
Business opportunities for banks in CEE

Milen Kassabov
CEE Strategic Analysis

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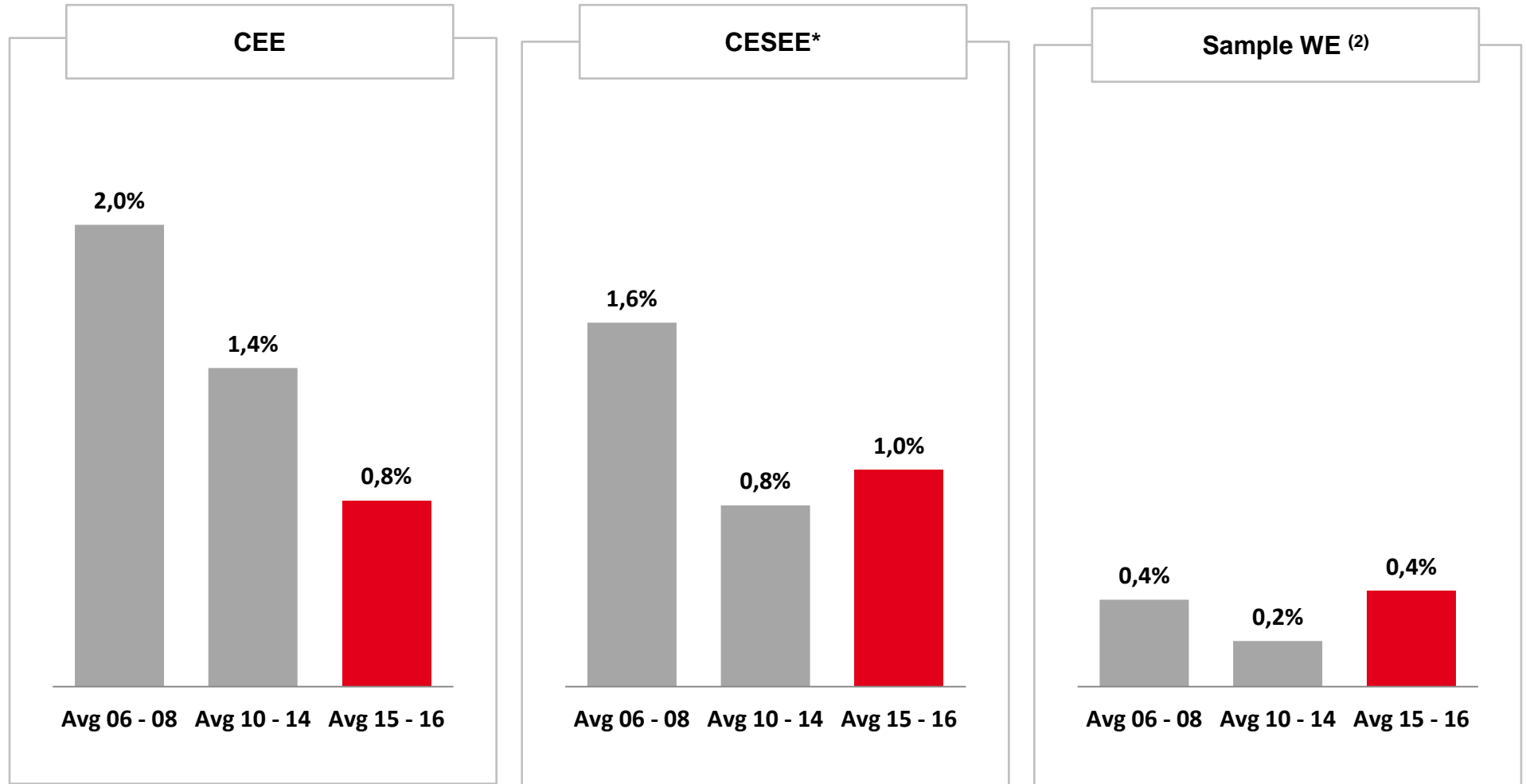
Key findings

- **Profitability in CEE likely approaching a more sustainable level,** after the pre-crisis boom and the following adjustment. Still, banking in the region **remains more profitable than in Western Europe.**
- **Lending will likely remain central to banks,** as further gradual recovery is expected in the context of an improving economic environment. **Non-performing loans remain high** in many CEE countries, and any progress made on their resolution is likely to support lending activity as well.
- **Products beyond lending will likely play a greater role.** For the corporate world, this also relates to alternative forms of financing, while for households there is a scope for growth in wealth management services.
- **Digital banking is gaining importance.**



Profitability in CESEE improves at more sustainable levels. In CEE, figures lately affected by Russia, but remain above the cumulative level for Austria, Germany, and Italy

Return on Assets ⁽¹⁾



* CESEE results excluding one-off effects in Hungary, like losses related to FX-conversion schemes; including those effects, Avg is 0.7% for the period 10-14 and 0.9% for 15-16

