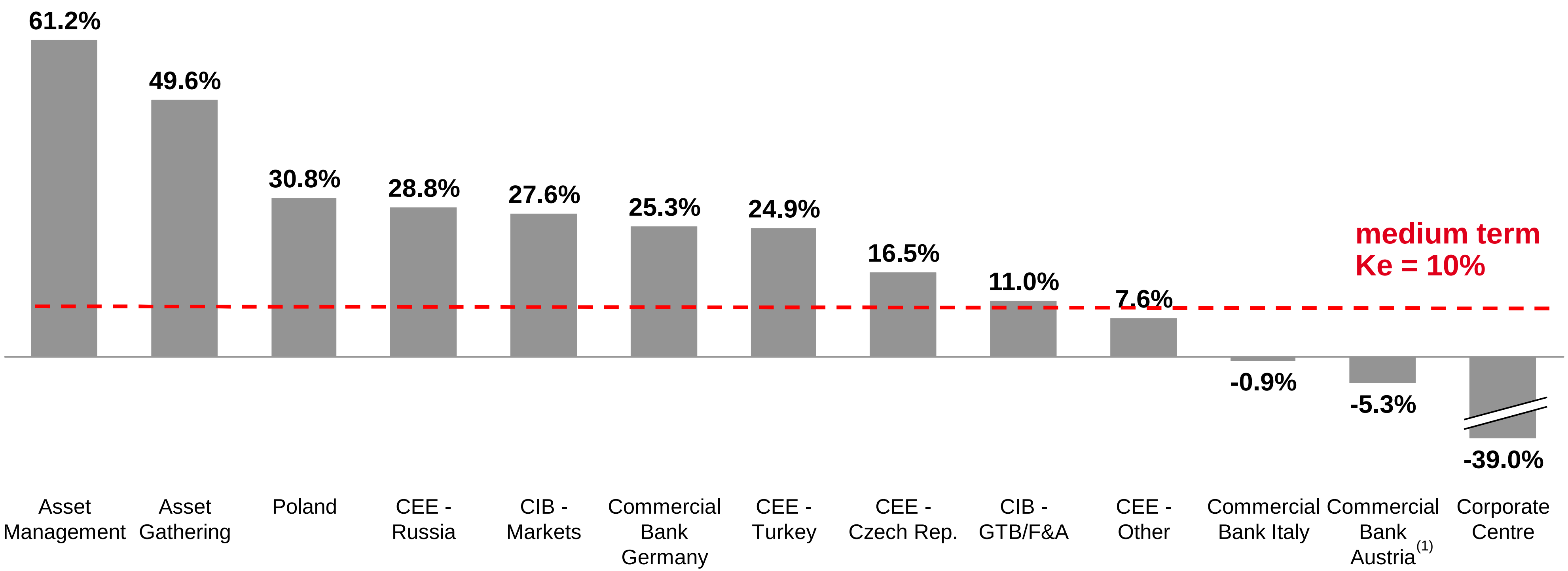


European Peers: ISP, MPS, UBI, BaPo, Erste, RBI, KBC, OTP, BNP, SG, CASA, Santander, BBVA, DBK, CBK, CS, UBS, Nordea, Swedbank, SHB, SEB, DnB, Danske

UCG potential – business highlight

… although most businesses are already above medium term Ke. Initiatives are in place to restore profitability also in the Commercial banks in Italy and Austria

RoAC in 1H13, %



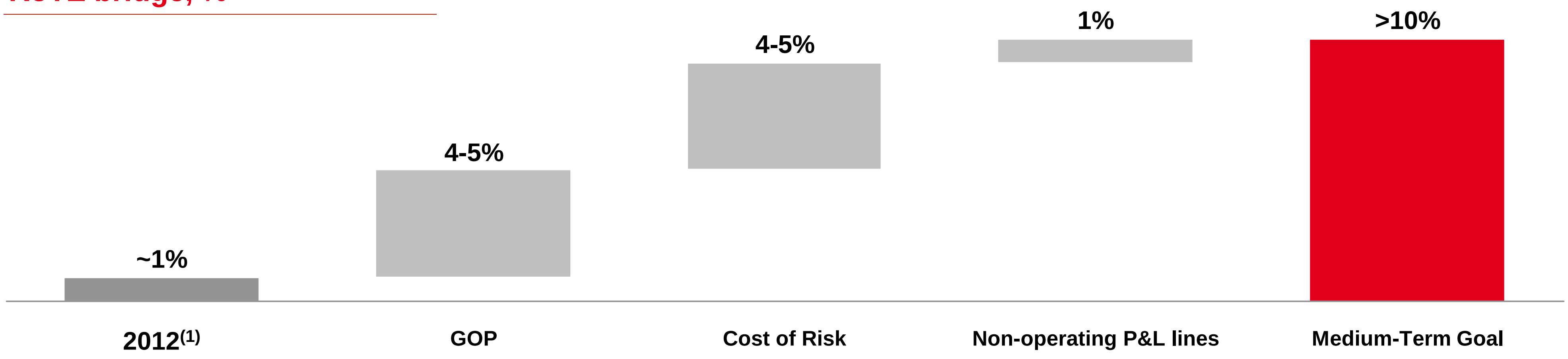
(1) Commercial Bank Austria RoAC normalized for Swiss Legal Case and a participation transaction provision

