

UniCredit Bank Czech Republic and Slovakia, a.s.

Presentation to Covered Bond Investors - *update*

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Executive Summary

- Both the Czech Republic (+4.3%) and Slovakia (+3.6%) report **robust yoy GDP growth**
- Solid **Banking market growth** in both lending and deposits, L/D ratio stands at 76% in CZ and 91% in SK
- Banking sector NPL ratio falls below 4.5% in CZ and 5.0% in SK confirming solid asset quality

- UniCredit Czech Republic and Slovakia consolidated results prove **excellent 2015 performance**
 - **Profit After Tax** amounts to EUR 204 Mio, up 14.8% yoy with ROE of 9.4% based on strong revenue growth (+4.3%) and excellent risk cost situation (Loan Loss Provisions -33%)
 - **Total Assets growth** by 12.2% to 20.7 bln EUR (yoy)
 - **Customer Loans up** yoy by 3.6% to 12.7 bln EUR
 - **NPL ratio decreases** yoy by 48 bps to 4.9% yoy with a Coverage Ratio increase to 56%
 - **Solid capitalization** with consolidated Tier1 ratio of 14.2%, total capital adequacy amount to 14.6%

- **Cover Pool** started to benefit in 2015 from Slovak loan portfolio **with additional volume** of EUR 507.5 mln

- 2015 **Covered Bonds issuance highlights** are 250 mln EUR public issue on Eurobond market and approx. 560 mln EUR private placements for EIB (substitution for outstanding EIB loans)

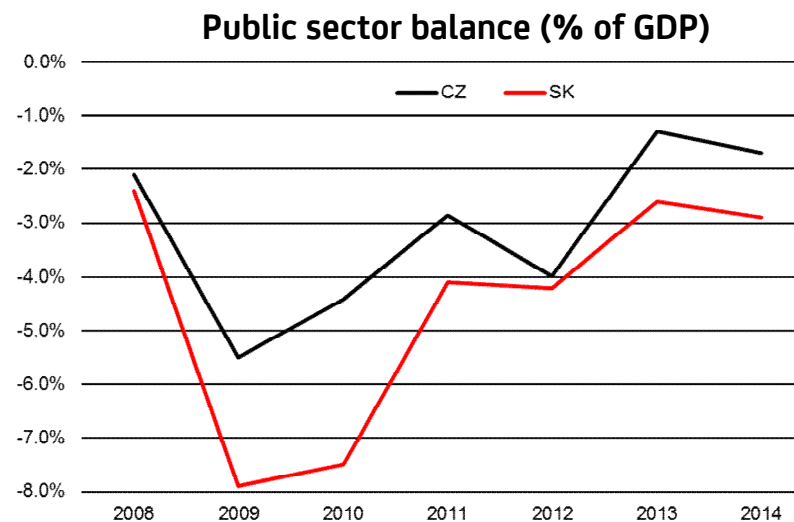
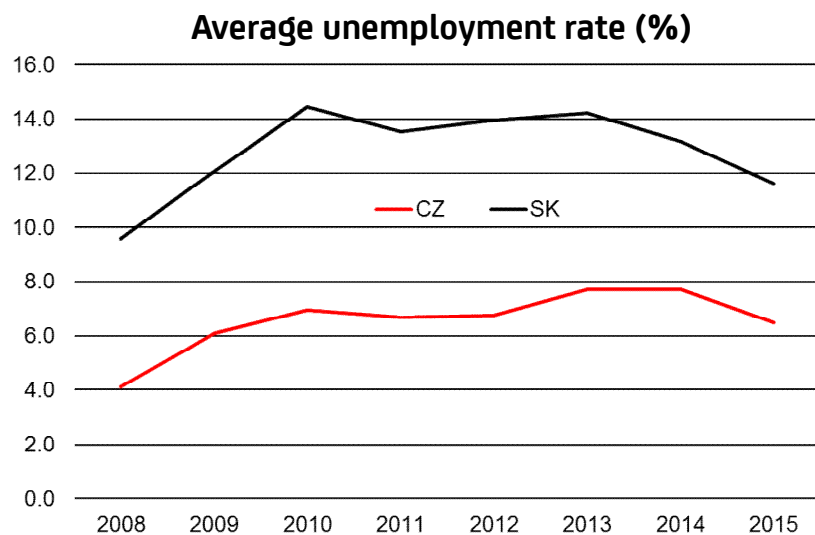
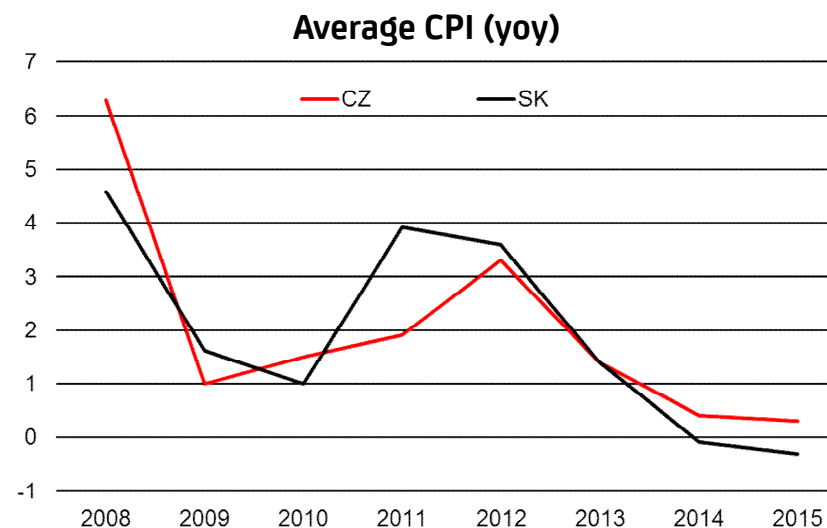
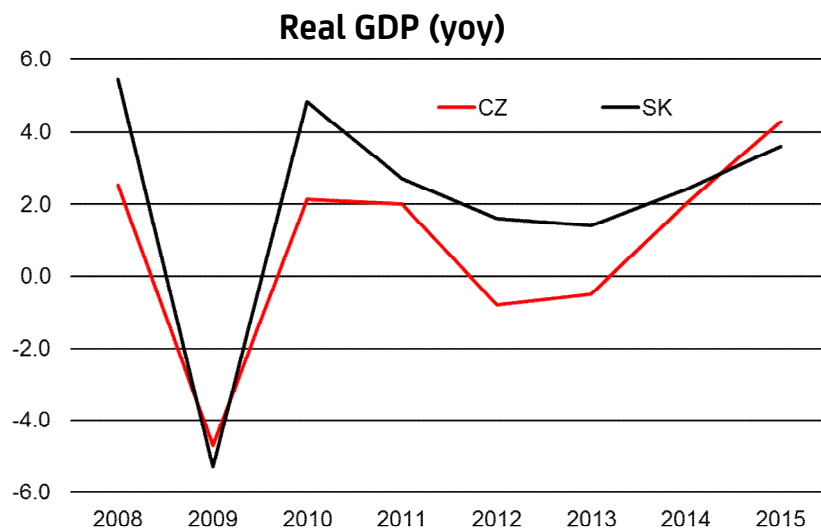
- Moody's Cover Pool **rating upgraded** by 3 notches to Aa3 in 2015

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Introduction

The Czech Republic & Slovakia – Macroeconomic trends 2015: CZ outpaced SK in GDP growth for the first time since 2009, inflation lower in SK than CZ for two years now

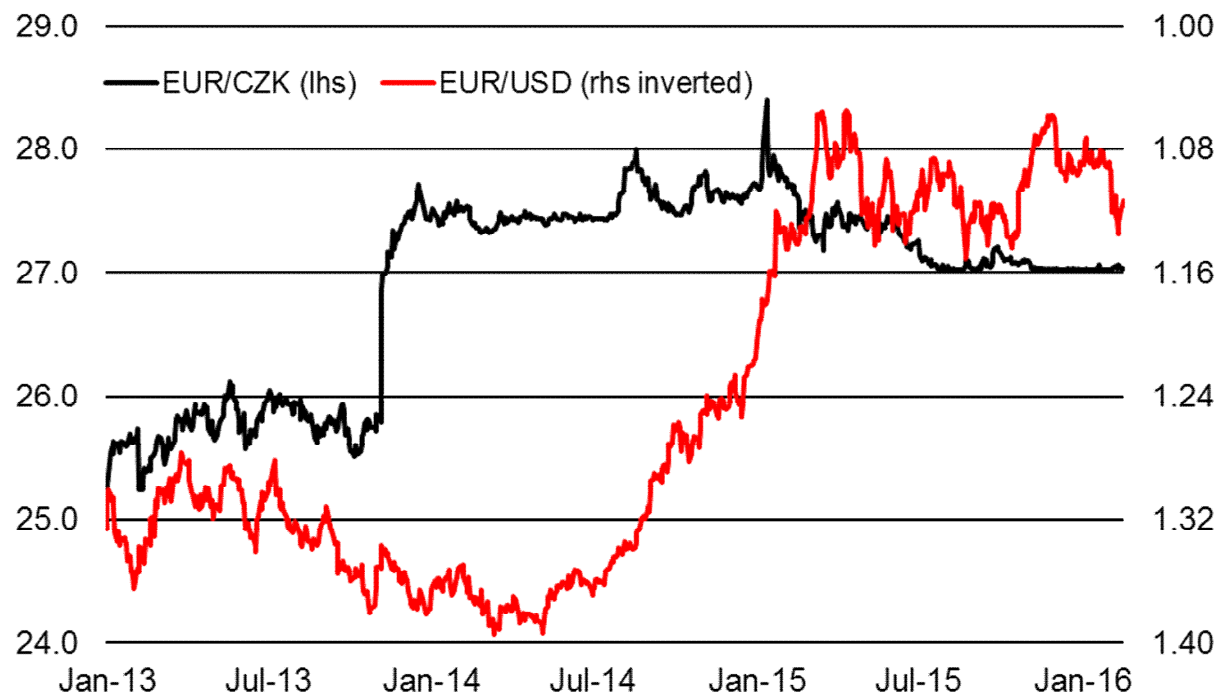


Source: UCBCS Economic Research

Introduction

The Czech Republic & Slovakia – FX market EUR/CZK

- The CNB commitment to keep EUR/CZK at or above 27 remains unchanged
- Since June 2015, EUR/CZK has been testing the floor at 27, forcing the CNB to repeatedly intervene on the market
- An exit from the intervention policy is expected in 2017; considering the amount of investors-held long CZK positions, volatility may increase after repeal of the floor



