



**Ekonomická  
fakulta**  
Technická univerzita  
v Košiciach



# KOŠICKÉ EKONOMICKÉ FÓRUM

# **To Brexit, or Not to Brexit?**

*Economic and Financial Markets  
Cosequences  
of UK Referendum on EU Membership*

Vladimir Vano  
Chief Economist  
Sberbank Europe AG  
December 06, 2016

**Nigel Farage Interview After Brexit Referendum**

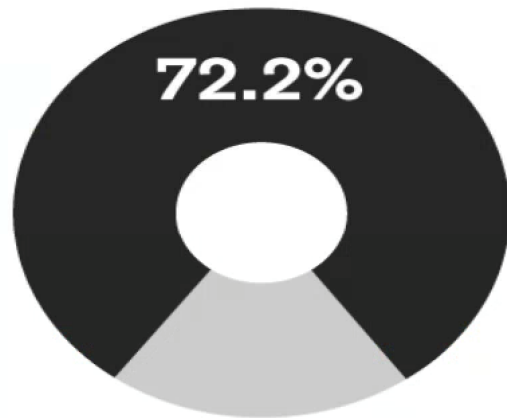
<https://youtu.be/cA3XTYfzd1I>

## Britain Votes to Leave

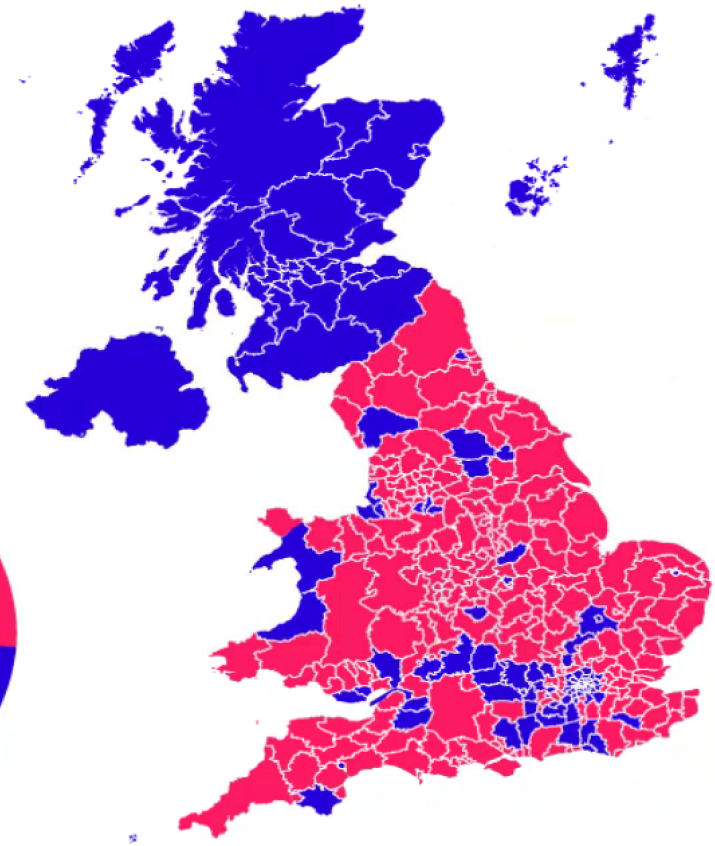
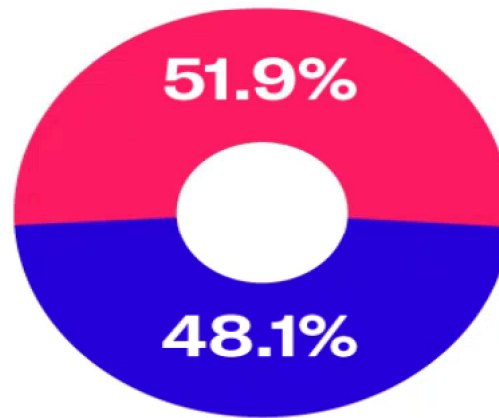
U.K. votes to quit European Union after more than four decades

- Remain
- Leave

Turnout



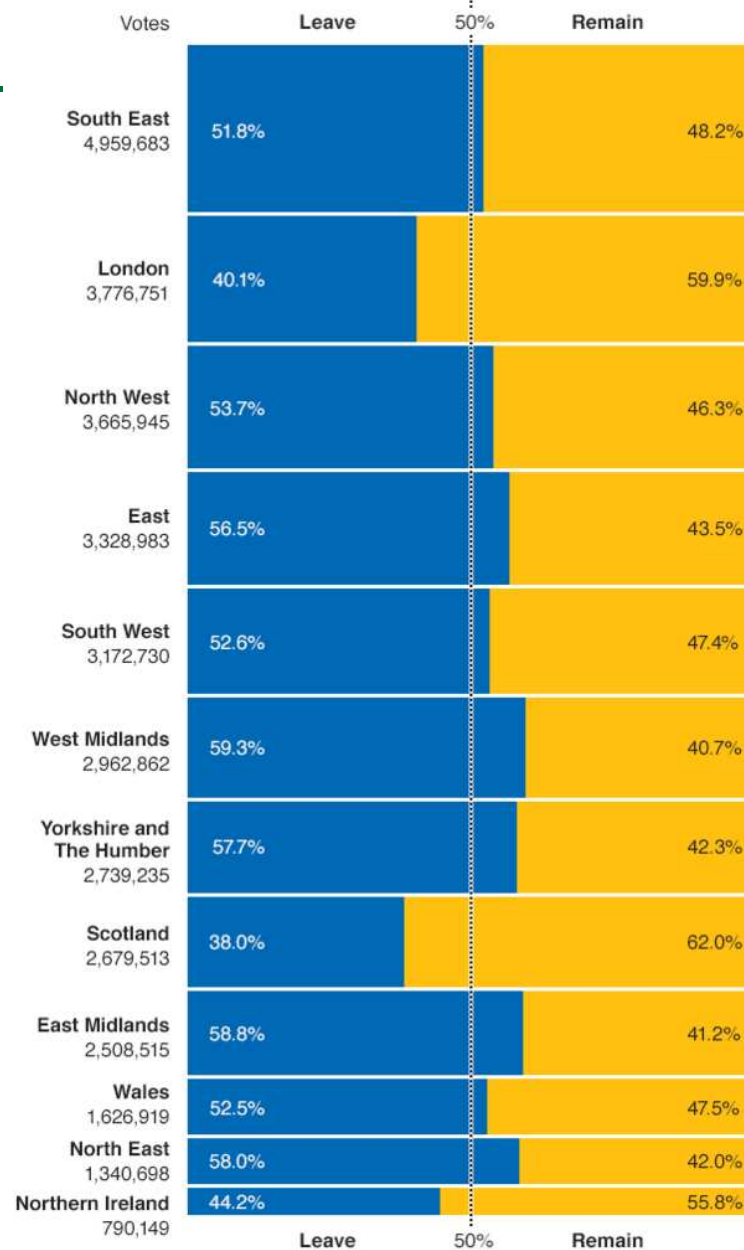
Result



# Who Voted How

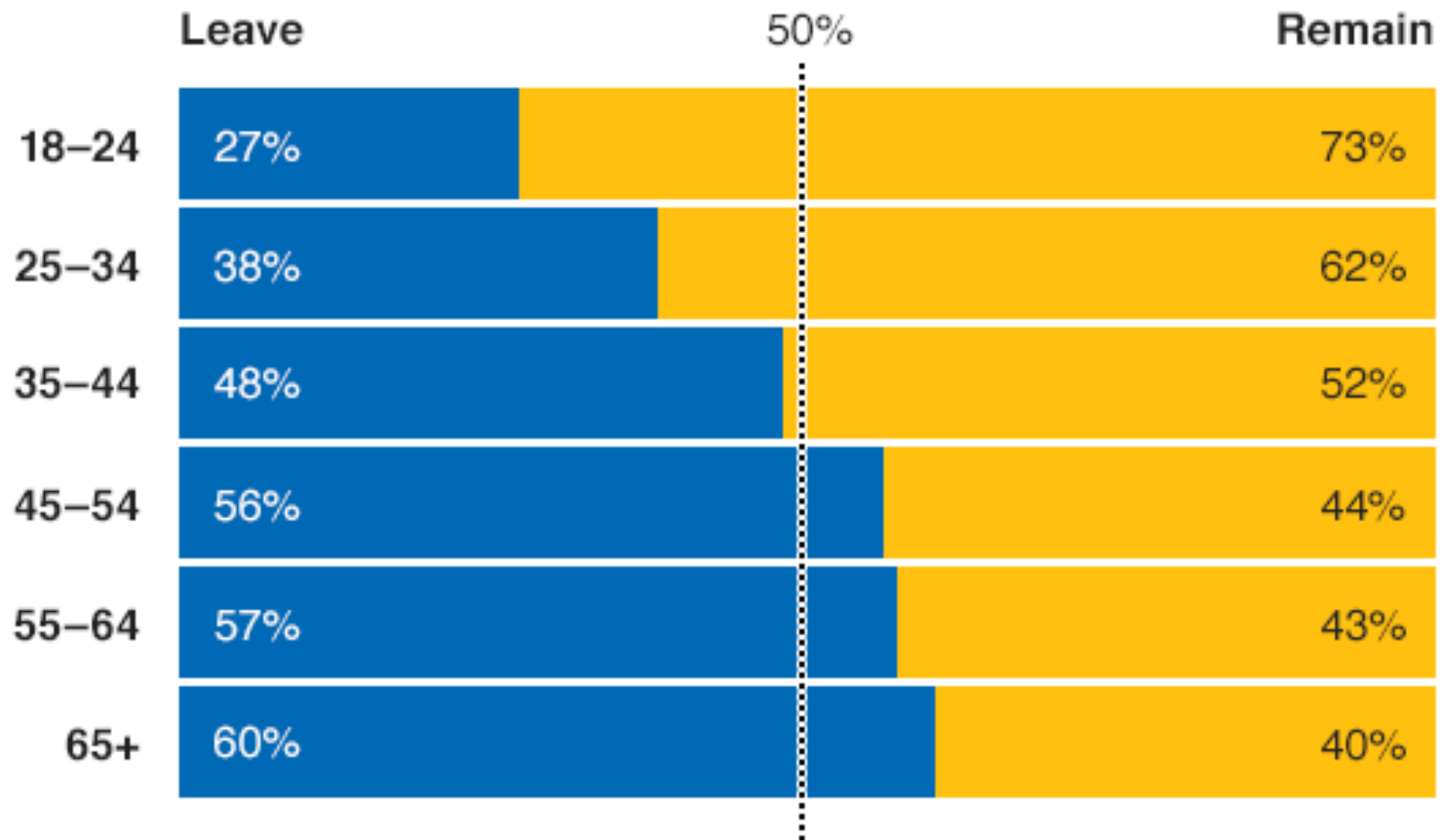
## How Leave won the referendum

Depth of bars is proportional to votes cast, largest areas shown first



## Who Voted How: Age Groups

### How different age groups voted



Source: Lord Ashcroft Polls

## Age, Education, Nationality



Of the 30 areas with the...

most elderly people,  
27 voted Leave



fewest graduates,  
28 voted Leave



most people  
identifying as English,  
all 30 voted Leave



Source: Census 2011

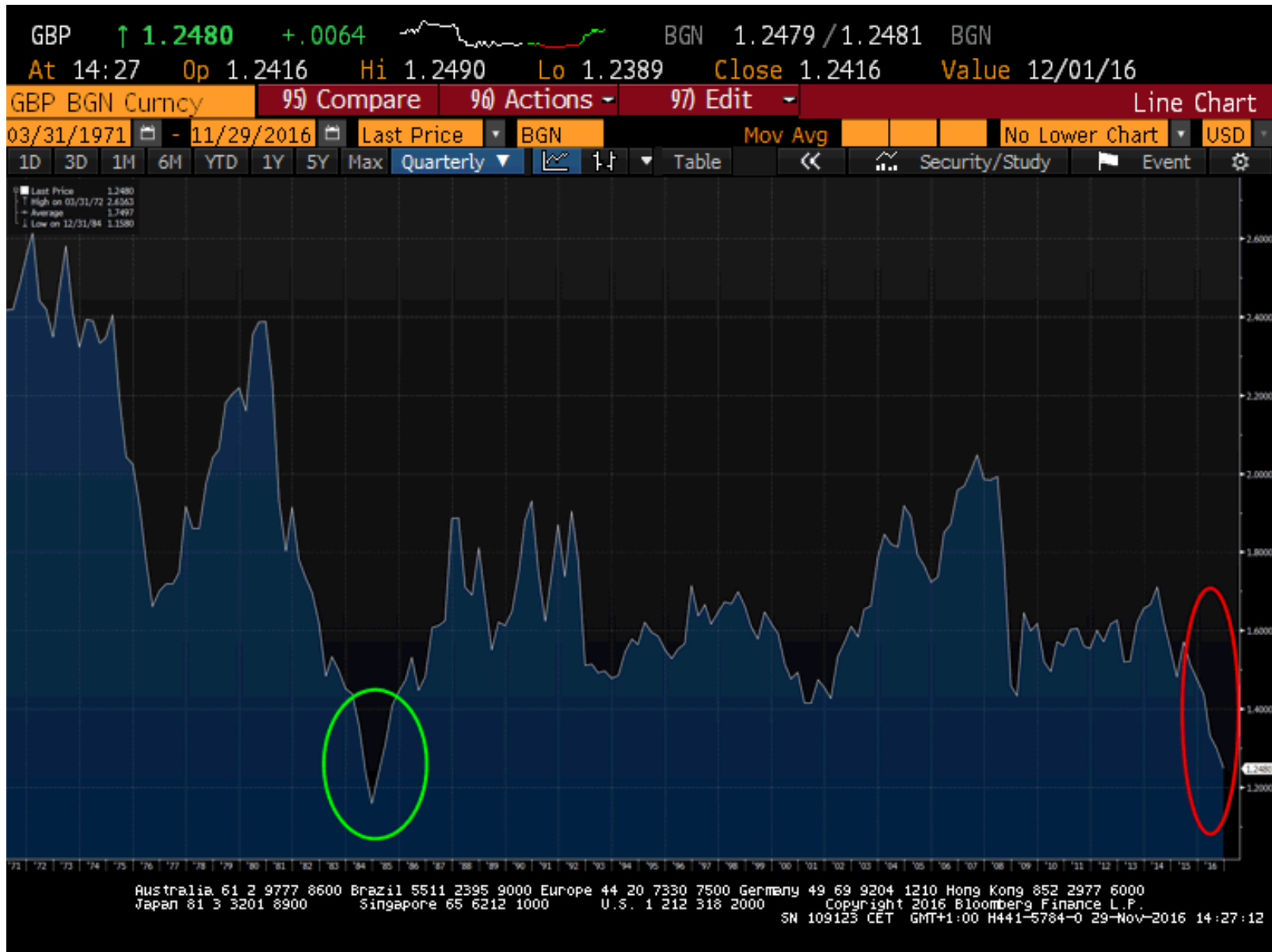
BBC

# GBP: Sharpest 2-Day Drop Since 1971





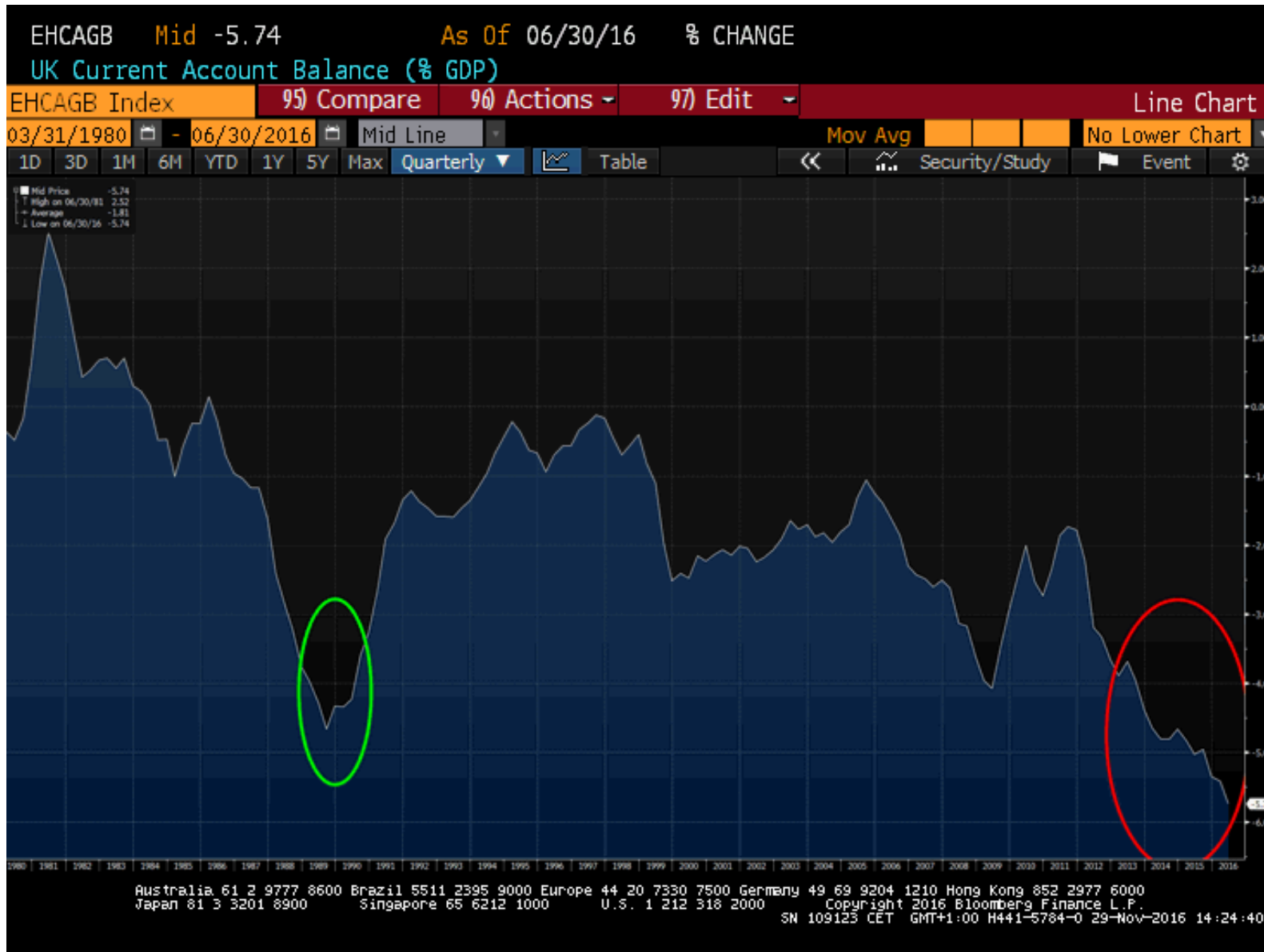
# GBP in Historic Perspective



# Worst Quarter Since Lehman in 1 Day



# Why FX Rate of GBP Weakened?

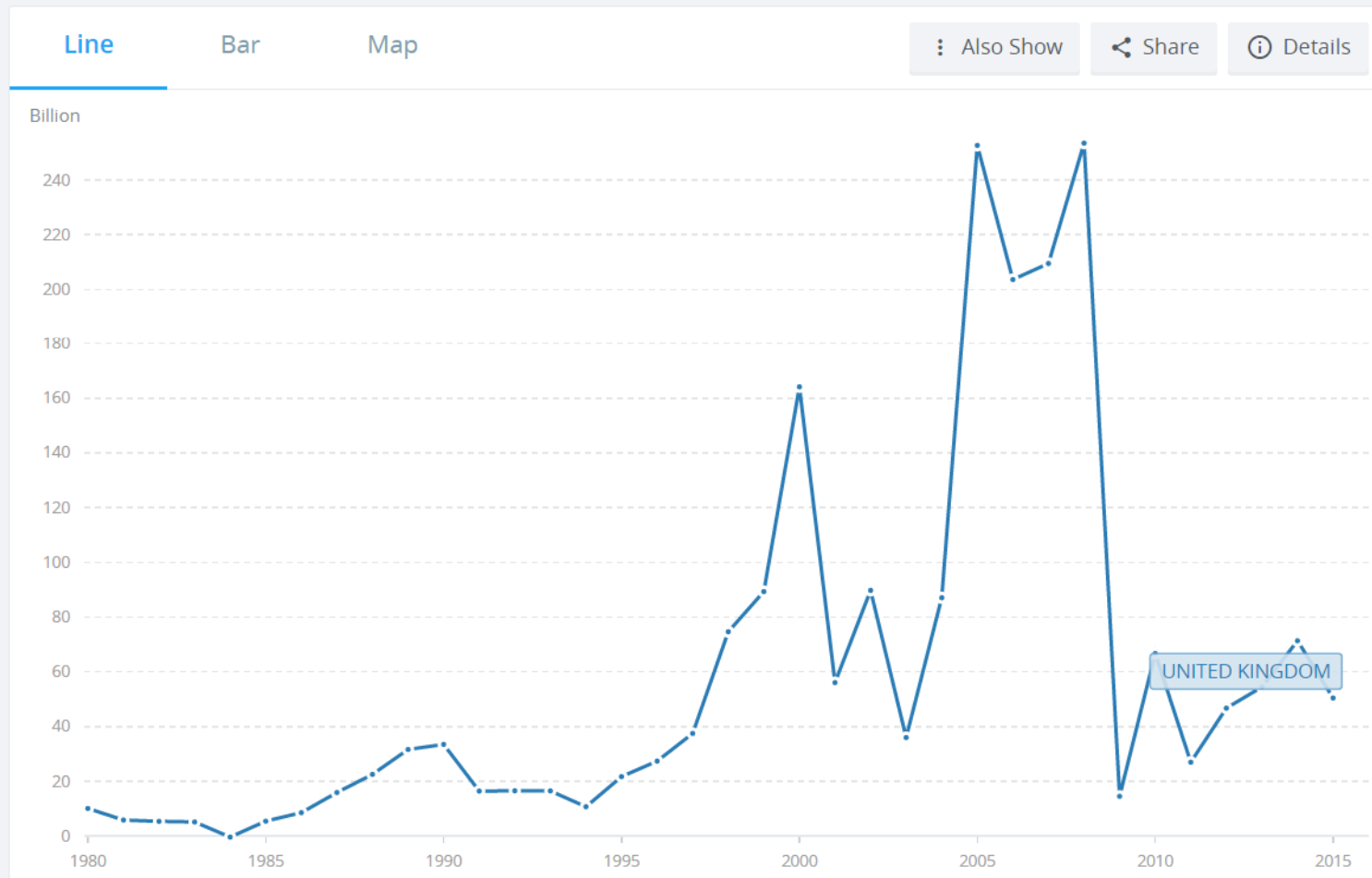


# FDI Inflow Nominal

## Foreign direct investment, net inflows (BoP, current US\$)

International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.