UCG potential - return to profitability in the medium term

After fixing balance sheet and capital issues, UniCredit is now fully focused on restoring profitability even in a low interest rate environment

- **UniCredit weathered through the longest economic and financial crisis in Europe since 1929, successfully adapting its model and balance sheet to the new regulatory and market environment…**
- **… in the next years the aim is to restore Group profitability by unleashing its potential, benefiting from focused actions, the geographical footprint and steady macro recovery, without assuming a material increase in interest rates**

RoTE bridge, %



(1) Adjusted for coverage enhancement LLPs (-2.1 bn gross) and goodwill tax redemption (+2 bn net)

UniCredit

Agenda

- Our Potential
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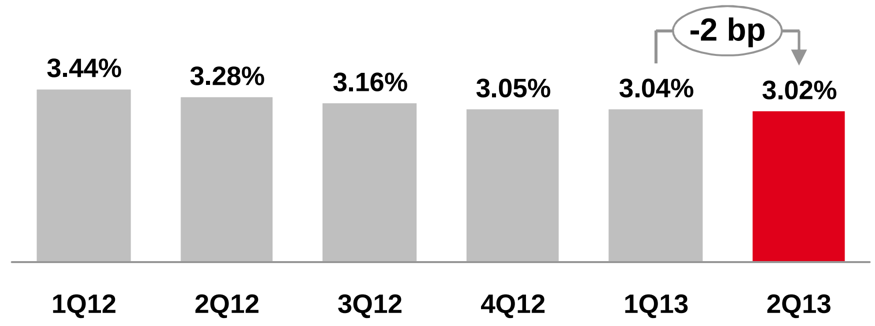
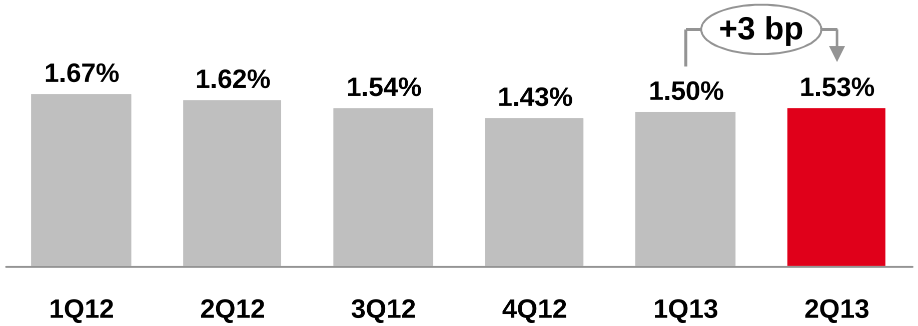
Revenues - Net Interest Margin

Margins slightly recovered for the second quarter in a row thanks to liabilities on-going repricing and assets yield stabilizing

Interest yield on avg. earning assets, %



Net interest margin, %



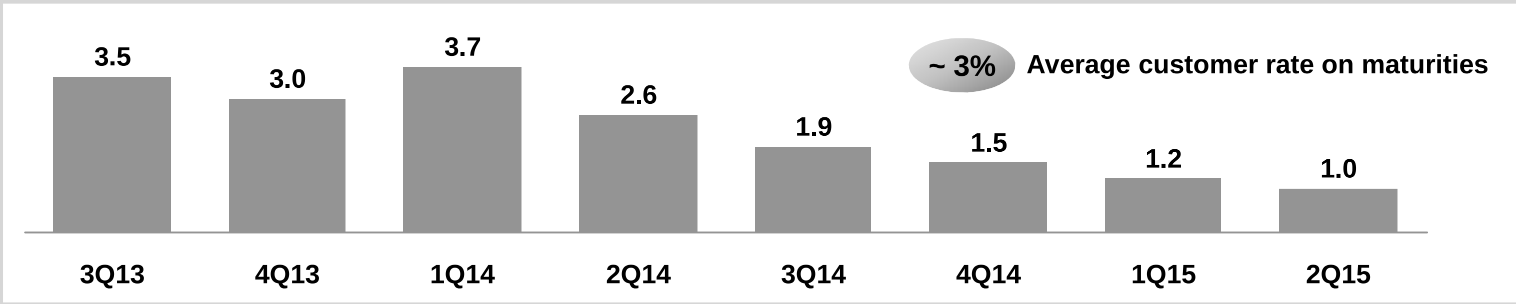
	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
Euribor 3M	1.04%	0.70%	0.36%	0.20%	0.21%	0.21%

