



UniCredit CEE Day

Russia

Mikhail Alekseev, UniCredit Russia, CEO

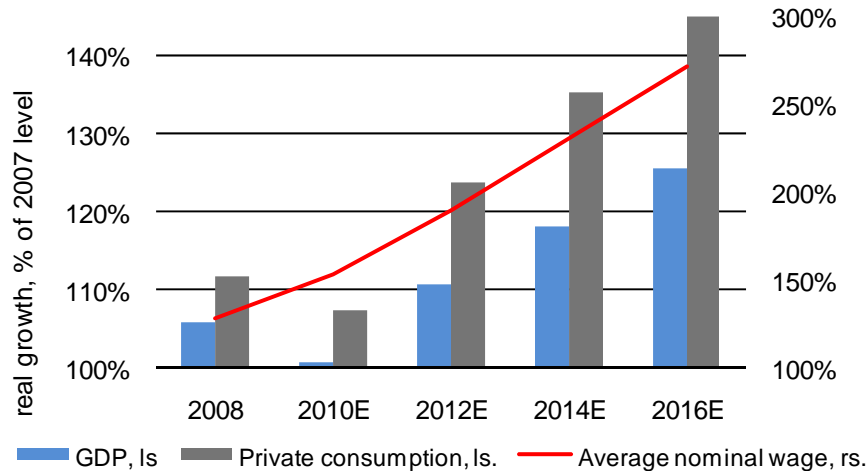
London, 2 December 2010

Agenda

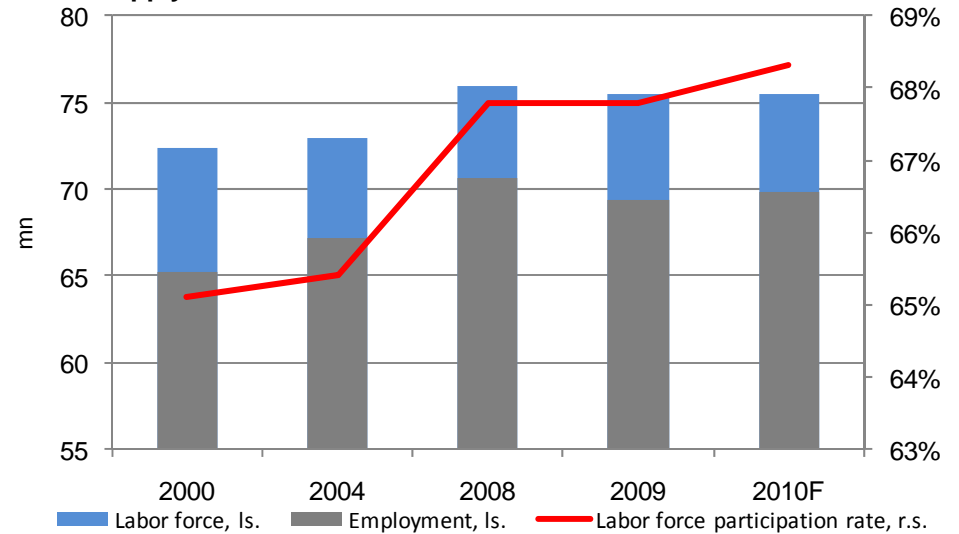
- Macroeconomic and Banking sector overview
- UniCredit Bank positioning
- Strategy and Conclusion

Consumer demand growth is a key driver of Russian economic growth

Consumer demand to pull strong economic recovery in 2011 and in the long term



Consumer incomes growth is supported by shrinking labor supply



■ **Economic recovery is to gain strength in 2011 and growth should remain robust in the long term**

- Consumer demand remains on the strong recovery trend, as unemployment falls
- Government to resume **infrastructure spending**, which should pull **recovery of private investment**

■ **Problems that constrain US and Europe (overleveraging, high debt etc.) are negligible in Russia**