3 (1) Return on Assets = Profit before tax / Average total assets

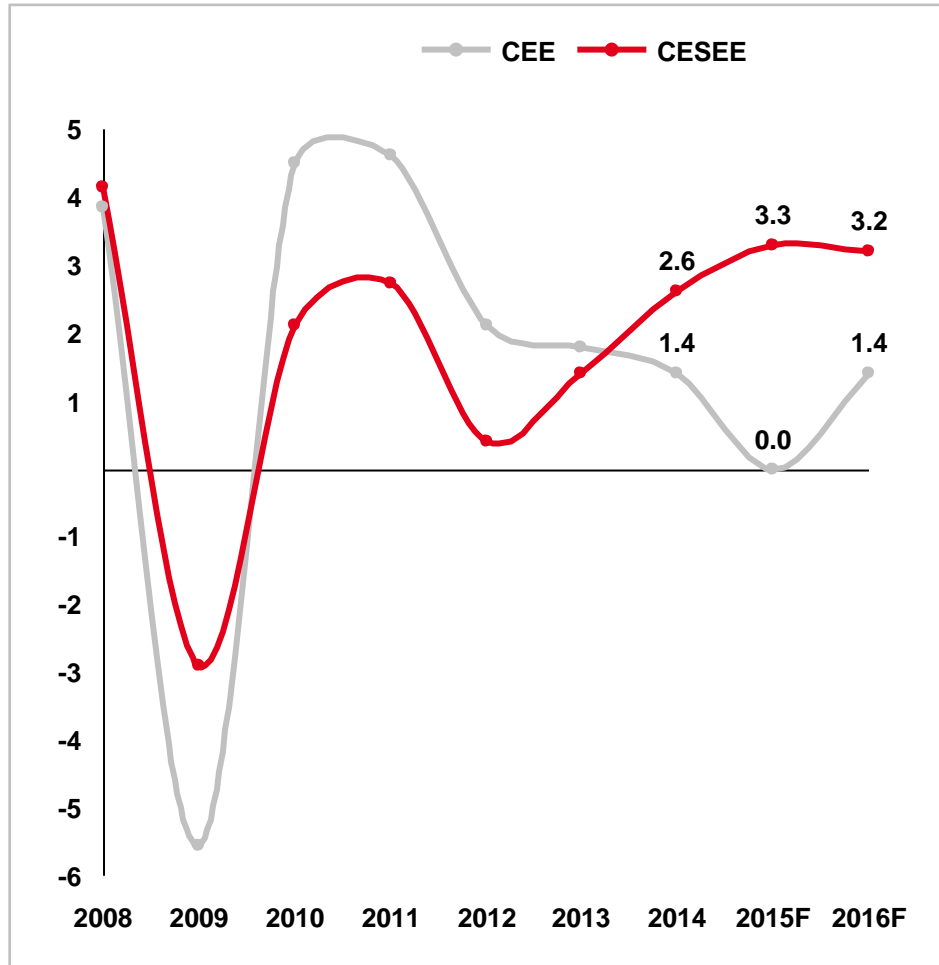
(2) Austria, Germany, Italy

Sources: UniCredit CEE Strategic Analysis, Central banks

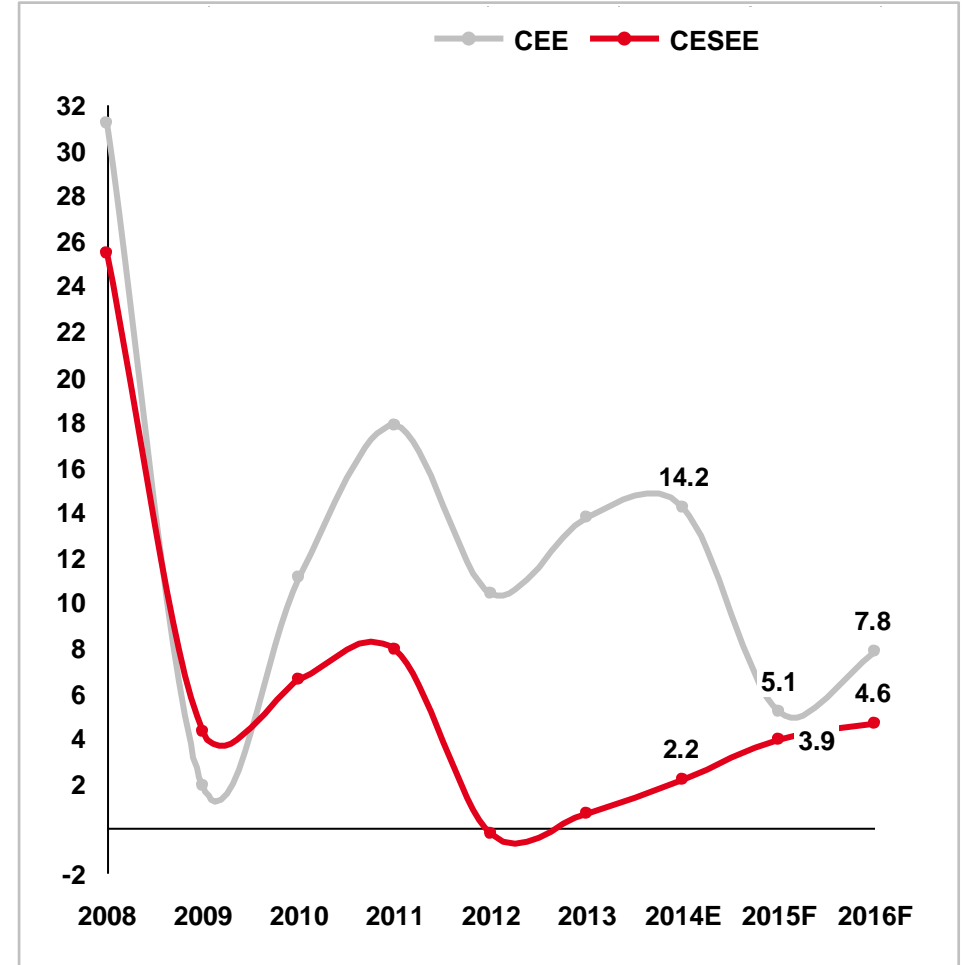


Moderate lending recovery in CESEE amid an improving economic environment

Real GDP growth, %



Loans growth, % (1)

