



UNICREDIT AND CEE: STRENGTHS TO COPE WITH CYCLICAL HEADWINDS

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London, 18th February 2009

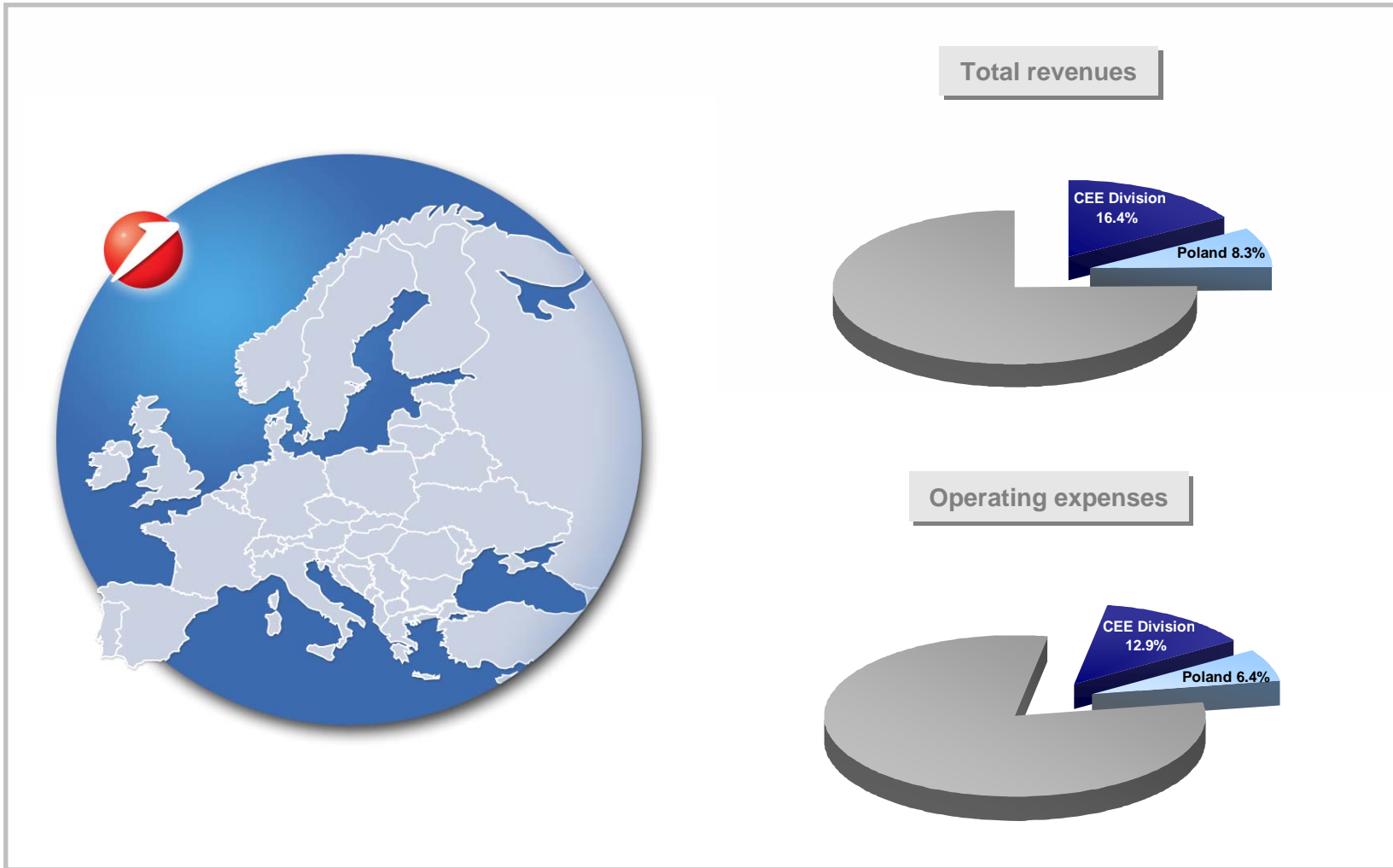
EXECUTIVE SUMMARY

- **UNICREDIT PRESENCE IN CEE REGION: A SUPERIOR POSITIONING**
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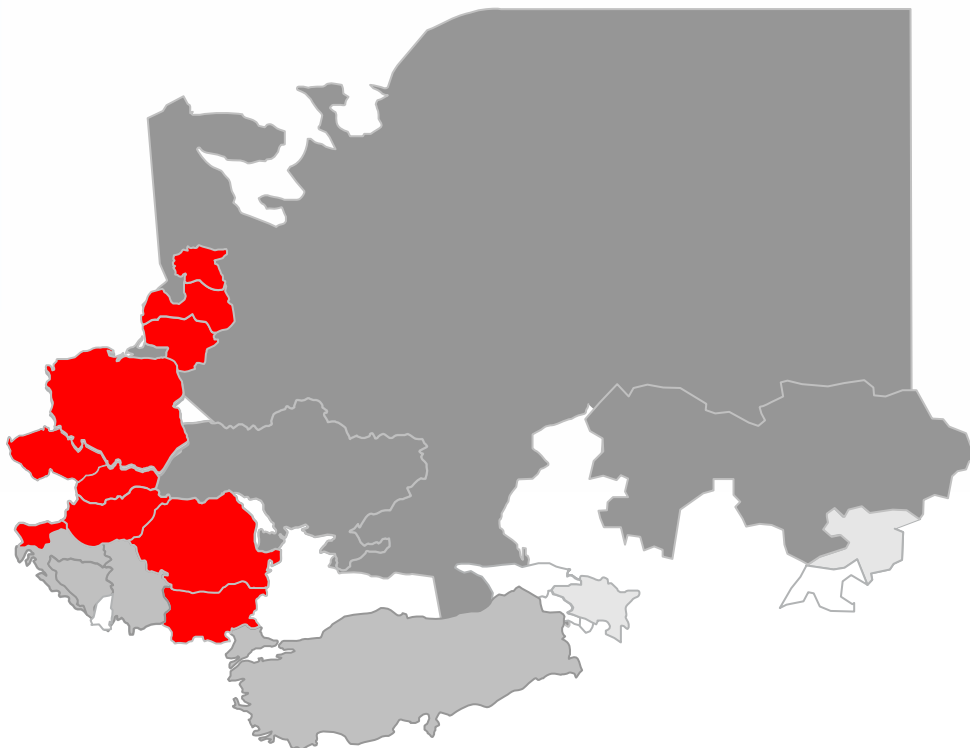
- **BALANCED RISK PROFILE AND ROOM FOR COST MANAGEMENT TO FACE MACRO IMPACTS**
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- **MARKETS-RELATED FEARS: LIQUIDITY AND FX VOLATILITY**
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A TRULY EUROPEAN GROUP – FOCUS ON CEE REGION



