

# BANKING MARKET IN ROMANIA 2007

CEE BANKING SERIES



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**SAMPLE**

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# EXECUTIVE SUMMARY - BANKING MARKET IN ROMANIA IN 2006

## Central bank policy

In 2006 the monetary policy of the Central Bank has been tightened: The reference rate has been raised to 8.75%, the mandatory reserve requirement jumped to 20%/40% for RON/FX deposits respectively and new lending restrictions on banks, especially in case of FX-loans have been imposed

## Continuing market growth

The banking market maintained high growth pace during the year 2006. Most rapid development has been experienced in case of retail and corporate lending. At the end of 2006, for the first time in history, the retail loans value has exceeded retail deposits, creating for banks a new challenge. In response to this situation and in reaction to restrictions from BNR, some banks decided to transfer their loans abroad, which proved to be a right move in order to maintain high sales volumes

## M&A activity & rising stars

The consolidation of UniCredit subsidiaries has already started and will soon produce a #4 player in terms of assets. The bank has already announced plans of further acquisitions in Romania in 2007/2008;

During 2006 some rising stars have changed significantly the top banks league table: Most dynamic bank: Banca Transilvania jumped from #10 (2004) to #5 (3Q 2006) breaking the myth that banks having foreign investor grow faster than local ones. In contrary the CEC bank has continued to loose market share, and has not been able to make use of its unique asset – large distribution network. CEC bank has fallen in the top banks rank to #8 (3Q2006)

## Banking Infrastructure

Most of banks are heavily investing in physical networks expansion. In total the number of bank outlets has increased in 2006 by several Hundreds, similarly to ATM and POS networks. Many banks have also upgraded their remote channels (internet, call centers, IVR) to improve their service level and reduce costs of transactional operations.

## Prospects

The mid-term prospects are very good. Growing wealth of individuals, very low unemployment and good condition of enterprises fueled by record foreign direct investments will convert into additional demand for banking services. The EU membership and higher market transparency is likely to attract to Romania new banking players and financial services specialists, as it happened in other CEE accession countries including Poland

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# ROMANIA – GENERAL OVERVIEW

## Romania - Country Map



## Romania - Key facts

**Area:** ~238,000 square kilometer

**Population:** ~ 21.6 million, of which:

- 51% female, 49% male
- 84% aged 15 and over
- 55% urban population

**Annual population growth rate:** -0.2%

**Average life expectancy:**

- 66Y male
- 75Y female

**Major cities:** (inhabitants in million):  
Bucharest (1.9), Iași (0.3), Cluj-Napoca (0.3),  
Timișoara (0.3), Constanța (0.3), Craiova  
(0.3), Galați (0.3)

**Membership in major organizations:**

- WTO (1995)
- NATO (2004)
- EU (2007)

