

**UniCredit Bank Czech Republic and Slovakia, a.s.**

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**Presentation to Covered Bond Investors - *update***

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## Content

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## Executive Summary

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- Clear signs of **economic recovery** in both the Czech Republic and Slovakia
  - Solid **banking market growth** in both lending and deposits, keeping NPL ratios low
  - UniCredit Czech Republic and Slovakia with **excellent performance in H1 2015**:
    - **Balance Sheet increased** by 10.9% to 20.4 bln EUR (YtD)
    - **Customer Loans up** by 4.9% to 12.9 bln EUR (YtD)
    - **Profit After Tax up** yoy by 25.5% reaching 112 mln EUR, increased ROE up by 10.6%
    - **NPL ratio decreased** by 0.8% to 5.03% yoy
  - **Cover Pool** started to benefit from Slovak loan portfolio **with additional volume** of EUR 507.5 mln
  - Newly issued **Covered Bonds**, i.e. 250 mln EUR public issue on eurobond market and approx. 560 mln EUR private placements for EIB (substitution for outstanding EIB loans) as a main driver of **increase in Securities Issued** by 52.5% yoy
  - Moody's Cover Pool **rating upgraded** by 3 notches to Aa3
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## Content

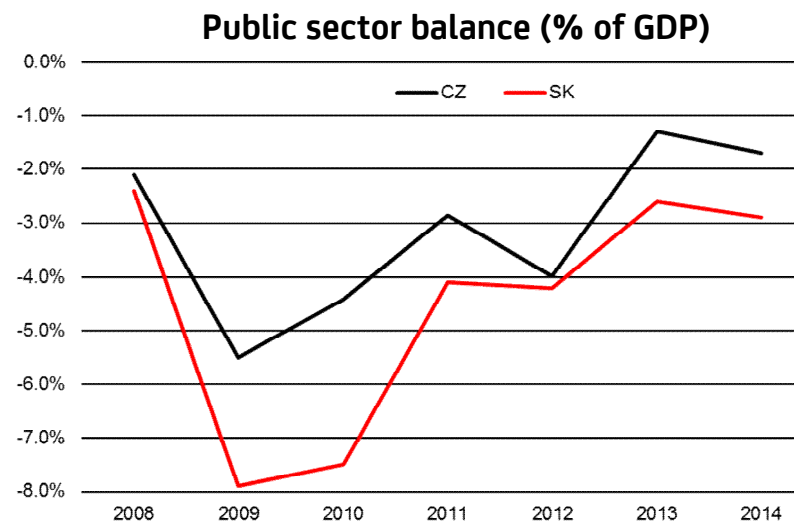
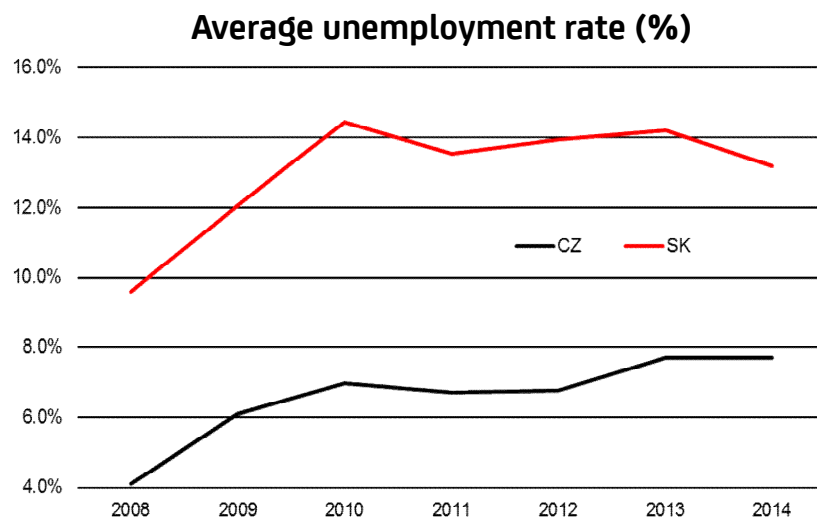
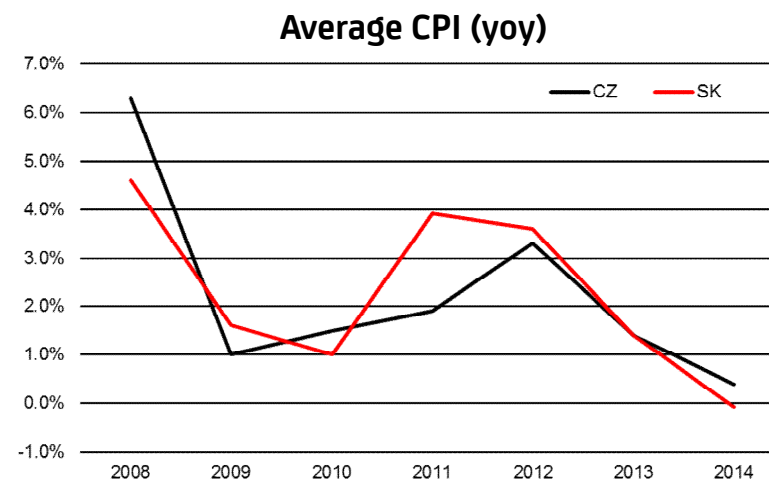
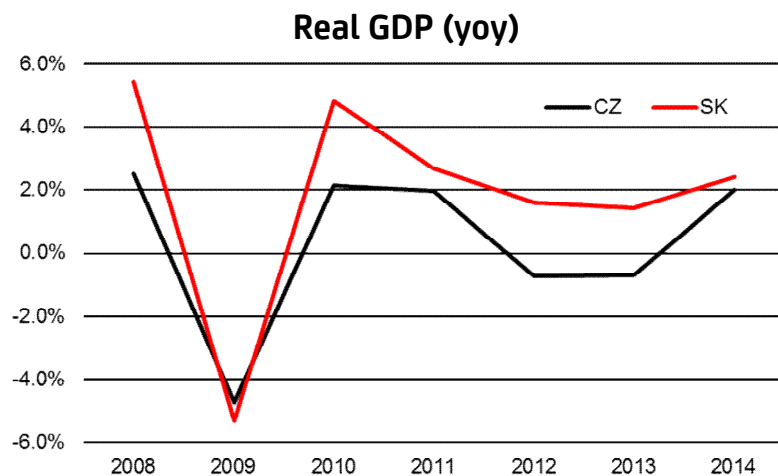
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## Introduction

*The Czech Republic & Slovakia – Macroeconomic trends: More GDP growth in Slovakia, more conservative fiscal policy in Czech*