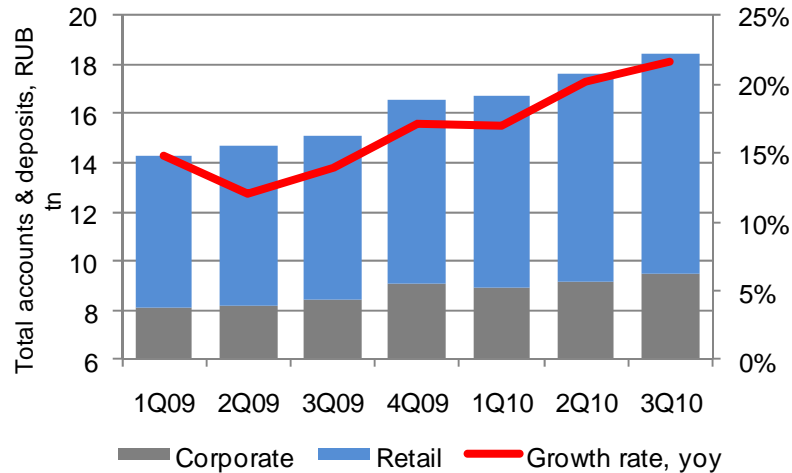
■ **We see robust growth of consumer incomes as a sustainable long term trend**

- Stability of the labour force is maintained by the rising labour force participation, which requires robust wage growth
- As a result, unemployment should remain low despite stagnating employment and rising labour costs

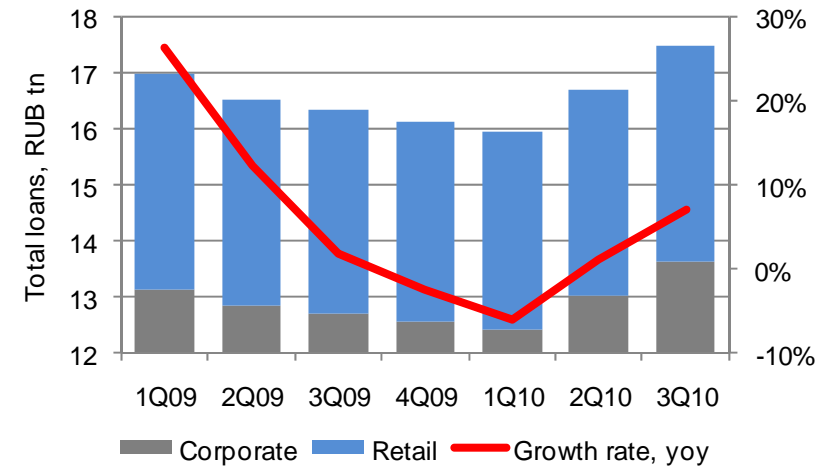
Source: UniCredit Research estimates, Federal Statistics Service

Russian banking system seems to have bottomed out in early 2010

High interest rates kept consistent inflow of deposits and account throughout the entire 2009-2010



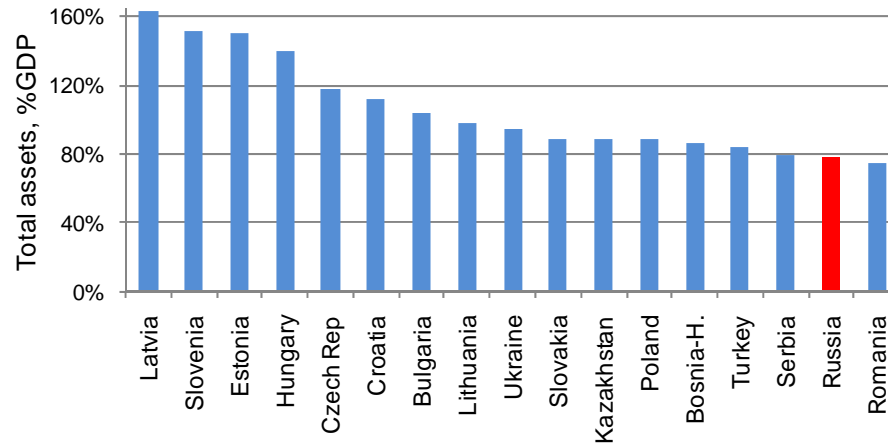
Loan demand has finally started to grow in Summer of 2010



