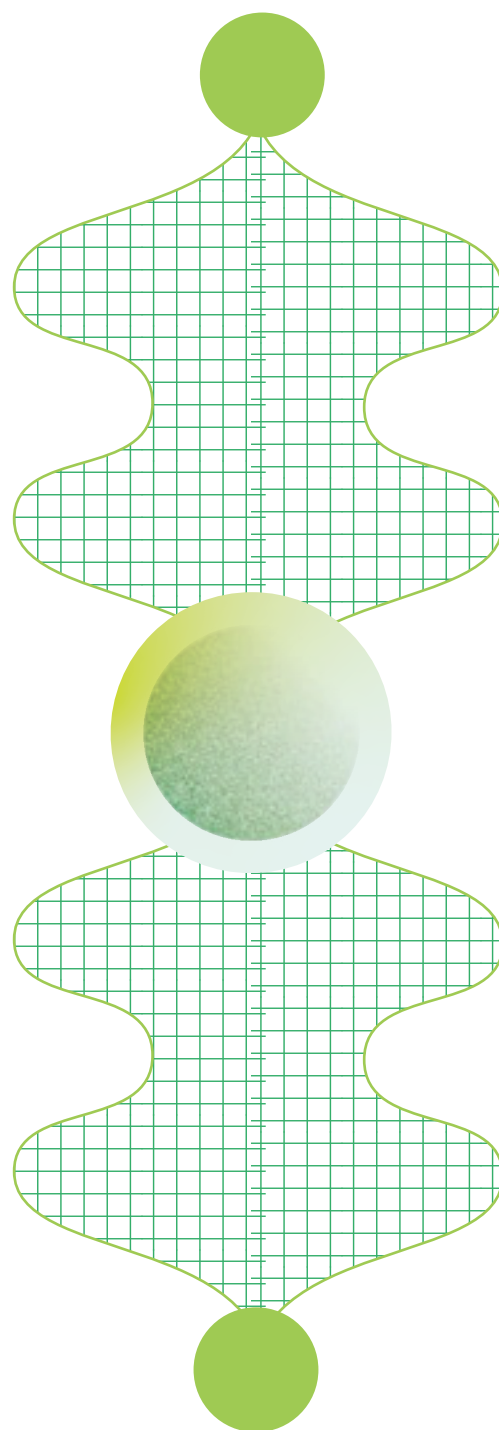


CEE banks post strong performance

High interest rate environment boosts capital base for potential acquisitions

CONTENTS

FOREWORD	4
CEE MACROECONOMIC OVERVIEW	11
BANKING TRENDS IN CEE	15
EVOLUTION OF NPL METRICS IN THE CEE REGION	24
MREL REGULATORY FRAMEWORK	27
BANKING M&A DYNAMICS IN CEE	31
STAKEHOLDER INTERVIEW – NLB BANK	39
FINTECH SUMMARY	40
COUNTRY REPORTS	48
POLAND	50
CZECH REPUBLIC	60
SLOVAKIA	68
HUNGARY	74
ROMANIA	84
SLOVENIA	94
CROATIA	102
BULGARIA	112
SERBIA	122
BOSNIA AND HERZEGOVINA	130
ALBANIA	136
ESTONIA	144
LATVIA	148
LITHUANIA	152
LIST OF ABBREVIATIONS	162
CONTACT US	164



FOREWORD



A handwritten signature in blue ink, appearing to be 'B. Bíró'.

BALÁZS BÍRÓ
Partner, CEE Regional Financial
Services Industry Leader
Financial Advisory

The Central and Eastern European (CEE) banking sector, having showcased remarkable resilience in the face of challenges such as the COVID-19 pandemic, geopolitical tensions, and a high inflationary environment, is at a critical juncture. In 2023, banks were not only compelled to navigate through macroeconomic and geopolitical uncertainties, but to cope with substantial changes instigated by technological innovation. These transitions present a moment of opportunity for banks to strategically reconsider and redefine their positioning for the future.

Notwithstanding inflationary pressures on cost bases and extraordinary bank taxes, capital adequacy remained robust with banks in most jurisdictions able to distribute a material proportion of their profits as a dividends. In 2023, the overall profitability of the CEE banking sector increased to record levels (including the highest levels of return on equity (ROE) recorded since the onset of the Global Financial Crisis in 2008) owing to the high interest rate environment and benign risk environment. Despite significantly increased interest rates, NPL ratios have remained low so far and even at a downward trajectory across the region. However, with inflation rates now falling and expectations that policy rates will fall across the region, combined with broader macro uncertainties, a vigilant and strategic approach to navigate the evolving landscape effectively is required.

Generally, less concentrated markets are expected to undergo further consolidation, as smaller and less resilient players may struggle with challenges in provisioning, particularly in the face of potential substantial asset quality deterioration resulting from significantly increased interest rates.

International banking groups operating in the region continue to direct their focus towards subsidiaries with “critical mass”, recognizing the strong correlation between scale and returns, as well as the largest markets in the region. The trend of exits from smaller subsidiaries and/or smaller markets in the region is expected to continue.

The recent banking crisis in the United States and the situation related to Credit Suisse underscore the need for banks and regulators to strengthen their preparedness for rapidly emerging critical scenarios. The European Union implemented a bail-in tool through the Bank Recovery and Resolution Directive (BRRD) in 2014, which was confirmed by a Commission decision in 2023, as a result of the above-mentioned cases. The EU concurrently instituted the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) to facilitate the efficient application of the bail-in tool.

While attempting to present the MREL regulation and its effects in more detail (which are especially challenging for smaller players both in terms of the sourcing and pricing of funds required to meet their MREL requirements), the latest edition of the CEE Banking M&A Study aims to provide a summary of the present condition regarding the banking sector in the region. It sheds light on the predominant challenges and opportunities influencing the current deal activities within the industry. The study covers macroeconomic factors, dynamics of the banking market, transactional trends, and an overview of the fintech sector.

We hope that this study will prove highly valuable to banks, financial institutions, investors, and other stakeholders interested in the dynamics of the CEE banking sector.

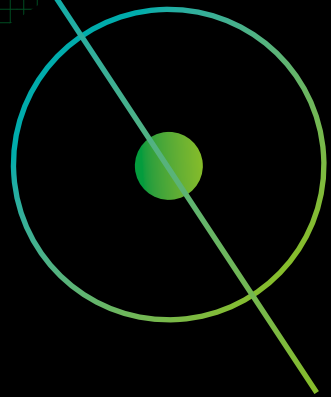
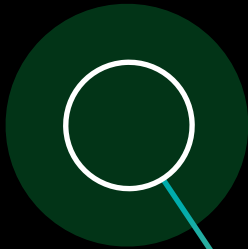


TABLE 1. SUMMARY OF KEY FIGURES BETWEEN 2021 AND 2023 H1

TOTAL ASSETS (EUR BN)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	559.3	578.1	617.6	3.4%	●	6.8%	●
Czech Republic	342.9	369.3	420.4	7.7%	●	13.8%	●
Hungary	171.3	183.1	186.6	6.9%	●	1.9%	●
Romania	141.0	154.5	157.5	9.6%	●	2.0%	●
Slovakia	104.8	112.2	115.3	7.0%	●	2.8%	●
Bulgaria	69.2	79.3	82.4	14.6%	●	3.9%	●
Croatia	66.9	76.3	74.3	14.1%	●	-2.7%	●
Lithuania	44.4	57.4	58.6	29.4%	●	2.0%	●
Estonia	54.3	53.1	54.2	-2.2%	●	2.2%	●
Slovenia	48.3	50.6	51.3	4.8%	●	1.5%	●
Serbia	44.6	48.2	49.4	8.0%	●	2.5%	●
Latvia	24.8	27.0	26.6	9.0%	●	-1.5%	●
Bosnia and Herzegovina	18.6	19.3	19.9	3.7%	●	3.0%	●
Albania	14.5	15.8	16.5	8.8%	●	4.7%	●
Total	1,704.8	1,824.1	1,930.6	7.0%	●	5.8%	●

TOTAL LOANS (EUR BN)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	327.3	331.8	343.9	1.4%	●	3.7%	●
Czech Republic	154.8	168.8	177.1	9.1%	●	4.9%	●
Hungary	82.4	89.9	92.4	9.1%	●	2.8%	●
Romania	96.1	103.6	104.4	7.8%	●	0.8%	●
Slovakia	89.3	95.8	98.2	7.3%	●	2.5%	●
Bulgaria	42.1	49.0	55.2	16.5%	●	12.6%	●
Croatia	55.6	63.7	60.3	14.6%	●	-5.4%	●
Lithuania	39.7	50.1	50.7	26.2%	●	1.1%	●
Estonia	22.4	25.0	25.5	11.5%	●	1.8%	●
Slovenia	26.7	29.5	28.9	10.2%	●	-1.8%	●
Serbia	38.8	42.0	43.7	8.3%	●	4.0%	●
Latvia	14.3	17.6	17.8	23.2%	●	1.3%	●
Bosnia and Herzegovina	10.8	11.3	11.8	4.6%	●	4.6%	●
Albania	5.2	5.7	6.0	9.9%	●	5.2%	●
Total	1,005.4	1,083.7	1,115.9	7.8%	●	3.0%	●

TOTAL EQUITY (EUR BN)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	43.7	43.1	51.0	-1.3%	●	18.3%	●
Czech Republic	28.2	29.2	30.0	3.6%	●	2.7%	●
Hungary	15.8	16.2	17.6	2.4%	●	8.8%	●
Romania	17.8	17.1	18.7	-3.6%	●	9.2%	●
Slovakia	10.0	10.4	10.7	3.7%	●	2.9%	●
Bulgaria	8.5	8.8	9.4	3.9%	●	6.3%	●
Croatia	8.7	8.5	8.2	-2.8%	●	-3.6%	●
Lithuania	3.75	4.29	4.7	14.4%	●	9.7%	●
Estonia	5.4	5.4	5.5	-0.1%	●	2.1%	●
Slovenia	5.1	5.2	5.4	1.8%	●	5.6%	●
Serbia	5.8	5.9	5.9	1.0%	●	0.8%	●
Latvia	3.1	3.2	3.4	5.4%	●	5.6%	●
Bosnia and Herzegovina	2.3	2.4	2.5	5.2%	●	6.3%	●
Albania	1.4	1.5	1.7	7.8%	●	6.8%	●
Total	159.5	161.2	174.8	1.1%	●	8.4%	●

Please consider the effect of appreciation/depreciation of local currency vs EUR

RETAIL NPL RATIO (%)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	5.1%	5.1%	5.3%	0.0%	●	0.2%	●
Czech Republic	1.5%	1.2%	1.3%	-0.3%	●	0.0%	●
Hungary	4.3%	4.6%	3.5%	0.3%	●	-1.1%	●
Romania	3.2%	3.0%	3.2%	-0.2%	●	0.2%	●
Slovakia	2.0%	1.8%	1.8%	-0.2%	●	0.0%	●
Bulgaria	5.7%	4.0%	3.6%	-1.7%	●	-0.4%	●
Croatia	6.6%	5.0%	4.6%	-1.6%	●	-0.4%	●
Lithuania	1.0%	0.8%	1.0%	-0.2%	●	0.2%	●
Estonia	0.2%	0.2%	0.2%	0.0%	●	0.0%	●
Slovenia	2.3%	1.9%	1.9%	-0.4%	●	-0.1%	●
Serbia	4.1%	3.9%	n/a	-0.2%	●	n/a	n/a
Latvia	2.7%	1.9%	1.9%	-0.8%	●	0.1%	●
Bosnia and Herzegovina	5.8%	4.6%	4.2%	-1.2%	●	-0.4%	●
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average	3.4%	2.9%	2.7%	-0.5%	●	-0.2%	●

CORPORATE NPL RATIO (%)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	7.4%	6.5%	6.3%	-0.9%	●	-0.2%	●
Czech Republic	3.8%	3.4%	3.0%	-0.4%	●	-0.4%	●
Hungary	4.4%	4.1%	4.2%	-0.3%	●	0.0%	●
Romania	5.7%	4.3%	2.3%	-1.4%	●	-2.0%	●
Slovakia	2.8%	2.4%	2.4%	-0.3%	●	-0.1%	●
Bulgaria	7.9%	6.6%	5.8%	-1.2%	●	-0.8%	●
Croatia	9.9%	6.4%	5.6%	-3.4%	●	-0.8%	●
Lithuania	1.7%	1.5%	1.8%	-0.3%	●	0.3%	●
Estonia	0.3%	0.2%	0.3%	0.0%	●	0.1%	●
Slovenia	3.7%	3.0%	2.5%	-0.8%	●	-0.4%	●
Serbia	2.9%	2.1%	n/a	-0.8%	●	n/a	n/a
Latvia	6.6%	5.1%	4.3%	-1.5%	●	-0.8%	●
Bosnia and Herzegovina	7.0%	5.0%	4.2%	-2.0%	●	-0.8%	●
Albania	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	4.9%	3.9%	3.6%	-1.0%	●	-0.3%	●

TOTAL NPL RATIO %							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	4.6%	4.2%	4.1%	-0.4%	●	-0.1%	●
Czech Republic	2.4%	1.9%	1.8%	-0.4%	●	-0.1%	●
Hungary	2.9%	3.0%	2.7%	0.1%	●	-0.3%	●
Romania	3.4%	2.7%	2.7%	-0.7%	●	0.0%	●
Slovakia	1.7%	1.6%	1.5%	-0.1%	●	0.0%	●
Bulgaria	6.0%	4.6%	3.8%	-1.4%	●	-0.8%	●
Croatia	4.3%	3.0%	3.0%	-1.3%	●	0.0%	●
Lithuania	0.7%	0.5%	0.7%	-0.2%	●	0.2%	●
Estonia	0.2%	0.2%	0.2%	0.0%	●	0.0%	●
Slovenia	2.4%	2.1%	2.0%	-0.3%	●	-0.2%	●
Serbia	3.6%	3.0%	3.2%	-0.6%	●	0.2%	●
Latvia	3.7%	2.4%	2.0%	-1.3%	●	-0.3%	●
Bosnia and Herzegovina	6.4%	4.8%	4.2%	-1.6%	●	-0.6%	●
Albania	5.7%	5.0%	5.2%	-0.7%	●	0.2%	●
Total	3.4%	2.8%	2.7%	-0.6%	●	-0.1%	●

ROE (%)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	3.2%	6.1%	9.2%	2.9%	●	3.1%	●
Czech Republic	10.5%	14.8%	15.5%	4.2%	●	0.7%	●
Hungary	9.5%	8.1%	22.8%	-1.4%	●	14.7%	●
Romania	13.3%	16.4%	21.1%	3.1%	●	4.7%	●
Slovakia	8.4%	9.4%	10.8%	1.0%	●	1.4%	●
Bulgaria	8.5%	12.0%	18.4%	3.5%	●	6.4%	●
Croatia	8.8%	8.2%	16.8%	-0.6%	●	8.6%	●
Lithuania	9.1%	10.6%	26.0%	1.5%	●	15.4%	●
Estonia	8.9%	10.6%	20.5%	1.7%	●	10.0%	●
Slovenia	11.3%	10.8%	21.4%	-0.5%	●	10.5%	●
Serbia	7.8%	13.9%	19.3%	6.1%	●	5.4%	●
Latvia	10.0%	10.0%	23.0%	0.0%	●	13.0%	●
Bosnia and Herzegovina	9.6%	12.0%	15.9%	2.4%	●	3.9%	●
Albania	12.9%	12.3%	15.9%	-0.6%	●	3.6%	●
Average	9.4%	11.1%	18.3%	1.7%	●	7.2%	●

Please note that the ROE (%) values for 2023H1 are presented on an annualized basis.

ROA (%)							
COUNTRY	2021	2022	2023 H1	CHANGE 2021-2022 (% OR %POINT)		CHANGE 2022-2023 H1 (% OR %POINT)	
Poland	0.3%	0.4%	0.6%	0.1%	●	0.2%	●
Czech Republic	0.8%	1.1%	1.1%	0.3%	●	0.0%	●
Hungary	0.9%	0.7%	2.3%	-0.2%	●	1.6%	●
Romania	1.4%	1.5%	1.9%	0.1%	●	0.4%	●
Slovakia	0.7%	0.8%	1.0%	0.0%	●	0.2%	●
Bulgaria	1.1%	1.3%	2.1%	0.3%	●	0.8%	●
Croatia	1.2%	1.0%	1.9%	-0.2%	●	0.9%	●
Lithuania	0.8%	0.9%	1.8%	0.2%	●	0.9%	●
Estonia	0.8%	0.9%	1.8%	0.1%	●	0.9%	●
Slovenia	1.2%	1.1%	2.1%	-0.1%	●	1.0%	●
Serbia	1.2%	1.9%	2.6%	0.7%	●	0.6%	●
Latvia	1.2%	1.2%	2.6%	0.1%	●	1.3%	●
Bosnia and Herzegovina	1.3%	1.6%	2.0%	0.3%	●	0.4%	●
Albania	1.4%	1.4%	1.8%	-0.1%	●	0.5%	●
Average	1.0%	1.1%	1.8%	0.1%	●	0.7%	●

CIR (%)				
COUNTRY	2021	2022	CHANGE 2021-22 (% OR %POINT)	
Poland	59.4%	53.6%	-5.8%	●
Czech Republic	49.7%	40.7%	-9.0%	●
Hungary	53.9%	53.3%	-0.6%	●
Romania	54.7%	52.1%	-2.6%	●
Slovakia	56.8%	53.7%	-3.1%	●
Bulgaria	46.2%	42.7%	-3.5%	●
Croatia	48.7%	52.5%	3.8%	●
Lithuania	60.3%	54.4%	-5.9%	●
Estonia	46.9%	44.9%	-1.9%	●
Slovenia	59.5%	57.6%	-1.9%	●
Serbia	71.0%	58.7%	-12.3%	●
Latvia	62.5%	55.6%	-6.9%	●
Bosnia and Herzegovina	60.1%	55.7%	-4.3%	●
Albania	60.3%	59.2%	-1.1%	●
Average	56.4%	52.5%	-4.0%	●

NIM (%)				
COUNTRY	2021	2022	CHANGE 2021-22 (% OR %POINT)	
Poland	3.1%	4.9%	1.7%	●
Czech Republic	3.6%	4.4%	0.9%	●
Hungary	3.8%	5.4%	1.6%	●
Romania	2.8%	3.0%	0.2%	●
Slovakia	2.0%	1.9%	-0.1%	●
Bulgaria	3.5%	3.6%	0.1%	●
Croatia	2.2%	2.1%	-0.2%	●
Lithuania	1.4%	2.3%	0.9%	●
Estonia	2.4%	2.8%	0.4%	●
Slovenia	2.4%	2.7%	0.3%	●
Serbia	n/a	n/a	n/a	n/a
Latvia	2.0%	2.0%	0.0%	●
Bosnia and Herzegovina	4.0%	4.0%	0.0%	●
Albania	7.5%	8.0%	0.4%	●
Average	3.1%	3.6%	0.5%	●

OPEX ON AVG. TOTAL ASSETS (%)				
COUNTRY	2021	2022	CHANGE 2021-22 (% OR %POINT)	
Poland	1.6%	1.9%	0.3%	●
Czech Republic	1.1%	1.1%	0.0%	●
Hungary	2.0%	2.3%	0.3%	●
Romania	2.0%	2.1%	0.1%	●
Slovakia	1.4%	1.3%	-0.1%	●
Bulgaria	1.6%	1.6%	0.0%	●
Croatia	1.6%	1.6%	0.0%	●
Lithuania	1.5%	1.5%	0.0%	●
Estonia	0.8%	0.9%	0.0%	●
Slovenia	1.5%	1.5%	0.0%	●
Serbia	n/a	n/a	n/a	n/a
Latvia	1.9%	1.8%	-0.2%	●
Bosnia and Herzegovina	2.4%	2.3%	-0.1%	●
Albania	2.2%	2.1%	-0.1%	●
Average	1.7%	1.7%	0.0%	●

COST OF RISK (%)				
COUNTRY	2021	2022	CHANGE 2021-22 (% OR %POINT)	
Poland	1.0%	1.1%	0.1%	●
Czech Republic	0.1%	0.4%	0.2%	●
Hungary	0.2%	0.7%	0.5%	●
Romania	1.2%	1.4%	0.2%	●
Slovakia	0.2%	0.2%	0.0%	●
Bulgaria	0.7%	0.7%	-0.1%	●
Croatia	0.3%	0.2%	-0.1%	●
Lithuania	0.0%	-0.2%	-0.2%	●
Estonia	0.1%	0.1%	0.0%	●
Slovenia	-0.3%	0.1%	0.3%	●
Serbia	n/a	n/a	n/a	n/a
Latvia	0.0%	0.4%	0.3%	●
Bosnia and Herzegovina	n/a	n/a	n/a	n/a
Albania	0.1%	0.6%	0.5%	●
Average	0.3%	0.5%	0.2%	●

Source: National Banks' data

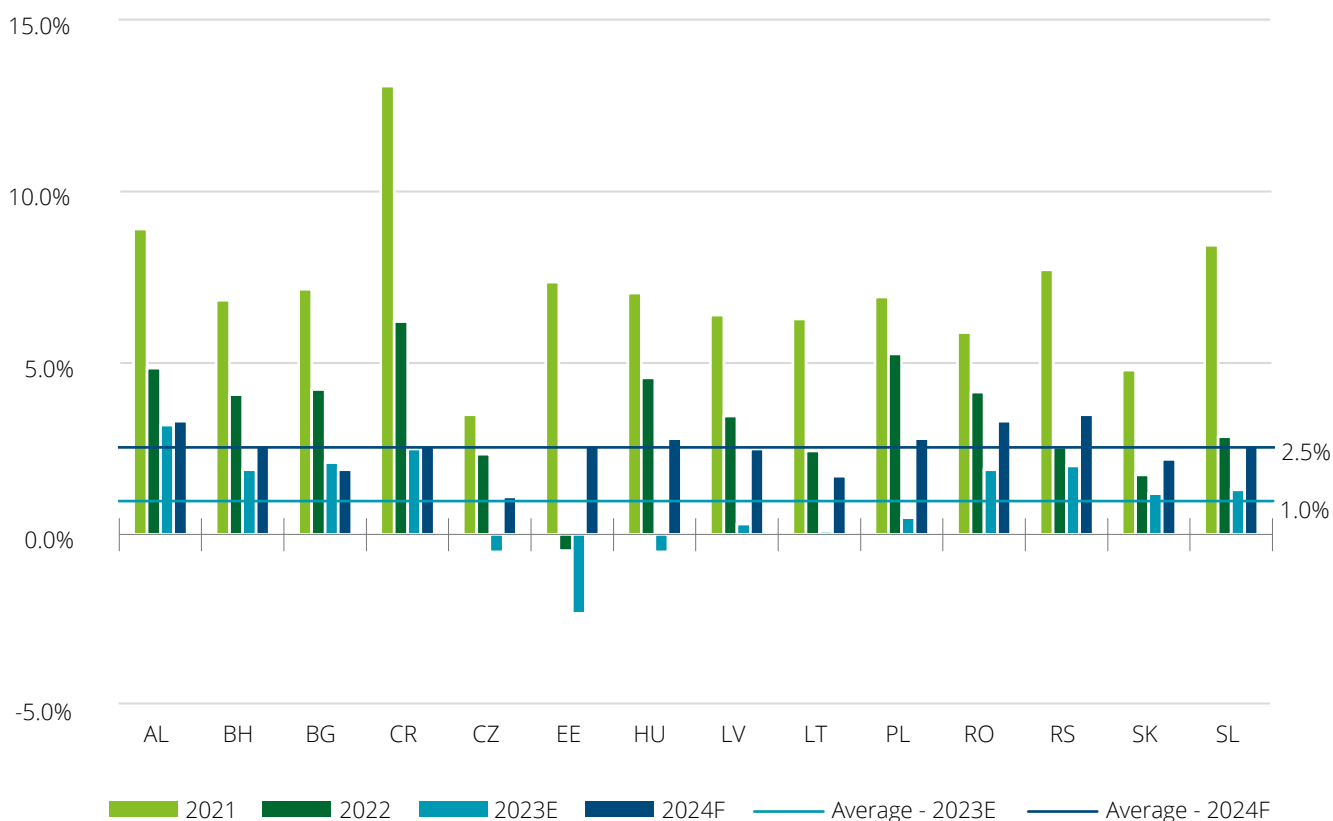
Please note that banking data are presented in EUR and were converted using average exchange rates, where applicable.

CEE MACROECONOMIC OVERVIEW

After experiencing a vigorous post-pandemic expansion in 2021 and 2022, the economy in Central Eastern Europe has encountered a deceleration in momentum. Recent months have seen an increase in uncertainty and downside risks to the economic outlook, primarily stemming from Russia's protracted war on Ukraine and the emergence of conflicts in the Middle East. Energy markets are particularly susceptible, with potential disruptions in energy supplies carrying the risk of significant impacts on energy prices, global output, and overall price levels. In addition, the conflict in the Middle East runs the risk of disrupting global supply chains as cargo ships are forced to

divert around the Horn of Africa in order to avoid the Red Sea. Real GDP showed minimal growth this year, with high inflation and stringent financial conditions contributing to low levels of investment and a decrease in real household disposable income. Consequently, the CEE region witnessed weakness and stagnation in private consumption, while wage growth lagged behind inflation in most countries. On a positive note, there is a noticeable downward trajectory in inflation due to the responsive measures of monetary policy and the labor market maintained a robust performance this year, with expectations for a resumption of growth in real wages.

FIGURE 1. CHANGES IN REAL GDP, 2021-2024F

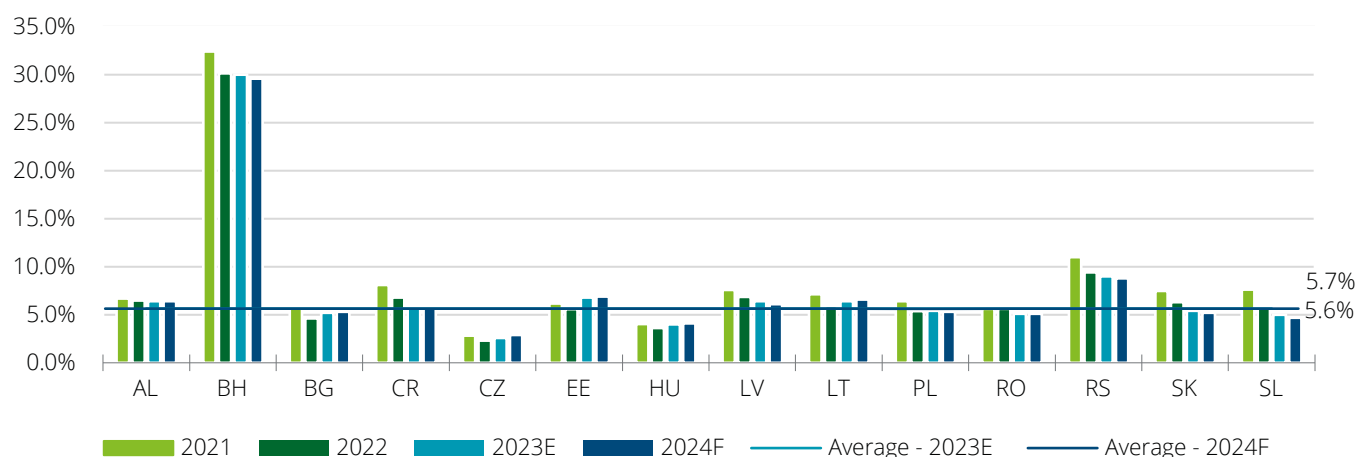


Source: EIU

After the slow-down of the economy in 2022, real GDP growth experienced further downward pressure in 2023, particularly from prevalent geopolitical tensions, uncertain macroeconomic environment and inflationary pressures. The examined CEE countries recorded an average real GDP growth of 3.4% in 2022,

with an anticipated decrease to 1.0% in 2023, as projected by EIU estimates. From 2024 there is an anticipation of a moderate rebound in growth as consumption recovers driven by increasing real wages, and a resurgence in external demand.

FIGURE 2. RECORDED UNEMPLOYMENT, 2021-2024F



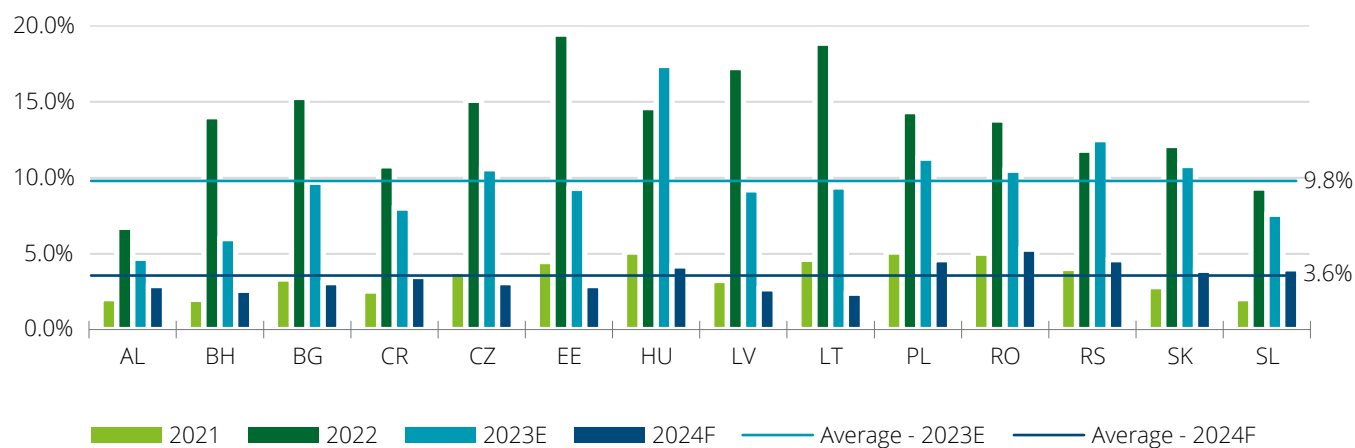
Source: EIU

Please note that Bosnia and Herzegovina was excluded from the average calculations.

The employment market continued to show resilience despite the adverse effects of recent years. In 2023, only a handful of countries are projected to have a higher unemployment rate compared to 2022. The average unemployment ratio of CEE countries under observation was recorded at 5.7% in 2022 and expected to stay at a similar level in 2023 and 2024 according

to EIU forecast. Following a temporary decrease in real wages in 2022, there is an anticipation of continuous high nominal wage growth from 2023 onward, driven by the tight labor market. This is projected to lead to real wage growth from 2023Q4 across most countries.

FIGURE 3. CHANGES IN CONSUMER PRICES, 2021-2024F

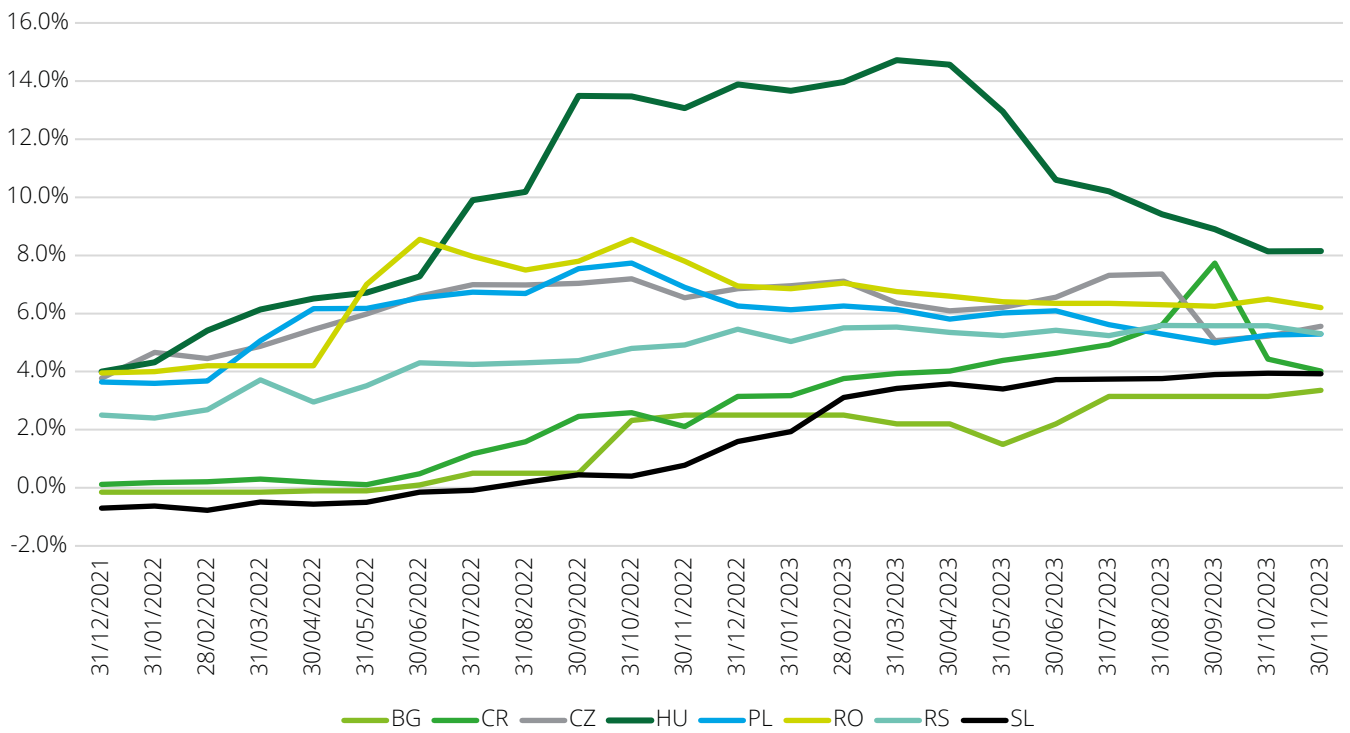


Source: EIU

Inflation has started to cool down in 2023, with the average CEE inflation expected to reach 9.8% by year-end, reflecting a 4%p decrease from 2022. Exceptions are Hungary and Serbia, with estimated consumer prices 2.8%p and 0.7%p higher in 2023, respectively. The overall decline in inflation can be attributed to waning base effects, lower energy costs and reduced food price pressures. Disinflation is expected to continue, although in some countries less sharply, given the sustained inflation in services.

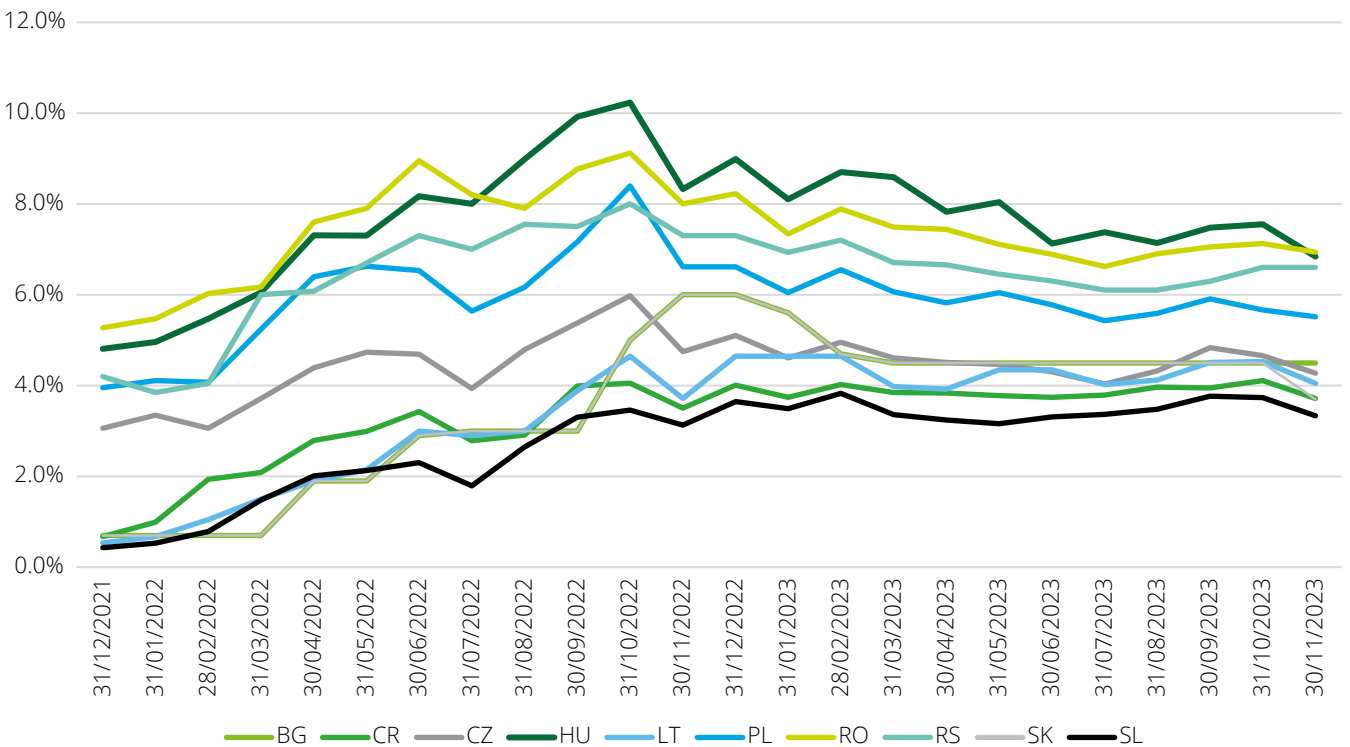
The volatile and highly inflationary environment led national banks to respond, and both in 2022 and 2023, policymakers chose to implement more restrictive and tighter monetary measures to temper the economy. Consequently, policy rates were raised in the countries under observation. On average, the interest rate of the 1-year government bond increased by 3.1%p, while the 10-year government bond yield increased by 2.5%p between 2021YE and 2023 November. A reduction in the policy rate is expected, and some countries like Poland, Hungary and Romania have already started cutting them.

FIGURE 4. 1-YEAR GOVERNMENT BOND YIELDS, 2021-2023



Source: Refinitiv (LSEG)

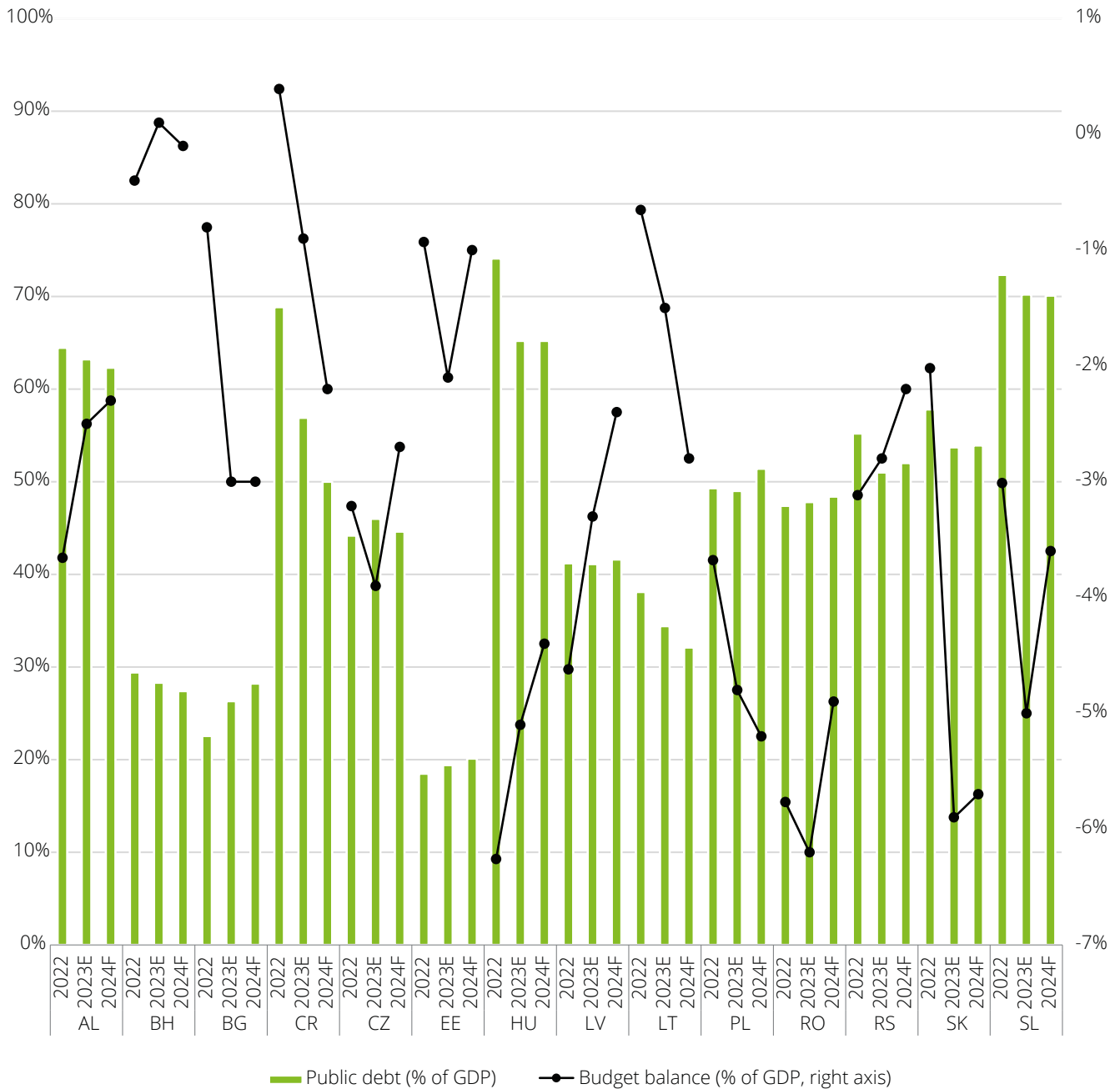
FIGURE 5. 10-YEAR GOVERNMENT BOND YIELDS, 2021-2023



Source: Refinitiv (LSEG)

Please note that the 10-year government bonds %p change includes Slovakia and Lithuania as well.

FIGURE 6. PUBLIC DEBT (% OF GDP) AND BUDGET BALANCE (% OF GDP), 2022-2024F



Source: EIU

In 2022, the budget deficit decreased in most countries, some of which bounced back in 2023. Although fiscal support decreased after the phase-out of pandemic-related measures, higher interest expenditure is expected to increase the deficit in 2023 on an EU level. In the coming years, exercising fiscal restraint may contribute to a decrease in the budget deficit of individual countries without exacerbating additional inflationary pressures.

Public debt as a % of the GDP generally decreased since 2021 except for Bulgaria, the Czech Republic and Estonia. There is a decreasing effect of the public debt-to-GDP due to a strong expansion of the nominal GDP owing to high inflation. On the other hand, high budget deficits contributed to the public debt. In 2024 and 2025, the ratio is expected to stabilize.

BANKING TRENDS IN CEE

In 2023, banks faced the challenge of navigating macroeconomic and geopolitical uncertainties, along with significant changes driven by technological innovation. These shifts offer banks a strategic opportunity to reassess and redefine their positioning for the future. Despite challenges, the banking sector's adaptability to evolving economic conditions underscores its flexibility and potential for further growth in the coming period.

Central and Eastern European banking trends reflect a nuanced landscape in 2023. The overall balance sheet of the CEE banking sector witnessed a 5.8% growth reaching EUR 1,931 billion, dominated by Poland, the Czech Republic and Hungary, collectively contributing to more than two-thirds of the total assets. Challenges arose from an adverse macroeconomic environment and rising lending rates, impacting loan demand and asset growth. The region experienced a shift in asset penetration, with high inflation outpacing banking asset growth, resulting in a 6.0%p [real] decrease in 2022.

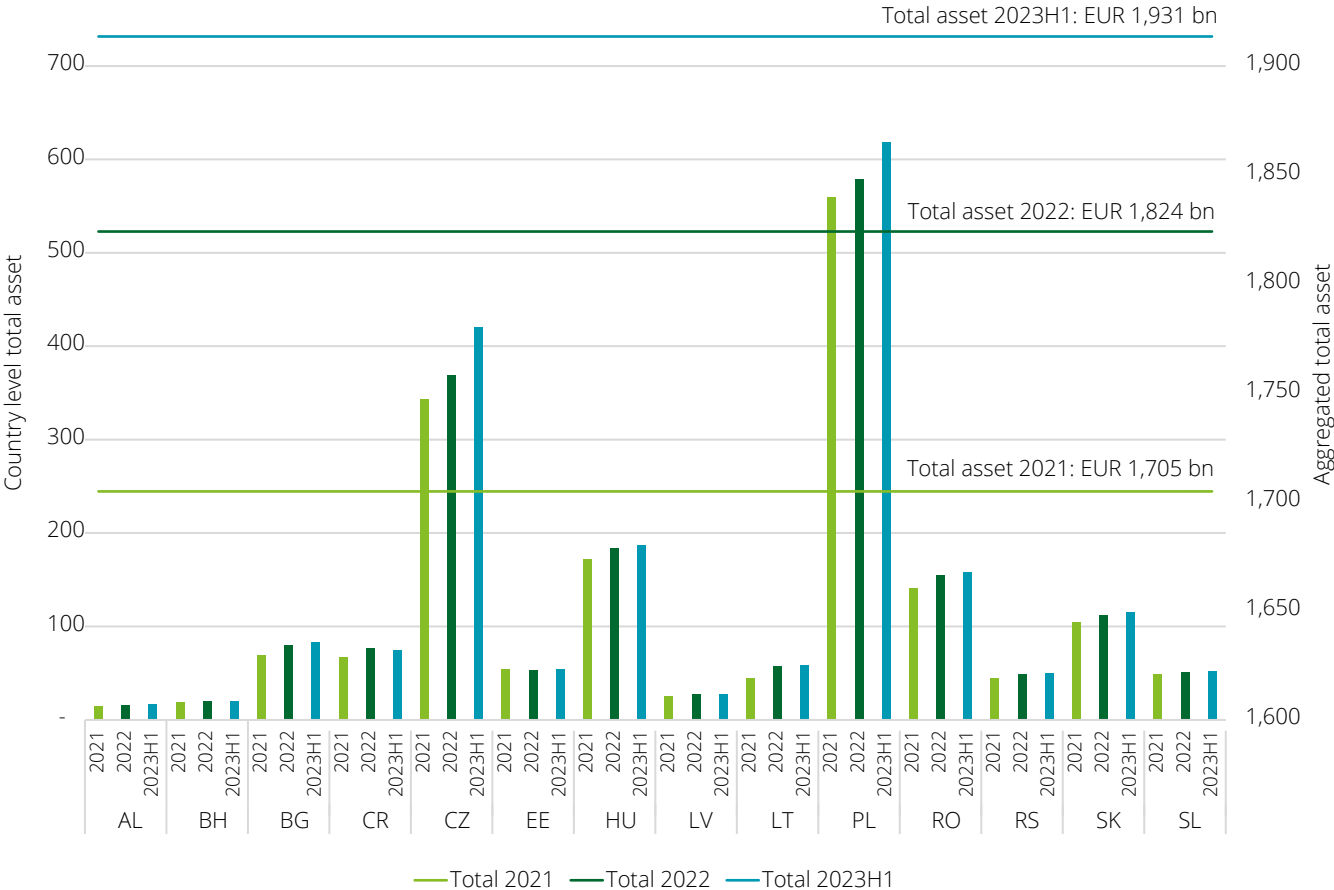
Despite challenges, the regional banking sector demonstrated resilience with strong capital adequacy and heightened profitability. ROE surged from 6.4% to 11.1% between 2020

and 2022, and although 2023 saw a slow start in lending activity, the sector's annualized ROE jumped to an average of around 18% for the first half of 2023, a record last seen before the 2008 Global Financial Crisis. Impressive profitability was attributable to higher net interest margins supported by relatively controlled risk costs due to persistently low default rates and a strong focus on managing operating costs notwithstanding the high level of inflation. As digitalisation take-up has advanced, banks have been able to reduce the scale and costs of their physical distribution networks.

Market dynamics showed moderate concentration in 6 countries and competitiveness in 8, with Slovenia transitioning from a competitive to a moderately competitive market. Future consolidation is anticipated, particularly in less concentrated markets.

However, the outlook for CEE banking sectors faces challenges, particularly in the three largest countries (Poland, Czech Republic, Hungary), driven by negative economic trends, as well as extraordinary taxes targeted at the banking sector. Conversely, Romania, Bulgaria, Croatia, and Slovenia exhibited more balanced prospects.

FIGURE 7: TOTAL ASSET, 2021-2023H1 (EUR BN)

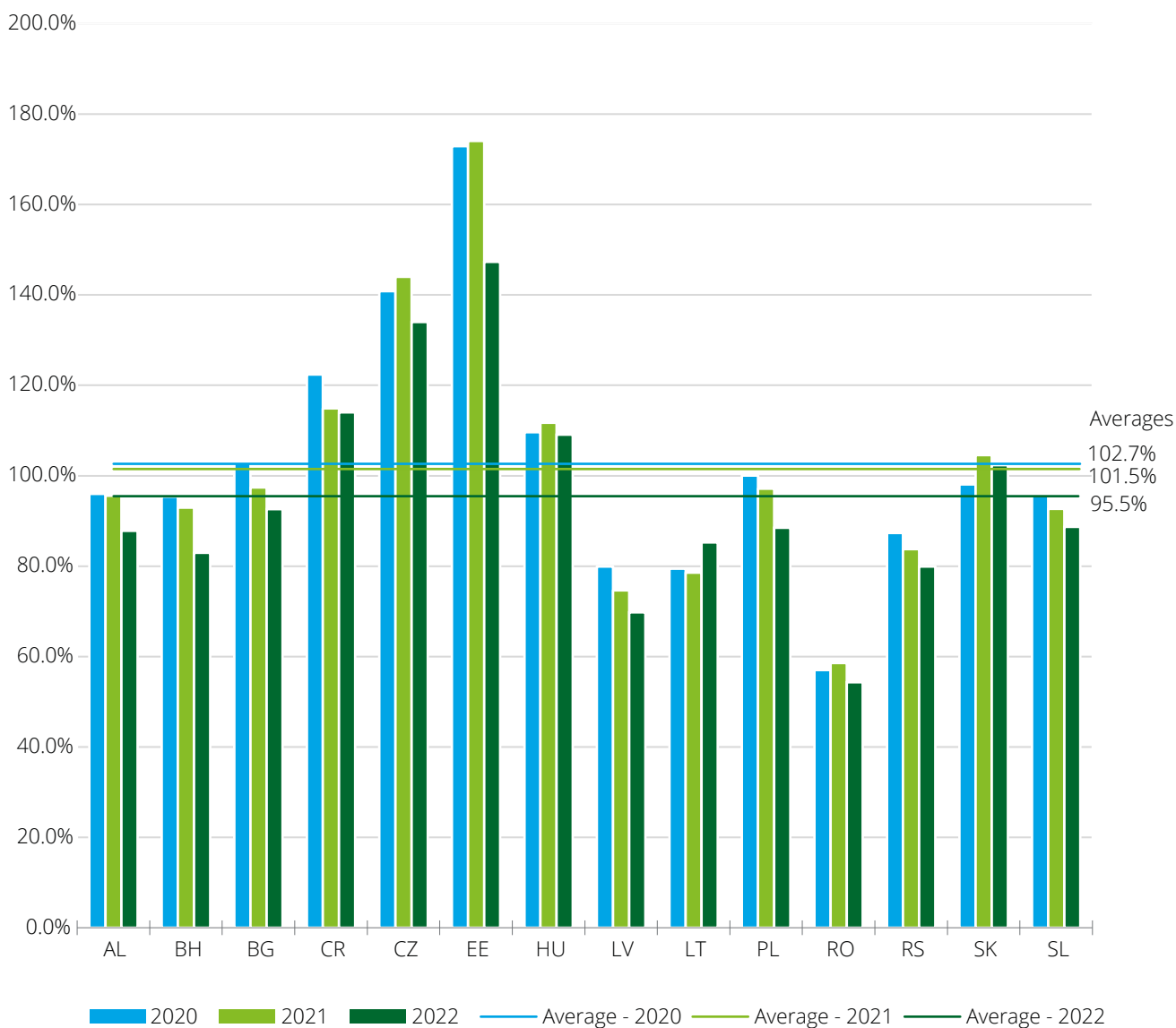


Source: National banks' data

The banking sector's overall balance sheet grew by 7% in 2022 and 5.8% in the first half of 2023, totaling EUR 1,931 billion at the end of 2023 H1 on an aggregated CEE level. The three countries having the largest banking sectors (Poland, Czech Republic and Hungary) accounted for over 63.4% of the total assets.

The unfavorable macroeconomic environment along with high lending rates experienced in 2022 may have a detrimental influence on the demand for new loans in the upcoming years, although benchmark rates started to move downwards in several countries after 2023H1.

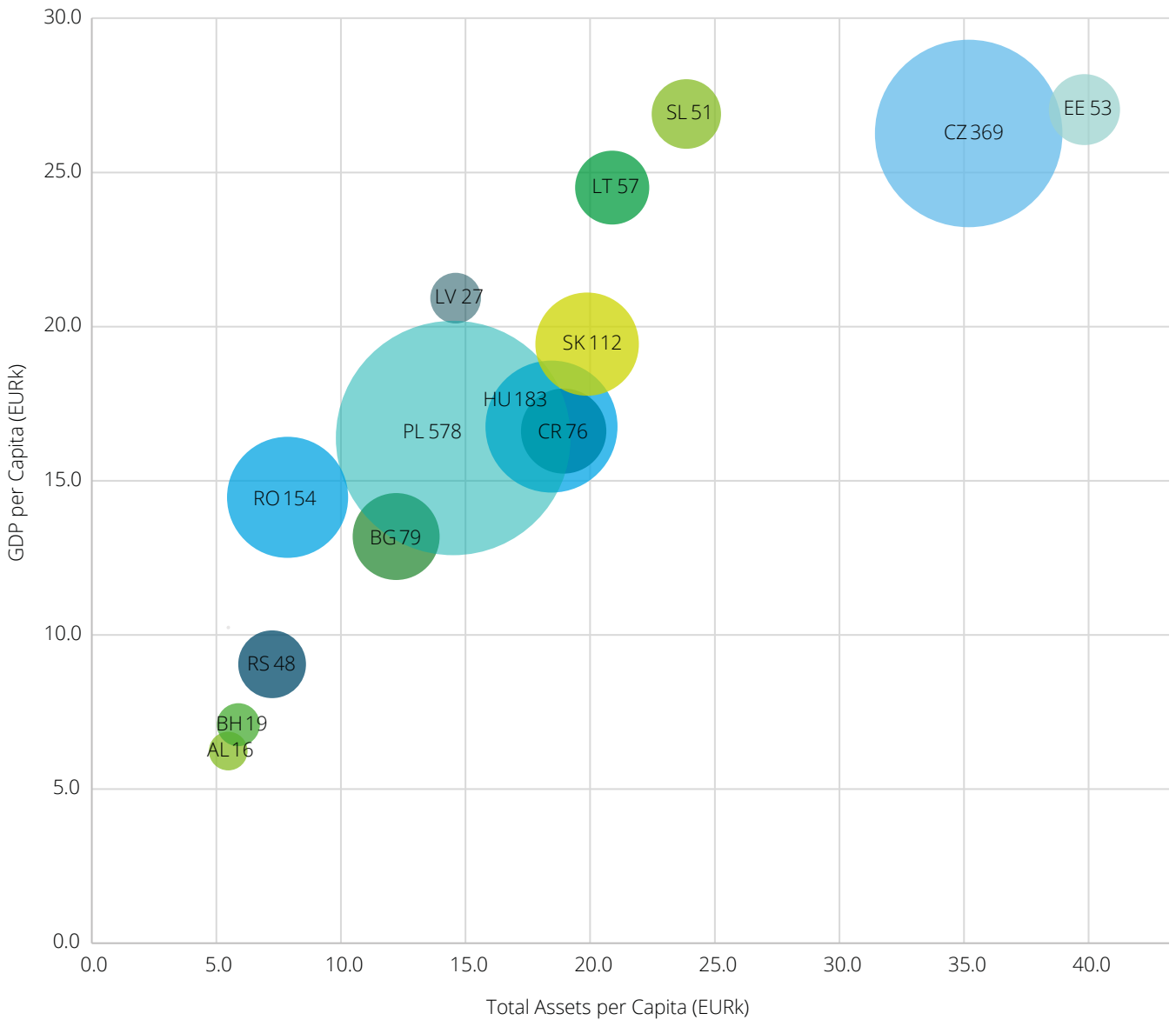
FIGURE 8: BANKING ASSETS TO GDP, 2020-2022



Source: EIU, National bank's data

The significant inflation-driven growth of nominal GDP level surpassed the increase in banking asset growth, resulting in 95.5% asset penetration in 2022 – 6.0%p lower than in 2021. The underlying reasons behind limited asset growth were mainly high interest rates persistent in the whole CEE region and stringent lending conditions applied by commercial banks.

FIGURE 9: BANKING MARKET PENETRATION TO GDP PER CAPITA, 2022

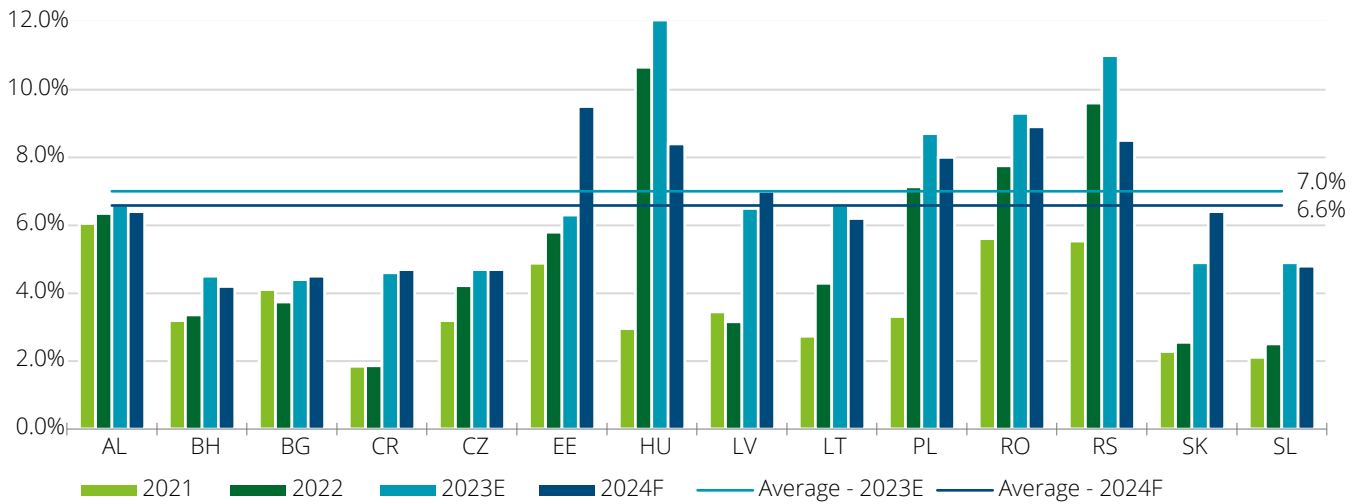


*Note: Bubble size represents total asset volume in 2022 (EUR bn)
Source: EIU and National banks' data*

There is a strong positive correlation between the penetration of banking assets and the GDP per capita of the respective countries in the CEE region. Countries with lower penetration include Romania, Serbia, Bosnia and Herzegovina, and Albania. Consequently, higher potential future growth is anticipated for these countries. Slovakia, Hungary, Poland, Croatia, Lithuania, and Latvia constitute the medium-penetrated group based on asset-penetration, with Bulgaria joining this category from 2022.

The high-penetrated group comprises the Czech Republic and Estonia, while Slovenia is on the verge of joining this group. In recent years, the examined countries have exhibited a noteworthy shift toward a highly penetrated direction, driven by improving standards of living and the expanding banking markets.

FIGURE 10. LENDING RATES (%), 2021-2024F

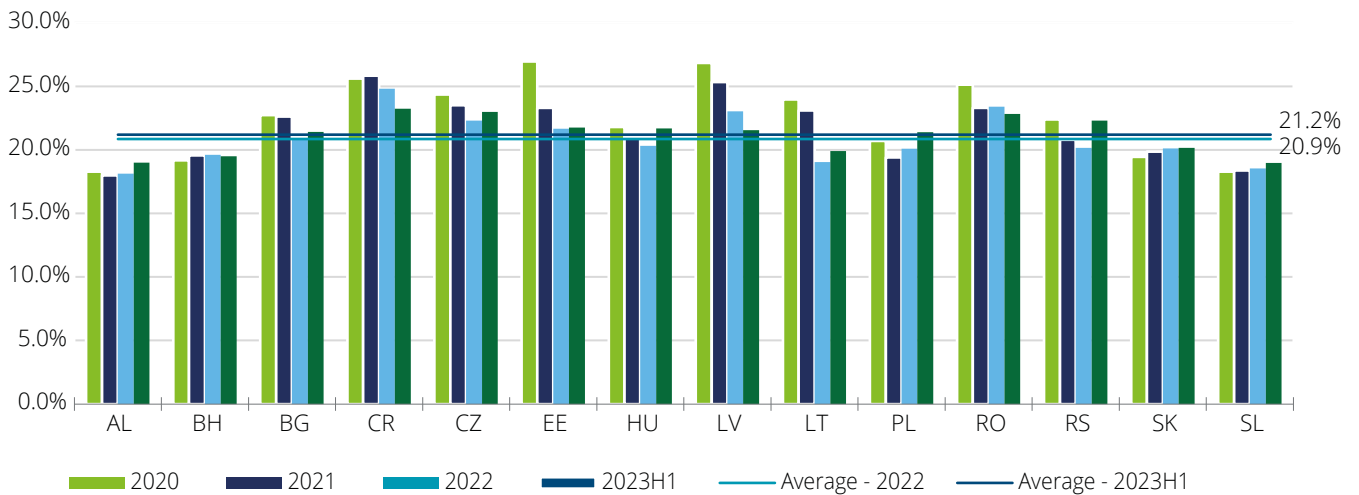


Source: EIU

Due to monetary tightening measures to curb double-digit inflation and local currency depreciation, the average lending rate increased significantly since 2022. According to EIU estimations it is expected to rise by 1.8% point in 2023 in CEE. This will have benefitted the industry's net interest margins, and the sector's total profitability. Nevertheless, considering the detrimental effect of rising interest rates on asset quality, multiple central banks of CEE countries launched more stringent

lending conditions to be applied. With the inflationary pressure on a downward trend, a monetary easing is expected to revive domestic demand. Some countries, like Poland, Hungary and Romania, have already started cutting benchmark rates. Yet, experience from the past years suggests that the transmission of policy rates to the real economy has its limitations and has different speed to pass through across regions and loan types.

FIGURE 11: CAPITAL ADEQUACY RATIO, 2020-2023H1



Source: National banks' data

The banking sector's capital adequacy remains strong despite the continued geopolitical turmoil. The increasing concern over the financial and capital position of banks under the uncertain macroeconomic conditions caused some of the regulators of CEE countries to raise CAR and countercyclical buffer

rates to avoid financial stability problems. The banks reducing their exposure toward risky assets were able to surpass the increasing minimum regulatory capital requirements resulting in a slight increase of the average CAR to 21.2% in 2023H1 at the same time as paying dividends.

FIGURE 12: RETURN ON EQUITY, 2020-2023H1



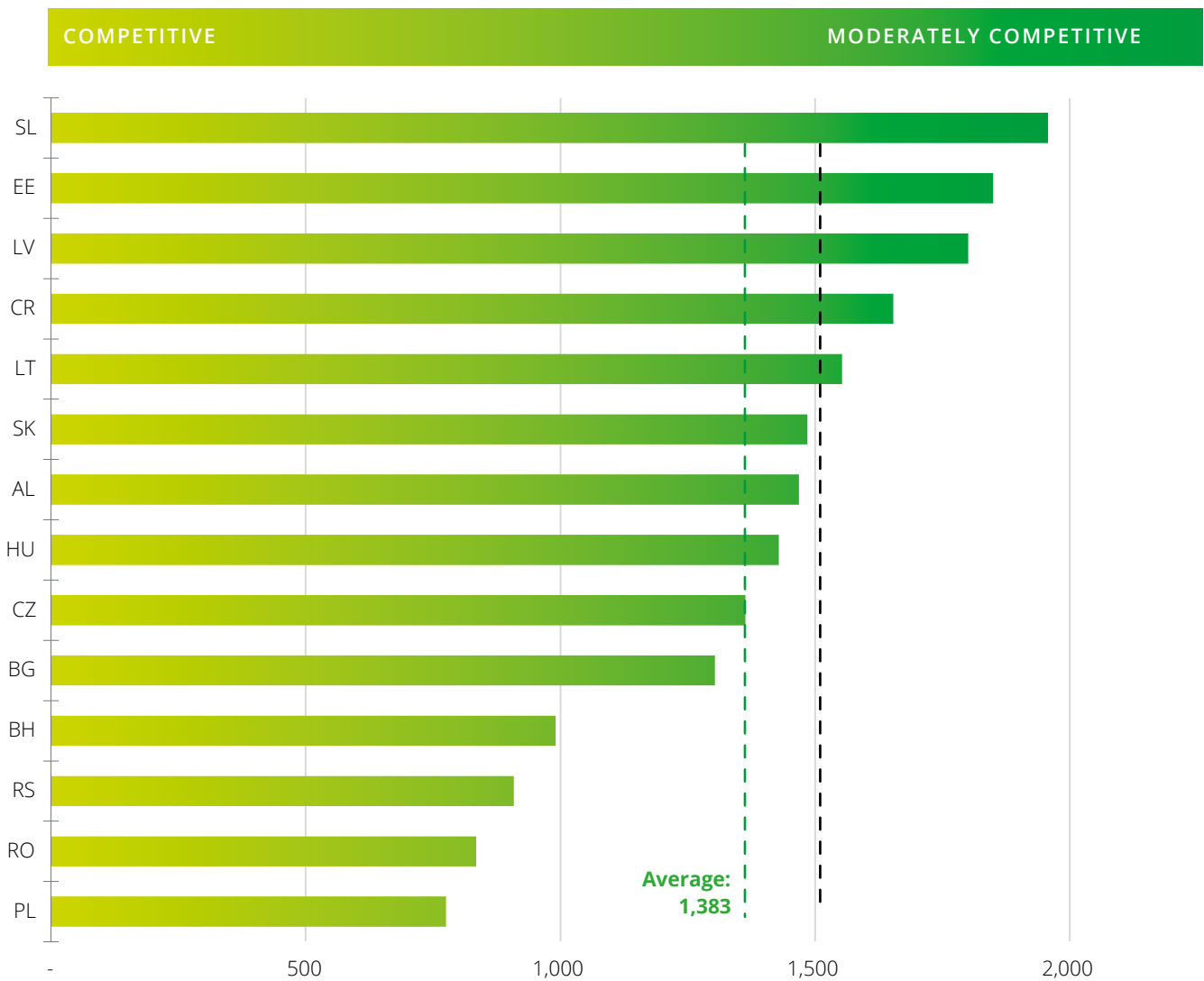
Source: National banks' data

The ROE of the banking sector in CEE substantially improved from 6.4% to 11.1% between 2020 and 2022 following the post-pandemic boost in the lending activity and higher interest rate prevailing in the region in 2022. In 2022, all analyzed countries' banking sectors were operating profitably with Romania (16.4%), Czech Republic (14.8%) and Serbia (13.9%) being the most profitable in terms of sector level ROE. Among other countries, Poland was the least profitable market, largely due to the country's high banking taxes and a further increase in legal risk provisions for FX loans.

