

UniCredit Bank Czech Republic and Slovakia, a.s.

Presentation to Covered Bond Investors - *update*

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Executive Summary

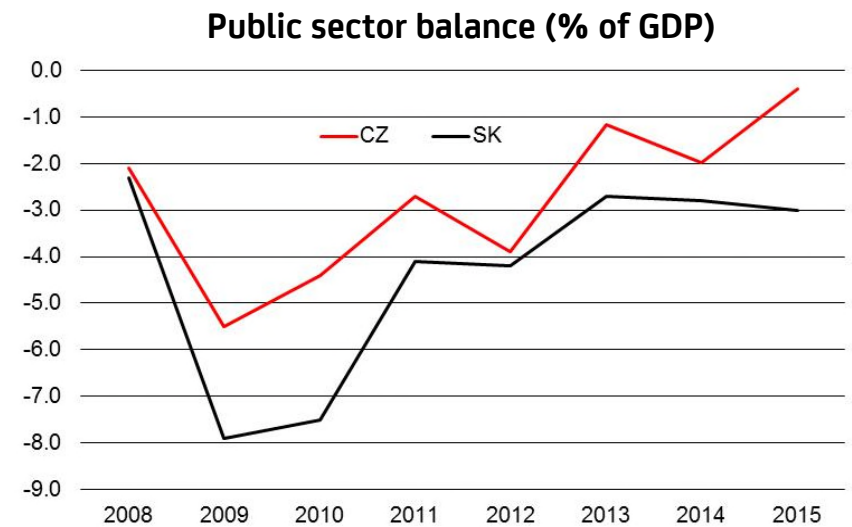
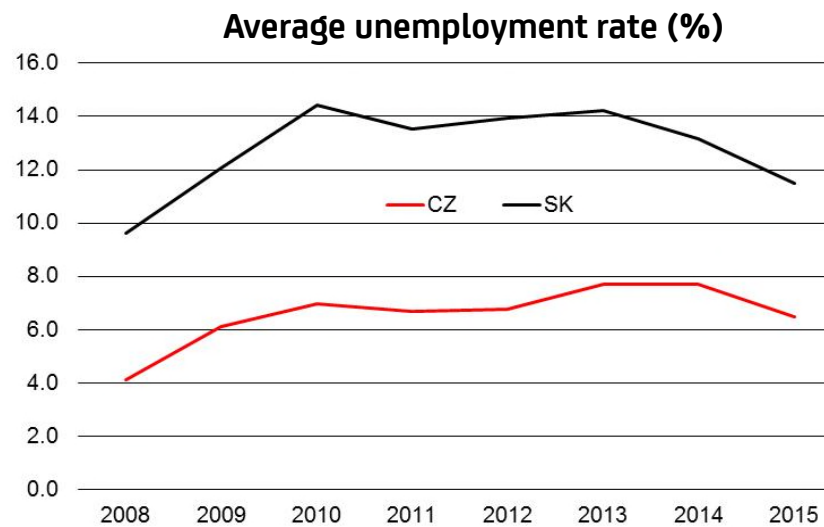
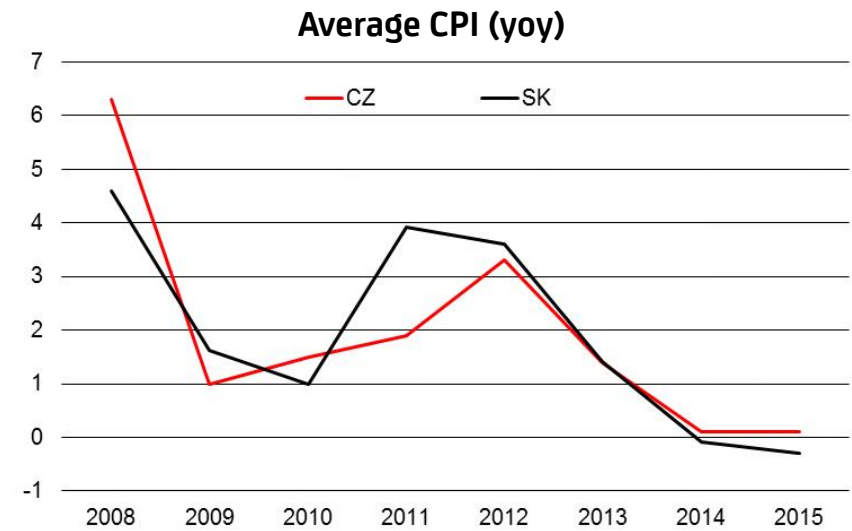
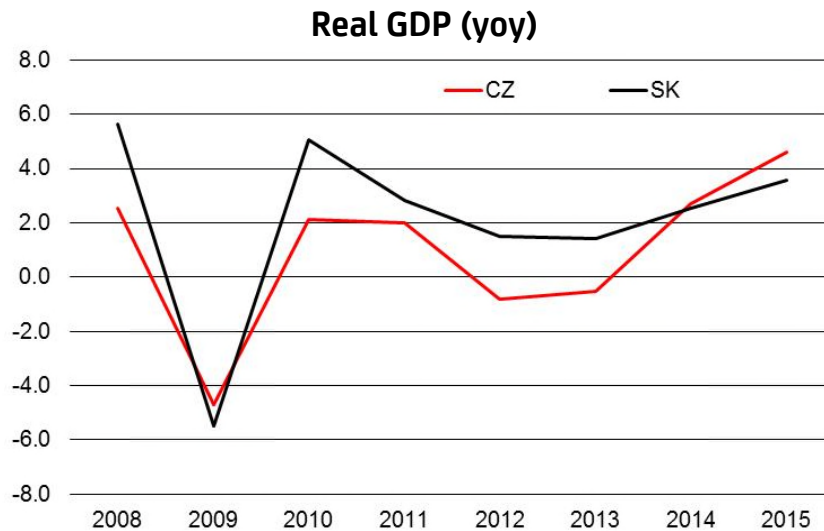
- Positive macroeconomic news again - the Czech Republic 2Q16 real **GDP increased by 2.6%** yoy; Slovakia positively surprised, **accelerating to +3.7%** yoy
- Banking market in **retail deposits continues accelerating**, 6-years high in SK; except double-digit loans growth in SK retail, correction in **lending** after peak in mid 2015, **keeping positive trend**
- **Banking sector NPL ratio** is trending further down (despite a marginal rise for CZ corporate in June 2016) to **3.7% in the Czech Republic and 4.6% in Slovakia**
- UniCredit Czech Republic and Slovakia **outstanding consolidated results in H1 2016:**
 - **Profit After Tax** amounts to **EUR 126 Mio, up 12.1%** yoy (including EUR 27 mln one off effect of VISA shares sale) with ROE of 10.9% based on strong revenue growth (+7.4%) and **excellent risk cost situation** (Loan Loss Provisions -29%)
 - **Total Assets growth** by 12.7% to 23.1 bln EUR (yoy)
 - **Customer Loans up** yoy by 5.0% to 13.6 bln EUR
 - **Customer Deposits up** yoy by 11.9% to 13.6 bln EUR
 - **NPL ratio decreases** yoy by 69 bps to 4.1% yoy with a Coverage Ratio increase by 4.2% to 61%
 - **Solid capitalization** with consolidated Tier1 ratio of 14.4%, total capital adequacy ratio at 14.8%
- **Cover Pool** grows yoy by 7.6% to EUR 3.2 bln with 63.63% overcollateralization

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Introduction

The Czech Republic & Slovakia – Macroeconomic trends 2015: CZ outpaced SK in GDP growth for the first time since 2009, tightened fiscal policy

