
UniCredit Group: 4Q13 & FY13 Results and Guidelines of Strategic Plan 2013-18

Federico Ghizzoni, Chief Executive Officer



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UniCredit Group: 4Q13 & FY13 Results



Executive Summary

Balance-sheet review driven by macro and more stringent regulatory scenario
Strong increase in coverage ratios ahead of AQR with CET1 ratio above 9%

- **Significant non-recurring items affecting 4Q13 results, driven by macro scenario and tougher regulatory framework and by actions to sustain the new Strategic Plan targets**
 - ✓ 9.3 bn goodwill and customer relationships impairment, with no remaining goodwill in Italy, CEE and Austria
 - ✓ 7.2 bn additional loan loss provision after a final stringent assessment of collateral and classification, leading to a coverage ratio of 52%, the highest in Italy and in line with best European peers
 - ✓ 699 mln restructuring costs, part of a wider plan to free up 8,455 FTEs by 2018, of which over 5,700 in Italy
- **Positive trend in terms of Revenues** (+5.8% q/q and +5.2% y/y), driven by strong fees, improving net interest and sizeable trading profits
- **Staff expenses reduction** (-1.6% q/q) benefiting from the ongoing restructuring actions
- **Significant balance sheet strengthening with further improved liquidity position and solid capital base**
 - ✓ Funding gap strongly improved to 29 bn (-32 bn q/q)
 - ✓ 2013 funding plan exceeded (103%) and already 19% of the 2014 plan achieved so far
 - ✓ Risk weighted assets down also this quarter (-3.8% q/q) driven mostly by CIB and Commercial Bank Italy and FX effect in CEE
 - ✓ Basel 3 fully-loaded CET1 ratio at 9.36% including the valuation of Banca d'Italia stake, pro-forma on the basis of actual data and current regulatory framework
 - ✓ A 10 cent scrip dividend payment via new shares assignment or cash option



Strategic Plan preparatory actions

The Board of Directors approved significant actions ahead of the new 2013-18 Strategic Plan

Goodwill and Other intangible impairments

- Impairments bring back the goodwill amount to 2004 level to take into account the revised macro and regulatory framework, with the remaining amount mostly concentrated in Poland, CIB, Asset Management and Asset Gathering, which show a superior ROAC over the Strategic Plan horizon
- Impairments on customer relationships accelerate the PPA amortization

Asset Quality

- Cash coverage increase in Italy (to 52%) and CEE (to 51%), back to pre-crisis level, the highest in Italy and in line with best European peers
- Sale of around 2 bn of Italian NPLs (Sofferenze) with savings on administrative expenses, positive impact on capital and funding. The sale is consistent with the new NPL management strategy and paves the way to further exploit disposal possibilities, reflecting the interest of the market and optimizing capital and liquidity efficiency

Network Restructuring

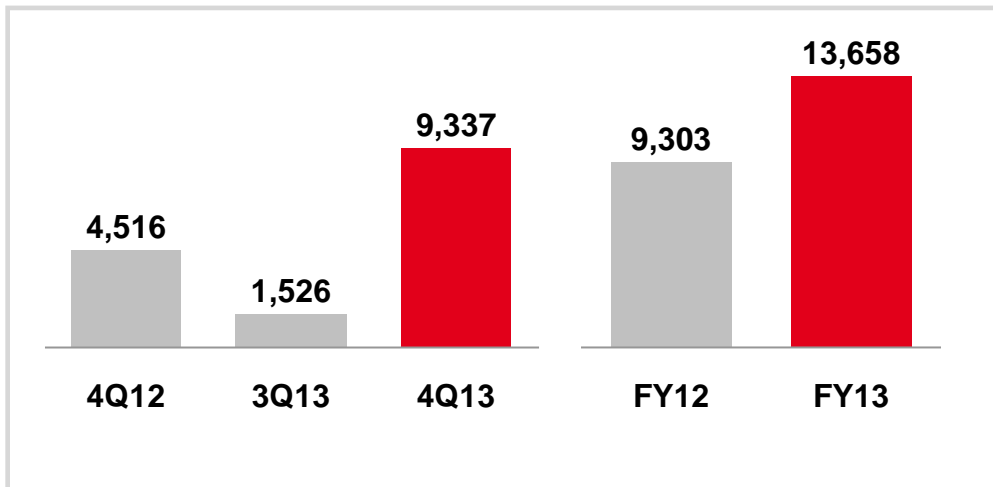
- The restructuring of the networks and the Corporate Centre will allow 8,455 FTE exits at Group level by 2018, of which over 5,700 in Italy
- The Commercial Banking networks in the three Western Europe markets will see ca. 12% of the current FTEs leaving by 2018
- In the Corporate Centre & GBS ca. 7.4% of the current workforce will exit by 2018



Strategic Plan preparatory actions - Loan Loss Provisions

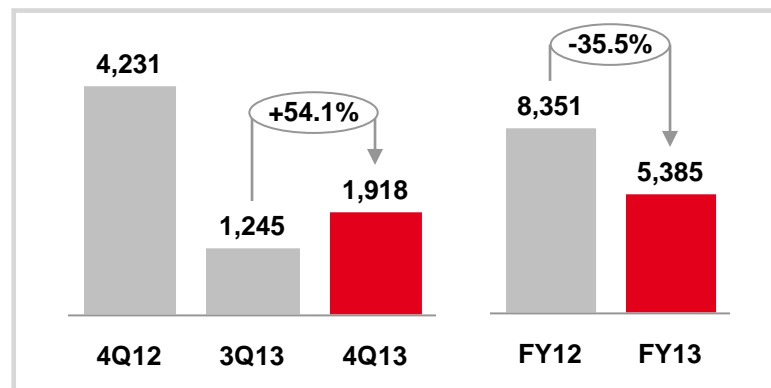
LLP up driven by additional provisioning in Italy and CEE

Loan Loss provisions, mln

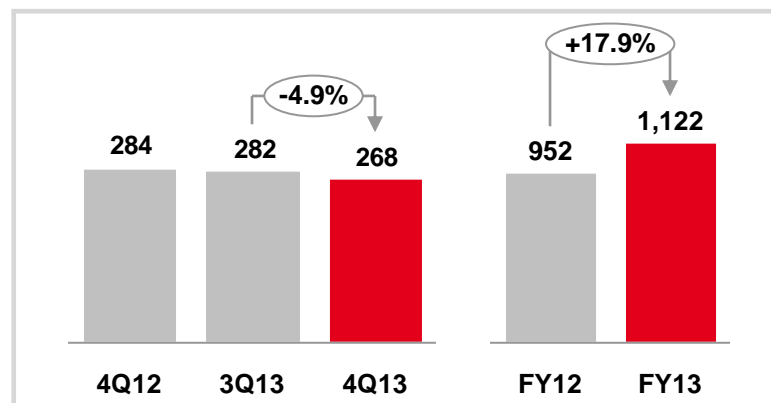


- Particularly rigorous review of positions leading to further provisioning on impaired stock and driving LLP above EL mainly in Italy and selected CEE countries
- Increase of generic provisions reaching more than 100bps in Italy
- Revised guidelines on Real Estate collateral haircuts based on updated appraisals and forced sale criteria in Italy

Western Europe (adjusted⁽¹⁾), mln



CEE & Poland (adjusted⁽¹⁾), mln



⁽¹⁾ Adjusted for the Additional LLP in 4Q13 6.8 bn in Western Europe (Italy, of which 5.4 bn in Commercial Bank Italy, 0.4 bn in CIB and 1.0 bn in Corporate Centre&GBS) and 0.3 bn in CEE&Poland (CEE)



Strategic Plan preparatory actions – Increase of cash coverage ratio

Reaching European average level in terms of coverage



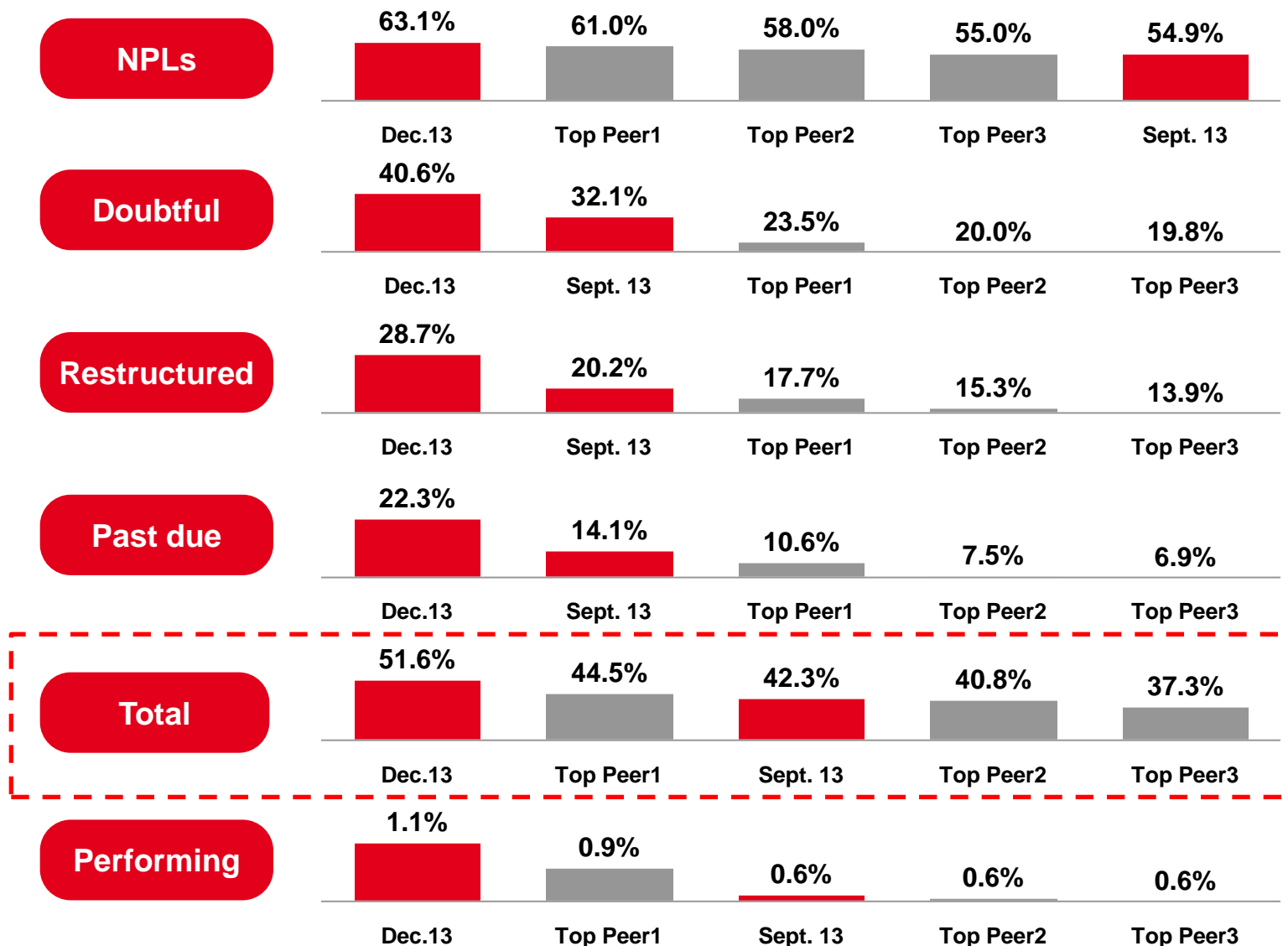
	Coverage ratio		As % of Total Impaired	
	Sept.13	Dec.13	Sept.13	Dec.13
NPLs	54.9%	63.1%	53.8%	55.4%
Doubtful	32.1%	40.6%	32.8%	34.7%
Restructured	20.2%	28.7%	6.2%	5.1%
Past due	14.1%	22.3%	7.1%	4.8%
<hr/>				
Total Impaired	42.3%	51.6%		
Performing	0.6%	1.1%		

- Individual file review and rigorous review of Doubtful loans and Doubtful loans without active credit lines
- A stringent classification within the existing impaired loan portfolio has led to an internal migration of 5.3 bn in 4Q vs a 2.5 bn quarterly average of the first 9 months 2013
- Including the “radiato effect”, the overall coverage ratio on impaired loans would go up to approx. 58%



Strategic Plan preparatory actions – Increase of cash coverage ratio

The coverage ratio is now well above main Italian peers on all the impaired loan categories and on the performing loan stock



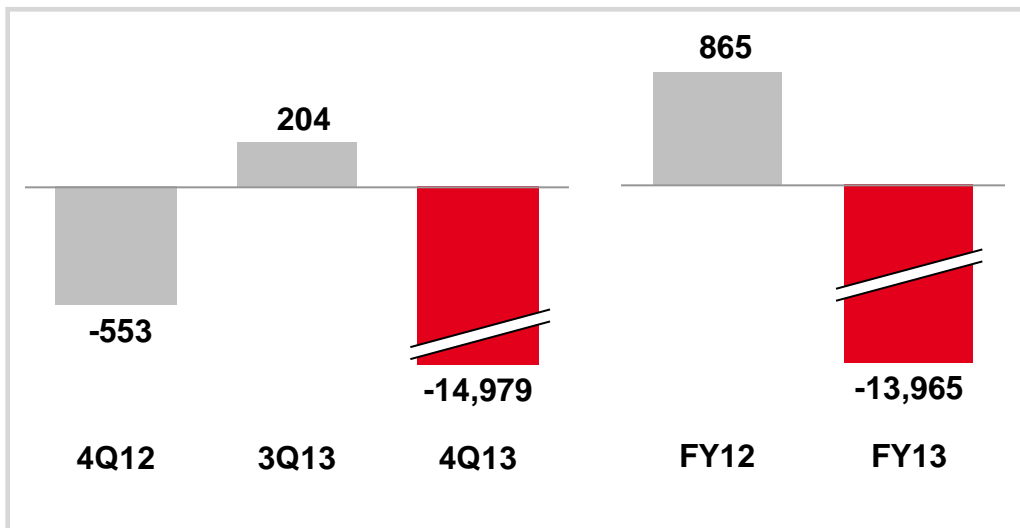
Note: Top 3 players out of the following Italian peers: BAPO, BPER, BPM, Carige, ISP, MP, UBI. BAPO and BPER figures updated as of December 2013, the other banks as of September 2013



Net Profit breakdown

Net profit affected by relevant non-recurring items, mainly non cash or capital neutral according to Basel 3 rules

Net Profit, mln



- Net loss of 15.0 bn in 4Q13 mostly attributed to non-recurring items detailed aside
- Most of these items are non cash or capital neutral according to Basel 3 rules

Main negative non recurring items in 4Q13, mln

Impacts on Pre-Tax Profits

■ LLP driven by revised estimates / parameters	-7.2 bn
■ Restructuring costs	-0.7 bn
■ Charges for few large risks	-0.3 bn
■ Shareholdings impairment	-0.2 bn
■ Impairment of Customer Relationships and some write-offs	-0.2 bn

Impacts on After Tax Profits

■ Ukrsootsbank and FX Reserves recycling ⁽¹⁾	-0.6 bn
■ Goodwill impairment	-8.0 bn
■ Impairment of Customer Relationships (PPA)	-1.3 bn

⁽¹⁾ Ukrsootsbank has been reclassified according to IFRS5 as Held for Sale. The impacts here reported refer to the impairment on the carrying value (-0.2 bn) and the recycling of the negative FX reserve (-0.4 bn) through P&L from the Reserve Valuation line of the Shareholders' Equity

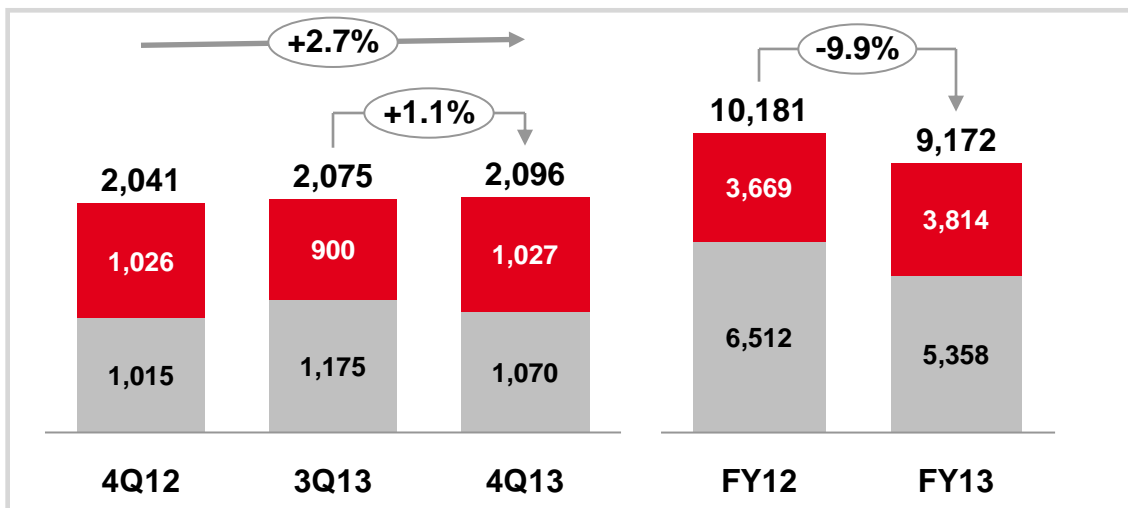


Gross Operating Profit breakdown

Sizeable GOP improvement, net of non recurring items in depreciation and amortization, driven by stronger revenues offsetting seasonal increase in costs