Despite slower lending activity in 2023, the banking sector's profitability demonstrated record-breaking improvement in

terms of ROE. At over 18% in 2023H1, ROE reached its highest level since the onset of the Global Financial Crisis in 2008. The majority of this improvement was driven by higher net interest income in an environment where interest rate remained higher than previous years, offsetting the negative impact of tighter credit rules and muted lending growth. Low NPL driven reduced impairments represents an additional important factor, reflecting an improvement in the CEE macroeconomic outlook. There was also a strong focus on operating costs given the high inflationary environment, along with digitalization allowing physical distribution networks to continue to be reduced in scale.

FIGURE 13. MARKET CONCENTRATION BY HHI IN THE RESPECTIVE COUNTRIES, 2022



Source: National banks' data

Based on the Herfindahl–Hirschman Index (HHI) the banking sector showed moderate concentration in 5 countries (HHI ranging from 1500 to 2500) and was competitive in 9 countries (HHI below 1500). Slovenia transitioned from a competitive market to moderately competitive last year, mainly due to major acquisitions by OTP and, to a lesser extent, NLB. In Lithuania, the banking sector's concentration notably decreased, as newly licensed banks strengthened their market presence (i.e. Saldo Bank UAB, Finora Bank AB). In 2022, Poland had the least concentrated banking sector in the CEE region, with the combined total assets of the top five banks just below 50%, and

an HHI indicator of less than 800. Generally, less concentrated markets are expected to undergo future consolidation, as smaller and less resilient players may struggle with challenges in provisioning and equity position, particularly in the face of potential substantial asset quality deterioration resulting from significantly increased interest rates. International banking groups operating in the region are increasingly directing their focus towards subsidiaries with "critical mass," recognizing the strong correlation between scale and returns. The trend of exits from smaller subsidiaries and/or smaller markets in the region is anticipated to continue.

RANKING OF THE LEADING BANKING GROUPS BY TOTAL ASSETS IN THE SELECTED COUNTRIES, 2022

RANK 2022	RANK 2021	YOY	BANKING GROUP	AL	BH	BG	CR	CZ	EE	HU	LV	LT	PL	RO	RS	SK	SL	NR. OF COUNTRIES WITH PRESENCE	NR. OF COUNTRIES WITH TOP 5 PRESENCE
1	1	●	Erste		7		3	2		4				2	8	1	8	8	5
2	2	●	KBC			1		1		3						4		4	4
3	3	●	UniCredit		1	3	1	4		5				6	4	6	4	9	7
4	6	▲	OTP	5		2	4			1				8	2		2	7	6
5	4	▼	PKO										1					1	1
6	5	▲	Raiffeisen	3	2		5	5		7				5	3	3		8	7
7	7	●	PZU										2					1	1
8	8	●	Société Générale					3						4				2	2
9	9	●	Intesa Sanpaolo	4	6		2			8				13	1	2	3	8	5
10	10	●	Santander										3					1	1
11	11	●	Commerzbank										5					1	1
12	12	●	ING										6					1	0
13	13	●	Swedbank						2		1	1						3	3
14	14	●	MBH							2								1	1
15	16	▲	BNP Paribas							16				7				2	0
16	17	▲	SEB						3		2	2						3	3
17	18	▲	BCP										8					1	0
18	19	▲	Nova Ljubljanska Banka		3											5	1	3	3
19	15	▼	PPF Group					6								15		2	0
20	20	●	Citibank											9				1	0
21	21	●	Luminor						1									1	1
22	22	●	J&T Finance				2	9									7	3	0
23	24	▲	Eurobank			4										9		2	1
24	26	▲	Crédit Agricole											11				1	0
25	28	▲	Penta Investments														5	1	1

TOP 1-5

TOP 6-10

TOP 11-20

Source: Deloitte analysis, Annual reports, National banks' data

Please note that foreign branch operations are not presented in the table.

Despite challenges arising from an uncertain market environment, the largest regional banking groups maintained a stable market position in 2022. As of end of 2022, the total assets of the top 15 banking organizations accounted for 62.2% of all assets in the CEE region.

Erste group is maintaining its leading position in the selected countries of the CEE region, with a 7.9% market share in total assets, operating in 8 countries. The second and third positions are held by KBC Group and Unicredit, with market shares of 7.4% and 6.1%, respectively, spanning 4 and 9 countries. OTP Group, being present in 7 countries in the CEE region, climbed to the 4th position in the past year as it achieved significant growth via completed mergers and acquisitions.

TABLE 3. SUMMARY OF KEY METRICS OF THE LEADING BANKING GROUPS IN 2022

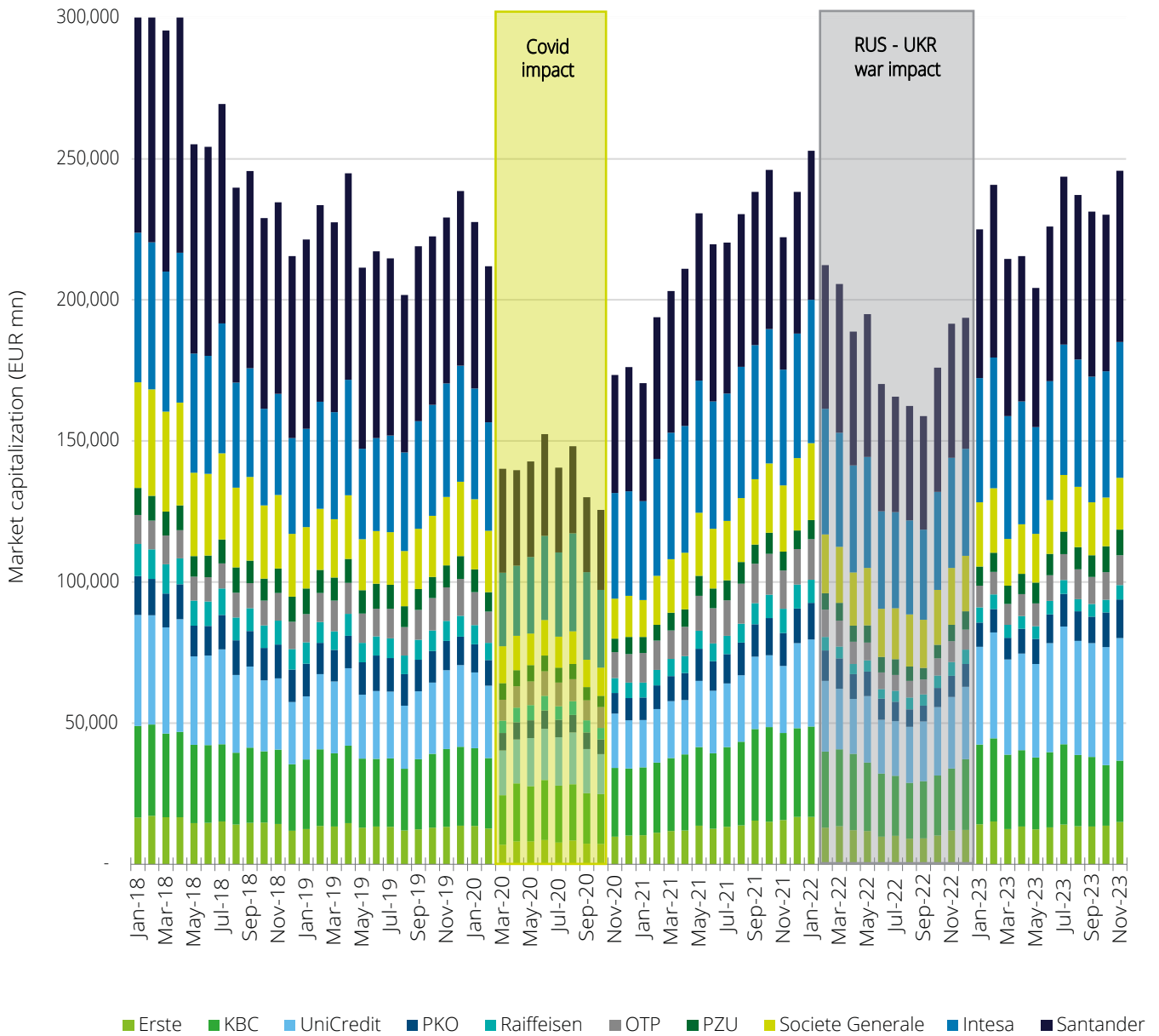
BANKING GROUP	RANK	TOTAL CEE ASSETS (EUR BN)	TOTAL CEE MARKET SHARES (%)	CUMULATIVE MARKET SHARES (%)	TOTAL CEE ROE (%)	MARKET CAP. (EUR BN, DEC. 2023)	P/BV (DEC. 2023)
Erste	1	145.0	7.9%	7.9%	13.7%	14.8	0.71x
KBC	2	135.6	7.4%	15.4%	10.7%	24.2	1.13x
UniCredit	3	111.1	6.1%	21.5%	13.1%	42.1	0.71x
OTP	4	100.4	5.5%	27.0%	11.0%	11.5	1.10x
PKO	5	91.0	5.0%	32.0%	9.7%	14.5	1.38x
Top 5		583.1	32.0%	32.0%	11.9%		
Raiffeisen	6	90.1	4.9%	36.9%	14.6%	6.1	0.33x
PZU	7	76.4	4.2%	41.1%	13.2%	9.4	1.42x
Société Générale	8	69.6	3.8%	44.9%	16.0%	19.1	0.28x
Intesa Sanpaolo	9	61.7	3.4%	48.3%	9.1%	48.2	0.76x
Santander	10	54.5	3.0%	51.3%	9.7%	60.0	0.65x
Top 10		935.4	51.3%	51.3%	12.0%		
Commerzbank	11	46.4	2.5%	53.8%	-7.0%	13.3	0.57x
ING	12	45.8	2.5%	56.3%	14.1%	45.5	0.92x
Swedbank	13	40.1	2.2%	58.5%	12.0%	20.6	1.19x
MBH	14	34.5	1.9%	60.4%	9.7%	6.7	2.69x
BNP Paribas	15	31.5	1.7%	62.1%	3.4%	71.8	0.59x
Top 15		1,133.7	62.1%	62.1%	11.7%		
SEB	16	26.9	1.5%	63.6%	16.6%	26.0	1.33x
BCP	17	23.6	1.3%	64.9%	-16.9%	4.1	0.75x
Nova Ljubljanska Banka	18	22.0	1.2%	66.1%	12.2%	1.7	0.62x
PPF Group	19	18.5	1.0%	67.1%	12.0%	n/a	n/a
Citibank	20	14.9	0.8%	68.0%	20.4%	89.1	0.52x
Top 20		1,239.6	68.0%	68.0%	11.7%		
Luminor	21	14.9	0.8%	68.8%	7.6%	n/a	n/a
J&T Finance	22	14.0	0.8%	69.5%	13.3%	n/a	n/a
Eurobank	23	11.0	0.6%	70.1%	8.5%	6.0	0.79x
Crédit Agricole	24	7.4	0.4%	70.5%	1.3%	39.2	0.57x
Penta Investments	25	6.8	0.4%	70.9%	6.6%	n/a	n/a
Top 25		1,293.5	70.9%	70.9%	11.7%		
Total CEE		1,824.1	100.0%	100.0%	11.1%		

Source: Deloitte analysis, Annual reports, National banks' data, S&P Capital IQ, based on 12-2023 data

Please note that assets are consolidated and not accounting for minority interest.

At the close of 2022, the largest five banking groups represented 32% of total assets, showing a slight uptick from 31.5% in 2021. This suggests a minor increase in the concentration of the banking sector within the CEE market. The top 25 banks in the CEE region collectively held 70.9% of total assets, accompanied by an average (ROE) of 11.7%.

FIGURE 14. AGGREGATED MARKET CAPITALIZATION OF THE REGION'S LARGEST BANKING GROUPS (EUR MN), 2018-2023



Source: Capital IQ, based on 30-11-2023

Please note that aggregate figures of banking groups based on Table 3 are presented.

While most major regional banks were not directly exposed to the Russian-Ukrainian war, they felt its indirect impact. The market capitalization of the prominent banking groups in the CEE region had only recently recovered from the pandemic's blow when the conflict erupted. Following the invasion, these banks experienced a 37% decrease in overall market capitalization until the end of September 2022.

However, market capitalization has begun to rebound since Q4 2022, and aside from a temporary setback in H1 2023 resulting

from the US and banking crisis and the events surrounding Credit Suisse, the adverse impacts of the pandemic and the war have mostly stabilized. It's important to note that market valuations were influenced by various factors, some also linked to the events in Ukraine, such as governmental interventions (e.g., the introduction of extraordinary windfall taxes and credit holidays), as well as of course the global monetary tightening and governmental interventions (eg extraordinary taxes, mortgage payment holidays).

EVOLUTION OF NPL METRICS IN THE CEE REGION

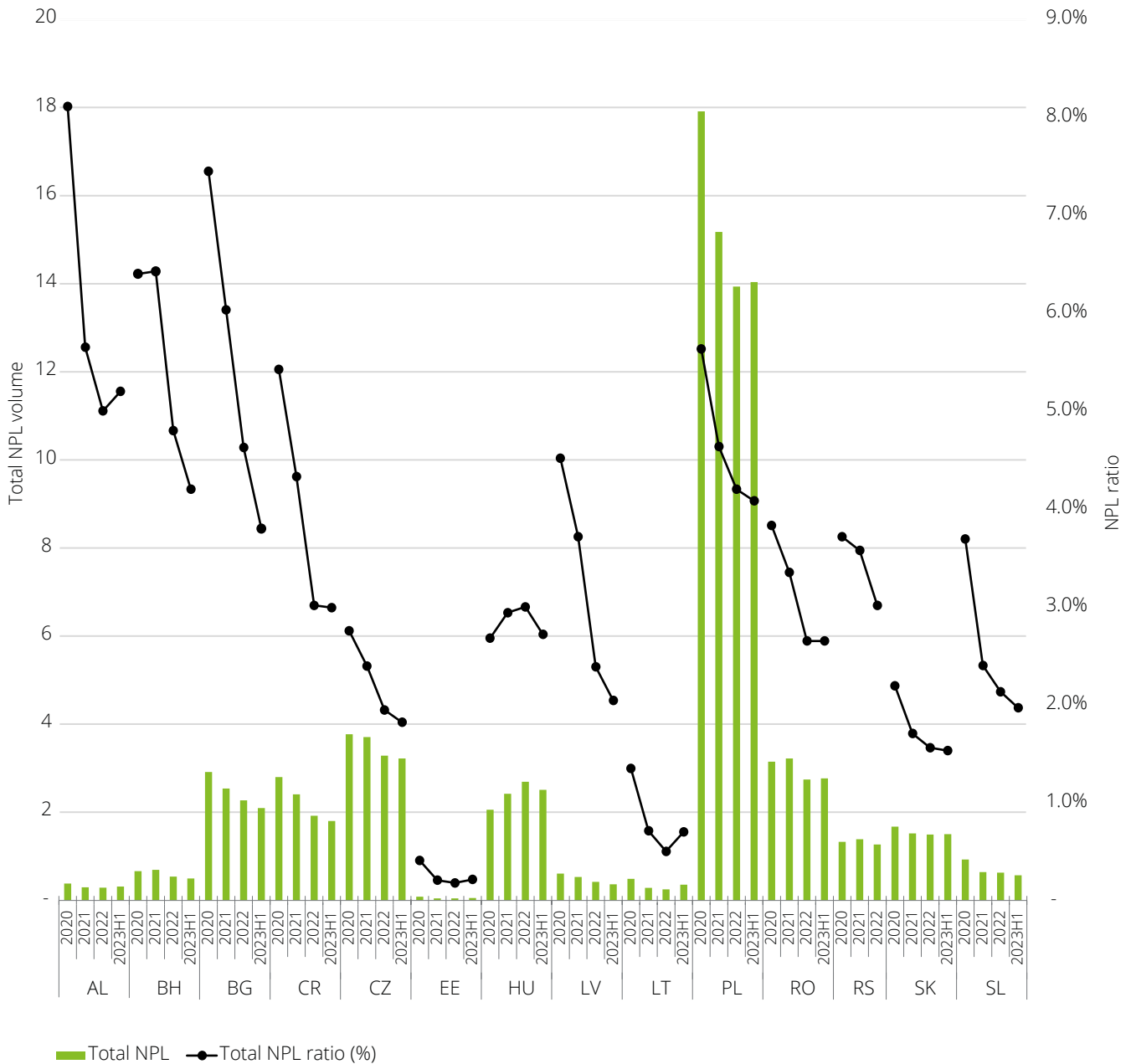
TABLE 4. TOTAL NPL VALUES AND RATIOS, 2021-2023H1

COUNTRY	TOTAL NPL (EUR MN)					
	2021	2022	2023 H1	Δ2021-2022		Δ2022-2023 H1
Poland	15,175	13,936	14,035	(1,239) [-8.2%]	●	99 [0.7%] ●
Czech Republic	3,706	3,284	3,222	(422) [-11.4%]	●	(62) [-1.9%] ●
Romania	3,220	2,746	2,768	(474) [-14.7%]	●	22 [0.8%] ●
Hungary	2,420	2,694	2,509	274 [11.3%]	●	(184) [-6.8%] ●
Bulgaria	2,539	2,269	2,097	(270) [-10.6%]	●	(172) [-7.6%] ●
Croatia	2,405	1,919	1,802	(487) [-20.2%]	●	(117) [-6.1%] ●
Slovakia	1,522	1,493	1,501	(28) [-1.9%]	●	8 [0.5%] ●
Serbia	1,386	1,266	1,399	(120) [-8.7%]	●	133 [10.5%] ●
Bosnia and Herzegovina	692	541	495	(151) [-21.9%]	●	(46) [-8.5%] ●
Slovenia	641	628	569	(13) [-2.1%]	●	(59) [-9.3%] ●
Latvia	530	419	363	(111) [-20.9%]	●	(56) [-13.3%] ●
Albania	295	287	314	(8) [-2.7%]	●	27 [9.4%] ●
Lithuania	282	250	355	(32) [-11.2%]	●	104 [41.6%] ●
Estonia	46	44	54	(2) [-3.7%]	●	10 [22.5%] ●
Total	34,859	31,776	31,484	(3,083) [-8.8%]	●	(292) [-0.9%] ●

COUNTRY	TOTAL NPL RATIO %					
	2021	2022	2023 H1	Δ2021-2022		Δ2022-2023 H1
Poland	4.6%	4.2%	4.1%	-0.4%p	●	-0.1%p ●
Czech Republic	2.4%	1.9%	1.8%	-0.4%p	●	-0.1%p ●
Romania	3.4%	2.7%	2.7%	-0.7%p	●	0.0%p ●
Hungary	2.9%	3.0%	2.7%	0.1%p	●	-0.3%p ●
Bulgaria	6.0%	4.6%	3.8%	-1.4%p	●	-0.8%p ●
Croatia	4.3%	3.0%	3.0%	-1.3%p	●	0.0%p ●
Slovakia	1.7%	1.6%	1.5%	-0.1%p	●	0.0%p ●
Serbia	3.6%	3.0%	3.2%	-0.6%p	●	0.2%p ●
Bosnia and Herzegovina	6.4%	4.8%	4.2%	-1.6%p	●	-0.6%p ●
Slovenia	2.4%	2.1%	2.0%	-0.3%p	●	-0.2%p ●
Latvia	3.7%	2.4%	2.0%	-1.3%p	●	-0.3%p ●
Albania	5.7%	5.0%	5.2%	-0.7%p	●	0.2%p ●
Lithuania	0.7%	0.5%	0.7%	-0.2%p	●	0.2%p ●
Estonia	0.2%	0.2%	0.2%	0.0%p	●	0.0%p ●
Average	3.4%	2.8%	2.7%	-0.6%p	●	-0.1%p ●

Source: Deloitte analysis, National banks' data

FIGURE 15: EVOLUTION OF KEY NPL METRICS, 2020-2023H1 (EUR BN, % OF TOTAL LOANS)

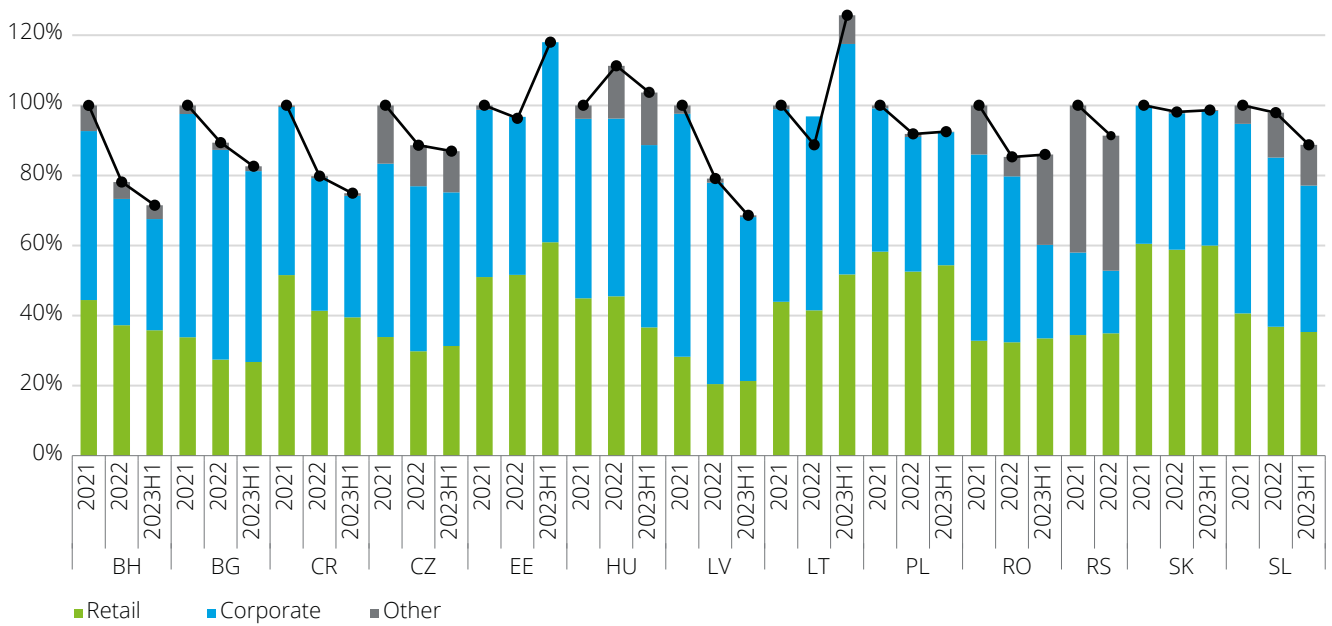


Source: Deloitte analysis, National banks' data

Total NPL ratio and volume principally improved in 2022 consistently in all CEE countries. In 2022, the NPL ratio declined most significantly in Bosnia and Herzegovina, Bulgaria and Latvia by 1.6%p, 1.4%p and 1.3%p, respectively. Overall, the primary reasons behind the asset quality improvements experienced in the region are stricter lending conditions applied by commercial banks and the availability of restructuring options for borrowers facing financial difficulties. In the first half of 2023, there was no significant change in the asset quality among the analyzed countries and in most of them the general low NPL ratios remained.

Due to the reported improvement in 12 of the 14 countries under analysis, the total NPL ratio decreased from 3.4% to 2.8% overall between 2021 and 2022. In the retail segment, the NPL ratio decreased from 3.4% at the end of 2021 to 2.9% at the end of 2022, while in the corporate segment, it decreased from 4.9% at the end of 2021 to 3.9% at the end of 2022. In 2023H1, the countries with the highest total NPL ratios were reported to be Albania (5.2%), Bosnia and Herzegovina (4.2%), and Poland (4.1%) whereas Estonia (0.2%), Lithuania (0.7%) and Slovakia (1.5%) were countries with the best asset quality.

FIGURE 16: DISTRIBUTION OF DIFFERENT NPL CATEGORIES, 2021-2023H1 (2021=100%)

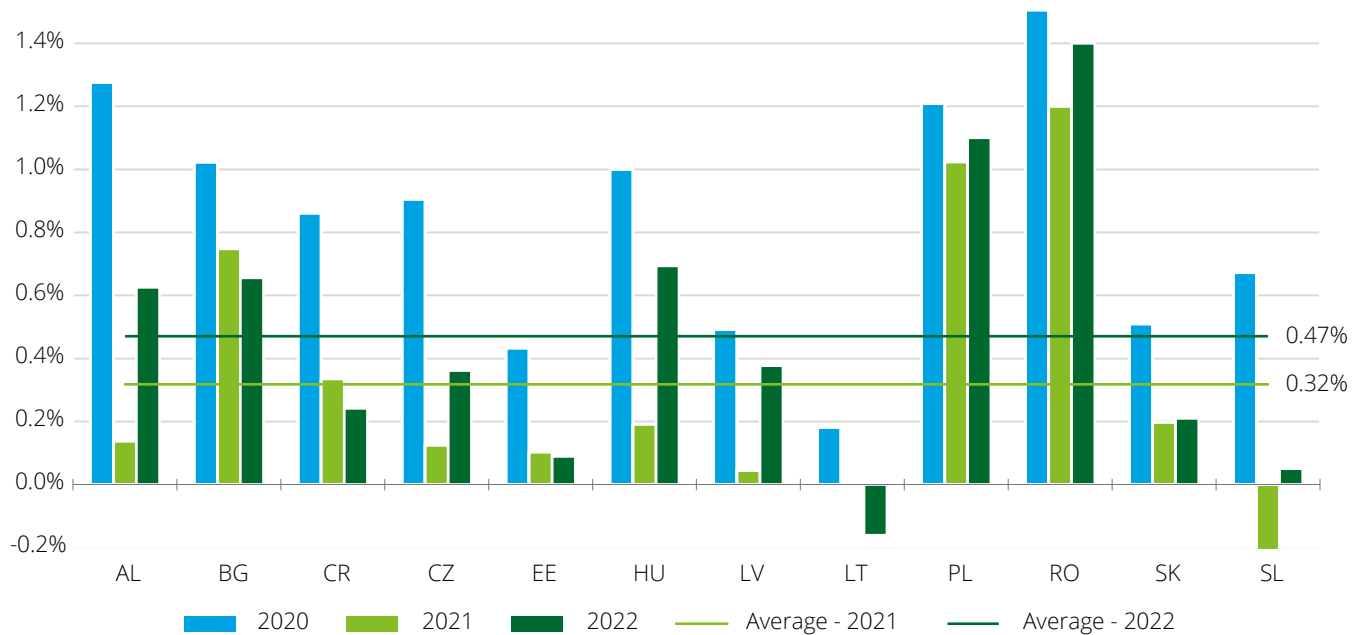


Source: Deloitte analysis, National banks' data
Please note that NPL category distribution for Serbia in 2023 H1 was not available.

In 2020, a significant amount of additional provisions (both specific and overlay provisions) were booked by the banks to mitigate the expected negative effects of COVID-19 on asset quality, however the expected deterioration did not materialize. In 2021, the cost of risk and loan loss provisions declined strongly mainly due to provision releases booked in 2020 and

outflows from NPL disposals and write-offs. In 2022, the average cost of risk in the CEE region increased above pre-pandemic levels due to the proximity of the war in Ukraine, rising interest rates and the increasing inflationary pressure. At the same time, as visible from the low recent NPL metrics above, expected portfolio quality deterioration has not materialized.

FIGURE 17: COST OF RISK (%), 2020-2022



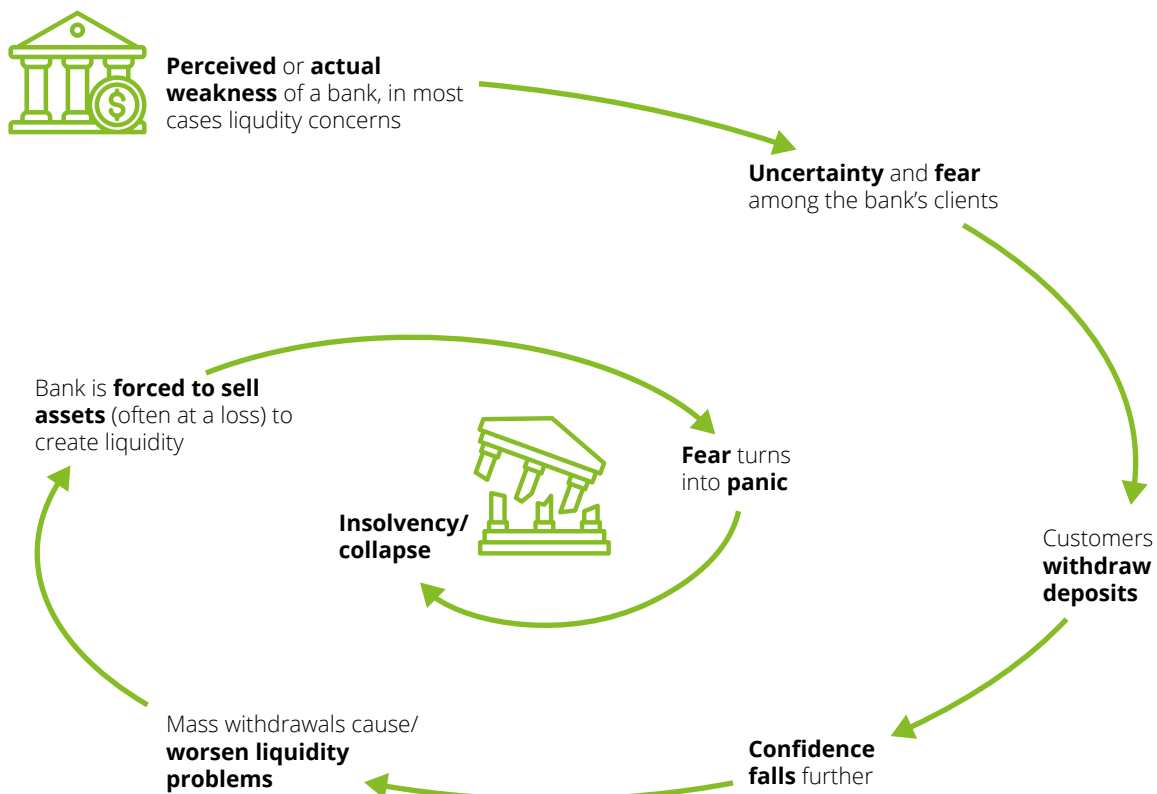
Source: Deloitte analysis, National banks' data
Please note that cost of risk information was not available for Bosnia and Herzegovina and Serbia

MREL REGULATORY FRAMEWORK

CONTEXT OF ACTUALITY

The recent banking crisis in the United States and events surrounding Credit Suisse underscore the need for banks and regulators to strengthen their preparedness for rapidly emerging critical scenarios. The collapse of Silicon Valley Bank in the United States and the acquisition of Credit Suisse by UBS

in Switzerland are stark reminders of potential threats which can have contagion effect throughout the world. The usual negative feedback loop behind a bank crisis usually looks like the following:



Source: Statista research

In order to avoid such situations European banks are currently facing a rather significant requirement to fulfill. On 18 April 2023, the European Commission adopted a proposal to adjust and further strengthen the existing EU bank crisis management and deposit insurance (CMDI) framework. The proposal will enable authorities to organize an orderly market exit for failing banks of any size and business model, including smaller players.

The legislative package contains that as of January 1, 2024, the banks are obligated to comply with the Bank Recovery and Resolution Directive (BRRD) issued by the European Union in 2014. This directive aims to ensure that in the event of financial challenges, it is the responsibility of the banks themselves—not the state (i.e., taxpayers)—to promptly address and resolve the financial issues.

EXPLANATION FOR THE NEED OF BAIL-INS

Elevated capital requirements are designed to minimize the risk of bank failures, although they do not provide an absolute guarantee against such occurrences. In the event of a bank failure, the utilization of bail-in capital becomes a viable option for recapitalizing the institution, thereby avoiding reliance on governmental intervention. This approach serves to uphold stability within the financial system and mitigate potential losses for depositors and the public sector. In order to do so, national authorities have many solutions such as a bail-in tool that can be used to recapitalize struggling banks without necessitating financial assistance from other sources. The mechanism enables the conversion of banks' certain elements of long-term wholesale debt into equity during a crisis.

BASICS OF MREL

In response to the 2008 Global Financial Crisis, the European Union implemented the above-mentioned bail-in tool through the Bank Recovery and Resolution Directive (BRRD) in 2014. The EU concurrently instituted the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) to facilitate the efficient application of the bail-in tool. At a global level, in November 2015 the Financial Stability Board finalized the concept of total loss-absorbing capital (TLAC) which is similar to MREL but applies to Global Systemically Important Institutions (G-SIIs).

MREL is a regulatory framework utilized in order to ensure that banks maintain an adequate level of loss-absorbing capacity. The MREL requirement is designed to enhance the resilience of banks and reduce the risk of public sector-funded bailouts in the event of financial distress. Ultimately, it reinforces the long-term sustainability, stability, and efficiency of the financial system by fostering transparency, accountability, and improved risk pricing.

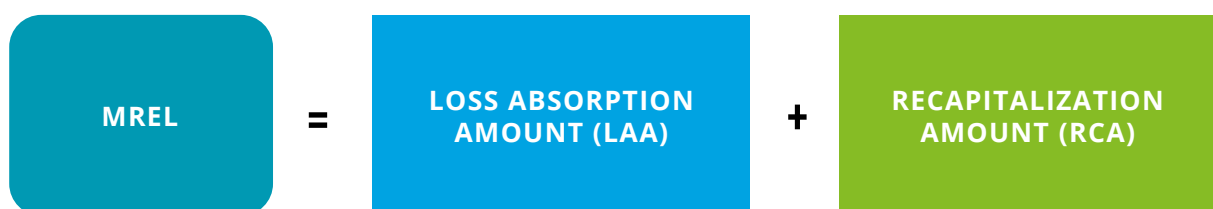
The framework itself sets out the minimum amount of own funds and eligible liabilities that a bank must maintain to cover potential losses. These eligible liabilities are instruments that can be used to absorb losses in the resolution process. In other words, MREL is a key component of a broader regulatory toolkit aimed at facilitating the orderly resolution of a distressed bank.

The specific MREL requirements can vary for each bank based on factors such as size, complexity, and risk profile, similarly to minimum regulatory capital requirements.

MREL TARGET DETERMINATION

Under the initial iteration of the Bank Recovery and Resolution Directive (BRRD I), MREL was formulated as a percentage of a bank's overall liabilities and own funds. This encompassed two ratios: a risk-weighted and a non-risk-weighted requirement, each comprising the aggregate of a loss-absorption amount and a recapitalization amount. The loss-absorption amount equated to the bank's capital requirement, while the recapitalization amount was determined by the bank's resolution strategy.

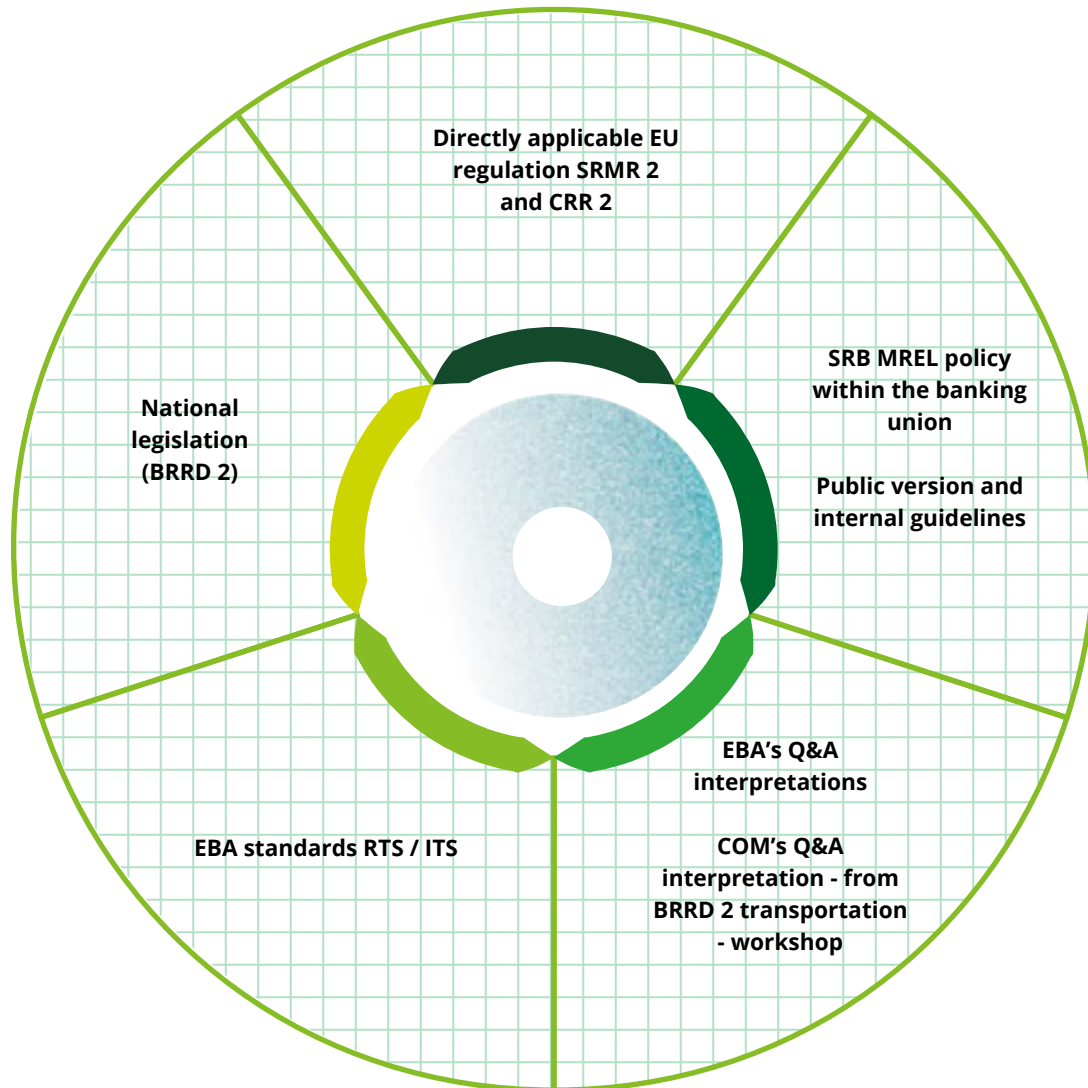
BRRD 2 brought about modifications to the calculation of MREL to align it more closely with TLAC. Presently, MREL is computed based on a risk-based ratio and a non-risk-based ratio, referencing risk-weighted assets and leverage ratio exposure. As per BRRD II, G-SIIs are mandated to satisfy a minimum TLAC requirement, set at 18% for the risk-based ratio and 6.75% for the non-risk-based ratio. Leading banks holding assets exceeding €100 billion are required to meet a 13.5% risk-based ratio and a 5% non-risk-based ratio. Local resolution authorities, employing the Loss Absorption Amount (LAA) and Recapitalization Amount (RCA), determine MREL for other financial institutions.



Source: The Financial Stability Authority (FFSA)

The regulations governing MREL constitute a notably complex framework, where the policies and guidelines established by the Single Resolution Board (SRB) play a crucial role within the banking union.

REGULATORY ENVIRONMENT FRAMEWORK



Source: The Financial Stability Authority (FFSA)

MARKET ACTIVITIES

Entities supervised by the SRB can be divided into two main categories:

- 1. Resolution entities:** institutions that have been identified as being subject to resolution measures in the event of financial distress to maintain financial stability.
- 2. Non-resolution entities:** financial institutions that are not designated for special resolution measures. While they may still be subject to general regulatory requirements, they do not have the same level of resolution-related obligations as resolution entities. This distinction arises from the fact that non-resolution entities are not deemed as critical to financial stability in a manner comparable to resolution entities.

MREL requirements have been gradually phased in with the deadline of January 1, 2024, allowing banks sufficient time to adapt to the new regulatory framework, meet the specified MREL targets, and ensure a smooth transition without causing disruptions to the financial system. The gradual implementation also provided regulators with the opportunity to assess the feasibility and impact of the MREL requirements on individual banks and the broader financial sector.

Banks have been working to meet these requirements over the past years, with some issuing MREL-eligible instruments as part of their funding structure. As per the SRB's report in the second quarter of 2023, there was a notable reduction in the total MREL shortfall against the final targets for resolution entities in the Eurozone and Bulgaria (entities under SRB surveillance). Eighteen resolution entities fell short of their final target when considering the CBR (Combined Buffer Requirement), with

only 4% of this overall shortfall linked to entities whose MREL target becomes binding on January 1, 2024. In the case of non-resolution entities, their overall MREL shortfall, including the CBR, also diminished, with 21 banks falling short of their MREL targets considering the CBR. It is crucial for financial institutions to adhere to MREL requirements to avoid potential consequences, such as regulatory actions, restrictions on capital distributions, credit rating downgrades, loss of market confidence, etc.

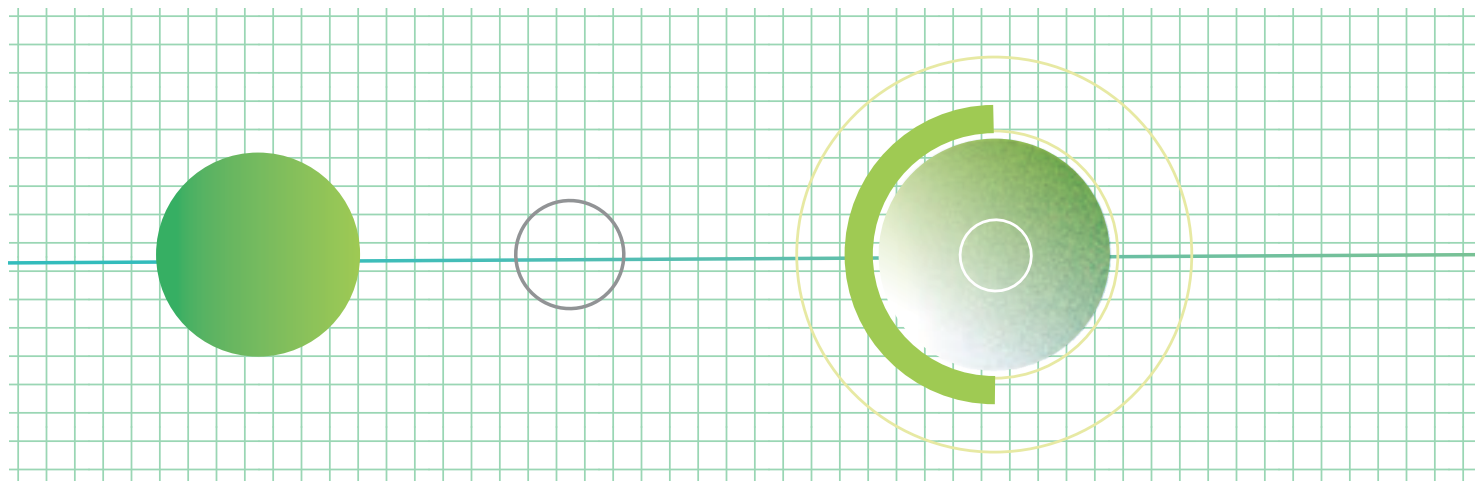
Based on the published MREL report of the European Banking Authority published in 2024, on the EU level, the MREL shortfall stood at around EUR 20 billion in 2023Q2, constituting an average of 0.25% of the total Risk-Weighted Assets (RWA). There is significant variation across EU countries. Based on the provided dataset, Bulgaria and Greece have an average shortfall exceeding 5% of total Risk-Weighted Assets (RWA), while the rest of the countries have a shortfall lower than 2.1%. It is important to highlight that although the majority of banks are required to meet the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) by January 1, 2024, certain institutions have been granted extensions beyond this date, as outlined in the Bank Recovery and Resolution Directive (BRRD).

Following the Silicon Valley Bank and Credit Suisse crises in 2023 Q1, market confidence and MREL issuance regained momentum in Q2. In terms of MREL gross issuances in the Eurozone and Bulgaria the total volume of issuances in the first half of 2023 amounted to EUR 196.1 bn according to SRB data, surpassing those reported in previous years, especially for senior bonds. Senior non-preferred instruments, in total, constituted 51% of overall issuances. Record high MREL issuance was spurred by funding costs returning to pre-crises levels by end of July due to restored market confidence, and also the nearing deadline of January 2024.

The influence of MREL on banks' profitability has two main aspects: (i) addressing the impact of closing the shortfall to reach the final target, and (ii) dealing with the expenses

associated with maintaining the existing stock of MREL-eligible debt. Based on data up to the fourth quarter of 2021, the European Banking Authority (EBA) assessed that the supplementary annual costs for banks to adhere to MREL are within manageable limits. The primary new cost that banks may incur, which is fulfilling the MREL shortfall, constitutes around 0.125% of Net Interest Income (NII) in the Eurozone and Bulgaria. However, based on discussions with CEE market players, the cost of MREL issuances in 2022 and 2023 proved rather high for smaller independent players entering the international capital markets due to unfavorable risk valuation of CEE banking and international investors focusing on larger issuances given the importance that they attach to trading liquidity in aftermarket following issuance. Fortunately, domestic debt markets could also be used by the banks to minimize higher-price international MREL issuances though their capacity is more limited. In the case of international banking groups, the majority of MREL bond issuances were attributed to headquarters, driven by the interest from investors and economies of scale in issuance. Domestic markets then filled in the remaining gap for subsidiaries. Overall, CEE banks have gained visibility to global investors and as a positive side effect we expect the reception of CEE risk to improve gradually.

The anticipation for 2024 is that the falling rate environment will not pose significant challenges in handling MREL resources for any particular category of banks, though capital markets remain harder for smaller banks to access. Nevertheless, in a comparative context, banks characterized by lower structural profitability and less robust balance sheets might encounter more difficulties compared to their stronger counterparts.

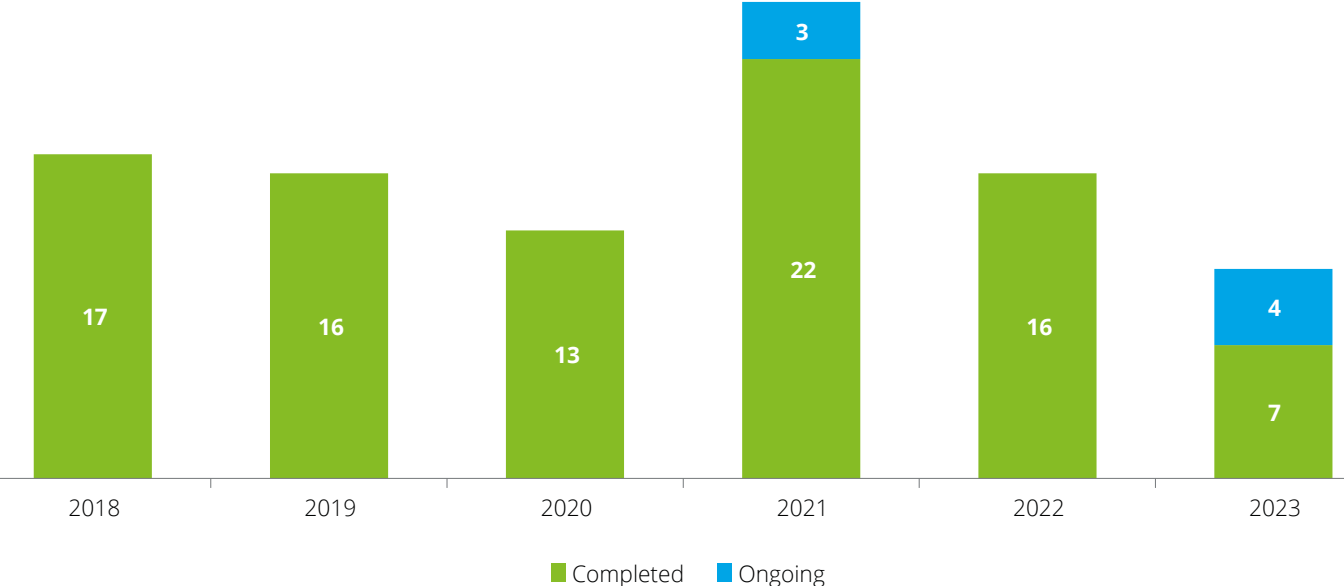


BANKING M&A DYNAMICS IN CEE

The number of transactions in the CEE region has seen a continued decline since our last study, with 4 transactions currently underway and 7 deals successfully concluded as of end of December 2023. Recent deal activity has been performed in Hungary, Romania, and Serbia, although we have also seen some banks in the region acquiring non-bank financial services' businesses (eg leasing). Despite currently happening

at a lower pace, the ongoing wave of consolidation persists. In 2023, the primary driver for transactions in the banking sector was to gain more market share in existing markets rather than to enter new countries. This is mainly attributed to market players aiming for economies of scale, particularly given the complex regulatory environment and associated costs within the EU.

FIGURE 18. M&A ACTIVITY BY YEAR - NR. OF TRANSACTIONS, 2018 - 2023



Source: Deloitte intelligence

Please note that EBRD sold 5.87%, 5.87% and 6.29% of its shares in Siauliu Bankas in 2021. These 3 minority transactions are expected to be completed in 2024.

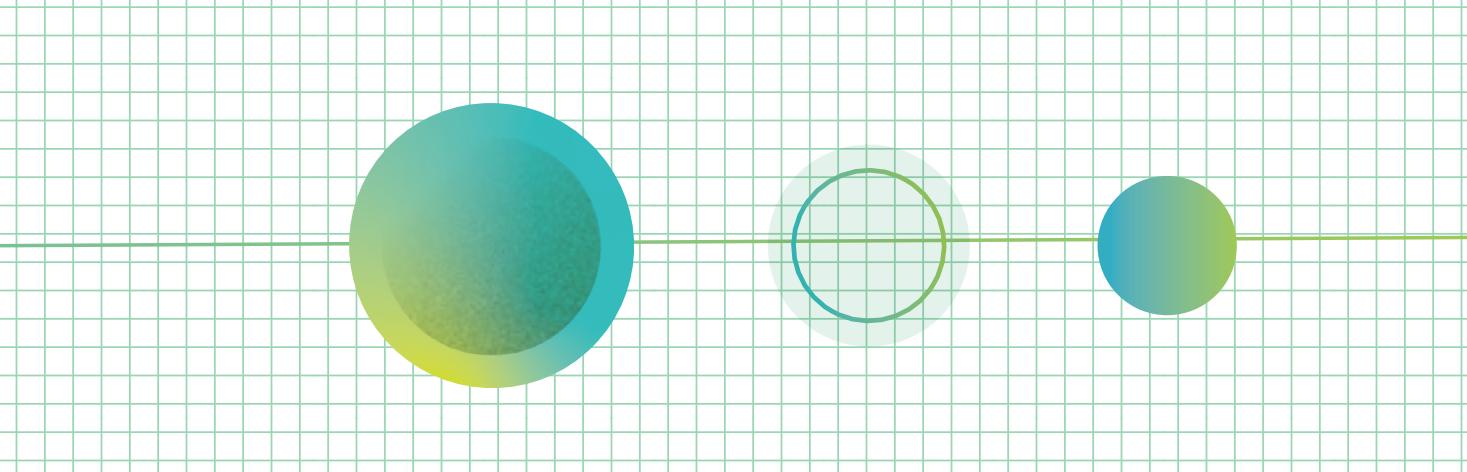
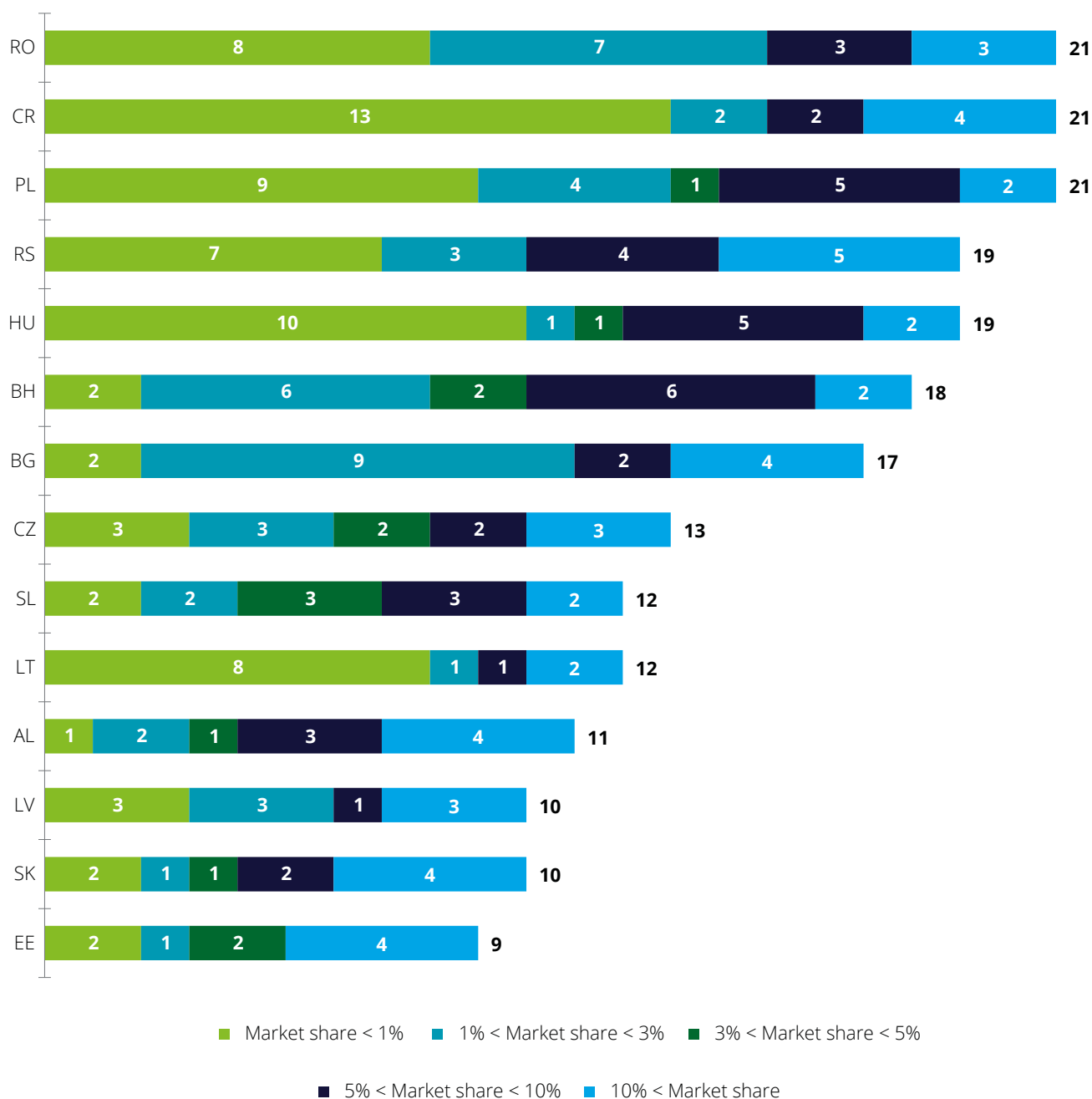


FIGURE 19. NR. OF BANKS IN THE RESPECTIVE COUNTRIES GROUPED BY MARKET SHARE, 2022



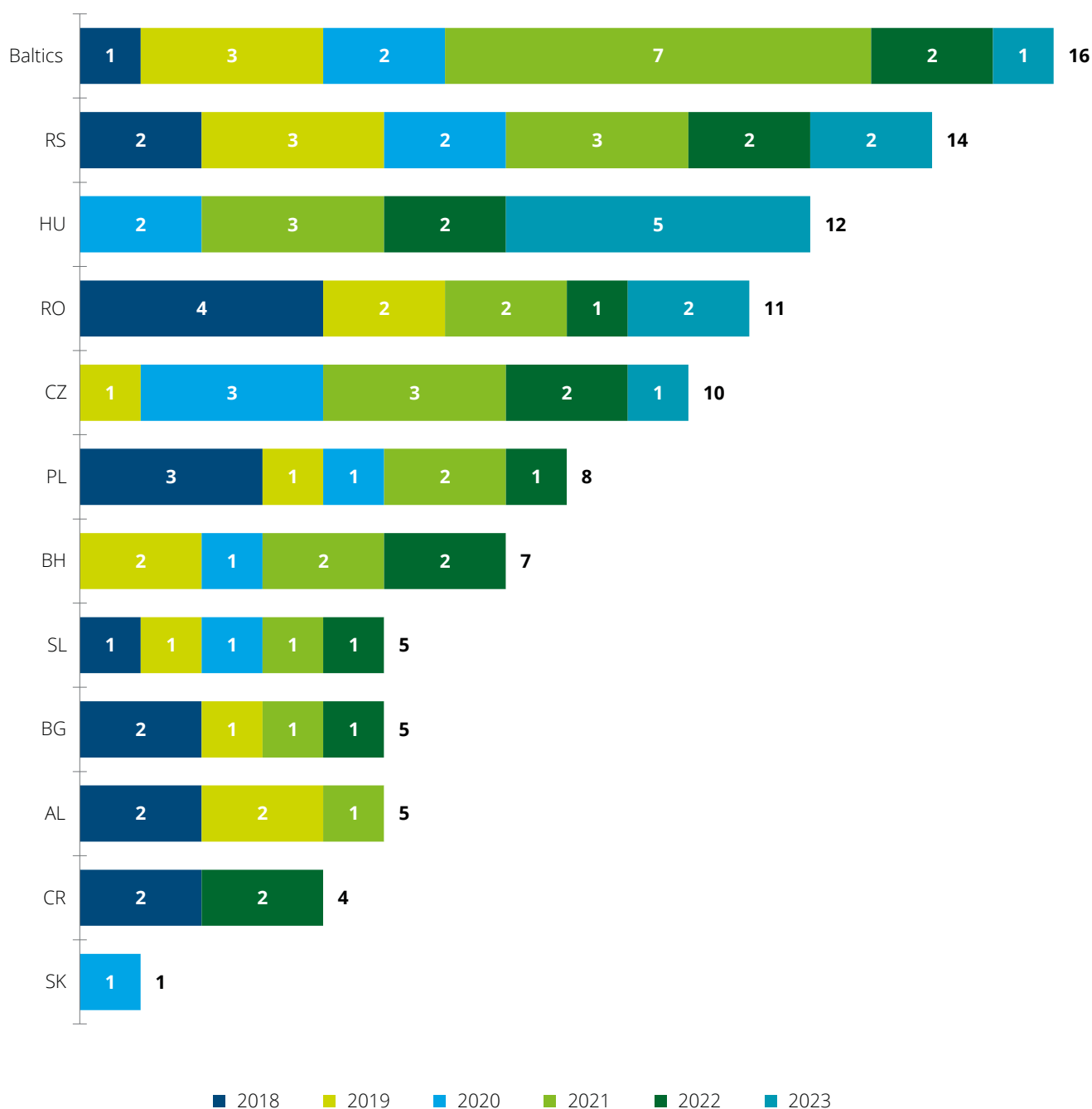
Source: Deloitte Intelligence, Annual reports

Please note that the number of banks and market share is determined on a group level. Banks owned by state or private individuals are presented as a separate individual bank

Figure 19 highlights market share in respective countries. In 2022, among the banking groups, 72 had a market share of less than 1%, while only 44 banks achieved a market share exceeding 10%. The largest players in smaller countries are mainly large international banks' subsidiaries. Despite substantial M&A activity in recent years, the banking sector in

the region can still be perceived as fragmented, with around 60% of market players having less than 5% market share. As a result, the ongoing consolidation trend is expected to continue in the upcoming years as well, potentially even at an accelerated pace if high interest rate driven portfolio quality challenges materialize.

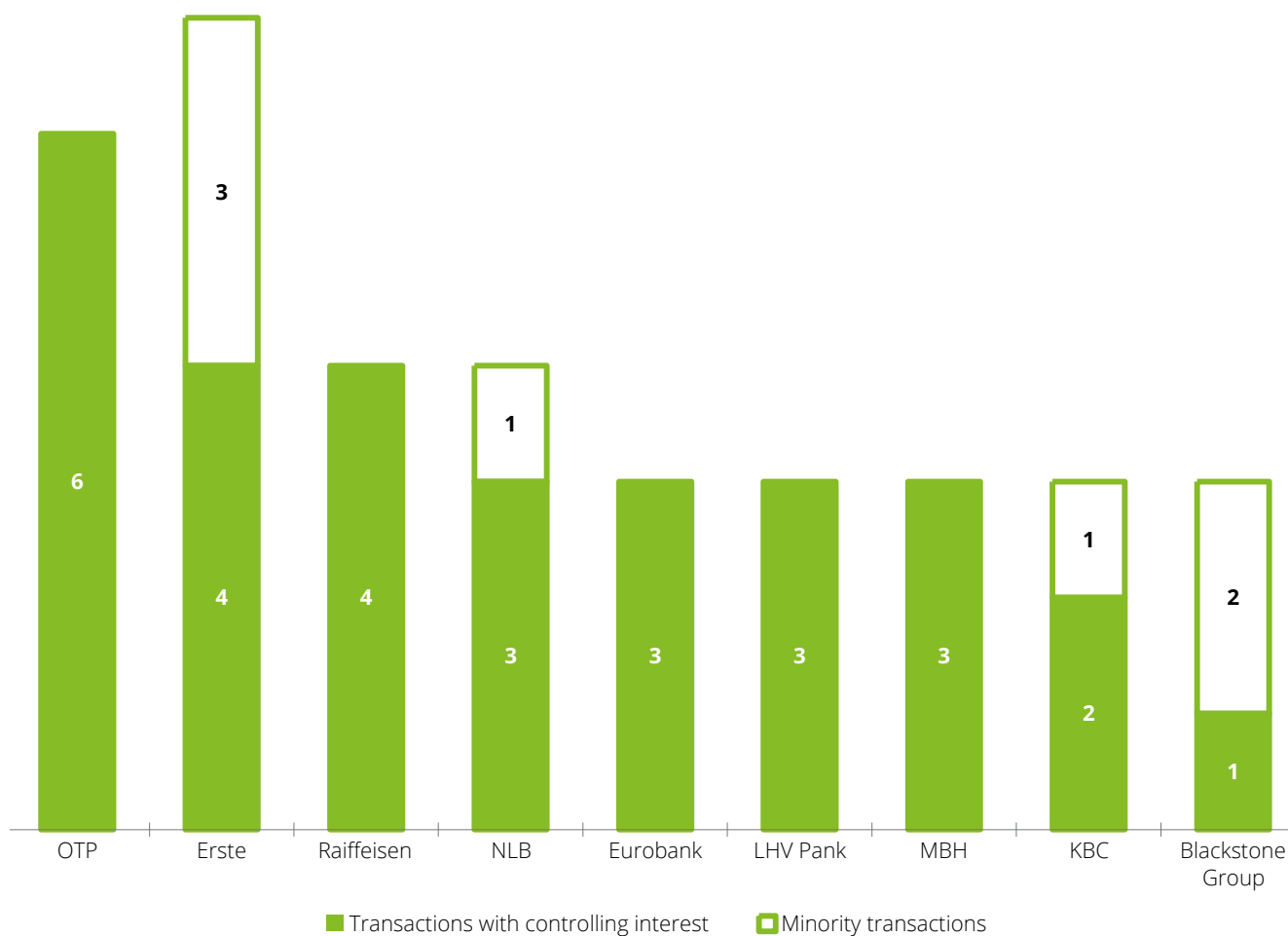
FIGURE 20. M&A ACTIVITY BY COUNTRY - NR. OF TRANSACTIONS, 2018 - 2023



Source: Deloitte intelligence

The Baltics countries had the most active M&A market in the region over the past 6 years, recording a total of 16 deals ahead of Serbia with 14 deal . Hungary, having 12 deals in the observed period, was the busiest country in 2023, with 5 announced transactions.

FIGURE 21. TOP BUYERS IN THE CEE MARKET BY THE NR. OF TRANSACTIONS, 2018 - 2023



Source: Deloitte intelligence

The Austrian Erste Group was the most active buyer in the region. The Group completed 7 deals between 2018 and 2023 in the Czech Republic (3), Hungary (3) and Romania (1). Their most recent transaction includes the repurchase of a 15% shareholding in its Hungarian subsidiary from the Hungarian State and 15% from the EBRD, which were sold in 2016. As a result of these two acquisitions Erste Group Bank AG became 100% shareholder of Erste Bank Hungary again. Erste has also completed two portfolio deals: In 2022, Česká spořitelna, the Czech subsidiary of Erste Group bought Sberbank CZ's loan portfolio for a consideration of EUR 135 mn and in 2023 they acquired BNP Paribas' Hello Bank's consumer loan portfolio as well with a deal value of EUR 30 mn.

Hungarian OTP Group was the second most active buyer in the 14 analyzed countries with 6 announced transactions since 2018 in Albania (2), Bulgaria (1), Serbia (1) and Slovenia (2). Following its successful regional expansion in recent years, OTP has been focusing on the post-merger integration of the acquired banks. The acquisition of Slovenian Nova KBM by OTP announced in 2021, was completed in February 2023 and represents OTP's largest acquisition to date amounting to

c. EUR 900 mn. Until the planned merger with OTP's Slovenian subsidiary SKB Banka, Nova KBM and SKB Banka continue to operate as separate legal entities. The merged bank is anticipated to emerge as a key player in the Slovenian market. OTP also acquired a bank outside CEE in 2022, purchasing Ipoteka Banka in Uzbekistan. In 2023 OTP Group announced the intention of selling its Romanian subsidiary, OTP Bank Romania, and the exit was realized in February 2024.

Austria-based Raiffeisen (RBI) as well as Slovenian Nova Ljubljanska Banka (NLB) also completed 4 transactions between 2018 and 2023. With its acquisitions in Czech Republic (3) and Serbia (1), RBI succeeded in strengthening its position in both countries. Meanwhile, RBI is actively seeking to exit from Russia. The group has already cut lending in the region but a plan to completely unwind its operations could involve selling or potentially closing RBI's Russian bank. In December 2023, RBI announced a transaction to acquire a 28% shareholding in Austrian construction company Strabag through Raiffeisenbank in Russia, which in turn will be paid as a dividend in kind in order to reduce the group's exposure to Russia through a reduction in the equity held in Russia. Slovenian market leader NLB has

been an active acquirer in Southeast Europe over the past years having acquired Komercijalna banka in Serbia in 2020, Sberbank Slovenia in 2022 and, most recently, announcing in November 2023 the signing of an agreement to acquire Summit Leasing in Slovenia.