BALANCED, DIVERSIFIED GROUP EXPOSURE, TO MINIMIZE THE POSSIBLE IMPACT OF THE MARKET CRISIS



- **Countries of presence spanning from EU members in Central Europe to Russia and Turkey**
- **Group set to confirm good performance despite the macro-environment downturn, based on: strong deposit base, strict cost control, tighter risk regulations and a strong focus on liquidity**

	% weight on Group	
	Revenues ⁽¹⁾	Tangible book ⁽²⁾
EU members	13.7%	13.2%
Poland	8.3%	5.8%
Romania	1.1%	0.5%
Czech rep.	1.3%	2.5%
Slovakia	0.6%	1.1%
Slovenia	0.2%	0.4%
Hungary	0.9%	1.4%
Bulgaria	1.1%	1.3%
Baltics	0.1%	0.2%
Candidate/potential EU	6.3%	8.5%
Turkey	3.5%	3.8%
Bosnia – H.	0.4%	0.4%
Croatia	2.1%	3.6%
Serbia	0.3%	0.6%
NON EU	4.6%	6.0%
Russia	2.2%	3.1%
Ukraine	1.3%	1.3%
Kazakhstan	1.0%	1.6%

⁽¹⁾ Revenues as is 9M08

⁽²⁾ Data as is 3Q08 pro-forma for the €3bn rights issue, tangible book = equity-goodwill

UNICREDIT APPROACH TO CEE: A LONG-TERM INVESTOR, TO EXPLOIT STRUCTURAL STRENGTHS

LONG TERM INVESTOR

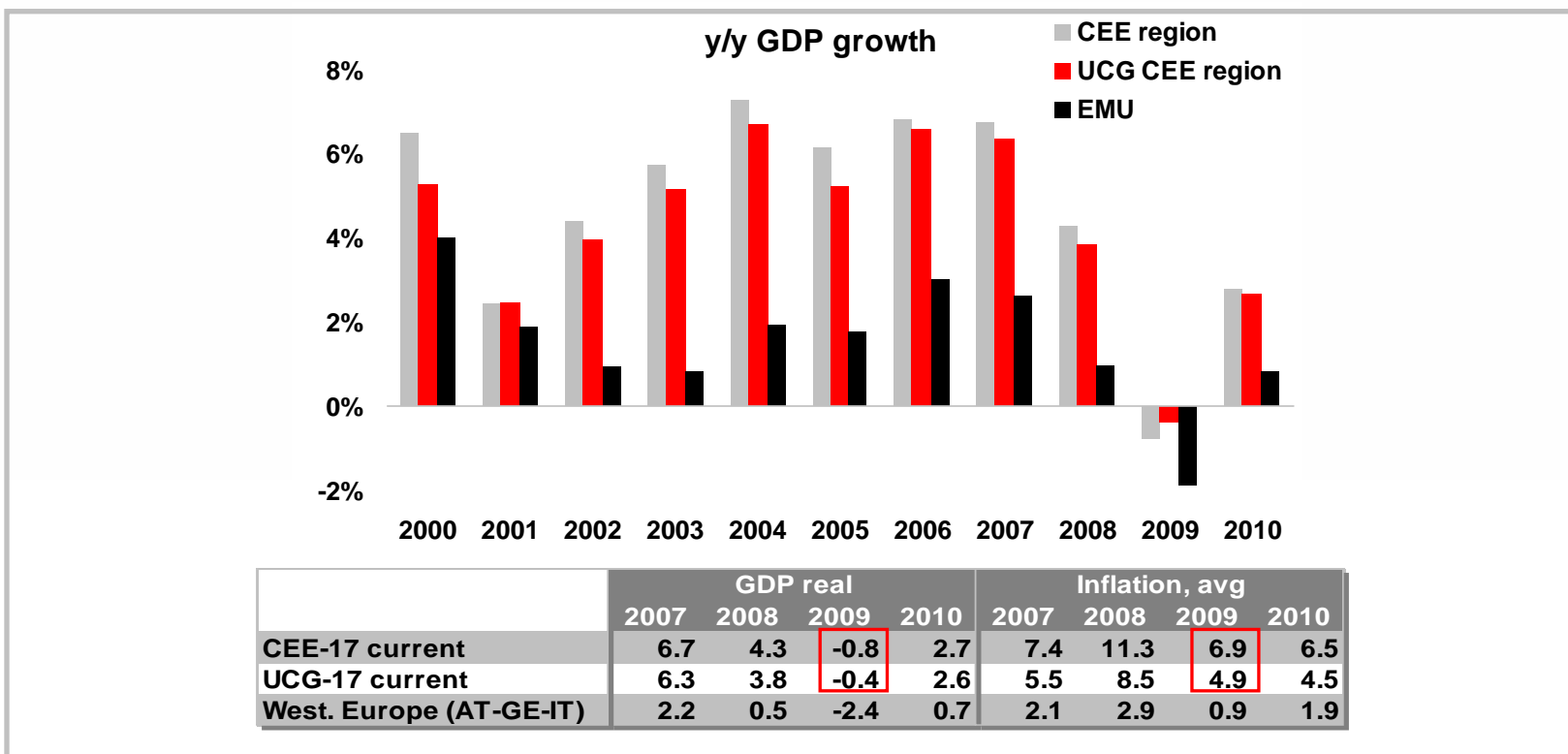
- Since 1999, with Pekao acquisition, UCG has pursued a **long term oriented strategy** - we are here to stay
 - ✓ UCG is part of the Country
 - ✓ Strong enforcement of local Managers
 - ✓ Best practices and know-how transfer
 - ✓ International programs for Talents

COMPETITIVE HEDGE IN A CRISIS

- Belonging to a big European player, UCG banks in CEE could even enjoy **some competitive advantaged in the crisis**
 - ✓ Well known **brand** as a key to attract customers leaving troubled local banks
 - ✓ Access to international markets through UCG