Source: UCBCS Economic Research

Introduction

The Czech Republic & Slovakia – Banking Industry: Lending growth

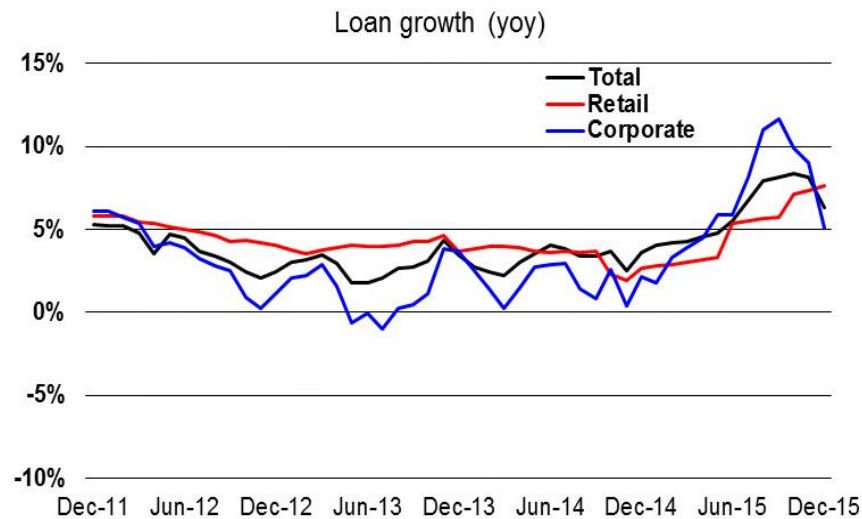
CZ market

- Corporate lending dynamic peaked in mid-2015,
- retail lending dynamic still on the rise

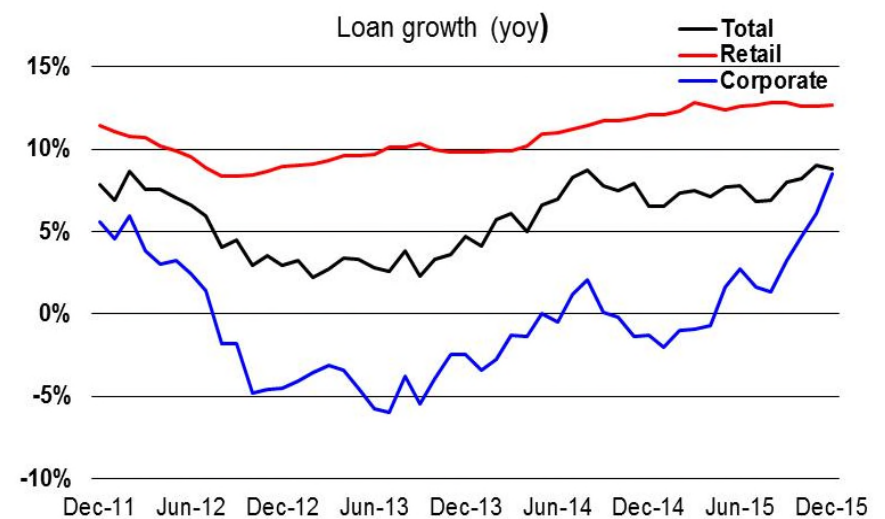
SK market

- Retail lending dynamic firmly in double-digit,
- corporate lending catching up

CZ market



SK market



Note: CZ market - CZK equivalent, SK market – EUR equivalent, residents only

Sources: CNB, NBS, UCBCS Economic Research

Introduction

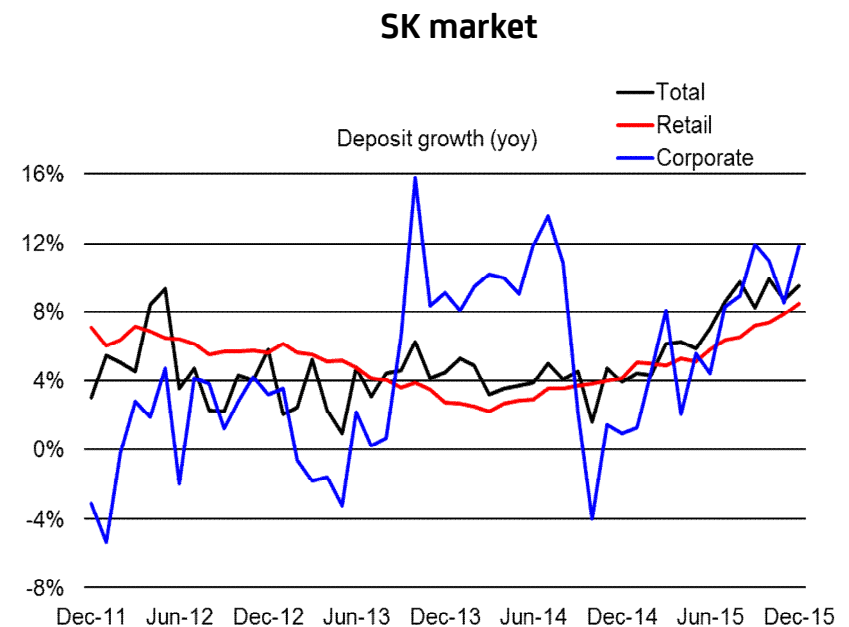
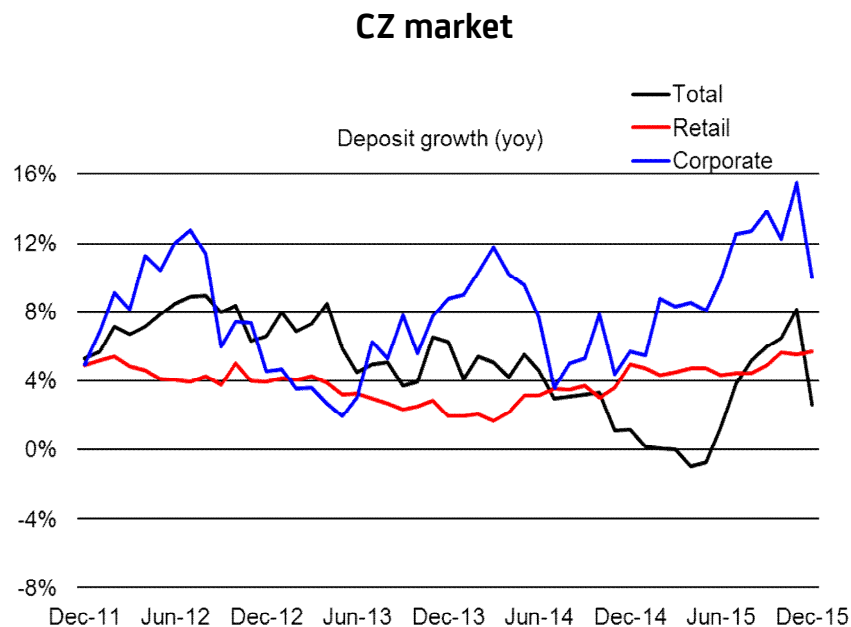
The Czech Republic & Slovakia – Banking Industry: Deposit growth

CZ market

- Corporate deposits capture increased economic activity
- total dynamic suffers from an outflow of public sector deposits into the CNB