Eurobank completed 3 acquisitions in the past years, in Bulgaria (2) and in Serbia (1). Eurobank's latest transaction involved the acquisition of BNP Paribas Personal Finance in Bulgaria (announced in 2022), a deal that was successfully concluded on May 31, 2023. Meanwhile, Eurobank decided to exit Serbia and signed a binding agreement in 2023 to sell the entire capital of Eurobank Direktna for EUR 280 mn to AIK Banka, with the transaction completing in November 2023.

US-based Blackstone Group entered the Baltic region in 2018 with the acquisition of 60% ownership shareholding in Luminor Bank from DNB and Nordea. Since then, the company increased its ownership to 80% by acquiring 8.4% in 2021 and 11.6% in 2022 from Nordea. Luminor is the 3rd largest bank in the Baltic region after Swedbank and SEB. It has recently been reported that Blackstone is now considering a sale of the business.

The Belgian KBC Group announced 3 deals in recent years in the Czech Republic (1), Bulgaria (1) and Slovakia (1). The expansion aligns with KBC's strategy of attaining "critical mass" in each of the CEE markets where it maintains a presence. Following necessary permissions from the ECB and the Bulgarian National Bank, KBC Bank Bulgaria EAD (former

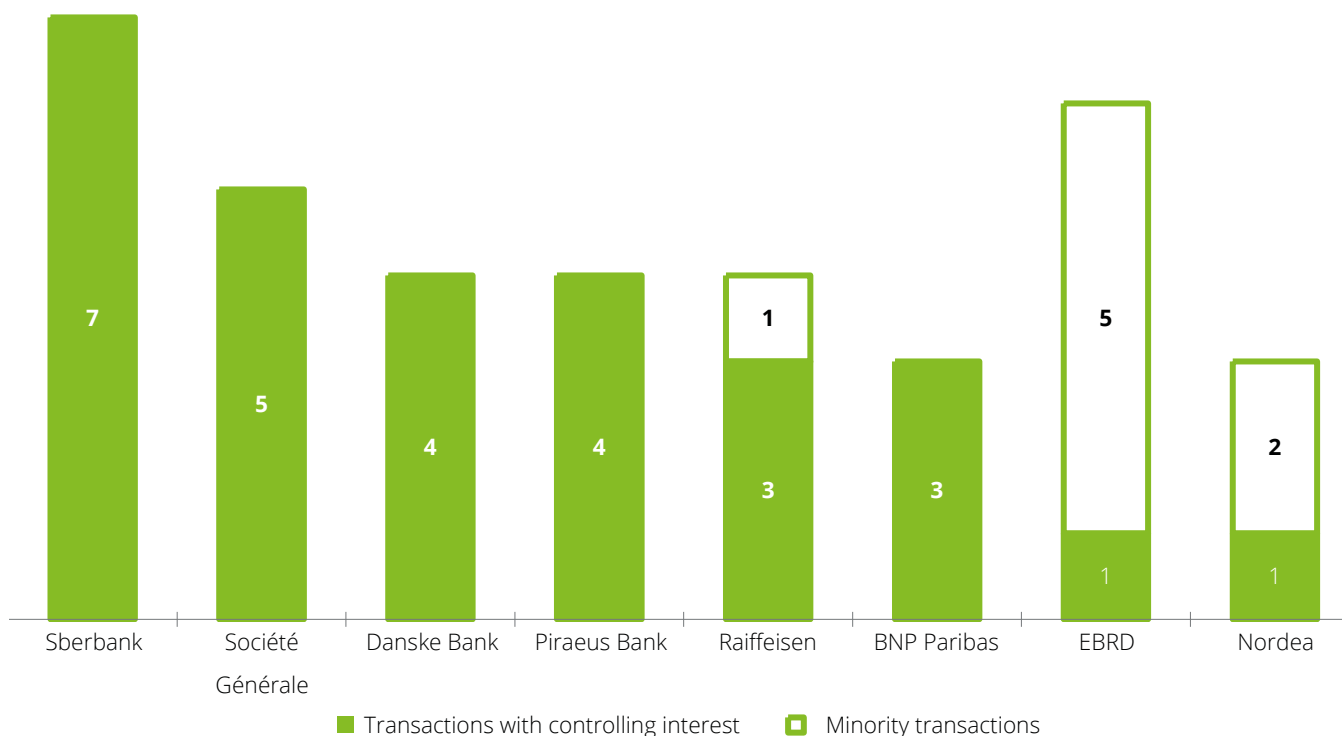
Raiffeisen subsidiary) merged into United Bulgarian Bank, KBC's existing Bulgarian subsidiary in April 2023.

The newly united bank UBB will become the largest bank in the country in terms of total assets based on 2022 year-end data.

Estonia-based LHV Pank is among the top buyers in the Baltic region with 3 transactions. In 2020, after the acquisition of Danske Bank's Retail business from its Estonian Branch, LHV Pank acquired 100% of the Corporate and Public sector business as well, marking Danske Bank's near-complete exit from the Baltic and Russian banking market. This strategic move boosted LHV's loan portfolio by 40% and garnered over 10,000 private customers. Additionally, in early 2019, LHV Pank acquired a loan portfolio from Versobank AS.

The Hungarian MBH Bank Group, formed through a three-party merger finalized in the spring of 2023, has started its expansion in Hungary. In 2022, MKB Bank, the predecessor of MBH acquired the loan portfolio of Sberbank Hungary for EUR 539 mn as a part of its liquidation procedure. In May 2023, MBH acquired a 98.46% majority shareholding in Duna Takarékszövetkezet Bank. The deal was closed in September 2023. The banking group made another acquisition in 2023, Fundamenta-Lakáskassza, a home savings bank was purchased from Bausparkasse Schwäbisch Hall AG and 2 other minority shareholders in November. After the expected completion of the deal in the first half of 2024, Fundamenta will continue to operate under its own brand. In 2022, MBH held the second-largest market share, and

FIGURE 22. TOP SELLERS IN THE CEE MARKET BY THE NR. OF TRANSACTIONS, 2018 - 2023



Source: Deloitte intelligence

Figure 22 illustrates the most active sellers in the CEE region between 2018 and 2023.

In February 2022, the sanctions triggered by the Russian invasion of Ukraine caused the European Central Bank to classify Sberbank Europe as failing-or-likely-to-fail (FOLTF) and on 2 March 2022, Sberbank Europe's was declared as insolvent. This led to the cancellation of the remaining stages of Sberbank's planned exit from CEE, the MK Group transaction announced at the end of 2021. Sberbank's subsidiaries in Slovenia and Croatia were sold to NLB and Hrvatska Postanska Banka respectively. In Bosnia and Herzegovina, the two Sberbank subsidiaries (Sberbank BH and Sberbank Banja Luka) were acquired by ASA Bank Sarajevo and Nova Banka Banja Luka. In Hungary and the Czech Republic, Sberbank's loan portfolio was acquired by MKB Bank (now part of MBH Bank) and Erste's Czech subsidiary, Česká spořitelna 13. In May 2022, Sberbank Europe AG, the Austrian headquartered parent bank for Sberbank's European operations, sold a portfolio of German consumer loans and bonds to BAWAG. In June 2023, Sberbank had sold Sberbank Europe AG to Remus, an exhaust system manufacturer company controlled by Stephan Zöchling. This marks Sberbank's complete withdrawal from the European banking market.

EBRD sold its stake in the Serbian Komercijalna Banka to the State of Serbia in 2019 and decided to reduce stakes in the Lithuanian Siauliu Bankas until 2024 through a series of transactions. In 2021, EBRD sold of 5.87%, 5.87% and 6.29% of its shares to Invalda INVL, Tesonet and ME Investicija in Siauliu Bankas. EBRD also sold its 15% stake in Erste Bank Hungary to Erste Group at the end of 2023, which stake had been acquired in 2016.

Société Générale, recognizing the limitations of achieving long-term sustainability solely through organic growth and the absence of larger targets for further expansion, chose to partially divest from its non-core business in CEE in recent years. The French banking group retained only its 2 larger, well performing subsidiaries in the Czech Republic (Komerční banka and Modrá pyramida stavební spořitelna) and in Romania (BRD). OTP Group acquired 5 out of the 6 sold Société Générale subsidiaries during this period.

Following their money-laundering scandal Danske Bank was forced to exit the Baltic region and sold its subsidiaries in Estonia and Latvia in 2019 and 2020. There were four portfolio and business transactions related to this exit.

In 2018 and 2019 Greek based Piraeus Bank exited the CEE market. The downsizing of the international portfolio was a component of the restructuring plan agreed with the Competition Authorities of the European Commission. It included the divestment of Piraeus' subsidiaries in Serbia (1), Romania (1), Albania (1), and Bulgaria (1).

RBI was also an active seller during the observed period with 4 completed transactions. RBI exited the Polish market in 2018 with the sale of Raiffeisen Polbank to BGZ BNP Paribas Polska. Currently, RBI operates a branch in Poland to oversee the legacy foreign currency mortgage portfolio. Furthermore, RBI exited the Bulgarian market after selling Raiffeisenbank to KBC in 2021.

During the observed period, Nordea has actively engaged in divestment, progressively selling its shares in Luminor Bank's to the Blackstone Group in three stages spanning from 2018 to 2022.

BNP Paribas engaged in 3 deals in the CEE region during the examined period. The French banking group sold its Hungarian consumer finance subsidiary, Magyar Cetelem Bank Zrt. to Cofidis Group SA (part of Credit Mutuel). The transaction is expected to close in the first quarter of 2024. BNP Paribas Personal Finance Bulgaria was acquired by Eurobank in 2023. In 2023 BNP also sold the consumer loan portfolio of its Czech consumer finance unit, operating under the brand name Hello bank! to Ceska Sportelna, member of the Austrian Erste Group.

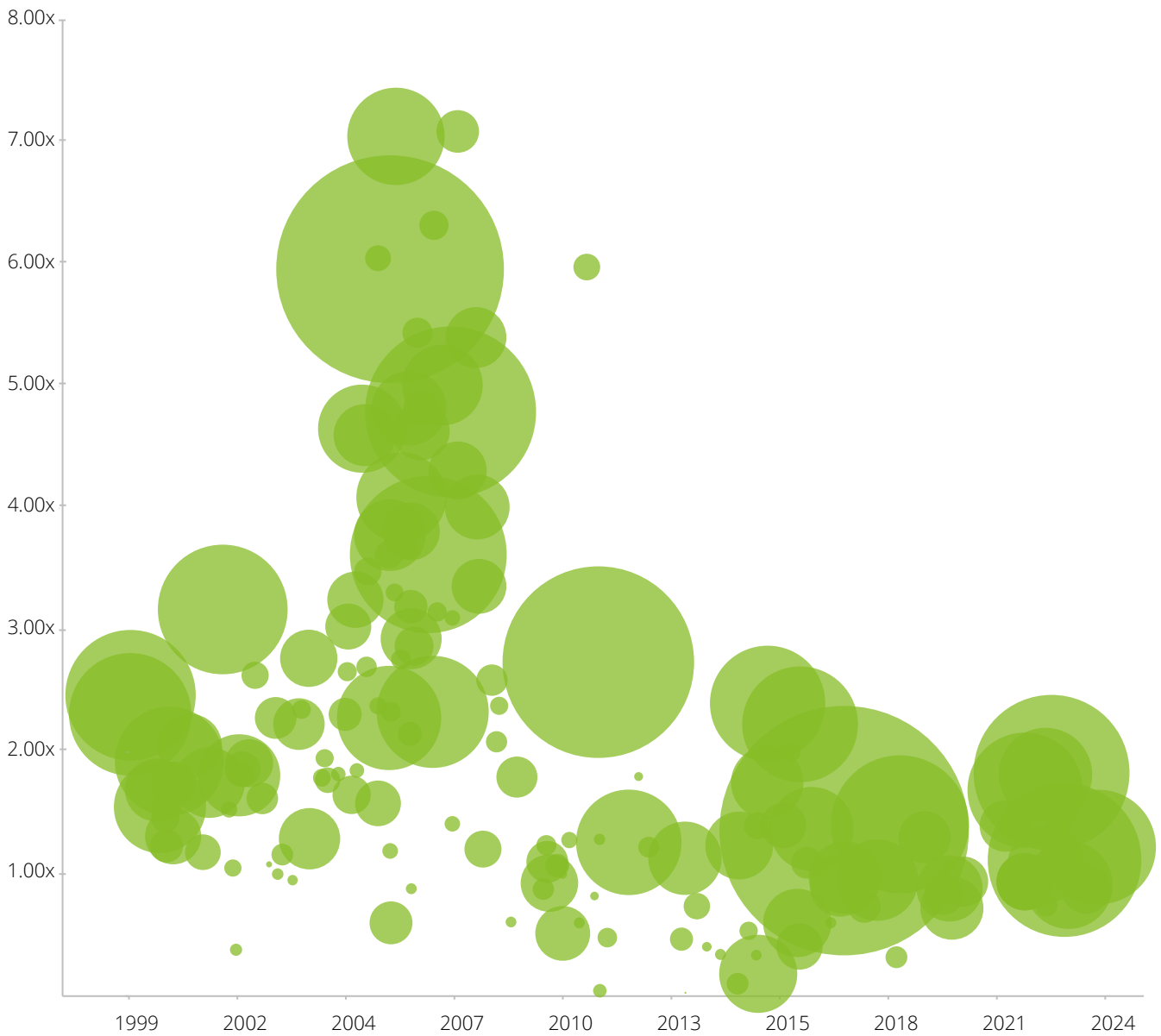
Just as 2022, 2023 proved to be a challenging year for the banking sector and the overall worldwide economy with persistent inflationary pressure, prolonged recession and high interest rates. Besides the economic hardships the CEE region continued to face geopolitical tension and the adverse effects of the US banking crisis and events surrounding Credit Suisse. As a result, the year 2023 marked the lowest figures in terms of transaction activity since 2018. However, 50% of cross-border banking groups active in CEE are planning to expand selectively in the long term, based on the survey published by European Investment Bank in December 2023. Accordingly, given the somewhat fragmented nature of the banking landscape, characterized by numerous smaller players, there is an expectation that banks will pursue additional M&A opportunities to enhance operational efficiency and achieve economies of scale, thus the CEE banking market consolidation is widely expected to continue.

Most recent CEE banking M&A deals from January 2022 to December 2023 are presented in the table below. For deals of 2015 –2021, please refer to deal summary tables of the selected country sections.

M&A DEALS

LIST OF BANKING M&A DEALS 2022-2023						
COUNTRY	YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
Baltics	2023	LPB Bank	Signet Bank	100.00%	n.a.	SIA Mono
CZ	2023	Hello Bank! (consumer loan portfolio)	Ceska Sporitelna	100.00%	30	BNP Paribas Personal Finance
HU	2023	Duna Takaréék Bank	MBH Bank	98.46%	n.a.	Danube PE Fund
HU	2023	Erste Bank Hungary	Erste	15.00%	n.a.	EBRD
HU	2023	Erste Bank Hungary	Erste	15.00%	230	Hungarian State
HU	2023	Fundamenta-Lakáskassza	MBH Bank	76.35%	n.a.	Bausparkasse Schwäbisch Hall AG; Bausparkasse Wüstenrot AG; Wüstenrot & Württembergische AG
HU	2023	Magyar Cetelem Bank Zrt.	Cofidis Group SA	n.a.	n.a.	BNP Paribas Personal Finance
RO	2023	First Bank	Intesa Sanpaolo	99.98%	n.a.	J.C. Flowers & Co.
RO	2023	Alpha Bank Romania S.A.	Unicredit Romania	75.00%	n.a.	Alpha Services and Holdings SA
RS	2023	Eurobank Direktna	AIK Banka	100.00%	280	Eurobank, Private individuals
RS	2023	Expobank	Adriatic Bank AD Podgorica	100.00%	n.a.	Expobank
Baltics	2022	Expobank	Signet Bank	100.00%	n.a.	Private Individuals
Baltics	2022	Luminor Bank	Blackstone Group	11.60%	329	Nordea
BG	2022	BNP Paribas Personal Finance Bulgaria	Eurobank	100.00%	n.a.	BNP Paribas Personal Finance
BH	2022	Sberbank Banja Luka	Nova Banka Banja Luka	99.64%	n.a.	Banking Agency of Republika Srpska / Sberbank
BH	2022	Sberbank BH	ASA Bank Sarajevo	100.00%	n.a.	The Federation of Bosnia and Herzegovina Banking Agency / Sberbank
CR	2022	Sberbank Croatia	Hrvatska Postanska Banka	100.00%	9	Single Resolution Board / Sberbank
CR	2022	Zagrebacka Banka d.d.	UniCredit	11.72%	323	Allianz SE
CZ	2022	Expobank	Creditas	100.00%	n.a.	n.a.
CZ	2022	Sberbank CZ (loan portfolio)	Ceska Sporitelna	100.00%	135	Czech National Bank / Sberbank
HU	2022	Sberbank Hungary (loan portfolio)	MKB Bank	100.00%	539	Hungarian National Bank / Sberbank
HU	2022	Sopron Bank	Trive Financial Holding BV	n.a.	n.a.	MagNet bank
PL	2022	DNB Bank Polska (loan portfolio)	Santander Bank Polska SA	100.00%	26	DNB Bank Polska SA
RO	2022	Porsche Bank Romania	Dan Ostahie (Private investor)	100.00%	189	Porsche Bank AG
RS	2022	Komercijalna Banka	NLB	8.27%	57	Minority shareholders
RS	2022	Sberbank Srbija	AIK Banka	100.00%	n.a.	National Bank of Serbia / Sberbank
SL	2022	Sberbank	NLB	100.00%	5	Single Resolution Board / Sberbank

FIGURE 23. P/BV EVOLUTION OF BANKING DEALS IN THE CEE REGION (1999 - 2023)



Source: Deloitte calculations

Please note that the pricing was only available for 156 transactions for the reviewed period. Please also note that the comparability of the different transactions is limited due to significantly different unique conditions and transaction circumstances in many cases.

Figure 23 illustrates the changes in the Price-to-Book Value (P/BV) ratio for transactions with disclosed deal values since 1999. The notable peak and subsequent decline following the 2008 financial crisis are evident. During that period, implied exit multiples could reach as high as 7.0x P/BV, whereas recent pricings have generally ranged from a more reasonable 0.5x to 2.0x. In 2022, the average P/BV of disclosed transactions

reached 1.2x. In 2023, based on publicly available data, there was a slight decrease in pricing, reaching 1.0x. Over the past years, the CEE banking market has proven to be a favorable region for executing selective acquisitions at reasonable pricing levels, and this is expected to remain the case, further fueling the CEE banking market consolidation.

Experience from a market participant actively involved in the M&A field is invaluable. We sought perspectives from Nova Ljubljanska Banka (NLB), one of the most dynamic players in the region recently, to gain insights into their experiences in the CEE M&A market and expectations for the future years.



Archibald Kremser

Member of the Management Board
CFO of NLB (2013-) /Deputy CEO (2023-)

Deloitte: As an active player in CEE banking, how does the management at NLB see the market in terms of M&A activity in the upcoming years? What key factors do you believe will influence this market?

Archibald Kremser: In general, it is evident to us that the ongoing trend of consolidation will be continuing as economies of scale becomes ever more relevant. The need for scaling is especially important in highly regulated environments such as the EU/Eurozone, where the regulatory landscape is becoming progressively complex and costly. As a concrete example, the MREL requirements compelled many banks to appear in international capital markets recently, which, during times of uncertainty, proved to be quite expensive and will remain a constant challenge for smaller independent players that are not already embedded in international groups. In our opinion, further ESG and Green Asset Ratio requirements will pose a significant challenge for all participants, necessitating substantial investments into comprehensive underwriting and risk management capabilities aligned with technological advancements in several areas, such as real estate, mobility, green energy, etc. Expenditures on technology (from AI to Cyberrisk) will continue to grow, in combination with the very tight environment in competing for talents. Larger banks simply have much better economies of scale in this environment.

Deloitte: NLB recently agreed to acquire Summit Leasing and was also an active buyer in the Balkans over the past few years. Could you provide further details on how these strategic moves align with NLB's broader expansion plan?

AK: Summit Leasing is an almost perfect fit to our strategy of expanding into leasing, reflecting our declared ambition of re-establishing leasing as a material business line in the near future. Additionally, it provides immediate synergies in terms of funding and operating costs in Slovenia, leveraging our existing operations in the country. The transaction – subject to all regulatory approvals – follows a pattern of complementary and synergetic deals that NLB has executed successfully in three markets over the last three years.

Deloitte: What are the future plans of NLB in the CEE region? Could other acquisitions be on the horizon?

AK: The above-mentioned past acquisitions include Komercijalna Banka in Serbia and its subsidiary in Montenegro, as well as the acquisition of Sberbank Slovenia in resolution. All transactions were successfully concluded and have proven highly value accretive. NLB remains committed to be an active participant in consolidation across the region following the principles of discipline in acquisition and integration. NLB continues to focus on its defined target geographies on the markets where it already maintains a presence with banking operations, potentially also including Croatia and Albania. In this geographic footprint we remain interested to build market share in banking, asset management and leasing business.

Deloitte: What roles do technological advancements and digital transformation play in shaping your M&A strategies?

AK: Technology is key to every aspect of banking business these days, making the evaluation of acquisitions essential in the context of their impact on our IT transformation journey. Typically, M&A creates incremental hurdles to overcome on top of the regular improvement agenda, requiring the organisation to assimilate third-party IT systems, address issues related to data quality and new product variants, among other considerations.

Deloitte: What are the primary challenges NLB is currently facing in relation to its recent acquisitions?

AK: The primary challenge typically involves managing the co-existence of the acquired business alongside its existing equivalent in the group, prior to eventually integrating the business and extracting synergies from the acquisition. Luckily, NLB has adeptly assimilated all recent acquisitions, allowing us to look forward to our next ventures, including the upcoming integration of Summit Leasing into the group. We are very much looking forward to start working with the prospective colleagues, as soon as the closing is completed.

FINTECH SUMMARY

STATUS QUO AND FUTURE OF FINTECH COMPANIES. SEVERE FUNDING SCARCITY IN 2023.

Fintechs attracted over USD 500 bn in funding during 2012-2022. This financial influx was driven, at times, by the lucrative crypto investments and its underlying technologies. Crypto-related ventures alone attracted over USD 50 bn in funding in the combined years of 2021 and 2022.

However, since Spring 2022, fintech has encountered a substantial reality check due to economic turmoil, which resulted in increasing risk free rates and thus funding costs, leading to a significant decline in valuations across all segments and geographic regions. Meanwhile the valuation decline has occurred, fintech companies' revenue growth has persisted, albeit at a slower pace. The fintech sector has experienced a considerable decrease in new funding, with early-stage companies still securing venture capital investments, but later-stage companies facing substantial declines in funding rounds. Thus, Series C and beyond companies have encountered the most challenges. These shifts can be attributed to the impact of rising interest rates, which have elevated the cost of capital and effectively halted the influx of zero-priced funding. From the funding data in the first half of 2023 a trio of big-ticket (+USD 1 bn) deals, including Stripe's USD 6.87 bn funding round, masked the deterioration. However, for a sustained rebound in aggregate funding amount, there needs to be an uptick in deal volume.

Fintech companies are applying different strategies to navigate through the challenging funding environment, with many of them focusing on economics of scale, thus lowering the unit/user costs and increasing the unit/user revenue rather than focusing solely on revenue growth. Several of them are focusing on establishing sustainable revenues over the long term, acquiring monthly recurring customers, and making strategic investments in innovations that are integral to their revenue-generating products and services. By concentrating on fundamentals, it is anticipated that some fintechs will strengthen their position, displaying increased resilience and positioning themselves as prospective leaders in both the financial services industry and the fintech sector.

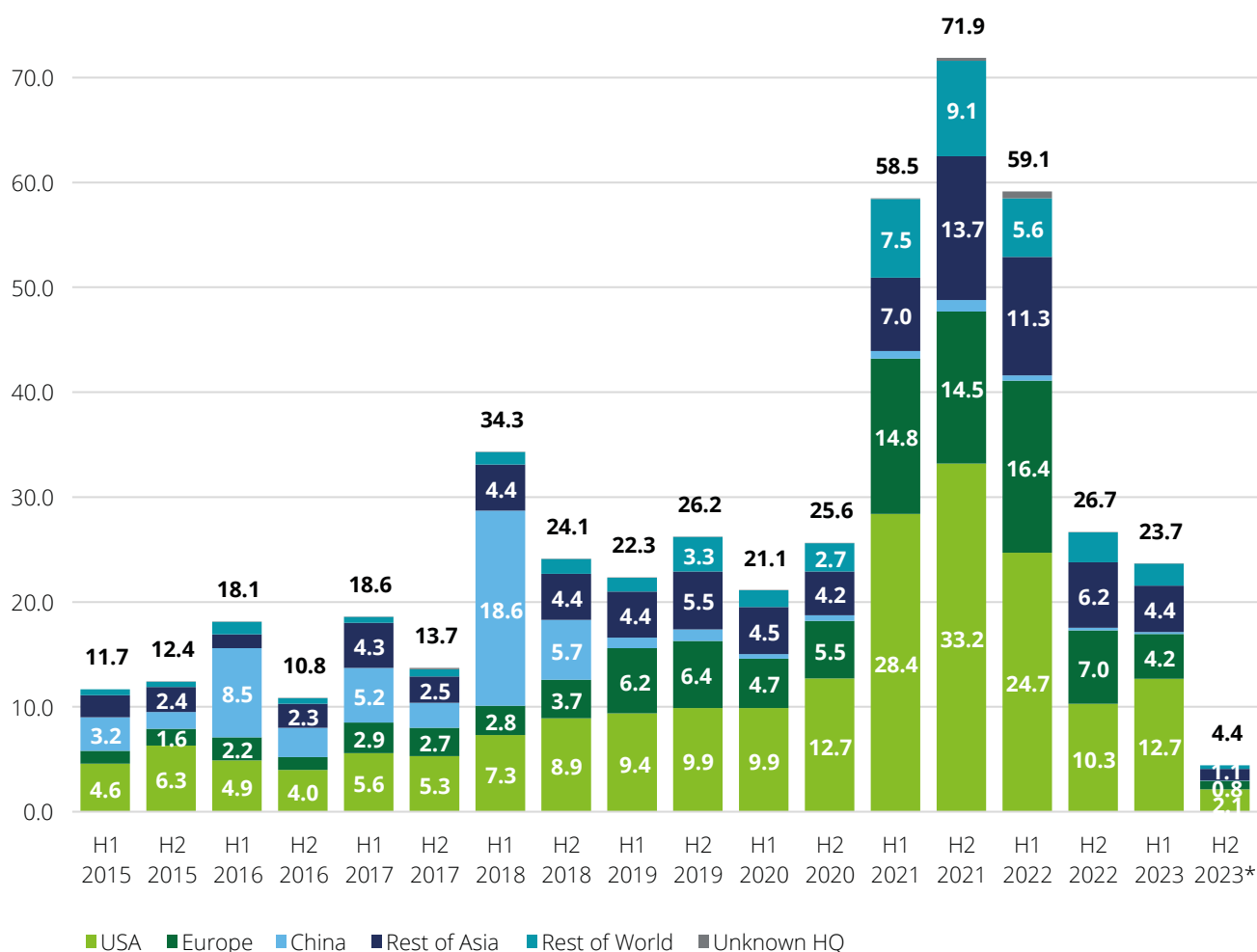
By the year 2030, the global revenue of banking and insurance sector is anticipated to exceed USD 20 trillion, demonstrating a compound annual growth rate (CAGR) of 6%. The segments' main revenue driver is projected to be payments and deposits, with the Asia-Pacific (APAC) and Latin America regions witnessing the most significant growth. Fintechs are expected to play a substantial and expanding role in this overall growth.

Interest in artificial intelligence (AI) is poised to continue accelerating, with established scaleups showcasing their existing AI capabilities during fundraising and business developments. Concurrently, new startups will be nurtured and expanded to harness AI as a transformative force in operational efficiency and services. In the first half of 2023, more than 60 funding rounds, totaling USD 1 bn, featured startups claiming to incorporate AI across various fintech verticals.

Furthermore, there has been a growing emphasis on the use of biometrics for authenticating payments, especially among retailers in the United States. In the first half of 2023, US-based Steak n' Shake introduced the capability for customers to utilize face biometrics for ordering and payments through a partnership with PopID. Simultaneously, Panera Bread announced plans to enable customers to pay using palm recognition via Amazon's Amazon One technology.

Overall, the global fintech market already faced a significant drop in venture capital fundings during the second half of 2022, which further declined by USD 3.0 bn in the first half of 2023. Results for the second half of 2023 indicate continuing decline for funding in the fintech sector, which marks the least active funding half-year period results over the examined period. The main driving factor behind shrinking financing for fintech was prevailing challenging market conditions following the Russian-Ukraine war and energy crisis. That's why the European region experienced the highest decrease in the funding for fintechs compared to other regions. The worsening global macroeconomic conditions such as high inflation, rising interest rates and entailing decline in funding raised the likelihood of bankruptcies in the fintech sector.

FIGURE 24. GLOBAL VENTURE CAPITAL INVESTMENT IN FINTECH BY TARGET COMPANY LOCATION (USD BN)



*due to reporting lag, the last 12 months are systematically under reporting on rounds especially small rounds. Contact us for corrected estimates.
Source: DealRoom, Deloitte; 2023

REGULATION

In the year 2023, legislators and regulators have been striving to keep pace with the evolving technologies such as Web 3.0, metaverse, AI and Distributed Ledger Technology (DLT).

The EU Commission has prioritized an “initiative on virtual worlds” for 2023 to take initial steps towards formulating specific laws and regulations on the metaverse. Efforts to regulate the metaverse may align with the existing international patchwork of tech regulations, concentrating on regulating the online environment and establishing specific rules for major service providers.

The EU’s AI Act is poised to revolutionize the regulation of AI within the EU and globally. It will usher in a risk-based framework that governs the entire AI supply chain, extending its influence beyond the EU borders and introducing substantial sanctions. Simultaneously, negotiations for the EU’s AI Liability Directive are underway, seeking to implement harmonized measures regarding civil liability and compensation for damages resulting from AI.

In 2023, the first EU level legal framework for crypto-assets, MiCA (Markets in Crypto-Assets Regulation) has been introduced. This regulation applies to crypto-assets not presently governed by existing financial services laws. It includes crucial provisions for entities involved in issuing and trading crypto-assets, such as asset-reference tokens and e-money tokens, focusing on aspects like transparency, disclosure, authorization, and transaction supervision. By introducing this new legal framework, the aim is to enhance market integrity and financial stability by overseeing public offerings of crypto-assets and ensuring consumers receive comprehensive information about the associated risks. Consultations led by the European Securities and Markets Authority (ESMA) are underway and from June 2024, the regulation will enter into application and the national competent authorities (NCAs) will be required to comply with it.

Regulatory expectations for the effective management of operational and other risks stemming from the utilization of Distributed Ledger Technology (DLT), mostly manifested

by blockchains, are advancing, with regulatory authorities increasingly demanding that market participants adhere to more stringent risk management protocols. The European Union is also preparing for tomorrow's digital securities market with its DLT Pilot Regime program, which aims to establish a temporary common European Union pilot regime for financial services based on distributed ledger technology. This initiative grants operators of financial market infrastructures, including trading venues and securities settlement systems, the freedom to experiment extensively with DLT in issuance, trading, and post-trade processes within a sandbox environment that spans three years. Global regulatory bodies and the broader market will be observing these developments, and the possibility exists for comparable initiatives to be introduced in the Asia-Pacific (APAC) and the Middle East regions.

SEGMENT TRENDS

PAYMENT

After two years of incredibly robust funding, the global payments space saw a significant decline in both deal value and deal volume in the second half of 2023. Ongoing fears of a global recession, high inflation, and rapid increases of interest rates in many jurisdictions likely contributed to the major slowdown, in addition to the continued downward pressure on valuations.

Amid economic headwinds and increased market volatility, consolidation was a key factor driving funding activity in the payment space. In the first half of 2023, a number of fintechs embraced acquisitions in order to scale and expand their reach. Such as Brookfield Business Partners, the private equity arm of Canada's Brookfield Asset Management, signed in June an agreement to acquire Network International for USD 2.76 bn, as part of its Middle East expansion. Global Payments acquired EVO Payments to grow its access to markets such as Poland, Germany, Greece and Chile, but also to help scale its activities in North America. Meanwhile Canada-based Nuvei acquired US-based Paya (USD 1.3 bn) to fuel its US expansion.

Example: Klarna, Revolut, Wise

CRYPTO

Following two years of remarkable funding in the crypto and blockchain sector, there was a significant decline in the second half of 2023. The collapse of several crypto-focused companies in 2022 and 2023 had a negative impact on investor confidence, leading to an increased emphasis on due diligence and governance, further slowing down the pace of crypto deals. In the first half of 2023, the U.S. Securities and Exchange Commission (SEC) took substantial measures to boost its enforcement of crypto platforms and exchanges, initiating legal proceedings against Coinbase, Binance, and Bittrex. The Binance lawsuit has been settled, with the company agreeing to pay USD 4.3 bn over breaching US anti-money-laundering regulations. With heightened scrutiny in the U.S., other jurisdictions such as Singapore and Japan gained prominence among investors and startups.

Despite the challenging environment, there were noteworthy funding rounds for global cryptocurrency firms. For instance, Coinbase, a U.S.-based cryptocurrency exchange, secured over USD 500 mn in funding from investors like Andreessen Horowitz, Union Square Ventures, and the New York Stock Exchange. Another cryptocurrency exchange, Gemini, raised over USD 400 mn from investors such as Union Square Ventures, Digital Currency Group, and the New York Stock Exchange.

While interest in cryptocurrencies softened, other solutions leveraging blockchain-based technologies continued to attract investor attention. There was a notable focus on the Non-Fungible Token (NFT) space, and blockchain solutions targeting the Environmental, Social, and Governance (ESG) and carbon credits space garnered increased interest.

In January 2024, SEC officially approved bitcoin spot ETFs, making bitcoin the first authorized crypto asset and boosting its legitimacy and accessibility to a wide range of investors. The SEC's approval acts as a substantial regulatory endorsement for the world's largest cryptocurrency asset, potentially easing some investor concerns about investing in crypto assets. This not only introduces additional regulatory safeguards, but also enables retail investors to engage in the bitcoin market without needing a bitcoin wallet. The seal of approval from the SEC is a highly important step in the direction of legitimizing crypto assets.

Deloitte's specialized Blockchain & Digital Assets team is actively supporting the evolution of the digital assets ecosystem and advises crown jewel clients around the globe. For more information please visit our website:

<https://www2.deloitte.com/us/en/pages/about-deloitte/solutions/blockchain-and-digital-assets.html>

Example: Coinbase, CoinGate, FalconX

CYBERSECURITY

Cybersecurity funding maintained robust global levels in the first half of 2023, estimated to exceed the 2022 fundings, although still below the exceptional record high of 2021. The number of deals in the cybersecurity sector saw a significant decrease in the first half of 2023 compared to the second half of 2022, suggesting that private equity and venture capital investors were opting for a smaller number of more assured investments. Notable transactions in 2023 included a USD 493 mn venture capital raise by France-based digital asset (crypto) security firm Ledger and a USD 250 mn acquisition of Switzerland-based cryptocurrency custody firm Metaco by U.S.-based digital asset settlements firm Ripple.

During the first half of 2023, investors in the cybersecurity domain continued to emphasize Artificial Intelligence (AI), focusing on substantial initiatives to integrate AI-based cybersecurity tools and technologies into larger platforms. Notably, in the fintech sector, over 60 funding rounds totaling \$1 billion involved startups claiming to leverage AI, with nearly 50 of these startups operating in seed-to-growth stages.

Example: Cloudflare, NetSPI, Versa

INVESTMENT

Wealthtech experienced a notable downturn in total funding in the second half of 2023. This decline is not surprising given the multitude of factors contributing to uncertainty in the global market, both within the fintech sector and beyond. A notable event during 2023 was the USD 100 mn funding raise by Avenue One, a platform dedicated to simplifying funding in single-family rentals.

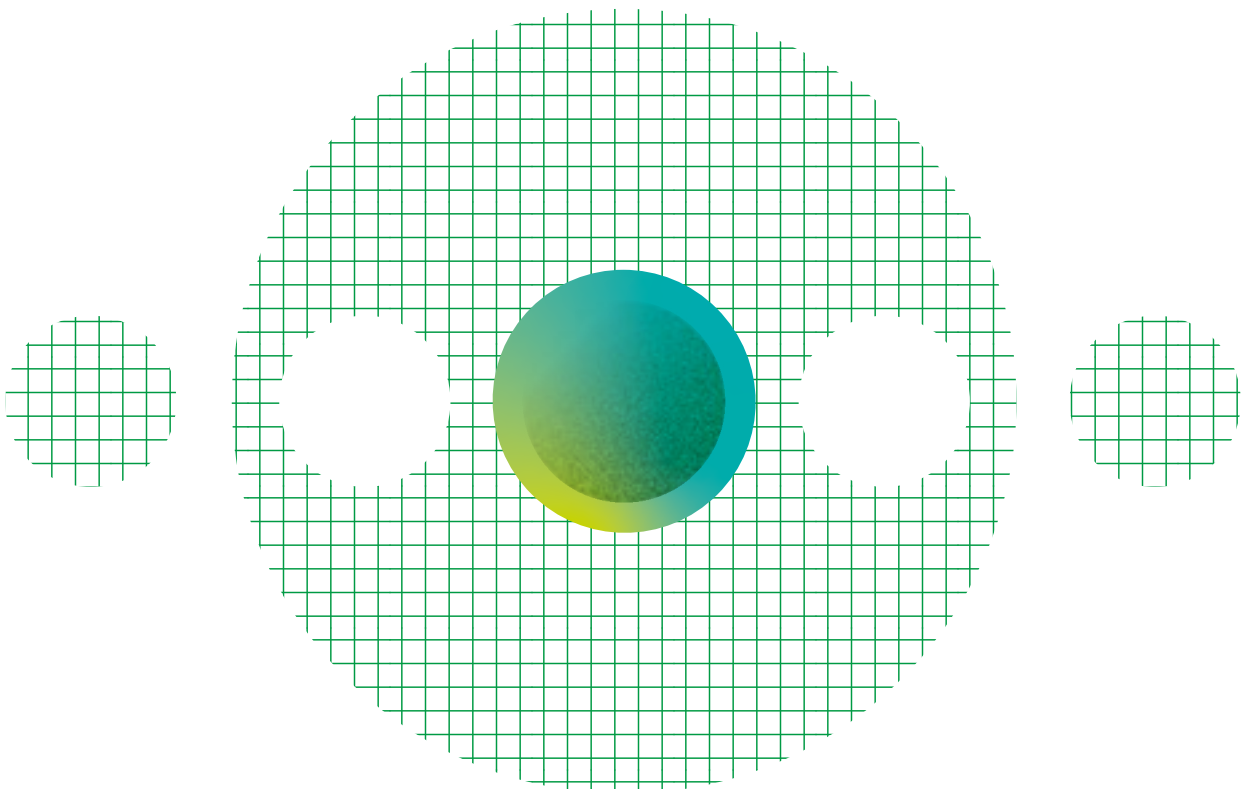
Within the investment management space, there was a predominant focus on solutions related to customer due diligence (CDD) and know-your-customer (KYC). Additionally, robo-advisors played an expanding role in serving a growing customer base, offering easy access to trading and a variety of funding opportunities.

Example: eToro, FTMO, SoFi

DEPOSIT & LENDING

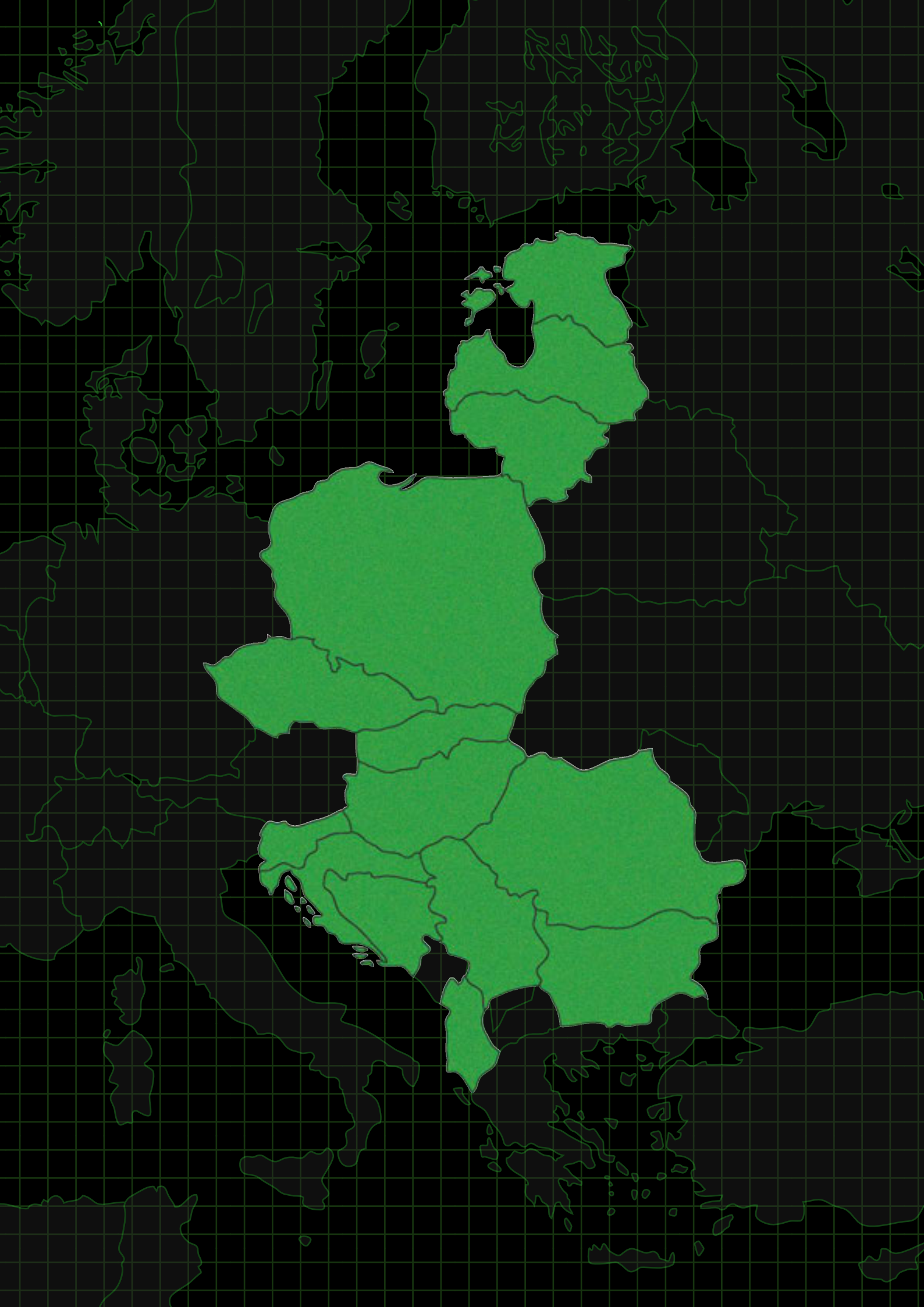
The similar trend towards AI generated platforms was also visible for deposit & lending fintech firms, such as USD 602 mn funding was raised by an AI-powered lending company Abound and USD 200 mn capital raised by an India-based digital lending platform Creditbee. Peer-to-peer lending is another rising trend which attracts investors' attention. Company like Amarthia operates an Indonesian peer-to-peer lending platform, which has successfully amassed an investment of USD 100 mn from Community Investment Management (CIM), a prominent US-based debt provider.

Example: LendingClub, NinjaHoldings, Sun Finance





COUNTRY REPORTS





Poland

Poland's financial sector has recently encountered a series of challenges. Initially, it weathered the pandemic exceptionally well. However, the Russian invasion of Ukraine introduced a new set of uncertainties, disrupting trade and causing economic turbulence in the region.

The banking sector plays a dominant role in the Polish financial system, accounting for about 70% of financial sector assets. The country had 29 locally incorporated commercial banks operating at the end of 2022, which represents a strong decline from 50 in January 2018. As of 2022, according to the KNF, the country's 496 cooperative banks play a secondary role in the financial system but are widespread. EU banking groups own five of the top ten locally incorporated lenders in Poland. Foreign lenders are also permitted to form branches in Poland or provide cross-border services under the EU's single-market rules.

In 2023, banks navigated a changed global landscape marked by higher interest rates, contrasting the previous year of low or negative rates. The shift poses a potential threat to bank earnings amid slowing economic growth and, in some cases, recession. While higher interest rates generally benefit banks through wider margins, there is a risk of increased borrower distress and defaults, particularly in markets with floating-rate or short-term debt.

After a high annual inflation of 14.4% in 2022, expected inflation in 2023 is showing a slight decrease reaching 11.3%, owing to a slowing economy. After 2 cuts in the second half of 2023, the National bank of Poland (NBP, the central bank) is taking a cautionary approach to monetary easing, therefore slow and gradual cuts to the policy rate are expected in the coming years.

In 2022, lending to household and corporate customers decreased by 4.1% to EUR 247 mn following a 1.9% growth in the previous year according to NBP data. In the first half of 2023 it did not show any significant change. Household demand for

financial services is still focused on basic savings and lending, although the range of products held by consumers is broadening. Outstanding bank loans to households fell by 9.5% to EUR 157 bn in 2022, following 1.7% growth in the previous year, according to NBP data. The reason behind was the higher level of interest rates in conditions of increased inflation and customers' concerns about the economic situation. Based on 2023 end of June numbers, the decline in loans is expected to be milder this year.

Over 90% of household liabilities are long-term loans, with short-term loans accounting for another 5%. Mortgages account for nearly two-thirds of all household loans by value. Short-term borrowing is expected to grow steadily as more people gain access to credit cards and other credit facilities, and as banks promote consumer finance.

Rising interest rates contribute to improving banks' interest income. According to NBP, the net financial result in the banking sector at the end of H1 2023 amounted to EUR 3.4 bn. This figure was higher by EUR 1.2 bn compared to the result achieved at the end of June 2022.

A slower increase in deposits, a small reduction in interest rates on new deposits and the expiry of promotional rates that were expensive for banks a few months ago also support this. The industry's high excess liquidity (more deposits than loans) makes this possible, when banks do not need to seek new money and raise rates, which benefits the interest margin.

At the end of 2022, the financial sector included: 29 operating commercial banks, 496 cooperative banks, 34 branches of credit institutions and foreign banks.

Cooperative banks are also part of the banking system in Poland. In Poland, this system consists of 307 cooperative banks that belong to the BPS (Bank Polskiej Spółdzielczości), 175 cooperative banks that are part of the SGB (Spółdzielcza Grupa Bankowa)

and 10 cooperative banks that operate independently. The total assets of cooperative banks at the end of 2022 amounted to EUR 39.7 bn. Poland also has 10 branches of credit institutions and foreign banks. The five largest Polish lenders accounted for 49.2% of total assets in 2022, historically the highest recorded level in the national market, but less concentrated than the median level among EU member states.

In October 2022, a part of activity of Getin Noble Bank was transferred to VeloBank (a 'bridge institution') owned by Guarantee Fund and Commercial Bank Protection System established by the eight largest commercial banks operating in Poland (Alior Bank, Bank Millennium, Bank Polska Kasa Opieki, BNP Paribas Bank Polska, ING Bank Śląski, mBank, PKO Bank Polski, Santander Bank Polska). The remaining parts i.e. mortgage loans in foreign currencies and a part of non-performing loans remained at Getin Noble Bank. Shares and bonds were redeemed to cover losses. On 20 July 2023, the bankruptcy of Getin Noble Bank was announced, and a bankruptcy trustee was appointed. In November 2023 Poland's Bank Guarantee Fund has transferred VeloBank's leasing receivables and problematic

assets to a new asset management entity PZA, to increase the probability of a successful sale of VeloBank. Bank Guarantee Fund has the intention of selling VeloBank to recover over EUR 2.2 bn in rescue funds. Major European banks, such as Erste, OTP, and Credit Agricole, are announced potential buyers. The sale process is led by J.P. Morgan SE, and involves two phases. If no buyers emerge by March 2024, liquidation may follow.

In September 2022 PKO BP announced that it is considering buying a 75% stake in Bank Pocztowy from Poczta Polska, the Polish Post Office as previous attempts were unsuccessful. In October 2023 PKO BP announced to withdraw from the investment process. Meanwhile, Bank Pocztowy has launched its recovery plan and recapitalization which was subjected to be completed by 2023Q3.

In 2021 Citigroup announced that it plans to withdraw from retail banking in 13 countries, including Poland. In 2022, the plan to sell the Bank was suspended due to the geopolitical situation. In May 2023, the president of Bank Handlowy declared that the plan to leave Poland "remains valid".

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	2,337,672	2,631,302	3,067,495	3,464,000	▲ 16.6%	▲ 12.9%
Nominal GDP / Capita (LCY k)	60.8	68.7	77.0	84.4	▲ 12.0%	▲ 9.7%
Nominal GDP (EUR mn)	525,250	575,761	653,064	761,684	▲ 13.4%	▲ 16.6%
Nominal GDP / Capita (EUR k)	13.7	15.0	16.4	18.6	▲ 9.0%	▲ 13.4%
Real GDP (% change pa.)	(2.0)	6.9	5.3	0.5	▼ (1.7%p)	▼ (4.8%p)
FINANCIAL MARKETS						
Lending interest rate (%)	3.8	3.3	7.1	8.7	▲ 3.8%p	▲ 1.6%p
Deposit interest rate (%)	0.9	0.3	3.1	5.4	▲ 2.8%p	▲ 2.3%p
Consumer prices (% change pa)	3.4	5.1	14.4	11.3	▲ 9.2%p	▼ (3.1%p)
Average EURLCY	4.5	4.6	4.7	4.5	▲ 2.8%	▼ (3.2%)
Average USDLCY	3.9	3.9	4.5	4.2	▲ 15.4%	▼ (5.8%)
PUBLIC DEBT						
Public debt (% of GDP)	57.2	53.6	49.3	49.0	▼ (4.3%p)	▼ (0.3%p)
Budget balance (% of GDP)	(6.9)	(1.8)	(3.7)	(4.8)	▼ (1.8%p)	▼ (1.1%p)
POPULATION						
Population (mn. pers.)	38.4	38.3	39.9	41.0	▲ 4.0%	▲ 2.9%
Unemployment rate (%)	6.0	6.4	5.4	5.4	▼ (1.0%p)	▲ 0.0%p

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	525,404	559,338	578,108	617,557	▲ 3.4%	▲ 6.8%
Asset penetration (%)¹	100.0%	97.1%	88.5%	81.1%	▼ (8.6%p)	▼ (7.4%p)
Total equity (EUR mn)	49,351	43,665	43,106	51,001	▼ (1.3%)	▲ 18.3%
Total loans (EUR mn)	318,000	327,299	331,784	343,938	▲ 1.4%	▲ 3.7%
Loan penetration (%)²	60.5%	56.8%	50.8%	45.2%	▼ (6.0%p)	▼ (5.6%p)
Retail loans (EUR mn)	170,550	173,456	156,989	156,082	▼ (9.5%)	▼ (0.6%)
Corporate loans (EUR mn)	82,447	84,235	90,136	91,800	▲ 7.0%	▲ 1.8%
Other loans (EUR mn)	65,003	69,609	84,660	96,056	▲ 21.6%	▲ 13.5%
NPL VOLUMES						
Total NPLs (EUR mn)	17,912	15,175	13,936	14,035	▼ (8.2%)	▲ 0.7%
Retail NPLs (EUR mn)	10,320	8,843	7,972	8,254	▼ (9.8%)	▲ 3.5%
Corporate NPLs (EUR mn)	7,454	6,202	5,834	5,759	▼ (5.9%)	▼ (1.3%)
NPL RATIOS						
Total NPL ratio (%)	5.6%	4.6%	4.2%	4.1%	▼ (0.4%p)	▼ (0.1%p)
Retail NPL ratio (%)	6.1%	5.1%	5.1%	5.3%	▼ (0.0%p)	▲ 0.2%p
Corporate NPL ratio (%)	9.0%	7.4%	6.5%	6.3%	▼ (0.9%p)	▼ (0.2%p)
KEY RATIOS						
CAR (%)	20.7%	19.4%	20.1%	21.4%	▲ 0.7%p	▲ 1.3%p
ROE (%)	-0.2%	3.2%	6.1%	9.2%	▲ 2.9%p	▲ 3.1%p
ROA (%)	0.0%	0.3%	0.4%	0.6%	▲ 0.1%p	▲ 0.2%p
CIR (%)	63.4%	59.4%	53.6%	46.2%	▼ (5.8%p)	▼ (7.3%p)
L/D (%)	84.1%	80.7%	79.6%	79.2%	▼ (1.0%p)	▼ (0.4%p)
NIM (%)	3.3%	3.1%	4.9%	n/a	▲ 1.7%p	n/a
OPEX on avg. total assets (%)	1.8%	1.6%	1.9%	n/a	▲ 0.3%p	n/a
Cost of risk (%)	1.2%	1.0%	1.1%	n/a	▲ 0.1%p	n/a

Source: National Bank of Poland | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN POLAND 2022 (EUR MN OR %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	PKO Bank Polski	86,560	15.0%	7,282	696	0.8%	9.2%	PKO
2.	2.	●	Bank Polska Kasa Opieki	58,047	10.0%	4,741	406	0.7%	8.3%	PZU
3.	3.	●	Santander Bank Polska	50,867	8.8%	5,618	523	1.1%	9.7%	Santander
4.	5.	▲	ING Bank Śląski	45,112	7.8%	1,980	366	0.8%	15.1%	ING
5.	4.	▼	Bank Gospodarstwa Krajowego	44,179	7.6%	6,505	465	1.1%	7.9%	State of Poland
6.	6.	●	mBank	43,577	7.5%	2,670	(149)	(0.3%)	(5.3%)	Commerzbank
7.	7.	●	BNP Paribas Bank Polska	31,214	5.4%	2,396	79	0.3%	3.3%	BNP Paribas
8.	8.	●	Bank Millennium	23,638	4.1%	1,155	(220)	(1.0%)	(16.9%)	BCP
9.	9.	●	Alior Bank	17,665	3.1%	1,316	133	0.7%	10.2%	PZU
10.	10.	●	Bank Handlowy w Warszawie	14,932	2.6%	1,688	335	2.4%	20.4%	Citibank
11.	n/a	n/a	VeloBank	8,864	1.5%	222	58	0.7%	26.2%	BFG
12.	12.	●	Credit Agricole Bank Polska	7,367	1.3%	686	9	0.1%	1.4%	Crédit Agricole
13.	17.	▲	Deutsche Bank Polska	5,888	1.0%	344	(107)	(2.2%)	(31.8%)	Deutsche Bank
14.	13.	▼	SGB-Bank	5,741	1.0%	131	5	0.1%	2.9%	Co-operatives
15.	15.	●	Bank Polskiej Spółdzielczości	5,726	1.0%	178	(8)	(0.1%)	(4.3%)	Co-operatives
16.	16.	●	Bank Ochrony Środowiska	4,682	0.8%	419	27	0.6%	6.6%	State of Poland
17.	14.	▼	PKO Bank Hipoteczny	4,418	0.8%	300	(87)	(1.7%)	(23.8%)	PKO
18.	18.	●	Santander Consumer Bank	3,636	0.6%	821	77	2.0%	9.6%	Santander
19.	20.	▲	Bank BPH	3,018	0.5%	358	(355)	(12.3%)	(123.4%)	GE Investments Poland
20.	19.	▼	mBank Hipoteczny	2,815	0.5%	189	(65)	(2.3%)	(27.9%)	Commerzbank
21.	22.	▲	Bank Pocztowy	1,824	0.3%	89	22	1.2%	25.3%	State of Poland
22.	23.	▲	Nest Bank	1,359	0.2%	131	8	0.6%	6.0%	AnaCap
23.	27.	▲	Toyota Bank Polska	918	0.2%	226	22	2.7%	11.4%	Toyota Kreditbank GmbH
24.	21.	▼	DNB Bank Polska	835	0.1%	350	(9)	(0.6%)	(2.6%)	DNB
25.	26.	▲	Pekao Bank Hipoteczny	714	0.1%	43	(35)	(4.6%)	(69.9%)	PZU
26.	25.	▼	ING Bank Hipoteczny	645	0.1%	91	(10)	(1.3%)	(10.0%)	ING
27.	28.	▲	Bank Nowy	354	0.1%	50	11	3.8%	26.2%	Wielkopolski Bank Spółdzielczy (NeoBANK)
28.	24.	▼	Plus Bank	141	0.0%	15	8	1.4%	54.6%	Private individuals
29.	30.	▲	Millennium Bank Hipoteczny	62	0.0%	29	(6)	(10.1%)	(23.5%)	Millenium
LISTED BANKS TOTAL				474,796	82.1%	40,023	2,200	0.5%	5.5%	
FOREIGN BRANCHES AND OTHER ENTITIES				103,312	17.9%	3,084	77	0.1%	2.5%	
Total				578,108	100%	43,106	2,277	0.4%	5.2%	

Source: Annual reports

Please note that in January 2022, Mercedes Bank supervisory board adopted a resolution to commence the liquidation of the bank.

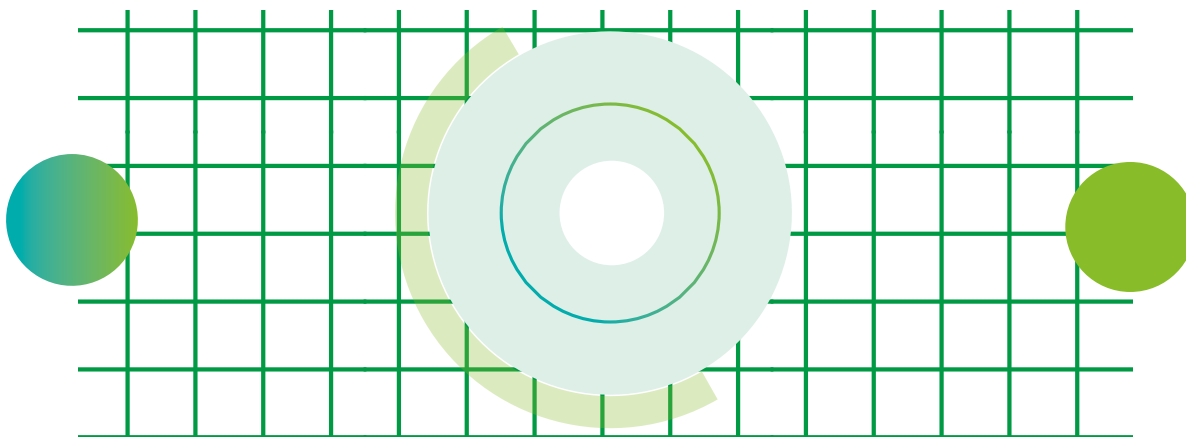
Please note that on 20 September 2022, the Bank Guarantee Fund initiated the resolution procedure of Getin Noble Bank.

Please note that VeloBank's data is based on the bank's interim financial statement for the period from 05.09.2022. to 31.03.2023.

M&A DEALS

Several M&A deals happened in the Polish banking sector in the past few years. From 2015, there were many banking deals in the country, and 9 of them had public prices:

- In 2022 Banco Santander SA, the Spain based financial services group has acquired through its subsidiary Santander Bank Polska SA the Poland based portfolio of bonds issued by public sector entities and loans from DNB Bank Polska SA, the Poland based financial institution providing commercial and investment banking services. The consideration based on an 8% capitalization rate was EUR 25.5 mn.
- In 2021, Bank Guarantee Fund sold the 100% of Nowy Bank, 72% was acquired by Wielkopolski Bank Spółdzielczy, a collective bank operating under the name NeoBANK.
- In 2021, Idea Bank was taken over by Poland's second biggest lender, Bank Pekao. The takeover was engineered by the Poland's Bank Guarantee Fund to support the stability in the Polish Financial System. Pekao acquired some of Idea Banks' assets and liabilities excluding corporate bonds.
- In 2020, SGB Bank acquired 100% of Bank Spółdzielczy w Przemkowie, which was placed under compulsory restructuring by Poland's Bank Guarantee Fund.
- In 2019, BCP-owned Millennium Bank acquired 99.79% of Société Générale's Polish subsidiary, Euro Bank. The acquisition was in line with Bank Millennium's strategy to strengthen its position in the consumer lending segment.
- In 2018, EBRD acquired 4.5% stake in Bank BGZ BNP Paribas from Raiffeisen Bank International: via this transaction, Raiffeisen fully exited Poland.
- In 2018, Bank BGZ BNP Paribas agreed to acquire the core bank business of Raiffeisen Bank Polska from Raiffeisen Bank International for EUR 775 mn. The transaction helped Bank BGZ to further strengthen its position in the Polish market, due to the strong distribution network, innovative products platform, and modern central customer service.
- In 2018, Deutsche Bank sold its retail and private banking business to Bank Zachodni WBK, owned by Santander Group, for a consideration of EUR 305 mn. With the deal, Santander acquired 113 branches, 1500 employees, and nearly EUR 4,350 bn in assets. The acquisition was aligned with Santander's strategy to enhance its position in the retail segment.
- In 2016, the largest banking acquisition in recent years was the sale of a 32.8% stake of the second largest bank in Poland, Bank Pekao, owned by UniCredit Group, to the state-owned PZU for EUR 2,382 bn.
- In 2016, PZU-controlled Alior Bank agreed to acquire Bank BPH from GE Capital for 360 mn. The transaction was consistent with the strategy of Alior, based on a dynamic organic growth and acquisitions.
- Also in 2016, PZU purchased a 25.3% stake in Alior Bank from an Italian conglomerate for EUR 396 mn. Based on PZU's activity, it is visible that the most active consolidator in the Polish banking market has been the state, in line with its intention to increase domestic ownership in the banking sector.
- In 2015, a UK-based private equity firm, AnaCap Financial Partners, agreed to acquire FM Bank PBP, the Poland-based retail and SME bank, from Abris Capital Partners for an undisclosed consideration.
- In 2015, state-owned PKO agreed to acquire SKOK Wesoła, the Poland-based cooperative savings and credit company engaged in providing non-banking financial services and products such as loans and credit, term deposits, current accounts, and other insurance-related transfer services, for an undisclosed consideration.
- In 2015, Alior Bank agreed to acquire a 97.9% stake in Meritum Bank ICB from Innova Capital, WCP Cooperatief UA and EBRD for a consideration of EUR 83.6 mn.



LIST OF BANKING M&A DEALS IN POLAND 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2022	DNB Bank Polska (loan portfolio)	Santander Bank Polska SA	100.00%	26	DNB Bank Polska SA
2021	Bank Nowy BFG SA	Wielkopolski Bank Spółdzielczy (72%), Other entities (28%)	100.00%	n.a.	Bank Guarantee Fund
2021	Idea Bank SA (Certain assets and liabilities)	Bank Pekao SA	100.00%	n.a.	Idea Bank SA
2020	Bank Spółdzielczy w Przemkowie	SGB-Bank SA	100.00%	n.a.	n.a.
2019	Euro Bank	Bank Millennium	99.80%	1,448	Société Générale
2018	BGZ BNP Paribas	EBRD	4.50%	100	Raiffeisen
2018	Raiffeisen Bank Polska	BNP Paribas	100.00%	775	Raiffeisen
2018	Deutsche Bank Polska	Santander	100.00%	305	Deutsche Bank
2016	Bank Pekao	PZU	32.80%	2,382	UniCredit
2016	Bank BPH	Alior Bank	100.00%	360	GE Capital
2016	Alior Bank	PZU	25.30%	396	Carlo Tassara
2015	Nest Bank	AnaCap Financial Partner	100.00%	n.a.	Abris Capital Partners
2015	SKOK Wesola	PKO	100.00%	n.a.	n.a.
2015	Meritum Bank ICB	Alior Bank	97.90%	84	EBRD; Innova Capital; WCP Cooperatief

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The fintech sector in Poland is experiencing robust growth, primarily driven by collaborative initiatives between startups and the banking industry. The majority of fintech entities have a relatively short operational history, ranging from a few months to five years, and typically employ up to several dozen personnel. Predominantly, companies in the Polish fintech landscape focus their operations within the domains of electronic payments, software development, and financial management. Macroeconomic forecasts indicate potential for expansion, and strategic partnerships between tech providers and banks are on the rise. Polish consumers are open to innovation, creating demand for intelligent and personalized solutions.

Over the past 4 years, the number of fintechs in Poland has nearly doubled, rising from 167 in 2018 to 299 in 2022. There are several factors driving this growth, including: overall macroeconomic growth, increasing demand for technology-enabled financial services, the large number of highly skilled experts and technical university graduates, changing customer

behavior (accelerated by the COVID-19 pandemic), and an increasing pressure to meet safety / ESG standards.

The dominant fintech segments in Poland are Payment, Deposits and Lending and InsurTech companies, constituting almost half of all fintech companies.

KEY POINTS

Electronic payments and financial platforms are the leaders of Polish fintech market. They are mostly focusing on cooperation with banks – even if their offer is addressed directly to the consumer market, they see the potential of cooperation and the resulting benefits of both parties.

The Polish banking system cooperates with fintechs, especially with mobile payment operators such as Blue Media or PayU. On the other hand, some Polish banks, such as mBank or Alior, invest in technology and develop it by themselves or through acquisitions.

Distinctive innovations are instant transfer systems, processes of remote sale of financial products (in the form of “pure online”), Personal Finance Management and remote customer service like video-counseling. Many of these solutions have been introduced by the banks in close cooperation with fintechs, which were often at a stage close to start-up in their first banking implementations. The banking sector is also leading the implementation and development of cloud computing and ensuring cybersecurity.

While half of Polish fintechs are still relatively new entrants (less than 5 years on the market), the industry is already showing signs of maturing. Average revenue is increasing and, according to Cashless.pl, the share of companies with more than PLN 10 mn in sales rose from 29% in 2021 to 41% in 2022.

Most of the fintechs surveyed (39%) employ 11 to 50 people. 32% employ no more than 10 people. Larger institutions, i.e., those employing 51 to 100 people, account for 16% of surveyed companies, with 13% reporting a workforce of over 100 people.

Accelerators and accelerator programs are set up in Poland mainly by banks such as Let's fintech by PKO BP, Innovation Lab by BNP Paribas, RBL_Innovation by Alior Bank, mAccelerator by mBank, Poland Prize by Polish Agency for Enterprise Development and Accelpoint accelerator.

Regulatory bodies encourage innovation in the fintech sector. The Polish Financial Supervision Authority supports the local fintechs by launching its Innovation Hub to guide them in developing new products.

The Credit Information Bureau, the largest information base of the financial sector in Poland, launched the BIK HUB Program - a technological sandbox, which encourages entrepreneurs, who are both in the initial stage of their development, as well as mature ones - companies to test and develop their ideas.

Among the fintech companies, Fenige, Telmedi, Billon, Ramp, Autenti, CashDirector and Nethone have raised over EUR 1 mn from VC firms recently.

TECHNOLOGICAL TRENDS

The integration of artificial intelligence is becoming increasingly prevalent in Polish fintech. AI algorithms are being utilized for customer service automation, fraud detection, and personalized financial advice. This trend not only enhances operational efficiency but also improves the overall customer experience.

