

SEE Banking Outlook: New market environment



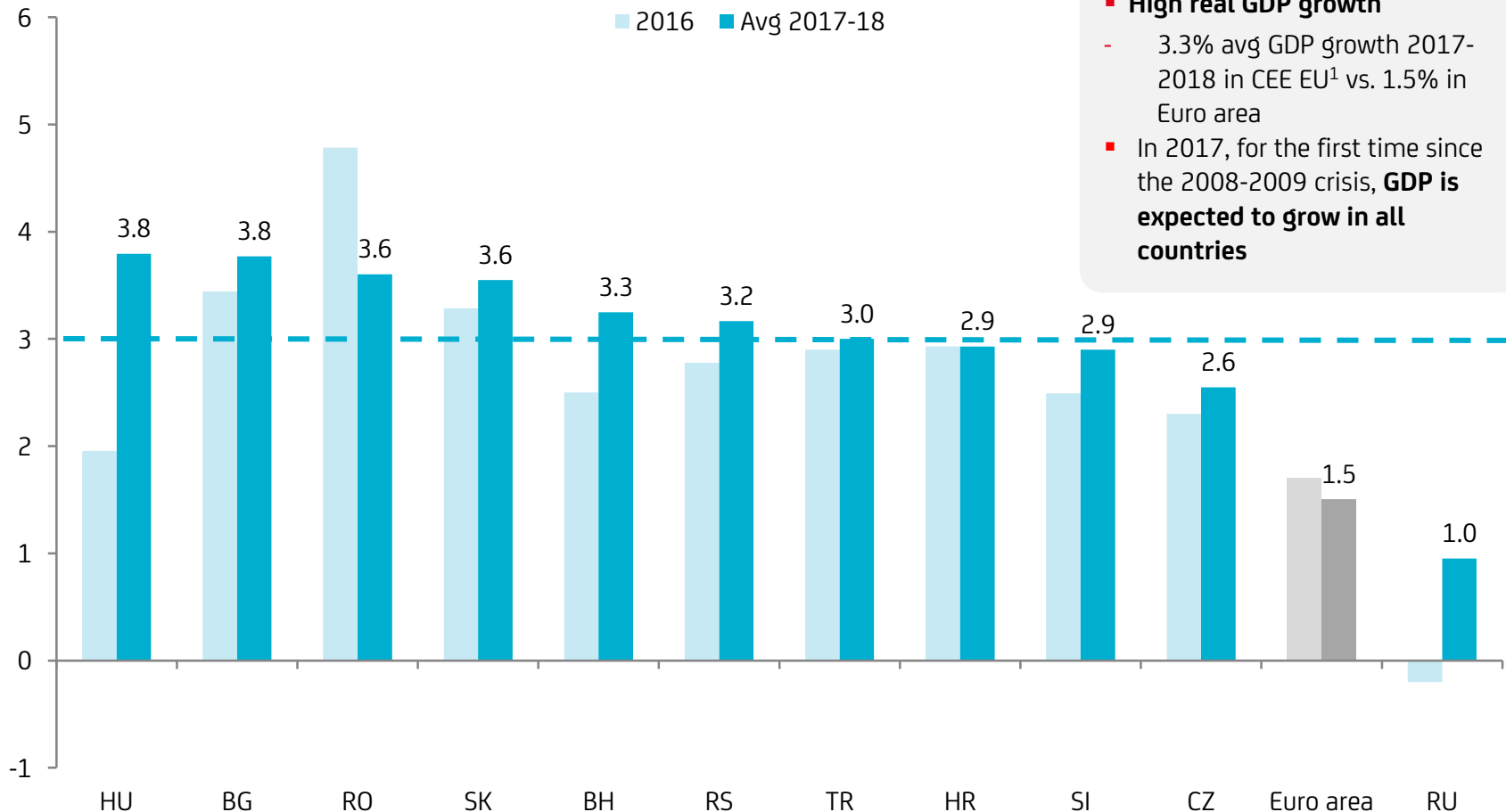
UniCredit SpA - Public

Workshop: Banking, Insurance and Financial Services Markets in South Eastern Europe
(Trieste, 26 May 2017)

