

# Bank Austria



## Presentation to Fixed Income Investors

Investor Relations

Vienna, 20 January 2017

Welcome to  
**Bank Austria**  
Member of  **UniCredit**

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## Opening remarks



# After the CEE Demerger, new role of Bank Austria

## Focus on Austrian market

Opening remarks —

### New Bank Austria

#### Focus on Austria

- **CEE Demerger** facts:
  - Effective as of **1<sup>st</sup> October 2016**
  - **Transfer of CEE business from BA AG to UC SpA**  
(including shift of management function for the CEE subsidiaries to UniCredit)
- **CEE Demerger** rationale:
  - **Lower risk** going forward
  - **Better capital structure** with **lower volatility**
  - **Improvement of funding and market access**
  - In the future, **lower complexity** and **higher focus on the Austrian business**

#### Transformation of Austrian activities

- **New set-up** aiming at:
  - **Strengthening profitability**
  - **Customer centricity**
  - Strategic response to evolving **digital trends**
  - **Streamlining of Austrian operations**



# Bank Austria remains a leading bank in the local market

Opening remarks —

**Leading domestic bank in Corporate Banking, Corporate & Investment Banking and Private Banking**

*Corporates: client shares of up to 70%*  
*Private Banking: Every 5<sup>th</sup> HNWI a BA client*

**Vienna remains the CEE competence center of UniCredit Group**

*No impact of CEE transfer on Bank Austria clients*

**BA by far the largest bank in Austria at individual institution level**

*With **assets > € 100 bn**, largest Austrian bank on unconsolidated level*

**Bank Austria is one of the best capitalized large banks in the country**

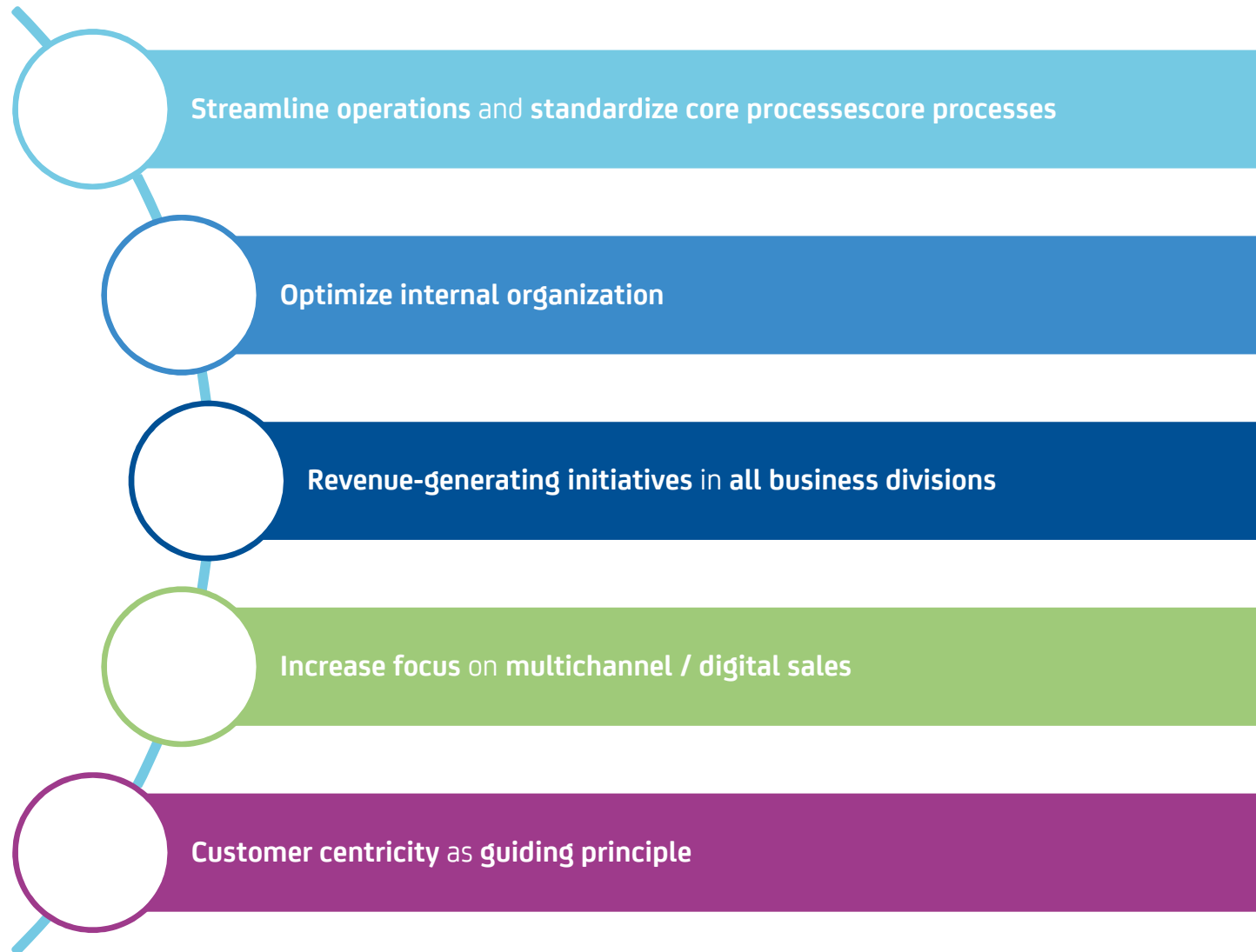
***Solid CET1 ratio of 12.9%***

1) BA Group as of 30 September 2016, before CEE Demerger



# New Bank Austria – drivers of transformation until 2018

Opening remarks —



# Agenda

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## 1 UniCredit Group

### 2 Overview Bank Austria

- Business Model & Strategy
- Profit & Loss
- Balance Sheet & Capital Ratios

### 3 Liquidity & Funding

- Funding Strategy & Position
- Transactions
- Cover Pool

### 4 Annex



# UniCredit at a glance

A clear international profile based on a strong European identity

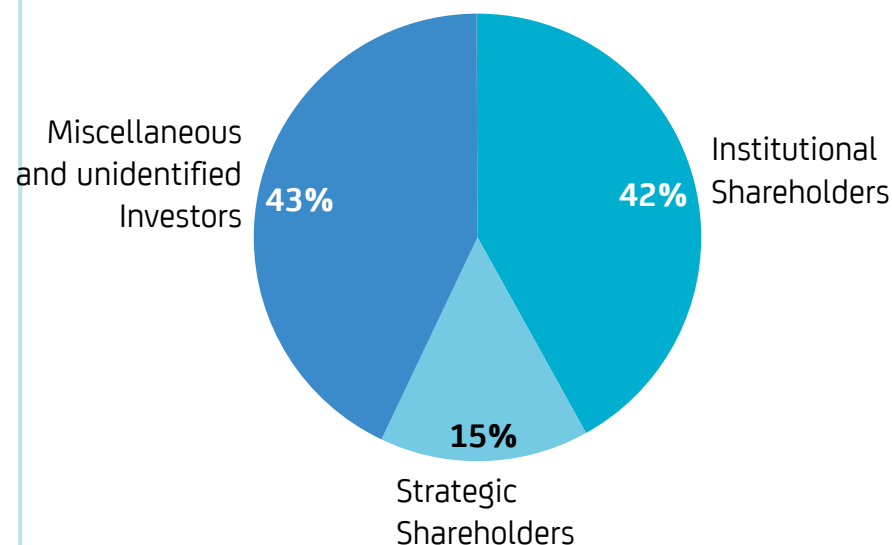
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UniCredit Group

## UniCredit Highlights

- Strong local roots in 17 countries<sup>2)</sup>
- ~ 122,000 employees<sup>2)</sup>
- ~ 6,500 branches<sup>2)</sup>
- ~ 31 mn customers in Europe
- One of the most important banks in Europe with total assets of ~ € 875 bn
- One of the 30 Global Systemically Important Banks (“G-SIBs”) worldwide
- Market capitalization of ~ € 13 bn <sup>3)</sup>
- Common Equity Tier 1 (CET1) Ratio at 10.82% under Basel 3 fully loaded <sup>4)</sup>

## Shareholder Structure<sup>1)</sup>



### Main shareholders:

- Stable shareholders, e.g. Foundations
- Institutional investors
- Retail investors

1) Source: UniCredit analysis on Sodali Shareholders' ID. All data based on ordinary shares as at 16 June 2016

2) Excluding figures for Koc Financial Group calculated at 100%. Figures as of Sep 30, 2016; still including Ukrainsbank which has been sold as of 31 Oct, 2016

3) As of 15 November 2016

4) As of 30 September 2016



# Transform 2019

## UniCredit Strategic Plan 2016-19 (Address capital and legacy issue)

1 2 3 4

UniCredit Group

9M16

2019

### STRENGTHEN AND OPTIMIZE CAPITAL

- Bold actions taken: Pioneer, Pekao and 30% of Fineco
- €13bn rights issue fully underwritten by volume<sup>1</sup>
- Conservative plan delivering organic capital generation

**10.8%** CET1  
ratio<sup>2</sup>

>**12.5%** CET1  
ratio

### IMPROVE ASSET QUALITY

- Addressed Italian legacy issues, through de-risking of €17.7bn portfolio and proactive bad loans management
- Detailed review of portfolio resulting in strengthened coverage ratio
- Tightened risk discipline to further improve credit portfolio risk profile

**€8.1bn** one-off  
LLP<sup>3</sup>

**254bps**<sup>4</sup> CoR

**49bps** CoR

1. Pre-underwriting commitment, in line with market practice for similar transactions, of a consortium of primary financial institutions 2. Stated amount, 12.5% restated 3. Based on current assessment and subject to final terms of FINO transaction 4. Including one-off LLP, if excluding LLP in 9M2016 cost of risk equal to 77bps

Note: 9M2016 figures restated assuming new Group perimeter; plan assumes cash dividend with a 20% payout





# Transform 2019

## UniCredit Strategic Plan 2016-19 (further transforming and building on competitive advantages)

1 2 3 4

UniCredit Group

### TRANSFORM OPERATING MODEL

- Operating model transformation to a sustainable lower cost structure
- Further improve customer focus, service and products
- IT investments to support business transformation
- Digitalization as enabler

**€1.7bn** net annual recurring cost savings as of 2019

**944** branches reduction in Western Europe<sup>1</sup> by 2019

**€1.6bn<sup>2</sup>** IT investment cash out over plan period

### MAXIMIZE COMMERCIAL BANK VALUE

- Capitalize on Retail client relationships potential
- Leverage on "go to" bank status for Corporate clients in Western Europe<sup>1</sup>
- Further strengthen leadership<sup>4</sup> position in CEE
- Enhance cross-selling across business lines and countries

**€80bn** increase to reach **€856bn** TFA in 2019

Additional **€363m** joint CIB-Commercial Banking revenues<sup>3</sup>

### ADOPT LEAN BUT STEERING CENTER

- Strong steering Group Corporate Center; KPIs to drive performance and ensure accountability
- Leaner support functions and transparent cost allocation

Weight of Group Corporate Center of total costs from **5.1%** to **2.9%** by 2019

1. Italy, Germany and Austria 2. Excluding regulatory, cumulated effect 2017-2019 3. Includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured financing products from Corporate clients 4. Rank #1 for market share by assets as of 9M2016



# Agenda

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- 1 UniCredit Group
- 2 Overview Bank Austria
  - **Business Model & Strategy**
  - Profit & Loss
  - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
  - Funding Strategy & Position
  - Transactions
  - Cover Pool
- 4 Annex



# Bank Austria – at a glance

1 2 3 4

## Bank Austria Highlights as of 30 September 2016<sup>1)</sup>

Overview Bank Austria  
Business Model & Strategy

- **Member of UniCredit since 2005**
- **Leading corporate bank** and **one of the largest retail banks** in Austria
- **~ 6,700 FTE** and **about 170 branches** in Austria with further reduction envisaged
- **As of October 1, 2016, management<sup>1)</sup> of the banking network in CEE (13 countries) transferred under UniCredit SpA**
- **~ 29,000 FTE** and **about 1,300 branches** in full CEE subsidiaries<sup>2)</sup>
- **Solid capital base** (12.9% CET1 Ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	09/16	12/15
Total Assets	194.6	193.6
Customer Loans	117.8	116.4
Direct Funding	134.6	139.1
Equity	17.8	15.4

In € bn

	9M16	9M15
Operating income	4,561	4,317
Operating costs	-2,227	-2,284
LLP	-419	-757
Net profit	1,156	663