# ECONOMY IS GROWING FAST, INFLATION FALLS AND CURRENCY IS APPRECIATING



## GDP real growth rate

%



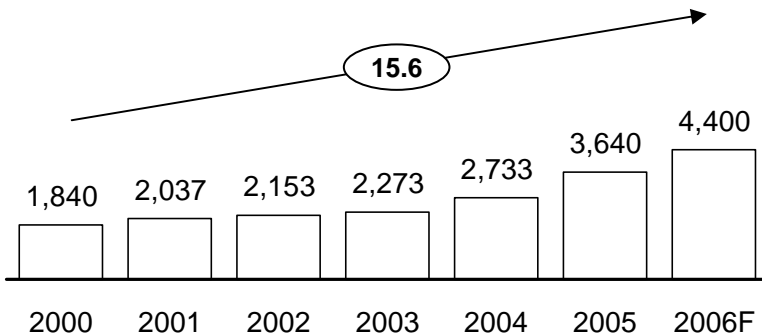
## Average Inflation

%



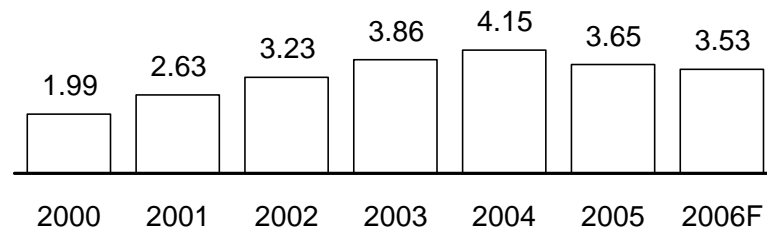
## GDP per capita

EUR `000



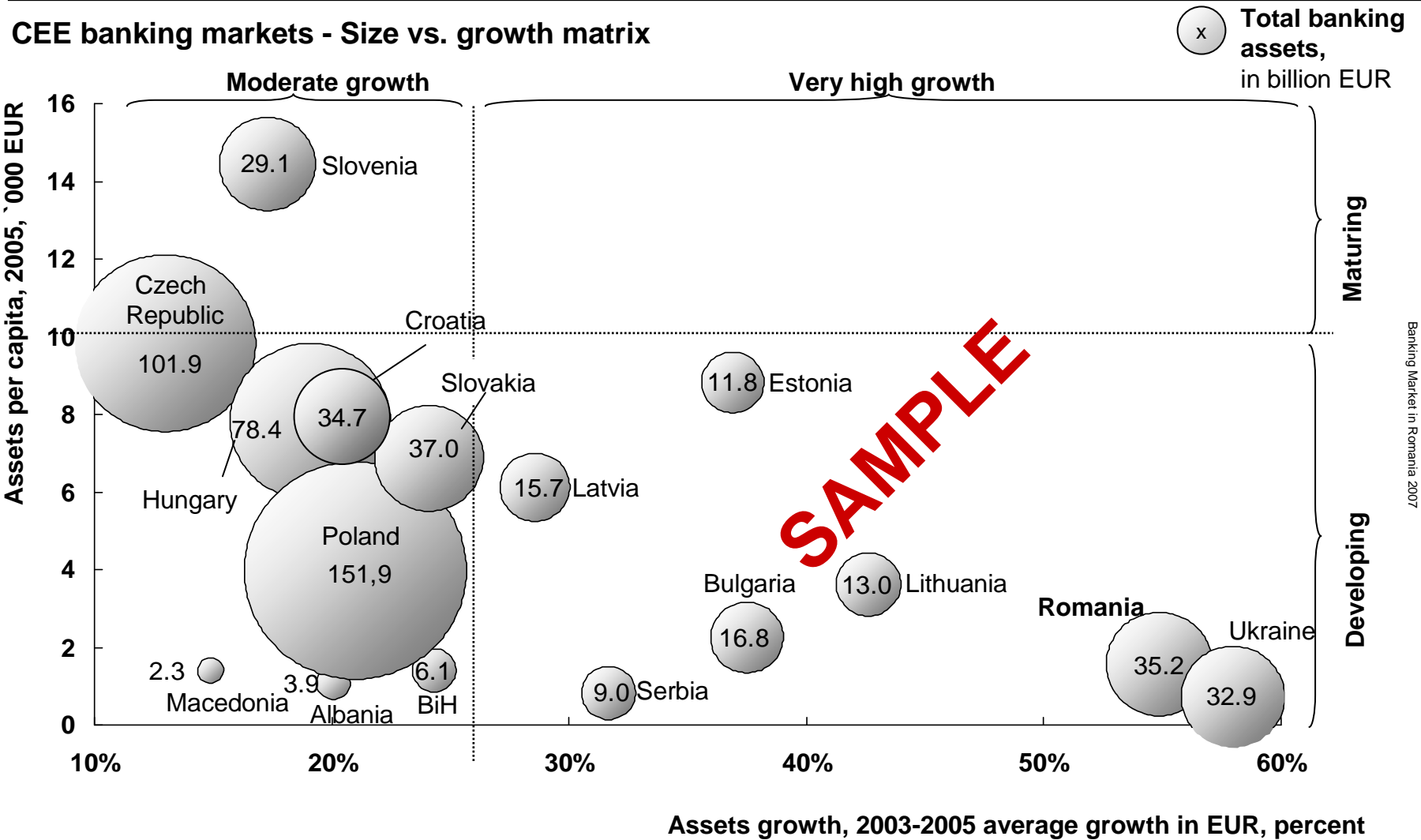
## Average exchange rate

EUR/RON