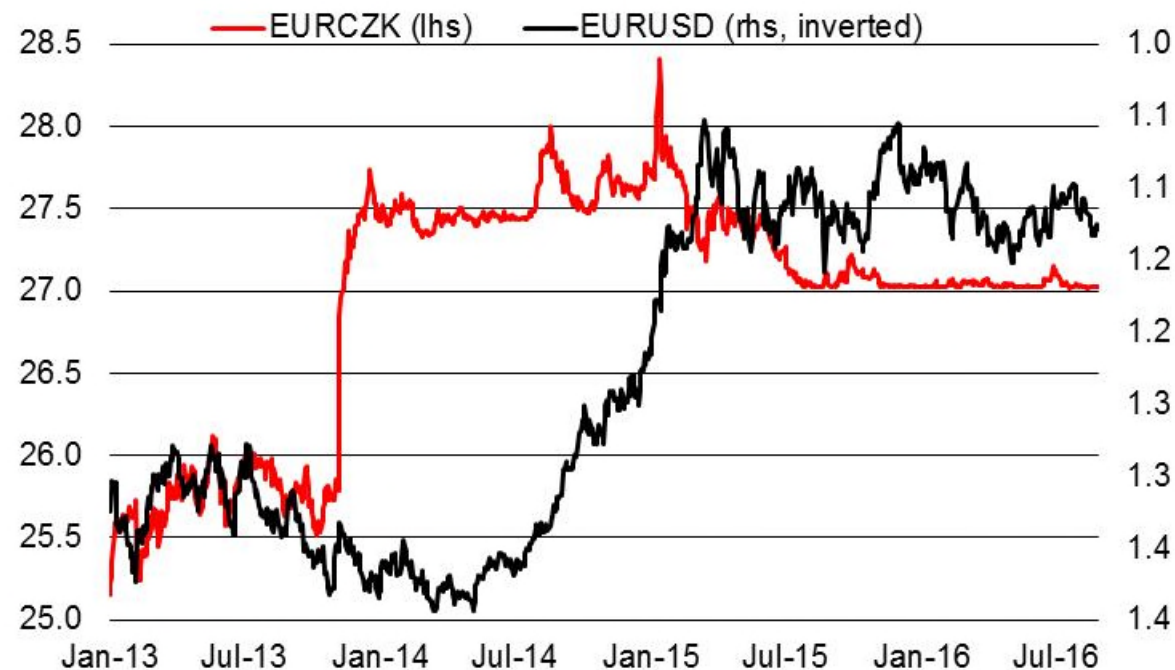


Source: UCBCS Economic Research

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



Introduction

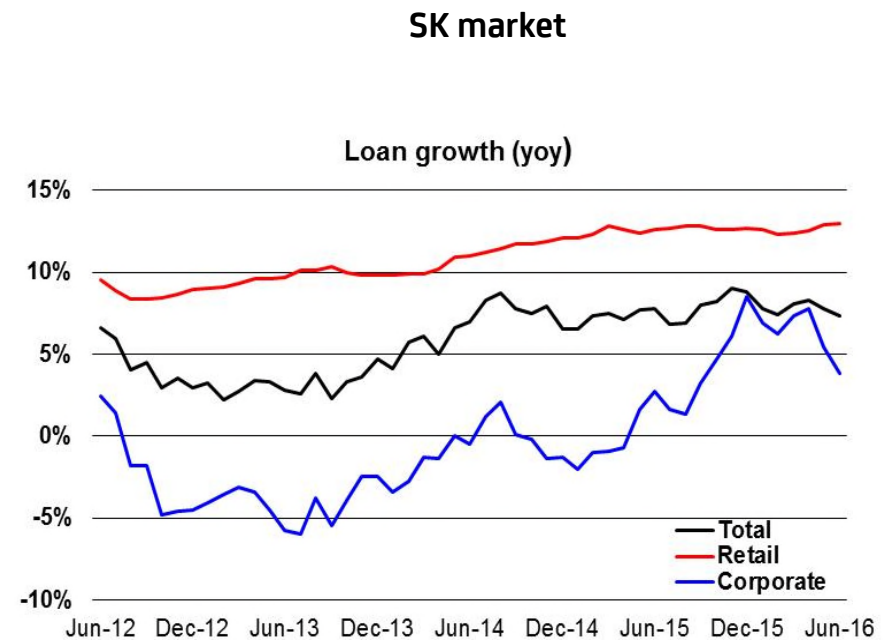
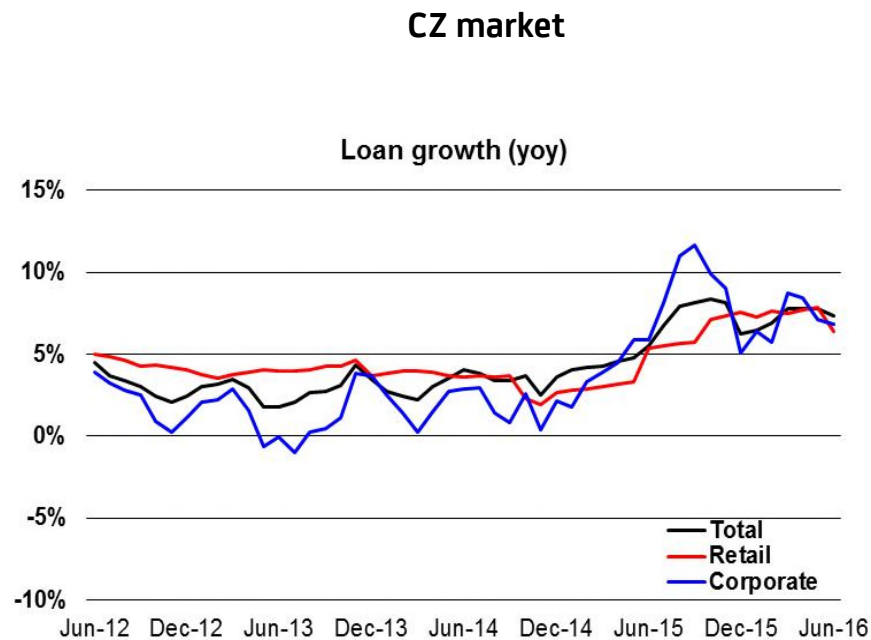
The Czech Republic & Slovakia – Banking Industry: Lending growth

CZ market

- Corporate lending dynamic peaked in mid-2015
- Retail lending dynamic also appears to be past the peak

SK market

- Retail lending dynamic firmly in double-digit
- Corporate lending has been slowing in recent months



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

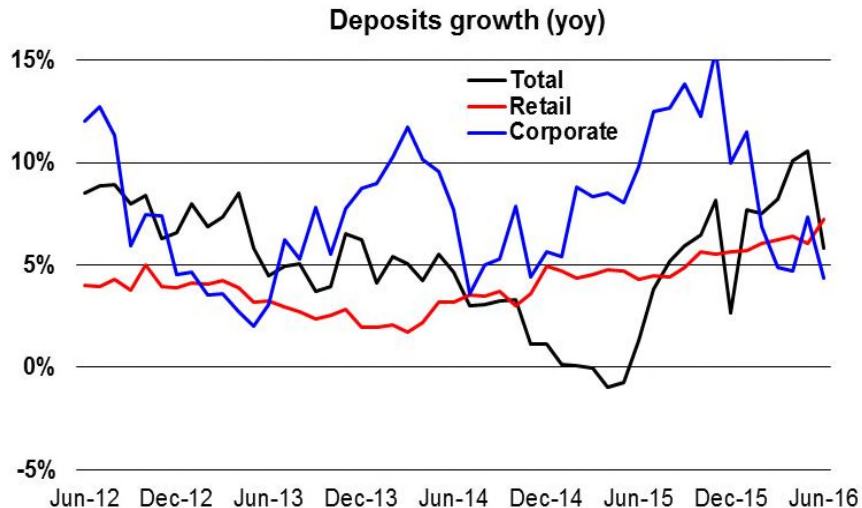
CZ market

- Retail dynamic continues accelerating, corporate dynamic rather volatile
- Total dynamic captures public sector deposit flows via the CNB accounts

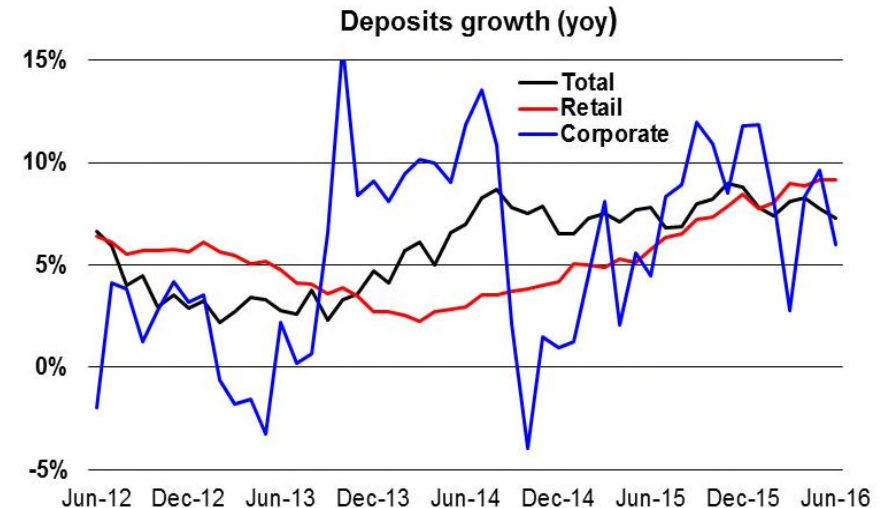
SK market

- Deposit dynamics for retail is picking up to 6-years high,
- Corporate deposits remain volatile but still keeping positive growth