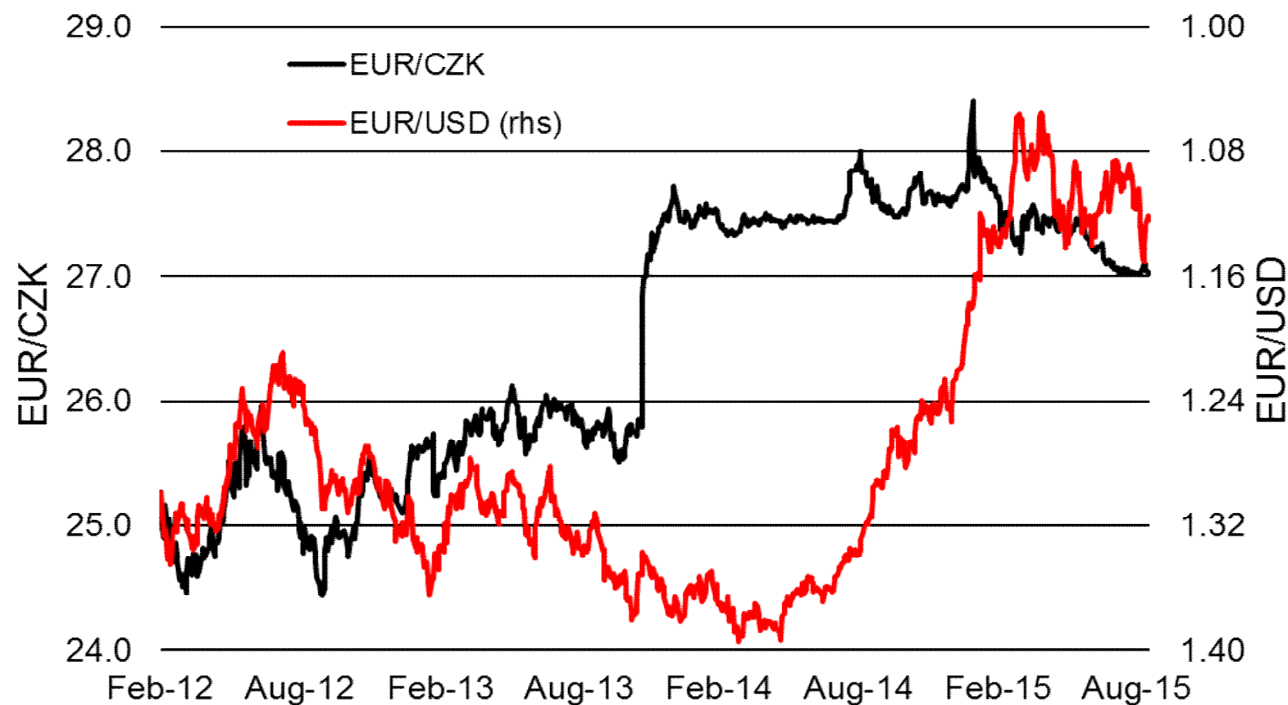


Source: UCBCS Economic Research

## 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 27.0, forcing the CNB to repeatedly intervene on the market
- An exit from the intervention policy is expected not earlier than 2H16; a Swiss-like abrupt termination looks extremely unlikely



Source: UCBCS Economic Research

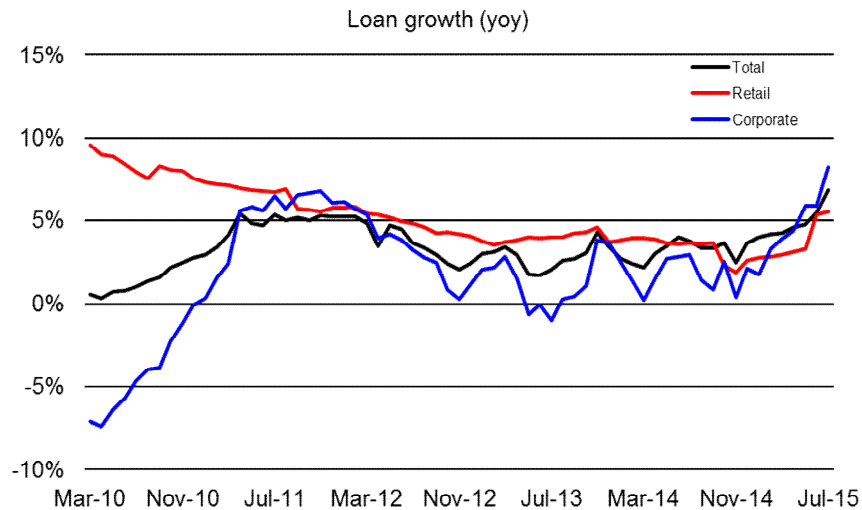
## Introduction

### *The Czech Republic & Slovakia – Banking Market: Lending growth*

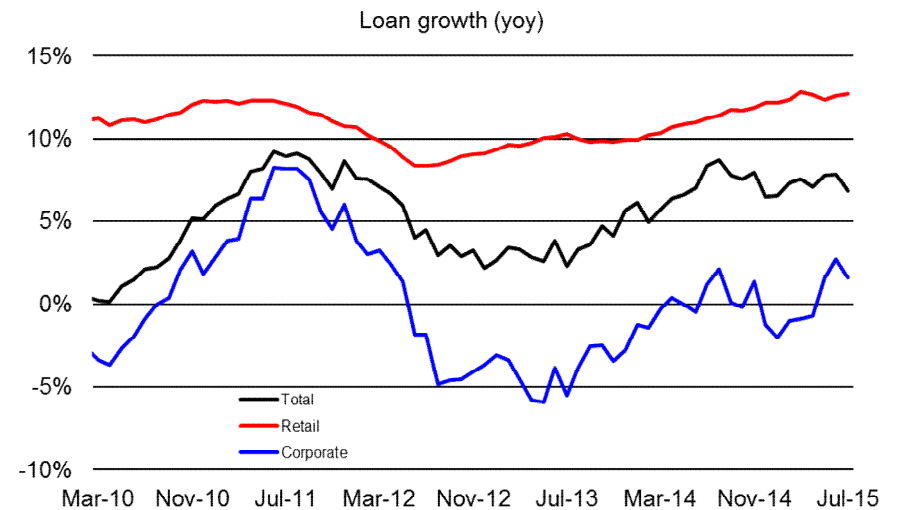
**CZ market:** Rise in corporate lending is genuine, uptick in retail dynamic rather technical