SK market

- Deposit dynamics for both corporate and retail are picking up



Note CZ market - CZK equivalent, SK market – EUR equivalent, residents only

Sources: CNB, NBS, UCBCS Economic Research

Introduction

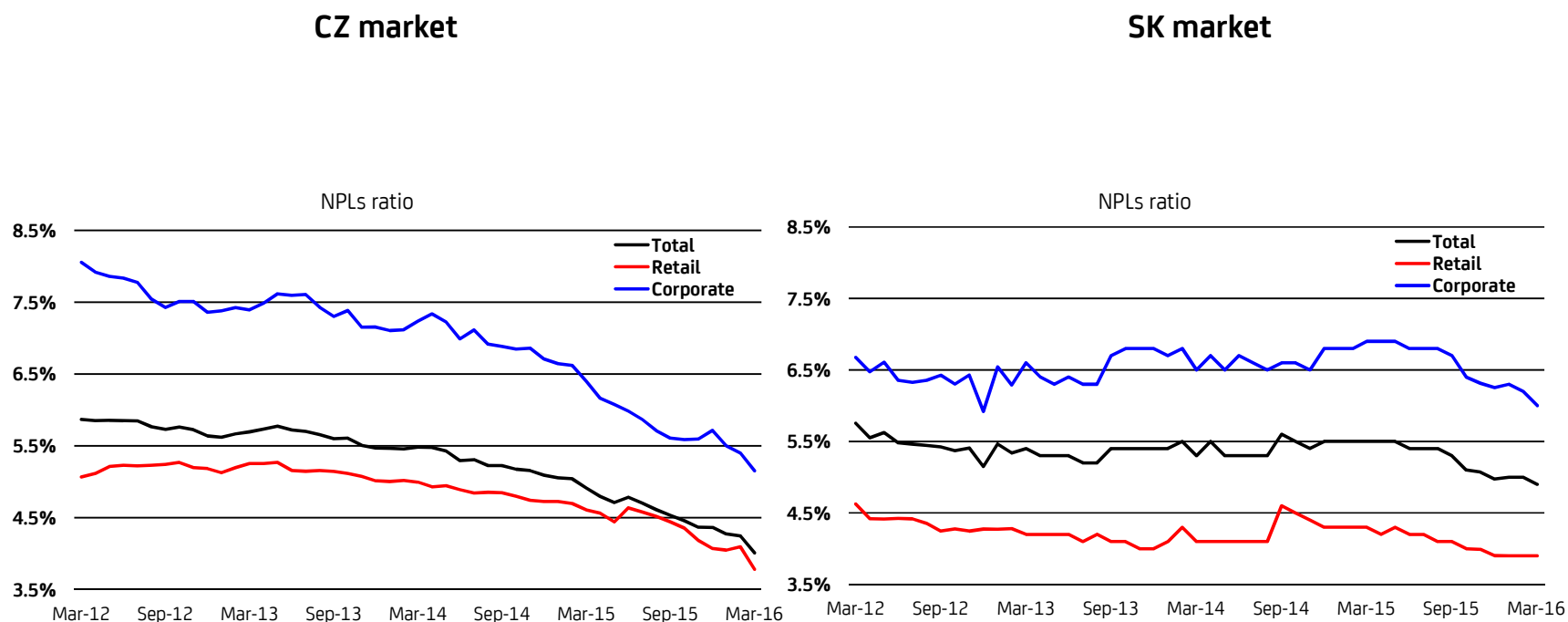
The Czech Republic & Slovakia – Banking Industry: Non-Performing Loans

CZ market

- A decline in NPL ratio accelerated in both retail and corporate segments at the start of 2016

SK market

- While NPL ratio for corporate continued to drop in the first months of 2016, the retail ratio kept stable



Note: % of total loans in sector, residents only

Sources: CNB, NBS, UCBCS Economic Research

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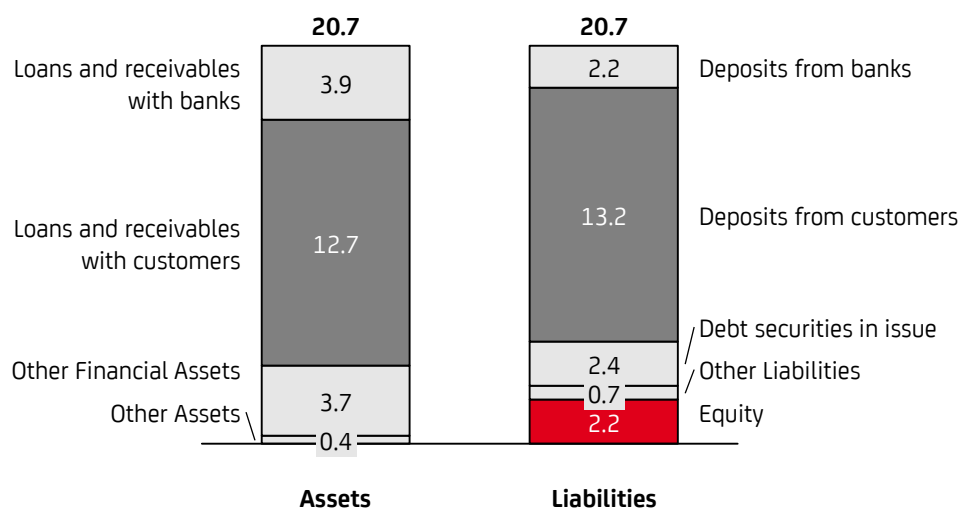
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Financial Figures

Balance Sheet structure

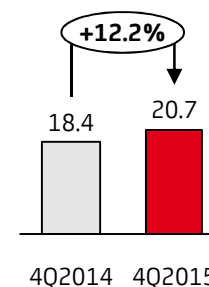
Consolidated Balance Sheet as of 31/12/2015

bln EUR

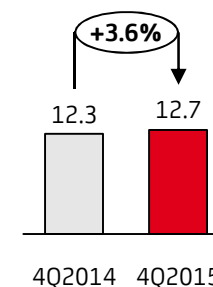


Major Trends

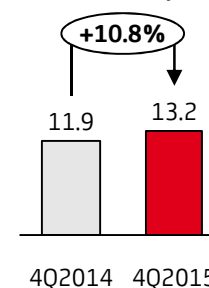
Balance Sheet



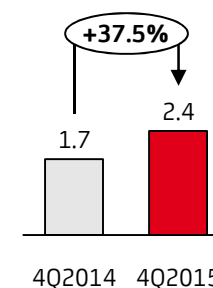
Customer Loans (Net)



Customer Deposits



Securities Issued



- Balance Sheet proves the **self funded position** of the bank, with loans fully funded by deposits and equity
- Financial Assets mostly consist of CZ and SK government bonds and T-bills held as a **liquidity reserve**
- Loans with banks are composed of placements of excesses of liquidity within the group (UniCredit Bank Austria) and short term placements with the Czech National Bank
- Deposits from banks are formed by long term funding from EIB and long term interbank refinancing lines to UniCredit Leasing
- Balance Sheet dynamics are driven by the growth of customer business** – loans and deposits
- Higher growth of Customer Deposits than Loans, together with increasing amount of Securities Issued (Covered Bonds) further enhances the structural liquidity position of the bank

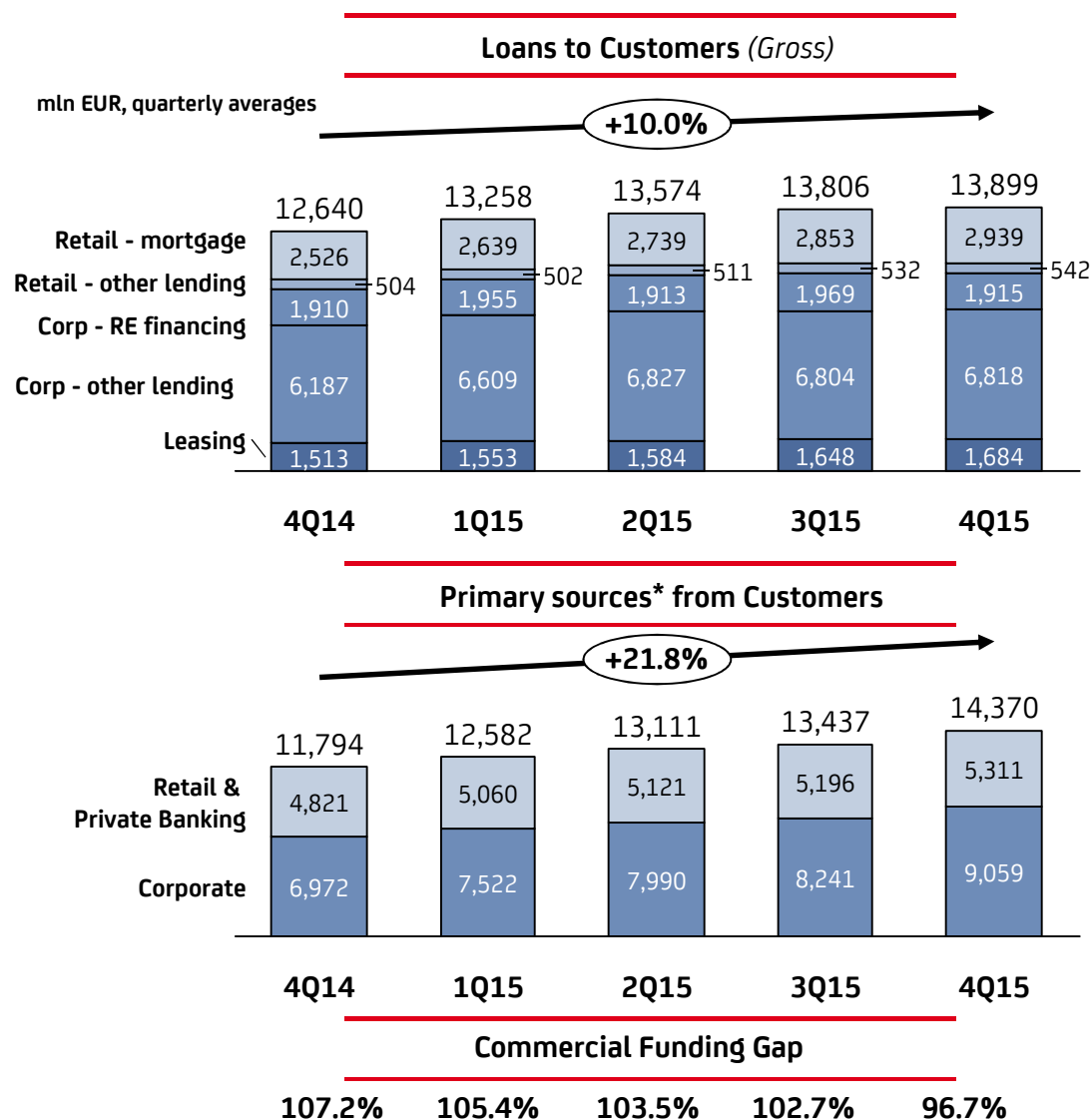
Methodological note:

In order to show growth rates neutralized from FX impacts, all periods are recalculated from CZK to EUR by 27.6 rate. Figures represent end of period.