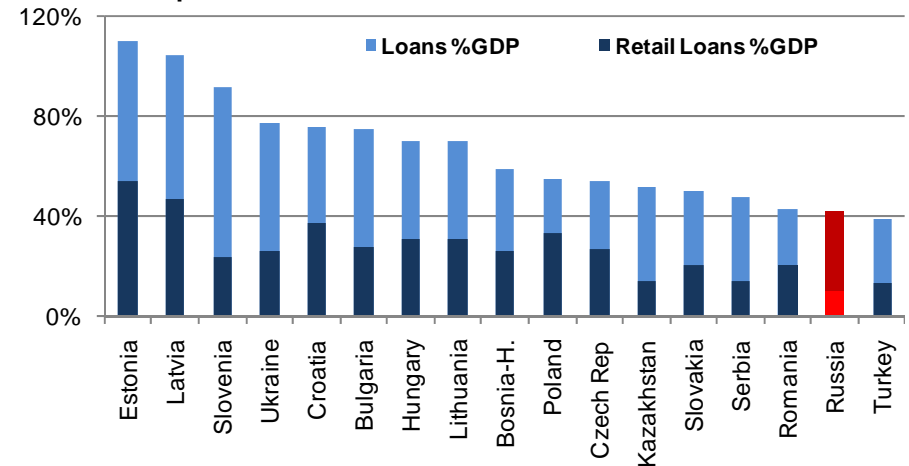
- Assets of the Russian banking system resumed growth in Summer of 2009, along with stabilization of the general economy. **Growth has accelerated to 7.8% YTD in 9M10 and is expected to rise by 10% in 2010**
- Total deposits and accounts continued to grow throughout most of 2009, gaining support from the high interest rates and weak investment demand. **Growth has accelerated to over 20% yoy in 3Q10**
- Deleveraging over the past two years has reversed in Summer of 2010 on economic recovery and falling borrowing costs. **By September 2010 corporate loan growth has accelerated to 8.7% YTD and is expected to rise by the end of the year**

Banking system still has a lot of room for organic growth

Russian banking system is still very small relative to the size of the economy

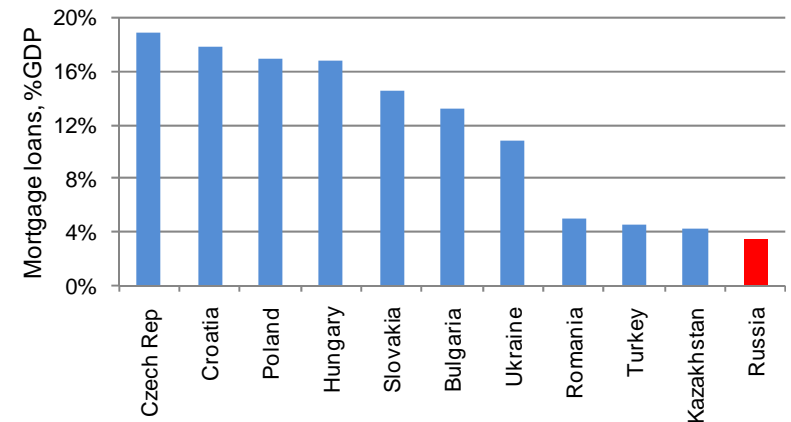


Level of banking penetration in Russia trails not only CEE, but also some CIS peers



- Russian banking sector has suffered much less from the crisis than the rest of the economy.
- However, Russian banking system remains very small relative to the economy. **Penetration levels in the key market segments trails not only CEE, but also some of CIS peers**
- We expect that CAGR in 2011-2015 will reach 13.6% for total lending, 14.5% for retail loans and 15.5% for mortgages.

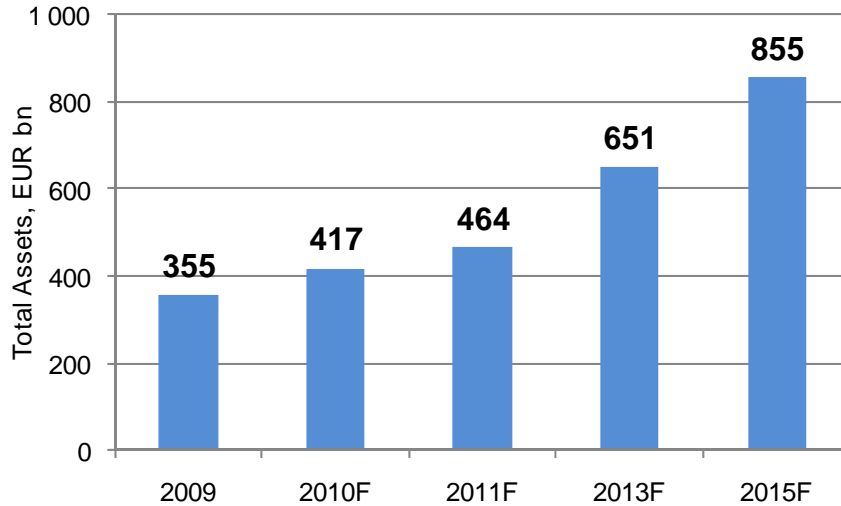
Mortgage business is practically non-existent, relative to other countries