Welcome to
UniCredit

Macro snapshot: Most countries to experience GDP growth at 3% or above

Real GDP growth, %



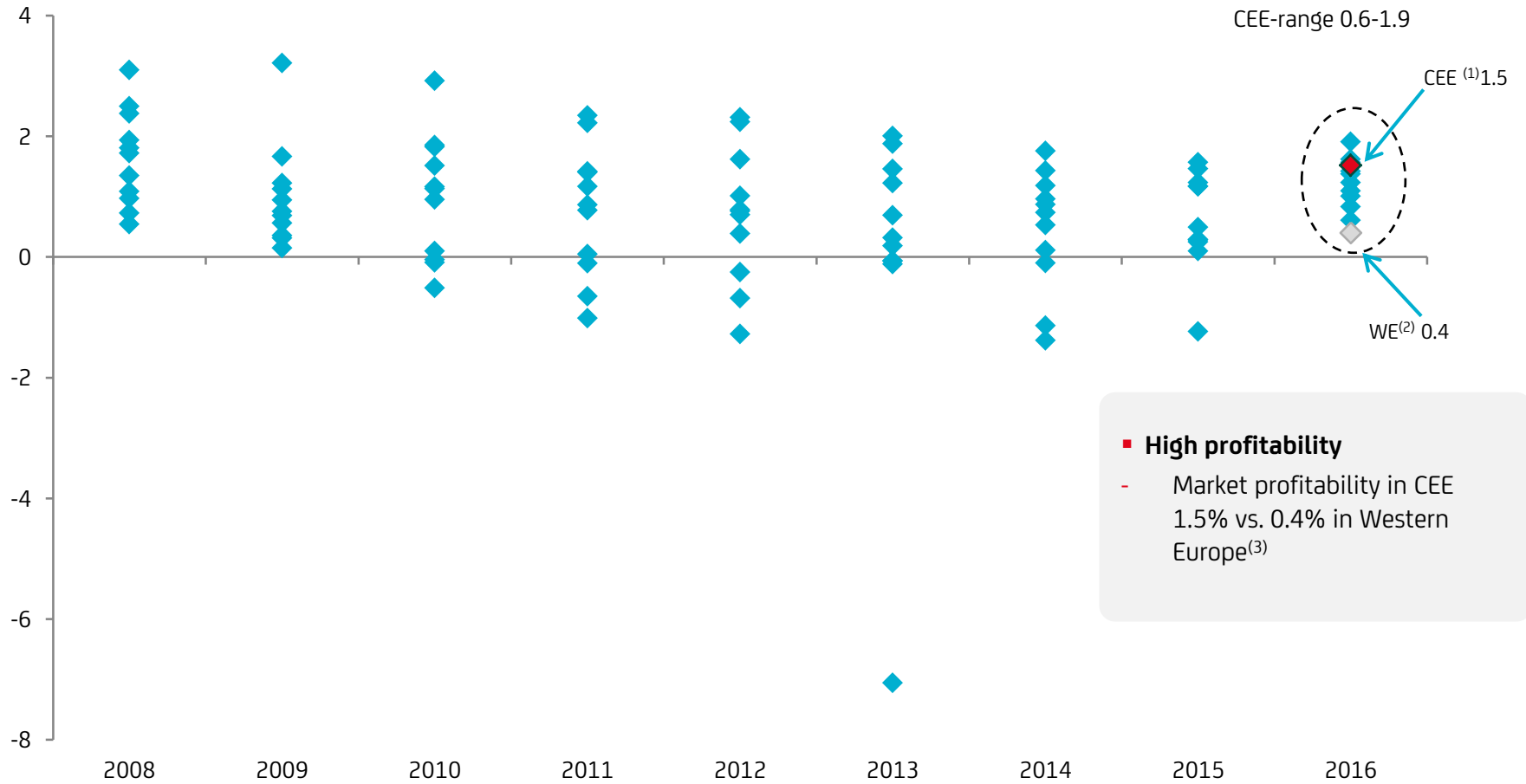
¹Bulgaria, Croatia, Czech Republic, Hungary, Romania, Slovakia, Slovenia, includes Bosnia and Herzegovina (managerially mainly under Zagrebacka Banka in Croatia) and Serbia (EU membership process initiated). If considering total CEE, GDP growth at 2.2%

Sources: UniCredit Research CEE Quarterly 2Q17, UniCredit Research Chartbook, UniCredit Strategy and Corporate Foresight