**SK market:** Retail lending dynamic is firmly in double-digit, signs of pick-up also for corporate

**CZ market**



**SK market**



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

Sources: CNB, NBS, UCBCS Economic Research

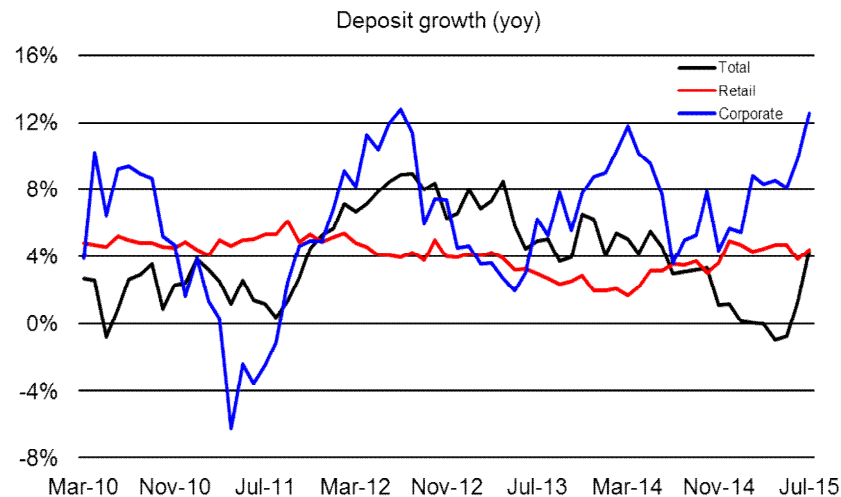
## Introduction

### *The Czech Republic & Slovakia – Banking Market: Deposit growth*

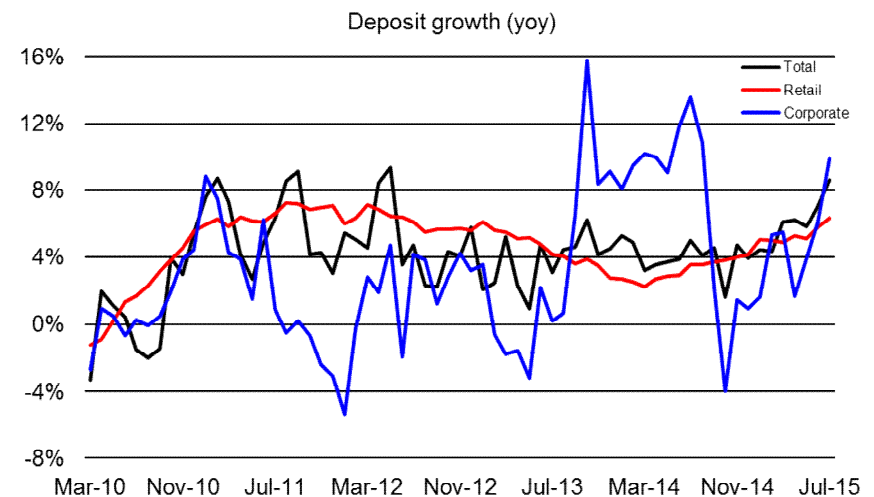
**CZ market:** Corporate deposits capture increased economic activity, total dynamic suffers from an outflow of public sector deposits into the CNB

**SK market:** Deposit dynamics for both corporate and retail are picking up

**CZ market**



**SK market**



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

*Sources: CNB, NBS, UCBCS Economic Research*



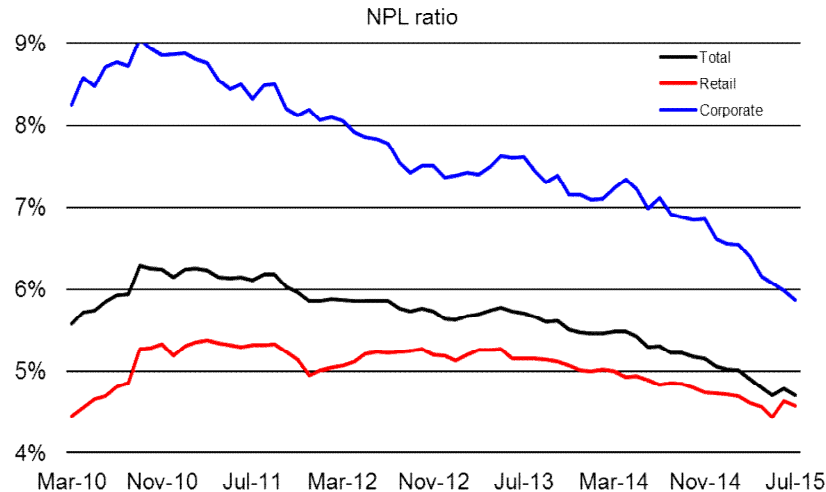
## Introduction

### *The Czech Republic & Slovakia – Banking Market: Non-Performing Loans*

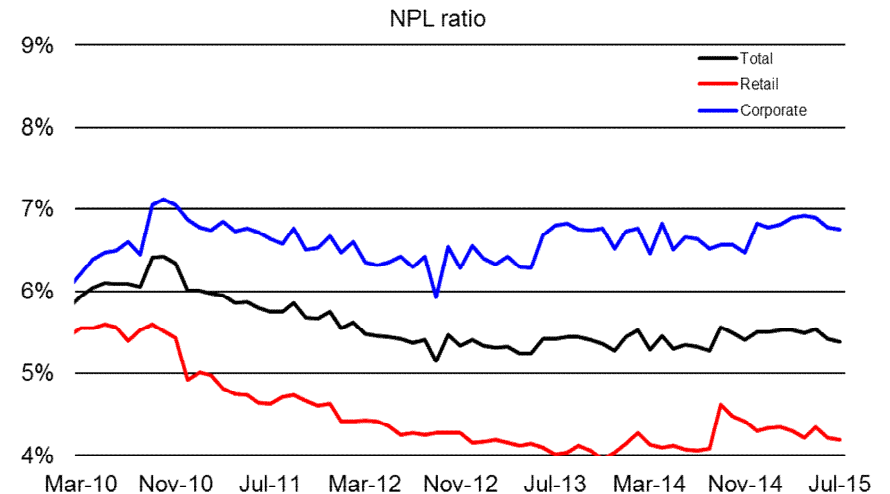
**CZ market:** NPLs are long-term drifting lower for both retail and corporate, recent uptick in retail is just technical

**SK market:** Rise in corporate NPL seems to be solved, retail stagnating at low level

**CZ market**



**SK market**



Note: % of total loans in sector, residents only

Sources: CNB, NBS, UCBCS Economic Research

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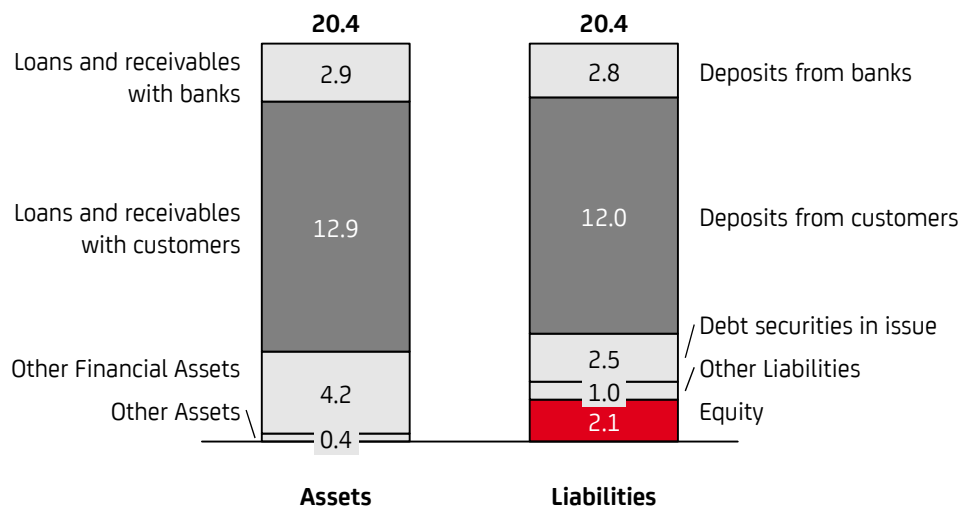
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# Financial Figures

## Balance sheet structure

### Consolidated Balance Sheet as of 30/06/2015

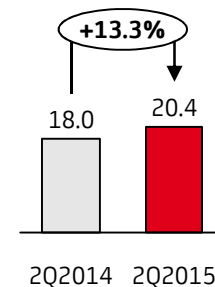
Bln EUR



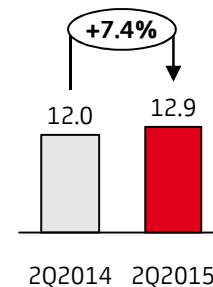
- Balance sheet proves the **self funded position of the bank**, with loans fully funded by deposits and equity
- Other Financial Assets mostly consist of CZ and SK government bonds and T-bills** held as a liquidity reserve
- Loans with banks are composed of placements of excesses of liquidity within 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 deposits than loans, together with increasing amount of Securities Issued (Covered Bonds) further **enhances the structural liquidity position of the bank**