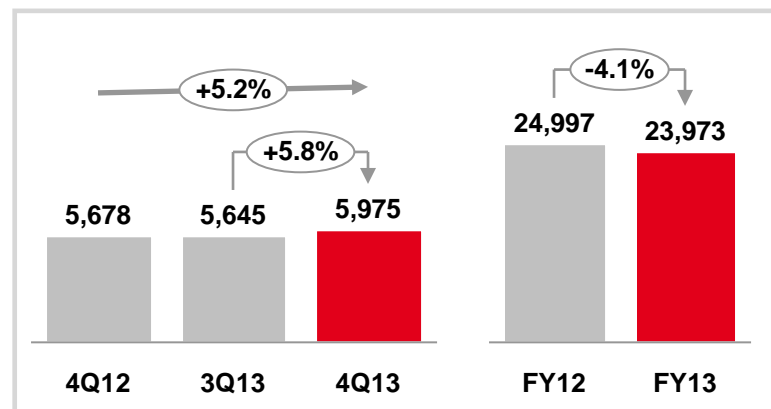
- CEE & Poland
- Western Europe

Gross Operating Profit, mln

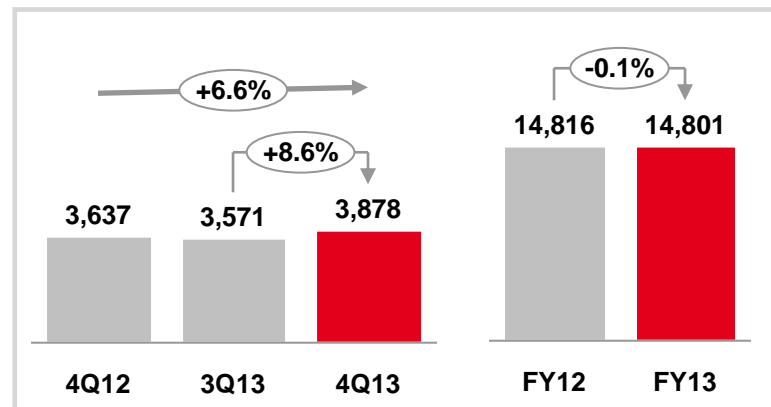


- GOP strongly up (+12.7% q/q), net of 241 mln impairments on customer relationships and some write-offs in D&A
- Revenues up thanks to strong fees, improving net interest and positive contribution from trading income
- Costs increased by 1.9%, net of the 241 mln, as the good progression in staff expenses reduction (-1.6% q/q) were offset by seasonality of other administrative expenses (IT, marketing and projects)

Revenues, mln



Costs, mln

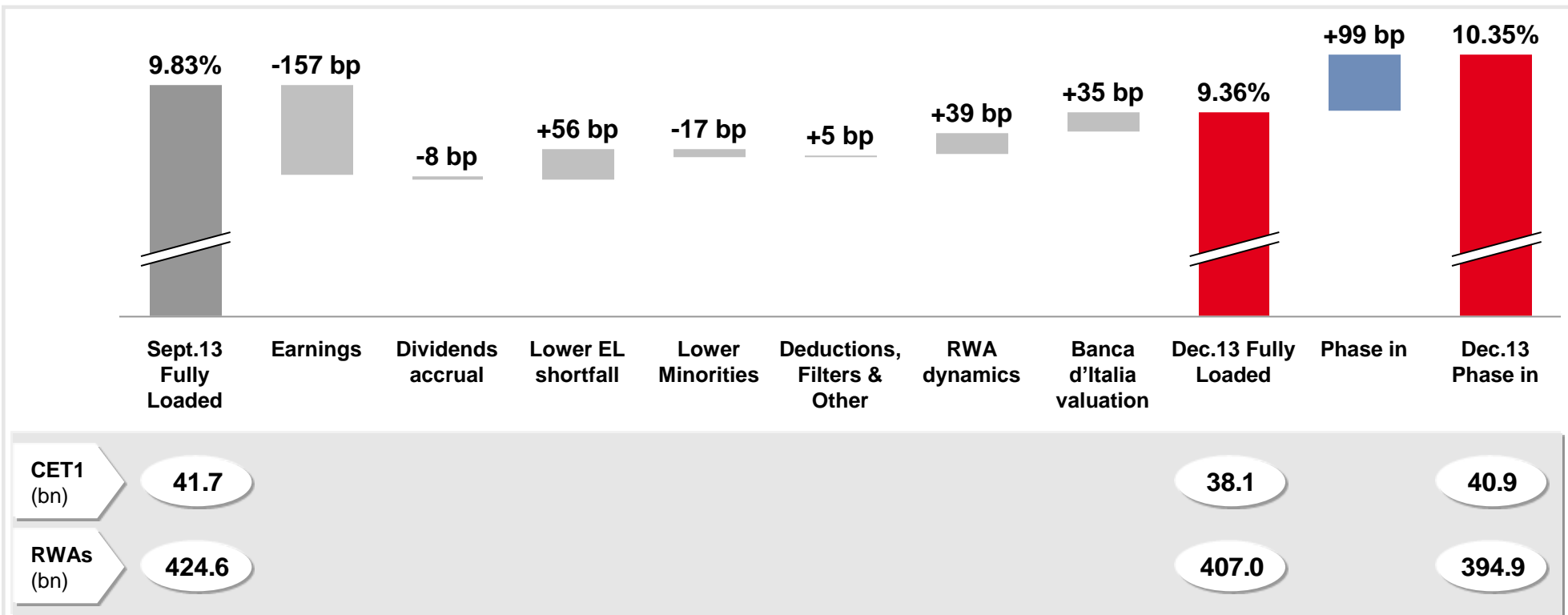




Capital – Basel 3

Quarterly loss impact mostly offset by lower shortfall, RWA dynamics and the valuation of Banca d'Italia stake, preserving capital soundness

Basel 3 - Common Equity Tier I ratio: q/q evolution (basis points)



- CET1 ratio at 9.36% (or 10.35% phase in), -47 bps q/q as the quarterly loss (-157 bps), was almost fully offset by 56 bps improvement of the Expected Loss shortfall, the positive underlying trend of RWAs (+39 bps) and the valuation of Banca d'Italia stake (+35 bps)
- The capital ratios assume, for accrual purposes, the maximum disbursement of ca. 570 mln (10 cents per share) depending upon shareholders' requests on shares assignment or cash payment

UniCredit Group: Guidelines of Strategic Plan 2013-18



A new strategic agenda

UCG journey towards sustainable profitability

2008-2010	2010-2013	2013-2018								
FACING THE CRISIS	PREVIOUS PLAN: STRENGTHENING FUNDAMENTALS	NEW PLAN: ACCELERATING THE JOURNEY TOWARDS SUSTAINABLE PROFITABILITY								
<ul style="list-style-type: none"> ✗ Capital shortage ✗ Market liquidity issues ✗ Cost efficiency concerns ✗ Mounting impaired loan portfolio 	<ul style="list-style-type: none"> ✓ Balance sheet restructuring ✓ Simplification and cost management ✓ Business refocusing ✓ Italy turnaround 	<p style="text-align: center;">AMBITION</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 25%;">Group RoTE 2013⁽¹⁾</td> <td style="width: 25%;">Mitigate risks</td> <td style="width: 25%;">Restore profitability</td> <td style="width: 25%;">Group RoTE 2018</td> </tr> <tr> <td>2</td> <td>5</td> <td>6</td> <td>13</td> </tr> </table> <p style="text-align: center;">52% SOUND COVERAGE RATIO⁽²⁾ >50%</p> <p style="text-align: center;">9.4% ROBUST CET1 RATIO⁽³⁾ >10%</p> <p style="text-align: center;">AVERAGE DIVIDEND PAYOUT RATIO: 40%</p>	Group RoTE 2013 ⁽¹⁾	Mitigate risks	Restore profitability	Group RoTE 2018	2	5	6	13
Group RoTE 2013 ⁽¹⁾	Mitigate risks	Restore profitability	Group RoTE 2018							
2	5	6	13							

(1) Excluding effects related to relevant buy-backs, restructuring costs, goodwill and PPA impairments, gain on Bank of Italy stake, Ukraine evaluation under IFRS5, charges for few large risks, Sigorta disposal, deferred tax asset effects and additional LLPs

13 (2) On impaired loans

(3) Fully loaded CET1 ratio



Agenda

FACING NEW CHALLENGES AND GETTING FUNDAMENTALS RIGHT

ACCELERATE THE JOURNEY TOWARDS SUSTAINABLE PROFITABILITY

SEGREGATION OF NON CORE PORTFOLIO

CORE BANK

FINANCIAL TARGETS

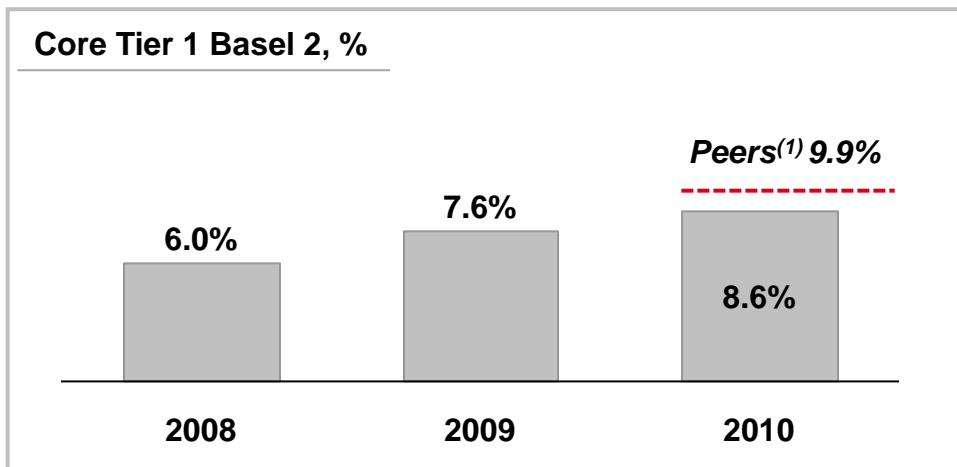
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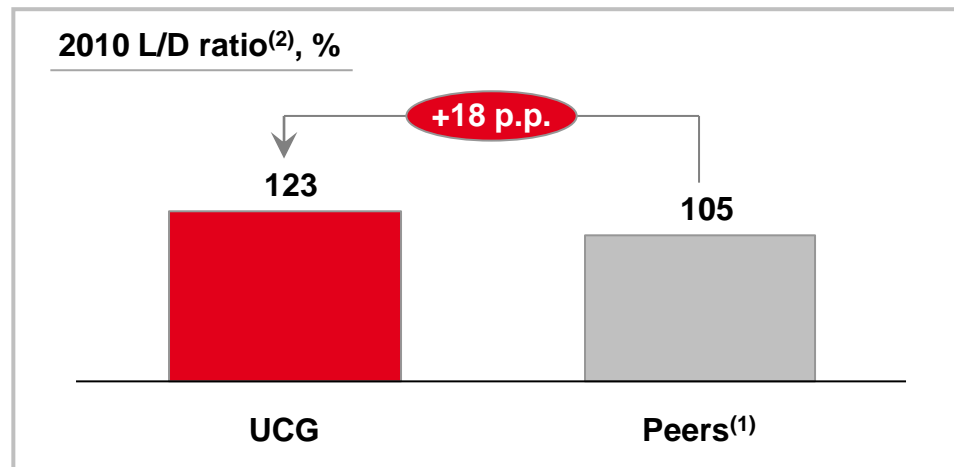
Facing the crisis

2010: UCG was facing a series of challenges

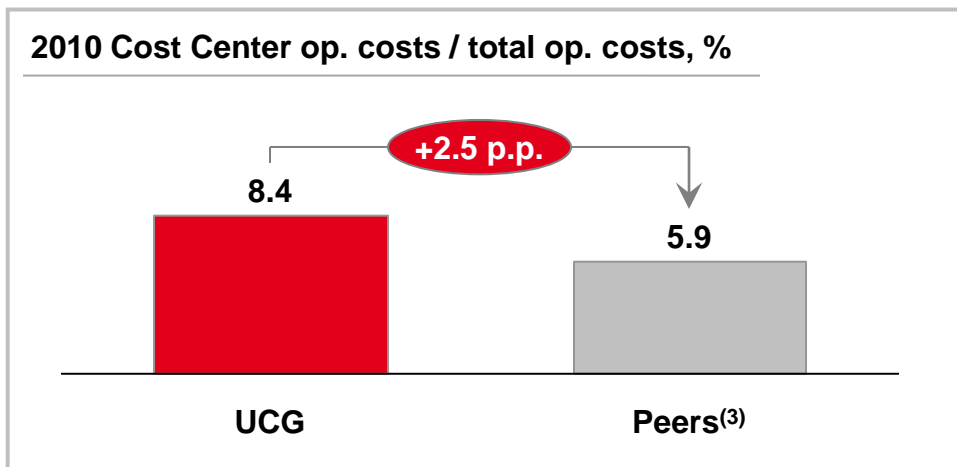
Capital ratio below peers



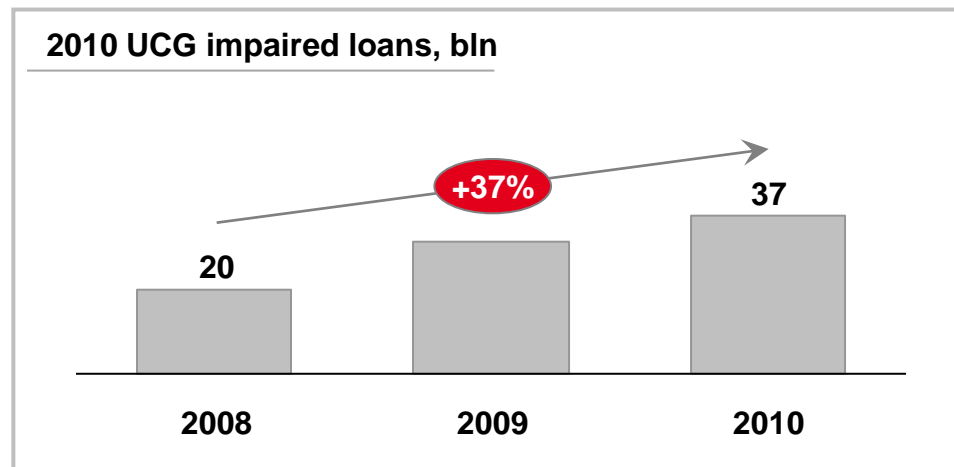
Significant funding needs



Operational complexity



Mounting impaired loans



(1) Includes BNP Paribas, Deutsche Bank, HSBC, Intesa Sanpaolo, Santander, Société Générale, UBS

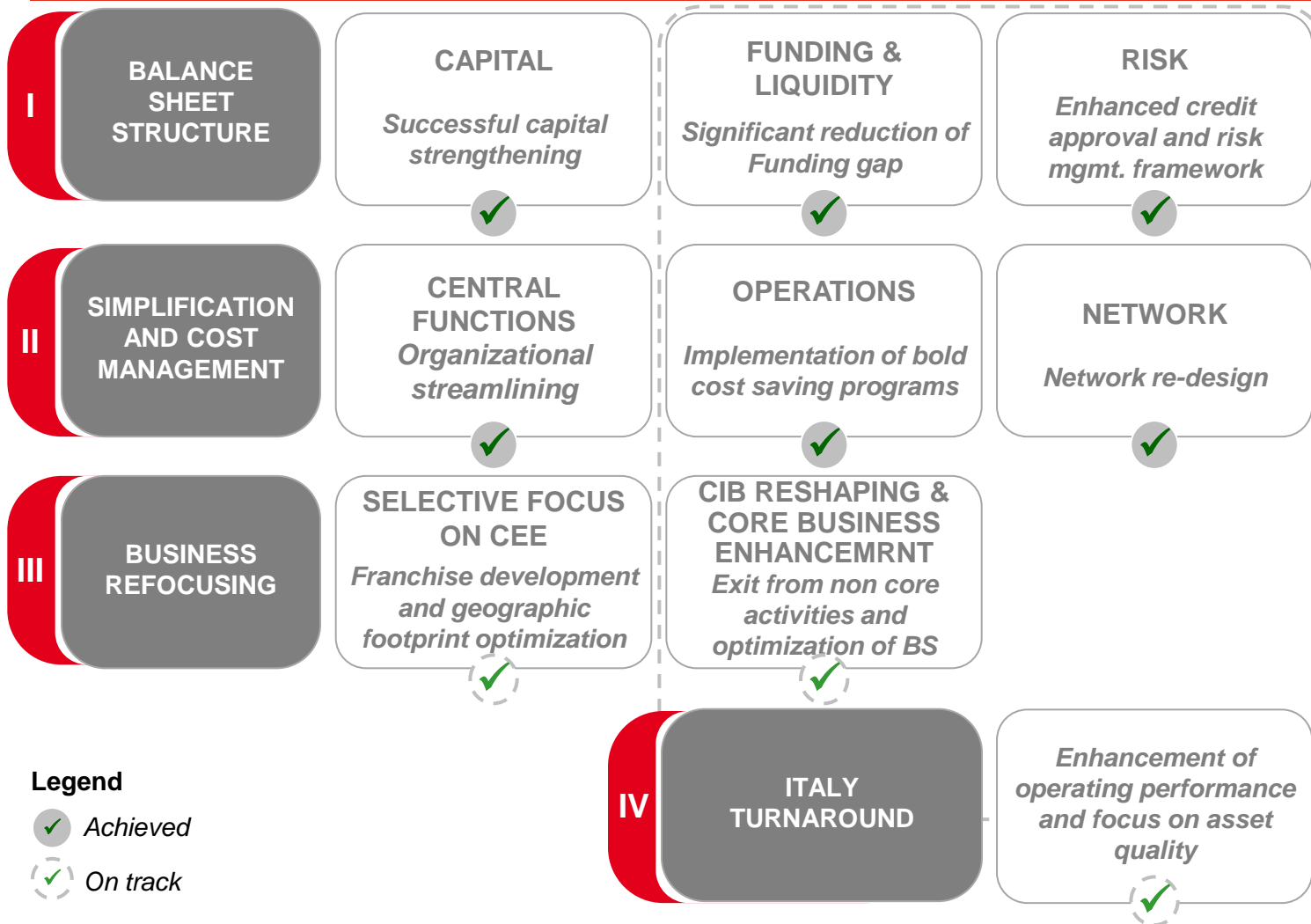
(2) Including network bonds

15 (3) Includes BNP Paribas, Intesa Sanpaolo, HSBC, Santander (Deutsche Bank, Société Générale and UBS not included due to not comparable segment reporting on Cost Center)