License: [Open](#)

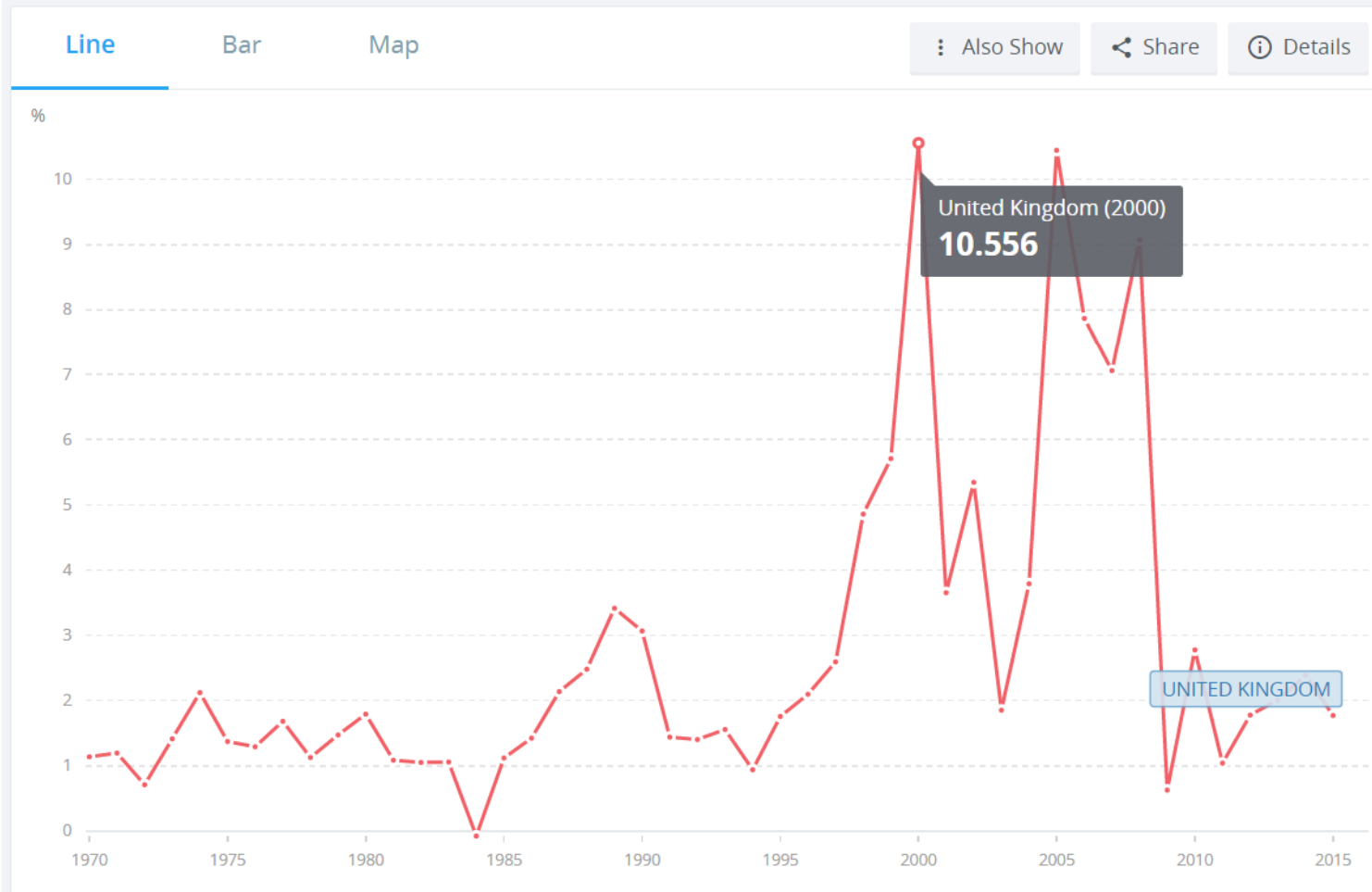


# FDI Inflow as % of GDP

## Foreign direct investment, net inflows (% of GDP)

International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates.

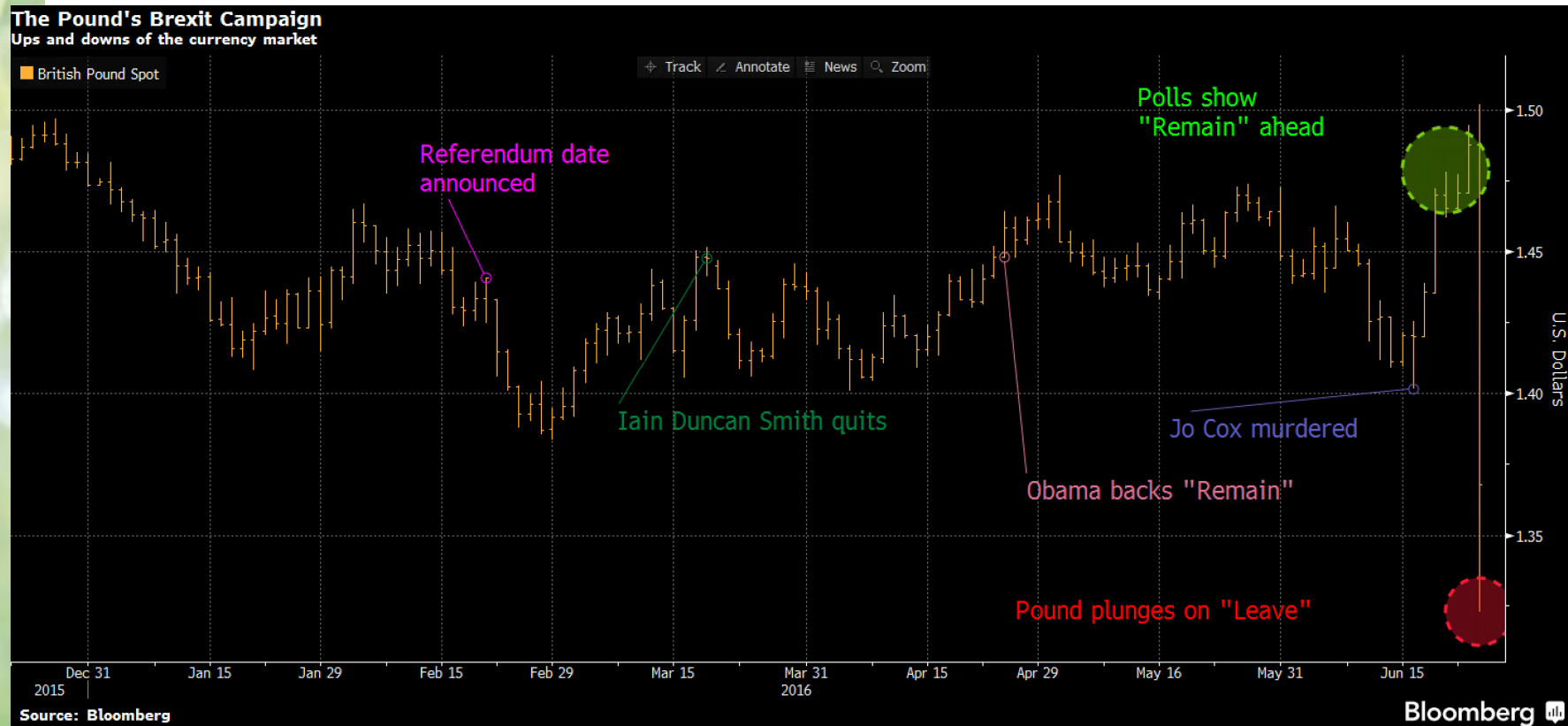
License: [Open](#)



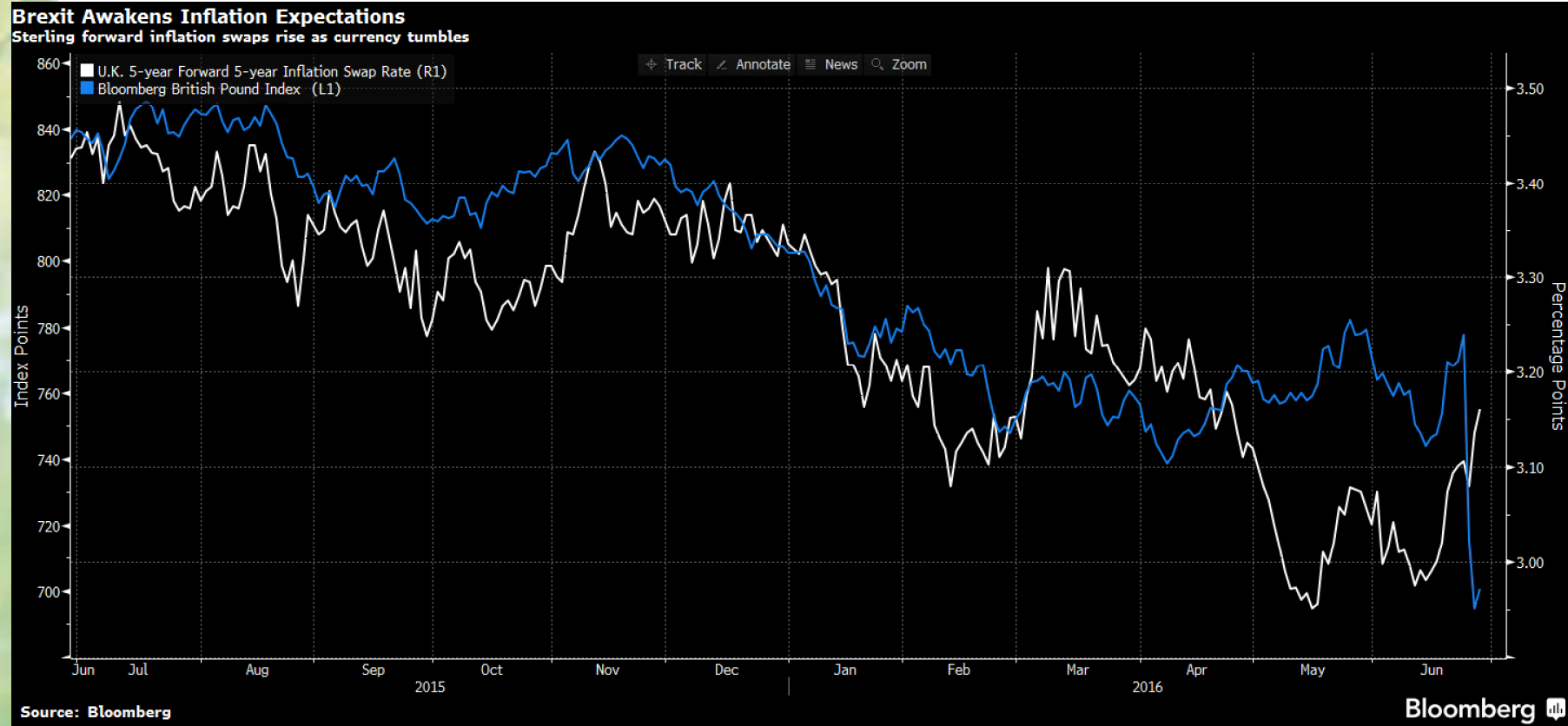
## UK: Gate to 500mil EU Market



# Brexit Campaign in Retrospect

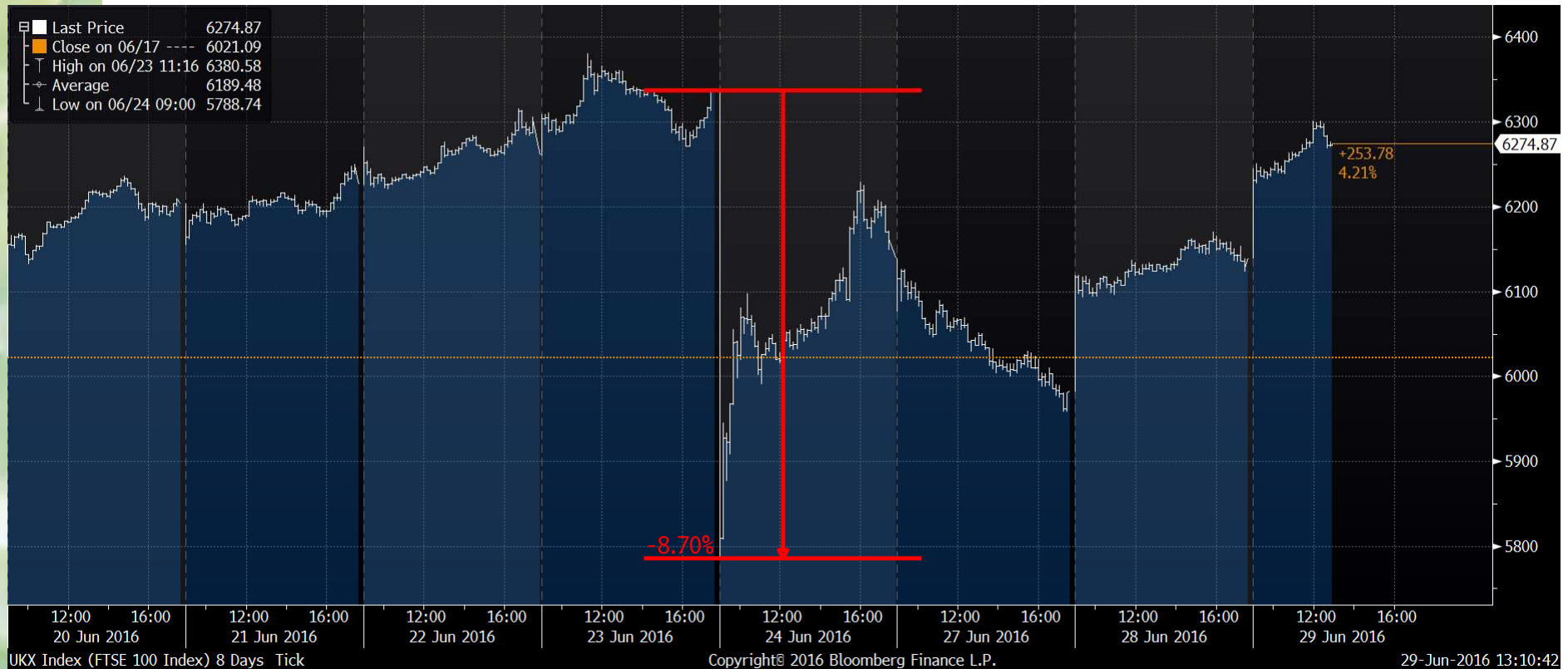


# Weak Pound and Inflation





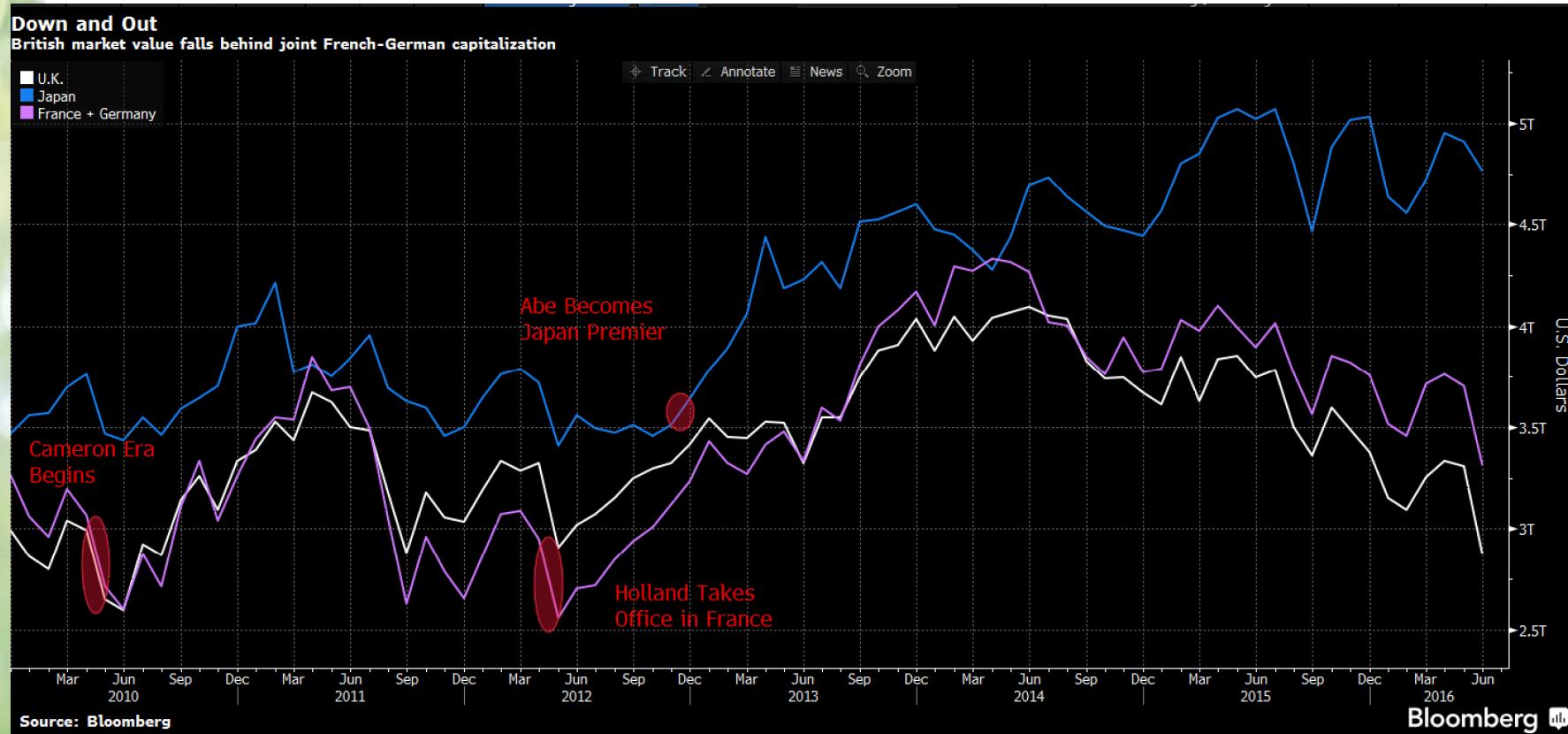
# Stock Market Reaction (FTSE 100)