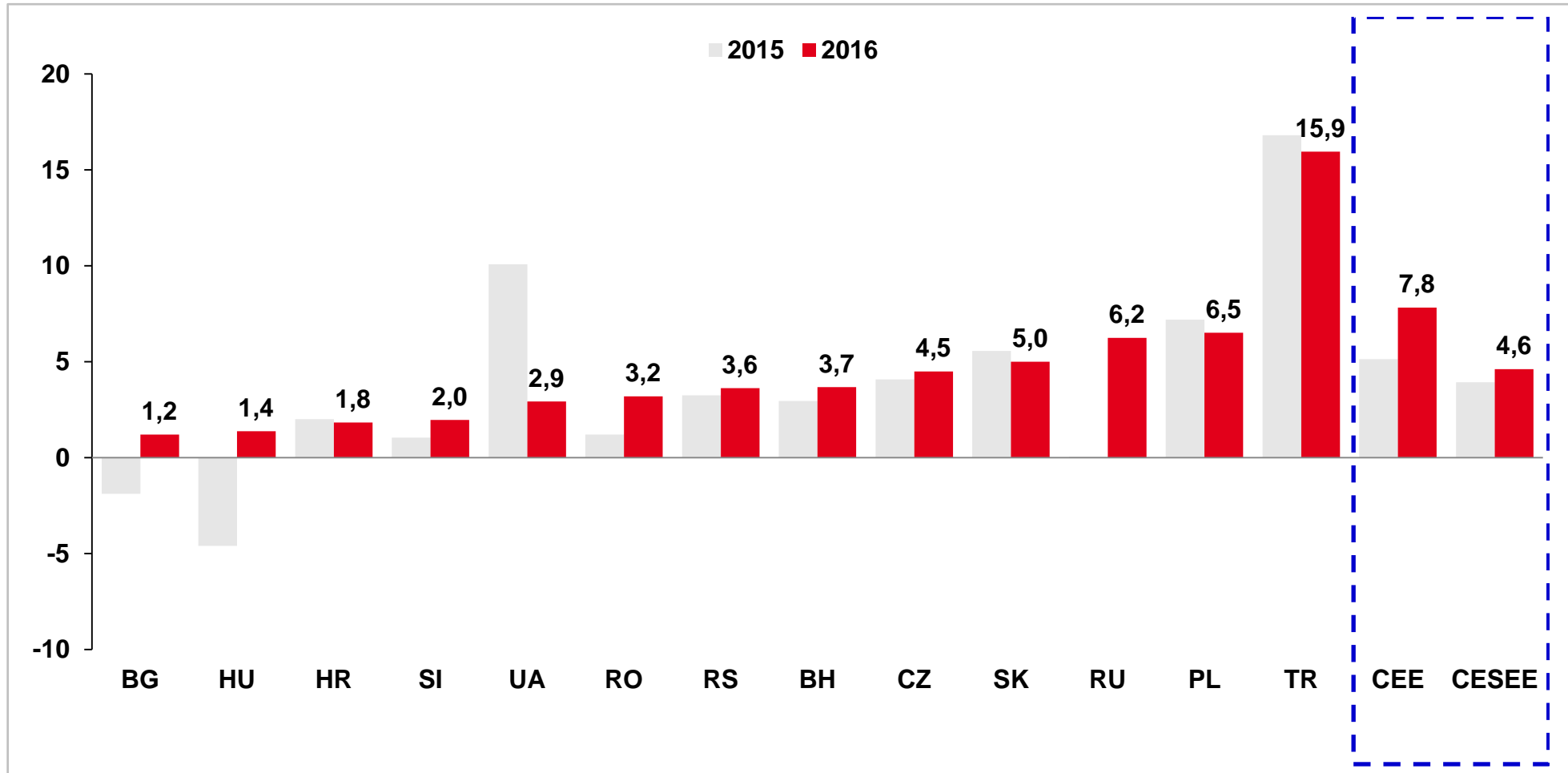


4 (1) Local currency terms, EUR FX end-2013 constant



Loan growth likely to moderately improve/ reappear in several countries, as cross-country differentiation remains a key feature

Gross loans growth, % ⁽¹⁾



(1) Growth rate for aggregates are in local currency terms, EUR FX end-2013 constant



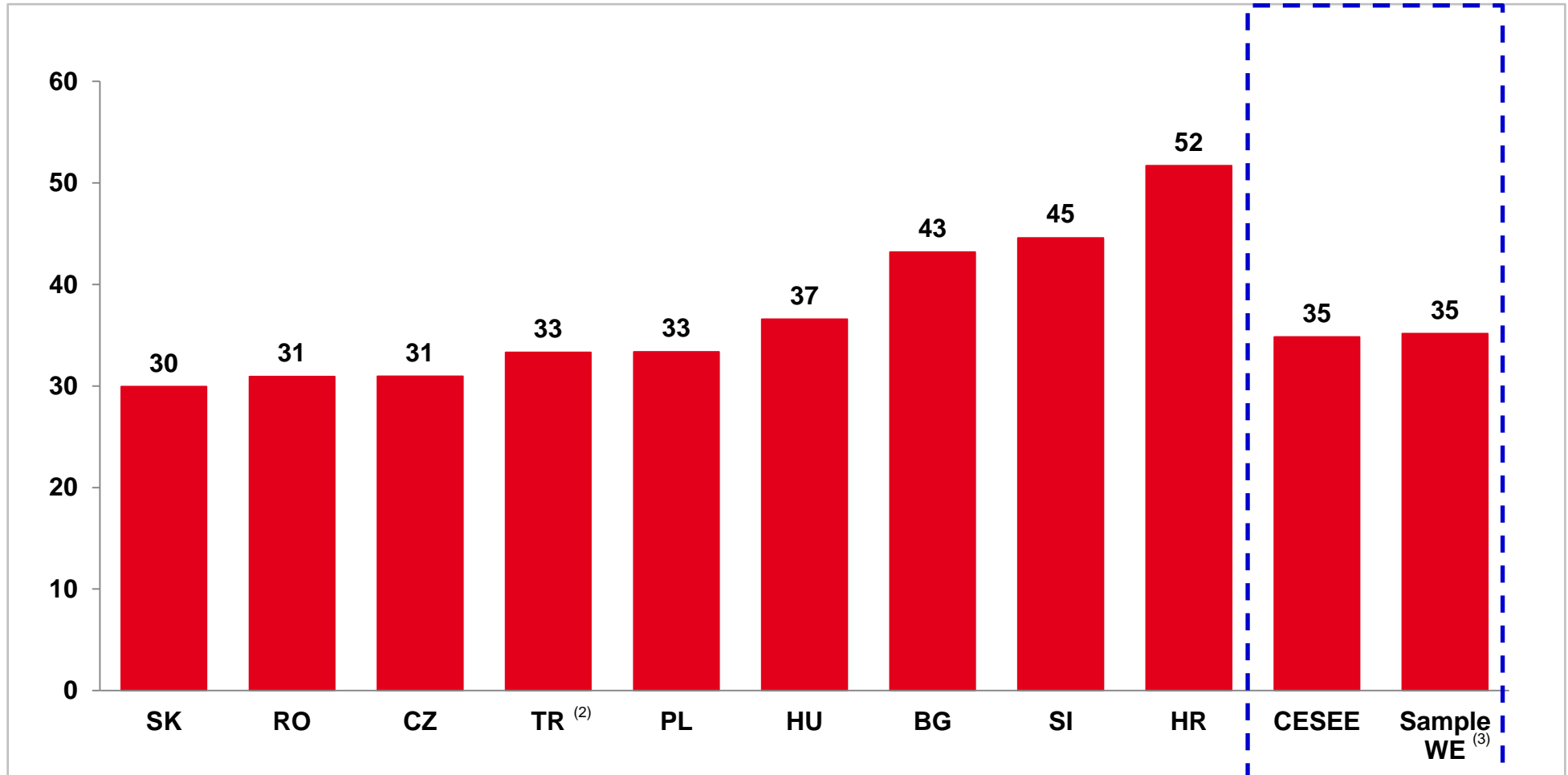
NPL ratios remain high, improving in some countries