CZ market



SK market



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

Sources: CNB, NBS, UCBCS Economic Research

Introduction

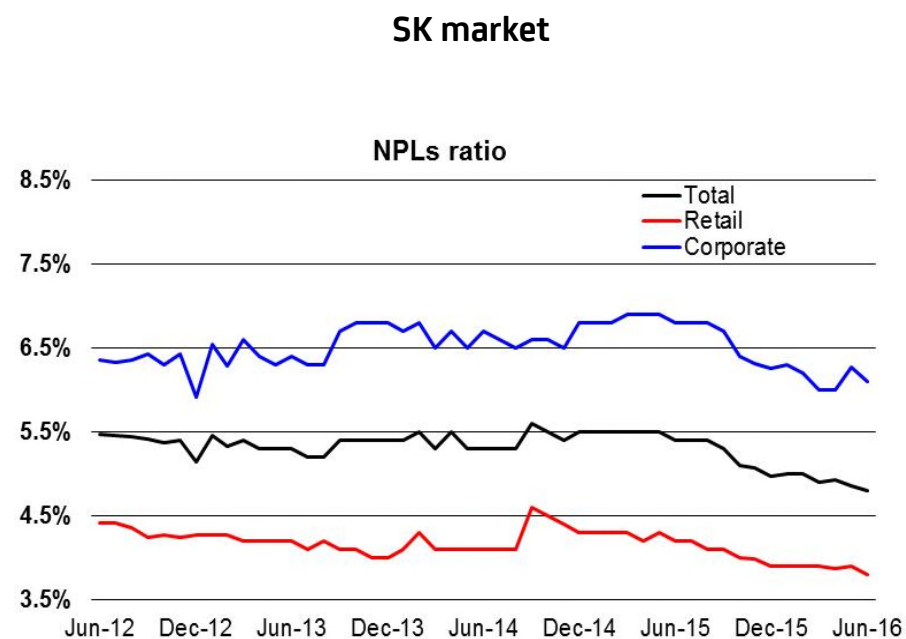
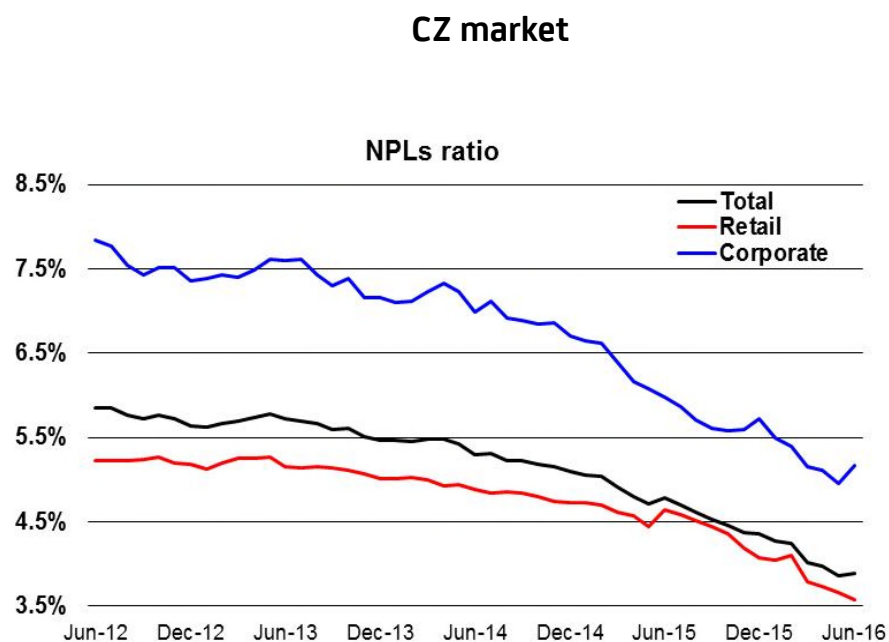
The Czech Republic & Slovakia – Banking Industry: Non-Performing Loans

CZ market

- NPL ratio is trending down despite a marginal rise for corporate in June 2016

SK market

- NPL ratio continues declining in retail, while turning trendless in corporate



Note: % of total loans in sector, residents only

Sources: CNB, NBS, UCBCS Economic Research

Content

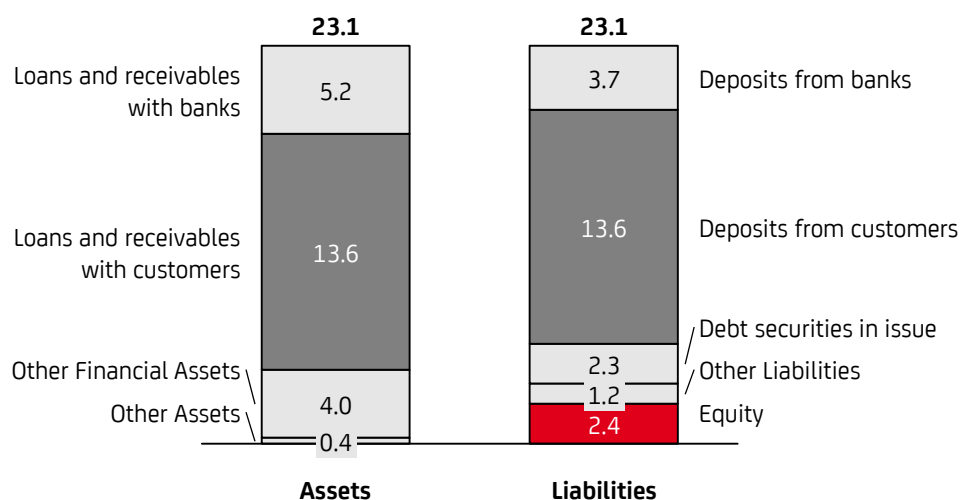
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Financial Figures

Balance Sheet structure

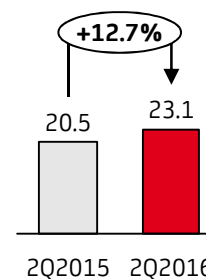
Consolidated Balance Sheet as of 30/06/2016

bln EUR

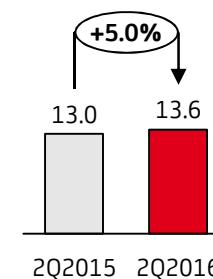


Major Trends

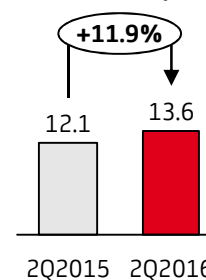
Balance Sheet



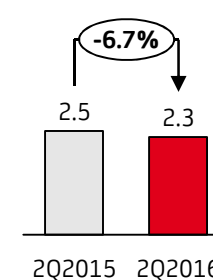
Customer Loans (Net)



Customer Deposits



Securities Issued



- Balance Sheet proves the **self funded position** of the bank, loans fully matching deposits
- 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, further enhances the structural liquidity position of the bank
- Stock of Issued securities decreased** due to maturities of mostly CZK bonds, both senior unsecured and covered.

