

---

## A bank perspective on commercial banking in CEE

---

**Martin Klauzer – Head of Finance, UniCredit Bank Austria**

---

2015 Vienna Initiative Full Forum meeting

**Context: a new funding model in the banking sector**

UniCredit Bank Austria commercial banking in CEE

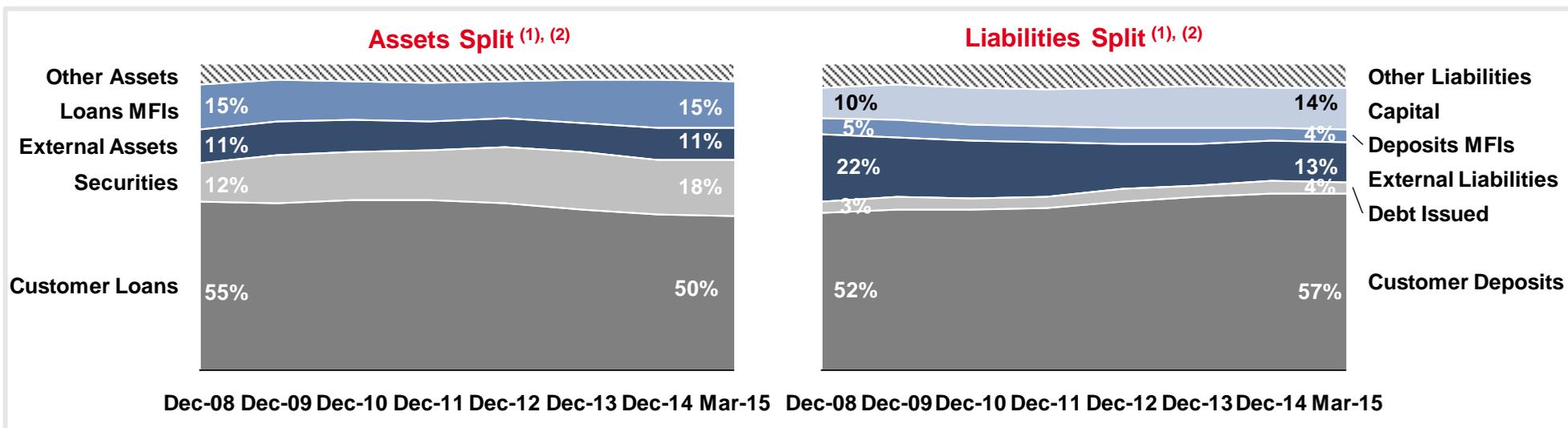
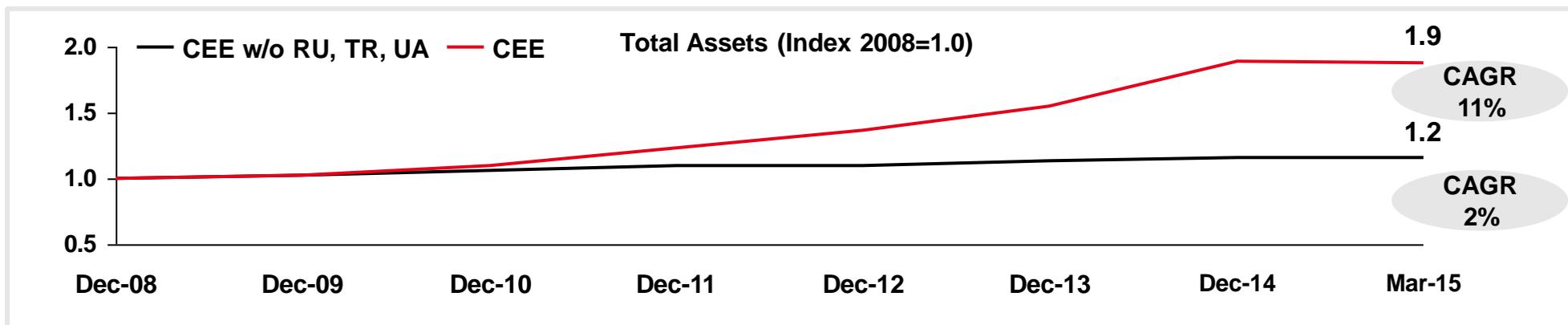
Looking forward

---



# The context: a new funding model, with greater relevance of deposits and capital (1/2)

## Banking sector balance Sheet Developments in CEE w/o RU, TR, UA (constant EUR FX) <sup>(1)</sup>



XX% Share of total assets/ liabilities

(1) Calculated at constant EUR FX=2013

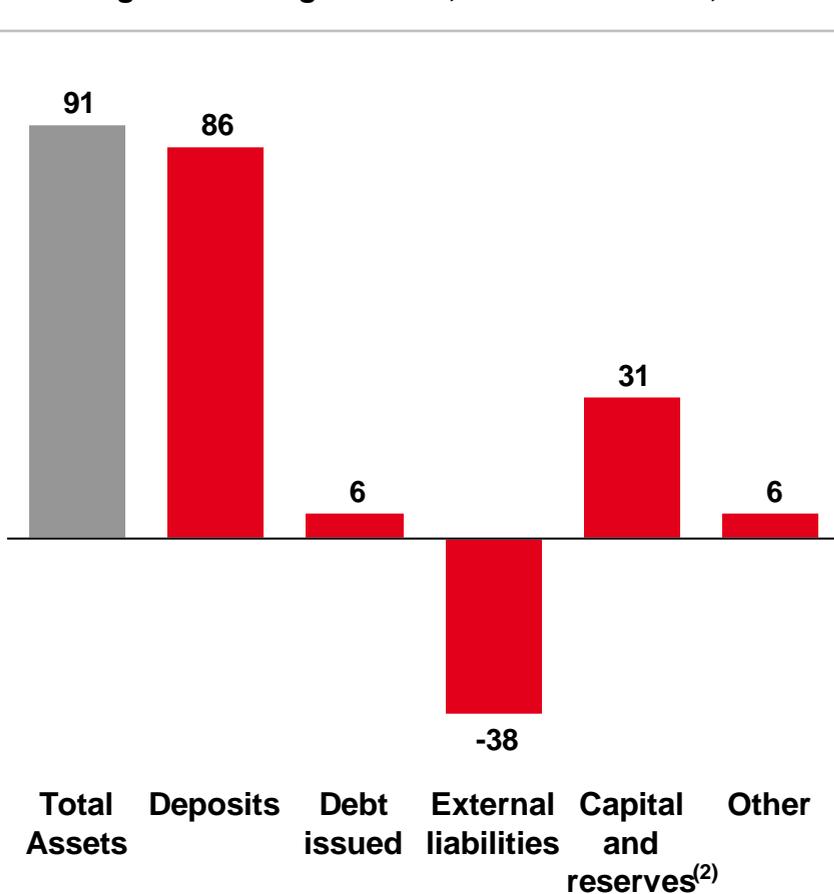
(2) Cumulative growth (Dec 2008 – Mar 2015): customer loans: 6%, securities: 72%, external assets: 9%, deposits: 29%, debt issued: 29%, capital and reserves: 54%, external liabilities: -31%.



