

P R E S S R E L E A S E

Vienna, 14 January 2014

CEE Banking Study 2014:**Economic recovery triggers gradual improvement of CEE lending**

- **Lending growth expected to be mainly driven by corporate segment in the next years**
- **Increase in deposits at a sound level supporting the CEE banking sectors shift towards a 'new model'**
- **'New model' characterised by a more sustainable funding structure, strengthened liquidity as well as higher capital buffers**

As Western Europe is indicating an economic resurgence, also business activity in CEE is reviving. In parallel mild signs of a credit recovery are visible across the region. These are some of the key findings of the latest CEE Banking Study, which was conducted by UniCredit's CEE Strategic Analysis department and which covers 13 different countries. According to the study the corporate segment is expected to be the main driver of the lending pick-up in the next years. Since mid-2013 lending growth has been moderately accelerating, while deposit growth remains at a sound level continuously supporting the sector's gradual shift towards a new banking model. Despite several challenges the CEE banking sector keeps up showing satisfactory profitability, with a return on assets more than double than that of Western Europe.

Higher industrial production in CEE, country differentiation persists

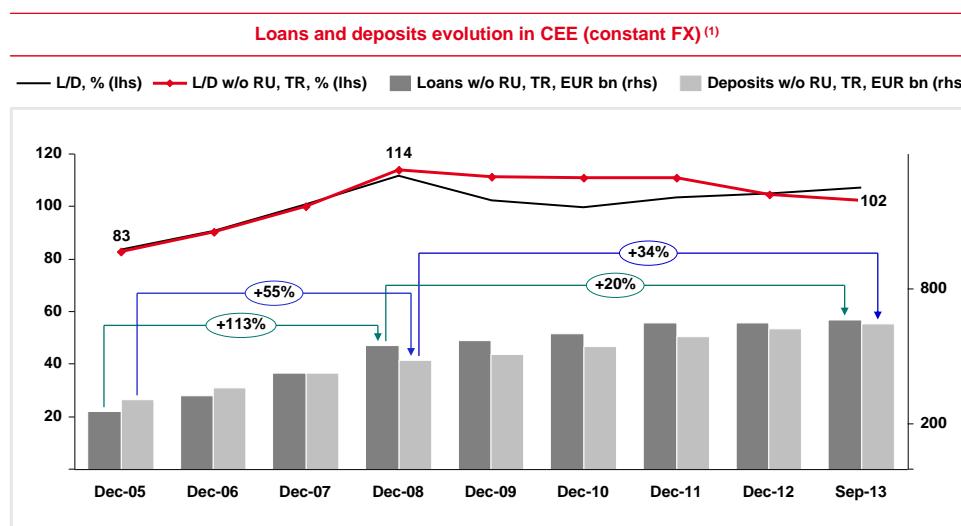
"The most obvious positive macro trend to emerge across Central and Eastern Europe in 2013 was the rebound in industry, which should continue also in 2014", said Gianni Franco Papa, Head of CEE Division at UniCredit. "The signs of economic recovery in Western Europe are translating into a higher industrial production for CEE, although differences from country to country persist." From the beginning of 2013 industrial production increased more than 5% on annualised basis in most countries. Assuming a continued export growth in Germany in 2014,

followed by a recovery elsewhere in the EMU, UniCredit analysts expect further gains in industry ahead.

Overall average regional real GDP growth is envisaged to slightly accelerate to plus 2.0 per cent in 2014 and 2.5 per cent in 2015, clearly outperforming the EMU, which should achieve 1.5 per cent and 1.8 per cent respectively.

Regional loans-to-deposits ratio reflects a much healthier balance

“Looking forward, the gradual improvement in economic activity in the region will likely be accompanied by a further acceleration in lending growth”, outlined Gianni Franco Papa. “This rebound will be mainly driven by the corporate segment.”