Interest cost on avg. bearing liabilities, %

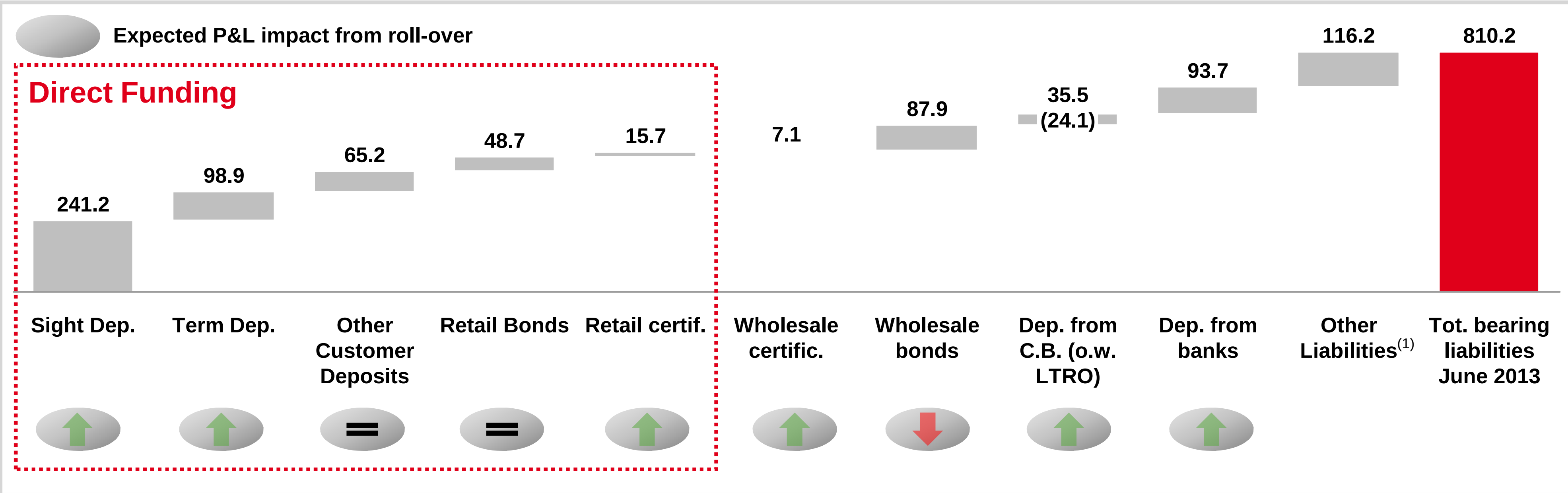
Revenues - Net Interest (focus on Liabilities)

On-going repricing on Italian customer funding benefiting from easing market conditions and lower needs to refinance the assets

Italian Term Deposits – maturities, bn



Outstanding liabilities at Group level as of June 30th, bn

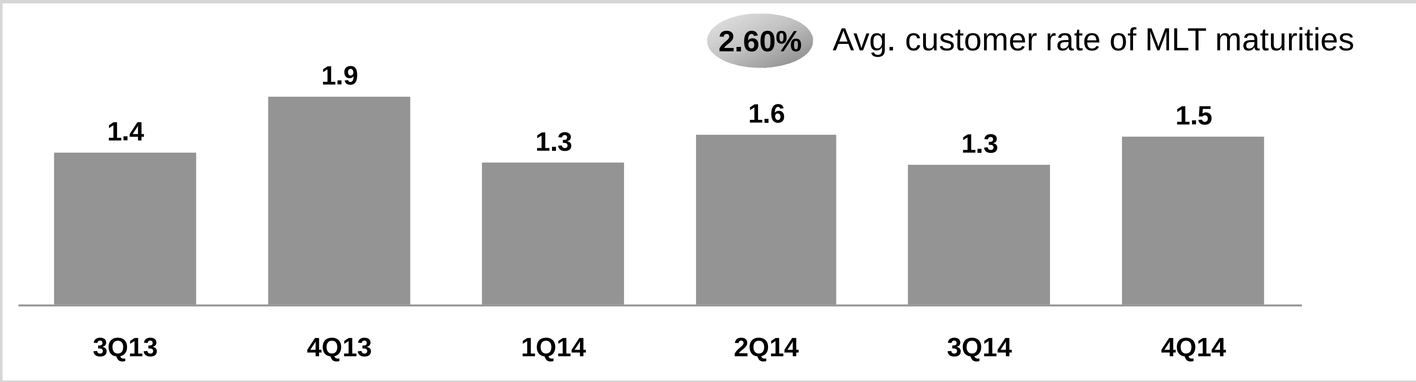


(1) Other Liabilities include: Held-for-trading liabilities, Financial liabilities at fair value, Hedging derivatives, post retirement benefit obligations, Insurance reserves and Other liabilities