COUNTRY DIVERSIFICATION

A key strength also in a Macro-Economic slowdown



- **CEE growth will continue to outperform EMU** in 2009
- In a negative outlook scenario, **the diversification of UCG halves the impact on the group** showing a good positioning in faster growing countries
- **UCG weighted presence: lower negative growth of GDP** in 2009; lower CPI vs CEE region average highlights **considerable rooms of cost saving**
- Proactive policymaker response to the slowdown and solid banking sectors **pave the way for strong 2010 recovery prospects in Czech Republic, Poland and Turkey** (~55% of UCG revenues in CEE region)

MACRO IMPACTS: RISKS, EFFECTS AND GROUP ACTIONS

Lower risk for UniCredit: geographic and loan mix, cost savings ahead

ASSET QUALITY

- **General deterioration of asset quality:** provisioning level will be increased

SOLID CLIENT BASE

- **UCG vs system:** usually **lower cost of risk** for **banks belonging to the Group since many years** and **largely lower than the market** for most of countries
- **De-risking actions to mitigate existing and new risks**

INDIVIDUAL FX LENDING

- Equal to **12% of total customer loans in CEE region**, proportionally split by Euro, USD and CHF. **Pekao**, the oldest CEE bank in UCG, **was not used to grant FX loans to individuals**
- **De-risking actions in place : to grant excellent client profiles**

COST MANAGEMENT – AS A KEY TO PRESERVE PROFITABILITY

- Negative macro scenario **reduces the level of CPI** which drives a **lower level of cost** in the area
 - ✓ **UCG positioned** in countries with lower expected CPI (see pg. 6): **Poland, Croatia, Czech Rep**
 - ✓ **Cost synergies:** 17 mergers in 2006/08 produce cost synergies allowing to open more than 400 branches in 2008 with limited FTEs increase (~1,000 vs ~5,000 expected)

FROM THEORY TO PRACTICE: DE-RISKING ACTIONS IN PLACE

Some examples: not exhaustive!

■ Real Estate: further reducing risk appetite

- ✓ decrease of LTVs/LTCs by 10 percentage points
- ✓ increase of Debt Service Coverage Ratio (DSCR) by 10 bps
- ✓ no plot financing
- ✓ very selective developer financing, restricted in some countries (e.g. RU, UA, Baltics) and conditioned to tighter prelease sales conditions

■ Corporate: special liquidity check and very cautious lending

- ✓ Liquidity check of large corporate customers
- ✓ New business subject to up-dated review and positive result of liquidity check
- ✓ Focus on lending to operative companies
- ✓ No underwriting commitments
- ✓ No bridge financing unless we are comfortable/able to keep this risk on a midterm basis
- ✓ Asset based financing parameters more restrictive (e.g. decrease of LTVs/LTCs by 10 p.p., DSCR increased by 10 bps)
- ✓ Dedicated Task Force Kazakhstan

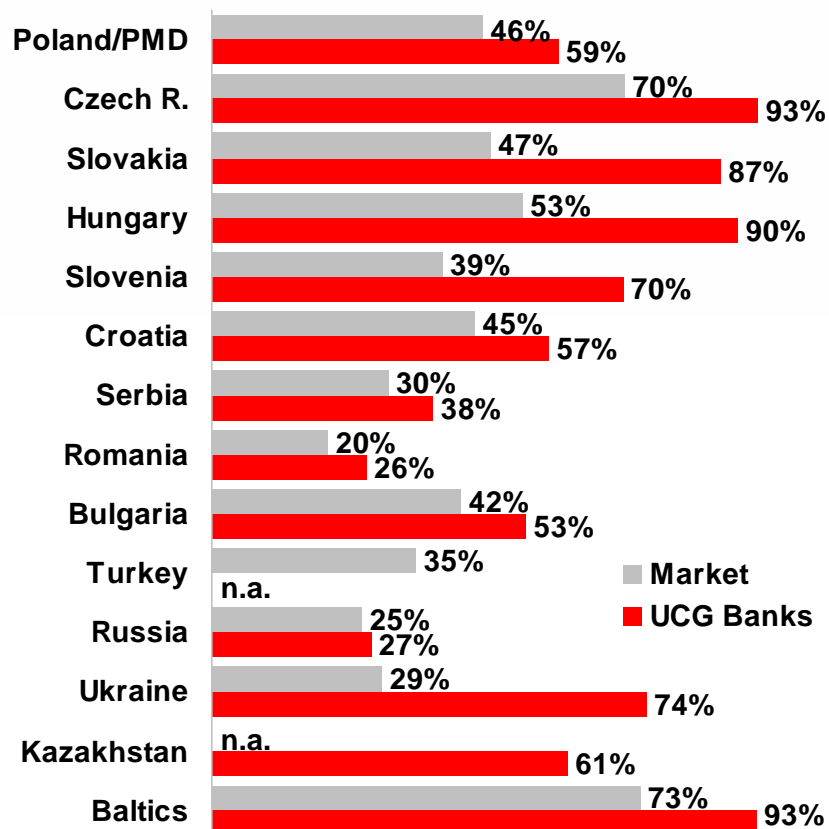
■ FX lending: limited origination, strict monitoring

- ✓ Special Credit policy with appropriate add-on's and haircuts and Customer Awareness letters
- ✓ Close monitoring of portfolio and tightening of retail lending rules
- ✓ Required debt repayment capability is increased by 10-20% depending on currency