Achievements

UCG delivered on the previous strategic plan

Delivery on key pillars of the previous Strategic Plan



- Legend**
- ✓ Achieved
 - ✓ On track

UCG today

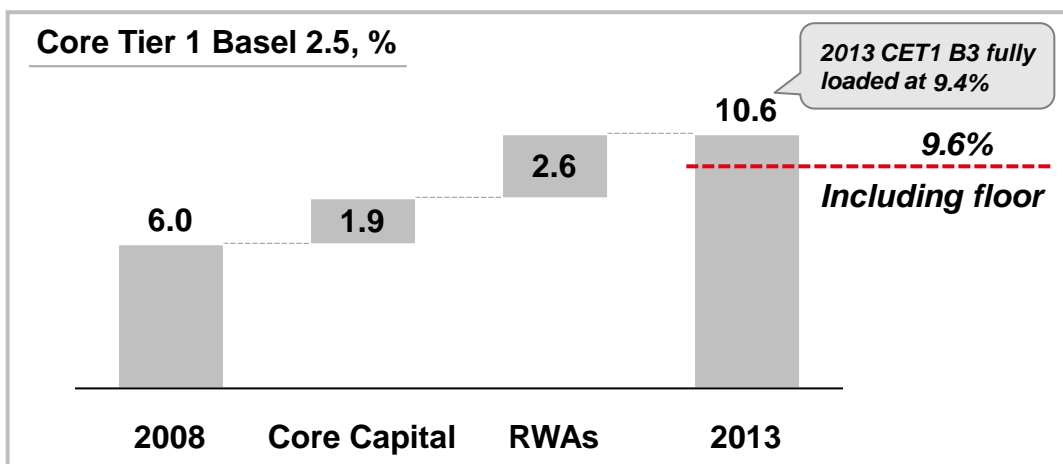
- ✓ Solid capital base
- ✓ Reinforced liquidity position
- ✓ Conservative risk-taking framework
- ✓ Streamlined organization
- ✓ Sound operating cost base
- ✓ Robust coverage ratios
- ✓ Strong focus on the Group Core franchise
- ✓ Business refocused towards a profitable but lower risk Commercial Banking model



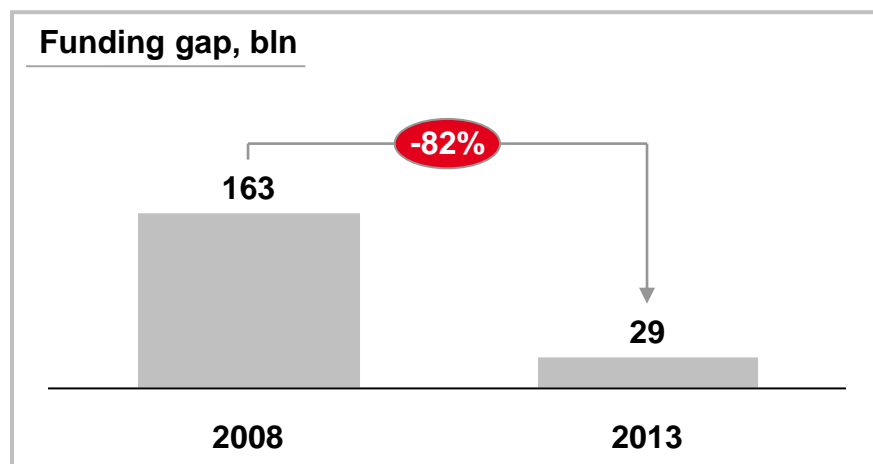
Achievements - a strong focus on capital and leverage

UCG has delivered visible results in terms of balance sheet strengthening and liquidity position

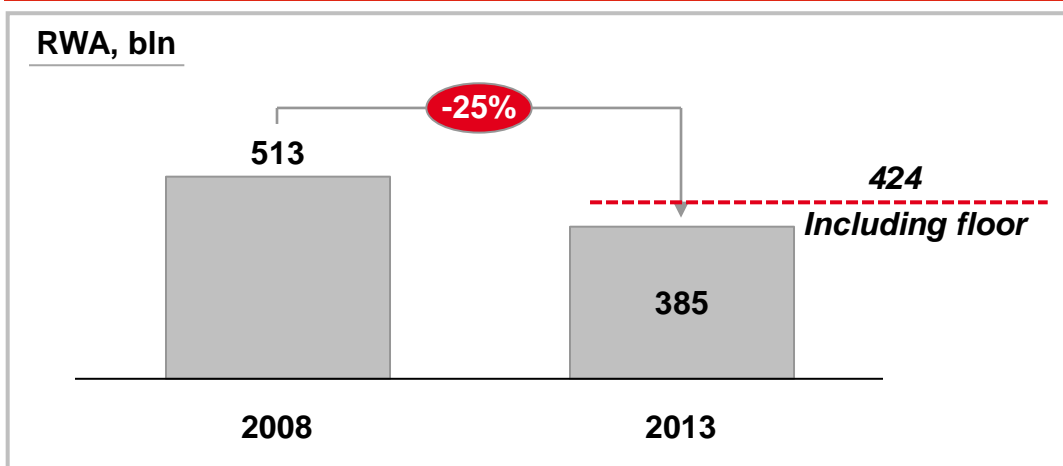
Significant increase in Core Tier 1 ratio



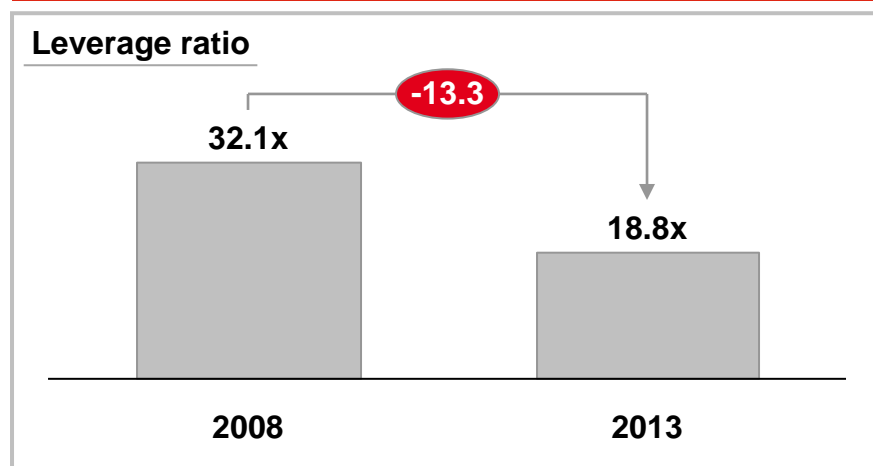
>80% improvement in funding gap⁽¹⁾



Significant de-risking



Strong deleveraging⁽²⁾



⁽¹⁾ Computed as loans to customers minus direct funding (customer deposits + customer securities issued)

⁽²⁾ Computed as (Total assets – intangible assets) divided by (Shareholders equity including minorities – intangible assets)



Achievements

Strengthening of the Group Risk infrastructure with a leading-edge risk appetite framework already delivering tangible results

New risk management practices across UCG

RISK FRAMEWORK TO STEER BUSINESS AMBITION

- ✓ **New risk appetite framework** for business evolution
 - Set the credit portfolio evolution via **target Expected Loss**
 - **Predefined levels** for market risk RWAs
 - Already embedding **new LCR targets**
 - **Geographical diversification** coupled with low **earning volatility**

NEW RISK PROCESSES

- ✓ **More prudent underwriting** process and tighter collateralization requirements
- ✓ **Streamlined monitoring and workout processes**

SIMPLER AND STREAMLINED RISK ORGANIZATION

- ✓ **Simpler organization**
- ✓ **Streamlined credit committees**
- ✓ **Risk Appetite embedded in incentive system**

Tangible results

Non Core portfolio setup:

- Exposure already reduced by ~8bn since inception in 2013

Clear evidence of improved business generation from 2010:

- 3rd party business in Consumer Finance from 22% to 7%
- 3rd party business in Mortgages from 13% to 5%
 - Loan to Value from 57% to 55%
 - PD from 0.4% to 0.1%

Significant reduction of trading risks:

- Overall CIB trading VAR reduced by ~58% from 2010

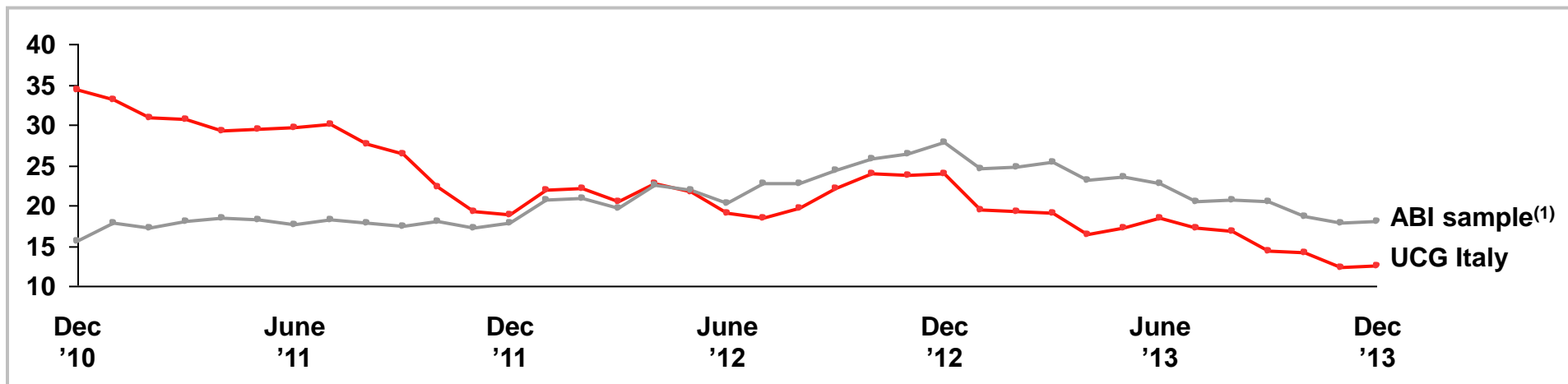
New Incentive systems designed for all network positions



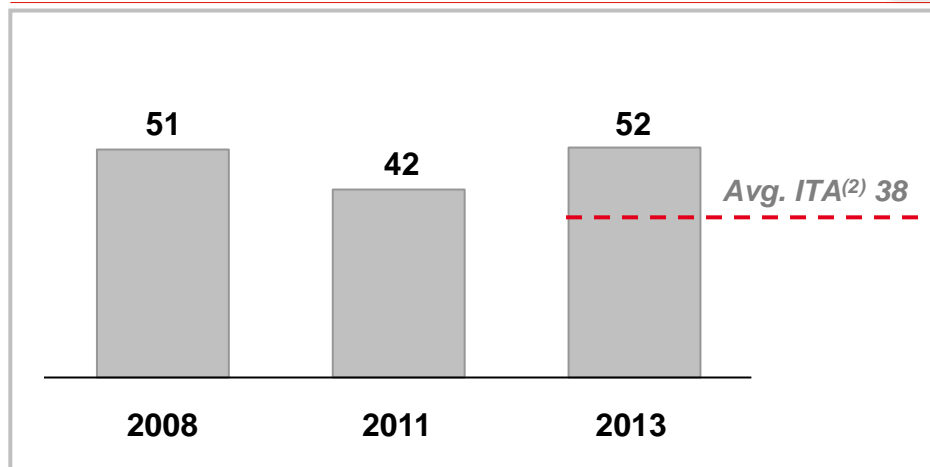
Achievements

Coverage ratio in line with European peers and impaired loan portfolio evolution better than Italian system

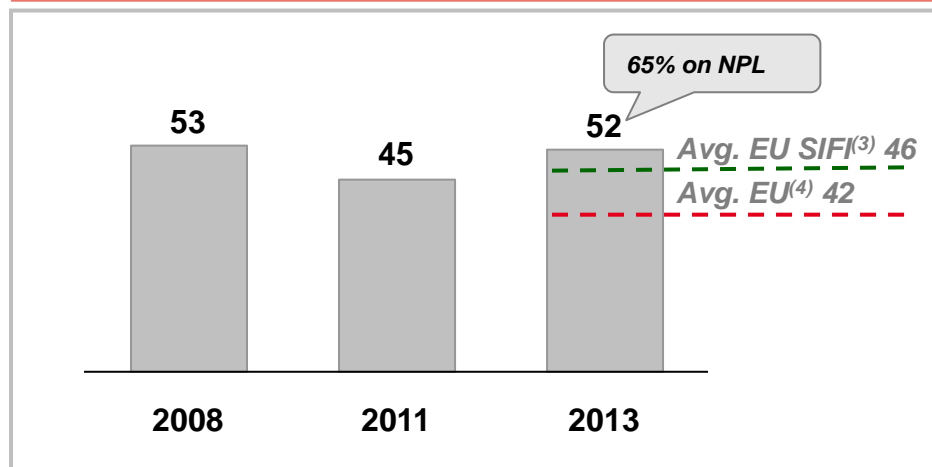
Impaired loans y/y growth, %



UCG Italian Coverage ratio, %



UCG Coverage ratio, %



(1) Italian Banking Association - sample composed by approx. 80% of Italian Banking system; households and Non Financial Corporations

(2) Based on 3Q2013 Top 5 Italian players and calculated on NPL, doubtful, restructured and past due

19 (3) Coverage of defaulted credit exposures as of 1H2013 for the main EU SIFI included in the EBA Transparency Exercise

(4) Coverage of defaulted credit exposures as of 1H2013 according to the latest Transparency exercise by EBA (based on 63 players)



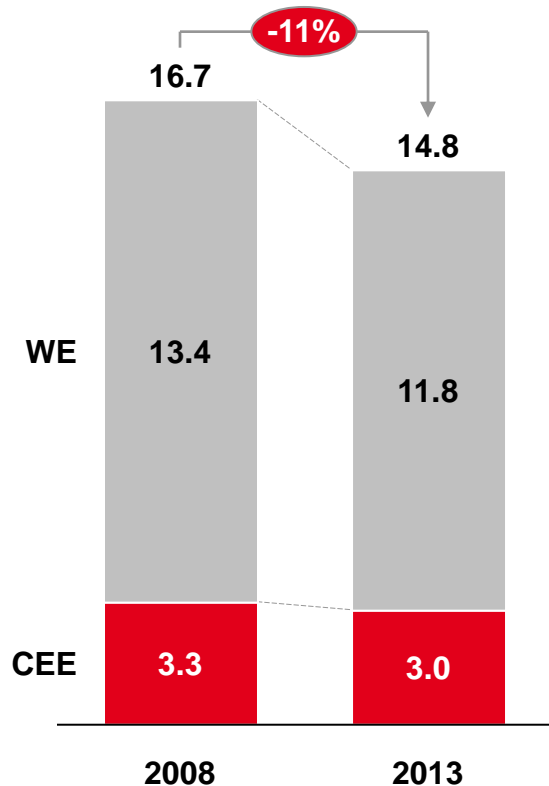
Achievements

Delivered significant cost efficiencies in recent years

II SIMPLIFICATION AND COST MANAGEMENT

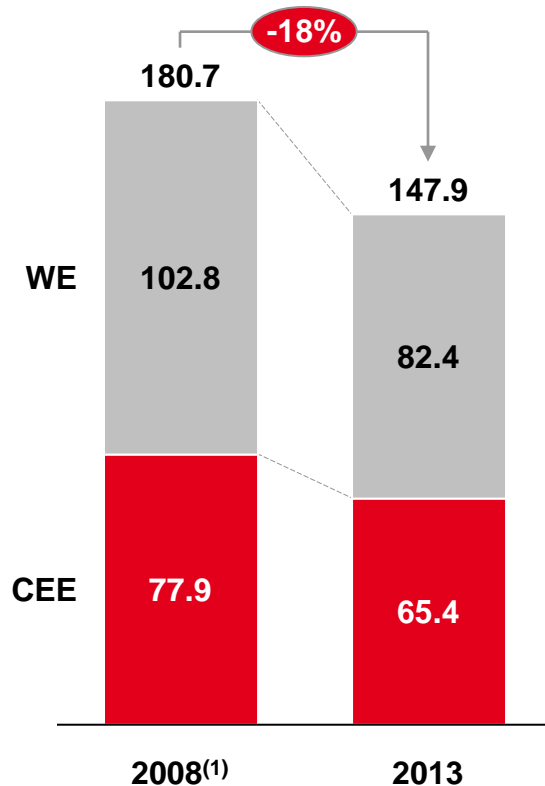
~2.0bn UCG cost reduction

Operating costs, bln



Reduction of ~33,000 FTE

FTE EOP, '000



Selected initiatives executed

ORGANIZATIONAL STREAMLINING

- From divisional to **regional view**
- Creation of **7 Regions in Italy**
- Reduction of layers** between Country Chairman and final clients

IT

- JV agreement** with IBM for IT Central Infrastructure
- Net savings **725mn over 10Y**

REAL ESTATE

- Headquarter rationalization** (520k⁽²⁾ sqm freed up)
- Rent re-negotiations**
- Disposal** of real estate properties (3.2bn⁽²⁾ of cash-in)