### Major Trends

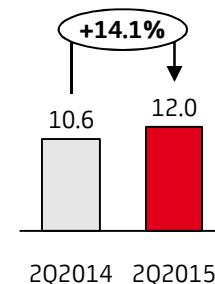
#### Balance Sheet



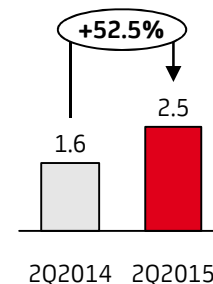
#### Customer Loans



#### Customer Deposits



#### Securities Issued

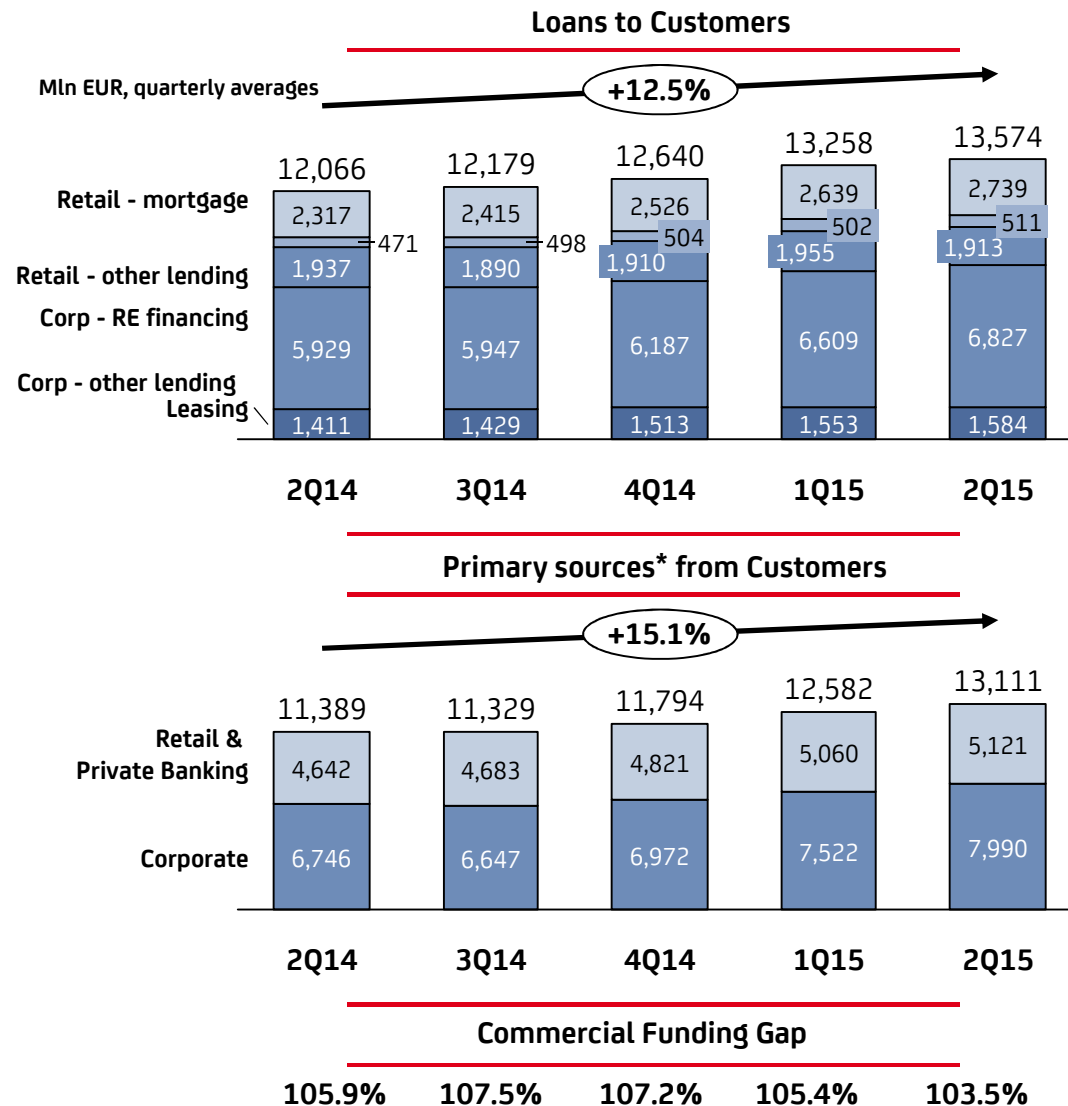


#### Methodological note:

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

## Financial Figures

### Business development

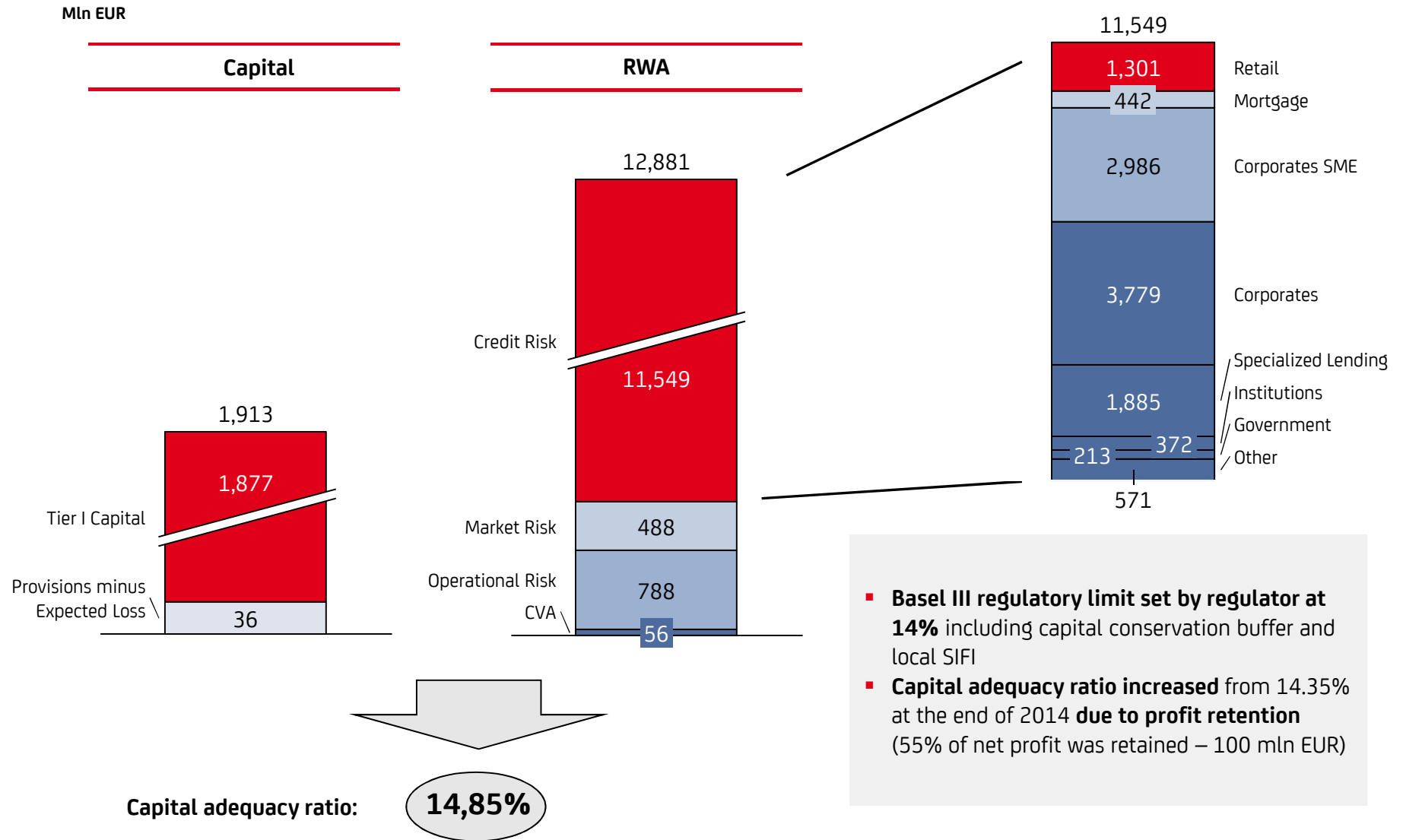


- Dynamics in retail as well as in corporate lending are expected to remain high in 2015 due to the **economic recovery**
- Despite a high lending growth rate, **increases in deposit are fully covering the liquidity need**, even improving the commercial funding gap
- **Deposit strategy focused on transactional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