# UK Stock Market Recovers



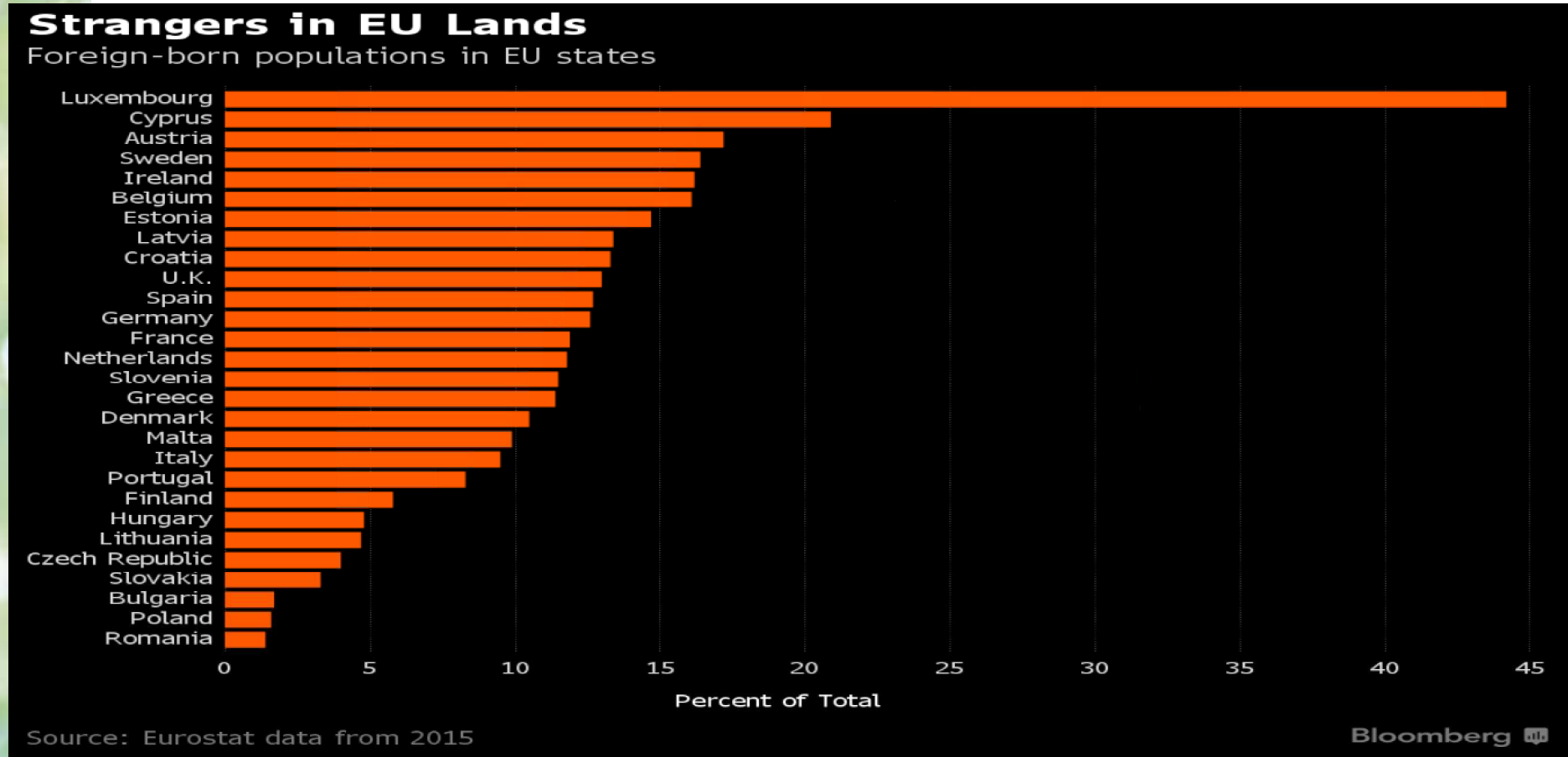
# City of London vs. GER+FRA Stock Market



# Reaction of Emerging Markets FX



# Immigration Accross EU

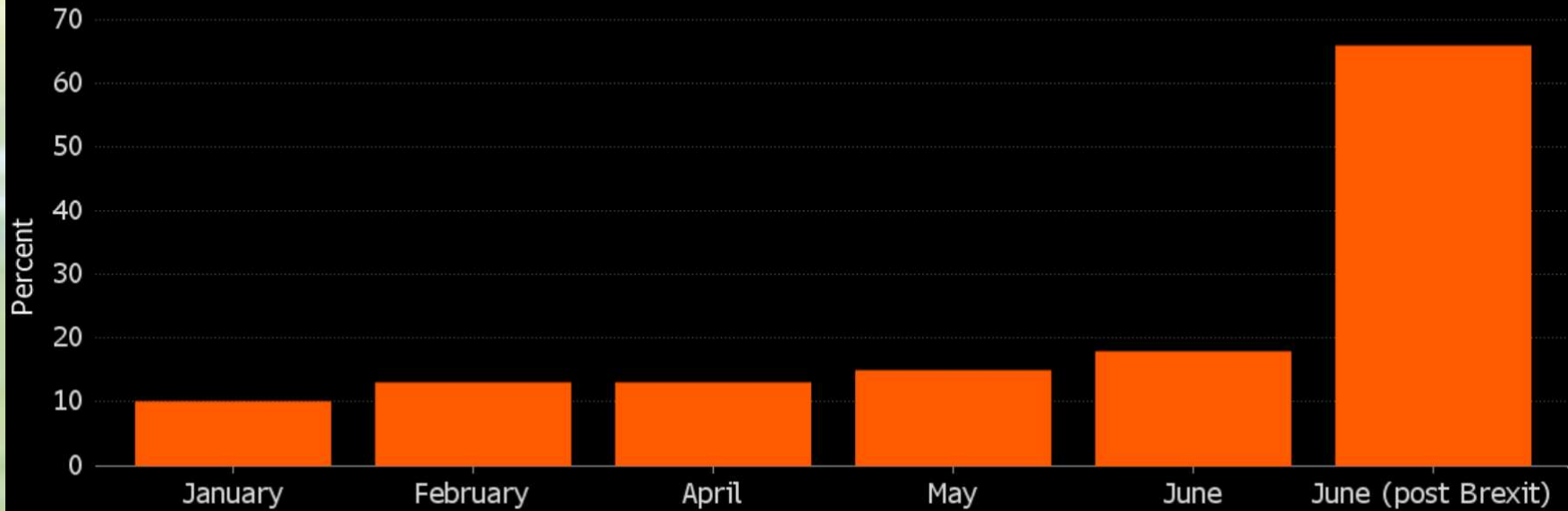


# UK: Probability of Recession

## Grim Outlook

Brexit has changed everything for the U.K.

■ Recession Probability

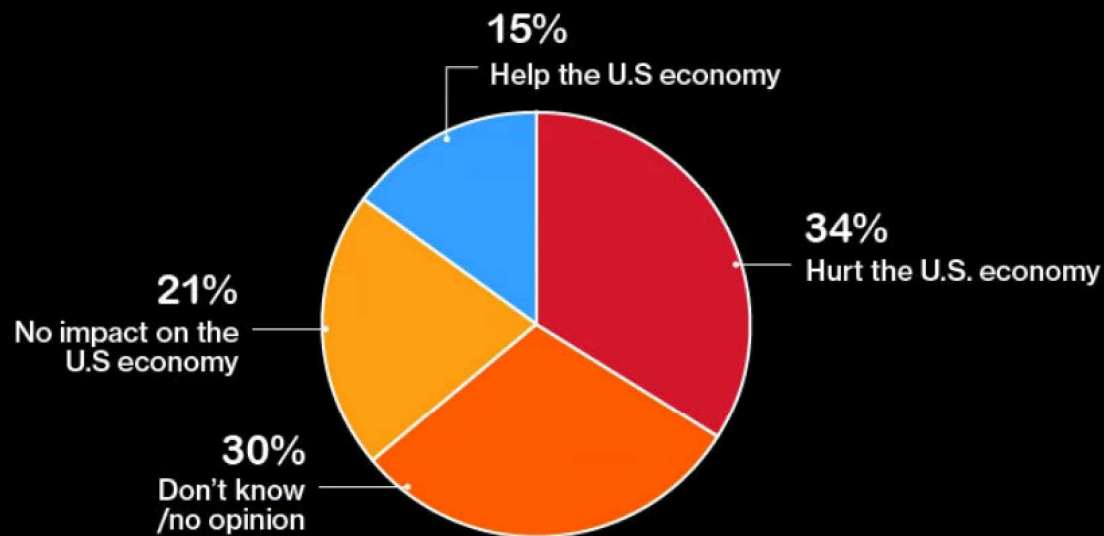


Source: Bloomberg surveys

Bloomberg 

## Brexit's Impact on the U.S. Economy

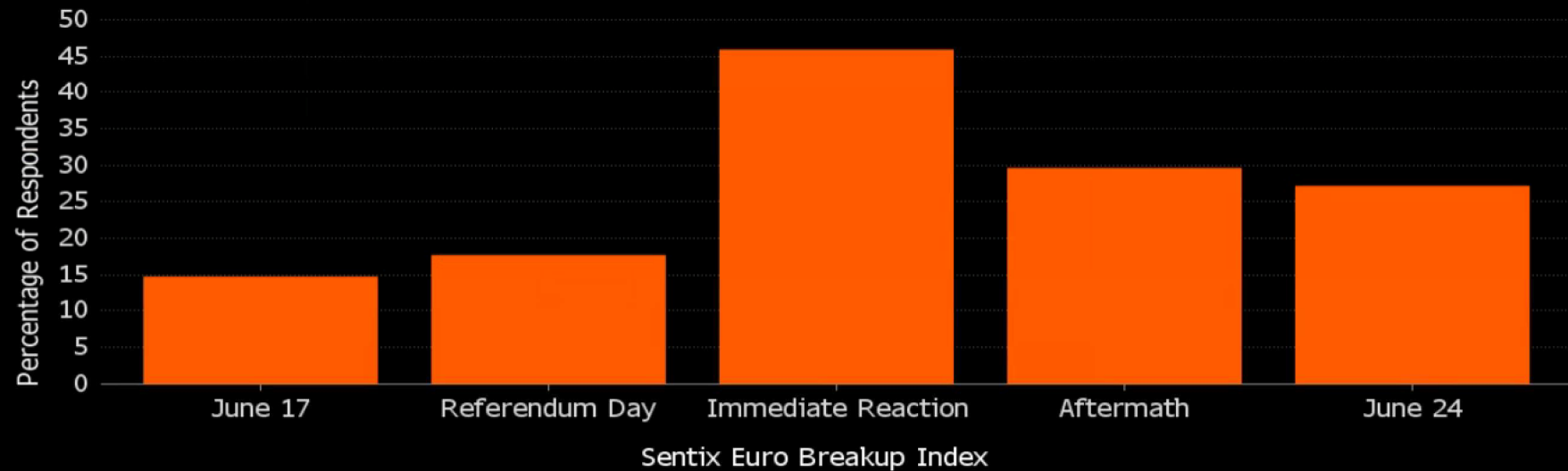
Voters in the U.K. decided to leave the European Union. Do you think their decision will help or hurt the U.S. economy, or will it have no impact?



Source: Bloomberg/Morning Consult national online poll of 2,003 registered voters, June 24-27, 2016. Margin of error +/- 2.2 percentage points.


## Brexit Stokes Euro Concerns

U.K. vote to leave EU fanned euro break-up fears, investor survey shows



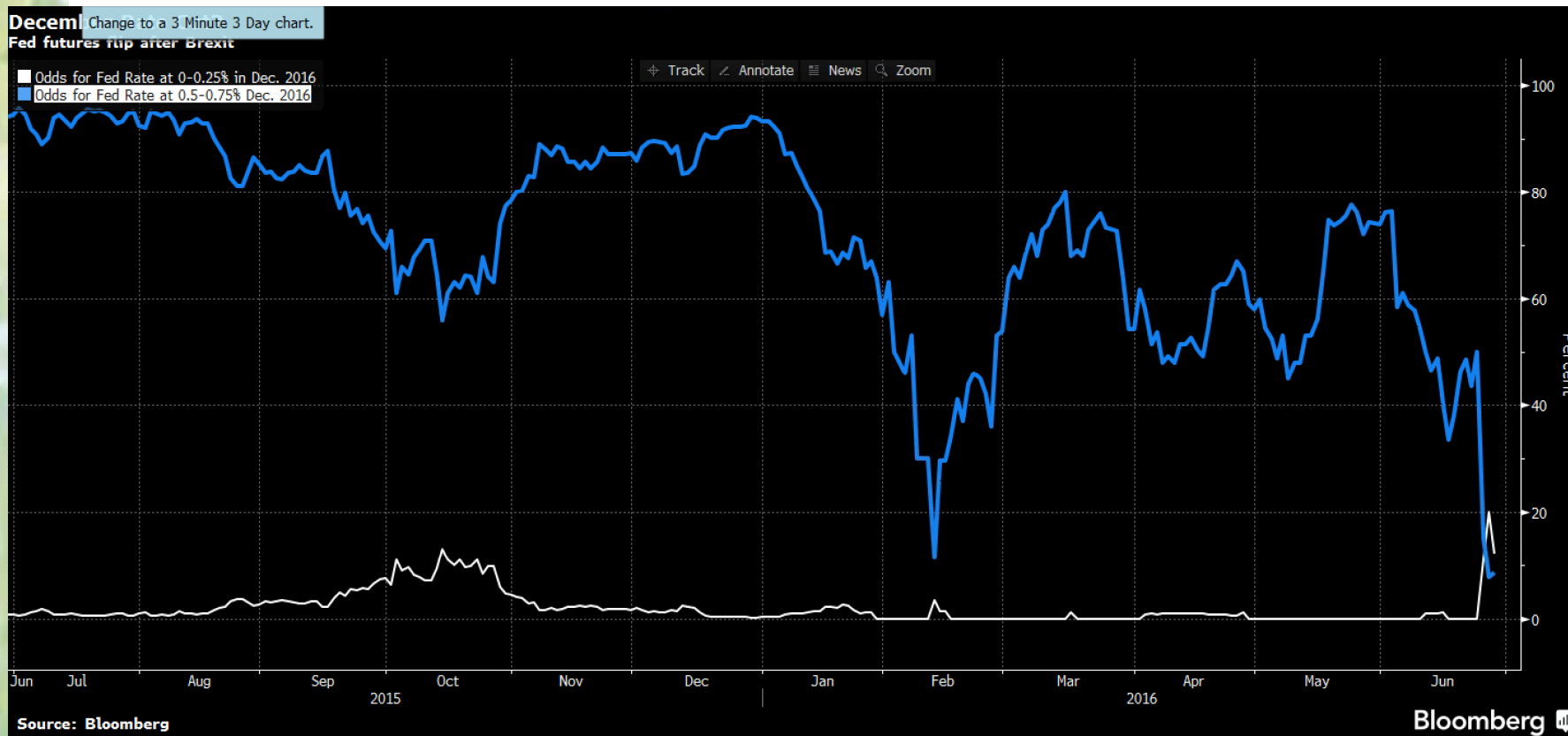
Source: Sentix.

Note: Immediate reaction covers responses received from publication of Brexit vote until 10:30 a.m. on June 24. Aftermath is end of 'immediate reaction' until close of survey on Saturday. June 24 is full survey.

Bloomberg 



# Brexit & FED (USD interest rates)

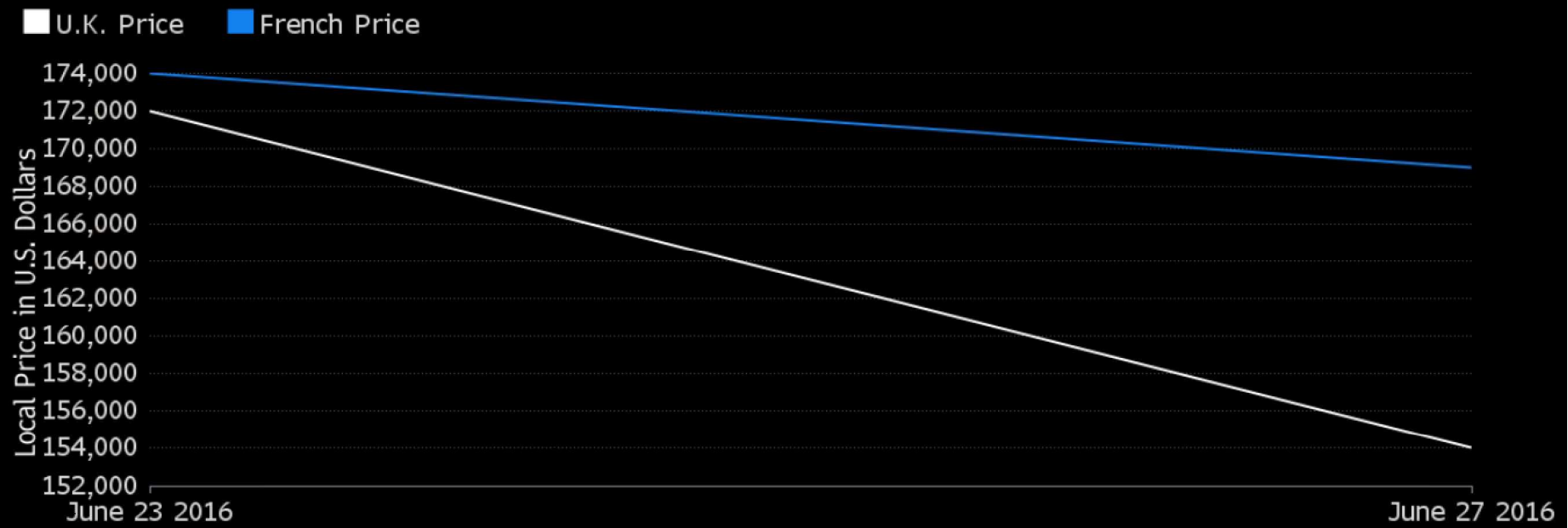


# Sorry, Rotschilds




## Catch `Em Quick: \$15,000 Off Cartier Watches

Pound's slump means tourists in U.K. can buy luxury goods at a discount



Source: Cartier websites

Bloomberg 

## Boom Town

London house prices have known only one direction lately. Could Brexit change that?