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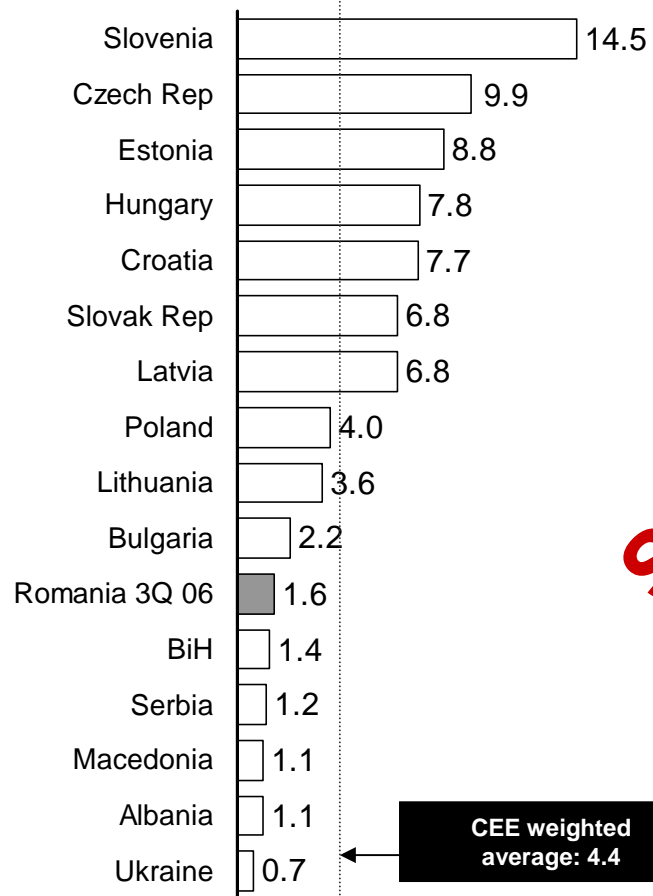
# ROMANIA HAS A DYNAMIC AND PROMISING BANKING MARKET



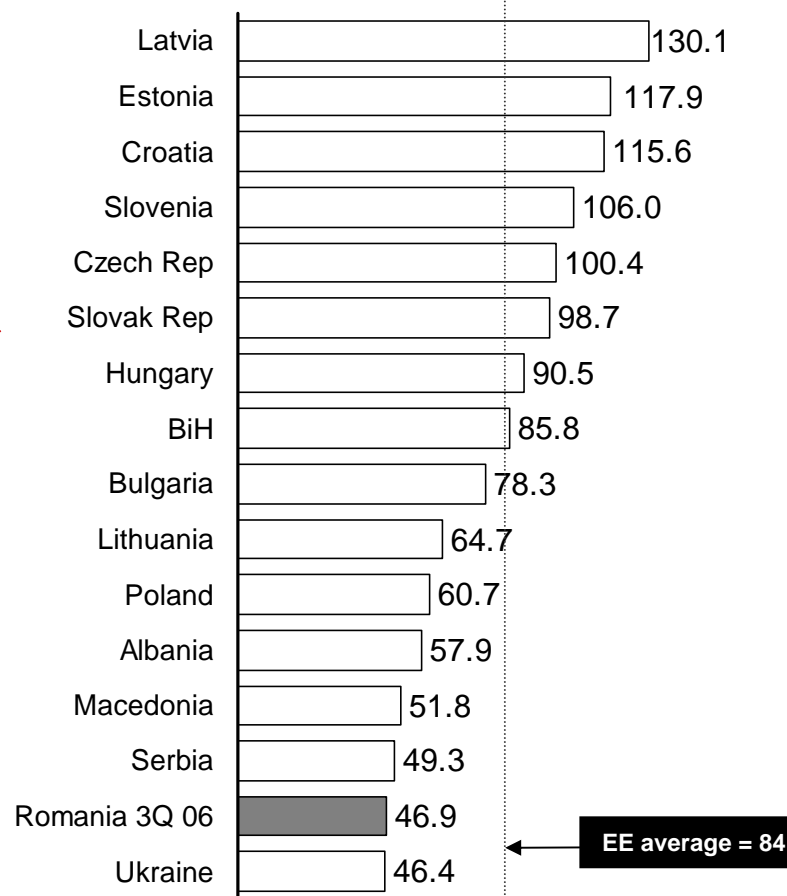
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# ROMANIAN PENETRATION BENCHMARKS ARE BELOW AVERAGE FOR THE REGION