All banking sectors profitable in 2016, CEE profitability above WE

Profit Before Taxes / Avg. Total Assets, %



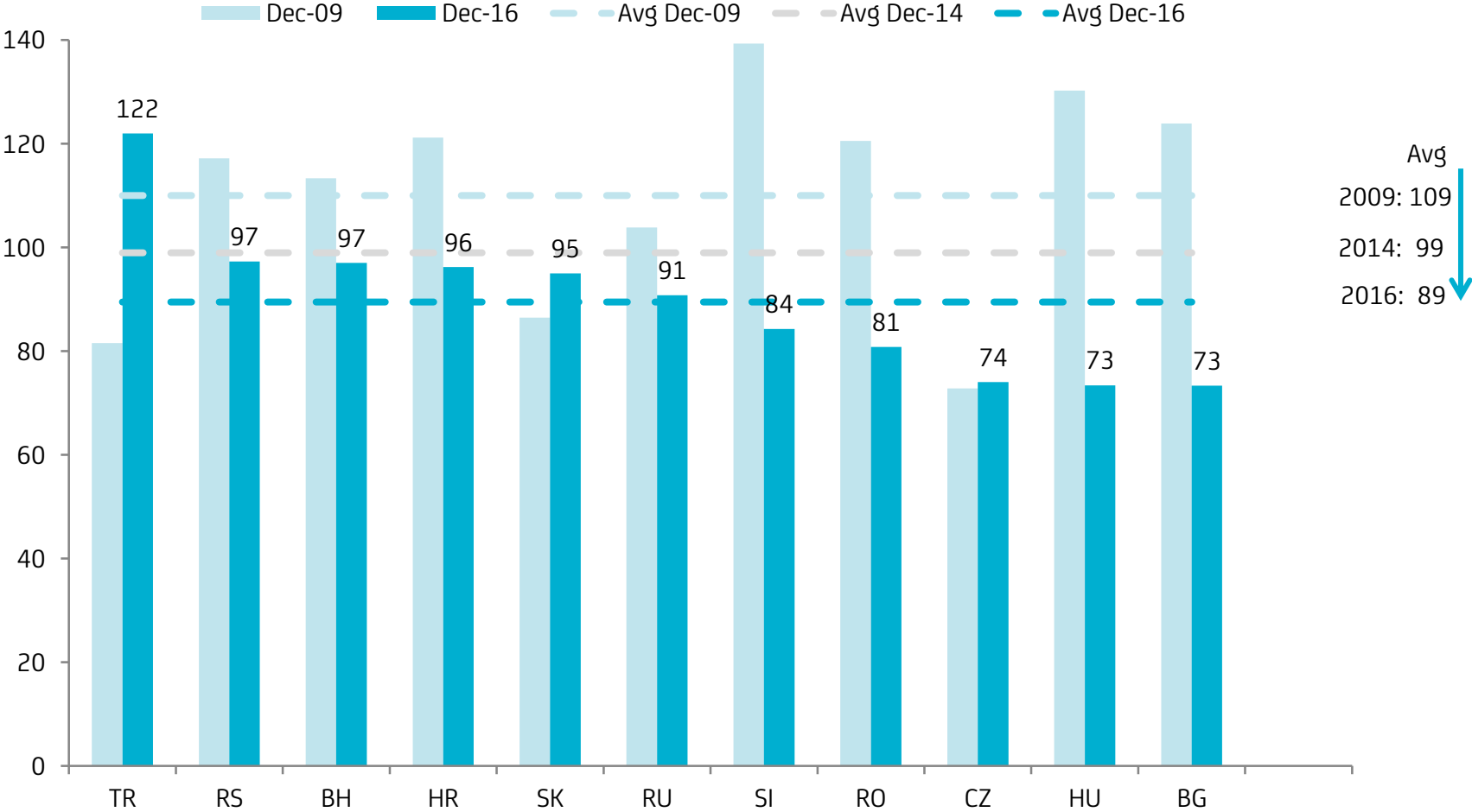
Notes: (1) CEE (Central Eastern Europe) includes Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia, and Turkey. (2) Western Europe includes Germany, Italy, Austria and it is an estimate based on partial data for 2016.