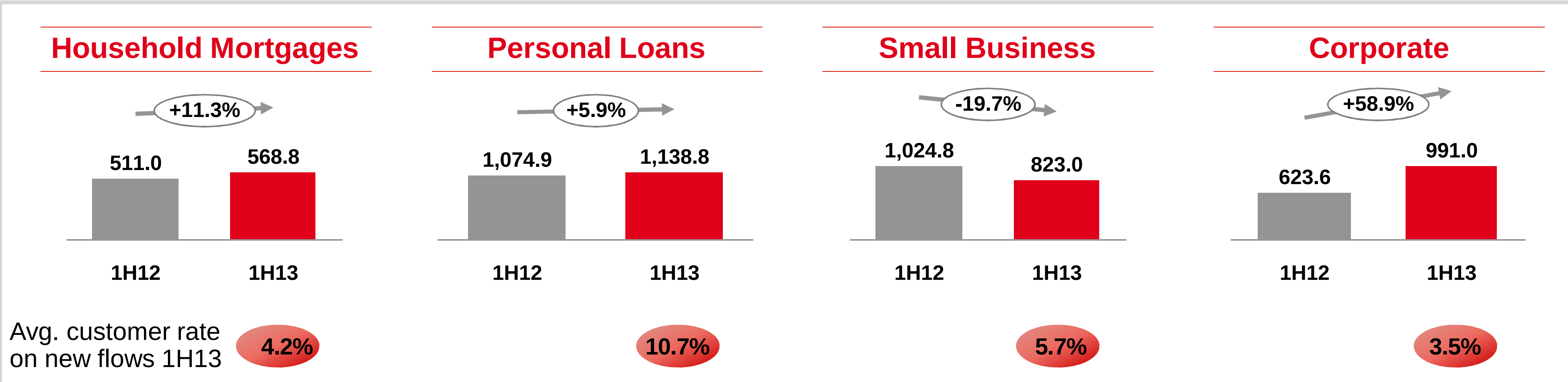
Revenues - Net Interest (focus on Assets)

First signs of lending recovery though not yet sufficient to offset the amount of loans running off, but at healthier rates

Italian Mortgages to Households and SME/Corporates– maturities, bn



Italian MLT Commercial Loans – new flows, mln



Revenues – Initiatives to support new lending in Italy

UCG is exploring new opportunities to support new flows to SME/Corporates

- UniCredit is actively promoting MLT lending to SME/Corporates accessing to subsidized funding from international financial institution and on public/mutual guarantees schemes leveraging on portfolio risk mitigation technique
- The advantages for the bank of these initiatives are: lower cost of risk and RWA, thanks to the guarantees and a reduced cost of funding
- The above allows to price new loans with 25% average discount on clients' final rate
- As these schemes allow good SME/Corporates clients to get, at competitive price, access to credit, the bank can perform an active asset quality steering on new granted MLT loans
- This framework is currently under evaluation at European level by international financial institutions in order to provide further stimulus to new lending for a considerable amount

Agreements currently in place

Total plafond available for potential new flows:

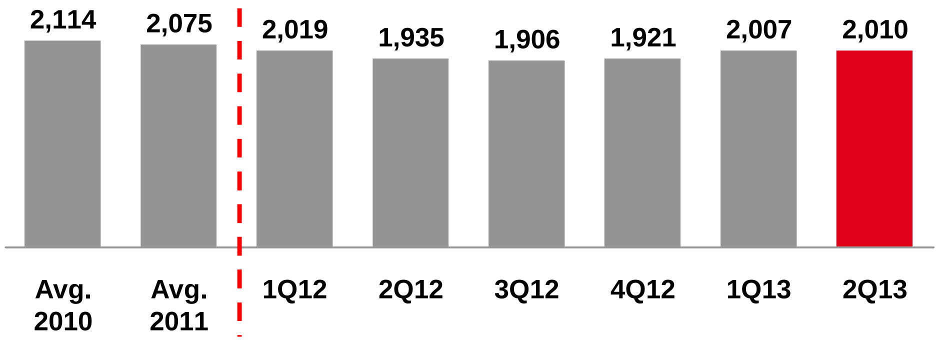
~ 4 billion[1]

[1] O.w. c.a. 2 billion related to Fondo Centrale di Garanzia on a rolling basis in tranches of 300 mln

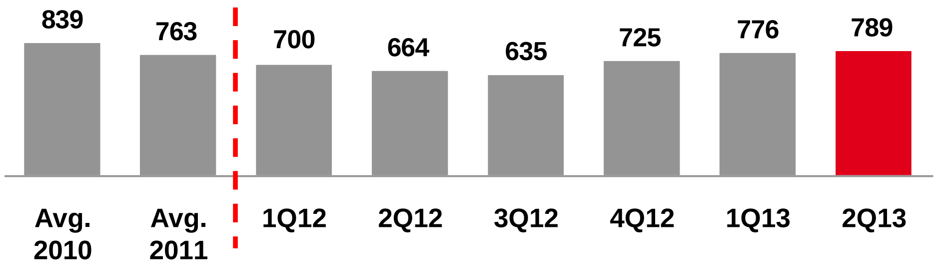
Revenues - Fees

The quarterly trend shows a clear recovery driven by Investment Services fees. Financing Services fees still suffering from subdue credit origination