In € mn

RoE after tax 10.5%

Cost / income ratio 48.8%

CET1 capital ratio<sup>3)</sup> 12.9%

Total capital ratio<sup>3)</sup> 16.7%

Non-performing exposure ratio 3.3%

Coverage ratio 59.1%

Cost of risk 48bp

S&P BBB A-2

Moody's Baa1 P-2

Fitch BBB+ F2

Market share loans / deposits Austria<sup>4)</sup> 14.5 % / 13.8 %

1) Figures presented refer to **Bank Austria before the CEE Carve out**;

2) plus a further ~ 19,000 FTE and ~ 1,000 branches in Turkey (the 41%-stake now being consolidated at equity);

3) Capital ratios based on all risks; Basel 3 (transitional) and IFRSs; end of period;

4) As of August 2016

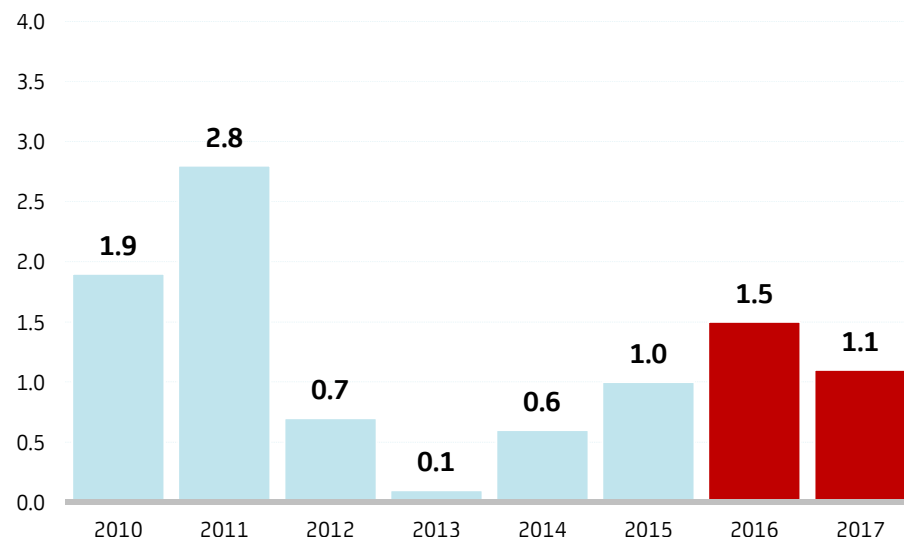


# Economic Conditions in Austria

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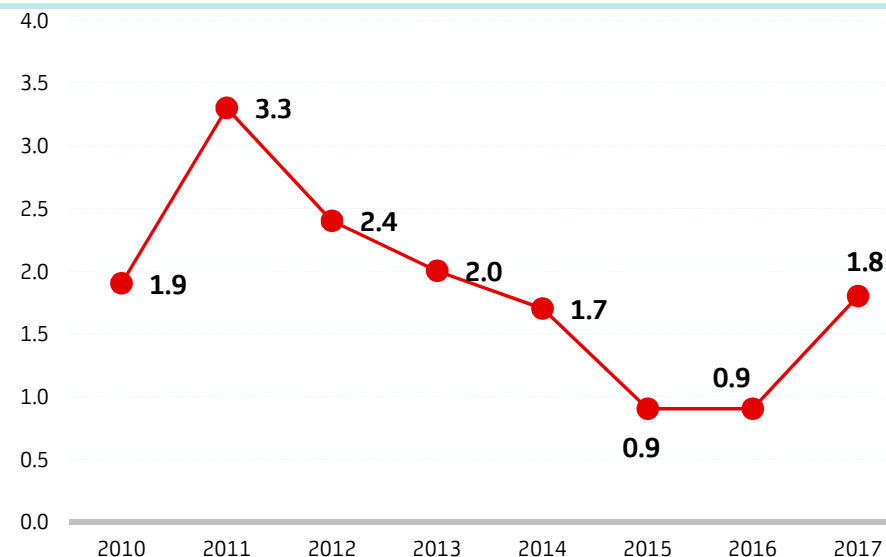
Overview Bank Austria  
Business Model & Strategy

## Austrian economic growth YoY in %

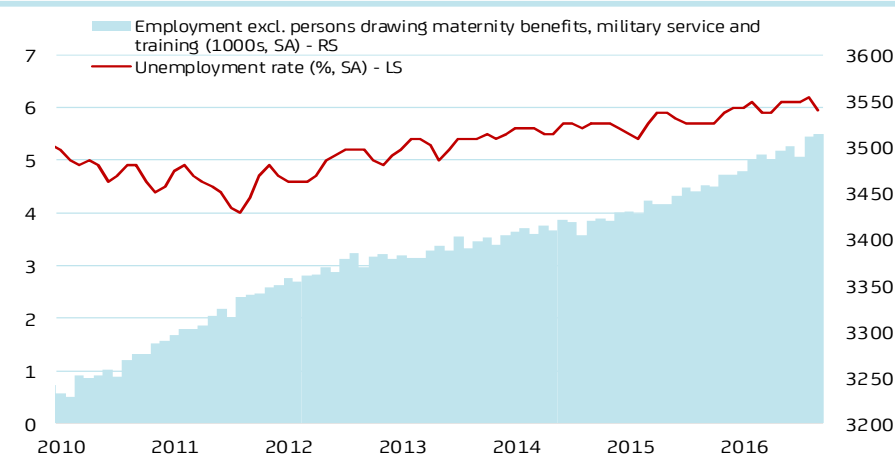


- Following sound growth in the third quarter, the Austrian economy remains on track for average growth of 1.5 per cent in 2016. Given subdued foreign trade activity, two-thirds of economic growth is attributable to consumption and one-third to the recovery of investment.
- Domestic demand will continue to drive economic recovery in 2017, though at a more moderate rate. We are looking for GDP growth of 1.1 per cent in 2017.
- The upward trend in inflation will continue. We expect the rate of inflation to slowly rise to above 1 per cent by the end of the year. The average rate for 2016 as a whole will therefore be 0.9 per cent. In 2017 we believe that raw material prices will only increase to a slight extent. We are therefore anticipating an average inflation rate of 1.8 per cent.

## Austrian inflation rate YoY in %



## Employment and unemployment rate



# Business Model and Market Position in Bank Austria's Home Market

1 2 3 4

Overview Bank Austria  
Business Model & Strategy

## Bank Austria is one of the strongest banks in Austria

### CIB

- **Leading corporate bank** in the country (7 of 10 large corporates are clients)
- Focus on
  - **Multinational corporates**
  - **International and institutional Real Estate customers** requiring **investment banking solutions** and capital markets-related products
  - **Financial Institutions**
- Clients have access to the **largest banking network in CEE** as well as to **UniCredit branches** in major financial centers **worldwide**

CIB = Corporate & Investment Banking

### Corporate Banking

- **Strong market position** in all corporate segments
- The division covers
  - **Corporate customers** (>€3mn turnover)
  - **Real Estate**
  - **Public Sector** (excluding Republic of Austria)
- **Nearly every second SME** (€3-50mn turnover) is **customer of Bank Austria**
- **Broad coverage** through a **nationwide branch network**, offering its **customers** a complete range of high-quality products

### Retail Banking

- The division covers 1,6mn **Retail and Small Business customers** (<€3mn turnover)
- **Broad Multichannel offer** via
  - **Physical branches**
  - **Online branch** (remote advisory via video telephony)
  - **Online shop and online banking**
- **Nationwide complete range of high-quality advisory** for complex products through on site and remote experts
- **Extended opening hours** and increasing **online, mobile and self-service offers** covers changing customer behavior

### Private Banking

- **Leading Private Banking in Austria** with every fifth Austrian High Net Worth Individual as customer of Bank Austria
- Clients benefit from the combination of **local understanding and international capabilities**
- **Tailored financial services** to High Net Worth Individuals and foundations
- **Successful client approach** through BA's PB Division and Schoellerbank

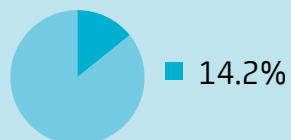


# Bank Austria's Market Shares<sup>1)</sup> in the Domestic Customer Business (as of September 2016)

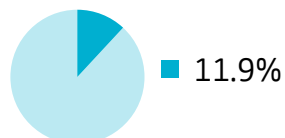
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Overview Bank Austria  
Business Model & Strategy

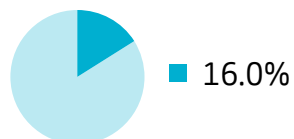
## Loans TOTAL



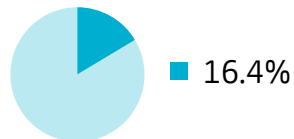
### • Retail Loans



### • Corporate Loans

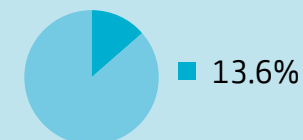


### • Public Sector Loans

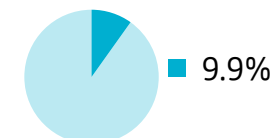


### • Funds<sup>2)</sup>

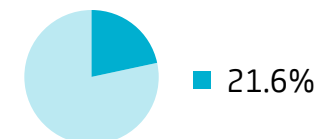
## Deposits TOTAL



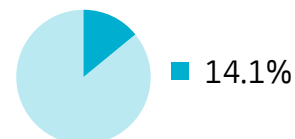
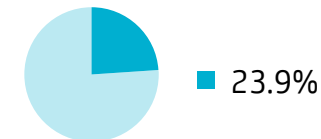
### • Retail Deposits



### • Corporate Deposits



### • Public Sector Deposits



**Very efficient network structure to cover the important size of customer share  
with only 5% of all bank branches in Austria**

<sup>1)</sup> UniCredit Bank Austria AG

<sup>2)</sup> Pioneer Investments Austria + Bank Austria real estate funds



# Rating Overview

1 2 3 4

Overview Bank Austria  
Business Model & Strategy

	Moody's			S&P			Fitch		
	Long-Term	Short-Term	Subordinated <sup>1)</sup>	Long-Term	Short-Term	Subordinated <sup>1)</sup>	Long-Term	Short-Term	Subordinated <sup>1)</sup>
<b>Bank Austria<sup>2)</sup></b>	<b>Baa1</b> Stable	<b>P-2</b>	<b>Ba1</b>	<b>BBB</b> Negative	<b>A-2</b>	<b>BB+</b>	<b>BBB+</b> Negative	<b>F2</b>	<b>-</b>
<b>UniCredit S.p.A.</b>	<b>Baa1</b> Stable	<b>P-2</b>	<b>Ba1</b>	<b>BBB-</b> Stable	<b>A-3</b>	<b>BB</b>	<b>BBB+</b> Negative	<b>F2</b>	<b>BBB</b>
<b>Public Sector Covered Bond</b>	<b>Aaa</b>			<b>-</b>			<b>-</b>		
<b>Mortgage Covered Bond</b>	<b>Aaa</b>			<b>-</b>			<b>-</b>		

(as of 9 November 2016)

1) Subordinated (Lower Tier II)

2) Securities issued before 31 Dec. 2001 which benefit from a secondary liability by the City of Vienna (grandfathered debt) are also rated as shown above by Standard & Poor's, while by Moody's the corresponding senior securities are rated A2 and the subordinated ones are rated Baa2



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# P&L of Bank Austria Group<sup>1)</sup> – 9M16

Net profit up by 74% based on good performance both in Austria and CEE

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## Overview Bank Austria

Profit & Loss

(€ mn)	1-9/ 2016	1-9/ 2015	y/y	3Q16	2Q16	3Q15	q/q	y/y
Operating Income	4,561	4,317	5.6%	1,524	1,667	1,406	-8.6%	8.5%
Operating Costs	-2,228	-2,284	-2.5%	-733	-740	-752	-1.0%	-2.6%
Operating Profit	2,333	2,034	14.7%	792	927	653	-14.6%	21.2%
Net Write-Downs of Loans	-419	-757	-44.6%	-129	-146	-365	-11.3%	-64.6%
Net Operating Profit	1,915	1,277	49.9%	662	781	288	-15.2%	>100.0%
Non-Operating Items	-468	-287	63.3%	-48	-67	-104	-28.4%	-54.0%
Profit Before Tax	1,446	990	46.1%	615	714	184	-14.0%	>100.0%
P/L discontinued operations	9	-158	>-100.0%	8	-12	25	>-100.0%	-67.5%
Other positions	-299	-169	76.7%	-93	-135	-37	-31.2%	>100.0%
Group Net Profit	1,156	663	74.3%	530	567	173	-6.6%	>100.0%
Cost / Income Ratio (in %)	48.8%	52.9%	-406 bp	48.1%	44.4%	53.5%	368 bp	-546 bp