Blockchain technology is gaining traction, particularly in areas such as digital identity verification, smart contracts, and secure and transparent transactions. Its decentralized nature provides enhanced security and has the potential to revolutionize traditional financial processes.

Fintech companies in Poland are leveraging advanced data analytics and machine learning to derive valuable insights from vast datasets. This enables more accurate risk assessments, personalized financial product recommendations, and improved decision-making processes.

The rise of digital payments continues to be a prominent trend. Mobile wallets, contactless payments, and other innovative payment solutions are becoming increasingly popular among consumers, driving a shift away from traditional banking methods.

KEY CHALLENGES

The rapid pace of technological innovation often outstrips regulatory frameworks. Fintech companies must navigate a complex regulatory landscape, adapting to changes and ensuring compliance, which can be challenging.

The increasing reliance on technology exposes the industry to heightened cybersecurity risks. Fintech firms must invest in robust cybersecurity measures to protect sensitive customer data and maintain trust in the digital financial ecosystem.

The growing number of fintech players in Poland intensifies competition. Firms need to differentiate themselves to stand out in a crowded market, emphasizing innovation, customer-centric solutions, and strategic partnerships.

Despite growing interest, there is a need for continuous consumer education. Fintech companies must actively communicate the benefits of their services while addressing concerns related to security, data privacy, and the overall reliability of digital financial solutions.

DEVELOPMENT PROSPECTS

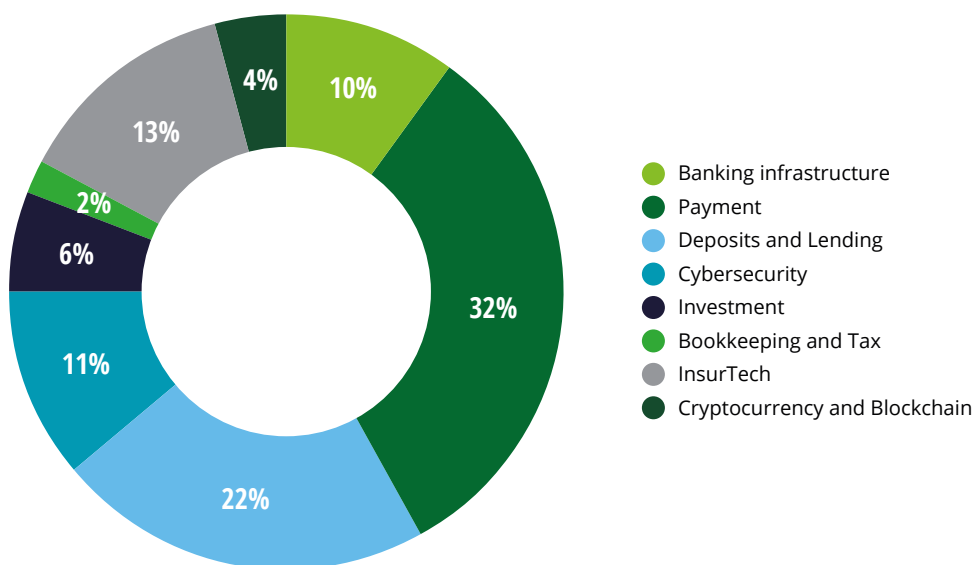
Continued collaboration between fintech startups and traditional financial institutions can lead to mutually beneficial partnerships. Such collaborations can enhance the overall financial ecosystem and foster innovation.

Polish fintech companies are well-positioned for international expansion. By leveraging successful domestic models and adapting to global trends, these companies can explore opportunities in international markets, contributing to the growth of the sector.

Fintech firms should prioritize investments in talent acquisition and technology infrastructure. Skilled professionals and advanced technological capabilities are vital for staying competitive and addressing evolving consumer demands.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

TOP 20 POLISH FINTECHS IN TERMS OF REVENUE (EUR MN AND T, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	Blue Media	Payment	Blue Media provides payment services, which include: payment gateway for , topping up phones via the Internet, simplified bill payments. In 2019, Blue Media launched the system for automatic toll collection at motorway gates - Autopay.	Private	no / n.a.	224.9	4.2	2.6	32.0
2	Polskie ePłatności	Payment	Polskie ePłatności offers payment solutions for the SME sector through payment terminals. Currently is has 230 000 payment terminals.	Nets Group	yes	212.6	33.9	14.1	28.5
3	PayU	Payment	PayU offers payment gateways solutions including: wire transfers, payments cards, BLIK payments, mobile payments, phone top-ups.	Private	no / n.a.	158.8	5.0	2.0	22.5
4	eService	Payment	eService S.A. has been present on the card acceptance market since 1999. eService offers comprehensive services for settling non-cash transactions made both in the network of traditional stores (POS terminals), by phone (including IVR) and on the Internet.	Private, PKO BP Bank	no / n.a.	126.1	58.8	38.0	67.0

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
5	PolCard	Payment	PolCard from Fiserv offers payments solutions based on terminals. It also facilitates online payments for businesses.	Private	yes	95.5	25.8	12.1	58.3
6	ITCARD	Payment	ITCARD owns Planet Cash (ATM network), Planet Pay (POS terminals, online payments, payemtns cards) and Snoopay (mobile payments). ITCARD provides ATM outsourcing and management services, payment gateway, POS terminals.	Private	no / n.a.	94.3	15.6	6.2	35.1
7	Soonly (vivus.pl)	Deposits and Lending	Vivus is one of the leaders of the online loan market. It has been present on the polish market for 10 years and as of now Vivus.pl has 2m registered clients.	Private	no / n.a.	79.5	39.4	14.2	19.7
8	Certum	Cyber-security	Certum provides services connected with cybersecurity, including electronic signature, safety certificates, cryptographic cards and readers. Certum brand belongs to Asseco Data Systems, a part of Asseco, the largest Polish IT company.	Private, pension funds	no / n.a.	69.6	15.2	9.6	93.1
9	mojeID, Szafor, KIR express elixir, KIR paybynet	Cyber-security	KIR (Krajowa Izba Rozliczeniowa) is a technological hub, a key entity in the infrastructure of the Polish payment system and a provider of digital solutions for banking, economy and administration. Paybynet - fast online payment service; expres elixir - instant payment settlement system; Szafor - qualified electronic signature; mojeID - online identity confirmation tool.	National Bank of Poland, major banks	no / n.a.	46.8	15.1	8.9	37.3
10	BLIK	Payment	BLIK is a payment method offered by Polish banks using digital codes, which enables the user to pay for online purchases and services, pay for products in stores, send money to a phone number, withdraw and deposit money at an ATM.	6 major banks, Mastercard	no / n.a.	46.2	25.5	20.9	58.9
11	ProService Finteco	Book-keeping and Tax	Proservice Finteco provides a wide range of services, including: solutions supporting TFI operations in the field of asset valuation, asset management, AML handling or data warehousing, web-based fund solutions for distributors (B2B) and participants (B2C), operational support services for investment funds, accounting activities.	Private	yes	41.8	2.1	(13.2)	(12.4)
12	wonga.pl	Deposits and Lending	wonga specializes in granting short-term and installment online loans. The loan can be obtained online or during a telephone conversation with a consultant.	Private	yes	37.3	15.4	2.1	(1.7)
13	smartney	Deposits and Lending	smartney is an online loan company providing consumer credit. Smartney offers loans for up to PLN 60 000 with a repayment term of up to 8 years. It belongs to the French Oney Bank Group.	Oney Bank Group	no / n.a.	37.1	20.6	1.9	3.5

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
14	allegropay	Payment	Allegro pay offers a form of deferred payment for products on Allegro website, whereby the client receives up to PLN 4 200 for purchases, which he later repays within certain timeframe after the purchase.	Private (Allegro)	no / n.a.	36.1	23.8	11.4	13.2
15	autopay	Payment	Autopay is a system used to make quick and automatic payments for motorways. It currently operates in Poland, Estonia and Czech Republic. Autopay was created by Blue Media.	Private (Blue Media)	yes	33.9	(0.8)	(0.6)	2.6
16	lendi	Deposits and Lending	lendi is an online comparer of mortgage products. It also provides free of charge support of an expert. So far, thanks to lendi almost 30 000 people obtained a cheaper mortgage.	Axel Springer SE	no / n.a.	29.6	0.5	0.4	0.8
17	PKO BP Finat	Banking infrastructure	PKO Finat, part of PKO BP Group offers services to companies from the financial sector: transfer agent services, fund and company accounting services. It also specializes in IT services, and provides services as a national payment institution	PKO BP	no / n.a.	29.5	9.5	6.5	18.6
18	PayPo	Payment	PayPo provides deferred payment solutions to businesses and customers. The customer using PayPo has up to 30 days for repaying with an option to spread the payment into installments	Private	yes	26.5	12.4	5.8	11.4
19	Ailleron	Banking infrastructure	Ailleron provides financial software solutions for banks. Its services include: web development, devOps, data & artificial intelligence, solution architecture, mobile development, UX/UI design, cloud services.	Private	yes	14.5	0.2	(1.5)	16.0
20	tpay	Payment	tpay provides payment solutions for businesses including: online wire transfers, deferred payments, mobile payments, electronic wallets and payments by card	Private	no / n.a.	13.6	4.0	2.7	7.4

Source: Deloitte Intelligence



Czech Republic

The Czech Republic experienced a moderate economic expansion of 2.4% real GDP growth in 2022 which is expected to decrease further in 2023 due to the downturn of household spending.

Though the Czech Republic doesn't share a border with Ukraine, the aftermath of the conflict has caused disruptions in the industrial sector, resulting mainly in increased energy costs. The domestic economy faced an annual inflation rate of 15.1% in 2022, but it was already on a downward trajectory with an expected rate of 10.6% by the end of 2023.

The housing affordability situation has slowed down its deterioration, thanks to a temporary pause in the escalation of residential property prices coupled with continual growth in nominal income. Residential property prices stopped growing year over year and even declined in some segments in early 2023. In parallel to improved housing affordability, the estimated overvaluation of apartment prices began to drop at the end of 2022. Additionally, CNB deactivated binding DTI limit in November 2023 to further support demand for housing loans.

In the first half of 2023, the total assets of the financial sector surged by 13.8% compared to the end of 2022, reaching EUR 420 billion. The banking sector, accounting for nearly 80% of the domestic financial sector's assets at the close of 2022, recorded year-on-year growth of 4.5%.

The total volume of loans showed a significant 13.0% increase in 2022 and a further 4.9% increase until H1 2023 with both corporate and retail loans experiencing expansion. The credit standard for housing loans became more stringent as a result

of upper limits on credit approval ratios and adverse market expectations. The emergence of those upper limits and prevalent high interest rates helped substantially to reduce the volume of loans secured by residential property and alter their credit characteristics.

In line with the global trends, interest rates increased in the Czech Republic as well to 4.2% in case of lending and 1.4% for deposit rates in 2022, and an additional 0.5%p and 1.0%p increase is expected by the end of 2023. This is likely to have an impact on private investments and local demand.

Non-performing loans have demonstrated a downward trend in both segments since 2020. The total NPL ratio decreased by 0.4%p in 2022 and by 0.1%p in the first half of 2023, reaching a level of 1.8% which is 1%p down compared to 2020. The loan portfolio quality will continue to be a major risk going forward.

The capitalization of the domestic banking sector is a testament to its strong resilience, with an overall Capital Adequacy Ratio (CAR) of 23.0%. Banks exceeded the regulatory risk-weighted capital requirement of 15.8% by a significant margin (7.2% of the CAR).

Profitability developed favorably in 2022, which is mainly due to the interest income from credit growth and slower monetary policy transmission to interest rates. Since 2021 there was a growth in monetary policy rates because of which, interest income rose faster than interest expenses. The growth was accelerated as a significant share of liquidity is placed by banks in the CNB's repo operations (more than 15% of total assets). Return on equity showed a 4.2%p increase to 14.8% as return on assets had a 0.3%p growth to 1.2%. Effected by the elevated income, the cost to income ratio had fell by 9%p to 40.7% in 2022 and started

to stabilize in 2023 H1, increasing to 41.2%. The net interest margin also improved, by 0.9%p, although at the same time the cost of risk had elevated from the previous 0.1% to 0.4% due to the increased provisions and impairments in 2022.

In 2022, the Czech government imposed a windfall tax, i.e. tax on unexpected profits, that applies to large banks and energy companies for the period 2023 to 2025. The windfall tax is a 60% surcharge to the corporate income tax that will apply to the excess profit over the average of their past profits increased by 20%.

The Czech Republic's banking sector consists of 21 banks after the liquidation of Sberbank CZ and the acquisition of Equa Bank by Raiffeisenbank. There is a strong presence of international banking groups, with most of the largest banks in the country being subsidiaries of these groups, such as Erste, KBC, or Raiffeisen Bank International (RBI).

In the banking market, some major players are considering potential acquisitions. Moneta Money Bank is exploring strategic steps to strengthen its position in the Czech market. One potential strategy involves a merger with firms from the Czech investment group PPF, which already holds a substantial 30% stake in Moneta. This marks a crucial moment for Moneta, as the previous attempts to merge with PPF subsidiaries, Air Bank and Home Credit, faced obstacles. Additionally, Moneta is exploring merger options with the Czech/Slovak financial group J&T, including its Slovak branch, 365.bank.

The concentration of the domestic banking sector increased since the acquisition of Equa bank by Raiffeisenbank was completed in 2022. The concentration has also been affected by the closure of Sberbank CZ as Ceska sporitelna acquired a part of the enterprise of Sberbank CZ consisting primarily of the loan portfolio for approx. EUR 1.7 billion. In 2022, the largest 3 banks had over 50% market share together.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	5,710,773	6,106,983	6,784,272	7,269,700	▲ 11.1%	▲ 7.2%
Nominal GDP / Capita (LCY k)	542.3	581.0	646.5	692.4	▲ 11.3%	▲ 7.1%
Nominal GDP (EUR mn)	215,587	238,027	275,611	302,620	▲ 15.8%	▲ 9.8%
Nominal GDP / Capita (EUR k)	20.5	22.6	26.3	28.8	▲ 16.0%	▲ 9.7%
Real GDP (% change pa.)	(5.5)	3.5	2.4	(0.5)	▼ (1.1%p)	▼ (2.9%p)
FINANCIAL MARKETS						
Lending interest rate (%)	3.3	3.2	4.2	4.7	▲ 1.0%p	▲ 0.5%p
Deposit interest rate (%)	0.3	0.2	1.4	2.4	▲ 1.2%p	▲ 1.0%p
Consumer prices (% change pa)	3.2	3.8	15.1	10.6	▲ 11.2%p	▼ (4.5%p)
Average EURLCY	26.5	25.7	24.6	24.0	▼ (4.1%)	▼ (2.4%)
Average USDLCY	23.2	21.7	23.4	22.2	▲ 7.7%	▼ (5.0%)
PUBLIC DEBT						
Public debt (% of GDP)	37.6	42.0	44.2	46.0	▲ 2.2%p	▲ 1.8%p
Budget balance (% of GDP)	(5.8)	(5.1)	(3.2)	(3.9)	▲ 1.9%p	▼ (0.7%p)
POPULATION						
Population (mn. pers.)	10.5	10.5	10.5	10.5	▼ (0.2%)	▲ 0.1%
Unemployment rate (%)	2.6	2.8	2.3	2.6	▼ (0.5%p)	▲ 0.3%p

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	303,629	342,855	369,291	420,434	▲ 7.7%	▲ 13.8%
Asset penetration (%) ¹	140.8%	144.0%	134.0%	138.9%	▼ (10.1%p)	▲ 4.9%p
Total equity (EUR mn)	25,537	28,236	29,240	30,030	▲ 3.6%	▲ 2.7%
Total loans (EUR mn)	137,017	154,789	168,837	177,142	▲ 13.0%	▲ 4.9%
Loan penetration (%) ²	63.6%	65.0%	61.3%	58.5%	▼ (3.8%p)	▼ (2.7%p)
Retail loans (EUR mn)	70,829	82,203	88,782	92,801	▲ 8.0%	▲ 4.5%
Corporate loans (EUR mn)	42,795	47,804	51,299	54,442	▲ 7.3%	▲ 6.1%
Other loans (EUR mn)	23,393	24,782	28,756	29,899	▲ 16.0%	▲ 4.0%
NPL VOLUMES						
Total NPLs (EUR mn)	3,771	3,706	3,284	3,222	▼ (11.4%)	▼ (1.9%)
Retail NPLs (EUR mn)	1,238	1,256	1,104	1,160	▼ (12.1%)	▲ 5.1%
Corporate NPLs (EUR mn)	1,776	1,834	1,746	1,624	▼ (4.8%)	▼ (7.0%)
NPL RATIOS						
Total NPL ratio (%)	2.8%	2.4%	1.9%	1.8%	▼ (0.4%p)	▼ (0.1%p)
Retail NPL ratio (%)	1.7%	1.5%	1.2%	1.3%	▼ (0.3%p)	▲ 0.1%p
Corporate NPL ratio (%)	4.2%	3.8%	3.4%	3.0%	▼ (0.4%p)	▼ (0.4%p)
KEY RATIOS						
CAR (%)	24.4%	23.5%	22.3%	23.0%	▼ (1.2%p)	▲ 0.7%p
ROE (%)	7.2%	10.5%	14.8%	15.5%	▲ 4.2%p	0.7%p
ROA (%)	0.6%	0.8%	1.1%	1.1%	▲ 0.3%p	0.0%p
CIR (%)	49.0%	49.7%	40.7%	41.2%	▼ (9.0%p)	▲ 0.6%p
L/D (%)	69.7%	69.9%	69.5%	61.6%	▼ (0.4%p)	▼ (7.9%p)
NIM (%)	3.5%	3.6%	4.4%	n/a	▲ 0.9%p	n/a
OPEX on avg. total assets (%)	1.1%	1.1%	1.1%	n/a	▼ (0.0%p)	n/a
Cost of risk (%)	0.9%	0.1%	0.4%	n/a	▲ 0.2%p	n/a

Source: CNB | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN THE CZECH REPUBLIC 2022 (EUR MN OR %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Ceskoslovenska obchodni banka	69,666	18.86%	3,984	566	0.8%	13.3%	KBC
2.	2.	●	Ceska sporitelna	64,914	17.58%	5,337	844	1.3%	15.7%	Erste
3.	3.	●	Komercni banka	50,958	13.80%	4,668	729	1.5%	15.7%	Société Générale
4.	4.	●	UniCredit Bank	31,352	8.49%	3,200	370	1.3%	11.7%	UniCredit
5.	5.	●	Raiffeisenbank	24,935	6.75%	2,127	313	1.4%	16.0%	Raiffeisen
6.	6.	●	Hypotecni banka	16,155	4.37%	2,367	103	0.7%	4.6%	KBC
7.	7.	●	MONETA Money Bank	15,350	4.16%	1,303	194	1.4%	15.4%	Private Individuals
8.	8.	●	PPF banka	11,969	3.24%	719	114	1.1%	16.4%	PPF Group
9.	9.	●	Fio banka	9,514	2.58%	512	183	2.0%	44.0%	Private Individuals
10.	10.	●	J&T Banka	9,130	2.47%	1,454	171	2.0%	14.2%	J&T Finance
11.	12.	▲	Air Bank	6,303	1.71%	517	107	1.8%	21.1%	PPF Group
12.	11.	▼	CSOB stavebni sporitelna	5,696	1.54%	383	55	0.9%	15.4%	KBC
13.	13.	●	Modra pyramida stavebni sporitelna	4,217	1.14%	275	18	0.4%	6.8%	Société Générale
14.	18.	▲	Banka CREDITAS	3,940	1.07%	256	67	2.1%	30.4%	Creditas
15.	15.	●	Raiffeisen stavebni sporitelna	3,205	0.87%	244	19	0.6%	8.4%	Raiffeisen
16.	16.	●	Stavebni sporitelna Ceske sporitelny	2,965	0.80%	339	53	1.8%	17.0%	Erste
17.	19.	▲	Trinity Bank	2,652	0.72%	187	33	1.6%	23.2%	Private Individuals
18.	21.	▲	MONETA stavebni sporitelna	1,396	0.38%	117	29	2.1%	27.4%	Private Individuals
19.	23.	▲	Max Banka	1,372	0.37%	83	(10)	(1.0%)	(11.1%)	Creditas
20.	20.	●	Ceska exportni banka	1,347	0.36%	344	27	1.9%	8.1%	State of Czech Republic
21.	22.	▲	Narodni rozvojova banka	1,325	0.36%	183	12	0.9%	6.8%	State of Czech Republic
LISTED BANKS TOTAL				338,358	91.62%	28,599	3,996	1.2%	14.1%	
FOREIGN BRANCHES AND OTHER ENTITIES				30,933	8.38%	641	243	0.8%	53.1%	
TOTAL				369,291	100.00%	29,240	4,239	1.2%	14.8%	

Source: Annual reports

Sberbank CZ went bankrupt in 2022

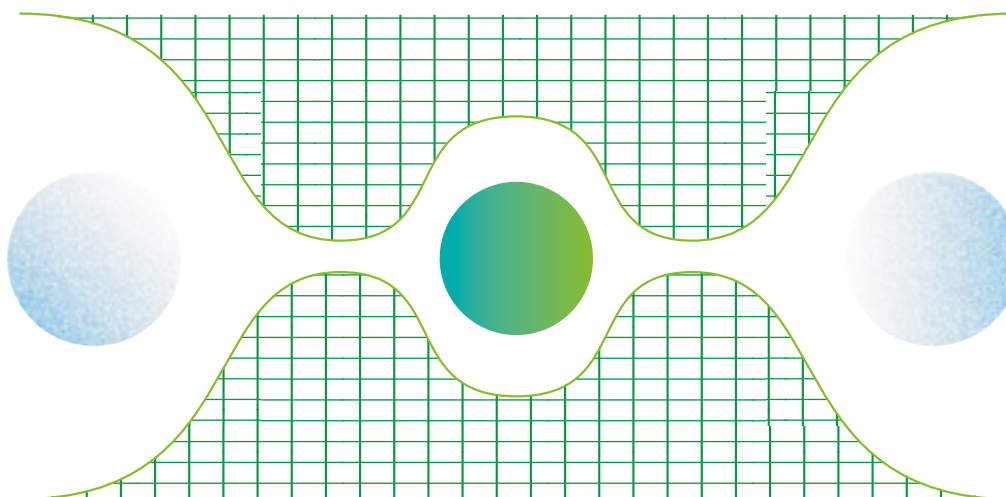
In July of 2021, AnaCap Financial Partners sold its Equa Bank stake as Raiffeisen Bank International (RBI) acquired and merged Equa Bank through its Czech subsidiary.

As of 2022 October 4th Exobank CZ was renamed as Max Banka

M&A DEALS

There have been 12 announced bank acquisition deals over the past years in the Czech banking market:

- Ceska sporitelna (member of Erste Group Bank, a major Austrian bank) acquired the consumer loan portfolio of BNP Paribas' consumer finance unit in the Czech Republic operating under brand name Hello bank! The deal was announced in July 2023 and the closing of the transaction took place at the end of October 2023. The portfolio transfer was one of the steps leading to the gradual closure of Hello Bank's operations in the Czech Republic. These developments signal significant changes in the consumer finance sector in the region.
- In 2022, the Czechia based Creditas decided to acquire the local commercial bank Expobank CZ, buying 100% stake in the bank. In October 2022, Expobank CZ was rebranded to Max banka with solely online operations.
- In April 2022, the banking license of Sberbank CZ was revoked based on the decision of the Czech National Bank. Sberbank CZ entered into liquidation in May 2022. The loan portfolio of Sberbank CZ was acquired by Ceska Sporitelna for ca. EUR 135 million in July 2022, the transaction
- In February 2021, Raiffeisen Bank International has agreed to acquire the retail banking operations of ING Group NV. The transaction has received regulatory approval in March. ING served 375,000 local retail customers and it has remained present on the Czech banking market as a provider of wholesale banking products. This transaction was in line with ING's strategy of focusing on the corporate segment.
- In 2021, PPF Group N.V. acquired 28.4% stake in Moneta Money Bank, the listed provider of banking and financial services for individuals and SMEs.
- AnaCap Financial Partners sold its stake in Equa bank to Raiffeisen Bank's Czech subsidiary Raiffeisenbank a.s. for EUR 308 million. The acquisition was in line with Raiffeisen Bank's strategy to strengthen its presence in the Czech market. With effect as of 1 January 2022, all assets of Equa bank a.s. were legally transferred to Raiffeisenbank as a result of a merger by acquisition. As of such date, Equa bank a.s. ceased to exist as an independent legal entity and Raiffeisenbank a.s. became its universal legal successor.
- In 2020 (December 1st), Raiffeisen Bausparkassen Holding GmbH sold its 90% share in Raiffeisen Stavebni Sporitelna to Raiffeisenbank a.s.
- In 2020, Erste-owned Ceska Sporitelna (CS) signed an agreement regarding the takeover of the Czech branches of Austrian Waldviertler Sparkasse.
- In 2020, Wuestenrot & Wuerttembergische AG (a German financial services group) sold its 100% share of two of its banks: Wuestenrot – Stavebni Sporitelna and Wuestenrot Hypotecni Banka to Moneta Money Bank. The acquisition materially improved Moneta's market presence in retail banking.
- In 2019, Bausparkasse Schwaebisch Hall (a German mortgage finance and private construction finance provider company) sold its 45% share in Ceskomoravska Stavebni Sporitelna (CMSS) to one of the market leaders Ceskoslovenska Obchodni Banka (CSOB). As a result of the transaction, KBC's Czech subsidiary, the CSOB strengthened its position in the domestic housing finance sector by fully owning CMSS.
- In 2016, General Electric sold its 100% subsidiary GE Money Bank renamed to Moneta Money Bank via IPO on Prague Stock Exchange. General Electric gradually sold its entire share during 2016.
- In 2015, Citibank decided to sell its retail banking business in the Czech Republic, which was subsequently acquired by Raiffeisen.



LIST OF BANKING M&A DEALS IN THE CZECH REPUBLIC 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2023	Hello Bank! (consumer loan portfolio)	Ceska Sporitelna	100.00%	30	BNP Paribas Personal Finance
2022	Expobank	Creditas	100.00%	n.a.	n.a.
2022	Sberbank CZ (loan portfolio)	Ceska Sporitelna	100.00%	135	Sberbank
2021	ING Group NV (retail banking operations in Czech Republic)	Raiffeisen Bank International AG	100.00%	n.a.	ING Group NV
2021	Moneta Money Bank	PPF Group N.V.	28.40%	435	n.a.
2021	Equa Bank	Raiffeisen Bank International AG	100.00%	308	AnaCap Financial Partners Limited
2020	Raiffeisen Stavební Sporitelna	Raiffeisen Bank International AG	90.00%	n.a.	Raiffeisen Bausparkassen Holding GmbH
2020	Waldviertler Sparkasse Bank - Czech branch	Ceska Sporitelna	100.00%	n.a.	Waldviertler Sparkasse Bank
2020	Wuestenrot - Stavební Sporitelna Wuestenrot Hypotecni Banka	Moneta Money Bank	100.00%	175	Wuestenrot und Wuerttembergische AG
2019	Ceskomoravska Stavební Sporitelna	KBC	45.00%	240	Bausparkasse Schwaebisch Hall
2016	GE Money Bank	IPO	100.00%	n.a.	GE Capital
2015	Citibank Europe plc (Czech consumer banking business)	Raiffeisen Bank International AG	100.00%	n.a.	Citibank

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

Multiple fintech hubs (e.g. Fintech Hub Czechia, Seed Starter, Vacuumlabs, Czech Fintech Association) are present in the Czech Republic, fostering entrepreneurs, sharing knowledge and providing networking opportunities for investors and owners/founders.

The Czech National Bank continues to support local fintech firms through its fintech contact point established in 2019. The contact point aims to promote the introduction of innovative technologies in the Czech financial market by establishing communication between the CNB and incumbent institutions as well as potential new entrants to the financial market, specifically the fintech area. The CNB is not planning currently to establish an innovation hub or a regulatory sandbox.

In 2023, the most discussed topics concerning fintech companies are proposed EU Commission regulations, more specifically PSD3 (Payment Services Directive 3), PSR (Payment Services Regulation) and Financial Data Access Regulation (FIDA). These proposals aim to increase security, strengthen harmonization, and improve access to payment systems and financial data. The most impactful effect, after CNB's implementation of these regulations, is that any entity interested in providing crowdfunding services within the scope of the regulation must obtain the relevant authorisation

granted by the CNB before commencing such activity or by 10th November 2023 for companies already engaged in provision of these services. These regulations will mainly affect companies in the Investment category, for instance Fingood, FinMap CZ, Investown Technologies and Fondée. All above-mentioned companies were able to obtain authorisation from CNB.

In 2023, a new type of product has been introduced in the InsurTech category. Companies Dodommo and Flatform offer a combination of insurance (owner's perspective) and lending (tenant's perspective). They provide screening and insurance against rent arrears or property damage. This eliminates or significantly reduces the amount of the security deposit to be paid by tenants. This product is driven by the general situation in real estate market, increasing living costs and related risk of rent arrears.

Companies PatronGo (Investment), 4Trans (Deposits & Lending), Lemonero (Deposits & Lending) and NFCTron (Payment) launched expansion within the EU market in 2023.

Many companies have not published their financial results yet; therefore, the study consists only of companies for which data were available and does not state any conclusion on the quantitative development of the industry in 2022.

COMPANY HIGHLIGHTS

Major shifts in the year-to-year ranking based on 2022 revenues have been identified, however, 3 out of the top 10 ranked companies from last year have not published their 2022 financial statements yet.

The group of Top 5 companies is comprised by FTMO, Pillow, ComGate, Twisto and Ušetřeno.cz in descending order. In a year-to-year comparison, we identified a shift in the ranking, as Pillow did overcome ComGate in total revenues with 158% of 2020–2022 revenue CAGR.

FTMO recognized 215% of revenue CAGR remaining in the 1st place of revenue ranking. Moreover, FTMO defended first place in Deloitte Technology Fast 50 ranking for the 3rd time in a row being the fastest-growing technological company in the CEE region.

The most significant 2020–2022 revenue CAGR was recognized by PatronGo at 1,954%.

M&A TRENDS

We have identified several funding rounds in categories of Banking infrastructure, Deposits and Lending and Investment.

The banking infrastructure category became the leading category in terms of VC investment, with Resistant AI raising USD 11 mn.

In the Deposits & Lending category we identified capital raisings in the amount of EUR 3 mn (4Trans) and not specified raisings in the case of Lemonero and Cashbot.

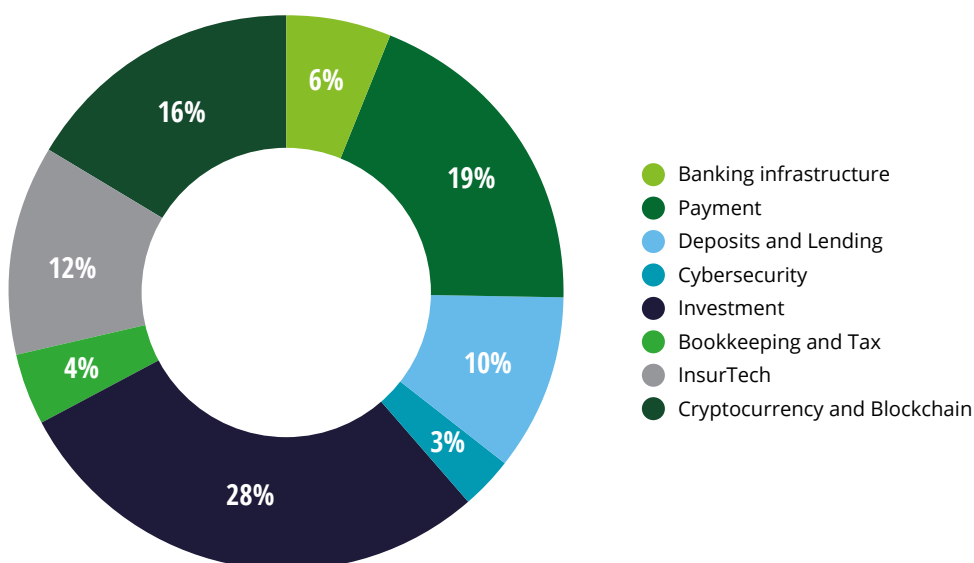
In the Investment category we identified capital raisings in amounts of CZK 160 mn (period 2023–2025, Budgetbakers), more than CZK 30 mn (Investown), EUR 1 mn (Finmap), CZK 10 mn (Investbay), CZK 7.5 mn (PatronGo).

Apart from capital raisings of individual companies, changes in shareholder structure as a result of M&A transactions are observable in all categories. In terms of market consolidation, minor cooperation at the level of business activities has been announced, e.g. between Twisto and NFCtron, but also a significant merger of Bauer Media Group and Netrisk Group impacting the InsurTech category as companies ePojjištění (Bauer Media Group) and Klik (Netrisk Group) were concerned.

Lower M&A activity can be partly explained by increased debt financing driven by the issuance of corporate bonds. We identified bonds issued in the Deposits and Lending category in the case of 4Trans (EUR 15 mn), Flowpay (CZK 6 mn) and in the Cryptocurrency and Blockchain category in the case of Braiins (CZK 100 mn).

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

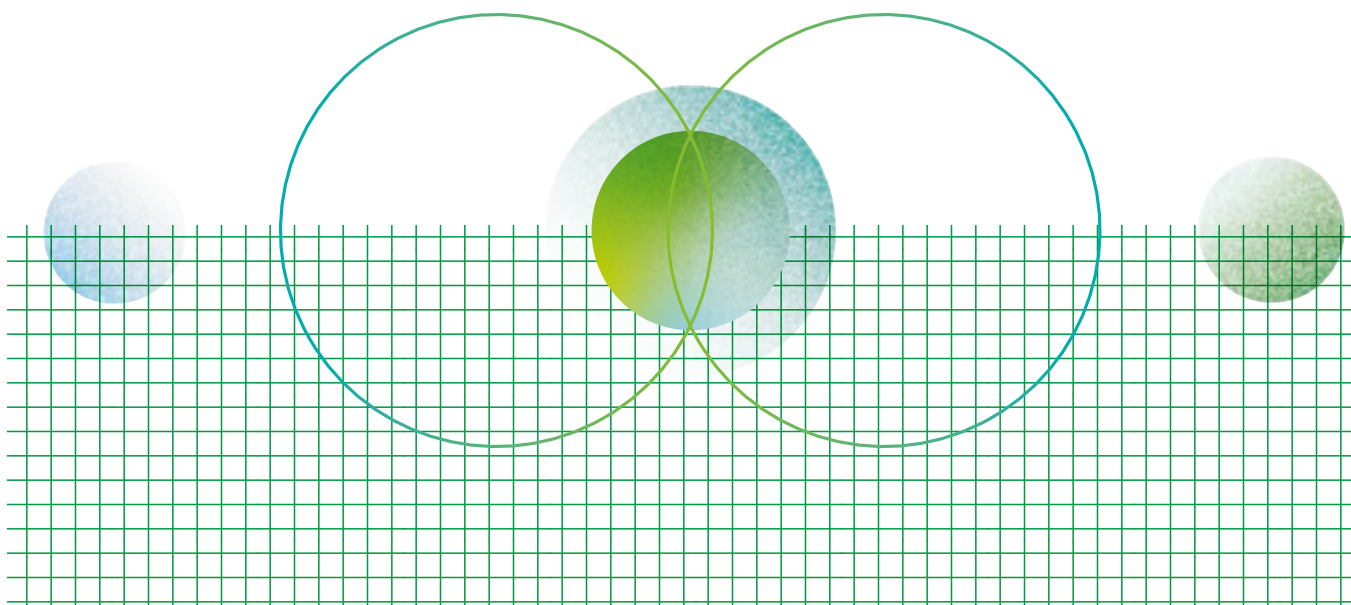
TOP 20 CZECH FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	FTMO	Investment	FTMO is creating an international fund based on retail traders which will offer a diversified portfolio to investors.	FTMO Holding	no / n.a.	162.3	73.1	59.6	62.2
2	Pillow	InsurTech	Pillow credits payments to the payer. This means that Pillow Insurance approaches insurance with a double view. The agreed portion of the payment is used to pay for costs. The rest is used for damages. In the event of an excess, the insurance company shares the resulting amount with the client.	Simply Fair Insurance	no / n.a.	25.5	0.1	(0.9)	10.1
3	ComGate	Payment	The Comgate payment gateway enables online payments in e-shops using a wide range of payment methods (card payment, Google Pay, Apple Pay, QR code payments, bank transfers with immediate payment confirmation, deferred payments, payments in three installments without increase or installment sale).	ComGate	no / n.a.	16.2	1.0	0.5	19.7
4	Twisto	Payment	Twisto enables payments of orders in selected e-shops after determined period (30-45 days). In addition to deferred payments, it also offers purchases for thirds.	ZIP UK Holdings Limited	yes	10.3	(19.9)	(21.5)	11.9
5	Ušetřeno.cz	InsurTech	Smart comparison of various insurance products including car and health insurance.	n.a.	no / n.a.	3.3	(1.1)	(1.2)	7.4
6	Fidoo	Bookkeeping and Tax	It can help with digitizing receipts a connecting to accounting softwares.	VIGO Investments	no / n.a.	2.3	0.3	(0.3)	2.0
7	NFCtron	Payment	NFCtron is a service suitable for any music, sports or cultural event. The platform can be used to sell tickets, manage the entire event, but the main benefit is cashless payment for purchases at the event itself.	n.a.	no / n.a.	1.5	(0.3)	(0.5)	(0.7)
8	Upvest	Investment	Upvest provides a crowdfunding platform where clients can invest in real estate and specific developer projects. All projects are analysed and approved by the committee.	Private individuals	yes	1.4	0.1	0.2	0.9
9	Roger	Deposits and Lending	Roger offers shortening of invoices maturity to 3 days. Companies can have better cashflow thanks to using this service. They also provide short-term investments into invoices via online auctions.	n.a.	yes	1.0	0.1	(0.0)	1.3
10	Investown	Investment	Investown develops a real-estate micro investment platform, allowing individuals and small investors to co-invest into real estate.	n.a.	yes	0.9	(0.9)	(0.9)	0.4

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
11	Wultra	Cybersecurity	Wultra provides banks and fintech companies with security solutions for their internet and mobile apps. Wultra is developing a security system for banks and fintech companies to secure digital banking channels. The broad range of security-related software technologies protects the whole digital banking application stack, be it on the classic desktop web or mobile devices.	Private individuals	yes	0.8	0.1	0.0	1.5
12	PatronGo	Investment	PatronGO is B2C fintech platform to distribute and sell financial products through mobile app to end consumers. App is based on machine learning and artificial intelligence to help people guard their money and save thousands annually.	n.a.	yes	0.8	(0.0)	(0.3)	0.2
13	Resistant AI	Banking infrastructure	AI-enabled KYC and AML solutions for financial institutions. It protects automated decisions against online fraud. It also provides fraud detection for documents including invoices, payroll slips, bank statements, KYC documents, and more.	n.a.	yes	0.7	(3.7)	(3.8)	(5.5)
14	Easy Change	Payment	Easy Change provides cashless conversion of foreign currency (EUR, USD and GBP) and CZK between the client's own accounts (invoice payments, salary conversions, pensions, investment returns, savings abroad, etc.). Foreign exchange payments in EUR, USD and GBP also to and from countries around the world. EUR payments in EEA (European Economic Area) countries without fees.	Private individuals	no / n.a.	0.3	0.1	0.1	0.3
15	BitEffect	Payment	BitEffect is a small payment institution registered in the Czech Republic and licensed by the Czech National Bank. The BitEffect payment system allows any user to create a personal payment account and send money transfers instantly and securely. The BitEffect payment system allows you to transfer funds in Europe to a card of any bank, as well as to any country to a MasterCard card.	n.a.	no / n.a.	0.3	0.1	0.0	0.2
16	Fondee	Investment	Provides customers with robo-advisor solution which presents customer with a questionnaire and according to his/her answer it builds a portfolio consisting of ETF's for him/her. The service also rebalances the portfolio.	n.a.	no / n.a.	0.2	(0.9)	(0.9)	0.5
17	RoklenFx	Payment	It's an online exchange where users can exchange and send money in more than 30 currencies.	Roklen Holding	no / n.a.	0.1	1.4	1.1	3.9

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
18	The pay	Payment	ThePay is a secure payment system that brings together the most used payment methods in the Czech market. From card payments to the payment buttons. ThePay enables merchants and customers to provide and receive payments through the newly designed security payment system.	Private individuals	no / n.a.	0.1	0.7	0.5	1.6
19	Occollo	Investment	Occollo is a fintech platform, where users can invest in particular real estate.	n.a.	no / n.a.	0.1	(0.2)	(0.3)	(0.4)
20	Tuito	InsurTech	It provides insurance for e-commerce. It offers the possibility to easily arrange insurance directly when purchasing goods in the e-shop.	n.a.	yes	0.0	(0.2)	(0.2)	n.a.

Source: Deloitte Intelligence





Slovakia

The Slovakian economy experienced double-digit inflation of 12.1% starting from 2022 for the first time in more than twenty years. In the initial half of 2022, the primary contributors to inflation were energy prices, driven by the Russian-Ukrainian conflict, and escalating food commodity prices. However, by early 2023, food prices emerged as the predominant factor. As of September 2023, the annual inflation rate has moderated to 8.2%. Economic growth experienced a deceleration in 2022, recording a 1.8% real GDP growth in Slovakia. This downturn is anticipated to persist in 2023, attributed to diminishing economic sentiment. During the early months of 2023, Slovakia's banking landscape has undergone significant changes. Tightened financial conditions have impacted mortgages and real estate, evidenced by a substantial 31% decline in mortgages in Q1 2023 compared to the preceding three years.

Both lending and deposit interest rates have increased by 0.3%p in 2022, with further increases expected by the end of 2023. Despite the higher interest rates, households have demonstrated resilience due to wage growth and stable job market. Corporate lending has decelerated, accompanied by rising interest rates.

This rise in interest rates reaching to 2.6% for lending and 0.3% for deposit activity in 2022 is revitalizing bank profitability after a long-term decline. Fee and commission income have also risen by 9% in 2022 and 1.2% in 2023H1 (on an annualized basis based), driven by increased financial activity in both corporate and retail lending by 12.0% and 10.3% in 2022 followed by 2.1% and 2.3% in 2023H1, respectively. Return on equity returned to pre-pandemic levels reaching 9.4%, but it remained under

the European median and is generally lower than in other CEE countries. Cost to income ratio on the other hand decreased to 48% by 2023H1.

The total non-performing loan ratio experienced a decline, reaching 1.6% in 2022 and further dropping to 1.5% in 2023 with retail loans outperforming corporate ones. NPL ratios for mortgage and consumer credit are at historic lows and the challenging business environment has yet to adversely impact the corporate NPL ratio.

Slovakia's banking sector exhibits robust capital adequacy and profitability, with a total capital ratio of 20.2% for 2023H1, surpassing pre-pandemic levels. The aggregate capital buffer of 3.9% of risk-weighted assets provides ample room for continued lending.

In contrast to EU trends, Slovak banks haven't substantially tightened credit standards. The overall liquidity coverage ratio (LCR) of the Slovak banking sector, remaining within the range of 180% to 185%, indicates balanced liquidity amidst robust loan growth.

Number of banks in Slovakia remained constant at 12 in 2022. The three largest banks Slovenska Sporitelna, Vseobecna Uverova Banka and Tatra Banka collectively held ca. 61% of total market share as of 2022.

In M&A news, Penta Group is considering reinforcing Prima banka's position, contemplating acquisitions to establish market dominance. Simultaneously, the potential sale of Prima banka is under consideration.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	93,444	100,256	109,645	126,500	▲ 9.4%	▲ 15.4%
Nominal GDP / Capita (LCY k)	17.1	18.4	19.4	21.8	▲ 5.6%	▲ 12.4%
Nominal GDP (EUR mn)	93,444	100,256	109,645	126,445	▲ 9.4%	▲ 15.3%
Nominal GDP / Capita (EUR k)	17.1	18.4	19.4	21.8	▲ 5.6%	▲ 12.3%
Real GDP (% change pa.)	(3.3)	4.8	1.8	1.2	▼ (3.0%p)	▼ (0.6%p)
FINANCIAL MARKETS						
Lending interest rate (%)	2.3	2.3	2.6	4.9	▲ 0.3%p	▲ 2.3%p
Deposit interest rate (%)	0.1	0.0	0.3	3.0	▲ 0.3%p	▲ 2.7%p
Consumer prices (% change pa)	2.0	2.8	12.1	10.8	▲ 9.3%p	▼ (1.3%p)
Average EURLCY	1.0	1.0	1.0	1.0	● 0.0%	● 0.0%
Average USDLCY	0.9	0.8	0.9	0.9	▲ 12.3%	▼ (2.7%)
PUBLIC DEBT						
Public debt (% of GDP)	58.9	61.1	57.8	53.7	▼ (3.3%p)	▼ (4.1%p)
Budget balance (% of GDP)	(5.4)	(5.2)	(2.0)	(5.9)	▲ 3.2%p	▼ (3.9%p)
POPULATION						
Population (mn. pers.)	5.5	5.4	5.6	5.8	▲ 3.6%	▲ 2.7%
Unemployment rate (%)	6.8	7.5	6.3	5.4	▼ (1.2%p)	▼ (0.9%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	91,636	104,809	112,182	115,331	▲ 7.0%	▲ 2.8%
Asset penetration (%)¹	98.1%	104.5%	102.3%	91.2%	▼ (2.2%p)	▼ (11.1%p)
Total equity (EUR mn)	9,441	10,049	10,417	10,717	▲ 3.7%	▲ 2.9%
Total loans (EUR mn)	76,269	89,270	95,776	98,153	▲ 7.3%	▲ 2.5%
Loan penetration (%)²	81.6%	89.0%	87.4%	77.6%	▼ (1.7%p)	▼ (9.7%p)
Retail loans (EUR mn)	41,912	45,600	50,292	51,450	▲ 10.3%	▲ 2.3%
Corporate loans (EUR mn)	20,794	21,614	24,203	24,699	▲ 12.0%	▲ 2.1%
Other loans (EUR mn)	13,564	22,057	21,281	22,004	▼ (3.5%)	▲ 3.4%
NPL VOLUMES						
Total NPLs (EUR mn)	1,671	1,522	1,493	1,501	▼ (1.9%)	▲ 0.5%
Retail NPLs (EUR mn)	1,016	920	895	913	▼ (2.7%)	▲ 2.0%
Corporate NPLs (EUR mn)	652	600	592	584	▼ (1.4%)	▼ (1.3%)
NPL RATIOS						
Total NPL ratio (%)	2.2%	1.7%	1.6%	1.5%	▼ (0.1%p)	▼ (0.0%p)
Retail NPL ratio (%)	2.4%	2.0%	1.8%	1.8%	▼ (0.2%p)	▼ (0.0%p)
Corporate NPL ratio (%)	3.1%	2.8%	2.4%	2.4%	▼ (0.3%p)	▼ (0.1%p)
KEY RATIOS						
CAR (%)	19.5%	19.9%	20.1%	20.2%	▲ 0.3%p	▲ 0.0%p
ROE (%)	5.3%	8.4%	9.4%	10.8%	▲ 1.0%p	▲ 1.4%p
ROA (%)	0.5%	0.7%	0.8%	1.0%	▲ 0.1%p	▲ 0.2%p
CIR (%)	60.6%	56.8%	53.7%	48.0%	▼ (3.1%p)	▼ (5.7%p)
L/D (%)	104.3%	105.6%	108.5%	110.1%	▲ 2.9%p	▲ 1.6%p
NIM (%)	2.3%	2.0%	1.9%	n/a	▼ (0.1%p)	n/a
OPEX on avg. total assets (%)	1.7%	1.4%	1.3%	n/a	▼ (0.1%p)	n/a
Cost of risk (%)	0.5%	0.2%	0.2%	n/a	▲ 0.0%p	n/a

Source: NBS | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

Please note that CAR levels for 2023 was calculated with a baseline scenario (NBS)

LIST OF BANKS IN SLOVAKIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Slovenska Sporitelna	23,790	21.21%	2,157	245	1.0%	11.7%	Erste
2.	2.	●	Vseobecna Uverova Banka	22,805	20.33%	1,841	141	0.6%	7.9%	Intesa Sanpaolo
3.	3.	●	Tatra Banka	21,602	19.26%	1,415	194	0.9%	14.0%	Raiffeisen
4.	4.	●	Ceskoslovenska Obchodna Banka	13,827	12.33%	973	46	0.4%	4.7%	KBC
5.	5.	●	UniCredit Bank CZ & SK	6,482	5.78%	n.a.	36	0.6%	n.a.	UniCredit
6.	6.	●	Prima Banka Slovensko	5,988	5.34%	403	20	0.4%	5.1%	Penta Investments
7.	7.	●	365.bank	4,741	4.23%	769	93	1.9%	12.3%	J&T Finance
8.	8.	●	Prva Stavebna Sporitelna	2,987	2.66%	291	7	0.2%	2.3%	Bausparkasse Schwäbisch Hall AG
9.	9.	●	Privatbanka	804	0.72%	110	13	1.7%	11.8%	Penta Investments
10.	10.	●	Slovenska Zarucna a Rozvojova Banka	549	0.49%	343	2	0.3%	0.5%	State of Slovakia
11.	11.	●	Wustenrot Stavebna Sporitelna	293	0.26%	37	(2)	-0.6%	-5.3%	Bausparkasse Wüstenrot AG
12.	12.	●	Csob Stavebna Sporitelna	156	0.14%	22	0	0.2%	1.1%	KBC
LISTED BANKS TOTAL				104,024	92.73%	8,361	794	0.8%	9.7%	
FOREIGN BRANCHES AND OTHER ENTITIES				8,158	7.27%	2,056	40	0.5%	1.9%	
TOTAL				112,182	100.00%	10,417	834	0.8%	8.1%	

Source: Annual reports

Please note that the above does not include banks with foreign branches (only exception is Unicredit which is presented due to its size), as such differences may occur in total assets and equity compared to the banking sector table.

Please note that 365.bank was presented as Postová Banka in 2021.

Please note that CZ and SK UniCredit are under one branch and they report in CZK.

M&A DEALS

There has been no new acquisition made in the Slovakian banking sector since the beginning of 2021.

Over the past years, there has been two major M&A deals in the Slovakian banking sector.

- In 2020, OTP sold 100% of its shares in its Slovakian subsidiary, OTP Banka Slovensko to KBC. KBC further integrated the acquired OTP Banka Slovensko in 2021 as the group merged it with Ceskoslovenska Obchodna Banka. The main reason behind the sell was that OTP Banka Slovensko could not reach a substantial growth rate and therefore its market share remained low in the country. Also, the bank mostly made losses in past years.
- In 2015, 99.5 % stake in Sberbank Slovensko was acquired by Primabanka which is owned by Penta Investments Limited, a private equity firm. This transaction was in line with the international strategy of Sberbank Europe.

LIST OF BANKING M&A DEALS IN SLOVAKIA 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2020	OTP Banka Slovensko, a.s.	KBC	99.44%	n.a.	OTP
2016	Sberbank Slovensko	Penta Investment	99.50%	n.a.	Sberbank

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

Based on the number of companies, the leading category is Payment in the Slovakian fintech market. Payment service providers accounted for 43% of total market revenues, followed by Banking infrastructure and Bookkeeping & Tax companies with 26% and 25% of total market revenues, respectively. The two most profitable categories are Payments and Bookkeeping & Tax.

The most rapidly growing firms in terms of revenue are Investment service providers with 373% CAGR for the period of 2019-2022.

Established in 2018, the Slovak FinTech Association seeks to create a platform for effective communication among fintech companies, regulators, users, professionals, and the public. It aims to form working groups, host open discussions with both governmental and non-governmental sectors, and collaborate with other fintech associations in the CEE and EU regions.

FINAS (Fintech & Insurtech Association of Slovakia) aims to be a significant part of Europe's financial and fintech scene,

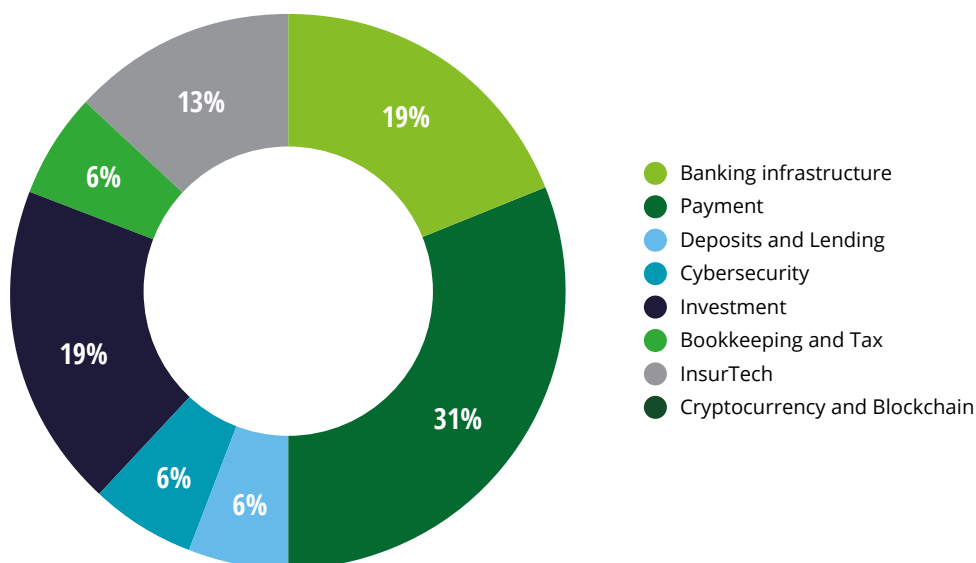
promoting an innovative culture. They've started building a functional platform, and though there's more work ahead, they're striving to make Slovakia a recognized hub for innovation with a developing ecosystem.

FinTech Hub Slovakia is the first fintech hub in Slovakia designed with the specific intention of supporting innovation and developing Slovakia as the next global leader of financial technology. It grants companies the opportunity to test the validity of their solutions in a secure environment. The founders are Vacuumlabs, Mastercard and the Slovak Fintech Association.

The National Bank of Slovakia (NBS) set up the Fintech Innovation Hub in 2019. This Hub allows interested parties to discuss financial market regulations with NBS experts. Since 2022, the NBS has been running the Regulatory Sandbox, enabling participants to work with NBS through consultations, aligning financial innovations with regulations, and testing them in the Slovak financial market.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

TOP 10 SLOVAKIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, LATEST FINANCIAL DATA*)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	TrustPay	Payment	Merchant payments, licensed payment institution which specializes on effective solutions for payments	n.a.	no / n.a.	30.4	8.0	10.2	12.3
2	Vacuum-labs	Banking infrastructure	Digital products design and development	n.a.	no / n.a.	19.0	(0.0)	(0.7)	5.1
3	SOFTIP	Book-keeping and Tax	Online accounting solution for SMBs	n.a.	yes	17.7	4.0	2.9	3.3
4	Finax	Investment	Robo advisor platform for investment and financial planning	n.a.	no / n.a.	3.0	(0.2)	(0.2)	2.1
5	Crypton Digital	Cryptocurrency and Blockchain	Products for managing crypto assets, incl. Hodl index and active management portfolio	n.a.	no / n.a.	1.5	(0.2)	(0.2)	0.4
6	Papaya	Payment	Point-of-Sale	n.a.	no / n.a.	0.9	0.3	0.1	0.2
7	Datamolino	Book-keeping and Tax	Automated accounts payable data capture solution	n.a.	no / n.a.	0.9	0.1	0.1	0.1
8	VIAMO	Payment	Peer-to-peer and merchant payments (bought by BLIK PAYMENT SYSTEM PL)	n.a.	no / n.a.	0.3	(0.1)	(0.1)	0.2
9	Payout	Payment	API-linked payment gateway merchants to accept online payments; transaction processing build on open banking principles	n.a.	no / n.a.	0.2	-0.3	-0.4	n.a.
10	Datatree	Banking infrastructure	Technology and analytics startup developing master data strategies, piping data from nonstandard sources	n.a.	no / n.a.	0.1	0.0	0.0	n.a.

Source: Deloitte Intelligence

*2022 data, except for Payout and Datatree, where due to the lack of 2022 financials we implemented the figures from 2021.



Hungary

The uncertainty and disruptions in the energy supply chain caused by the Russian-Ukrainian war have led to high inflation and macroeconomic challenges in Hungary. Inflation reached 25.7% in January 2022, but it has been decreasing month by month reaching 7.9% in November 2023. The annual inflation rate was 14.6% in 2022, and the expectation for 2023 is 17.4%. To fight inflation, the central bank performed multiple rate hikes, arriving to a historically high base rate of 13%, since which they already cut the base rate to 10.75%. The nominal GDP demonstrated significant growth since 2020 and is expected to increase by 23.3% in 2023, also due to the high levels of inflation.

Hungary's credit institutions sector displayed resilience and stable growth in 2022 with a 6.9% increase in consolidated assets. Total consolidated assets reached EUR 186.6bn in H1 2023, marking a 1.9% increase from the end of 2022. In 2022, retail loans decreased by 5.5% due to limited new lending owing to tightened lending conditions but recovered by 4.7% in 2023 H1. In 2022, corporate loans increased by 6.0% as a result of disbursements and repayments as well as large individual transactions. By 2023 H1 it has expanded by another 2.2%.

In terms of asset quality, total non-performing loans decreased by 6.8% in 2023 H1, primarily due to a significant 19.5% decrease in the retail sector's non-performing loan portfolio.

The liquidity position remained stable also in 2023 H1, however, the average liquidity coverage ratio was higher in 2022.

The stock of issued debt securities rose to EUR 18 bn by the end of H1 2023, representing 8.1% of total liabilities and equity.

Because of a lower nominal profit and expanding equity, ROE decreased to 8.1% in 2022, which is below the risk-free rate of return. As a result, the banks' profitability was below the cost of equity. By 2023, profits soared, with net profit at the consolidated level reaching HUF 978 billion, over four times the 2022 H1 figure. This was driven by a 51% increase in net interest income and a 24.5% rise in net fee and commission income. Due to the increase in profit and also due to low net impairment and provision, the sector's return on equity showed a record high 22.8% (14.7%p increase from 2022), in parallel, the ROA increased to 2.3% in the in the first half of 2023.

In H1 2023, the cost-to-income ratio decreased by 3%p compared to 2022, reaching 50.3%. This decrease was largely attributed to significant reductions in impairment provisions, which represented only 7.3% of operating income.

There were 31 licensed credit institutions operating in Hungary in 2022. Hungary's banking landscape is undergoing significant changes. After the successful merger of MKB and Budapest Bank, MKB became the second largest bank in Hungary. In March 2023, in line with the merger plan, MKB group merged into Takaréék Bank as well and the group started operating as MBH Bank.

In July 2023 it was announced that MBH Bank acquired a 98.46% stake in Duna Takaréék Bank. The deal was closed on

15th of September. Meanwhile, discussions between French financial giants BNP Paribas and Cofidis Group SA (part of Credit Mutuel) lead to the sale of Magyar Cetelem Bank, BNP Paribas' Hungarian consumer finance business, as announced in May 2023. The transaction is expected to close in Q1 2024.

The state-owned Corvinus International Investments sold its 15% stake in Erste Bank Hungary for EUR 230 mn back to the Erste Group in November 2023. Following this transaction, the EBRD also sold its 15% stake making Erste Bank Group AG Erste Bank Hungary's 100% shareholder.

In November 2023 MBH Bank acquired Fundamenta-Lakáskassza, a home savings bank from the majority shareholder, Bausparkasse Schwäbisch Hall AG, and 2 other minority shareholders. The transaction is expected to be completed in the first half of 2024 and the bank will continue to operate under its own brand.

In summary, Hungary's credit institutions sector has adeptly navigated challenges, capitalizing on growth opportunities and demonstrating robust financial performance in 2023.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	48,404,966	55,022,469	65,906,796	81,276,000	▲ 19.8%	▲ 23.3%
Nominal GDP / capita (LCY k)	4,964.3	5,666.7	6,612.3	7,999.6	▲ 16.7%	▲ 21.0%
Nominal GDP (EUR mn)	137,705	153,362	167,843	212,343	▲ 9.4%	▲ 26.5%
Nominal GDP / capita (EUR k)	14.1	15.8	16.8	20.9	▲ 6.6%	▲ 24.1%
GDP (% real change pa)	(4.7)	7.0	4.6	(0.5)	▼ (2.5%p)	▼ (5.1%p)
FINANCIAL MARKETS						
Lending interest rate (%)	2.0	3.0	10.7	15.1	▲ 7.7%p	▲ 4.4%p
Deposit interest rate (%)	0.5	1.0	8.4	13.5	▲ 7.4%p	▲ 5.1%p
Consumer prices (% change pa)	3.3	5.1	14.6	17.4	▲ 9.5%p	▲ 2.8%p
Average EURLCY	351.5	358.8	392.7	382.8	▲ 9.4%	▼ (2.5%)
Average USDLCY	308.0	303.1	372.6	353.4	▲ 22.9%	▼ (5.2%)
PUBLIC DEBT						
Public debt (% of GDP)	79.3	76.9	74.1	65.2	▼ (2.8%p)	▼ (8.9%p)
Budget balance (% of GDP)	(7.6)	(7.2)	(6.3)	(5.1)	▲ 0.9%p	▲ 1.2%p
POPULATION						
Population (mn. pers.)	9.8	9.7	10.0	10.1	▲ 2.7%	▲ 1.9%
Unemployment rate (%)	4.1	4.0	3.6	4.0	▼ (0.4%p)	▲ 0.4%p

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	150,966	171,342	183,118	186,646	▲ 6.9%	▲ 1.9%
Asset penetration (%)¹	109.6%	111.7%	109.1%	87.9%	▼ (2.6%p)	▼ (21.2%p)
Total equity (EUR mn)	14,768	15,796	16,180	17,596	▲ 2.4%	▲ 8.8%
Total loans (EUR mn)	76,867	82,357	89,852	92,367	▲ 9.1%	▲ 2.8%
Loan penetration (%)²	55.8%	53.7%	53.5%	43.5%	▼ (0.2%p)	▼ (10.0%p)
Retail loans (EUR mn)	22,629	25,362	23,971	25,100	▼ (5.5%)	▲ 4.7%
Corporate loans (EUR mn)	25,663	27,920	29,591	30,236	▲ 6.0%	▲ 2.2%
Other loans (EUR mn)	28,575	29,075	36,290	37,031	▲ 24.8%	▲ 2.0%
NPL VOLUMES						
Total NPLs (EUR mn)	2,059	2,420	2,694	2,509	▲ 11.3%	▼ (6.8%)
Retail NPLs (EUR mn)	713	1,087	1,101	886	▲ 1.3%	▼ (19.5%)
Corporate NPLs (EUR mn)	969	1,240	1,227	1,260	▼ (1.0%)	▲ 2.6%
NPL RATIOS						
Total NPL ratio (%)	2.7%	2.9%	3.0%	2.7%	▲ 0.1%p	▼ (0.3%p)
Retail NPL ratio (%)	3.2%	4.3%	4.6%	3.5%	▲ 0.3%p	▼ (1.1%p)
Corporate NPL ratio (%)	3.8%	4.4%	4.1%	4.2%	▼ (0.3%p)	▲ 0.1%p
KEY RATIOS						
CAR (%)	21.8%	21.0%	20.3%	21.7%	▼ (0.7%p)	▲ 1.4%p
ROE (%)	4.2%	9.5%	8.1%	22.8%	▼ (1.4%p)	▲ 14.7%p
ROA (%)	0.4%	0.9%	0.7%	2.3%	▼ (0.2%p)	▲ 1.6%p
CIR (%)	58.2%	53.9%	53.3%	50.3%	▼ (0.6%p)	▼ (3.0%p)
L/D (%)	79.3%	76.1%	80.6%	87.1%	▲ 4.5%p	▲ 6.5%p
NIM (%)	3.5%	3.8%	5.4%	n/a	▲ 1.6%p	n/a
OPEX on avg. total assets (%)	2.2%	2.0%	2.3%	n/a	▲ 0.3%p	n/a
Cost of risk (%)	1.0%	0.2%	0.7%	n/a	▲ 0.5%p	n/a

Source: MNB | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN HUNGARY 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	OTP Bank	42,187	23.0%	4,281	17	0.0%	0.4%	OTP
2.	6.	▲	MKB Bank	19,020	10.4%	2,020	165	1.2%	12.3%	MBH
3.	2.	▼	Kereskedelmi és Hitelbank	14,321	7.8%	1,068	170	1.2%	15.1%	KBC
4.	3.	▼	UniCredit	13,054	7.1%	954	224	1.8%	22.7%	UniCredit
5.	4.	▼	Erste Bank Hungary	12,973	7.1%	1,054	96	0.8%	8.6%	Erste
6.	5.	▼	Raiffeisen Bank	10,970	6.0%	896	184	1.7%	22.4%	Raiffeisen
7.	7.	●	Takarékbank	8,943	4.9%	578	65	0.7%	15.0%	MBH
8.	8.	●	CIB Bank	7,884	4.3%	680	97	1.3%	14.2%	Intesa Sanpaolo
9.	10.	▲	Magyar Fejlesztési Bank	7,564	4.1%	1,583	16	0.2%	1.1%	State of Hungary
10.	11.	▲	OTP Jelzálogbank	5,565	3.0%	329	(25)	-0.5%	-8.0%	OTP
11.	12.	▲	Magyar Export-Import Bank	5,326	2.9%	905	6	0.1%	0.7%	State of Hungary
12.	13.	▲	MTB	4,437	2.4%	74	(15)	-0.4%	-18.1%	MBH
13.	16.	▲	GRÁNIT Bank	2,595	1.4%	138	28	1.3%	27.1%	BDPST Zrt
14.	15.	▲	Merkantil Váltó és Vagyonbefektető Bank	2,177	1.2%	136	9	0.5%	6.5%	OTP
15.	17.	▲	Takarék Jelzálogbank	2,073	1.1%	181	5	0.2%	2.5%	MBH
16.	14.	▼	Fundamenta-Lakáskassza	1,715	0.9%	185	11	0.6%	6.2%	Bausparkasse Schwäbisch Hall AG
17.	19.	▲	OTP Lakástakarékpénztár	1,292	0.7%	88	8	0.6%	9.2%	OTP
18.	23.	▲	MagNet Magyar Közösségi Bank	1,023	0.6%	85	47	5.3%	74.9%	Private individuals
19.	21.	▲	KDB Bank	896	0.5%	77	(1)	-0.1%	-1.5%	Korea Development Bank
20.	24.	▲	UniCredit Jelzálogbank	883	0.5%	52	2	0.2%	2.9%	UniCredit
21.	22.	▲	Bank of China	831	0.5%	52	9	1.1%	19.1%	Bank of China
22.	25.	▲	ERSTE Jelzálogbank	551	0.3%	30	3	0.5%	9.5%	Erste
23.	26.	▲	K&H Jelzálogbank	516	0.3%	31	2	0.4%	5.8%	KBC
24.	27.	▲	ERSTE Lakás-takarékpénztár	435	0.2%	31	5	1.1%	16.8%	Erste
25.	28.	▲	KELER Központi Értéktár	347	0.2%	72	4	1.3%	6.0%	State of Hungary
26.	32.	▲	Garantiqa Hitelgarancia	333	0.2%	169	20	6.6%	12.1%	MFB
27.	29.	▲	DUNA TAKARÉK BANK	327	0.2%	18	7	2.1%	43.7%	Private Individuals
28.	31.	▲	Magyar Cetelem Bank	271	0.1%	73	5	1.8%	5.5%	BNP Paribas
29.	33.	▲	Polgári Bank	138	0.1%	12	2	1.6%	22.2%	Private Individuals
30.	34.	▲	Agrár-Vállalkozási Hitelgarancia	110	0.1%	93	3	2.4%	2.7%	Private Individuals
31.	31.	●	Trive Bank Hungary	15	0.0%	15	3	21.9%	22.6%	Trive Financial Holding
LISTED BANKS TOTAL				168,770	92.2%	15,958	1,172	0.7%	7.5%	
FOREIGN BRANCHES AND OTHER ENTITIES				14,348	7.8%	221	71	0.5%	15.8%	
TOTAL ASSET				183,118	100.0%	16,180	1,243	0.7%	7.8%	

Source: Aranykönyv 2022, published by the National Bank of Hungary (MNB)
MNB has revoked Sberbank's licence and was liquidated in 2022. As part of the liquidation procedure the loan book of Sberbank was sold in a competitive process to MKB Bank.
Budapest Bank merged to MKB in 2022
Commerzbank was acquired by Erste and integrated the customers and activities of Commerzbank's Hungarian subsidiary

In November 2022 Trive Financial Holding has acquired Sopron Bank from MagNet Bank and renamed it Trive Bank Hungary
Polgári Bank has preliminary data for 2022
MKB Group changed their name to MBH (Magyar Bank Holding) after the merger of Takarékbank to MKB in 2023.
Duna Takarékbank was acquired by MBH in 2023.