	NPL ratio, %			Drivers of the expected improvement
	2014 E	2015 F	2016 F	
Turkey	2.8%	3.1%	3.3%	<input type="checkbox"/> Economic recovery
Slovakia	5.5%	5.4%	5.2%	<input type="checkbox"/> Government support e.g. state owned bad banks (e.g. Slovenia)
Czech R.	6.0%	5.7%	5.4%	
Poland	7.2%	6.8%	6.3%	
Russia	12.0%	19.0%	20.0%	
Romania	13.9%	9.1%	8.5%	<input type="checkbox"/> NPL portfolio sales (e.g. Romania)
Bosnia & Herzegovina	14.0%	15.0%	15.4%	
Slovenia	14.0%	13.0%	12.0%	
Bulgaria	16.7%	17.6%	16.1%	
Croatia	16.9%	17.7%	18.0%	
Hungary	20.1%	18.5%	17.5%	
Serbia	23.0%	23.0%	21.5%	
Ukraine	27.7%	32.0%	33.0%	
CEE	9.6%	11.7%	11.4%	
CESEE	10.4%	9.6%	8.9%	



Corporate debt shares in CEE countries close to cumulative for Austria, Germany, and Italy, although with cross-country differentiation

Corporate debt, share of total corporate liabilities, % ⁽¹⁾



(1) Data refer to 2013, corporate debt includes: Debt securities, Bank loans, and Other loans (mainly intercompany loans)

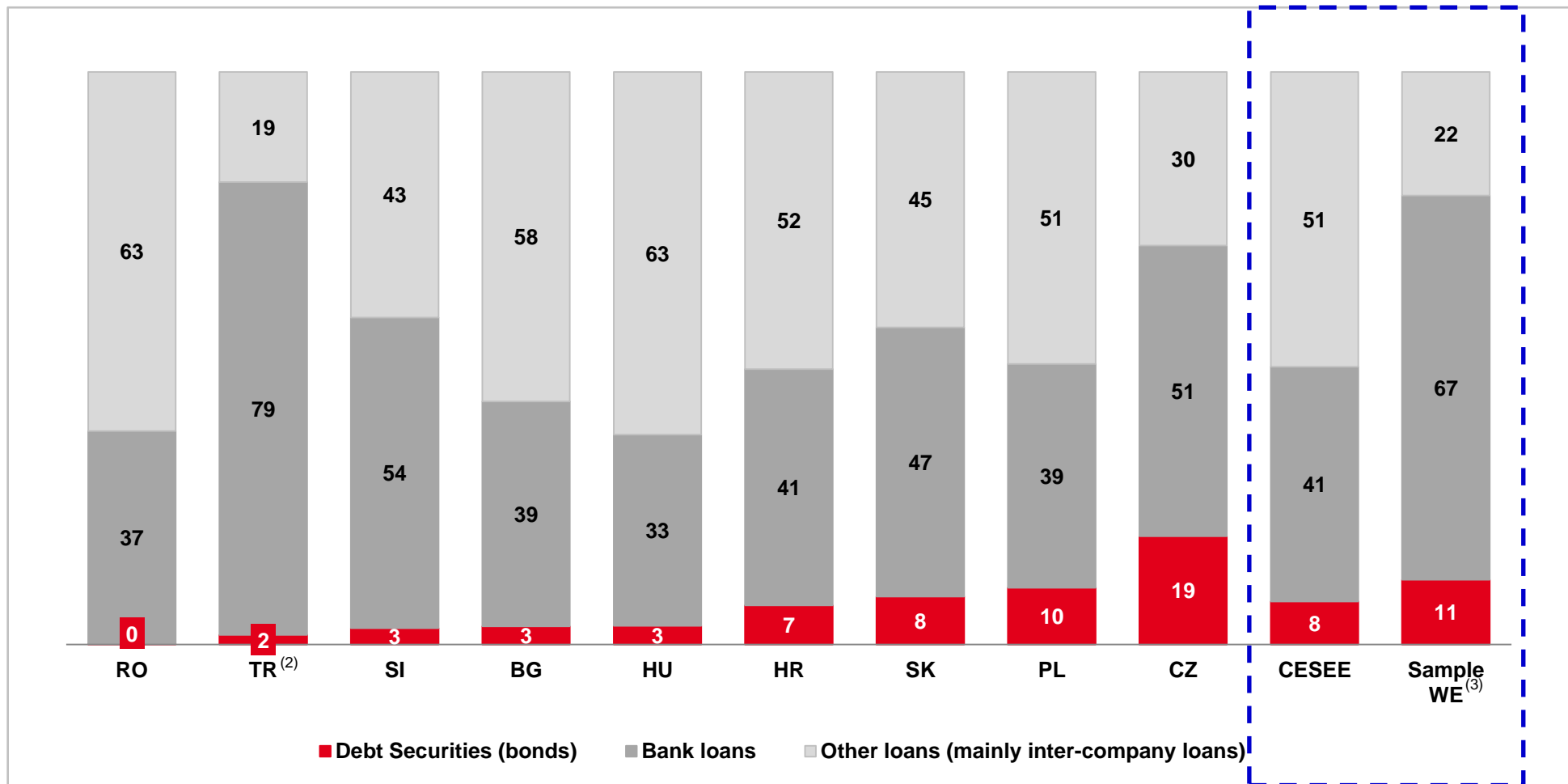
(2) Turkey data are based on a sample of 9115 companies

(3) Austria, Germany, Italy



Corporate debt breakdown shows expansion scope for both bank lending and debt securities

Corporate debt breakdown, % share of total debt ⁽¹⁾



(1) Data refer to 2013, Debt securities: all types of bonds; Bank loans: banking sector loans; Other loans: mostly non-domestic loans, which are mainly inter-company loans.