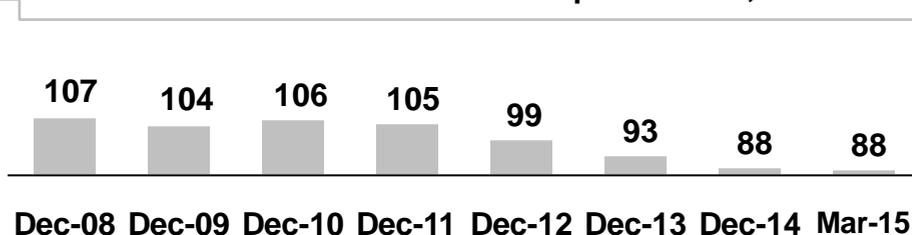
# The context: a new funding model, with greater relevance of deposits and capital (2/2)

## Banking sector CEE w/o RU, TR, UA – Evolvement of funding sources <sup>(1)</sup>

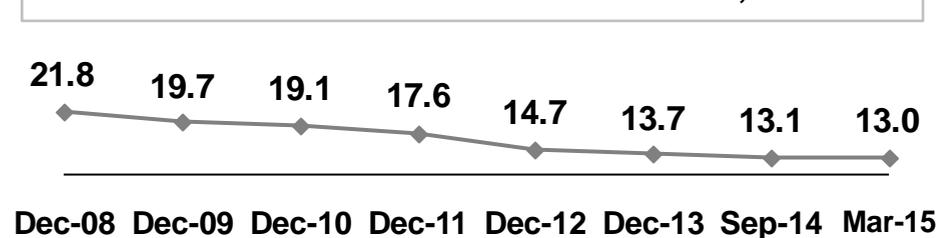
Change in funding sources, Dec'08 – Mar'15, EUR bn



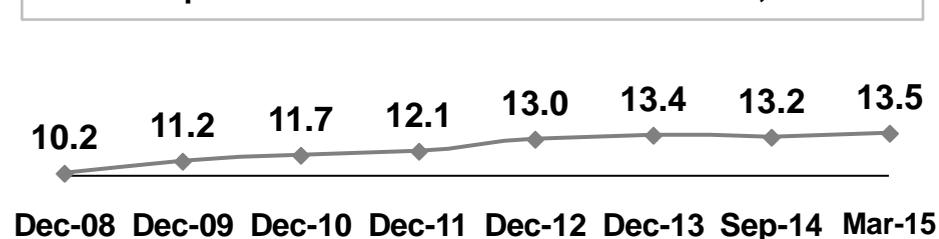
Gross Customer Loans / Deposits ratio, %



External Liabilities / Total Assets ratio, %



Capital and Reserves / Total Assets ratio, %

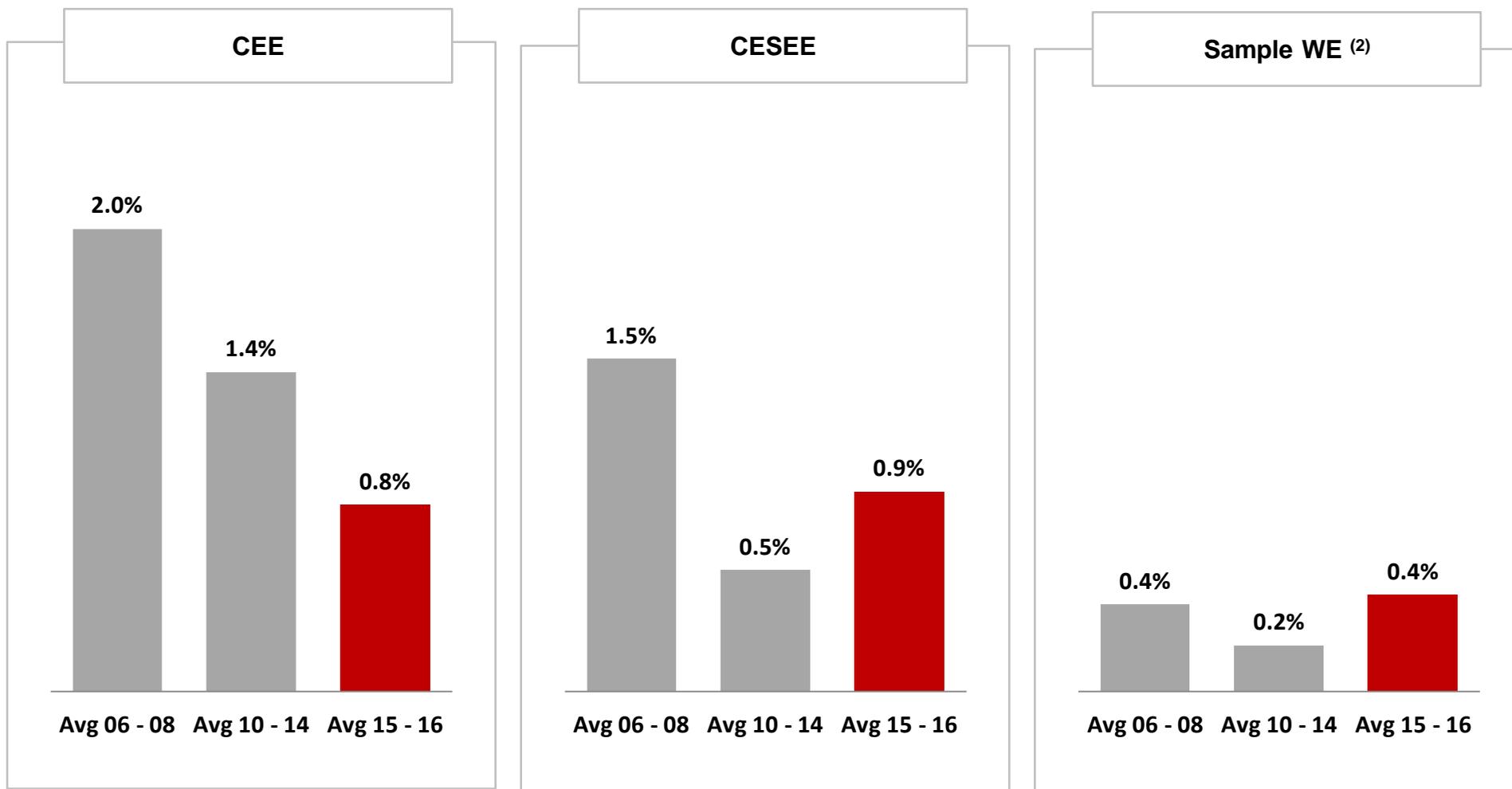


(1) Local currency terms (EUR FX end-2013 constant); (2) External liabilities correspond to financing from non-residents, mainly including parent banks' funding