■ Average U.K. House Price   ■ Average London House Price



Source: U.K. Office for National Statistics

Bloomberg 

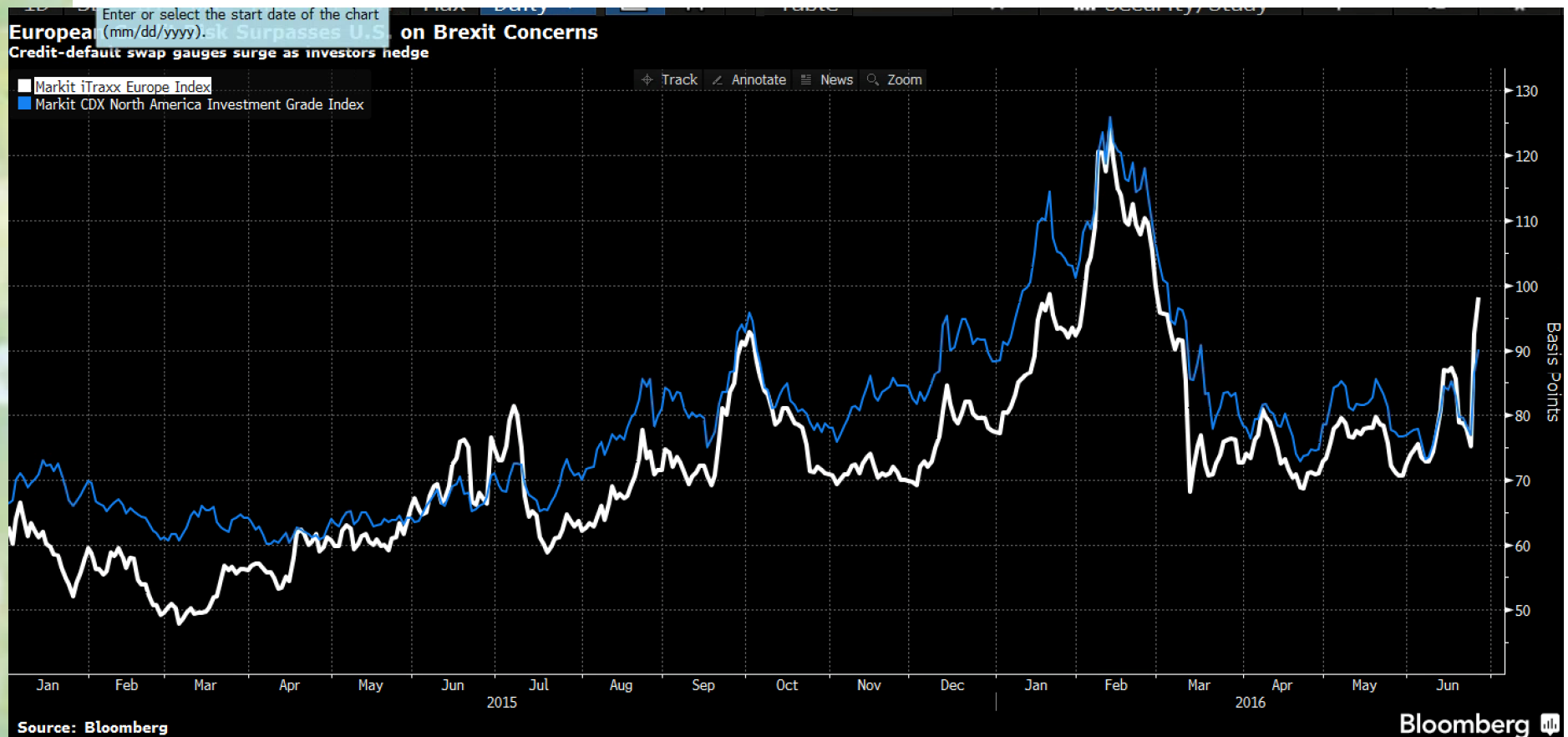
# Oil Price on Edge



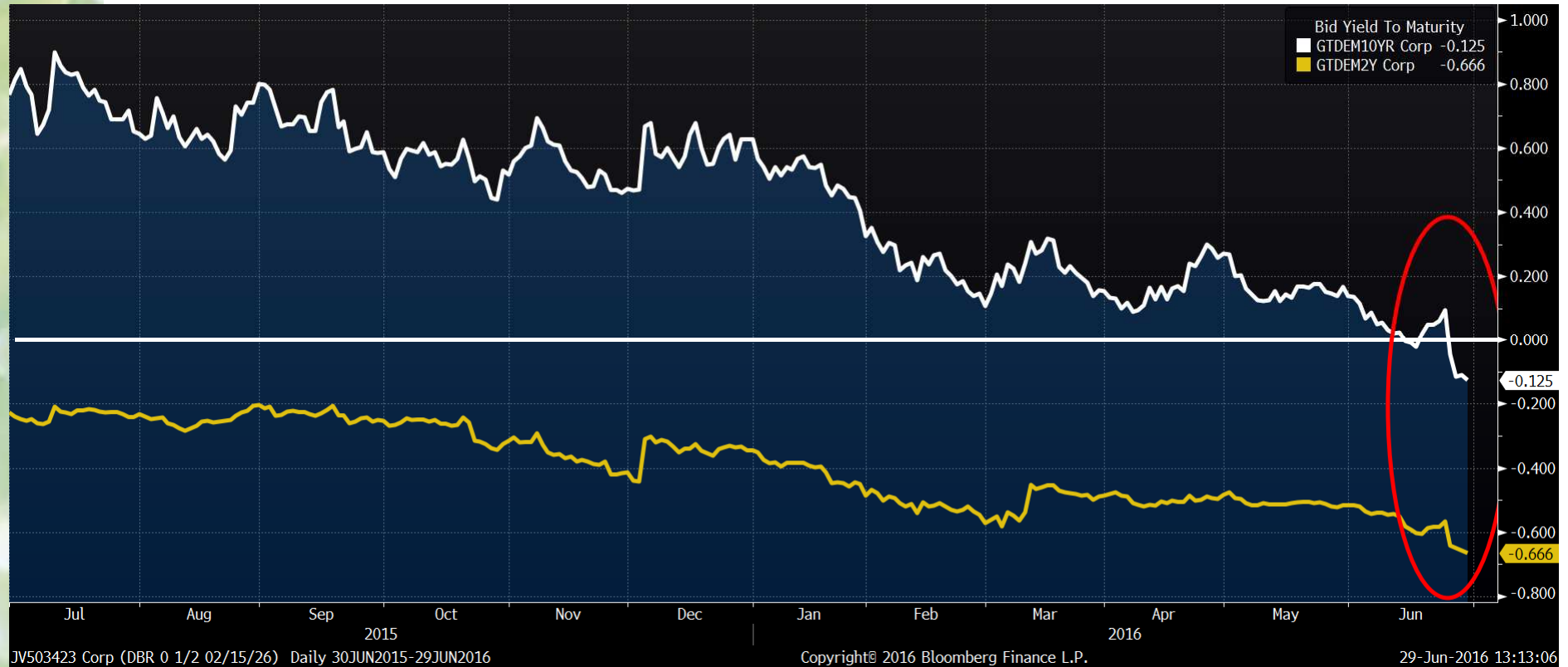
# European Risk Exceeds US After Brexit



SBERBANK



# Bond Market Reaction



# Eurozone Periphery







# Gold



# Gold Favorited Again

## Bets on Gold Soar

August gold options volume jumps to record on Brexit shocker



# Higher Volatility Ahead



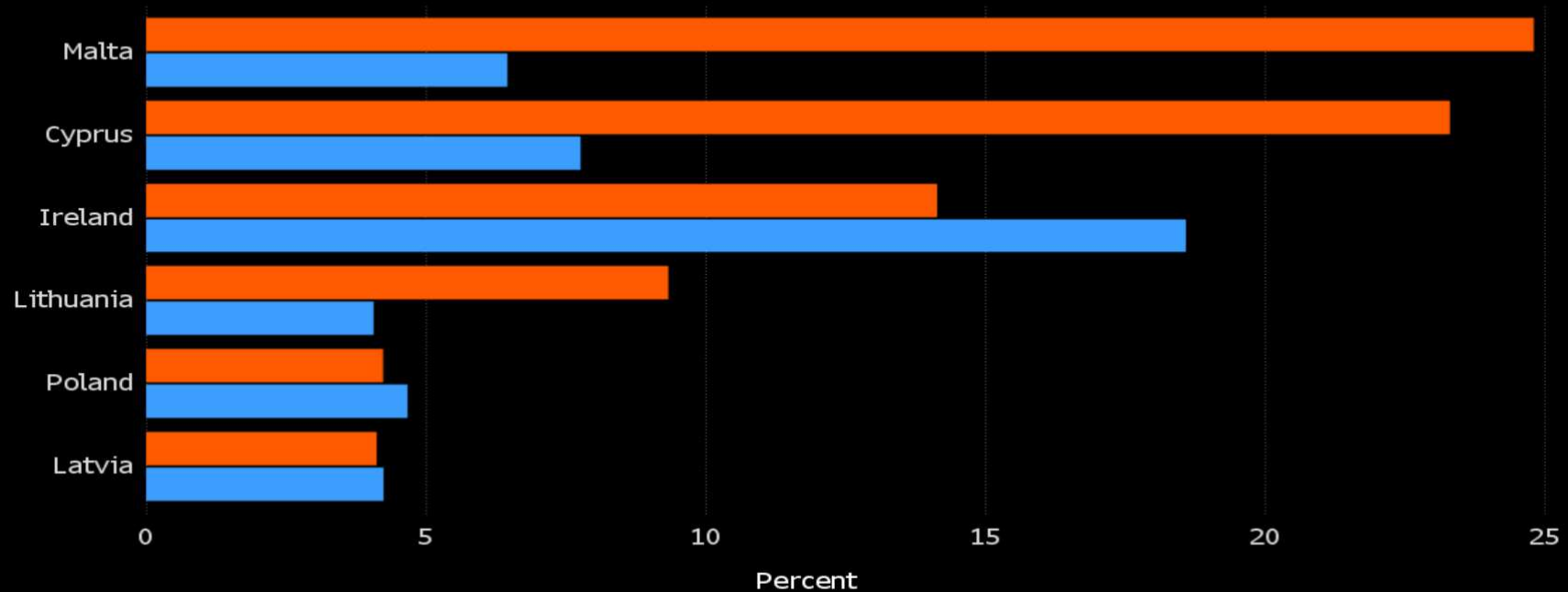
# Biggest Direct Exposure to UK

## The Brexit Danger Club

These six EU countries have the biggest U.K. trade and tourism exposure

■ U.K. Share of 2014 Tourist Spending

■ U.K. Share of 2015 Total Trade



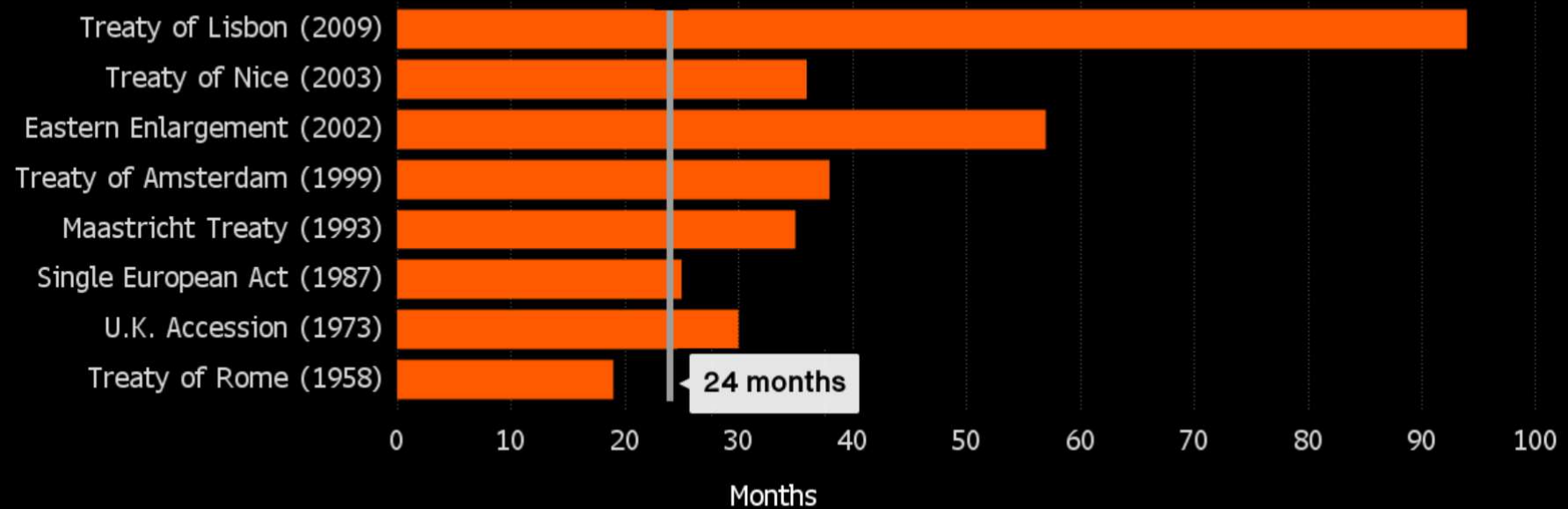
Sources: Eurostat, International Monetary Fund

Bloomberg

# How Fast Would UK leave EU?

## Ambitious Timetable

The EU has a poor track record in reaching major agreements quickly



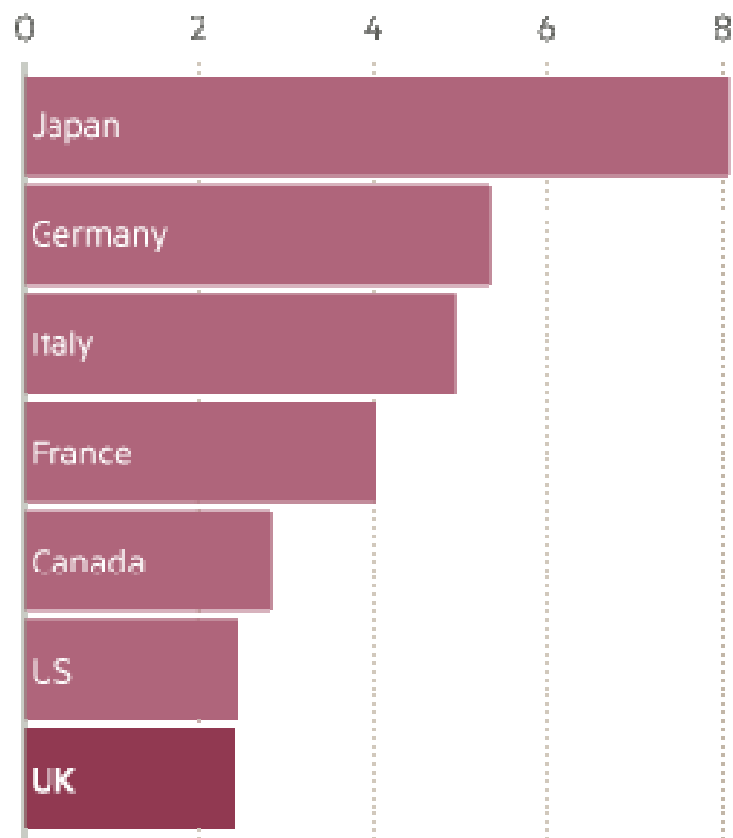
Source: europa.eu, University of Zaragoza

\*Shows period from formal start of negotiations to entry into force

# UK Before and After EU

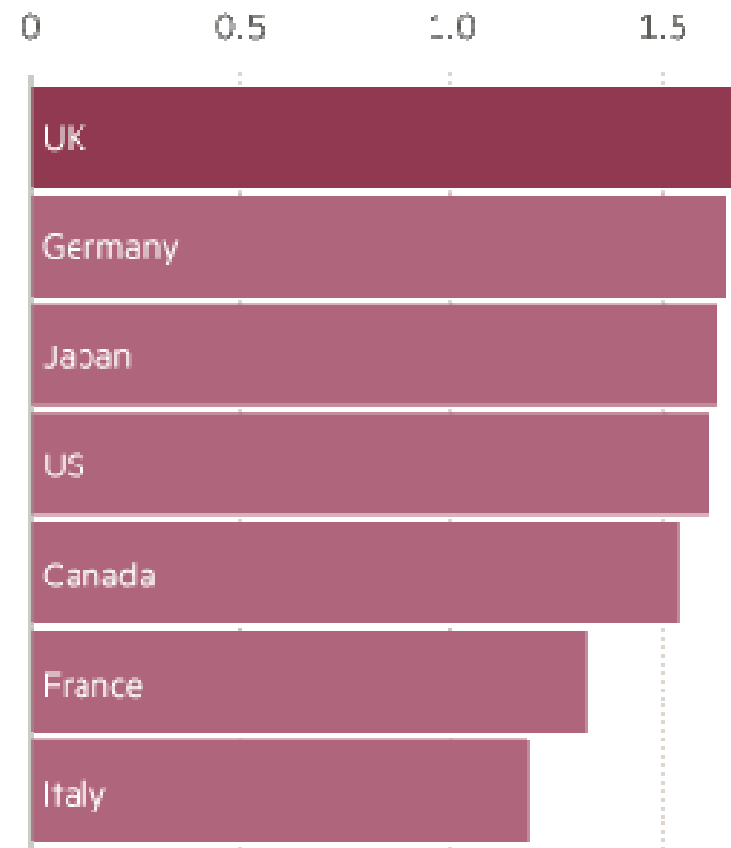
The UK had the slowest growth in prosperity in the G7 before EU membership ...

Annual average increase in GDP per head (%)



... but has had the fastest growth since

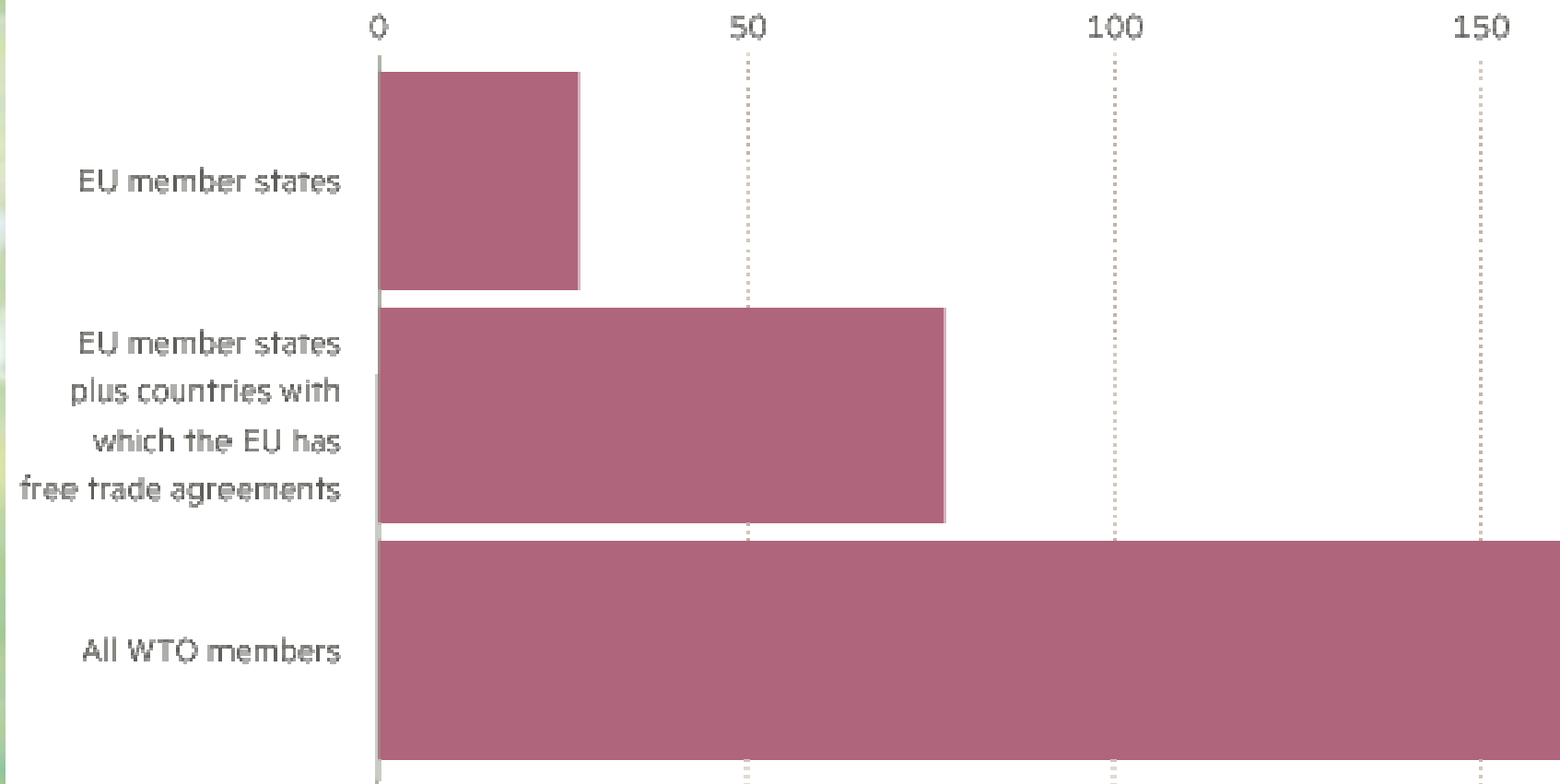
Annual average increase in GDP per head (%)



# Trade Agreement Negotiations

## Who would Britain have to negotiate a trade deal with?

Number of countries Britain would need to agree trade deals with to replicate its EU trading arrangement