8 (2) Turkey data are based on a sample of 9115 companies

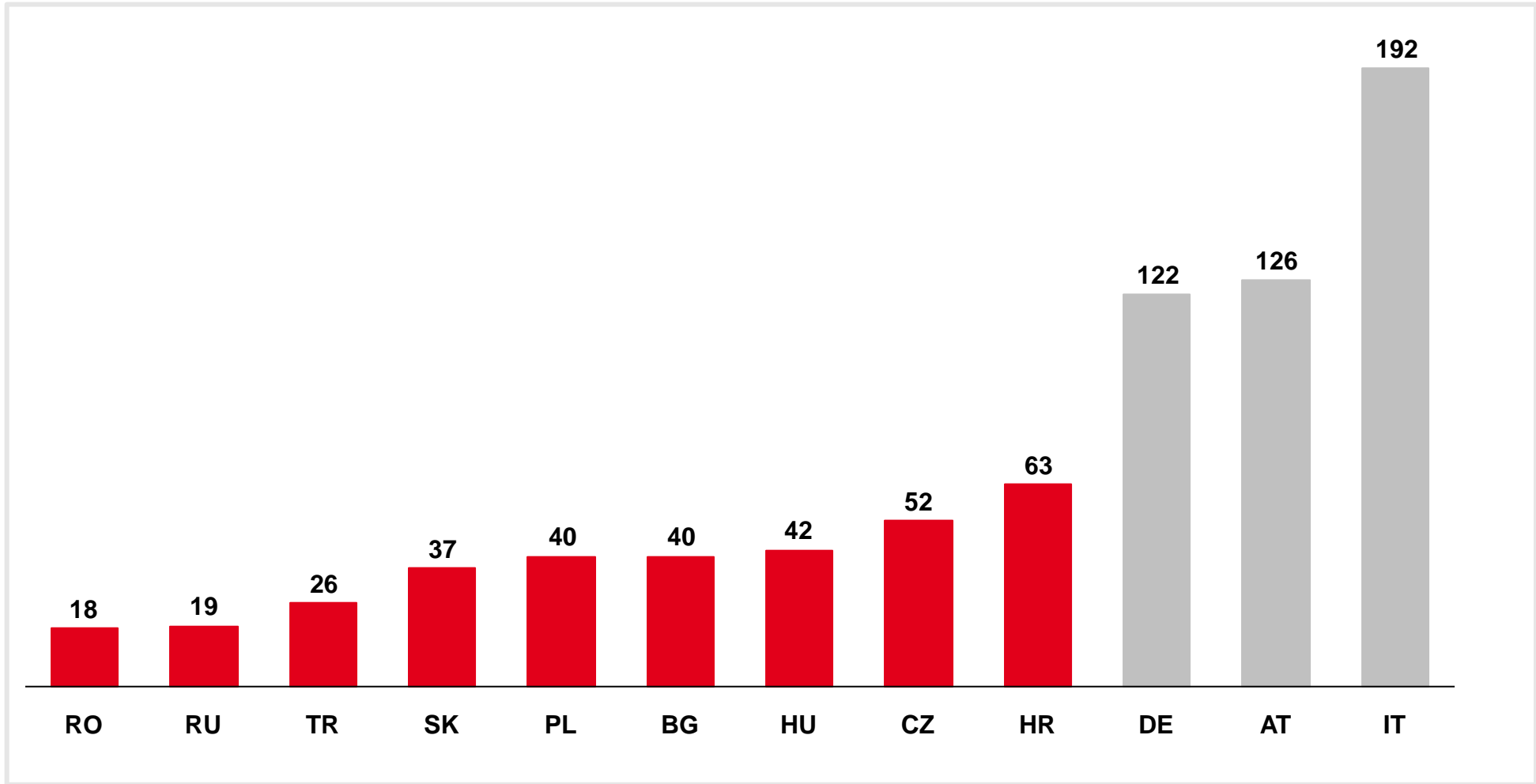
(3) Austria, Germany, Italy

Sources: Eurostat, UniCredit CEE Strategic Analysis



Significant scope for convergence in CEE household wealth levels

Household Net Financial Wealth in % of GDP ⁽¹⁾

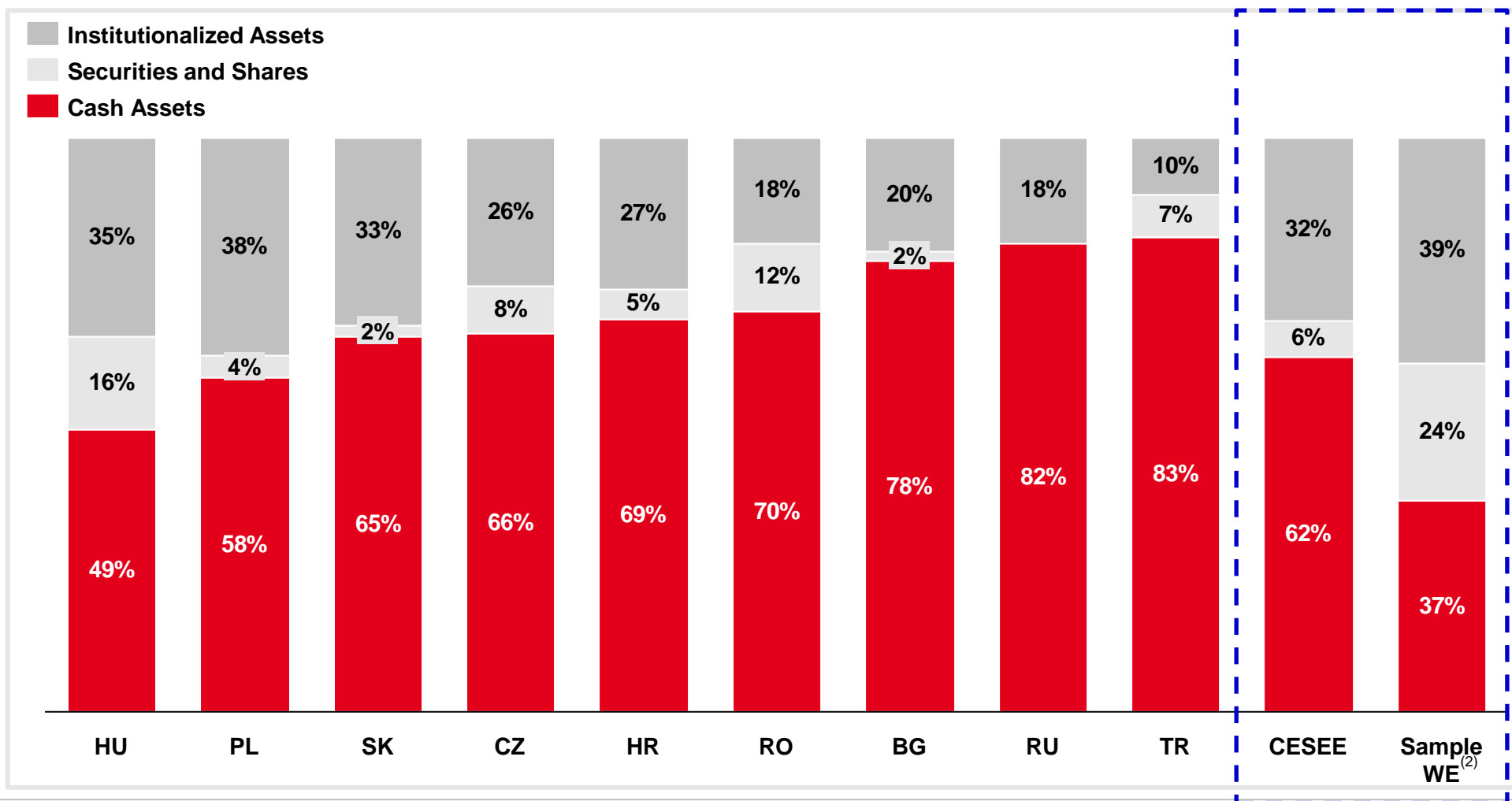


(1) Net Financial Wealth defined as Total Financial Assets (Cash Assets, Securities and shares, Mutual and pension funds, Insurance technical reserves) minus Total Financial Liabilities (Loans). Some data based on estimates. Data refer to December, 2014 for CEE countries and September 2014 for Western European countries.