# The context: more sustainable profitability in CESEE, still above AT, DE, IT. In CEE as a whole profitability affected by Russia

## Banking Sector Return on Assets <sup>(1)</sup>



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

(2) Austria, Germany, Italy

Context: a new funding model in the banking sector

**UniCredit Bank Austria commercial banking in CEE**

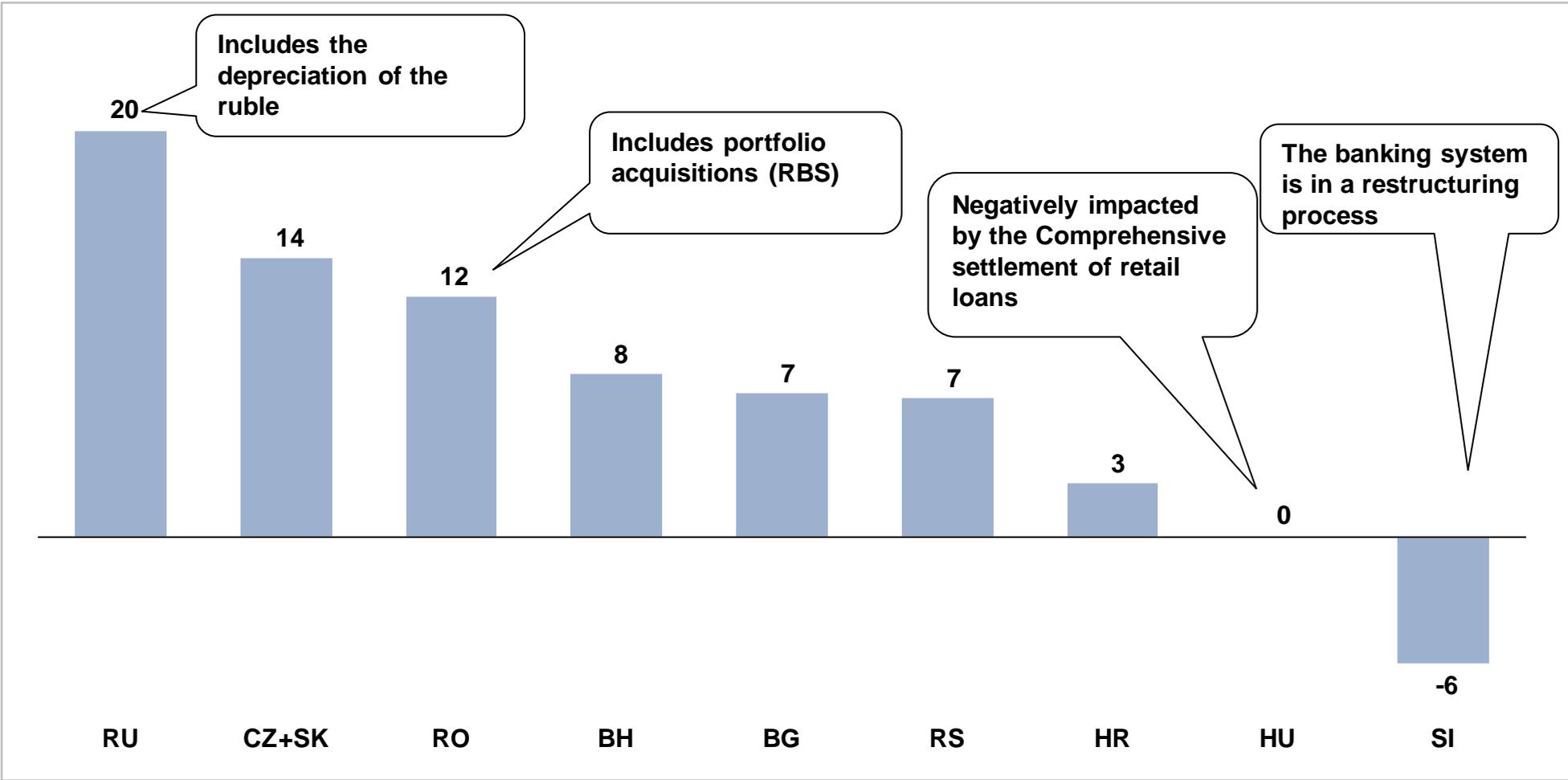
Looking forward

---



# Solid loans growth across the region ...

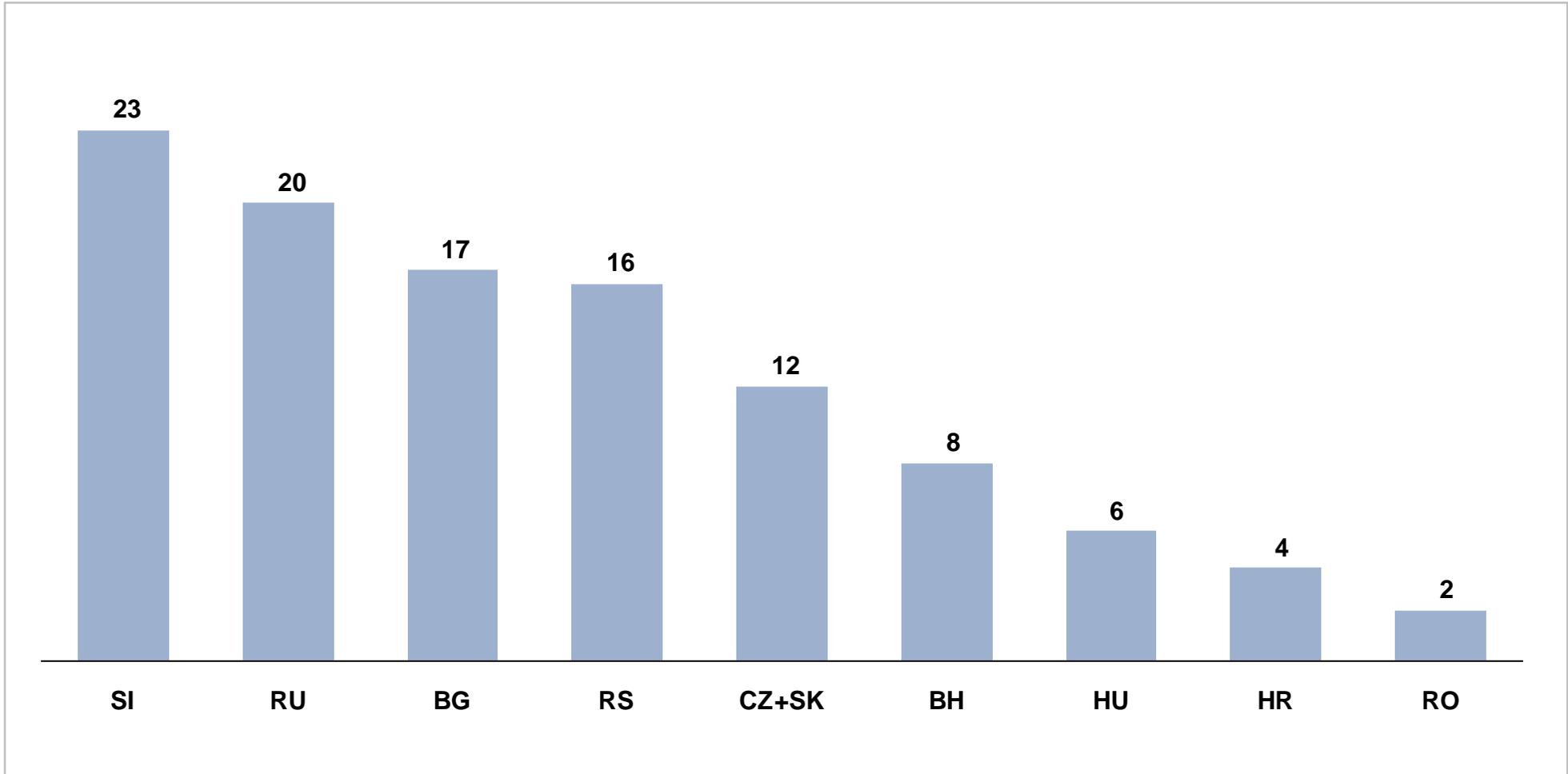
UC's loans growth in LCY, CAGR Dec 2012 – Jun 2015, %