For comparability reasons, CEE results included herein are still consolidated in each P&L-line. When applying IFRS 5, CEE results are moved to the line „P/L discontinued operations“; Group Net Profit 1-9/2016 in this scenario is € 1,086 mn

- **Operating Income up 6% y/y**, driven by strong CEE contribution and supported by sale of VISA shares (€ 183 mn contribution)
- **Operating Costs down by 2.5%**, mainly due to cost savings in Austria (transfer of pension obligation and also lower FTE)
- **Net Write-Downs of Loans significantly down y/y**, with improvements in CEE, and Austria with a very favorable development (net releases)
- **Non-Operating Items € -468 mn**: mainly systemic charges (€ -272 mn), and integration costs (€ -218 mn, mainly related to legal changes in Austria requiring a higher provision for the transfer of pension obligations to the state pension scheme)
- **Other positions** includes the income tax of € -229 mn, mainly relating to CEE and minorities € -70mn

1) As of 1 October 2016, CEE Division was transferred to UniCredit SpA. Figures presented refer to **Bank Austria before the CEE Carve-out and before IFRS 5** (accounting rule regarding the treatment of discontinued operations)

Note: Non-operating items include provisions for risks and charges, systemic charges, profit from investments and integration costs



# P&L of Austrian Segments – 9M16

Net operating profit up by 48%; decrease in operating costs and positive LLPs

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Overview Bank Austria

Profit & Loss

(€ mn)	1-9/ 2016	1-9/ 2015	y/y	3Q16	2Q16	3Q15	q/q	y/y
Operating Income	1,489	1,499	-0.7%	502	530	483	-5.4%	3.9%
Operating Costs	-1,106	-1,197	-7.5%	-350	-362	-391	-3.3%	-10.5%
Operating Profit	383	303	26.6%	152	169	92	-10.0%	65.3%
Net Write-Downs of Loans	60	-2	>-100.0%	20	44	-6	-54.2%	>-100.0%
Net Operating Profit	443	300	47.7%	172	212	86	-19.1%	>100.0%
Non-Operating Items	-361	-165	>100.0%	-44	-32	-76	34.5%	-42.8%
Profit Before Tax	82	135	-39.0%	128	180	10	-28.8%	>100.0%
Income Tax	-33	-47	-29.7%	-17	-11	-32	62.9%	-46.0%
Group Net Profit	27	155	-82.4%	108	144	11	-24.7%	>100.0%
Cost / Income Ratio (in %)	74.3%	79.8%	-553 bp	69.8%	68.2%	81.0%	155 bp	-1,122 bp

- **Operating Income down 1% y/y**, driven mainly by lower net fees and commissions and lower net trading
- **Operating Costs down by 8%**, reflecting efficient cost savings measures
- **Net Write-Downs of Loans with a very favorable development** (net releases)
- **Non-Operating Items € -361 mn**: mainly systemic charges (€ -150 mn), and integration costs (€ -204 mn in Q1 related to legal changes requiring a higher provision for the transfer of pension obligations to the state pension scheme)
- **Net Profit lower y/y** due to aforementioned one-off (€ -204 mn regarding transfer of pension obligations)

Note: Non-operating items include provisions for risks and charges, systemic charges, profit from investments and integration costs



# Loan Loss Provisions and Cost of Risk<sup>1)</sup>

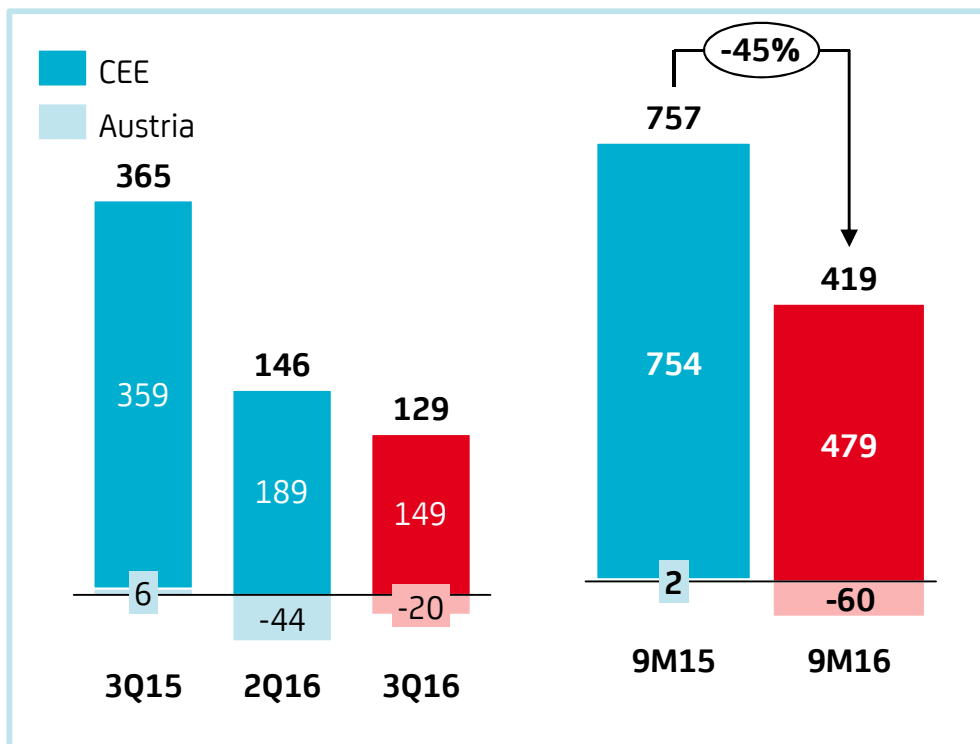
Very favorable development in LLPs and Cost of Risk

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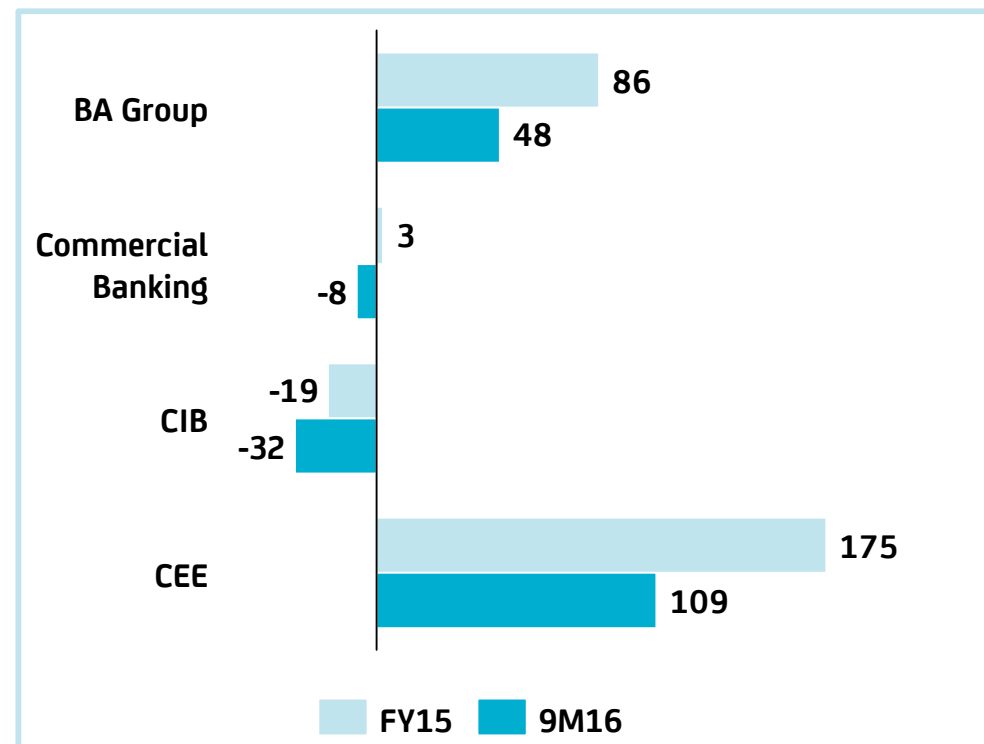
Overview Bank Austria

Profit & Loss

## Net Write-Downs of Loans (€ mn)



## Cost of Risk (in basis points)



- **LLPs (-45%) and Cost of risk** (BA Group at 48 bps vs. FY15 with 86 bps) **lower y/y** due to:
- Continuing very favorable development in **Austria** in Retail and releases for major customers in Corporate and CIB, resulting in a net surplus of € +60 mn. Cost of Risk in Austria at even -14 bps
- **CEE**: Overall improvement y/y of LLPs by € 275 mn (last year impacted by provisions for CHF loans in Croatia), cost of risk down to 109 bps

1) As of 1 October 2016, CEE Division was transferred to UniCredit SpA. Figures presented refer to **Bank Austria before the CEE Carve-out and before IFRS 5** (accounting rule regarding the treatment of discontinued operations)



# Asset Quality

## Asset Quality Ratios improving further in 3Q16

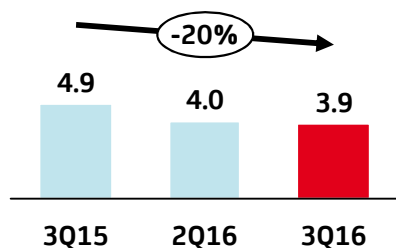
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### Overview Bank Austria

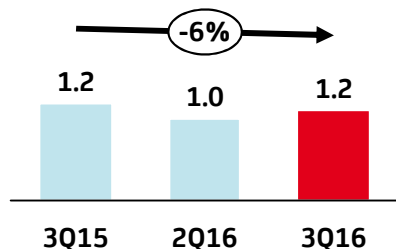
#### Profit & Loss

#### Net NPE <sup>1)</sup> (in bn €)

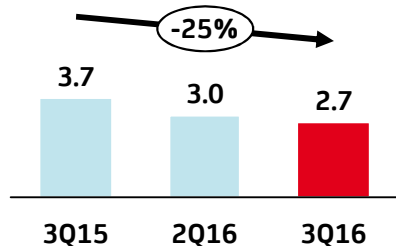
##### BA Group<sup>2)</sup>



##### Austria

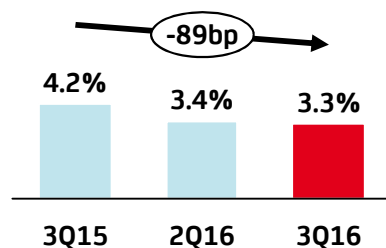


##### CEE

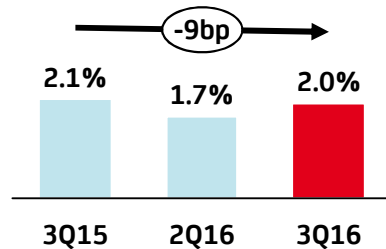


#### % of Net NPE on Total Net Loans <sup>1)</sup>

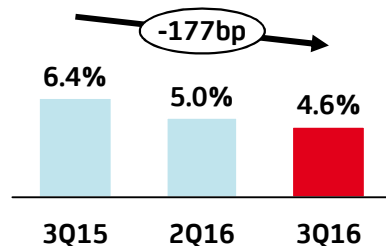
##### BA Group<sup>2)</sup>



##### Austria

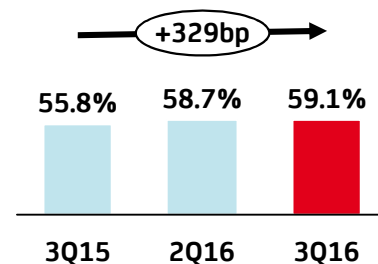


##### CEE

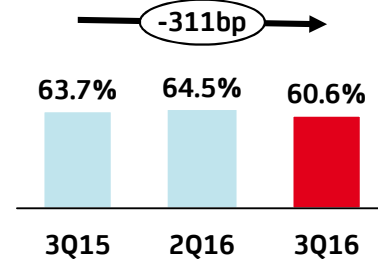


#### % Coverage Ratio on NPE <sup>1)</sup>

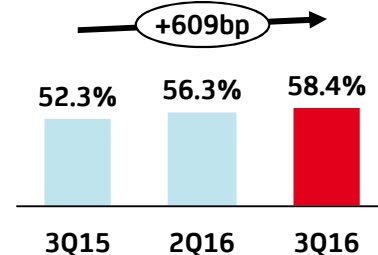
##### BA Group<sup>2)</sup>



##### Austria



##### CEE



- In 3Q16 a **further reduction of Non Performing Exposure** led to improvements in the **NPE Ratio** and **Coverage Ratio**
- In **CEE**, and in particular in Russia a remarkable **improvement** of the **Coverage Ratio** was achieved (CEE 58.4%, Russia 62.6%)
- High quality of loan portfolio in Austria**; worsening of ratios only due to the shift of one major – fully collateralized – single loan into NPE

<sup>1)</sup> on-balance clients (non-banks) only

<sup>2)</sup> As of 1 October 2016, CEE Division was transferred to UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carveout.