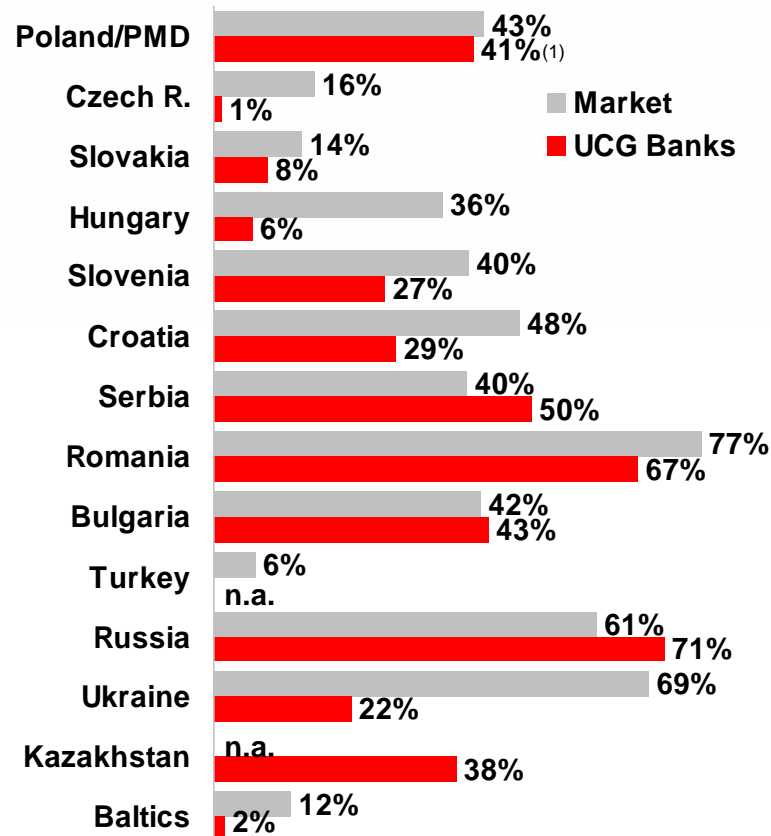
LESS RISK - RETAIL

UniCredit vs Peers: More Mortgages, Less Consumer Credit

Household sector: mortgages
% on total household lending

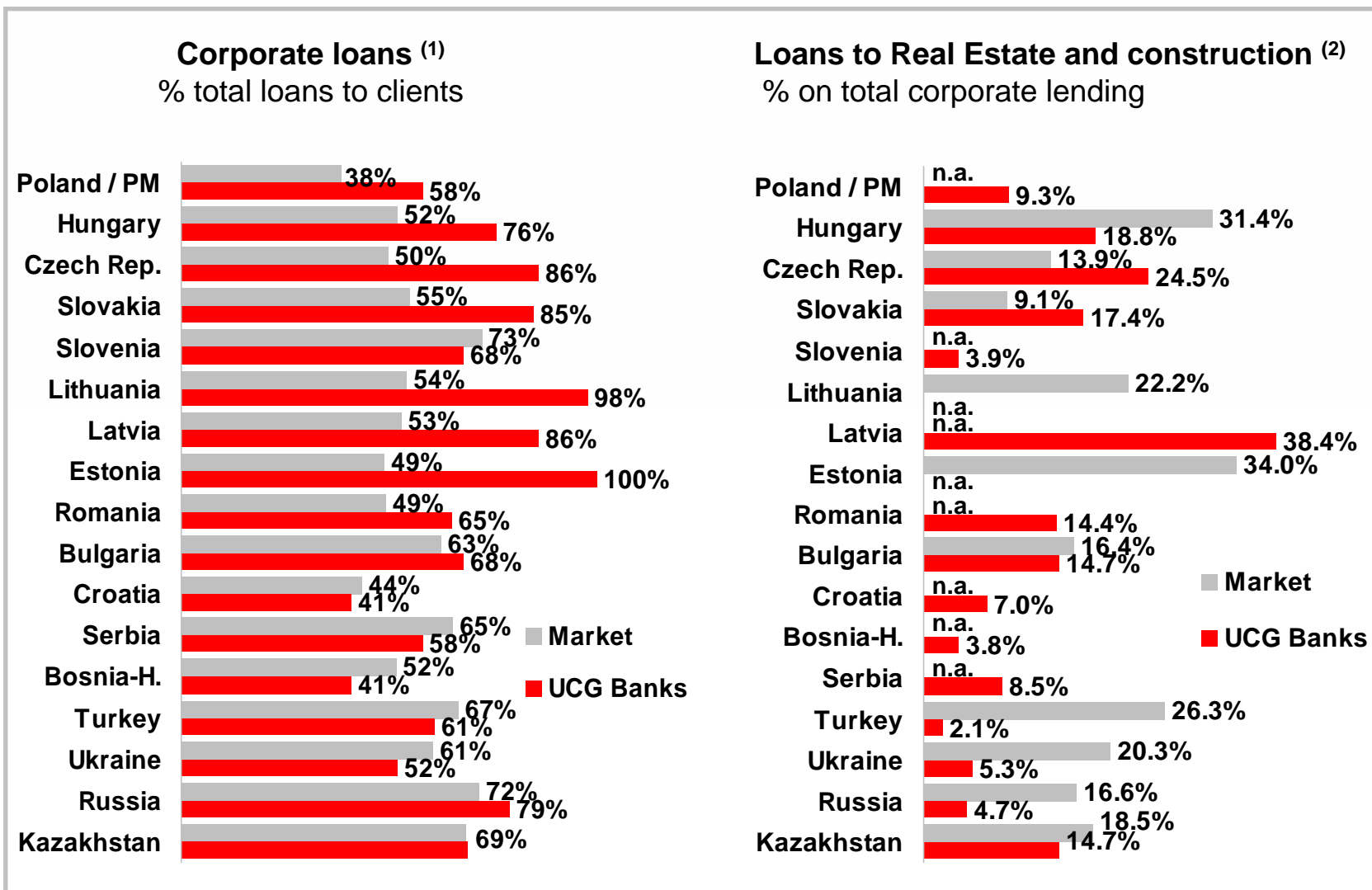


Household sector: consumer credit
% on total household lending



LESS RISK - CORPORATE

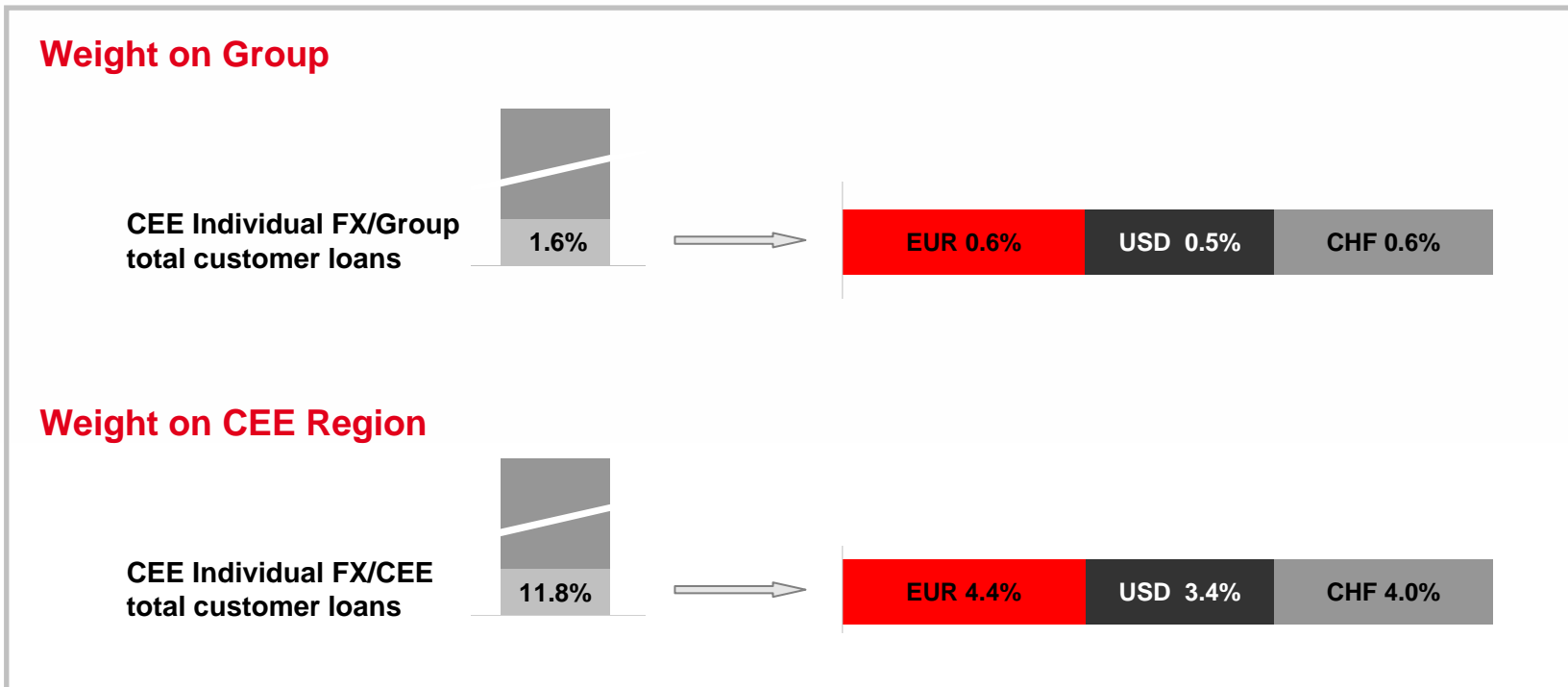
UniCredit vs Peers: More Corporate and Less Commercial Real Estate



(1) Unicredit: Sept 2008; Market: November 2008; (2) Sept 2008

FX RETAIL LENDING

Individual CEE FX portfolio: 1.6% of the UniCredit total loan portfolio

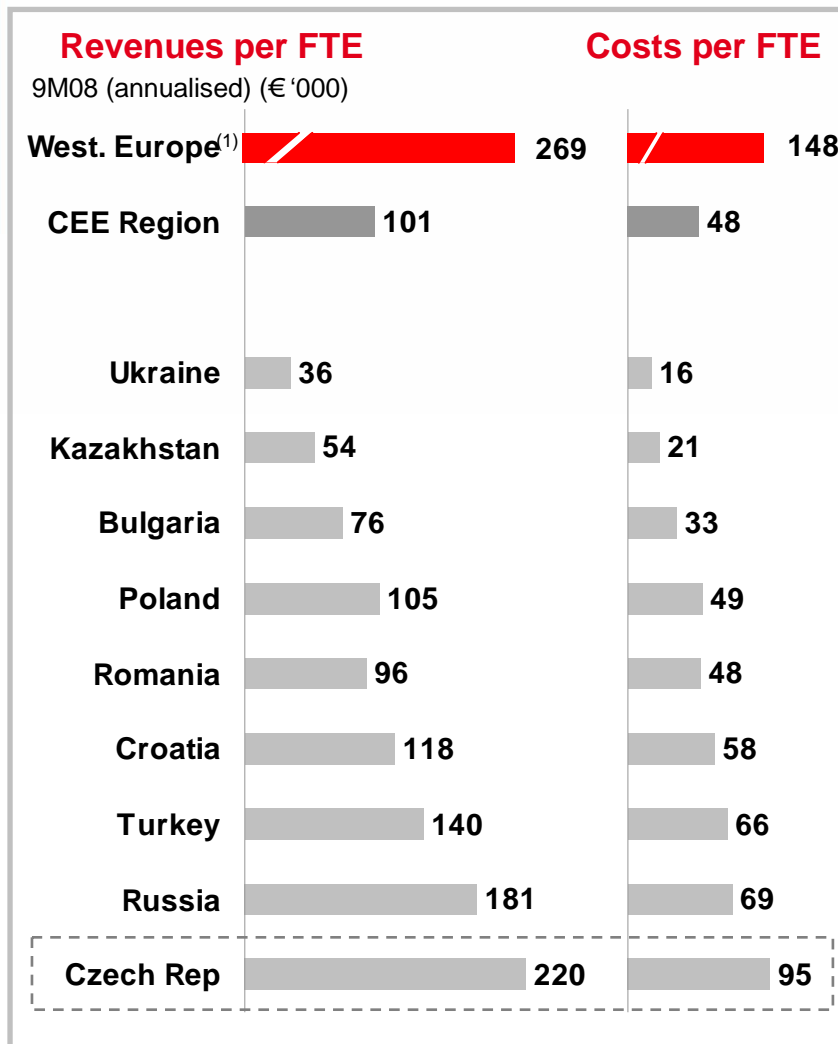


- **FX Retail lending** mainly in EUR in countries with strong EUR-links (currency board in Bulgaria & Bosnia, EUR-savings in Croatia and other SEE countries, transfers from Eurozone, etc.)
- **Russia, Ukraine and Kazakhstan** with a strong USD-orientation of the economies translates into high USD FX lending to individuals
- **CHF-exposures** only in Croatia, Hungary, Slovenia and Serbia (new business stopped), in Poland CHF-portfolio from former BPH

COST CONTROL AS A MAJOR FOCUS IN 2009

17 mergers in 2006-2008: ready to exploit benefits

Efficiency Benchmarking per country



Cost Control measures for 2009

HR-Costs:

- **FTE-Reduction** by appr. 2,000 despite limited branch openings (75)
- Strict **control of salary** development and reduction of variable compensation
- **GBS efficiency program**

NON-HR-Costs:

- **IT-Efficiency**
 - Centralisation initiatives
 - Streamlining IT-Expenditures
 - Actions for each country
- **Back-Office**
 - Definition of benchmarks and best practices, measures derived thereon
- **Optimizing Real Estate**
- **Corporate Center Rationalization**
- **Further Initiatives** (travel, consulting, marketing, etc.)