SOURCE: UniCredit; CEE Strategic Analysis estimates

 ... accompanied with solid local funding growth

UC's direct funding growth\* in LCY, CAGR Dec 2012 – Jun 2015, %

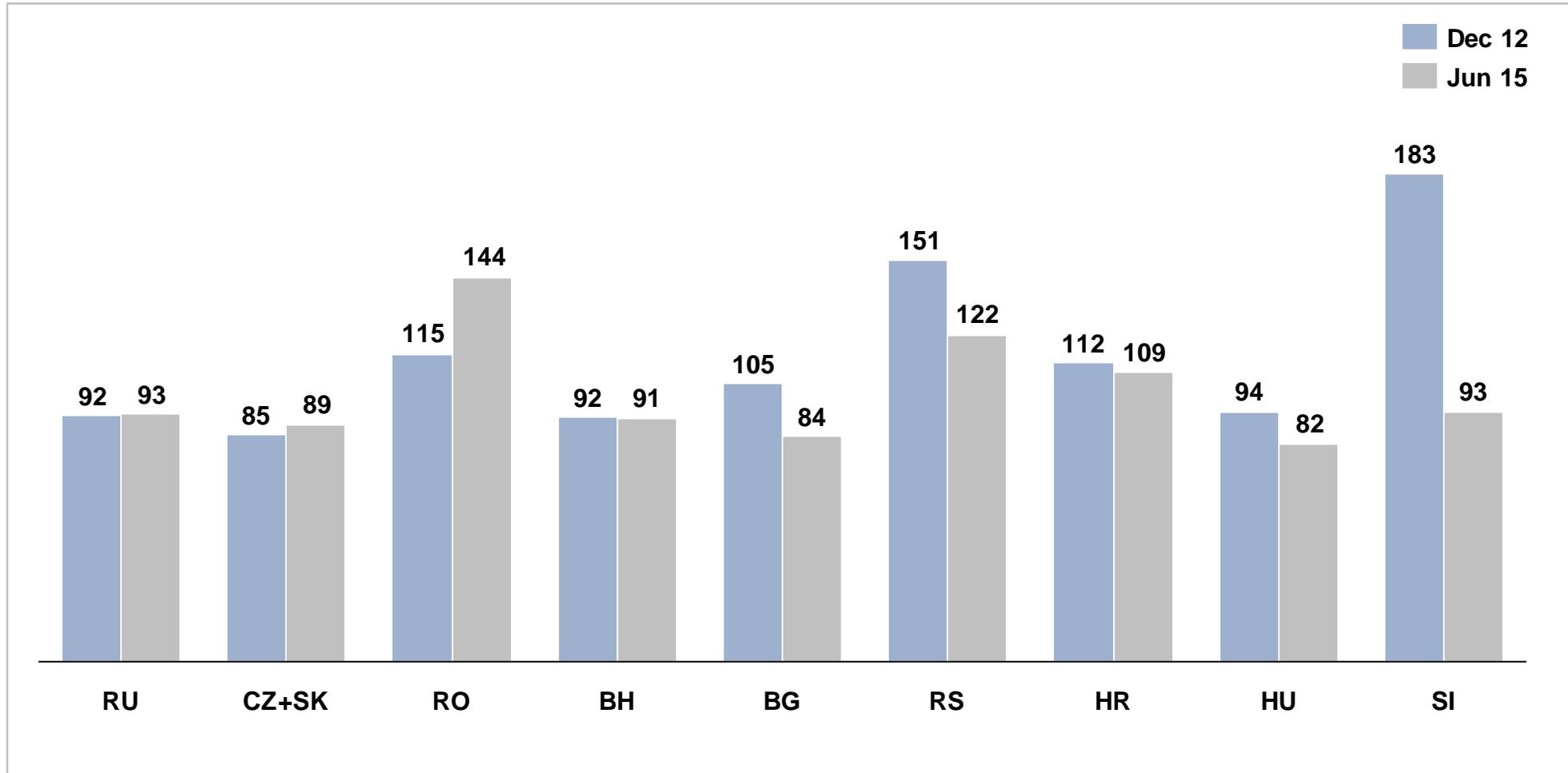


\*Direct funding includes deposits and issued securities



# Funding picture depends on country specifics

## UC's loans to direct funding ratio, %

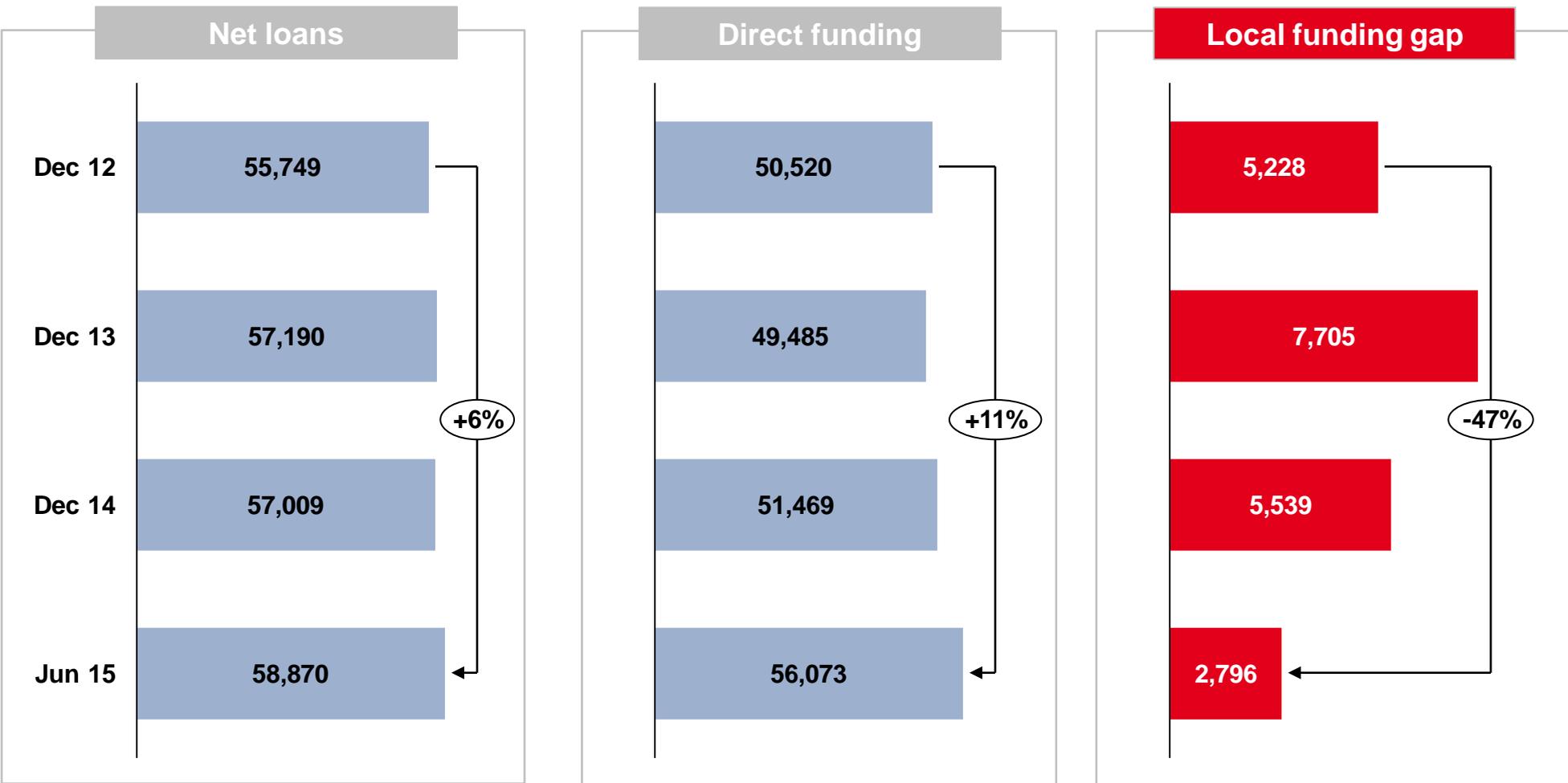


