

Bank Austria



Presentation to Fixed Income Investors

Investor Relations

Vienna, October 2018

Banking that matters.



Opening remarks



CEE Demerger, leading to a new role of Bank Austria

Focus on Austrian market

Opening remarks

Bank Austria

CEE Demerger Details

- Effective as of **1st October 2016**
- **Transfer of CEE business from BA AG to UC SpA**
(including shift of management function for the CEE subsidiaries to UniCredit) by way of a **spin-off of CEE Division**
- CEE Division **represented approx. half** of Bank Austria's previous **assets and liabilities**
- Also parts of capital were spun off, however **new Bank Austria with high capital ratios (CET1 ratio 19.2% as of June 2018)**

CEE Demerger Rationale

- **CEE Demerger** rationale:
 - **Lower risk** going forward
 - **Better capital structure** with **lower volatility**
 - **Improvement of funding and market access**
 - In future, **lower complexity** and **higher focus on the Austrian business**



Bank Austria, a leading bank in the local market

Opening remarks

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

*High client shares in business with corporate customers
Leading institution in Private Banking*

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 of about € 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 19.2% ¹⁾



Bank Austria – strategic measures to improve profitability

Transformation measures embedded in UniCredit's Strategic Plan “Transform 2019”

Opening remarks

- **Cost measures including**

- **Reduction of branch network** → Transform 2019 goal already achieved
- **Right-sizing of Corporate Center** activities → streamlining of CC set-up
- **Reduction of staff costs** via socially responsible instruments → done
- Measures regarding pensions for active employees → done
- **Streamlining of IT**, operations and organizational set-up → ongoing

- **Revenue initiatives including**

- Leveraging on **leading market position** in the Austrian market → ongoing
- Increasing **Cross-selling** and **penetration** in CIB and Corporates → ongoing
- Increase in **sale of asset management products** to Affluent and Private Banking customers → ongoing
- Pushing **digital and multi-channel sales** → ongoing

... Transforming Bank Austria into a bank that is even more attractive for our customers while improving its cost/income ratio and profitability!



Agenda

1 UniCredit Group

2 Overview Bank Austria

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

3 Liquidity & Funding

- Funding Strategy & Position
- Cover Pool

4 Annex



UniCredit: a simple successful Pan European Commercial Bank with inherent competitive advantages and CIB fully plugged-in

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UniCredit at a glance

Commercial Banking model delivering **unique Western, Central and Eastern European** network to extensive Retail and Corporate client franchise

26.1 million clients⁽¹⁾
81% revenues from Commercial Banking⁽²⁾

"One Bank" business model replicated across full network, driving synergies and streamlined operations

Commercial Banks with leadership position⁽³⁾ in **12 out of 14** countries⁽⁴⁾

CIB plugged into Commercial Banking, enabling cross-selling and synergies across business lines and countries

€1.3bn joint CIB-Commercial Banking revenues⁽⁵⁾

Low risk profile business model benefiting from diversification and a more stable macro/regulatory environment

51% revenues outside Italy

(1) Data as of 2Q18 includes 100% clients in Turkey

(2) Business division revenues as of 1H18: CB Italy, CB Germany, CB Austria, CEE, Fineco

(3) Data as of ranking between #1 and #5 of market share in terms of total assets according to local accounting standard

(4) Austria, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Italy, Romania, Serbia, Slovakia, Slovenia

(5) Data as of June 2018 includes revenues on GTB, ECM, DCM, M&A, Markets products from Commercial Banking clients and structured finance products from Corporate



Strong competitive advantage across countries and products

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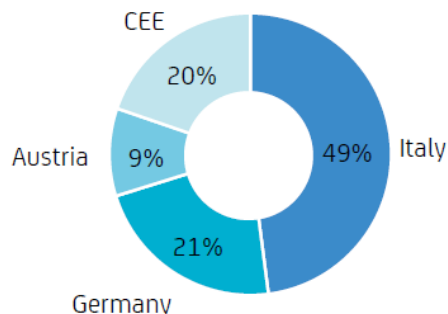
UniCredit at a glance

Strong local Commercial Banks

clients, m⁽¹⁾ Rank by assets in Europe⁽²⁾

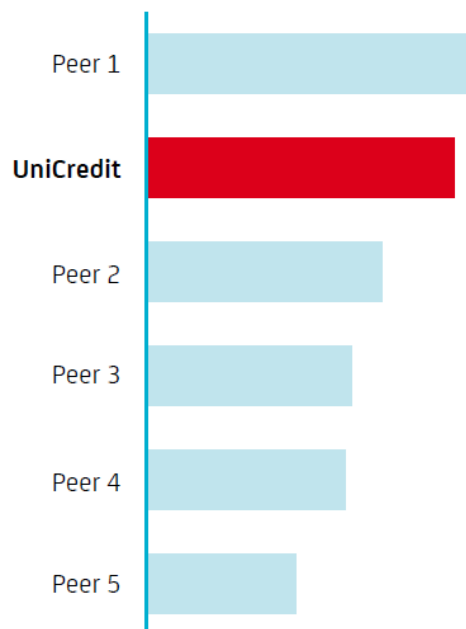
Italy	8.9	2
Germany	1.6	3
Austria	1.6	1
CEE	14.0	1

Revenues by geography⁽³⁾



"Go to" bank for European "Mittelstand" Corporates

Loans to corporates in EU zone, €bn⁽⁴⁾



Best-in-class CIB product provider

EMEA rankings⁽⁵⁾

All Bonds in Italy and Germany ⁽⁵⁾	1
Syndicated Loans in Italy, Austria, CEE ⁽⁵⁾	1
EMEA Bonds in Euro by # of transactions ⁽⁵⁾	2

Awards



- #1 Global Trade Finance Best Services Provider in 2018 ⁽⁶⁾
- #1 in CEE, Bosnia & Herzegovina, Bulgaria, Croatia, Hungary, Italy, Romania, Serbia and Turkey in 2018 ⁽⁶⁾
- #1 Bank for Trade Finance in Austria, Bulgaria, Croatia and CEE in 2018 ⁽⁷⁾
- #1 Supply Chain Finance Provider in CEE in 2018 ⁽⁷⁾
- #1 Bank for Liquidity Management Western Europe and in CEE, in Italy and in Austria in 2018 ⁽⁷⁾
- #1 Sub-custodian Bank in CEE, Austria, Bulgaria, Czech Republic, Serbia and Slovenia in 2018 ⁽⁷⁾

(1) Data as of 2Q18 includes 100% clients on Turkey

(2) Data as of FY17, based on available public data. For Germany, only private banks, for CEE compared to Erste, KBC, Intesa Sanpaolo, OTP, RBI (data as of FY17)

(3) Data as of 1H18 based on regional view

(4) Data as of 2Q18; peers include: BNP Paribas, Deutsche Bank, Intesa Sanpaolo, Santander, Société Générale

(5) Dealogic as of 4 July 2018; period: 1 Jan – 30 Jun 2018, All Syndicated Loans in Euro, All EMEA Bonds in Euro

(6) Source: www.euromoney.com.

(7) Source: www.gfma.com



UniCredit Group - Transform 2019 achievements (1/2)

Transform 2019 update

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STRENGTHEN AND OPTIMIZE CAPITAL

Strong capitalisation

- 2Q18 Group fully loaded CET1 ratio at 12.51%, impacted by -35bps from FVOCI⁽¹⁾
- Fully loaded CET1 ratio for year end 2018 confirmed between 12.3% and 12.6%⁽²⁾
- 2019 fully loaded CET1 ratio target confirmed >12.5%⁽²⁾

IMPROVE ASSET QUALITY

Ongoing de-risking

Accelerated Non Core rundown by 2021

- 2Q18 Group gross NPE ratio improved to 8.7% (-243bps Y/Y) with Group gross NPEs down 10.2bn € Y/Y and 2.0bn € Q/Q, of which 1.2bn €⁽³⁾ disposals in 2Q18
- Group Core gross NPE ratio 4.4% down 85bps Y/Y, getting closer to the EBA average⁽⁴⁾
- Accelerated Non Core rundown proceeding as planned. 2Q18 Non-Core gross NPEs at 22.2bn €, new target 19bn € for year-end 2018

TRANSFORM OPERATING MODEL

Branch and FTE reduction ahead of schedule

- 58 branch closures Q/Q and 790 since December 2015 in Western Europe. 84% of 944 (Transform 2019 target) achieved
- FTEs down by 1,725 Q/Q and 12,312 since December 2015. 87% of the 14k Transform 2019 target achieved

(1) In 2Q18 CET1 ratio impact from FVOCI -35bps, o/w -30bps due to BTP spread widening. (BTP = Buoni del Tesoro Poliennali, Italian government bonds)

(2) At current BTP spread levels as of 29 June 2018. BTP sensitivity: +10bps parallel shift of BTP asset swap spreads has a -3.8bps (or -137m) pre- and -2.6bps (or -95m) post-tax impact on the fully-loaded CET1 ratio (capital).

(3) Of which 0.5bn in Non-Core; NPE = Non-Performing Exposure

(4) Weighted average of EBA sample banks is 3.9%.