Source: Managerial Reporting

Financial Figures

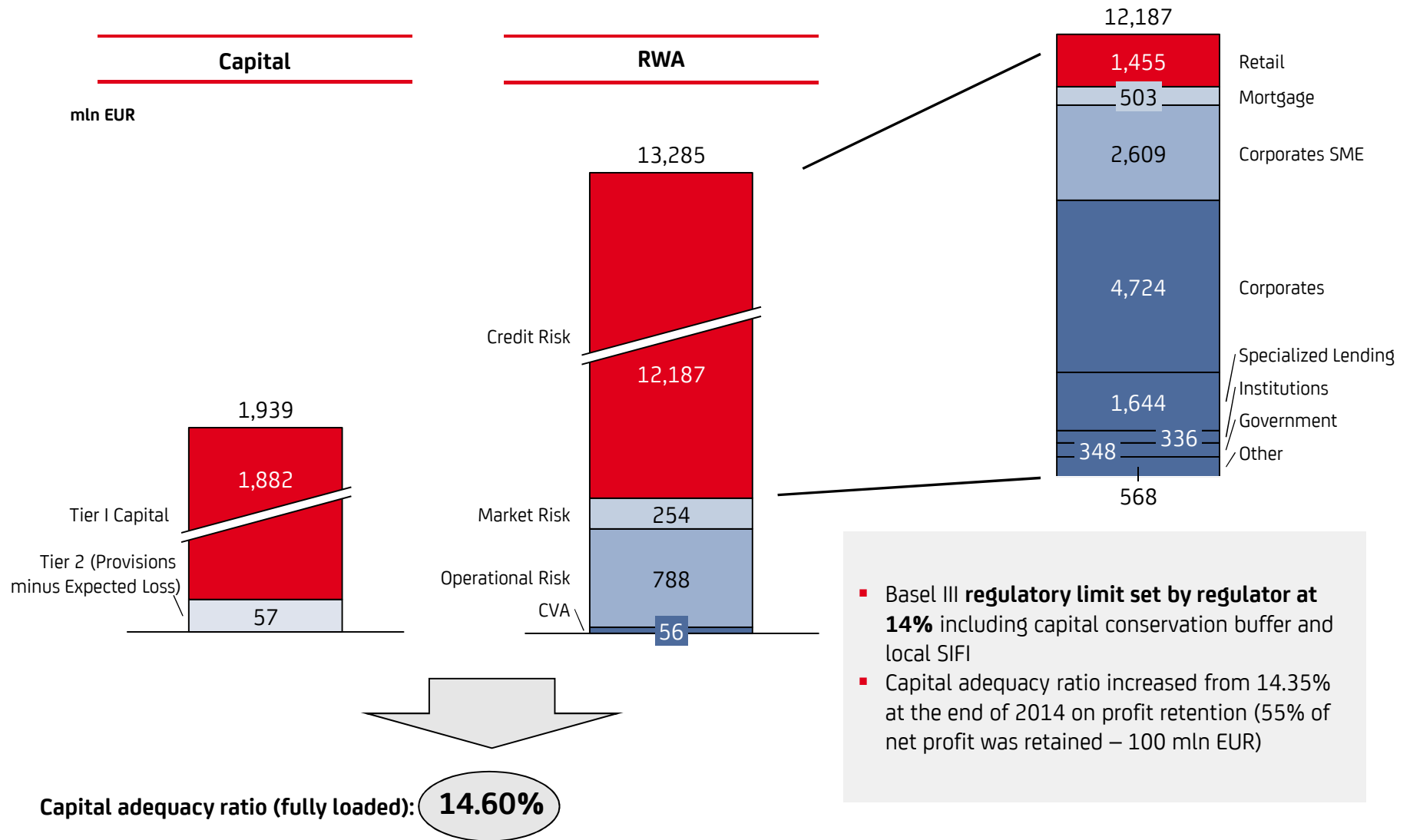
Business development



- Dynamics in retail as well as in corporate lending are increasing in 2015 thanks to **economic recovery**
- Despite a high lending growth rate, **increases in deposits are fully covering the liquidity need**, even improving the commercial funding gap
- **Deposit's strategy focused on transactional accounts**, with low interest rate sensitivity and with a positive impact on concentration risk
- Primary sources consists of **over 1 bln EUR** of bonds issued and held by bank's customers as an alternative to deposit

Financial Figures

Capital structure and ratios as of 31/12/2015, consolidated

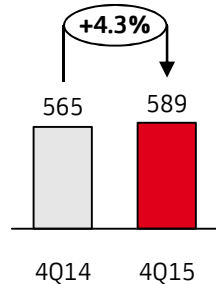


Financial Figures

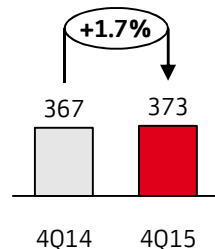
Profitability

mln EUR
ytd

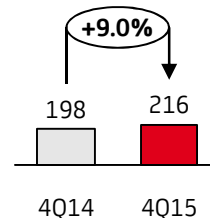
Revenues



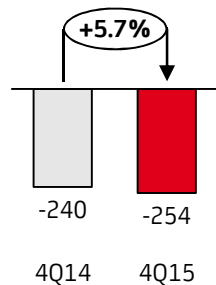
Net Interest



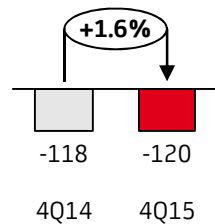
Net Non-interest



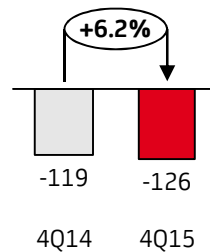
Operating Costs



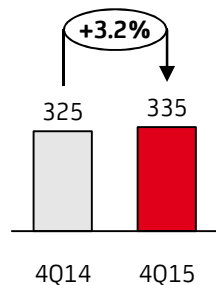
HR Costs



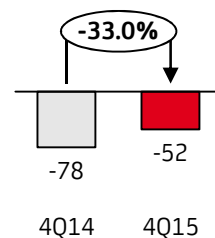
Other Admin Costs



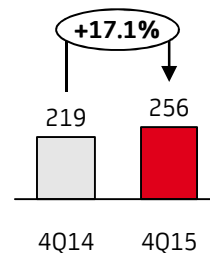
Gross Operating Profit



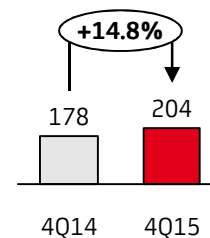
Loans Loss Provisions



Profit Before Tax



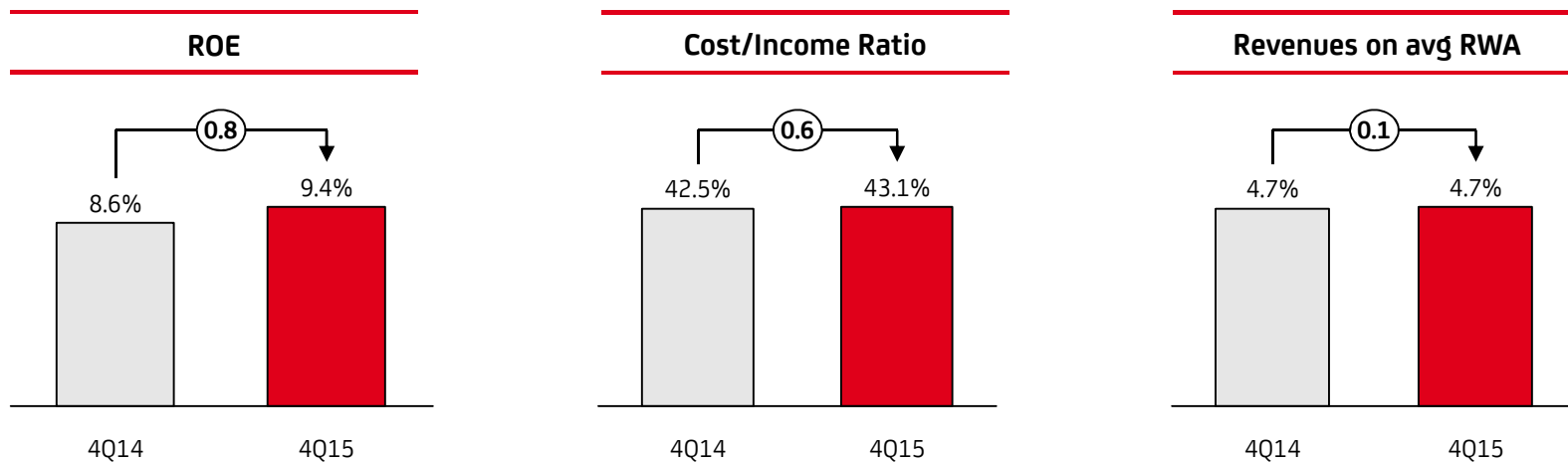
Profit After Tax



- Successful business strategy with the help of economic recovery in both countries supports the **growth of revenues, with NII growing due to business volume growth, deposit repricing and funding optimization**
- Net Non-interest income increased yoy** on good result in proprietary trading
- Increase of Operating Costs influenced by building impairment release of 9 mln EUR in 2014. Net of this effect the **growth of OPEX is 1.9%**
- Risk costs improved** substantially thanks to focused risk management and with support of economic growth
- Profit Before Tax, Profit After Tax show significant yoy growth**