SOURCE: UniCredit; CEE Strategic Analysis estimates



# Overall direct funding outpaced the growth in loans and local funding gap decreased

## UC's CEE\* Local funding gap in EUR



\* CEE division includes other CEE exposure booked centrally in Austria

Context: a new funding model in the banking sector

UniCredit Bank Austria commercial banking in CEE

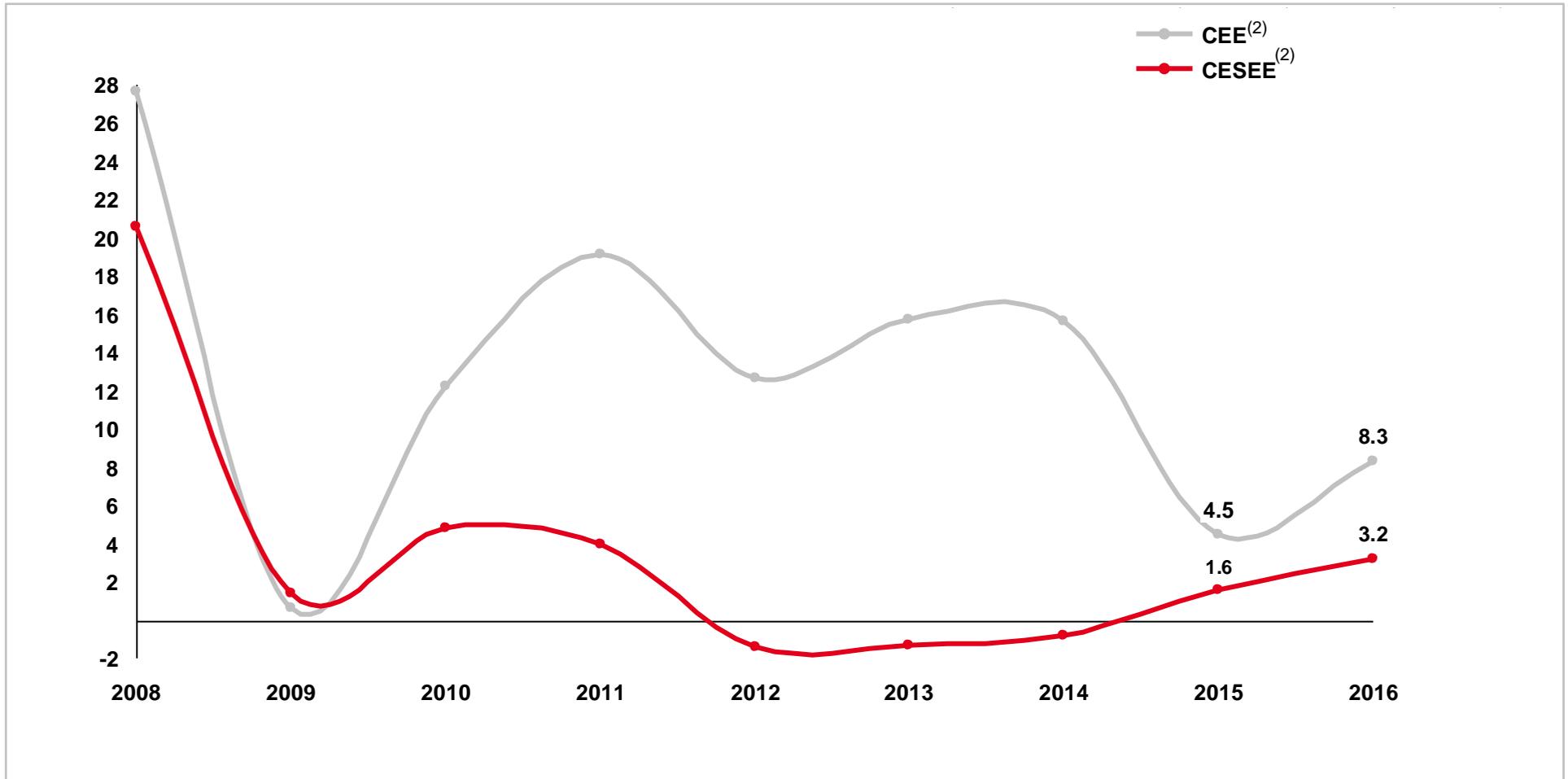
**Looking forward**

---



# Moderate recovery in lending expected in CESEE, CEE as a whole affected by Russia in 2015

Banking sector loans growth, % <sup>(1)</sup>



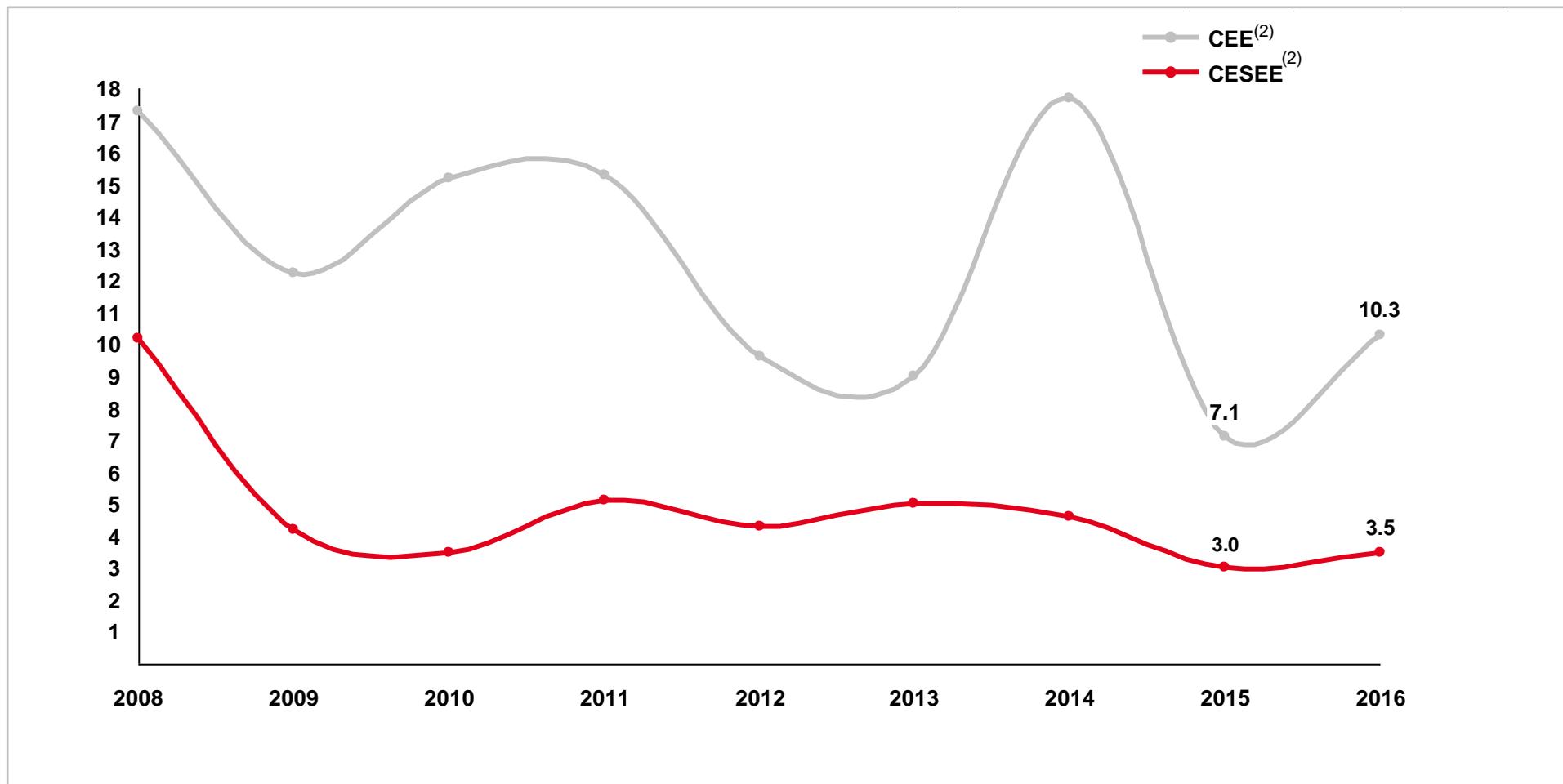
(1) Local currency terms, FX end-2013 constant

12 (2) CEE = BG, BH, CZ, HR, HU, RO, RS, RU, SI, SK, TR. CESEE excludes RU, TR and UA.