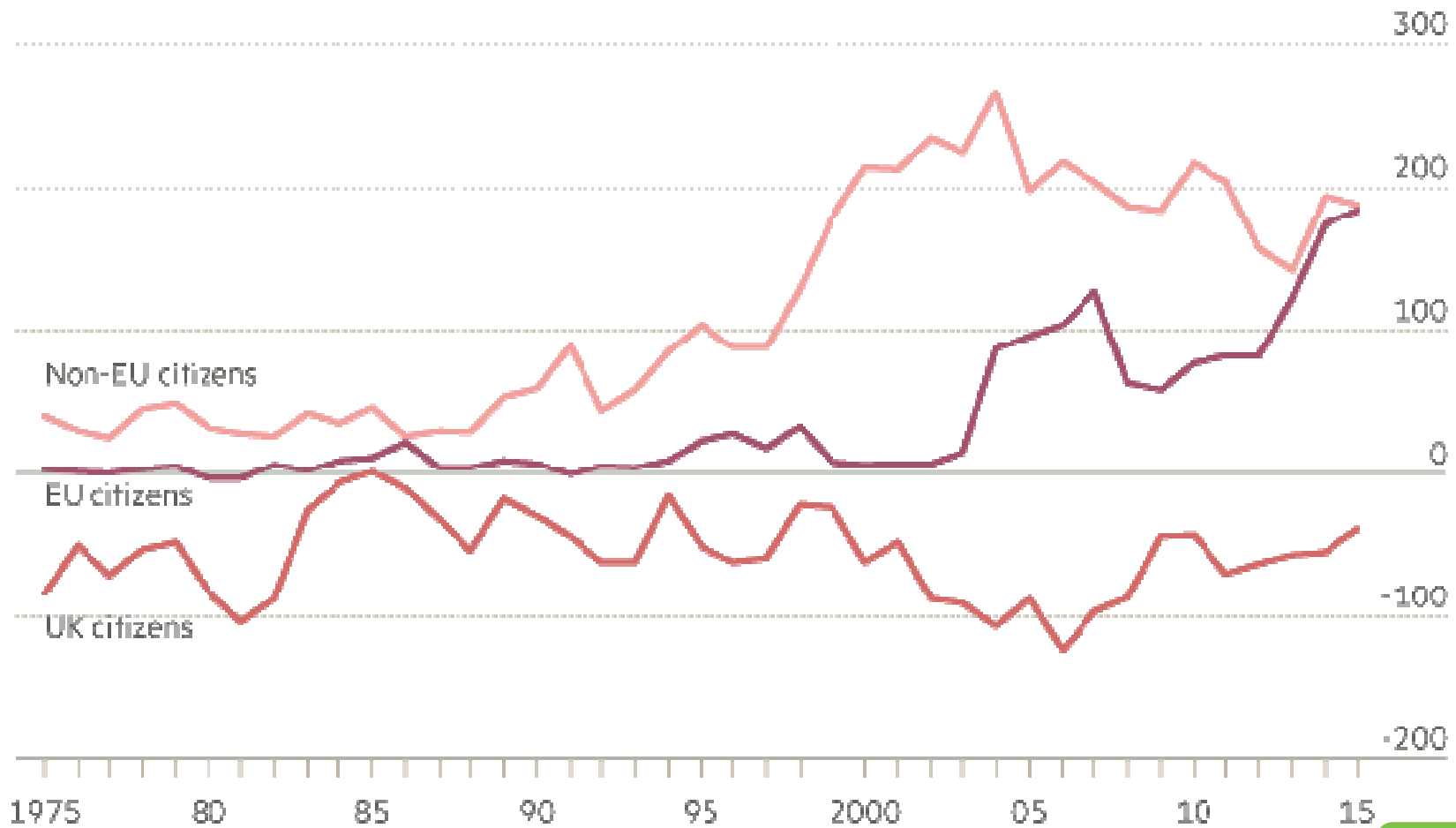
Sources: EU; WTO



# UK and Migration: EU vs. Non-EU

## Migration by citizenship

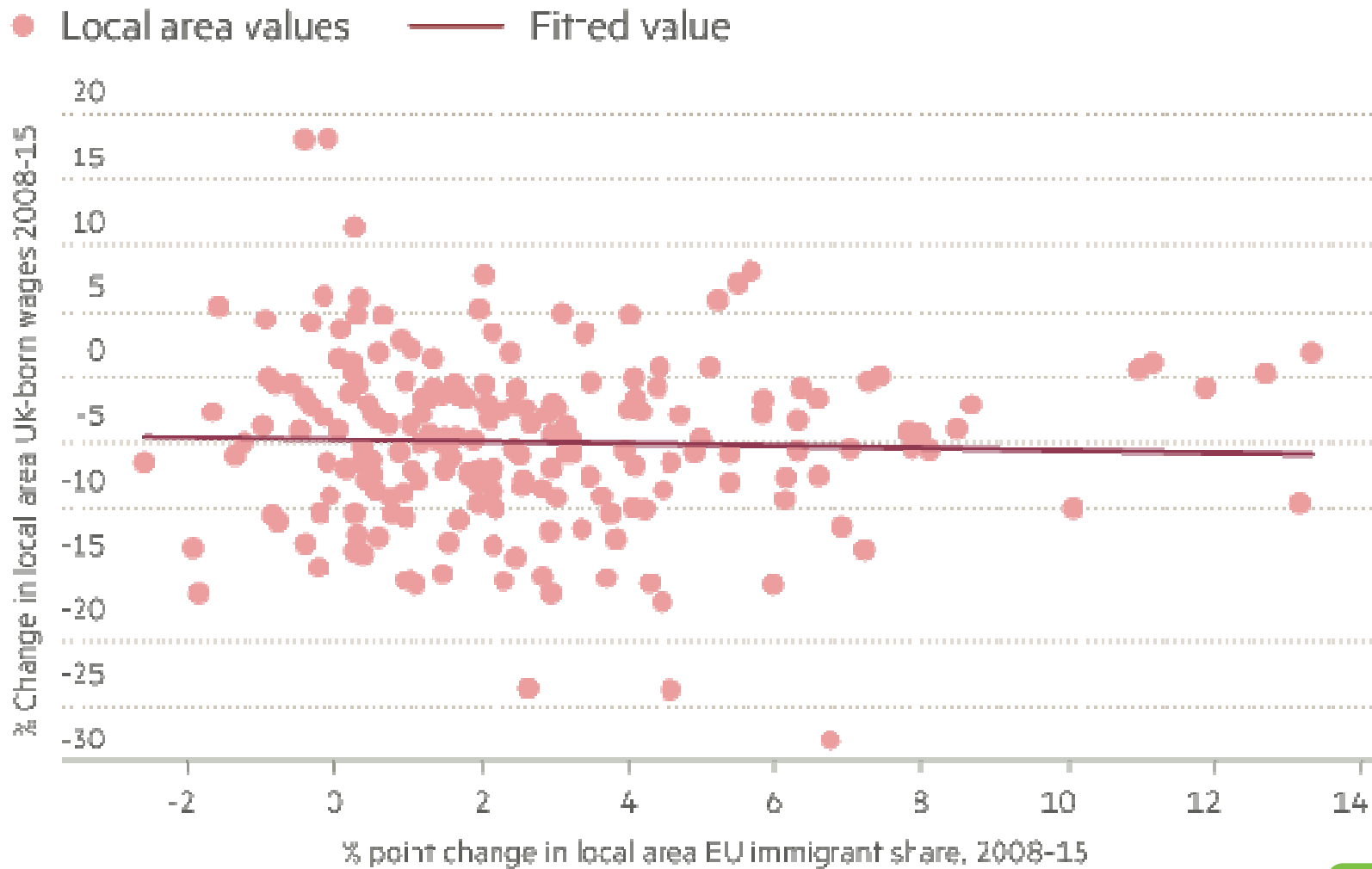
Net migration ('000s)



Source: ONS

# Migrants and UK Wages

## Wages of UK-born and EU immigration



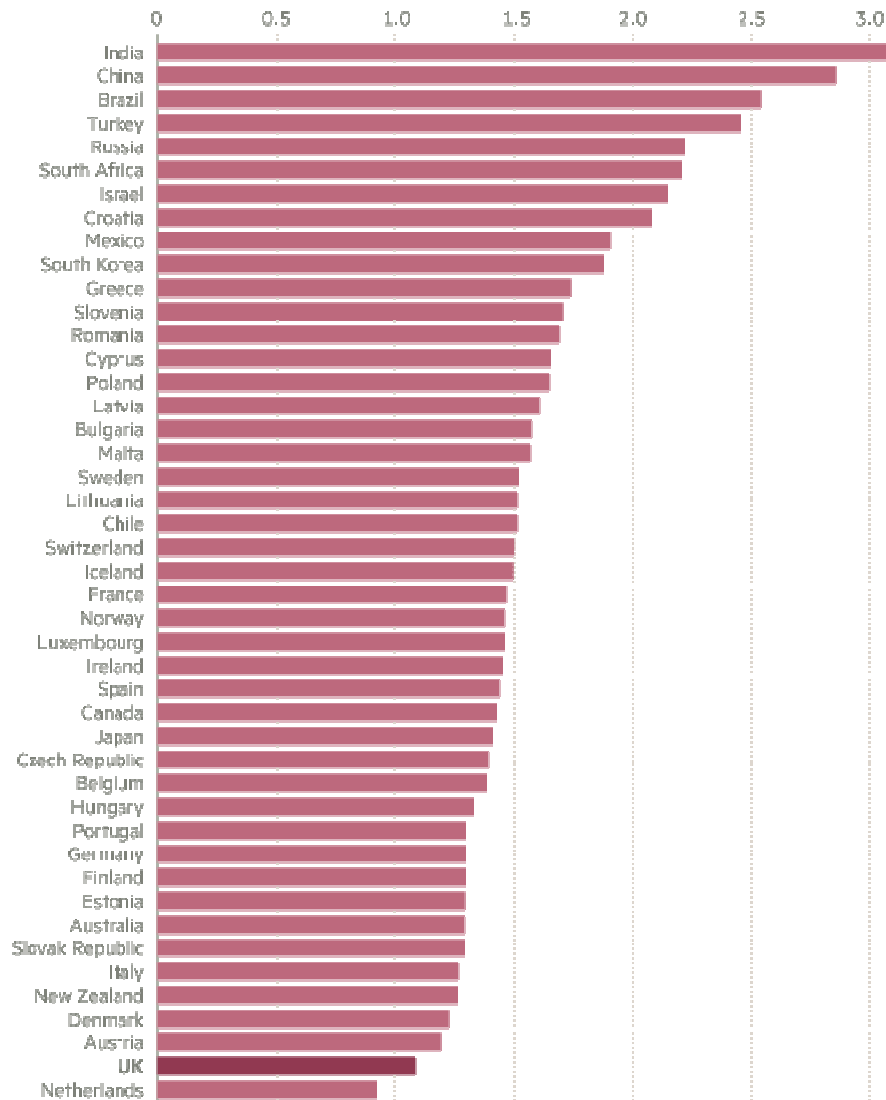
Sources: CEP, LSE

# UK Regulatory Environment within EU



## Product market regulation

OECD index score, 2013



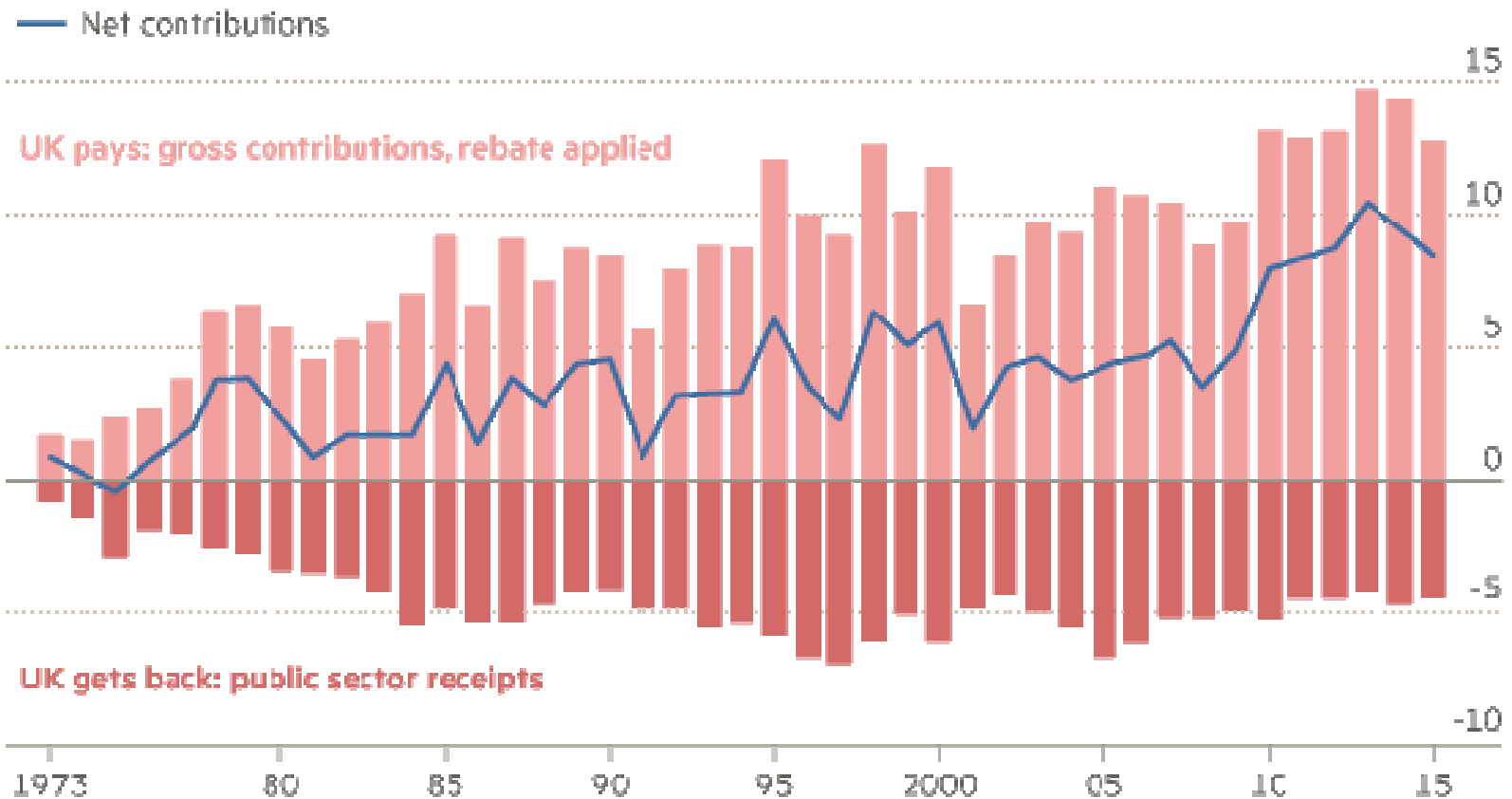
Source: OECD

FT

# Cost of EU Membership

## UK payments to EU budget

Balance of UK contributions to and public sector receipts from the EU budget, £bn  
(adjusted for inflation, calendar years)

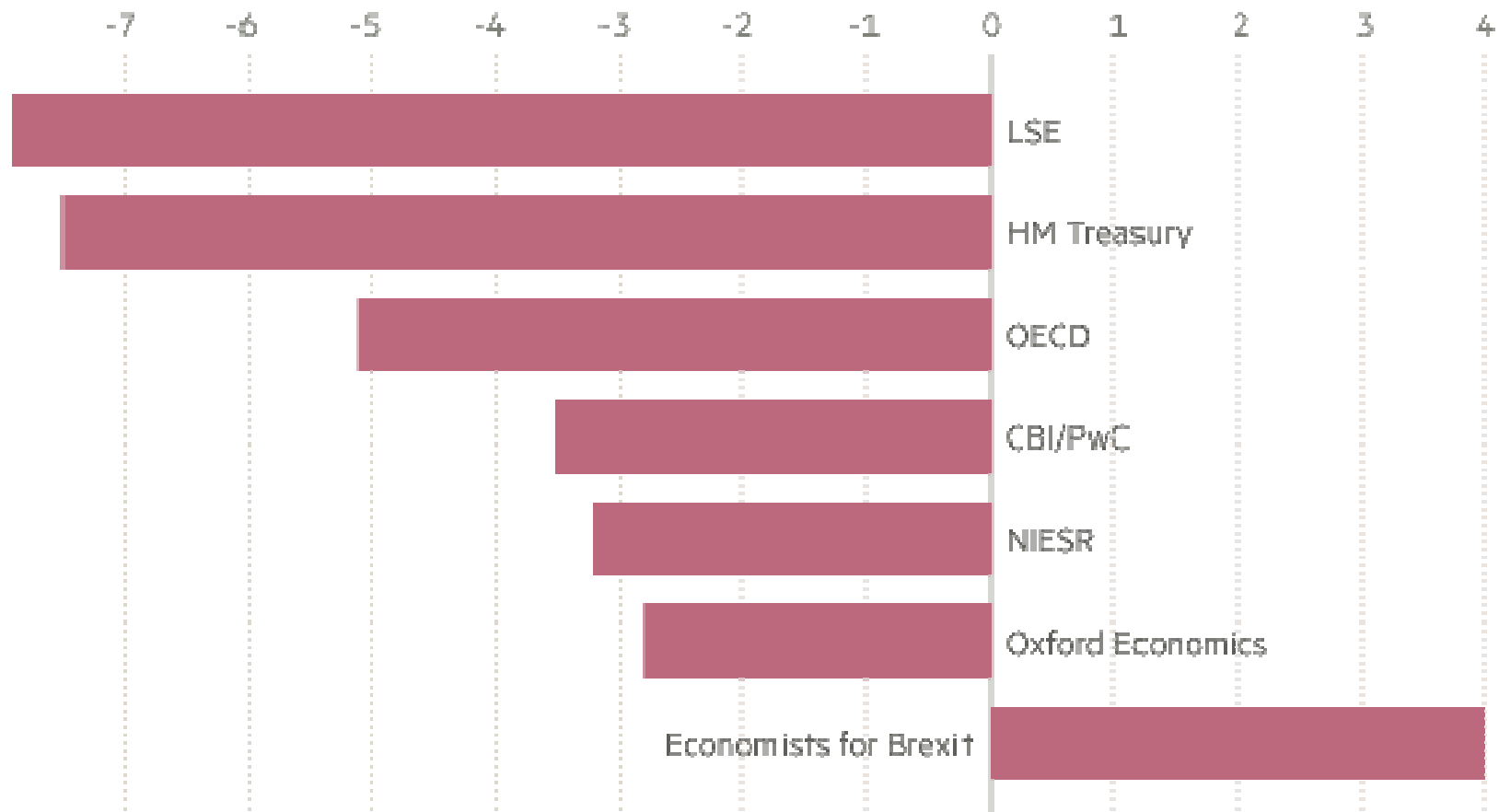


Source Treasury

# UK Economy After Brexit

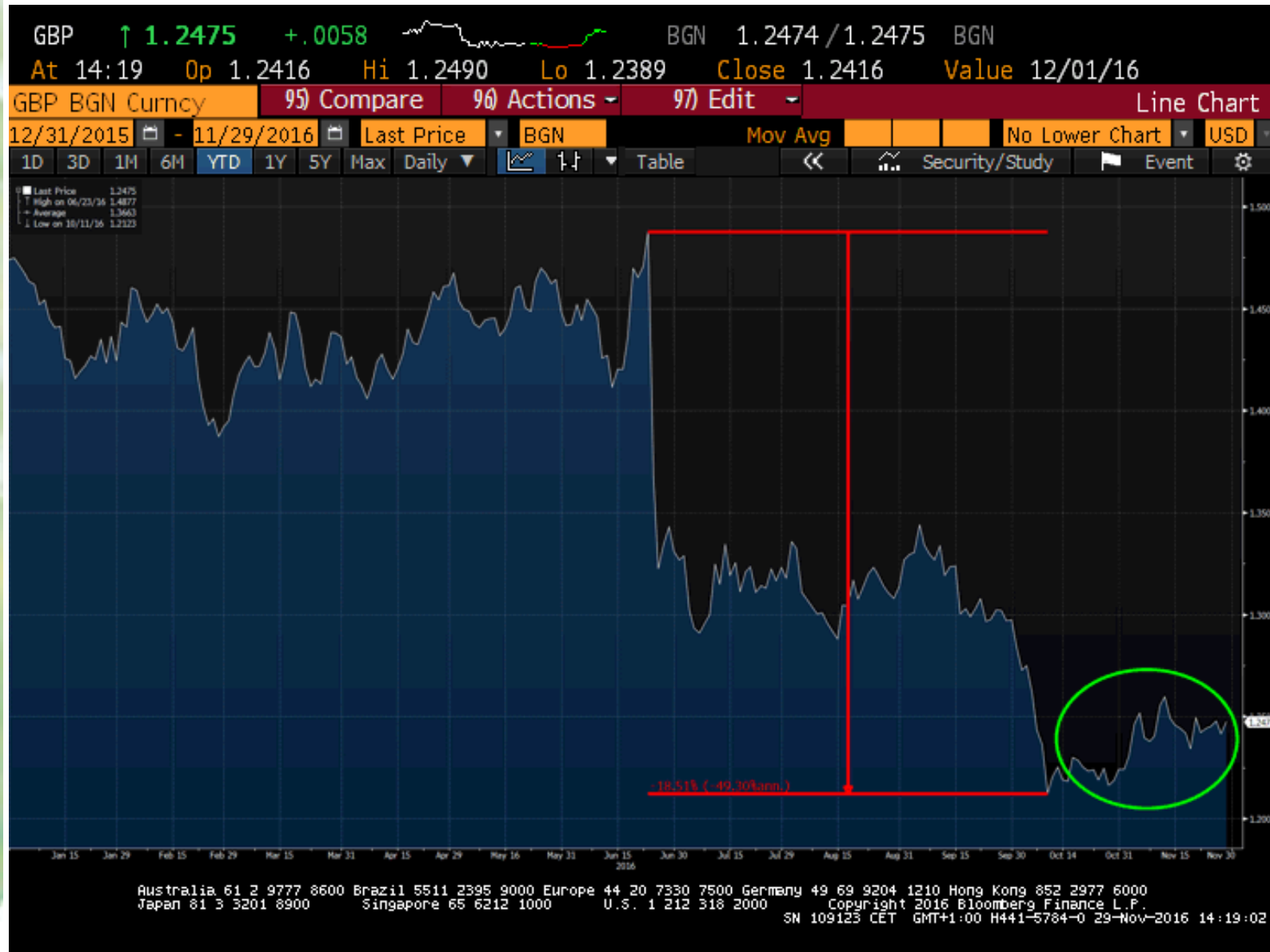
## Estimates of long term effect of Brexit on national income