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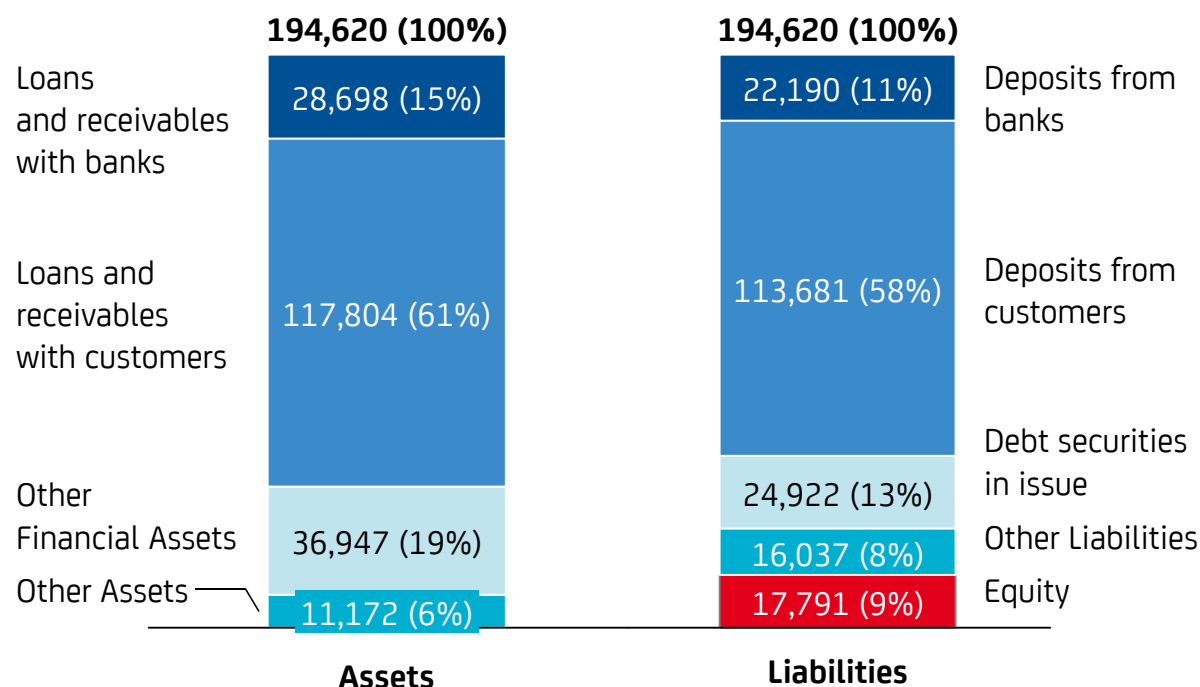


# Balance Sheet structure (as of 30 September 2016)

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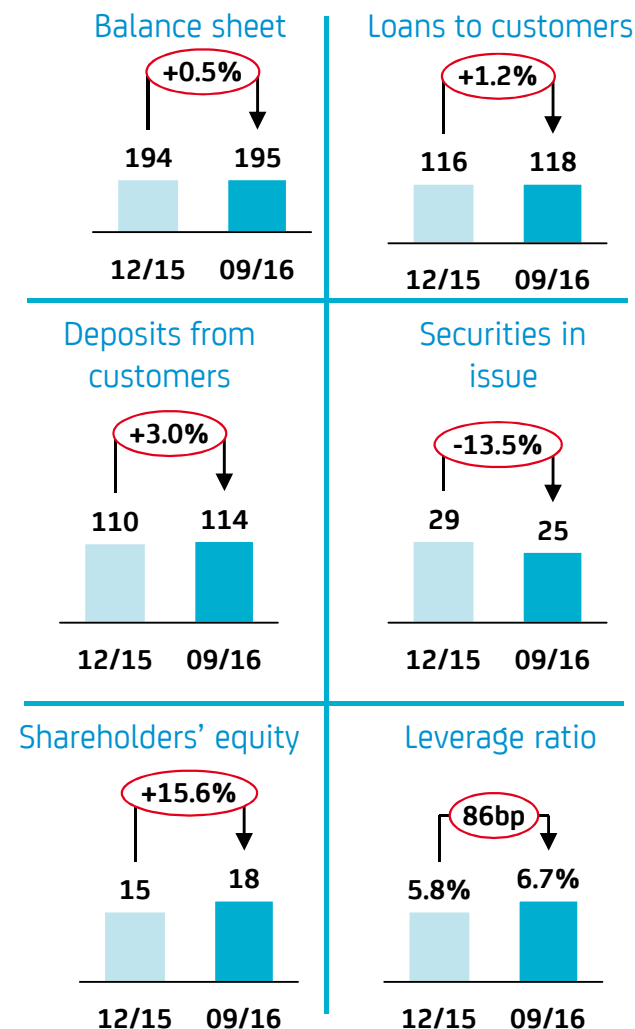
Overview Bank Austria  
Balance Sheet & Capital Ratios

## Balance Sheet<sup>1)</sup> (€ mn)



- **Balance sheet** development stable, vs. YE increases in customer business mitigated partly by reduced interbank volumes
- **Solid equity base** of € 17.8 bn (up vs. YE15 by + 16%) due to net profit, shareholder contribution of € 1 bn by UniCredit and positive development of the currency translation
- **Leverage Ratio at strong 6.7%**

## Change vs. 31 December 2015 (€ bn) <sup>1)</sup>



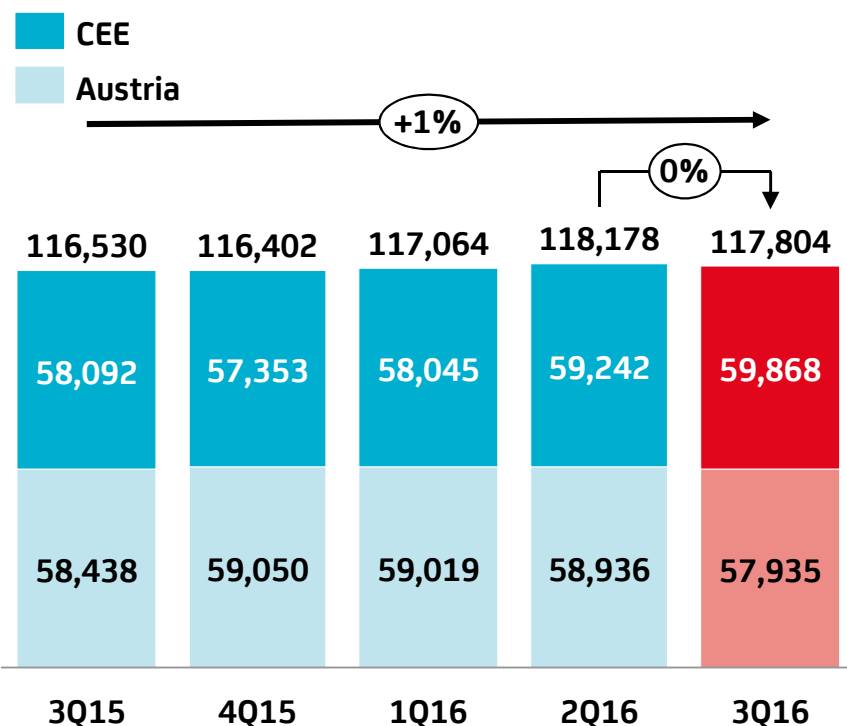
# Loan and Deposit Volumes

Increase in loans and deposits y/y, very good Loans/Direct Funding Ratio

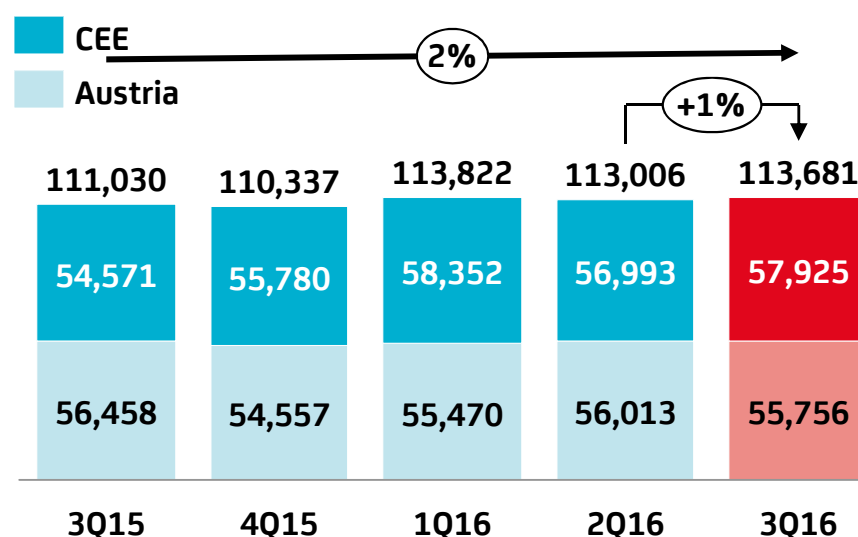
1 2 3 4

Overview Bank Austria  
Balance Sheet & Capital Ratios

## Loans to Customers<sup>1)</sup> (€ mn)



## Deposits from Customers<sup>1)</sup> (€ mn)



## Loans/Direct Funding Ratio<sup>2)</sup>

83% 83% 82% 84% 85%

- **Loans to customers y/y up 1%** driven by CEE
- **Deposits from customers with a growth of 2% y/y**, driven by CEE countries)
- Overall excellent funding base, **Loans/Direct Funding Ratio at very good 85%**

<sup>1)</sup> All figures recast and excl. Turkey and Ukraine; figures presented refer to **Bank Austria before the CEE Carveout. and before IFRS 5** (accounting rule regarding the treatment of discontinued operations)

<sup>2)</sup> Loans / (deposits + securities in issue + financial liabilities at fair value).



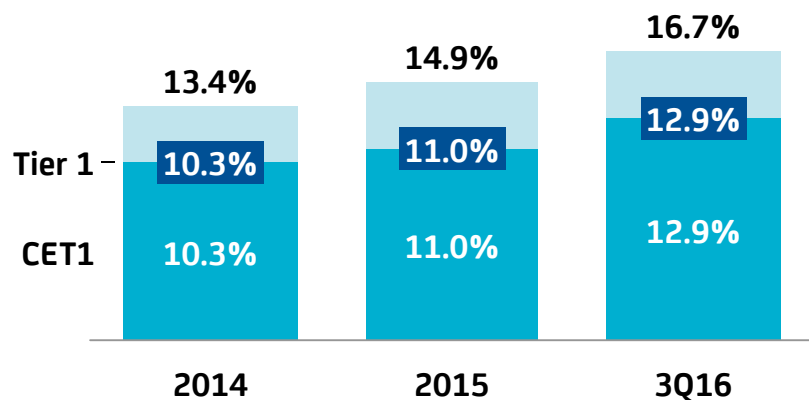
# Capital position and RWA

## Sound capital ratios<sup>1)</sup>

1 2 3 4

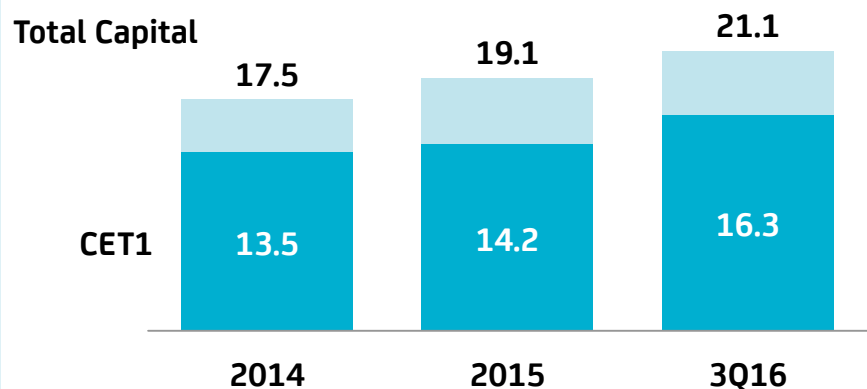
Overview Bank Austria  
Balance Sheet & Capital Ratios