# Deposits growth expected to remain above loans growth

Banking sector deposits growth, % <sup>(1)</sup>



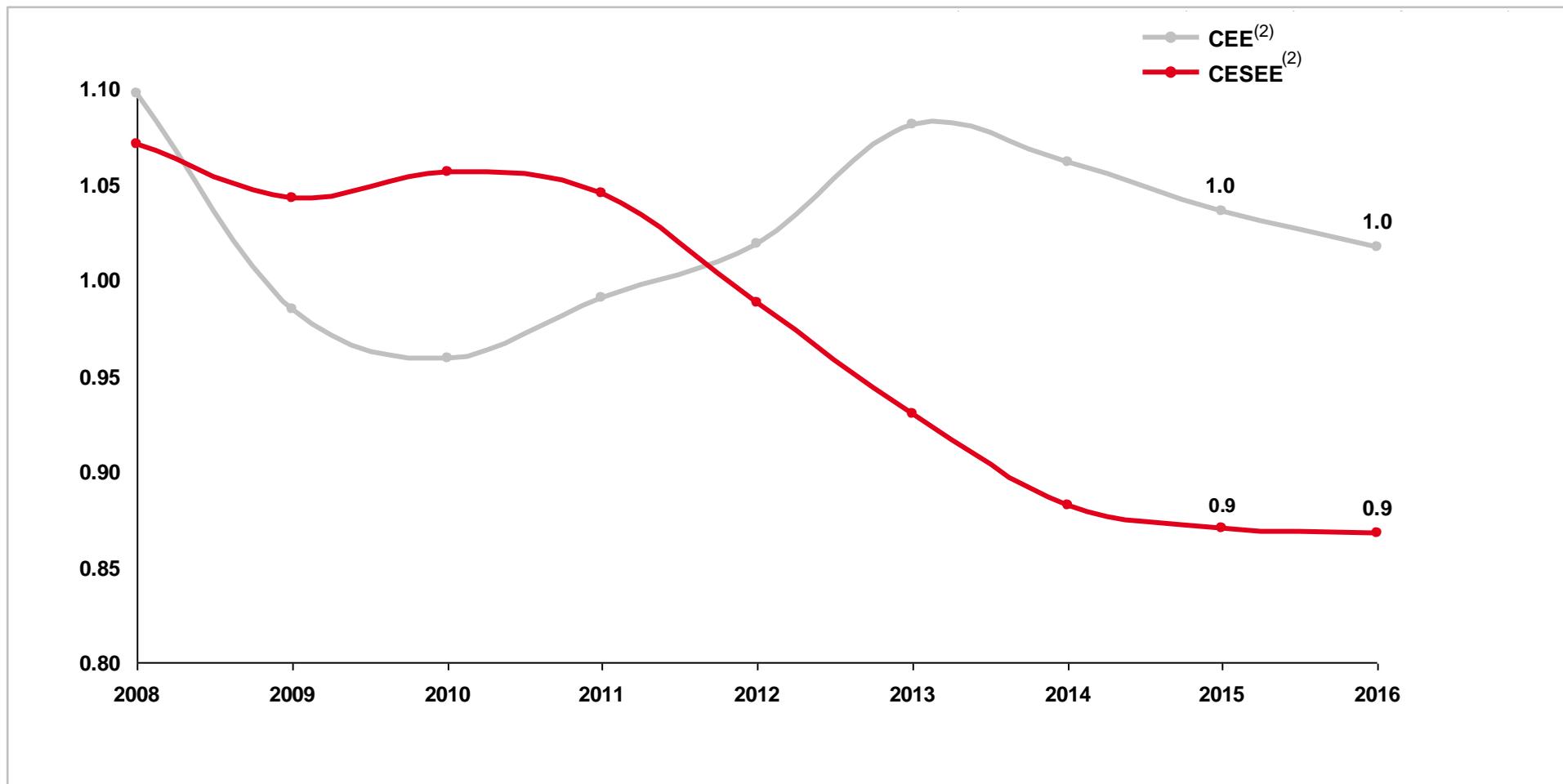
(1) Local currency terms, FX end-2013 constant

13 (2) CEE = BG, BH, CZ, HR, HU, RO, RS, RU, SI, SK, TR. CESEE excludes RU, TR and UA.



# As a result loans / deposits ratio expected to go slightly down

Banking sector gross loans / deposits ratio, % (1)



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

14 (2) CEE = BG, BH, CZ, HR, HU, RO, RS, RU, SI, SK, TR. CESEE excludes RU, TR and UA.



## Challenges for international banking groups

---

- Geopolitical developments
- Low interest rates
- Regulatory / legal issues



# Disclaimer

Our recommendations are based on information obtained from, or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All estimates and opinions included in the report represent the independent judgment of the analysts as of the date of the issue. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice. This analysis is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested. Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety. This information is given without any warranty on an "as is" basis and should not be regarded as a substitute for obtaining individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their bank's investment advisor for individual explanations and advice. Neither UniCredit Bank, UniCredit Bank London, UniCredit Bank Milan, UniCredit Bank Vienna, UniCredit Romania, UniCredit Bulbank, Zagrebačka banka, UniCredit Bank Czechia, Bank Pekao, UniCredit Russia, UniCredit Slovakia, UniCredit Tiriac, ATF Bank nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith. This analysis is being distributed by electronic and ordinary mail to professional investors, who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose. Responsibility for the content of this publication lies with: a) UniCredit Bank AG (UniCredit Bank), Am Tucherpark 16, 80538 Munich, Germany, (also responsible for the distribution pursuant to § 34b WpHG). The company belongs to UniCredit Group. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany.

b) UniCredit Bank AG London Branch (UniCredit Bank London), Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany and subject to limited regulation by the Financial Services Authority (FSA), 25 The North Colonnade, Canary Wharf, London E14 5HS, United Kingdom. Details about the extent of our regulation by the Financial Services Authority are available from us on request. c) UniCredit Bank AG Milan Branch (UniCredit Bank Milan), Via Tommaso Grossi 10, 20121 Milan, Italy, duly authorized by the Bank of Italy to provide investment services. Regulatory authority: "Bank of Italy", Via Nazionale 91, 00184 Roma, Italy and Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany. d) UniCredit Bank AG Vienna Branch (UniCredit Bank Vienna), Julius-Tandler-Platz 3, 1090 Vienna, Austria Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria and subject to limited regulation by the "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany. Details about the extent of our regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht are available from us on request. e) UniCredit CAIB Securities Romania (UniCredit Romania), Str. Nicolae Caramfil nr. 25, Etaj 5, Sector 1, Bucuresti, Romania Regulatory authority: CNVM, Romanian National Securities Commission, Foișorului street, no. 2, sector 3, Bucharest, Romania f) UniCredit Bulbank, Sveta Nedelya Sq. 7, BG-1000 Sofia, Bulgaria Regulatory authority: Financial Supervision Commission (FSC), 33 Shar Planina str., 1303 Sofia, Bulgaria g) Zagrebačka banka, Parominska 2, HR-10000 Zagreb, Croatia Regulatory authority: Croatian Agency for Supervision of Financial Services, Miramarska 24B, 10000 Zagreb, Croatia h) UniCredit Bank Czech Republic (UniCredit Bank Czechia), Na Příkopě 858/20, CZ-11121 Prague, Czech Republic Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic i) Bank Pekao, ul. Grzybowska 53/57, PL-00-950 Warsaw, Poland Regulatory authority: Polish Financial Supervision Authority, Plac Powstańców Warszawy 1, 00-950 Warsaw, Poland j) ZAO UniCredit Bank Russia (UniCredit Russia), Prechistsenskaya emb. 9, RF-19034 Moscow, Russia Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia k) UniCredit Bank Slovakia a.s. (UniCredit Slovakia), Šancova 1/A, SK-813 33 Bratislava, Slovakia Regulatory authority: National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia l) UniCredit Tiriac Bank (UniCredit Tiriac), Bucharest 1F Expoziției Boulevard, RO-012101 Bucharest 1, Romania Regulatory authority: CNVM, Romanian National Securities Commission, Foișorului street, no.2, sector 3, Bucharest, Romania m) ATF Bank, 100 Furmanov Str., KZ-050000 Almaty, Kazakhstan Agency of the Republic of Kazakhstan on the state regulation and supervision of financial market and financial organisations, 050000, Almaty, 67 Aiteke Bi str., Kazakhstan

## POTENTIAL CONFLICTS OF INTEREST

UniCredit Bank AG acts as a Specialist or Primary Dealer in government bonds issued by the Italian, Portuguese and Greek Treasury. Main tasks of the Specialist are to participate with continuity and efficiency to the governments' securities auctions, to contribute to the efficiency of the secondary market through market making activity and quoting requirements and to contribute to the management of public debt and to the debt issuance policy choices, also through advisory and research activities.