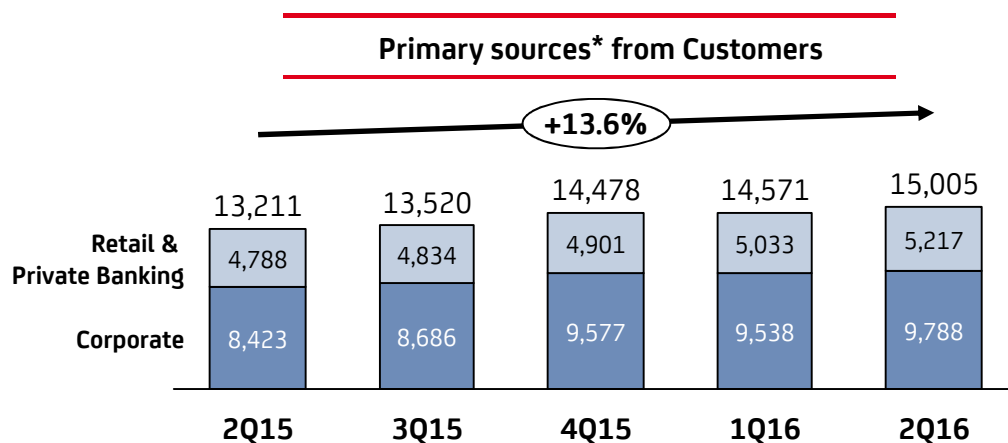
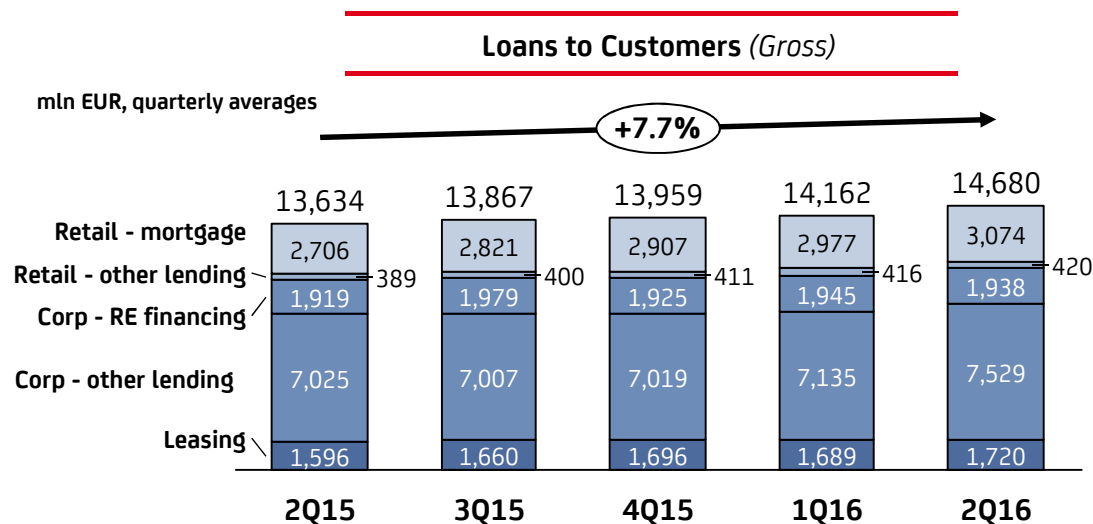
Methodological note:

In order to show growth rates neutralized from FX impacts, all periods are recalculated from CZK to EUR by 27.4 rate. Figures represent end of period.

Source: Managerial Reporting

Financial Figures

Business development



- Dynamics in retail as well as in corporate lending continues in 2016 thanks to **economic growth**
- 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

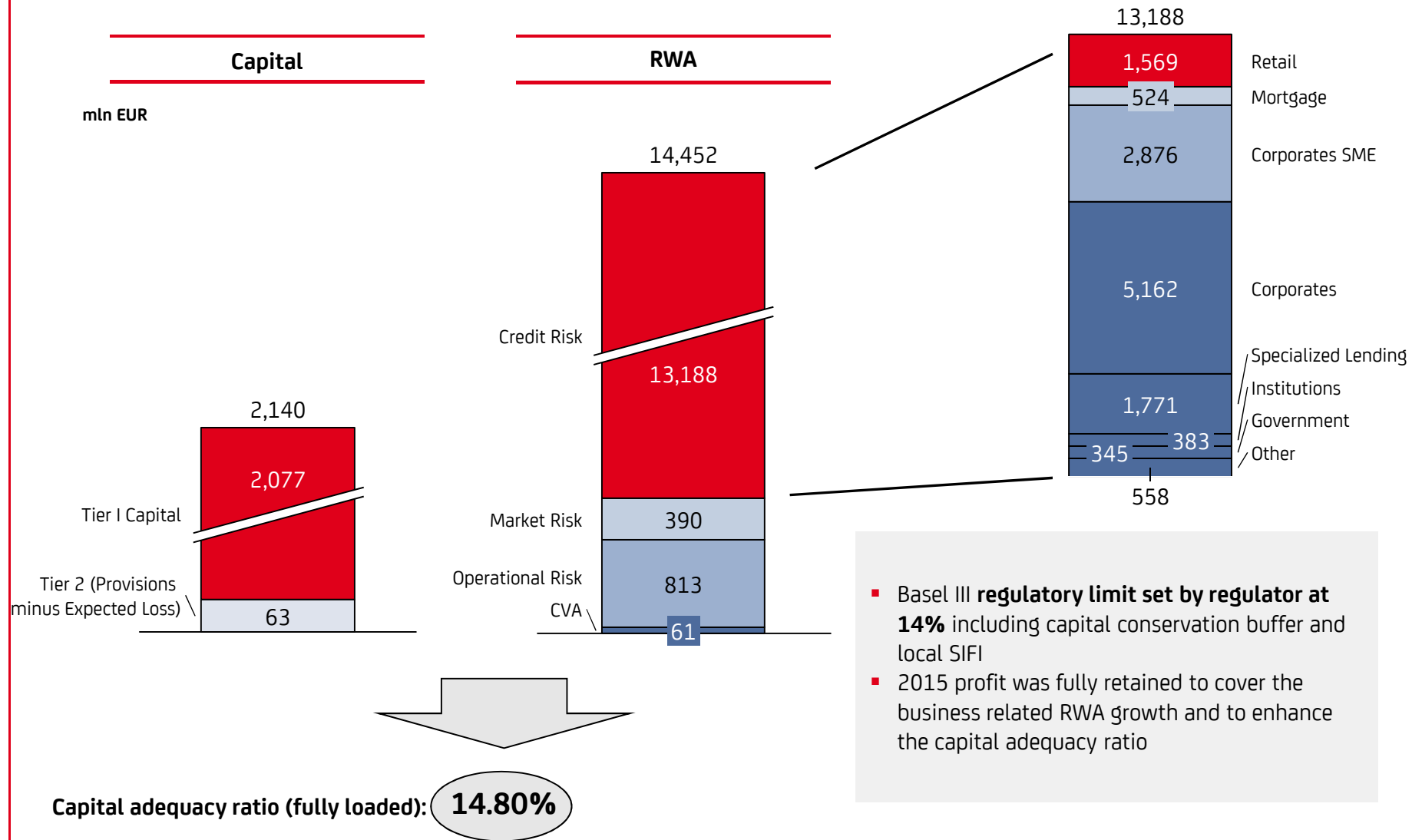
* Deposit from customers + own issues held by non-banks

Source: Managerial Reporting

Remark: in Q2 2016 part of retail portfolio (small business) was re-segmented to Corporate. Historical data were recast..