There seems to be room for greater product sophistication away from cash and bank deposits as well

Composition of Household Total Financial Assets ⁽¹⁾



(1) Data refer to December 2014 for CEE countries and September 2014 for Western European countries. Cash Assets are defined as currency, retail bank deposits and savings in building societies; securities and shares are defined as listed shares and securities other than shares; institutionalized assets refer to mutual and pension funds and insurance technical reserves..

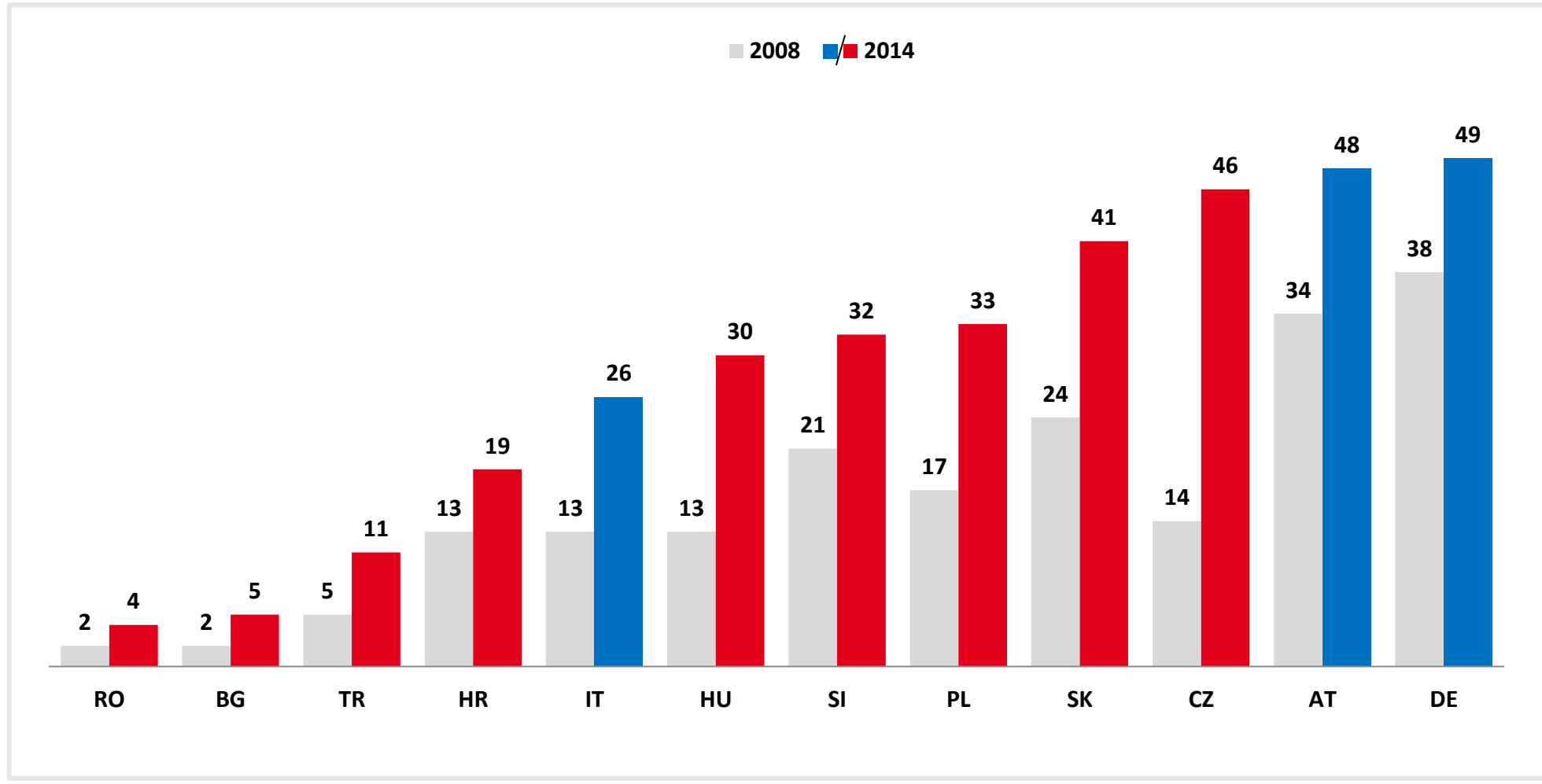
(2) Austria, Germany, Italy

Sources: Pioneer Investments Economic & Market Research, UniCredit CEE Strategic Analysis, Central banks, Local statistics



Internet banking usage in CEE is still below levels in Austria and Germany but seems to be catching up, at least in some countries