M&A DEALS

In terms of M&A activity the Hungarian market was active in the past few years. The state has been an active buyer, which was in line with their strategic goal of increased Hungarian ownership in the sector.

After the successful merger of MKB Bank and Budapest Bank in 2022, in March 2023 Takarékbank merged into MKB Group. With this the three banks' merger finalised and started operating as one entity under the new name MBH Bank (Magyar Bankholding).

In Hungary 17 deals have been done since 2016, with deal value being announced only in 6 cases:

- In November 2023, MBH Bank acquired Fundamenta-Lakáskassza, a home savings bank from the majority shareholder, Bausparkasse Schwäbisch Hall AG, and Bausparkasse Wüstenrot AG, Wüstenrot & Württembergische AG minority shareholders. The transaction of Hungary's 16th largest bank having 0.9% market share as of 2022, is expected to be completed in the first half of 2024. The bank will continue to operate under its own brand, with its own management.
- In November 2023, the state-owned Corvinus International Investments sold its 15% stake of Erste Bank Hungary to the Austrian Erste Group Bank AG for EUR 230 mn. The deal was closed in December 2023.
- In November 2023 EBRD also sold its 15% stake in Erste Bank Hungary, which transaction made Erste Group Bank AG the sole 100% owner of the Hungarian Bank.
- In July 2023, MBH Bank acquired 98.46% of the shares of domestic peer Duna Takarékbank (DTBank), from DANUBE Private Equity Fund. From now on, the company will operate as a part of the Group but independently under its own brand name. With the transaction, MBH aimed to strengthen its market presence and position with DTBank's portfolio and branch network. DTBank achieved a profit after tax of EUR 7mn in 2022 and its balance sheet total was EUR 342.4 mn. The deal was closed in September 2023.
- The French-owned financial group Cofidis is planning to acquire the Hungarian subsidiary of BNPP PF Group, Magyar Cetelem Bank Zrt. The deal was first reported in May 2023. At the time, it was reported that the deal could come into force in the first quarter of 2024 since it is still subject to regulatory approvals.
- In November 2022 Trive Financial Holding, based in the Netherlands, acquired Sopron Bank from MagNet Bank. Before that, Magnet Bank had taken over the branches of Sopron Bank, migrated its customer base of 10,000 people to the MagNet community. With the transaction, Trive aims to expand its geographical footprint by getting a Hungarian bank licence. Trive is planning to rebrand the lender to Trive Bank Hungary and operate it "fully digitally" as a "high-tech bank based on FinTech concepts".
- The Single Resolution Board (SRB), the central resolution authority within the European Banking Union, decided to initiate the liquidation procedure of Sberbank Europe AG due to the materially deteriorated liquidity and capital position of the banking group as a result of the war in Ukraine. In March 2022, in line with this decision, the Hungarian National Bank revoked the license of Sberbank Hungary. As part of the liquidation procedure the loan book of Sberbank was sold in a competitive process to MKB Bank for EUR 539 mn, which was the fair value of the acquired loans.
- In December 2021, Erste Bank Hungary Zrt. announced the acquisition of Commerzbank's Hungarian corporate banking subsidiary Commerzbank Zrt. Through this purchase, Erste has strengthened its position in the corporate banking business in Hungary. Erste took over 100% of Commerzbank Zrt., including its customer portfolio and the bank's head office building in Budapest. By the end of 2022, the clients of Commerzbank have been successfully integrated.
- In 2021 December, BDPST Zrt. a Hungarian real estate management group, agreed to acquire a 57% majority stake in Gránit Bank, a Hungarian bank with stringent focus on digital banking. The seller was the CEO of Gránit Bank.
- In October 2021, Hypo-Bank Burgenland agreed to sell 100% of its stake in Sopron Bank to MagNet Bank. With the closing of the deal in 2022, MagNet Bank doubled its market share and expects to realize significant synergies. Financial terms of the deal were not disclosed.
- In November 2020, the Hungarian State and Sándor Nyúl, supervisory board member of Granit Bank announced to increase share capital in Granit Bank, the largest Hungarian digital bank. The capital increase will be c. EUR 12 mn which will strongly secure the capital structure of the bank to continue its remarkable growth. The Hungarian State (through a venture capital fund) holds 7%, while Sándor Nyúl holds 3% of the shares following the transaction.
- In October 2020, Budapest Bank, Takarek Group and MKB Bank decided on a three-party fusion and signed the shareholder agreement about their integration with the following ownership structure: Hungarian State (owner of Budapest Bank) - 30.35%, MKB Bank - 31.69% and Takarek Group - 37.69%. The three banks together have formed Hungary's second largest banking group behind OTP. The banking group's total assets exceed EUR 18.0 bn. Their total FTE number will exceed 11,000 and the aggregated branch number with nearly 900 units will offer the largest banking coverage in Hungary. The three banks successfully complement each other both in operation and in their loan portfolios. Budapest Bank provides a significant household lending portfolio that fits well with MKB's corporate lending profile and the savings bank clients of Takarek Group. The newly created banking group is planning to expand in the region. As per information published by Magyar Bankholding.

- In 2017, a 36.5% stake in Granit Bank was acquired by the management team of the Bank from the Hungarian Government in a management buyout transaction for EUR 14.4 mn.
- In 2017, Konzum investment fund manager acquired 49% of the MKB Bank. As of September 2018, Konzum investment fund manager still possesses 49% (35 % via Metis Fund), while the other significant owner is Blue Robin Investments with 33%.
- In 2016, Corvinus - a Hungarian state-owned investment fund - purchased 15% of Erste Bank Hungary, together with EBRD which also acquired 15%, for a total consideration of EUR 247.8 mn.
- In 2016, MKB Bank was privatized, Metis Fund (45%), Blue Robin Investments (45%) and Pannonia Pension Fund (10%) acquired 100% of the Bank from the Hungarian State for a consideration of EUR 118 mn.
- In 2016, AXA sold its Hungarian subsidiary to OTP Bank, in line with its strategy to exit the non-core CEE exposures. The acquisition included the whole operation and all employees of AXA Bank. The deal increased OTP Bank's mortgage portfolio by almost 25%.

LIST OF BANKING M&A DEALS IN HUNGARY 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2023	Erste Bank Hungary	Erste Group Bank AG	15.0%	230	Hungarian State
2023	Erste Bank Hungary	Erste Group Bank AG	15.0%	n.a.	EBRD
2023	Fundamenta-Lakáskassza	MBH Bank	76.4%	n.a.	Bausparkasse Schwäbisch Hall AG; Bausparkasse Wüstenrot AG; Wüstenrot & Württembergische AG
2023	Magyar Cetelem Bank Zrt.	Cofidis Group SA	n.a.	n.a.	BNP Paribas Personal Finance
2023	Duna Takaréék Bank Zrt	MBH Bank	98.5%	n.a.	Danube Private Equity Fund
2022	Sopron Bank Zrt	Trive Financial Holding BV	n.a.	n.a.	MagNet Magyar Kozossegi Bank Zrt
2022	Sberbank Hungary (loan portfolio)	MKB Bank	100.0%	539	Sberbank
2021	Commerzbank Zrt.	Erste Bank Hungary	100.0%	n.a.	Commerzbank AG
2021	Granit Bank	BDPST Zrt.	57.0%	n.a.	EPM Tanácsadó Kft.
2021	Sopron Bank	MagNet bank	100.0%	n.a.	Hypo-Bank Burgenland AG
2020	Granit Bank	Hungarian State; Private investor	n.a.	12	Share capital increased
2020	Takarek Group; MKB Bank; Budapest Bank	Three-party merger	~ 100%	n.a.	-
2017	Granit Bank	Management	36.5%	14	Hungarian State
2017	MKB Bank	Konzum	49.0%	n.a.	Blue Robin Investments; Minerva Capital Fund Management
2016	Erste Bank Hungary	Hungarian State; EBRD	30.0%	248	Erste Group Bank AG
2016	MKB Bank	Pannonia Pension Fund; METIS Private Capital Fund; Blue Robin Investments	100.0%	118	Hungarian State
2016	AXA Bank Hungary	OTP	100.0%	n.a.	AXA Bank

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

Based on the number of companies, the top fintech categories in 2022 were banking infrastructure and payment firms, followed by deposits and lending companies. In 2022, similarly to the previous year, payment service providers accounted for 43% of the overall market revenue, while bookkeeping and tax service companies remained the most profitable category in the local fintech market.

In terms of revenue, the primary segments leading the local fintech market are payment companies, with an annual revenue of EUR 72.6 mn, followed by banking infrastructure firms with EUR 34.0 mn. These two segments account for more than 63% of the market.

Over the 2019-2022 period, insurtech and bookkeeping & tax companies produced the highest revenue growth with 292% and 153% CAGR, respectively.

Hungary hosts several fintech hubs (including OTP LAB and MKB Fintechlab), which serve as incubators for entrepreneurs. Additionally, these hubs contribute to knowledge sharing, as seen in initiatives like Fintech Zone, providing valuable networking opportunities for investors and owners/founders.

The National Bank of Hungary actively backs local fintech enterprises through initiatives like its Innovation Hub, aimed at assisting them in creating innovative products. Additionally, the Regulatory Sandbox has been introduced to facilitate the market entry of fintech solutions. This initiative grants fintech companies exemptions from specific rules related to payment, remote customer identification, partner assessment, and reporting obligations, reducing administrative burdens.

National Bank of Hungary is also active in the central bank digital currency (CBDC) space. They are an observing member of Project mBridge, led by the Bank for International Settlements (BIS), experimenting with a multi-CBDC platform for cross-border payments. National Bank of Hungary also launched an innovative initiative, the Student Safe mobile application, to increase financial awareness among 8 to 14 year olds in the digital world. The Student Safe mobile app, operated by the MNB and involving commercial banking partners, is now able to handle real money. Therefore, the Student Safe initiative is the first central bank digital currency pilot project in the European Union available to retail users.

M&A TRENDS

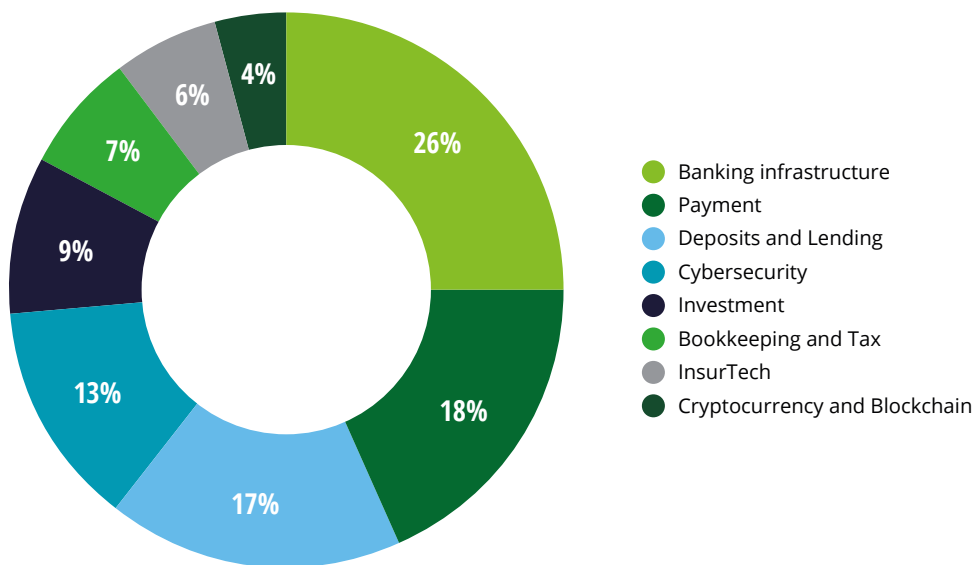
Cybersecurity remains the leading category in terms of VC investment: 58% of the cybersecurity companies realized capital raise from these funds over the 2019-2022 period.

The second most popular segment is the payment category with 53% of them raising capital from VC firms. 50% of InsurTech companies have received VC funding, whereas no cryptocurrency & blockchain companies have attracted VC investments during the examined period.

Recently, fintech companies such as SEON, CherryHUB, Barion, PSC CEE, Talk-a-bot and Bitrise have successfully secured over 1 million EUR in funding from venture capital firms.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

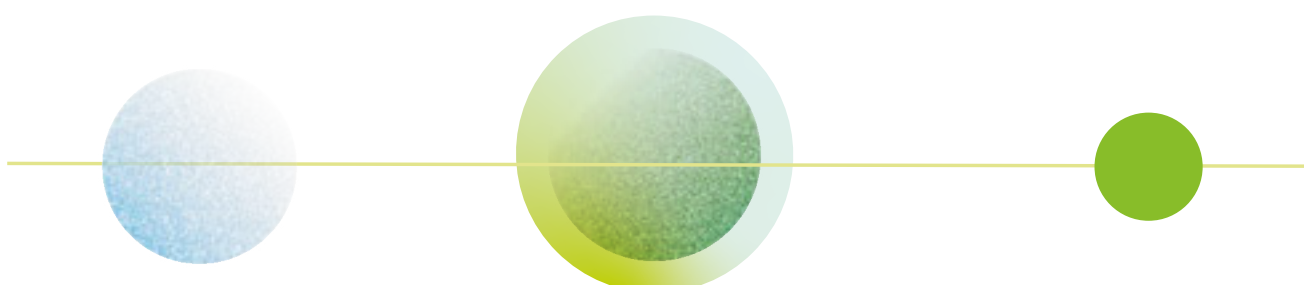
TOP 20 HUNGARIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	Simplepay	Payment	It is developed and operated by OTP Mobil Kft., SimplePay provides online credit card acceptance and instant payment solutions for webshop operators and service providers.	OTP Bank Nyrt.	yes	52.2	5.5	3.9	11.2
2	Dorsum Zrt	Investment	"Dorsum Zrt. was founded in 1996 to build concepts on providing a wide range of software focusing on the financial services industry. Currently the products of the company are also available as applications for Android, iPhone, and iPad. Dorsum Zrt. has subsidiaries in Bulgaria and Romania."	Private individuals	no / n.a.	14.0	3.1	3.1	5.4
3	bitrise	Banking infrastructure	The company offers a continuous mobile integration and software delivery platform. The Company's platform allows users to build their application for Android, iOS, Xamarin, Ionic, Cordova etc. The company was incorporated in 2015 and is headquartered in London, United Kingdom with an additional office in Budapest, Hungary.	BITRISE LIMITED	yes	14.0	3.2	0.7	1.3
4	Finshape (W.UP)	Banking infrastructure	Finshape blends digital banking platform and deep personalization capabilities into a driver of digital success for banks in Europe and the APAC and MENA regions. The firm provides digital banking, digital sales, personalized targeting, customer engagement services	PHOENIX PLAY INVEST Zrt.	no / n.a.	13.7	3.5	1.5	7.8
5	SEON Technologies Kft	Cyber-security	Seon Technologies Kft. is a Hungary-based company that provides modular artificial intelligence (AI) powered fraud detection to its client. The software controls for online account opening by performing digital footprint analysis and strong customer authentication.	SEON Holdings LTD	yes	12.2	(8.4)	(9.9)	(11.2)
6	Taxually	Bookkeeping and Tax	Taxually delivers VAT compliance solutions that cater for all business types, from online retailers to those with complex tax departments. It was incorporated in 2018 and is based in Budapest, Hungary. The firm has recently been acquired by Ardian SAS in 2022.	n.a.	yes	10.9	4.5	3.8	6.8
7	LOXON SOLUTIONS	Banking infrastructure	Loxon is a trusted business solutions provider with more than 20 years of experience in the field of end-to-end credit management. They are offering comprehensive, integrated lending, collection and risk management solutions for the financial services industry.	n.a.	no / n.a.	10.0	1.5	0.8	3.7

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
8	Szamlazz.hu	Bookkeeping and Tax	Szamlazz.hu develops online invoicing software solution. It serves as a platform to monitor bank account, cost register, warehouse management and cloud accounting. The company was founded in 2004 and is based in Budapest, Hungary.	Visma International Holding	no / n.a.	8.6	4.9	5.0	10.9
9	ApPello	Deposits and Lending	ApPello is a leading digital lending software platform vendor that has been providing end-to-end solutions from origination and servicing to collection for over 20 years.	Private individuals	no / n.a.	5.4	0.8	0.6	2.4
10	Salt Hungary (previously: B-payment)	Payment	B-payment provides payment platform for webshops and revenue monitoring system related to POS terminals. The platform settles 6 million transaction per month, the service is offered in 20+ languages and there is a multi-currency acceptance.	Salt Pay Europe Ltd	no / n.a.	5.3	2.4	1.8	5.7
11	R34DY Zrt	Banking infrastructure	The firm provides various Banking-as-a-Service (BaaS) solutions in order to help banks in their digital transformation - from consulting, implementation and integration to full outsourcing. The R34DY has built a regional expertise on the largest Oracle FlexCube implementation, upgrade and integration projects within CEE region.	Private individuals	no / n.a.	5.1	0.7	0.6	1.4
12	Online Business Technologies	Banking infrastructure	Online Business Technologies develops IT solutions for financial services since 1989. One of its products - MoonSol gives full scale support for account management and accomplishes related reporting tasks. The other one - DigiTie enables the clients to access any desired financial service 24/7, like PSD2 services and instant payment through electronic channels	Private individuals	no / n.a.	4.5	0.3	0.2	2.5
13	Barion Payment	Payment	Barion Payment Zrt. offers an application that enables users to make payments from their cards and use Barion as a prepaid wallet that facilitates wire transfers.	Private individuals	yes	3.5	(0.1)	0.3	2.7
14	Parkl	Payment	Parkl is a parking app with which one can easily and safely find, book and pay for parking spots. Parkl is based on sharing economy in which a marketplace brings together parking facility owners and drivers so that drivers can rent parking spots in the short term.	Private individuals	yes	3.3	0.1	(0.0)	0.3
15	NetLock	Cyber-security	NETLOCK Kft. provides digital identity, e-signature, time stamping, authentic e-conversion, encryption of web communication, biometric signature solutions for its clients from different industries, including the financial sector.	Private company	yes	3.3	(1.4)	(1.8)	0.3

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
16	Hellopay	Payment	The firm offers efficient payment transactions and transparent real time data for its clients including festival organizers and Horeca owners. Hellopay has 500 satisfied business partners, over 200 successful events and 2 million satisfied customers.	Private individuals	yes	2.7	0.5	0.3	0.6
17	GB solutions Zrt	Banking infrastructure	The company provides project lifetime support in many different areas, such as elaborating business concepts, defining development needs, strategy planning, product design, and developing applications. The reference solutions include real-time video and selfie KYC solution, the country's first online mortgage loan pre-assessment process and online corporate lending.	Private individuals	no / n.a.	2.6	0.3	0.1	0.4
18	Festipay	Payment	Festipay is one of Europe's largest integrated event management solutions providers. Its innovations in venue access and cashless payments have been in use across the continent. Festipay's services cover ticketing, access control, and staff management too.	n.a.	no / n.a.	2.3	0.5	0.2	0.3
19	FaceKom	Cyber-security	The firm provides easy-to-use customer identification and remote inspection to prevent potential fraudulent behavior. It has significant partnerships with OTP, Allianz, Unicredit, OVB, MKB, Raiffeisen bank etc. FaceKom products are compliant with eIDAS, PSD2 and GDPR legislations and the highest security standards.	Private individuals	yes	2.1	0.2	0.1	0.9
20	Bank360	Deposits and Lending	The company provides a platform to compare various types of personal, home and business loans, savings and insurance from different financial institutions.	Private individuals	no / n.a.	2.1	0.1	0.0	0.3

Source: Deloitte Intelligence





Romania

In 2022, Romania experienced a notable economic slowdown having a 4.2% real GDP growth, 1.7%p lower compared to previous year. The EIU's forecast for Romania's economic growth in 2023 signals a continued deceleration, reflecting the global economic outlook characterized by uncertainties. These uncertainties include the regional conflict between Russia and Ukraine and its effect on agri-food prices, alongside challenges posed by restrictive monetary policy and a weakening export demand from the euro area. Recorded annual inflation was 13.8% in 2022 and expected to decrease further to 10.5% by the end of 2023.

The National Bank of Romania raised the reference interest rate from 1.75% to 6.75% in 2022, to counteract inflationary pressures. At the first monetary policy meeting in 2023, the central bank raised the monetary policy interest rate by 25 basis points to 7.00%, which still applied as of December. In this context, interest rates increased in 2022 on the money market and on the state securities market as well. On the money market, the three-month and six-month ROBOR rates recorded average annual levels of 6.20% and 6.35% respectively in 2022, up from 1.82% and 1.94% in 2021. On the sovereign bond market, the 10-year maturity interest rate yield also increased from 5.3% at the end of 2021 to 8.2% in 2022, due to the intensification of inflationary pressures and risk perceptions.

Despite facing disruptions, the Romanian banking sector maintained a sound prudential and financial position. Challenges included a widespread decline in financial market sentiment towards banks, and sustained presence of high inflation and interest rates. The capital position of the sector remained stable with a capital adequacy ratio of 23.4% in 2022 and 22.8% in 2023H1.

Total loans in the banking sector have seen an increase of 7.8% in 2022 and 0.8% in the first half of 2023, primarily driven by loans to non-financial corporations. Notably, foreign currency lending to corporates has surged by 40%. However, lending to households has experienced a slowdown of 1.1% after a moderate increase of 4.0% in 2022 due to higher interest rates, stricter credit standards and lower purchasing power of households.

The total NPL ratio continued the declining trend, decreasing by 0.7%p to 2.7% in 2022. The decrease in NPL ratio is attributable to measures regarding minimum down-payment and cap on indebtedness, as well as the large share of fix denominated consumer loans.

Owing to the increase in net interest income, profitability continued its upward trajectory, with the return on equity reaching 16.4% in 2022 and further surging to 21.1% in the first half of 2023. The return on assets (ROA) also saw an improvement, standing at 1.9% in the second quarter of 2023.

As of 2022 there were 23 banks in Romania. The three biggest market players in terms of total assets are Banca Transilvania, Banca Comerciala Romana and BRD – Groupe Societe Generale. In October 2023, the parent companies of UniCredit Romania and Alpha Bank Romania S.A. has announced the merger of the two banks creating the third largest bank in the local market having a combined 12% market share. After the merger, the largest 5 banks are expected to have around 60% market share in 2023.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	1,064,630	1,185,184	1,404,616	1,602,100	▲ 18.5%	▲ 14.1%
Nominal GDP / capita (LCY k)	54.8	61.3	71.4	80.5	▲ 16.5%	▲ 12.7%
Nominal GDP (EUR mn)	219,802	240,697	284,273	321,849	▲ 18.1%	▲ 13.2%
Nominal GDP / capita (EUR k)	11.3	12.5	14.5	16.2	▲ 16.1%	▲ 11.9%
GDP (% real change pa)	(3.2)	5.9	4.2	1.9	▼ (1.7%p)	▼ (2.3%p)
FINANCIAL MARKETS						
Lending interest rate (%)	6.5	5.6	7.8	9.3	▲ 2.1%p	▲ 1.5%p
Deposit interest rate (%)	1.9	1.6	4.2	6.5	▲ 2.6%p	▲ 2.3%p
Consumer prices (% change pa)	2.6	5.0	13.8	10.5	▲ 8.8%p	▼ (3.3%p)
Average EURLCY	4.8	4.9	4.9	5.0	▲ 1.7%	▲ 0.7%
Average USDLCY	4.2	4.2	4.7	4.6	▲ 12.7%	▼ (2.0%)
PUBLIC DEBT						
Public debt (% of GDP)	46.9	48.7	47.4	47.8	▼ (1.3%p)	▲ 0.4%p
Budget balance (% of GDP)	(9.6)	(6.8)	(5.8)	(6.2)	▲ 1.0%p	▼ (0.4%p)
POPULATION						
Population (mn. pers.)	19.4	19.3	19.7	19.9	▲ 1.7%	▲ 1.2%
Unemployment rate (%)	6.1	5.6	5.6	5.1	▲ 0.0%p	▼ (0.5%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	125,324	140,991	154,474	157,499	▲ 9.6%	▲ 2.0%
Asset penetration (%)¹	57.0%	58.6%	54.3%	48.9%	▼ (4.2%p)	▼ (5.4%p)
Total equity (EUR mn)	17,840	17,765	17,134	18,713	▼ (3.6%)	▲ 9.2%
Total loans (EUR mn)	82,194	96,110	103,605	104,441	▲ 7.8%	▲ 0.8%
Loan penetration (%)²	37.4%	39.9%	36.4%	32.5%	▼ (3.5%p)	▼ (4.0%p)
Retail loans (EUR mn)	30,943	33,382	34,708	34,343	▲ 4.0%	▼ (1.1%)
Corporate loans (EUR mn)	25,593	30,164	35,719	37,638	▲ 18.4%	▲ 5.4%
Other loans (EUR mn)	25,657	32,563	33,178	32,460	▲ 1.9%	▼ (2.2%)
NPL VOLUMES						
Total NPLs (EUR mn)	3,148	3,220	2,746	2,768	▼ (14.7%)	▲ 0.8%
Retail NPLs (EUR mn)	1,135	1,056	1,043	1,089	▼ (1.3%)	▲ 4.5%
Corporate NPLs (EUR mn)	1,684	1,712	1,524	860	▼ (11.0%)	▼ (43.6%)
NPL RATIOS						
Total NPL ratio (%)	3.8%	3.4%	2.7%	2.7%	▼ (0.7%p)	● 0.0%p
Retail NPL ratio (%)	3.7%	3.2%	3.0%	3.2%	▼ (0.2%p)	▲ 0.2%p
Corporate NPL ratio (%)	6.6%	5.7%	4.3%	2.3%	▼ (1.4%p)	▼ (2.0%p)
KEY RATIOS						
CAR (%)	25.1%	23.3%	23.4%	22.8%	▲ 0.1%p	▼ (0.6%p)
ROE (%)	8.7%	13.3%	16.4%	21.1%	▲ 3.1%p	▲ 4.7%p
ROA (%)	1.0%	1.4%	1.5%	1.9%	▲ 0.1%p	▲ 0.4%p
CIR (%)	54.6%	54.7%	52.1%	49.3%	▼ (2.6%p)	▼ (2.9%p)
L/D (%)	65.9%	68.8%	71.4%	68.8%	▲ 2.6%p	▼ (2.6%p)
NIM (%)	3.0%	2.8%	3.0%	n/a	▲ 0.2%p	n/a
OPEX on avg. total assets (%)	2.2%	2.0%	2.1%	n/a	▲ 0.1%p	n/a
Cost of risk (%)	2.0%	1.2%	1.4%	n/a	▲ 0.2%p	n/a

Source: National Bank of Romania, EBA | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

Note: The corporate NPL data was only available for March 2023

LIST OF BANKS IN ROMANIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Banca Transilvania	27,065	17.52%	1,608	440	1.7%	22.2%	Private individuals
2.	2.	●	Banca Comerciala Romana	19,751	12.8%	2,204	370	2.0%	19.1%	Erste
3.	3.	●	BRD - Groupe Societe Generale	14,451	9.4%	1,329	260	1.9%	18.7%	Société Générale
4.	4.	●	Raiffeisen Bank	12,529	8.1%	1,268	249	2.0%	20.6%	Raiffeisen
5.	5.	●	CEC Bank	12,476	8.1%	787	86	0.8%	9.3%	State of Romania
6.	6.	●	UniCredit	12,212	7.9%	1,308	178	1.6%	14.1%	UniCredit
7.	9.	▲	Exim Banca Romaneaca	4,639	3.0%	299	9	0.2%	3.1%	State of Romania
8.	7.	▼	Alpha Bank Romania	4,269	2.8%	428	26	0.6%	6.0%	Alpha Bank
9.	8.	▼	OTP Bank Romania	4,016	2.6%	431	14	0.4%	3.2%	OTP
10.	10.	●	Garanti Bank	2,698	1.7%	334	40	1.6%	12.5%	BBVA
11.	11.	●	Libra Internet Bank	1,963	1.3%	211	48	2.5%	24.1%	NCH
12.	14.	▲	Vista Bank	1,638	1.1%	115	5	0.4%	5.3%	Barniveld Enterprises
13.	13.	●	First Bank	1,561	1.0%	171	12	0.8%	7.1%	J.C. Flowers &Co
14.	12.	▼	Intesa Sanpaolo Romania	1,550	1.0%	193	6	0.4%	3.5%	Intesa Sanpaolo
15.	16.	▲	Patria Bank	840	0.5%	70	4	0.5%	5.7%	Private individuals
16.	15.	▼	Credit Europe Bank	808	0.5%	178	6	0.7%	3.5%	Credit Europe Bank N.V.
17.	18.	▲	Procredit Bank	524	0.3%	44	3	0.5%	6.2%	ProCredit
18.	17.	▼	Idea Bank	463	0.3%	44	(3)	(0.5%)	(6.2%)	Banca Transilvania
19.	19.	●	Banca Centrala Cooperatista CREDITCOOP	323	0.2%	78	1	0.3%	1.3%	Lista Membrii Cooperatori
20.	22.	▲	TechVentures Bank	176	0.1%	8	(3)	(2.1%)	(37.7%)	Private individuals
21.	20.	▼	BCR Banca pentru Locuinte	147	0.1%	9	(43)	(20.9%)	(309.7%)	Erste
22.	21.	▼	PORSCHE BANK ROMANIA SA	98	0.1%	42	4	3.0%	10.8%	Porsche Bank AG
23.	23.	●	Banca Romana De Credite Si Investitii	63	0.0%	10	(3)	(4.8%)	(28.5%)	Private individuals
LISTED BANKS TOTAL				124,261	80.4%	11,168	1,702	1.4%	15.0%	
FOREIGN BRANCHES AND OTHER ENTITIES				30,213	19.6%	5,966	342	0.9%	5.2%	
TOTAL				154,474	100%	17,134	2,044	1.3%	11.4%	

Source: Annual reports

Please note that in October 2023 UniCredit Romania merged with Alpha Bank Romania

Please note that in October 2023 Intesa Sanpaolo has acquired First Bank

Please note that owner of Porsche Bank from 2023 is Dan Ostahie.

Please note that Exim bank completed acquisition of Banca Romaneasca in 2020 while becoming universal bank from December 2022

Please note that 100% of shares of Credit Agricole Bank Romania S.A. was sold to Vista Bank in Q3 2021 and starting from October 2022 they operate as one entity

M&A DEALS

Romania's banking sector has witnessed significant M&A activity recently:

- As of February 2024, OTP announced the sale of OTP Bank Romania to Banca Transilvania, making the rumoured exit plan of OTP from Romania real.
- At the end of October 2023 Intesa Sanpaolo has acquired 99.98% of First Bank Romania from the American private equity firm, J.C Flowers & Co. With this transaction, Intesa Sanpaolo will get into the top 10 banks of the Romanian market by nearly doubling their assets. The transaction is subject to regulatory approval and is expected to be completed in early 2024.
- In October 2023 UniCredit and Alpha Services and Holdings has announced a merger of their Romanian subsidiaries. The merger of UniCredit Romania and Alpha Bank Romania S.A. will create the third largest bank in the local market by holding a combined 12% market share. From the new entity, Alpha Bank is expected to retain 9.9% of the combined share capital and receives a cash consideration of EUR 300 mn. The transaction is subject to a due diligence process as well as corporate and regulatory approvals and is expected to close in 2024. Besides the merger, the two banks have forged a commercial partnership in the Greek market as well. In addition, UniCredit has issued an offer to the Hellenic Financial Stability Fund for their 9% shares in Alpha Services and Holdings.
- In 2022, Dan Ostahie a Romanian private investor decided to acquire the banking license of local banking services provider Porsche Bank Romania. The scope of the deal did not include the Porsche brand or the assets of the bank. In June 2022, the NBR vetoed the deal, as the minimum required 5 years of experience in the financial banking field was not met. The deal, with a total value of EUR 189 mn, was announced in March 2023 and approved by the Romanian Competition Authority in June 2023, after the conditions were met.
- In 2021, 100% shares of Idea Bank has been acquired by Banca Transilvania S.A for EUR 43 mn from Getin Holding SA. The transaction was completed in Q3 2021.
- In 2021, the French banking group Credit Agricole Bank sold 100% shares of its subsidiary (Credit Agricole Bank Romania S.A.) to Vista Bank which is owned by a Greek business conglomerate, Vardinogiannis Group. The transaction was completed in Q3 2021. Integration of two banks has been completed in October 2022, afterwards they started to operate as one entity.
- In 2020, EXIMBANK of Romania acquired 99.28% stake of Banca Romaneasca from National Bank of Greece (a listed Greek financial institution). The acquisition was in line with EXIMBANK's strategy of strengthening the role of statecontrolled banks in the Romanian market. This transaction enables EXIMBANK to start retail banking operation in the domestic market. Following the completion of acquisition, the integration plan has been implemented and it became universal bank from December 2022. Previously, in July 2017 OTP Bank Romania agreed to acquire a 99.28% stake in Banca Romaneasca from National Bank of Greece, but the transaction was terminated, since the Romanian Central Bank rejected the transaction.
- In 2019, the Israeli Bank Leumi le-Israel sold the Bank Leumi Romania to J.C. Flowers (US investment fund). The deal was beneficial for all parties as J.C. Flowers's aim was to increase and consolidate its presence in the Romanian market; and the Leumi's international strategy was to focus on the commercial banking operations of its US and UK subsidiaries. J.C. Flowers merged the recently purchased bank to the First Bank, its Romanian subsidiary. At the time of the transaction, Bank Leumi Romania owned a network of 15 branches in Romania with 200 employees.
- In 2018, Piraeus Bank agreed with J.C. Flowers (US investment fund) on the sale of its entire shareholding stake in its banking subsidiary in Romania. The agreement is in line with Piraeus Bank's restructuring plan commitments, also with the implementation of the strategic plan of the Group, 'Agenda 2020'. In September 2018, the bank changed its name to First Bank.
- In 2018, Banca Transilvania agreed to acquire a 99.15% stake in Bancpost along with a leasing and a consumer credit provider company from the Greece-based Eurobank Ergasias for EUR 301 mn. The acquisition is in line with the organic growth strategy of Banca Transilvania.
- In 2018, the Greek Vardinogiannis Group acquired a 99.53% stake in Marfin Bank from the Cyprus Popular Bank. Vardinogiannis Group saw a strong potential in the domestic market. Marfin Bank had a 20-year over presence in the local market and had more than 30 branches in the country. In 2019, due to a strategic decision, the name Marfin Bank was changed to Vista Bank.
- In 2018, the Austrian Erste Group acquired a 6.29% stake in Banca Comerciala Romana (BCR) from SIF Oltenia (Romanian investment fund). As a result of the transaction, Erste Group holds 99.88% in BCR. The remaining 0.12% share is held by former BCR employees.
- In 2017, Veneto Banca was absorbed into Intesa Sanpaolo Bank after Intensa Sanpaolo successfully acquired Veneto Banca's Romanian operations. Veneto's assets and branch units significantly improved Intensa Sanpaolo's market presence.
- In 2016, a 54.79% stake in Banca Comerciala Carpatica was acquired by Nextebank (now called Patria Bank). The implied equity value of the transaction was EUR 26.68 mn. Nextebank started a merger between Banca Comerciala Carpatica and itself to create Patria Bank.
- In 2015, UniCredit Bank Austria acquired a large stake in

UniCredit Tiriac Bank, providing retail and commercial banking services, from Ion Tiriac, the Romania-based businessman. The transaction was part of the exit option agreed on by both parties, enabling UniCredit Group to increase its stake in the Romanian bank to 95.60%.

- In 2015, OTP Bank Romania, subsidiary of the Hungarian OTP Bank acquired Banca Millennium from the Portugal-based commercial bank, Banco Comercial Portugues, for a cash consideration of EUR 39 mn. This transaction was in line with OTP's strategic goals to strengthen its position in Romania.

- In 2015, Banca Transilvania acquired Volksbank Romania from Oesterreichische Volksbanken, Westdeutsche Genossenschafts-Zentralbank, DZ Bank and BPCE for EUR 711 mn. After the transaction, BT Banca Transilvania fully integrated the new business unit into the existing structure.

LIST OF BANKING M&A DEALS IN ROMANIA 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2023	First Bank	Intesa Sanpaolo	99.98%	n.a.	J.C. Flowers & Co.
2023	UniCredit Romania, Alpha Bank Romania S.A.	Two-party merger	100.00%	n.a.	-
2022	Porsche Bank Romania	Dan Ostahie (Private investor)	100.00%	189	Porsche Bank AG
2021	Idea Bank Romania	Banca Transilvania	100.00%	43.36	Getin Holding SA
2021	Credit Agricole Bank Romania	Vista Bank	100.00%	n.a.	Credit Agricole SA
2019	Banca Romaneasca	Export-Import Bank of Romania	99.28%	314	National Bank of Greece
2019	Bank Leumi Romania	First Bank	99.27%	n.a.	Bank Leumi le-Israel
2018	Vista Bank	Barniveld Enterprises (Vardinogiannis family)	100.00%	n.a.	Cyprus Popular Bank
2018	First Bank	J.C. Flowers & Co.	76.10%	n.a.	Piraeus Bank
2018	S.C. Bancpost	Banca Transilvania	93.78%	301	Eurobank Ergasias
2018	Banca Comerciala Romana	Erste Group	6.29%	n.a.	SIF Oltenia
2017	Veneto Banca	Intesa Sanpaolo	100.00%	n.a.	Veneto Banca
2016	Banca Comerciala Carpatica	Patria Bank	54.79%	26.67	Banca Comerciala Carpatica
2015	UniCredit Tiriac Bank	UniCredit Bank Austria	45.00%	700	Ion Tiriac (Private Investor)
2015	Volksbank Romania	Banca Transilvania	100.00%	711	ÖVB, Westdeutsche GZb, DZ Bank, BPCE
2015	Banca Millenium	OTP Bank Romania	100.00%	39	Banco Comercial Portugues

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

Based on the number of fintech companies in Romania, the top two sectors are payment and banking infrastructure firms. The payment service providers accounted for more than 90% of the total market revenue, making them the most profitable in 2022.

In terms of revenues, the fastest-growing firms are those in the Banking Infrastructure and deposit & lending sectors. The Compound Annual Growth Rate (CAGR) for these companies was 174% and 73%, respectively, for the period from 2019 to 2022.

Payment, lending and financial infrastructure are anticipated to remain the primary focus of Romanian fintech companies. However, InsurTech, InvesTech, and wealth management sectors are also projected to continue growing and attain a similar status in the near future. InsurTech's development is supported by InsurTech Hub Romania set up by the Romanian Financial Supervision Authority. This initiative aims to ensure the institutional framework for the collaboration of interested parties in order to support the controlled development of innovation activities in technologically supported insurance, facilitate communication between interested parties by organizing joint events, identify both the latest trends in the field and the latest solutions & products developed, in order to improve the activity and the products offered and develop an environment conducive to understanding and deepening the innovations and technological solutions presented.

Traditional banks continue to be a major player in the digital financial industry, owing to numerous partnerships with existing fintech companies and increasingly developing their own digital solutions. Banks which have initiatives in the fintech sector include Banca Transilvania, CEC Bank, BCR, BRD Groupe Societe Generale, Alpha Bank, ING, Raiffeisen Bank, OTP Bank, TBI Bank, Patria Bank, UniCredit Bank, Garanti BBVA, First Bank, Credit Europe Bank, ProCredit Bank, Libra Internet Bank and Exim Banca Romaneasca.

Multiple fintech hubs, such as RoFinTech and FinTech Hub exist in Romania. These hubs foster entrepreneurship and provide knowledge sharing opportunities like the Next Fintech acceleration program, and networking opportunities for investors and founders/owners.

The National Bank of Romania supports local fintech firms by launching the FinTech Innovation Hub. This initiative encourages and supports innovation in payment and financial services in a controlled environment, while also monitoring potential risks and suggesting mitigation measures. Through the FinTech Innovation Hub, the National Bank of Romania serves as a point of contact for fintech firms, who can request non-binding compliance guidelines for their innovative products and services.

In July 2023, RoFinTech initiated the Romanian Open Banking Initiative (ROBI) to address the misalignment between the implementation of PSD2 and the upcoming PSD3, with the aim of promoting the adoption of open banking in Romania. This is accomplished by analyzing and making recommendations about the quality of banking data available through the API.

In October 2023, RoFinTech, along with seven other European entities, secured a non-refundable loan of EUR 1 million under the Fintech Investor Network and Ecosystem (FINE) EU project. The project's goal is to foster networking and connections both locally and internationally within the fintech industry.

Romania aims to develop into a full-fledged fintech hub in the CEE region, capitalizing on the continuous growth of the entrepreneurial environment in recent years, high internet speed and a highly favorable consumer sentiment towards digital solutions adoption. However, significant barriers, such as high equity and debt financing requirements for fintech start-ups, pose challenges. The limited number of investors mainly target established fintech companies that are already demonstrating growth.

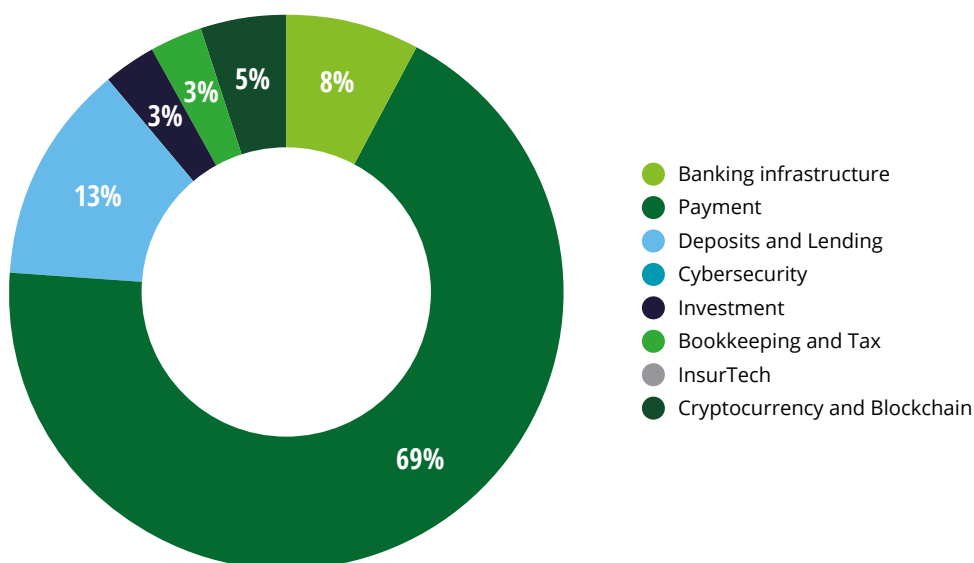
M&A TRENDS

Investment fintech leads the VC investment category, as all such companies managed to raise capital from these funds starting from 2019. The banking infrastructure and InsurTech sectors are the second and third most popular segments, with 50% of firms in each category raising capital from VC firms.

Several fintech companies, including Instant Factoring, FintechOS, iFactor, Finqware, Prime Dash, PayPact, and Omnicredit have collectively raised approximately EUR 18 mn from VC firms recently.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

TOP 20 ROMANIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	Paypoint Services SRL	Payment	Paypoint Services SRL is a major market player in the Romanian payment processing industry with both a B2B and B2C focus. The company offers a vast range of services: miscellaneous bill and utility payments, mobile top-up, national and international money transfers, express parcels pick-up, road tax and bridge tax payment and online payment.	n.a.	no / n.a.	68.2	5.9	4.7	5.7
2	MonePOS by AROBS	Payment	MonePOS was developed in 2021 by AROBS Transilvania Software SA in partnership with Banca Transilvania and it is a company specialized in offering mobile POS terminals. It is accredited by Visa and Mastercard and offers the fastest (10 seconds) contactless and paperless solution in the country. Moreover, MonePOS can be integrated with any ticketing system for public transit.	n.a.	no / n.a.	61.1	14.7	8.8	45.3

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
3	Mobile Distribution SRL	Payment	The company was founded in 2007. Since 2014, its platform offers bill payment services, mobile and SIM top-up, insurance payment, vignette purchase, tax payments, money transfer, e-money, lottery ticket purchase, and entertainment voucher purchase. Currently, company has 7,000 partners, 10,000 shops, 150 supported suppliers, and a national reach, given that 2,600 cities are covered.	n.a.	no / n.a.	39.0	1.4	0.9	6.5
4	Selfpay SA	Payment	Zebrapay SA is active since 2009, changing its brand identity to SelfPay in 2018. It has the largest self-service terminal network in Romania (over 10,000 installed units), operating under an omni-channel approach in over 1,000 cities. Services offered are: mobile top-up (for Telekom, Vodafone, and Orange), bill payment, online payment, parking fee payment, road tax payment, loan installments payment. As of March 2023, the company's SelfPay Now app reached over 140,000 users and processed over 500,000 transactions. It is the first European app which facilitates real-time bank card top-up with cash through the use of SelfPay terminals.	n.a.	no / n.a.	30.6	1.8	0.8	3.5
5	Up Romania SRL	Payment	Incorporated in 2002 in Romania but operating in 29 other countries as part of the Up Group. Up Group ranks third in the global meal tickets card issuing market. Products offered are electronic/paper meal tickets (Up Dejun), gift tickets (Up Cadou), holiday vouchers, cultural tickets. Over 800,000 employees directly benefit from these products.	n.a.	no / n.a.	28.2	6.9	10.7	15.9
6	Printec Group Romania SRL	Payment	Printec Group Romania SRL is part of the Printec Group. It is a leader in B2C transaction technologies in CEE. Solutions offered focus on self-service channels (ATMs, smart vending machines), e-signature, security & compliance, and BI & analytics. Services provided can be classified as software development, consulting, and maintenance in the field of self service channels, digital transformation, e-payments, security & compliance and business intelligence & analytics.	n.a.	no / n.a.	22.1	2.5	1.8	4.6

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
7	Netopia Holding SA	Payment	NETOPIA Payments is a leading player in the Romanian payment processing market for both B2B and B2C clients. Company offers full payment processing services (credit/debit cards, special cards, micropayments through SMS), the mobilPay app (the first multifunctional digital wallet in Romania), and virtual POS. Payments are facilitated through payment links, one-click payments, recurring payments, loan installments.	n.a.	no / n.a.	18.7	2.3	1.9	4.5
8	Fintech OS SRL	Banking infrastructure	Fintech OS SRL was established in 2017 and offers fully integrated fintech infrastructure. Product line encompasses: digital banking transformation platform for retail and commercial banking; digital insurance platform; platforms for creating and launching products, such as data models, data pipes, scoring engines, etc., without writing a single line of code. Product portfolio is a good fit for the retail banking, small business banking, general insurance, embedded finance, health insurance and life insurance. More than 50 institutions in 20 markets and 4 continents run on FintechOS, including Erste Bank, Societe Generale, Vodafone, and VIG. Company manages a total of 80.9 EUR bn in assets and has offices in London, Amsterdam, Bucharest, Copenhagen and Vienna.	n.a.	Yes	17.6	n.a.	20.6	6.8
9	Myworld Retail Services SRL	Payment	Launched 2013 in the UK and reaching an international presence, myWorld is an international network of ca. 15m shoppers and 150,000 partners. With myWorld Partner, the myWorld group of companies confers SMEs a cost-efficient and innovative customer loyalty program, linked to the benefit program. Over 10m products are available on the myWorld platform. Suppliers' integration to the platform is facilitated by 24h service and zero-error picking, through the myWorld Logistics entity.	n.a.	no / n.a.	13.1	(0.0)	(0.0)	(0.6)
10	Tpark	Payment	Tpark is the market leader in parking management solutions. The system is deployed in over 105 cities across Romania and Hungary. Firm has direct contracts with local GSM operators. Users can also purchase e-vignettes for both Romania and Hungary. To this date, company processed over 8mn transactions and amassed over 650,000 users, and more than 50,000 parking spaces are currently under management.	n.a.	no / n.a.	11.8	0.3	0.2	0.5

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
11	Payten Payment Solutions SRL	Payment	Payten Payment Solutions provides payment solutions to both financial and non-financial institutions, supporting both card and card-less transactions. Its operations function under a wide array of national certifications (ISO). Service and solutions encompass mobile payment, bill payment, ATM and POS related services, security and fraud, maintenance and support.	n.a.	no / n.a.	10.5	1.5	0.8	3.2
12	Viva Payment Services Single Member SA	Payment	Founded in 2010 in Greece, Viva Payment Services SA is the developer and operator of Viva Wallet, the first Pan-European entirely cloud-based Neobank providing localized payment and credit services to businesses across 24 European countries. Company is a primary member of Visa and Mastercard for acquiring and issuing services.	n.a.	Yes	8.0	n.a.	2.5	6.6
13	C Solution SRL	Payment	C Solution SRL owns the payment platform plationline.ro dedicated to corporate entities and launched in 2002. This platform focuses on online payment acceptance and payment processing, offered through an integrated management system for credit card transactions, alternative online payments, recurring online payments, payment tokens, loan installments payment, bank transfers. Its partnership network denotes a strong presence both locally and abroad.	n.a.	no / n.a.	4.0	0.2	0.1	0.1
14	Easypay System SRL	Payment	Founded in 2010, Easypay System SRL has developed a self-service terminal network and launched the first payment terminal in Romania. Company simultaneously produces and designs self-service terminals, tailored to clients' specific needs and projects. Types of self-service terminals offered are info touch, cryptocurrency, info-point, coin to card, cash out, digital signage, and public transport. Company has been a partner of Mega Image retail chain for over 6 years.	n.a.	no / n.a.	3.8	0.6	0.4	0.9
15	Europayment Services SRL	Payment	Europayment Services SRL was established in 2006. It is specialized in e-Commerce payment, card payment processing, 3D Secure integration solutions, e-payment solutions for e-shops (including recurring payments, loan installments payment, SMS payments, bank transfers, payment links, virtual payment terminals and QR payments). Company operates under multiple accredited certifications: SR EN ISO/IEC 27001:2018, SR ISO/IEC 27701:2019, SR EN ISO 9001:2015, and PCI-DSS Level 1 - Service Provider. Client portfolio includes SMEs, corporations, service providers, tourism agencies, and universities, as well as a network of cross-industrial partners.	n.a.	no / n.a.	3.6	1.8	1.5	1.7

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
16	Timesafe SRL	Payment	Timesafe SRL is the developer of the Pago app, launched in 2017. Pago is a payment processor mobile application that allows its users to pay their bills online and transfer money in real time to any Romanian bank card, all under a single account. Over 432 utilities suppliers are partnered with the app. Pago has over 220,000 active users in Romania and more than 15,000 users in Poland. The beta version of the app was launched in Italy in 2021 and further expansion plans in Spain are under discussion.	n.a.	no / n.a.	3.4	0.3	0.0	0.2
17	Startpay Services SRL	Payment	Startpay Services SRL is a player in the Romanian instant payments sector using cash-in and self-serving payment terminals. Operating on a franchise business model, company has nation-wide terminal coverage and its client portfolio spans over 100 domestic and international providers. Services offered are mobile top-up, bill and utility payment, e-Wallet, financial services (loan installments payment, road tax payment), software and gaming subscriptions, online payments, and cosmetics subscriptions.	n.a.	no / n.a.	3.3	0.0	0.0	1.1
18	4Pay Systems SRL	Payment	4Pay Systems SRL is a Romanian messaging solution provider and technical payment enabler. 4Pay Systems has a local and international presence. Its services are certified under ISO 9001:2015, having PCI DSS Level 1 security certifications. The company has developed a software application for SMS trading, SMS marketing and a management & billing platform.	n.a.	no / n.a.	2.9	0.1	0.1	0.1
19	Mellon Romania SA	Payment	Part of Mellon Group, Mellon Romania SA was established in 2001. Focusing on the banking, insurance, retail, telecommunication, and utilities sectors, company offers technology solutions (POS, mobile banking, loyalty programs electronic security, self-service, mobile payments, cash and logistics management, risk and compliance. Firm's client portfolio includes Alpha Bank, BRD, ING, Telekom and Provident.	n.a.	no / n.a.	2.5	(0.1)	(0.1)	(0.1)
20	Btr Exchange SRL	Payment	Incorporated in 2014, Btr Exchange SRL expanded beyond its Bitcoin exchange platform (Bitcoin Romania) with the deployment of cryptocurrency ATMs. In the same year, Romania became the first country in Europe with crypto ATMs. Today, the company's ever-growing ATM network has 82 terminals, aiming for at least 250 terminals in Romania. Currently, 28 cities are covered. The company also has operations in Canada.	n.a.	no / n.a.	2.4	0.4	0.2	0.2

Source: Deloitte Intelligence



Slovenia

In 2022, Slovenia experienced 2.9% real economic growth, which is 5.6%p less than the year before. In 2023 the expansion of real GDP is expected to slow down to 1.3%, due to the challenging macroeconomic environment. Inflation amounted to 9.3% in 2022, resulting in the growth in private consumption to slow down. The further tightening of monetary policy could reduce growth in private investment amid the uncertainty in the macroeconomic environment. The labour market on the other hand showed a record low unemployment rate of 5.8% in 2022. In 2023, inflation had started to decline gradually, and is estimated to reach 7.6%

In 2023, Slovenia's banks face higher risks due to global uncertainties, including rising interest rates (lending and deposit rates both by 0.4%p in 2022 with further increase estimated, 2.4%p and 2.5%p respectively for 2023) and credit challenges.

Total loans expanded by 10.2% in 2022 with corporate loans contributing the most. The borrowing pace of corporations had started to slow down at the end of 2022 with a decline in demand for investment loans. At the same time, loans for operations and inventories remained high. In 2023, there was a reduced demand for consumer loans because of increased interest rates and lower disposable income. Due to these changes, the slowdown in corporate and retail lending as well as shrinking other loans, in the first half of 2023 total loans decreased by 1.8%.

As deposit interest rates turned from negative to positive in 2022, there could be a slowdown in sight deposit growth. Slovenia's gradual interest rate hikes have prompted banks to attract non-banking sector deposits by offering higher rates.

With lending activity slowing, fixed-rate loans are becoming more popular, especially in household loans, where over 90% of new loans now have fixed interest rates.

Despite earlier shocks, Slovenia's banking system remains strong, maintaining stability and ample liquidity. However, ongoing changes add to uncertainties, keeping risks elevated for individual banks.

The sector's solvency was moderate at the beginning of 2023, supported by capital injections and retained earnings. The total capital ratio improved to 18.5% by the year-end 2022, thanks to growth in regulatory capital. The improved profitability of the banking sector, with ROE and ROA almost doubling in the first half of 2023 (reaching 21.4% and 2.1%, respectively), is mainly driven by strengthened net interest income along with rising lending rates. The share of operating costs in the banks' gross income, CIR improved by 14.2%p in 2023 to 43.4%.

A notable concern is the maturity gap between assets and liabilities, posing a risk in case of significant deposit shifts or withdrawals. In the wake of the increase in long-term loans and the decline in liquid assets held in accounts at the central bank, the weighted average maturity of assets increased in 2022 while the increase in sight deposits saw a decrease in the weighted average maturity of liabilities. This widened the maturity gap by 1 month to 4.6 years and increased the funding risk.

Total NPL ratio amounts to 2.0% in 2023H1, mainly driven by decrease in the outstanding amount of other loans and indirectly, related to increase in the impairments in respect of exposures to Russia, Ukraine and Belarus.

The number of banks operating in Slovenia remained at 14 in 2022. The NLB group remains the market leader after the acquisition of Sberbank in 2022Q1, which was renamed to N Banka. OTP became the second-largest player after the acquisition of Nova KBM.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
------------------	------	------	------	-------	-------------	--------------

GROSS DOMESTIC PRODUCT (GDP)

Nominal GDP (LCY mn)	46,714	52,078	57,017	62,300	▲ 9.5%	▲ 9.3%
Nominal GDP / Capita (LCY k)	22.1	24.6	26.9	29.4	▲ 9.5%	▲ 9.3%
Nominal GDP (EUR mn)	46,714	52,078	57,017	62,300	▲ 9.5%	▲ 9.3%
Nominal GDP / Capita (EUR k)	22.1	24.6	26.9	29.4	▲ 9.5%	▲ 9.3%
Real GDP (% change pa.)	(5.0)	8.4	2.9	1.3	▼ (5.6%p)	▼ (1.6%p)

FINANCIAL MARKETS

Lending interest rate (%)	2.3	2.1	2.5	4.9	▲ 0.4%p	▲ 2.4%p
Deposit interest rate (%)	(0.0)	(0.2)	0.2	2.7	▲ 0.4%p	▲ 2.5%p
Consumer prices (% change pa)	(0.3)	2.0	9.3	7.6	▲ 7.3%p	▼ (1.7%p)
Average EURLCY	1.0	1.0	1.0	1.0	● 0.0%	● 0.0%
Average USDLCY	0.9	0.8	0.9	0.9	▲ 12.3%	▼ (2.7%)

PUBLIC DEBT

Public debt (% of GDP)	80.1	74.7	72.3	70.2	▼ (2.3%p)	▼ (2.1%p)
Budget balance (% of GDP)	(7.7)	(4.6)	(3.0)	(5.0)	▲ 1.6%p	▼ (2.0%p)

POPULATION

Population (mn. pers.)	2.1	2.1	2.1	2.1	● 0.0%	● 0.0%
Unemployment rate (%)	8.7	7.6	5.8	5.0	▼ (1.9%p)	▼ (0.8%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	44,651	48,252	50,575	51,339	▲ 4.8%	▲ 1.5%
Asset penetration (%)¹	95.6%	92.7%	88.7%	82.4%	▼ (4.0%p)	▼ (6.3%p)
Total equity (EUR mn)	4,805	5,061	5,153	5,439	▲ 1.8%	▲ 5.6%
Total loans (EUR mn)	25,166	26,737	29,469	28,941	▲ 10.2%	▼ (1.8%)
Loan penetration (%)²	53.9%	51.3%	51.7%	46.5%	▲ 0.3%p	▼ (5.2%p)
Retail loans (EUR mn)	10,712	11,263	12,138	12,199	▲ 7.8%	▲ 0.5%
Corporate loans (EUR mn)	8,750	9,299	10,487	10,549	▲ 12.8%	▲ 0.6%
Other loans (EUR mn)	5,704	6,175	6,844	6,193	▲ 10.8%	▼ (9.5%)
NPL VOLUMES						
Total NPLs (EUR mn)	929	641	628	569	▼ (2.1%)	▼ (9.3%)
Retail NPLs (EUR mn)	255	261	236	227	▼ (9.4%)	▼ (4.0%)
Corporate NPLs (EUR mn)	552	347	310	268	▼ (10.7%)	▼ (13.5%)
NPL RATIOS						
Total NPL ratio (%)	3.7%	2.4%	2.1%	2.0%	▼ (0.3%p)	▼ (0.2%p)
Retail NPL ratio (%)	2.4%	2.3%	1.9%	1.9%	▼ (0.4%p)	▼ (0.1%p)
Corporate NPL ratio (%)	6.3%	3.7%	3.0%	2.5%	▼ (0.8%p)	▼ (0.4%p)
KEY RATIOS						
CAR (%)	18.3%	18.4%	18.5%	19.0%	▲ 0.2%p	▲ 0.4%p
ROE (%)	9.6%	11.3%	10.8%	21.4%	▼ (0.5%p)	▲ 10.5%p
ROA (%)	1.1%	1.2%	1.1%	2.1%	▼ (0.1%p)	▲ 1.0%p
CIR (%)	52.8%	59.5%	57.6%	43.4%	▼ (1.9%p)	▼ (14.2%p)
L/D (%)	68.7%	67.4%	69.3%	68.3%	▲ 1.9%p	▼ (1.0%p)
NIM (%)	2.5%	2.4%	2.7%	n/a	▲ 0.3%p	n/a
OPEX on avg. total assets (%)	1.7%	1.5%	1.5%	n/a	● 0.0%p	n/a
Cost of risk (%)	0.7%	-0.3%	0.1%	n/a	▲ 0.3%p	n/a

Source: BoS | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN SLOVENIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Nova Ljubljanska Banka	13,939	27.56%	1,603	160	1.2%	10.1%	State of Slovenia
2.	2.	●	Nova KBM	10,414	20.59%	998	116	1.1%	11.4%	OTP
3.	3.	●	SKB banka	4,420	8.74%	440	64	1.5%	14.6%	OTP
4.	4.	●	Banka Intesa Sanpaolo	3,692	7.30%	325	16	0.5%	5.0%	Intesa Sanpaolo
5.	5.	●	UniCredit Banka Slovenija	3,346	6.62%	310	41	1.3%	14.1%	UniCredit
6.	6.	●	Sid Banka	2,800	5.54%	451	8	0.3%	1.8%	State of Slovenia
7.	7.	●	Gorenjska Banka	2,311	4.57%	272	28	1.2%	10.8%	AIK
8.	8.	●	Delavska Hranilnica	1,989	3.93%	92	13	0.6%	14.4%	Private Individuals
9.	10.	▲	Sparkasse	1,742	3.44%	148	12	0.7%	8.1%	Erste
10.	11.	▲	Addiko Bank	1,330	2.63%	201	20	1.5%	10.1%	Addiko Bank AG
11.	9.	▼	N Banka	1,299	2.57%	196	4	0.3%	2.2%	NLB Group
12.	12.	●	Dezelna Banka Slovenije	1,190	2.35%	77	8	0.7%	10.3%	Kd Group d.d.
13.	13.	●	Hranilnica Lon	317	0.63%	20	1	0.2%	4.0%	Kylian Prime Group
14.	14.	●	Primorska Hranilnica	199	0.39%	9	1	0.4%	8.2%	No major shareholder
LISTED BANKS TOTAL				48,988	96.9%	5,141	490	1.0%	9.6%	
FOREIGN BRANCHES AND OTHER ENTITIES				1,587	3.1%	12	n/a	n/a	n/a	
TOTAL				50,575	100%	5,153	n/a	n/a	n/a	

Source: Annual reports

Please note that Sberbank was acquired by NLB Group in Q1 2022 and bank was renamed to N Banka.

Please note that Nova KBM was acquired by OTP in Q1 2021 and received clearance from ECB in Q3 2022.

M&A DEALS

The Slovenian banking sector has experienced nine announced deals over the past 8 years:

- In 2022, Nova Ljubljanska banka d.d. acquired a 100% stake in Sberbank banka d.d. for a consideration of EUR 5 million. The acquisition was fully aligned with the strategy of NLB to further strengthen its market position. The closing was completed in March 2022.
- In 2021, OTP Bank Hungary has acquired 100% stake in Nova KBM from Apollo Asset Management (80%) and EBRD (20%) for approximately EUR 900 mn. The transaction is expected to make OTP the market leader in Slovenia.
- In 2020, the Slovenian Sovereign Holding (Slovenian state-owned asset manager) sold Abanka to NKBM, owned by Apollo Global Management, amid strong investor interest. In September 2020, the banking regulators issued the necessary authorizations for the merger of #3 Abanka and #2 Nova KBM, which was the largest merger in Slovenian banking industry to date.
- In 2019, OTP Bank acquired 99.73% stake in SKB banka Ljubljana, from Société Générale. The acquisition was in line with OTP Bank's acquisition strategy to further strengthen their operations in CEE, of which growth in Slovenia was an important part. The closing was completed in December 2019.
- State-owned Nova Ljubljanska Banka (NLB), the country's largest bank, has undergone privatization, as a part of the governmental plan to decrease its ownership in the banking market. The NLB made a successful IPO in 2018. Deutsche Bank was appointed as the financial advisor of the Slovenian state.
- In 2018, Kylin Prime Group acquired majority stake in Hranilnica Lon to be present in the European market. Until 2019 Q4, Kylin Prime Group bought 27.5% stake in Lon, in two rounds.
- In 2017, Sava sold a 37.6% minority stake in Gorenjska Banka to the Serbian privately owned AIK Banka for an undisclosed consideration.
- In 2016, Nova Kreditna Banka Maribor (NKBM) was acquired by a US-based private equity firm, Apollo Global Management, and EBRD from the Government of Slovenia for EUR 250 mn. Apollo Global acquired 80%, while EBRD 20% stake in NKBM.
- Raiffeisen exited Slovenia via selling its two Slovenian entities, Raiffeisen Banka (in 2015) and KBS Banka (in 2017). Both entities were acquired by Apollo Global Management through, Biser Bidco and NKBM.

LIST OF BANKING M&A DEALS IN SLOVENIA 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2022	Sberbank	NLB	100.0%	5	Single Resolution Board / Sberbank
2021	Nova KBM	OTP Bank Plc	100.0%	900	Apollo Global Management, LLC; The European Bank for Reconstruction and Development
2020	Abanka	Nova KBM	100.0%	511	Slovenian State
2019	SKB banka	OTP	99.7%	n.a.	Société Générale
2018	Hranilnica Lon	Kylin Prime Group	27.5%	n.a.	n.a.
2017	Gorenjska Banka	AIK Banka	37.6%	n.a.	Sava
2017	KBS banka	Nova KBM	100.0%	n.a.	Raiffeisen
2016	Nova KBM	Apollo Global Management; EBRD	100.0%	250	Slovenian State
2015	Raiffeisen Banka	Apollo Global Management	100.0%	n.a.	Raiffeisen

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The top fintech categories are payment and cryptocurrency and blockchain firms based on the number of Slovenian fintech companies. These are followed by investment and banking infrastructure focused companies.