Source: EBA risk dashboard (data as of 1Q18)



UniCredit Group - Transform 2019 achievements (2/2)

Transform 2019 update

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MAXIMIZE COMMERCIAL BANK VALUE

**Commercial
partnerships**

**Multichannel offer/
customer experience**

**E2E redesign and
streamlining**

**Leading Debt and
Trade Finance house
in Europe**

- In CEE, two strategic Bancassurance partnerships signed with Allianz and Generali
- In Italy, consumer finance partnership formed with Poste Italiane
- UniCredit first bank to offer cross-border instant payments
- First transaction on we.trade blockchain trade platform, of which UniCredit is a founding partner
- In Italy remote sales⁽¹⁾ increased further by 6.1p.p. Y/Y, reaching 23.5% of total bank sales⁽²⁾
- In CEE, the mobile user penetration⁽³⁾ improved by 2.1p.p. Q/Q to 36%
- Signed partnership with Meniga to offer new digital services to improve digital customer experience, starting in Italy and Serbia
- In Italy, the E2E process redesign continues to be successfully executed: 2 additional processes launched; in total, 13 E2E redesigns have been launched so far
- Leading franchise confirmed: Ranking #1 in “All Bonds in EUR” in Italy and Germany, #2 in “EMEA All Bonds in EUR” by number of transactions, #3 combined Bonds and Loans in EMEA EUR. Furthermore #1 in Financial Advisory by number of deals in Germany, Italy and CEE (#2 in Austria) demonstrating the strength of the fully plugged-in CIB platform⁽⁴⁾

ADOPT LEAN BUT STEERING CENTER

**Group CC
streamlining**

- Weight of Group Corporate Centre on total costs at 3.4% 1H18, -0.5p.p. 1H/1H (FY15 actual: 5.2%, FY19 target⁽⁵⁾: 3.6%)

(1) Transactions concluded through ATM, online, mobile or Contact Centre

(2) Percentage of remote sales calculated on total bank products that have a direct selling process

(3) Including Yapi at 100%. Ratio defined as number of retail mobile users as percentage of active customers

(4) Source: Dealogic, as of 4 July 2018. Period 1 January – 30 June 2018; rankings by volume, unless otherwise stated

(5) FY15 actual and FY19 target recasted as of June 2018, previously 5.1% and 3.5% respectively



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Bank Austria – at a glance

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Overview Bank Austria
Business Model & Strategy

Bank Austria Highlights as of 30 June 2018

- **Member of UniCredit since 2005**
- **Leading corporate bank and one of the largest retail banks in Austria**
- **~ 5,400 FTE and 123 branches in Austria**
- **Solid capital base** (19.2% CET1 ratio)
- **Stable liquidity** with a perfect balance between customer loans and direct funding

	Jun-18	Dec-17 ¹⁾
Total Assets	100.1	102.1
Customer Loans	60.8	59.8
Direct Funding	69.5	70.5
Equity	8.3	8.3

in € bn

	1H18	1H17
Operating income	1.003	1.005
Operating costs	-626	-669
LLP	87	89
Net profit	354	357

in € mn

	Jun-18
Cost / income ratio	62.4%
CET1 capital ratio ²⁾	19.2%
Total capital ratio ²⁾	22.3%

Non-performing exposure ratio	3.6%
Coverage ratio	55.1%
Cost of risk	-29 bp

S&P Rating	BBB+	A-2
Moody's Rating	Baa1	P-2

Market shares loans / deposits Austria ³⁾	13.9%	12.5%
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1) Figures as of Dec. 2017: 1 January 2018 inclusive IFRS 9 first time adoption and an adjustment in the social capital (i.e. provisions for pensions and other post retirement benefits obligations)

2) Capital ratios as of end of period, based on all risks and according to Basel 3 (transitional) and IFRSs

3) As of June 2018



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

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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

Commercial Banking Austria

Corporate Banking

- **Strong market position** in all corporate segments
- The division covers
 - **Corporate customers** (>€3mn turnover)
 - **Real Estate**
 - **Public Sector**
 - **Leasing**
 - **FactorBank**
 - **Real Invest**
- **Nearly every third SME** (€3mn to 50mn turnover) is **customer of Bank Austria**
- **Broad coverage** through a **nationwide branch network**

Retail Banking

- Retail Banking covers 1,6mn **Retail and Small Business customers** (<€3mn turnover)
- **Broad Multi-channel offer via**
 - **Physical branches**
 - **Online branch** (remote advisory via video telephony)
 - **Online shop and online banking**

Private Banking

- **Leading Private Banking in Austria** with every fifth Austrian High Net Worth Individual as customer of Bank Austria
- **Tailored financial services** to High Net Worth Individuals and foundations
- **Successful client approach** through BA's PB Area and Schoellerbank



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P&L of Bank Austria Group – 1H18

Net Operating Profit (NOP) above previous year, Net Profit on last year's level; revenues stable, strong cost savings

Overview Bank Austria
Profit & Loss

	1-6/ 2018	1-6/ 2017	y/y	2Q18	1Q18	2Q17	q/q	y/y
(€ mn)								
Operating income	1,003	1,005	-0.2%	514	489	523	5.1%	-1.8%
Operating costs	-626	-669	-6.4%	-308	-318	-330	-3.0%	-6.6%
Operating profit	377	336	12.3%	206	171	193	20.0%	6.5%
Net write-downs of loans	87	89	-2.2%	47	40	43	15.5%	7.7%
Net operating profit	464	425	9.3%	252	212	237	19.1%	6.7%
Non-operating items	-71	-94	-23.9%	6	-77	10	>-100.0%	-36.0%
Profit (loss) before tax	393	331	18.7%	258	135	246	92.0%	5.0%
P/L discontinued operations	14	58	-75.9%	14	0	33	>-100.0%	-57.0%
Other positions	-53	-32	66.0%	-21	-32	-17	-33.9%	27.8%
Group Net Profit	354	357	-0.9%	252	102	263	>100.0%	-4.3%
Cost/income ratio	62.4%	66.6%	-418 bp	60.0%	65.0%	63.1%	-497 bp	-309 bp

- **Operating Income on 1H17 level**, with fee income slightly up and strong trading, offsetting lower NI and other income
- **Operating Costs down by 6% y/y**, improvements in all major cost categories, reflecting strong cost discipline.
Substantial improvement of cost/income ratio (-4.2 pp)
- **Net Write-Downs of Loans again positive with € +87 mn** (net releases in all business areas)
- **Non-Operating Items € -71 mn**: mainly systemic charges (€ -114 mn) with some income from real estate sales
- **P/L from discontinued operations: € +14 mn** (1H17: € +58 mn), mainly due to real estate sales by Immo Holding (real estate group held for sale)



P&L of Bank Austria Group – 1H18 in detail

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Overview Bank Austria

Profit & Loss

(€ mn)

	(in mn €)	1-6/2018	1-6/2017	Δ abs.	Δ in %
Net interest		477	491	-14	-2.8%
Dividends and other income from equity investments		67	76	-8	-10.9%
Net fees and commissions		355	352	3	0.9%
Net trading, hedging and fair value income/loss		71	36	35	98.4%
Net other expenses/income		33	51	-18	-34.9%
Operating income		1,003	1,005	-2	-0.2%
Payroll costs		-320	-349	28	-8.2%
Other administrative expenses		-294	-306	12	-4.1%
Recovery of expenses		0	0	0	-20.1%
Amortisation, depreciation and impairment losses on intangible and tangible assets		-12	-14	2	-14.8%
Operating costs		-626	-669	43	-6.4%
Operating profit		377	336	41	12.3%
Net write-downs of loans and provisions for guarantees and commitments		87	89	-2	-2.2%
Net operating profit		464	425	39	9.3%
Provisions for risks and charges		0	12	-12	>-100.0%
Systemic charges		-114	-113	-1	0.9%
Integration/ restructuring costs		3	0	3	>-100.0%
Net income from investments		40	8	32	>100.0%
Profit (loss) before tax		393	331	62	18.7%
Income tax for the period		-42	-25	-17	67.5%
Net profit		351	306	45	14.7%
Total profit or loss after tax from discontinued operations		14	58	-44	-75.9%
Profit (loss) for the period		365	364	1	0.3%
Non-controlling interests		-11	-7	-4	61.0%
Net Profit attrib. to the owners of the parent company		354	357	-3	-0.9%



Net Write-Downs of Loans

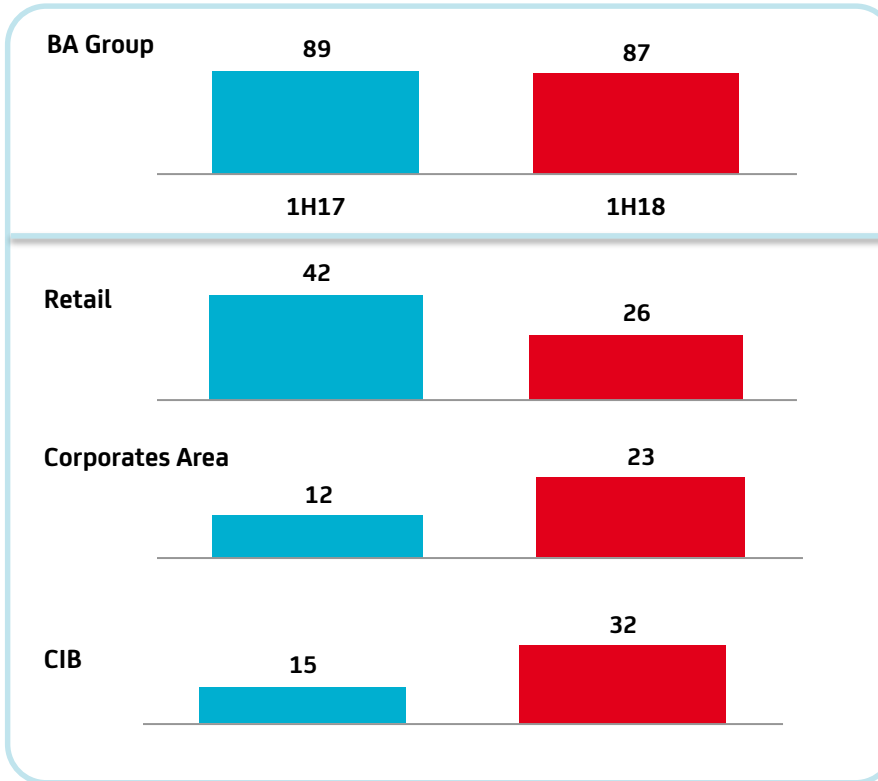
In 1H18, continuation of favorable development of **LLP** and **Cost of Risk**

