

PRESS NOTE**The CEE opportunity: supporting growth in the region**

8 May, Sarajevo. At the EBRD 2019 Annual Meeting and Business Forum, UniCredit confirmed its commitment to the CEE region as an important growth engine.

- **Macro-economic outlook: CEE likely outperformer in emerging markets**
- **Corporates and SMEs: confirming growth potential**
- **Retail banking: human and digital capital driving growth**
- **Green, social and sustainability bonds: growing commitment to ethics**
- **CEE region confirmed as an important growth engine for UniCredit**

MACRO-ECONOMIC OUTLOOK: CEE LIKELY OUTPERFORMER IN EMERGING MARKET**Growth in the CEE region will likely remain at a healthy pace in 2019 in most countries**

External environment: A cyclical slowdown of global growth is expected in 2019 and 2020, mainly due to an expected technical recession in the US, where the current recovery period will likely be the longest on record. The slowdown in global trade has already materialised, with a short-term recovery expected this summer thanks to a probable rebound in German manufacturing, a potential trade deal between the US and China and looser global financial conditions once the Fed and the ECB have become more dovish. Later in 2019 and in 2020, the global slowdown will mainly be driven by the end of the cycle in the US. The euro area is expected to see economic growth slowing to 1.0 per cent in 2019 and 2020.

CEE likely outperformer in emerging markets: like the rest of the world, CEE will be affected by the global slowdown, however the region might be better placed than other emerging markets to face external headwinds thanks to the strength of domestic demand, supportive monetary policy and lower reliance on short-term volatile external funding. The economic environment is expected to remain favourable in 2019. After a peak in 2018, GDP in the EU-member CEE countries is expected to continue to grow above expected long-term rates with Poland, Hungary, Bulgaria, Slovakia, Serbia and Slovenia all above 3.2 per cent YoY. Russia is expected to grow close to 1 per cent while Turkey is undergoing its first recession since the global financial crisis but could return to growth in 2020.

CORPORATE AND SMEs: CONFIRMING GROWTH POTENTIAL

UniCredit to leverage on expected CEE GDP growth in 2019 with the region reaping the benefits of being an open economy and Foreign Direct Investments and EU Funds playing a relevant role for the economy and ensuring growth potential for corporate sector and SMEs.

Corporate sector and M&A market: The CEE corporate sector remains conservative in terms of financing, focusing mostly on traditional bank lending. There is still room for growth in terms of debt and equity financing, although largely dependent on each country's specific factors. M&A in the region has seen the highest deal value of the last 5 years in 2018, though far below historical highs. There were 222 transactions in 2018 (254 in 2017), with the consumer sector being the most active, with 48 deals followed, by TMT and FIG. In 2018, UniCredit was involved in 20



transactions in the CEE region – more than any other investment bank. This positions UniCredit as the leader in M&A league tables in terms of number of transactions for the fifth consecutive year.

CEE shows dynamic corporates and SMEs supporting the economic growth: UniCredit offers a full range of banking products and services to Corporates and SMEs and is focused on further improving its offer, in order to anticipate and meet clients' needs. The CEE SME sector employs 11.4 million people in 3.2 million enterprises, creating EUR 195 million of economic added value. It is largely impacted by trends imposed by the fast changing environment, that are creating new needs to be addressed by banks – regulatory impacts, capital markets and digitalisation. Among other initiatives, in the SME sector UniCredit provides support through the dedicated UniCredit CEE Lounge - an exclusive partnership with the London Stock Exchange Group's ELITE initiative, helping them better understand the various funding options available, as well as prepare them to interact with investors, which might be required to support their future growth. To date, the UniCredit CEE Lounge has admitted more than 60 companies from 11 countries across UniCredit's CEE network. UniCredit also continues to facilitate access to EU fund opportunities, that play a very important role in CEE (approx. 90 billion EUR in 2014-2017, 18% of EU budget).

Andrea Diamanti, Head of CEE Corporate and Investment Banking and Private Banking, UniCredit stated: "As the largest lender in the region and a strong partner of our clients and the communities in which we operate, we strive to support their development and growth. Our strength lies in our deep knowledge of local markets, our strong international network and our continued investments in digitalisation to meet and anticipate clients' needs."

RETAIL BANKING: HUMAN AND DIGITAL CAPITAL DRIVING GROWTH

Human capital, digital readiness and the technological footprint are the features that make CEE geographies the ideal ground for digitalisation, growth and development.