The fintech scene in Slovenia continues to thrive, showing resilience despite recent overall market downturns.

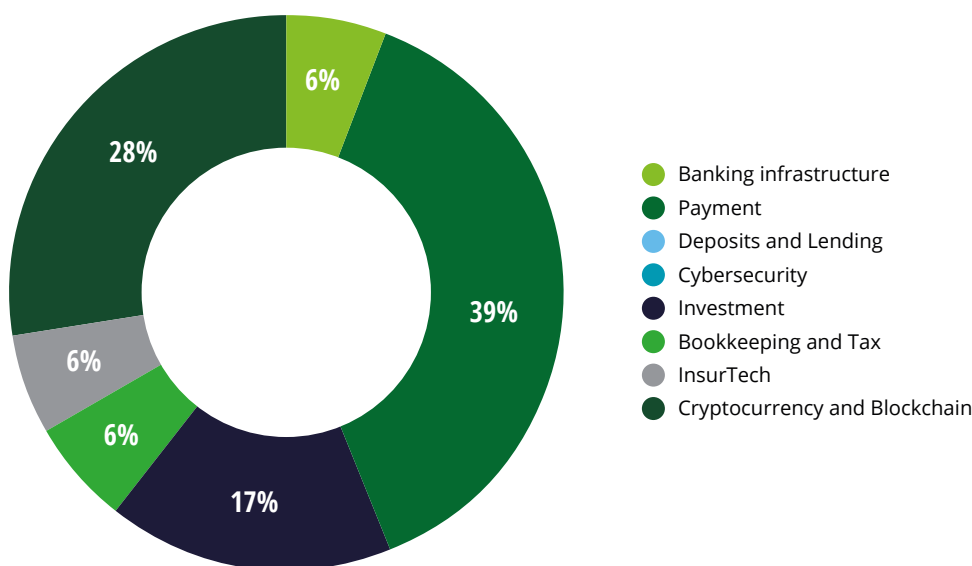
Fintech companies specializing in Cryptocurrency and Blockchain have the highest share of the overall market based

on revenue: the category has generated EUR 67.4 mn in revenue in 2022, accounting for 55% of the local fintech market.

Companies in the Payments category had a negative average net income margin in Slovenia in 2022, while the Bookkeeping and Tax and the Cryptocurrency and Blockchain companies were the most profitable with net profit margins of 26% and 25% respectively.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



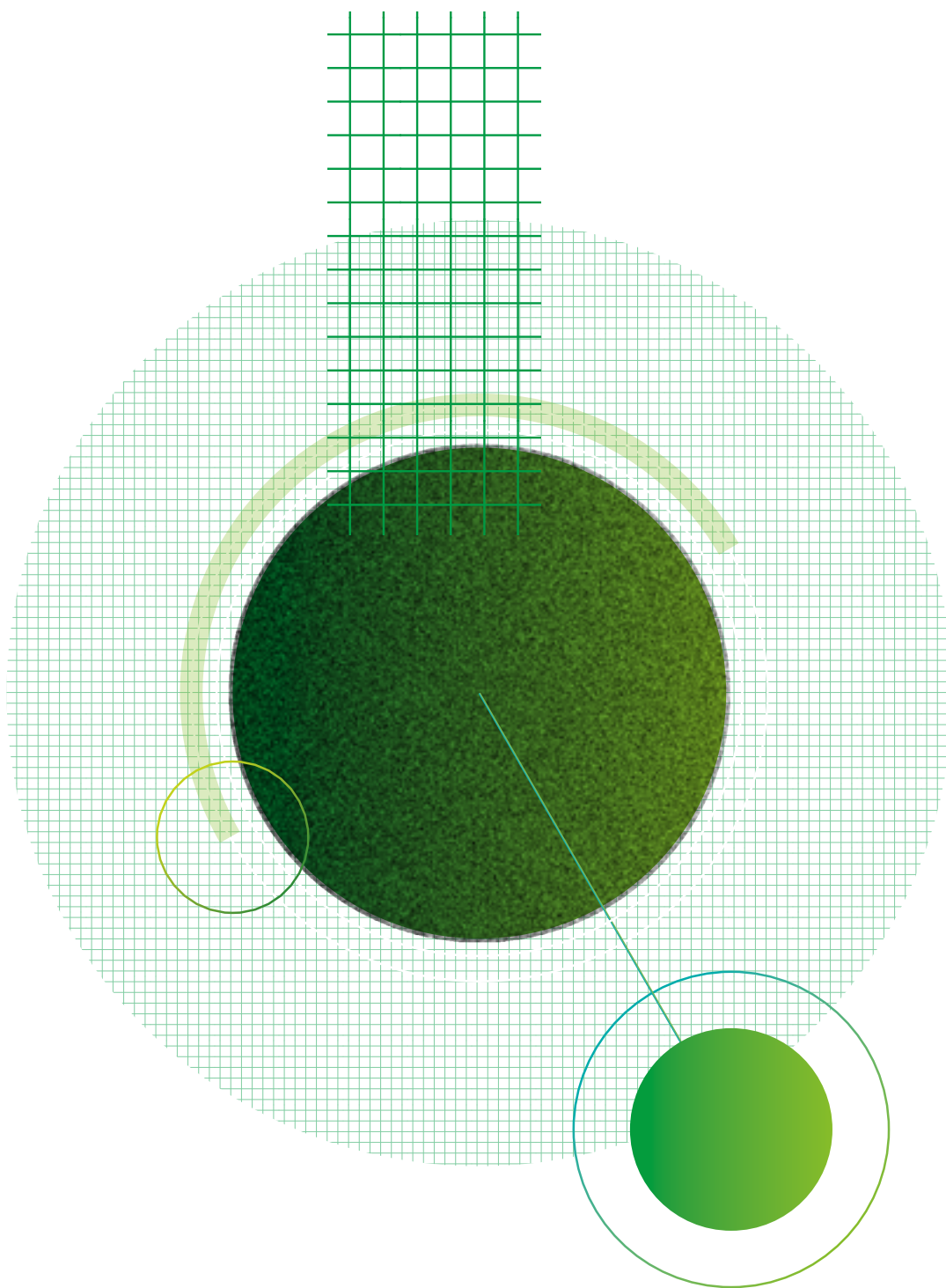
Source: Deloitte Intelligence

TOP 10 SLOVENIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	CargoX	Cryptocurrency and Blockchain	CargoX Ltd is a global company specializing in document transfer solutions, based on blockchain transaction and an ownership validation platform.	n.a.	no / n.a	67.4	20.4	16.8	10.6
2	Bitstamp, storitive, d.o.o.	Investment	Bitstamp is a cryptocurrency exchange based in Luxembourg. It allows trading between fiat currency, bitcoin and other cryptocurrencies. It allows USD, EUR, GBP, bitcoin, ALGO, XRP, Ether, litecoin, bitcoin cash, XLM, Link, OMG Network, USD Coin or PAX deposits and withdrawals.	n.a.	no / n.a	26.6	1.8	1.3	3.3

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
3	Bitstamp d.o.o.	Investment	Bitstamp is a cryptocurrency exchange based in Luxembourg. It allows trading between fiat currency, bitcoin and other cryptocurrencies. It allows USD, EUR, GBP, bitcoin, ALGO, XRP, Ether, litecoin, bitcoin cash, XLM, Link, OMG Network, USD Coin or PAX deposits and withdrawals.	n.a.	no / n.a	18.0	1.6	1.0	2.6
4	mBills	Payment	mBills offers payment experience anywhere, anytime. Paying by phone in Slovenia, and for online purchases and abroad there is a mBills Mastercard card®. You can also connect your card to Garmin, Fitbit, and Apple devices that make you pay.	n.a.	no / n.a	2.7	(0.9)	(1.1)	3.4
5	ICONOMI	Investment	Technical service that allows anyone from beginners to blockchain experts to invest in and manage digital assets. ICONOMI enables users to invest in and manage various digital assets and combinations of digital assets called Digital Asset Arrays™.	n.a.	no / n.a	2.2	0.2	0.0	2.5
6	Borza terjatev	Payment	Enables companies to obtain funding by selling off their invoices in an online auction on an organized exchange.	n.a.	no / n.a	2.2	(0.0)	0.1	0.4
7	Paywiser	Payment	Established in 2017, Paywiser is a global FinTech company focused on providing businesses with a singular platform to manage their payment issuance and acceptance operations.	n.a.	no / n.a	0.7	0.1	0.1	0.5
8	LEANPAY	Payment	Leanpay is an omni-channel POS financing company that aims to disrupt consumer loans segment, and help consumers buy products they need.	n.a.	no / n.a	0.5	(1.9)	0.5	0.2
9	Eligma	Payment	Eligma d.o.o. is an Android developer that currently has 2 apps on Google Play, is active since 2018, and has in total collected about 100 thousand installs and 366 ratings.	n.a.	no / n.a	0.5	(3.2)	(5.2)	4.0
10	Lab4Pay	Payment	Lab4Pay, as an integrator of payment systems and software solutions for SMEs, manages a network of advanced certified Android POS terminals through which we enable our users all the solutions they need for a business without a good performance. Pos terminals integrate solutions for SMEs developed on Android, covering both tax coffers, ordering programs, customer satisfaction measurement programs, loyalty programs and other add-ons to enable high-value-added services.	n.a.	no / n.a	0.4	(0.1)	(0.1)	0.3

Source: Deloitte Intelligence





Croatia

Croatia began 2023 with a sense of cautious optimism, driven by the stabilization of global supply chains, the reopening of China, and reduced energy costs. However, the economic outlook remains somewhat uncertain, as it is overshadowed by ongoing geopolitical situations.

Croatia's entry into the euro zone in 2023 led to significant changes, including the transfer of interest rate setting responsibilities to the European Central Bank (ECB). This move has contributed to an improvement in the stability of the Croatian financial market, through the reduction of the currency risk.

In 2022, the Croatian economy expanded substantially by 14.9% in nominal and 6.2% in real terms, owing to EU fund supported investments and strong foreign demand for services. The GDP growth is expected to decline slightly and grow in a rather balanced manner in 2023.

Inflation has slowed down in the first half of 2023 from 10.8% in 2022 to 5.8% in October 2023. This is primarily due to the decrease of energy prices, but since core inflation persists, an inflation rate of 8.0 is expected in 2023 with a gradual decline after that.

In terms of total assets, the banking sector grew by ca. 14.1% in 2022, primarily driven by an increase in the outstanding loans (ca. +14.6%). However, in the first half of 2023, Croatian banks have started tightening the lending conditions, which has led to a 5.4% decrease in the outstanding loan balance. Furthermore, the lending and deposit rates are expected to increase by ca. 2.7%p and

3.8%p for loans and deposits, respectively (from ca. 1.9% and 0.1% as of 2022).

On the retail side, government-subsidized housing loans were the main driver for the 5.4% growth in household lending in 2022. Adding to this, the first half of 2023 shows a further 4.2% increase in the volume of lending, due to newly introduced housing loan subsidies for households, the risks associated with interest rates decreased, as a result of the introduction of the national reference rate (NRR).

On the corporate side, corporate loan interest rates increased by 2.5% in Q1 2023, which trend is expected to continue further in 2023. A growth in lending to non-financial corporations gained momentum in 2022, evidenced by a 21.1% increase in the outstanding loan balance. This was driven by the large demand for working capital loans primarily to finance current operations against rising costs. In the first half of 2023, the lending growth slowed down to 4.7%.

The loan quality continued to improve in 2022. With the reduction of non-performing loans, due to early repayments and the growth of new (performing) lending, the total NPL ratio has decreased by 1.3%p in 2022 and remained at the same level of 3.0% in the 1st half of 2023. The decline in NPL ratio was greater in the case of corporations, but households still maintained a lower NPL ratio.

Profitability of Croatian banks have slightly declined to 8.2% as of 2022, from 8.8% as of 2021. In the first half of 2023, profitability improved substantially to ca. 16.8%, with banks benefiting from an environment of rising interest rates.

The improvement in the return on equity is also mirrored in the return on assets, which increased from 1.0% to 1.9% between 2022 and 23H1.

Rising costs due to administrative expenses, mainly the upgrade of information systems to adjust to the euro introduction temporary impacted cost effectiveness. There was a slight increase in the cost to income ratio to 52.5% in 2022, from 48.7% as of 2021, which had improved by 10.6%p to 41.9% in 2023.

High liquidity, guided by strategic monetary policy adjustments during the integration into the euro area, has strengthened the sector against potential disruptions.

Notably, cash reserves and central bank deposits played a crucial role in maintaining this stability. The recalibration of foreign exchange market indicators reflects Croatia's adaptability to the changing global financial landscape, showcasing the nation's ability to respond to evolving dynamics.

There were 20 banks and one home savings bank (Wüstenrot stambena štedionica d.d.) operating in Croatia at the end of 2022, of which the largest five banks possessed 83.1% of the total assets which shows a slight 1.6%p increase compared to the previous year. Since these banks are affiliates of European banking groups, the share of foreign ownership remained high in 2022. There were no significant changes in the ranking of banks.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	50,477	58,244	66,942	74,100	▲ 14.9%	▲ 10.7%
Nominal GDP / capita (LCY k)	12.3	14.3	16.6	18.5	▲ 15.8%	▲ 11.3%
Nominal GDP (EUR mn)	50,477	58,244	66,942	74,100	▲ 14.9%	▲ 10.7%
Nominal GDP / capita (EUR k)	12.3	14.3	16.6	18.5	▲ 15.8%	▲ 11.3%
GDP (% real change pa)	(8.5)	13.1	6.2	2.5	▼ (6.9%p)	▼ (3.7%p)
FINANCIAL MARKETS						
Lending interest rate (%)	1.9	1.9	1.9	4.6	● 0.0%p	▲ 2.7%p
Deposit interest rate (%)	0.1	0.1	0.1	3.9	● 0.0%p	▲ 3.8%p
Consumer prices (% change pa)	0.2	2.6	10.8	8.0	▲ 8.2%p	▼ (2.8%p)
Average EURLCY	1.0	1.0	1.0	1.0	● 0.0%	● 0.0%
Average USDLCY	0.9	0.8	0.9	0.9	▲ 12.3%	▼ (2.7%)
PUBLIC DEBT						
Public debt (% of GDP)	86.9	78.3	68.8	56.9	▼ (9.5%p)	▼ (11.9%p)
Budget balance (% of GDP)	(7.3)	(2.5)	0.4	(0.9)	▲ 2.9%p	▼ (1.3%p)
POPULATION						
Population (mn. pers.)	4.1	4.1	4.0	4.0	▼ (0.7%)	▼ (0.5%)
Unemployment rate (%)	9.0	8.1	6.8	5.8	▼ (1.3%p)	▼ (1.0%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	61,772	66,911	76,328	74,290	▲ 14.1%	▼ (2.7%)
Asset penetration (%)¹	122.4%	114.9%	114.0%	100.3%	▼ (0.9%p)	▼ (13.8%p)
Total equity (EUR mn)	8,257	8,740	8,495	8,192	▼ (2.8%)	▼ (3.6%)
Total loans (EUR mn)	51,628	55,561	63,684	60,268	▲ 14.6%	▼ (5.4%)
Loan penetration (%)²	102.3%	95.4%	95.1%	81.3%	▼ (0.3%p)	▼ (13.8%p)
Retail loans (EUR mn)	18,236	18,910	19,925	20,764	▲ 5.4%	▲ 4.2%
Corporate loans (EUR mn)	11,829	11,695	14,164	14,824	▲ 21.1%	▲ 4.7%
Other loans (EUR mn)	21,563	24,956	29,595	24,680	▲ 18.6%	▼ (16.6%)
NPL VOLUMES						
Total NPLs (EUR mn)	2,800	2,405	1,919	1,802	▼ (20.2%)	▼ (6.1%)
Retail NPLs (EUR mn)	1,293	1,240	995	950	▼ (19.7%)	▼ (4.5%)
Corporate NPLs (EUR mn)	1,476	1,155	910	834	▼ (21.2%)	▼ (8.4%)
NPL RATIOS						
Total NPL ratio (%)	5.4%	4.3%	3.0%	3.0%	▼ (1.3%p)	▼ (0.0%p)
Retail NPL ratio (%)	7.1%	6.6%	5.0%	4.6%	▼ (1.6%p)	▼ (0.4%p)
Corporate NPL ratio (%)	12.5%	9.9%	6.4%	5.6%	▼ (3.5%p)	▼ (0.8%p)
KEY RATIOS						
CAR (%)	25.6%	25.9%	24.8%	23.2%	▼ (1.0%p)	▼ (1.6%p)
ROE (%)	4.4%	8.8%	8.2%	16.8%	▼ (0.6%p)	▲ 8.6%p
ROA (%)	0.6%	1.2%	1.0%	1.9%	▼ (0.2%p)	▲ 0.9%p
CIR (%)	55.0%	48.7%	52.5%	41.9%	▲ 3.8%p	▼ (10.6%p)
L/D (%)	107.1%	105.8%	105.3%	102.7%	▼ (0.5%p)	▼ (2.6%p)
NIM (%)	2.5%	2.2%	2.1%	n/a	▼ (0.1%p)	n/a
OPEX on avg. total assets (%)	1.7%	1.6%	1.6%	n/a	● (0.0%p)	n/a
Cost of risk (%)	0.9%	0.3%	0.2%	n/a	▼ (0.1%p)	n/a

Source: HNB | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

Please note that the fixed EUR/HKR exchange rate of 7.5345 was used for the data provided by the Croatian National Bank on the date of the transition to EUR (1/1/2023).

LIST OF BANKS IN CROATIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Zagrebacka Banka	19,967	26.2%	2,386	238	1.3%	9.7%	UniCredit
2.	2.	●	Privredna Banka Zagreb	15,839	20.8%	2,115	189	1.3%	9.0%	Intesa Sanpaolo
3.	3.	●	Erste&Steiermakische Bank	13,614	17.8%	1,193	130	1.1%	10.7%	Erste Group
4.	4.	●	OTP Banka Hrvatska	7,648	10.0%	921	90	1.3%	9.8%	OTP
5.	5.	●	Raiffeisenbank Austria Zagreb	6,354	8.3%	691	37	0.6%	5.4%	Raiffeisen
6.	6.	●	Hrvatska Poštanska Banka	4,563	6.0%	347	18	0.4%	5.0%	State of Croatia
7.	7.	●	Addiko Bank	2,286	3.0%	360	7	0.3%	1.8%	Addiko Bank AG
8.	8.	●	Nova Hrvatska Banka	1,233	1.6%	121	(33)	-2.4%	-23.5%	GIP Pionir d.o.o.
9.	9.	●	Istarska Kreditna Banka Umag	702	0.9%	55	6	0.9%	10.4%	Intercommerce d.o.o.
10.	11.	▲	Podravska Banka	607	0.8%	57	2	0.3%	2.6%	Assicurazioni generali-societa per azioni
11.	10.	▼	Agram Banka	573	0.8%	55	6	1.1%	10.4%	Agram Life Osiguranje
12.	12.	●	KentBank	541	0.7%	57	4	0.8%	7.9%	Suzer Holding AS
13.	13.	●	Karlovacka Banka	439	0.6%	37	6	1.4%	18.2%	Private Individual
14.	14.	●	Partner Banka	285	0.4%	37	1	0.5%	3.9%	Metroholding d.d.
15.	15.	●	Wüstenrot stambena stedionica**	280	0.4%	20	2	0.6%	8.5%	Bausparkasse Wüstenrot AG
16.	16.	●	Croatia Banka	244	0.3%	17	2	0.8%	12.8%	State Agency for Deposit Insurance
17.	19.	▲	Slatinska Banka (SB-S)	212	0.3%	21	1	0.4%	3.7%	SAJBAR LEVEL INS, Urban capital
18.	18.	●	Banka Kovanica	211	0.3%	23	3	1.4%	12.7%	Cassa di Risparmio della Repubblica di San Marino
19.	20.	▲	Imex Banka	159	0.2%	13	2	0.9%	11.0%	Private Individual
20.	22.	▲	J&T Banka	88	0.1%	13	(2)	-2.4%	-16.3%	J&T Banka a.s.
21.	23.	▲	Samoborska Banka	88	0.1%	9	1	1.5%	15.2%	Aquae Vivae d.d.
LISTED BANKS TOTAL				75,934	100%	8,549	708	1.0%	8.1%	
FOREIGN BRANCHES AND OTHER ENTITIES				n/a	n/a	n/a	n/a	n/a	n/a	
TOTAL				75,934	100%	8,549	708	1.0%	8.1%	

Source: Annual reports of banks, thebanks.eu

*PBZ stambena stedionica was merged with Privredna Banka Zagreb in H1 2022.

**Mortgage and savings banks

Please note that on 13 April 2022, resolution proceedings against Sberbank d.d. u sanaciji ended, and as of 14 April 2022, the bank continued to operate under the name Nova Hrvatska Banka d.d.

Please note that Nova Hrvatska Banka d.d. merged with Hrvatska Poštanska Banka d.d. in 2023 and is therefore no longer listed independently as an authorized bank.

Please note that PBZ stambena stedionica d.d. merged with Privredna Banka Zagreb d.d. on 15 June 2022.

Please note that Raiffeisen stambena stedionica d.d. merged with Raiffeisenbank Austria d.d. on 2 May 2022.

M&A DEALS

There have been seven major acquisitions in the Croatian banking market in recent years.

- In 2022, the Single Resolution Board determined that Sberbank d.d. was likely to default due to a sudden loss of liquidity. In collaboration with the National Bank of Croatia, the resolution process started and it was decided that the sale of Sberbank is the optimal solution. Hrvatska Poštanska Banka acquired Sberbank for EUR 9.4 mn and continued its operations under the name Nova Hrvatska Banka. In 2023, Nova Hrvatska Banka legally merged with Hrvatska poštanska Banka in a merger-by-acquisition process. The merger resulted only in the transfer of assets and liabilities of Nova Hrvatska Banka to HPB and did not lead to any changes in the HPB shareholding structure.
- In 2022 September, UniCredit SpA, the Italy based financial services company offering retail, commercial and investment banking services has announced to acquire 11.72% of Zagrebacka Banka dd, the Croatia based commercial bank from Allianz SE, the Germany based financial services company offering life, health, property and casualty insurance and reinsurance, as well as banking and asset management services. The consideration was EUR 323 mn based on a one-day prior price of HRK 64.8. With the transaction completed at the end of December 2022, UniCredit SpA owns 96.2% of Zagrebacka Banka dd.
- In 2018, state-owned Hrvatska Poštanska Banka (HPB) acquired Jadranska Banka which had financial difficulties. Through the transaction, HPB aimed to achieve higher market efficiency, cost savings and increased customer reach.
- In 2018, Intesa Sanpaolo's Croatian subsidiary, Privredna Banka Zagreb, acquired Veneto Banka from the Italian Veneto Banca. The transaction was in line with Intesa Sanpaolo's strategy to expand its presence in Croatia.
- In 2017, OTP Banka Hrvatska acquired Splitska Banka from Société Générale, which significantly strengthened OTP's position in the Croatian market. After the acquisition, OTP became the fourth largest group in the market with 8.8% market share at the end of 2019.
- In 2016, a Croatia-based undisclosed bidder acquired Banca Kovanica, from Cassa di Risparmio Della Repubblica di San Marino and a subsidiary of Banca Carige.
- In 2015, the US-based private equity Advent and EBRD acquired Hypo Group Alpe Adria for EUR 200 mn, in an 80%/20% proportion. The Southeast European Network incorporated banks in five countries, Slovenia, Croatia, Bosnia-Herzegovina, Serbia and Montenegro. Advent then performed a comprehensive rebranding and introduced the Addiko Bank brand. In July 2019, Addiko made a successful IPO on the Vienna Stock Exchange, valuing Addiko at EUR 312 mn.

LIST OF BANKING M&A DEALS IN CROATIA 2015 - 2023

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2022	Zagrebacka Banka d.d.	UniCredit Group	11.72%	323	Allianz SE
2022	Sberbank Croatia	Hrvatska Postanska Banka	100.00%	9	Single Resolution Board / Sberbank
2018	Jadranska Banka	Hrvatska Postanska Banka	100.00%	15	Local Agency for Deposit Insurance and Bank Resolution
2018	Veneto Banka	Intesa Sanpaolo	100.00%	20	Veneto Banca
2017	Societe Generale Splitska Banka	OTP	100.00%	n.a	Société Générale
2016	Banka Kovanica	Undisclosed bidder	100.00%	n.a	Cassa di Risparmio della Repubblica di San Marin
2015	Addiko Bank	Advent International Corp. (80%); EBRD (20%)	100.00%	200	Heta Asset Resolution

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The fintech market segment in Croatia experienced growth during the Covid-19 pandemic due to reduced mobility and evolving consumer preferences. Similar to trends in Europe, the Croatian market witnessed the rapid expansion of fintech businesses. This growth brought forth various new opportunities for users, including reduced costs and expanded access to finances for individuals previously excluded from the financial sector. Unlike the period after the global financial crisis, banks faced competition in multiple areas such as custody, payment operations, and lending. The changing landscape and increased adoption of fintech solutions is well reflected in the notable example of Aircash, the first Croatian multi-currency cash wallet. Its application, the most downloaded payment application in Croatia, saw a significant increase in users, rising from 150 thousand in 2021 to over 600 thousand in 2022. In 2022, Aircash was available in Croatia, Slovenia, Germany, Austria and Romania, and is planning to expand to other EU countries, Switzerland, UK and USA. One of their key steps in expansion during 2022 was the introduction of Aircash Mastercard card.

According to Croatian National Bank („CNB“), at the end of 2021 there were approximately 57 companies operating in Croatia that can be considered as fintech companies in a wider sense. In comparison to banks, these companies registered a strong rise in assets, staff numbers and operating income after 2015. As for their specialization, according to the CNB 50% of the industry lists software design and development as its core activities, while among the most represented activities are retail development and crypto assets. Nevertheless, as in the previous few years, the bulk of revenues of fintech companies comes from design and software development. The profitability of fintech companies considerably exceeds that of banks as they registered a return on equity of some 35% in the period from 2015 to 2020, considerably higher than banks.

While globally important banks regularly acquire fintech companies, incorporating them into their groups, in Croatia partnerships are more frequent, or else the bank will establish a separate company. The benefits for banks are primarily mirrored in technological advancement that, for the time being, results in better user experience but not better cost efficiency. In Croatia, Erste bank can be outlined with its payment application KEKS Pay, Privredna Banka Zagreb with its digital banking application, Nova Hrvatska Banka with its MINT@Nova service and Addiko bank with the Addiko Mobile application.

Following global trends of decentralized financials, Croatia has seen a rise in successful fintechs specialized in blockchain technology.

The Croatian fintech market has been enriched with the first software application in the portfolio management robo-advisory segment, Genius by Intercapital. The algorithm calculates the clients risk capacity and tolerance based on a short inquiry and advises on the optimal investment portfolio.

The Croatian National Bank supports national fintech companies through their Innovation hub. The initiative is to help fintech companies, primarily those developing innovations in providing banking and payment services, in understanding the regulations and terms that they must be compliant with.

The Croatian Financial Services Supervisory Agency's (HANFA) regulatory Innovation Hub covers all other financial products in the RegTech and InsurTech domains. Its function is to provide support and advice regarding regulatory, supervisory, and legal issues that companies encounter in the development of fintech products.

To introduce high-quality fintech projects to Croatia, FinTech Hub Croatia was founded through a collaboration between Endava and FIVE. This initiative brings together a team of software development experts and build engineering teams dedicated to creating innovative financial solutions for the region.

Money Motion, the largest regional fintech conference, took place in Zagreb on March 9th and 10th, 2023. The conference brought together over 30 industry leaders and more than 50 brands to discuss the present and future of fintech.

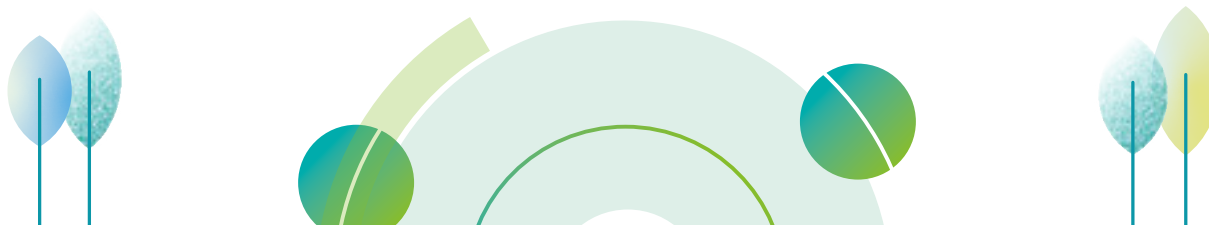
M&A TRENDS

In March 2023 Amodo, the first Croatian InsurTech startup, was acquired by Cambridge Mobile Telematics. Amodo will continue its business under the CMT name.

In October 2022 Halcom, a leading provider of innovative solutions for payment systems, acquired a Croatian innovative supplier of CRM systems - Insite.

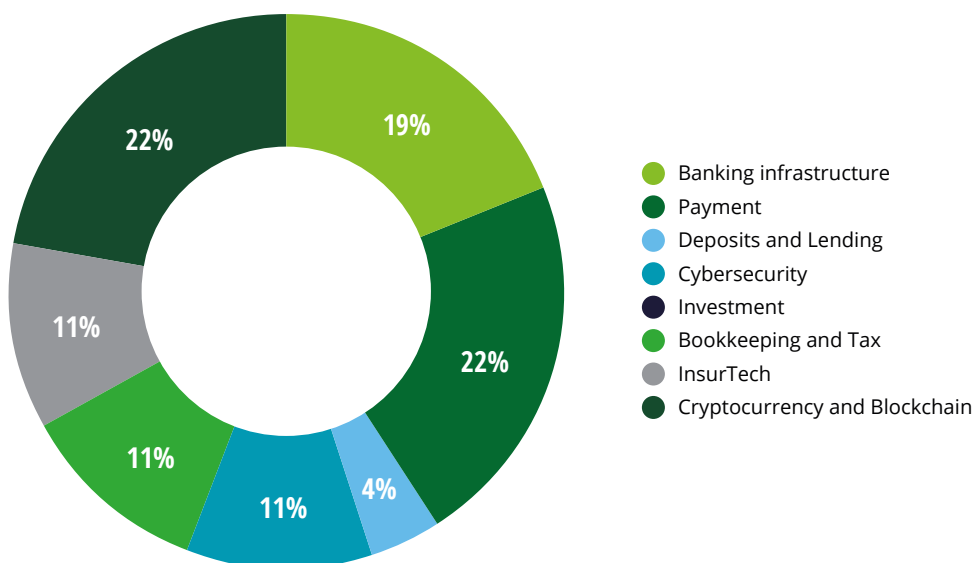
In 2022 the Netherlands-based Invera Private Equity Fund acquired a 70% stake in Kompore Online d.o.o. via its subsidiary in Croatia.

In 2021, Slovenia's largest private equity fund Alfi has acquired a majority stake in Električni Računi d.o.o.



FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

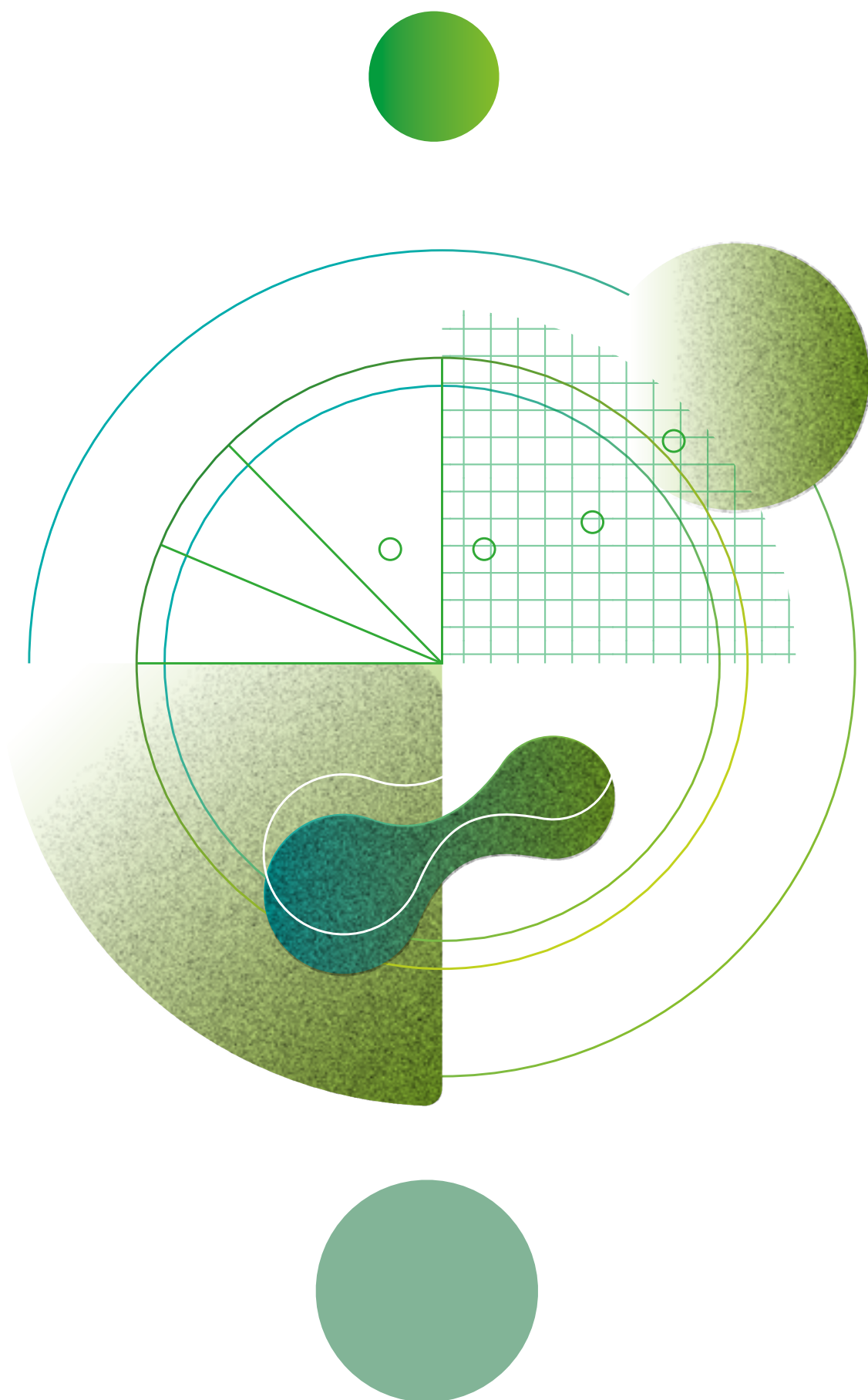
TOP 20 CROATIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	Electrocoin	Cryptocurrency and Blockchain	Electrocoin d.o.o. deals with mediation in cryptocurrency trading and processing of crypto payments. The company's core business includes selling and buying cryptocurrencies from physical, legal and institutional clients and enabling merchants to accept payments in cryptocurrencies in Croatia and the rest of the European Union.	Private	No / n.a.	76.1	(0.0)	(0.0)	1.3
2	Nexi Croatia	Payment	Nexi Croatia is a part of the Nexi Group, a European PayTech. The company specializes in technological infrastructure and services for financial institutions, central banks, companies, and public bodies in the field of payments, cards, network services, and capital markets.	Private	No / n.a.	52.9	13.7	5.2	52.6
3	Asseco	Banking infrastructure	Asseco specializes in the development, integration and implementation of core banking solutions based on Microsoft and Oracle platforms, Business Intelligence banking systems and Internet banking solutions, mobile and security solutions and contact center solutions. Secondly, the company is specialized in products (terminal equipment), services and solutions related to payments in general, and especially for business with payment cards.	Private	No / n.a.	27.3	2.3	0.7	4.2
4	Aircash	Payment	First Croatian multi-currency e-wallet and issuer of the Aircash Mastercard prepaid card.	Private	No / n.a.	20.1	8.7	7.0	11.3

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
5	Microblink	Cyber-security	Microblink is a high-tech company engaged in research and development in the field of computer vision and artificial intelligence. Their technology replaces manual data entry on mobile devices, i.e. enables automatic data entry using the camera of mobile devices.	Private	Yes	14.1	(9.0)	(7.6)	(6.1)
6	Elektronički računi	Book-keeping and Tax	The company is an intermediary for the exchange of e-invoices and other electronic documents which are managed in everyday business.	Private	No / n.a.	5.4	1.9	1.2	2.6
7	Monri Payments	Payment	Monri Payments offers solutions for card payments on POS terminals in stores and online shops. With its solutions, the company secures every fifth transaction in Croatia. In addition to processing payments, the company is also engaged in software for fiscal cash registers and business operations focused on the hospitality and retail sectors.	Private	No / n.a.	4.8	0.5	0.4	0.6
8	Oradian	Banking infrastructure	Enabler for banks, fintechs and other financial institutions to scale rapidly and launch new products in emerging markets.	Private	Yes	3.9	0.3	(0.4)	1.8
9	Amodo	InsurTech	The Amodo platform enables insurance carriers and brokers to create usage-based products build on insurance telematics.	Private	No / n.a.	1.8	0.1	(0.5)	0.1
10	Insite	Book-keeping and Tax	Insite offers CRM solutions, primarily focusing on retailing, retail and corporate banking sectors. Their Customer Data Platform (CDP) uses AI, machine learning and workflows to unify all distribution channels and business platforms.	Private	No / n.a.	1.7	0.7	0.7	1.2
11	Bitcoin Store	Cryptocurrency and Blockchain	Bitcoin Store offers the service of buying, selling and storing cryptocurrencies.	Private	No / n.a.	1.5	0.1	0.1	1.3
12	Corvus-Pay	Payment	Corvus Pay is a payment institution licensed by the Croatian National Bank, which offers the payment initiation service. The service automatizes wire transfers for online shoppers and merchants. It allows the buyers to make payments in web shops directly from their accounts to merchant accounts, as if they were paying via the Internet or mobile banking without using their cards.	n.a.	No / n.a.	1.3	0.3	0.2	0.8
13	Kompare	InsurTech	The company operates as a platform where customers can use their online tool to get a comparison of insurance, telecom and electricity offers.	Private	No / n.a.	1.3	(0.2)	0.0	1.3
14	Fonoa	Book-keeping and Tax	Fonoa helps digital platforms and marketplaces understand whether their customers and suppliers are taxable, determine and calculate what taxes apply to their transactions, automatically generate locally compliant invoices, and report their transactions to tax authorities in real-time or periodically.	Private	yes	1.2	0.1	0.1	0.3

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
15	Cantab PI	Cyber-security	Cantab PI specializes in optimizing marketing and sales in Life Sciences by Machine Learning and Advanced Analytics, and for automating and rapid deployment of Artificial Intelligence for multiple use cases in retail banking.	Private	No / n.a.	0.8	0.2	0.2	0.3
16	Identityum	Cyber-security	Identityum provides a platform for frictionless and legally compliant customer digital onboarding, authentication, data sharing and document signing.	Private	No / n.a.	0.7	0.1	0.0	0.0
17	Primex	Payment	Primex is a payment service provider licensed by the Croatian National Bank. The company offers credit card processing and eCard services.	n.a.	No / n.a.	0.4	(0.1)	(0.2)	0.3
18	P2P Finance	Deposits and Lending	The P2P platform is the first peer-to-peer finance platform for businesses in Croatia.	Private	No / n.a.	0.2	(0.0)	(0.0)	0.0
19	Farseer	Banking infrastructure	Farseer is specialized in low-code SaaS for financial modeling, planning, and analytics.	Private	Yes	0.2	(0.3)	(0.3)	0.1
20	Leanpay	Payment	Leanpay is a company that enables its clients to make fully digital installment payments. The service is available anytime and anywhere, regardless of which bank you receive your salary from, without paperwork and going to the bank.	Private	Yes	0.1	(0.4)	(0.4)	0.1

Source: Deloitte Intelligence





Bulgaria

Bulgaria experienced a real GDP growth of 4.2% in 2022, mainly due to private consumption supported by real wage growth, negative real interest rates and fiscal transfers. This growth had a positive impact on the labor market, as unemployment declined by 1.1%p to 4.6%

Annual inflation has reached 15.3% by the end of 2022 mainly pressured by the rise in the prices of energy and agricultural products affected by the war in Ukraine. Inflation has started to ease and is expected to decline to 9.7% by the end of 2023.

The banking sector in Bulgaria has expanded impressively by 14.6% in 2022 from EUR 69.2 bn to EUR 79.3 bn in terms of total assets as total loans showed a significant 16.5% increase for the same period. All sectors contributed to the growth in total outstanding loans, however, loans to governments, credit institutions and other financial corporations increased substantially by 36.9% in 2022.

In the first half of 2023, Bulgaria's banking sector underwent significant transformations. The total outstanding loan balance saw a substantial increase of 12.6% compared to 2022 year-end, reaching EUR 55.2 bn in 2023H1, primarily due to loans to entities like the central bank, government bodies, or other credit institutions. Loans to households grew by 7.4%, and loans to non-financial corporations also increased by 4.0%.

The quality of the banking system's credit portfolio improved, similarly to the previous quarter. As of 2023H1, total non-performing loans and advances decreased by EUR 172 mn (7.6%) compared to the end of December 2022, primarily driven by write-offs and the sale of non-performing loans.

Additionally, the countercyclical capital buffer rate was raised from 1.0% to 1.5% in January and to 2.0% in October 2023 – in an attempt to gradually cool down the real estate market and persistently high credit growth rates, leading to an increase in the required capital for this buffer. As of the end of H1 2023,

capital exceeding regulatory requirements and set buffers amounted to EUR 1.7 bn on a sector level. The sector had a slightly higher capital adequacy ratio of 21.4% at the end of H1 2023 compared to 20.9% in 2022.

Operating in an environment characterized by elevated inflation and uncertainty, the sector anticipated a slowdown in economic growth (only 2.7% increase of Nominal GDP at 2023E in comparison with 20.7% in 2022 year-end). However, the rapid increase in credit volumes (12.6% growth in 2023H1 compared to 2022 year-end) and attractive cost of funding (low deposit rates) boosted banks' interest income by 53.1% (on annualized basis). This, combined with modest growth of 3.9% (on an annualized basis) in fee and commission income, contributed to improved profitability indicators. Net operating income had reached EUR 1.7 bn by 2023H1, which is 31.6% more compared to the first half of 2022. As a result of the increased profit, return on assets improved to 2.1% and return on equity reached 18.4% in June 2023 which is a 6.4%p increase compared to the previous year-end's return.

The number of banks operating in Bulgaria has not changed in 2022. DSK Bank moved above Unicredit Bank in terms of market share. Most banks in the Bulgarian banking sector are privately owned, with the exception of the state-owned Bulgarian Development Bank. Internationally owned banks dominate, with First Investment Bank, Central Cooperative Bank, Invest bank, International Asset Bank, BACB and Texim being in local hands.

In 2022, Eurobank Bulgaria AD announced the acquisition of BNP Paribas Personal Finance Bulgaria, a bank with more than 270,000 clients. The deal was completed in June 2023, strengthening Eurobank's position in the Bulgarian retail sector.

In 2023, KBC Bank Bulgaria officially merged with UBB, which will become the largest bank in terms of assets based on 2022 year-end data. KBC Bank Bulgaria, previously Raiffeisenbank (Bulgaria) EAD had been acquired and renamed by UBB in 2022 for EUR 1.01 bn.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	120,492	138,979	167,809	172,281	▲ 20.7%	▲ 2.7%
Nominal GDP / capita (LCY k)	17.4	21.3	25.9	26.7	▲ 21.3%	▲ 3.1%
Nominal GDP (EUR mn)	61,513.1	71,006.3	85,601.0	88,077.1	▲ 20.6%	▲ 2.9%
Nominal GDP / capita (EUR k)	8.9	10.9	13.2	13.6	▲ 21.1%	▲ 3.4%
GDP (% real change pa)	(4.0)	7.1	4.2	2.1	▼ (2.9%p)	▼ (2.1%p)
FINANCIAL MARKETS						
Lending interest rate (%)	4.3	4.1	3.7	4.4	▼ (0.4%p)	▲ 0.7%p
Deposit interest rate (%)	0.0	0.0	0.0	0.4	● 0.0%p	▲ 0.4%p
Consumer prices (% change pa)	1.7	3.3	15.3	9.7	▲ 11.9%p	▼ (5.6%p)
Average EURLCY	2.0	2.0	2.0	2.0	▲ 0.2%	▼ (0.2%)
Average USDLCY	1.7	1.7	1.9	1.8	▲ 12.5%	▼ (2.9%)
PUBLIC DEBT						
Public debt (% of GDP)	24.6	23.9	22.6	26.3	▼ (1.4%p)	▲ 3.7%p
Budget balance (% of GDP)	(2.9)	(2.8)	(0.8)	(3.0)	▲ 2.0%p	▼ (2.2%p)
POPULATION						
Population (mn. pers.)	6.9	6.5	6.5	6.5	▼ (0.5%)	▼ (0.5%)
Unemployment rate (%)	7.4	5.7	4.6	5.2	▼ (1.1%p)	▲ 0.6%p

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	63,307	69,183	79,274	82,353	▲ 14.6%	▲ 3.9%
Asset penetration (%)¹	102.9%	97.4%	92.6%	93.5%	▼ (4.8%p)	▲ 0.9%p
Total equity (EUR mn)	7,837	8,485	8,815	9,373	▲ 3.9%	▲ 6.3%
Total loans (EUR mn)	39,145	42,079	49,041	55,211	▲ 16.5%	▲ 12.6%
Loan penetration (%)²	63.64%	59.26%	57.29%	62.69%	▼ (2.0%p)	▲ 5.4%p
Retail loans (EUR mn)	13,213	15,055	17,316	18,604	▲ 15.0%	▲ 7.4%
Corporate loans (EUR mn)	19,421	20,582	22,908	23,833	▲ 11.3%	▲ 4.0%
Other loans (EUR mn)	6,511	6,442	8,817	12,774	▲ 36.9%	▲ 44.9%
NPL VOLUMES						
Total NPLs (EUR mn)	2,916	2,539	2,269	2,097	▼ (10.6%)	▼ (7.6%)
Retail NPLs (EUR mn)	911	859	697	679	▼ (18.9%)	▼ (2.6%)
Corporate NPLs (EUR mn)	1,941	1,618	1,520	1,383	▼ (6.1%)	▼ (9.0%)
NPL RATIOS						
Total NPL ratio (%)	7.4%	6.0%	4.6%	3.8%	▼ (1.4%p)	▼ (0.8%p)
Retail NPL ratio (%)	6.9%	5.7%	4.0%	3.6%	▼ (1.7%p)	▼ (0.4%p)
Corporate NPL ratio (%)	10.0%	7.9%	6.6%	5.8%	▼ (1.2%p)	▼ (0.8%p)
KEY RATIOS						
CAR (%)	22.7%	22.6%	20.9%	21.4%	▼ (1.7%p)	▲ 0.5%p
ROE (%)	5.3%	8.5%	12.0%	18.4%	▲ 3.5%p	▲ 6.4%p
ROA (%)	0.7%	1.1%	1.3%	2.1%	▲ 0.3%p	▲ 0.8%p
CIR (%)	47.1%	46.2%	42.7%	35.1%	▲ (3.5%p)	▼ (7.6%p)
L/D (%)	72.5%	71.4%	71.7%	78.0%	▲ 0.3%p	▲ 6.3%p
NIM (%)	3.1%	3.5%	3.6%	3.3%	▲ 0.1%p	▼ (0.3%p)
OPEX on avg. total assets (%)	1.7%	1.6%	1.6%	n/a	▼ (0.0%p)	n/a
Cost of risk (%)	1.0%	0.7%	0.7%	0.4%	▼ (0.1%p)	▼ (0.3%p)

Source: BNB | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN BULGARIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	2.	▲	DSK Bank	14,816	18.7%	1,894	289	2.1%	15.5%	OTP
2.	1.	▼	UniCredit Bulbank	14,771	18.6%	1,663	238	1.7%	14.1%	UniCredit
3.	3.	●	UBB	8,962	11.3%	805	77	0.9%	9.4%	KBC
4.	4.	●	Eurobank Bulgaria	8,368	10.6%	990	106	1.3%	11.1%	Eurobank Ergasias
5.	5.	●	First Investment Bank	6,500	8.2%	679	41	0.7%	6.2%	Private Individuals
6.	6.	●	KBC Bank Bulgaria	6,344	8.0%	676	69	1.2%	11.1%	KBC
7.	7.	●	Central Cooperative Bank	3,981	5.0%	327	19	0.5%	5.9%	CCB Group
8.	8.	●	Allianz Bank Bulgaria	2,044	2.6%	140	12	0.6%	8.7%	Allianz
9.	10.	▲	ProCredit Bank	1,914	2.4%	205	20	1.1%	10.4%	ProCredit
10.	9.	▼	Bulgarian Development Bank	1,571	2.0%	585	18	1.1%	3.0%	State of Bulgaria
11.	11.	●	Investbank	1,454	1.8%	157	25	1.8%	17.6%	Festa Holding
12.	12.	●	BACB	1,358	1.7%	137	22	1.8%	17.7%	CSIF AD
13.	14.	▲	International Asset Bank	1,138	1.4%	91	8	0.7%	8.9%	Dynatrade International
14.	13.	▼	Municipal Bank	1,101	1.4%	60	3	0.3%	4.7%	Novito Opportunities Fund
15.	16.	▲	TBI Bank	1,070	1.3%	175	64	7.4%	43.0%	No major shareholder
16.	15.	▼	D Commerce Bank	809	1.0%	87	11	1.5%	13.1%	Private Individuals
17.	17.	●	Texim Bank	305	0.4%	21	0	0.1%	1.3%	Web Finance Holding AD
18.	18.	●	Tokuda Bank	235	0.3%	21	1	0.5%	5.0%	Tokushukai Incorporated
LISTED BANKS TOTAL				76,739	96.8%	8,711	1,023	1.4%	12.0%	
FOREIGN BRANCHES AND OTHER ENTITIES				2,535	3.2%	104	38	1.6%	39.0%	
TOTAL				79,274	100.0%	8,815	1,061	1.4%	12.3%	

Source: Annual reports

Please note that in 2023 KBC Bank Bulgaria merged its operations with UBB.

M&A DEALS

Since 2015, there had been 8 major transactions in the Bulgarian banking market, reaching a concentrated banking market by the end of 2022.

- In 2022 Eurobank Ergasias Services and Holdings S.A. announced they would acquire BNP Paribas Personal Finance Bulgaria. The sale was closed in June 2023.
- In 2021, KBC announced the acquisition of 100% stake in Raiffeisenbank. The transaction had been closed on 7th of July 2022 with the consideration of EUR 1.01 bn paid in cash. KBC is present in Bulgaria through UBB, which is the 3rd largest bank in the country in terms of total assets. Raiffeisenbank has been renamed to KBC Bank. In 2023, the Bulgarian National Bank has granted permission for the merger of KBC Bank Bulgaria with UBB. The new united UBB based on 2022 year-end data will become the largest bank in the country in terms of assets. The merger is expected to be completed in 2024.
- In 2019, as a result of the strategic decision of several Greek banks to exit from the Balkan markets, Piraeus Bank sold a 99.8% stake in Piraeus Bank Bulgaria to Eurobank Bulgaria. The deal was completed in July 2019.
- In 2018, OTP Bank signed an agreement to acquire a 99.74% stake in Société Générale Expressbank, the Bulgarian subsidiary of the France-based banking group. The acquisition was closed in January 2019.
- In 2018, the Bulgarian Investbank bought Commercial Bank Victoria (CB Victoria) from the insolvent Corporate Commercial Bank (Corpbank). As a result of the transaction, Investbank fully repaid both the loans of CB Victoria and related interest to Corpbank while the subsequent merger with CB Victoria increased its capital base to meet the post-AQR regulatory requirements.
- In 2017, Liechtenstein-based Novito Opportunities Fund received regulatory approval to acquire 67.7% stake in Bulgaria's Municipal Bank for a value of EUR 23.3 mn. Municipal Bank was majority owned by the municipality of Sofia and was the 16th largest in the country, with 1.56% market share based on assets in 2016. After the privatization of Municipal Bank, the Bulgarian Development Bank remained the only state-owned bank in the country.
- In December 2016, the 4th largest bank was sold as part of the outflow of Greek capital from the banking sector. The National Bank of Greece sold its subsidiary, United Bulgarian Bank (UBB) to KBC Group for a consideration of EUR 610 mn. In 2018 UBB merged with KBC's other subsidiary, Cibank and became the third largest financial institution in the local market.
- In 2015, Eurobank agreed to acquire Alpha Bank Bulgaria for an undisclosed consideration. Alpha Bank had 82 branches with EUR 464 mn of assets by then. Postbank aimed to expand both its corporate and retail customer base in the country by executing the deal. The sale was the part of Alpha Bank's strategy to divest from non-core markets.

LIST OF BANKING M&A DEALS IN BULGARIA 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2022	BNP Paribas Personal Finance Bulgaria	Eurobank Bulgaria	100.00%	n.a.	BNP Paribas Personal Finance
2021	Raiffeisen Bank	KBC	100.00%	1,015	Raiffeisen
2019	Piraeus Bank Bulgaria	Eurobank	99.80%	75	Piraeus Bank
2018	Societe Generale Expressbank	OTP	99.70%	n.a.	Société Générale
2018	Commercial Bank Victoria	Investbank	100.00%	n.a.	Corporate Commercial Bank
2017	Municipal Bank	Novito Opportunities Fund	67.70%	23	Municipality of Sofia
2016	United Bulgarian Bank	KBC	99.90%	610	National Bank of Greece
2015	Alpha Bank Bulgaria	Eurobank	100.00%	n.a.	Alpha Bank

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

In recent years, the fintech sector in Bulgaria has grown rapidly, making it the fastest-growing hub in South-Eastern Europe (SEE). The growth is attributed to the establishment of a sustainable venture capital ecosystem, initiated by the European Investment Fund in 2012. This ecosystem has led to an increase in investments and the number of fintech companies, reaching 156 in 2022, with over 92% being small and medium-sized enterprises (SMEs).

The creation of funds and the involvement of angel investors have contributed to Bulgaria's vibrant fintech ecosystem. The Covid-19 pandemic has further accelerated growth, with operating revenues reaching EUR 777 mn in 2022, compared to EUR 596 mn in 2021. The payment sector has been a significant contributor, representing 56% of total operating revenues. Other growing sectors include cryptocurrency, blockchain, alternative credit, and data analytics companies.

Sofia, the capital of Bulgaria, is at the center of the fintech ecosystem, hosting 131 fintech companies. The city's abundance of tech talent and suitable business infrastructure has made it a globally competitive and cost-effective fintech location. The human capital in the sector has increased nearly five-fold in five years, reaching 11,862 people in 2022.

Investments in Bulgarian SME fintech firms totaled EUR 131.2 mn from 2020 to 2021, with over 90% directed to the Digital Payment sub-sector. International funds from Germany, the Netherlands, and the US played a significant role, contributing EUR 122.5 mn, indicating strong foreign interest. Bulgarian investors accounted for EUR 6.1 mn during this period.

COMPANY HIGHLIGHTS

Some of the largest recent investments in Bulgarian fintech companies include:

- Payhawk, which has raised a total funding of USD 239.1mn, with the last Series B extension being raised at a valuation of USD 1bn, marking Payhawk as the first Bulgarian unicorn,
- Quantive (total funding amount: USD 160.6mn),
- Nexo (total funding amount: USD 52.5mn).

Payhawk's success is expected to have some spillover effects, such as further boosting the ecosystem and building confidence of other entrepreneurs (the exit of Telerik in 2014, when it was acquired by Progress, had a similar impact on the ecosystem, with more than 50 companies founded by former employees of the company, including Payhawk). In addition, Payhawk's success story is putting Bulgaria on the global fintech map, which could help attract more interest from international investors.

M&A ACTIVITY

The fintech sector M&A activity in 2023 was marked by three deals.

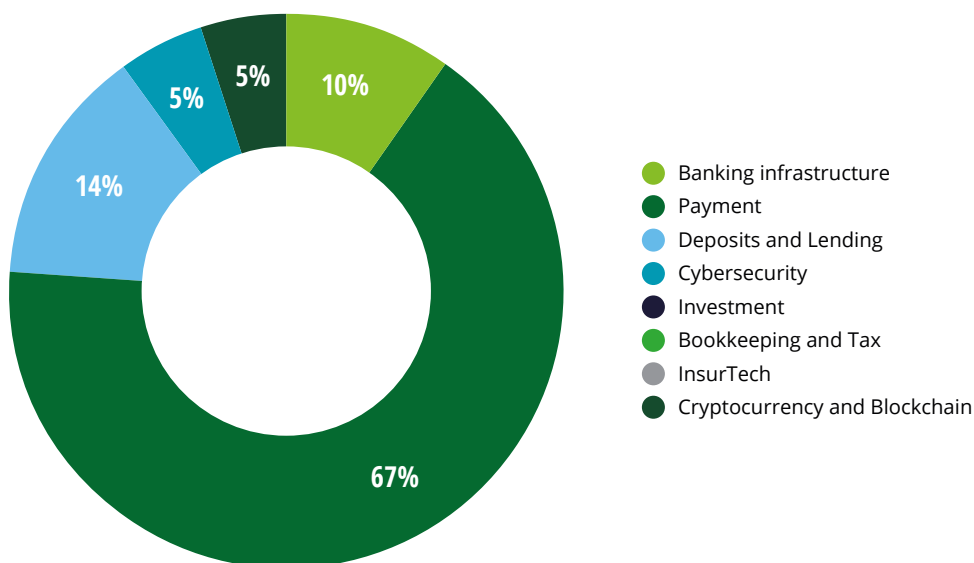
- The French market leader of POS terminals, Ingenico acquired the Bulgarian Phos, a company established back in 2018 that provides Software Point of Sale solutions. Over the years, Phos has attracted funding from Bulgarian VC funds, international investors and business angels as well. The deal value was undisclosed.
- The second fintech deal of 2023 was related to the electronic payment solutions subsector with the acquisition of Phyre by Paynetics. Phyre has also attracted undisclosed amounts of funds from a Bulgarian VC company before.
- In November 2023 Advent International has signed a deal to buy myPOS, a POS solutions provider, for EUR 500 mn. The transaction is subject to regulatory approvals and is expected to close by the end of the year.

Recent M&A activity in the sector includes the acquisition of Charlie Finance (founded by two Bulgarian entrepreneurs in 2016) by Chime in 2021 for an undisclosed amount, and the acquisition of Transact Europe by the US fintech company GreenBox POS with a deal value of EUR 30 mn.



FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

TOP 20 BULGARIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

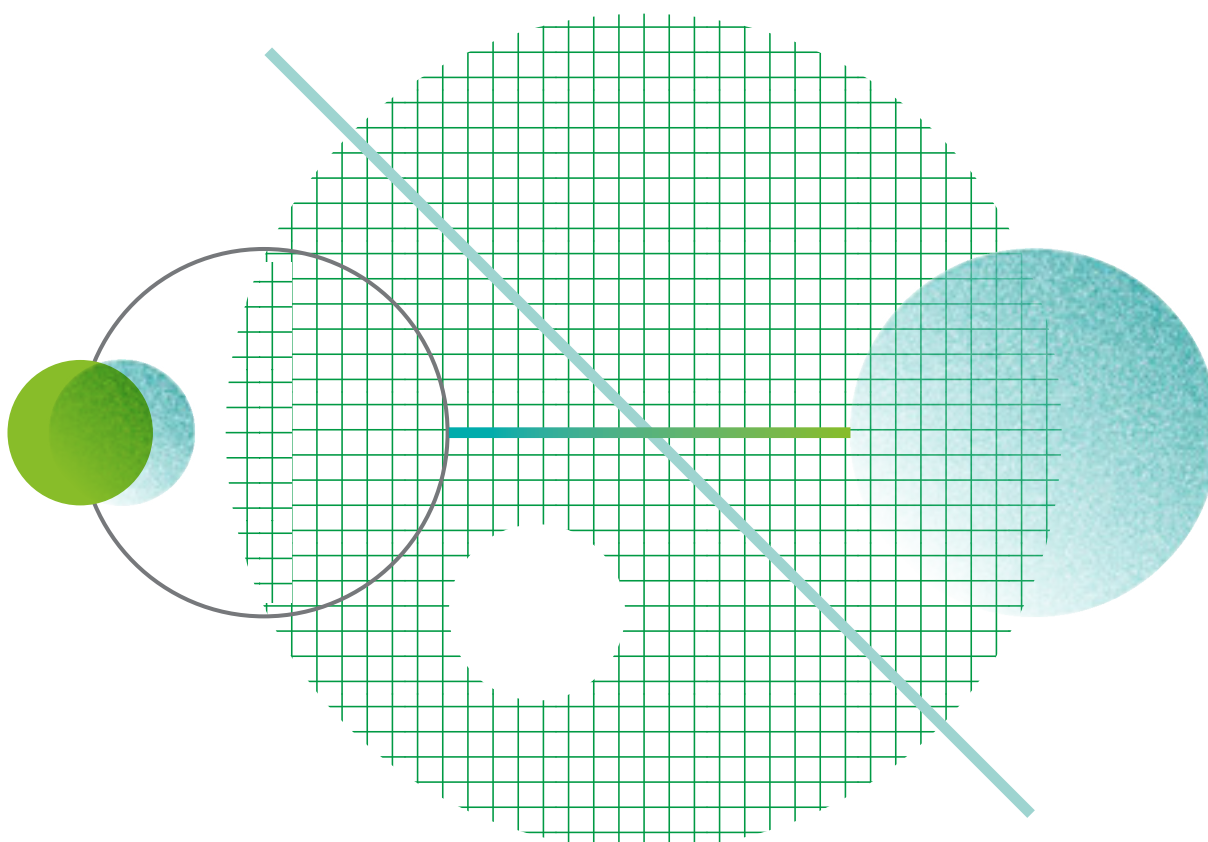
#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	Management Financial Group	Deposits and Lending	MFG is a holding company, managing a portfolio of successful business models in the field of consumer loans, loans for micro and small businesses, credit cards, digital business and other alternative financial products and services, including iuvo, Viva credit, Byala karta, EasyCredit, Newpay, SmartIT and others.	Private	no / n.a.	188.5	23.5	20.0	144.9
2	Datecs	Payment	Leading manufacturer and developer of innovative POS solutions; Product lines include mobile payment systems, printers, cash registers, barcode readers, and peripheral devices.	Private	no / n.a.	170.6	38.6	33.4	144.6
3	Paysafe	Payment	Paysafe is a leading payments provider, offering payment processing, digital wallet, and online cash solutions delivered through an integrated platform. Paysafe Bulgaria EOOD is part of London-based digital wallet provider Skrill (former Moneybookers). The local unit, based in the capital Sofia, is responsible for the development and implementation of Skrill's software.	Private	no / n.a.	115.0	12.7	7.5	53.7
4	Easypay	Payment	Easypay allows paying all utility bills in one place. EasyPay was founded in 2006 and is a partner of the online payment system ePay.bg. Today the company has 3000 offices and more than 2500 employees.	Private	no / n.a.	51.2	3.4	2.9	8.9

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
5	Mypos	Payment	Mypos is a POS solutions provider, offering classic and Android based POS terminals, allowing customers to receive payments instantly.	Private	no / n.a.	50.8	13.7	10.6	11.7
6	iCard	Payment	iCard is a licensed electronic money issuer with EEA coverage under the EU passport rules. The company provides a digital wallet service, as well as business accounts, card issuing, transaction processes, ATMs and prepaid giftcards.	Private	no / n.a.	41.8	17.5	6.0	15.0
7	Nexo	Cryptocurrency and Blockchain	High growing company with a very lucrative business model where it lets crypto owners use their holdings as collateral to withdraw cash. They offer tax-efficient Instant Crypto Credit Lines, a high-yield Earn Crypto Interest product, Send & Pay capabilities, and sophisticated trading & OTC services. Nexo manages assets for over 4M+ users across 200+ jurisdictions and has processed over \$80 billion since its launch in 2018.	Private	yes	34.7	3.4	(0.0)	2.5
8	Nuvei	Payment	Nuvei's technology allows leading companies to accept next-gen payments, offer all payout options and benefit from card issuing, banking, risk and fraud management services.	Private	yes	30.1	3.4	2.3	8.1
9	Borica	Payment	BORICA AD is the foundation of the technological infrastructure of the payment industry in Bulgaria. The company offers innovative fintech services for end customers and partners, such as remote electronic identification, electronic and cloud electronic signature B-Trust, instant payments Blink, mobile payments, cash transfers through ATM Cash-M, etc.	Private	no / n.a.	27.4	7.8	3.8	37.0
10	Paynetics	Payment	Regulated e-money institution providing its services across the EU and the UK. The company is B2B payments and a digital banking platform provider with all the building blocks required to design, build and operate financial products.	Private	yes	16.4	3.7	3.3	6.0
11	Credissimo	Deposits and Lending	Credissimo is founded in 2007 and utilizes innovative proprietary technology to provide instant online consumer loans. Credissimo is present in six European and South American countries.	Private	no / n.a.	14.2	3.7	3.6	16.8

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
12	Quantive	Banking infrastructure	A goal management and employee experience software that helps businesses amplify revenue growth by facilitating the alignment of execution and strategy of individuals and teams with those of the organization. Its platform provides an easy and intuitive way to set, manage, and measure goals across the organization.	Private	yes	10.9	(20.1)	(16.7)	(24.1)
13	Cash Credit	Deposits and Lending	Cash Credit is digital lending provider offering micro-finance services in cooperation with mobile telecom operators and other partners. The company was founded in 2011 in Bulgaria and has expanded internationally in Africa and South-East Asia.	Private	no / n.a.	5.5	0.8	0.8	2.3
14	Treasury Intelligence Solutions	Payment	Treasury Intelligence Solutions is a German SaaS company, one of the leading cloud-based platforms for managing corporate payments and financial operations. They have 6 locations spread across Germany, Bulgaria, the Netherlands and the USA and support their customers in making better decisions about their financial flows.	Private	no / n.a.	5.2	0.6	0.4	1.6
15	Payhawk	Payment	A spending software that simplifies expenses, payments, and card spending for growing businesses. The company's platform enables financial officers and business owners to manage the entire spending lifecycle end-to-end.	Private	yes	4.4	(9.4)	(9.6)	11.6
16	Tixi	Payment	A technology provider proficient in transport management systems and electronic payments. The main focus of the company is the development of integrated solution for end customers allowing effortless transportation and mobile payments.	Private	yes	4.3	0.5	0.2	3.3
17	Evrotrust	Cyber-security	Technology for remote identification and qualified trust services	Private	no / n.a.	1.9	2.2	(1.3)	1.4
18	Sepa Cyber Technologies	Payment	SEPA Cyber Technologies offers various innovative, modular and scalable IT solutions to the banking & financial, governmental and retail sectors - its product suite includes both fintech and regtech. The company boasts its own data centres in five countries and aims to give advanced companies worldwide access to scalable IT solutions and consulting to develop their business potential.	Private	no / n.a.	1.1	0.2	0.1	0.8

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
19	Phyre	Payment	A fintech solution that replaces the physical wallet - allows for shopping on any contactless POS or online, using loyalty cards, send/receive money, buy FX. Clients can also use it to build their mobile banking using Phyre's white label product or to embed financial services in their solution, using Phyre's fintech components proposition.	Private	yes	0.3	(0.6)	(0.8)	0.8
20	IRIS Solutions	Payment	Licensed payment institution offering account information and payment initiation services. IRIS Solutions is developing a fintech solutions like IMOHUB and Digital Print, which provide a secure and accessible environment for the business and it's clients.	Private	yes	0.1	(0.1)	(0.2)	0.3

Source: Deloitte Intelligence





Serbia

In 2022, Serbia's real GDP growth experienced a notable 5.2%p decline from the previous year, falling to 2.6%. The economy was driven by the growth in the industry and service sectors, despite the challenges posed by the lower external demand and increased costs resulting from the Ukrainian conflict, as well as a reduction in agricultural output. Inflation stood at 11.8% at the end of 2022 due to many adverse factors such as elevated energy prices and drought impacting Europe, however it remained moderate relative to regional peers as a result of measures taken by Republic of Serbia such as gas price subsidies, reduction on excise taxes on petroleum products and caps on the prices of basic food stuffs.