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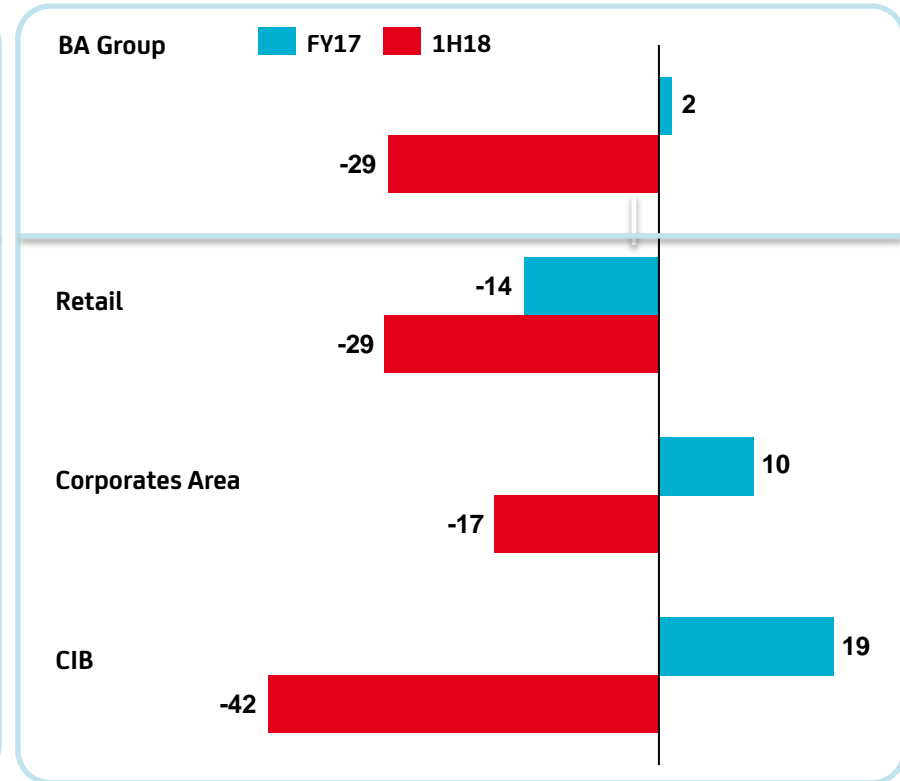
Overview Bank Austria

Profit & Loss

Total Net Write Downs of Loans by Segment (€ mn)



Cost of Risk by Segment (bp)



- BA Group in HY18 again with a positive contribution from **Net Write Downs** of € +87 mn
- Surplus of **Net Write Downs** due to net releases in CIB (€ +32 mn), Retail (€ +26 mn) and Corporates Area (€ +23 mn)
- **Cost of Risk:** due to positive LLP at -29 bp for BA Group

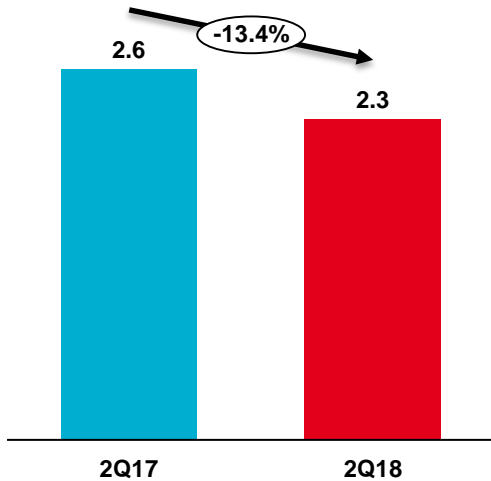


Solid y/y development of Asset Quality also in 1H18

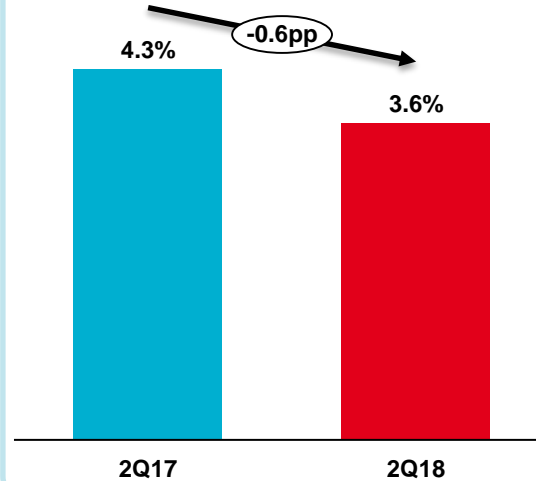
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Overview Bank Austria
Profit & Loss

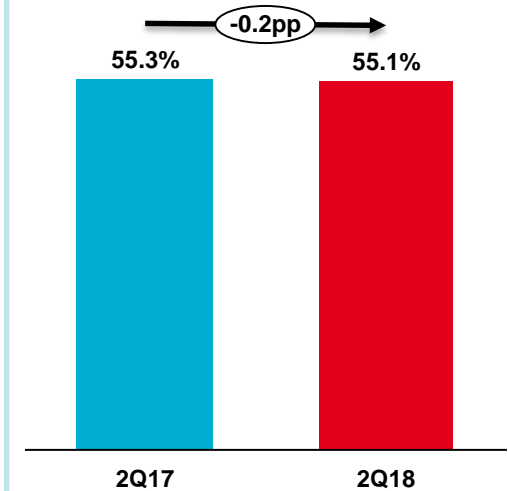
Gross NPE ¹⁾ (€ bn)



% of Gross NPE on Total Loans¹⁾



Coverage Ratio on NPE ¹⁾



- **Further reduced NPE portfolio** on y/y basis, resulting also in a reduced **NPE Ratio**
- **Coverage Ratio** stable at good 55.1%



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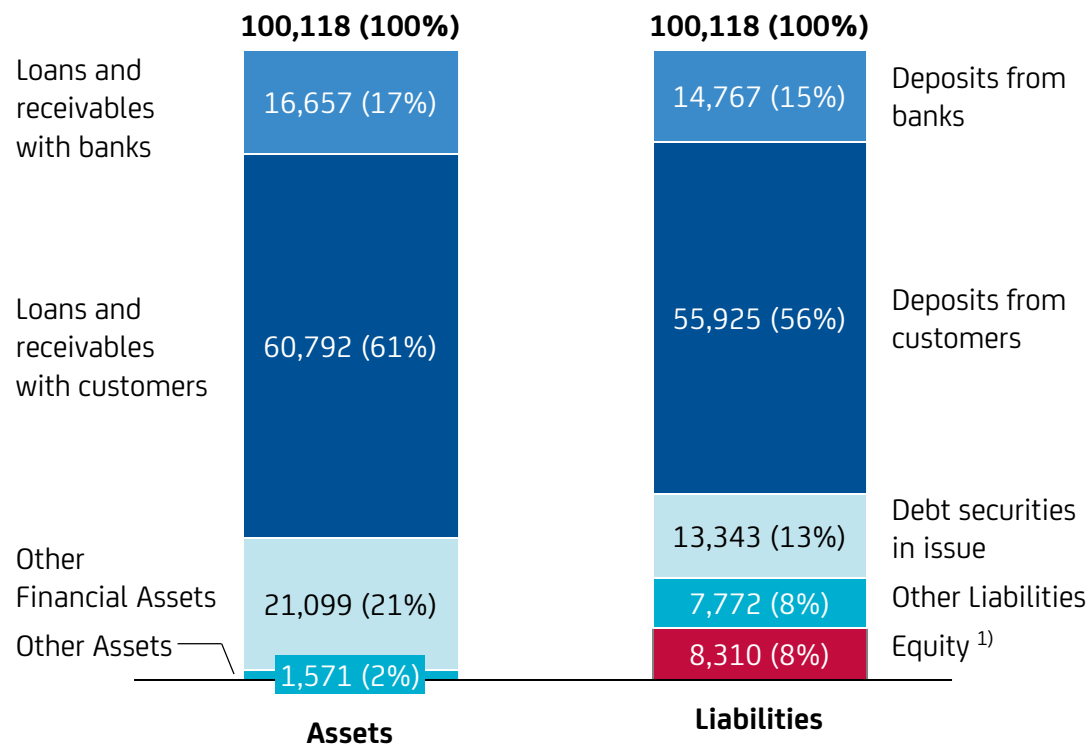
Balance Sheet structure of Bank Austria

(as of 30 June 2018)

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Overview Bank Austria
Balance Sheet & Capital Ratios

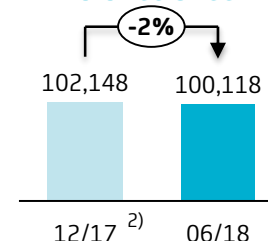
Balance Sheet (€ mn)



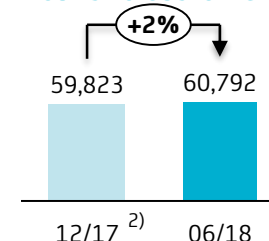
- **Balance sheet** reflects a **classical commercial bank**, with large shares of loans and deposits (details see following page)
- **Strong capital base with a net equity¹⁾** of € 8.3 bn
- **Excellent CET 1 Ratio at 19.2%**