### Capital Ratios<sup>2)</sup>

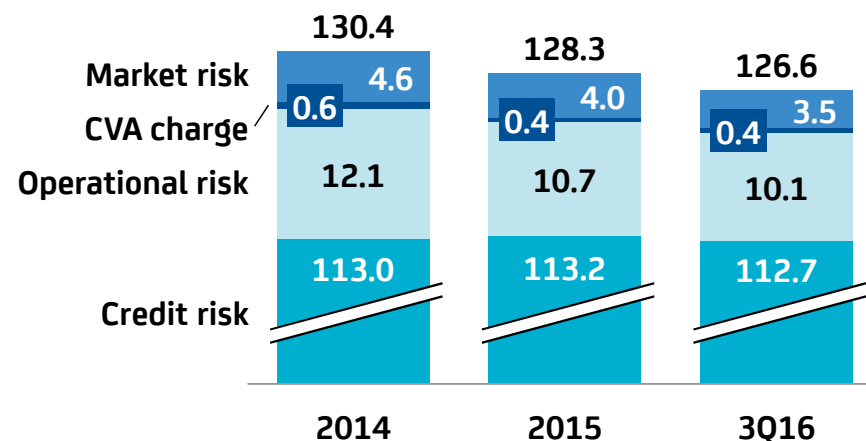


- **Common Equity Tier 1 (CET1) ratio increased to 12.9%** and **Total Capital ratio to 16.7%** (both according to Basel 3 phase-in)
- **Increase of regulatory capital** driven by UniCredit's shareholder contribution of € 1bn and inclusion of 1H16 profit
- **Total RWA decreased vs. YE15**, driven by all RWA categories

### Regulatory Capital<sup>2)</sup> (€bn)



### Risk-Weighted Assets<sup>2)</sup> (€bn)



1) Capital ratios in accordance with Basel 3/CRR, transitional adjustments (phase-in)

2) As of 1 October 2016, CEE Division was transferred to UniCredit SpA. Figures presented refer to Bank Austria before the CEE Carve-out.





# Agenda

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- 1 UniCredit Group
- 2 Overview Bank Austria
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  - Profit & Loss
  - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
  - **Funding Strategy & Position**
  - Transactions
  - Cover Pool
- 4 Annex



# Bank Austria Acts as Liquidity Reference Bank (LRB) for all Austrian Group Entities and is a Strategic Issuing Platform for UniCredit Group

1 2 3 4

Liquidity & Funding  
Funding Strategy & Position

## UniCredit S.p.A. – Holding

LRB Italy/CEE	LRB Germany	LRB Austria	LRB Poland
UniCredit S.p.A (Baa1/BBB-/BBB+)	UniCredit Bank AG (Baa1/BBB/A-)	<b>UniCredit Bank Austria AG (Baa2/BBB/BBB+)</b>	Bank Pekao SA (A2/BBB+/A-)
<ul style="list-style-type: none"> <li>• Bank capital</li> <li>• OBG (covered bonds)</li> <li>• Registered sec./ <i>Schuldschein-Darlehen</i> (SSD)</li> <li>• Senior benchmark</li> <li>• Private placement</li> <li>• Network issues</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgage- and Public Sector Pfandbriefe</li> <li>• Senior benchmark</li> <li>• Registered sec. (SSD, NSV<sup>*)</sup>) covered / senior</li> <li>• Private placements</li> <li>• Network Issues</li> <li>• Certificates</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgage- and Public Sector Pfandbriefe</li> <li>• Senior benchmark</li> <li>• Housing-bank-bonds (<i>Wohnbaubank-Anleihen</i>)</li> <li>• Registered sec. (SSD, NSV<sup>*)</sup>) covered/senior</li> <li>• Private placements</li> <li>• Network issues</li> </ul>	<ul style="list-style-type: none"> <li>• Network issues</li> <li>• Bearer bonds</li> </ul>

- **Own Issue Programs**
- **Presence on the local and global markets**
- During the liquidity crisis **no state aid** needed
- **Coordination of the global market presence** through UniCredit Holding

Long-Term Ratings by (Moody's/S&P/Fitch) as of 11 May 2016



# Self-funding of Business Growth of Bank Austria Group

## Business Growth of BA Group to be self-funded by a well-balanced mix of customer deposits and market issuances

- **Well-diversified funding base** due to BA's commercial banking model. Priority is on growth of local funding sources out of customer business with a variety of products (sight, savings, term deposits) as well as medium- and long-term placements of own issues
- The **self-funding strategy of Bank Austria** was demonstrated by returning to the capital markets: from 2010 focus was given to issuance of benchmark-sized Pfandbriefe and **since 2013** also on **Senior Unsecured Benchmarks**
- The **strict principle of self-sufficient funding of Bank Austria**
  - ensures that the proceeds are used primarily for business development of entities of Bank Austria Group
  - enables Bank Austria to calculate its own funding costs according to its own risk profile



# Liquidity and Funding Management within BA Group based on clear and strict Risk Management Principles

## Clear Rules and Principles in Bank Austria for the Management of Liquidity and Funding

### ■ Liquidity strategy

- Bank Austria AG acting as an **independent Liquidity Reference Bank (LRB)** within UniCredit Group - in line with the **self-funding principle** of the Group Strategy
- Bank Austria AG **manages the liquidity development in Austria (including all Austrian Group entities)**

### ■ Clear operative rules

- Active **liquidity and funding management** by defining short-term and structural liquidity and funding limits for all subsidiaries of BA Group
- All national legal / regulatory constraints have to be followed on single entity level
- Bank Austria AG establishes a **separate Funding and Liquidity Plan for Austria** as part of the Funding and Liquidity Plan of UniCredit Group

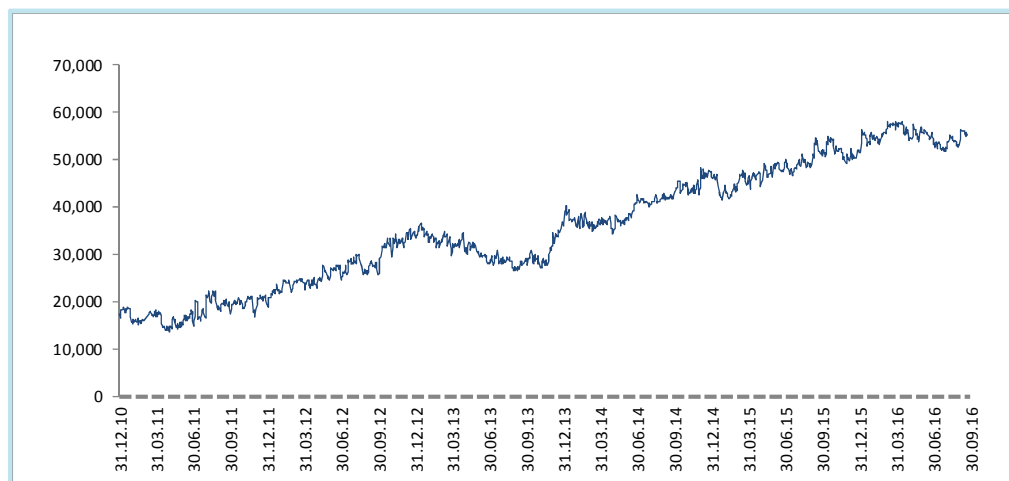


# BA Group-wide Liquidity Position (steered centrally by ALM BA)

1 2 3 4

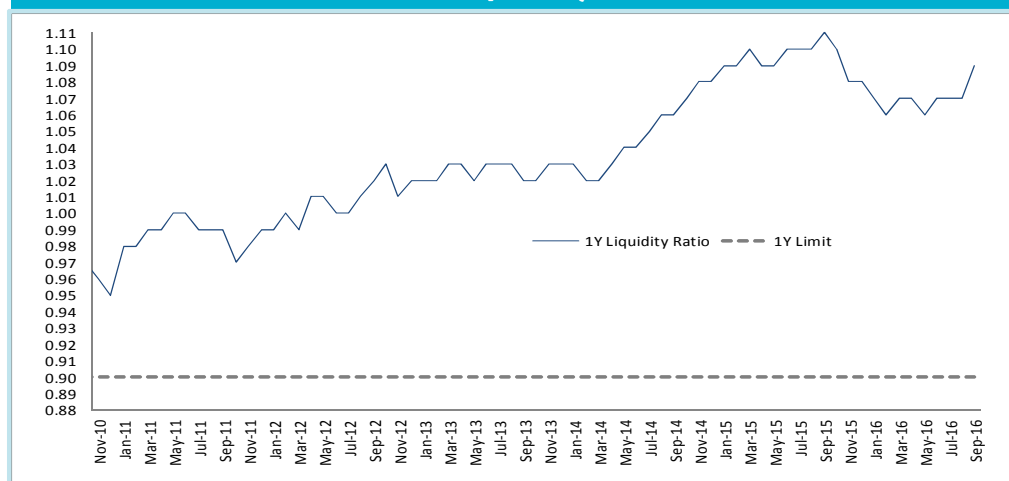
Liquidity & Funding  
Funding Strategy & Position

## BA RLC 3 month available liquidity position <sup>1) 2)</sup>



- **Positive primary GAP**
- **Cash horizon constantly above 3M**, above the Group target
- **Sound counterbalancing capacity** increased by € 3.0 bn year on year
- **Liquidity Coverage Ratio** as of 30<sup>th</sup> September 2016 at level of 198% for BA AG and 141% for BA Group.

## Structural liquidity ratio (1Y)



- **Structural liquidity ratio<sup>3)</sup> well above limits.**
  - Internal rule of 0.90 for maturities above 1y
  - Level as of September 2016: 1.09
- **Structural Liquidity remains at comfortable levels despite lower FP execution due to DeLorean.**
- **Structural liquidity ratio point to NSFR fulfillment above 100%.**
- **Stable development of L/D ratio**

<sup>(1)</sup> Sum of net liquidity inflow + counterbalancing capacity

<sup>(2)</sup> Assuming no roll-over of current outstanding wholesale debt

<sup>(3)</sup> Calculated as ratio between liabilities (cumulative sum above one year) and assets (cumulative sum above one year)



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- 1 UniCredit Group
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  - **Transactions**
  - Cover Pool
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# Overview of Pfandbrief Benchmark Issues 2015

1 2 3 4

Liquidity & Funding  
Transactions

- February, successful issue of a 10-year **Mortgage Pfandbrief Benchmark**

**Bank Austria**  
**Mortgage Pfandbrief**

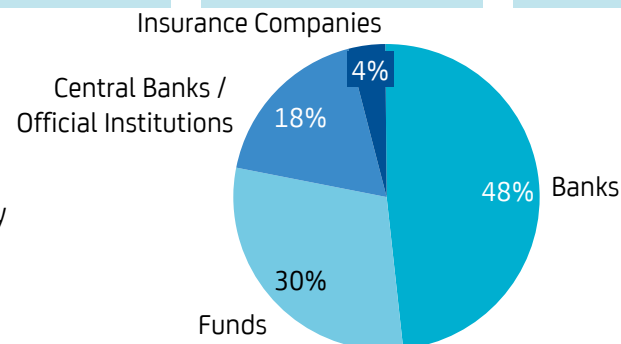
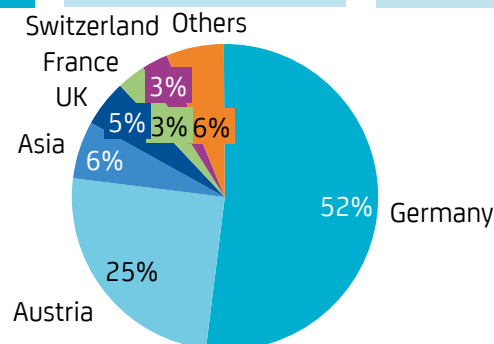
**0.75%**