% change in GDP compared with remaining in the EU, assuming trade based on WTO rules

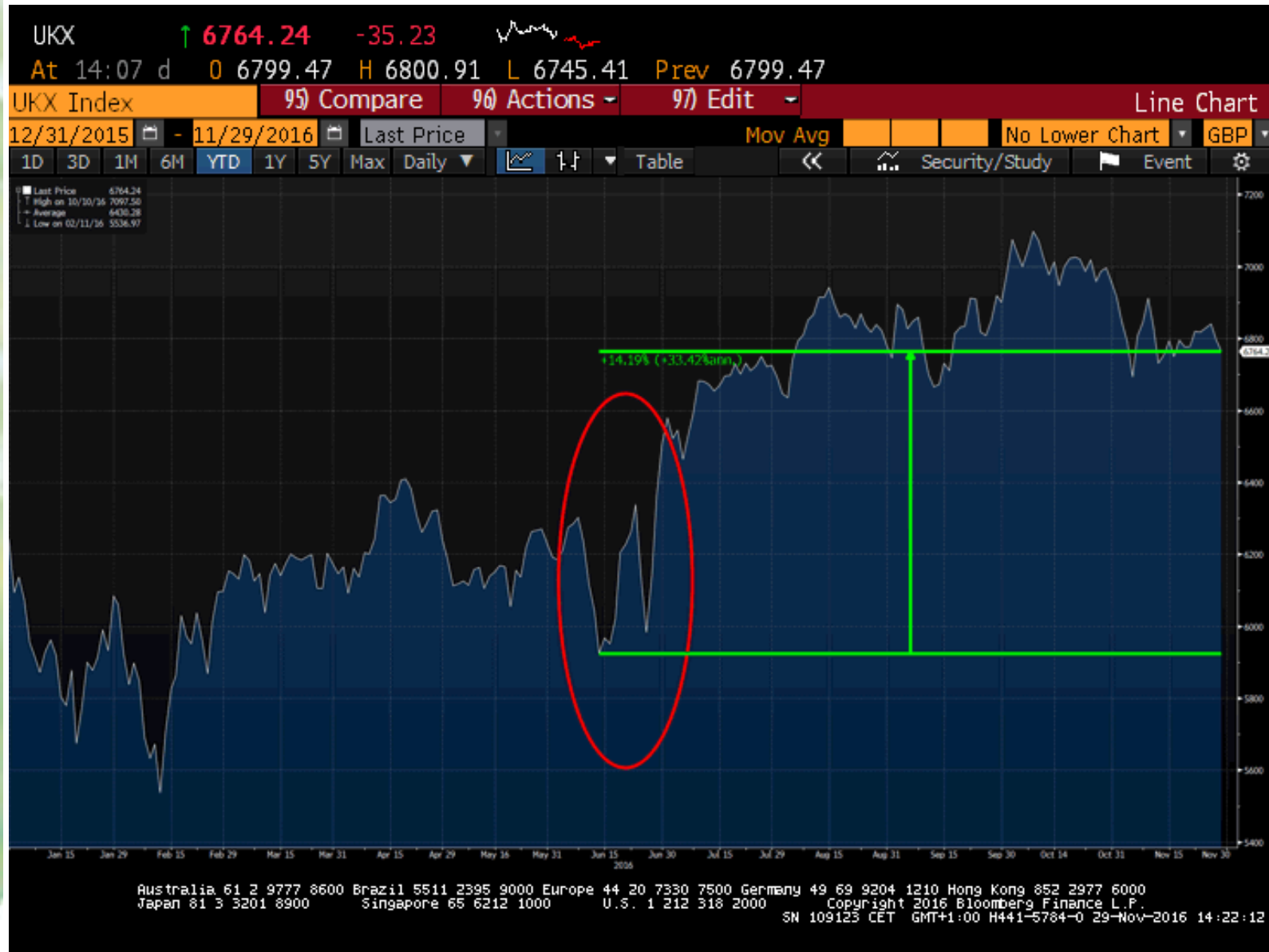


Source: Foreasters

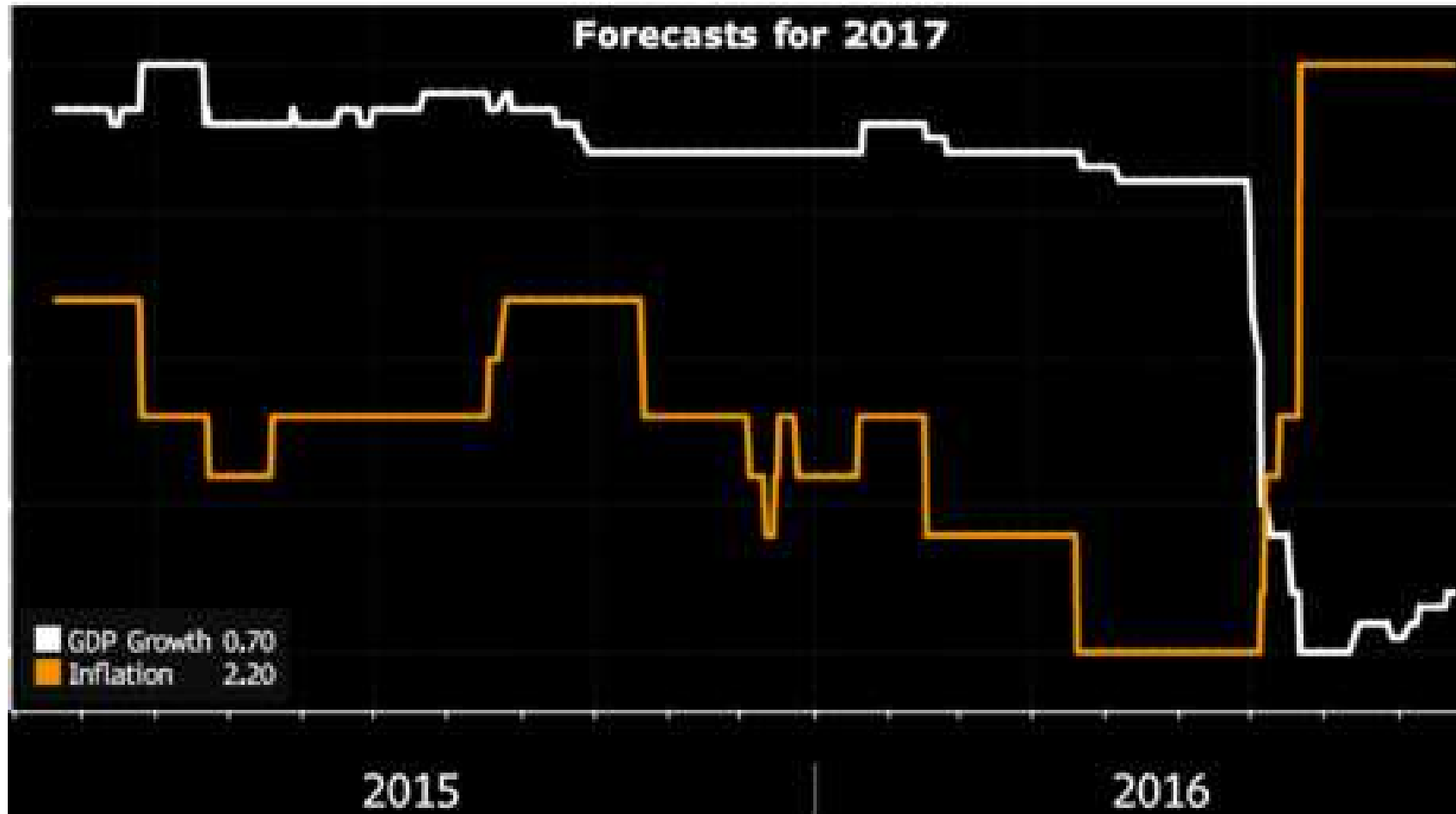
# Exchange Rate of GBP



# Stock Market Recovery



# Forecasts After Brexit





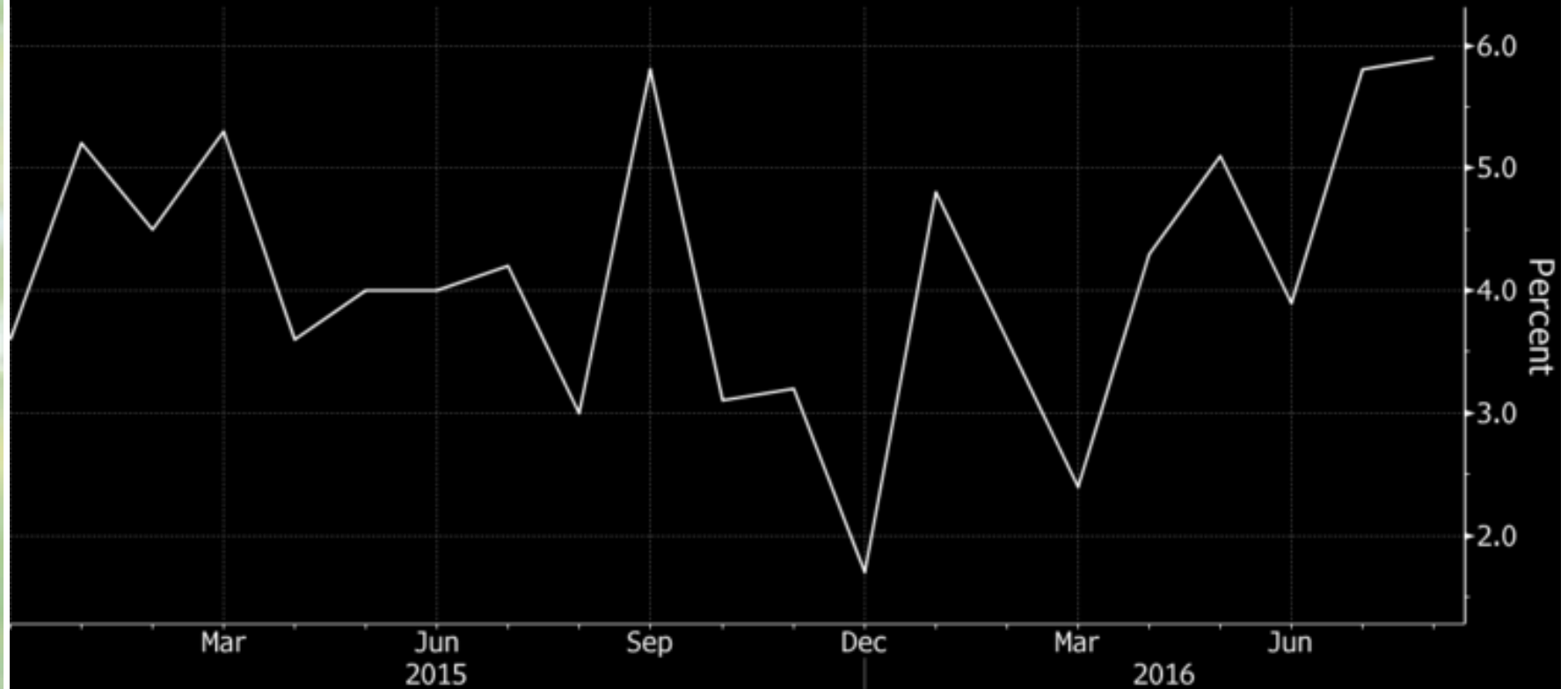
# Resilient Retail Sales



## Retail Resilience

Shoppers have maintained spending in the face of Brexit

■ Annual growth in retail sales volumes excluding auto fuel



Source: Office for National Statistics

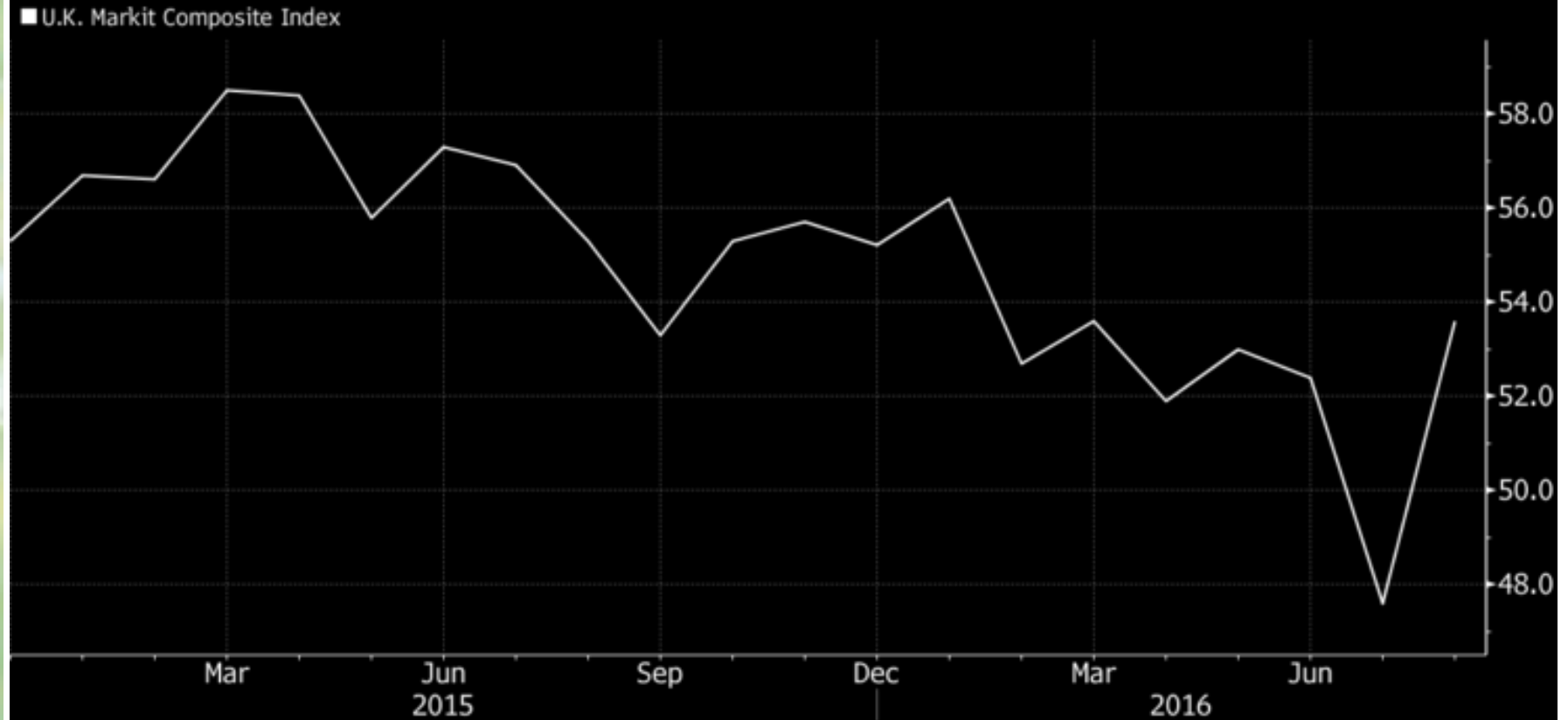
Bloomberg

# UK Business Confidence



## Business Rebound

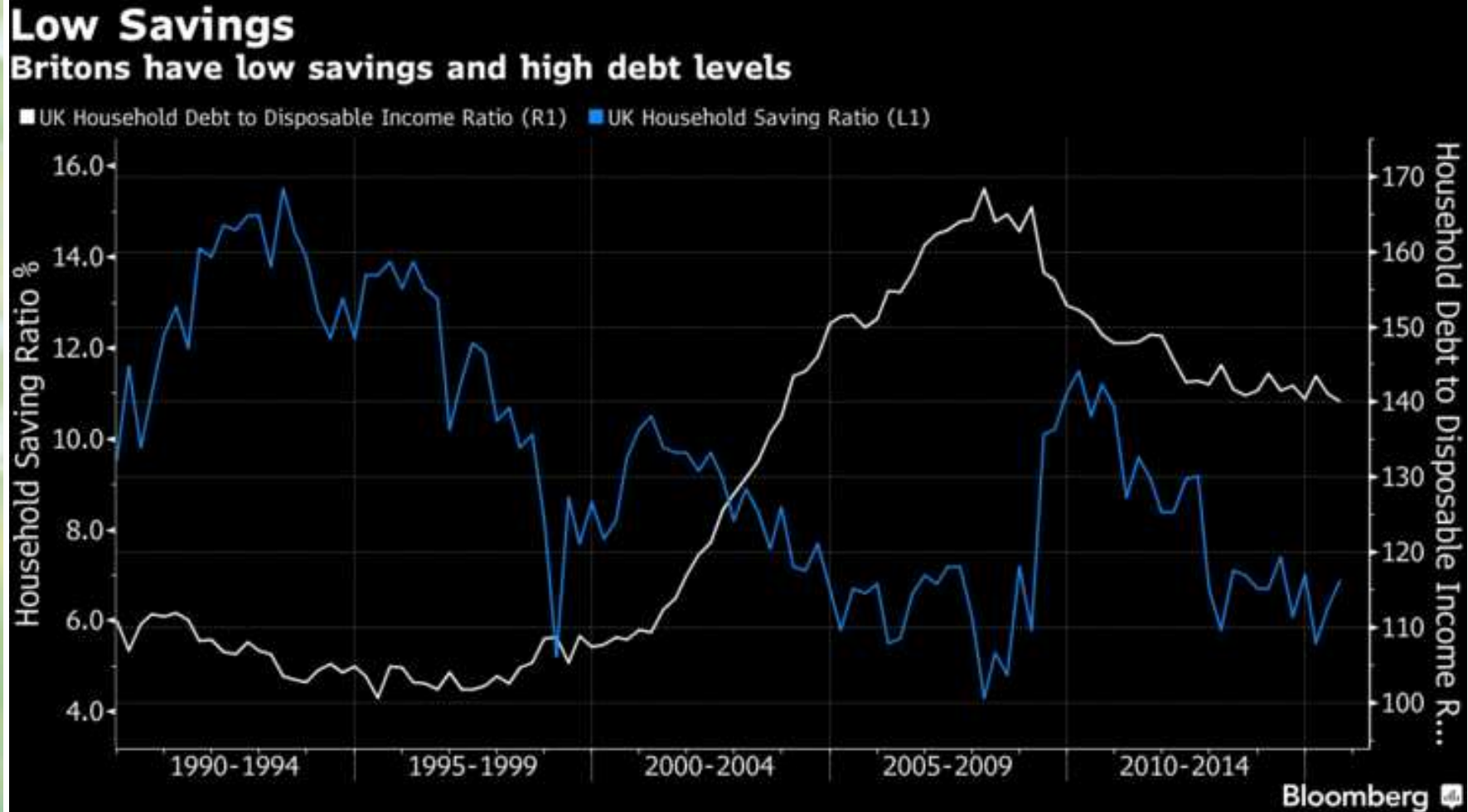
Sentiment Has Rebounded After Staging a Plunge