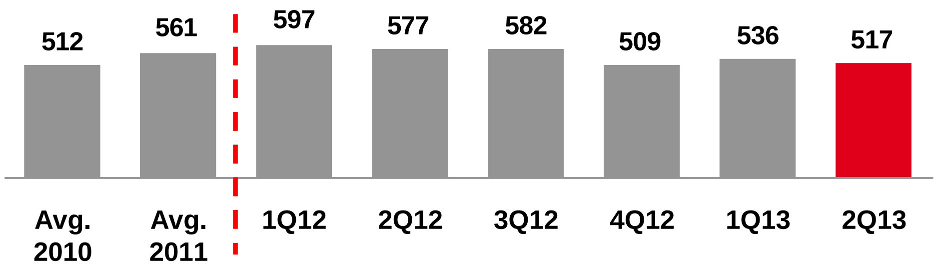
Total Net Fees and Commissions, mln



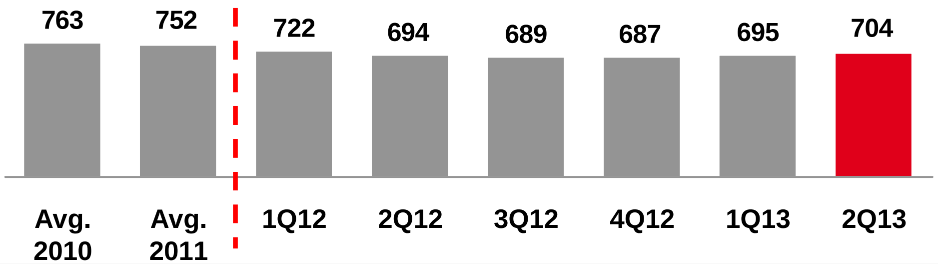
Investment Services Fees, mln



Financing Services Fees, mln



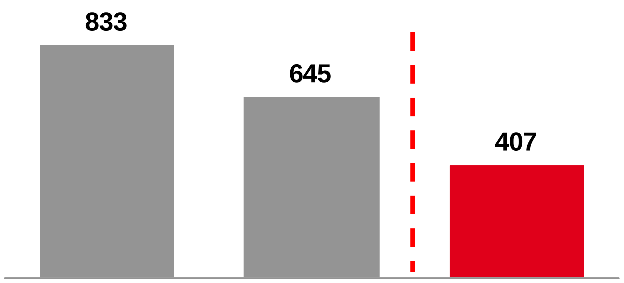
Transactional and Banking Fees, mln



Revenues – Fees (focus on Investment Services Fees)

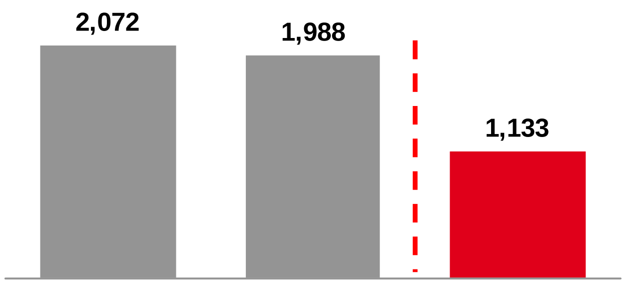
Healthier pricing and rising volumes are supporting the recovery in Fees vs. 2012, mostly thanks to Mutual Funds

Assets under Custody Fees, mln



	2011	2012	1H13
Avg vol., bn	278.0	278.7	292.3
pricing, bp	30	23	28

Assets under Management[(1)], mln



	2011	2012	1H13
Avg vol., bn	231.8	227.4	240.4
pricing, bp	89	87	94

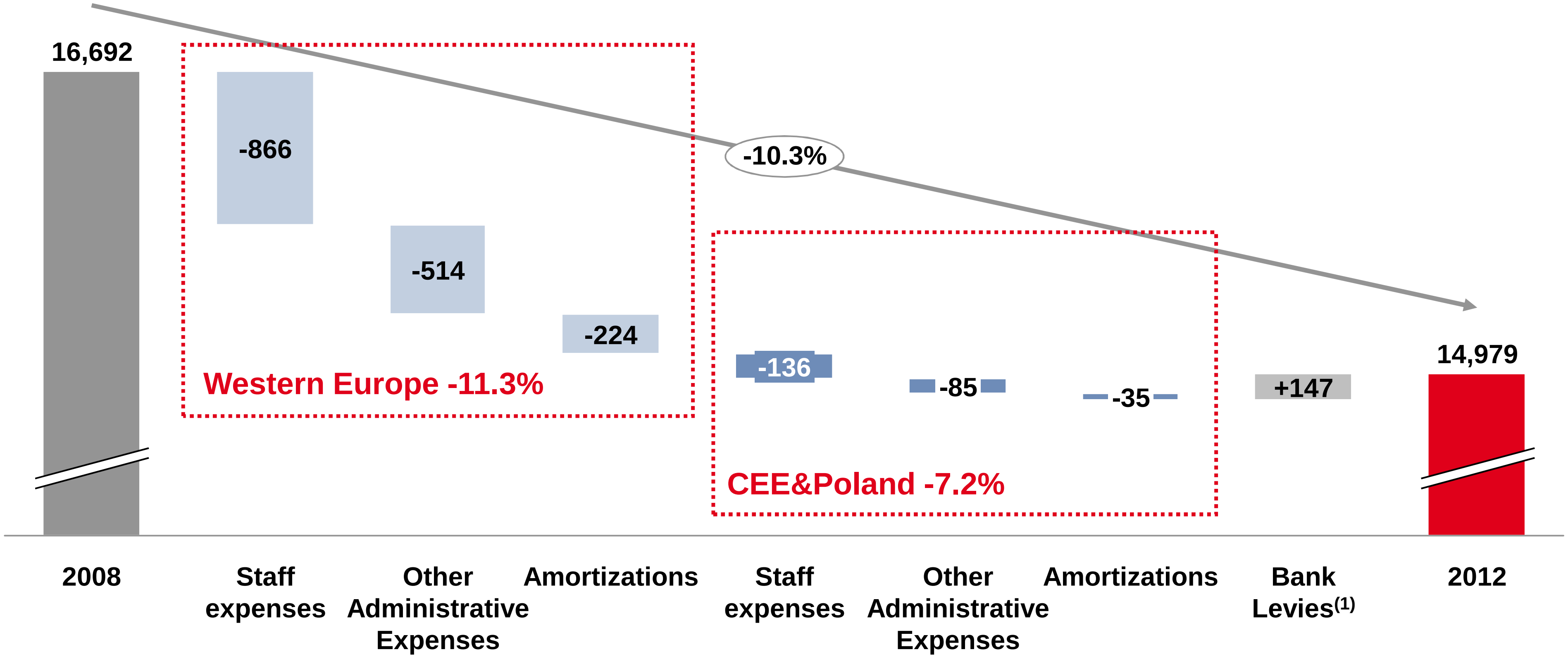
- **Positive evidence from the trend of fees, bottoming out in 1H13 with healthier pricing and rising volumes**
- **Most products support the recovery of fees vs 2012, mostly thanks to Mutual Funds within AUM but also thanks to the positive contribution of Assets under Custody fees**