⁽¹⁾ As of March 2008

⁽²⁾ Including disposals in Austria, Germany, Italy and Poland

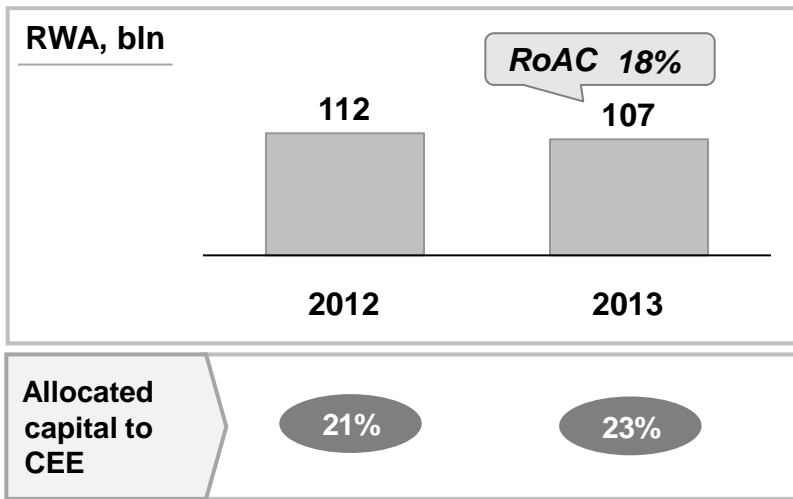


Achievements

Business refocused to enhance risk adjusted profitability

BUSINESS REFOCUSING

Outstanding profitability in CEE



Consolidated CIB competitive advantage

Export, Trade and Supply Chain Finance

- Best Trade Finance Bank 2013** (Italy, Austria, and CEE)
- Best Forfaiting House 2013**

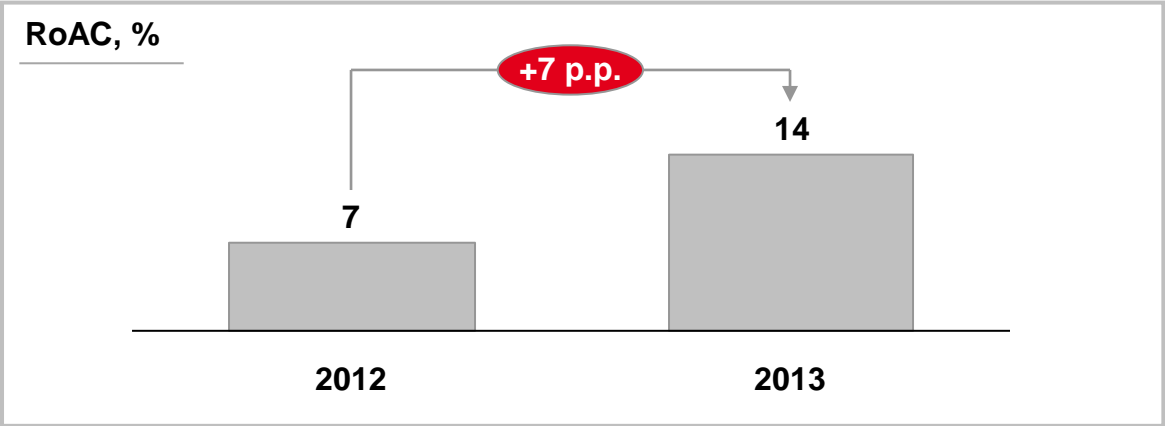
EMEA loans and bonds League table 2013⁽¹⁾

Pos.	Bookrunner	Deal value (bln)	# Issues
1	BNP Paribas	95.2	459
2	UniCredit	82.5	474
3	Deutsche B.	80.2	403
4	Société G.	76.6	396
5	HSBC	75.2	390

CEE Portfolio streamlined

- Exit from non profitable businesses:**
- Kazakhstan, Baltics
- Rationalization of network:**
- Merger of Slovakia and Czech Republic
 - Merger of 2 banks in Ukraine
- Monetization of non-strategic investments:**
- Yapi Kredi Sigorta
 - Moscow Stock Exchange (Moex)

CIB focusing on more profitable client activities



⁽¹⁾ EMEA, All borrowers – € denominated; Source: Dealogic as of 8 January 2014



Achievements

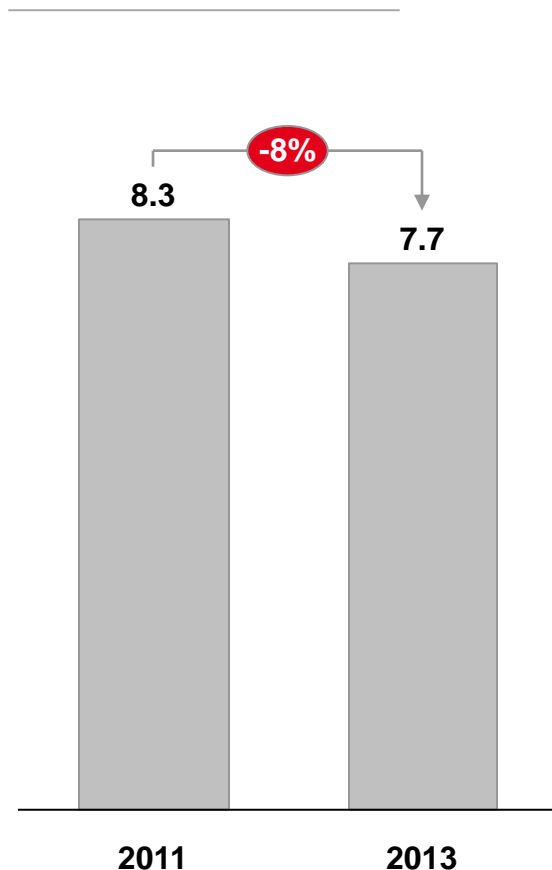
Strong efficiency enhancement and redefinition of risk strategy in Italy

IV ITALY TURNAROUND

Higher efficiency



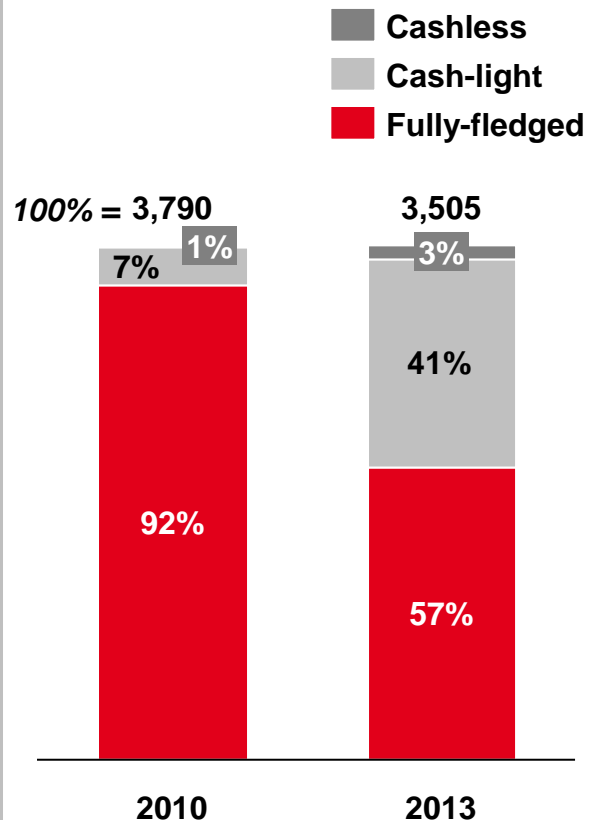
Operating expenses, bln



New Service Model



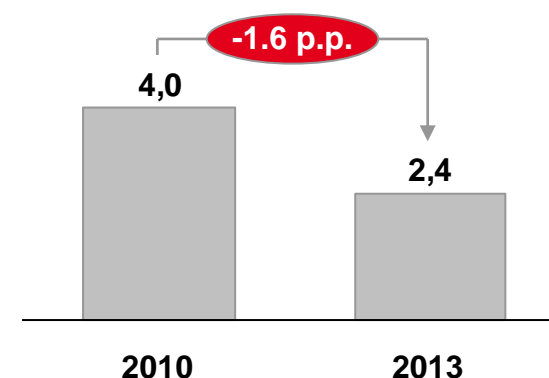
Retail branch format redesign



Loan origination



Default rate Corporate loans⁽¹⁾ after 12M, %



- Internal transfer price adjusted by rating
- Selective approach towards:
 - specific sectors (real estate)
 - businesses (project finance)
 - channels (focus on bank clients)

(1) Includes Large, Medium and Small Enterprises



Agenda

■ **FACING NEW CHALLENGES AND GETTING FUNDAMENTALS RIGHT**

■ **ACCELERATE THE JOURNEY TOWARDS SUSTAINABLE PROFITABILITY**

■ **SEGREGATION OF NON CORE PORTFOLIO**

■ **CORE BANK**

■ **FINANCIAL TARGETS**

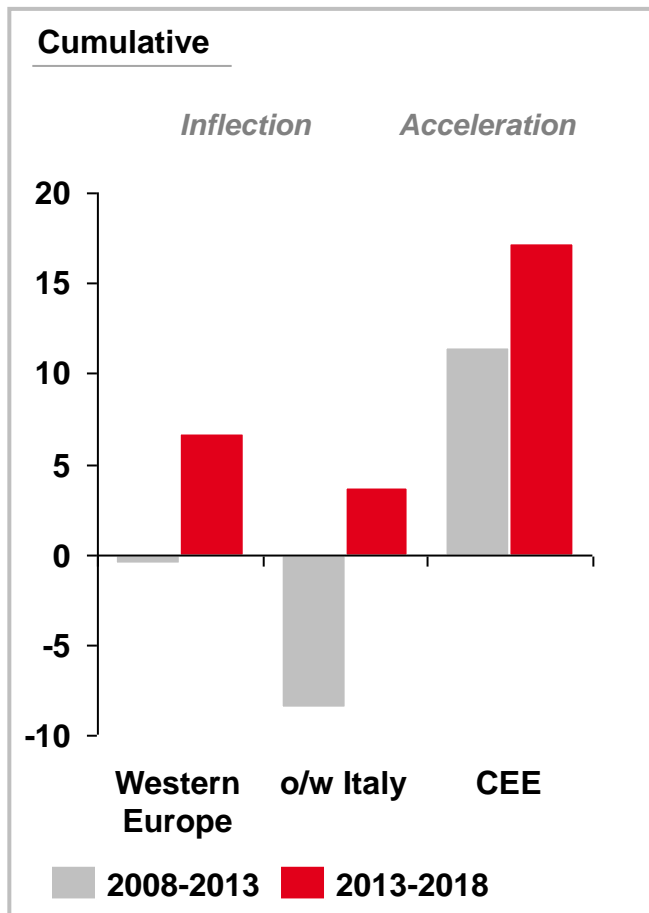
■ **ANNEX**



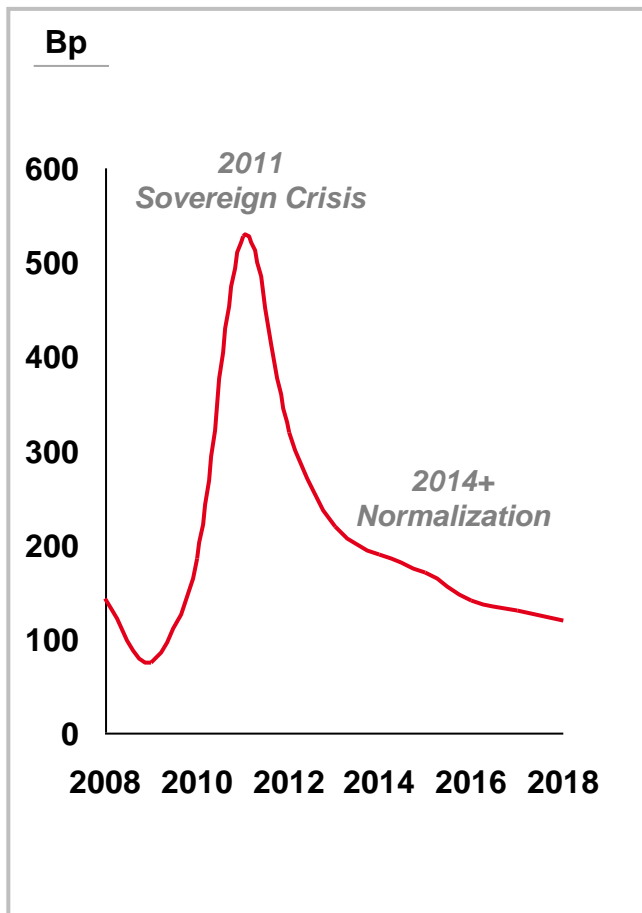
A new strategic agenda in the normalized environment

ILLUSTRATIVE

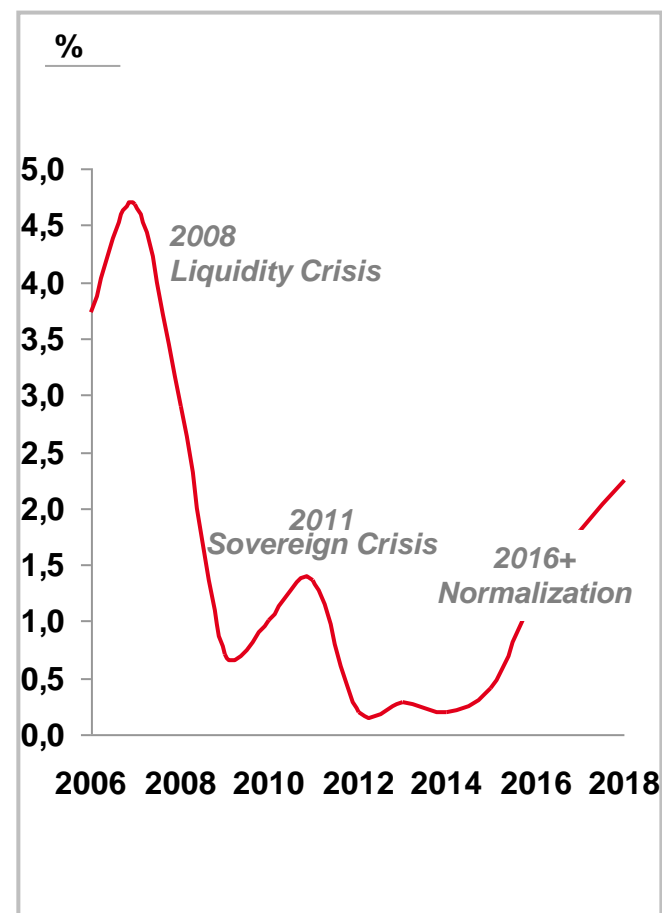
GDP growth



BTP-Bund Spread



3M Euribor



Source: UniCredit MYP Scenario



Agenda

FACING NEW CHALLENGES AND GETTING FUNDAMENTALS RIGHT

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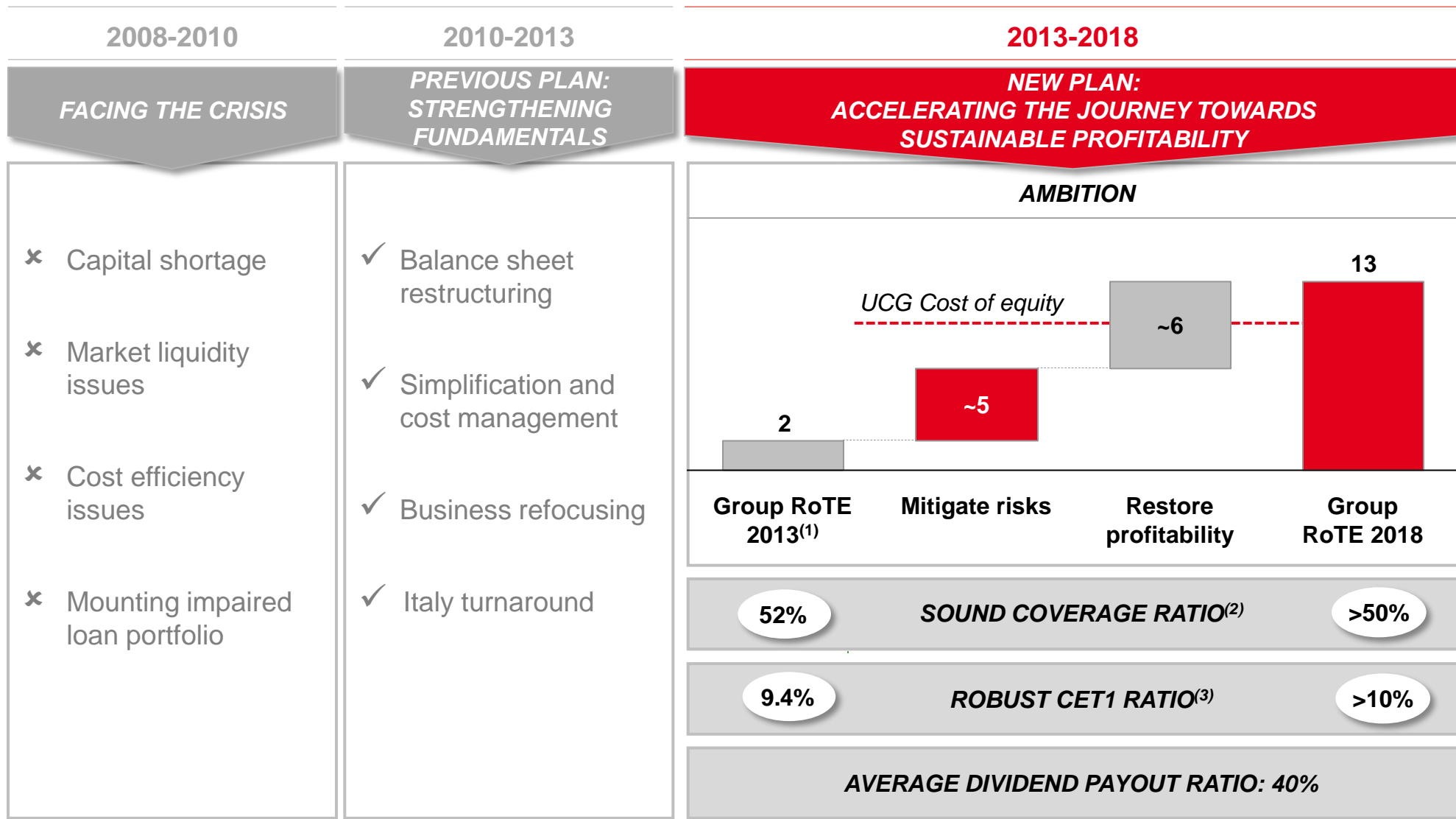
FINANCIAL TARGETS