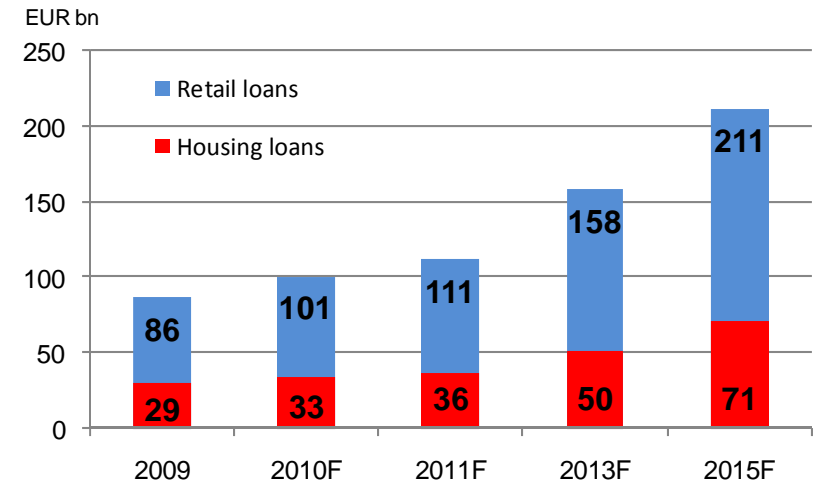
Source: CBR, UniCredit Research Estimates

We expect strong expansion of all market segments in the future

Banking sector is set to expand strongly in the next 5 years



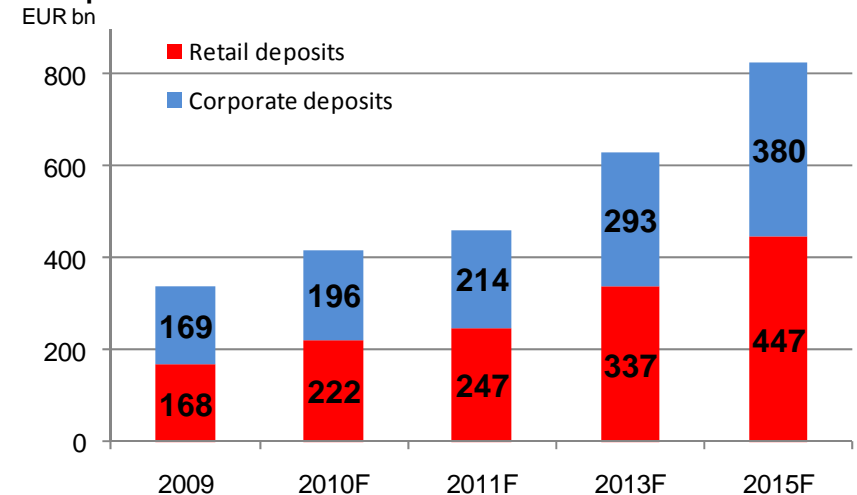
Retail and mortgage loans should more than double in 5 years



- We estimate that CAGR (in RUB terms) in 2011-2015 at:
 - 14.2% for total lending, 14.3% for corporate loans
 - 14.7% for retail loans and 15.5% for mortgages

- With the expected stability of the RUB, the expansion of local market in EUR or USD terms is likely to be similarly strong