Financial Figures

Capital structure and ratios as of 30/06/2016, consolidated

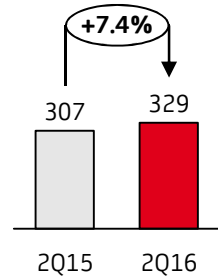


Financial Figures

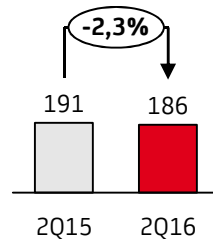
Profitability

mln EUR
ytd

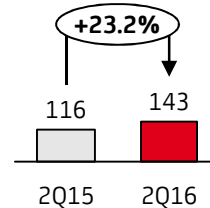
Revenues



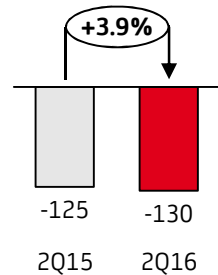
Net Interest



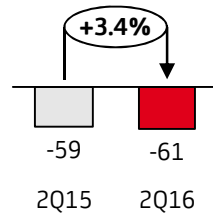
Net Non-interest



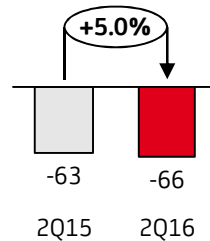
Operating Costs



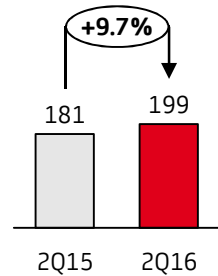
HR Costs



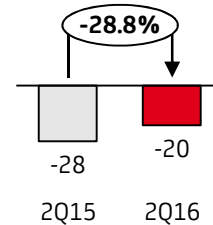
Other Admin Costs



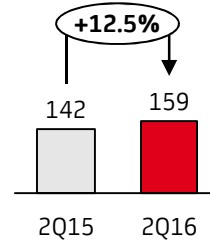
Gross Operating Profit



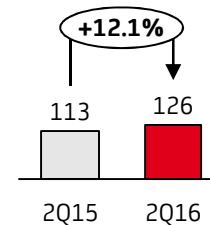
Loans Loss Provisions



Profit Before Tax



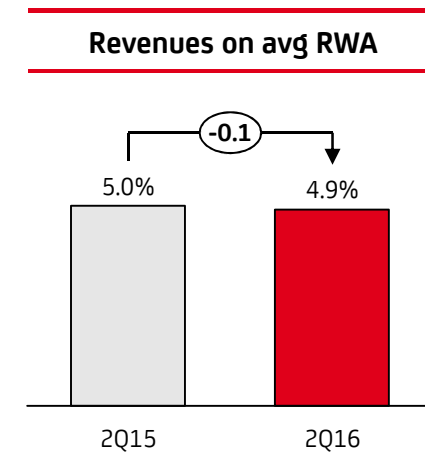
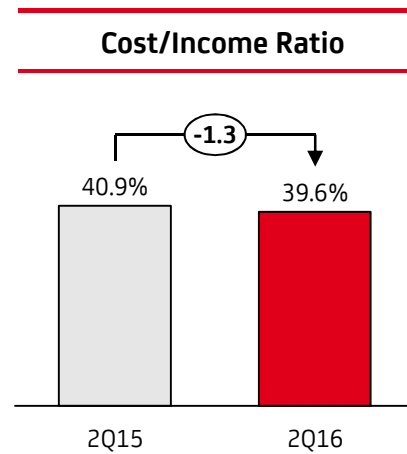
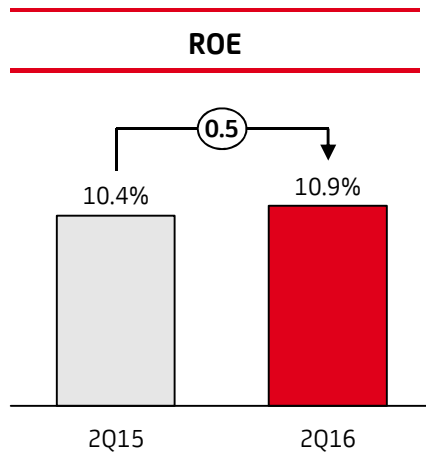
Profit After Tax



- **Revenues grew significantly** yoy with the help of extraordinary income from the sales VISA Europe shares
- **Net interest income** decreased despite growing volumes as margins compress due to further decrease of market interest rates
- **Net Non-interest income increased yoy** on the VISA deal
- Increase of Operating Costs driven mostly by HR variable payments, IT and back office costs.
- **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

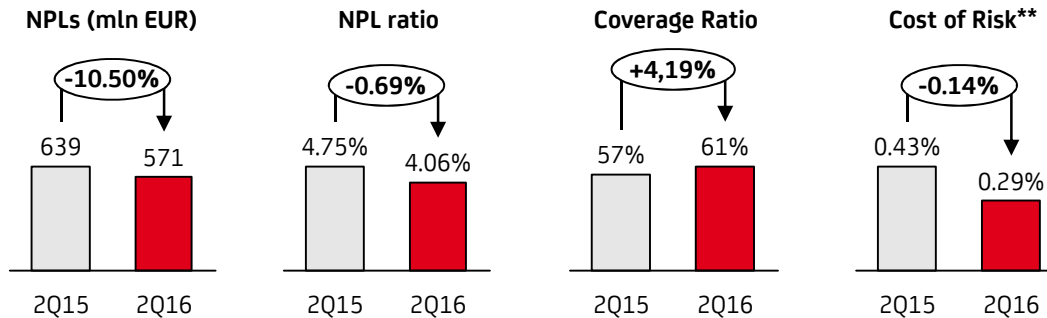
Performance ratios



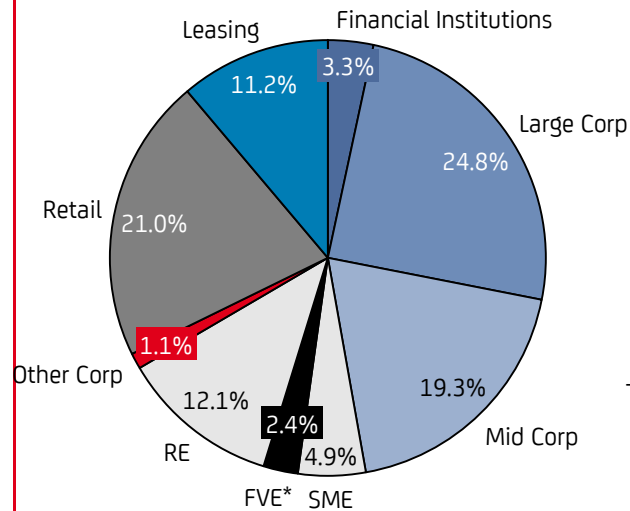
- Performance ratios show positive development, however impacted by one off VISA deal; ROE adjusted stands around 8% and C/I around 44%
- Lower sustainable revenue generation stemming from low interest rate, hence lower margins are impacting both ROE and C/I

Financial Figures

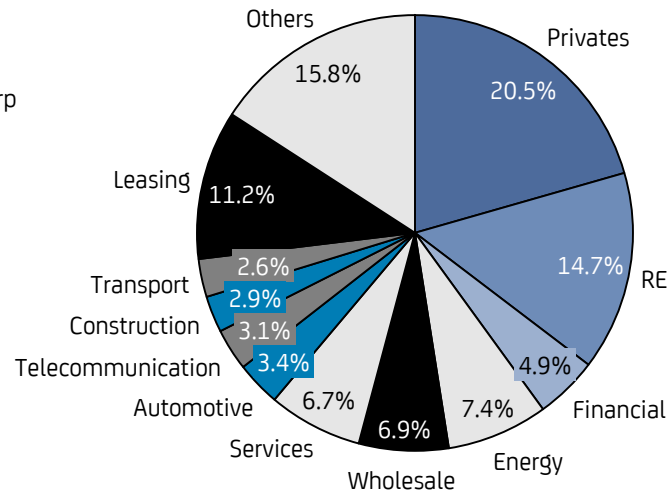
Risk management and risk ratios



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, Financial Institutions declining while Mid Corp growing yoy
- Industrial composition changes in favor of Privates, and Services while Energy decreasing