⁽¹⁾ Sum of Group Retail, Corporate (excl. Leasing) and Private banking

UNICREDIT: ADDRESSING FEARS ON FUNDING AND FX VOLATILITY

MANAGING FUNDING RISKS

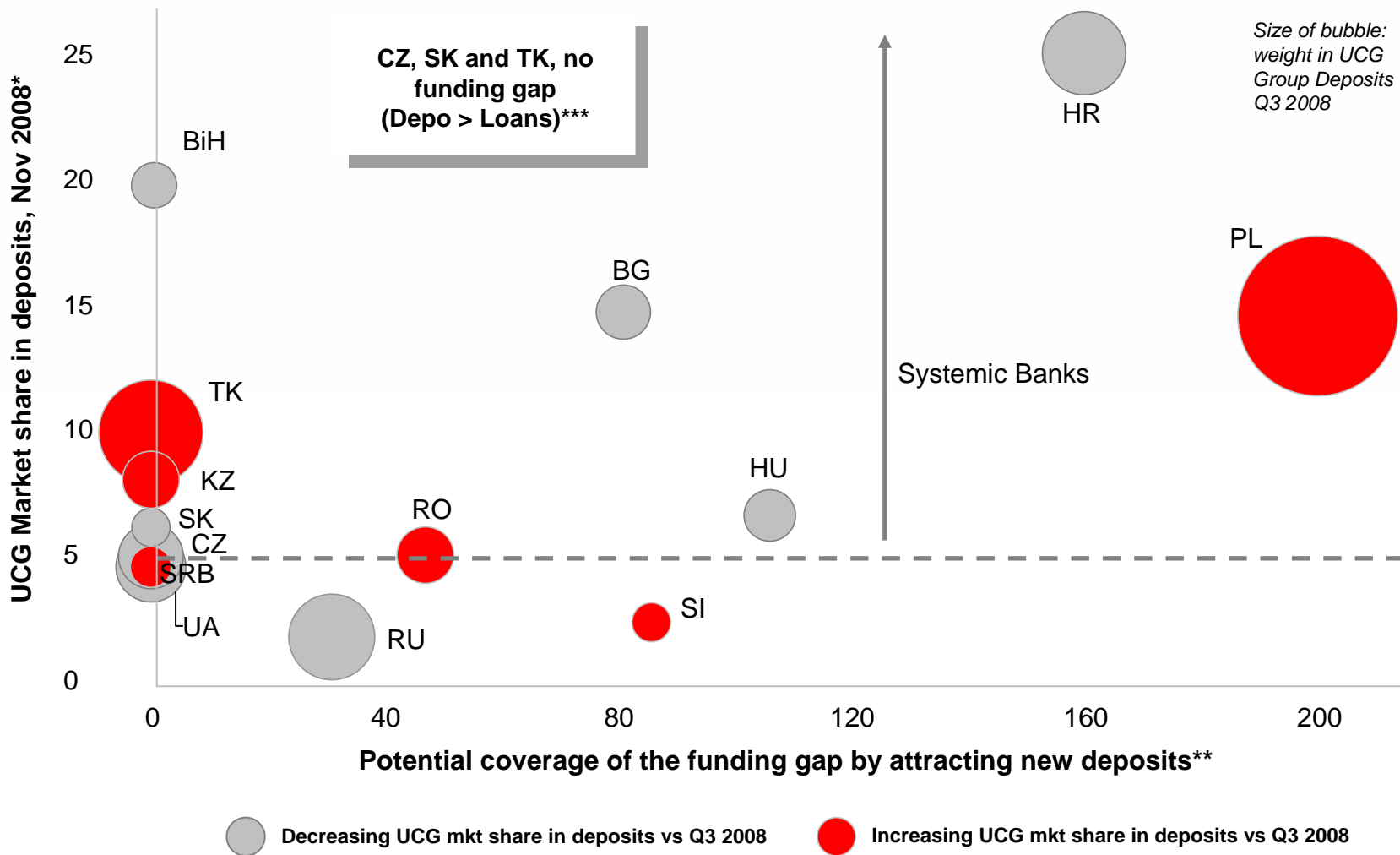
- **Improving loan/deposit ratio**
 - ✓ Key countries already self-funded (e.g. Poland, Croatia, Turkey)
 - ✓ Improvement in other Countries
- Exploiting **guarantee schemes** with Supranational agencies (i.e. MIGA, SACE) and innovative funding programs
- **Selected collateralization** action for new lending

FX

- **Limited correlation** between FX smoothing impact on capital ratios (see slide 17)
- Yearly **hedging of expected net profit and dividend** (if feasible at reasonable costs)
- **Proactively approaching customers** with potential FX imbalance, to prevent/limit impacts from FX devaluation