Usage of Internet banking , % ⁽¹⁾

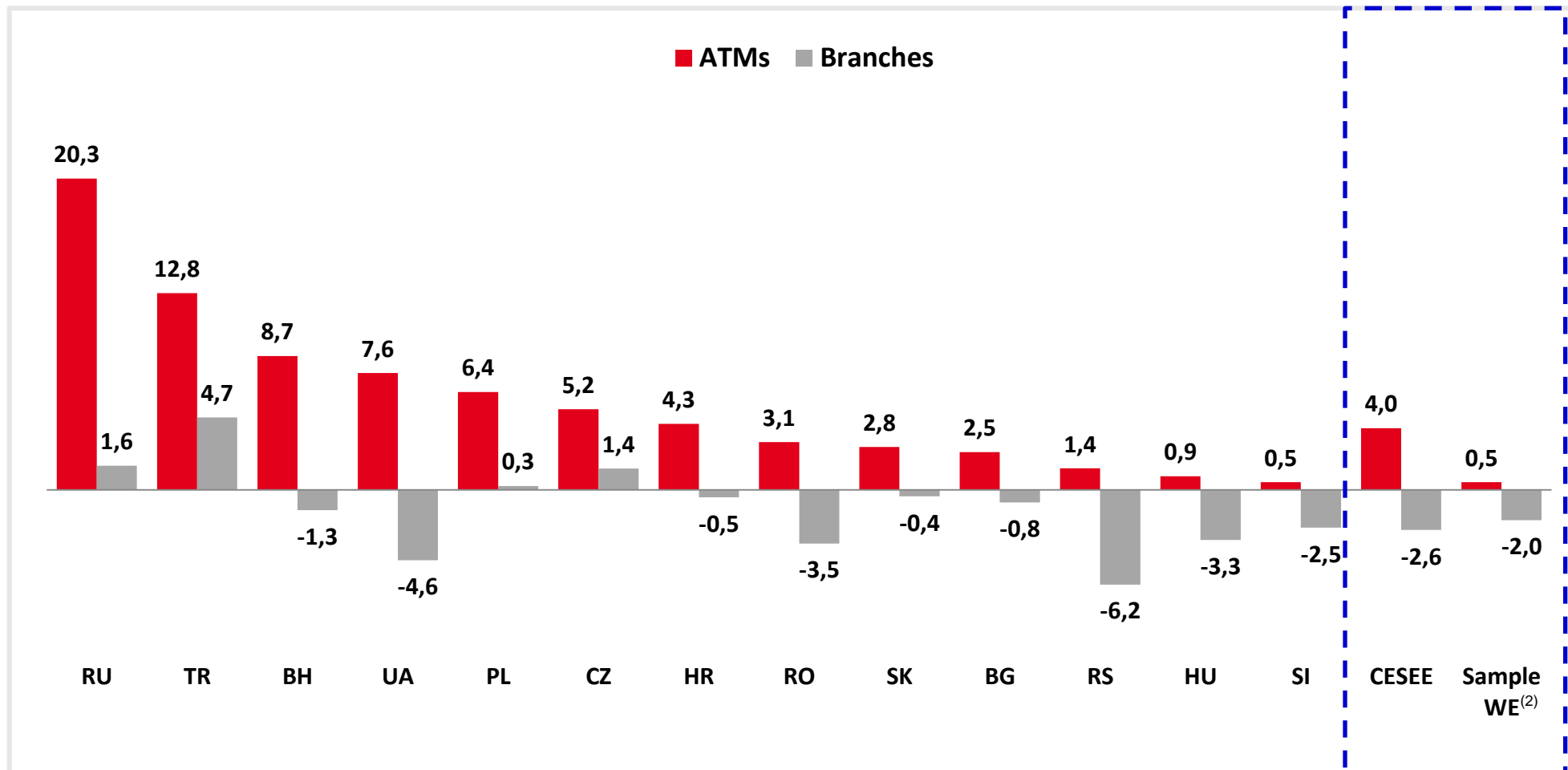


(1) Individuals using the internet for internet banking, % of individuals aged 16 to 74



Growth in ATMs in contrast with dynamics in the number of branches

Branches and ATMs evolution, CAGR ⁽¹⁾ 2008-2013



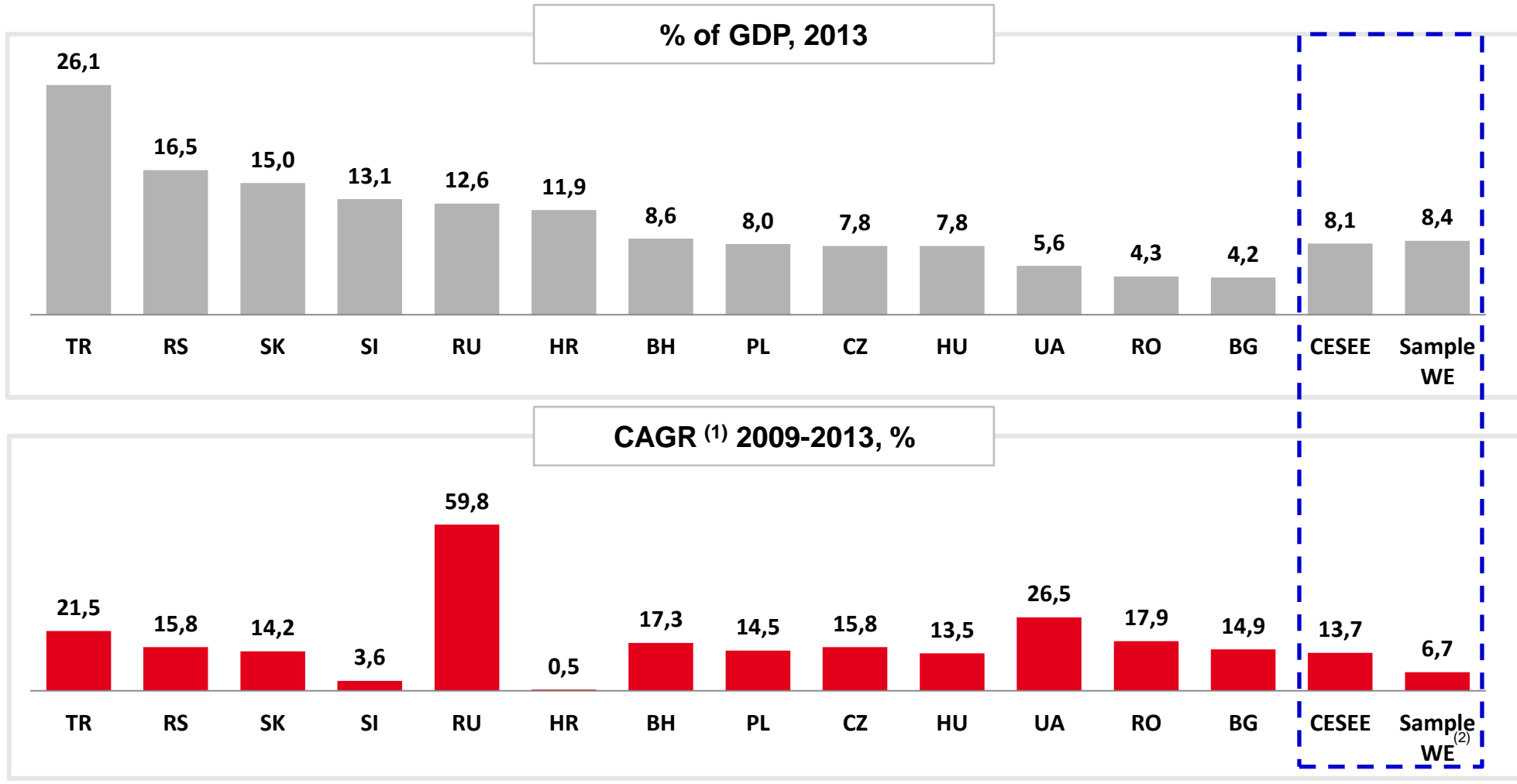
(1) CAGR is Compound Annual Growth Rate

(2) Austria, Germany, Italy



Card transactions in many CEE countries growing faster than in Austria, Germany, and Italy