Source: National statistics, UniCredit Strategy and Corporate Foresight



A more sustainable funding model

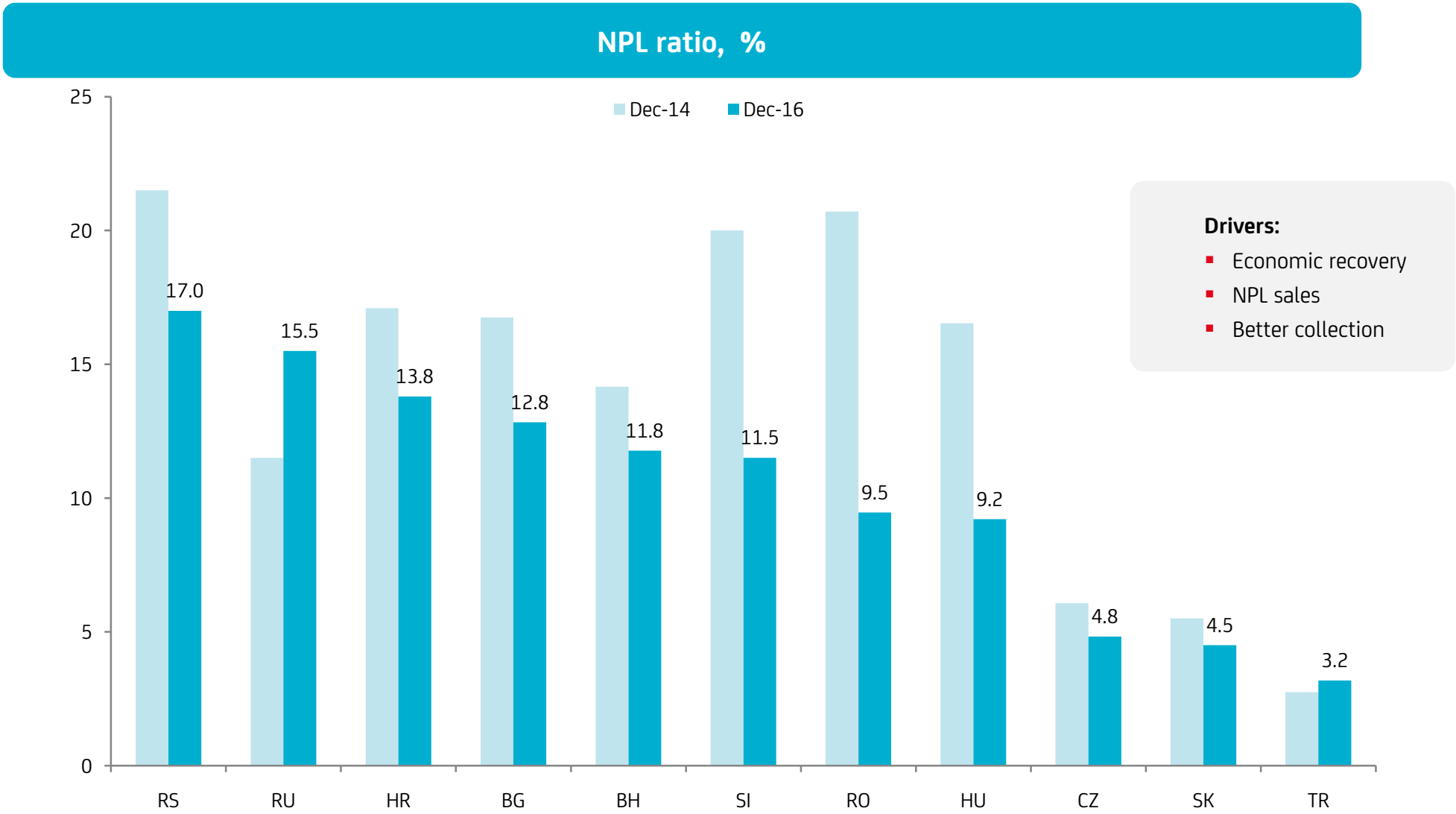
Loan to deposit ratio, %



Source: National statistics, UniCredit Strategy and Corporate Foresight