GOOD CAPACITY TO ATTRACT DEPOSITS DURING TURBULENCES

UniCredit competitive strength where leader confirmed in Oct-Nov



* For PL and BG as of Dec.08, for CZ, HR and TK as of Oct.08

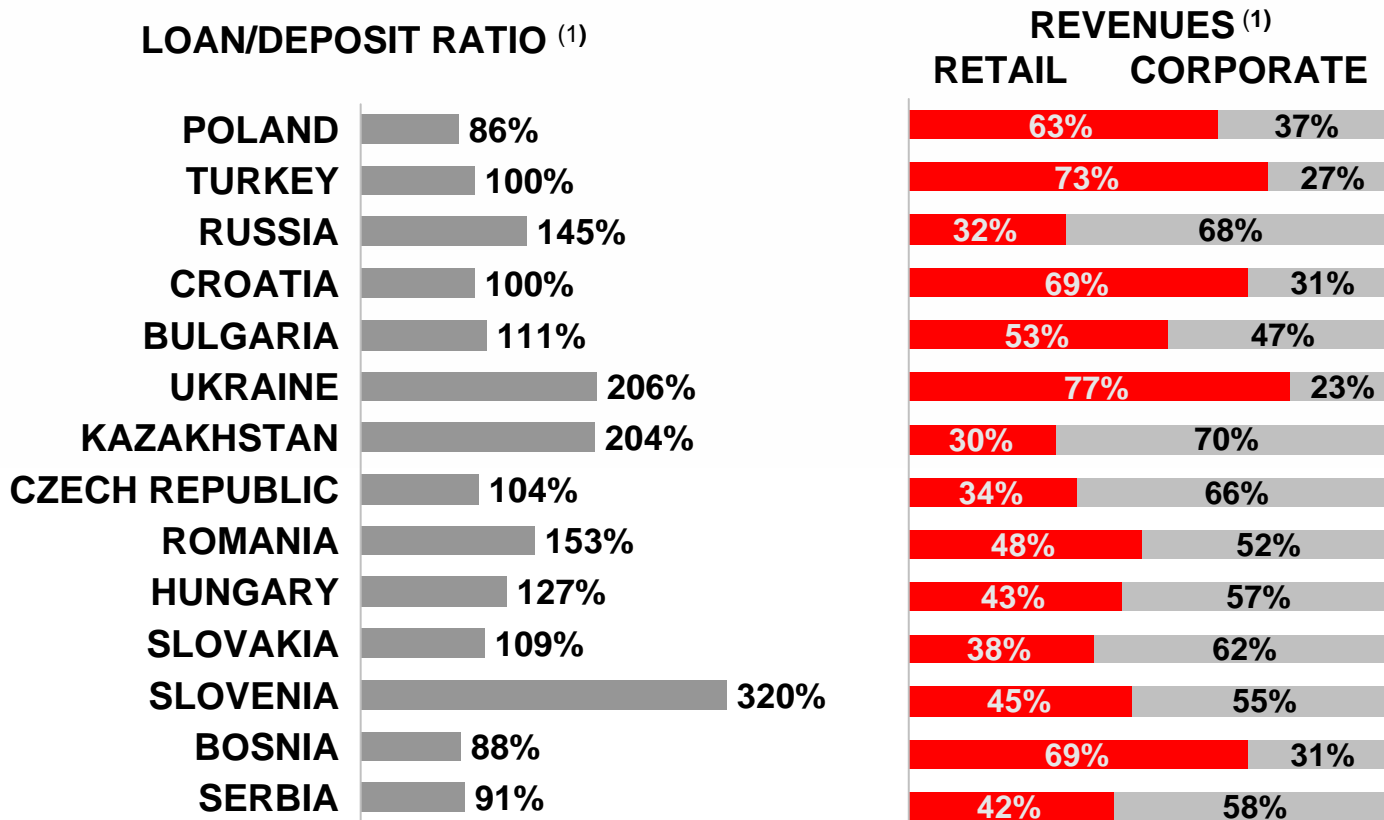
** Potential coverage of the funding gap by attracting new deposits is defined as $(\text{Currency} + \text{AuM}) / (\text{Loans} - \text{Deposits})$ at country level