**25/02/2025**

**€ 500 mn**

**Feb. 2015**

**MS + 3bps**



- In September, successful issue of a 7-year **Mortgage Pfandbrief Benchmark**

**Bank Austria**  
**Mortgage Pfandbrief**

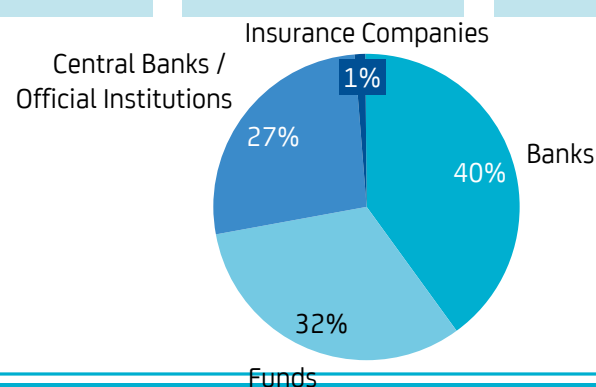
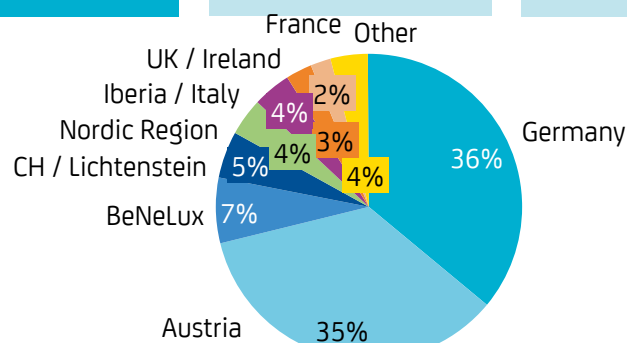
**0.75%**

**08/09/2022**

**€ 500 mn**

**Sept 2015**

**MS + 5bps**



# Overview of Pfandbrief Benchmark Issues 2014

1 2 3 4

Liquidity & Funding  
Transactions

Bank Austria Mortgage Pfandbrief	2.375%	22/01/2024	€ 500 mn	Jan. 2014	MS + 35bps
Bank Austria Mortgage Pfandbrief	1.25%	14/10/2019	€500 mn	April 2014	MS + 23bps
Bank Austria Public Sector Pfandbrief	1.375%	26/05/2021	€ 500 mn	May 2014	MS + 25bps
Bank Austria Mortgage Pfandbrief	0.5%	16/01/2020	€ 500 mn	Sept. 2014	MS + 7bps





# Overview of Pfandbrief Benchmark Issues prior to 2014

1 2 3 4

Liquidity & Funding  
Transactions

Bank Austria Mortgage Pfandbrief	1.25%	30/07/2018	€ 500 mn	July 2013	Mid-Swap +26
Bank Austria Mortgage Pfandbrief / First Tap	1.25%	30/07/2018	€200 mn	Sept. 2013	Mid-Swap +10
Bank Austria Public Sector Pfandbrief	4.125%	24/02/2021	€ 1 bn	Feb. 2011	Mid-Swap +69
Bank Austria Public Sector Pfandbrief	2.625%	25/04/2019	€ 500 mn	Apr 2012	Mid-Swap +88
Bank Austria Public Sector Pfandbrief	1.875%	29/10/2020	€ 500 mn	Oct 2013	Mid-Swap +25



# Overview of Senior Unsecured Benchmark Issues 2013

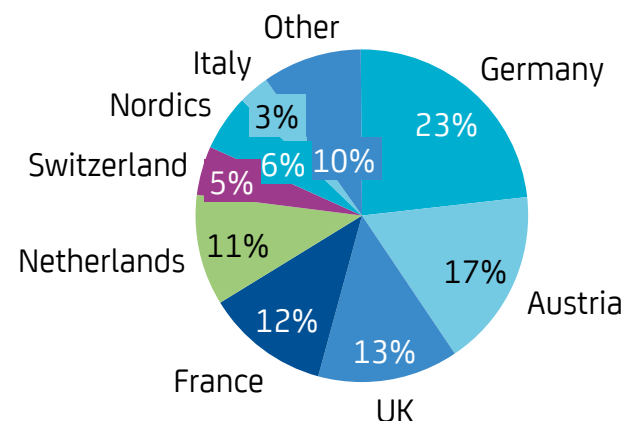
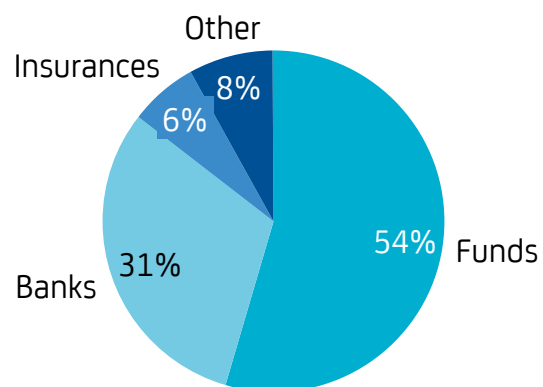
1 2 3 4

Liquidity & Funding  
Transactions

- Senior Unsecured Benchmarks (January 2013 and its first tap in May and an additional one in November 2013) were successfully issued

Bank Austria Senior Unsecured Bond	2.625%	30/01/2018	€ 500 mn	Jan. 2013	Mid-Swap +163
Bank Austria Senior Unsecured Bond	2.625%	30/01/2018	€ 250 mn	May 2013	Mid-Swap +105
Bank Austria Senior Unsecured Bond	2.5%	27/05/2019	€ 500 mn	Nov. 2013	Mid-Swap +135

- Overview of Investors



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  - **Cover Pool**
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# Executive Summary Bank Austria

## Public Sector Cover Pool

1 2 3 4

Liquidity & Funding  
Cover Pool

- **Aaa Rating** by Moody's
- **ECBC Covered Bond Label** has been granted to the Public Sector Cover Pool of Bank Austria
- Cover Pool Volume as of 30 September 2016 amounts to EUR 6,850 mn
- Average volume of loans is approx. € 1.84 mn
- Average seasoning is 6.15 years



# Public Sector

## Parameters of Cover Pool and Issues

1 2 3 4

Liquidity & Funding

Cover Pool

■ Total Value of the Cover Pool as of 30 September 2016 in EUR equivalent:	6,850 mn
● thereof in EUR:	3,622 mn
● thereof in CHF:	1,531 mn
● thereof public sector bonds in EUR equivalent:	1,697 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	6,2
Contracted Weighted Average Life (in years)	8,5
Average Seasoning (in years)	6,4
Total Number of Loans	3.718
Total Number of Debtors	1.413
Total Number of Guarantors	279
Average Volume of Loans (in EUR)	1.842.394
Stake of 10 Biggest Loans	30,5%
Stake of 10 Biggest Guarantors	30,9%
Stake of Bullet Loans	60,9%
Stake of Fixed Interest Loans	35,5%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1,4%

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralization*):	50.4% / 42.4%
■ Total Value of Sold Covered Bonds as of 30 September 2016 in EUR:	4,555 mn

Parameters of Issues:	
Total Number	36
Average Maturity (in years)	4,0
Average Volume (in EUR)	126.518.211

\*) Austrian Mortgage Banking Act requires a nominal over-collateralisation of 2%. The basis for its calculation is a cover pool value reduced by legally defined haircuts. Taking these haircuts into consideration, the cover pool value amounts to EUR 6,510 mn, thus the overcollateralization is 42.9%. Additionally, in its Articles of Association, UniCredit Bank Austria commits itself to an over-collateralisation on a present value basis.



# Public Sector

## Maturity Structure of Cover Pool and Issues

1 2 3 4

Liquidity & Funding  
Cover Pool

Maturity of Assets in the Cover Pool	in mn EUR	in %
<b>Maturity up to 12 months</b>	<b>1.470</b>	<b>21,5%</b>
<b>Maturity 12 - 60 months</b>	<b>1.605</b>	<b>23,4%</b>
thereof Maturity 12 - 36 months	1.011	14,8%
thereof Maturity 36 - 60 months	594	8,7%
<b>Maturity 60 - 120 months</b>	<b>965</b>	<b>14,1%</b>
<b>Maturity longer than 120 months</b>	<b>2.810</b>	<b>41,0%</b>
<b>Total</b>	<b>6.850</b>	<b>100,0%</b>

Maturity of Issued Covered Bonds	in mn EUR	in %
<b>Maturity up to 12 months</b>	<b>560</b>	<b>12,3%</b>
<b>Maturity 12 - 60 months</b>	<b>3.585</b>	<b>78,7%</b>
thereof Maturity 12 - 36 months	1.585	34,8%
thereof Maturity 36 - 60 months	2.000	43,9%
<b>Maturity 60 - 120 months</b>	<b>127</b>	<b>2,8%</b>
<b>Maturity longer than 120 months</b>	<b>283</b>	<b>6,2%</b>
<b>Total</b>	<b>4.555</b>	<b>100,0%</b>







# Public Sector

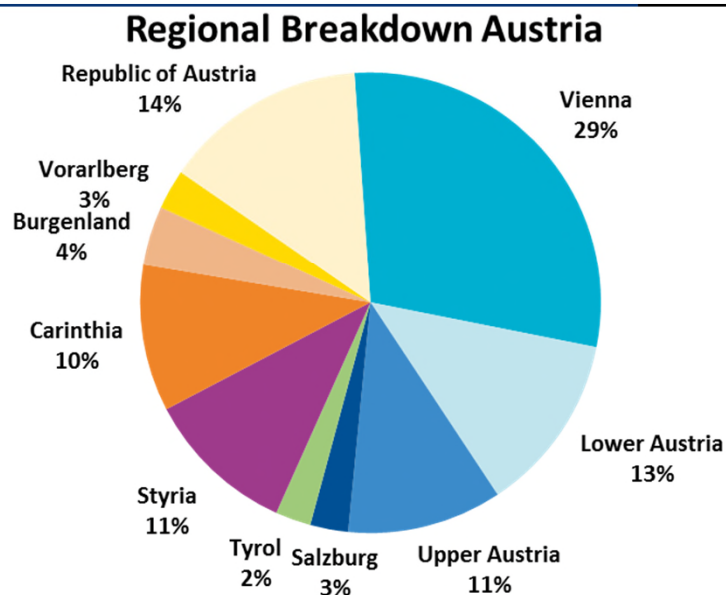
## Regional Breakdown of Assets<sup>\*)</sup> in Austria

1 2 3 4

Liquidity & Funding

Cover Pool

Regional Breakdown Austria		in mn EUR	in %
 Vienna		2.002	29,2%
 Lower Austria		862	12,6%
 Upper Austria		744	10,9%
 Salzburg		182	2,7%
 Tyrol		171	2,5%
 Styria		727	10,6%
 Carinthia		706	10,3%
 Burgenland		286	4,2%
 Vorarlberg		191	2,8%
 Republic of Austria		978	14,3%
<b>Total Austria</b>		<b>6.850</b>	<b>100,0%</b>



<sup>\*)</sup> Considering Guarantors



# Public Sector

## Assets Volume Breakdown by Type of Debtor / Guarantor

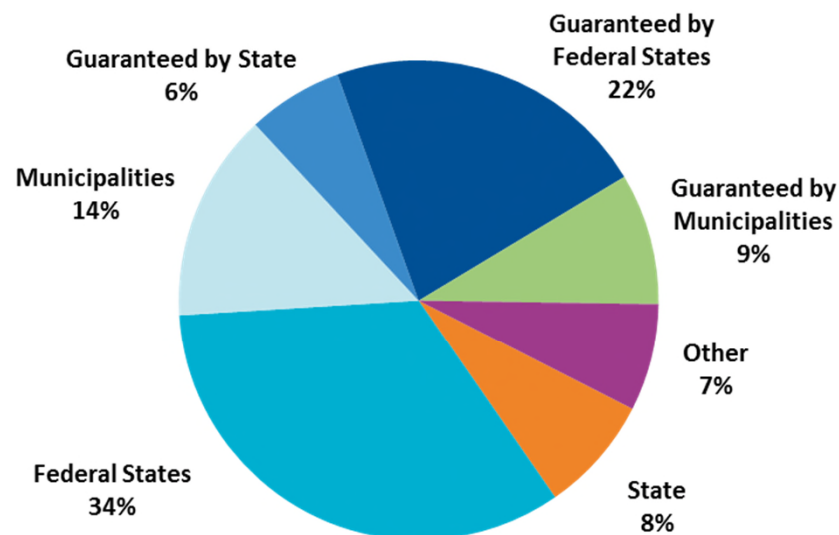
1 2 3 4

Liquidity & Funding

Cover Pool

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	539	5
Federal States	2.305	52
Municipalities	964	2.131
Guaranteed by State	440	158
Guaranteed by Federal States	1.499	247
Guaranteed by Municipalities	606	442
Other	497	683
<b>Total</b>	<b>6.850</b>	<b>3.718</b>