Asset Quality: significant reduction of NPL ratios in the region

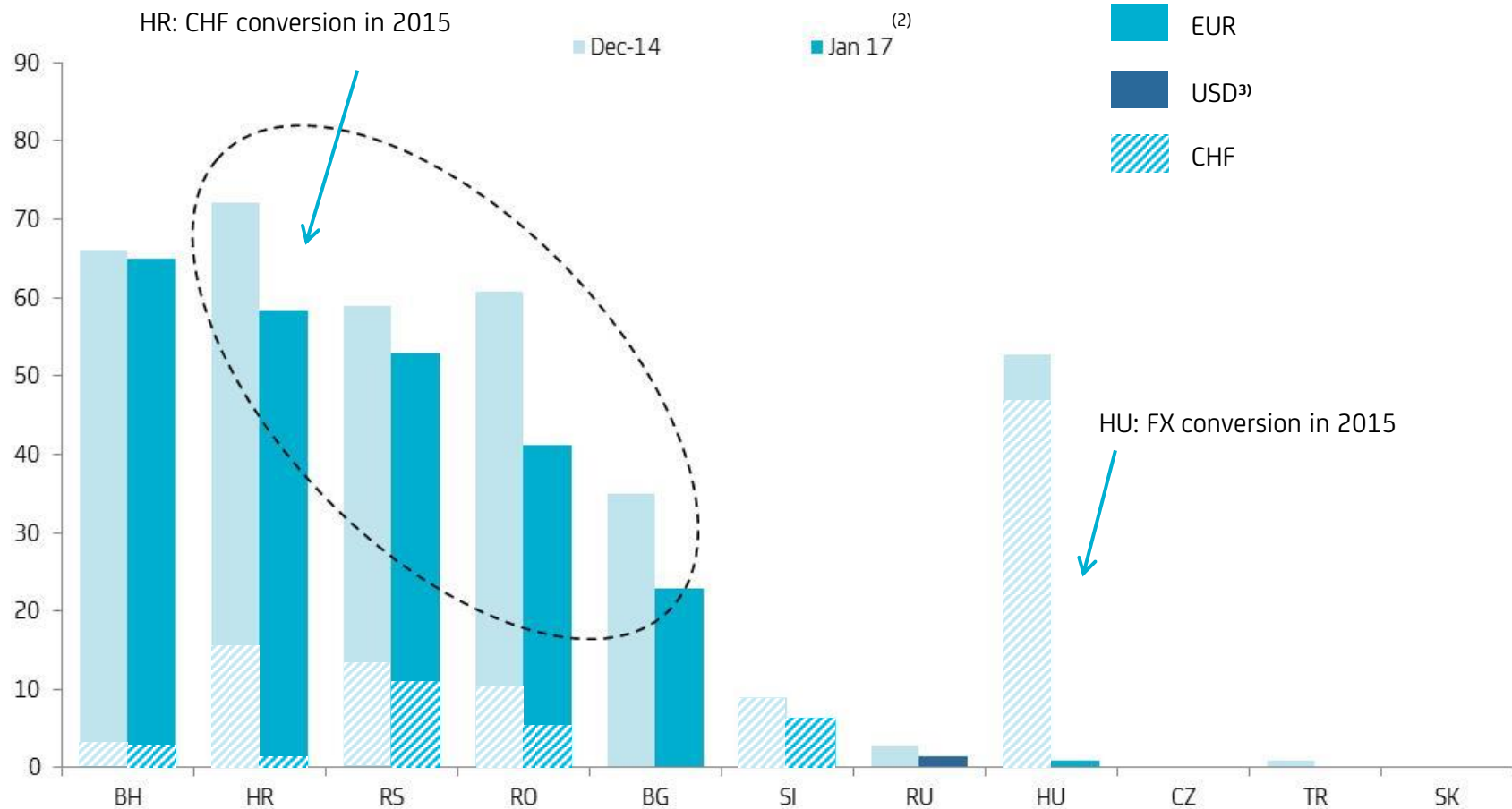


Notes: (1) NPL ratio refers to Top 30 banks; Figures for SI refer to June-15; (2) NPL ratio refers to Top 30 banks
Source: National statistics, UniCredit Strategy and Corporate Foresight