CEE Banking sector efficiency: CEE and Western European markets have similar populations of approximately 150 million citizens where convergence is occurring, pushing up incomes and nominal GDP to the levels of EU average. However, CEE markets in the Retail Banking business have room to grow thanks to:

- lower banking costs of CEE Banks that can serve similar populations with contained operative costs and greater efficiency in terms of employees, branches and ATMs
- less penetration in terms of volumes/GDP Retail loans market size (ca. 9 per cent vs ca. 14 per cent)
- a faster digitalisation rate, due to smaller technological legacy, resulting in higher speed of broadband coverage and in faster online penetration growth (76,3 per cent)

Ivan Vlaho, Head of CEE Retail in UniCredit commented: "UniCredit serves more than 15 per cent of the CEE banking population with one of the largest networks in the region and a truly multichannel approach. We leverage on data analytics to really know our customers and to provide them with the best customer experience through every channel, thanks to our best practice sharing and competence centers, while simplifying our processes at the same time. This commitment is having positive results. The size of our customer base is growing and the number of mobile banking users also increased from 13 per cent in 2015 to 40 per cent today".



GREEN, SOCIAL AND SUSTAINABILITY BONDS: GROWING COMMITMENT TO ETHICS

The growing interest to Green financing sources, like Green Bonds, shows evidence of businesses appreciating sustainability values and its commitment to being good corporate citizens.

Market development by outstanding volume: Issuance volumes are growing apace. Green bond issuance reached a peak of USD 167 billion in 2018 (increasing by 5.8% yoy) despite lower issuance volume in the global bond market. For 2019, we expect green bond issuance to increase further, to USD 170 billion (up by 1.7% yoy). Issuance volumes in Europe reached USD 66 billion in 2018, contributing 40 per cent to total new issuance in 2018. We expect European issuers to bring USD 72 billion into the primary market in 2019 (comprising 42 per cent of total new issuance of green bonds).

UniCredit a pioneer to bring green bonds to the market: UniCredit has been active in the market for Green, Social and Sustainability Bonds from the start, being the Joint Lead Manager in the European Investment Bank's climate Awareness Bond in 2007. UniCredit has since underlined its expertise through numerous mandates in landmark Green Bonds. In CEE Slovenia's promotional and development bank SID Banka successfully priced in 2018 its inaugural Green Bond transaction (EUR 75 million) being the first Green Bond from an issuer in Slovenia. UniCredit acted as sole bookrunner & green bond structuring bank.

CEE REGION CONFIRMED AS AN IMPORTANT GROWTH ENGINE FOR UNICREDIT

CEE continues to be an important growth engine for the Group with a further strengthened leadership position and continued strong client growth in 2018. UniCredit is the largest lender in the CEE region (EUR 65.33 billion¹) with 11.6 per cent market share in lending and solid growth in the last 5 years². UniCredit is ranked as #1 in CEE overall in terms of total assets³, and in the top 5 in most individual CEE countries⁴.

UniCredit's customer base in CEE is constantly growing towards the target of 2.6 million net new customers by the end of 2019. The quality of the portfolio is also improving, with the ratio of gross NPEs reduced by 152 basis points (from 7.9 to 6.4 per cent) in FY18 when compared to FY17.

As a result, the return on allocated capital stood at 15.7 per cent in 2018, once again underlining the strong profitability of the CEE division.

UniCredit's success in the region is based on its solid franchise - one of the largest and most diversified in CEE, 1663 branches in 11 countries - with strong local coverage and relationship management and the ability to leverage global product lines, "best-in-class" services and the know-how of the Group to best serve its customers. UniCredit's market position in CEE provides local banks with a substantial competitive advantage thanks to strong brand recognition, access to international markets, sharing of best practice and significant economies of scale.

About UniCredit

UniCredit is a simple successful pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive client franchise: 26 million clients.

UniCredit offers both local and international expertise to its clients, providing them with unparalleled access to leading banks in its 14 core markets through its European banking network: Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia, Slovenia and Turkey. Leveraging on an international network of representative offices and branches, UniCredit serves clients in another 18 countries worldwide.

For more information, please go to www.unicreditgroup.eu/en

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¹ As of December 2018

² as of September 2018, excl. Turkey, incl. Russia

³ as of September 2018, incl. Turkey

⁴ as of September 2018