Buoyant deposit growth should provide ample resources for expansion

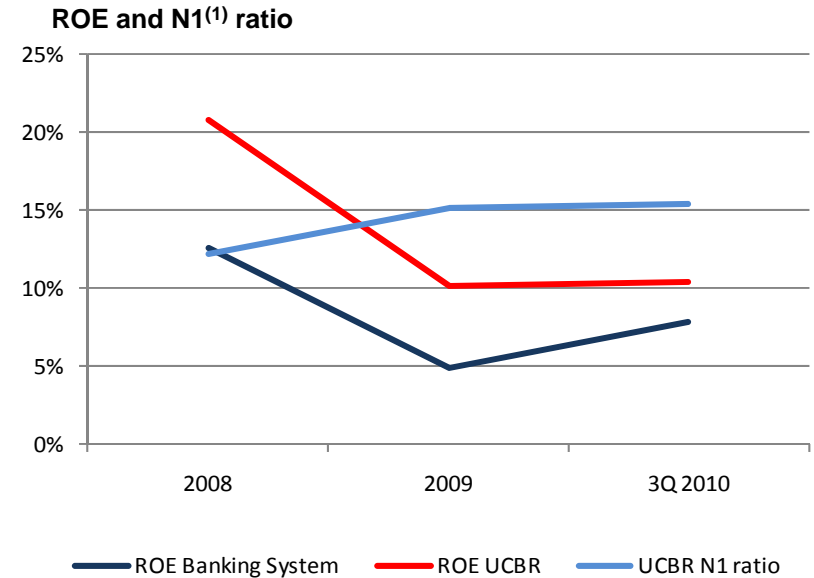
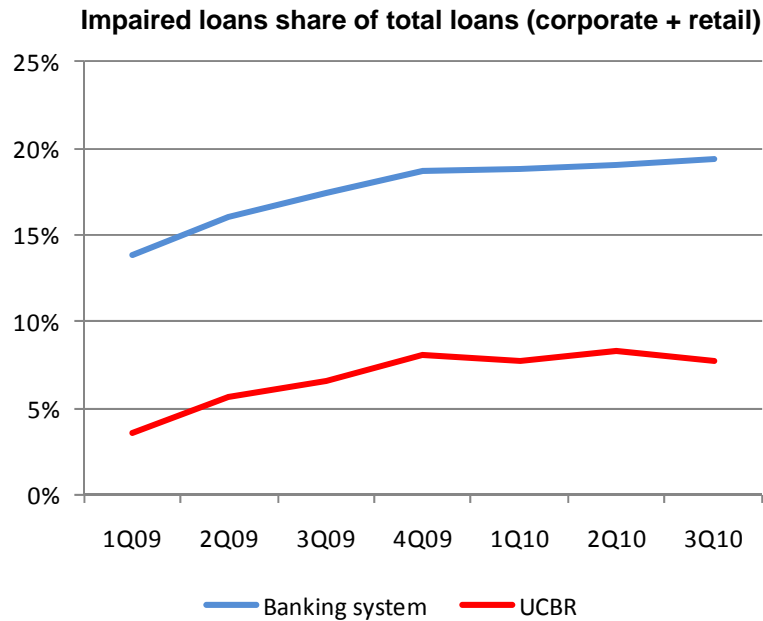


Source: Bloomberg, Federal Statistics Service, Central Bank of Russia, UniCredit Estimates

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Efficient risk management allowed UniCredit Russia to sustain high asset quality and maintain profitability



- Strong risk management paired with a diversified client base have allowed UniCredit Russia to keep a unique high quality of the loan portfolio. For most of the time the share of impaired loans was below the banking system average and the ratio continues to further improve
- As a result, unlike most Russian banks UniCredit Russia was more resilient to adverse crisis impacts and demonstrates a solid and robust financial standing based on its conservative risk and liquidity policy. UniCredit Russia remained profitable in all quarters throughout the time of crisis