\* Deposit from customers + own issues held by non-banks

## Financial Figures

*Capital structure and ratios as of 30/06/2015 (consolidated)*

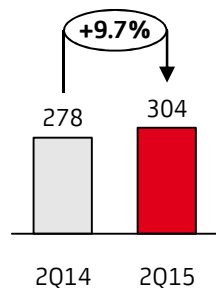


# Financial Figures

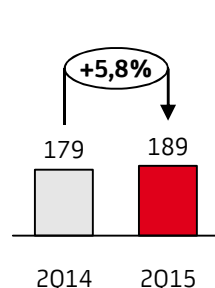
## Profitability

Mln EUR  
ytd

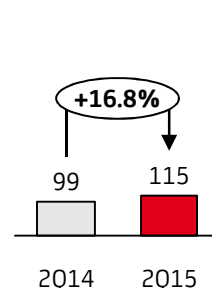
### Revenues



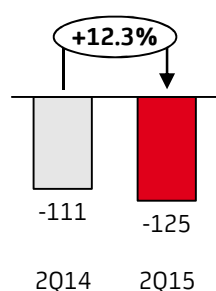
### Net Interest



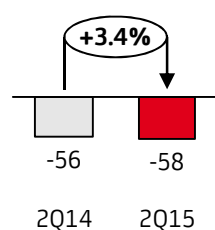
### Net Non-interest



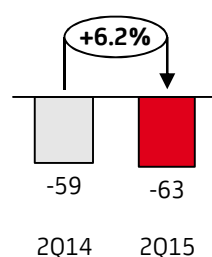
### Operating Costs



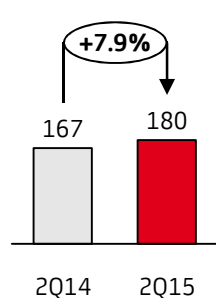
### HR Costs



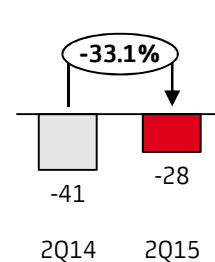
### Other Admin Costs



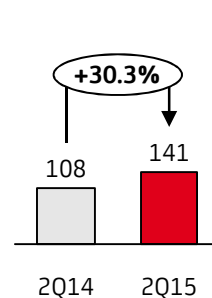
### GOP



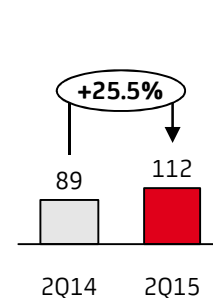
### Loans loss Provisions



### PBT



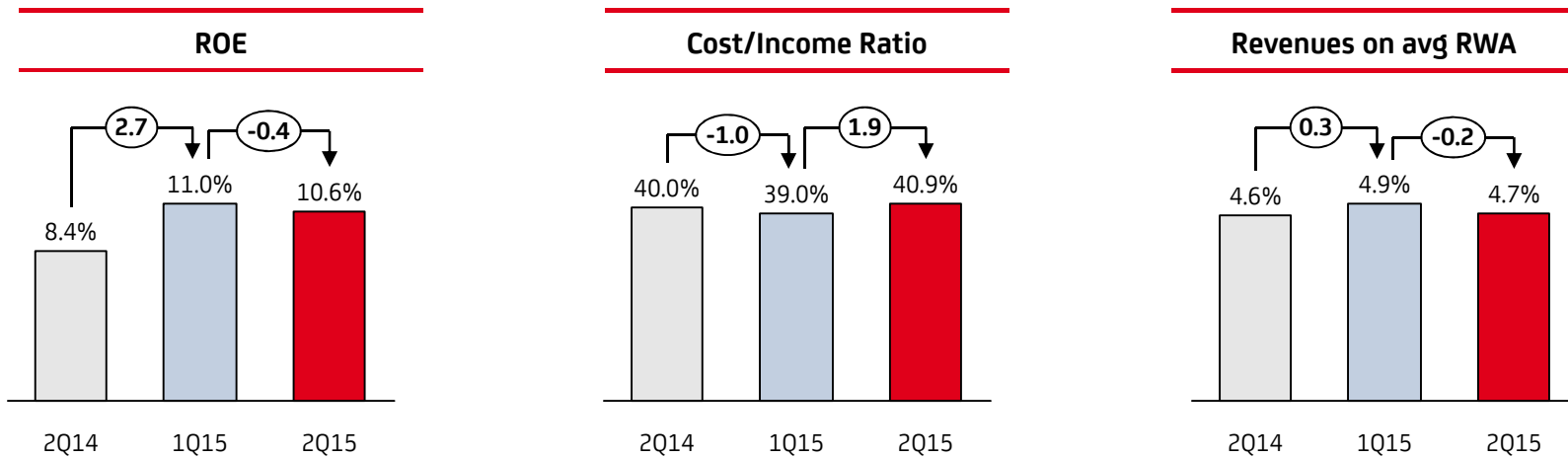
### PAT



- Successful business strategy with the help of economic recovery in both countries supports the **growth of revenues, with NII growing substantially due to business volume growth**
- Net Non-interest Income increased yoy on a **good result in proprietary trading**
- Increase of Operating Costs influenced by impairment release of 9 mln EUR in 2014. Excluding this effect the growth of the OPEX is 4.5%.
- Risk costs improved substantially** thanks to focused risk management and with the support of economic growth
- PBT, PAT show significant yoy growth**

## Financial Figures

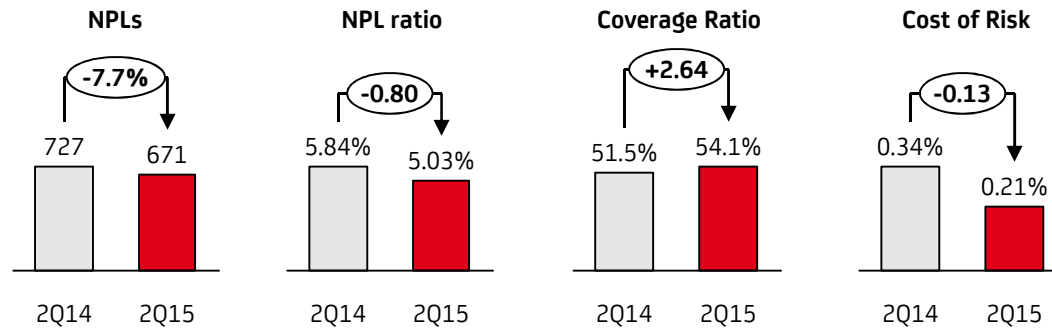
### Performance ratios



- ROE increased to double digit figures thanks to **growth of net profit**
- **Cost/Income Ratio in 2Q14 was effected by one-off impairment release**, excluding this effect the ratio was at 43%, hence improving thanks to over-proportional growth of revenues over costs