Card Payments



(1) CAGR is Compound Annual Growth Rate

(2) Austria, Germany, Italy



UniCredit: a leading position in Central and Eastern Europe

CEE Division

Data as of
FY 14

	Total assets ⁽¹⁾ EUR bn	Net profit ⁽²⁾ EUR mn	Number of branches	Countries of presence ⁽³⁾	% in Group revenues
UniCredit ⁽⁴⁾	116	958	2,463 ⁽⁵⁾	13	17
Raiffeisen ⁽⁶⁾ BANK	79	252	2.852	17	81
ERSTE BANK	75	-257	1.828	6	53
SOCIETE GENERALE	73	681	2.450	15	14
KBC	49	524	761	4	29
INTESA SANPAOLO	37	-53	1.204	10	10
otpbank	35	-331	1.421	9	n.m

(1) 100% of total assets for controlled companies (stake > 50%) and pro rata for non- controlled companies (stake < 50%), except for OTP.

(2) After tax and before minorities.

(3) Including direct and indirect presence in the 25 CEE countries, excluding representative offices

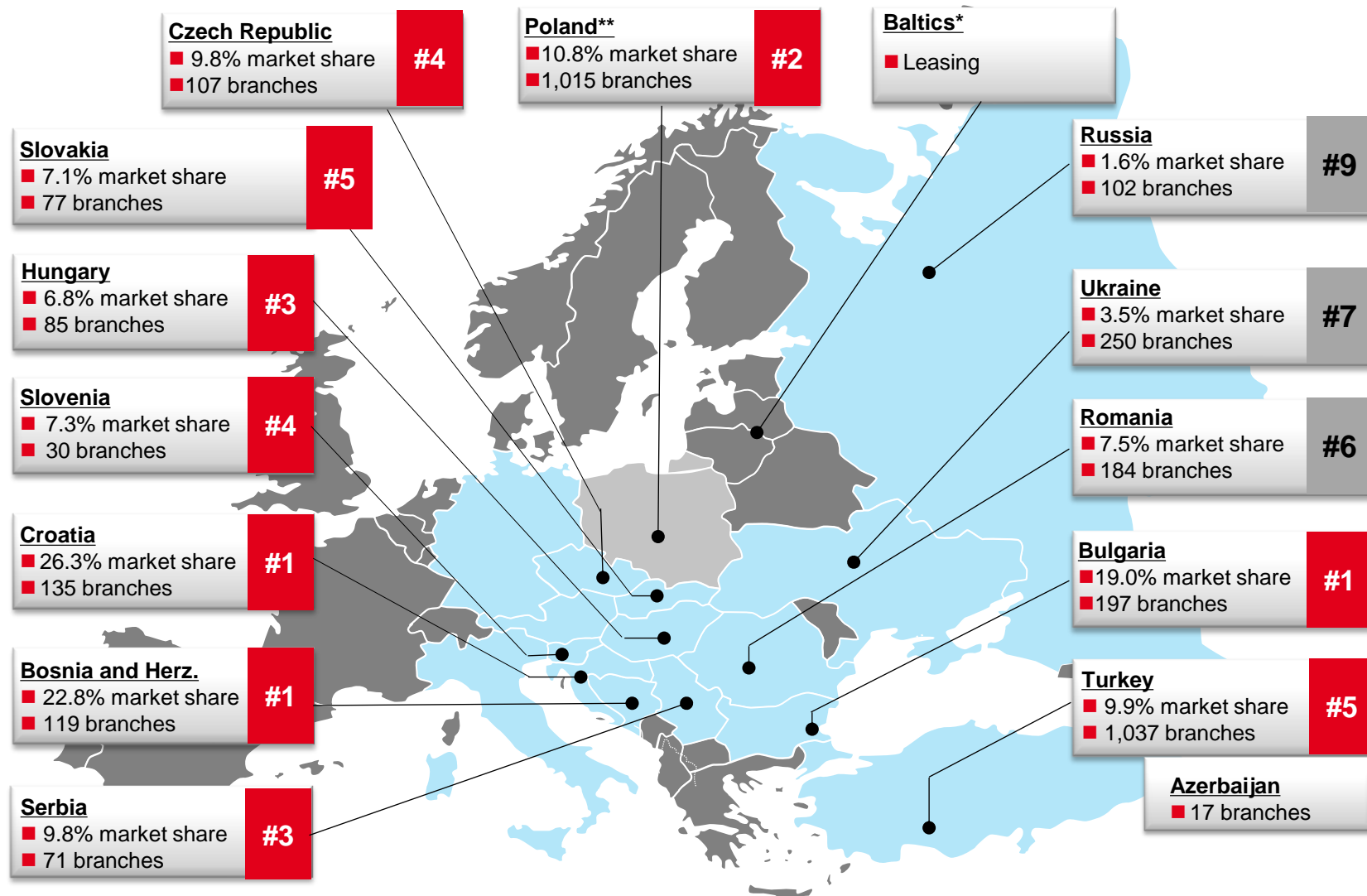
(4) Bank Austria view.

(5) Including branches in Turkey at 100%.

(6) Results of RBI exclude group corporate, markets and corporate center segments.



The geographic mix in CEE is a key success factor



* Estonia, Latvia, Lithuania.

** Poland is not a part of CEE Division.

Market shares: in terms of total assets according to local accounting standard, unconsolidated figures (2Q15: Bosnia & Herzegovina, Bulgaria, Russia, Turkey, Ukraine, Hungary, Czech Republic; Serbia), local accounting standard, consolidated figures 2Q15 (Croatia), IFRS (2Q15: Poland, Slovakia, Romania, Slovenia). Croatia and Hungary include mortgage bank. Branches: data as of 30 Jun-15. Bosnia & Herzegovina includes UniCredit Bank Banja Luka. Azerbaijan includes Yapi Kredi branches.



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