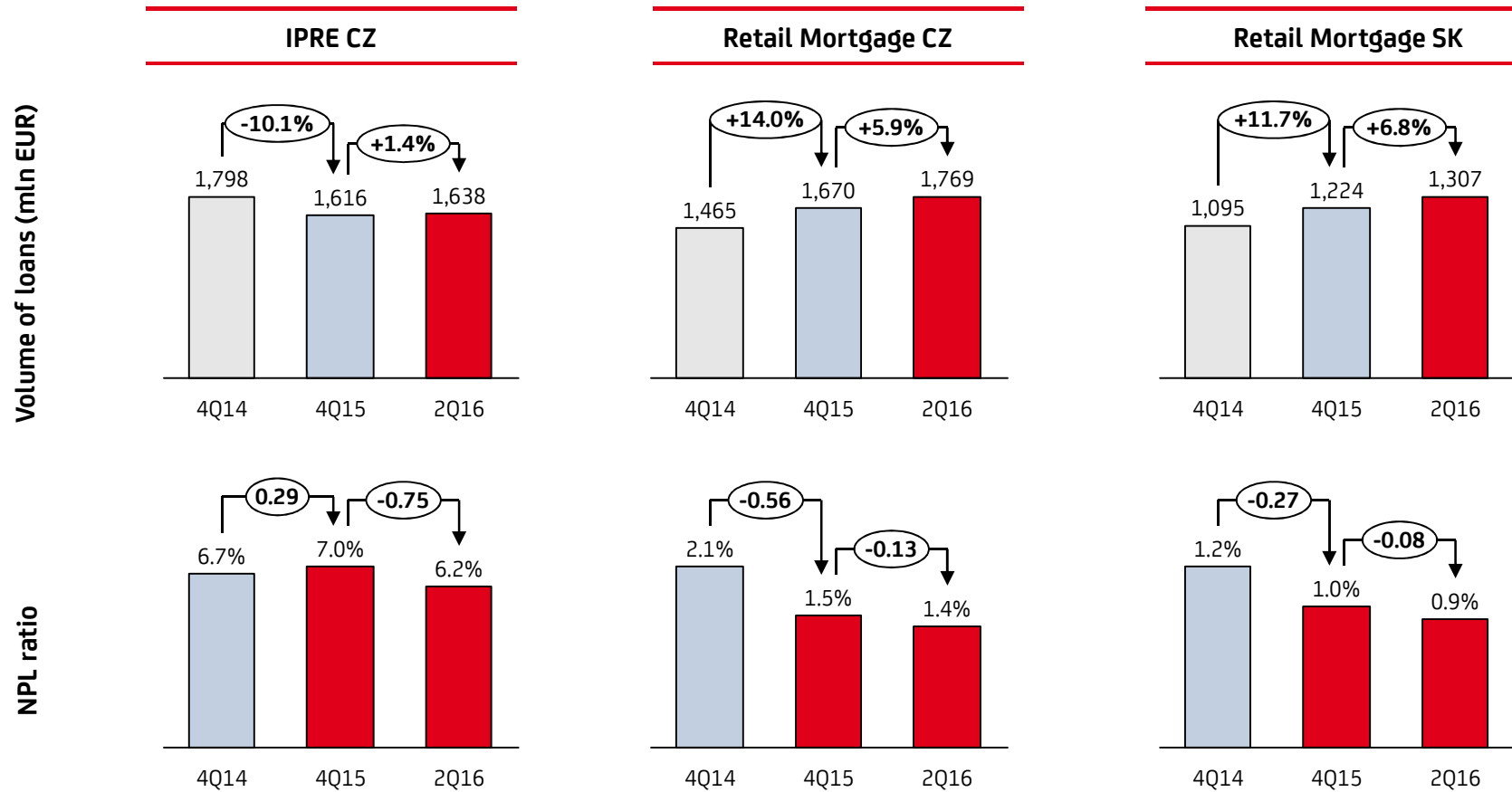
* Photovoltaic power stations

** 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

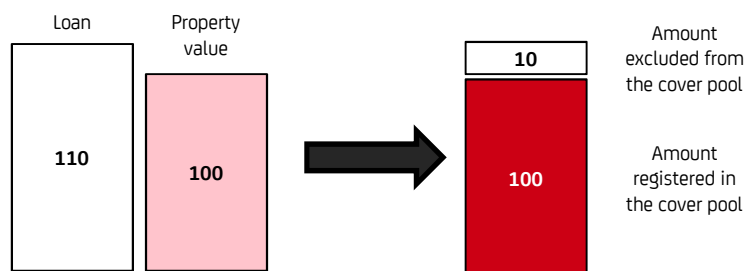
UCBCS's Cover Pool Features

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 4,995 mln eq. (EUR 184.8 mln) as of June 30, 2016
- 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 30 June 2016:	CZK 87,900 mln eq.
■ o/w in retail residential loans secured by CZ properties:	CZK 34,573 mln eq. (39.3%)
■ o/w in retail residential loans secured by SK properties:	CZK 21,799 mln eq. (24.8%)
■ o/w in commercial loans secured by CZ properties:	CZK 31,528 mln eq. (35.9%)
■ o/w denominated in CZK:	CZK 48,894 mln (55.6%)
■ o/w denominated in EUR:	CZK 39,006 mln eq. (44.4%)

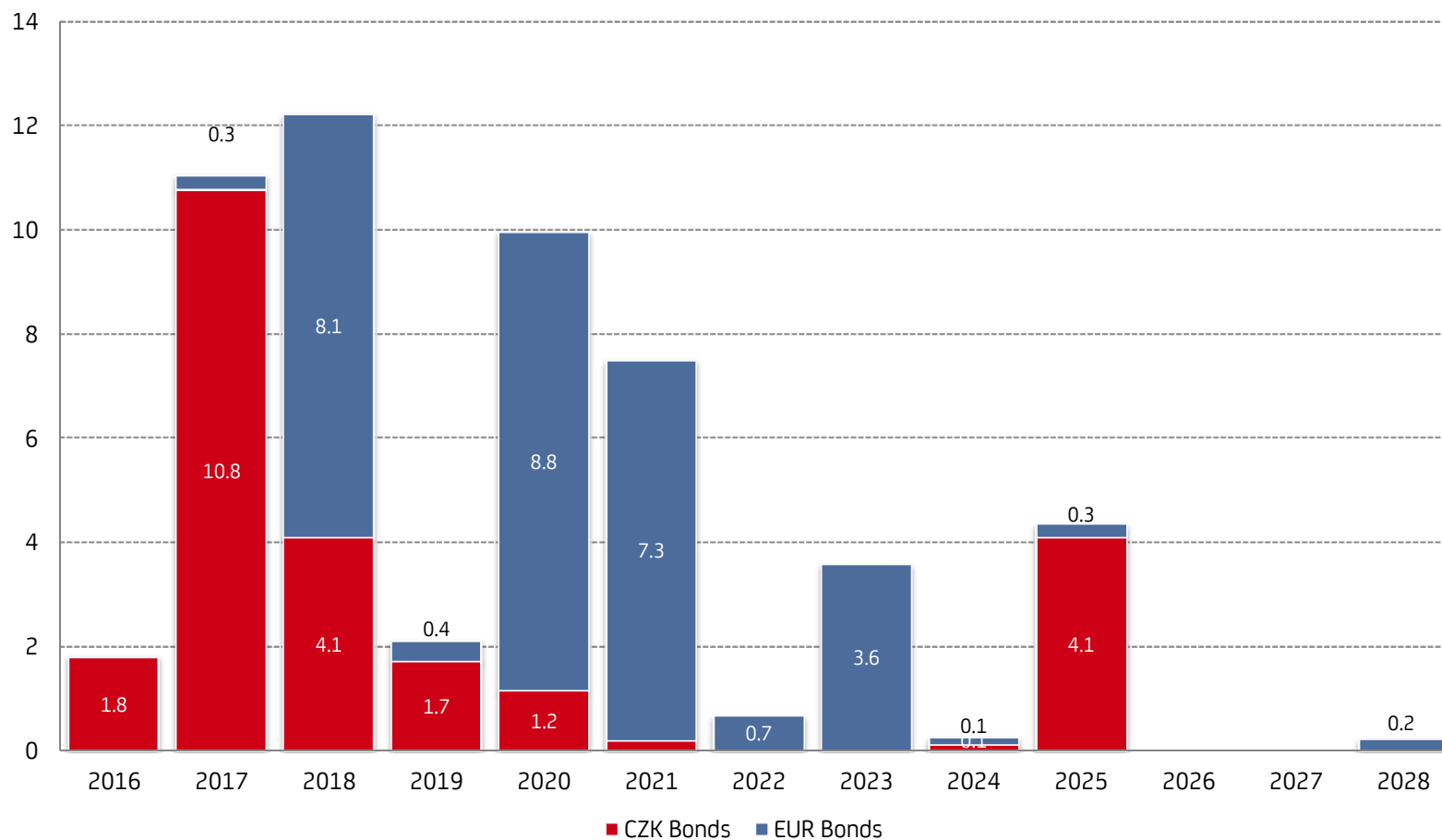
Covered Bonds Overview

■ Total value of the outstanding Covered Bonds as of 30 June 2016:	CZK 53,719 mln eq.
■ o/w denominated in CZK:	CZK 23,922 mln (44.5%)
■ o/w denominated in EUR:	CZK 29,797 mln eq. (55.5%)
■ Current Overcollateralization:	63.63%
■ Current rating:	Aa3 (Moody's), assigned 5th Aug 2015

Cover Pool

UCBCS's Covered Bonds Maturity Profile

CZK bln equiv.