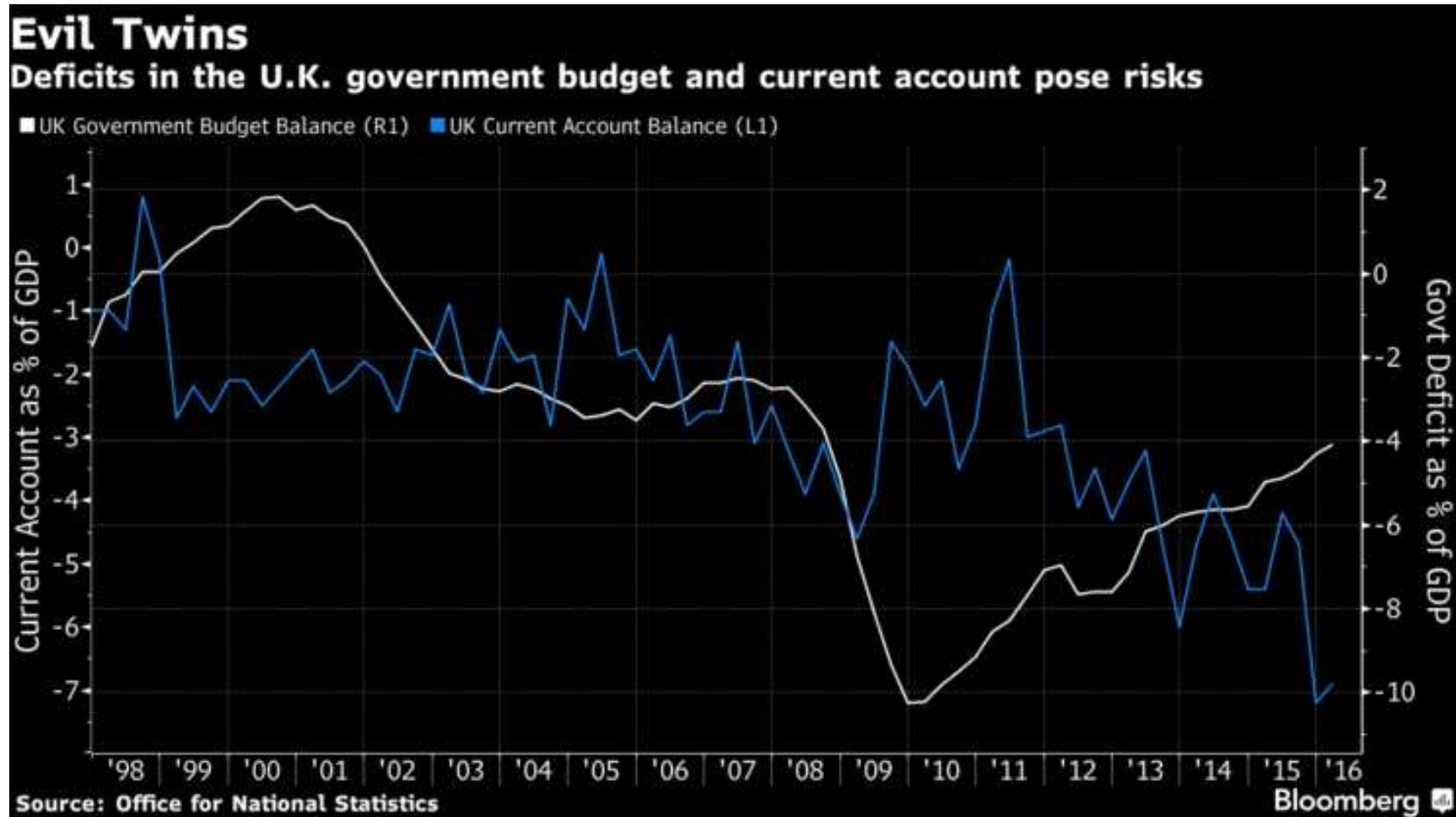
Source: Markit. A reading above 50 indicates expansion

Bloomberg

# Low Saving, High Debt

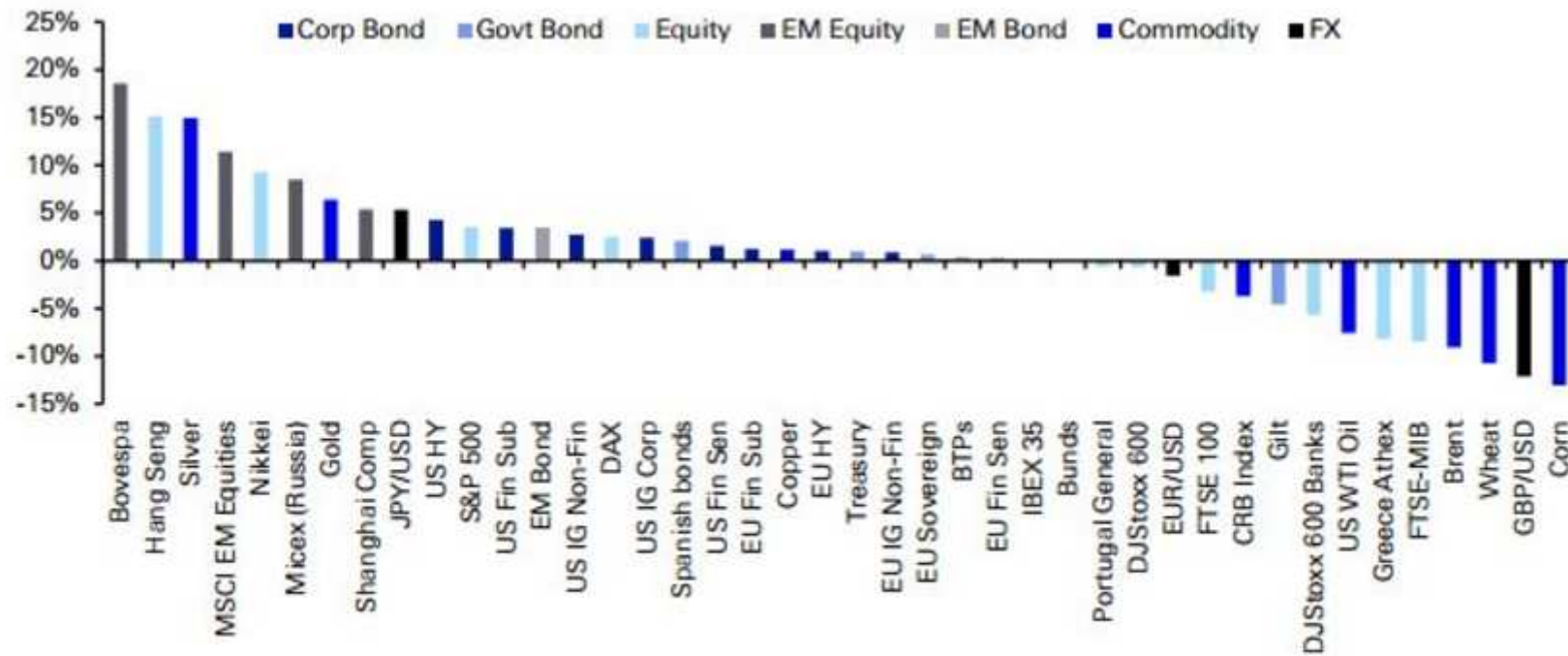


# Twin Deficits



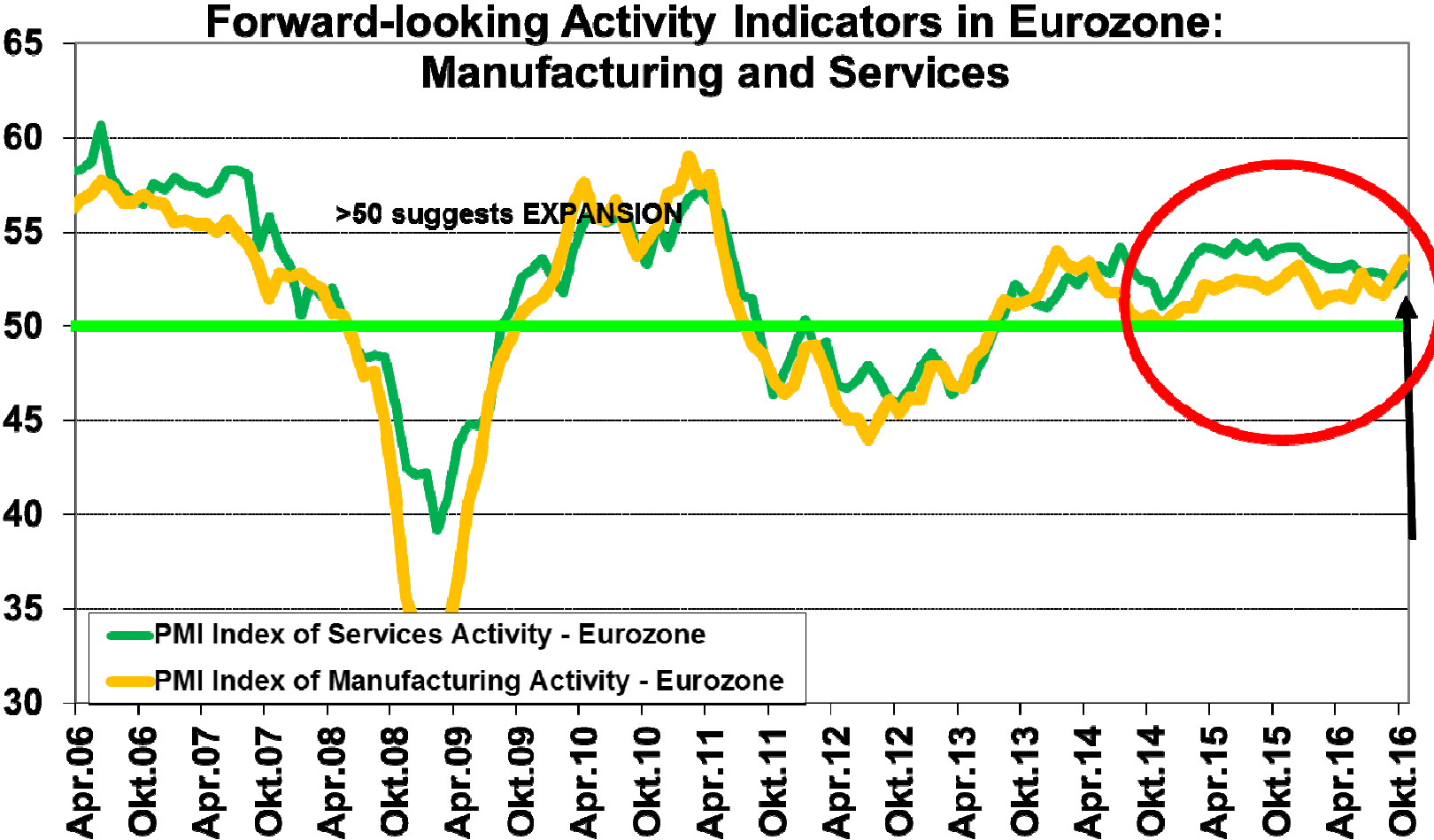
# GBP and UKX After Brexit

Figure 2: Total Return Performance of Major Global Financial Assets since June 23rd (in USD)



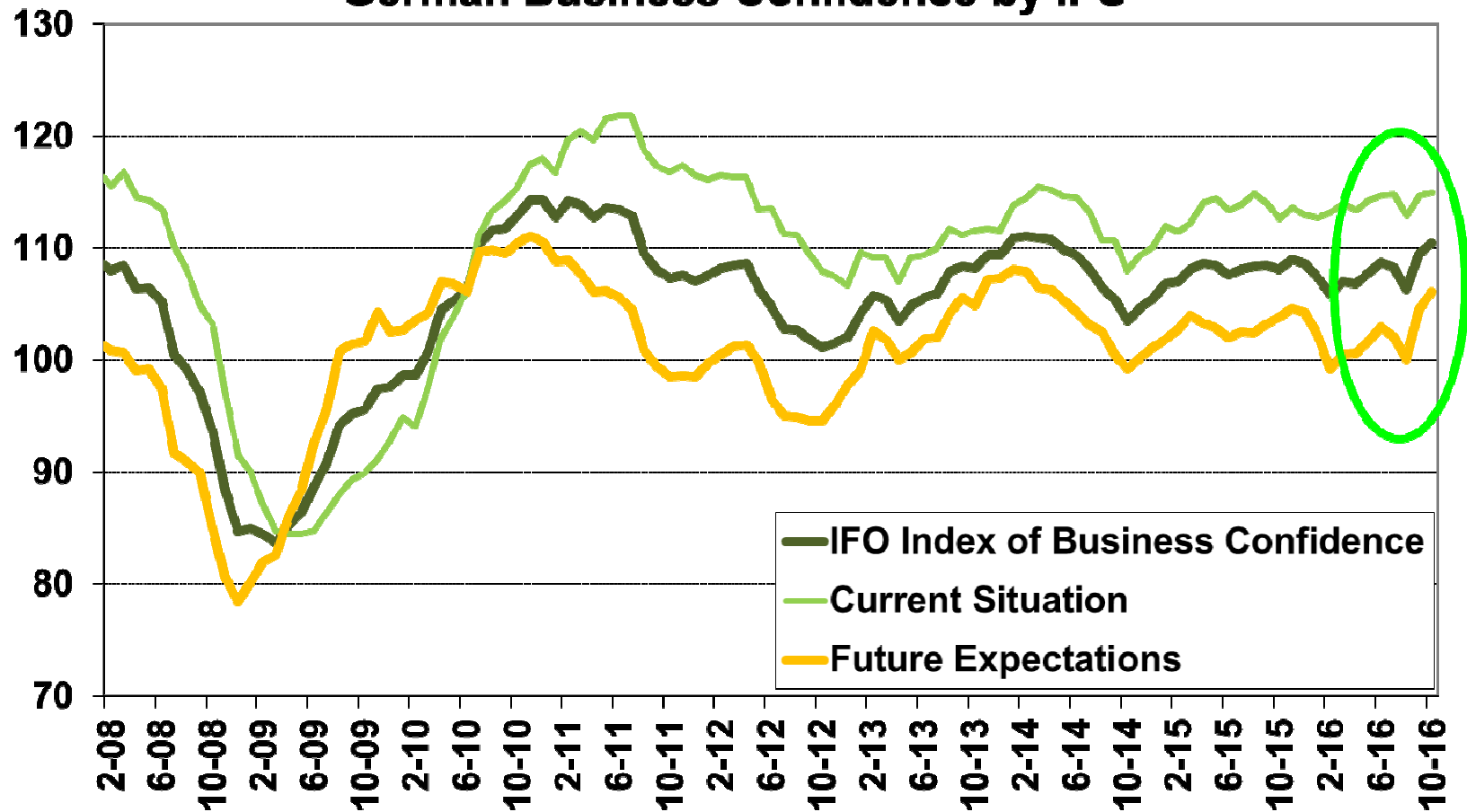
Source: Deutsche Bank, Bloomberg Finance LP, Mark-It Group