FX lending: Lower share of FX loans in retail, mainly EUR

FX loans share in retail⁽¹⁾, %



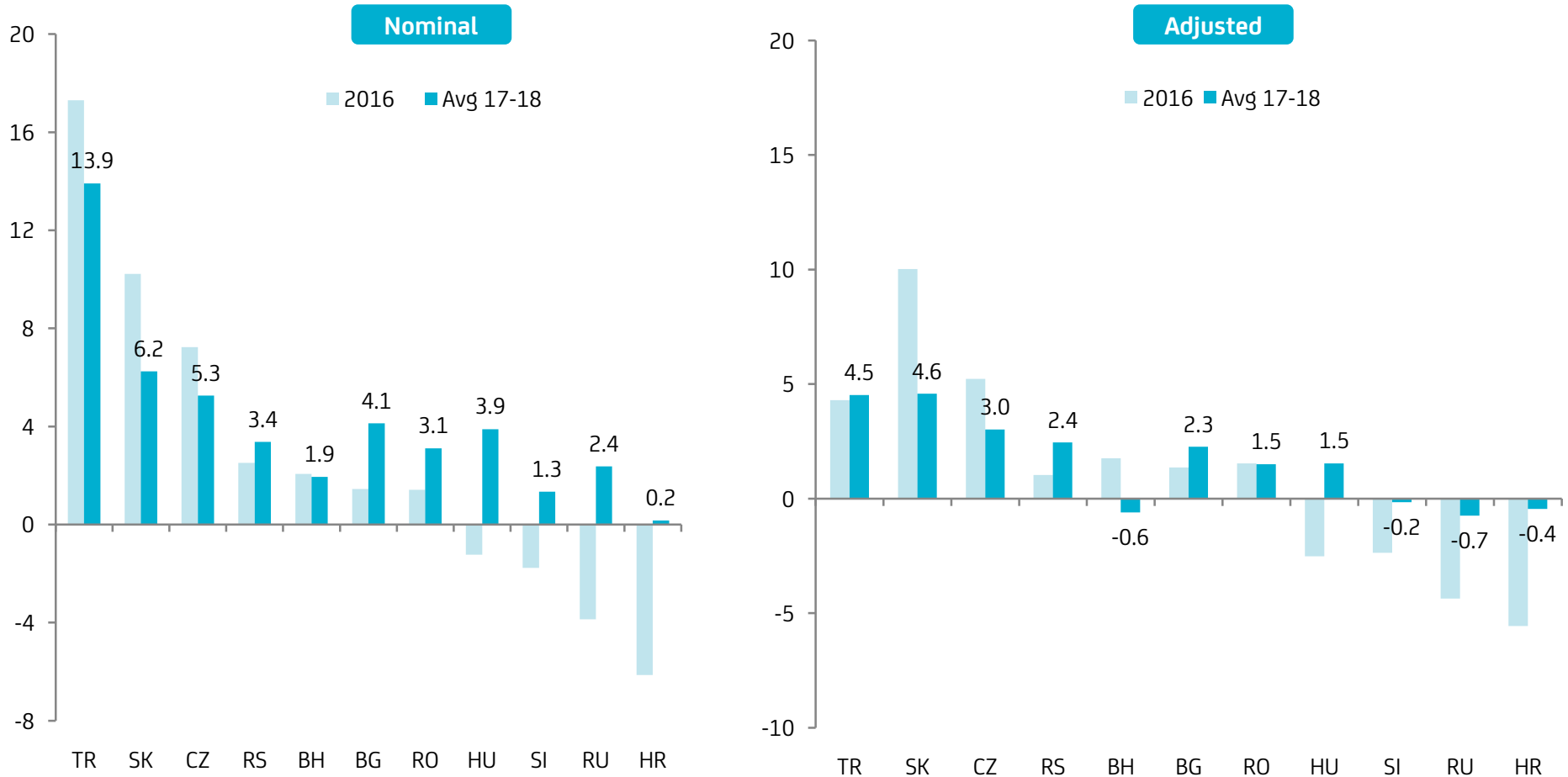
Notes: (1) Predominant part of FX loans share in retail is in EUR and in CHF. All currencies that have smaller than 1% share are not shown; (2) data for HR refer to Dec-16, data for BH refer to Dec-15. FX share for RU and TK mainly in USD.