[(1)] Mutual Fund (excl. performance fees), Insurance Products and Segregated Accounts (households accounts only)

Operating Costs – 2008/12 Evolution

UniCredit was able to decrease the cost base by 1.7 bn in 5 years, both in Western Europe and in CEE&Poland, leveraging on over 21K FTEs net exits

Operating costs bridge, mln



FTE	174,519	-10,021	-11,458	153,040[2]

[1] Bank levies in Western Europe (145.6 mln in 2011 and 111.8 mln in 2012) and in CEE (15.9 mln in 2011 and 35.6 mln in 2012)

[2] FTEs net of Kazakhstan reclassified to non-current assets and disposal Groups held for sale (sale completed in May 2013)

Operating Costs

Management actions already in place to reach cost efficiency in all areas

Focus areas	Initiatives
Commercial Bank Italy	■ Network re-design supporting new service model: about 600 branches to be closed between 2010 and 2015; around 2,700 fully-fledged branches less ■ HR actions offset impact of pension reform on HR expenses: ✓ internalization of activities ✓ variable compensation management ✓ higher flexibility internal market
Commercial Bank Austria	■ Fostering cost-efficiency through ✓ streamlining of the network (closure of branches) ✓ adaptation of processes/structures to a significantly reduced work-force (about 2,200 natural exits by 2020)
Corporate Center	■ GIBSON Project: JV agreement for the management of full IT Central Infrastructure (exc. Global Markets and i-Series), net savings 725 mln over 10Y ■ JV/Outsourcing agreement for the management of "accounts payable and accounts receivable" activities ■ Disposal of Real Estate properties cumulated from 2008 to 2012 equal to 3,186 mln with P&L gain of 1,468 mln cumulated ■ Headquarter rationalization with 680.000 SQM reduction (465,000 in 2008-2012 and 215,000 within 2015)
Other areas	
Commercial Bank Germany	■ Corporate Center optimization and Network redesign (800 FTE less)
CEE and Poland	■ Network redesign (e.g. first Branch of the Future opened in Sofia aiming to enhance customer experience and to increase efficiency)