(1) Constant FX=2008

SOURCE: Local Central Banks, UniCredit CEE Strategic Analysis

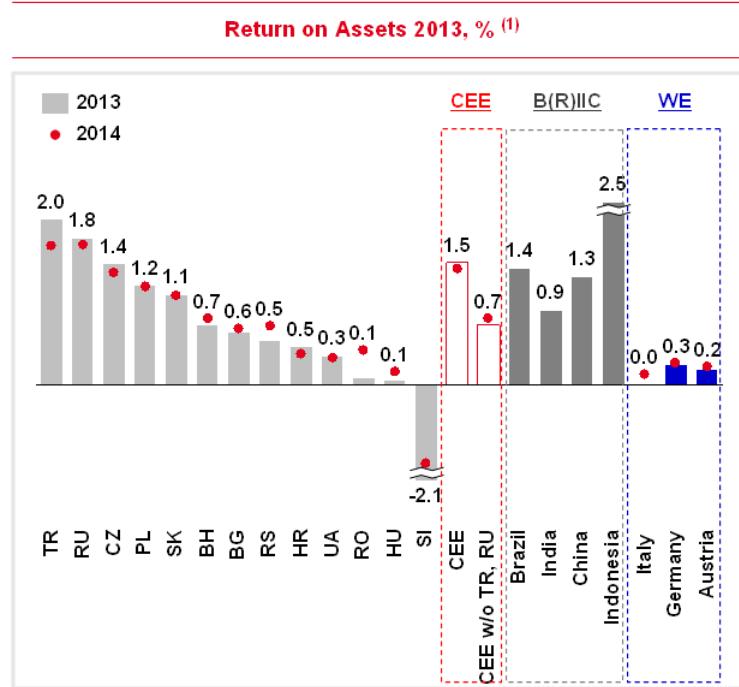
Deposit growth remains at a comfortable level supporting the CEE banking sector's gradual shift towards a new business model characterised by a more sustainable funding structure.

From 2008 to 2013 total CEE¹ loans have grown by 20 per cent at constant FX rates after 113 per cent in the 2005-08 period. Total CEE deposits have risen by 34 per cent at constant FX rates between 2008 and 2013 after 55 per cent in the 2005-08 period. As a consequence the loans-to-deposits ratio of the CEE region has improved from 114 per cent at the peak of the global financial crisis to 102 per cent in 2013, reflecting a much healthier balance.

Uncertain asset quality and self-defeating over-regulation as downside risks

“Despite several challenges, the CEE banking sector remains profitable and shows a much higher profitability than major Western European countries”, stated Carmelina Carluzzo, Deputy Head of CEE Strategic Analysis at UniCredit. In 2013 the average forecast return on assets of CEE banks amounted to 1.5 per cent, ranging from 2.0 per cent in Turkey to a minus 2.1 per cent in Slovenia. In comparison, the forecast average return on assets of German banks was at 0.3 per cent last year, and for B(R)IIC banks ranged from 2.5 per cent to 0.9 per cent.

¹ CEE region in this paragraph exclude Russia and Turkey



(1) Data for Western Europe and B(R)IIC according to IMF, China as of 2012

SOURCE: UniCredit CEE Strategic Analysis, UniCredit Group Strategic Planning, UniCredit Research

“Besides other business challenges, it is also the uncertainty on asset quality development and the high tide of international and local regulations, which put a question mark to our scenario”, said Carmelina Carluzzo. Nevertheless the impaired loans ratio of CEE is expected to gradually improve this year. Concerning the risk of a self-defeating over-regulation the expert called for a better harmonisation across the region.

UniCredit maintains its leadership in CEE and renews its commitment to the region

“The significance of Central and Eastern Europe is beyond dispute in terms of economic growth and sector profitability”, summarised Gianni Franco Papa, Head of CEE Division at UniCredit. “For this reason I’d clearly like to renew our Group’s commitment to the region.” While diversification in the geographical footprint has proven supportive in better weathering the ups and downs of the business cycle, some reshaping of the banks’ business model seems vital to ensure sustainability. With numerous projects to refocus its CEE business such

as the adoption of retail customers from AXA bank in the Czech Republic or the purchase of additional retail assets from RBS in Romania UniCredit has shown strong execution capabilities in delivering announced strategic actions.

UniCredit currently has a Core Tier 1 capital ratio of 11.71 per cent and an unrivalled international network in approximately 50 countries. The Group is the prime partner for supporting customers' cross border business development and operations through its local banks in 18 countries with a seamless service model. It has unique in-depth knowledge of the various CEE markets and serves some 10,500 active corporate customers from Germany, Italy and Austria operating in CEE. UniCredit people are dedicated to a strong quality service and committed to retain the Group's leading position in CEE, including high customer satisfaction.

UniCredit

UniCredit is one of Europe's leading commercial banks with strong roots in 20 European countries. Our network, which is present in roughly 50 markets, includes more than 9,000 branches and over 148,000 employees (as of September 30, 2013).

In the CEE region, the Group operates the largest international banking network with almost 3,600 branches.

UniCredit operates in the following countries: Austria, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Germany, Italy, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Hungary.

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