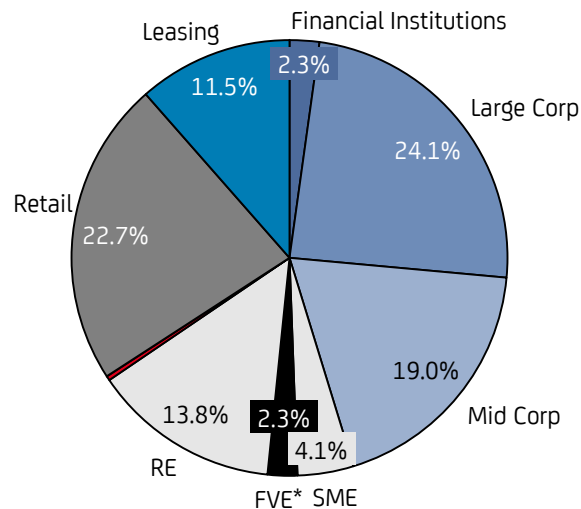
## Financial Figures

### Risk management and risk ratios

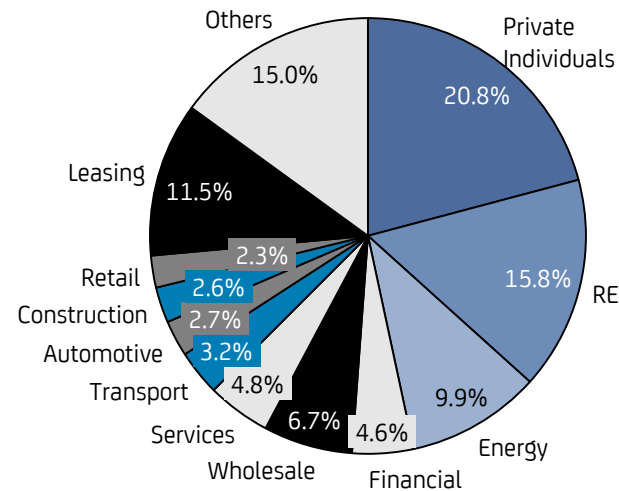


- Cost of Risk decreased thanks to **successful write-backs**, which also led to decreases in NPL volume and ratio
- Coverage Ratio growing further** above the strategic target of 50%.
- In terms of segment structure, proportion of **SME increased due to re-segmentation** between MID-SME in Slovakia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

#### Exposure by segment



#### Exposure by industry

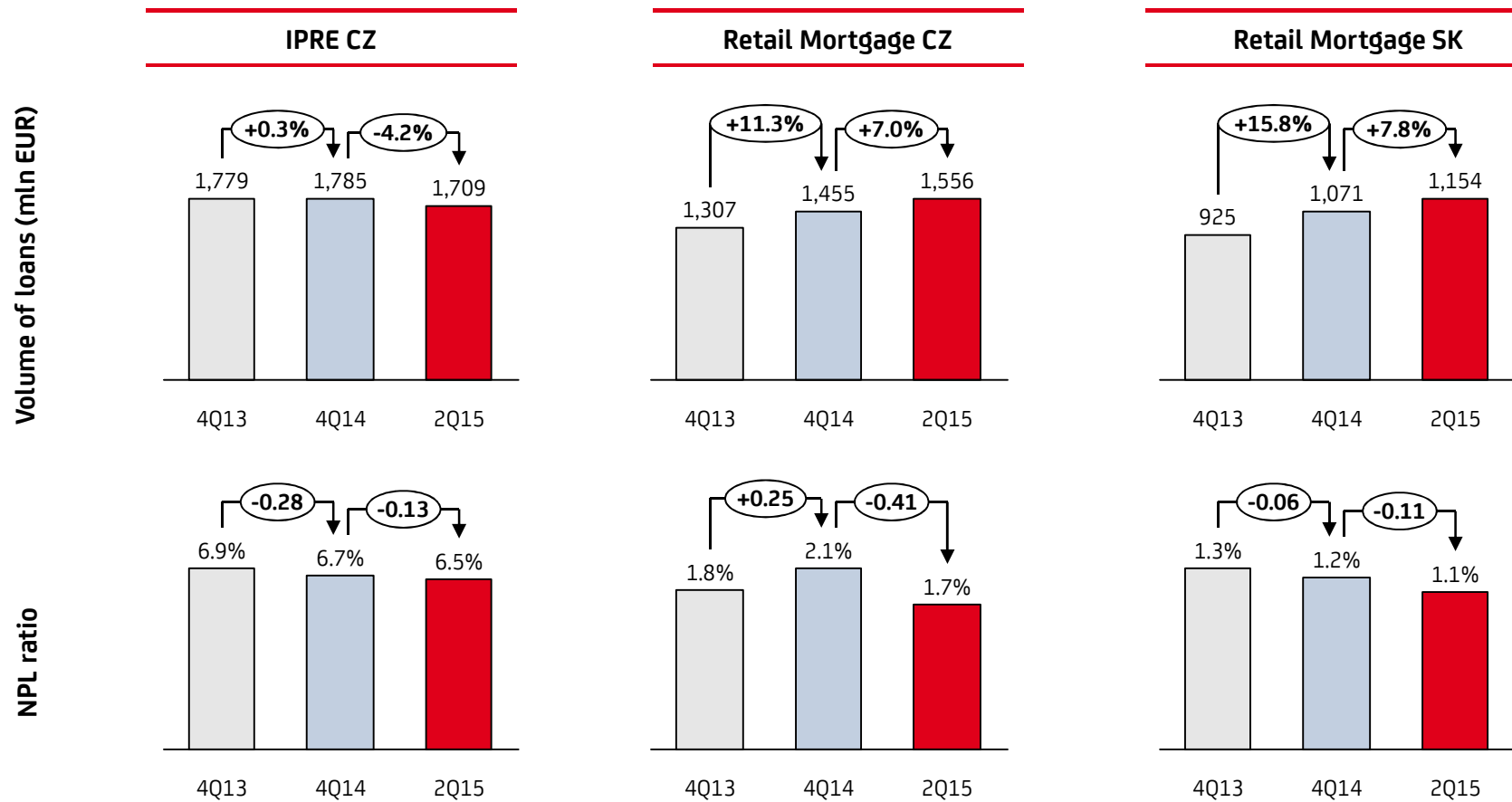


\* Photovoltaic power stations



## 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

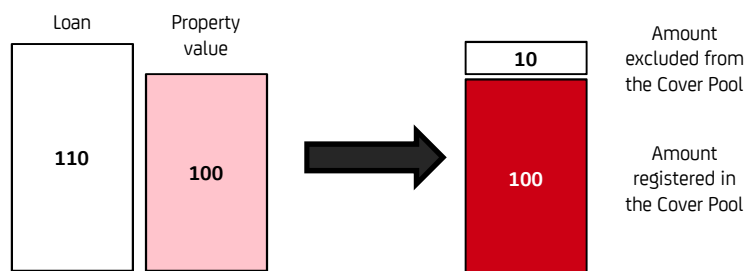
### UCBCS Cover Pool Features

#### 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 4,022 mln eq. (EUR 147.6 mln)
- 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 Cover Pool started to benefit from these loans in June 2015, when a volume of CZK 13,828 mln eq. (EUR 507.5 mln) was registered to the Cover Pool. New mortgage loan production will be 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 only 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 Cover Pool & Covered Bonds - Overview