Change vs. 31 December 2017

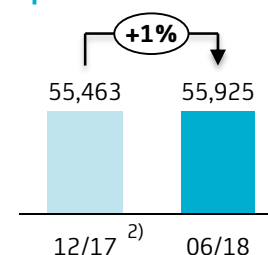
Balance Sheet



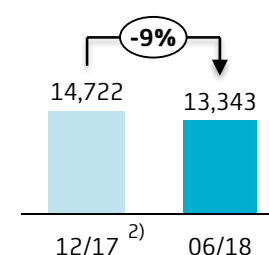
Loans to customers



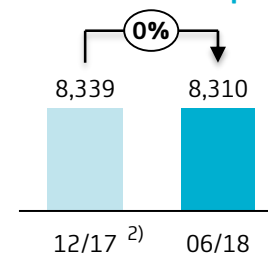
Deposits from customers



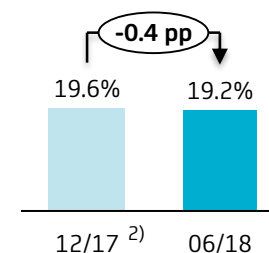
Securities in issue



Shareholders' Equity



CET1 Ratio



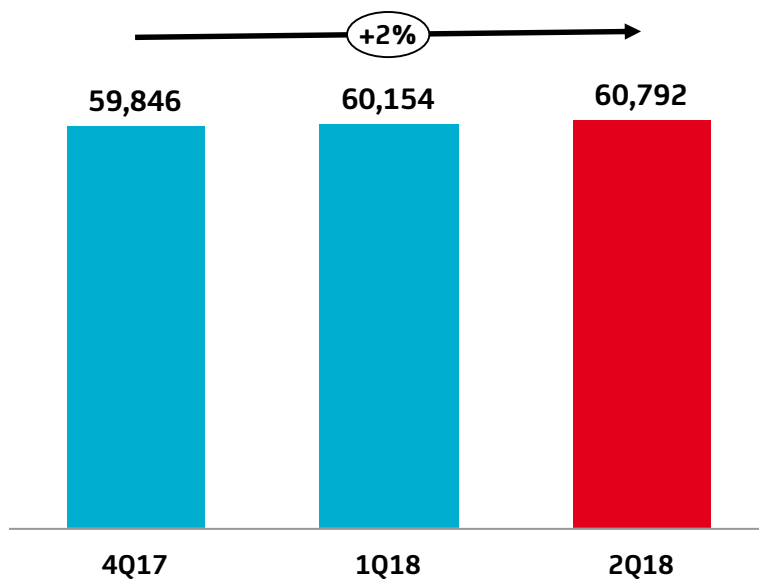
Loan and Deposit Volumes

Well-balanced development of loans and deposits, very good Loans/Direct Funding Ratio

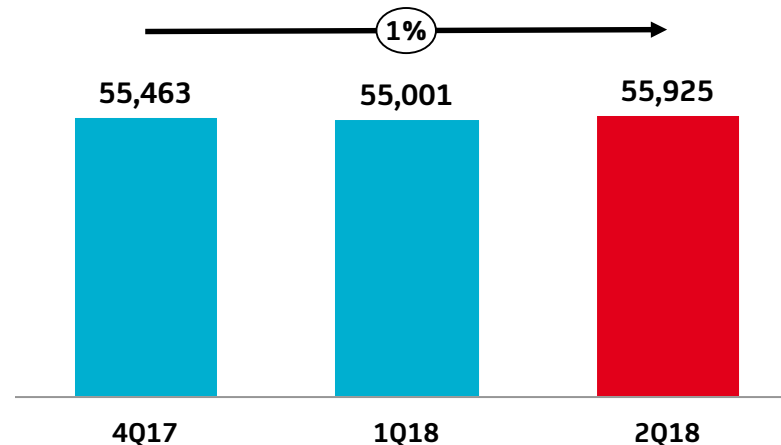
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Overview Bank Austria
Balance Sheet & Capital Ratios

Loans to Customers¹⁾ (€ mn)



Deposits from Customers¹⁾ (€ mn)



Loans/Direct Funding Ratio²⁾

Period	Loans/Direct Funding Ratio
4Q17	85%
1Q18	87%
2Q18	87%

- **Loans to customers** with an increasing trend since YE17, in particular CIB
- **Deposits from customers** slightly increasing as well (driven by Retail and PB)
- Overall excellent funding base, **Loans/Direct Funding Ratio at very good 87%**



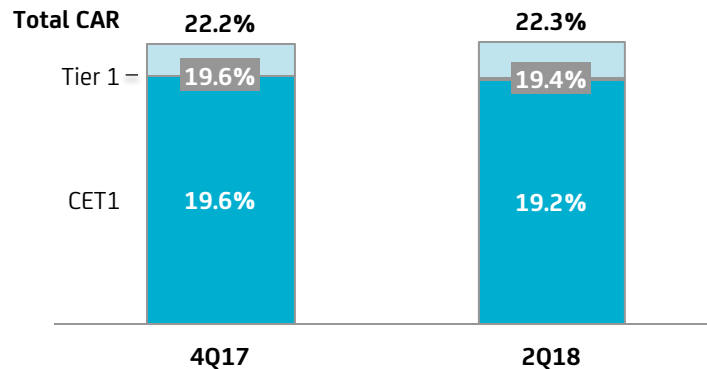
Capital position BA GROUP IFRS

Solid capital ratios

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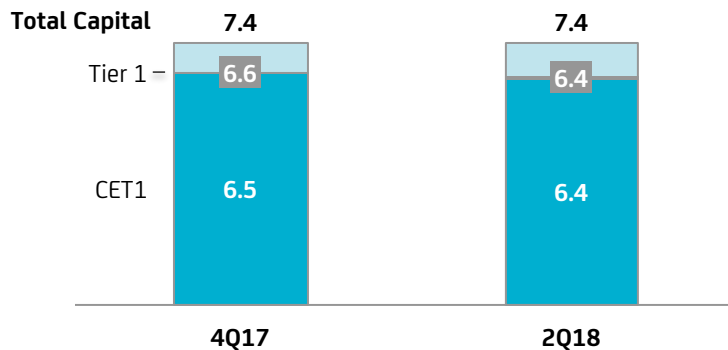
Overview Bank Austria
Balance Sheet & Capital Ratios

Capital Ratios

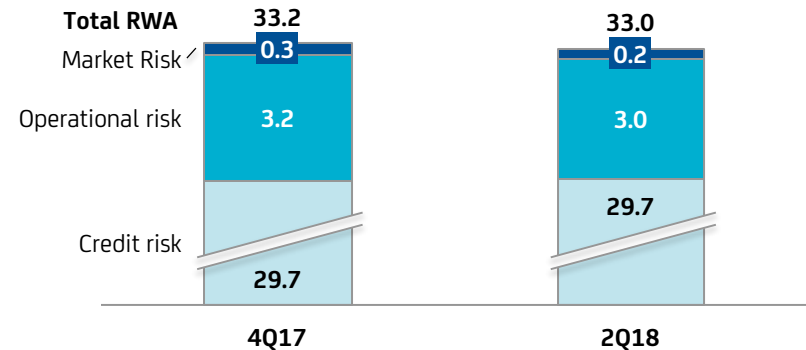


- **Total regulatory capital** stable at € 7.4 bn, with small structural changes (lower CET1) due to end of "phase-in" (transitional) rules
- **Total RWA** slightly down to € 33.0 bn
- **CET 1 Ratio at strong 19.2%** (both transitional and fully loaded), decrease vs. 4Q17 mainly due to expiry of transitional treatments
- **Total Capital Ratio** up to **22.3%**, due to stable regulatory capital and slightly reduced RWA
- **Leverage Ratio** remains at strong **5.9%**

Regulatory Capital (€ bn)



Risk-Weighted Assets (RWA, € bn)