During the first half of 2023, Serbia's financial system showed resilience and substantial growth potential in the face of uncertainties in the global economy. Total assets of the banking sector grew by 8.0% in 2022 and 2.5% in 2023 H1 mainly driven by total loan amount which grew by 8.3% in 2022 and 4.0% in 2023H1. At the same time, the asset penetration had decreased by 3.8%p and 8.7%p, due to the increase in nominal GDP fueled by inflation.

Lending and deposit interest rates increased by 4.1%p and 3.9%p in 2022, respectively. This upward trend in interest rates led to a slowdown in credit activity, as banks experienced a growth of 8.3% in outstanding loans in 2022, which momentum slowed to 4.0% in the first half of 2023. The primary factor behind this subdued growth lies in the sluggish performance of corporate lending, partially attributable to

tightened approval standards of corporate lending and the maturation of guarantee scheme loans. However, the National Bank of Serbia (NBS) has taken strategic steps to stabilize the retail housing market. By temporarily capping housing loan rates, NBS ensures that interest rates on loans approved until July 30, 2022, do not exceed 4.08%. In September 2023, Serbia maintained its key policy rate at 6.5% to fine-tune the monetary environment. Another initiative from NBS in October 2022 was to approve regulations permitting rescheduling of existing liabilities, meaning that debtor can choose to extend settlement of obligations on principal payments by at least six to twelve months.

Serbia's banking sector demonstrated resilience, characterized by robust solvency, liquidity and stability. Serbian banks exhibited financial health with the loan-to-deposit ratio amounting to 132.9% in June 2023. NBS raised the required reserve ratio to strengthen monetary conditions, while liquid assets make up a significant 41.8% of total sector assets.

The NPL ratios for retail and corporate segments decreased by 0.2%p and 0.8%p in 2022, primarily due to regulation allowing banks to restructure loans from retail clients experiencing financial difficulties under consumer, cash or similar loans by extending the loan maturity for three years while under housing loans by maximum of five years. The improvement in asset quality alongside a robust Capital Adequacy Ratio (CAR) of 20.2% in 2022, increased to 22.3% in 2023H1, reflect the financial sector's stability and gradual improvement over the years.

Owing to the rise in lending, net interest income was a dominant factor in the banking sector’s profitability. ROE increased to 13.9% in 2022 and to 19.3% in the first half of 2023. ROA also rose by 0.7%p in both years reaching 2.6% in 2023H1. At the same time, cost-to-income ratio fell to 53.7%. According to the Serbian National Bank, four banks generated about 69% of the profit in 2022 and 30% was contributed by one bank as a result of the one-off effects of a merger.

There were 22 banks operating in the Serbian market as of 2022. Foreign ownership dominates the ownership structure

of Serbian banks. Sberbank Srbija, which changed its name to Nasa AIK Banka on 2 March 2022, merged with AIK Banka in December 2022. Additionally, Credit Agricole Srbija merged and began operating as the integrated and larger Raiffeisen banka a.d. Beograd starting from 3 May 2023.

Based on recent developments in 2023, Alta Pay Group, the majority owner of Alta Banka, plans to acquire the remaining shares of 10% through a takeover bid.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	5,504,431	6,271,988	7,097,629	8,143,316	▲ 13.2%	▲ 14.7%
Nominal GDP / capita (LCY k)	797.8	917.7	1,065.1	1,231.8	▲ 16.1%	▲ 15.7%
Nominal GDP (EUR mn)	46,751	53,316	60,314	69,425	▲ 13.1%	▲ 15.1%
Nominal GDP / capita (EUR k)	6.8	7.8	9.1	10.5	▲ 16.0%	▲ 16.0%
GDP (% real change pa)	(0.9)	7.7	2.6	2.0	▼ (5.2%p)	▼ (0.6%p)
FINANCIAL MARKETS						
Lending interest rate (%)	5.8	5.5	9.6	11.0	▲ 4.1%p	▲ 1.4%p
Deposit interest rate (%)	1.5	1.8	5.6	5.8	▲ 3.9%p	▲ 0.2%p
Consumer prices (% change pa)	1.6	4.0	11.8	12.5	▲ 7.8%p	▲ 0.7%p
Average EURLCY	117.7	117.6	117.7	117.3	● 0.0%	▼ (0.3%)
Average USDLCY	103.2	99.4	111.7	108.3	▲ 12.3%	▼ (3.0%)
PUBLIC DEBT						
Public debt (% of GDP)	57.0	56.5	55.2	51.0	▼ (1.3%p)	▼ (4.2%p)
Budget balance (% of GDP)	(8.0)	(4.1)	(3.1)	(2.8)	▲ 1.0%p	▲ 0.3%p
POPULATION						
Population (mn. pers.)	6.9	6.8	6.7	6.6	▼ (2.5%)	▼ (0.8%)
Unemployment rate (%)	9.7	11.0	9.4	9.0	▼ (1.6%p)	▼ (0.4%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	40,823	44,649	48,202	49,430	▲ 8.0%	▲ 2.5%
Asset penetration (%) ¹	87.3%	83.7%	79.9%	71.2%	▼ (3.8%p)	▼ (8.7%p)
Total equity (EUR mn)	5,755	5,822	5,882	5,928	▲ 1.0%	▲ 0.8%
Total loans (EUR mn)	35,804	38,786	42,015	43,715	▲ 8.3%	▲ 4.0%
Loan penetration (%) ²	76.6%	72.7%	69.7%	63.0%	▼ (3.1%p)	▼ (6.7%p)
Retail loans (EUR mn)	10,557	11,682	12,386	12,548	▲ 6.0%	▲ 1.3%
Corporate loans (EUR mn)	10,683	11,449	11,920	11,848	▲ 4.1%	▼ (0.6%)
Other loans (EUR mn)	14,564	15,655	17,710	19,319	▲ 13.1%	▲ 9.1%
NPL VOLUMES						
Total NPLs (EUR mn)	1,330.1	1,386.3	1,266.3	1,398.9	▼ (8.7%)	▲ 10.5%
Retail NPLs (EUR mn)	381.6	477.6	484.5	n/a	▲ 1.5%	n/a
Corporate NPLs (EUR mn)	329.3	326.7	248.0	n/a	▼ (24.1%)	n/a
NPL RATIOS						
Total NPL ratio (%)	3.7%	3.6%	3.0%	3.2%	▼ (0.6%p)	▲ 0.2%p
Retail NPL ratio (%)	3.6%	4.1%	3.9%	n/a	▼ (0.2%p)	n/a
Corporate NPL ratio (%)	3.1%	2.9%	2.1%	n/a	▼ (0.8%p)	n/a
KEY RATIOS						
CAR (%)	22.4%	20.8%	20.2%	22.3%	▼ (0.6%p)	▲ 2.2%p
ROE (%)	6.5%	7.8%	13.9%	19.3%	▲ 6.1%p	▲ 5.4%p
ROA (%)	1.1%	1.2%	1.9%	2.6%	▲ 0.7%p	▲ 0.7%p
CIR (%)	66.3%	71.0%	58.7%	53.7%	▼ (12.3%p)	▼ (5.0%p)
L/D (%)	135.0%	129.5%	131.8%	132.9%	▲ 2.3%p	▲ 1.1%p
NIM (%)	n/a	n/a	n/a	n/a	n/a	n/a
OPEX on avg. total assets (%)	n/a	n/a	n/a	n/a	n/a	n/a
Cost of risk (%)	n/a	n/a	n/a	n/a	n/a	n/a

Source: National Bank of Serbia | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

Note: NPL data is only available yearly based on Annual FS report (the report is not yet available for 2023)

LIST OF BANKS IN SERBIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Banca Intesa	7,030	14.6%	833	108	1.6%	11.7%	Intesa Sanpaolo
2.	2.	●	OTP Banka Srbija	6,342	13.2%	855	92	1.5%	11.0%	OTP Bank
3.	3.	●	UniCredit Banka	4,968	10.3%	706	71	1.5%	10.0%	UniCredit
4.	4.	●	Komercijalna Banka	4,172	8.7%	645	30	0.7%	4.6%	Nova Ljubljanska Banka
5.	5.	●	Raiffeisen Banka	4,114	8.5%	528	58	1.4%	11.1%	Raiffeisen
6.	9.	▲	AIK Banka	3,515	7.3%	659	222	7.8%	39.4%	BDD M&V Investments
7.	7.	●	Erste Bank	3,004	6.2%	361	20	0.7%	5.9%	Erste
8.	6.	▼	Postal Savings Bank	2,967	6.2%	245	19	0.6%	7.7%	State of Serbia
9.	8.	▼	Eurobank Direktna	2,583	5.4%	318	3	0.1%	0.9%	Eurobank
10.	10.	●	Credit Agricole Banka Srbija	1,421	2.9%	131	15	1.0%	11.1%	Raiffeisen
11.	11.	●	ProCredit Bank	1,268	2.6%	159	10	0.8%	6.8%	ProCredit Holding
12.	13.	▲	HalkBank	960	2.0%	184	11	1.2%	6.8%	Turkish Halk Bank
13.	12.	▼	Addiko Bank	874	1.8%	195	5	0.6%	2.5%	Addiko Bank
14.	14.	●	NLB Banka	717	1.5%	79	4	0.6%	5.5%	Nova Ljubljanska Banka
15.	15.	●	ALTA Banka	470	1.0%	34	0	0.1%	1.2%	ALTA Pay Group
16.	16.	●	Bank of China Serbia	461	1.0%	21	6	1.6%	28.0%	Bank of China
17.	19.	▲	Srpska Banka	237	0.5%	24	0	0.1%	1.2%	State of Serbia
18.	17.	▼	Mobi Banka	231	0.5%	30	0	0.1%	0.8%	PPF Financial Holdings
19.	18.	▼	3 Banka	229	0.5%	40	4	2.0%	11.1%	Umwelt Bank
20.	20.	●	Expobank	134	0.3%	24	0	0.1%	0.6%	Private individuals
21.	21.	●	Api Bank	118	0.2%	17	2	2.0%	14.1%	AZRS INVEST
22.	22.	●	Mirabank	47	0.1%	20	(2)	-3.2%	-8.8%	Duingraaf Financial Investments
LISTED BANKS TOTAL				45,865	95.2%	6,109	679	1.5%	11.3%	
FOREIGN BRANCHES AND OTHER ENTITIES				2,337	4.8%	n/a	n/a	n/a	n/a	
TOTAL				48,202	100%	5,882	n/a	n/a	n/a	

Source: Annual reports, NBS website

NASA AIK Banka, former Sberbank Srbija merged to AIK Banka in 2022.

Expobank sold 100% of shares to Adriatic Bank in 2023 and has been renamed to Adriatic Bank JSC Belgrada

Credit Agricole Banka Srbija merged to Raiffeisen Bank.

M&A DEALS

Serbia has been active in M&A in the recent years. There have been 21 major transactions in the Serbian banking sector over the past years, eight of them were made public for a total of EUR 1,089 mn.:

- In March 2023, AIK Banka a.d., the Serbia-based commercial bank has signed an agreement to acquire 100% stake in Eurobank Direktna, the local Serbian bank from Eurobank Ergasias Services & Holdings SA, the Greece-based financial services group. The total deal value is approximately EUR 280 mn. The transaction was completed in early November 2023.
- In April 2023, Adriatic Bank A.D. Podgorica, a Montenegro-based bank, completed the acquisition of Expobank A.D. Belgrade. This strategic move was made to facilitate Adriatic Bank's expansion into the Serbian market. Subsequently, the target bank has begun operating under its new name, Adriatic Bank A.D. Beograd.
- In 2022, Nova Ljubljanska Banka acquired further 8.3% stake in Komercijalna Banka from minority shareholders, thus strengthening their position on the Serbian banking market.
- Serbian lender AIK Banka has finalized the acquisition of Sberbank Serbia in March 2022 after announcing the deal in 2021. The bank changed its name to NASA AIK Banka after the transaction.
- In 2021 Raiffeisen Bank International, acquired all shares in the Serbian subsidiary of Credit Agricole, a French rival, for an undisclosed fee. The closing of deal is completed at 1st April 2022.
- MTS Banka received the approval by the Serbian competition authority of its integration into the state-owned Banka Postanska Stedionica in 2021. Previously, MTS Banka was fully owned by state-owned Telekom Srbija. After the merger, the Serbian state started to control 70.5% of Banka Postanska Stedionica, 17.94% will be owned by Posta Srbije, and 10.08% will remain in the hands of Telekom Srbija.
- Direktna Banka AD was merged with Eurobank Ergasias SA for an undisclosed deal value. The combined bank had total assets in excess of EUR 2 bn, total equity above EUR 300 m. Transaction was closed 10 December 2021.
- In 2020, a consortium, consisting of Germany-based GLS Gemeinschaftsbank eG and Umweltbank AG, and Netherlands-based Triodos Investment Management B.V. announced the acquisition of 78% stake in Opportunity Banka JSC Novi Sad. Opportunity Transformation Investments Inc. reduced its holding in Opportunity banka JSC Novi Sad from 100% to 22%. UmweltBank and GLS Gemeinschaftsbank holds respective stakes of 30% and 19.99% in Opportunity banka, while Triodos Investment Management's two entities (Triodos Sicav II Fund and Triodos Fair Share Fund) each own a 14% stake. Terms of the transaction were not disclosed.
- In 2020, Nova Ljubljanska Banka announced the acquisition of 83.23% stake in Komercijalna Banka for EUR 387 mn. The transaction strengthens NLB's presence and its focus on markets in Southeast Europe, consolidating its position as the largest banking group headquartered in the region. The largest foreign subsidiary of the NLB Group will be in Serbia. The closing of the transaction was at the end of 2020.
- In 2019, Government of the Republic of Serbia announced the acquisition of a 34.58% stake in Komercijalna Banka from IFC Capitalization Fund (US-based equity and subordinated debt fund) and the European Bank for Reconstruction and Development (UK based project financing firm). As a result of the transaction, the Republic of Serbia owned 83.23% of Komercijalna Banka's shares after the acquisition.
- In 2019, Telenor (Norwegian mobile operator) sold its Serbian bank, the Telenor Banka to PPF (Czech private equity fund). Earlier in 2013, Telenor bought Telenor Banka from KBC. Four years later, in 2017, River Styxx agreed to acquire Telenor Banka, but the transaction was cancelled. In March 2018, PPF acquired mobile operations of Telenor in Serbia, Hungary, Bulgaria and Montenegro with an option to buy Telenor Banka. This option was closed in 2019 by the deal.
- In 2019, the Hungarian OTP Bank bought Société Générale Srbija from its parent company, the French Société Générale. The transaction was in line with OTP Bank's regional strategic plan, to widen its presence and provided services in the region. As a result of the ongoing integration of the three banks owned by OTP Group (OTP Banka Srbija, Vojvodjanska Banka and Société Générale Banka), OTP became the second largest bank in the domestic market by owning almost 15% of the consolidated banking assets.
- In 2018, the Greek Piraeus Bank sold its Serbian subsidiary to the Serbian Direktna Banka. The final deal value was around EUR 60 mn.
- In 2018, a Russian private investor acquired the Russian VTB Bank's Serbian subsidiary. The private investor's plan was to benefit from the growth potential of the Serbian market including development and supply of new products based on financial technologies.
- In 2017, OTP Banka Srbija, a Serbian subsidiary of the Hungarian OTP Bank, acquired Vojvodjanska Banka from the National Bank of Greece for EUR 125 mn. After the deal, the market share of OTP Bank Srbija increased to 5.3% and it became the 9th largest bank in the country. Vojvodjanska Banka was acquired by NBG for EUR 375 mn from the Serbian state in 2006. The integration of Vojvodjanska Banka started in 2019 and was completely finished in 2021.
- In 2017, MK Group, a Serbian-based industrial conglomerate, agreed with the Greece-based Alpha Bank on the acquisition of Alpha Bank Serbia ad Belgrade. The transaction was in line with restructuring plan of Alpha Bank.

- In 2017, Marfin Bank Beograd was acquired by the Czech Republic-based Expobank CZ from Cyprus Popular Bank Public Co Ltd., for EUR 14.79 mn. Expobank had a long-term strategy to develop the Marfin Bank.
- In 2016, BNP Paribas' subsidiary, Findomestic Banka Beograd was acquired by Serbian lender Direktna Banka Kragujevac. The acquisition was consistent with the strategy of Direktna Banka to become a leader in the SME segment in Serbia.
- In 2016, a Serbian private investor bought 100% of the KBM Banka from the Slovenian Nova KBM. Post transaction, the bank's name was changed to Direktna Banka.
- In 2015 Advent International, a private equity investor, together with the EBRD acquired Hypo Group Alpe Adria AG, the Southeast European banking network of the former Hypo Alpe Adria Bank International from Heta Asset Resolution AG (Heta), including the Serbian entity.
- In 2015, Cacanska Banka was acquired by the Turkey based Turkiye Halk Bankasi from EBRD for EUR 10.1 mn. After the transaction, the bank changed its name to Halkbank, and moved its headquarters from Čačak to Belgrade.

LIST OF BANKING M&A DEALS IN SERBIA 2015 - 2023

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2023	Expobank JSC Belgrade	Adriatic Bank AD Podgorica	100.0%	n.a.	Expobank
2023	Eurobank Direktna	AIK Banka a.d.	100.0%	280	Eurobank Ergasias Services & Holdings SA, Private Individuals
2022	NLB Komercijalna Banka AD Beograd	Nova Ljubljanska Banka dd - NLB	8.3%	57	Minority shareholders
2022	Sberbank Srbija	AIK Banka	100.0%	n.a.	National Bank of Serbia / Sberbank
2021	Credit Agricole Srbija A.D.	Raiffeisen Bank International AG	100.0%	n.a.	Credit Agricole SA
2021	Direktna Banka AD	Eurobank Ergasias SA	100.0%	n.a.	Private Individuals
2021	MTS Banka	Banka Postanska Stedionica	89.9%	n.a.	Telekom Srbija
2020	Opportunity Banka JSC Novi Sad	GLS Gemeinschaftsbank eG; Umweltbank AG; Triodos Investment Management B.V.	78.0%	n.a.	Opportunity International
2020	Komercijalna Banka	Nova Ljubljanska Banka	83.2%	387	State
2019	Komercijalna Banka	State	34.6%	155	EBRD, IFC Capitalization Fund
2019	Telenor Banka	PPF Group	100.0%	n.a.	Telenor
2019	Societe Generale Banka Srbija	OTP	100.0%	n.a.	Société Générale
2018	Piraeus Bank	Direktna Banka	100.0%	58	Piraeus Bank
2018	VTB Banka	Private individuals	100.0%	n.a.	VTB Bank
2017	Vojvodjanska Banka	OTP	100.0%	125	National Bank of Greece
2017	Alpha Bank Srbija	MK Group	100.0%	n.a.	Alpha Bank
2017	Marfin Bank	Expobank	100.0%	15	Cyprus Popular Bank
2016	Findomestic Banka	Direktna Banka	100.0%	n.a.	Findomestic Banca
2016	KBM Banka	Private individuals	100.0%	n.a.	Nova KBM
2015	Addiko Bank	PE Advent (80%); EBRD (20%)	100.0%	n.a.	Heta Asset Resolution AG
2015	Cacanska Banka	Turkiye Halk Bankasi	76.7%	10	EBRD; State; IFC; Beogradska Banka

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The Serbian fintech market is undergoing strong evolution, marked by following trends:

- Significant increase in digital payments,
- Growing popularity of digital investment platforms,
- Increased interest in digital capital raising among startups and SMEs, and
- New solutions in digital assets and banking infrastructure segment.

The key categories of the Serbian fintech market are Banking infrastructure, Payments and Cryptocurrency and Blockchain.

The local fintech market showed significant growth at 142% CAGR in revenues over the 2019-2022 period. The most rapidly growing firms are Payment firms.

COMPANY HIGHLIGHT

Cryptocurrency and Blockchain firms recorded significant increase of revenues during last 2 years, led by ECD (MCM 965 doo) online cryptocurrency exchange platform with network of crypto ATMs which recorded EUR 30 mn revenue during FY2022.

Leading companies in the Banking infrastructure segment (NF Innova and Penta Fintech) remained stable over the last 2 years, with revenues in the range of EUR 3-4 mn.

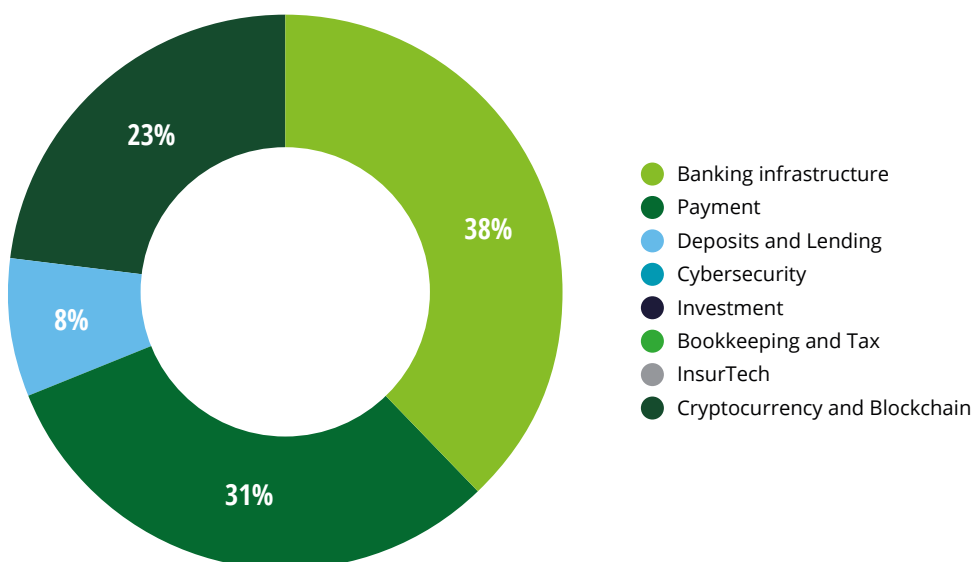
A new major player in the banking infrastructure segment is Relio, a company that has attracted EUR 3 mn of new investments in 2023 for a unique technical solution that aims to improve the AML process of online payments.

One of the leading companies in the Serbian fintech market in the payments segment, FinTech Solutions CEE d.o.o. (platform Leanpay) recorded further increase in revenue in 2022.

The first company in the Serbian fintech market with a registered digital token, Finsport doo, operates in the deposit and lending segment and is positioned as the leader in this segment.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



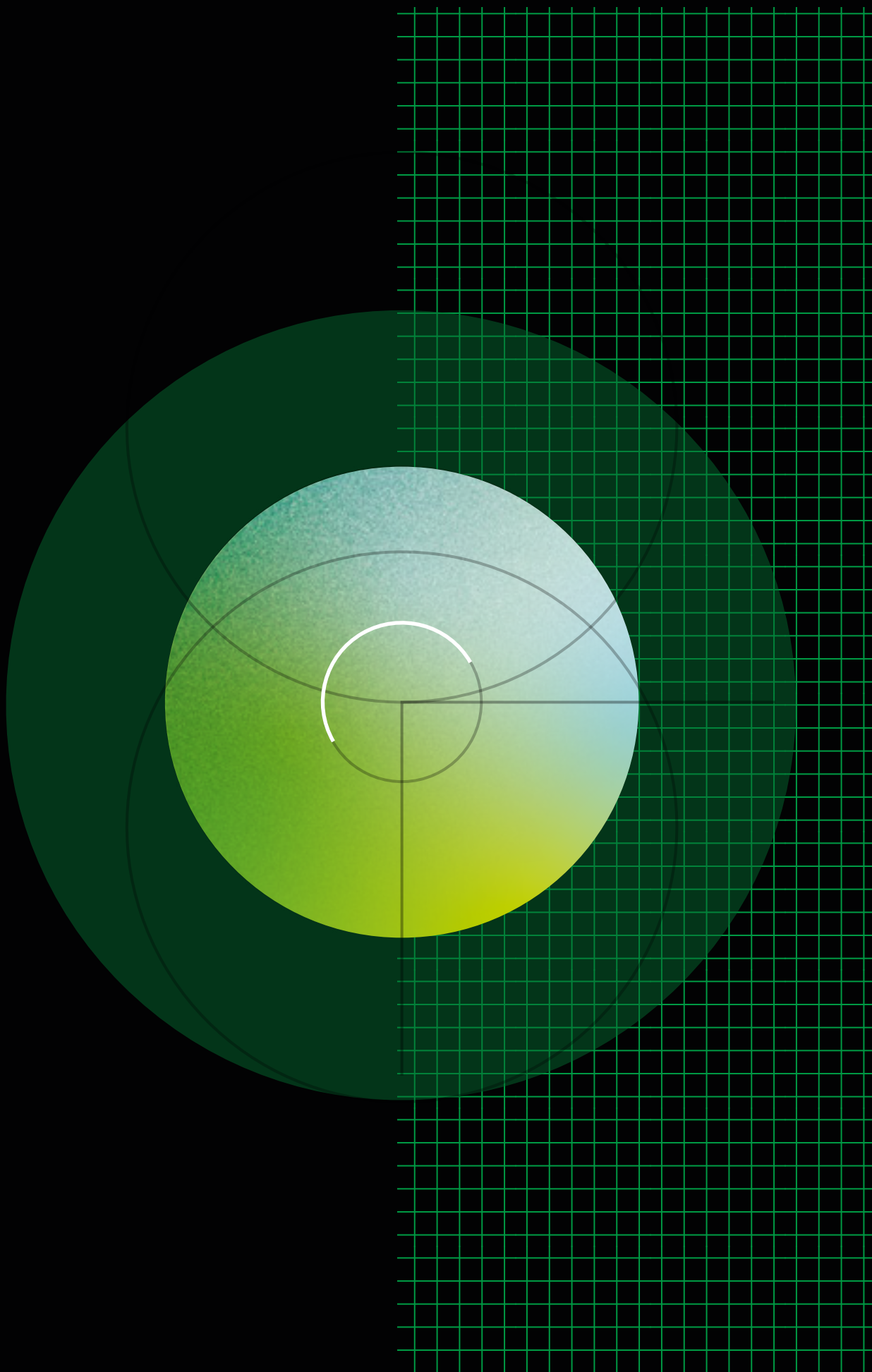
Source: Deloitte Intelligence

TOP 10 SERBIAN FINTECHS IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	MCM 965 doo	Cryptocurrency and Blockchain	Established in 2012, ECD has emerged as a trailblazer and a regional frontrunner in the crypto industry. ECD's mission is to advocate for the use of digital assets and streamline the secure buying and selling of cryptocurrencies. At the heart of its operations is a cryptocurrency exchange. Complementing the online exchange is a network of crypto ATMs, and users can also leverage the ECD Wallet for their convenience.	n.a.	no / n.a.	30.1	0.5	0.3	1.5
2	Penta Fintech	Banking infrastructure	Penta is a digital platform for business banking aimed at SMEs and startups. Penta is on a mission to disrupt business banking in Europe and around the world. Penta vision is to build a platform of connected services around the bank account that would allow business owners to use one platform for all their financial needs. Penta is designed to enable business owners to save time and money on banking so they can focus more on their core business. Today, Penta offers more features than traditional banks, such as the ability to get more business cards per company, digital expense management, low foreign transfer rates, fast online support in English and German, flexible pricing and more.	n.a.	no / n.a.	3.8	0.4	0.2	0.1
3	NF Innova	Banking infrastructure	NF Innova is a software development and digital transformation company with a strong focus on digital banking. The main offering is an omnichannel banking solution based on company's four-pillar business model consisting of Digital Branch, Dual Brand, White Label Banking and Partner Ecosystem, providing immediate solutions for companies looking to adapt to the digital world. Clients include Halkbank, AIK Banka, Piraeus Bank and Atlas Banka among others. NF Innova company is a part of New Frontier Group, a system integration company spread over 15 countries.	n.a.	no / n.a.	3.7	0.4	0.4	-
4	FinTech Solutions CEE d.o.o.	Payment	Leanpay, a trailblazer in BNPL 3.0, empowers both vendors and consumers through its innovative installment payment solutions. The company, driven by a mission to facilitate seamless and accessible purchasing experiences, strives to provide fair, transparent, and straightforward financing solutions for customers in any retail setting. Simultaneously, Leanpay equips its partners with a suite of tools designed to enhance revenue streams, including increased sales, customer attraction, higher order values, and repeat business.	n.a.	Yes	2.4	0.0	0.1	0.4

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
5	Tenderly	Cryptocurrency and Blockchain	All in one development platform, enabling Web3 developers to build, test, monitor, and operate smart contracts from their inception to mass adoption.	n.a.	no / n.a.	1.4	(5.1)	(5.5)	3.9
6	MVP Workshop	Cryptocurrency and Blockchain	MVP Workshop is a venture builder in the WEB 3.0 space, offering a comprehensive range of services that encompass the entire lifecycle of a client's idea. From conceptualization and idea development to securing funding, and ultimately scaling, MVP Workshop guides clients through every stage.	n.a.	no / n.a.	1.4	(0.3)	(0.4)	-
7	TradeCore	Banking infrastructure	All in one financial services API for you to develop your customer's favorite features faster, cheaper, and easier.	n.a.	no / n.a.	1.0	0.1	0.0	2.4
8	Finspot d.o.o.	Deposits and Lending	FINSPOt operates as an innovative online platform, facilitating the rapid conversion of invoices into cash within a 24-hours. The company is dedicated to addressing the daily liquidity challenges encountered by micro, small, and medium-sized enterprises. Through specialized factoring services for receivables, FINSPOt aims to cater to a diverse range of customers, offering prompt and efficient financial solutions to meet their immediate cash flow requirements.	n.a.	no / n.a.	0.4	0.1	0.0	0.5
9	ZWEBB	Banking infrastructure	ZWEBB is one of the leading providers of innovative fintech solutions in the Scandinavian market and abroad. We produce Cloud-based financial SaaS (Software as a Service) applications for Crowdfunding businesses and other types of financial services, such as factoring, trading, and digital banking.	n.a.	no / n.a.	0.2	0.0	0.0	0.0
10	Plativoo	Payment	"Plativoo" d.o.o. Futog, a company that developed a web platform for the distribution of structured e-invoices. We enable all users to take advantage of all the advantages of digitization and electronic business. They are there to allow users to consolidate all their accounts into a single free digital inbox.	n.a.	no / n.a.	0.1	0.0	0.0	0.0

Source: Deloitte Intelligence





Bosnia and Herzegovina

The Bosnia and Herzegovina economy experienced limited economic growth as a result of strong and sustained inflationary pressures in 2022. The real GDP growth was 4.1%, which is 2.8%p less compared to 2021. For 2023, the Central Bank of Bosnia and Herzegovina projects a significant export growth slowdown, coupled with increased import intensity, negatively impacting the overall economic growth. The anticipated decrease in private consumption, fueled by persistent inflationary pressures and a reduction in household disposable income impacting overall living standards, has a negative impact on the economic outlook, resulting in an expected real GDP growth of 1.9% in 2023.

The balance sheet of the banking sector demonstrated a modest growth to EUR 19,856 mn by 2023H1, with a 3.7% increase in 2022 followed by a 3.0% increase in the first half of 2023.

Despite a slight increase in interest rates in 2022 (0.2% for lending and 0.1% for deposit rates) and a high inflation rate, credit growth remained sluggish mainly due to purchasing power decrease of households and tightening credit standards. The extended period of negative real credit growth had a ripple effect on the demand for goods and services, impacting overall economic momentum and growth prospects. In H1 of 2023, annual credit growth stayed rather low at 4.6%. Also, due to the worldwide rise in interest rates, there was a growing demand for loans with fixed interest rates.

The quality of the loan portfolios of banks improved significantly from 2021 to 2023H1, despite disruptions in global supply chains due to the war in Ukraine and rising inflation, which affected the purchasing power of borrowers.

Total non-performing loans (NPLs) decreased by 21.9% in 2022 and further declined by 8.5% in 2023H1. This trend of improving loan quality was evident in both retail and corporate sectors. The enhancement of loan portfolio quality was primarily the result of actions taken by banks, such as accounting write-offs of non-performing loans and more efficient credit risk management. However, there has been a significant increase in loans categorized as credit risk level 2 in the retail segment, which suggests that households are encountering difficulties in repayment, particularly in the segment of loans designated for general consumption. It is expected that the credit risk in this sector will persist and potentially increase in the future.

The banking sector's profitability has also improved in 2022, with a 2.4%p increase of ROE to 12%, primarily achieved by the dynamic and continuous growth of operating income and a slight increase in net interest income. In the first half of 2023 the ROE further increased to 15.9%.

The banking sector has maintained a good capital adequacy ratio of 19.5% which is significantly above the regulatory minimum of 12%. Despite challenges, the banking sector's adaptability to evolving economic conditions underscores its resilience and potential for further growth in the coming quarters.

In Bosnia and Herzegovina, the number of commercial banks operating at the end of 2022 decreased to 21 following the merger of ASA Banka Naša i Snažna (formerly Sberbank BH) into ASA Banka. After this merger, ASA Banka climbed from the 14th position to the 4th position, capturing a 7.5% market share in the banking sector. The leading player in terms of market share is UniCredit Bank Mostar, which along with Raiffeisen Bank account for 30.8% of the total assets in the banking sector.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	35,435.8	39,145.3	45,505.0	49,130.4	▲ 16.2%	▲ 8.0%
Nominal GDP / capita (LCY k)	10.8	11.9	13.9	15.0	▲ 16.3%	▲ 8.0%
Nominal GDP (EUR mn)	18,083.7	20,001.9	23,222.6	25,470.0	▲ 16.1%	▲ 9.7%
Nominal GDP / capita (EUR k)	5.5	6.1	7.1	7.8	▲ 16.2%	▲ 9.7%
GDP (% real change pa)	(3.2)	6.8	4.1	1.9	▼ (2.8%p)	▼ (2.2%p)
FINANCIAL MARKETS						
Lending interest rate (%)	3.1	3.2	3.4	4.5	▲ 0.2%p	▲ 1.1%p
Deposit interest rate (%)	0.8	0.6	0.6	1.4	▲ 0.1%p	▲ 0.8%p
Consumer prices (% change pa)	(1.1)	2.0	14.0	6.0	▲ 12.0%p	▼ (8.0%p)
Average EURLCY	2.0	2.0	2.0	1.9	▲ 0.1%	▼ (1.6%)
Average USDLCY	1.7	1.7	1.9	1.8	▲ 12.4%	▼ (4.2%)
PUBLIC DEBT						
Public debt (% of GDP)	35.4	33.9	29.4	28.3	▼ (4.5%p)	▼ (1.1%p)
Budget balance (% of GDP)	(5.3)	(0.3)	(0.4)	0.1	▼ (0.1%p)	▲ 0.5%p
POPULATION						
Population (mn. pers.)	3.3	3.3	3.3	3.3	▼ (0.1%)	● 0.0%
Unemployment rate (%)	33.8	32.4	30.1	30.0	▼ (2.3%p)	▼ (0.1%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	17,254	18,589	19,271	19,856	▲ 3.7%	▲ 3.0%
Asset penetration (%)¹	95.4%	92.9%	83.0%	78.0%	▼ (10.0%p)	▼ (5.0%p)
Total equity (EUR mn)	2,207	2,261	2,379	2,530	▲ 5.2%	▲ 6.3%
Total loans (EUR mn)	10,384	10,770	11,262	11,782	▲ 4.6%	▲ 4.6%
Loan penetration (%)²	57.42%	53.84%	48.50%	46.26%	▼ (5.3%p)	▼ (2.2%p)
Retail loans (EUR mn)	5,050	5,332	5,603	5,902	▲ 5.1%	▲ 5.3%
Corporate loans (EUR mn)	4,656	4,746	4,992	5,231	▲ 5.2%	▲ 4.8%
Other loans (EUR mn)	678	692	667	649	▼ (3.5%)	▼ (2.8%)
NPL VOLUMES						
Total NPLs (EUR mn)	665	692	541	495	▼ (21.9%)	▼ (8.5%)
Retail NPLs (EUR mn)	303	308	258	248	▼ (16.2%)	▼ (3.8%)
Corporate NPLs (EUR mn)	317	334	250	220	▼ (25.2%)	▼ (12.0%)
NPL RATIOS						
Total NPL ratio (%)	6.4%	6.4%	4.8%	4.2%	▼ (1.6%p)	▼ (0.6%p)
Retail NPL ratio (%)	6.0%	5.8%	4.6%	4.2%	▼ (1.2%p)	▼ (0.4%p)
Corporate NPL ratio (%)	6.8%	7.0%	5.0%	4.2%	▼ (2.0%p)	▼ (0.8%p)
KEY RATIOS						
CAR (%)	19.2%	19.6%	19.6%	19.5%	● 0.0%p	▼ (0.1%p)
ROE (%)	5.6%	9.6%	12.0%	15.9%	▲ 2.4%p	▲ 3.9%p
ROA (%)	0.7%	1.3%	1.6%	2.0%	▲ 0.3%p	▲ 0.4%p
CIR (%)	65.5%	60.1%	55.7%	53.1%	▼ (4.3%p)	▼ (2.6%p)
L/D (%)	81.4%	75.7%	75.5%	76.1%	▼ (0.2%p)	▲ 0.6%p
NIM (%)	3.9%	4.0%	4.0%	n/a	● 0.0%p	n/a
OPEX on avg. total assets (%)	2.8%	2.4%	2.3%	n/a	▼ (0.1%p)	n/a
Cost of risk (%)	n/a	n/a	n/a	n/a	n/a	n/a

Source: CBBH | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN BOSNIA AND HERZEGOVINA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	UniCredit Bank	3,348	17.4%	395	57	1.7%	14.4%	Unicredit
2.	2.	●	Raiffeisen Bank	2,574	13.4%	318	51	2.0%	16.9%	Raiffeisen
3.	3.	●	Nova Banka, Banja Luka	1,439	7.5%	130	21	1.5%	17.5%	MG MIND doo
4.	14.	▲	ASA Banka	1,437	7.5%	172	10	1.0%	8.8%	Asa Finance d.d. Sarajevo
5.	4.	▼	Intesa Sanpaolo Banka	1,310	6.8%	171	13	1.0%	7.8%	Intesa Sanpaolo
6.	5.	▼	Sparkasse Bank	1,080	5.6%	134	13	1.3%	10.1%	Erste
7.	6.	▼	NLB Banka, Banja Luka	1,001	5.2%	100	17	1.7%	16.8%	Nova Ljubljanska Banka
8.	10.	▲	NLB Banka	836	4.3%	87	11	1.4%	13.2%	Nova Ljubljanska Banka
9.	9.	●	Bosna Bank International	750	3.9%	84	7	1.0%	9.4%	Islamic Development Bank
10.	7.	▼	Unicredit Bank, Banja Luka	735	3.8%	144	12	1.5%	8.7%	Unicredit
11.	11.	●	ZiraatBank BH	628	3.3%	59	4	0.7%	7.2%	Ziraat Bank
12.	13.	▲	Union Banka	535	2.8%	69	1	0.1%	1.1%	State
13.	12.	▼	ATOS Bank Banja Luka	534	2.8%	77	4	0.8%	5.5%	Nova Banka a.d.
14.	15.	▲	Addiko Bank	521	2.7%	51	7	1.4%	9.3%	Addiko Bank AG
15.	16.	▲	Addiko Bank Banja Luka	494	2.6%	82	6	1.3%	7.9%	Addiko Bank AG
16.	17.	▲	ProCredit Bank	446	2.3%	38	4	0.9%	10.3%	ProCredit Holding
17.	18.	▲	MF Banka Banja Luka	366	1.9%	46	6	1.7%	13.7%	Mkd Mikrofin Doo Banja Luka
18.	19.	▲	Privredna Banka Sarajevo	346	1.8%	30	4	1.4%	15.9%	No majority shareholder
19.	20.	▲	Banka poštanska štedionica Banja Luka	265	1.4%	30	1	0.4%	3.6%	Banka Poshtanska Shtedionica Ad Beograd
20.	21.	▲	Naša Banka Bijeljina	145	0.8%	13	1	0.5%	6.2%	No majority shareholder
21.	22.	▲	Komercijalno-investiciona Banka	64	0.3%	16	1	0.9%	3.7%	No majority shareholder
LISTED BANKS TOTAL				18,854	97.8%	2,243	252	1.4%	11.5%	
FOREIGN BRANCHES AND OTHER ENTITIES				417	2.2%	136	4	0.9%	3.3%	
TOTAL				19,271	100%	2,379	256	1.4%	11.0%	

Source: Annual reports, ABRS, FBA

Please note that Sberbank BH was rebranded in 2022 to ASA Banka Naša i Snažna and acquired by ASA Banka.

Please note that Sberbank Banja Luka was acquired by Nova Banka, Banja Luka and was rebranded to ATOS Bank Banja Luka in 2022.

Please note that Komercijalna Banka was acquired by Banka Poshtanska Shtedionica Ad Beograd and was rebranded to Banka poštanska štedionica Banja Luka in 2022

M&A DEALS

There were eight major acquisitions in the banking market over the past years in Bosnia and Herzegovina.

- In May 2022 Nova Banka Banja Luka completed the acquisition of Sberbank Banja Luka, a local subsidiary of Sberbank Europe. The central registry of securities registered Nova Banka's acquisition of 61,974 shares of Sberbank Banja Luka, representing a 99.64% stake.
- In 2022 BiH lender ASA Banka acquired Sarajevo-based Sberbank BH, a local subsidiary of Austria-based Sberbank Europe, which is ultimately owned by Russia's Sberbank. With the acquisition, ASA Banka is becoming the third largest lender in Bosnia and Herzegovina, the bank said in a statement.
- In Q3 2021, Serbian state-owned Banka Poštanska Stedionica signed an agreement on the purchase of Komercijalna Banka a.d. Banja Luka with Komercijalna Banka Beograd – NLB Group. The sale transaction of 100% of ordinary share has been completed in December 2021. Since then, the bank has been rebranded to Banka Poštanska Stedionica Banja Luka.
- At the end of 2018, a 20.8% stake in Nova Banka Banja Luka was acquired by MG Mind (BiH private Company). During 2019 - 2020, MG Mind constantly was increasing ownership in Nova Banka. During 2020 MG Mind finished process of takeover of shares in accordance with Takeover Law. MG Mind is owner 99.1% of Nova Banka at the end of October 2021 and squeeze out is in progress. MG Mind is majority owner of several companies: Mrkonjić putevi – road maintenance, Tržnica Banja Luka and Merkur Banja Luka: real estate, Čistoća Banja Luka – waste management company, etc.
- Slovenian NLB acquired Komercijalna Banka Banja Luka in late 2020 (as part of acquisition of Serbian Komercijalna Banka).
- In November 2019, a 73.4% stake in Vakufska Banka was acquired by ASA Group (BiH private investment holding). ASA Group bought more than 550 thousand Vakufska Banka shares on the Sarajevo Stock Exchange for EUR 11.98 mn. In 2020, the ASA Group declared to merge two of its banks in Bosnia-Herzegovina, the previously owned ASA Banka and the recently acquired Vakufska Banka.
- Also in 2019, the largest shareholder of Pavlovic International Bank, Miroslava Pavlovic decided to sell all his shares (36.7%) together with the second largest shareholder, who decided to decrease its shares (from 18.6% to 13.0%). The buyer was Galens Invest (22.3%) and Pavgord International AG (22.0%) and the acquisition price was c. EUR 3.6 mn. The bank also decided to change its name to Naša Banka.
- In 2016, the BiH BOR Banka acquired Privredna Banka Sarajevo. Both bank's shareholders approved the transaction. Since the merger, the two banks have been operating under the name of Privredna Banka Sarajevo.

LIST OF BANKING M&A DEALS IN BOSNIA AND HERZEGOVINA 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2022	Sberbank BH	ASA Bank Sarajevo	100.00%	n.a.	Banking Agency of the Federation of Bosnia and Herzegovina / Sberbank
2022	Sberbank Banja Luka	Nova Banka Banja Luka	99.64%	n.a.	Banking Agency of Republika Srpska / Sberbank
2021	Nova Banka Banja Luka	MG Mind	99.10%	n.a.	n.a.
2021	Komercijalna Banka Banja Luka	Banka Poštanska Stedionica	100.00%	n.a.	Nova Ljubljanska Banka
2020	Komercijalna Banka Banja Luka	Nova Ljubljanska Banka	n.a.	n.a.	n.a.
2019	Pavlovic International Bank	Galens Invest; Pavgord	44.30%	4	Miroslava Pavlovic; Batagon International AG
2019	Vakufska banka Sarajevo	ASA Finance	73.39%	11.98	Badeco Adria Sarajevo
2016	Privredna Banka Sarajevo	BOR Banka Sarajevo	100.00%	n.a.	n.a.

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The fintech sector in Bosnia and Herzegovina has a strong potential, however it's still facing numerous challenges primarily due to the dominance of traditional banks and adherence to conventional business practices.

One of the obstacles to further fintech sector development lies in the traditional approach of the wider population towards financial innovations. Attracting customers' attention and developing a product that is valuable and will be used frequently are two of the largest challenges facing today's digitalization efforts. Given the relatively small size of the country, Bosnia and Herzegovina faces a limited market for the complete development of fintech technologies.

Additionally, existing regulations within the country are not sufficiently adapted to the rapid changes in the fintech sector, and a lack of awareness of the advantages of fintech over traditional banking further slows down its acceptance. Despite these challenges, the outlook suggests that there is potential for the gradual integration of fintech into the daily lives of citizens of Bosnia and Herzegovina, provided that these obstacles are adequately addressed.

Source: Bloomberg

DIGITALIZATION

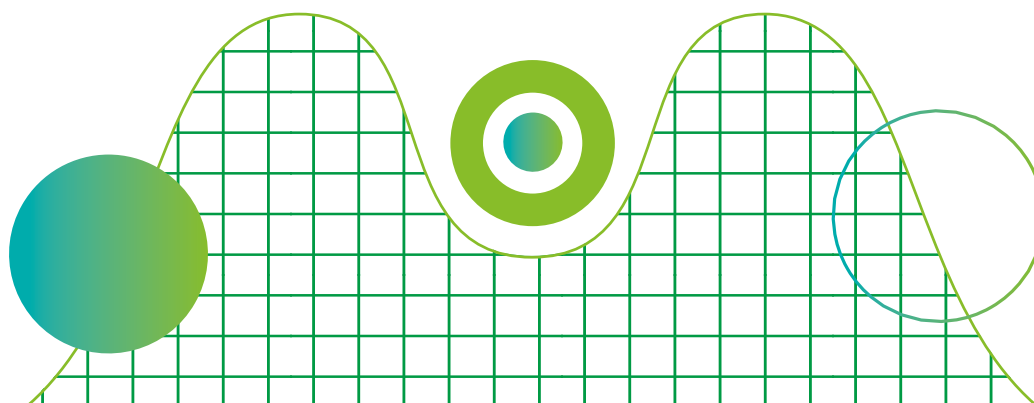
Digitalization in 2022 has witnessed a notable increase in various online activities compared to the previous year. Internet usage has risen slightly from 74% to 77%, indicating continued growth in online presence.

Online shopping among individuals aged 15 and above has seen a significant increase from the 20-24% range in 2021 to 31% in 2022. In terms of financial transactions, accessing a bank account online has increased to 35%, up from the 15-18% range in 2021. Additionally, paid utility bills using a mobile phone have increased to 10%, up from the 3-4% range in the previous year.

The data suggests a continuing trend towards increased digitalization, with a growing number of people embracing online services for shopping, banking, and bill payments in 2022.

	2021	2022
Internet usage (of pop.)	74%	77%
Did online shopping (age 15+)	20% - 24%	31%
Paid bills via internet (age 15+)	16 - 19%	13%
Accessed a bank account online (age 15+)	15 - 18%	35%
Paid utility bills using a mobile phone (age 15+)	3 - 4%	10%
Made or received digital payments (age 15+)	n.a.	67%

Source: Raiffeisen Bank





Albania

Despite global challenges, Albania's economy continues to show strength. Nominal GDP surged by 18.5% in 2022 with additional growth of 16.9% estimated for 2023. Following climbed inflation during 2022 reflecting interrupted energy and food supply because of the war between Russia and Ukraine, CPI started declining in 2023 and is expected to reach 4.7% at 2023 year-end. The decline can be attributed to stable international prices and a robust exchange rate. Despite the positive trend in nominal GDP, real GDP has declined, indicating that growth is slowing down from 4.9% to 3.2% expected for 2023 primarily due to high inflation. Also, yields on Treasury bills and bonds have been trending downward, suggesting a positive market sentiment for more long-term investments.

Lending policies have become more stringent for businesses but more relaxed for households. Furthermore, there was a decrease in the demand for working capital in the corporate segment. As a result of different applied lending policies, and the changes in demand, total corporate loans grew by 3.5% whereas retail loans grew by 9.8% in first half of 2023. Enterprises are seeking loans for investment purposes, while households are cautious due to higher interest rates and

uncertainties in the housing market. The decrease in demand has led to shrinking lending to enterprises.

Asset quality has remained at approximately the same level in the first half of 2023 after a decrease in the NPL ratio in 2022 to 5.0%, it only increased slightly to 5.2% in 2023H1.

Profitability of the banking sector improved significantly with ROE and ROA rising by 3.6%p and 0.5%p in 2023H1, respectively.

The capital adequacy ratio of the banking sector stood at 18.1% at the end of 2022, which is 0.1%p up compared to 2021 year-end with further rising to 19.0% in first half of 2023. This is driven by both increasing regulatory capital level and decrease in RWA.

By the end of 2022, the number of banks operating in Albania had decreased to 11, following OTP Bank's acquisition and integration of Alpha Bank Albania. The Albanian banking sector remains highly concentrated, similar to previous years, with the five largest banks accounting for around 75% of total assets.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	1,647,431	1,856,172	2,138,339	2,370,200	▲ 15.2%	▲ 10.8%
Nominal GDP / capita (LCY k)	572.0	644.5	742.5	823.0	▲ 15.2%	▲ 10.8%
Nominal GDP (EUR mn)	13,286	15,150	17,949	20,982	▲ 18.5%	▲ 16.9%
Nominal GDP /capita (EUR k)	4.6	5.3	6.2	7.3	▲ 18.5%	▲ 16.9%
GDP (% real change pa)	(3.3)	8.9	4.9	3.2	▼ (4.1%p)	▼ (1.7%p)
FINANCIAL MARKETS						
Lending interest rate (%)	6.2	6.1	6.4	6.6	▲ 0.3%p	▲ 0.2%p
Deposit interest rate (%)	0.4	0.5	0.7	1.3	▲ 0.3%p	▲ 0.6%p
Consumer prices (% change pa)	1.6	2.1	6.7	4.7	▲ 4.7%p	▼ (2.0%p)
Average EURLCY	124.0	122.5	119.1	113.0	▼ (2.8%)	▼ (5.2%)
Average USDLCY	108.7	103.5	113.0	104.3	▲ 9.2%	▼ (7.7%)
PUBLIC DEBT						
Public debt (% of GDP)	74.3	74.5	64.5	63.2	▼ (10.0%p)	▼ (1.3%p)
Budget balance (% of GDP)	(6.7)	(4.6)	(3.7)	(2.5)	▲ 0.9%p	▲ 1.2%p
POPULATION						
Population (mn. pers.)	2.9	2.9	2.9	2.9	● 0.0%	● 0.0%
Unemployment rate (%)	6.8	6.7	6.5	6.4	▼ (0.2%p)	▼ (0.1%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	12,754	14,478	15,758	16,496	▲ 8.8%	▲ 4.7%
Asset penetration (%)¹	96.0%	95.6%	87.8%	78.6%	▼ (7.8%p)	▼ (9.2%p)
Total equity (EUR mn)	1,325	1,435	1,547	1,652	▲ 7.8%	▲ 6.8%
Total loans (EUR mn)	4,715	5,228	5,748	6,046	▲ 9.9%	▲ 5.2%
Loan penetration (%)²	35.5%	34.5%	32.0%	28.8%	▼ (2.5%p)	▼ (3.2%p)
Retail loans (EUR mn)	1,606	1,819	2,092	2,296	▲ 15.0%	▲ 9.8%
Corporate loans (EUR mn)	2,987	3,225	3,457	3,579	▲ 7.2%	▲ 3.5%
Other loans (EUR mn)	122	184	199	170	▲ 8.3%	▼ (14.5%)
NPL VOLUMES						
Total NPLs (EUR mn)	382	295	287	314	▼ (2.7%)	▲ 9.4%
Retail NPLs (EUR mn)	n/a	n/a	n/a	n/a	n/a	n/a
Corporate NPLs (EUR mn)	n/a	n/a	n/a	n/a	n/a	n/a
NPL RATIOS						
Total NPL ratio (%)	8.1%	5.7%	5.0%	5.2%	▼ (0.7%p)	▲ 0.2%p
Retail NPL ratio (%)	n/a	n/a	n/a	n/a	n/a	n/a
Corporate NPL ratio (%)	n/a	n/a	n/a	n/a	n/a	n/a
KEY RATIOS						
CAR (%)	18.3%	18.0%	18.1%	19.0%	▲ 0.1%p	▲ 0.9%p
ROE (%)	10.7%	12.9%	12.3%	15.9%	▼ (0.6%p)	▲ 3.6%p
ROA (%)	1.2%	1.4%	1.4%	1.8%	▼ (0.1%p)	▲ 0.5%p
CIR (%)	58.7%	60.3%	59.2%	52.5%	▼ (1.1%p)	▼ (6.6%p)
L/D (%)	45.0%	44.4%	44.6%	44.9%	▲ 0.2%p	▲ 0.3%p
NIM (%)	7.5%	7.5%	8.0%	n/a	▲ 0.4%p	n/a
OPEX on avg. total assets (%)	2.2%	2.2%	2.1%	n/a	▼ (0.1%p)	n/a
Cost of risk (%)	1.3%	0.1%	0.6%	n/a	▲ 0.5%p	n/a

Source: National Bank of Albania | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN ALBANIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Banka Kombëtare Tregtare	4,125	26.3%	426	79	2.0%	18.6%	Calik Holding A.S.
2.	2.	●	Credins Bank	2,499	16.0%	163	10	0.4%	6.0%	Private individuals
3.	3.	●	Raiffeisen Bank Albania	2,364	15.1%	247	32	1.4%	13.3%	Raiffeisen
4.	4.	●	Intesa Sanpaolo Bank Albania	1,618	10.3%	188	11	0.7%	5.9%	Intesa Sanpaolo
5.	5.	●	OTP Albania	1,483	9.5%	144	26	2.2%	22.4%	OTP
6.	6.	●	American Bank of Investments	976	6.2%	94	15	1.7%	16.8%	Tranzit Sh.p.k.
7.	7.	●	Tirana Bank	963	6.1%	82	9	1.0%	10.4%	Balfin Sh.p.k.
8.	9.	▲	Union Bank	771	4.9%	63	8	1.1%	11.3%	UFK
9.	10.	▲	FIBank Albania	421	2.7%	40	7	1.9%	19.7%	Fibank AD
10.	11.	▲	ProCredit Bank	344	2.2%	34	1	0.3%	2.9%	ProCredit
11.	12.	▲	United Bank of Albania	106	0.7%	9	(3)	(2.8%)	(29.5%)	Islamic Development Bank
LISTED BANKS TOTAL				15,669	99.4%	1,490	196	1.3%	13.2%	
FOREIGN BRANCHES AND OTHER ENTITIES				89	0.6%	57	(14)	(15.6%)	(24.5%)	
TOTAL				15,758	100%	1,547	182	1.2%	12.2%	

Source: Annual reports

M&A DEALS

There were 6 major acquisitions in the banking market over the past years in Albania, but no recent activity since 2023.

- In 2022, Raiffeisen Bank Albania was having negotiations to be sold to Balfin Group (Albania based company engaged in real estate development and retail business), however, the acquisition attempt failed. The chairman of the Management Council of Raiffeisen Bank sh.a. announced that Raiffeisen Bank International would not be leaving the Albanian market.
- In 2021, OTP Bank Hungary has acquired 100% stake in Alpha Bank Albania, the Albania based commercial bank from Alpha Services & Holdings for approximately EUR 55mn. The transaction was closed in Q2 2022 and they have been operating under the name of OTP Bank Albania since December 1, 2022. The integration of Alpha Bank Albania to OTP Bank Albania is expected by the end of 2023. Alpha Bank Albania showed a 27.5% ROE in 2022, representing the highest return of Albanian Banks and of the OTP Group Banks.
- In 2019, as a result of the strategic decision of several Greek banks to exit from the Balkan markets, Piraeus Bank sold 98.93% stake in Tirana bank to Balfin (Albania based company engaged in real estate development and retail business) and to the Macedonian Komercijalna Banka.
- In 2019, the Hungarian OTP Bank acquired an 88.89% stake in Banka Soci t  G n rale Albania. This deal was a part of the Soci t  G n rale's CEE regional subsidiary divestiture actions. The transaction was valued together with the 99.47% stake of the Bulgarian Soci t  G n rale Expressbank (acquired in 2018) and the OTP Bank payed EUR 600 mn altogether.
- In 2018, Union Bank has acquired 100% of voting shares of International Commercial Bank from Swiss based ICB Financial Group Holdings. The price of the deal was not disclosed. ICBank held 0.7% of total assets with a network of six branches and 94 employees.
- In 2018, the Albanian American Bank of Investments acquired Banka NBG Albania from National Bank of Greece (a listed Greek financial institution). Banka NBG Albania owned 26 branches and had total asset of EUR 305.7mn as of 30 September 2017.
- In 2015, the French Credit Agricole sold its Albanian subsidiary to the Albanian Tranzit Finance for an undisclosed consideration. At the end of 2015, Credit Agricole Albania was renamed American Bank of Investments.

LIST OF BANKING M&A DEALS IN ALBANIA 2015 - 2023 DECEMBER

YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
2021	Alpha Bank Albania	OTP	100.00%	55	Alpha Bank SA
2019	Tirana Bank	Komercijalna Banka and Balfin	98.83%	57.3	Piraeus Bank SA
2019	Banka Societe Generale Albania	OTP	88.89%	n.a	Societe General SA
2018	International Commercial Bank	Union Bank	100.00%	n.a	ICB Financial Group Holdings
2018	Banka NBG Albania	American Bank of Investments	100.00%	25	National Bank of Greece
2015	American Bank of Investments	Tranzit Finance	100.00%	n.a	Credit Agricole

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The top 2 fintech categories are deposits and lending services (microfinancing plays an important role) and payment firms based on the number of Albanian fintech companies. The category with the highest market share is payment providers with 54% market share based on number of companies.

The most rapidly growing firms in terms of revenue are deposits and lending service providers, their compound annual growth rate was 40% during 2019-2022.

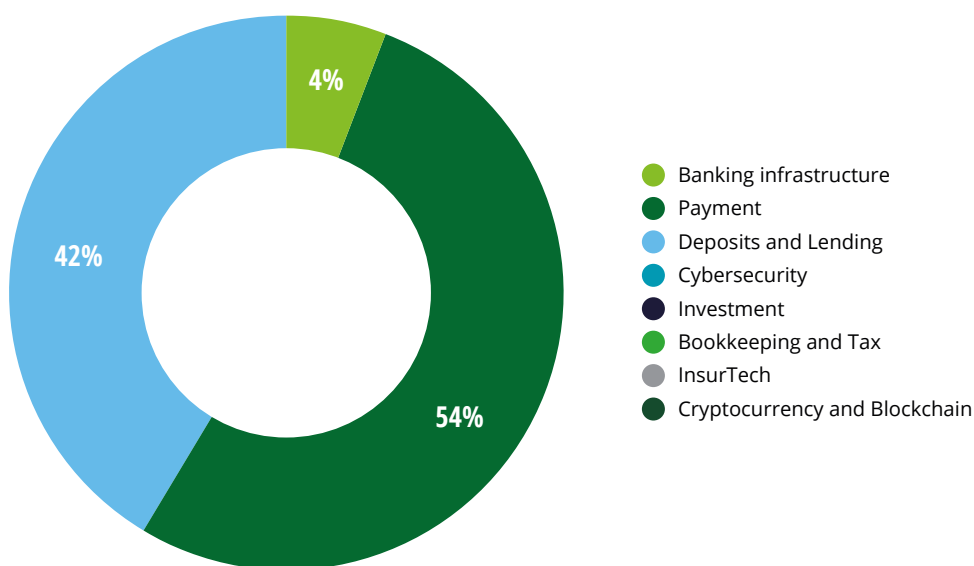
Regarding profitability, deposits and lending category has the highest net income margin at 28%, followed by payment companies with 13% in 2022.

M&A TRENDS

- Payments, the largest segment of the local fintech market by number of users, is expected to reach 1.19 mn users by 2027.
- According to Elmangos Ventures, out of 12 banks 11 have fintech startups in Albania.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

TOP 20 FINTECHS IN ALBANIA IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	lutecredit	Deposits and Lending	luteCredit Albania is a financial institution licensed by the Bank of Albania in 2015. As such, it operates a responsible credit policy that includes credit risk assessment, clear and transparent conditions without hidden fees and quick and comfortable service to the customer throughout the process.	AS luteCredit Europe	no / n.a.	28.1	16.3	2.4	13.3
2	Posta Shqiptare	Payment	Albanian Postal service, alongside its main activity, issues electronic money, makes payments and money transfer services as well as foreign exchanges.	Ministry of Economy, Trade and Energy of the Republic of Albania	no / n.a.	24.3	1.0	(0.4)	41.2

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
3	Kredo	Deposits and Lending	Kredo Finance is a non-bank financial institution licensed by the Bank of Albania in 2017. The company aims to provide rapid financing services to individuals with the most appropriate borrowing process, without bypassing the safety and convenience of consumers.	Private	no / n.a.	21.2	14.2	6.4	13.9
4	Tranzit	Deposits and Lending	Transit was licensed to operate as a Non Bank Financial Institution in 2010. The company offers numerous financing opportunities that include loans and equity stake for individuals and society in the country.	Private	no / n.a.	9.4	8.2	7.6	2.7
5	Easypay	Payment	EasyPay was born in 2010 as an inevitable need of the country and the Albanian financial system for an inclusive digital payment platform, designed to enable individuals to make payments within our extensive service portfolio as well as make money transfers while saving time, money and increasing convenience.	Private	no / n.a.	6.2	1.2	1.0	3.2
6	SOFT & SOLUTION SH.P.K.	Payment	Soft & Solution Group offers services in the development of programmes and applications of all categories and profiles, while also issuing payments, etc.	n.a.	no / n.a.	6.1	4.4	3.9	5.4
7	AK invest	Payment	AK-Invest is licensed by the Central Bank of Albania in 2003 to provide the following financial services: Lending (individual/business), Factoring, Guarantees and banking commitments, Payments (international/domestic), Money transfers, Utilitarian, Payment, Non-life insurance, Forex and Mediation and financial consultancy.	Private	no / n.a.	5.2	2.0	2.0	11.7
8	MICRO CREDIT ALBANIA SH.A.	Deposits and Lending	MCA are the first financial society to come to the aid of individuals to meet their minimum needs. They make contribution to the growth of small and medium-sized businesses, becoming part of their investment.	Private	no / n.a.	2.7	1.6	1.3	5.7
9	A&S Fund	Deposits and Lending	A&S Fund is a microcredit financial institution that gives financial assistance mainly to micro and small enterprises and individuals.	Fondi Besa sh.a.	no / n.a.	1.9	1.0	0.3	2.8
10	Paylink	Payment	PayLink is licensed by the Bank of Albania as a National Operator for Basic Card Payment and the Clearing Interbank Operator.	Unionnet - Western Union	no / n.a.	1.3	0.1	(0.3)	0.5
11	Paysera	Payment	Paysera has been providing online banking and payment solution since 2004.	Private	no / n.a.	1.1	0.2	0.1	0.7
12	CREDITAL SH.P.K.	Deposits and Lending	Credital is a microcredit financial institution that provides loans to small businesses and individuals.	n.a.	no / n.a.	0.5	0.1	0.1	0.3

#	COMPANY NAME	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
13	RAEA FINANCIAL SERVICES SH.P.K.	Payment	RAEA FINANCIAL SERVICES is a financial institution, which has the client at the center of its activity. It offers a wide range of services: Utility Payment Service, Money Transfer, Trade Transfers, Currency Exchange, Recharging Mobile Phones, Internet and TV, etc., Payment of various bills, Financial Consulting.	Private	no / n.a.	0.2	0.0	(0.0)	0.3
14	M - pay	Payment	MPAY, as a company was established in 2010, with the aim of providing bank-centric mobile payments on the Albanian market. Its namesake service was launched in 2013 in collaboration with Raiffeisen Bank Albania and Societe Generale Albania (now OTP Bank Albania).	Private	no / n.a.	0.2	0.0	(0.0)	0.2
15	AGRO PARTNER SH.P.K.	Deposits and Lending	The Microcredit Financial Institution "AGRO PARTNER" aims to cover the entire rural space of the Lusnje Sub-Prefecture and especially the deep areas, where bank subsidiaries are currently missing or little present, as well as those of microcredit financial institutions operating in this Sub-Prefecture.	Private	no / n.a.	0.1	0.1	0.0	0.5
16	Symmet-ric	Payment	Symmetric is established 2010 in Tirana. Symmetric has started its activities providing mainly consultancy service in Payment Applications, Business Process Optimization and Business Process Re- Engineering.	Private	no / n.a.	0.1	0.0	0.0	0.1
17	VELOX PAY SH.P.K.	Payment	The company was born in 2020 and its main activity is issuing electronic money.	n.a.	no / n.a.	0.1	0.0	0.0	0.6
18	Rubicon	Payment	Rubicon is a fintech company in Albania engaged in providing financial solutions and developing a payment processing network.	Private	no / n.a.	0.1	(0.2)	(0.2)	0.7
19	UNION FINANCIAR TIRANË SH.A.	Payment	Established in 1999, Unionnet issues electronic money, while also providing all payment and money transfer services.	Private	no / n.a.	0.0	n.a.	0.0	0.1
20	RPAY SH.P.K.	Payment	POK is an electronic payments and money transfer solution that is continuously innovating and improving its services so that customers and merchants have state of the art technology at the palm of their hands.	n.a.	no / n.a.	0.0	(0.3)	(0.3)	0.7

Source: Deloitte Intelligence



Estonia

Estonia continues to demonstrate resilience as it anticipates a cautious economic recovery in 2023. While high inflation remained a concern at 19.5% in 2022, in 2023 the annual average inflation is estimated to ease to 9.3%. After achieving a real GDP growth of 7.4% in 2021, an economic contraction of 0.5% occurred in 2022. Despite this decline in real GDP, the nominal economic output had increased by 15.5%, attributed to the high level of inflation experienced during 2022. A similar trend is expected for the nominal output in 2023, accompanied by a decline of the real GDP.