At least 1 bn Op. Costs lower than old 2015 strategic plan target

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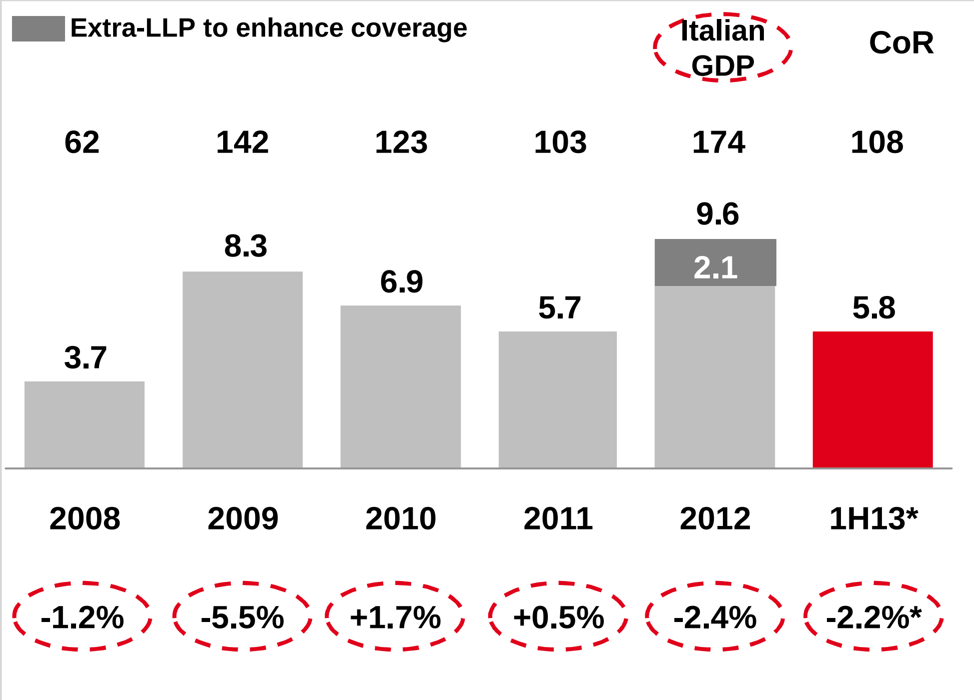
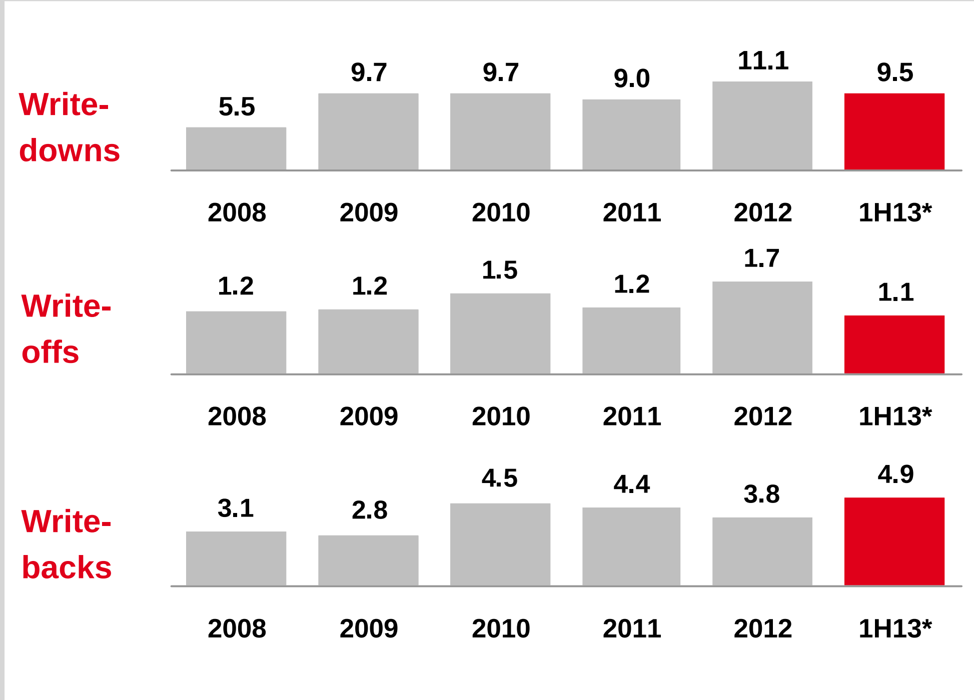
Cost of Risk

LLP trend at Group level mirrors the adverse macro scenario in Italy
Thanks to strict provisioning, the coverage ratio rose including the write-offs

Loan Loss Provisions (bn) – **Group COR** (bps)



Breakdown of LLP[(1)] (bn)



- **Group LLP trend tracked the Italian GDP performance**
- **Following a conservative risk management, since 2008 UCG has provisioned for 50 bn to address the credit quality deterioration**
- **Effective recovery actions accounted for a sizeable 21 bn write-backs allowing to counterbalance LLP trend**

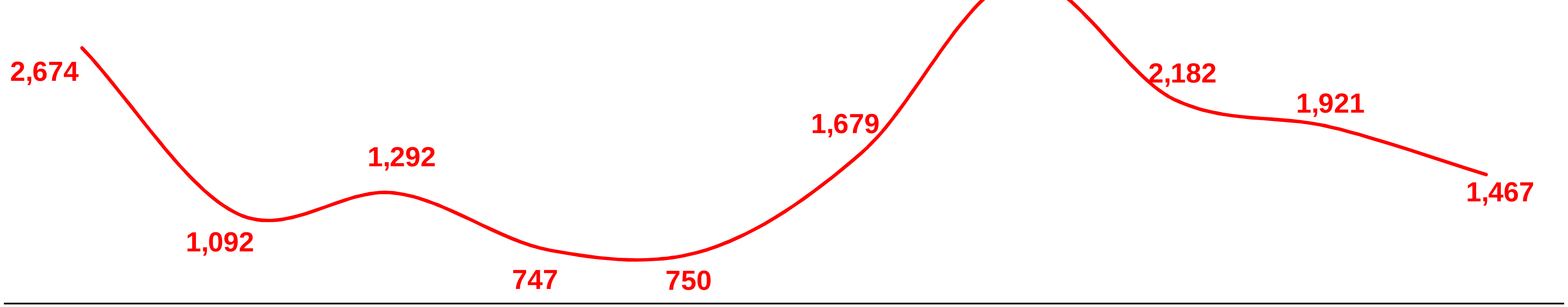
(*) CoR of 1H13 annualized; GDP variation of 1H13 versus1H12