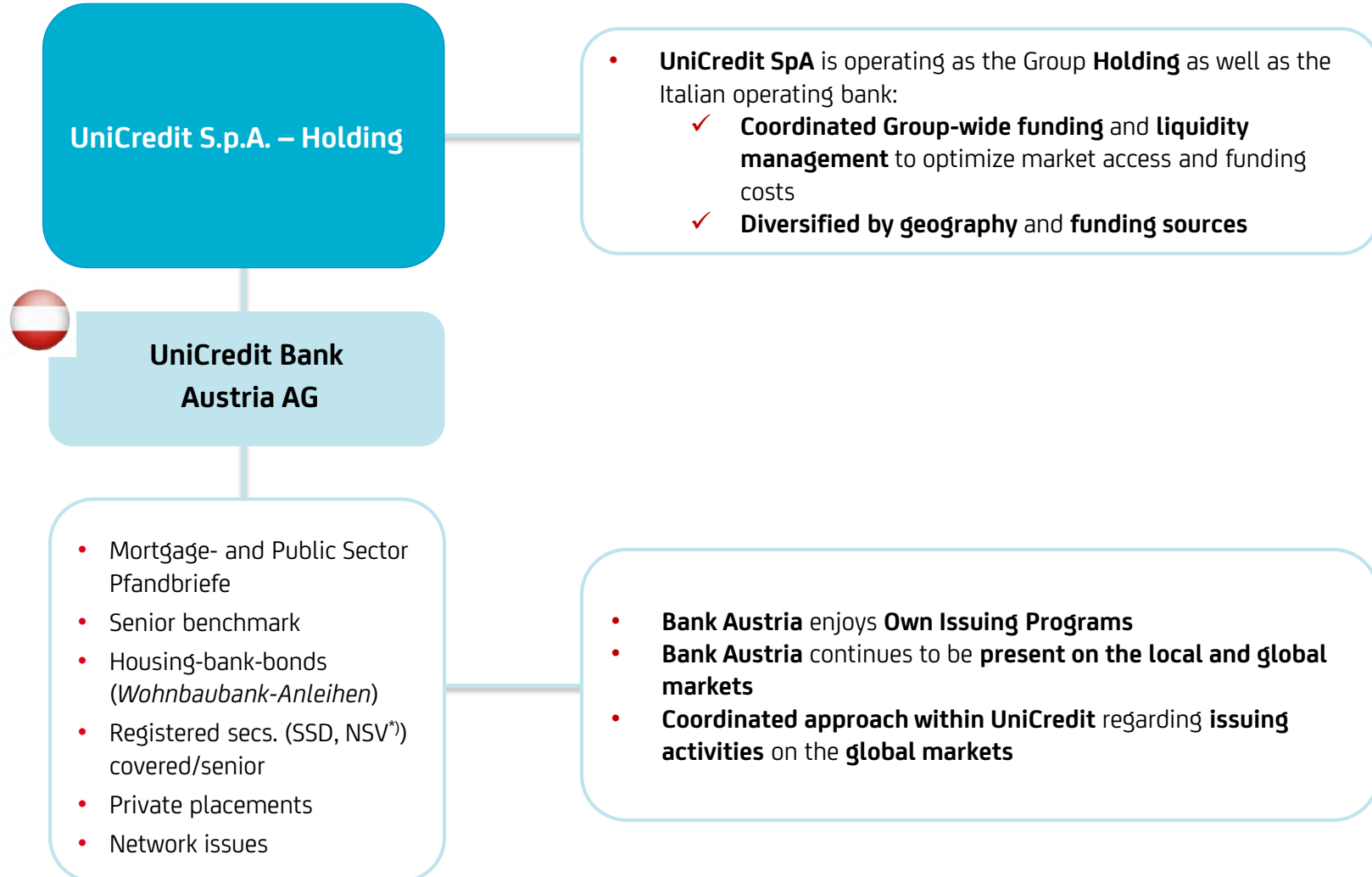
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Bank Austria Acts as Liquidity Reference Bank (LRB) for all Austrian Group Entities and is a Strategic Issuing Platform for UniCredit Group

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Funding Strategy Bank Austria Group – Self-Sufficiency Principle

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Liquidity & Funding
Funding Strategy & Position

Key Pillars of Bank Austria Group Funding Strategy

- **Well-diversified funding base** due to Bank Austria's commercial banking model.

The **key pillars** are

- **strong client deposit base related to a variety of products** (sight-, savings- and term deposits)
- complemented by **medium- and long-term placements of own issues** in the capital market in order to cover the medium and long term funding needs
- The key pillars described are part of the **self sufficiency principle of Bank Austria's funding strategy**.
 - It ensures that the proceeds are used primarily for business development of entities of Bank Austria Group
 - It enables Bank Austria to reflect 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

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Liquidity & Funding
Funding Strategy & Position

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
 - Bank Austria enjoys a **sound counter-balancing capacity** and ensuring **compliance with key liquidity indicators** (LCR >100%, NSFR >100%)



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 - Funding Strategy & Position
 - **Cover Pool**
- 4 Annex



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 June 2018 amounts to EUR 6,190 mn
- Average volume of loans is approx. € 1.5 mn
- Average seasoning is 7.9 years



Public Sector

Parameters of Cover Pool and Issues

1 2 3 4

- Total Value of the Cover Pool as of 30 June 2018 (EUR equivalent): 6,190 mn
 - thereof in EUR: 4,258 mn
 - thereof in CHF: 182 mn
 - thereof public sector bonds in EUR equivalent: 1,750 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	7.4
Contracted Weighted Average Life (in years)	10.3
Average Seasoning (in years)	7.9
Total Number of Loans	4,088
Total Number of Debtors	1,442
Total Number of Guarantors	291
Average Volume of Loans (in EUR)	1,514,223
Stake of 10 Biggest Loans	28.3%
Stake of 10 Biggest Guarantors	24.4%
Stake of Bullet Loans	53.9%
Stake of Fixed Interest Loans	52.7%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.6%

Parameters of Issues:	
Total Number	34
Average Maturity (in years)	3.0
Average Volume (in EUR)	138,078,106

- Moody's Rating: Aaa



Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	919	14.9%
Maturity 12 - 60 months	1,220	19.7%
thereof Maturity 12 - 36 months	471	7.6%
thereof Maturity 36 - 60 months	749	12.1%
Maturity 60 - 120 months	1,408	22.7%
Maturity longer than 120 months	2,644	42.7%
Total	6,190	100.0%

Maturity of Issued Covered Bonds	in mn EUR	in %
Maturity up to 12 months	1,585	33.8%
Maturity 12 - 60 months	2,717	57.9%
thereof Maturity 12 - 36 months	2,000	42.6%
thereof Maturity 36 - 60 months	717	15.3%
Maturity 60 - 120 months	113	2.4%
Maturity longer than 120 months	280	5.9%
Total	4,695	100.0%











Public Sector

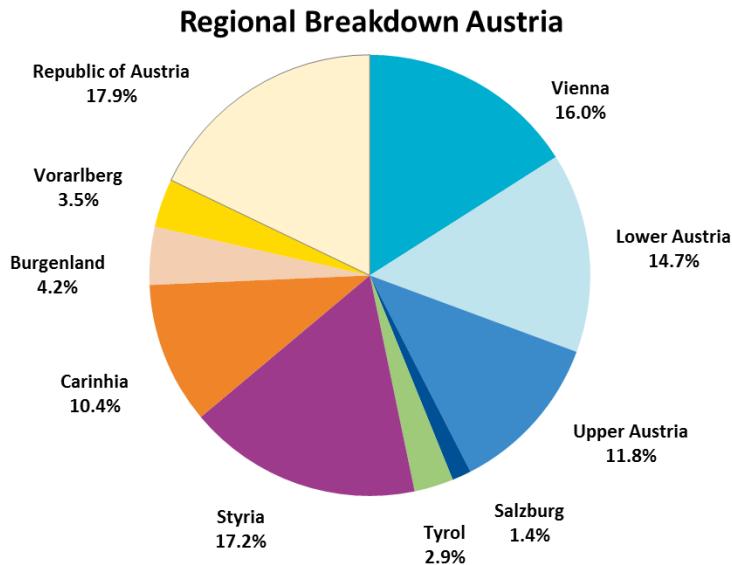
Regional Breakdown of Assets^{*)} in Austria

Liquidity & Funding

Cover Pool

1 2 3 4

Regional Breakdown Austria		in mn EUR	in %
 Vienna		990	16.0%
 Lower Austria		907	14.7%
 Upper Austria		731	11.8%
 Salzburg		87	1.4%
 Tyrol		178	2.9%
 Styria		1,062	17.2%
 Carinthia		644	10.4%
 Burgenland		263	4.2%
 Vorarlberg		220	3.5%
 Republic of Austria		1,107	17.9%
Total Austria		6,190	100.0%



Public Sector

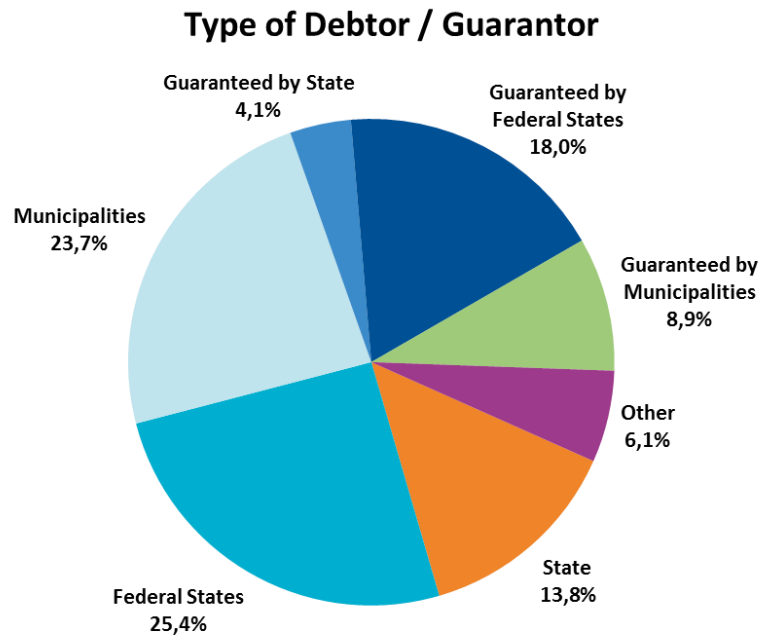
Assets Volume Breakdown by Type of Debtor / Guarantor

Liquidity & Funding

Cover Pool

1 2 3 4

Assets: Type of Debtor / Guarantor	in mn EUR	Number
State	856	5
Federal States	1,575	45
Municipalities	1,464	2,633
Guaranteed by State	251	121
Guaranteed by Federal States	1,115	228
Guaranteed by Municipalities	551	462
Other	378	594
Total	6,190	4,088