The rise in interest rates, with a 0.9%p increase in lending rates in 2022 and an additional 0.5%p estimated for 2023, is affecting both businesses and households, particularly those in the energy, real estate, and transportation sectors that heavily rely on borrowed funds.

The real estate market in Estonia faced smaller demand during the last half of 2022, driven by escalating housing prices and a rise in lending rates. This instance led borrowers to grapple with increased repayments and extended loan terms, rendering them more sensitive to economic fluctuations.

In 2022, the banking sector experienced a slight decrease in total assets, despite a notable 11.5% increase in total loans. Both retail and corporate loans exhibited similar expansions. For the corporate sector, loans for real estate companies drove the growth, and for households it was housing as well as quickly growing consumer loans. By 2023 H1, assets had bounced back to similar levels seen in 2021 and there was a moderate increase of 1.8% in the amount of loans as well, with corporate loans showing only 0.8% growth.

Estonia maintains an exceptionally low non-performing loans ratio, remaining steady at 0.2% since 2021. Elevated base

interest rates are contributing to an augmentation in the banking sector's profitability (1.7%p rise in ROE, 0.1%p in ROA and 0.4%p in NIM in 2022). However, this positive trend is counteracted by escalating funding costs. Despite the financial sector's resilience, the emerging tensions in financial markets are raising concerns about potential challenges in meeting regulatory requirements.

The cost-to-income ratio has shown a slight decrease in 2022. In 2023 H1, due to the elevated income coming mainly from interest income, the CIR has further decreased to a low level of 31.7%, which is a 13.2%p decline from 2022.

The loan-to-deposit ratio of banks in Estonia is notably high, reaching 89.6% by the end of 2023 H1. This implies that although the Estonian banking sector predominantly finances its loans through local deposits, additional funding sources are essential to support the expansion of the loan portfolio.

Estonia has a concentrated banking sector with the four largest banks having 80.7% market share. Since 2021, the two banks competing for the biggest market share switched places, with Luminor now having the most assets accounting for 28.0% of the total market.

The region is experiencing significant M&A activity in the financial sector. Estonian e-commerce payment solutions provider, Maksekeskus, has sold 99% of its shares to Luminor Bank, while EveryPay, another payment solutions provider, was acquired by LHV Group. Bigbank, an Estonian lender, is open to considering acquisitions to support its organic growth. Inbank, a consumer finance-focused digital bank based in Estonia, plans to raise growth capital this year, potentially leading to an IPO in the next few years. Additionally, Finora Group, an Estonia-based financial services company, is planning a fundraising of EUR 5 mn to EUR 6 mn this year to support its expansion.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	27,430	31,169	36,011	38,459	▲ 15.5%	▲ 6.8%
Nominal GDP / capita (LCY k)	20.6	23.4	27.0	29.0	▲ 15.4%	▲ 7.1%
Nominal GDP (EUR mn)	27,430	31,169	36,011	38,459	▲ 15.5%	▲ 6.8%
Nominal GDP / capita (EUR k)	20.6	23.4	27.0	29.0	▲ 15.4%	▲ 7.1%
GDP (% real change pa)	(0.7)	7.4	(0.5)	(2.3)	▼ (7.8%p)	▼ (1.8%p)
FINANCIAL MARKETS						
Lending interest rate (%)	6.4	4.9	5.8	6.3	▲ 0.9%p	▲ 0.5%p
Deposit interest rate (%)	0.7	0.6	1.0	1.5	▲ 0.4%p	▲ 0.5%p
Consumer prices (% change pa)	(0.6)	4.5	19.5	9.3	▲ 15.0%p	▼ (10.2%p)
Average EURLCY	1.0	1.0	1.0	1.0	● 0.0%	● 0.0%
Average USDLCY	0.9	0.8	0.9	0.9	▲ 12.3%	▼ (2.7%)
PUBLIC DEBT						
Public debt (% of GDP)	18.6	17.8	18.5	19.4	▲ 0.7%p	▲ 0.9%p
Budget balance (% of GDP)	(5.5)	(2.4)	(0.9)	(2.1)	▲ 1.5%p	▼ (1.2%p)
POPULATION						
Population (mn. pers.)	1.3	1.3	1.3	1.3	▲ 0.1%	▼ (0.3%)
Unemployment rate (%)	6.8	6.2	5.6	6.8	▼ (0.6%p)	▲ 1.2%p

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

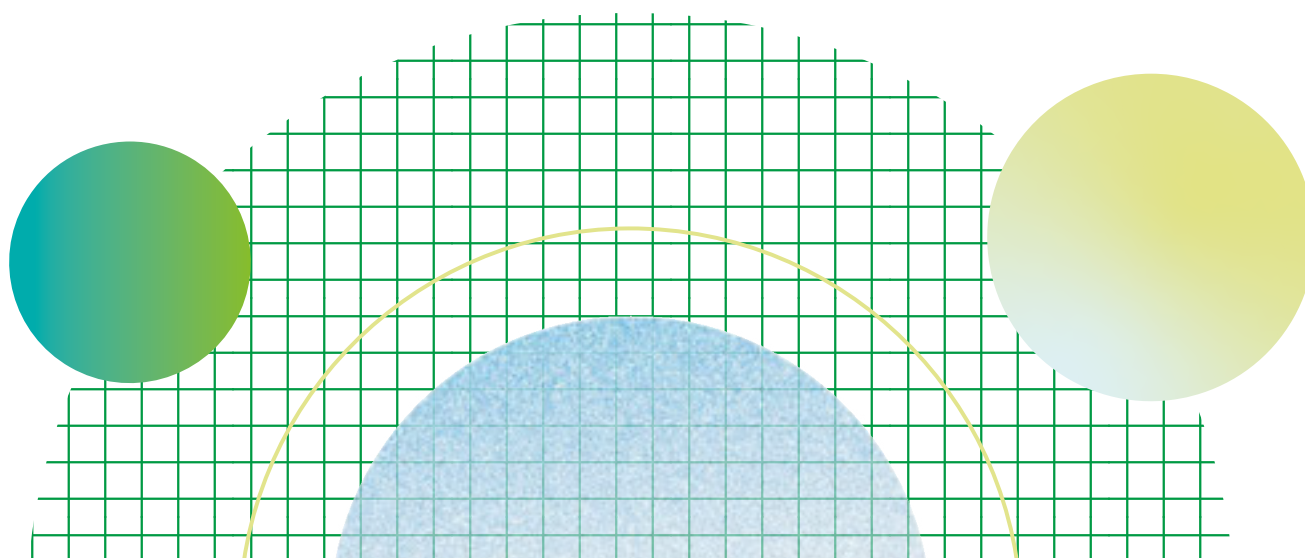
	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	47,429	54,253	53,056	54,229	▼ (2.2%)	▲ 2.2%
Asset penetration (%)¹	172.9%	174.1%	147.3%	141.0%	▼ (26.7%p)	▼ (6.3%p)
Total equity (EUR mn)	5,385	5,379	5,373	5,486	▼ (0.1%)	▲ 2.1%
Total loans (EUR mn)	20,668	22,426	25,015	25,455	▲ 11.5%	▲ 1.8%
Loan penetration (%)²	75.3%	71.9%	69.5%	66.2%	▼ (2.5%p)	▼ (3.3%p)
Retail loans (EUR mn)	9,813	10,410	11,544	11,865	▲ 10.9%	▲ 2.8%
Corporate loans (EUR mn)	7,605	8,313	9,373	9,446	▲ 12.8%	▲ 0.8%
Other loans (EUR mn)	3,250	3,703	4,098	4,144	▲ 10.7%	▲ 1.1%
NPL VOLUMES						
Total NPLs (EUR mn)	84	46	44	54	▼ (3.7%)	▲ 22.5%
Retail NPLs (EUR mn)	37	24	24	28	▲ 1.3%	▲ 18.1%
Corporate NPLs (EUR mn)	47	22	21	26	▼ (5.5%)	▲ 26.4%
NPL RATIOS						
Total NPL ratio (%)	0.4%	0.2%	0.2%	0.2%	● 0.0%p	● 0.0%p
Retail NPL ratio (%)	0.4%	0.2%	0.2%	0.2%	● 0.0%p	● 0.0%p
Corporate NPL ratio (%)	0.6%	0.3%	0.2%	0.3%	▲ 0.1%p	▲ 0.1%p
KEY RATIOS						
CAR (%)	27.0%	23.3%	21.7%	21.8%	▼ (1.6%p)	▲ 0.1%p
ROE (%)	8.4%	8.9%	10.6%	20.5%	▲ 1.7%p	▲ 10.0%p
ROA (%)	0.9%	0.8%	0.9%	1.8%	▲ 0.1%p	▲ 0.9%p
CIR (%)	42.9%	46.9%	44.9%	31.7%	▼ (1.9%p)	▼ (13.2%p)
L/D (%)	86.4%	80.4%	89.1%	89.6%	▲ 8.7%p	▲ 0.4%p
NIM (%)	2.4%	2.4%	2.8%	n/a	▲ 0.4%p	n/a
OPEX on avg. total assets (%)	0.9%	0.8%	0.9%	n/a	▲ 0.1%p	n/a
Cost of risk (%)	0.4%	0.1%	0.1%	n/a	● 0.0%p	n/a

Source: National Bank of Estonia | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN ESTONIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	2.	▲	Luminor	14,858	28.0%	1,535	117	0.8%	7.6%	Luminor
2.	1.	▼	Swedbank	13,842	26.1%	1,694	208	1.4%	12.4%	Swedbank
3.	3.	●	SEB	8,086	15.2%	939	121	1.5%	13.0%	SEB
4.	4.	●	LHV Pank	6,036	11.4%	371	78	1.2%	24.8%	LHV Group
5.	5.	●	Coop Pank	1,679	3.2%	115	11	0.8%	11.4%	Coop Investeeringud
6.	6.	●	Bigbank	1,637	3.1%	213	34	2.4%	17.5%	Private individuals
7.	7.	●	Inbank	966	1.8%	70	(0)	(0.0%)	(0.0%)	Pershing Hall Holding Limited
8.	8.	●	TBB Pank	177	0.3%	22	0	0.1%	0.6%	Leonarda Invest
9.	9.	●	Holm Bank	132	0.2%	21	(1)	(0.5%)	(2.6%)	Private individuals
LISTED BANKS TOTAL				47,412	89.4%	4,978	569	1.2%	11.7%	
FOREIGN BRANCHES AND OTHER ENTITIES				5,644	10.6%	395	(79)	-1.2%	-15.8%	
TOTAL				53,056	100.0%	5,373	489	0.9%	9.1%	

Source: Annual reports





Latvia

In 2022, Latvia's economy continued to recover from the COVID-19 and energy crisis, but it also faced geopolitical challenges associated with Russia's invasion of Ukraine, resulting in an increase in the overall cost level and declining economic sentiment. Inflation in Latvia averaged 17.2% in 2022, which was one of the highest among the Eurozone countries. The significant increase in price level was mostly associated with the energy crisis, which impacted demand and put a pressure on the wage increases.

Along with falling global energy and food prices, and increased interest rates, inflation in 2023 has gradually decreased and dropped below 4% in September 2023.

Although a brief, mild recession affected the Latvian economy in mid-2022, the annual real GDP grew by 3.5% due to the expansion of private consumption and exports supported by the government and EU funds support schemes, as well as savings made during the pandemic. In real terms GDP is expected to slow down with no growth or only marginal growth in 2023.

The banking sector's total assets expanded by 9.0% in 2022 to which both retail and corporate loans contributed, as well as a significant 88.0% increase in other loans, primarily consisting of loans to financial institutions. In the first half of 2023, assets declined by 1.5% attributed to a slight decrease in the securities portfolio and in corporate loans. Household lending generally remained stable, but lending activity for households is expected to weaken due to higher interest rates and shrinking real income. Both lending and deposit interest rates are estimated to rise by 3.3%p in 2023. Lending to non-financial corporations (NFCs) slightly contracted in 2023 H1 as increased energy expenditure and reduced consumer spending pose challenges.

NPL ratios are on the decline with a decrease of 1.3%p in 2022 and 0.3%p in 2023 H1. This decline is supported by government assistance and accumulation of savings during pandemic

supporting households Latvia's credit institutions maintain stable funding base and liquidity positions with a loan-to-deposit ratio of 73.1%.

Profitability improved in 2023H1 and was driven by increased net interest margin, associated with a rise in the EURIBOR, resulting in ROE and ROA ratios more than doubling and reaching 23.0% and 2.6% respectively. While a rapid transition of interest rates and increase in average remuneration was observed, the change in administrative expenses was not that significant. Accordingly, the cost-to-income ratio had further decreased by 14.4%p in 2023.

In 2022, there were 10 local banks operating in the market, two fewer than before. In February, AS Expobank was acquired by Signet Bank AS and in November, AS PrivatBank's transformation to a non-credit commercial entity was authorized. At the end of 2023 Signet Bank AS also acquired 100% stake of the LPB Bank AS.

A further increase in market concentration can be observed, with the largest three banks owning 70.6% of the overall assets. Competing for the second largest market share behind Swedbank, SEB Banka surpassed Citadele Banka in terms of total assets in 2022.

Latvia-based 4finance Holding is exploring options for its subsidiary, TBI Bank. Although no official sale process is underway, there has been notable market interest. TBI Bank, operating in Bulgaria, Romania, and Greece, experienced impressive growth, with assets reaching EUR 1.1 billion, and reported a net profit of EUR 35.5 million. In parallel, the European Central Bank has officially revoked the license of Baltic International Bank, leading to the initiation of liquidation proceedings. This flurry of activities reflects dynamic changes in the Baltic financial landscape.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	30,112	33,220	38,719	42,197	▲ 16.6%	▲ 9.0%
Nominal GDP / capita (LCY k)	15.9	17.7	20.9	22.9	▲ 18.0%	▲ 9.5%
Nominal GDP (EUR mn)	30,112	33,220	38,719	42,197	▲ 16.6%	▲ 9.0%
Nominal GDP / capita (EUR k)	15.9	17.7	20.9	22.9	▲ 18.0%	▲ 9.5%
GDP (% real change pa)	(3.5)	6.4	3.5	0.3	▼ (2.9%p)	▼ (3.2%p)
FINANCIAL MARKETS						
Lending interest rate (%)	3.7	3.5	3.2	6.5	▼ (0.3%p)	▲ 3.3%p
Deposit interest rate (%)	0.3	0.3	0.3	3.6	▲ 0.1%p	▲ 3.3%p
Consumer prices (% change pa)	0.1	3.2	17.2	9.2	▲ 14.0%p	▼ (8.0%p)
Average EURLCY	1.0	1.0	1.0	1.0	● 0.0%	● 0.0%
Average USDLCY	0.9	0.8	0.9	0.9	▲ 12.3%	▼ (2.7%)
PUBLIC DEBT						
Public debt (% of GDP)	42.2	44.2	41.2	41.1	▼ (3.0%p)	▼ (0.1%p)
Budget balance (% of GDP)	(4.5)	(7.2)	(4.6)	(3.3)	▲ 2.6%p	▲ 1.3%p
POPULATION						
Population (mn. pers.)	1.9	1.9	1.9	1.8	▼ (1.2%)	▼ (0.5%)
Unemployment rate (%)	8.1	7.6	6.9	6.4	▼ (0.7%p)	▼ (0.4%p)

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	24,070	24,796	27,024	26,606	▲ 9.0%	▼ (1.5%)
Asset penetration (%)¹	79.9%	74.6%	69.8%	63.1%	▼ (4.8%p)	▼ (6.7%p)
Total equity (EUR mn)	2,917	3,060	3,224	3,405	▲ 5.4%	▲ 5.6%
Total loans (EUR mn)	13,479	14,259	17,564	17,795	▲ 23.2%	▲ 1.3%
Loan penetration (%)²	44.8%	42.9%	45.4%	42.2%	▲ 2.4%p	▼ (3.2%p)
Retail loans (EUR mn)	5,180	5,550	5,756	5,816	▲ 3.7%	▲ 1.0%
Corporate loans (EUR mn)	5,675	5,608	5,977	5,748	▲ 6.6%	▼ (3.8%)
Other loans (EUR mn)	2,624	3,101	5,832	6,231	▲ 88.0%	▲ 6.9%
NPL VOLUMES						
Total NPLs (EUR mn)	609	530	419	363	▼ (20.9%)	▼ (13.3%)
Retail NPLs (EUR mn)	208	150	108	113	▼ (27.6%)	▲ 4.3%
Corporate NPLs (EUR mn)	398	367	304	248	▼ (17.1%)	▼ (18.6%)
NPL RATIOS						
Total NPL ratio (%)	4.5%	3.7%	2.4%	2.0%	▼ (1.3%p)	▼ (0.3%p)
Retail NPL ratio (%)	4.0%	2.7%	1.9%	1.9%	▼ (0.8%p)	▲ 0.1%p
Corporate NPL ratio (%)	7.0%	6.6%	5.1%	4.3%	▼ (1.5%p)	▼ (0.8%p)
KEY RATIOS						
CAR (%)	26.9%	25.3%	23.0%	21.6%	▼ (2.3%p)	▼ (1.5%p)
ROE (%)	5.2%	10.0%	10.0%	23.0%	● 0.0%p	▲ 13.0%p
ROA (%)	0.7%	1.2%	1.2%	2.6%	▲ 0.1%p	▲ 1.3%p
CIR (%)	68.2%	62.5%	55.6%	41.2%	▼ (6.9%p)	▼ (14.4%p)
L/D (%)	70.4%	73.0%	72.7%	73.1%	▼ (0.3%p)	▲ 0.4%p
NIM (%)	1.9%	1.9%	2.0%	3.5%	▲ 0.1%p	▲ 1.5%p
OPEX on avg. total assets (%)	2.0%	1.9%	1.8%	n/a	▼ (0.2%p)	n/a
Cost of risk (%)	0.5%	0.0%	0.4%	n/a	▲ 0.3%p	n/a

Source: National Bank of Latvia | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN LATVIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	▲	Swedbank	8,520	31.5%	1,033	103	1.3%	10.3%	Swedbank AB
2.	3.	▼	SEB Banka	5,452	20.2%	497	102	2.0%	21.2%	SEB
3.	2.	●	Citadele Banka	5,120	18.9%	373	42	0.9%	11.7%	Ripplewood Advisors LLC
4.	4.	●	Rietumu Banka	1,436	5.3%	368	22	1.4%	6.1%	Private Individuals
5.	5.	●	BluOr Bank (BlueOrange Bank)	686	2.5%	81	11	1.4%	13.6%	AS BBG
6.	7.	●	Regionala investiciju banka	395	1.5%	46	2	0.5%	3.8%	SIA SKY Investment Holding
7.	6.	●	Signet Bank	394	1.5%	22	1	0.1%	2.7%	Signet Acquisition III
8.	10.	●	Industra Bank (Meridian Trade Bank)	270	1.0%	20	3	1.4%	16.4%	J.A. Investment holdings SIA
9.	9.	●	LPB Bank	165	0.6%	32	2	1.3%	6.8%	Mono SIA
10.	8.	▼	Baltic International Bank	139	0.5%	14	(27)	(15.3%)	(106.1%)	Private Individuals
LISTED BANKS TOTAL				22,578	83.5%	2,485	260	1.2%	10.8%	
FOREIGN BRANCHES AND OTHER ENTITIES				4,446	16.5%	739	61	1.4%	8.5%	
TOTAL				27,024	100.0%	3,224	322	1.2%	10%	

Source: Annual reports

* On 24 March 2023, Baltic International Bank SE was recognised as an institution to be liquidated and the process of its liquidation was initiated.

** On 25 November 2022, the Financial and Capital Market Commission authorized AS PrivatBank's transformation into a non-credit commercial entity, voiding its credit institution license.

*** Signet Bank AS, acquired AS Expobank on 16 of February 2022. The terms of the transaction were not disclosed.

**** Signet Bank AS, acquired AS LPB Bank on 11 of December 2023 from SIA Mono. The terms of the transaction were not disclosed.

The credit institution license of PrivatBank AS had ceased to exist with the reorganization of the bank to a commercial company in 2022. The bank's business, including most of its assets and liabilities had been transferred to Industra Bank AS.





Lithuania

Lithuania's economic landscape in 2023 is characterized by global uncertainties and ECB taking measures to control inflation through interest rate hikes, leading to declining inflation in 2023. Compared to the average inflation of 18.9% in 2022 amplified by the energy prices, by December 2023 it has gradually decreased to 1.2%.

Due to external challenges and inflation putting a downward pressure on the purchasing power of households, the economy grew slower in real terms, by 2.4% in 2022. On the other hand, unemployment in 2022 was at a record low annual average of 5.9% since 2008 while average nominal wages increased by 13%. In 2023, limited real economic growth of 0.1% is expected.

Interest rates on loans and deposits increased moderately in 2022 (1.6%p for lending and 0.2%p for deposit rates), driven by higher EURIBOR rates, although competition has kept margins stable. Interest rates are expected to increase further in 2023 by 2.3%p to 6.6% for lending and by 2.3%p to 3.0% for deposits.

In 2022, the Lithuanian banking sector's assets expanded by 29.4%, and total loans increased by 26.2%. Households actively pursued loans for consumption and housing showing a 12.4% increase altogether. In the non-financial sector, a higher demand for working capital driven by the increase in prices of raw material and intermediate goods led to an 18.4% increase in corporate loans. There was a significant 39.2% growth in other loans as well. In 2023H1, lending activity has slowed down with only a small, 1.1% increase in total lending, due to rising interest rates, worsening expectations and uncertainty.

Despite challenges, Lithuania's banking sector remains robust and banks maintain good loan quality. Although total NPL ratio increased from 0.5% in 2022 to 0.7% in 2023H1, level of non-performing loans was still relatively low in the first quarters

of 2023. Rising interest rates have resulted in an impressive increase of 42% in the profit of the banking sector in 2022. Bank Of Lithuania introduced temporary solidarity contribution for banks to capture the large windfall in bank profits, however profits are still expected to be rather high. Return on equity more than doubled from 10.6% to 26.0% in 2023 and thus the cost-to-income ratio further decreased by 18.5%p, to 35.9%.

The banking sector has healthy capital reserves, and ample liquidity. The capital adequacy ratio declined by 4.1%p in 2022 due to the increase in risk exposures, although it still remained 7 percentage points above the requirements. It slightly recovered by 0.8%p in 2023 H1 to 19.9%, and it remained 7.8%p above the requirements.

Lithuania's banking sector remains concentrated, with more than half of the market share held by the top 2 banks: Swedbank and SEB Bankas. The number of banks operating in Lithuania increased to 12 as AS Finora Capital received a banking license in April 2022. The Centre for Financial Market Development was established in 2022 with an aim to enhance competition within Lithuania's financial sector particularly by encouraging foreign commercial banks to operate in the country.

In 2023, the fintech company Saldo Finance UAB has received its specialized licence from the European Central Bank and started operating as a bank under the new name, Saldo Bank UAB.

The Lithuanian investment company, AAA Capital UAB, initially aimed to acquire Medicinos Bankas UAB, a local commercial bank from Konstantinas Karosas and World Fuel Services Corp. However, despite gaining approval from the European Central Bank, the transaction was ultimately terminated in late December 2022. The terms of the deal remained undisclosed throughout the process. Since then, Medicinos Bankas's CEO reported in an interview, that they are considering acquiring portfolios or businesses.

MACRO INDICATORS	2020	2021	2022	2023E	Δ 2021-2022	Δ 2022-2023E
GROSS DOMESTIC PRODUCT (GDP)						
Nominal GDP (LCY mn)	49,873	56,478	67,399	72,000	▲ 19.3%	▲ 6.8%
Nominal GDP / capita (LCY k)	17.7	20.3	24.5	26.5	▲ 20.9%	▲ 8.1%
Nominal GDP (EUR mn)	49,873	56,478	67,399	71,969	▲ 19.3%	▲ 6.8%
Nominal GDP / capita (EUR k)	17.7	20.3	24.5	26.5	▲ 20.9%	▲ 8.0%
GDP (% real change pa)	(0.0)	6.3	2.4	0.1	▼ (3.8%p)	▼ (2.3%p)
FINANCIAL MARKETS						
Lending interest rate (%)	2.6	2.7	4.3	6.6	▲ 1.6%p	▲ 2.3%p
Deposit interest rate (%)	0.4	0.5	0.7	3.0	▲ 0.2%p	▲ 2.3%p
Consumer prices (% change pa)	1.1	4.6	18.9	9.4	▲ 14.2%p	▼ (9.5%p)
Average EUR/LCY	1.0	1.0	1.0	1.0	● 0.0%	● 0.0%
Average USD/LCY	0.9	0.8	0.9	0.9	▲ 12.3%	▼ (2.7%)
PUBLIC DEBT						
Public debt (% of GDP)	46.2	43.4	38.1	34.4	▼ (5.4%p)	▼ (3.7%p)
Budget balance (% of GDP)	(6.5)	(1.1)	(0.7)	(1.5)	▲ 0.5%p	▼ (0.8%p)
POPULATION						
Population (mn. pers.)	2.8	2.8	2.8	2.7	▼ (1.3%)	▼ (1.2%)
Unemployment rate (%)	8.5	7.2	5.9	6.4	▼ (1.3%p)	▲ 0.5%p

Source: EIU

E - Estimated data for 2023

BANKING SECTOR

	2020	2021	2022	2023H1	Δ 2021-2022	Δ 2022-2023H1
GENERAL DATA						
Total assets (EUR mn)	39,606	44,375	57,435	58,579	▲ 29.4%	▲ 2.0%
Asset penetration (%) ¹	79.4%	78.6%	85.2%	81.4%	▲ 6.6%p	▼ (3.9%p)
Total equity (EUR mn)	3,478	3,747	4,288	4,704	▲ 14.4%	▲ 9.7%
Total loans (EUR mn)	36,283	39,693	50,081	50,654	▲ 26.2%	▲ 1.1%
Loan penetration (%) ²	72.8%	70.3%	74.3%	70.4%	▲ 4.0%p	▼ (4.0%p)
Retail loans (EUR mn)	11,179	12,392	13,931	14,602	▲ 12.4%	▲ 4.8%
Corporate loans (EUR mn)	7,680	8,912	10,554	10,423	▲ 18.4%	▼ (1.2%)
Other loans (EUR mn)	17,424	18,390	25,596	25,629	▲ 39.2%	▲ 0.1%
NPL VOLUMES						
Total NPLs (EUR mn)	488.7	282.1	250.4	354.6	▼ (11.2%)	▲ 41.6%
Retail NPLs (EUR mn)	207.9	123.9	117.0	146.0	▼ (5.6%)	▲ 24.8%
Corporate NPLs (EUR mn)	270.3	155.1	156.2	185.5	▲ 0.7%	▲ 18.8%
NPL RATIOS						
Total NPL ratio (%)	1.3%	0.7%	0.5%	0.7%	▼ (0.2%p)	▲ 0.2%p
Retail NPL ratio (%)	1.9%	1.0%	0.8%	1.0%	▼ (0.2%p)	▲ 0.2%p
Corporate NPL ratio (%)	3.5%	1.7%	1.5%	1.8%	▼ (0.3%p)	▲ 0.3%p
KEY RATIOS						
CAR (%)	24.0%	23.1%	19.1%	19.9%	▼ (4.1%p)	▲ 0.8%p
ROE (%)	8.3%	9.1%	10.6%	26.0%	▲ 1.5%p	▲ 15.4%p
ROA (%)	0.8%	0.8%	0.9%	1.8%	▲ 0.2%p	▲ 0.1%p
CIR (%)	49.5%	60.3%	54.4%	35.9%	▼ (5.9%p)	▼ (18.5%p)
L/D (%)	62.3%	66.2%	55.9%	56.9%	▼ (10.3%p)	▲ 1.0%p
NIM (%)	1.6%	1.4%	2.3%	3.3%	▲ 0.9%p	▲ 1.0%p
OPEX on avg. total assets (%)	1.0%	1.5%	1.5%	n/a	▲ 0.0%p	n/a
Cost of risk (%)	0.2%	0.0%	-0.2%	n/a	▼ (0.2%p)	n/a

Source: National Bank of Lithuania and ECB | 1. Asset penetration = Total assets/Nominal GDP | 2. Loan penetration = Total loans/Nominal GDP

LIST OF BANKS IN LITHUANIA 2022 (EUR MN, %)

RANK 2022	RANK 2021	YOY	INSTITUTIONS	TOTAL ASSETS	MARKET SHARE	EQUITY	NET INCOME	ROA	ROE	MAJOR SHAREHOLDER
1.	1.	●	Swedbank	17,781	31.0%	1,034	133	0.8%	13.0%	Swedbank AB
2.	2.	●	SEB Bankas	13,322	23.2%	1,002	172	1.4%	17.7%	SEB
3.	3.	●	Siauliu Bankas	4,185	7.3%	443	64	1.6%	15.0%	EBRD, INVL
4.	4.	●	Revolut Bank UAB	843	1.5%	95	(6)	(0.7%)	(6.3%)	Revolut
5.	5.	●	Medicinos Bankas	412	0.7%	48	5	1.3%	11.4%	Private individuals
6.	6.	●	PayRay Bank, UAB	279	0.5%	30	(4)	(1.8%)	(12.9%)	Private individuals
7.	7.	●	AB Mano bankas	202	0.4%	10	2	1.0%	16.2%	Private individuals
8.	8.	●	UAB GF bankas	131	0.2%	23	3	2.3%	12.1%	Marginalen AB
9.	9.	●	European Merchant Bank UAB	115	0.2%	11	0	0.3%	2.9%	Akce Holding Malta Ltd
10.	10.	●	UAB SME Bank	94	0.2%	6	1	1.0%	14.0%	Sme Finance Group
11.	11.	●	AB Fjord Bank	26	0.0%	5	(1)	(7.8%)	(24.5%)	n/a
12.	n/a	●	Finora Bank AB	11	0.0%	3	0	5.0%	19.1%	Private individuals
LISTED BANKS TOTAL				37,399	65.1%	2,710	368	1.0%	13.8%	
FOREIGN BRANCHES AND OTHER ENTITIES				20,036	34.9%	1,579	100	0.6%	7.4%	
TOTAL				57,435	100%	4,288	468	0.9%	11.6%	

Source: Annual reports

Please note that in April 2022 a banking license was issued to Finora kreditas, a local subsidiary of AS Finora Capital. The entity now operates as Finora Bank UAB.

Please note that in 2023 Saldo Finance UAB has received its licence and started operating as Saldo Bank UAB.

M&A ACTIVITY IN THE BALTICS

There have been 22 major acquisitions in the banking market over the past years in the Baltic region, with minor M&A activity in 2023.

- At the end of 2023, it was disclosed that Signet Bank has acquired 100% shares of the LPB Bank, which was the smallest bank in Latvia by assets at the end of 2022. LPB Bank will continue to operate as a separate entity and a Signet Bank subsidiary. It will mainly focus on fintech services. This is the second deal in the short time frame after the local investment bank, Signet Bank has acquired the commercial bank, Expobank in Latvia in 2022.
- In 2022, Blackstone Group acquired Nordea's remaining 11.6% shareholding in Luminor Bank for EUR 328.9 million. With the purchase of 11.6% of Luminor Holding from Nordea, a consortium led by private equity funds managed by Blackstone now owns 80% of Luminor Holding, the parent company of Luminor Bank. DNB will continue to own the remaining 20%.
- In 2022, Signet Bank decided to buy 100% of Expobank's stake for an unknown fee. Expobank is a Latvian commercial bank formerly owned by private individuals. The two banks merged in 2022 and the merged bank continues to operate under the Signet Bank brand and implements the current strategy of Signet Bank.
- In 2022, Industra Bank AS and PrivatBank AS have concluded a credit institution's business transfer agreement, which provides the transfer of PrivatBank's customers' servicing, most of assets and liabilities to Industra Bank. After the transaction, PrivatBank had been reorganized as a commercial company, and since then, it no longer operates as a credit institution.
- In 2021, Citadele Bank acquired the majority of ABLV Bank's, which was under liquidation, mortgage portfolio. ABLV announced its decision on self-liquidation after the reputational issues associated with the US accusations on the money laundering in 2018.
- In 2021, EBRD decided to reduce stake in Siauliu Bankas of Lithuania, 18% altogether. Invalda INVIL AB and Tesonet are each acquiring 5.87% respectively, while ME Investicija UAB is acquiring 6.29%. The transaction is still ongoing and is projected to be completed in 2024.
- In 2021, Blackstone Group bought a further 8.4% of Luminor Bank's shares from Nordea.
- In the beginning of 2021, Luminor acquired Danske Bank's corporate portfolio in Latvia worth approximately 35 million euros consisting of corporate customers of Danske Bank in Latvia and includes loan, leasing and guarantee agreements.
- In 2020, the Estonian LHV Pank acquired 100% of the Corporate and Public sector business of the Danish Danske Bank's Estonian Branch. By this transaction, Danske Bank almost completed its withdrawal from the Baltic (and Russian) banking market. The main reason behind the withdrawal was the Danske Bank's money laundering scandal which arose in 2017-2018.
- In 2020, the Latvian Siauliu Bankas acquired 100% of the Retail business of the Danish Danske Bank's Lithuanian Branch for EUR 108 mn. The acquisition will enable Siauliu Bankas to gain momentum in the housing financing market and become an active player in the mortgage market by offering attractive credit terms to our clients.
- In 2019, a group of US and European investors acquired a 60% stake in PNB Banka from a Russian private investor. PNB Banka is the new name of Norvik Banka as of November 2018. Unfortunately, soon after the acquisition, PNB Banka ceased its operations in 2019.
- In 2019, the Estonian LHV Pank acquired the Retail business of the Danish Danske Bank's Estonian Branch. LHV partly financed the transaction from its own funds and issued new bonds and shares to the market. As a result of the deal, the LHV expanded its loan portfolio by 40%, and acquired more than 10,000 private customers.
- In the beginning of 2019 LHV Pank acquired a loan portfolio from Versobank AS, which was under liquidation due to the withdrawal of a credit institution licence by European Central Bank (ECB) due to serious and long-lasting breaches of legal requirements, particularly concerning the prevention of money laundering and combating the financing of terrorism.
- In 2018, a consortium led by private equity funds managed by Blackstone acquired a 60% stake in Luminor from Nordea and DNB for EUR 1 bn cash consideration. Nordea and Blackstone also entered into the forward sale agreement of Nordea's remaining 20% stake at a fixed valuation of 0.9x P/BV. The transaction was approved by the regulators. The new owner, Blackstone, plans to focus on further developing Luminor bank, a strong stand-alone bank in the Baltics, and might look at IPO within following years as potential option for exit.
- In 2017 Inbank, an Estonia-based bank and Coop Eesti Keskühistu, an Estonia-based company operating retail stores agreed to acquire 84.7% of AS Eesti Krediidipank commercial bank from VTB Bank OAO, a Russia-based financial service provider. With the acquisition, the new shareholders formed a new bank named Coop Pank. In Coop Pank, 25% is owned by Inbank and 55% by Coop Eesti.
- In 2017, a 56.1% stake in Bank M2M Europe was acquired by Signet Capital Management, SIA Hansalink and SIA Fin.lv, from private individuals for an undisclosed consideration. Signet Capital acquired 25% stake, while SIA Hansalink and SIA Fin. lv got 22.3% and 8.79% stakes in Bank M2M, respectively. The transaction was expected as a great help for Bank M2M to continue with its strategy to provide outstanding services for its clients.

- In 2017, a significant transaction in the Baltic region's banking market was the forming of Luminor, a new banking entity in the Baltics region. Luminor was established via the merger of the Norway-based DNB and the Sweden-based Nordea. The two Nordic banks agreed to combine their banking operations and with this, strengthen their geographic presence and product offering. According to terms of the merger, parties have equal ownership in the new company. Luminor started its operations in October 2017.
- In 2016, the retail banking business of Danske Bank in Latvia and Lithuania was acquired by Swedbank. The acquisition helped the Sweden-based banking group strengthen its market position in the Baltics. The transaction was in line with the strategic plans of Danske Bank, which earlier, in 2015 expressed its intention to concentrate on corporate and private banking in the Baltic countries.
- In 2015, Siauliu Bankas acquired Finasta Bank, from Invalda for EUR 6.7 mn. The transaction helped Siauliu extend its offered services and increase its capital reserves. Invalda's goal was to focus on its core asset management activities.
- In 2015, 75% stake of Citadele Bankas was acquired by a private investor group, from Latvian Privatization Agency. The seller company sold Citadele Bankas on behalf of the state as a part of the privatization of state-owned companies. Earlier, in 2010, 25% of the company was acquired by the EBRD.

LIST OF BANKING M&A DEALS IN THE BALTICS 2015 - 2023 DECEMBER

COUNTRY	YEAR	TARGET	BUYER	% ACQUIRED	DEAL VALUE IN EUR MN	SELLER
LV	2023	LPB Bank	Signet Bank	100.00%	n.a.	SIA Mono
EE	2022	Luminor Bank	Blackstone Group	11.60%	329	Nordea
LV	2022	Expobank	Signet Bank	100.00%	n.a.	Private Individuals
LV	2021	Privatbank AS (Business transfer)	Industra Bank AS	100.00%	n.a.	PrivatBank AS
LV	2021	ABLV Banka A/S (Mortgage loan portfolio)	Citadele Bank	100.00%	n.a.	Duet Group Ltd
LT	2021	Siauliu Bankas	Invalda INVL AB	5.87%	25	EBRD
LT	2021	Siauliu Bankas	Tesonet	5.87%	25	EBRD
LT	2021	Siauliu Bankas	ME Investicija UAB	6.29%	27	EBRD
EE	2021	Luminor Bank	Blackstone Group	8.40%	n.a.	Nordea
LV	2021	Danske Bank - Corporate portfolio	Luminor Bank AS	100.00%	35	Danske Bank
EE	2020	Danske Bank - Corporate and Public sector business	LHV Pank	100.00%	254	Danske Bank
LT	2020	Danske Bank - Retail business	Siauliu Bankas	100.00%	108	Danske Bank
LV	2019	PNB Banka	Private Individuals	60.00%	n.a.	Private Individuals
EE	2019	Danske Bank - Retail business	LHV Pank	100.00%	410	Danske Bank
EE	2019	Versobank AS (Loan portfolio)	LHV Pank	100.00%	12	Versobank AS
EE	2018	Luminor Bank	Blackstone Group	60.00%	1000	DNB; Nordea
EE	2017	Eesti Krediidipank	Inbank; Coop Eesti Keskuhistu	84.70%	n.a.	VTB Bank
LV	2017	Bank M2M Europe	Signet Capotal Management Limited; SIA Hansalink; SIA Fin.lv	56.10%	n.a.	Private Individuals
LT	2017	DNB Bank ASA (Operations in Estonia, Latvia and Lithuania) DNB	Nordea Bank AB (Operations in Estonia, Latvia and Lithuania)	100.00%	451	DNB Bank ASA DNB
LV, LT	2016	Danske Bank - Retail business	Swedbank	100.00%	n.a.	Danske Bank
LT	2015	Finasta Bank	Siauliu Bankas	100.00%	7	Invalda INVL
LV	2015	Citadele Bank	Private Individuals	75.00%	74	VAS Privatizācijas agentura

Source: Deloitte Intelligence

FINTECH SECTOR OVERVIEW

The Baltic countries have forged a distinctive fintech ecosystem, with Estonia recognized as the most entrepreneurial European country for tech startups, according to the State of European Tech 2021. Simultaneously, Lithuania has become the largest fintech hub in the EU, witnessing a substantial increase from 55 fintech companies in 2014 to 265 in 2021.

A key characteristic of the Baltic fintech market is the presence of globally known companies like Wise, Nord Security, and Veriff, along with the digital legacy of Skype, accelerating the emergence of new startups and fintechs. The multilingual and well-educated talent pool in the region, particularly in Lithuania where it ranks 4th in the EU for young specialists joining the ICT sector, contributes significantly to the growth of the fintech sector.

The fintech ecosystem is further strengthened by various umbrella organizations, including FinanceEstonia, Lift99, FinTech Latvia Innovation Hub, FinTech Hub Lithuania, regulatory sandboxes, Magnetic Latvia, Estonian Founders Society and Rokit, building a close community of entrepreneurs and industry-specific innovation.

In addition to a favorable regulatory environment, highlighted by Latvia's startup law since 2017 and Lithuania's issuance of 263 Payment Institution (PI) and E-money Institution (EMI) licenses by the end of 2022, the national economic environments in Estonia and Latvia support the growth of entrepreneurial hubs. Estonia, ranked first in the OECD tax competitiveness index, offers 24/7 online public services.

The success of the Baltic fintech ecosystem is evident in a diverse range of financing opportunities, with notable examples in Latvia such as Sun Finance completing a bond issuance of EUR 50 mn in 2022 and Mintos, a consumer peer-to-peer lending platform, raising EUR 7.2 mn in 2020 on the Crowdcube crowdfunding platform, marking the highest raised capital at that time in continental Europe.

In 2022, Lithuanian startups secured the largest amount of available financing from all Baltic states. Lithuanian government has had a significant and proactive role in its fintech landscape. Introduction of the fintechs in the Bank of Lithuania's payment system, CENTROLink, which grants them access to the SEPA, and creation a Center of Excellence in AML, the first PPP in Europe, has had a positive effect on the development of the fintech industry. With the rise of fintechs, the government has also tightened its regulatory approach towards KYC and AML procedures, which is in line with the increase of fintech importance.

Estonia was the most active Baltic state in 2022 by number of fintech deals in 2022, which is mostly explained by its highly digital population, emphasis on STEM (Science, Technology, Engineering, and Mathematics) and its startup ecosystem, which has resulted in impressive number of unicorns, 10 in total, with Veriff, Wise, Bolt and others compared to its small population of 1.3 mn.

Despite 8 fintechs leaving the Latvian fintech landscape, there have been additions of new prominent players, such as Finfra – an embedded finance solution for users in Indonesia, InDemo – asset backed security investment platform for loans originated in Spain, FIS Solutions - a customisable lending software for lenders and banks, and Bonusu Karte – a bonus card system for employees to gain tax benefits from expenses covered by employers in Latvia.

There are also new opportunities available to the Latvian fintechs, such as (i) EUR 93 mn granted by the EU for the establishment and development of new VC funds for which fintechs can compete with other startups, (ii) the Latvian government approval of EUR 50 mn Baltic SME IPO fund, in collaboration with Invega, to finance SMEs' listings on the Baltic securities market, focusing on enterprises valued between EUR 5-100 mn, and (iii) Markets in Crypto-Assets Regulation coming into force in June 2023 stating a good position to build a friendly environment for crypto and blockchain companies.

M&A TRENDS

- Payments, the largest segment of the local fintech market by number of users, is expected to reach 1.19 mn users by 2027.
- According to Elmangos Ventures, out of 12 banks 11 have fintech startups in Albania.

Estonia:

- In 2021, for the first time in history an Estonian fintech, Wise performed an IPO and is now noted on the London Stock Exchange. The company has also obtained GBP 300 mn in post-IPO debt in 2022.
- Veriff raised USD 100 mn in its Series C funding round in 2022.
- Eurora received USD 40 mn for its AI-based system streamlining EU e-commerce shipping compliance in 2022.
- Lightyear successfully closed a USD 25 mn Series A funding round in 2022.
- Tuum secured EUR 15 mn in its Series A funding round in 2022.
- Cachet raised EUR 5.5 mn in its Series A funding round in 2022.
- Montonio raised EUR 11 mn in Series A in 2022.
- Salv secured EUR 4 mn funding in 2022.
- Funderbeam secured USD 40 mn in 2023.

Lithuania:

- Lithuanian fintech’s raised more than EUR 360.9 mn of total funding in 2022 which mainly consisted of angel investments, venture capital and private equity sources. According to Fintech Survey in 2022 by Invest Lithuania, 44% of fintechs were revenue-funded.
- In 2022 Venice Swap, a Lithuanian-based one-stop crypto exchange platform secured a USD 100 mn capital investment in form of a Token Subscription Facility from GEM Digital Limited.
- In 2022 Nord Security, a company known for its VPN services raised USD 100 mn at a valuation of USD 3 bn in a funding round led by Warburg Pincus, a New York-based global growth investor.

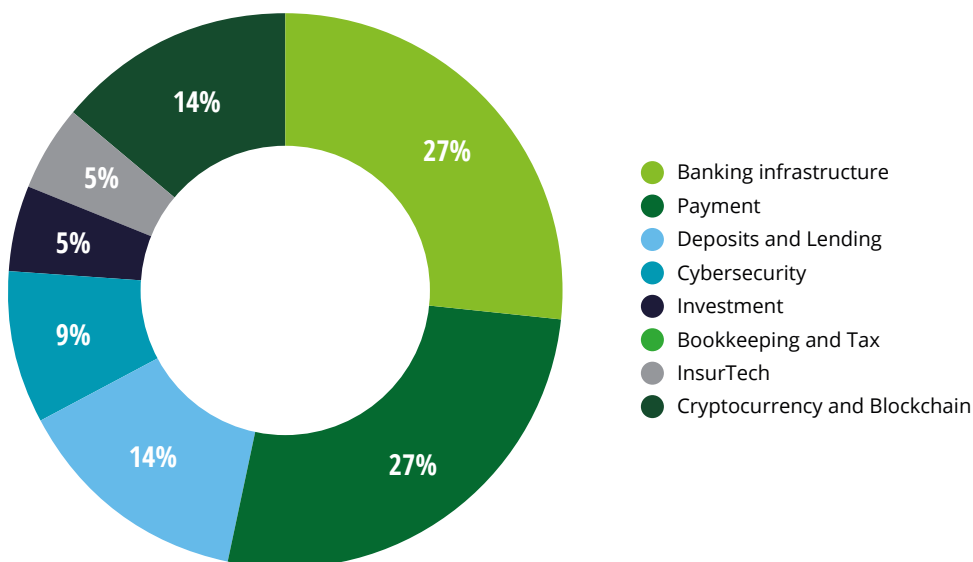
- Kevin. has raised EUR 62 mn in its Series A funding round in 2022.
- In June 2023, Ministry of Finance has prepared and approved the Guidelines for the Development of the Lithuanian fintech Sector for 2023-2028, with an ultimate goal to become an internationally recognized high-added-value European Fintech Centre.

Latvia:

- In 2022 Sun Finance, the largest fintech company registered in the Baltics has issued EUR 50 mn bonds in Nasdaq First North market, with an annual coupon rate of 11% + 3M EURIBOR.
- In 2022 InDemo had a successful seed funding round with EUR 0.5 mn raised.

FINTECHS DISTRIBUTION

Among categories based on the number of companies



Source: Deloitte Intelligence

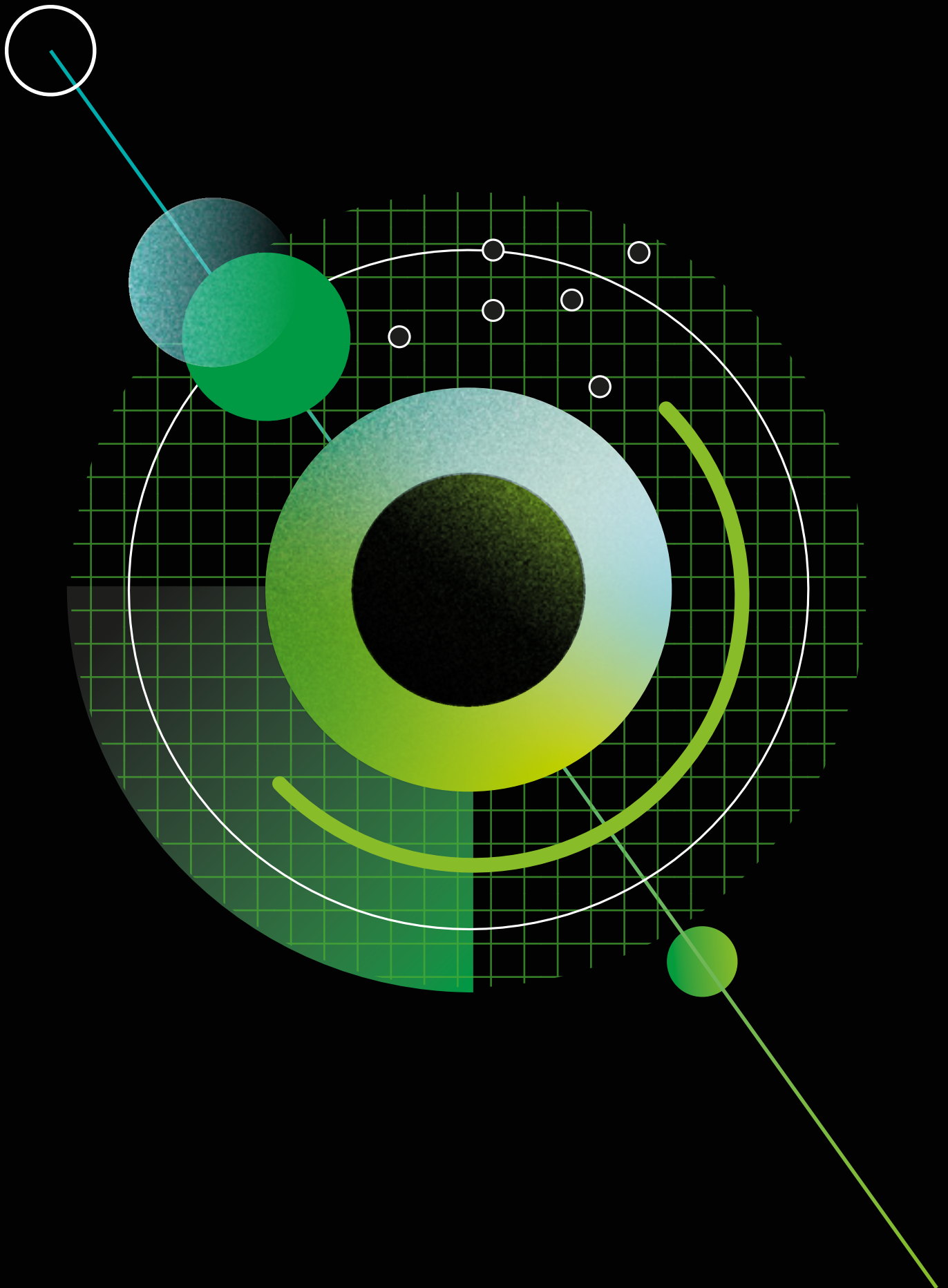
TOP 20 FINTECHS IN THE BALTIC REGION IN TERMS OF REVENUE (EUR MN AND %, 2022)

#	COMPANY NAME / COUNTRY	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
1	Sun Finance LVA	Deposits and Lending	Sun Finance Group operates as an online consumer financing platform in nine countries in Europe and Scandinavia, central and southeast Asia, and Latin America. Its products include a Buy Now Pay Later solution, instalment loans, a line of credit and microloans. The company has more than nine million registered customers and more than 1,000 employees.	n.a.	no / n.a.	273.9	92.5	65.5	66.0

#	COMPANY NAME / COUNTRY	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
2	CoinGate LTU	Cryptocurrency and Blockchain	The company brings cryptocurrencies closer to mass adoption by offering several methods to set up cryptocurrency payments for any website or physical store. Options include payment buttons, web PoS application, API integration and official plugins for the biggest e-commerce platforms.	n.a.	no / n.a.	105.9	-	(2.1)	1.5
3	Bondora EST	Investment	"Bondora is a peer-to-peer lending platform from Estonia. Bondora serves as an online community for investing in personal debt starting at €1, and enables borrowers to receive funding directly from investors."	n.a.	no / n.a.	36.7	3.0	2.1	-
4	Dynatech LVA	Deposits and Lending	Dynamically growing financial technology company, established in 2015, which provides access to loans for consumers across Europe and other regions. Part of Dyninno Group of companies founded in San Francisco, delivering products and services to 50 markets globally via powerful marketing, IT, and lead generation.	n.a.	no / n.a.	19.4	3.4	2.8	4.6
5	Paysera LTU	Payment	Paysera provides financial and related services globally, offering products ranging from a payment gateway for e-shops to money transfers, currency conversion, payment cards, an event ticketing platform, a parcel locker network.	n.a.	no / n.a.	10.6	-	(2.5)	-
6	Decata LVA	Payment	DECTA is payment processing and card issuing solutions for Corporates, Banks, P2P and other payment service providers. It is one of the most advanced processing centres and a top provider of end-to-end solutions for payment processing and card issuing for customers. By combining cutting-edge technology, their extensive business expertise, and individual approach to every customer, they deliver tailored solutions that help their partners increase global reach, solve business challenges and minimize risk.	n.a.	no / n.a.	10.4	(0.5)	(0.7)	4.0
7	Mintos LVA	Deposits and Lending	Mintos is a consumer peer-to-peer lending platform that connects borrowers with investors. The platform currently serves personal unsecured loans, mortgage loans, small business loans and secured car loans. The platform allows customers to invest in 6 countries: Latvia, Estonia, Poland, Lithuania, Czech Republic and Georgia. As of November 2015, the company had more than 8,346 registered investors from over 40 countries.	n.a.	no / n.a.	9.2	0.5	0.2	5.4

#	COMPANY NAME / COUNTRY	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
8	Esto EST	Payment	"ESTO Group is a payment technology company with a creditors license from Estonian Financial Supervision Authority. ESTO's mission is to enable merchants to sell and consumers to buy online in an easy, automated and safe way. ESTO provides a fully automated and tech-driven point of sale purchase financing and payments solution for its network of merchant partnerships in Estonia, Lithuania, and Latvia. ESTO's business model is to facilitate payments between the client and merchant in an e-commerce setting by providing real time payments for the merchant and payment schedules for the client." (LinkedIn)	n.a.	no / n.a.	8.9	7.1	3.7	-
9	Connect-Pay LTU	Payment	ConnectPay is one of the fastest growing Electronic Money Institutions (EMI) in Lithuania providing banking services for internet based companies. It offers smooth onboarding and boutique banking experience.	n.a.	no / n.a.	7.2	-	(2.6)	5.8
10	Altero LVA	Banking infrastructure	Altero is a platform for comparison of financial services for natural persons, which includes comparison for services such as insurance, checking accounts, lending, deposits and refinancing.	n.a.	no / n.a.	6.4	1.9	1.5	1.4
11	NRD Cyber Security LTU	Cyber-security	NRD Cyber Security offers cybersecurity consulting, incident response, and implementation of appropriate technology. They are active members of international cybersecurity organisations and contribute to the development of international good practices.	n.a.	no / n.a.	6.1	0.7	0.5	1.5
12	xInfotech LVA	Banking infrastructure	X Infotech is a global provider of software solutions for issuance and verification of electronic identity documents and payment cards. X Infotech is a part of Silverlake Axis Ltd Group of companies.	n.a.	no / n.a.	5.2	0.6	0.2	0.8
13	Ondato LTU	Cyber-security	Ondato streamlines KYC and AML-related processes. It provides advanced technological solutions for digital identity verification, business customer onboarding, data validation, fraud detection.	n.a.	yes	4.7	-	(4.2)	(4.4)
14	Wallester EST	Payment	Wallester is an Estonian licensed financial institution that develops financial digital technology and issues VISA cards. Since 2018, we are an official Visa partner and Visa FinTech Fast Track Member issuing physical and virtual cards of any type: debit cards, credit cards, prepaid cards, and cards for business.	n.a.	no / n.a.	3.9	(0.1)	(0.4)	-

#	COMPANY NAME / COUNTRY	FINTECH CATEGORY	DESCRIPTION	OWNERSHIP TYPE	HAD VC INVESTMENTS PREVIOUSLY?	REVENUE	EBITDA	NET INCOME	TOTAL EQUITY
15	Banking-Lab LTU	Payment	"ESTO Group is a payment technology company with a creditors license from Estonian Financial Supervision Authority. ESTO's mission is to enable merchants to sell and consumers to buy online in an easy, automated and safe way. ESTO provides a fully automated and tech-driven point of sale purchase financing and payments solution for its network of merchant partnerships in Estonia, Lithuania, and Latvia. ESTO's business model is to facilitate payments between the client and merchant in an e-commerce setting by providing real time payments for the merchant and payment schedules for the client." (LinkedIn)	n.a.	no / n.a.	8.9	7.1	3.7	-
16	Transact Pro LVA	Payment	ConnectPay is one of the fastest growing Electronic Money Institutions (EMI) in Lithuania providing banking services for internet based companies. It offers smooth onboarding and boutique banking experience.	n.a.	no / n.a.	7.2	-	(2.6)	5.8
17	Tuum EST	Banking infrastructure	Altero is a platform for comparison of financial services for natural persons, which includes comparison for services such as insurance, checking accounts, lending, deposits and refinancing.	n.a.	no / n.a.	6.4	1.9	1.5	1.4
18	Cachet EST	Cyber-security	NRD Cyber Security offers cybersecurity consulting, incident response, and implementation of appropriate technology. They are active members of international cybersecurity organisations and contribute to the development of international good practices.	n.a.	no / n.a.	6.1	0.7	0.5	1.5
19	Venice Swap LTU	Banking infrastructure	X Infotech is a global provider of software solutions for issuance and verification of electronic identity documents and payment cards. X Infotech is a part of Silverlake Axis Ltd Group of companies.	n.a.	no / n.a.	5.2	0.6	0.2	0.8
20	kevin. LTU	Cyber-security	Ondato streamlines KYC and AML-related processes. It provides advanced technological solutions for digital identity verification, business customer onboarding, data validation, fraud detection.	n.a.	yes	4.7	-	(4.2)	(4.4)



LIST OF ABBREVIATIONS

ABRS - Banking Agency of Republika Srpska	Market cap. - Market capitalization
AL - Albania	Mn - Million
Avg - Average	MNB - Hungarian National Bank
BG - Bulgaria	MREL - Minimum Requirement for own funds and Eligible Liabilities
BiH/BH - Bosnia and Herzegovina	M&A - Mergers and Acquisitions
Bn - Billion	N.a. - Not available/Not applicable
BNB - Bulgarian National Bank	NBP - National Bank of Poland
BoS - Bank of Slovenia	NBR - National Bank of Romania
BRRD - Bank Recovery and Resolution Directive	NBS - National Bank of Slovakia/National Bank of Serbia
C. / Ca. - Circa	NFCs - Non-Financial Corporations
CAR - Capital Adequacy Ratio	NIM - Net Interest Margin
CBBH - Central Bank of Bosnia and Herzegovina	NII - Net Interest Income
CEE - Central and Eastern EuropeCIR - Cost-to-income ratio	NLB - Slovenian Nova Ljubljanska Banka
CNB - Czech National Bank/Croatian National Bank	Nov. - November
COVID-19 - Coronavirus disease	NPL - Non-performing loan
CR - Croatia	NR. - Number
CZ - Czech Republic	OPEX - Operational Expenses
EBA - European Banking Authority	O-SII - Other Systemically Important Institution
EBRD - European Bank for Reconstruction and Development	P/BV - Price to Book Value
ECB - European Central Bank	PL - Poland
EE - Estonia	POS - Point of Sale
e.g. - For example	Q1 - First quarter of the year
EIU - Economist Intelligence Unit*	Q2 - Second quarter of the year
EU - European Union	Q3 - Third quarter of the year
EUR - EuroEURIBOR - Euro Interbank Offered Rate	Q4 - Fourth quarter of the year
FBA - Banking Agency of the Federation of Bosnia and Herzegovina	RBI - Raiffeisen Bank International
FFSA - The Financial Stability Authority of Finland	RCA - Recapitalization Amount
FOLTF - Failing-or-likely-to-fail	RO - Romania
FX - Foreign exchange	ROA - Return on Assets
GDP - Gross Domestic Product	ROE - Return on Equity
G-SIBs - Global Systemically Important Banks	RS - Serbia
G-SII - Global Systemically Important Institution	SEE - South Eastern Europe
HHI - Herfindahl-Hirschman-index	SL - Slovenia
HNB - Croatian National Bank	SK - Slovakia
HRK - Croatian Kuna	SME - Small and medium-sized enterprises
HU - Hungary	SRB - Single Resolution Board
IPO - Initial Public Offering	TLAC - Total Loss-Absorbing Capacity
K - Thousand	USD - United States Dollars
KNF - Polish Financial Supervision Authority	YoY - Year-on-Year
LAA - Loss Absorption Amount	
LCY - Local Currency	
LT - Lithuania	
LV - Latvia	
L/D ratio (L/D) - Loan-to-deposit ratio	

EIU data downloaded as of 12/13/2023

CONTACT US

CEE Regional Financial Services Industry Leader

Balazs Biro

Tel: +36 (1) 428 6865

Email: bbiro@deloittece.com

EMEA Financial Institutions Group

Guy Stevens

Tel: +44 20 7303 7611

Email: guystevens@deloitte.co.uk

Albania

Kreshnik Robo

Tel: +35 (54) 451 7922

Email: krobo@deloittece.com

Baltic region

Linas Galvele

Tel: +37 05 255 3000

Email: lgalvele@deloittece.com

Bosnia and Herzegovina

Sabina Softić

Tel: +387 (0) 33 277 560

Email: ssoftic@deloittece.com

Bulgaria

Tanya Karageorgieva

Tel: +359 (2) 802 34 56

Email: tkarageorgieva@deloittece.com

Croatia

Lena Habus

Tel: +385 (1) 235 19 04

Email: lhabus@deloittece.com

Czech Republic

Roman Lux

Tel: +420 603 250 837

Email: rlux@deloittece.com

Pavel Piskacek

Tel: +420 246 042 946

Email: ppiskacek@deloittece.com

Hungary

Balazs Biro

Tel: +36 (1) 428 6865

Email: bbiro@deloittece.com

Albert Marton

Tel: +36 (1) 428 6762

Email: amarton@deloittece.com

Csaba Csomor

Tel: +36 (1) 428 6752

Email: ccsomor@deloittece.com

Poland

Tomasz Ochrymowicz

Tel: +48 (22) 5110456

Email: tochrymowicz@deloittece.com

Mariusz Slowikowski

Tel: +48 (22) 5110061

Email: mslowikowski@deloittece.com

Romania

Radu Dumitrescu

Tel: +40 (21) 2075 322

Email: rdumitrescu@deloittece.com

Serbia

Darko Stanisavic

Tel: +381 (1) 138 121 34

Email: dstanisavic@deloittece.com

Slovakia

Ivana Lorencovicova

Tel: +421 (2) 582 49 148

Email: ilorencovicova@deloittece.com

Slovenia

Tilen Vahčič

Tel: +386 (0)1 307 29 85

Email: tvahcic@deloittece.com

Contributors

Csaba Csomor

Tel: +36 (1) 428 6752

Email: ccsomor@deloittece.com

Tiziano Morvai

Tel: +36 (1) 428 6141

Email: tmorvai@deloittece.com

Attila Csoma

Tel: +36 (1) 428 6380
Email: acsoma@deloittece.com

Daniel Balogh

Tel: +36 (1) 428 6212
Email: dbalogh@deloittece.com

Tamara Toth

Tel: +36 (1) 428 6454
Email: tatoth@deloittece.com

Balint Szabo

Email: balszabo@deloittece.com

Roland Kalosi

Email: rkalosi@deloittece.com

Ivo Apetauer

Tel: +420 (2) 460 42 219
Email: iapetauer@deloittece.com

Salvatore Castiglia

Tel: +421 (2) 582 49 285
Email: sacastiglia@deloittece.com

Albana Shahu

Tel: +35 (54) 451 7981
Email: ashahu@deloittece.com

Ciapas Vytautas

Tel: +370 525 53 058
Email: vciapas@deloittece.com

Mirjana Vukmirovic

Tel: +381 (11) 38 191 63
Email: mvukmirovic@deloittece.com

Monika Barnas

Tel: +48 (22) 1667 015
Email: mbarnas@deloittece.com

Rene Kuusvek

Tel: +372 6406 545
Email: rkuusvek@deloittece.com

Zerina Pacariz

Tel: +387 (33) 277 560
Email: zpacariz@deloittece.com

Ante Salopek

Tel: +385 (1) 235 82 02
Email: asalopek@deloittece.com

Anezka Skokanova

Tel: +420 (2) 46 042 258
Email: askokanova@deloittece.com

Katarina Bojc Hrobat

Tel: +386 (1) 30 728 37
Email: kbojchrobat@deloittece.com

Georgiana Teodorescu

Tel: +40 (37) 4846 752
Email: geteodorescu@deloittece.com

Angel Trifonov

Tel: +359 (2) 802 23 203
Email: atrifonov@deloittece.com

Goran Banduka

Tel: +387 (0) 33 277 560
Email: gbanduka@deloittece.com

Janis Dzenis

Tel: +371 67 074 193
Email: jdzenis@deloittece.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [deloitte.hu/about](https://www.deloitte.hu/about) to learn more.

In Hungary, the services are provided by Deloitte Auditing and Consulting Limited (Deloitte Ltd.), Deloitte Advisory and Management Consulting Private Limited Company (Deloitte Co. Ltd.) and Deloitte CRS Limited (Deloitte CRS Ltd.), (jointly referred to as “Deloitte Hungary”) which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Hungary is one of the leading professional services organizations in the country providing services in four professional areas - audit, tax, risk and advisory services - through more than 750 national and specialized expatriate professionals. Legal services to clients are provided by cooperating law firm Deloitte Legal Göndöcz and Partners Law Firm.

These materials and the information contained herein are provided by Deloitte Hungary and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

Accordingly, the information in these materials is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

These materials and the information contained therein are provided as is, and Deloitte Hungary makes no express or implied representations or warranties regarding these materials or the information contained therein. Without limiting the foregoing, Deloitte Hungary does not warrant that the materials or information contained therein will be error-free or will meet any particular criteria of performance or quality. Deloitte Hungary expressly disclaims all implied warranties, including, without limitation, warranties of merchantability, title, fitness for a particular purpose, non-infringement, compatibility, security, and accuracy.

Your use of these materials and information contained therein is at your own risk, and you assume full responsibility and risk of loss resulting from the use thereof. Deloitte Hungary will not be liable for any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever, whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, relating to the use of these materials or the information contained therein.

Differently from the above written, in case the information and materials are expressly provided as final performance of a contract concluded between you and Deloitte Hungary, Deloitte Hungary takes liability that the service has been provided and the product - if any - has been prepared contractually. Deloitte Hungary declares that the materials and information serve the persons / entities assigned and are suitable for the purposes determined in the contract. Deloitte Hungary excludes all liability for damages arising out of or in connection with the documents, materials, information and data provided by you. For all the questions not ruled herein, the relating contract shall be applicable.

If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.