#### Cover Pool Overview

|   |                            |
|---|----------------------------|
| ■ Total value of the Cover Pool as of 30 June 2015:         | <b>CZK 81,686 mln eq.</b>  |
| ■ o/w in retail residential loans secured by CZ properties: | CZK 28,490 mln eq. (34.9%) |
| ■ o/w in retail residential loans secured by SK properties: | CZK 17,850 mln eq. (21.9%) |
| ■ o/w in commercial loans secured by CZ properties:         | CZK 35,346 mln eq. (43.2%) |
| ■ o/w denominated in CZK:                                   | CZK 44,956 mln (55.0%)     |
| ■ o/w denominated in EUR:                                   | CZK 36,730 mln eq. (45.0%) |

#### Covered Bonds Overview

|  |                                      |
|--|--------------------------------------|
| ■ Total value of the outstanding Covered Bonds as of 30 June 2015: | <b>CZK 57,271 mln eq.</b>            |
| ■ o/w denominated in CZK:  | CZK 27,909 mln (48.7%)               |
| ■ o/w denominated in EUR:  | CZK 29,362 mln eq. (51.3%)           |
| ■ Current Overcollateralization:                                   | 42.63%                               |
| ■ Current rating:  | Aa3 (Moody's), assigned 5th Aug 2015 |

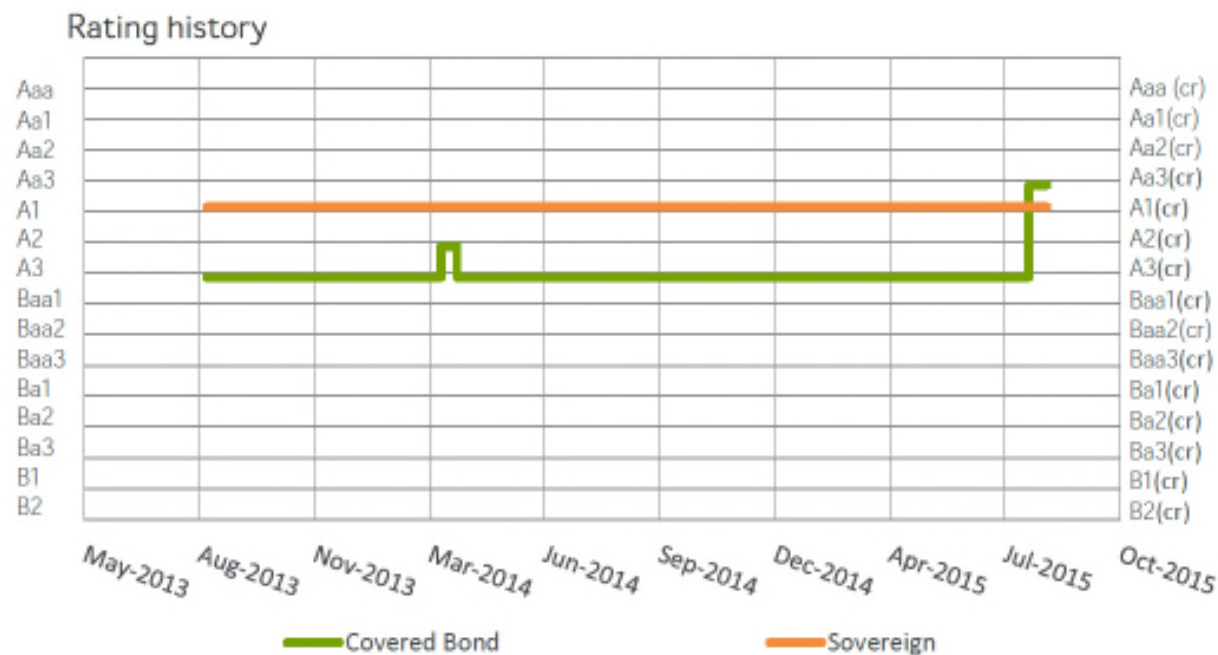
## Cover Pool

### 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



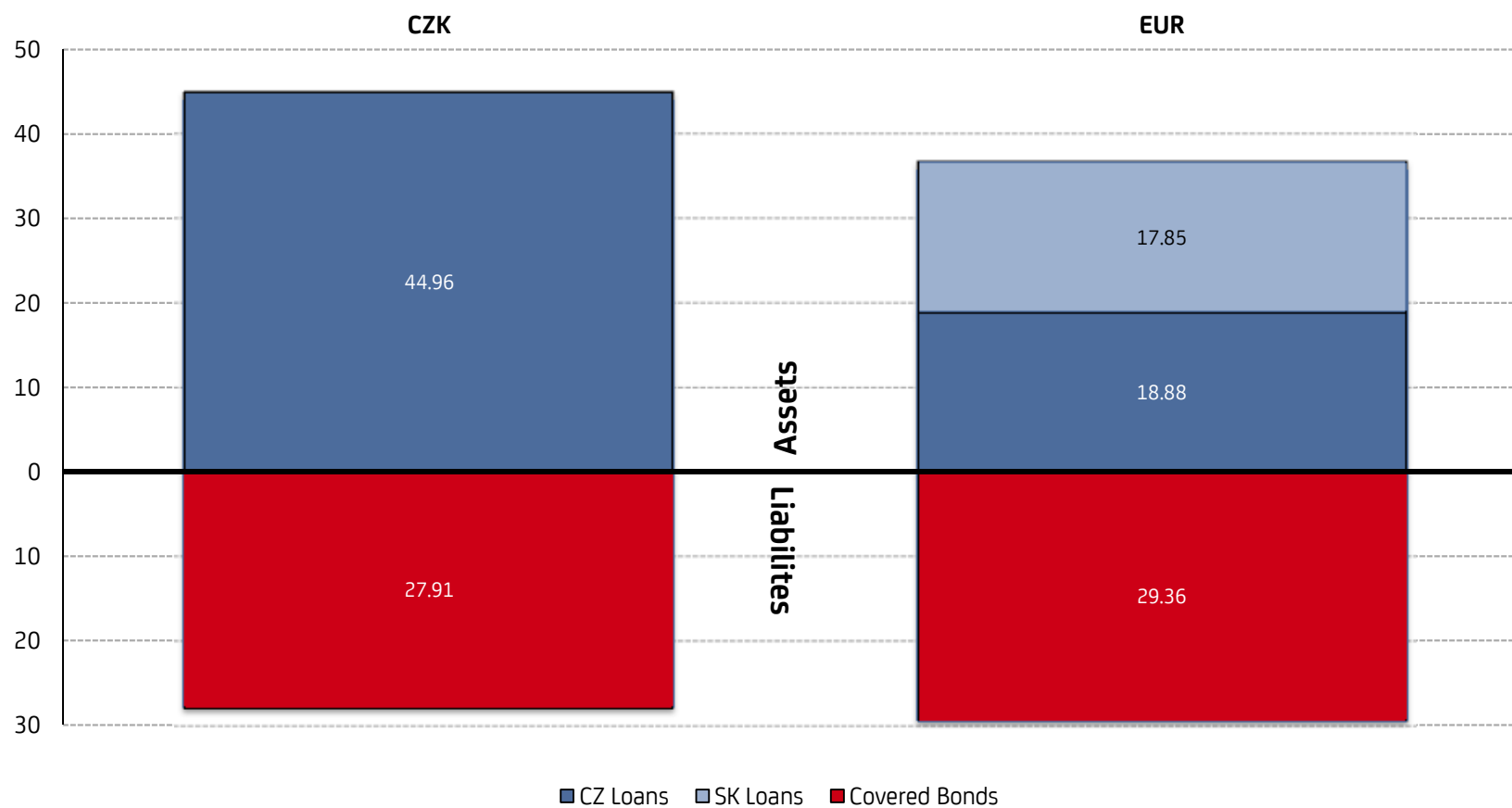
Source: UniCredit Bank Czech Republic and Slovakia, a.s & Moody's

# Cover Pool

## UCBCS Cover Pool & Covered Bonds - Currency Breakdown

### Currency Distribution of Assets & Liabilities

CZK bln equiv.