Financial Figures

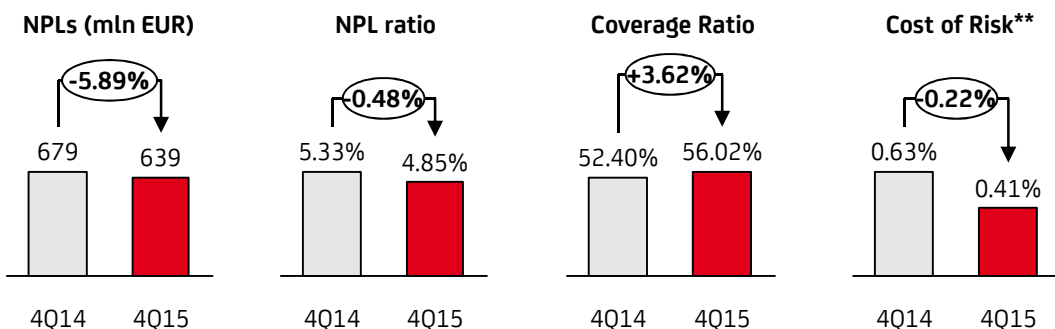
Performance ratios



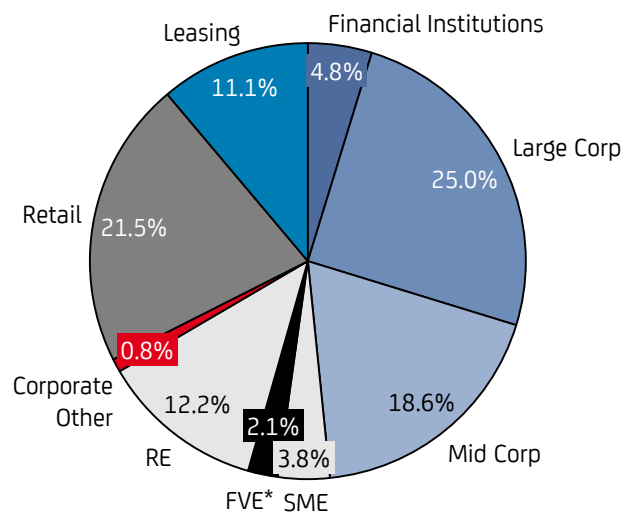
- **ROE increased thanks to growth of net profit**
- Cost/Income Ratio in 4Q14 was affected by one-off impairment release, excluding this effect the ratio was at 44%, hence improving thanks to over-proportional growth of revenues over costs

Financial Figures

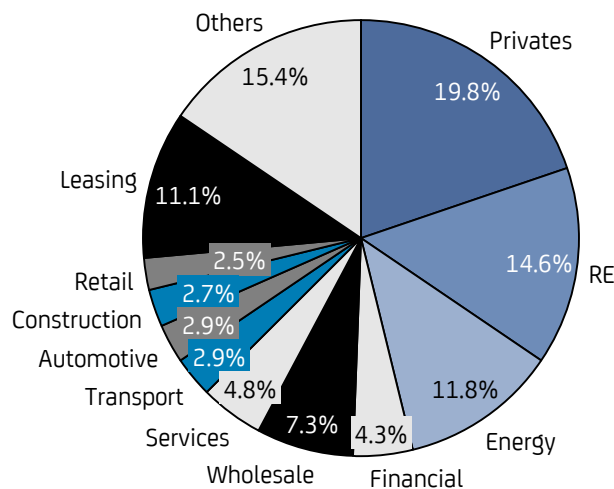
Risk management and risk ratios



Exposure by segment



Exposure by industry



- Cost of Risk decreased thanks to **successful write-backs**, which also led to decrease in NPL volume and ratio
- Coverage Ratio growing further above the strategic target of 50%**
- In terms of segment structure, proportion of SME increased due to re-segmentation between MID-SME in Slovakia
- Exposure by industry without significant changes yoy**

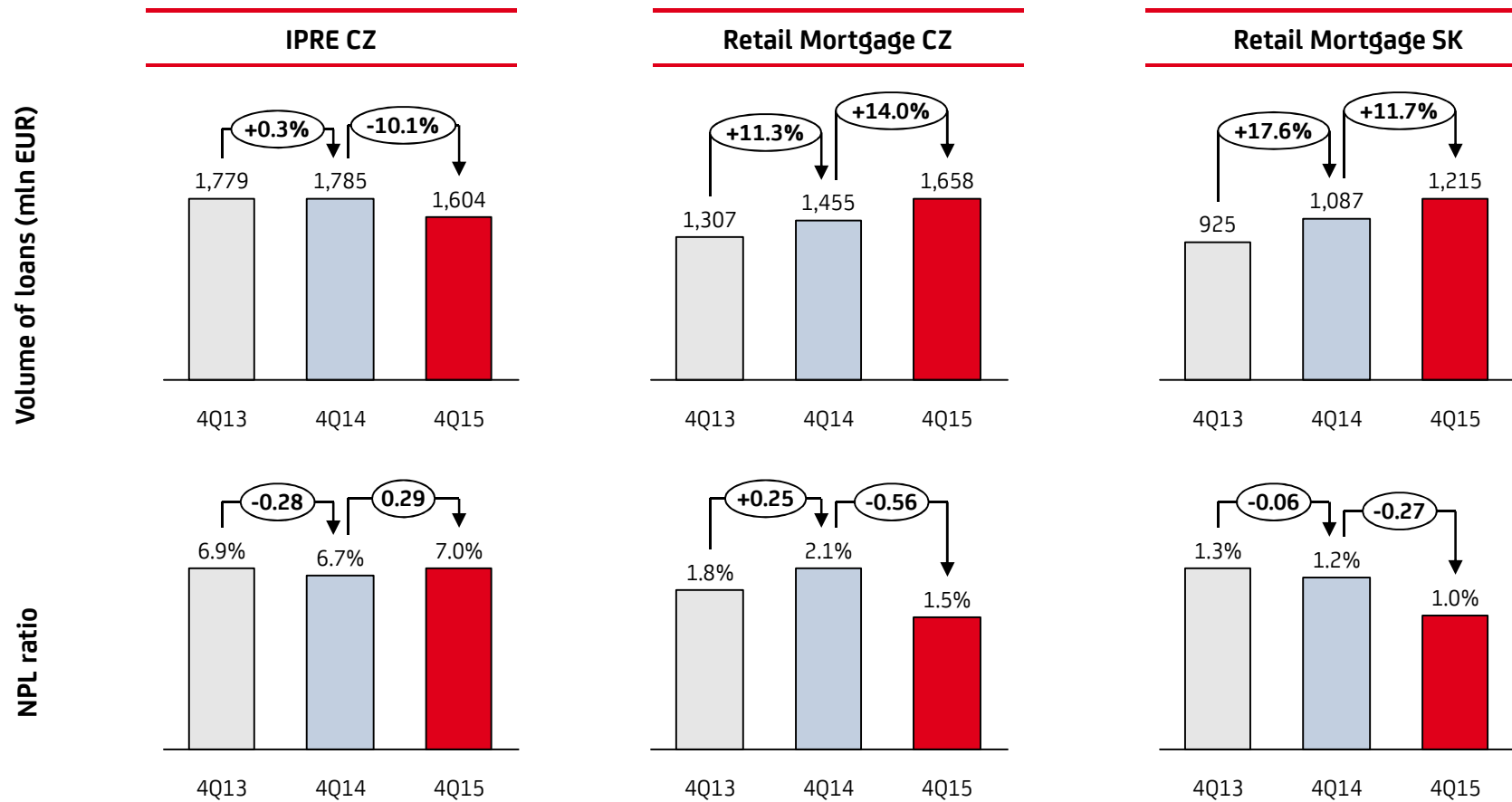
* Photovoltaic power stations

** Loan Loss Provisions / Net Loans

Source: Managerial Reporting

Financial Figures

NPL ratios in real estate portfolios



- Portfolios as by managerial definition – not fully matching regulatory view
- Cover Pool does not include NPLs – NPL ratio of the Cover Pool is 0%