Public Sector

Volume Breakdown by Size of Assets

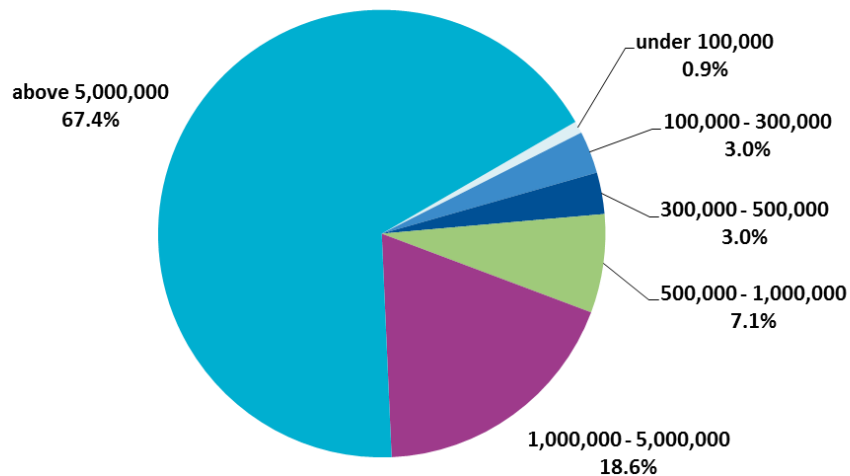
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Liquidity & Funding

Cover Pool

Volume Breakdown by Size of Assets	in mn EUR	Number
below 300,000	243	2,289
thereof under 100,000	54	1,247
thereof 100,000 - 300,000	189	1,042
300,000 - 5,000,000	1,777	1,678
thereof 300,000 - 500,000	186	474
thereof 500,000 - 1,000,000	441	614
thereof 1,000,000 - 5,000,000	1,150	590
above 5,000,000	4,170	121
Total	6,190	4,088

Breakdown by Size of Assets



Executive Summary

Bank Austria Mortgage Cover Pool



COVERED BOND
• L A B E L •

Liquidity & Funding
Cover Pool

1 2 3 4

- **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

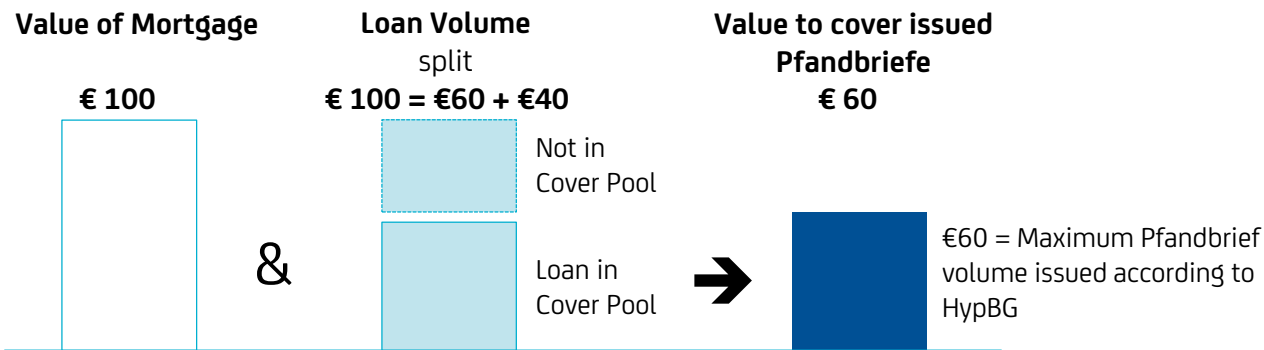


Bank Austria's Whole Loan Approach

Whole Loan Approach and its Benefits for Investors

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

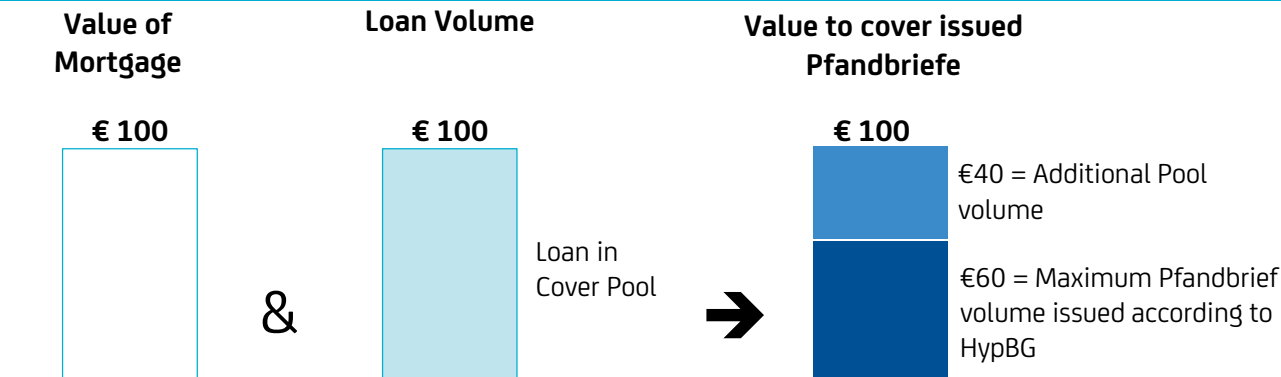
Scenario I: Split Loan Approach = Minimum Approach



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.



Mortgage Cover Pool

Parameters of the Cover Pool and Issues

1 2 3 4

- Total Value of the Cover Pool as of 30 June 2018 (EUR equivalent): 12,203 mn
 - thereof in EUR: 10,914 mn
 - thereof in CHF: 1,140 mn
 - thereof substitute cover in EUR: 149 mn

Parameters of Cover Pool	
Weighted Average Life (in years incl. Amortization)	9.6
Contracted Weighted Average Life (in years)	16.0
Average Seasoning (in years)	6.1
Total Number of Loans	43,009
Total Number of Debtors	37,611
Total Number of Mortgages	39,995
Average Volume of Loans (in EUR)	280,283
Stake of 10 Biggest Loans	11.1%
Stake of 10 Biggest Debtors	14.3%
Stake of Bullet Loans	22.6%
Stake of Fixed Interest Loans	28.9%
Amount of Loans 90 Days Overdue	0
Average Interest Rate	1.3%

Parameters of Issues:	
Total Number	84
Average Maturity (in years)	3.7
Average Volume (in EUR)	55,223,743

- Moody's Rating: Aaa



Mortgage Cover Pool

Maturity Structure of Cover Pool^{*)} and Issues

1 2 3 4

Maturity of Assets in the Cover Pool	in mn EUR	in %
Maturity up to 12 months	146	1.2%
Maturity 12 - 60 months	1,385	11.5%
thereof Maturity 12 - 36 months	630	5.2%
thereof Maturity 36 - 60 months	755	6.3%
Maturity 60 - 120 months	2,033	16.9%
Maturity longer than 120 months	8,490	70.4%
Total	12,055	100.0%

Maturity of Issued Covered Bonds	in mn EUR	in %
Maturity up to 12 months	830	17.9%
Maturity 12 - 60 months	2,211	47.7%
thereof Maturity 12 - 36 months	1,636	35.3%
thereof Maturity 36 - 60 months	574	12.4%
Maturity 60 - 120 months	1,276	27.5%
Maturity longer than 120 months	322	6.9%
Total	4,639	100.0%



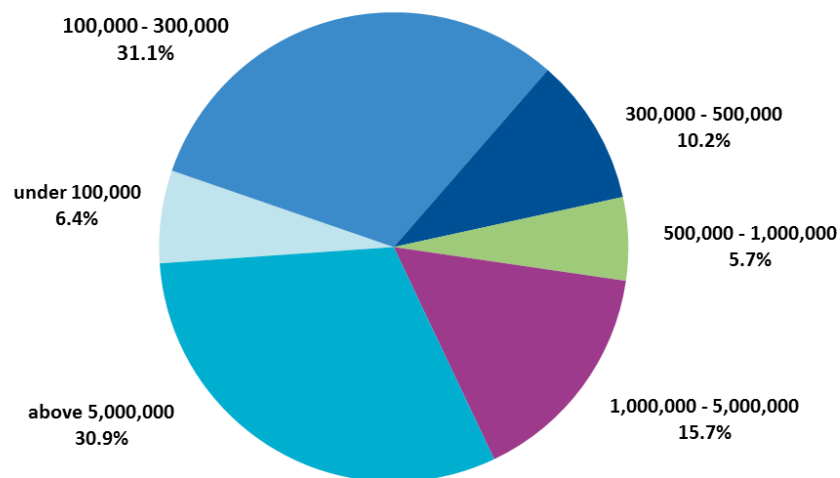
Mortgage Cover Pool

Assets Volume Breakdown^{*)}

1 2 3 4

Volume Breakdown by Size of Mortgages	in mn EUR	Number
below 300,000	4,522	34,522
thereof under 100,000	770	13,514
thereof 100,000 - 300,000	3,752	21,008
300,000 - 5,000,000	3,804	5,288
thereof 300,000 - 500,000	1,227	3,355
thereof 500,000 - 1,000,000	690	1,016
thereof 1,000,000 - 5,000,000	1,887	917
above 5,000,000	3,729	185
Total	12,055	39,995

Breakdown by Size of Mortgages










Mortgage Cover Pool

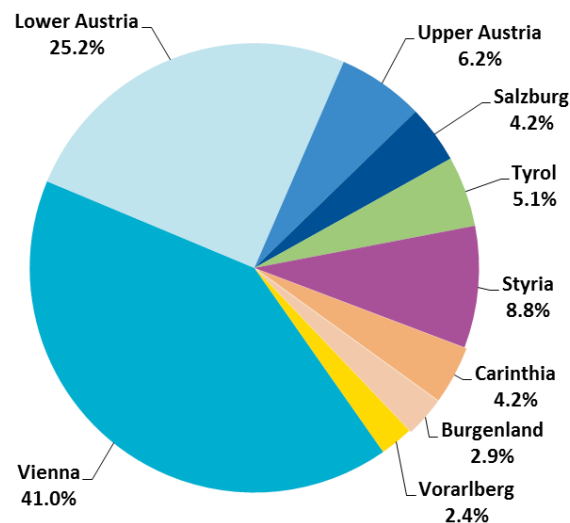
Regional Breakdown ^{*)} of Mortgages in Austria