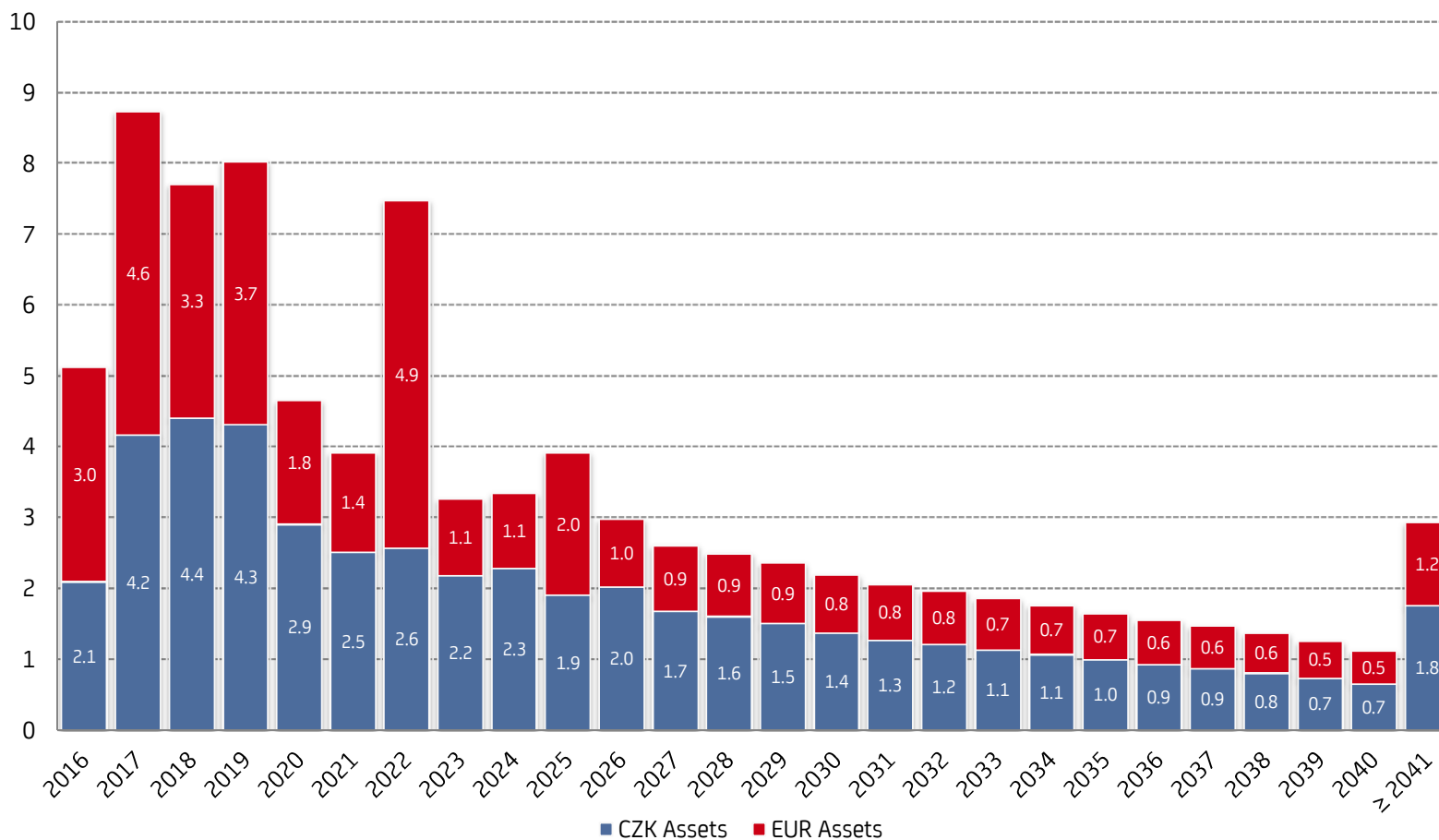


Source: UniCredit Bank Czech Republic and Slovakia, a.s.
 Data as of June 30, 2016
 FX CZK/EUR = 27.030

Cover Pool

UCBCS's Cover Pool Maturity Profile

CZK bln equiv.

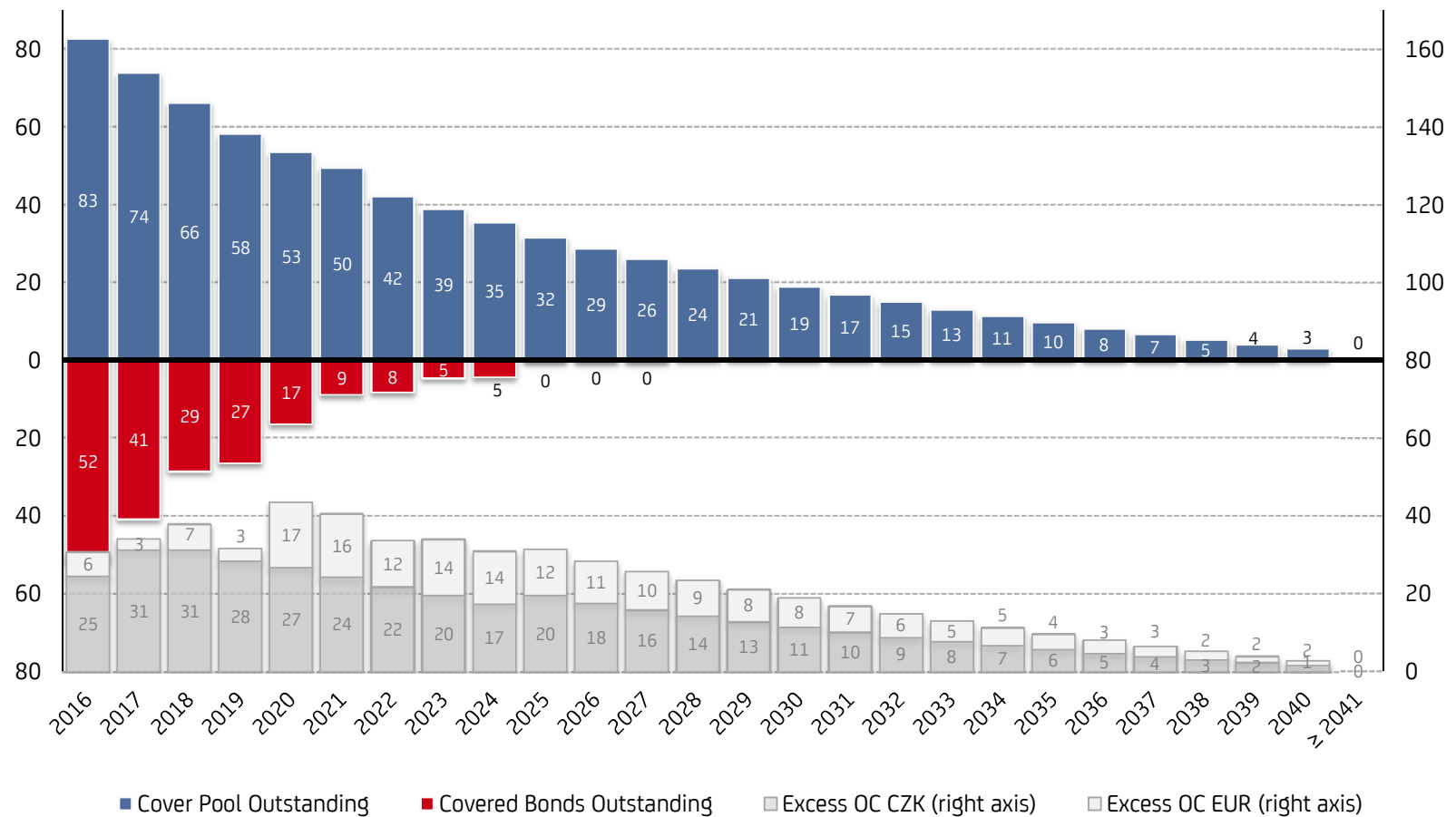


Source: UniCredit Bank Czech Republic and Slovakia, a.s.
 Data as of June 30, 2016
 FX CZK/EUR = 27.030

Cover Pool

UCBCS's Cover Pool & Covered Bonds Outstanding

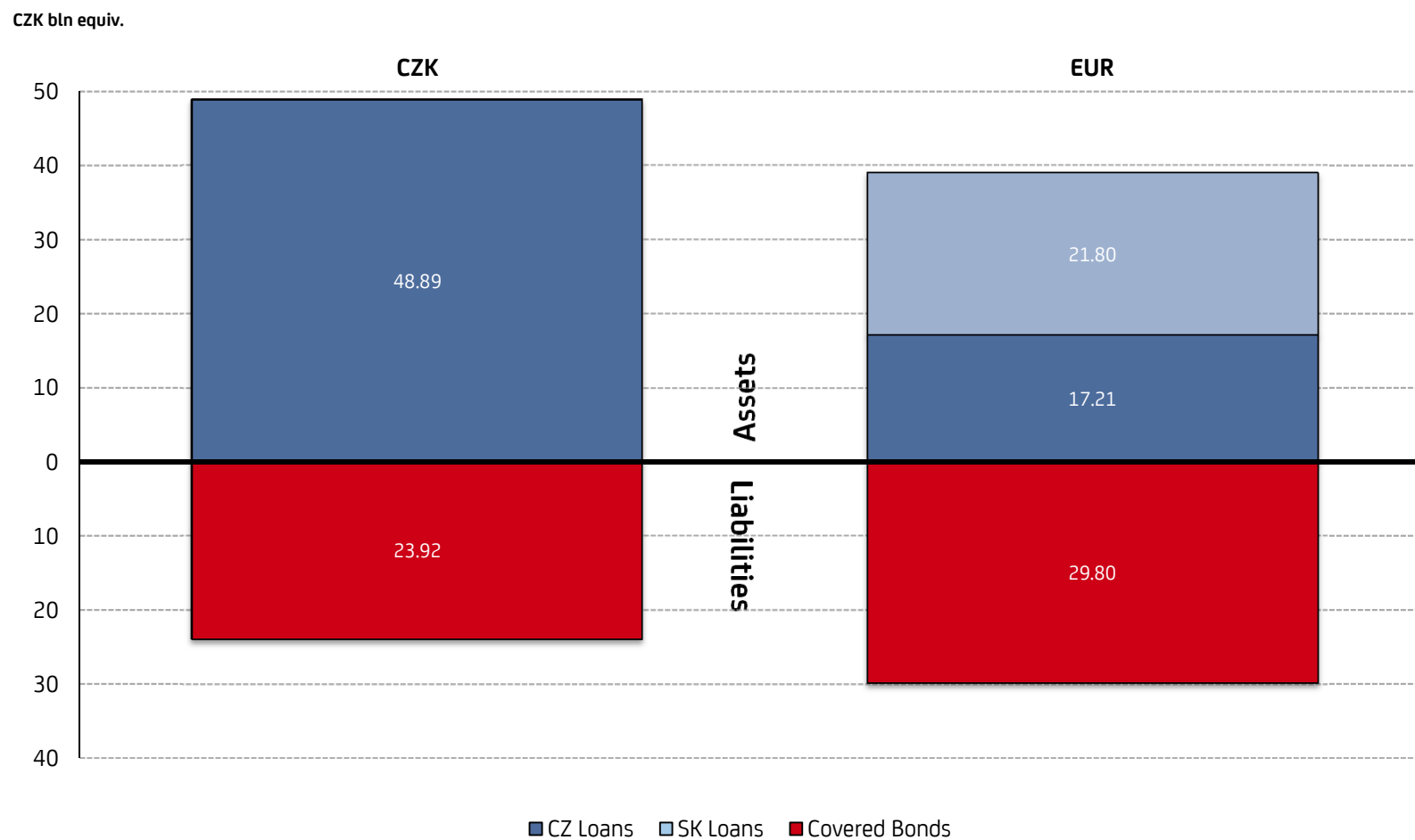
CZK bln equiv.