## ANALYST DECLARATION

The author's remuneration has not been, and will not be, geared to the recommendations or views expressed in this study, neither directly nor indirectly.

## ORGANIZATIONAL AND ADMINISTRATIVE ARRANGEMENTS TO AVOID AND PREVENT CONFLICTS OF INTEREST

To prevent or remedy conflicts of interest, UniCredit Bank, UniCredit Bank London, UniCredit Bank Milan, UniCredit Bank Vienna, UniCredit Romania, UniCredit Bulbank, Zagrebačka banka, UniCredit Bank Czechia, Bank Pekao, UniCredit Russia, UniCredit Slovakia, UniCredit Tiriac, and ATF Bank have established the organizational arrangements required from a legal and supervisory aspect, adherence to which is monitored by its compliance department. Conflicts of interest arising are managed by legal and physical and non-physical barriers (collectively referred to as "Chinese Walls") designed to restrict the flow of information between one area/department of UniCredit Bank, UniCredit Bank London, UniCredit Bank Milan, UniCredit Bank Vienna, UniCredit Romania, UniCredit Bulbank, Zagrebačka banka, UniCredit Bank Czechia, Bank Pekao, UniCredit Russia, UniCredit Slovakia, UniCredit Tiriac, ATF Bank and another. In particular, Investment Banking units, including corporate finance, capital market activities, financial advisory and other capital raising activities, are segregated by physical and non-physical boundaries from Markets Units, as well as the research department. In the case of equities execution by UniCredit Bank AG Milan Branch, other than as a matter of client facilitation or delta hedging of OTC and listed derivative positions, there is no proprietary trading. Disclosure of publicly available conflicts of interest and other material interests is made in the research. Analysts are supervised and managed on a day-to-day basis by line managers who do not have responsibility for Investment Banking activities, including corporate finance activities, or other activities other than the sale of securities to clients.

## ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED

### Notice to Australian investors

This publication is intended for wholesale clients in Australia subject to the following: UniCredit Bank AG and its branches do not hold an Australian Financial Services license but are exempt from the requirement to hold a license under the Act in respect of the financial services to wholesale clients. UniCredit Bank AG and its branches are regulated by BaFin under German laws, which differ from Australian laws. This document is only for distribution to wholesale clients as defined in Section 761G of the Corporations Act. UniCredit Bank AG and its branches are not Authorised Deposit Taking Institutions under the Banking Act 1959 and are not authorised to conduct a banking business in Australia.



## Disclaimer (cont.)

### **Notice to Austrian investors**

This document does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. This document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or part, for any purpose.

### **Notice to Czech investors**

This report is intended for clients of UniCredit Bank, UniCredit Bank London, UniCredit Bank Milan, UniCredit Bank Vienna, UniCredit Romania, UniCredit Bulbank, Zagrebačka banka, UniCredit Bank Czechia, Bank Pekao, UniCredit Russia, UniCredit Slovakia, UniCredit Tiriac, ATF Bank in the Czech Republic and may not be used or relied upon by any other person for any purpose.

### **Notice to Italian investors**

This document is not for distribution to retail clients as defined in article 26, paragraph 1(e) of Regulation n. 16190 approved by CONSOB on October 29, 2007. In the case of a short note, we invite the investors to read the related company report that can be found on UniCredit Research website [www.research.unicreditgroup.eu](http://www.research.unicreditgroup.eu).

### **Notice to Japanese investors**

This document does not constitute or form part of any offer for sale or subscription for or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

### **Notice to Polish investors**

This document is intended solely for professional clients as defined in Art. 3.39b of the Trading in Financial Instruments Act of 29 July 2005. The publisher and distributor of the recommendation certifies that it has acted with due care and diligence in preparing the recommendation, however, assumes no liability for its completeness and accuracy.

### **Notice to Russian investors**

As far as we are aware, not all of the financial instruments referred to in this analysis have been registered under the federal law of the Russian Federation "On the Securities Market" dated 22 April 1996, as amended (the "Law"), and are not being offered, sold, delivered or advertised in the Russian Federation. This analysis is intended for qualified investors, as defined by the Law, and shall not be distributed or disseminated to a general public and to any person, who is not a qualified investor.

### **Notice to Turkish investors**

Investment information, comments and recommendations stated herein are not within the scope of investment advisory activities. Investment advisory services are provided in accordance with a contract of engagement on investment advisory services concluded with brokerage houses, portfolio management companies, non-deposit banks and the clients. Comments and recommendations stated herein rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not suit your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely on the information stated here may not result in consequences that meet your expectations.

### **Notice to UK investors**

This communication is directed only at clients of UniCredit Bank, UniCredit Bank London, UniCredit Bank Milan, UniCredit Bank Vienna, UniCredit Romania, UniCredit Bulbank, Zagrebačka banka, UniCredit Bank Czechia, Bank Pekao, UniCredit Russia, UniCredit Slovakia, UniCredit Tiriac, or ATF Bank in the Czech Republic who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

### **Notice to U.S. investors**

This report is being furnished to U.S. recipients in reliance on Rule 15a-6 ("Rule 15a-6") under the U.S. Securities Exchange Act of 1934, as amended. Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is such a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of UniCredit Capital Markets, LLC. Any transaction by U.S. persons (other than a registered U.S. broker-dealer or bank acting in a broker-dealer capacity) must be effected with or through UniCredit Capital Markets. The securities referred to in this report may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Available information regarding the issuers of such securities may be limited, and such issuers may not be subject to the same auditing and reporting standards as U.S. issuers. The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose.

Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position. In jurisdictions where UniCredit Capital Markets is not registered or licensed to trade in securities, commodities or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements. The information in this publication is based on carefully selected sources believed to be reliable, but UniCredit Capital Markets does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice. UniCredit Capital Markets may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance. UniCredit Capital Markets and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer. The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

**This document may not be distributed in Canada.**