**Banking assets/capita, 2005**  
EUR `000



**Banking assets/GDP, 2005**  
percent



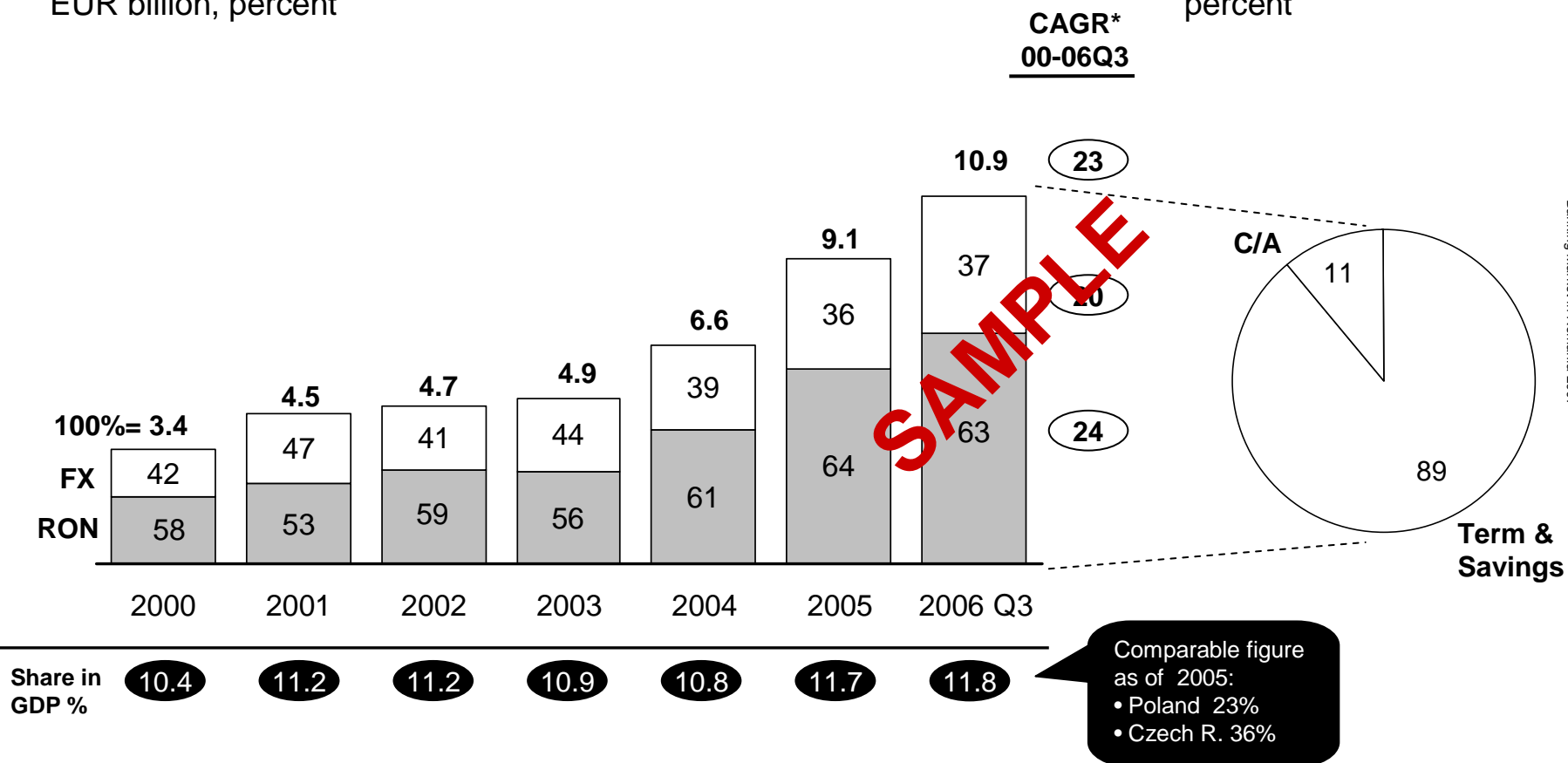
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# RETAIL DEPOSITS GROW RAPIDLY. LOCAL CURRENCY DOMINATES

**Retail deposits by currency, 2000-2006 Q3**  
EUR billion, percent

**Deposits by type**  
percent



Banking Market in Romania 2007

\* Compound Annual Growth Rate  
Source: NBR, Intelace Research

# TOP BANKS (4/5) – HVB/UNICREDIT

CAGR\*\*

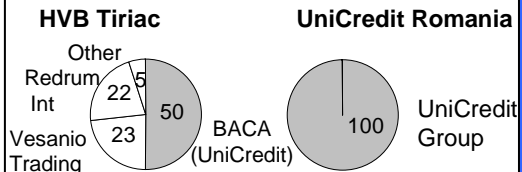
## Background

- UniCredit Romania will soon become the 4<sup>th</sup> largest universal bank in Romania being a product of merged subsidiaries of HVB and UniCredit
- The new UniCredit will have a universal profile however the corporate business will dominate