ANNEX



A new strategic agenda

After challenging years when post crisis issues have been addressed, UCG has now started a new journey towards sustainable profitability



⁽¹⁾ Excluding effects related to relevant buy-backs, restructuring costs, goodwill and PPA impairments, gain on Bank of Italy stake, Ukraine evaluation under IFRS5, charges for few large risks, Sigorta disposal, deferred tax asset effects and additional LLPs

⁽²⁾ On impaired loans

⁽³⁾ Fully loaded CET1 ratio



Non core Portfolio

The Non Core organizational structure is already up and running – first case in Italy



PHASE 1

Since April 2013

- ✓ Fully separated books
- ✓ Dedicated management team and structure with ad hoc credit risk processes (~1,100 specialized FTEs)
- ✓ Identified specific strategies for all relevant clients
- ✓ Tailored risk mitigation KPIs as guidance for performance measurement

RESULTS



- ✓ Exposure reduced by ~8bn since inception
- ✓ NPL sales of ~2bn over the last 12 months
- ✓ Attributed identified strategies to 95% of Non-Core clients (i.e. ~800k)

First bank in Italy, being fully operative on a segregated portfolio



PHASE 2

From 2014

- Non Core portfolio monitoring as a standalone business
- Market communication on a quarterly basis
- Overall Group cost of risk normalization by 2018 (down to 65-70bp), not requiring anymore a dedicated structure



Non Core Portfolio

In 2013, the portfolio was split into Core and Non Core

Portfolio segregation Italy

UNDERLYING RATIONALE

- Reduce portfolio exposure
- Create the **basis for an acceleration of run-down**
- **Support viable clients** to overcome liquidity shortages
- **Focus** management attention on **core business**



Group P&L 2013, bln

	CORE ⁽¹⁾	NON CORE
Revenues	22.7	0.7
Costs	13.7	0.6
LLP	3.7	9.8
Net Loans	434	54
RWA	353	32

⁽¹⁾Turkey consolidated via equity method; for regulatory purposes capital and RWA are reported based on proportionally method



Non Core Portfolio

Clear selection criteria applied to define the Non Core Portfolio as of 2013



Selection criteria

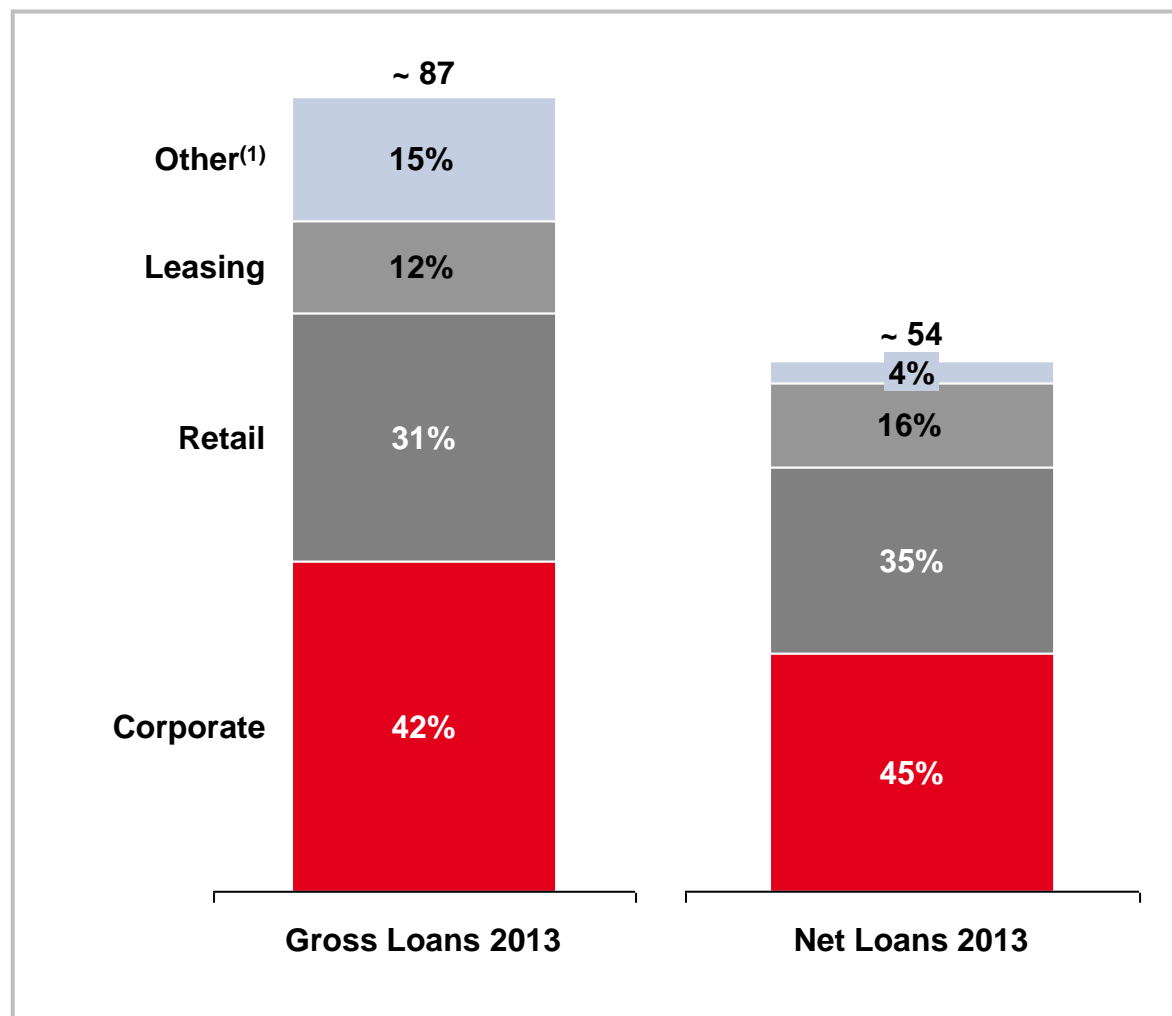


Non-performing clients

Performing clients with higher risk and repeated incidents

Clients in the Real Estate sector

Non Core portfolio, bln



⁽¹⁾ For Trevi portfolio pro-forma 2013, as consolidation starts from 1Q2014

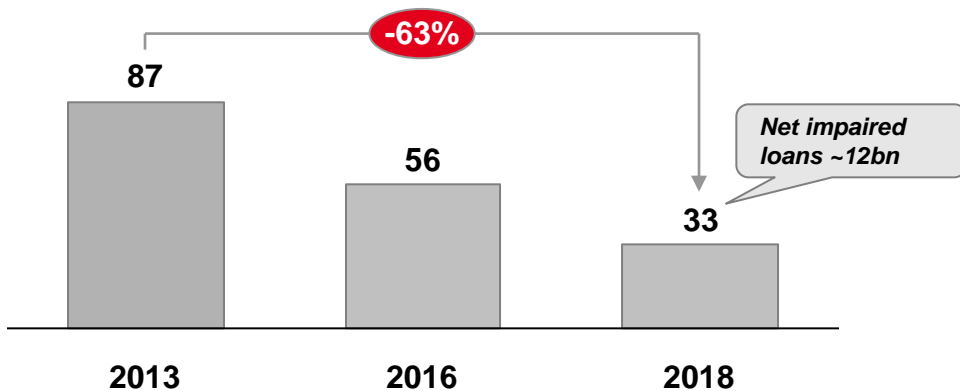


Non Core Portfolio

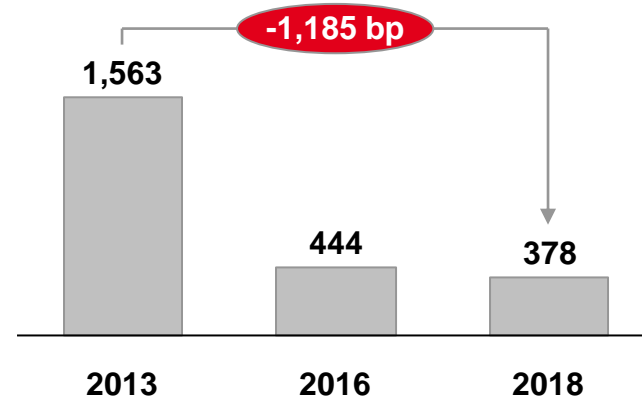
Aggressive run-down schedule to accelerate further de-risking, whilst maintaining a solid level of coverage



Gross customer loans, bln, eop



CoR Non Core Portfolio, bp



DRIVERS

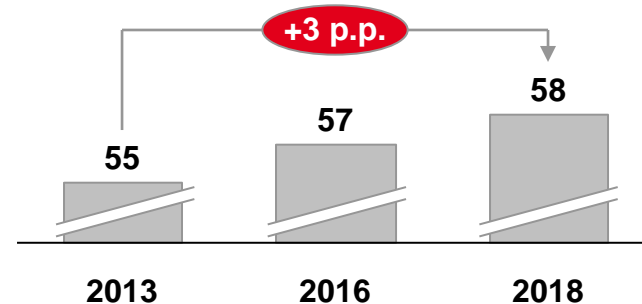
- **NPL sales** opportunities
- **Migration to safer risk profile** through tailored credit strategies
- **Enhancement of collection and UCG captive workout platform (UCCMB)**
- **Natural amortization**

- **Non Core Portfolio to be migrated back to Core at YE 2018**
- **Net impaired loan ratio of Region Italy overall down to 6.7% from 12.4% in 2013**

Coverage ratio Non Core Portfolio



On impaired loans, %





Agenda

FACING NEW CHALLENGES AND GETTING FUNDAMENTALS RIGHT

ACCELERATE THE JOURNEY TOWARDS SUSTAINABLE PROFITABILITY

SEGREGATION OF NON CORE PORTFOLIO

CORE BANK

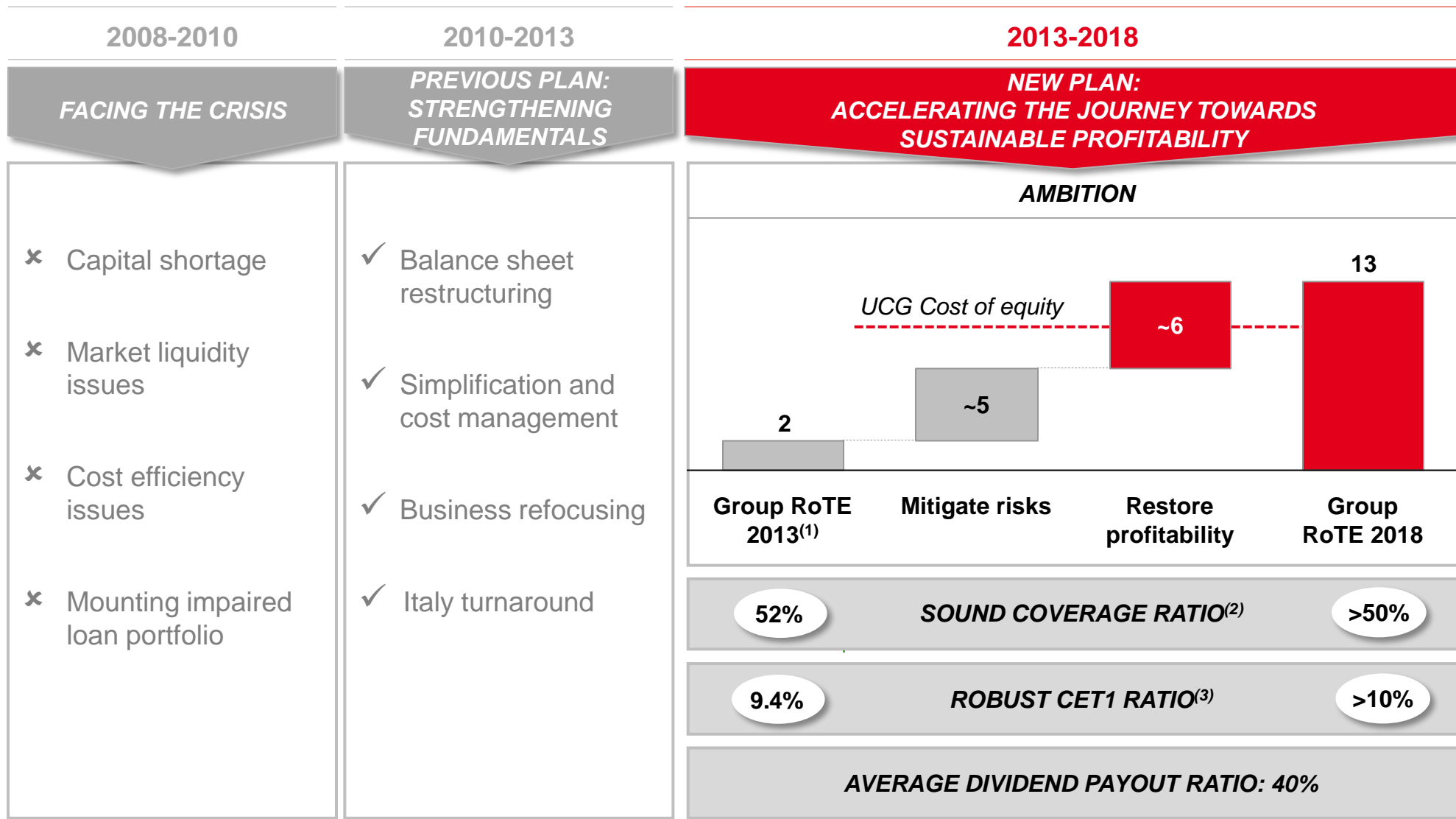
FINANCIAL TARGETS

ANNEX



A new strategic agenda

After challenging years when post crisis issues have been addressed, UCG has now started a new journey towards sustainable profitability



(1) Excluding effects related to relevant buy-backs, restructuring costs, goodwill and PPA impairments, gain on Bank of Italy stake, Ukraine evaluation under IFRS5, charges for few large risks, Sigorta disposal, deferred tax asset effects and additional LLPs

32 (2) On impaired loans

(3) Fully loaded CET1 ratio

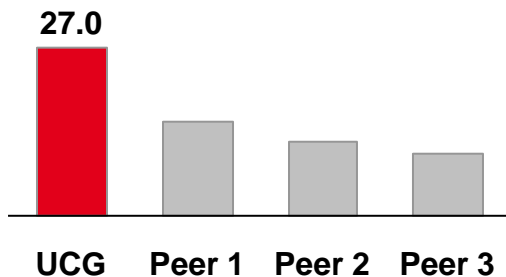
1 Superior Commercial Banking platform

Excellent reach in EU



#1 digital bank in Italy

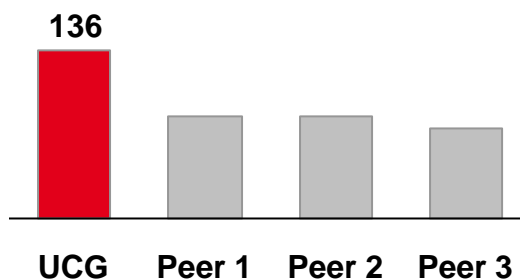
Mobile banking clients⁽¹⁾, %



2 Strong presence in fast growing countries and businesses

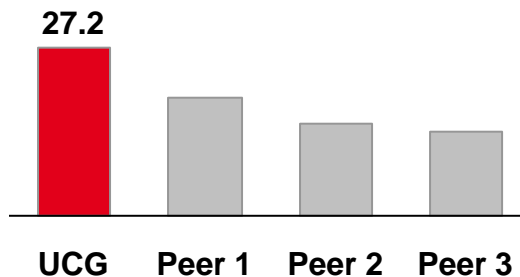
Undisputed leader in CEE

Total assets, 1H13⁽²⁾, bln



Leading online trading platform in EU

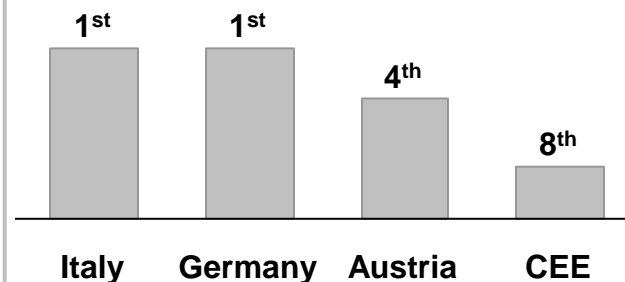
Transactions⁽³⁾, mln



3 CIB leadership

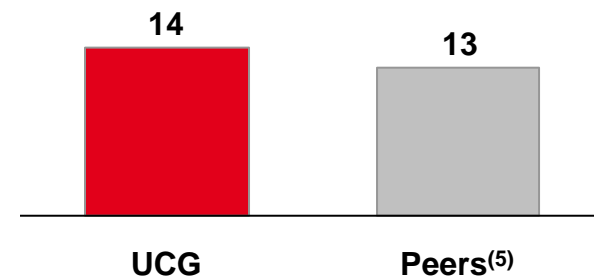
Consolidated position

2013, League table loans & bonds⁽⁴⁾, ranking



Profitability above peers

RoAC 2013⁽⁵⁾, %



(1) Source: Nielsen 2Q2013

(2) Pro-rata for non-controlled companies; Peers (random order): Erste Bank, Intesa Sanpaolo, KBC, Otpbank, Raiffeisen Bank, Société Générale

(3) Source: Financial statements of Top European Brokers

(4) All borrowers € denominated, Source: Dealogic as of 8 January 2014

(5) Peers including Barclays, BNP Paribas, Commerzbank, Credit Suisse, Deutsche Bank, Societè Générale, UBS