Liquidity & Funding
Cover Pool

1 2 3 4

Regional Breakdown Austria		in mn EUR	%
	Vienna	4,943	41.0%
	Lower Austria	3,037	25.2%
	Upper Austria	752	6.2%
	Salzburg	501	4.2%
	Tyrol	613	5.1%
	Styria	1,056	8.8%
	Carinthia	512	4.2%
	Burgenland	353	2.9%
	Vorarlberg	288	2.4%
Total		12,055	100.0%

Regional Breakdown Austria



Mortgage Cover Pool

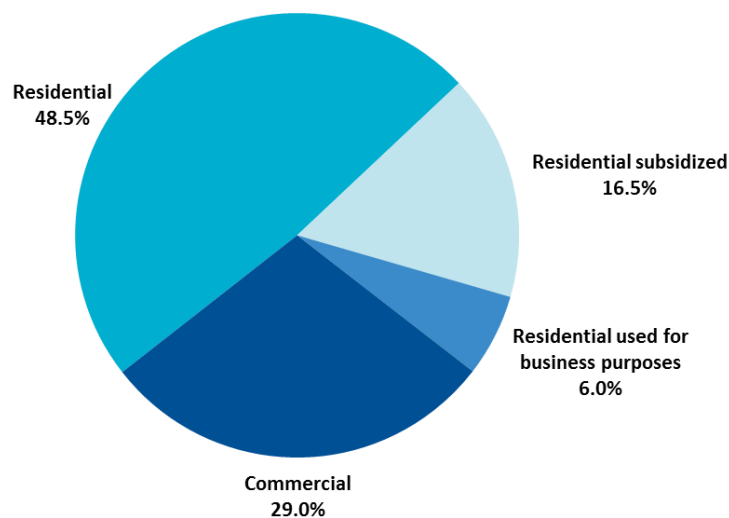
Breakdown^{*)} by Type of Use

1 2 3 4

Liquidity & Funding
Cover Pool

Mortgages Breakdown by Type of Use	in mn EUR	Number
Residential	5,853	35,629
Residential subsidized	1,986	2,150
Residential used for business purposes	724	1,214
Commercial	3,492	1,002
thereof Office	1,616	160
thereof Trade	787	65
thereof Tourism	251	135
thereof Agriculture	32	179
thereof mixed Use / Others	805	463
Total	12,055	39,995

Mortgages / Type of Use



Mortgage Cover Pool

Breakdown^{*)} by Type of Use

1 2 3 4

- Bank Austria's Mortgage **Cover Pool Value** accounts for **€ 12,055 mn** as of 30 June 2018 (without substitute cover)
- **All mortgages in cover pool are located in Austria**
 - The main concentration is in the City of Vienna (41.0%) and the state of Lower Austria (25.2%)
- **Breakdown of cover pool by type of use:**
 - 71.0% residential real estate (thereof 16.5% subsidized)
 - 29.0% commercial real estate, divides as follows:
 - Office 13.4%
 - Trade 6.5%
 - Tourism 2.1%
 - Other / Mixed use 7.0%



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Overview of outstanding Pfandbrief Benchmark Issues 2014 & 2015

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Liquidity & Funding Transactions

Bank Austria Mortgage Pfandbrief	0.75%	08/09/2022	€ 500 mn	Sept 2015	MS + 5bps
Bank Austria Mortgage Pfandbrief	0.75%	25/02/2025	€ 500 mn	Feb. 2015	MS + 3bps
Bank Austria Mortgage Pfandbrief	0.5%	16/01/2020	€ 500 mn	Sept. 2014	MS + 7bps
Bank Austria Public Sector Pfandbrief	1.375%	26/05/2021	€ 500 mn	May 2014	MS + 25bps
Bank Austria Mortgage Pfandbrief	1.25%	14/10/2019	€500 mn	April 2014	MS + 23bps
Bank Austria Mortgage Pfandbrief	2.375%	22/01/2024	€ 500 mn	Jan. 2014	MS + 35bps



Overview of outstanding Pfandbrief Benchmark Issues prior to 2014

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Liquidity & Funding Transactions

**Bank Austria
Public Sector Pfandbrief**

1.875%

29/10/2020

€ 500 mn

Oct 2013

Mid-Swap +25

**Bank Austria
Public Sector Pfandbrief**

2.625%

25/04/2019

€ 500 mn

Apr 2012

Mid-Swap +88

**Bank Austria
Public Sector Pfandbrief**

4.125%

24/02/2021

€ 1 bn

Feb. 2011

Mid-Swap +69

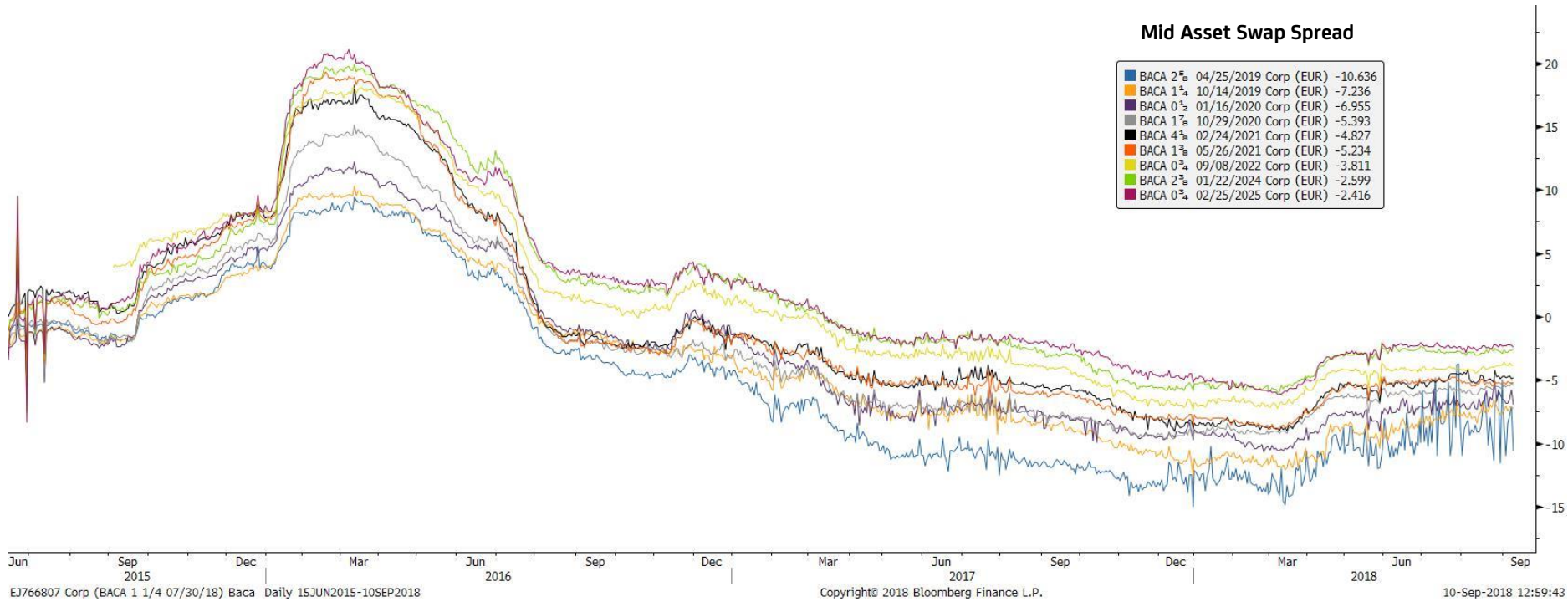


UniCredit Bank Austria Covered Bond Spread Comparison

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Liquidity & Funding Transactions