Source: National statistics, UniCredit Strategy and Corporate Foresight



SEE Banking: Moderate recovery in lending going forward

Gross loans growth, nominal and adjusted for FX and inflation, %

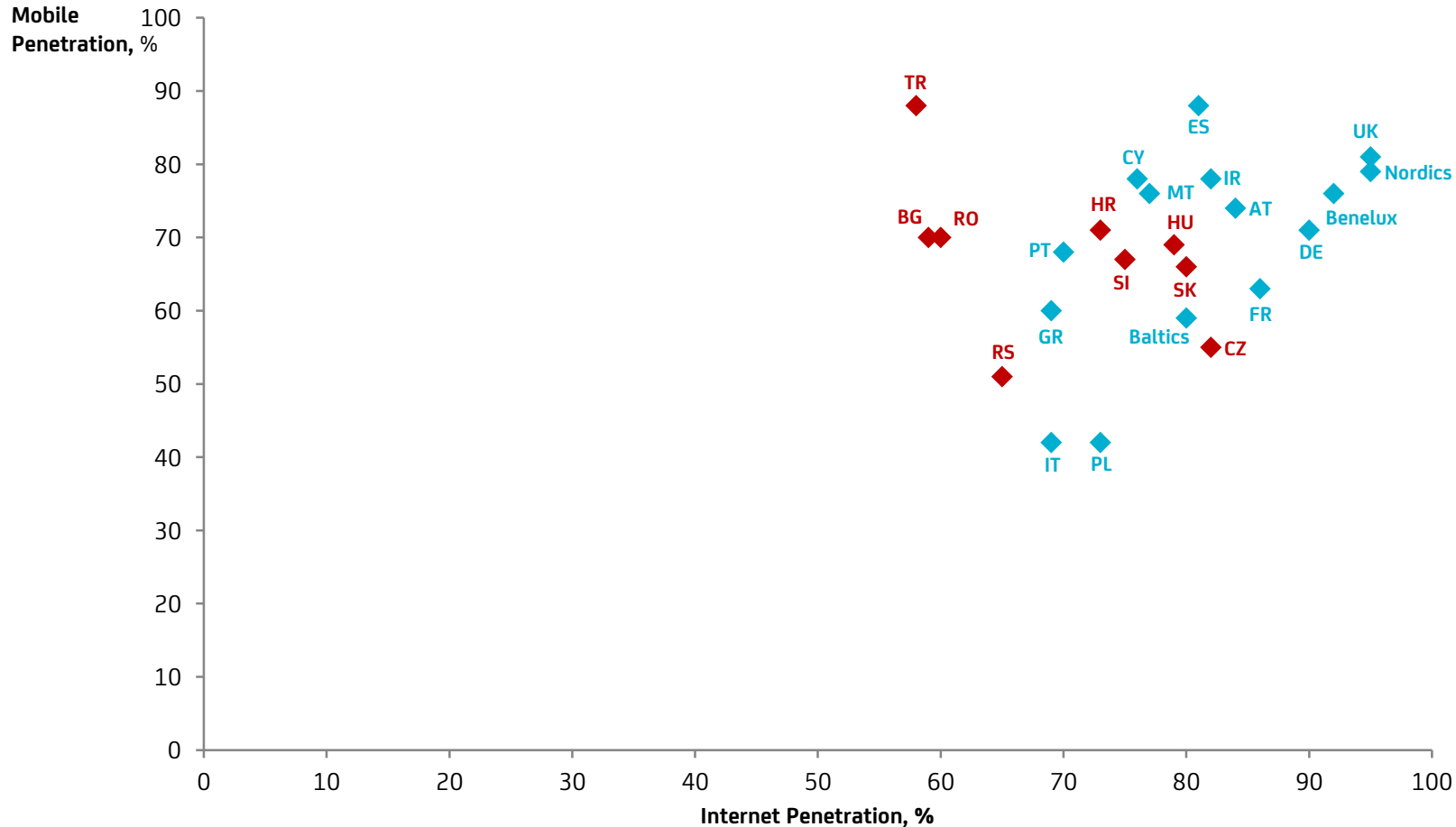


Notes: (1) Growth rates are adjusted for FX movements and for inflation.
 Source: National statistics, UniCredit Strategy and Corporate Foresight