*** In Kazakhstan, Serbia and Bosnia no information available on AuM and currency

Source: UniCredit Group CEE Strategic Analysis

SATISFACTORY LOAN/DEPOSIT RATIOS

A good revenue mix of Corporate and Retail

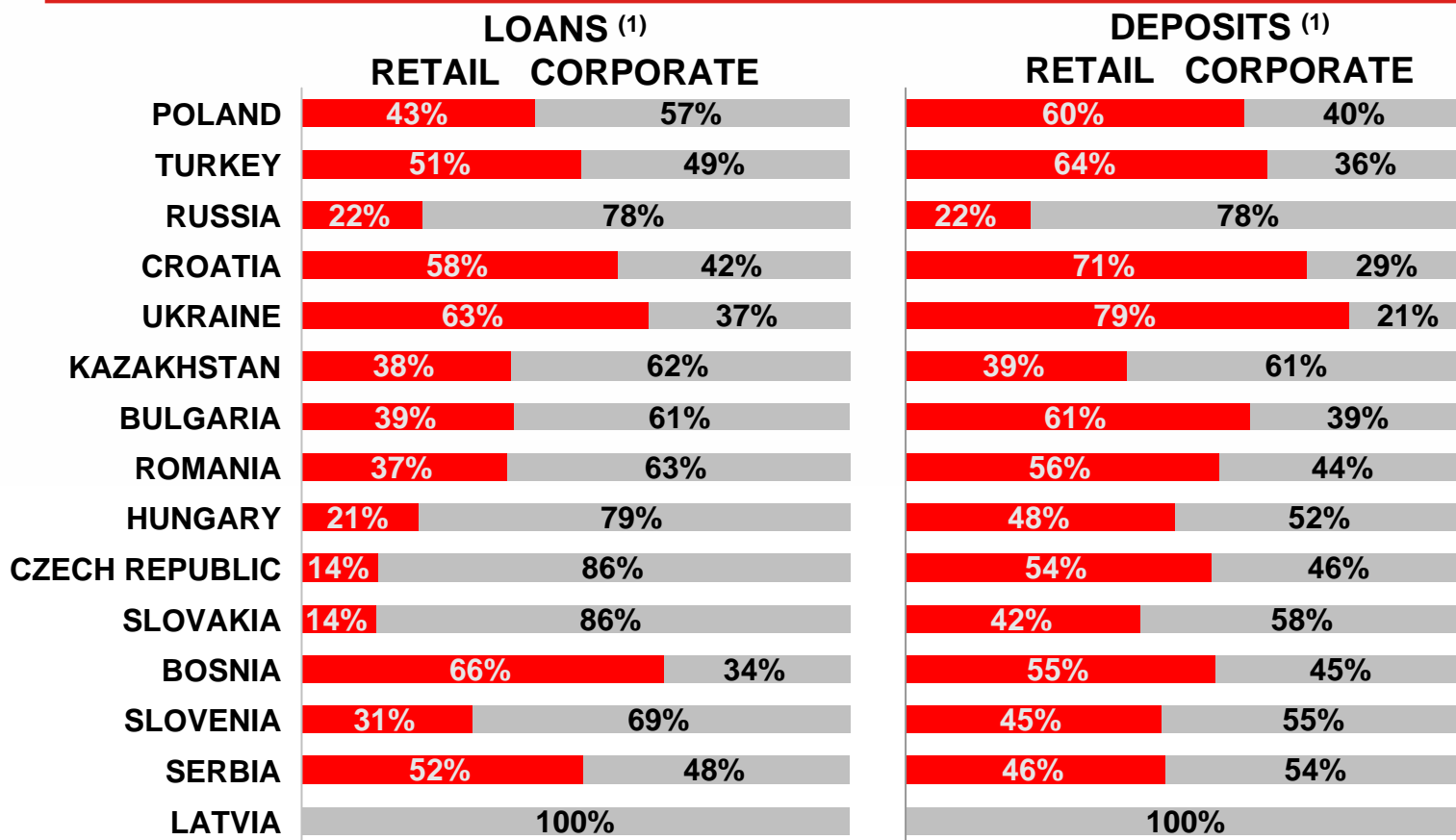


- **Balanced Loan/Deposit-Ratio** in most countries; higher values in countries with strong recent loan growth (Russia, Romania, Ukraine, Kazakhstan)
- Universal bank approach with both retail and corporate as important revenue contributors; **strong retail franchise** in most large banks (Poland, Turkey, Croatia, Bulgaria, Ukraine)

⁽¹⁾ as of September 30, 2008

GOOD BALANCE OF CORPORATE AND RETAIL DEPOSITS

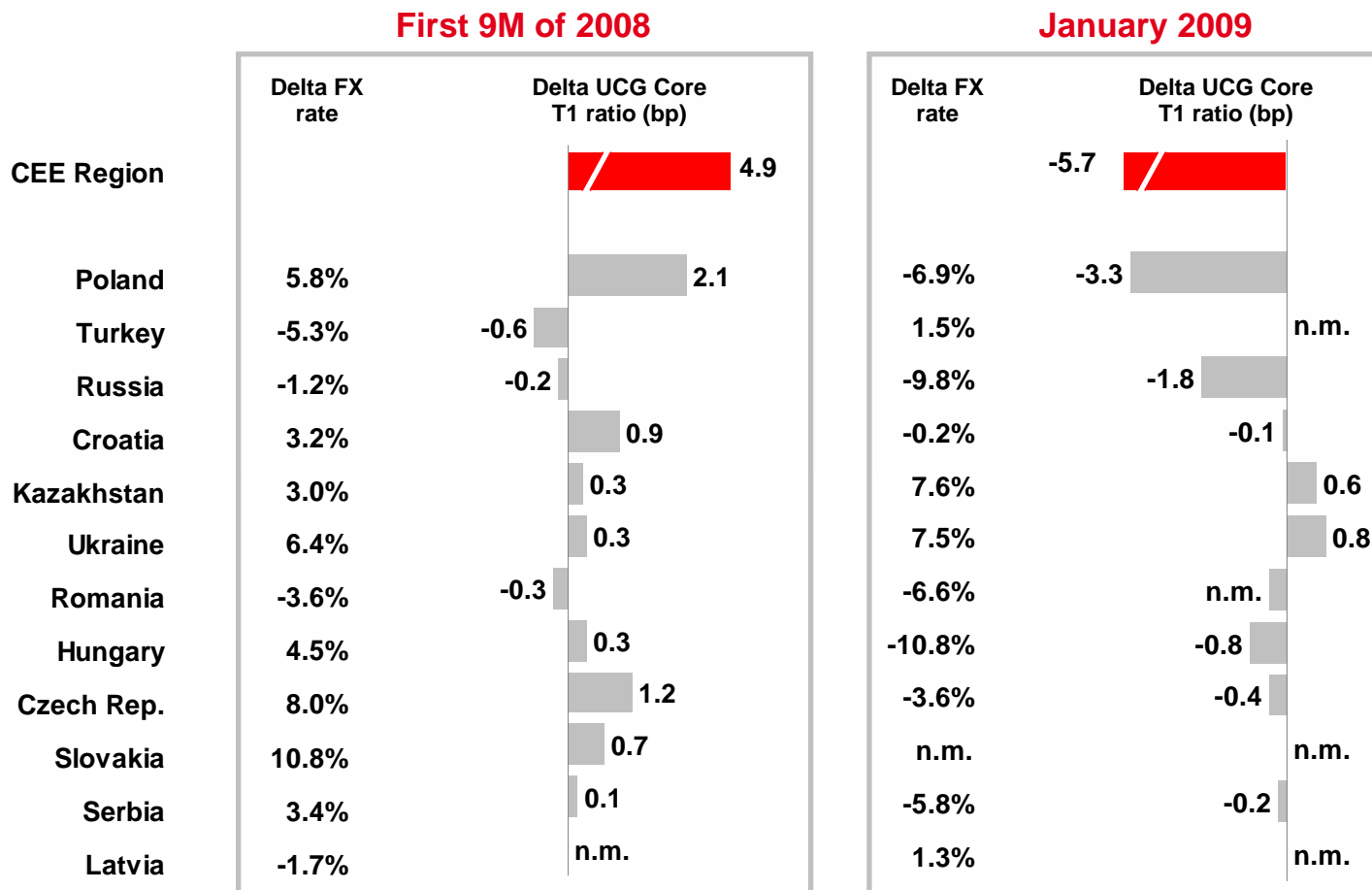
Higher share in Corporate loans, but stable deposit base



- **Higher share of corporate loans**, reflecting a still more **limited retail loan market** in many countries resp. stronger position in corporate in some markets (Russia, Czech R., Slovakia)
- **Strong retail focus** in many countries supports a **stable basis of deposits** hence reducing the dependence on external funding

⁽¹⁾ as of September 30, 2008

UCG'S COUNTRY DIVERSIFICATION MINIMIZING THE IMPACT ON GROUP CORE TIER1 OF FX RATE VOLATILITY



- **Impact on group Core Tier 1 of volatility of CEE FX looks** a positive contribution in the first 9 months (+4.9bp) and a negative impact of devaluation in Russia and Poland in the first month of 2009
- **Low correlation of FX rate in CEE area is confirmed also in high stressed environment**
- **A sensitivity scenario shows a maximum loss of 17bp in Group CT1 if all currencies drop by 10%**

DISCLAIMER

- Pursuant to article 154-BIS, paragraph 2, of the “Consolidated Law on Financial Intermediation” of February 24th, 1998, Ranieri de Marchis, in his capacity as Senior Manager in charge of drawing up UniCredit S.p.A.’s company accounts, declares that the accounting information contained in this document are provided in conformity against document results, books and accounts records.

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