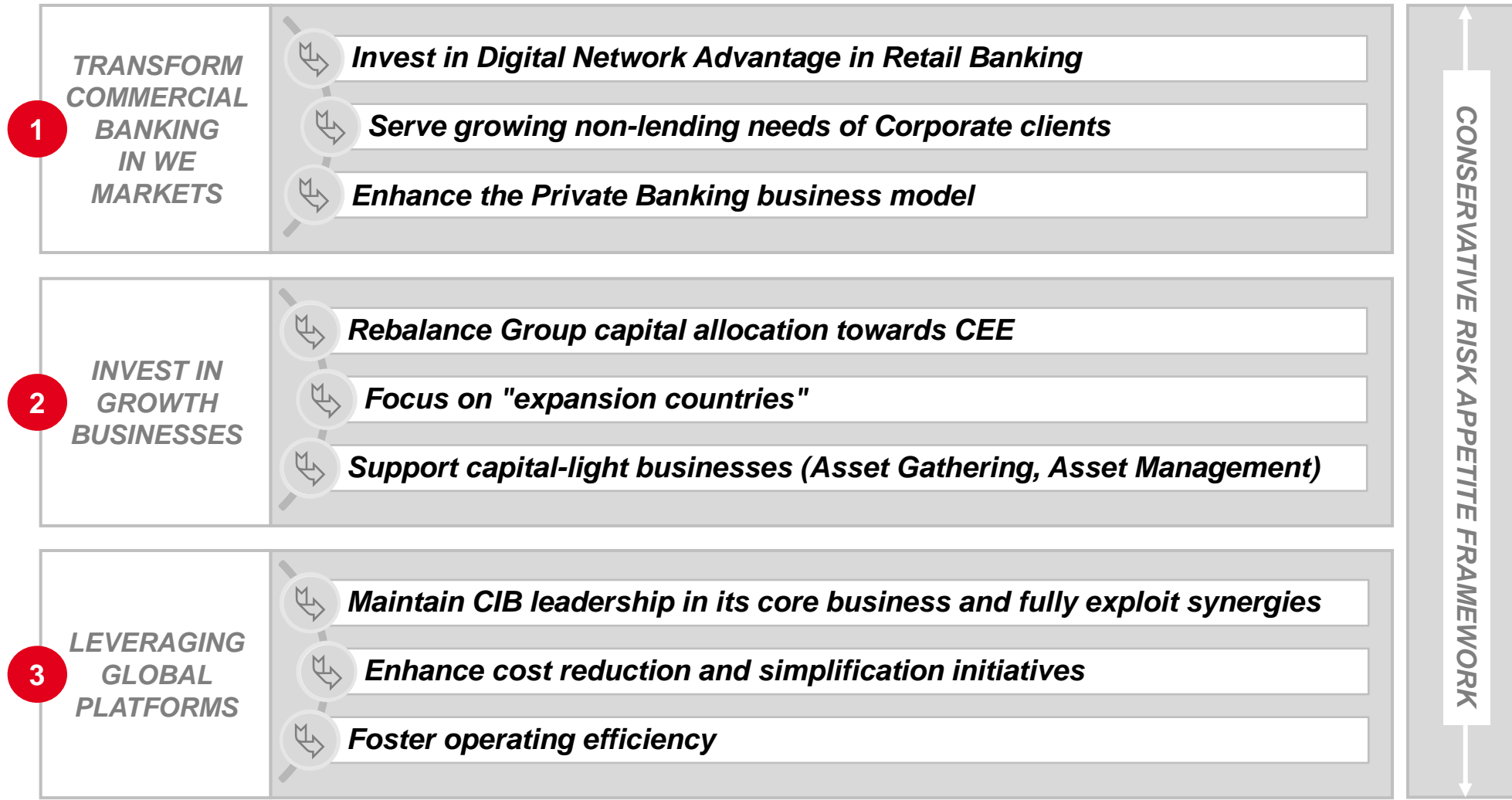


Core Bank

3 strategic pillars to enhance UCG competitive advantage and further boost profitability

CORE

Strategic pillars

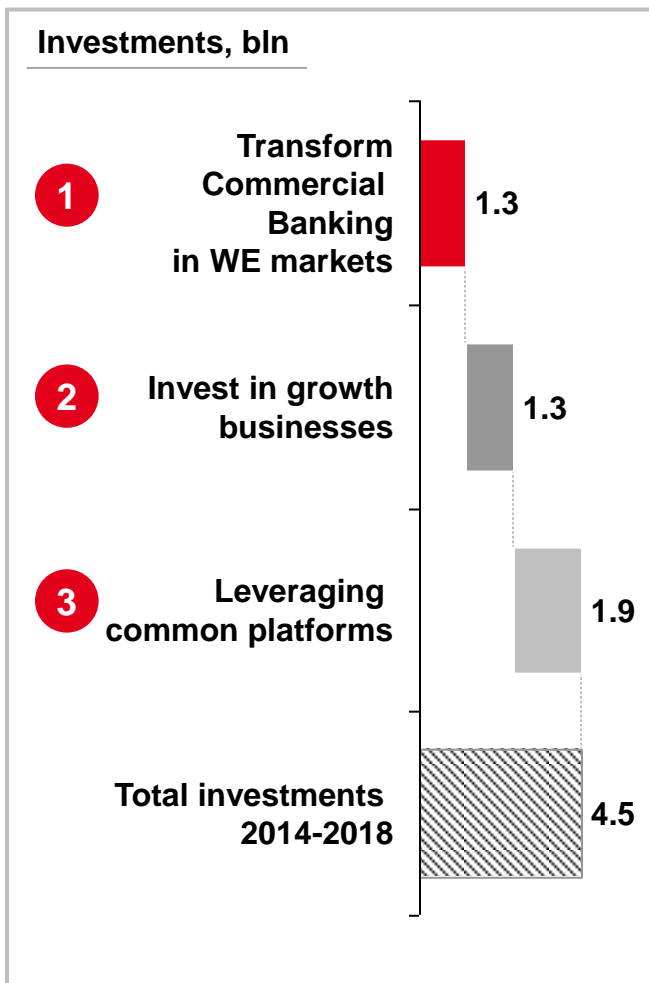




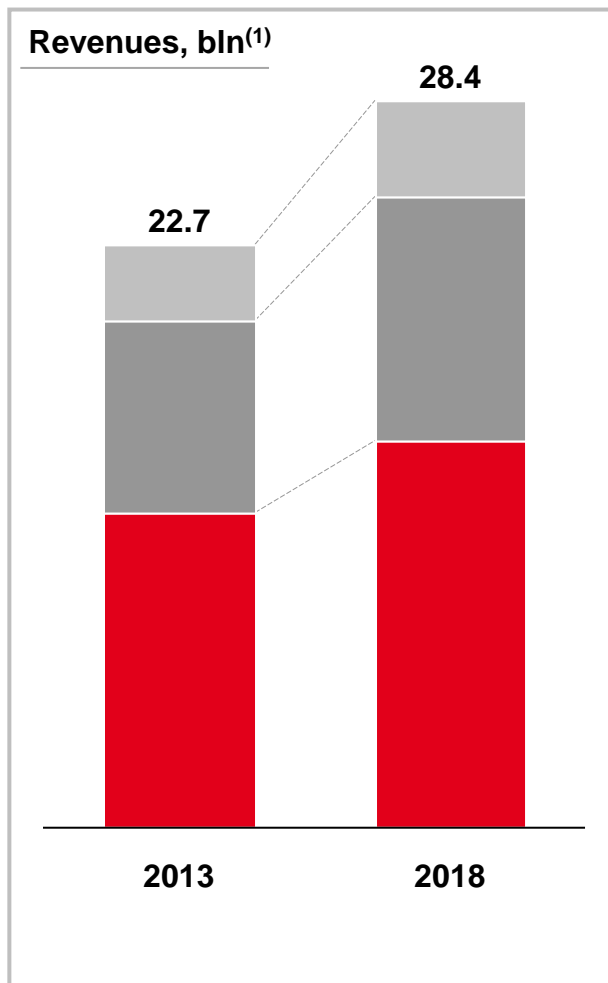
Significant investments are embedded in the plan to support revenue growth and enable operating efficiency

Common platforms Growth businesses Commercial Banking WE

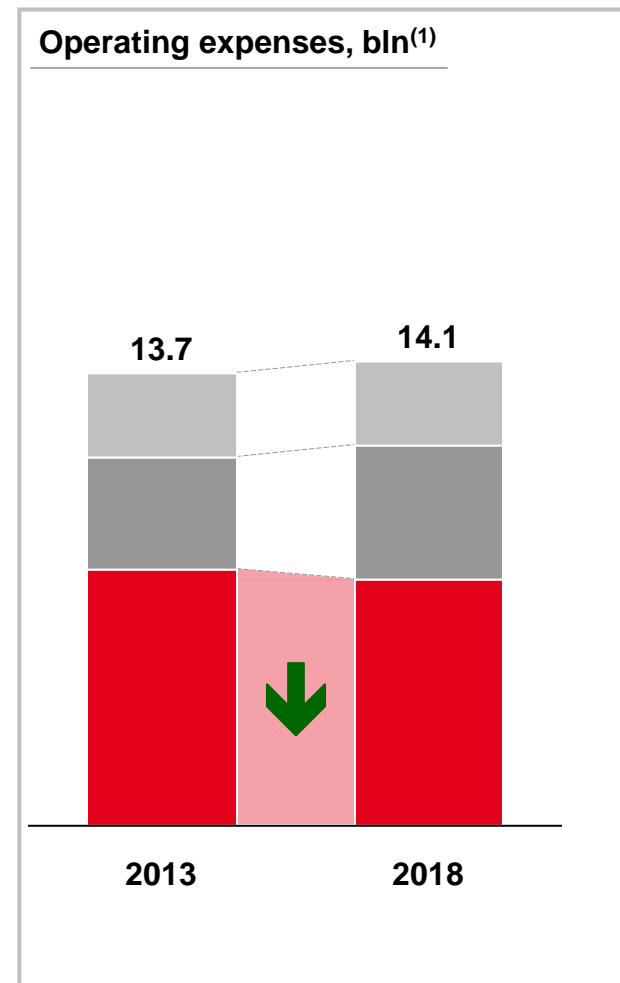
Significant investments



... to support revenue growth



..and enable cost savings in WE



(1)Turkey consolidated via equity method; 2018 figures include ~250mln of lower revenues related to deposit guarantee scheme and resolution fund

Transform Commercial Banking - RETAIL

Innovation and digitalization to boost revenues and optimize cost to serve

CORE

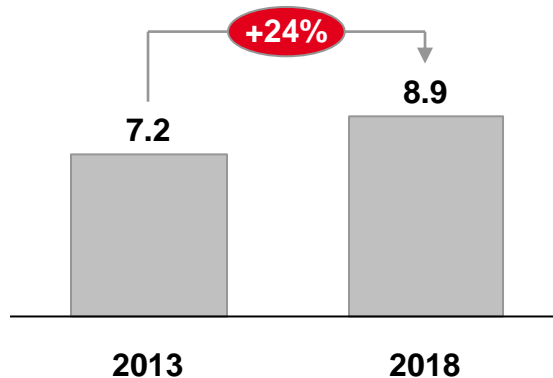
Strong investments in innovation...

- **Flexible** branch formats
- **Integration of digital** and **physical** network
- Intimate **client knowledge** through **Big Data** analytics
- **Remote sales** enablement
- **Process digitalization**
- Launch of **paperless** banking services

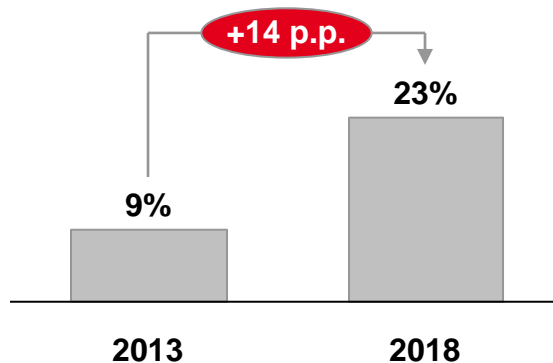
1.0bln Investments

... to fuel revenue growth

Revenues, bln

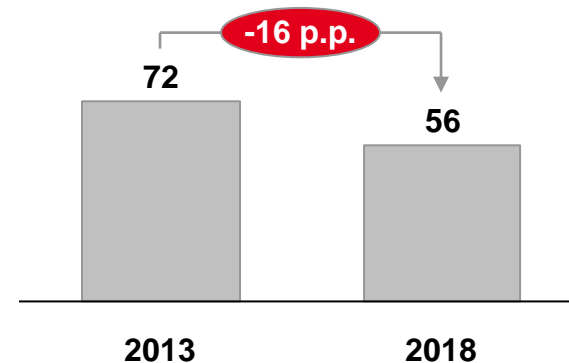


Multichannel sales⁽¹⁾, %

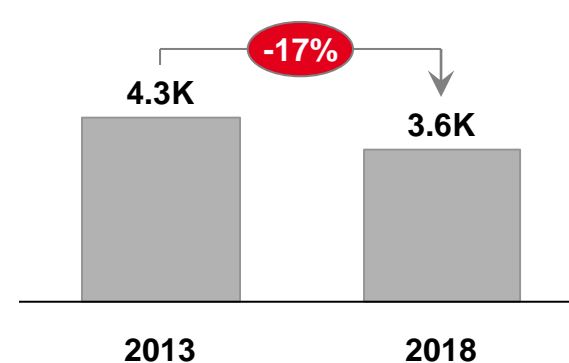


... while reducing cost-to-serve

Cost/Income, %



Branches



(1) Number of products sold in Austria, Germany and Italy based on sales initiation via remote channels



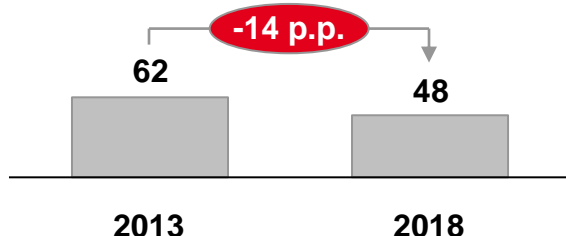
Transform Commercial Banking - RETAIL

Different transformation approaches in each market

Italy Profitability growth with innovative model

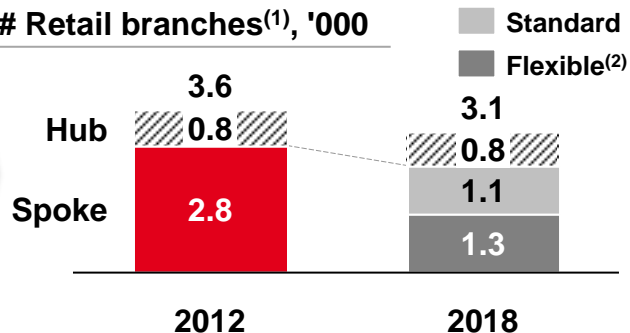
Starting from a sound and efficient business

Cost/Income, %



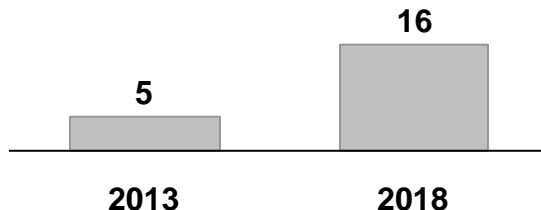
Specific investments to review branch formats

Retail branches⁽¹⁾, '000



Focused initiatives to boost market shares

MS on mortgages new production, %

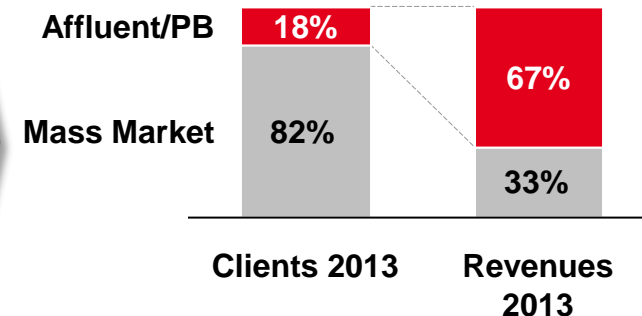


Germany Refocus client mix to restore profitability

Investments to refocus business model

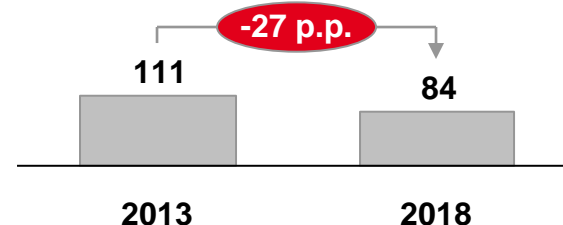
- Branch layout upgrade to reposition as premium provider
- Superior advisory portal
- Premium share-of-wallet pricing model

Driving growth in Affluent / PB segment



Reshaping cost to serve model

Cost/Income, %

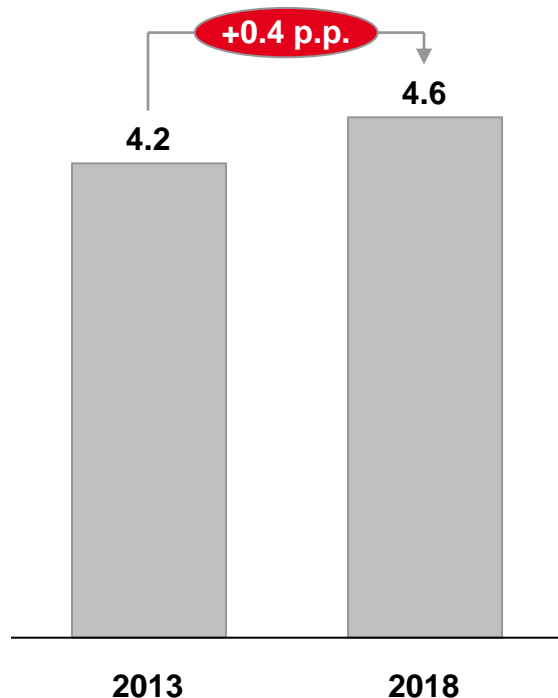


⁽¹⁾Not included: "Agenzia TU", pawnbroker agencies and dependent branches

⁽²⁾Spoke model differentiated according to local market peculiarities; Flexible branches including: slightly smaller than Standard branches, Advisory branches and Small Points of Sale also with reduced opening hours)