(1) The breakdown of Loan Loss Provisions excludes the provisions on guarantees and commitments, the gains/losses on disposal of impaired loans

Asset Quality in Italy

Gross flows decelerated for the third quarter in a row due to higher outflows back to performing and stable new inflows

Gross impaired loans - net flows[1-2] (mln)



	Quarterly avg.2H09	Quarterly avg.1H10	Quarterly avg.2H10	Quarterly avg.1H11	Quarterly avg.2H11	Quarterly avg.1H12	3Q12	4Q12	1Q13	2Q13
Inflows[1] (mln)	5,031	3,285	3,835	2,960	2,936	3,879	5,167	4,415	3,608	3,645
Outflows[2] (mln)	-2,357	-2,192	-2,543	-2,213	-2,185	-2,200	-1,837	-2,233	-1,687	-2,178
Reverse ratio	47%	67%	66%	75%	74%	57%	36%	51%	47%	60%

Write-offs (mln)

	Quarterly avg.2H09	Quarterly avg.1H10	Quarterly avg.2H10	Quarterly avg.1H11	Quarterly avg.2H11	Quarterly avg.1H12	3Q12	4Q12	1Q13	2Q13
	322	514	690	462	914	830	800	1,019	960	1,026

(1) Inflows from Gross Performing Loans to Gross Impaired Loans in the period
(2) Outflows include Collections and flows from Gross Impaired Loans back to performing loans in the period

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Italy turnaround: focus on asset quality

New organization structure in CRO Italy with the aim to streamline the main processes and focus on credit portfolio

Reorganization

- **New risk management leadership structure,** starting from CRO Italy
- **Additional FTEs dedicated,** especially in monitoring and restructuring functions, also including reallocation from business
- New incentive system and organizational processes in workout unit

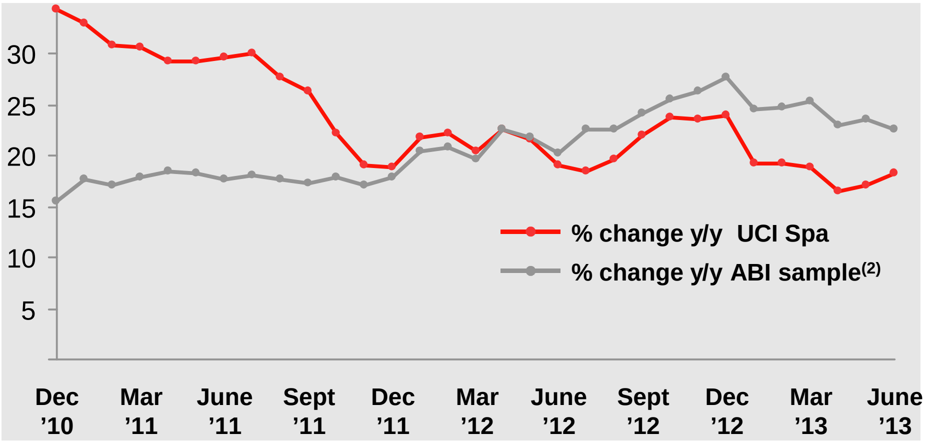
New credit granting strategy

- **Very conservative approach** towards real estate, construction, shipping, renewables and project finance, reduction of leasing, mortgages and consumer finance distribution through third parties, focusing on banking clients (new business via third party networks from 57% of total in 2008 to 2%[1])
- Reduction in 12-month default rates of new corporate loans from 3.3% in 2009 to 1.5% in 2012

Optimization portfolio

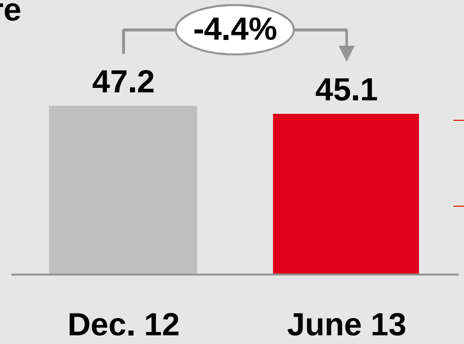
- To prevent the inertial LLPs growth, a portion of the Italian loan book with unfavorable risk-return profile and some impaired positions (eg. Past due) has been identified for **optimization** through ad hoc risk mitigation strategies for each customer cluster

Impaired loans to Households & Corporates, % y/y



Italian optimization portfolio

- Active management of Italian optimization portfolio shows **encouraging results after the start up of a dedicated structure**



(1) On residential mortgages in 1Q13

(2) The ABI sample includes 126 banks and represents approximately 80% of the signaling institutions belonging to the Italian banking system

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Concluding remarks

- UniCredit weathered through the longest economic and financial crisis in Europe reshaping its business model and successfully strengthening its balance sheet and capital position
- The Group is now poised to increase RoTE in the medium term, benefiting from focused actions and geographical diversification even in a low rates environment
- Several initiatives are in place to support operating profitability, with upside from repricing actions on assets and liabilities and several cost reduction actions
- Macro environment has weighed on LLP trend, especially in Italy, but the trend is improving also thanks to dedicated actions, with net flows to impaired decreasing since 3Q12