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Cover Pool

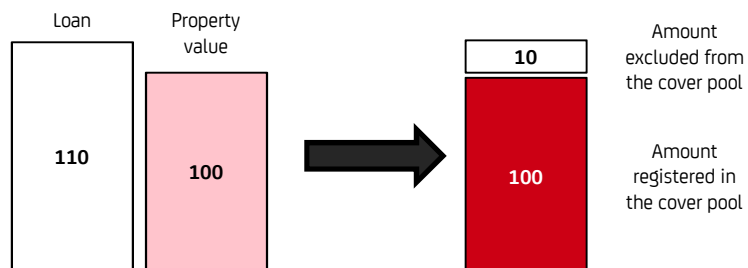
UCBCS's Cover Pool Features

ASSETS

- Retail residential mortgage loans secured by properties located in the Czech Republic and Slovakia, and commercial loans secured by properties located in the Czech Republic
- Merger with UCB Slovakia (Dec 2013) enlarged the bank's Cover Pool by Slovak assets forming the regulatory Cover Pool of the former Slovak bank of approx. CZK 4,866 mln eq. (EUR 180.1 mln) as of December 31, 2015
- The Slovak loan portfolio consists of an additional volume of loans secured by residential properties, which do not qualify for the Slovak regulatory Cover Pool but the Czech legislation recognizes them as eligible. UCBCS's Cover Pool started to benefit from these loans in June 2015, when a volume of CZK 13,715 mln eq. (EUR 507.5 mln) was registered to the Cover Pool. Loans secured by residential properties, which are originated after June 2015 are registered to the Cover Pool on an ongoing basis

LTV

- UCBCS registers only loan amounts with up to 100% LTV in the Cover Pool, whereas the legal requirement only prescribes to comply with a portfolio with a LTV limit of 70%



Credit Quality

- Mortgage Loans, where debtors are past due for more than 90 days, are excluded from the Cover Pool

Cover Pool

UCBCS's Cover Pool Features

Cover Pool Overview

■ Total value of the Cover Pool as of 31 December 2015:	CZK 85,553 mln eq.
■ o/w in retail residential loans secured by CZ properties:	CZK 30,837 mln eq. (36.0%)
■ o/w in retail residential loans secured by SK properties:	CZK 20,709 mln eq. (24.2%)
■ o/w in commercial loans secured by CZ properties:	CZK 34,007 mln eq. (39.8%)
■ o/w denominated in CZK:	CZK 45,162 mln (52.8%)
■ o/w denominated in EUR:	CZK 40,391 mln eq. (47.2%)

Covered Bonds Overview

■ Total value of the outstanding Covered Bonds as of 31 December 2015:	CZK 54,100 mln eq.
■ o/w denominated in CZK:	CZK 23,944 mln (44.3%)
■ o/w denominated in EUR:	CZK 30,156 mln eq. (55.7%)
■ Current Overcollateralization:	58.14%
■ Current rating:	Aa3 (Moody's), assigned 5th Aug 2015

Cover Pool

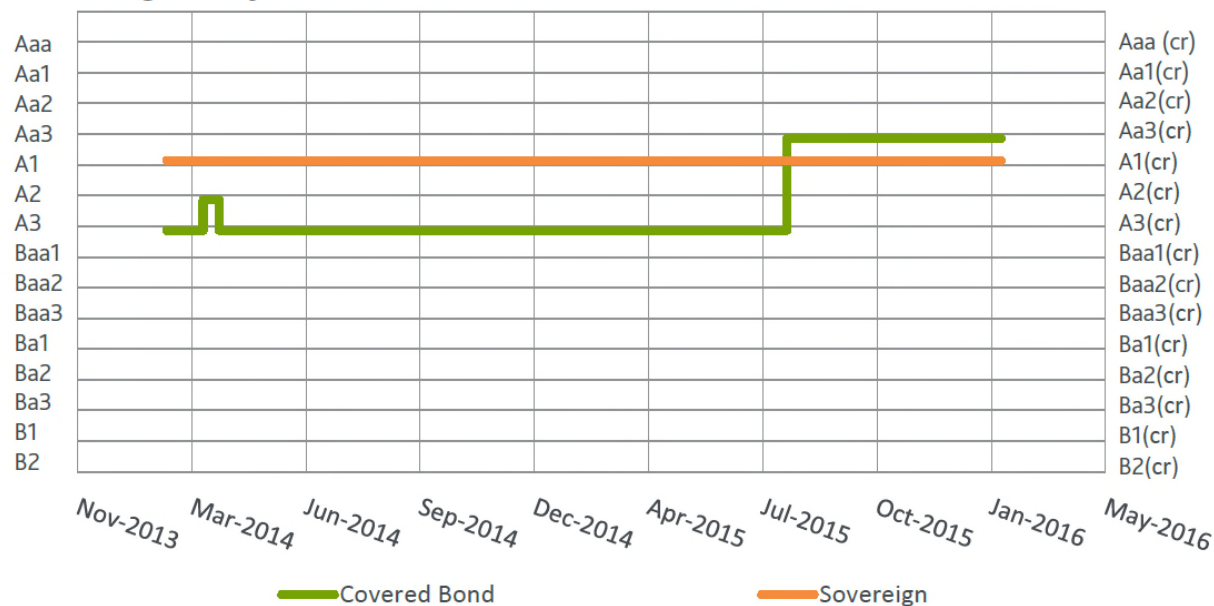
UCBCS Cover Pool & Covered Bonds - Rating Events & Development

Rating Events

- **06/2013** First Covered Bond rating assignment **A3** (Moody's)
- **03/2014** Moody's methodology update led to a 1 notch upgrade (**A2** Moody's), subsequent downgrade of UniCredit S.p.A. eventually led to a 1 notch downgrade (**A3** Moody's)
- **08/2015** Rating upgraded by 3 notches to **Aa3** (Moody's) as a consequence of good and stable asset quality, sound capital base, sustainable profitability and preferential treatment of the Covered Bonds within the UCBCS's balance sheet

Rating Development

Rating history

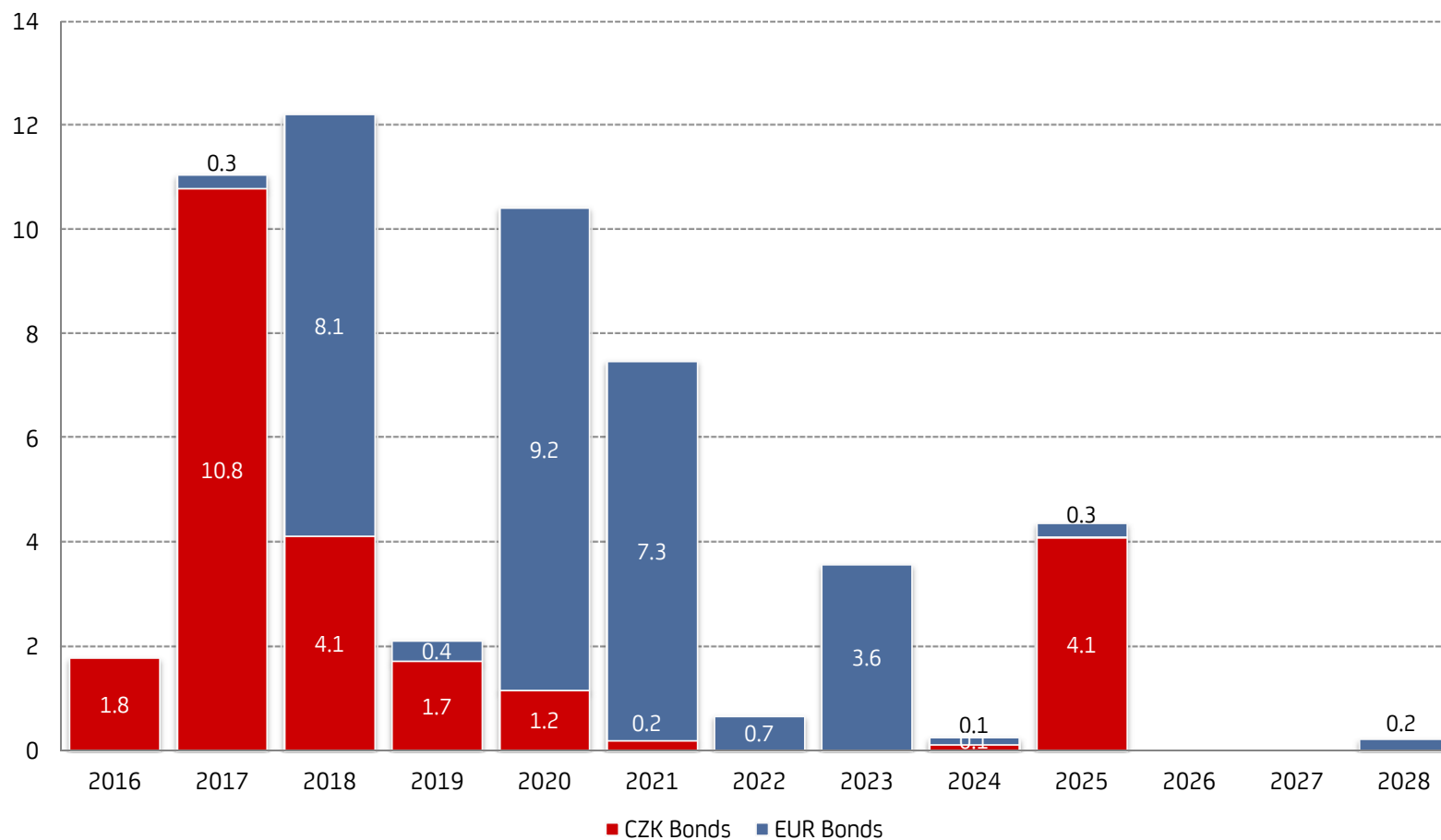


Source: UniCredit Bank Czech Republic and Slovakia, a.s & Moody's

Cover Pool

UCBCS's Covered Bonds Maturity Profile

CZK bln equiv.