⁽¹⁾ Statutory Capital Adequacy Ratio by Central Bank Russia

Source: CBR, UniCredit estimates

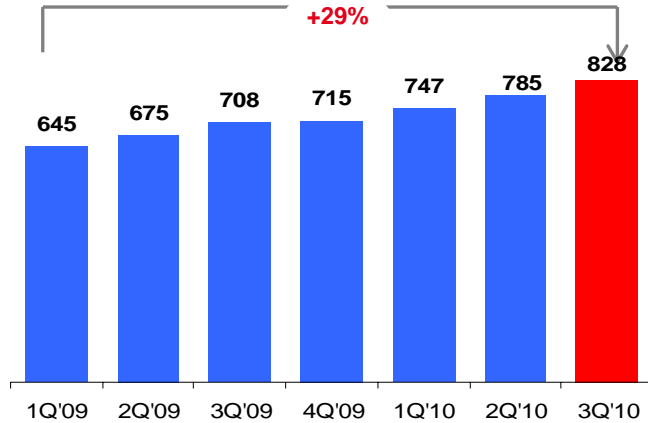
Executive summary 9M 2010 results

EUR mln	9M 09	9M 10	y/y % change
Net interest income	256	415	62.0%
Non interest income	205	58	-71.7%
Revenues	461	473	2.5%
Operating Expenses	-152	-169	11.7%
Provisions*	-163	-109	-33.2%
Profit Before Tax	147	195	32.6%
Taxes	-33	-42	26.7%
Net Profit	114	153	34.3%
Loan Portfolio Net	7 617	8 634	13.3%
Customer deposits	6 828	6 107	-10.6%

- Net Profit after tax of EUR 153 mln (+34.3% vs. 2009)
 - Despite lower volumes strong flow of interest income
 - Lower trading income due to lower volatility and changed market conditions
 - Less risk costs following improving Asset Quality and slowed loan generation
 - Tight cost management ensures high efficiency with Cost/Income of 35.8%
- Total Assets of EUR 11.9 bln (+7% vs. YE 2009)
 - Focus on optimization of the balance sheet structure, reduction of crisis driven liquidity cushions
 - Moderate growth of (net) loan volumes (+ 5% vs. YE 2009)
- Good funding position with Loan to Deposit ratio of 141%
- Solid equity base of EUR 1.5 bln with CAR of 15.49% well above the regulatory requirement
- UniCredit Bank serves more than 827,000 individual and 5,270 corporate clients

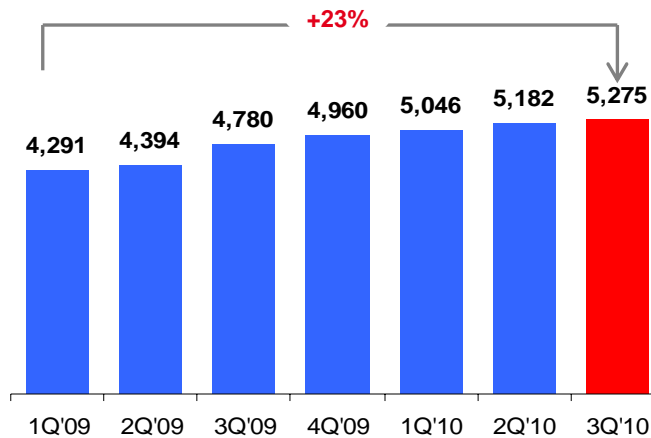
Network & commercial highlights

Retail clients (~*000 Number)

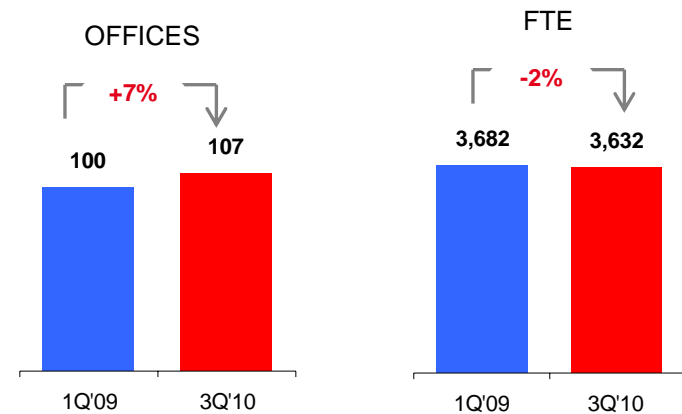


- Despite adverse macroeconomic environment and fierce competition continuously broadening customer base
- UCB Russia maintains direct relationship with more than 250 out of 400 (or 62.5%) largest corporate companies in Russia from the official rating (400 largest companies in Russia with over RUR 9 bln annual sales).
- Country wide distribution network covers top 20 regions
- One Representative Office in Minsk to benefit from close ties to Belarus
- Constant number of staff as a result of continuously increasing efficiency

Corporate clients (Number)