## History

- UniCredit and HVB groups entered Romania in 1997 and 1998 respectively while Ion Tiriac was the largest private bank established after 1989
- 2005 HVB takes control over Ion Tiriac and consolidates it
- 2006 Merger between HVB and UniCredit Romania starts

## Shareholders



## Customers

- The new UniCredit will serve:
  - 600 thousand individual clients
  - 100 thousand SMEs and corporate customers

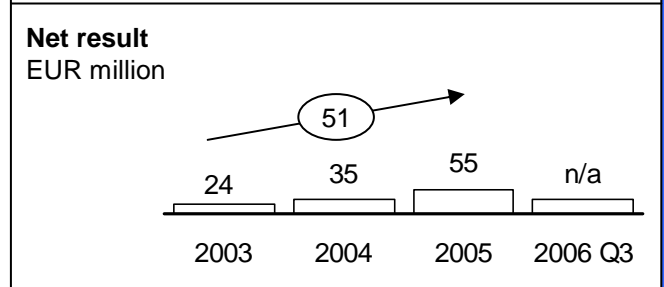
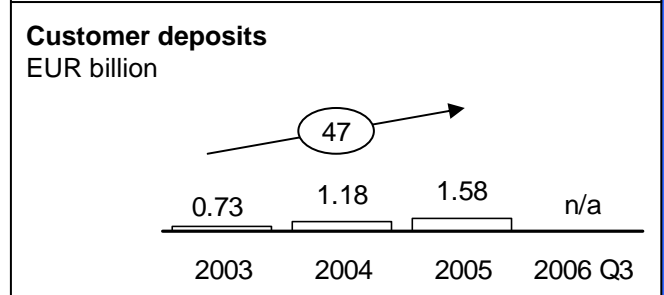
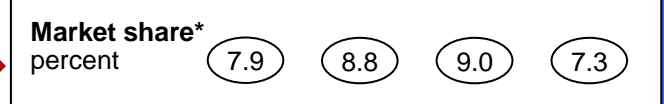
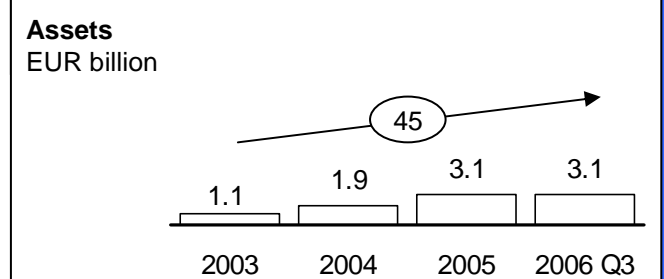
## Channels:

- The combined networks of UniCredit and HVB Tiriac will offer
- 132 outlets
- Over 330 ATMs
- Over 2700 POS
- Internet access and call center

## Recent plans

- A merger of HVB Tiriac /UniCredit is underway. The process is expected to be completed in June 2007
- The new UniCredit Romania is not willing to take part in the current branch expansion race of other major banks. Instead a further acquisition in Romania is not excluded during 2007-2008 (Banca Transilvania?)

## Results



Banking Market in Romania 2007

\* By total unconsolidated assets  
 \*\* Compound Annual Growth Rate  
 Source: NBR, Bank, Intelace Research

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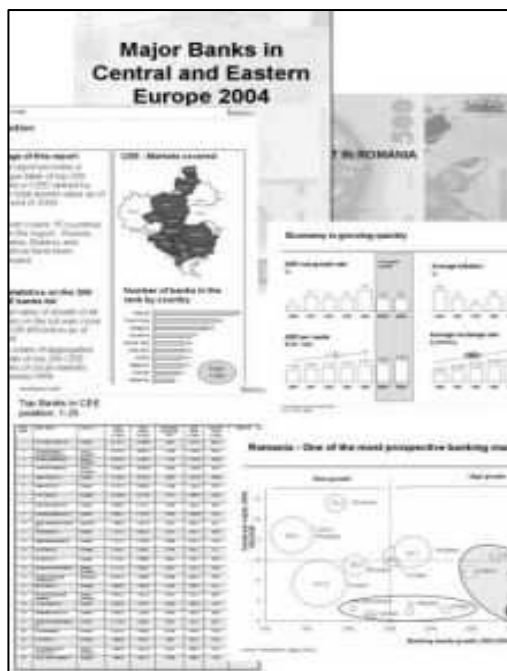
Through our customized research services we help our clients to better understand their consumers, competitors and overall market dynamics.

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