Type of Debtor / Guarantor





# Public Sector

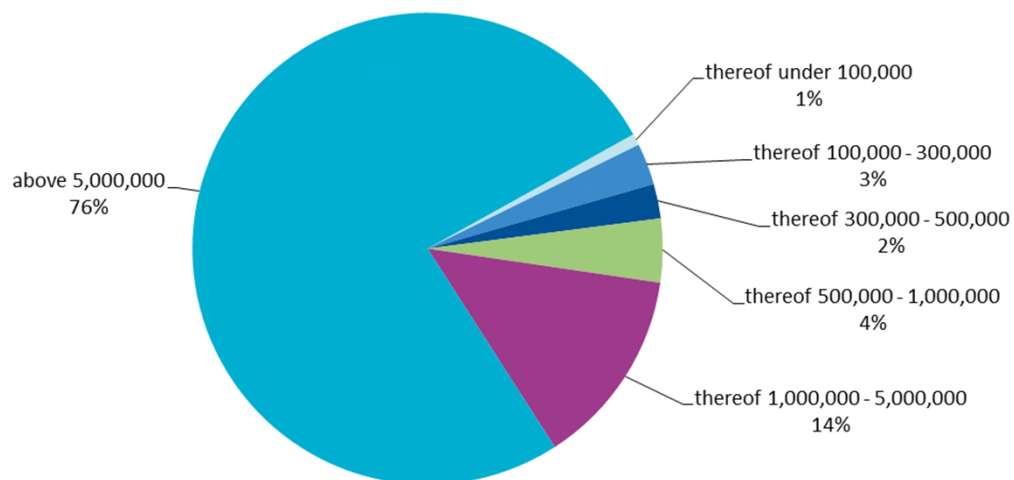
## Volume Breakdown by Size of Assets

1 2 3 4

Liquidity & Funding  
Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
<b>below 300,000</b>	<b>249</b>	<b>2.266</b>
thereof under 100,000	54	1.192
thereof 100,000 - 300,000	195	1.074
<b>300,000 - 5,000,000</b>	<b>1.392</b>	<b>1.312</b>
thereof 300,000 - 500,000	162	420
thereof 500,000 - 1,000,000	299	422
thereof 1,000,000 - 5,000,000	931	470
<b>above 5,000,000</b>	<b>5.209</b>	<b>140</b>
<b>Total</b>	<b>6.850</b>	<b>3.718</b>

Breakdown by Size of Assets





- **Aaa Rating by Moody's**
- Bank Austria decided to streamline its **Mortgage Cover Pool targeting a simple and transparent pool composition:**
  - focus on **Austrian mortgages only**
  - change to whole loan reporting instead of collateral volume
- **Benefit:**
  - **pure Austrian risk offer** to our investor base
  - no blending of risk, diversification to be decided by investor
  - simple pricing logic
- **ECBC Covered Bond Label** has been granted to the BA Mortgage Cover Pool



# Bank Austria's Whole Loan Approach

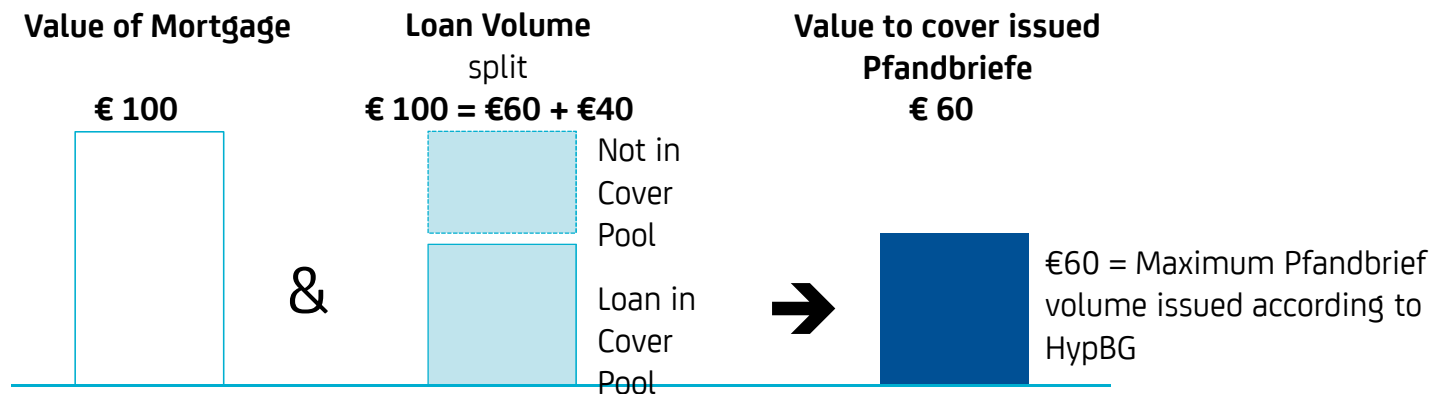
## Whole Loan Approach and its Benefits for Investors

1 2 3 4

Liquidity & Funding  
Cover Pool

According to the Austrian Mortgage Banking Act (HypBG), the maximum coverage volume of "Beleihungswert" is 60% (maximum current outstanding of the loan)

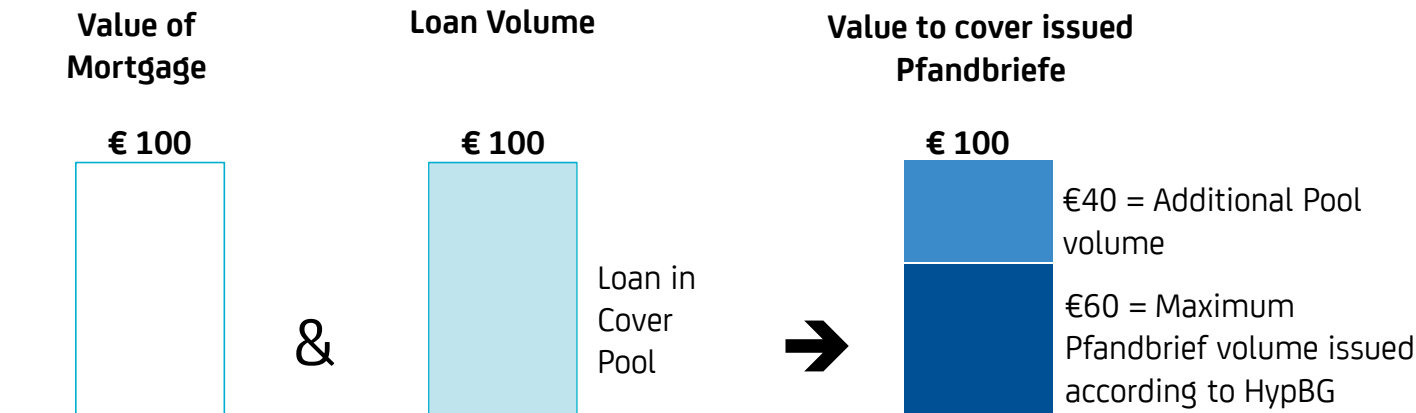
### Scenario I: Split Loan Approach = Minimum Approach



For optimization of its collateral value loans are split into 2 parts:

1. included in cover pool and
2. not included in cover pool

### Scenario II = Approach of Bank Austria = Whole Loan Approach



The whole loan – and not only its legally assigned value – is included in the cover pool to collateralize BA's issued Mortgage Pfandbriefe.

**Thus, investors benefit from collateralization above legal requirement in BA's cover pool.**



# CHF Loans in mortgage Cover Pool are 100% private residential financing

1 2 3 4

Liquidity & Funding  
Cover Pool

- The over-collateralization is approx. EUR 5.7 bn or 117% (as of 30<sup>th</sup> September 2016)

Overview	30.09.2016				
Issue volume	EUR 4.9 bn				
Over-collateralization	EUR 5.7 bn (117%)				
Total Asset Value	EUR 10.5 bn	o/w CHF	31.12.2014	30.09.2016	
Total Cover Value	EUR 7.1 bn	o/w CHF	EUR 1.6 bn	EUR 1.5 bn	(14.6% of total asset value)
			EUR 670 mln	EUR 555 mln	(7.8% of cover value / HypBG)

Changes due to  
CHF revaluation

- Covering of CHF risk in Cover Pool
  - FX-risks are explicitly considered in the rating process of Moody's and are reflected as part of their over-collateralization requirement
    - *Moody's currently requires an OC of 28.0%*
- Internal Risk Management of Bank Austria
  - According to the Cover Pool Regulation of Bank Austria NPLs are removed regularly (monthly).
    - *Less than 1% of the loans (175 of 26,000) were taken out in 2014 for this reason*
  - Special safety buffers are designated for CHF Loans
    - The credit rating of FX-Loans is subject to additional and stricter standards and will - as always - be evaluated regularly
      - *For CHF Loans an additional FX-buffer of 25% on the credit volume is considered, which must be covered by the credit rating of the client*
- No new CHF mortgage loans, therefore no inflows into Cover Pool since 2010



# Mortgage Cover Pool

## Parameters of the Cover Pool and Issues

1 2 3 4

Total Value of the Cover Pool as of 30 September 2016 in EUR equivalent:	10,536 mn
• thereof in EUR:	8,885 mn
• thereof in CHF:	1,523 mn
• thereof substitute cover in EUR:	129 mn

**Liquidity & Funding**  
Cover Pool

Parameters of Cover Pool	
<b>Weighted Average Life</b> (in years incl. Amortization)	<b>9,2</b>
<b>Contracted Weighted Average Life</b> (in years)	<b>13,9</b>
<b>Average Seasoning</b> (in years)	<b>6,0</b>
<b>Total Number of Loans</b>	<b>30.954</b>
<b>Total Number of Debtors</b>	<b>29.110</b>
<b>Total Number of Mortgages</b>	<b>30.954</b>
<b>Average Volume of Loans</b> (in EUR)	<b>336.216</b>
<b>Stake of 10 Biggest Loans</b>	<b>14,8%</b>
<b>Stake of 10 Biggest Debtors</b>	<b>17,2%</b>
<b>Stake of Bullet Loans</b>	<b>36,5%</b>
<b>Stake of Fixed Interest Loans</b>	<b>15,6%</b>
<b>Amount of Loans 90 Days Overdue</b>	<b>0</b>
<b>Average Interest Rate</b>	<b>1,3%</b>

■ Moody's Rating:	Aaa
■ Nominal / Present Value Over-Collateralisation*):	116.7% / 124.9%
■ Total Value of Issued Mortgage Pfandbriefe as of 30 September 2016 in EUR:	4,863 mn
■ Total Value of Sold Mortgage Pfandbriefe as of 30 September 2016 in EUR:	4,263 mn

Parameters of Issues:	
<b>Total Number</b>	<b>99</b>
<b>Average Maturity</b> (in years)	<b>5,1</b>
<b>Average Volume</b> (in EUR)	<b>49.121.898</b>

\*) Austrian Mortgage Banking Act requires a nominal over-collateralization of 2%. The basis for its calculation is a cover pool value reduced by legally defined haircuts. Taking these haircuts into consideration, the cover pool value amounts to EUR 7,143 mn, thus the overcollateralization is 46.9%. Additionally, in its Articles of Association, UniCredit Bank Austria commits itself to an over-collateralization on a present value basis.