Sustainable growth⁽¹⁾

(Rev – LLP) / RWA, %



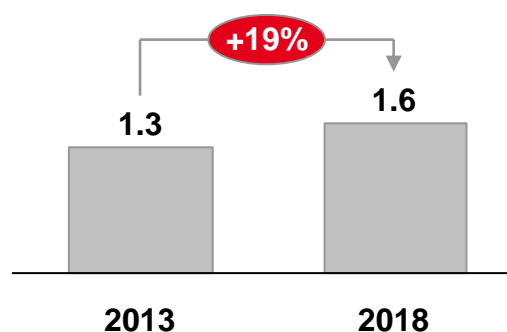
Revenues, bln

3.3

4.0

Grow non lending business⁽¹⁾

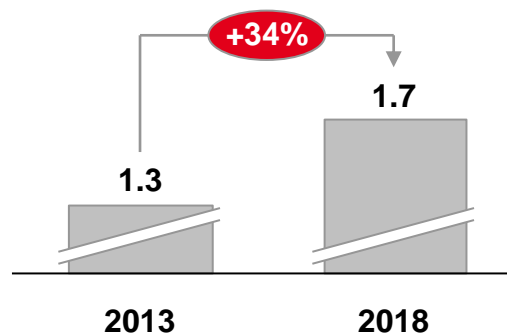
Non-loan related revenues, bln



- Adopt a **capital-light approach**
- **Foster intermediation** through innovative solutions (structural funds, BEI, etc.)
- Leverage on **CIB platform to access capital / secondary markets**

Support companies' internationalization

International revenue⁽²⁾, bln



- Provide a **distinctive client service model** for multi-country clients
- Leverage on UCG **unique geographical footprint** and **superior product offering**

⁽¹⁾ Refers to corporate networks of Italy, Germany and Austria

⁽²⁾ Revenues referred to all services and products offered to international clients (Italy, Germany, Austria, Poland and CEE)



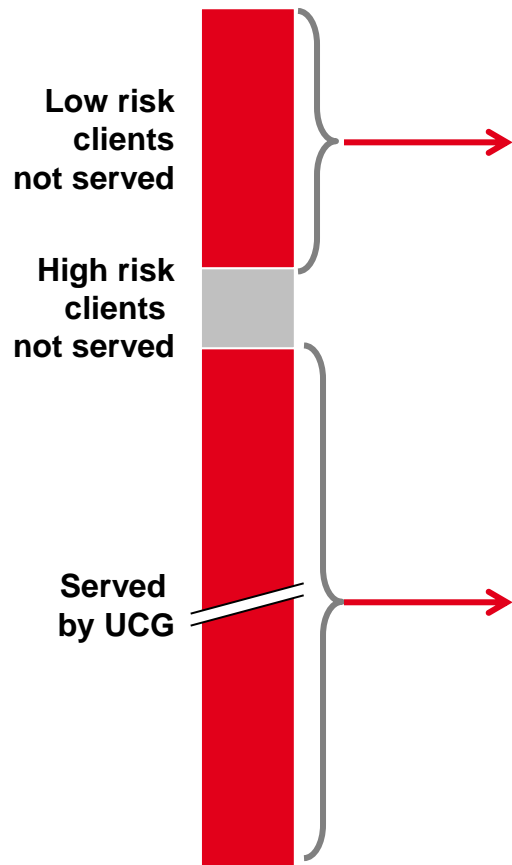
Transform Commercial Banking - CORPORATE

In Italy, sustainable growth to be achieved targeting best Italian companies

CORE

Italy Total market potential

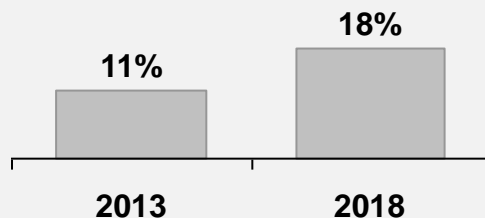
Italian Corporate clients



UCG Commercial Targets

- **Attract new low risk clients:**
 - Growth in underpenetrated areas with high potential (Lombardy, North-Eastern Italy)
 - Total new business potential: 4bn loans

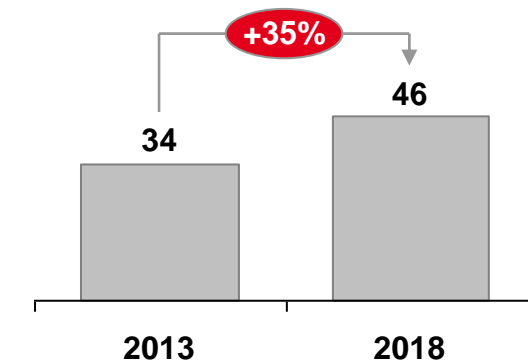
- **Increase share of wallet of existing clients:**



- Strengthen commercial planning on client potential
- Enhance sales plan redemption

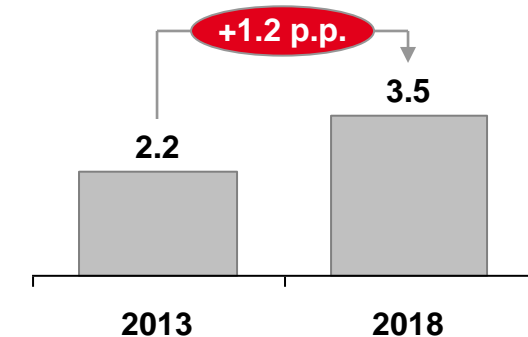
Sustainable growth

Loans, bln



Lower risk profile

(Rev - LLP) / RWA, %

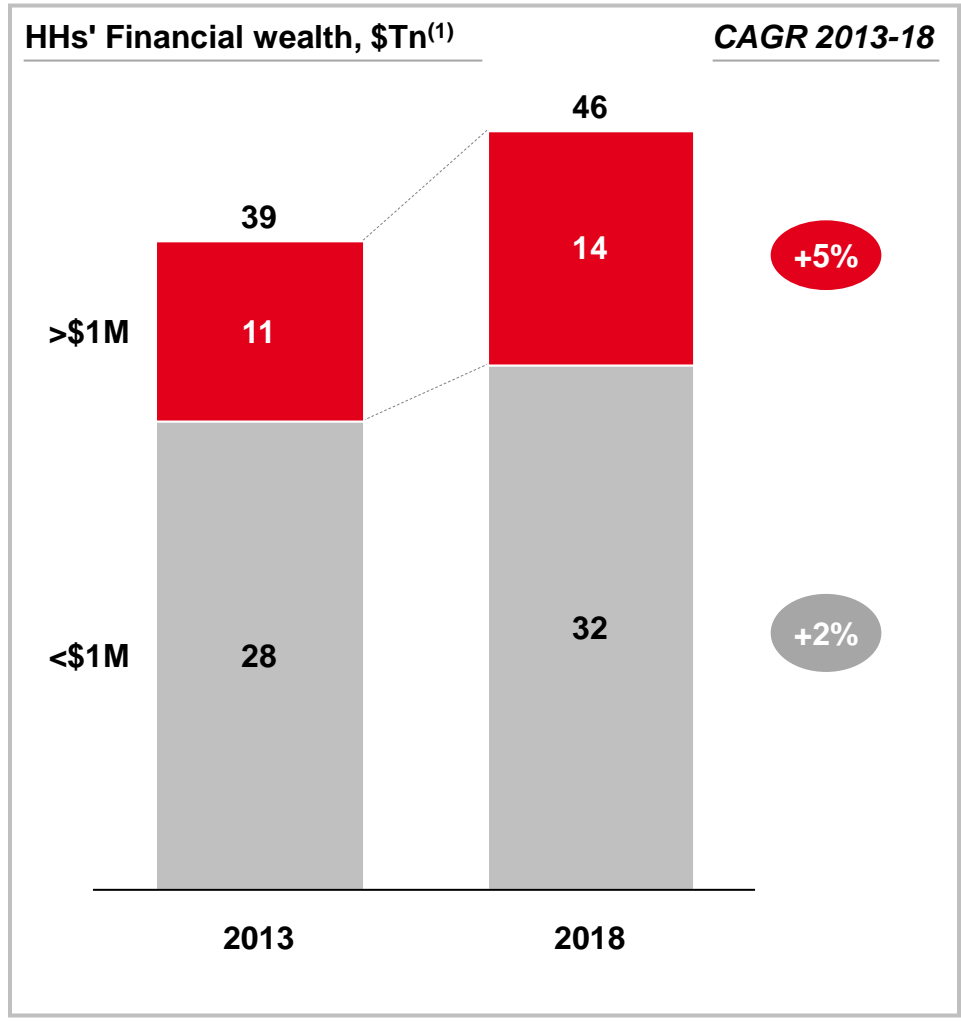


Transform Commercial Banking - PRIVATE

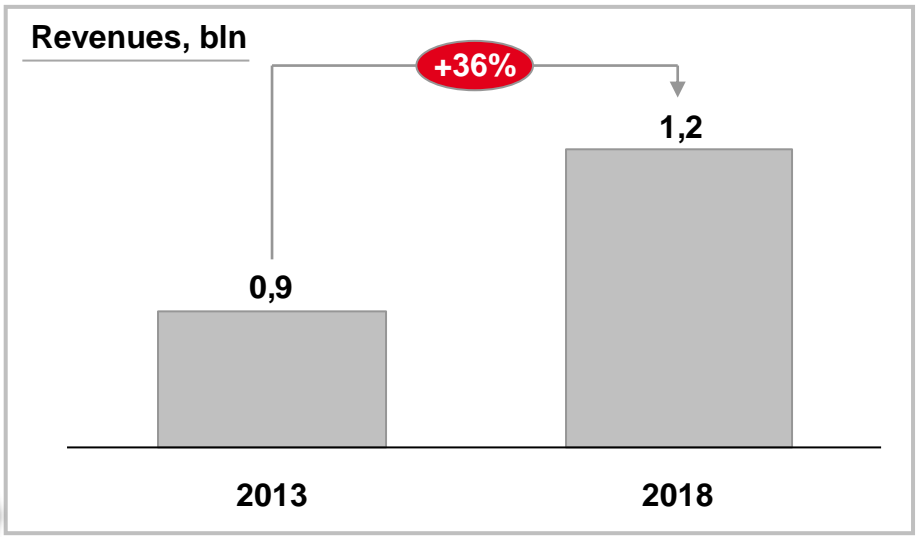
Capture market growth by enhancing business model and leveraging synergies across UCG



European Private Wealth growing fast



Ad hoc strategy to capture growth



- Recruit new Private Bankers
- Launch **digitally advanced strategy**
- Fully exploit **synergies with corporate clients**
- Leverage on **joint European products** (e.g., Preferred Partners, MyGlobe, independent market view)

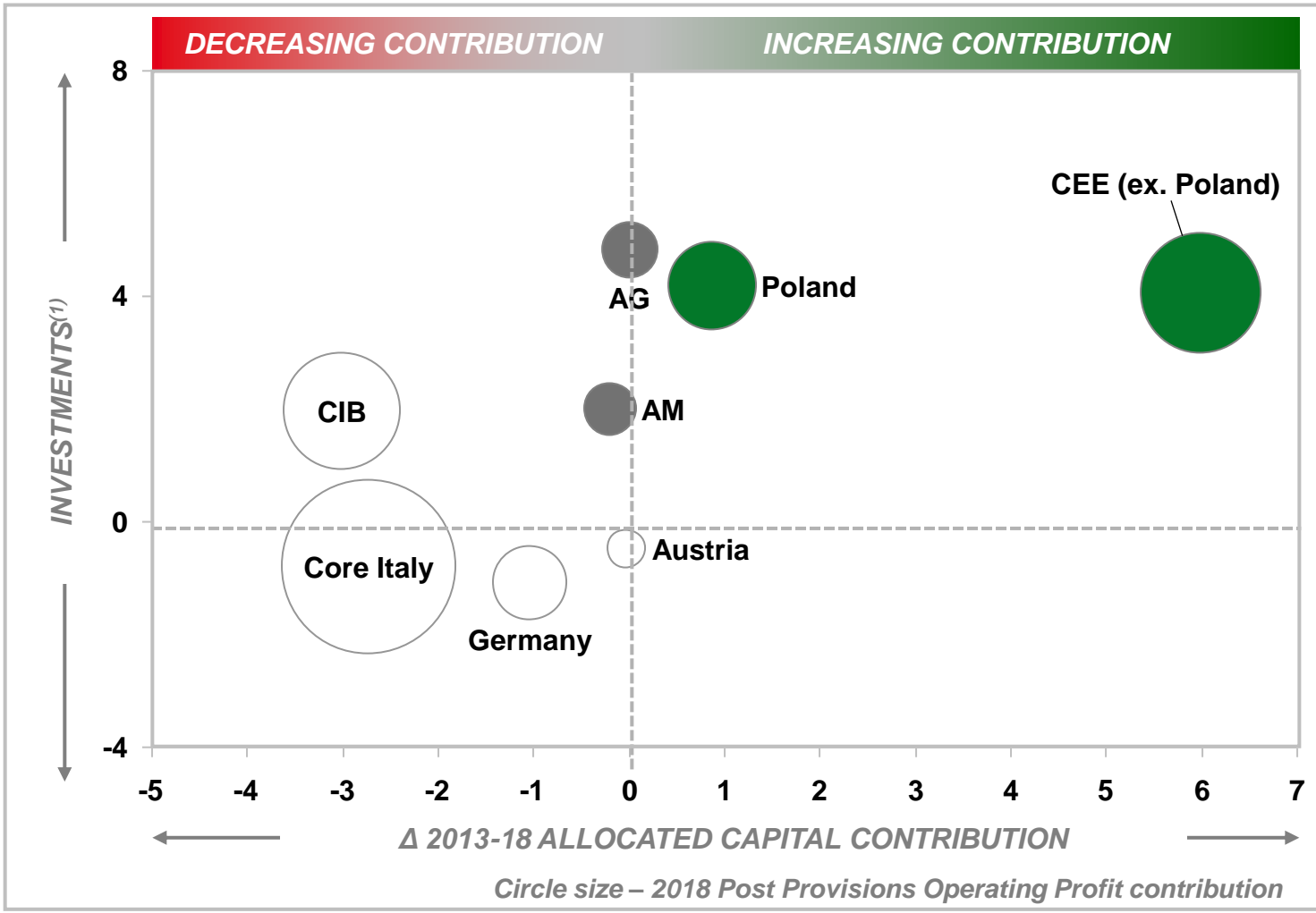
⁽¹⁾ Source: BCG Global wealth report database (excludes real estate assets)

Invest in Growth Businesses - CEE

Rebalance capital allocation towards growth businesses, in particular CEE markets



UCG allocated capital contribution split by business / region



DYNAMIC PORTFOLIO MANAGEMENT

- Increasing capital allocation within growth businesses

"SAVE-TO-INVEST-APPROACH"

- Investments focused on fast-growing markets / businesses:
 - CEE
 - Poland
 - Asset Management
 - Asset Gathering
- Cost optimization within WE countries

(1) Costs CAGR 13-18

41 Note: Turkey consolidated via equity method; for regulatory purposes capital and RWA are reported based on fully consolidated method



Invest in Growth Businesses - CEE

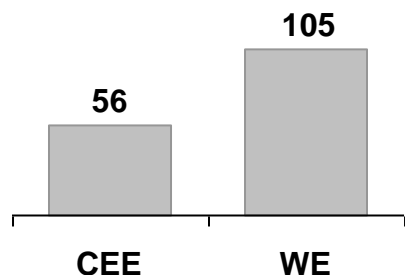
UCG is the bank best positioned in CEE to serve a more demanding clientele



CEE as a growth engine⁽¹⁾

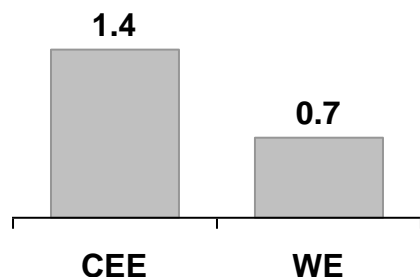
Lower banking penetration

Loans / GDP, %



Higher profitability

PBT / Loans, %



UCG is best positioned⁽²⁾...