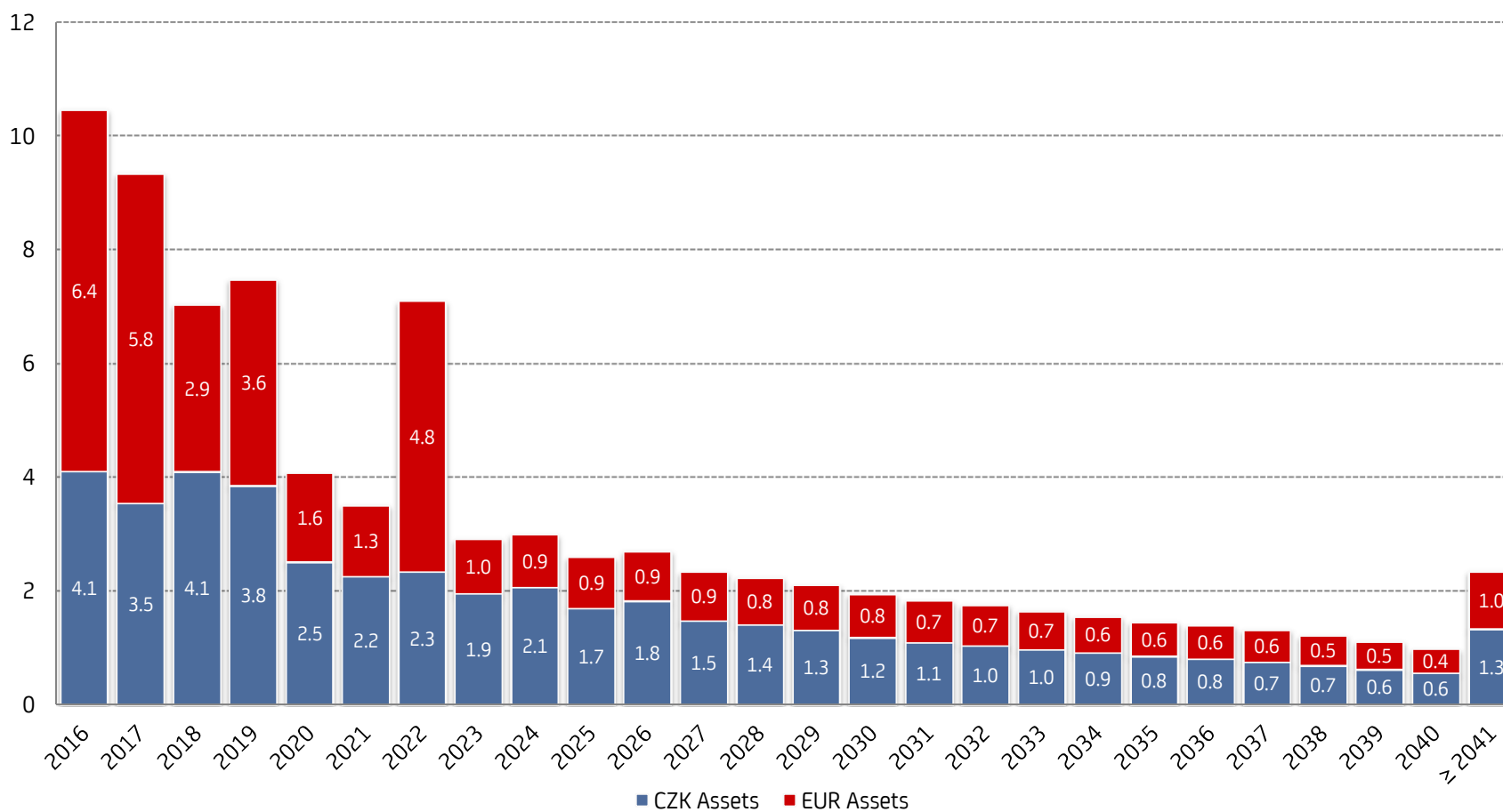


Source: UniCredit Bank Czech Republic and Slovakia, a.s.
 Data as of December 31, 2015
 FX CZK/EUR = 27.025

Cover Pool

UCBCS's Cover Pool Maturity Profile

CZK bln equiv.

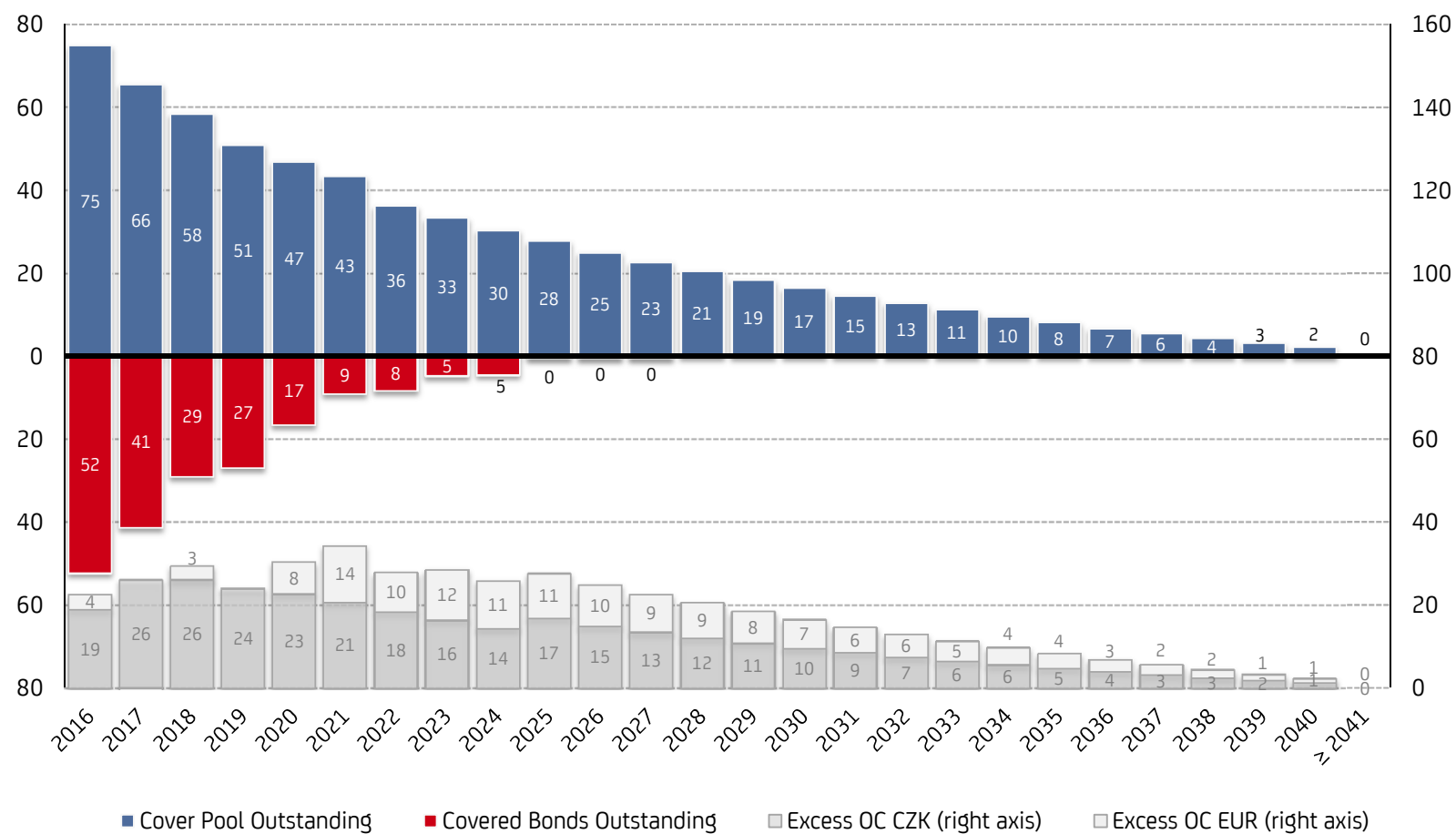


Source: UniCredit Bank Czech Republic and Slovakia, a.s.
 Data as of December 31, 2015
 FX CZK/EUR = 27.025