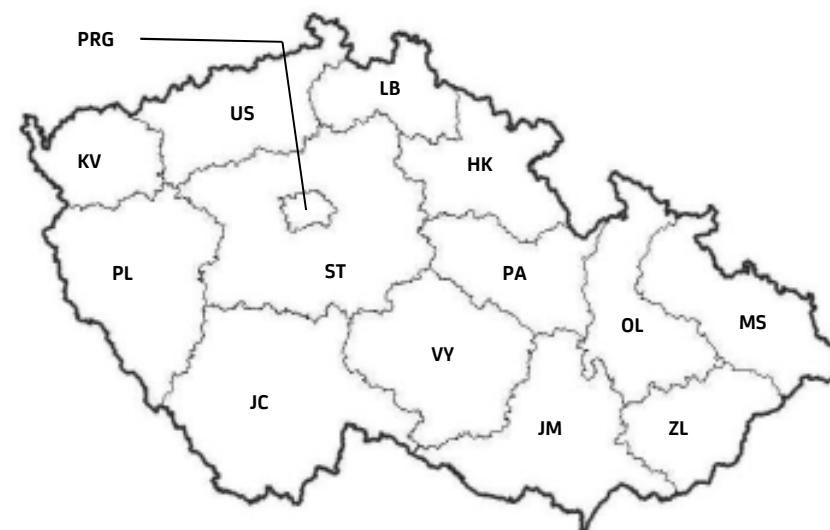
Source: UniCredit Bank Czech Republic and Slovakia, a.s.  
Data as of June 30, 2015  
FX CZK/EUR = 27.245

## Cover Pool

### UCBCS Cover Pool Features - CZ Retail Residential Portfolio

| Residential Portfolio - Czech Republic                |                |
|---|----------------|
| Total Loan Balance (in CZK)                           | 28,490,030,320 |
| Average Loan Balance (in CZK)                         | 1,349,663      |
| Total Number of Loans                                 | 21,109         |
| Total Number of Debtors                               | 19,173         |
| Total Number of Properties                            | 20,348         |
| Weighted Average Seasoning (in years)                 | 3.6            |
| Contracted Weighted Average Remaining Term (in years) | 20.6           |
| Weighted Average LTV                                  | 69%            |
| Stake of Fixed Interest Rate Loans                    | 53%            |
| Stake of 10 Biggest Loans                             | 1%             |
| Stake of Bullet Loans                                 | 0%             |

| Regional Distribution - Czech Republic               |     |
|--|-----|
| PRG Prague-East & Prague-West                        | 27% |
| ST Středočeský kraj excl. Prague -East & Prague-West | 20% |
| JM Jihomoravský kraj                                 | 14% |
| MS Moravskoslezský kraj                              | 6%  |
| 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                                     | 3%  |
| PA Pardubický kraj                                   | 3%  |
| VY Kraj Vysočina                                     | 2%  |
| KV Karlovarský kraj                                  | 1%  |



## Cover Pool

### UCBCS Cover Pool Features - SK Retail Residential Portfolio

| Residential Portfolio - Slovakia                      |                |
|---|----------------|
| Total Loan Balance (in CZK)                           | 17,850,131,615 |
| Average Loan Balance (in CZK)                         | 919,636        |
| Total Number of Loans                                 | 19,410         |
| Total Number of Debtors                               | 15,683         |
| Total Number of Properties                            | 16,314         |
| Weighted Average Seasoning (in years)                 | 3.3            |
| Contracted Weighted Average Remaining Term (in years) | 21.0           |
| Weighted Average LTV                                  | 67%            |
| Stake of Fixed Interest Rate Loans                    | 73%            |
| Stake of 10 Biggest Loans                             | 1%             |
| Stake of Bullet Loans                                 | 0%             |

| Regional Distribution - Slovakia |                      |     |
|----------------------------------|----------------------|-----|
| BA                               | Bratislavský kraj    | 35% |
| TT                               | Trnavský kraj        | 16% |
| ZA                               | Žilinský kraj        | 10% |
| NR                               | Nitriansky kraj      | 9%  |
| KE                               | Košický kraj         | 8%  |
| BB                               | Banskobystrický kraj | 8%  |
| TN                               | Trenčiansky kraj     | 7%  |
| PO                               | Prešovský kraj       | 6%  |



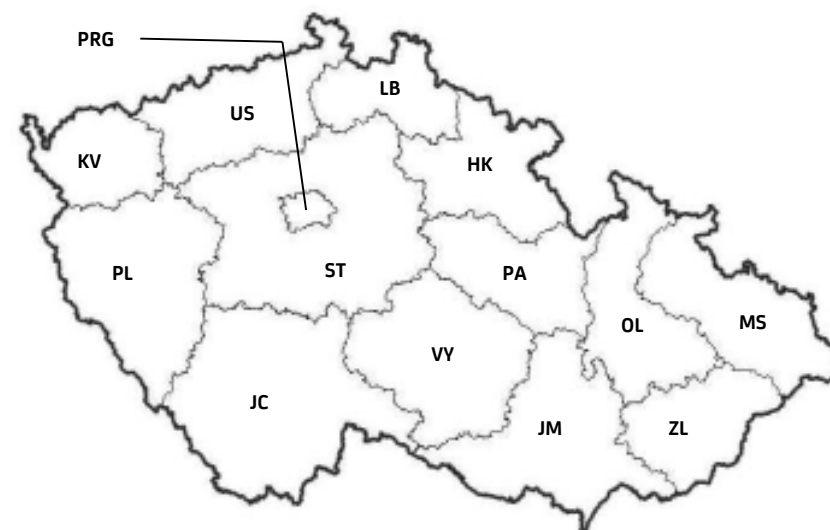


## Cover Pool

### UCBCS Cover Pool Features - CZ Commercial Portfolio

| Commercial Portfolio - Czech Republic                  |                |
|--|----------------|
| Total Loan Balance (in CZK):                           | 35,346,208,986 |
| Average Loan Balance (in CZK):                         | 34,085,062     |
| Total Number of Loans:                                 | 1,037          |
| Total Number of Debtors:                               | 886            |
| Total Number of Properties:                            | 1,095          |
| Weighted Average Seasoning (in years):                 | 3.1            |
| Contracted Weighted Average Remaining Term (in years): | 4.3            |
| Weighted Average LTV:                                  | 67%            |
| Stake of Fixed Interest Rate Loans:                    | 28%            |
| Stake of 10 Biggest Loans:                             | 36%            |
| Stake of Bullet Loans:                                 | 3%             |

| Regional Distribution - Czech Republic               |     |
|--|-----|
| PRG Prague-East & Prague-West                        | 43% |
| JM Jihomoravský kraj                                 | 11% |
| MS Moravskoslezský kraj                              | 10% |
| US Ústecký kraj                                      | 10% |
| ST Středočeský kraj excl. Prague -East & Prague-West | 7%  |
| PL Plzeňský kraj                                     | 5%  |
| LB Liberecký kraj                                    | 3%  |
| JC Jihočeský kraj                                    | 3%  |
| OL Olomoucký kraj                                    | 2%  |
| HK Královéhradecký kraj                              | 2%  |
| KV Karlovarský kraj                                  | 1%  |
| PA Pardubický kraj                                   | 1%  |
| VY Kraj Vysočina                                     | 1%  |
| ZL Zlínský kraj                                      | 1%  |



## Your Contacts

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