Award platforms



Best Overall Bank for Cash Management in CEE 2013 and 2014



Best Trade Bank in CEE 2013

Superior connectivity

	2012 TF ⁽³⁾ , bln	UCG Loan CAGR ⁽⁴⁾
Russia	116	7%
Poland	97	7%
Czech	82	6%
Turkey	50	23%
Hungary	49	6%

...to serve more sophisticated clients

Boost value-added services:

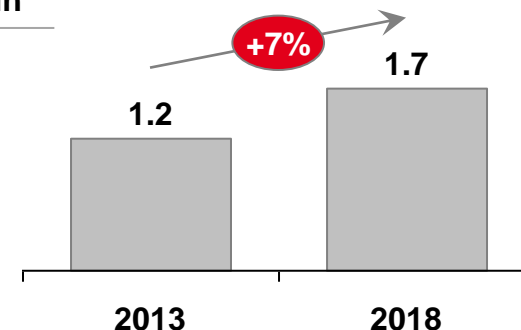
- Leverage CIB competences and platform
 - Trade finance, cash management, DCM
- Develop digital and multichannels

Increase client base:

- Acquire new customers through innovative offers
- Increase penetration of attractive sub-segments (e.g. SMEs)

Targets⁽⁵⁾

Fees, bln



(1) Average 2013-2018

(2) Selected awards

42 (3) Trade flows between Italy, Austria, Germany and top importer/exporter CEE countries; Sources: ICE, DEStatis, StatisticAustria

(4) Based on fixed exchange rate

(5) Excluding Turkey (consolidated at equity method)

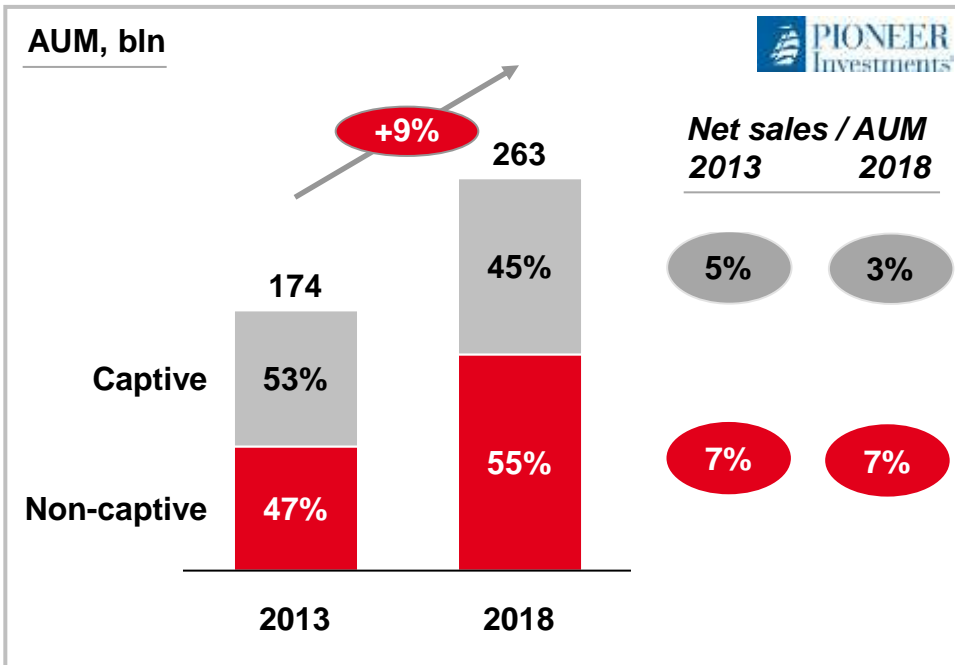


Invest in Growth Businesses – ASSET MGMT. & ASSET GATHERING

Support capital-light businesses through focused growth actions

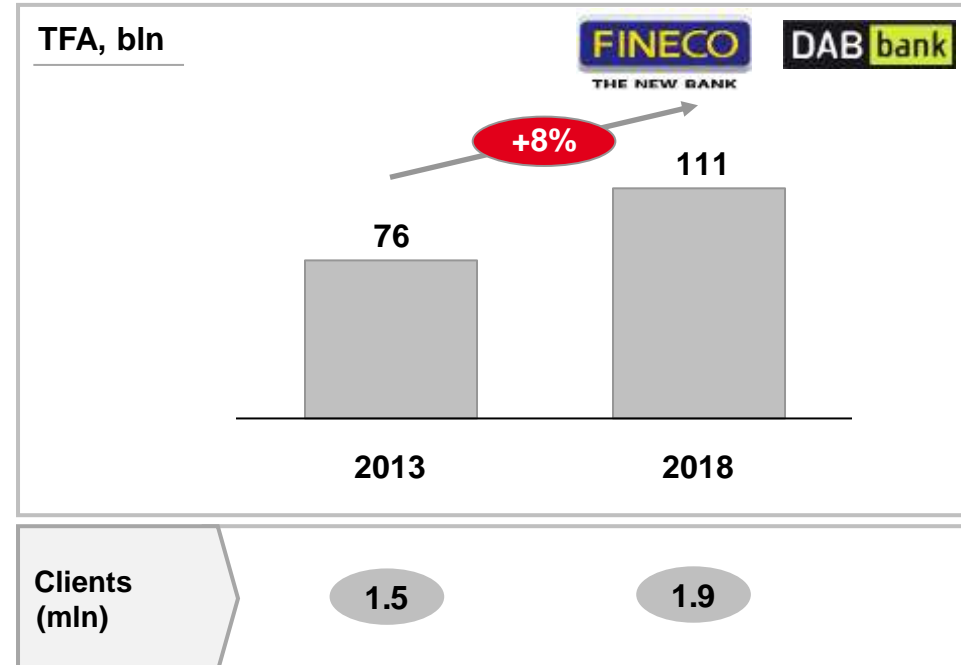
CORE

Scale-up Asset management business by increasing non-captive distribution footprint



- Growth in non-captive business while stabilizing captive flows
- Creation of a standard common operating platform
- Revamp of core products

Asset gathering boost driven by strong client acquisition



- Recruit new PFAs and customers leveraging on superior platform
- Leverage on full banking services to drive loyalty and cross selling

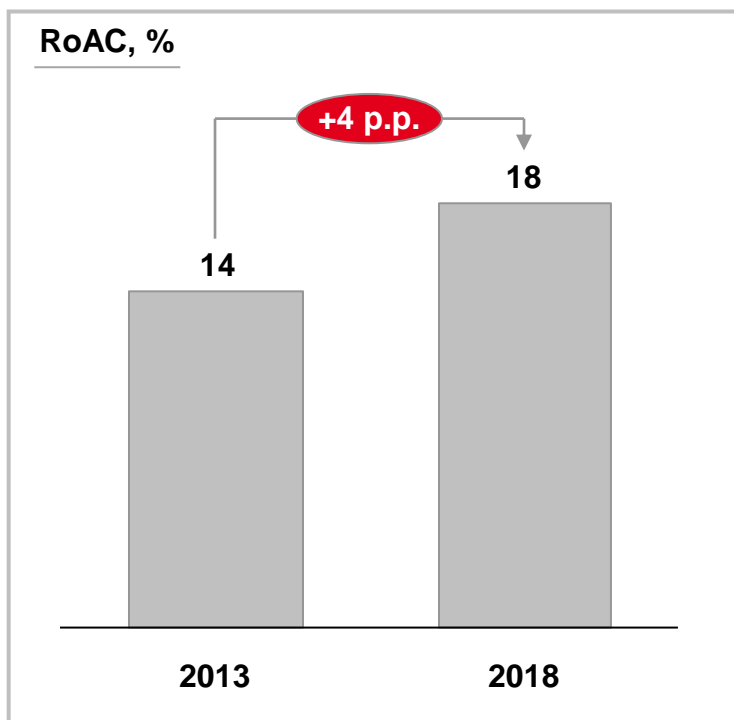


Global Platforms - CIB

Leverage CIB leadership and competitive advantage to deliver superior product capabilities and boost cross selling

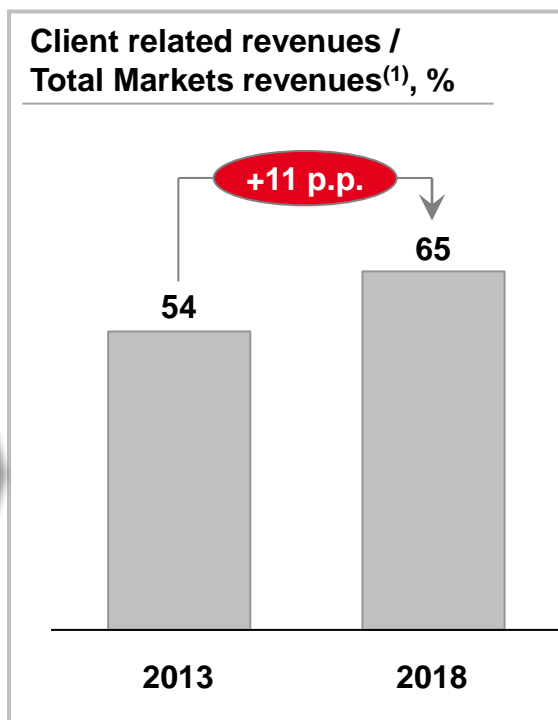
CORE

A profitable business



- Confirmed leadership in terms of operating efficiency (Cost / Income at ~40%)

Focused on developing client business



- Reduce risky and volatile sources of revenues
- Increase market share with Institutional clients
- Maintain its issuing and financing leadership in Europe, thanks to its originate to distribute platforms

Delivering Group Synergies through core client offer

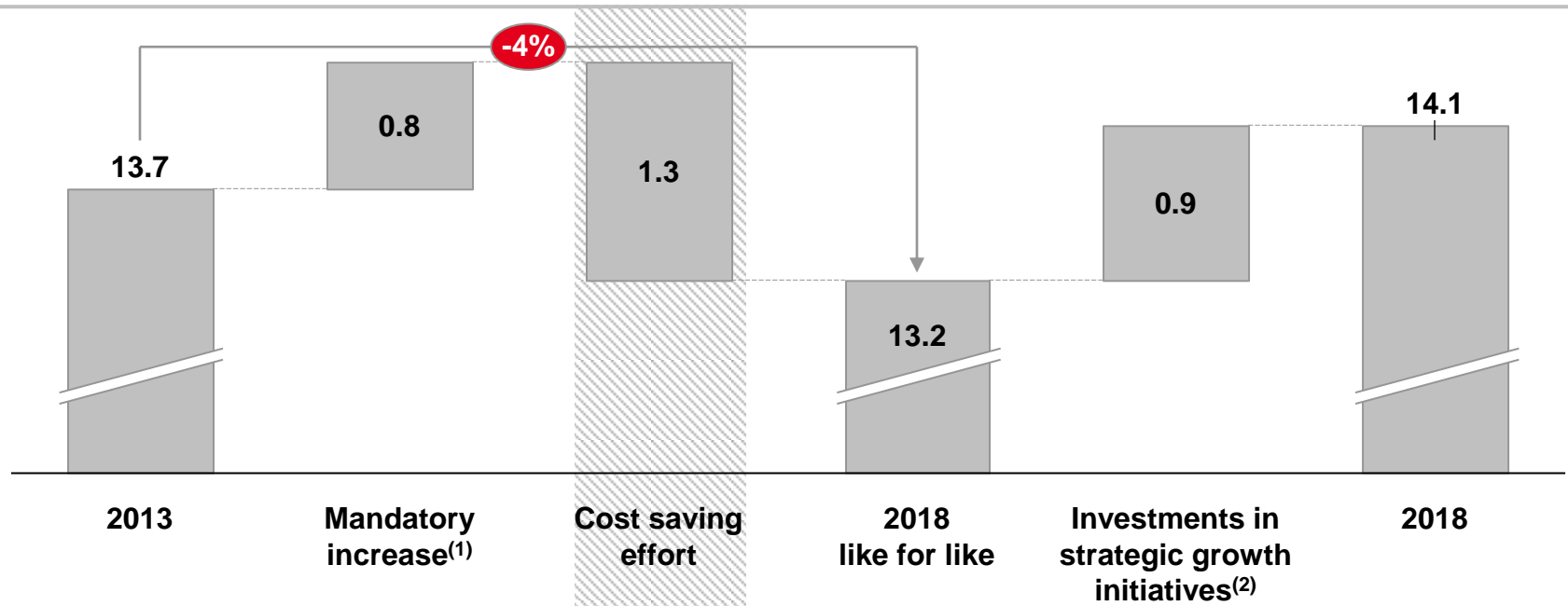
- Corporate banking and transaction services
- Structured Finance and capital markets
- Access to Western, Eastern and Central Europe

⁽¹⁾ Client driven revenues per Markets (Sales Credit and Market Making only)

Global Platforms – OPERATING EXCELLENCE

Focused initiatives to reduce costs by ~1.3bn

UCG Core total operating costs, bln



UCG TOTAL C/I (%)	60	-10 p.p.	50
O/W WE MARKETS ⁽³⁾ C/I (%)	76	-20 p.p.	56
WE MARKETS ⁽³⁾ FTE EOP ('000)	61	-10%	55

⁽¹⁾ Includes salary inflation effects and deposit guarantee in CEE

⁽²⁾ Includes i.a. growth businesses cost base

⁽³⁾ WE Commercial Banking and Corporate Center



Agenda

FACING NEW CHALLENGES AND GETTING FUNDAMENTALS RIGHT

ACCELERATE THE JOURNEY TOWARDS SUSTAINABLE PROFITABILITY

SEGREGATION OF NON CORE PORTFOLIO

CORE BANK

FINANCIAL TARGETS

ANNEX



Financial targets

Core Bank unlocks its full potential already by 2016

CORE	2013	2016	2018	CAGR 13-18
REVENUES (BLN)	22.7	24.8	28.4	5%
COSTS (BLN)	-13.7	-14.1	-14.1	1%
COST OF RISK (BP)	82	57	51	-31 ⁽¹⁾
NET PROFIT (BLN)	2.9 ⁽²⁾	4.9 ⁽³⁾	7.5	21%
ROAC (%)	8% ⁽²⁾	14% ⁽³⁾	17%	9 p.p. ⁽¹⁾
COST INCOME (%)	60%	57%	50%	-10 p.p. ⁽¹⁾
CUSTOMER LOANS (BLN)	434	490	530	4%
DIRECT FUNDING (BLN)	458	484	526	3%

⁽¹⁾Delta

⁽²⁾ Excluding effects related to relevant buy-backs, restructuring costs, goodwill and PPA impairments, gain on Bank of Italy stake, Ukraine evaluation under IFRS5, charges for few large risks, Sigorta disposal and additional LLPs in CEE

47 ⁽³⁾Adjusted for ca. 650mln additional integration costs

Note: Turkey consolidated via equity method; for regulatory purposes capital and RWA are reported based on proportionally method; 2016 and 2018 figures include ~250mln of lower revenues related to deposit guarantee scheme and resolution fund



Financial targets

The Group overall will benefit from a very solid balance sheet strategy

GROUP	2013	2016	2018	DELTA13-18
<i>NET PROFIT (BLN)</i>	0.9⁽¹⁾	3.6⁽²⁾	6.6	5.7
<i>COST / INCOME (%)</i>	61%	59%	51%	-10 p.p.
<i>COST OF RISK (BP)</i>	263	83	66	-197
<i>ROTE (%)</i>	2%⁽¹⁾	8%⁽²⁾	13%	11 p.p.
<i>CET1 RATIO (%)</i>	10.4%	10.4%	10.1%	-0.3 p.p.
<i>FULLY LOADED CET1 RATIO (%)</i>	9.4%	10.0%	10.0%	0.6 p.p.
<i>CUSTOMER LOANS (BLN)</i>	488	521	552	64
<i>LCR (%)</i>	>100	106	123	
AVERAGE DIVIDEND PAYOUT RATIO OF 40%				

⁽¹⁾Excluding effects related to relevant buy-backs, restructuring costs, goodwill and PPA impairments, Ukraine evaluation under IFRS5, gain on Bank of Italy stake, charges for few large risks, Sigorta disposal, deferred tax asset effects and additional LLPs

48 ⁽²⁾Adjusted for ca. 650mln additional integration costs

Note: Turkey consolidated via equity method; for regulatory purposes capital and RWA are reported based on proportionally method; 2016 and 2018 figures include ~250mln of lower revenues related to deposit guarantee scheme and resolution fund



Portfolio Management

For the first time, UCG opens up third parties' contribution to Group growth, changing its historical approach

■ **Confirmation of main criteria for portfolio management:**

- **Growth / profitability perspective**
- **Efficient capital allocation**
- **Business connectivity** with the rest of UCG

■ **Open up third parties' contribution** to boost UCG growth

Growth: Fineco to be listed on the market in 2014

- ✓ **Enhance market** visibility of Fineco's intrinsic value
- ✓ **Optimize capital allocation** within UCG
- ✓ Further accelerate Fineco's growth, **establishing direct access to the market**
- ✓ **Improve** management and sales force **incentive structure**



Optimization: Explore a potential disposal of UCCMB

- ✓ **Clear management accountability**
- ✓ **Enhance collection** performance on small tickets
- ✓ **Improve UCG profitability** going forward
- ✓ Reinforced platforms to become a **national workout service provider for non-captive clients**
- ✓ **Disposal of Italian NPLs** to support new NPL management strategy to free-up recovery capacity, refocusing on larger tickets





Concluding remarks

Based on UCG unique competitive advantages...

...drive ongoing refocus on the Core business to achieve 13% Group ROTE

...while maintaining a very prudent risk profile with a high coverage ratio (>50%), a solid liquidity (LCR>100%)...

...and rock-solid balance sheet (Target CET1 fully phased ratio >10%)

Strict cost control confirmed generating over 1bn additional savings...

... with 4.5bn of investments dedicated to business model innovation

Active Portfolio Management, potentially leading to an aggregate additional capital generation of 30 bp



Agenda

FACING NEW CHALLENGES AND GETTING FUNDAMENTALS RIGHT

ACCELERATE THE JOURNEY TOWARDS SUSTAINABLE PROFITABILITY

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IFRS IMPACTS

Turkey consolidation at equity starting from first quarter 2014

	PRE IFRS 11				POST IFRS 11 ⁽¹⁾		
€/mln	Group FY 2012	Group FY 2013	Δ % FY 2013 vs FY 2012 (@current FX)		Group FY 2012	Group FY 2013	Δ % FY 2013 vs FY 2012 (@current FX)
Total Revenues	24.997	23.973	-4,1%	IFRS 11 IMPACT	24.162	23.390	-3,2%
o/w Dividends	397	324	-18,3%		796	960	20,7%
Operating Costs	-14.816	-14.691	-0,8%		-14.297	-14.186	-0,8%
GOP	10.181	9.282	-8,8%		9.864	9.204	-6,7%
Net Operating Profit	877	-4.377	-598,8%		708	-4.298	-707,0%
Profit before Taxes	243	-4.778	n.m.		134	-4.898	n.m.
Consolidated Profit	865	-13.965	n.m.		865	-13.965	n.m.
Loans (bn eop)	544.443	503.142	-7,6%		530.006	488.474	-7,8%
Direct Funding	578.066	571.024	-1,2%		564.513	557.325	-1,3%
RWA (bn eop)	427.127	384.750	-9,9%		427.127	384.750	-9,9%
FTEs eop 100%	156.354	147.864	-5,4%	139.097	131.442	-5,5%	

⁽¹⁾ Simulation does not factor in intercompany adjustments