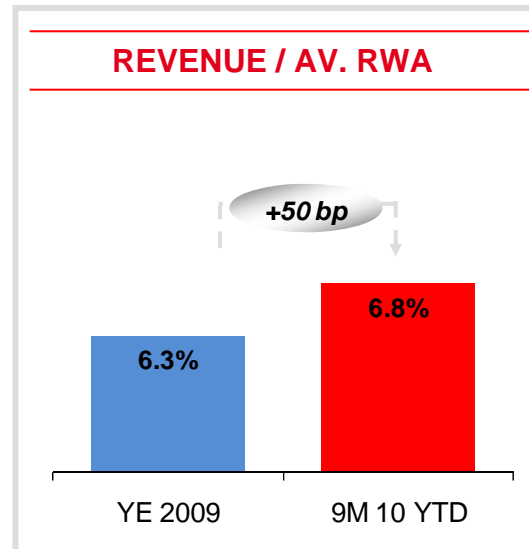
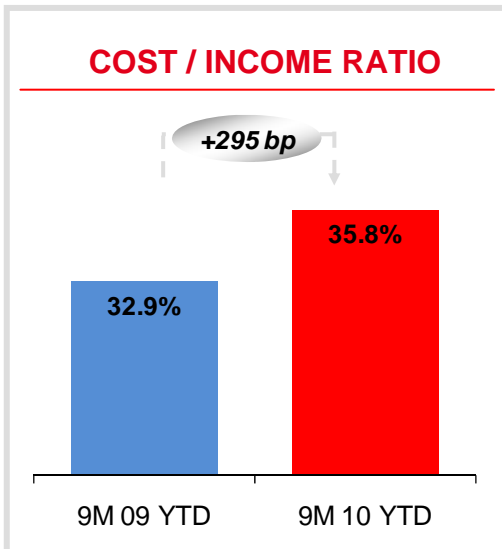
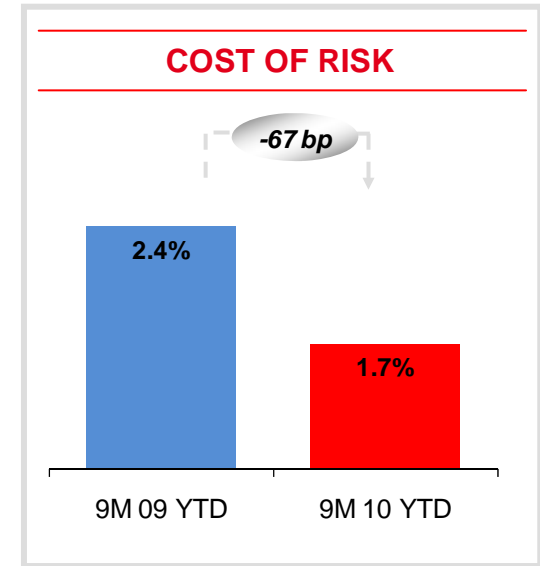
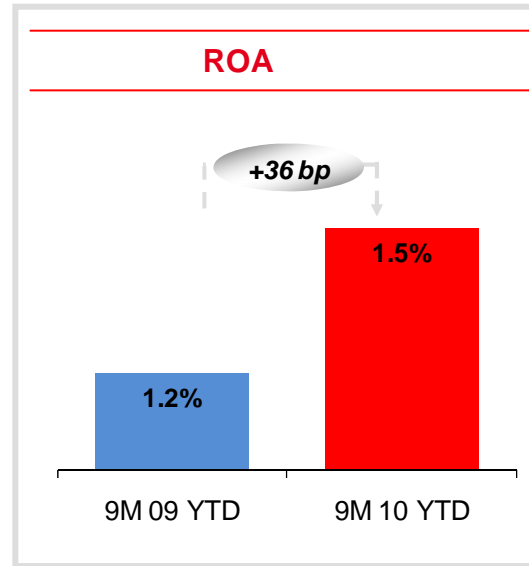
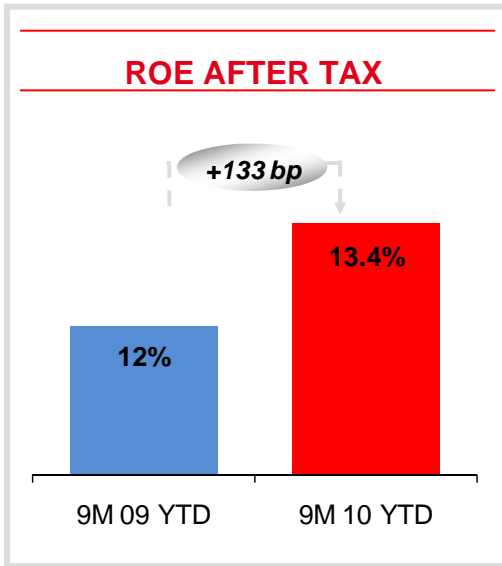