Cover Pool

UCBCS's Cover Pool & Covered Bonds Outstanding

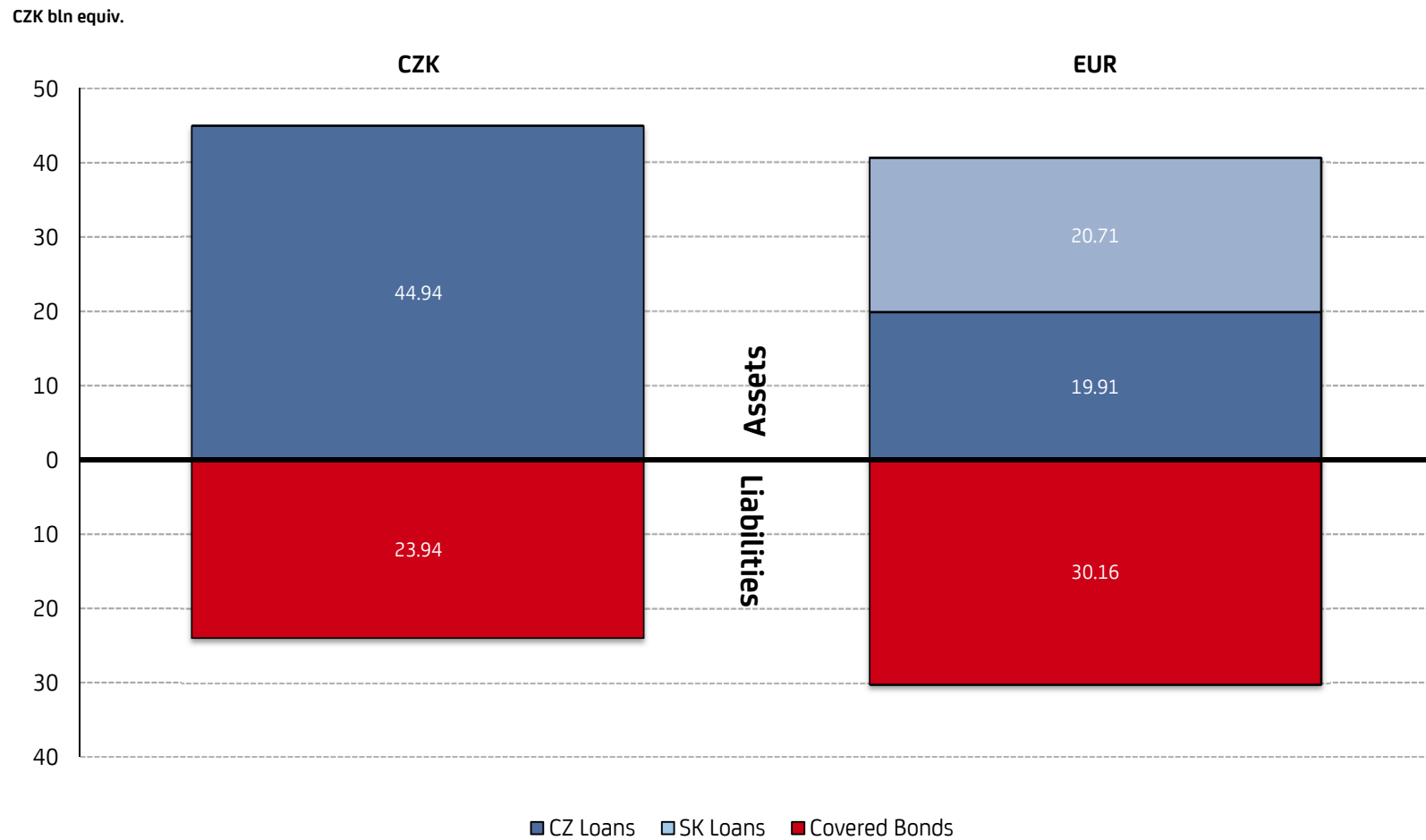
CZK bln equiv.



Source: UniCredit Bank Czech Republic and Slovakia, a.s.
Data as of December 31, 2015
FX CZK/EUR = 27.025

Cover Pool

UCBCS's Cover Pool & Covered Bonds - Currency Breakdown



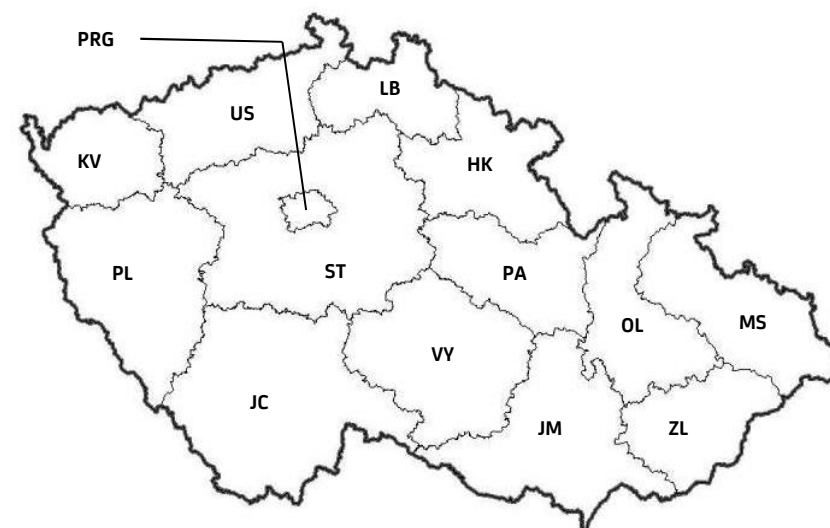
Source: UniCredit Bank Czech Republic and Slovakia, a.s.
 Data as of December 31, 2015
 FX CZK/EUR = 27.025

Cover Pool

UCBCS's Cover Pool Features - CZ Retail Residential Portfolio

Residential Portfolio - Czech Republic	
Total Loan Balance (in CZK)	30,837,022,582
Average Loan Balance (in CZK)	1,320,530
Total Number of Loans	23,352
Total Number of Debtors	21,363
Total Number of Properties	22,609
Weighted Average Seasoning (in years)	3.6
Contracted Weighted Average Remaining Term (in years)	20.6
Weighted Average LTV	70%
Stake of Fixed Interest Rate Loans	63%
Stake of 10 Biggest Loans	1%
Stake of Bullet Loans	0%

Regional Distribution - Czech Republic	
PRG Prague-East & Prague-West	26%
ST Středočeský kraj excl. Prague -East & Prague-West	19%
JM Jihomoravský kraj	14%
MS Moravskoslezský kraj	7%
OL Olomoucký kraj	5%
US Ústecký kraj	4%
JC Jihočeský kraj	4%
HK Královéhradecký kraj	4%
ZL Zlínský kraj	4%
LB Liberecký kraj	4%
PL Plzeňský kraj	4%
PA Pardubický kraj	3%
VY Kraj Vysočina	2%
KV Karlovarský kraj	1%



Cover Pool

UCBCS's Cover Pool Features - SK Retail Residential Portfolio

Residential Portfolio - Slovakia	
Total Loan Balance (in CZK)	20,708,930,901
Average Loan Balance (in CZK)	924,382
Total Number of Loans	22,403
Total Number of Debtors	17,683
Total Number of Properties	18,401
Weighted Average Seasoning (in years)	3.2
Contracted Weighted Average Remaining Term (in years)	21.4
Weighted Average LTV	69%
Stake of Fixed Interest Rate Loans	79%
Stake of 10 Biggest Loans	1%
Stake of Bullet Loans	0%

Regional Distribution - Slovakia		
BA	Bratislavský kraj	34%
TT	Trnavský kraj	17%
ZA	Žilinský kraj	10%
NR	Nitriansky kraj	9%
KE	Košický kraj	9%
BB	Banskobystrický kraj	8%
TN	Trenčiansky kraj	7%
PO	Prešovský kraj	6%

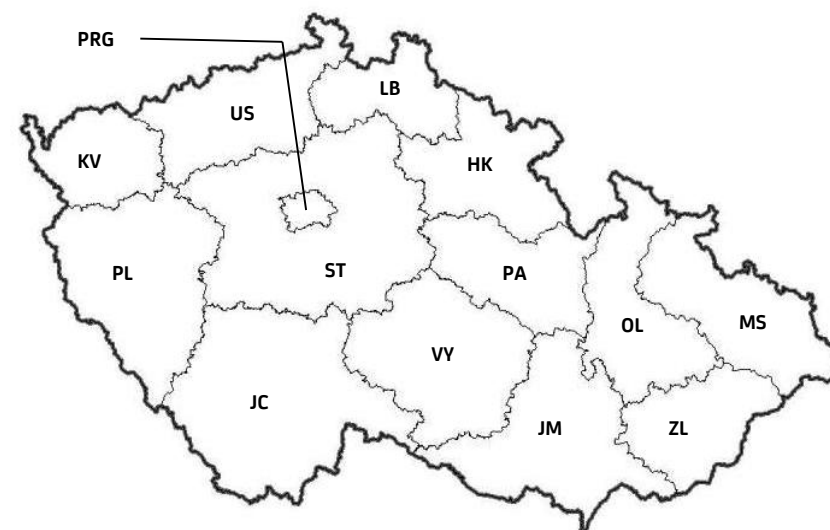


Cover Pool

UCBCS's Cover Pool Features - CZ Commercial Portfolio

Commercial Portfolio - Czech Republic	
Total Loan Balance (in CZK):	34,007,250,887
Average Loan Balance (in CZK):	32,825,532
Total Number of Loans:	1,036
Total Number of Debtors:	887
Total Number of Properties:	1,066
Weighted Average Seasoning (in years):	2.9
Contracted Weighted Average Remaining Term (in years):	4.6
Weighted Average LTV:	71%
Stake of Fixed Interest Rate Loans:	24%
Stake of 10 Biggest Loans:	38%
Stake of Bullet Loans:	1%

Regional Distribution - Czech Republic		
PRG	Prague-East & Prague-West	40%
US	Ústecký kraj	12%
JM	Jihomoravský kraj	9%
OL	Olomoucký kraj	8%
ST	Středočeský kraj excl. Prague -East & Prague-West	7%
MS	Moravskoslezský kraj	6%
PL	Plzeňský kraj	4%
JC	Jihočeský kraj	3%
LB	Liberecký kraj	3%
PA	Pardubický kraj	2%
HK	Královéhradecký kraj	2%
KV	Karlovarský kraj	1%
ZL	Zlínský kraj	1%
VY	Kraj Vysočina	1%



Your Contacts

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