Source: Bloomberg



Overview of outstanding Senior Unsecured Benchmark Issues

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Annex

Liquidity & Funding Transactions

Bank Austria
Senior Unsecured Bond

2.5%

27/05/2019

€ 500 mn

Nov. 2013

Mid-Swap +135

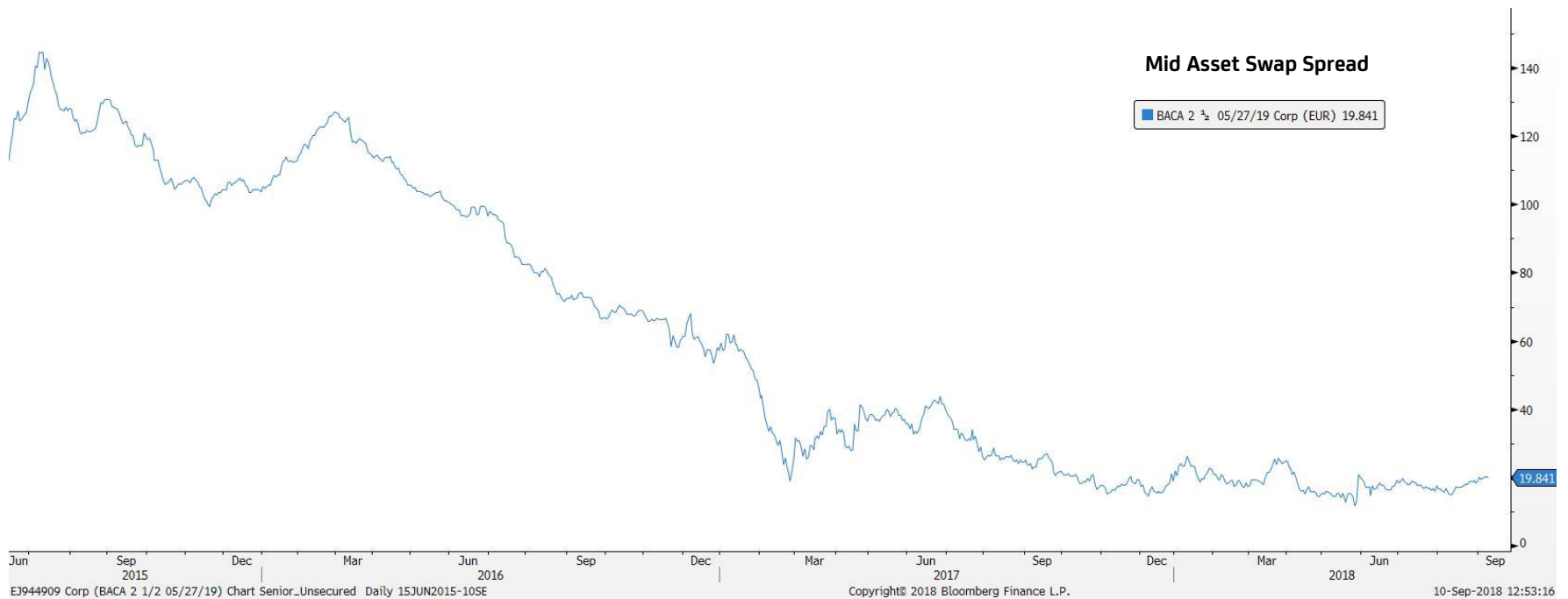


UniCredit Bank Austria Senior Unsecured Bonds Spread Comparison

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Liquidity & Funding Transactions



Source: Bloomberg



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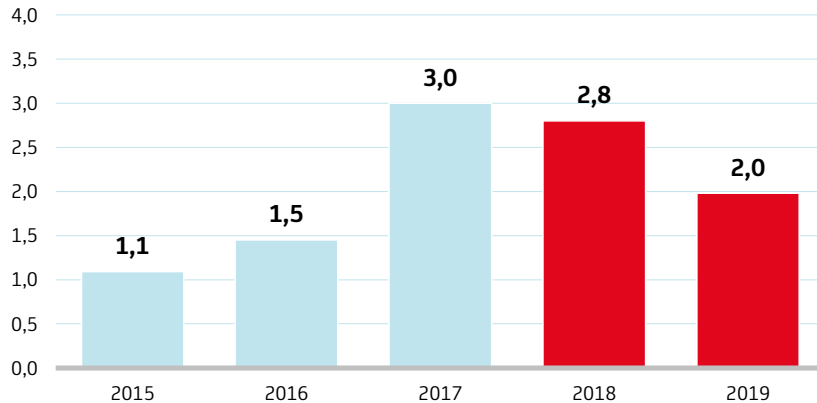
Economic Conditions in Austria

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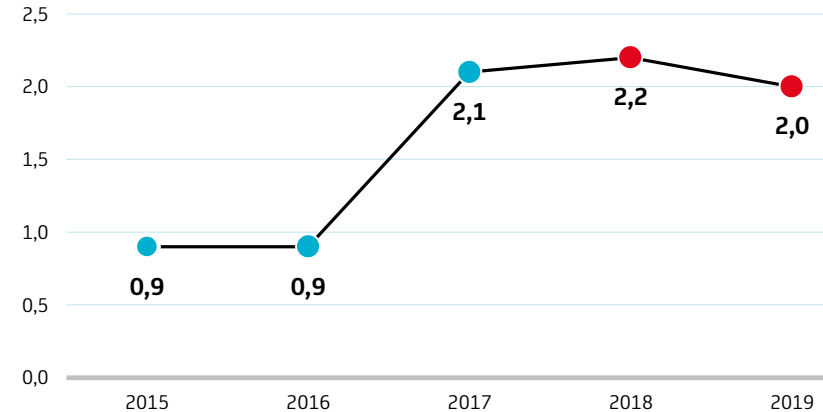
Annex

Economic Conditions in Austria

Economic growth (real, yoy in %)

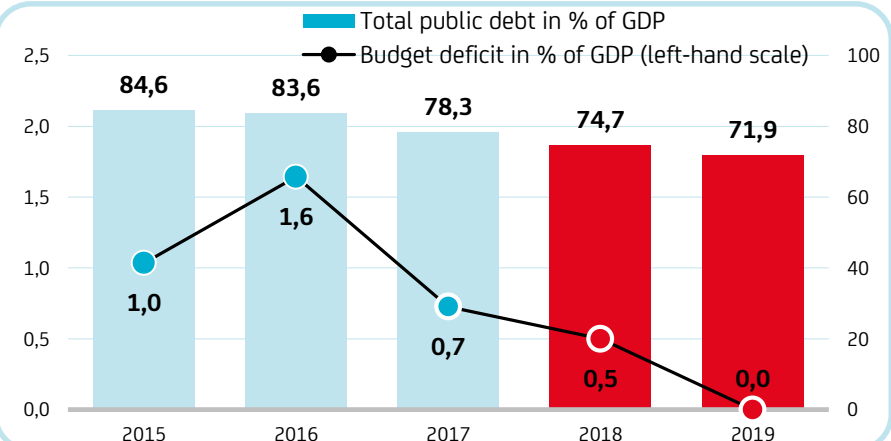


Inflation rate (yearly average, in %)



- The boom continues, but momentum has slowed, amid rising geopolitical risks and trade tensions. We are sticking to our forecast of 2.8% for 2018. Growth will remain broadly supported in 2019 as well. At 2%, we see GDP growth again above the long-term average.
- After inflation figures were below 2% during the first months of 2018 on a steady basis, the rate has moved upwards slightly since May. Higher oil prices and the slightly weaker euro in comparison to previous years are fueling inflation. With an average of 2.2% in the full year of 2018, we expect the highest inflation in six years.
- The official budget estimate for 2018 provides for a reduction of the deficit to 0.4% of GDP, following a deficit of 0.7% of GDP in 2017. A balanced budget is planned for 2019. Thanks to the low new borrowing and further reduction of bad bank's portfolios, total public debt as a percentage of GDP will noticeably fall in 2018/19.

Budget deficit and total public debt (in % of GDP)



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Rating Overview

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Rating Overview

	Moody's			S&P		
	Long-Term	Short-Term	Subordinated ¹⁾	Long-Term	Short-Term	Subordinated ¹⁾
Bank Austria ²⁾	Baa1 Developing	P-2	Ba1	BBB+ Negative	A-2	BBB-
Public Sector Covered Bond	Aaa			-		
Mortgage Covered Bond	Aaa			-		
UniCredit S.p.A.	Baa1 Stable	P-2	Ba1	BBB Negative	A-2	BB+

(as of 31 October 2018)

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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Austrian Real Estate Market

Overview

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Real Estate Market Austria

- 2018 is expected to become again a very strong year in commercial real estate in Austria. The investments in 2017 with nearly € 5 bn significantly outperformed the record year 2015. The first half year of 2018 started somewhat weaker but the record volume of the previous year remains within reach until year-end. With about 60% of all investments in the first half of 2018 , office properties were the most important asset category – with strong demand and a limited offer having led to declining yields in all office locations.
- The Austrian real estate market has the well-earned reputation as a relatively stable market. Real estate analyst IPD/MSCI annually analyses an Austrian portfolio consisting of office, retail, residential, logistics and other properties. Though annual total return has never achieved double digit growth since the beginning of the analysis, it has also never dropped into negative growth. Even in the crisis years 2008/2009, annual total return amounted to around 4%.
- Residential real estate prices in Vienna have risen considerably in recent years. Nevertheless, price increases slowed down in the first half of 2018 . Price development in Austria (excluding Vienna) develops more robustly than in the capital.



Austrian Real Estate Market

Prices for residential real estate

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Real Estate Market Austria

- After a consolidation at the end of 2017, the prices in Vienna increased once more in the first half of 2018. In the second quarter of 2018, prices rose continuously by approx. 2%. The forecast for the whole year 2018 is an increase of approx. 4.25%.
- In comparison, prices in Austria (excl. Vienna) - with 2.8 % since the end of 2017 - have shown a stronger development than in Vienna.



Austrian Real Estate Market

Investment Property Databank (IPD)

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Real Estate Market Austria

- Real estate remains attractive for investors looking for yield.
- As long as property investments offer higher yields than alternatives such as government bonds, demand for real estate will remain high.

Top yields for real estate investments vs. yields for Austrian government bonds

- | | |
|---|-------|
| • Office top yield in 2017 | 3.75% |
| • Yield for Austrian Government Bonds (10Y) | 0.60% |
| • Spread | 3.15% |



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Austrian Legal Framework

Mortgage and Public Sector Pfandbriefe

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Legal situation – Austrian covered bonds

Austrian Covered Bonds

Pfandbriefe

Fundierte Schuldverschreibungen

Hypothekendarbankgesetz
(Mortgage Banking Act 1899)

Pfandbriefgesetz
(Pfandbrief Law 1938)

Law of 1905

Bank Austria



Comparison Austria vs. Germany

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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



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CFO Division

UniCredit Bank Austria AG, Vienna
as of 31 October 2018