Source: UniCredit Bank Czech Republic and Slovakia, a.s.
Data as of June 30, 2016
FX CZK/EUR = 27.030

Cover Pool

UCBCS's Cover Pool & Covered Bonds - Currency Breakdown



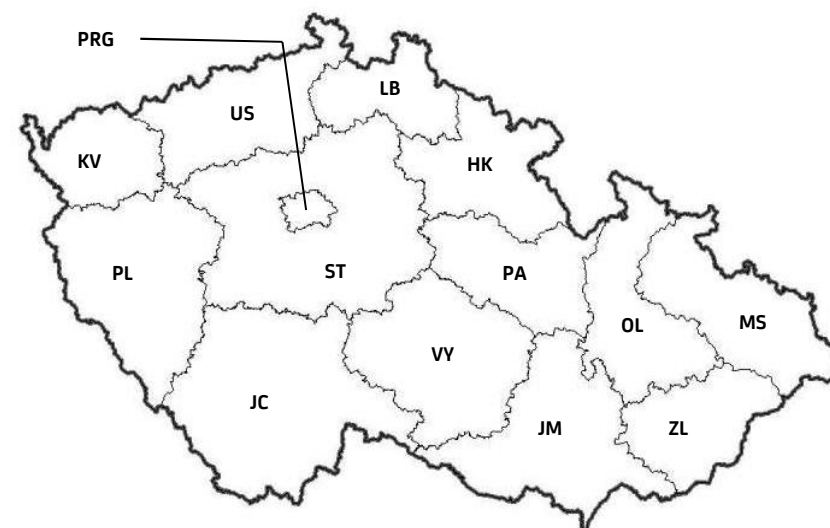
Source: UniCredit Bank Czech Republic and Slovakia, a.s.
 Data as of June 30, 2016
 FX CZK/EUR = 27.030

Cover Pool

UCBCS's Cover Pool Features - CZ Retail Residential Portfolio

Residential Portfolio - Czech Republic	
Total Loan Balance (in CZK)	34,572,434,288
Average Loan Balance (in CZK)	1,319,962
Total Number of Loans	26,192
Total Number of Debtors	24,075
Total Number of Properties	25,490
Weighted Average Seasoning (in years)	3.5
Contracted Weighted Average Remaining Term (in years)	20.8
Weighted Average LTV	70%
Stake of Fixed Interest Rate Loans	75%
Stake of 10 Biggest Loans	1%
Stake of Bullet Loans	0%

Regional Distribution - Czech Republic	
PRG Prague-East & Prague-West	25.3%
ST Středočeský kraj excl. Prague -East & Prague-West	19.1%
JM Jihomoravský kraj	13.8%
MS Moravskoslezský kraj	6.8%
OL Olomoucký kraj	5.1%
US Ústecký kraj	4.2%
JC Jihočeský kraj	4.0%
ZL Zlínský kraj	3.9%
HK Královéhradecký kraj	3.9%
LB Liberecký kraj	3.8%
PL Plzeňský kraj	3.6%
PA Pardubický kraj	3.1%
VY Kraj Vysočina	2.3%
KV Karlovarský kraj	1.1%



Cover Pool

UCBCS's Cover Pool Features - SK Retail Residential Portfolio

Residential Portfolio - Slovakia	
Total Loan Balance (in CZK)	21,799,214,090
Average Loan Balance (in CZK)	933,186
Total Number of Loans	23,360
Total Number of Debtors	18,354
Total Number of Properties	19,114
Weighted Average Seasoning (in years)	3.3
Contracted Weighted Average Remaining Term (in years)	21.4
Weighted Average LTV	69%
Stake of Fixed Interest Rate Loans	83%
Stake of 10 Biggest Loans	1%
Stake of Bullet Loans	0%

Regional Distribution - Slovakia		
BA	Bratislavský kraj	33.6%
TT	Trnavský kraj	16.5%
ZA	Žilinský kraj	10.0%
NR	Nitriansky kraj	9.7%
KE	Košický kraj	8.8%
BB	Banskobystrický kraj	8.0%
TN	Trenčiansky kraj	6.8%
PO	Prešovský kraj	6.6%

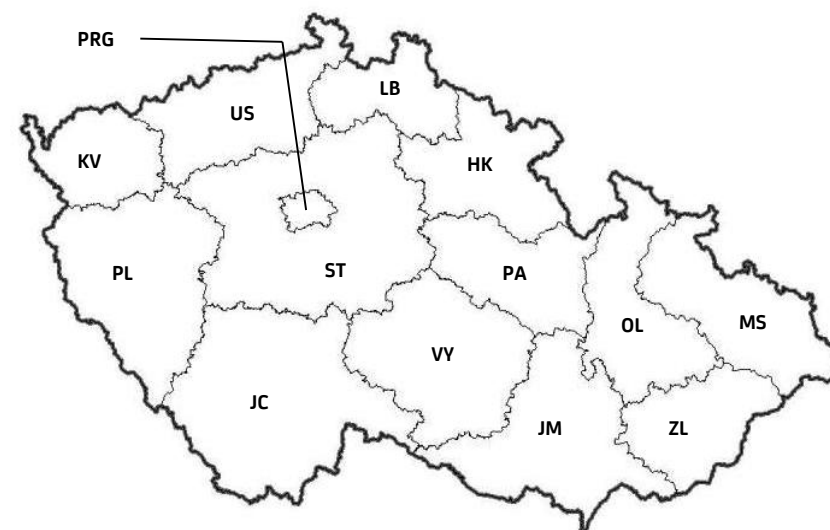


Cover Pool

UCBCS's Cover Pool Features - CZ Commercial Portfolio

Commercial Portfolio - Czech Republic	
Total Loan Balance (in CZK):	31,528,325,112
Average Loan Balance (in CZK):	28,951,630
Total Number of Loans:	1,089
Total Number of Debtors:	931
Total Number of Properties:	1,155
Weighted Average Seasoning (in years):	2.9
Contracted Weighted Average Remaining Term (in years):	4.9
Weighted Average LTV:	70%
Stake of Fixed Interest Rate Loans:	30%
Stake of 10 Biggest Loans:	37%
Stake of Bullet Loans:	2%

Regional Distribution - Czech Republic	
PRG Prague-East & Prague-West	42.5%
JM Jihomoravský kraj	9.3%
OL Olomoucký kraj	9.0%
MS Moravskoslezský kraj	7.6%
ST Středočeský kraj excl. Prague -East & Prague-West	7.5%
US Ústecký kraj	7.1%
PL Plzeňský kraj	4.3%
JC Jihočeský kraj	2.8%
LB Liberecký kraj	2.8%
PA Pardubický kraj	1.9%
KV Karlovarský kraj	1.7%
HK Královéhradecký kraj	1.6%
VY Kraj Vysočina	1.1%
ZL Zlínský kraj	1.1%



Your Contacts

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