OFFICES and FTEs (Numbers)



Source: Company data

Main ratios



- ROE and ROA are ahead of previous year thanks to strong profit generation
- CIR of 35.8% among top within banking sector
- Improving Asset Quality supported by effective collection and intensified restructuring activities
- Comprehensive cost containment measures both in HR and Non-HR area ensure flat cost development
- Revenue to av. RWA ratio improved following focused RWA management

Being part of UniCredit brings additional benefits

■ Wider marketing approach

- Recognizable multinational brand supports marketing efforts, supported by UEFA marketing campaign
 - Higher reliability of a bank for domestic clients: doubling customer base in 2007-2010
-

■ Wider possibilities for client outreach

- Group opens external markets for domestic clients and brings new customers interested in Russia:
 - Financing & advisory (Rusal IPO in Hong Kong, LukOIL share buyout from ConocoPhillips)
 - Great potential for “global product” offer, e.g. cash pooling, factoring, structured finance
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■ Best practice sharing

- Divisionalization to enhance business focus
 - Implemented innovated core system (IFLEX) and enhanced risk management system
 - Leveraging on Group expertise on Retail network management: UCBR network increased from 64 in 2007 to 107 in 3Q 2010, with improved efficiency: cost income ratio down from 38.6% in 2007 to current 35.8%
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- Employees engagement: more appealing carrier management on an international level

Strong value from being part of UniCredit

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Retail banking strategy: exploit opportunities in the most promising market segments

Key strengths

- Third largest foreign-owned distribution network in Russia
- 5th largest bank in car consumer lending (5.0% market share)
- Attractive value proposition for key market segments – affluent/upper mass individuals and SME
- High customer service quality resulting in 2nd position in TRIM index (customer satisfaction level) ranking.

Key initiatives

- Further development of distribution channels with focus on remote channels and multi-channel integration.
- Loan portfolio diversification with focus on growth of share of mortgages, credit cards, personal loans.
- Expanding retail expertise in marketing and network development building on UniCredit capabilities
- Leverage on relations with business partners (e.g. car dealers, real estate agents) and corporate customers.
- Further focus on non-price competitive advantages (service quality and tech/operational platform)

CIB&PB cooperation to serve clients in catching business opportunities in Russia

Key strengths

- Quite industry-wise diversified customer and loan portfolio – share of each industry segment is around 10%;
- Focus on long lasting relationship with key accounts – nearly 250 corporates out of 400 largest are clients of ours;
- Risk control: UCB Russia performance in respect of past due to loans and cost of Risk is better than that of peer group and market average.

Strategic goals

- Leveraging on UCG product factory expertise locally and globally;
- Coverage of corporate clients though 1 single point of entry (Relationship manager);
- Existing presence in 30 most valuable economically valuable Russian Regions
- Mid market – selected market share expansion;
- Large caps – focus on share of wallet;
- Leveraging on existing clients in order to cross sell investment banking products, private banking products, transactional banking and treasury products;
- Dedicated coverage teams for Financial Institutions and Private Banking clients.

Conclusions

■ MARKET OUTLOOK

- ✓ Renewed economic growth
- ✓ Rising affluence of the general population
- ✓ Banking penetration rising

■ POSITIONING

- ✓ Highly profitable player, among the top banks
- ✓ Excellent track record and select client base
- ✓ Among the best in ratings
- ✓ Asset quality

■ STRATEGY

- ✓ Well articulated by business and leveraging on UniCredit Group strengths:
 - Retail banking: focus on growth, acquisition of down-market customers, service quality and consumer lending products
 - Corporate banking: continued focus on large corporate segment and expansion of product offer, regional / mid-market expansion