# Mortgage Cover Pool

## Maturity Structure of Cover Pool and Issues

1 2 3 4

Liquidity & Funding  
Cover Pool

Maturity of Assets in the Cover Pool		in mn EUR	in %
Maturity up to 12 months		303	2,9%
Maturity 12 - 60 months		1.570	14,9%
thereof Maturity 12 - 36 months		761	7,2%
thereof Maturity 36 - 60 months		809	7,7%
Maturity 60 - 120 months		2.295	21,8%
Maturity longer than 120 months		6.367	60,4%
Total		10.536	100,0%
Maturity of Issued Covered Bonds		in mn EUR	in %
Maturity up to 12 months		131	2,7%
Maturity 12 - 60 months		2.638	54,3%
thereof Maturity 12 - 36 months		1.002	20,6%
thereof Maturity 36 - 60 months		1.636	33,6%
Maturity 60 - 120 months		1.738	35,7%
Maturity longer than 120 months		355	7,3%
Total		4.863	100,0%



# Mortgage Cover Pool

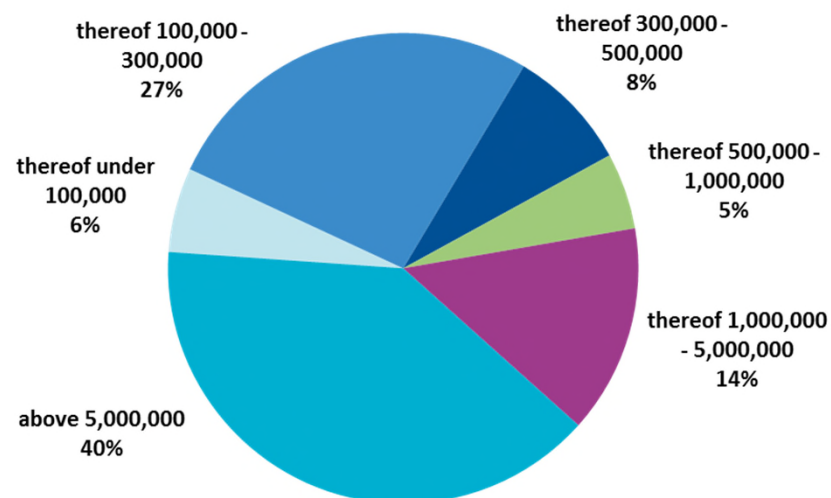
## Assets Volume Breakdown

1 2 3 4

Liquidity & Funding  
Cover Pool

Volume Breakdown by Size of Loans	in mn EUR	Number
<b>below 300,000</b>	<b>3.420</b>	<b>25.867</b>
thereof under 100,000	613	10.697
thereof 100,000 - 300,000	2.807	15.170
<b>300,000 - 5,000,000</b>	<b>2.956</b>	<b>3.766</b>
thereof 300,000 - 500,000	891	2.290
thereof 500,000 - 1,000,000	553	769
thereof 1,000,000 - 5,000,000	1.512	707
<b>above 5,000,000</b>	<b>4.160</b>	<b>181</b>
<b>Total</b>	<b>10.536</b>	<b>29.814</b>

Breakdown by Size of Loans






# Mortgage Cover Pool

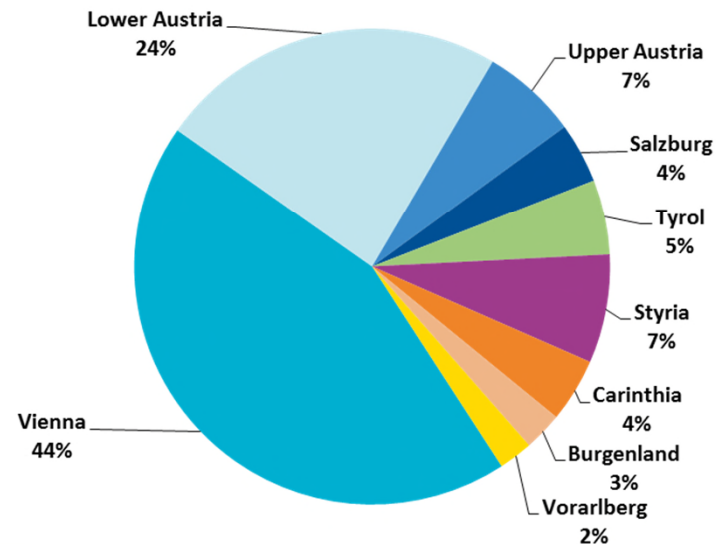
## Regional Breakdown<sup>\*)</sup> of Mortgages in Austria

1 2 3 4

Liquidity & Funding  
Cover Pool

Regional Breakdown Austria		in mn EUR	%
	Vienna	4.570	43,9%
	Lower Austria	2.469	23,7%
	Upper Austria	679	6,5%
	Salzburg	426	4,1%
	Tyrol	531	5,1%
	Styria	768	7,4%
	Carinthia	452	4,3%
	Burgenland	272	2,6%
	Vorarlberg	240	2,3%
<b>Total</b>		<b>10.407</b>	<b>100,0%</b>

Regional Breakdown Austria





# Mortgage Cover Pool

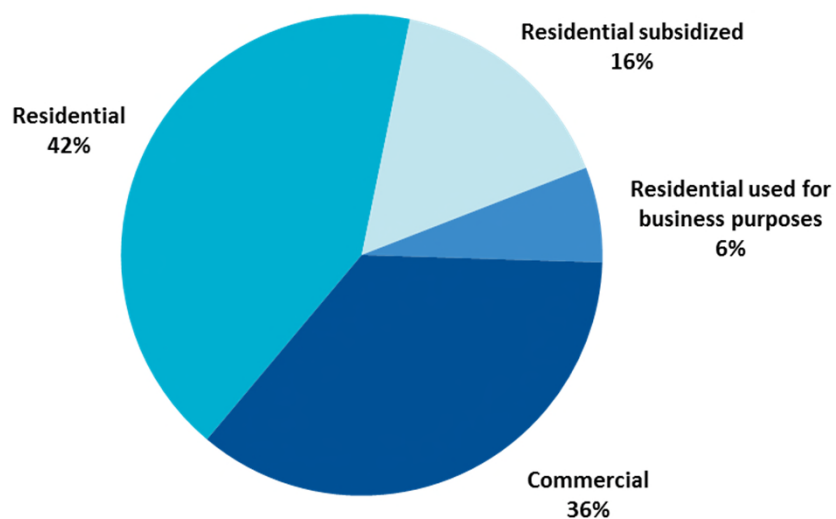
## Breakdown<sup>\*)</sup> by Type of Use

1 2 3 4

Liquidity & Funding  
Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
<b>Residential</b>	<b>4.382</b>	<b>27.029</b>
Residential subsidized	1.653	1.923
Residential used for business purposes	665	1.157
<b>Commercial</b>	<b>3.707</b>	<b>845</b>
thereof Office	1.621	139
thereof Trade	996	72
thereof Tourism	213	117
thereof Agriculture	25	113
thereof mixed Use / Others	852	404
<b>Total</b>	<b>10.407</b>	<b>30.954</b>

Mortgages / Type of Use



<sup>\*)</sup> Without substitute cover (consists of bonds)



# Mortgage Cover Pool

## Breakdown<sup>\*)</sup> by Type of Use

1 2 3 4

Liquidity & Funding  
Cover Pool

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€ 10,407 mn** as of 30 September 2016  
(without substitute cover)
- **All mortgages in cover pool are located in Austria**
  - The main concentration is in the City of Vienna 43.9% and the state of Lower Austria 23.7%
- **Breakdown of cover pool by type of use:**
  - 64.4% residential real estate (thereof 15.9% subsidized)
  - 35.6% commercial real estate, divides as follows:
    - Office 15.7%
    - Trade 9.6%
    - Tourism 2.1%
    - Other / Mixed use 8.2%

<sup>\*)</sup> all percent Values are respective cover pool value without substitute cover



# Agenda

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- 1 UniCredit Group
- 2 Overview Bank Austria
  - Business Model & Strategy
  - Profit & Loss
  - Balance Sheet & Capital Ratios
- 3 Liquidity & Funding
  - Funding Strategy & Position
  - Transactions
  - Cover Pool
- 4 Annex
  - **Real Estate Market Austria**
  - Legal Situation – Austrian Covered Bonds



# Austrian Real Estate Market Overview

1 2 3 4

Annex  
Real Estate Market Austria

- The Austrian real estate market has the well-earned reputation as a relatively stable market. IPD/MSCI annually analyses an Austrian portfolio consisting of office, retail, residential, logistics and other properties. In 2015 as a whole, the total return of this portfolio amounted to 5.9%. Over the last ten years annual average total return was calculated as 5.7% and even in the crisis years 2008/2009 total return amounted to around 4%
- In 2015 investment in commercial real estate in Austria reached a new record volume of up to EUR 3.8bn depending on the source. With ultra-low or even negative interest rates demand for real estate will stay strong, although it is somewhat hampered by scarce supply of core property and high prices
- Residential real estate prices in Vienna have risen considerably over the last ten years. Nevertheless, price increases slowed down last year, while prices in the rest of Austria accelerated



# Austrian Real Estate Market

## Prices for residential real estate

1 2 3 4

Annex  
Real Estate Market Austria

- The strong increase of real estate prices in Vienna has moderated considerably over the last quarters
- Prices in Austria excl. Vienna, which showed a more moderate development over the last ten years, recently accelerated



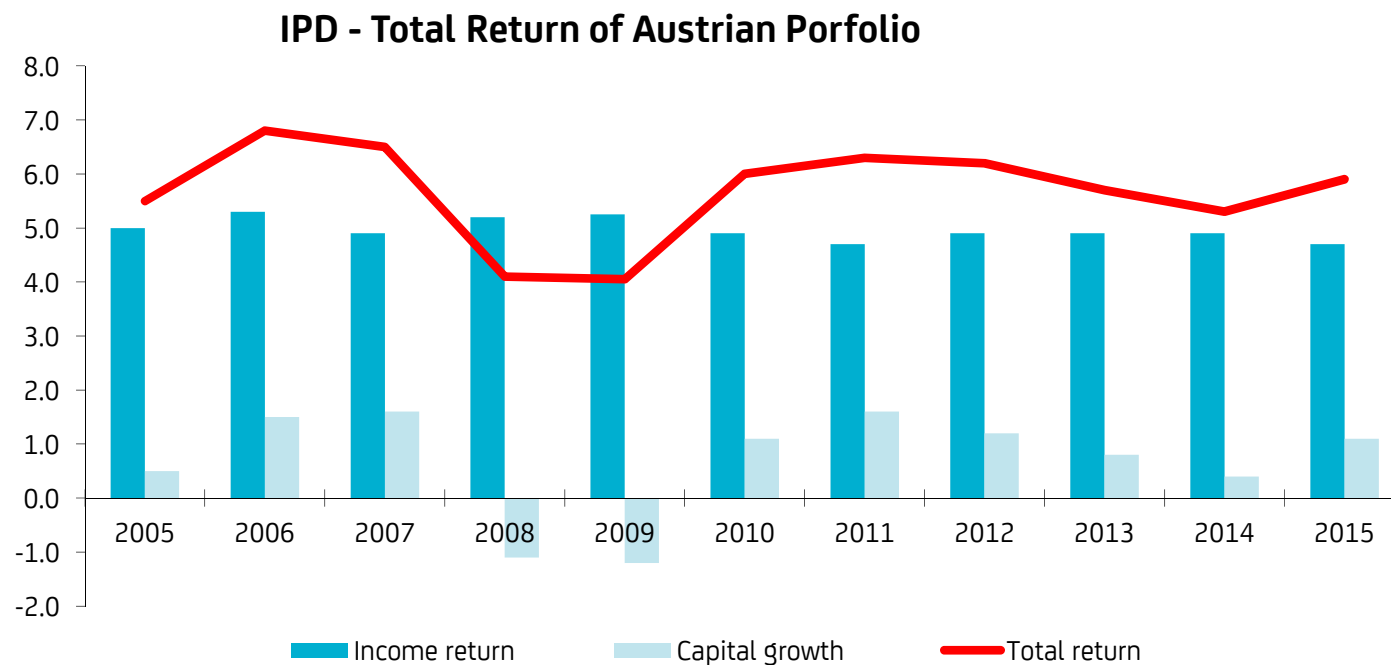
# Austrian Real Estate Market

## IPD

1 2 3 4

Annex  
Real Estate Market Austria

- Austria's real estate market scores through relatively high stability, which is confirmed by calculations done by IPD/MSCI.



Source: IPD/MSCI



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# Austrian Legal Framework

## Mortgage and Public Sector Pfandbriefe

1 2 3 4

Annex

Legal situation – Austrian covered bonds

### Austrian Covered Bonds

#### Pfandbriefe

#### Fundierte Schuldverschreibungen

**Hypothekbankgesetz**  
(Mortgage Banking Act 1899)

**Pfandbriefgesetz**  
(Pfandbrief Law 1938)

**Law of 1905**

**Bank Austria**

Remark:

Austrian 'Mortgage Pfandbriefe' also follow the same legal regulation as 'Public Sector Pfandbriefe'





# Comparison Austria vs. Germany

1 2 3 4

Annex

Legal situation – Austrian covered bonds

Criteria of Pfandbrief law / Hypothekendarstellungsgesetz	Austria	Germany
Pfandbrief law in place	YES	YES
Mortgage and public sector collateral assets in separate pools	YES	YES
Cover register	YES	YES
Collateral assets limited to Europe	YES	X
Legally required minimum over- collateralization	YES	YES
Cover pool monitoring (Trustee)	YES	YES
Special proceedings in case of insolvency	YES	YES
Pfandbriefe remain outstanding in case of issuer's bankruptcy	YES	YES
NPV matching	YES*	YES

- Austrian „Hypothekendarstellungsgesetz“ was initially based on the German legislation
- Important changes to the German "Pfandbrief" - legislation were followed by the Austrian "Hypothekendarstellungsgesetz", which continues to reflect the principal features of the German "Pfandbriefgesetz"
- Main differences in the current version are:
  - German law also allows collateral assets from non-European countries
  - German law includes compulsory NPV-matching, whereas in Austria a voluntary commitment is foreseen to be stipulated in the articles of association. Bank Austria, accordingly, included such clause in its articles of association

\* if included in the Articles of Association of the respective credit institution



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