New trends: Relative high digitalization in most countries in CEE

Internet and mobile penetration⁽¹⁾, %



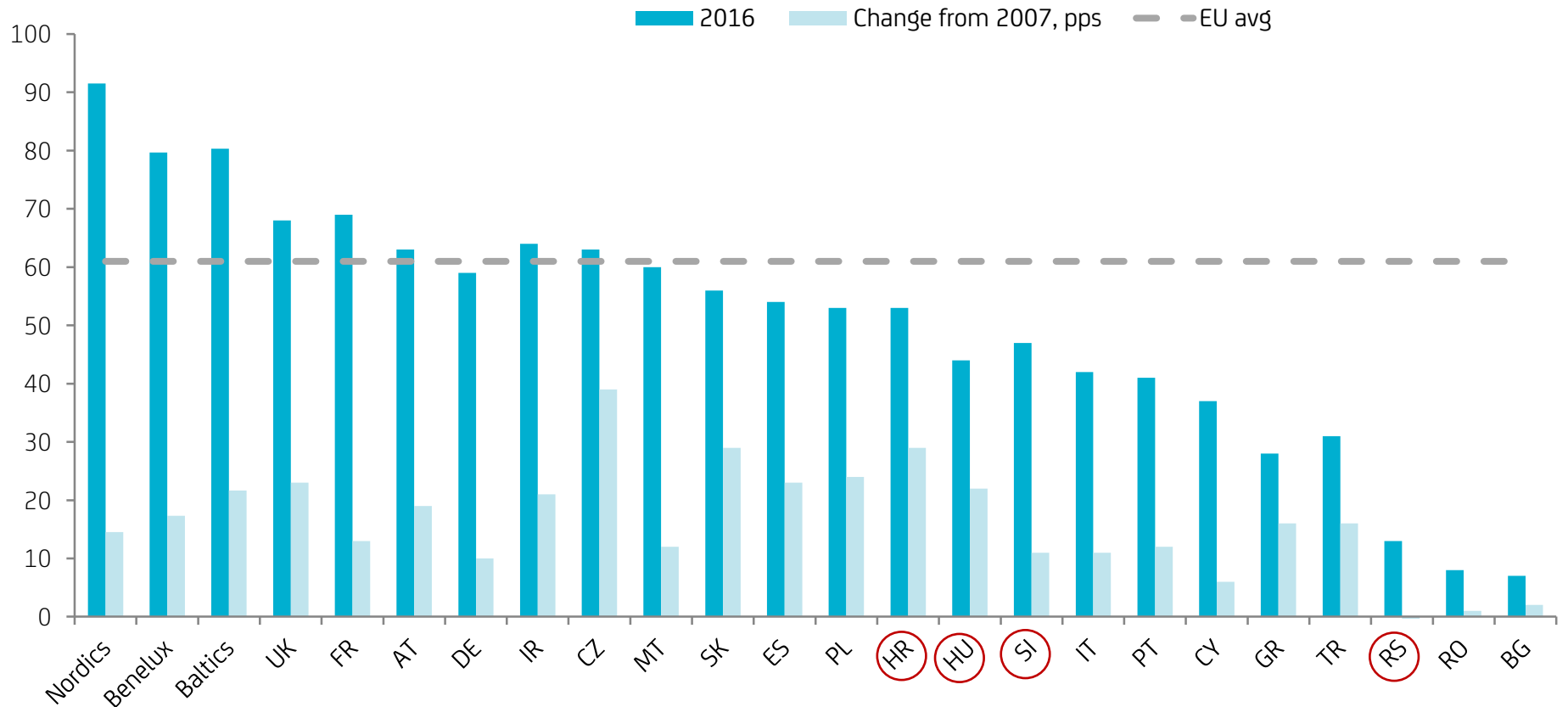
Notes: (1) percentage of individual using internet and mobile internet in the past 3 months. All data refer to 2016, only data for RS refer to 2015.

Source: Eurostat; UniCredit Research CEE Quarterly 2Q17, Unicredit Strategy and Corporate Foresight



Internet banking penetration in CEE is still below EU average but catching up

Usage of internet banking, % total individuals⁽¹⁾



Notes: (1) Percentage of individuals who have used internet in the last 3 months
 Source: Eurostat, Unicredit Strategy and Corporate Foresight



Key take-aways

The economy

- 1 Favorable macro-economic environment, with all SEE countries expected to report GDP growth in 2017, for the first time since 2008-2009 crisis

The banking sector

- 1 Good performance of the SEE banking sector, showing overall profitability in all SEE countries in 2016, for the first time since 2008-2009 crisis
- 2 Past vulnerabilities being addressed and leading to: a) a more sustainable funding model; b) a lower share of FX lending in retail; c) an ongoing improvement of asset quality
- 3 Lending expected to pick up in 2017-18, NPL ratios should decline further and overall profitability to remain higher than in Western Europe
- 4 Digitalization creating new opportunities

The headwinds

- 1 Low interest rate environment in some countries affecting profitability
- 2 Regulatory/legislative measures affecting banks profitability
- 3 PSD2 regulation introducing competition from banks and non-banks