# Forward-Looking Indicators in Eurozone SBERBANK

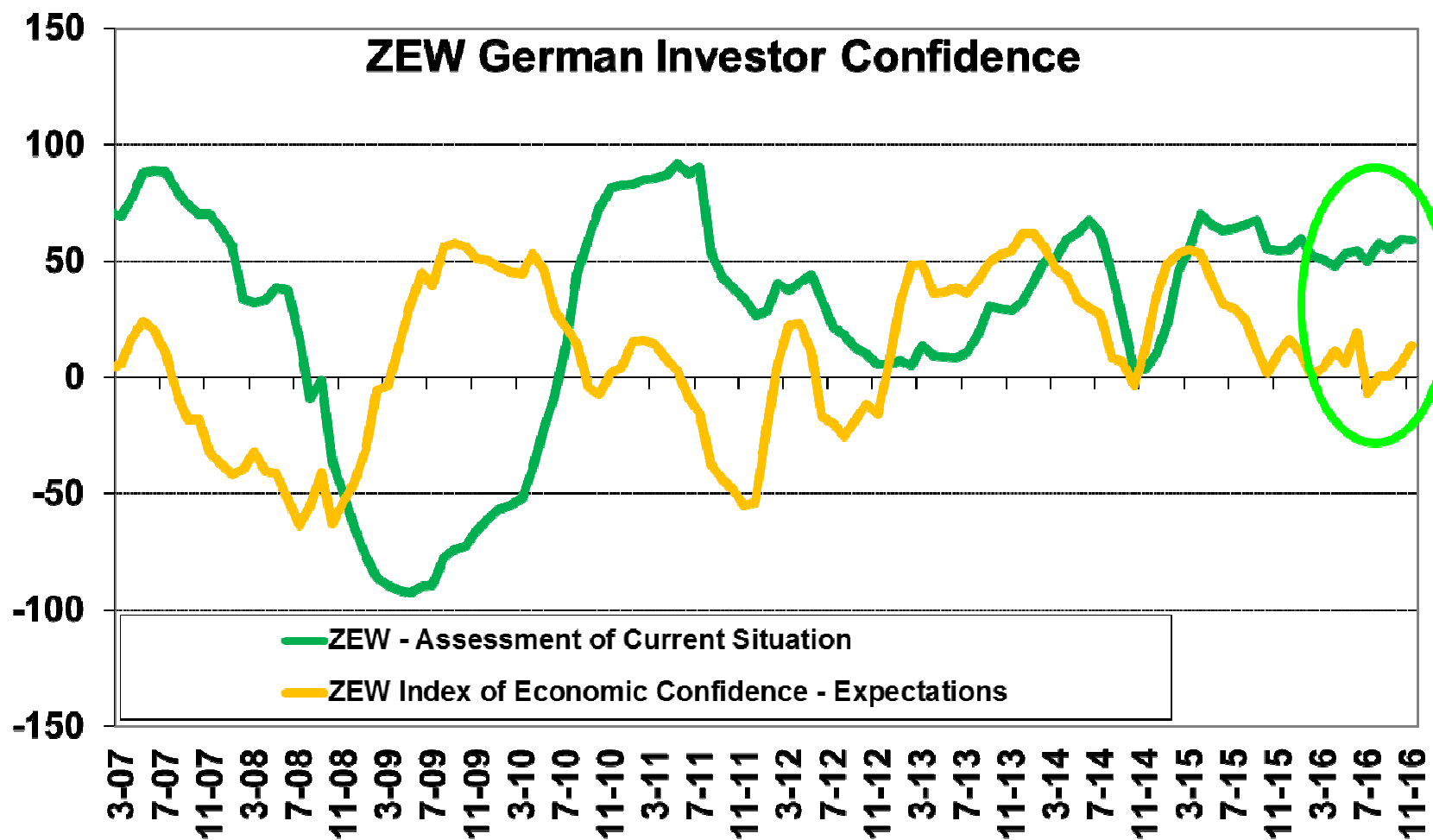


# German Business Confidence

## German Business Confidence by IFO

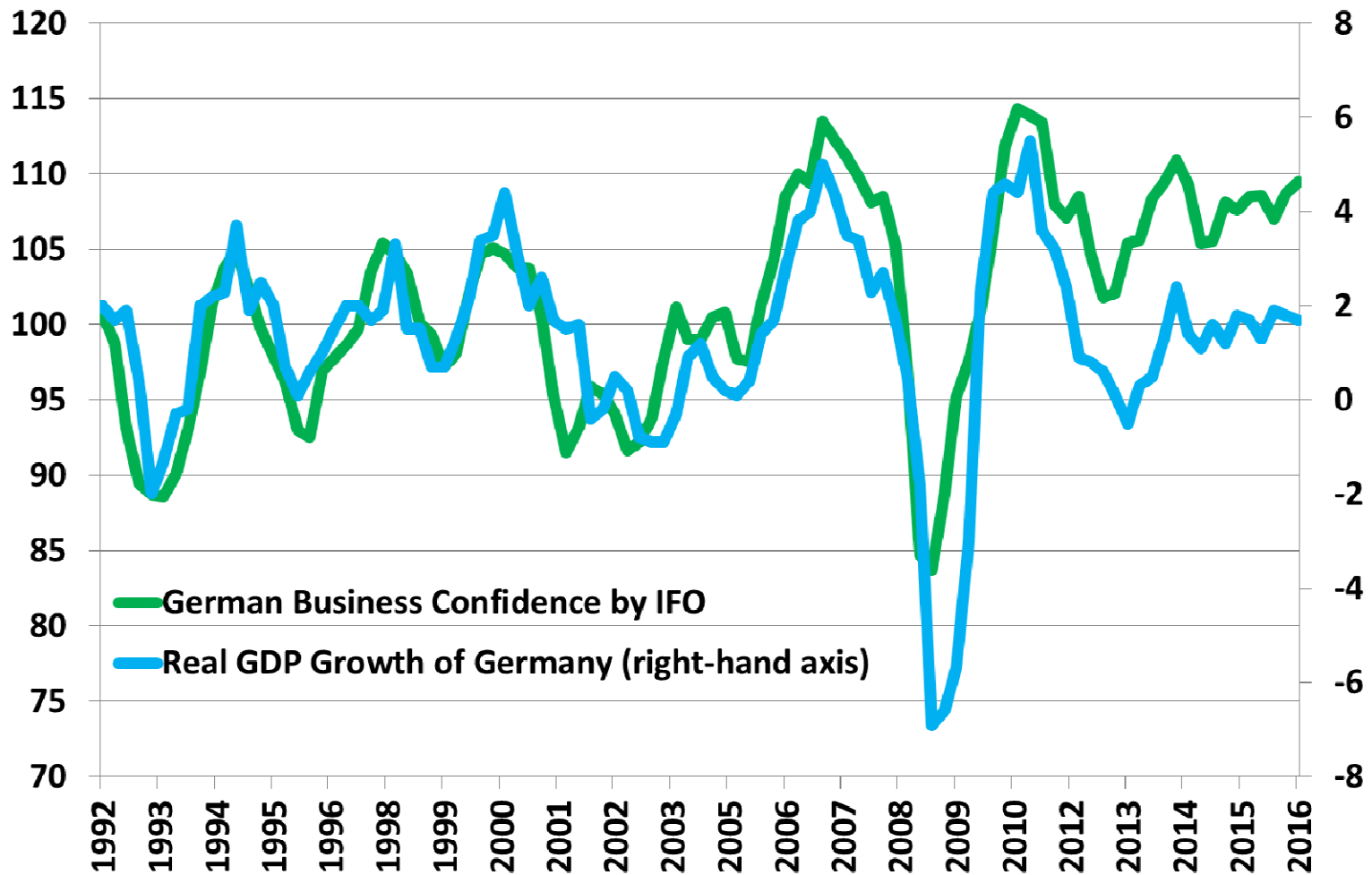


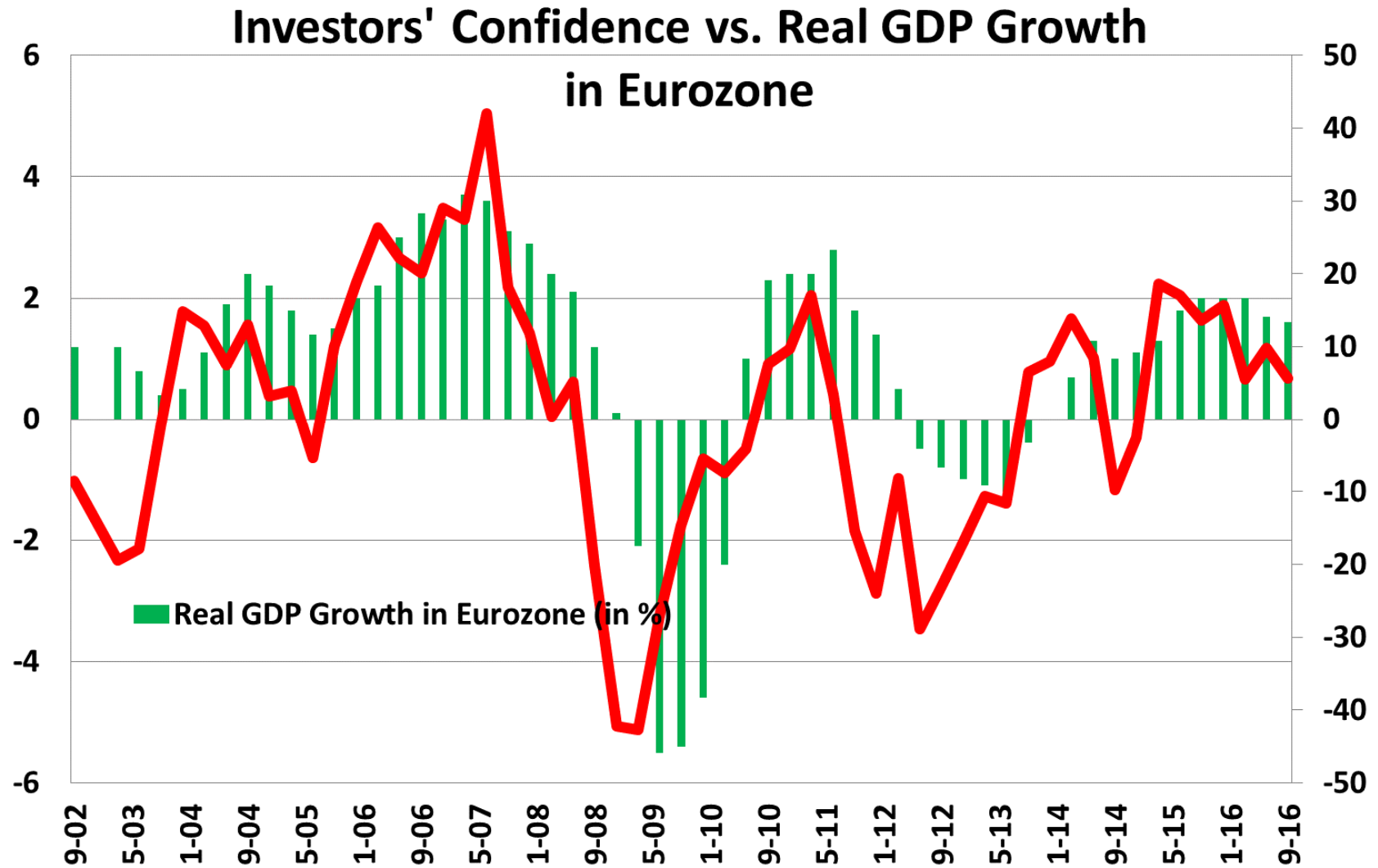
# German Investors' Confidence





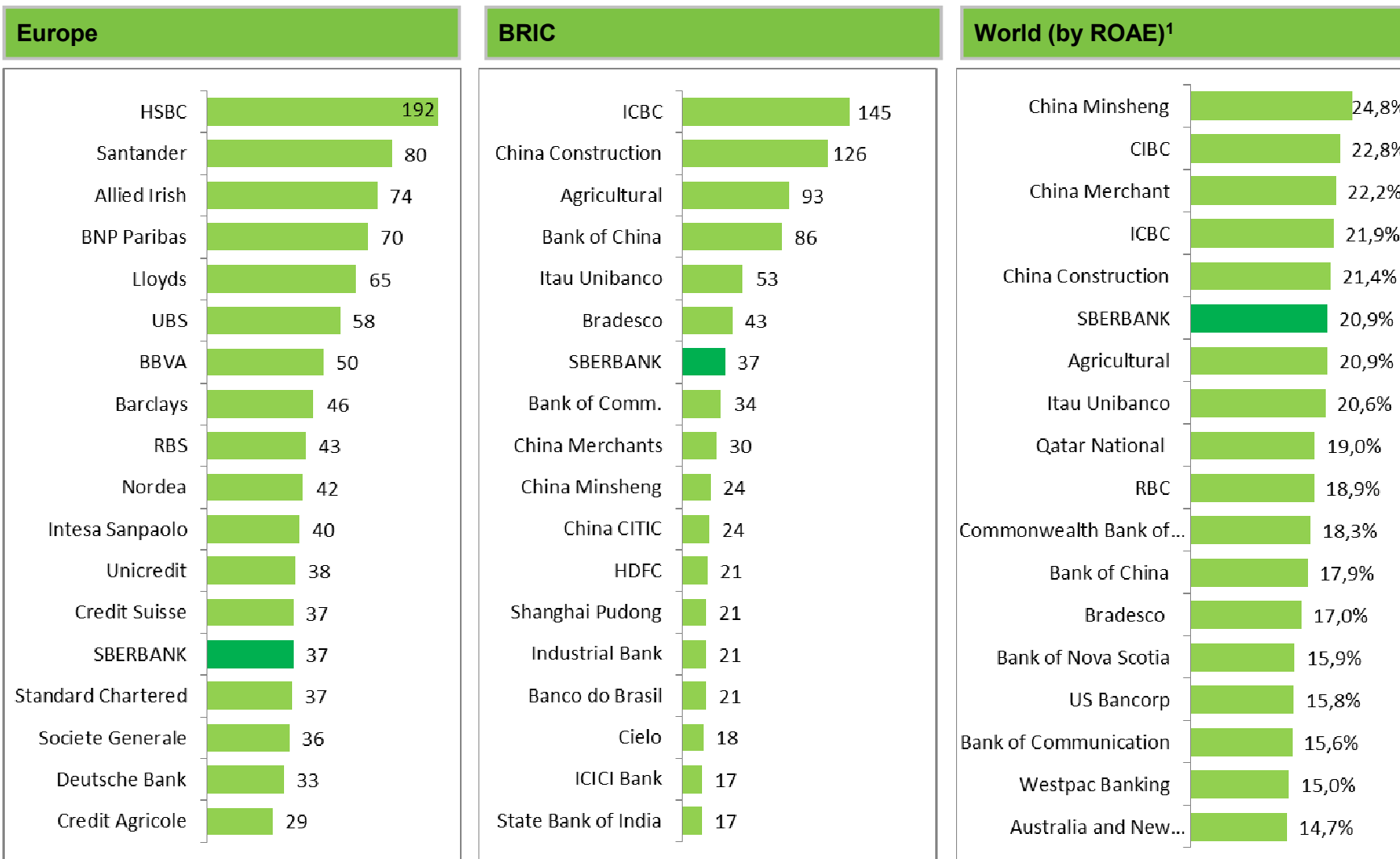
## IFO Business Confidence vs. Real GDP Growth





# Sberbank - one of the largest banks

Market capitalization as of April 1, 2014, in EUR billion



<sup>1</sup> Among top-50 world banks by market capitalization as of Jul 6, 2012

SOURCE: Bloomberg as of Apr 1, 2014, latest audited IFRS financial statements.

# Sberbank Group

## – the largest bank of Russia



- Sberbank of Russia is the largest bank in Russia that accounts for almost one third of all Russian banking sector assets.
- The Central Bank of the Russian Federation is the founder and major shareholder of Sberbank, owning 50 % of the total share capital plus one voting share. Other shares are held by more than 245,000 individual and institutional investors in Russia and internationally.
- In February 2012, Sberbank completed the acquisition of Volksbank International AG.
- In September 2012, Sberbank completed the acquisition of DenizBank AS which is ranked 6th among private and 9th among all Turkish banks by consolidated total assets.

### Central & Eastern Europe

#### Sberbank Europe AG

- 100.0% stake.(2,2% of Group's assets)
- Headquartered in Austria; 291 branches in 8 countries: Croatia, Czech Republic, Slovakia, Bosnia-Herzegovina, Hungary, Slovenia, Serbia and Ukraine

### Ukraine

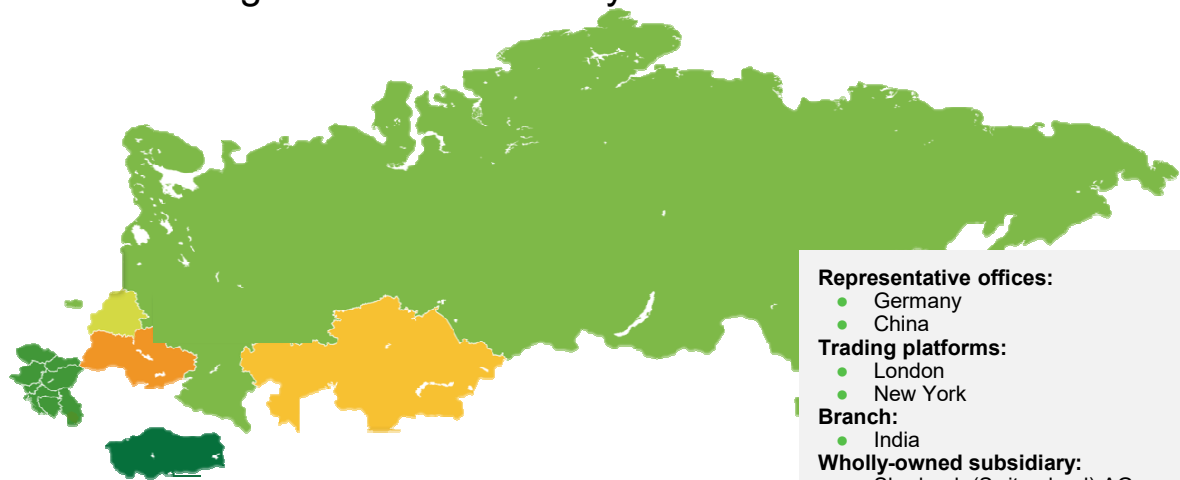
#### Sberbank of Russia JSC

- 100.0% stake
- 0.6% of Group's assets
- 1.8% market share by assets

### Belarus

#### JSC BPS-Sberbank

- 97.9% stake
- 0.8% of Group's assets
- # 3 by assets
- 9,8% market share by assets



### Kazakhstan

#### SB JSC Sberbank

- 100.0% stake
- 1.0% of Group's assets
- # 6 by assets
- 4,6% market share by assets

### Turkey

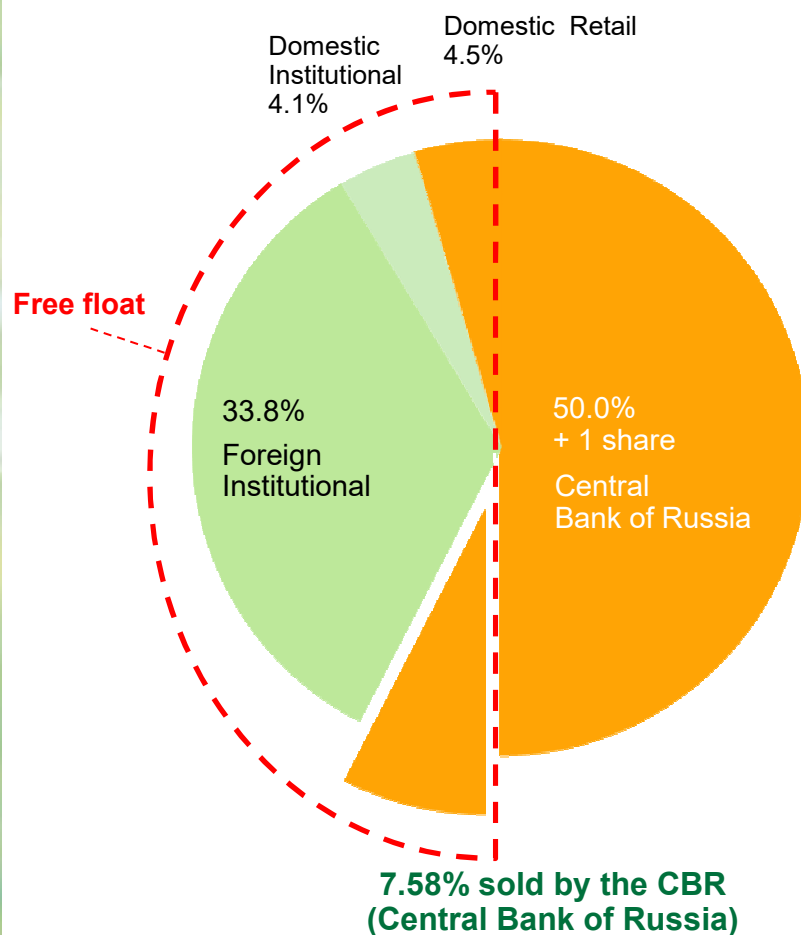
#### DenizBank AS

- 99.85% stake
- Headquartered in Turkey
- Nearly 600 branches; 2,370 ATMs; 110,324 POS terminals

# Sberbank of Russia: Ownership Structure & Key Financials



## Ownership Structure



## Key Financials (as of 31.12.2012)

- **Assets, total:** EUR 368.4 bn
- **Equity, total:** EUR 39.6 bn
- **Gross loans to corporates:** EUR 200,7 bn
- **Gross loans to individuals:** EUR 69.2 bn
- **Net income:** EUR 8.4 bn
- **ROA:** 2,7 %
- **ROE:** 24,2 %
- **Net Interest Margin:** 6,1%
- **Tier I CAR (Basel 1):** 10,4%
- **Total CAR (Basel 1):** 13,7%

**Facts & Figures –  
Sberbank Russia and Sberbank Europe**



**Sberbank Russia**

**110 million**

retail customers

**1 million**

corporate clients

**EUR 368,4 billion**

total assets

**240.000**

employees

**Sberbank Europe**

**490.000**

retail customers

**62.000 micros and**

**17.000 corporate clients**

**EUR 9,9 billion**

total assets

**4.400**

employees

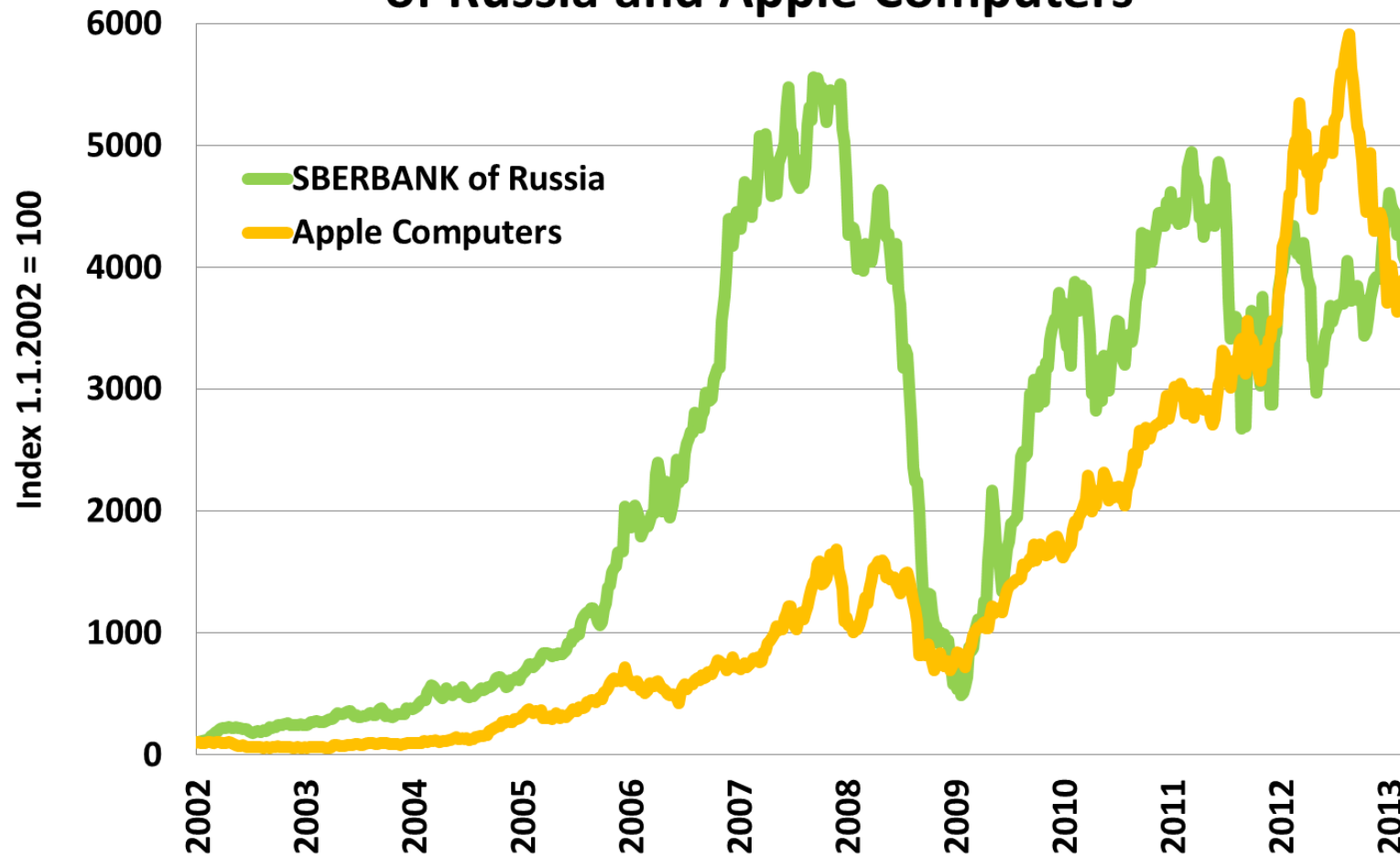
# One of the Best Investments Since 2002

Stock price of Sberbank vs. Apple Computers



**SBERBANK**

## Comparison of Stock Performance of SBERBANK of Russia and Apple Computers



**Thank You for Your Attention!**



**Any Questions:  
Vladimir.Vano@SBERBANK.AT  
+421-910-444-525**

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Z dôvodu, že finančné trhy ako komplexné a komplikované systémy podliehajú neustálym zmenám, tento materiál neposkytuje žiadnu záruku budúceho vývoja trhov s finančnými nástrojmi, resp. budúceho vývoja cien, úrokových mier, alebo iných charakteristík finančných nástrojov, ktoré sú určujúce pri rozhodovaní sa o investičnej stratégii.

Tento materiál môže tvoriť len časť podkladov pre tvorbu investičnej stratégie, spolu so zvážením investičných cieľov, znalostí a skúseností a finančnej situácie investora. V prípade plánovania investičnej stratégie odporúčame kontaktovať SBERBANK Slovensko, a. s. za účelom prípadného poskytnutia bližšieho investičného poradenstva.

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